

Q3 2021 Earnings Call

Company Participants

- Andre Augusto Telles Moreira, Chief Executive Officer
- Unidentified Speaker

Questions And Answers

A - Unidentified Speaker

(Starts Abruptly) plus 10% over that, so it will be 20%. So this maintenance of the high inflation level, it is favorable. In the NAV level that impacts Taesa, the impact it has on financial expenses. This is favorable for us because revenue will be accumulated will go up in an accumulated way.

And when we talk about the IGP-M, the IPCA and these rates, it's extremely favorable to us as it has been during the last two cycles, the stability and even though based on the result. But if this happens, it is favorable because the revenue is 100% protected. So it's protected, is up, but the financial expenses increase. Yes, this is bad, but increases less, and it will have a low impact. So the inflation -- high inflation is favorable to Taesa in the level of the accumulated revenue independent of the impact and the delta remains. So that is what I had to say.

Thank you, Eric. Now, I'm also going to take the opportunity, and I think that we have an interesting question. It's about leveraging and perhaps you talked about the level of leveraging. But we have an investor question saying that at this level, let me talk about dividends, investment, he asks, if the future of the company would be at a risk to -- have to put these thing -- these three thing combined as level of leveraging is 4.3. So would the future of the company be at risk based on this?

Well, this question is excellent. Thank you very much. Because I spent half of the day talking about this subject. And what I can say in relation to the leveraging of Taesa is to tranquilize it, because we have a very comfortable level for our business, but the debt, isn't it high? It's high for a company that has a constancy of existing in the business and you don't have a concession contract for determine time. We have a contract for determine time. So we have an investment, which is an expense which is very high. So, November today has an EBITDA level [ph], but the EBITDA level over the last 12 months is one and the debt is the maximum.

So during the next 12 months, this drops and during the years have you amortize your investments, the net debt drops drastically. So in these cycles that we have rise [ph] assets and for a stable revenue and long-term five years with extremely competitive. Our leverage level is absolutely comfortable and we have no difficulty to access the market due to this. So our challenge is actually is that this leverage drops during the years, because EBITDA in investments and amortization is happens and then it drops.

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So my challenge here in Taesa is not to access the capital market is not to decrease, this is to defend it, is to maintain a leverage in time that can maximize the value of the shareholder and we do this with investments. So, if we're not able to be successful with the investments is that it drops so quickly and we don't have any problem over 4% is totally temporary due to the investment curve that we have in the operation of the business. So the current level of leveraging does not compromise much to the country. The challenge is to defend and maintain a leveraging of the new investments with the financial discipline and we have no difficulty to access the markets due to this leveraging.

The next question we have is from Marcus Mathews, and he says the following. You have three projects to end up in February 2022. Will this time frame be maintained or will you be delivering this before the time frame.

Yes, we have in ASG the concession for February 22, but (inaudible) and another one with the same date. When we look at the physical advances they all 90%, 93%. So in relation to the specific days -- date, we will not be able to give this information, but we're going to follow the same model of Janauba. So to deliver everything the quick as possible and with the best efficiency of execution because these five new projects that we're implementing they are RAP of BRL400 million in the participation of Taesa. So it's a very important addition to the results of the company. And we hope that they will be working as soon as possible.

Thank you very much. Thank you for the answer.

We have another one here. It's a question from Fred. So what measures are being taken. When will these actions bring result? Andre will be answering this question, our CEO.

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Thank you for the question. It's also very important for us, we have had the events in our concession area. Recently, we had five towers that fell to damage. We recovered from these events. We also had a balloon drop in one of our lines; vandalism, sabotage and one of the lines. And if we remove these three events, I would say that our level of availability, it goes back to these events, which are absolutely outside the scope of the transmission sectors. So together with the regulating agents ONS and ANEEL trying to justify and obtain resources so that we don't have this impact that we had recently with these three different cases. So the level of availability and the maintenance plan continues to be followed. We are more and more with improvements with new investments, so you can know that this will continue being high and we have invested a lot to give tranquility, especially now, when we are living the moment that we're going through here in Brazil. So this is extremely important. Thank you for the question.

A - Unidentified Speaker

Thank you, Andre. We have a question from Bruno Teixeira. And the question is the information that the materials that are necessary. The materials of these construction have they been delivered, so will this not be impacted by currency movements and by the cost of construction materials. So I'm going to give this question to Luis.

Thank you, Bruno for the question. Well, precisely that during -- in the planning of the building of a -- we have all the equipment which is linked to dollar. These already have been delivered and also the cables which also have a huge impact in the currency variation. So, right now we are in the phase of this building and the foundations of the building is also have been concluded. So right now we basically executing these services and we have all the material which has already been delivered.

Thank you. Thank you, Luis. Well, I have a question here, and I'm going to give this question to Andre. This question talks about just one minute. This is about strategy. Bruno, good morning, congratulations. The assets are indexed to the IGP, how is the company strategy itself for new concessions, especially in a business that is more and more competitive. This is a question from Bruno Teixeira. And the question is for Andre.

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

It is totally aligned with our strategic planning. We have some -- remembering that our strategic plan is growth, efficiency and Opex and Capex regulatory management, sustainability and governance. And the regulatory management is totally linked to this concern that you have, which is ours as well. And we know that in Taesa from 230, 231 some concessions expire. This is not going to happen short-term, but we already are preparing to -- for the necessary measures to evaluate and study very carefully and follow these expirations of category two, which will happen in the middle of 2026, 2027 to follow and see how this renovation is going to be, or we don't know exactly what's going to happen, but we do have this concern. And parallel to this, what are we doing. We have an ambitious growth plan and we are investing as I've already said for the next bidding processes and we are also evaluating mergers and acquisitions. So within the strategic planning, we contemplate all these concerns that you are sharing with us and they are absolutely aligned in this aspect. Thank you. Thank you, Bruno for the question.

A - Unidentified Speaker

Thank you, Andre. We have another two questions for you. One is about the Andre some time you're asking about any evolution in the assets? How does the company see this discussion? Well, Andre --?

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

My namesake, this is a discussion that we've had with our partners, the -- about assets, We've had these conversations evidence since the beginning of -- the end of last year and we've kept this it is in our entrance, if it makes sense to everyone, the partners and us. We would like to continue deepening to have a 100% of the management of the assets and have a better management of the company as a whole. So, the response is yes. We continue to evaluate, study and deepen our evaluation in all the assets to be able to give continuity to this process. Thank you for the question.

A - Unidentified Speaker

Well, great. Andre. Now we have a question, which I think is important, first one, so which is about, if there is any new evolution about the Cemig [ph] announcement of its participation in Taesa?

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Well, this also we have -- we're involved in this -- this system linked to our controller and we don't have any influence in this type of decision for us in Taesa to come. Everyone, it doesn't make much difference. The type of controller that we have. We work with the strategic planning to make the company grow and be more efficient safer and to be a core company to work in. So nothing changes in our strategic plan or day-to-day. And these discussions of changes of control do not alter our rhythm. And we also don't comment this, because we don't have any control over this. So I think it's important to clarify this to everyone. But thank you very much, Christian, and thank you very much, Andre.

We have dealt with all the questions. So I tried to sort of accumulate. We also received a series of congratulations for our excellent work. Not having any more questions, I am going to finalize this call and remembering that Investor Day on the 3rd of December, as Eric said it's going to be an event to talk about who Taesa is, because you know Taesa and the stock exchange. And we want to show you that it's a different company, and it makes transmission looking. So we want to show a bit. Yes, we have good news to tell you, we were expecting you all and please register. Thank you very much to everyone, and we wish you all a wonderful day.

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