TradMZAegea Saneamento e Participações S.A.
1Q25 Results
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Operator: Good morning. Welcome to Aegea Saneamento e Participações Q1 2025 Earnings Webcast. Joining us today are CEO Radamés Casseb, and CFO and IRO André Pires.

This webcast is being recorded and simultaneously translated into English. You can access the translation by clicking the interpretation button at the bottom side of your zoom screen. If you're listening to the conference in English, you can also mute the original Portuguese audio by selecting mute original audio. We will now begin the earnings presentation, which will be followed by a Q&A session when further instructions will be provided.

Before moving on, we would like to clarify that any statement made during this conference regarding Aegea's business outlook, projections and targets are based on the company's management's beliefs and assumptions. They are not performance guarantees, seeing as they involve risks, uncertainties, and assumptions relating to future events that may or may not materialize. I will now turn over to Mr. Radamés Casseb, who will begin the presentation. Mr. Casseb, please proceed.

Mr. Radamés Casseb: Good morning, everyone, and welcome to Aegea's earnings presentation.

Let's begin with slide 3, which outlines the key highlights of the quarter. Considering the Aegea ecosystem, which reflects the performance of the concessions managed by the Company, we ended the first quarter with a 19% increase in net revenue, reaching R$ 4.7 billion, and a 57% increase in EBITDA, totaling R$ 2.9 billion.

This performance results from a combination of factors, the strength of a portfolio, which enables consistent growth through operational efficiency measures and customer base expansion, and our inorganic growth initiatives. It also benefited from a non-recurring recognition of PIS and COFINS tax credit at Corsan. Excluding this one-off effect, Aegea's EBITDA grew 25% year-over-year.

We invested R$ 1.3 billion during the quarter in water and sewage network expansion projects. That was along with upgrades to existing infrastructure across all our concessions. As part of our focus on managing our capital structure and extending our debt profile, we concluded key financial transactions in 1Q25. These included settling the syndicated blue loan at the holding level, totaling $600 million with a five-year maturity.

We also successfully rolled over Parsan's debt by issuing a new R$ 3.2 billion debenture, also with a five-year term. Additionally, in March, we brought Parsan's corporate reorganization forward by nearly two years, repurchasing preferred shares held by minority shareholders. This transaction, funded mainly by dividends paid by Corsan to Parsan and thereby preserving the

Holding's cash, was made possible thanks to the successful implementation of financial efficiency measures at Corsan since the beginning of our management, which led to a significant improvement in its results. As a result, we've effectively accelerated future Corsan dividend flows to Aegea via Parsan, strengthening the Holding's liquidity.

Further contributing to the Holding's cash position, we received a R$ 424 million capital contribution from our shareholders in March, made in proportion to their stakes with no changes to the Company's ownership structure.

Among other key milestones, we secured all three blocks offered in the April auction for water and sewage concessions across 99 municipalities in the state of Pará, covering an urban population of approximately 4.5 million people. With this win, Aegea now operates in 865 municipalities, serving more than 38 million people.

Moving on to slide 4, we highlight some of our ESG initiatives. On the social front, we've made significant progress in expanding sewage coverage for vulnerable communities in Manaus, where we've seen an 88% reduction in hepatitis A cases and a 46% decrease in diarrhea cases between 2018 and 2024.

During the quarter, more than 2 million people across Aegea's concessions benefited from social tariff programs, including Tarifa Social and Tarifa 10, enhancing access to services while promoting dignity and good citizenship. We directly employ over 22,000 people, 4,000 more than last year, with a strong focus on local hiring, diversity, and inclusion, helping to generate a legacy of shared prosperity in the communities we serve.

We've also advanced our efforts to reduce energy consumption in our operations and expanded clean energy self-generation projects. Today, 98% of the energy we use come from renewable sources.

And reaffirming our commitment to sustainability excellence, we were proud to receive the Blue Dot certification from the OECD headquarters in Paris, recognizing the Águas do Rio project as one of the most sustainable infrastructure initiatives in the world.

I will now hand it over to André, who will continue the presentation. Over to you, André.

Mr. André Pires: Thank you, Radamés, and good morning, everyone.

Before we dive into the results, let's take a moment to explain the reporting views within Aegea's ecosystem as shown on slide 5.

