

Aegea Saneamento e Participações S.A.
3Q24 Results
November 8th, 2024

Operator: Good morning. Welcome to Aegea Saneamento e Participação earnings webcast to discuss the results of the third quarter and the first nine months of 2024.

With us today is Radamés Casseb, CEO, and André Pires, CFO and Investor Relations Officer. Today's event is being recorded and participants will be able to submit their questions through our webcast platform. Before proceeding, we would like to clarify that any statements that may be made during this conference call, related to the business prospects of Aegea, as well as its forecasts and goals, constitute beliefs and assumptions of the Company's management, and are not guarantees of future performance, as they involve risks, uncertainties and assumptions, because they refer to future events and depend on circumstances that may or may not occur.

I will now hand the call over to André, CFO, who will begin the presentation. Please, André, you may proceed.

Mr. André Pires: Well, thank you very much. Good morning, everyone. Welcome to Aegea's third quarter earnings call. Let's start with slide number five, where we list our highlights.

Considering the Aegea ecosystem, which is the result of all the concessions managed by the Company, we ended the first nine months of 2024 with a growth of 16% in pro forma net revenue, which reached R\$ 12 billion and 29% growth in EBITDA, which arrived at R\$ 5.5 billion. This performance reflects our portfolio profile, which drives consistent growth, combined with our inorganic expansion initiatives.

During this period, we connected 589,000 new households, which means that 700,000 people began to receive a regular water supply, and over 1 million people connected to sewage collection and treatment services. The expansion of our portfolio added 398,000 new households, which is equivalent to 1.5 million people who started being served by the company through Águas de Jaru in Rondônia, Águas de Valadares in Minas Gerais, and the PPP of Ambiental Paraná.

In the last 12 months, and in the 3Q24, we invested R\$ 6.1 billion, of which R\$ 5 billion was in CAPEX and R\$ 1.1 billion in grant payments.

Following the end of the quarter, we reached an important milestone for Águas do Rio, which completed three years of operation on November 1st. The payment of the last installment of the grant to the state of Rio de Janeiro is in the amount of R\$ 3.8 billion. It is important to highlight that the total paid for this operation as a grant fee for the government of Rio de Janeiro was R\$ 16.6 billion.

In light of our business plan, in October Águas do Rio raised and disbursed an additional R\$ 1.7 billion in long-term financing from BNDES as part of the R\$ 25.5 billion project finance facility contracted with diversified funding sources, supporting one of the largest investment cycles in Brazil's sanitation sector.

In these three years of operation, Águas do Rio has invested R\$ 3.5 billion and the benefits for the environment and society are evident. Some of the examples include the depollution of Lagoa Rodrigo de Freitas and South Zone beaches, which have become suitable for bathing after decades of pollution. Through these investments, Águas do Rio has prevented the irregular dumping of 92 million liters of sewage per day into Guanabara Bay and oceanfront beaches. During the same period, 1 million households that were using water irregularly and in precarious conditions were properly connected to the network.

We remain committed to our goal of recovering ecosystems, universalizing access to treated water and promoting sanitation inclusion, as we did in Campo Grande with Águas Guariroba, which has already universalized sewage services.

Looking to the future, we remain diligent in analyzing growth opportunities in the sector, respecting our financial discipline. As a result, we won three new contracts in the last quarter, the water and sewage concession in Palhoça, Santa Catarina State, the sewage PPP for block one of Sanepar in Paraná State, and the water and sewage concession in 224 municipalities in the Piauí state. These new contracts represent an additional 2.4 million people to be served by the company. Therefore, considering Aegea's current portfolio, we will operate sanitation assets in 766 municipalities across 15 states in Brazil.

Moving on now to slide seven, and before going to Aegea's accounting results and following the dynamic of previous earnings releases, I would like to provide a consolidated overview of the Aegea ecosystem companies, which includes the associated company, Águas do Rio, whose results are not consolidated but booked under the equity income method.

