

Key Takeaways From Webinar With CEO

We hosted a webinar yesterday with CESP's CEO, Mario Bertoncini, CFO, Marcelo de Jesus, and more than 90 investors. The topics of discussion included recent measures announced by the federal government and potential new measures to mitigate the financial impact of the COVID-19 crisis on the population and corporate sector.

- Probable renegotiation of free-market PPAs. The company's CEO sees a much lower risk for regulated PPAs, given that only 30% of free-market PPAs are flexible, allowing for a 5% volume reduction.
- Breakdown of PPA volumes: 23% in the regulated market and 77% in the free market. Free market PPAs are concentrated in large companies.
- Solid client profile: gas producer for hospitals, mining (precious metals) and building materials. CESP has no exposure to retailers and small businesses.
- None of the company's clients have declared force majeure, but some have requested a renegotiation of PPA terms. Mr. Bertoncini expects any change to be made on a consensus basis and potential short-term negative impacts to be compensated through the remainder of the contract.
- CESP has a moderate short position in 2020, and must therefore purchase energy in the market. However, the extremely low short-term energy price will offset the short position with gains.

CEO's view on GSF and energy prices. CESP estimates that the GSF will be below the CCEE's current expectation of 0.81. Mr. Bertoncini believes that the COVID-19 crisis could have a negative impact on long-term energy prices, but they should return to previous levels after the crisis.

Strong cash liquidity position. CESP ended March with a positive cash position and zero debt amortization obligations in 2020-21. The company is in a very comfortable situation to face the challenges of the COVID-19 pandemic.

CESP does not expect to disburse any relevant amount in settlements related to its contingencies during the COVID-19 crisis. According to Mr. Bertoncini, the company will preserve cash in the short term, but may announce settlements during the second half of the year, continuing the de-risking process.

There have been no relevant developments in the HPP Três Irmãos process since the end of last year, but the judge could rule at any time. According to the company's CEO, the judge will probably request that the expert responsible for the appraisal report address the issues raised by both parties in order to have enough information to make a ruling. Once the first instance ruling has been made, CESP could try to negotiate a settlement with the federal government.

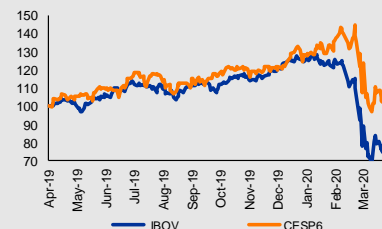
CESP is not interested in acquisitions in the short term. Mr. Bertoncini noted that the company's focus in the first two years following the privatization would be to conclude the turnaround process, reduce contingencies and prepare for growth.

Ticker (local)	CESP6
Target Price (YE20)	BRL 36.0

Stock Data

Current price	BRL	26.17
Upside (YE20)	%	37.6
52 Week high/low	BRL	36.36/21.94
Shares outstanding	th	327,503
Market capitalization	BRL m	8,571
3-mth avg daily vol.	BRL m	83
Performance (%)	1m	12m
Absolute	-7.6	14.4
Vs. Ibovespa	-3.1	34.7

Company x Ibovespa



Source: Itaú BBA

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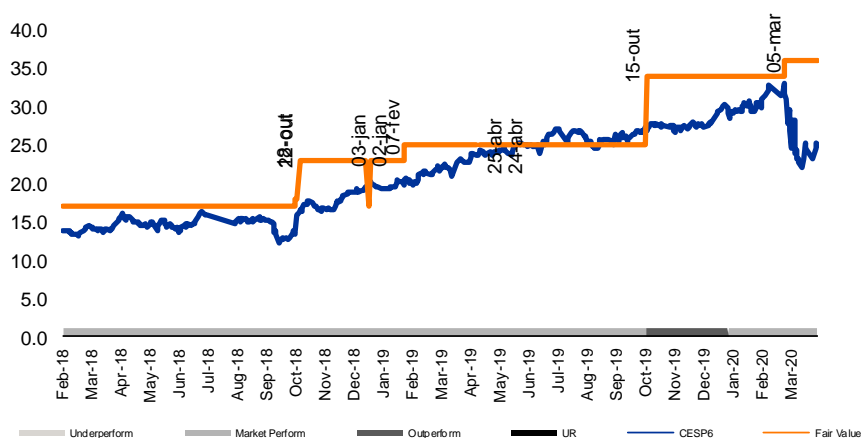
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Cesp PNB	CESP6	26.17				X	

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Cesp PNB



Source: Itaú BBA

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