

Y 2021 Earnings Call

Company Participants

- Alexandre Nogueira Ferreira, Regulatory Affairs & Strategy
- Mauricio Perez Botelho, Chief Financial Officer, Investor Relations Director
- Unidentified Speaker

Other Participants

- Guilherme Lima, Analyst
- Unidentified Participant

Presentation

Unidentified Speaker

Results of the Fourth quarter of 2021 of Energisa. This video conference is being recorded and will be available in the IR website, where we have available these presentations as well. Should you need simultaneous translation, we have this tool available on the little globe icon [ph] of interpretation in the lower portion of the screen. A bunches in that choose your language, Portuguese or English. If you choose the English, you can silence the original audio. If you touch upon original audio muting Q&A should be sent by the icon Q&A upon the lower portion of the screen as well. Your names will be announced and your question will be made live. Then your mic will be enabled.

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So take into consideration -- future considerations, now the floor is with Mr. Botelho, Director of Financial -- and at this point, Mr. Botelho has the floor.

Mauricio Perez Botelho {BIO 2105889 <GO>}

Thank you. Good afternoon, everyone. It's my pleasure that I start this conference of the disclosure of the results of the fourth quarter. I have Ricardo Botelho, EVP; Alexandre Ferreira of regulation as well. (inaudible) responsible for grades. Mr. Tovar, Corporate

Finances; and Mr. Fernando Maia; and (inaudible) is the Regulatory Strategies. You will note during the presentation, Page 3, a summary of the main events of 2021 and that affected the early days of 2022.

So let's go to Slide number 5. What we see here is that the states think in all ways 2021 has made -- has advanced 2.5 folds compared to previous years. Energisa para (inaudible) southeast and Tocantins are highlighted here. Especially when it comes to textiles, metal work, minerals and non-metallic ones, industrial was the flagship, 4.5 fold. A comparison that is an equal because when it was the most intense period of the pandemic, textiles grew 1.7 fold, motivated for the opening of shopping centers or reopening rural was a little shy depending upon climate situations, especially over the last quarter, especially in Mato Grosso state. If we have a comparison here without the effect of the pandemic, 2019 we have a fourfold growth.

Next Slide number 6, please. We have the performance of the fourth quarter 2.6 fold compared to previous year. I'd say here that they are anomalies. Compared to other years the fourth quarter had peaks of consumption. And what happened in 2020 was expressive a drought that was of extreme proportions, heat we had a little rates of rainfall, and it impacted most regions of Energisa especially Central, West and North. Impacting as well and is brought the reading calendar that was lesson. And the agro business -- agro business. Household consumption dropped a little. The fourth quarter was quite high and it's directed under same impact, the rural segment with less use of PFOs [ph] and the commercial segments we had extreme temperatures in the first quarter of 2021. Likewise it happened in 2020.

We had seven-fold year. And if you see minerals, metallic and non-metallic, we have Tocantins, Minas Gerais and Southeast. The performance was more modest and shy than 2020, when the demand was quite high accordingly to that moment.

Slide number 7 now. I would like to open here for answers here, a comparison. We see shows that since '95 (Sic - 2005) or in other word 17 years, the potential of growth and these sector in Brazil in average per Energisa rose 2.2% above the average, the national average. Only in two moment over 17 years, we had negative numbers. Given the factors that we have mentioned here and for the fact that the pandemic, so some time to actually the accounted for within the results. So we actually accounted for that a little later than it actually happens.

Energy losses. Congratulations to the team of Energisa in this sense. The indicator is in around 18.9%, 0.85 percentage point compared to previous years a rate evolution. (inaudible) were acquired in the end of 2018 and had a certain points the indicator was below the regulatory rate. In 2021 it was negative 0.7%. 2020 by the end of that year, that indicator was 0.60 percentage point above the regulatory rates. Energisa Rondonia a reduction that is rather expressive 2.41 percentage points reaching in 2021 and 2020. 4% above the regulatory framework, our threshold in other words.

The previous point was like 21.13% [ph] in the evolution of the indicators of losses or liabilities of the group. We see here and it's important to emphasize that we have an

strategic plan, still make up for the previous years liabilities. Here I highlight the indicators of quality. We have expressive in the DEC hours and DEC regulatory. Tocantins and Rondonia, and both that's the best results by far. You see the numbers expressed here 1.23 ahead 2020, 9.75 in FEC is second graph. And you see that only one was below the regulatory framework. It's actually an accomplishment of that region. Our 11 concession areas are below the regulatory point and are in their minimum levels historically speaking.

