

GEB, Results Conference 3Q22
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Manuela Ramirez: Good morning everyone. My name is Manuela Ramirez Financing and IRO in Grupo Energia Bogota. Welcome to our third quarter results call. This conference is being recorded and the presentation we will see today was sent yesterday and it's uploaded in our Investor section of our web page.

In the right corner of your screen, you can ask questions at any time in the Q&A section. Please state your full name and the company that you represent so we can easily identify you. Now, let me introduce you to Jorge Tabares, our CFO, who will lead the call today. Jorge, good morning.

Jorge Tabares: Thank you, Manuela. Hi, everybody. Thanks for the Interest and the participation in our call. You can move to the next page please. Well, the four items as typically that we will cover our listed here as a as a key message. I will emphasize that the results of the quarter and the accumulative results over the nine months are quite positive and are a result of the diversification of the portfolio and the industries in which we participate, which are all quite resilient on our demonstrating significant growth. Over the last few months and we are able to deliver positive financial results on the back of mainly higher volumes, higher quantities consumed by the clients across the portfolio go to the next page please.

In terms of recent relevant information, a few of the companies have received recently. In terms of the snapshot, on the left, we see an EBITDA, these figures are in million Colombian pesos. We called billions here in Colombia, different from the COP824 billion during the quarter. And that is a 26% increase over the previous quarter. If we normalize in the in the quarter of last year, we receive an extraordinary dividend from Enel of 529. Which was the last dividend that we were receiving from an Enel after the Agreement with the partner in terms of dividend payout of a cumulative dividends of the of the previous five years. So 26% normalize well. It's a key highlight of the of the quarterly results and you see all the business segments show increase and positive contribution of the EBITDA. In terms of geography 60%. It came from Colombia with a 26% growth and and the region deliver 40% with 27% growth.

The net debt to EBITDA in the middle of 3.3x is higher than the previous one, mainly because of, not not so much because of new credit, but mainly because of the conversion of U.S. debt to pesos. We did take some new date but the most significant part of the increase to 3.3x is associated with the re expression of US denominated debt. We still consider that 3.3x is a comfortable level and allow us to to continue growing and we will see in the next quarter the impact of the additional debt that we are taking to fund the Brazilian acquisition.

Both they are ROE and ROA are at a healthy level, lower than previous than the previous quarter of last year, mainly associated with the additional equity created by the merger of Enel entities. Again, associated with the agreement with our partner. In the bottom we see very healthy growth across the metrics. On the net income from the control entities stayed at 754, with a 6,2% increase.

And finally on the Capex on the bottom right, 104 million U.S. dollars, 29% increase. We are gaining pays in our organic infrastructure projects. And that is reflected here in this growth. We wanted to show here on the far right. Key drivers that support the the the positive financial results over the

quarter, we saw a 14% of depreciation of the of the peso and both the international PPI and Colombian PPI are are are very high rate which are captured in few of our businesses. In terms of the indexation

We saw a updates and confirmation of ratings not just in GEB but also in TGI and in Calidda. It's quite comfortable about the support of the rating we have are two notches above the the sovereign in Colombia. And we have one notch over investment grade which we feel is the optimal level in the long term. We had a initiative from the government in the middle to reduce tariffs, this is associated and have more information later, but associated with those high PPI's that I mentioned, the tariffs in Colombia are associated with that, and what the government suggested was as a voluntary action from the from the industry players to deflate vy the PPI and then index again through CPI, which has been a lot much lower in the last two years. And two of the companies agreed to do that. Our transmission business, as you see in the bottom in the middle and and Enel decided also to participate in that. This is on the back of of very high increase in tariffs that we had seen in Colombia more than 40% in some cases more than 50%, in general, in Colombia over the last 12 months. We consider both companies our transmission business and I'll consider that the it was positive to provide a relief to to the final clients. The financial impact is moderate and it's a one time impact for 12 months.

On the top right, you see the our we have been making progress in our acquisition in Brazil. Basically, our financial all approvals have been secured by Brookfield, the seller. Aren't we expect closing of that transaction by the end of November we're getting the final approvals for from our for our lending borrowing in order to pay for that acquisition. Finally, TGI on the bottom left completed a repurchase of part of the bonds that are due in 2028. With an initial target of 150, we reached \$156 million in very positive financial conditions for the company, but most importantly as a key tool to manage exchange rate risk if the correct resolution that moves the income from pesos to from dollar to pesos in TGI. If that is actually at the end confirmed, which is an ongoing process, this action will reduce significantly the cost of hedging for the company.

