Conference Call Transcript
1Q23 Results
Oi (OIBR3 and OIBR4 BZ)
June 15, 2023

Operator:

Good morning, ladies and gentlemen, and thank you for joining Oi S.A.'s conference call for the 1Q23.

The event will be held in English with simultaneous translation into Portuguese.

Please be informed that this video conference is being recorded and it will be available later on the Company's Investor Relations website.

During the Company's presentation, all participants will be with their microphones disabled. To get in line in order to ask questions, please click on the Q&A icon at the bottom of your screen and write your name and company. After the presentation, we will begin the Q&A session.

Now, I will hand over to Mr. Rodrigo Abreu, Oi's CEO. Please, Rodrigo, you can proceed.

Rodrigo Abreu

Thank you, and good morning. Welcome, everybody, to our 1Q23 call. Again, today, I have with me our CFO, Cristiane Barretto, who will present details on our financial results, and who will also be with me in our Q&A session at the end of the call where we will take questions both in English and in Portuguese through the chat session of the call.

This call happens at the relatively short interval after our call for 4Q22, given that we are now looking to resume our regular call schedule for the coming quarters as we have been advancing significantly in the process of the restructuring discussions with our financial creditors after our presentation of the RJ plan last month. We will again provide some status update about this process at the last part of our call.

After the adjustments we had in the 4Q22, we have a regular quarter which reflects the operation of New Oi in 1Q. And even though it's still not possible to have a completely direct comparison with 1Q22, given we were still carrying the result of Mobile and InfraCo in 2022, we start to standardize the view of our key core metrics to allow for consistency following of our operating results.

As you will notice, the structure for this call and the numbers and figures we present are very similar to what we presented when announced in the 4Q22 results. Before we start looking at the key figures and result details, one additional comment I would like to make is that 1Q is normally for us a very seasonal quarter in some respects, in particular, those of cash consumption given the dynamics of working capital with the beginning of the year payments from last year CAPEX, taxes and other, some restructuring expenses with the reduction of our workforce and a natural impact of a few less days of invoicing and collections.

With that, let's look at the highlights of 1Q by jumping to slide 3. On slide 3, let's start by looking again at the progress on the key core metrics, and we can see that the New Oi revenues maintained the trend of growth in 1Q23 with a 5% year-over-year growth.

And the financial discipline also supported another quarter of strong efficiency both in OPEX as well as CAPEX.

As occurred in the several last quarters, the New Oi continues to grow as we can see at the clip of 4.8% year-over-year. And both fiber and B2B are growing strongly; fiber at almost 21% year-over-year and B2B with Oi Soluções at 12.9% year-over-year. This comes as we surpassed the mark of 4 million homes connected and with the ICT revenues remaining a very study contributor, which now represents 22% of the Oi Soluções' revenues. At the same time, legacy continues to be the anchor for faster growth. And without legacy, the New Oi revenues would have grown 24.8% year-over-year.

On the efficiency front, results also continue to come, with a -27% year-over-year OPEX and -87% CAPEX expenditures, results, which are even better than the results from 4Q, where we had -25% and -73%, respectively.

The two key metrics continue also to be the reduction ex-InfraCo and the CAPEX over sales figures, which we can see there. And now we see that ex-InfraCo, the reduction of OPEX would have been at the clip of a -42% year-over-year, while the CAPEX over sales figure reaches 8.7%, well in line with all the guidance that we have provided in the past where we said that we should be between the 7% and 9% CAPEX over sales for the long run.

So, let's now look at the consolidated results of the core components of the New Oi in slide Number 4. In 1Q, we can see that when excluding legacy, the New Oi revenues were up 25% year-over-year, and this already represents 76% of the New Oi revenue. So, core results now are gradually becoming pretty much the entire component of the New Oi revenues.

Legacy, this 1Q, dropped to 12% of total, down from 15% last quarter. The remaining 11% represents, in particular, DTH revenues, which remained relatively stable, just a little smaller than in 4Q.

On New Oi revenues, the legacy revenues increased the rhythm of reduction with a 47% decline from 37% decline last quarter, but that continues to be compensated by the growth of fiber and Oi Soluções. Oi Soluções, in particular, this quarter had an uptick of growth with the plus 12.9%.