Slide number 10 now. We have default we closed or we sealed the years with 12 last and in the previous years, it was around 20. We have a defaults, we have betters and predators. Compared here in the fourth quarter we have an increment here, BRL47.4 million jumping on to BRL384.4 in 2021.

Next slide financial highlights. Next please. We can see the DEM as all here stable. Pre-pandemic here with a nominal face value reduction here in the accrued numbers. When compared to '20 we had an increment of 11.2%, 1 percentage point above the inflation. The basis was very low, Energisa work hard to cut costs, probably the best company in this sector to have cost cutting or app cost cutting.

EBITDA that has to do with the company as a whole, BRL628 million in comparison to the fourth quarter of 2020, reaching a total of BRL1.7 billion in the period. Those developments in the -- with the incremental parcel number 3, an increment of BRL2.2 million including adjustments and tariffs -- inflationary tariffs, non-recurring numbers.

We have PPA have related Rondonia, 55.9%, and some labor-related agreements. EBITDA cash flow wise have a growth of 37.6% and reached the point of BRL1.3 billion. The accrued to -- annual accrued, BRL6.6 million or in that order BRL2.6 million above the same period in 2020. Without a doubt, BRL1.75 million or 55% growth in that order.

Next slide please, number 14. We are not going to talk here about the regulatory EBITDA. With the highlights here, latest acquisition Rondonia. Energisa was well going -- quite well here with BRL227 million after having had an EBITDA that was negative in 2020. Year-by-year we are growing and reaching the regulatory level. We have talks about a lot this level, it has gone about 44.9%, BRL77 million, and it has reached BRL156 million. If these companies are changing and firm into the trajectory to deal with the performance -- to add certain performance.

Net revenue, BRL583 million, the point 203.4%, that means that in the previous year it was BRL192 million. 90.9% growth in the accrued, BRL1.46 million more than 2020 in the same period. Considering the adjustments, subscriptions and fiscal credits that was accounted for the first time in the state of Acre. Among other effects in the cash flow it had a growth of BRL708 million, 67% in growth without the non-recurring events.

Next slide, let's talk about the indebtedness in the fourth quarter, we had a level of BRL15.2 million, an increment of BRL576 million compared to September 2021. The company have many operations of rolling over that line extension with the last quarter with BRL2.6 million. Following here as you can see here in this graph, a position of cash

flow rather robust that is expressed in blue here compared to the BRL6.6 billion in September 2021 and BRL6.9 billion in 2020.

And this is a slide we have the indicator of leveraging EBITDA for effects of covenants. Covenants it's been dropping -- it's been improving with a reduction of 0.8 times comparing this indicator of EBITDA. Our covenants in net indebtment is 4.25, a lot of flexibility to keep on going with our efforts for acquisition and growth. I would like to reinforce here, going into acquisitions that we disclosed in February, the agenda, regulatory agenda is still undergoing approval with a net debt of BRL1.7 billion. Long term a very competitive and this operation will have a pro forma increment of 0.3 times compared to the net that's compared to the EBITDA indicator.

Investments BRL4.2 billion very robust 52% more than 2020 and 32.6% compared to 2019. 2020 on the account of the pandemic, we had some cuts we had some reductions. This increase happened in energy assets is growing 88.8% annually, and investments 73.6% conditioned for concession areas. And considering here the ones under construction. Non-regulated ones, we have BRL326 million. BRL191 million were leveraged, invested in a photovoltaic power plants with a capacity around 78 megawatts minutes.

Investments, the plan for investment for 2022, it's record BRL6.8 billion, BRL3.8 dedicated to concession areas, BRL1 billion will be for the generation of distributors, BRL156 million for other concessionaires. Other investments in the order of BRL154 million, BRL3.8 million, BRL2.6 million in concession areas of Rondonia, Mato Grosso, Mato Grosso do Sul and Acre, this different states. BRL677 million, 3.3% to Acre and 26.2% to Rondonia states.

Distributed generation, EDC BRL1 billion, encompassing the acquisition of Vision in the end of January. A total of 41 units of smaller sources, 46 big megawatts between 2021 and 2023. I think this is important at this point that Energisa has been positioned strategically, since the acquisition of best Alsol in 2019. And the line is something that we have brought into the mix. So that we can have the legal framework, making sure that it's all in place. And by 2024, we want to add 460 big megawatts. Distribution BRL362 million, 6.5% of the total of that value. That encompasses Tocantins one, BRL224 million and Amazonas that will have BRL75 million.