The markets in which we operate are growing at a very healthy rate and very consistently. You see the different quarters for the last three years, both in Colombia and gas demand in Colombia and electricity demand growing at. 8,4% year to date over the the nine months. And that, as I mentioned before. Is has helped us in our quantities sold to customers and and is shown in the positive financial results were showing. The same situation has occurred in Peru's, most importantly in gas demand, which Calidda has been able to capture, some of it growing year to date at 12%. Again, very healthy growth rate in Peru. Or we'll see in in the in the results later.

There's of operating income, most of the increase is organic some of it is reflected in higher gas volumes, which we have been able to deliver. The 28% increase this is quarter over quarter in our operational income, mainly associated with the revenues 436. Some of the cost we are seeing. Are are the the cost increase? Our combination of hyperinflation. And a much higher activity, like Khalida has more has. Many more clients that previous quarter. This is more than 300,000 more clients than the previous quarter. On many more kilometers of of gas to to maintain of gas distribution lines to maintain and that is reflected. In the additional cost that we are seeing, but the margins are being protected and and sustained.

We are seeing also if you look at the revenues on the bottom left, this 31% also captures start to capture Elecnorte which is the transmission business we acquired in Colombia and we're starting to capture those benefits. The FX effect is the main impact. Overall, all of the increase and that is a reflection of the diversification of the portfolio and the US dollar. Currency that we have in some of our operations, mainly calida and and currently TGI. When you see the different business like the different blocks of the two bars. Ohh all of our businesses are contributing so so diversification and all businesses delivering higher revenue and and higher margins also. Looking at the administrative expenses. We have a slight increase of 7%. And I I say it's light because the inflation levels we are seeing in our in our countries of operation are are much higher than that. I highlight that.

Brazil is the from the three main countries in which we operate is the one is most advanced in the control of the inflation we're seeing inflation IPC in Brazil that are health. Of what they were at the peak. And that's because they're central bank took actions very early on when we started seeing signals, when they started seeing signals of inflation in the country. I'm in the operational. Of course. Again, some of the increase and especially in the natural gas distribution, which is a significant increase of 35%. I have to say is we are in a controlled cost environment. But the. The higher number of clients and the most bigger operation because of the growth in connections we have been able to deliver in Calidda over the last few quarters. Is reflected here in that cost increase.

The EBITDA dot is showing very positive results. I highlighted the 26% and increase of 173 million pesos. And you see here the normalization of 529 the red block. To compare the previous quarter to this quarter and when you look at the. For businesses natural gas and transportation and distribution are the highest contributor to the increase to the increase on our EBITDA.

The reported numbers are gonna show three 355 lower with a 30% increase, but that's a a non normalize and anon. Recurrent figure the recurring figure is 824 and compares to 651. And when you look at the everyday by business on the bottom right? You see also. Double digit. And and much higher than that increases across business lines. Ohh. Very healthy. It'd be the figures in 1/4 that we did not receive dividends from from non control entities.

The net income, the 6% increase in the net income. Uh, it's affected by the additional financial expenses we're seeing an increasing financial expenses about 50%. And that's despite having. Around 70% of our debt portfolio. At a fixed rate. But the the few the the few remaining that portion. It's cost are increased by the higher CPA CPI In Colombia. And this is impacting this 288 and the 64% increase in the financial expenses. We are not expecting to have a significant impact on the current high interest rate environment. As we are what great extent or have to a great extent, very moderate maturities over the next two years on impact the higher one we have already secured the the financing.

So this this financial, this increasing financial expenses is something. That we do not see. Growing further in in the future. And the second biggest block of this increase in our net income is the equity method in the middle 571. And and the composition of that is explaining the bottom of the chart. A healthy broth at a nail with 5.4% that's the but by far the biggest contributor to our equity method. Aren't all companies showing an increased except Argo in Argo the reduction is due to the as I was

mentioning before, the control of the inflation in Brazil. Because of the accounting rules, the concession is valued as a financial asset and when the CPI, which is the the key but the the key factor that index the revenue of the company is lower. Those revenues, those revenue projections are lower and it goes to the PNL, unfortunately it shows some volatility in the PNL. It does not have an impact on cash that reduction of the 41 in the Argo during the quarter.