So, now let's move to slide 5 to check the detailed results of the fiber operation. Our fiber revenues grew over 20% year-over-year in 1Q23, driven again by an expanding home connected base and an industry-leading ARPU, as we continually upsell our broadband speeds and reduce churn.

The growth has continued both annually and sequentially, as we can see on the left hand side, albeit with a smaller sequential growth in 1Q of 2.4%. The net additions after a drop from 4Q22, we continued relatively stable and had a slight uptick in 1Q23 with 89,000 net adds. But churn continued to drop more than in 4Q with a -0.7 p.p. in 1Q23, and this is absolutely critical to maintain a healthy growth of all of the net additions that we have coming to our home connected base.

The ARPU remained consistently up in what we believe it's close to a sector benchmark of R$92, and now we can see there a comparison indicating that it is at least 3% higher than a large player which we compare against. And this comes with the increase in the gross adds average speeds, which are now at the clip of 420 megabits per second.

V.tal's network also kept a strong growth pace in 1Q to enable more homes passed and homes connected, as we can see on slide 6. On slide 6, we see that Oi's home connected continue to evolve on the back of the V.tal growth, and also with the continuation of the improved quality perception from customers. The homes passed by V.tal reached almost 21 million HPs in 1Q on the tail of sizable revenues for the entire V.tal operation in 2022 with circa R$4.6 billion in revenues.

On our homes connected expansion, we continue to sustain market leadership with the Oi Fibra series across the country, presenting Oi leadership when compared to all of its direct competitors. And that is consistent with the latest Anatel results, prompting us to reinforce our "Ask to those who have it", "Pergunta pra quem tem" campaign, which emphasizes the very good results in the customer perception surveys from Anatel, which indicates that we have the best fiber experience in 13 states of Brazil.

Now, moving on to our financial figures, let's hear from our CFO, Cristiane Barretto, on the topics of costs, EBITDA, CAPEX and liquidity. Cris?

Cristiane Barretto:

Thank you, Rodrigo, and good morning, everyone.

On slide 7, we show that successful implementation of efficient initiatives and leaner cost structure resulted in a significant 27% year-over-year decrease in routine OPEX or -42% when excluding variable cost associated with the rent and insurance of the fiber network.

On the right hand side of the slide, you can see that recurrent personnel expenses fell by 6% year-over-year despite inflation, reaching R$461 million due to the continuity of the headcount program reduction, which resulted in a reduction of around 40% of year-over-year in the number of employees.

Meanwhile, third-party services experienced a notable decline of 24.8% in 1Q23, driven by efficient measures that are reducing expense related to sales commission, energy and content acquisition. Rent and insurance expenses, on the other hand, grew by 31% compared with 1Q22, with the leasing of fiber capacity from V.tal, which supports the growth of fiber connections in our new operating model.

Moving to slide 8, we highlight, once again, consistence that we had in the last 12 months regarding cost reduction program, leveraged by Oi's operational transformation cost saving initiatives. As you can see, third-party services and network maintenance saw double-digit declines in every quarter of the period, which reflects all of our current efforts to improve Oi's financial performance and to align with the New Oi.

Now, on slide 9, we present Oi's EBITDA and CAPEX evolution. Oi’s EBITDA margin reaching 8% while CAPEX to sales totaled 8.7% with Oi's new operating model. When compared with 2022, it is important to focus on operating cash flow, EBITDA minus CAPEX, instead of analyzing EBITDA stand-alone figures and margins. Compared to the 1Q22, our operating cash flow improved more than R$400 million.

We closed this quarter EBITDA at R$193 million, which is within the expected range for the year 2023 according to the Blow Out material disclosure last April. The EBITDA projection considers a transition period in which Oi will gradually gain scale to adapt to the new operating model. In addition, it is important to highlight the tough comparison with the figures from the last quarter, as the 1Q22 margins are seasonally higher.

In the right hand side of the slide, CAPEX closed at R$219 million, meaning a relevant drop associated with the shift in our operating model, lower ONT unitary costs and a strict process to prioritize the most profitable investment projects. All-in, OI improved its operating cash flow in the period up R$160 million quarter-over-quarter due to lower CAPEX intensity.