Over the past few years, Aegea has evolved into a sanitation investment platform, attracting structured capital to support the expansion of its operations. As part of this evolution, we have developed corporate structures that are not yet fully consolidated in the Company's financial statements. Therefore, both in this presentation and in our earnings release, we present and comment on results from two perspectives: the statutory view, based on figures consolidated in our financial statements, and the ecosystem view, which includes the statutory results plus the performance of Aegea's managed subsidiaries such as Águas do Rio and Parsan, which are not consolidated in Aegea's financials.

Still on this slide, the charts at the bottom illustrate the diversification of our ecosystem in terms of both revenue and EBITDA.

Moving on to slide 6, we highlight our operational results. Network expansion and the integration of new assets led to a 6% increase in the number of active connections across the ecosystem, totaling 14 million. Under the statutory view, this growth was by 10%. As a result, build volume in the ecosystem grew 3% in the quarter. From the statutory perspective, growth was 10%, driven by the increase in connections and the ramp up of newly launched operations.

Now turning to slide 7, we discuss our financial performance. Net revenue in the ecosystem reached R$ 4.7 billion in 1Q25, up 19% driven by growth in built volume, tariff adjustments, and higher PPP revenue. Under the statutory view, net revenue rose 25%.

The Company's average ticket per connection, which includes revenue from water and sewage services as well as revenue from PPPs, grew 8% in both views, reflecting tariff adjustments and contractual rebalances implemented during the comparison period.

Let's move on to slide 8, where we cover costs and expenses.

As briefly mentioned by Radamés, this quarter includes a non-recurring recognition of R$ 590 million in PIS and COFINS tax credits at Corsan. These credits refer to a period when Corsan was exempt from federal taxes and, therefore, subject to the cumulative PIS and COFINS tax regime.

Excluding this positive impact, costs and expenses increased by 13% in the ecosystem, primarily due to the launch of new operations and the end of the discounted water purchase agreement at Águas do Rio. For context, this discount was in effect from July 2023 to December 2024 and stemmed from a regulatory mediation concerning the percentage of connections served under the Social Tariff Program in Block 4.

Under the statutory view, costs and expenses rose 14%, largely due to the start of new operations. Managerial OPEX per connection stood at R$ 478 in the ecosystem, reflecting the impact of water purchase costs in Rio de Janeiro, and represents a 4% decrease versus 1Q24. In the statutory view, it was R$ 402, an 8% reduction.

These results reflect our efficiency-focused operating model, supported by initiatives such as the voluntary severance program at Corsan, migrating to clean energy self-production contracts, optimized procurement strategies, and other cost-saving measures.

Now turning to slide 9, where we detail our EBITDA and managerial cash flow.

In 1Q25, adjusted EBITDA totaled R$ 2.9 billion in the ecosystem, a 57% increase and R$ 2.4 billion in the statutory view, up 67%. This performance was driven by growth in built volume, tariff adjustments, efficiency gains, and the PIS and COFINS tax credit recognition at Corsan. These tax credits will translate into cash over the coming quarters by reducing the Company's federal tax burden. Excluding this effect, EBITDA rose 25% in the ecosystem view and 26% under the statutory view.

The EBITDA decline at Águas do Rio reflects primarily the end of the water purchase discount for Block 4. Cash flow growth was largely driven by stronger collections, including in Águas do Rio.

Now let's move on to slide 10 where we discuss net income and CAPEX. Net income increased by over R$ 600 million in both reporting views, totaling R$ 932 million in the ecosystem and R$ 997 million in the statutory view. This was largely due to the PIS and COFINS tax credit and its monetary restatement, which together came to R$ 800 million, along with an increase in EBITDA, more than offsetting higher financial expenses and taxes.

Excluding the tax credit, its monetary restatement, and the associated impact on income tax, the net income grew 6.8% in the ecosystem view and 1.3% under the statutory view.

In the quarter, we invested R$ 1.3 billion in CAPEX focused on network expansion, system upgrades, and infrastructure improvements.

Finally, turning to slide 11, let's discuss Aegea's capital structure. We ended the quarter with a pro forma net debt of R$ 37 billion and leverage measured by net debt to EBITDA standing at 4x in the ecosystem view. It's worth noting that in 2024, we made R$ 5 billion in grant fee payments with R$ 4.2 billion paid in Q4 alone, which temporarily raised our leverage to 4.3x at year-end. This quarter, we've resumed our deleveraging trajectory.

Under the statutory view, which is used to assess compliance with debt covenants, leverage fell to 2.7x in 1Q25, down from 2.8x in 4Q24. This remains well below the most restrictive covenant threshold of 3.5x the net debt EBITDA ratio in our financing agreements.