We do have the the in in the others. A minor impact in GEBBRAS also, but that is reflected on a monthly basis on on a. Biannually basis as opposed to argue which does it in a monthly basis. And all other businesses are are showing a higher contribution contribution. So those are the two main blocks that explain this 6% increase in our net income. We can move to the next one. The debt composition as I was mentioning 3.9 billion this this figures are in U.S. dollars. \$3.9 billion of total debt portfolio 71 fixed. And 11. Percent indexed to the CPI and 16% index to live or those two are the ones that are. Umm. Impacting the higher interest cost. Our our net debt to have it, does I mention 3.3 which we think is is healthy and we have a cash position of the end of the quarter of 432 million U.S. dollars. Showing here the the the next few years maturities, basically 2023. The biggest maturities, the 320. \$1,000,000 at Calida which we already financed. So we need to start working on the 24 maturities. Uh, which mainly we have a a GEB syndicated loan which is not 319 after some prepayment. And they come to gas. GEB guarantee 350 million, 255,000,000 U.S. dollars. Again, those two materials are 2024. And here we show the the lower maturity at 2028 with 594, which is the remaining outstanding of the TDI bond after the tender offer that we execute in doing that
October.

We keep our our healthy organic. Topics. Space. In the two step through September, we have invested 408. There were gigantic peace, which is. All the color blocks except the 113 which is the white one, is growing at 33%. And and mainly that's associated with our Colombian transmission business. Once we have. But we are making good progress on on many of the projects we are executing after. And initial relatively long period of permitting. Now we're putting powers on the ground on and connecting cable to to eat. Aren't we maintain also our our our calida operation? Ohh relatively. Fast pace of of investment that we expect to finalize over the next couple of years. With the current investment plans we have in Canada. Our transmission business is the one that extends further out even to 2026. And all of those investments.

Are going to help the the country reliability and are going to help the developments of non renewable energy generation delivery to market. So it's a. Portfolio that supports. The energy transition in Colombia in in a very big way. And has shown the next five years the projection is \$2 billion in our topic in our organic CapEx program. You know, we're as, as I mentioned before, the the profitability indicators here we're showing the last 12 months. In the previous one, we were showing the quarter. And we are a. The reduction that we are seeing from 15.5 to 9.8 again is not a reflection of the profitability of the business, but instead is that the the the nominator as the equity increased. In a significant manner 1.8 billion. Colombian pesos. Due to the merger of the different companies in the Energy Group in the NA Colombia group.

You mentioned some of it in our introduction because this was a topic that was. A lot in the news, at least in Colombia. I think the most important thing to keep in mind is the chart on the bottom left. There was a historical dislocation, very significant historical dislocation between PPI and CPI. And that was reflected in the final tariffs and the utility bills to the clients on the electricity sector. We think that the solution that the government proposed was a technically sound solution. It was voluntary and the bilateral agreements had to be agreed between parties without intervention from the government. Most of the players agree to do that. No retroactivity and a 12 months period. Uh, we'll have that relief to clients. Mention transmission and Enel decided to do that. And in 2022, we have, we expect a very low impact. In 2023 this is 400 in an Enel gross or 100% an Enel Colombia operation. The impact on us is much slower. Us, you have to apply dividend payout and then our 42 1/2%. So it's it's. Basically immaterial. The impact that we will be seeing here. Over the next over the next year and a half year, year, year and a half. Next.

So again, very solid operating results. Not just the macroeconomic environment, but also the diversification has helped us deliver positive results on margins. Most of it is organic or although we are seeing an initial impact of our Elecnorte acquisition. We maintain. Very significant cost discipline. Having a moderate impact on the. Significant increases in the interest environment both internationally and Colombia. On the tariff actions from the CRA. Ohada I'm older impact on the group. With that, we'll open to questions. Manuela and we have. A few of us, we mentioned in the presenters a few of the vice presidents of the group available. To support us in answering questions.