Turning to slide 10, our cash position in the 1Q totaling R$1.8 billion, a decrease of R$1.4 billion compared to at the end of 4Q22. The reduction was primarily driven by increasing working capital consumption due to seasonally higher CAPEX disbursement, severance payments and fewer business days which led to lower collection.

I would also like to point out that the final cash position of R$1.8 billion represented a surplus in the quarter compared to the figures disclosed in our last Blow Out material, which expected R$1.4 billion for this quarter.

On slide 11, we present the evolution of our cash position for the next quarters, highlighting that, even though there was a higher cash consumption in the 1Q, especially related to seasonality of working capital, the cash balance for the end of the quarter was R$400 million above expectation in our 15-month budget disclosed to the market in April. This surplus was mainly driven by temporary effects from the judicial recognition process.

Going forward, the proceeds coming from the sale of towers in the next quarter and the short-term DIP raised to support our liquidity for the upcoming months are reinforcing our Oi's cash position for the future.

The first tranche of the short-term DIP in the amount of US$200 million was received on June 7, and the remaining US$75 million should be received in the next month, as we become compliant with applicable conditions precedent.

The new money long-term DIP cash is forecasted for the 1Q24 after judicial recognition plan approval and will be used to repay the short-term DIP and to provide liquidity for the Company needs for the midterm.

Now, I hand over again to Rodrigo to continue the presentation.

Rodrigo Abreu:

Thank you, Cris. Before we wrap up, let's provide the latest updates on our ESG initiatives where we continue to advance in all fronts and, in particular, on the renewable energy, inclusion and diversity fronts.

On the environmental fronts, the key highlight is the solid progress on the renewable energy matrix numbers that we have achieved, which now represents over 65% of the renewable resources as part of our energy matrix, up from 50% that we had approximately last year.

On the social fronts, we had key developments, in particular, in the education front, both internally and externally with the launch of Oi Educa+, the new addition of Oi Exponencial, which is the leadership training in partnership with Fundação Dom Cabral, and the Oi Futuro qualification of 500 women in the sound and music sector and the second edition of the program for accelerating creative businesses with social impact in Mato Grosso called Move Mato Grosso.

And on the G front, we continue to improve on our governance channels and have completely reformulated and simplified our whistleblower channel to allow for easier and more effective communications.

So now let's close our presentation by providing with summary of our status on the three key pillars for moving forward with our transformation and all of the challenges and next steps associated with each one on slide 13.

So, after our big transformation from the last two years, I have mentioned that we are now fully focused on the three pillars to continue on our recovery journey, and the three pillars are, restructuring our debt, addressing our legacy concession issues, and executing on the New Oi, and each of them is critical for the long-term viability of the Company.

On the restructuring, in JR process, the key update that we had, as Cris already mentioned, was the cash-in of the first tranche of the DIP with the group of creditors that is supporting our Restructuring Support Agreement for the current Judicial Recovery plan. Obviously, we continue to negotiate with this group of creditors and are focused on concluding the negotiations for the signature of the RSA, which should occur by the end of this month or beginning of July, well ahead of the GCM deadline.

And we expect to have this as a key condition for the final JR plan approval, which will then prompt the new money cash-in expected for the 1Q24, given then a runway for the Company to execute on scaling up its operations and getting back to sustainability on the cash front.

On the concession updates and the legacy equation, the key advancement we had was the arbitration hearing in May, which we considered very positive and which now prompts for partial decisions coming from the tribunal by the second half of 2023. With that, we also put a lot of faith on the advancement of the discussions for migration of the STFC Concession to an authorization model, which has ongoing discussions with the agency. And we also expect the continuation of our discussion of a potential agreement to move now to a phase in which those discussions will be had, in addition to the agency, with TCU.

And on the operating front, the challenges remain the same, but our execution focus is well. We continue to grow our homes connected with fiber; we continue to grow our ICT sales and also we have to continue scaling this growth for the future; we continue with the implementation of our cost reduction initiatives, as Cris pointed out very well in the explanation of our OPEX reductions; and we continue with the reduced CAPEX intensity to approximate the guidelines that we have provided in the past, to make viable the whole model for generating cash for the Company.