The Aegea ecosystem reached over 13 million active households, an increase of 7% due to the expansion of coverage and the addition of new assets to the portfolio. As a result, the build volume increased by 10% between the periods. From a financial performance standpoint, Proforma net revenue reached R \$12 billion in the first nine months of 2024, a 16% increase positively impacted by the increase in build volume and tariff adjustments. Proforma EBITDA reached R\$ 5.5 billion, a 29% increase compared to the same period of the previous year.

Moving on to slide eight, we provide an overview of the proforma indebtedness, which also includes Parsan. As demonstrated in the chart at the bottom left-hand side of the slide, proforma financial leverage represented by the net debt to EBITDA ratio decreased from over 6x in the 3Q24, which is very close to our most restricted contractual covenant of 3.5x. This reduction is the result of our capital structure management strategy, prioritizing financial discipline and maintaining the deleveraging trajectory. Note that our leveraged covenants are measured based

on the financial statements, where the ratio of net debt to EBITDA was 2.5x in the 3Q24. The average debt maturity of the ecosystem was extended from 2.7 years to 7.2 years, demonstrating the result of the liability management initiatives aligned with the Company's investment profile.

Now, moving to slide nine to discuss our results as reported in the financial statements, which starting from 3Q23, include Corsan's results. Beginning with operational performance, households served reached R\$ 9 million. The new operations of Ambiental Paraná, Águas de Valadares and Águas de Jaru added 398,000 new households, with the execution of investments added, while the execution of investments added 375,000 new households. It's important to highlight that this number does not include the households served by Águas do Rio, whose results are not consolidated in Aegea's balance sheet as previously explained.

Yield volume increased by 57%, largely due to the complete nine-month period of Corsan's consolidation in the nine months of 2024 compared to the three-month consolidation from July to September in the nine months of 2023, in addition to the growth in the number of households.

Moving on now to slide 10, now to discuss our financial performance. Net revenues reached R\$ 7.4 billion in the first nine months of the year, an increase of 71% or R \$3.1 billion compared to the previous year. Corsan and Ambiental Ceará contributed positively with R\$ 2.1 billion and R\$ 529 million respectively. Net revenue growth was also supported by revenues from Aegea Group service companies to the non-consolidated affiliate Águas do Rio. These include services provided by Aegea Holding and the Shared Services Center, which are responsible for financial services, accounting, HR, supply chain, and investment execution. Aegea's group service companies provide services to our concessions, and these effects are eliminated in the consolidated financial statements, which does not occur when we consider the service provided to Águas do Rio, which is a non-consolidated affiliate.

The Company's average ticket, which considers only revenue from water and sewage service, increased by 7%, reaching R\$ 1,041 per household per year.

Moving on now to slide 11 to discuss costs and expenses. It's important to highlight that the results were positively impacted by the Corsan's business combination, specifically by the fair value of the acquisition of intangible assets, which have no accounting impact on concerns, financial statements, but are measured at a fair value and recorded in Aegea's consolidated financial statements, as it was part of the valuation that established Corsan's acquisition price.

Therefore, the adjustments of the business combination represented a positive impact of R\$ 77 million on the results of 3Q24 and R\$ 255 million in the nine months of 2024. That said, costs and expenses increased by R\$ 1.4 billion over the nine-month period. This growth is mainly due to the full nine-month period of Corsan's consolidation in the nine months of 2024 versus only three months of consolidation in the nine months of 2023, in addition to the start of some new operations.

OPEX per household was R\$ 567, 23% higher than the previous year. This increase was mainly impacted by Corsan's costs and expenses, which are already on a downward trajectory as we implement an action plan to increase operational efficiency and reduce OPEX in addition to the cost and expenses of the new operations. Excluding the impact of Corsan, Aegea's OPEX per household was R\$ 344, in line with the previous year.