Manuela Ramirez: Thank you, Jorge. We do have one first question from Andrew McCarthy from Credit Corp Capital. He says good morning, what impacts are you seeing from the latest proposal for the Colombian tax reform on your operations? Do you expect any impacts on future investment decisions in your Colombian businesses? I'll say the tax reform in Colombia.

Jorge Tabares: Yeah, it was a. Big tax reform for the Colombian standards? Perhaps twice. What an average tax reform will be the industry, our, our, the energy industries has very minimal impact. The tax reform has very minimal impact on our business. We have a. The main impact of the reform is in individuals. I'm a slight impact on our shareholders. Uh, if they will trade. If they were to trade big blocks of shares, but. To a great extent. The tax reform has moderate impact. There is one item that is still being debated and analyzed because it's not clear which is. In Colombia is called the tasa through passion de Pura, which is like. Umm I normalize. Docs rate or an adjusted tax rate. That was stated at 15% in the reform. Our on our advisors initial view is that that does not have an impact. Or on the group that will be like a minimum tax rate. Stated for companies. We don't think it will have an impact, but we're still discussing it analyzing it. There is a tempers of a 5%, ten to 15% increase in. What is Collocational earnings or nonrecurring earnings Umm, if we were to sell assets that could have an impact. But again is not material. Umm. And then the one item that targets the industry view will be in the hydro sector, in which a 3% tax over tax was. Defined by the reform. So basically moving from 38 to 30 from 3035 to 38%. It will be applied to. Who are genny to companies which

whose majority business is electricity generation to hydro. Probably it will not apply to our e-mail business as written in the tax reform. So overall the impact is moderate and I will say perhaps the biggest impact will be in the overall economy dynamism and if the growth and investment pace of the economy goes down because of the reform especially in the hydrocarbons and mining sectors, that could have an impact on the consumption and on the quantities of probably sell electricity and gas. So it's a secondary order due to the macro environment macro impact of the. Of the reform in terms of investments. We are still willing to invest we think that the environment is still prone to invest and the most so. So the tax reform does not have changed that significantly or materially. Umm. And the most important. Aspect perhaps to inform our investment decisions is the ability to actually do the projects and all the permitting and all the rules that you have to comply with before starting to put infrastructure in place.

Manuela Ramirez: Thank you. Heard him. We have another question from Andres Duarte from Corfu, Colombiana and he wants to know what are you projecting in terms of credit metrics once you found the CapEx expected in Brazil with more credit?

Jorge Tabares: Yes, Andres. So we are in the final stages of approval of our high \$509 million. Loan to GEB that we will be used to capitalize the Brazilian entities that will be there. Queries of the quantum assets. And. We expect that the final metrics to be around four times that needed to have it that which is the key ones that we monitor. In the 4th. 4X range. And that's a level that we consider healthy.

Manuela Ramirez: Thank you, Jorge. I have a question about regulation and it's from Andrew McCarthy. What will happen to the electricity tariffs after October 23rd in the different segments? Will they revert to the levels they will have been without the adoption of the new correct resolution? Umm do you wanna answer that or do you want us to do it?

Jorge Tabares: Is a good question I can answer you. It is a good question Andrew. The what we are putting in our budget is going back to the. It's gonna starting to apply from that point forward. The existing resource regulation, so we are not speculating if that could change or not. But I mentioned it's a good question because. If that assumption is implemented, we, perhaps we'll see a jump in the utility bills at that point around the four quarter of next year. So if that's gonna happen or not is yet to be seen. What the government has said, the Ministry of Mines have said and a lot of and the industries working along with the government is to define what will be a good index to use. So PPI has been used for a long time and this is because the electricity distributors. Have decided that they were. It was preferable to them to buy electricity index to PPI rather than CPI. What is being worked out is an industry index that perhaps reflects better the cost of the industry. And in that case you have kind of two different. Types. Of operations, when you're building an asset. You are impacted by PPI and.

Definitely that. Will need to be incorporated if it were to be done properly, but for long life assets that were built years ago are reflection of the actual operating environment. Cost is perhaps

a good technical solution. You have to be defined. And once it's found. Then most likely that that the application of that new index will be. You not enacted after the 12 year, the 12 months period. All the tariff agreements that we mentioned ends.