On the same front, we know that we do have the challenges of maintaining and scaling the profitable growth in the new fiber model, continuing to adjust the Oi structure to become a lean and agile company and, in particular, minimizing the legacy impact on EBITDA and cash flow.

As we have been saying all along, we believe there are multiple positive indicators in the results we just presented. But we also acknowledge that there are many challenges ahead still, all of which are very critical for the Company's viability. And now, what we can say is that we will continue to be very committed as a company to addressing them as we progress through this last part of our transformation.

With this, I believe we conclude this first part of the call, which is, as I mentioned, a continuation of the presentations we provided in 4Q22. And now, we can go straight to our Q&A sessions.

Lucas Chaves, UBS:

Thanks for having my question. I have two on my side here. So, after the quarterly CAPEX reduction, how do you see this number in 2023?

And the second thing is if you can please enter in more details regarding the working capital and the dynamic seen during the quarter. Thank you very much.

Rodrigo Abreu:

Thank you, Lucas. Let me address the CAPEX one and then I will ask Cris to address the working capital question.

On the CAPEX front, if you remember, we had been saying all along that our whole intention with the change of model to the structural separation model that we have now been operating since the middle of last year is to really address the cash intensity of the CAPEX investments that the Company had to make otherwise. And our idea was to go to a model where we would stabilize around 7% of CAPEX over sales. And when we look at the 8.7% that we had this quarter, we can see that we are pretty much getting there.

Obviously, for this number to continue to drop, not only we have to continue optimizing the CAPEX, but let me tell you that we pretty much addressed the optimization of CAPEX at this point. And most of the CAPEX comes from acquiring the ONTs for connecting new customers, and obviously, a small amount which is a very efficient in terms of IT investments that we have to make as a customer-centric company. But also, we expect the revenue to continue growing so we can achieve this reduced CAPEX over sales rate for the coming year.

We expect to be around the same range. We do not expect any significant upticks in CAPEX, as I mentioned. And, obviously, this will depend on the progress of the revenue as well. But we believe that we are very, very focused on the reduction and the initiatives have provided very good results so far.

Cris, on the working capital question?

Cristiane Barretto:

Thank you for your question, Lucas. We had some specific impacts in this quarter with higher consumption of working capital. We have been presenting an average of between R$300 million to R$400 million, R$415 million in the last quarters, and we had some specific impacts in this quarter.

So, if you normalize for the regular consumption of around R$400 million, we had some three or four impacts that were very important and different in this quarter. We have more severance payments of R$50 million. We had some impacts in EBITDA with non-cash effects that had some consumption in working capital, also seasonal. And we also have less collection considering the business days that Rodrigo informed at the beginning of the presentation, and we had less extraordinary collection regarding additional recoveries that we had in the last quarter.

And we also have more payments in CAPEX due to the seasonality of the quarter. Usually, we have the CAPEX in the 1Q higher than the previous quarter, and then we pay in the 1Q.

So, we have been doing, as you know, of course, some cash management in some quarters. We have been discussing with the creditors since last year, so we are trying to postpone some payments for this year as we have been doing in the past, but I would say that the regular amount of the working capital is almost half from what we presented in this quarter, from these three or four impacts, Lucas.

We also had some benefits, as we said before, that impacted the cash position regarding the judicial recognition, but it was offset by these other impacts that I just mentioned, and the final number was higher consumption, not regular from forward.

Lucas Chaves:

Okay. That was very clear. Thank you.

Luis Plaster:

Now we are going to do an exclusive session in Portuguese. So, I'm going to talk in Portuguese, and Rodrigo and Cristiane**,** you will answer in Portuguese as well.

Ismail (via webcast):

I would like to know if an eventual agreement on the migration is authorized, if this will end the current international arbitration process related to the amounts owed by Anatel to the Company.

Rodrigo Abreu:

Thank you, Ismail. As we mentioned some time ago, we have two fronts in progress to resolve for the entire concession. One of them is the natural discussion of the migration process. It has several rules that were published by the agency some time ago and, based on that, the agency released preliminary numbers. They are not final, they are preliminary, and were the numbers used as cost for the residual balance to carry out the migration.