Next slide. Transmission, a segment that has had major relevance in the group. And in terms of risk and distribution, I have the enterprises in greenfield, it's very challenging. And since 2021, we are working on projects and investing a total of BRL1.7 billion, 57% or BRL2.9 billion foreseen, BRL821 million only in the year of 2021 in December.

In December of 2021, we had the projects Energisa Bahia [ph] state number two. Two months before the foreseen date it was ready, so we have the record of 91.39% of RAP. Of BRL39 million is delivery ascertains the use of CapEx and the good management and potential lives in the return on investment to our shareholders. All investments are in the program and we have premises of anticipation of CapEx in all investments. I'd like to point out that we are the winners of Mac V [ph] a substation in Amapa state. Investments, BRL122 million, BRL3.2 million RAP is investment, is part of the constructions for the

servicing of Macapa and will bring more trust. And we have the signature of the concession on track by the end of March.

Next slide. M&A transmission in other words, mergers and acquisitions should transmitters one in Amapa and one in the region of Rio de Janeiro, Gemini, and the acquisition of GPTE in this total of investment BRL924 million. Let me see what else here. Just two, four numbers. Gemini has 1,000 kilometers and the other substations in average 3.63%, 1,000 kilometers. Energisa Paranaita, the total of operational revenue will be BRL364 million.

As I mentioned before, we are undergoing the process of approval along with Cade and Aneel, the regulating organization. This is revenue wise concerning transmission for projects -- for that are operational. Three are undergoing a construction and after Gemini will have the 11 concessions in our purchase volumes, pro forma BRL175 million plus. The Amazonas I partially ready and Para II and GPTE acquisition in February 2022. For 2021, the RAP of the company was BRL124 million, a BRL100 million Para I and RAP BRL122 million. Hence we had some areas that were ready beforehand with bringing the RAP to around 130. And now we are decides Amazon in that region we have focused on the projects having been ready beforehand. And that can be -- and if something that will bring back many of our shareholders. If we think altogether, including Gemini we'll get to BRL676 million RAP pro forma 2021 and 2022.

On that note, I would like to close this presentation and open for Q&A.

Questions And Answers

Operator

Now we'll start the session of Q&A.

We ask you to ask your questions all at once. And wait for the response for the company. Use the button Q&A and write down your questions. Your names will be stated, so you're ask your questions live. When it's your turn your mic will be enabled. Please hold on a second, while we have the questions together.

The first one Guilherme Lima, Analyst sell-side. Would like to enable your audio, so that you can keep going.

Q - Guilherme Lima {BIO 21017551 <GO>}

Good afternoon. The first one concerning the RAP for 2022. We would like to think about the tariff rates and distribution. How is that evolving along with the regulator? And how we can do that without underrating the company?

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

I'll divide the response in two here. Alexandre will help. And about the first part, Mr. Daniel will respond.

FINAL

Q - Guilherme Lima {BIO 21017551 <GO>}

Good afternoon, Guilherme -- Mr. Guilherme I stand corrected here, not sure than (inaudible). Compared to 2021, there was an increase -- as for comparing to 2022 there is an effect of tariff levels that changes the revenue. 2020 was rather dry due to droughts. 2020 as Mauricio mentioned, affected our capacity. So all-in-all, it was those effects that affected. And we are looking for a search for a reduction. We have COVIDs and many other points that are challenging us as per the international scenario.

But other than that it's Alexandre. Alexandre, I think you can go on to the second point.

A - Alexandre Nogueira Ferreira {BIO 19917568 <GO>}

Good afternoon, Guilherme. Concessions wise that is a subject that raises questions in the market. This morning we had a feedback from a meeting that we had with some investors from the ministry, that is responsible for the renewal of the concessions. We believe that this is a theme that is evolving. We do not believe and have a burden in any of our clients. And the ODL [ph], which is the our next pedal, drag on to us -- if you will. Will probably help us have this indicate them -- indicates values without this burden that you speak-off.

Q - Guilherme Lima {BIO 21017551 <GO>}

Thank you all.

Operator

Our next question is by Daniele, analyst sell-side.

Daniele, we are enabling your audio, so that you can continue.

Q - Unidentified Participant

Hi everyone, thank you for the opportunity. We have two questions. Distributed generation, qualitative, do you have a CapEx, actually you have a CapEx that is rather high for 2022 that's caught us by surprise. I would like to think in terms of the future, if that keeps on going that very same way for the next years.