Looking at the chart on the bottom left of the slide, which shows the evolution of average debt maturity and leverage in the ecosystem, we can see that leverage peaks have historically coincided with large grant fee payments, such as in 2024. Going forward, we plan to continue reducing leverage, including through the simplification of non-consolidated structures. Maintaining leverage at manageable, comfortable levels is a strategic priority for the Company, especially as we evaluate new growth opportunities. The average debt maturity in the ecosystem was 7.3 years at the end of 1Q25.

With that, I conclude this presentation, and we are now available to take your questions. Thank you.

Question and Answer Session

Mr. Thomas Tenyi, BTG Pactual (via webcast): *What will the societal structure look like in Corsan's dividends as well as Parson after the repurchase of preferential shares? Will Corsan's dividends remain fully directed to Parsan? These dividends will be used to settle the new debt in advance for Parsan or return to shareholders at Parsan in the ordinary shares of 50-50?*

Mr. André Pires: Well, thank you for your question.

They will be partly sent to the 1P share and the rest will be distributed according to the consolidated share in Corsan's, which is 75% for Aegea and 25% to minority shareholders of Corsan. So it's not really 50-50. The dividends after the 1P reserve, it will be 75% to Aegea and 25% to Perfin and Kinea.

So it really unlocks the significant cash flow for our business, and this is a business that's generated more cash than Corsan, and this cash will be funneled to Aegea at 75%. Bearing in mind that when we structured the operation, the redemption of these preferential shares was expected to take place in 2027. So we've pushed them forward two years and improved the cash flow for Aegea as a result.

Mr. Rômulo, Trigono Capital (via webcast): Congratulations on the results and thank you for taking my question.

I'd like to understand, what do you expect in terms of leverage for the ecosystem with the win in three new concessions in Pará? Another question, when do you intend to simplify the corporate structure with the consolidation of Águas do Rio and Corsan?

Mr. André Pires: Well with Pará, the trend should be the same trend we've seen in the beginning, we'll deleverage in search of a leverage rate of three times. The win in Pará also received the grant fees at the minimum level, so, from our standpoint, that was very positive. The funding structure is 70% debt and 30% equity. When we add that to the model and results consolidation, that tends to maintain our deleveraging trend, even because our margin continued to grow in our business as is by about 25%.

If you noticed in our presentation, we mentioned our significant EBITDA increase because of the PIS and COFINS credits, but even excluding that, there's been a 25% increase. We're talking about an EBITDA that came to R$ 8 billion this quarter. So this increase in results will allow these new businesses coming in, which are not businesses that increase our liability burden, and will actually improve our deleveraging trend.

As for the corporate structure simplification, we've started that with Parsan. Corsan is already consolidated, so the structure to acquire Corsan and Parsan, which now has only one debt, is still not consolidated, but that should change soon. And with Águas do Rio, we believe that within the next two years we should be ready to consolidate.

Mr. Jordan Gilmore, PGGM (via webcast): *Do you plan to start reporting on GHG emissions in the near future?*

Mr. André Pires: Well, Jordan, we already report on these emissions. They're located in the ESG section of our website, our investor relations website, that is. I'll ask our investor relations people to reach out to you, but this is something we've done for three years now since 2022, okay?

Mr. Jeff Kramer, Blue Bay (via webcast): *What are the cash requirements for the blocks in Pará? So I'll mention both the CAPEX plan and the grant tariff. Was the payment made to repurchase Parsan's preferred shares? And lastly, do you anticipate continuing dividend payments in line with Q1 for the remainder of the year?*

Mr. André Pires: To your first point, what are the cash requirements for the blocks won in Pará. From a grant fee standpoint, we won the auction with R$ 1.4 billion. Essentially, what the document says is that 60% will be paid when we pay the contract, which should take place in the next 60 to 90 days. So R$ 856 million will be paid between 60 and 90 days, and R$ 285 million, which is 20% with the assumption of the operation, which should take place six months after signing the contract according to the signing document. And the rest in three years, corrected by the Brazilian interest rate.

So these are the cash elements to pay the grant in effect, and our CAPEX projected for the two blocks is around R$ 13 billion to universalize sewage and water delivery. In the case of Pará 35 years, and for the other blocks 40 years for the concession period. Much of that CAPEX will be allocated in the first 15 years of the concession period.

To your last question about dividend payments in Q1, we expect payments to continue in the same pace we had in the 1Q25.