We are obviously following this but, at the same time, as you mentioned, an arbitration process exists, of high value in terms of the Company's claims against Anatel, both for the lack of sustainability of the concession and for the economic and financial imbalance that we experienced over time which, in our opinion, needs to be compensated according to all contractual conditions of the concession, and both of these things happen simultaneously.

Obviously, if we reach an agreement, and if this agreement is within the scope initiated by the TCU a short time ago to resolve major disputes between public authorities and granting companies, particularly for concessions, although not restricted to concessions, but concessions usually discuss compensation topics more frequently.

If we reach an agreement, it would, obviously, imply the recognition of a migration and costs would be compensated, which would be the costs theoretically due for this migration that were obviously not paid. Without a doubt, it would end the arbitration process.

The agreement consists precisely in that, in ending the claims for each side, either for the migration or other claims related to it, claims by the Company on obligations with public authorities which, in this case, would be the agency, the granting powers. It would also eliminate future disputes through arbitration.

This does not mean, in any way, that any of the processes have stopped. Quite the contrary, they are both ongoing. I mentioned that, during the month of May, we had a very important arbitration hearing for the Company, in which the final arguments of both parties were presented.

After this arbitration hearing in May, as I highlighted during the presentation, the arbitration panel, based on the final arguments, which were very clear, said it would be able to present a solution over the next few months. But there is defined deadline. The arbitration panel will take all the necessary time for this analysis, but we expect it will be over in the next few months, when they would be able to present the first partial decisions for the entire arbitration process.

So, we are proceeding with both processes at the same time. However, if we reach an agreement, and this agreement depends on the formation of a group at the TCU, which we hope will occur shortly, obviously, both processes will end up compensating each other.

But they are currently taking place simultaneously. We continue to study the migration conditions, to carry out all actions and to provide all information, interacting with the arbitration panel according to the arbitration sequence.

Guilherme Borges, investor (via webcast):

The conversion value of the OIBR3 share, in terms of financial debt to equity, is roughly at what amount?

Rodrigo Abreu:

The debt-to-equity value?

Luis Plaster:

The share value resulting from the debt capitalization.

Rodrigo Abreu:

This will depend a bit on the total amount of credits that are classified as option 1 and option 2, and this ratio will only be known when the plan is approved, and then creditors will have the option to choosing what credit restructuring option they will subscribe to.

According to this adhesion, there is a mechanism, which we explained on last quarter's earnings call, in which creditors subscribing to option 1 will have a part of their credits protected, that is, they will be reinstated with a slightly longer maturity than now, for 2028, protecting up to R$10.7 billion of existing credits.

Also note that the credits existing today, for large financial creditors, and we can obviously present these numbers at face value in detail, it has already been done by the IR team, but, in general numbers, it adds up to R$32 - R$33 billion.

So, out of these R$32 - R$33 billion in financial credits, up to R$10.7 billion can be protected and will continue to exist, maturing in 2028. Whatever remains for the creditors who choose option 1, excluding the entirety of the R$10.7 billion, or a bit less, all remaining credits will then be converted into Company shares.

The same thing happens with option 2. Those who do not choose option 1, which consists of providing new money, they will fall into option 2, which has a more direct formula, in which 70% of the credits will end up disappearing with the equity conversion, and 30% of the credits will be protected, or reinstated with a longer maturity, for 2033.

So, this value depends on the conversion values after adhesion to option 1. From this point, we will calculate the entire sequence. But, on average, we believe the total conversion could reach around 50% of the total financial credits.

So, in practice, we would have between R$14 billion and R$15 billion in credit that would be converted. Obviously, the exchange ratio is a base ratio using these total converted values calculated over outstanding share values to calculate the new adhesion amount for this conversion.

The important thing is that these exchange ratios, in practice, are being calculated under to the plan, to maintain 20% of the current capital with current shareholders, and the converted credits would reach 80% of the Company's new capital.

The exchange ratios can only be calculated after we know the exact adherence to each of the conversions.

Luiz Barsi, Barsi Investimentos (via webcast)

Oi still has assets that interest the market, such as Rede Neutra, for example. How are asset sales being conducted, given they can reach a large amount? The numbers show that the Company's improvement has not been reflected in its share price on the Stock Exchange. So, what is management's view on the Company's value?