And the second question more quantitative, if you could actually share with us the level of CapEx per megawatts installed that you see in the distributed generation. And if you could tell us in terms of the ROI [ph] in that sense?

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

Daniele, it's a pleasure to have you here. It's understandable that you'll -- you are surprised, it's our role to surprise you. Positively that is -- that must continue in 2023. As we mentioned, we want to add around 460 big megawatts with updating the prices. Roberto [ph], if you will help, it would help me, please bear with us.

A - Unidentified Speaker

The rates of ROI is certainly above distribution. I wouldn't like to talk numbers here, but it is about ROI [ph] in the order of 5 peak watts.

Q - Unidentified Participant

Thank you. Thank you for your answer.

Operator

I'll remind ourselves again, that you have to ask your questions on Q&A in the lower portion of the screen. Your names will be stated and you'll ask your question with your mic enabled.

Our next question is by (inaudible) we are going to open your mic, so that you can go on. Please, the floor is yours.

Q - Unidentified Participant

Hi, everyone. It's a question that is rather brief. I would like you to help us see a scenario. In the beginning of '22 you have the default that had changes that were rather drastic from early 2022 compared to the previous quarter. When we look at the -- monthly analysis you had some recovery, I would like to understand a little how this dynamic is foreseen for the early part of this year?

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

Thank you, Adilya [ph], it's a pleasure to have you here. Typically, there is a recovery in December to the campaigns that take advantage of the 13th salary that happens at this point. We have also taxes in general, car taxes, children schools and you see other expenses this February especially on February 25. Carnival was a bank holiday and you see a drop abrupt in early February -- in early March, actually, stand corrected. But we are going towards the end of the month with a recovery. Compared to the early months it's a trend that we have to fight to have it -- above a little more, but we are working actively on that.

Q - Unidentified Participant

Now, when it comes to the elevation, the increase of tariffs and the scenario compared to the average of the population. Are you concerned with the DPPV [ph] of this year?

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

We have an inflation, we have a scenario that is concerning. Now nevertheless on the other hand we have sectorial loans, that actually helps soften the impact of our problems. We will probably move on to the green tariffs, green flag tariff, that helps. It is a concern if we would have a continuity or a constant high level of inflation without the population able to recover from that. That would be a concern, otherwise no.

Q - Unidentified Participant

Thank you, Mr. Mauricio. Thank you.

Operator

Our next question is by Mr. (inaudible). Analyst buy-side.

Fernando, we're going to open your audio, so that you can keep going. Please go on Fernando.

Q - Unidentified Participant

Thank you and good afternoon to all. Mauricio and the team. Mauricio, we're going back to the theme that we had before. The situation of the both PMVA -- PS [ph], would you have anything to say in that sense? If anything has changed in that theme?

And the second question, if there is any subsidiary event foreseen for the future. If you have any idea concerning the structure and distributors. If there is anything in terms of housekeeping foreseen within the near future?

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

I'll go backwards here in the answers, starting with housekeeping and associate structures. (inaudible) you have an idea of the others are rather small compared to that one. You could have a comparison but they aren't concerning levels, there isn't anything planned as a priority. Someday, you never know, but not for now. Tocantins depends on the state trying to give away their associate area or shareholding positions or giving out on that.

The conditions for the decision of the bank, we have dates. We anticipate in the declaration of dividends. This is the last declaration of dividends to determine the quantity of shares for August. But the conditions are established as you can see. This volatility of the market, especially lately with the crisis of the Russia-Ukraine war, I think we'll do something in the long-term, but I haven't heard anything in terms of movement at this point to change that.

If we have the markets constantly improving this project we'll anticipate the subscription. We have to have subscription of actions and it depends on them as well, to help live the movement of shares. Thank you.

Operator

In order to ask questions you should use the Q&A button and the lower portion of your question your name will be stated and then you'll ask your question live.

If we do not have any more questions, I would like to pass on the floor to Mr. Botelho for final conclusion [ph].

FINAL

Bloomberg Transcript

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

I thank you all for being with us on this fourth quarter, our (inaudible) and presentation of results. We certainly will improve all distribution stations, where Rondonia will certainly improve and we'll have improvements to present in the first quarter. And I bet on the expansion of results. Now at Alsol and other solar energy and other businesses that we are looking at here.

On that note, I'd like to thank you all. Have a great afternoon.

Operator

The conference referring to the fourth quarter of 2021 is now adjourned. The Board is available to answer questions on the -- via e-mail. Thank you.

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