In fact, I forgot to answer one of Jeff's questions. He asked what the payment was made to repurchase Parsan's preferred shares. So Jeff, 850 to repurchase the PNA, and part of that, 650 via dividend payments, including the difference, 200 million, via buyback.

As for PNBs, which are different shares, we'll still buy them back to the tune of 250 million throughout the year, but the structure is already defined in 75% to Aegea and 25% for the rest.

It's also important to reinforce, Jeff, that this does not come from Aegea's cash. We're using actually Corsan's cash, and the dividends paid from Corsan to Parsan for this buyback.

Mr. Ricardo Pabon, Southtree Capital (via webcast)*:* *I'd like to hear more about the expected credit losses with Águas do Rio and what are your plans for mitigating delinquency? What margin can we expect for 2025 with this concession, and do you see any major challenge, bigger than when you assume the concession?*

Mr. André Pires: We always bring these statistics because we assumed 900 households with this portfolio, we've added close to 1 million new households, so we doubled the number of connections so far, and we have additional 500 to 600 thousand households to add to the system.

When we look at these figures, it's always important to have more of a long-term perspective. So if we look at the consolidated revenue with Águas do Rio in 1Q22, which was the first full quarter when we had results with Águas do Rio, until now it has grown by 50%. If we look at our revenue during this time, that's increased by 90%.

So, our revenue curve has been steeper going up than our expense curve, which means our cash is improving significantly and progressively more.

Bearing in mind that when we assumed, average delinquency was 35%, whereas now our expected credit losses divided by our revenue has decreased significantly.

This process is expected to continue. We do not expect any challenge that's greater than what we expected when we took over. Back then, we already thought that we would have to do the work to turn the entire population within these two blocks into customers, which is what we have been doing through the two programs that we operate, such as Vem Com a Gente, Bairro Porta a Porta and Bairro Legal. So this is still ongoing.

As to our margins, we expect to see some evolution in 2025. You can look at our guidance in terms of margin prospects, but we expect this to increase substantially over the course of 2025, as well as in years to come.

Mr. Rodrigues, Empiricus (via webcast): *What impacted the net profit of Águas do Río?*

Mr. André Pires: As we said before, there were essentially three elements impacting that. First, the end of our discounted rates with Block 4, bearing in mind our purchase of Block 4, because of the higher rate of social tariff in Block 4 because of the higher rate of social tariff in Block 4 than provided for originally. We temporarily mitigated that by offering a 22% discount in water tariffs purchased from CEDAI. That ended at the end of 2024, so the end of these discounts had an impact both on our EBITDA and net profit with Águas do Rio.

There was also the effect from the expected credit losses, but that's followed the same tune as the revenue, and also the significant increase in the SELIC interest rate. So these were the factors that affected the net profit with Águas do Rio.

Mr. André Lutfalla, Tenax (via webcast): *You had mentioned that the leverage peak with Águas do Rio would have be in 4Q24. What happened that made it increase? Another question is the increased leverage with Corsan. Will it still have impacts from the flood in Rio Grande do Sul?*

Mr. André Pires: With Corsan, no, it does not have any impact from the floods. With Corsan, as I said, the preferential shares were redeemed via an extraordinary payment from Corsan to Parsan, and that non-recurring payment was used to redeem those preferential shares. That led to a slight increase in leverage, bearing in mind that Corsan's leverage is significantly low.

As to Águas do Rio, I don't remember mentioning Águas do Rio would see its leverage peak in 4Q24. That would be Aegea, because of the grand fee payment. The increase in leverage with Águas do Rio was due to the elements that we mentioned, the increase in expected credit losses and also the significant debt with regard to the funding of the investments we're making in that area. Those were the reasons.

Operator: Thank you. This concludes the Q&A session. I will now turn over to Mr. Casseb for the company's final remarks. Mr. Casseb, please go ahead.

Mr. Radamés Casseb: As we move through 2025, we remain focused on boosting efficiency and executing our investments with discipline, guided by our mission to connect the next home, generating value across our portfolio while making a positive impact on people's lives and the environment.

We continue to monitor opportunities in the sector with diligence and discipline, always maintaining a clear focus on financial returns and shareholder value, which remain core pillars of our growth agenda. Our growth is targeted and sustainable, supported by strong financial discipline and sound corporate governance, enabling us to secure the resources needed to fuel our expansion.

Thank you all for joining us for this earnings presentation. We look forward to seeing you again next time.

Operator: This concludes today's earnings webcast. On behalf of Aegea, we would like to thank everyone for joining and wish you all a great day.