Rodrigo Abreu:

Thank you, Luiz. Of course, the plan includes the potential sale of assets in the future. You mention Rede Neutra, which is held by V.tal and, since the first amendment to the plan, in 2020, we have always mentioned that, in the future, this stake would be an asset for sale. This asset may help reduce the Company's debt in the future since, from an operational view, it does not currently impact the Company's results, except, of course, if dividends are distributed in the future, which is not currently the case as this company does not yet generate dividends. It in a growth and investment phase. But, from a financial perspective, no impact will occur in the coming years.

With that, yes, we will consider selling the Rede Neutra asset, but this would have to follow a set of rules that still need to be defined in the final documents of the plan and in the agreement. There are certain minimum values for this settlement to cover new money, new debt, which will be contracted at the beginning of next year to for this cash consumption cycles. So, the sale of this asset could happen in several ways.

This stake can be sold anywhere from an IPO, with a more natural sale of assets as part of this initial offering and the start of market liquidity, until a strategic block trade process. This process is, obviously, not yet being carried out since it is expected only in the future, given that the purpose behind selling Rede Neutra is precisely to wait for its appreciation over time.

In this sense, we expect this to occur much closer to the debt maturities of the new plan, between 2027 and 2028. We would have the possibility of selling these assets before.

As for other assets, I think it's worth remembering, even thought it was not asked, we still have a sale process pending for an asset that is part of the last amendment, which is the satellite pay TV operation. This process is underway. We have the possibility of signing an MOU which is being discussed for a potential transaction. That would also be part of the asset sale process. We also have the sale process for our fixed towers, announced with Highline, which is in its final phase, and this is also part of our asset sale process.

These processes are included in the plan. They must comply with specific conditions and will be carried out according to the rules of the reorganization process. These last two I mentioned would be take place pretty much immediately after the plan documents have been disclosed, with a short-term execution process. As for Rede Neutra, it would be done a bit later.

The share price on the Stock Exchange, obviously reflects a company that has just started its second judicial reorganization process. So, until this has been effectively approved, until we have an approved plan with final documentation, in details, signed, approved, so that all shareholders can see the Company's projections and how it reflects the plan, only after this can we expect a potential appreciation of the Company.

But we obviously still have steps ahead of us to finalize the plan and, without a doubt, we will be recognized for our solidified vision for the future once the plan has been approved.

Rodrigo, investor (via webcast):

Regarding the arbitration for the sale of Oi Móvil, what is the Company's expectation and status?

Rodrigo Abreu:

As we have already mentioned, we have been working very hard, since the beginning, to recover the largest possible amount retained in this arbitration. This amount, of approximately R$1.5 billion, restated with the judicial deposit that has been made, are currently safeguarded by the reorganization court, so they are deposited in court.

We even had questions regarding the appropriateness of this judicial deposit. We appealed for the release of this judicial deposit, but, on the last 13th, the court of justice decided to keep the deposit with the Seventh Court, so it will remain deposited in court and ends up being part of the entire arbitration discussion which in ongoing. We are in the process of forming the arbitration panel.

As we also said a few times, this status has not changed, we do not rule out the possibility of a direct agreement with the companies, outside of arbitration, with immediate liquidity to the Company, if satisfactory conditions are negotiated for both sides to avoid having to wait for the end of the arbitration process. Even though it is much faster in relation to a legal process, it can take from 18 to 24 months.

So, we are on both tracks. Once again, even with the parallel situation we have between the arbitration and Anatel, we have a direct negotiation taking place along with the entire arbitration process, which is following its course and is currently at the stage of forming the arbitration panel.

Nuno Fonseca:

How are the negotiations with the banks within the scope of the judicial reorganization? Has there been any advancements? Are you in discussions with the banks?

Rodrigo Abreu:

Thank you, Nuno. Just to put Nuno's question into context for the other investors, it is worth remembering that when we talk about financial debt, as already mentioned in the plan, this reorganization plan is mainly focused on the restructuring of financial debt.

We have, roughly speaking, three key categories of financial creditors: one is the banks, as Nuno mentioned, another is the 2025 bondholders, and the third is the category is the export agencies, which are credits originally held by export agencies, such as the Chinese Development Bank and the Finnish Export Credit Bank which, in some cases, are still held by the original creditors and others were traded and are now part of an investment fund portfolio.