On slide 12 we present some metrics related to our operational efficiency. The water losses ratio continue a downward trajectory, reflecting investments together with initiatives adopted for reducing physical and commercial losses. Connection cuts averaged 106,000 in the quarter. Connection cuts are an important instrument used in the renegotiation strategy, maintaining delinquency at levels we consider comfortable. In the last 12 months, ended in 3Q24, the delinquency ratio was 0.9%, a reduction of 0.5 p.p. compared to the year ago.

Moving on now to slide 13, adjusted EBITDA reached R\$ 4.4 billion in the first nine months of 2024, an increase of 58% compared to the same period of 2023. This growth is due to the increase in bill volume and tariff adjustments, in addition to the impact of the Corsan acquisition. That income reached R\$ 1.3 billion in the first nine months of 2024, an increase of R\$ 650 million, reflecting the growth in adjusted EBITDA, which more than offset the increase in financial expenses, resulting from the company's higher gross debt and the increase in the Selic rate.

Now moving on to slide 14, the operating cash generation before CAPEX was R\$ 2.3 billion in the first nine months of 2024, R\$ 1.5 billion higher than in the same period of 2023. This increase was mainly due to the consolidation of Corsan from 3Q of last year, in addition to the start of new operations.

In the first nine months of the year, we executed more than R\$ 3.1 billion in CAPEX, R\$ 1.9 billion higher than in 2023. Of this total CAPEX, R\$ 815 million represents rents payment with R\$ 407 million related to the amendments of Corsan's concession agreements and R\$ 407 million additional related to the grant of Águas de Valadares.

Moving on now to slide 16 and discussing our funding strategy, we ended the quarter with net debt of R\$ 16 billion, an increase of 40% from 3Q23. Cash balance was 3.1x higher than the short-term maturities and the average term of the debt was extended to 4.6 years. Leverage measured by the ratio of net debt to EBITDA stood at 2.5x. In the charts at the upper right-hand corner of the slide, we can see that the majority of our debt is indexed to the CDI, and they are on a long-term fashion.

With that I conclude our presentation, and we are now available for the Q&A session. Thank you.

Question and Answer Session

Mrs. Catalina (via webcast): *Can you give more color on the Piauí concession? What would be the timing for the complex deployment and what levels of EBITDA margin are you expecting for that concession?*

Mr. André Pires: We just won the bid for Piauí. Just to put that in context, we already operate in the capital, Teresina, which represents roughly something around 30% of the state, so we're already there. We do not have a specific vision in terms of the timing for the CAPEX because we need to sign the contract and we're going to take over probably in six months, and by then we're going to have a better vision in terms of the infrastructure available vis-a-vis which was included in the concession papers and contracts.

Now, in terms of the grant fee that came with the concession, it's going to be R\$ 1 billion for the government of the state, R\$ 500 million to be paid in six months roughly, and the other R\$ 500 million in 20 yearly installments of R\$ 25 million per year, adjusted by inflation. So from a granting fee point of view, it's not something significant from our perspective. And in terms of EBITDA margins, it's too early to tell, but just as a way of comparison, in Teresina, where we've been operating since 2017 and where sewage coverage is already above 60%, our EBITDA margin this quarter was 67%. So, Teresina is a good example of the type of returns you can reach in a concession that is going through a phase of becoming more mature as sewage coverage progresses. So, that particular case, when we took over Teresina back in 2017, EBITDA margin was below 30%. So today it's already at 67%.

Operator: The Q&A session is now closed. Let's go to André for his closing remarks. André, you may proceed.

Mr. André Pires: Thank you all. We ended the first nine months of 2024 with consistent results, driven by the execution of investments in the assets we operate, as well as the expansion of our portfolio. This reflects our strategy of continuing to invest in reducing the sanitation gap in Brazil, expanding our presence into new territories while maintaining our commitment to financial discipline with a deleveraged trajectory and value creation for our shareholders and stakeholders. Bringing sanitation to all corners of the country is a commitment to the future of the next generations and to Brazil.

Thank you all, those who joined us in the earnings call, and see you in the next quarter. Thank you very much.

Operator: Aegea thanks everyone for participating in today's event. The earnings webcast is concluded.

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