Manuela Ramirez: I think you, Jorge. We have another question from Andres Duarte from Coffee Colombiana we have. Actually, three more questions from him. I'll go one by one and please explain the expected accounting movements related to changing the capacity revenue to pesos in TGI asset valuation date and exchange rate used etcetera.

Jorge Tabares: I see on this list of people they at least I don't know if batteries is on. No I can answer. It. No, you didn't want this too. OK so. They there are many different scenarios, Andres because we have been engaged with the crack for. For more than a year now. In terms of what is done, so I think is is and. The reality is that the that. We call it pacification. That conversion to pesos will not be in place by the end of the year, so the earliest we have. As a as an estimate, now it's January. Now they a lot of people in the government and in the in the. In the Craig. Acknowledges that this is perhaps the worst time that you can identify. To make such a change. Because hedges are expensive because interest rates are very high because the exchange rate in Colombia is at a is it a very high point? So OHA, full consideration is being given to to the timing and the appropriateness of this timing to move the. The base the the company from pesos to dollars. There are many.

Different impacts. So one which is uncertain now is OK the the current asset base that U.S. dollar. Need to be converted and exchange rate so the the resolution. The 175 is states that that needed needed to be the exchange rate at December of 2021. Well, now we have one year and. About 800 pesos of depreciation of the currency and so the Craig will need to to decide what will be the the exchange rate that which the assets will be converted. So that's one one aspect. And then once you are there. Again, once you're making such a movement while. Regulatory rate. That acid base will you apply and if you incorporate the recent market changes or or if you apply the one that has been approved by the by the crack. We believe in a, I think. We'll need to listen to the question again to make sure that I answer everything but the the solution that we consider most likely. This is an speculation on our side, so judgment. Is that perhaps the solution is a is a hybrid solution which is not 100%. Copy the nominated, but a combination of US and copy the nominated as some of them. Clearly, some of the investments are U.S. dollar based. Because Colombia industrial capacity and industrial base does not provide all the all the equipment that we need to to develop infrastructure. Can you repeat the question Manuela, to make sure that I answer everything?

Manuela Ramirez: No, I think I think you did, Jorge. We we are. OK, let's go to again Andres Duarte. And can you please tell us that GEB's in main expected operations or transactions involving the capital markets in 2023? It's a rocky year, so can can you answer that one?

Jorge Tabares: We we are so. Say repeat the the first part.

Manuela Ramirez: Please can you please tell us how our main train expected transactions in capital markets in next year?

Jorge Tabares: So so we. As you saw, we have very low maturities. So basically maturities in terms of debt rollovers are covered already. If we do transactions, it will be associated with anticipation of rollovers of 2024. Which with the current market conditions, you probably will say that is. Not necessarily a good idea to do it prematurely. And if we acquired any other asset, we will, we will need funding for that. But at this point, we're not looking at any other asset, we're focused. Very, very. Highly on closing the Quantum acquisition and then the integration of that company into the Argo assets. And execute a successful transaction post closing. So the current view is that. It's just because of CapEx? We may need. 2 to \$300 million. Our main. Our main tool we're looking at is that we have some companies in their portfolio that have some cash and some other companies that have intercompany loans from us. So we're going to, we're going to try to optimize. The internal. Ohh funding and the internal cash. Within the group. In order to, quite frankly, to minimize going to the capital markets because of the complex conditions that. Everybody has a view, but we do not think it's gonna get much better throughout next year.

Manuela Ramirez: Thank you, Jorge. Can you please discriminate the net foreign exchange expense in the PNL between that another?

Jorge Tabares: Discriminate then.

Manuela Ramirez: Things change expense in the panel between debt and other.

Jorge Tabares: I don't have an immediate answer to that and to that Andres.

Manuela Ramirez: It's OK. I think in the world we produce, I think we have that number, if not Andres we can contact you later and see what we can give you. That is public information. So obviously. We have another question from Sebastian Giago. I want Stephen. I lost it from Ashmore. Hello. Thanks for the call and Congrats on the three quarter results. At some conscience on your end. First, can you provide any initial outlook and guidance for key segments for 2023?

If you wanna go buy 1 by 1 Jorge. So if you wanna answer that one the next one perhaps is 400.