So, we have these three groups. Again, in overall numbers and without going into details, we basically have 1/3 of our debt with each of these groups of creditors, and the remaining 1/3 of our debt is with banks.

We are talking to all creditors. There are not exclusive conversations. We've talked to all three groups of creditors. We have sought to maintain transparency, openness, and to provide information to the three groups of creditors.

However, negotiations have advanced, as we announced in early March, regarding a pre-agreement and now we have the potential signing of a restructuring support agreement with a specific group of creditors that represent the majority of two groups besides banks, which are, namely, the bondholders and export agency credit holders.

Remembering that, for the plan to be approved, we need to have most of the creditors from this class onboard, which is class 3. The three types of creditors here are classified as class 3, which are unsecured credits.

So, obviously conversations are still ongoing with all the groups, but the current restructuring support agreement, in sequence to the announcement made in March, the final documents of the one announced in March, are being discussed with a group that, predominantly, has creditors from two groups besides the banks.

Renato Cintra, Unit Capital (via webcast):

Could you give us an update on how the negotiations with V.tal and Globenet regarding the LTLA and sale of (44:55) are going?

Rodrigo Abreu:

Perfect. Thank you, Renato. We are also giving information that is not new, it was already disclosed through a material fact, when we published the plan. As disclosed, we have a firm proposal at V.tal, which consists of a negotiation to substantially reduce the future take or pay credits of Globenet in LTLA by up to 50%.

This is a very substantial reduction, given these credits, in total, could reach R$5 billion, depending on the exchange rate, in addition to an additional reduction of 22% of this credit by exchanging for scrap assets that may be deactivated during this period.

This negotiation is still underway. We, obviously, must comply with all the rules for approving a negotiation like this within the scope of a reorganization process, either through the awareness by the reorganization court or consent from creditors, or through a process that compares this condition offered to reduce future LTLA costs in exchange for scrap assets.

This was also done through reports that were presented in court regarding the advantage of this agreement for the Company. We are now in these final approval processes, having formal discussions for a potential agreement which, would need to be approved, obviously, by the Board of Directors, creditors, and the court.

So, this process is ongoing. For now, we don't have any other news other than what was already mentioned about the proposal under discussion and to be presented and approved by all the entities required for its conclusion.

Luis Plaster:

Thank you, André. We have a few questions that revolve around the same issues we've covered here. And, once again, I remind you that our Investor Relations team is available to answer questions by our e-mail, phone, or even scheduling meetings. We are always available after the call to answer any questions.

I will now pass the floor to Rodrigo for his final remarks.

Rodrigo Abreu:

Thank you, Luis. Just as a reminder according to the questions asked, many of them can be answered directly by the materials disclosed by the Company, which were very detailed, including the Blow Out with the latest financial projections we presented, from which we have based all our discussions of the plan with creditors. These materials answer a lot of those questions since the numbers are very detailed. These are the official numbers used by the Company to present the plan. So, these questions will certainly be addressed in these materials.

But, at the same time, I reinforce what Luis has always said, that we are open to questions from any investor through our IR channels, and we will always try to consolidate as many of these questions as possible so that we don't have hundreds or thousands of individual responses, always presenting the information in a consolidated way so that all investors can receive this information consistently.

Once again, thank you all for participating. I reinforce the Company's intention in maintaining this communication channel transparent, direct, and very open. As I mentioned, we are working simultaneously on three pillars, which are necessary for the Company to be feasible in the future.

Without a doubt, every time we take an important step, it will be duly communicated, whether if it's about the entire negotiation process with creditors and the signing of agreements, or discussions with the agency and, obviously, to discuss the building of the New Oi through our quarterly earnings calls.

So, thank you for participating and we'll see you again on our next call.

Operator:

Thank you. That concludes Oi's conference call of the 1Q23. For further information, please access the Company's IR website, www.oi.com.br/ri. You can now disconnect.

Obrigado. Isso conclui a teleconferência da Oi do 1T23. Para mais informações, acesse o site de RI da Companhia, www.oi.com.br/ri. E, com isso, estamos finalizando esta transmissão.