Jorge Tabares: But we are seeing. The economy still has momentum in both our two key countries clearly are. Ohh Colombia and Peru and we see good momentum of the economies. The Peruvian political situation is, is. Very. Disorganized and chaotic, but the economy keeps going on and we are seeing a positive. Environment in Peru in Colombia is we're more uncertain. There is a mainly because there are like four additional. It's structural reforms. That are being presented by the government. And what happens with those on and what impact will cause into the investment climate and the economy? Is a huge uncertainty and that comes in the back of of public finances that need to access markets and that will be impacted by the different difficult market conditions that exist in the market globally today. We're still working through it. So I still so I don't have a final view because the budgets are being in place. I know the budgets in Peru that that we are seeing are quite positive, but the main keyboard jets are yet to be approved. So the key there will be the uncertainty on how that could impact demand or not. So far we are seeing. Very moderate signals of negative impact. They economy is still the consumption is still very, very healthy. The dynamic dynamics of the economy is, is in Colombia is quite positive. And we'll see what the impact of. The high interest rates for everybody. Companies, individuals and

government. And our investment Decisions and how that could be impacted by. They're reforms that are being spoken by the government. They're too early to say.

Manuela Ramirez: Thank you, Jorge. This question is for Andres Barakaldo. If you could please discuss the potential M&A opportunities in 2023 after recent moves.

Andres Baracaldo: Hi, good morning. I guess I'll give you the politically correct answer, which I think is the only one that we can give you, which is to say that. We continue exploring opportunities. Obviously Brazil continues to be a market of interest in transmission. There is a set of significant projects that are going to be auctioned next year in June and December and we are having a look at our potential participation in those. And obviously Colombia, Peru was Jorge mentioned our key market for us. So if there are any assets that come to market in those two countries, we'll have a look at it. So obviously we cannot give you the specifics as to as to which opportunities we may be looking at, but we'll continue monitoring and we'll see where the micro barring environment lands next year. And but we continue to believe that we have capacity and we continue to explore potential opportunities that will be. Dude informed to the market if they come to fruition.

Jorge Tabares: The the industry is offering many the the energy transition. It's our business, so it offers a lot of opportunities across the board. And. They're they're positive financial results. Give us some possibilities to to access those opportunities as they arise.

Manuela Ramirez: Thank you. And the last question from Sebastian ago from Ashmore is, could you talk about any progress on how the new government in Colombia is startling, permits and licenses are compared to the previous government.

Jorge Tabares: I think it's too early to say really. There is there is the the government. Yes, for the the people were just appointed. A lot of changes, of course, and a lot of different profiles. Of people appointed. Some some of the narrative is complex. Because from the president down, a lot of emphasis is put on on the individuals and the and the regions and and the. People in in living in the areas in which projects need to be developed. But that comes in the back of a very strict environment in Colombia for permitting so. When you hear that when you contrast that with the extensive regulation and permitting process. You could say that we are in good shape. We are delivering on the on the. Taking into consideration in involving the locals. In every project we do. They they. The challenge for the country overall is that if that pendulum moves farther out in terms of complexity. Of the permitting process. Then then you start. Getting into the risk of not having projects and not having electricity or not having reliable transmission systems. And that balance is a very delicate balance. I don't know if Freddy's, who Leta, which handles this day in and day out, has anything to add in terms of signals that we have seen from the from the government.

Fredy Zuleta: No, actually we don't. We don't see many differences in the periods of time to approve for. And. I since it's or permissions are, everything is continuing doing the relative well. A time. Uh, we have more, you know like. About. Uh communities And asking for things like or, he said. But in the. Why do you have to do with the government? We don't have any. Any. But we don't see any difference in in times Imperials and approvals.

Manuela Ramirez: Thank you so very much. Very thank you everyone. We do not have any more questions. And however, if you think about a new question, you can always contact us at IR that IR at geb.com.co and we welcome your questions anytime. And please don't hesitate to contact us and

thank you very, very much for your participation for have you wanna say something on the To close the call and and we we we thank all of the speakers as well for answering the questions.

Jorge Tabares: No, thank you. We're happy with the results and. We continue having a significant cause discipline and exploring opportunity in this industry that is offering plenty of opportunities. Thank you.

Thanks.