



Central Puerto S.A.

3Q 2023 Results Conference Call

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Time

**CORPORATE PARTICIPANTS**

**Fernando Bonnet** – *Chief Executive Officer*

**Enrique Terraneo** – *Chief Financial Officer*

**Pablo Calderone** – *Corporate Finance & Investor Relations Manager*

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**Rodrigo Nistor**, *Latin Securities*

**Martin Arancet**, *Balanz Capital*

**PRESENTATION****Operator**

“Good morning, ladies and gentlemen welcome to Central Puerto’s third quarter 2023 Earnings webcast. All participants will be in listen-only mode. Should you need assistance, please signal a Conference Specialist by pressing the star key followed by Zero.

After today’s presentation, there will be an opportunity to ask questions. Please note, this event is being recorded.

If you do not have a copy of the press release, please refer to the Investor Relations Support section on the company’s corporate website at [www.centralpuerto.com](http://www.centralpuerto.com). In addition, a replay of today’s call may be accessed by accessing the Webcast link at the same section of the Central Puerto’s website.

Before we proceed, please be aware that all financial figures were prepared in accordance with IFRS and were converted from Argentine Pesos to U.S. dollars for comparison purposes only. The exchange rate used to convert Argentine Pesos to U.S. dollars was the reference exchange rate reported by the Central Bank for U.S. dollars for the end of each period. The information presented in U.S. dollars is for the convenience of the reader only and you should not consider these translations to be representations that the Argentine Peso amounts actually represent these U.S. dollars amounts or could be converted into U.S. dollars at the rate indicated.

Finally, it is worth noting that the financial statements for the **third quarter ended on September 30th, 2023**, include the effects of the inflation adjustment.

Also, please take into consideration that certain statements made by the Company during this conference call and answer to your questions may include forward-looking statements, which are subject to risks and uncertainties that could cause actual results to be materially different from the expectation contemplated by industry remarks, thus we refer you to the forward-looking statements section of our earnings release and recent filings with the SEC. Central Puerto assumes no obligation to update forward-looking statements except as required under applicable securities laws.

To follow the discussion better please download the webcast presentation available on the company’s website. Please be aware that some of the numbers mentioned during the call may be rounded to simplify the discussion.

On the call today from Central Puerto is Fernando Bonnet, Chief Executive Officer, Enrique Terraneo, Chief Financial Officer and Pablo Calderone Corporate Finance & Investor Relations Manager.

And now, I will turn the call over to Pablo Calderone. Please Pablo, you may begin.”

## **Pablo Calderone – Corporate Finance & Investor Relations Manager**

### Slide 3 - Agenda

Thank you very much, and good morning to you all.

We're joining you today with our management team from Buenos Aires, Argentina to comment on our results of the 3rd quarter of 2023.

Taking a moment of your attention to review today's agenda, I would like to begin the presentation by addressing shortly the main figures of the quarter, followed by a quick updated of the regulatory framework of the Argentine energy sector, and then, move on to analyze the evolution of our financial results. Finally, at the close of my presentation, we will be happy to address any questions you may have.

### Slide 4 – Key Figures

Before going into a more exhaustive analysis of the evolution of our main financial and operational data, let me briefly review the main figures of the Central Puerto group during the third quarter of 2023.

As you may know with the acquisition of Central Costanera performed earlier this year, the group's installed capacity has increased by 48% Y/Y to 7,113 MW.

Furthermore, energy generation amounted to 5,721 GWh, being 46% increase with respect to same period of 2022.

It is worth noting that with the acquisition of Central Costanera, and the more recent acquisition of the Solar farm, Guañizul II A, the group has become the largest energy generation company in Argentina, both in terms of installed capacity and energy generation, with a diversified portfolio of assets across all power generation technologies.

With regards our financials of the quarter, revenues amounted to 166 million dollars, increasing 21% compared to the same period of the previous year, while Adjusted EBITDA totaled 89 million dollars, being 5% below to the one a year ago.

Net income for the period was positive in 11 million dollars, recording a decrease of 66% as to same period of 2022.

Finally, while we continued delivering the company during the quarter and net debt has been substantially reduced, last November 2, the Board of Directors of the company approved a dividend distribution of 29.7 pesos per ordinary share to be paid on November 16th. This way, when we exclude the dividend amount from our Cash and equivalents in a proforma basis, our net debt would result in a slight 21 million dollars increase with respect to December 2022.

### Slide 5 – Regulatory Update

Now moving to the most recent Regulatory update, it is worth mentioning the following Resolutions:

On September 6 of 2023, the Secretariat of Energy issued Resolution No. 750/2023, which updated remuneration prices for energy generation and power capacity for units not committed in a Power Purchase Agreement (PPA), increasing by 23% remuneration values since September 2023.

Furthermore, on November 2, 2023, the Secretariat of Energy issued Resolution 869/2023, which updates remuneration prices for the same generation units which are not committed to a PPA. This resolution increases remuneration values by 28%, since November 2023.

On July 26, 2023, the National Secretariat of Energy, through Resolution 621/2023, announced a national and international open call "Terconf" for the submission of offers for new thermal plants or used with certain characteristics, with the aim of incorporating approximately 3,000 MW of firm and reliable thermal power generation to the national interconnected system. The successful bidders under this tender will enter into a PPA with CAMMESA.

Submission of bids took place on September 26th, while the technical qualification was carried out on October 25th, and the opening of economic bids on October 27th.

CAMMESA will evaluate the economic offers based on different factors such as: efficiency of the plant, price offered, node where to be connected and age of the machine. The combination of these factors will define the final price with which the projects will compete. To date, CAMMESA has not issued a decision on the awarding of projects.

As part of this bidding process, the group presented projects in Central Puerto for 312 MW and in Central Costanera for 516 MW.

#### Slide 6 – 3Q23 Expansion News

Continuing with our strategy to diversify our energy matrix and consolidate in the renewable energy market, on October 18th, 2023, Proener, one of our subsidiaries, directly acquired 100% of the capital votes and stock of Cordillera Solar and Scatec Equinor Solutions, owner, and operator respectively of the solar power plant "Guañizuil II A".

The solar power plant is located in the province of San Juan and has a nominal capacity of 105 MW, generating approximately 300 GWh/year. The plant counts with over 358 thousand solar panels and covers a total area of 270 hectares, being the third largest solar farm in Argentina.

The solar farm has a capacity factor of around 33%, exceeding the average for the region and positioning it as one of the farms with the best capacity factor in the world, which allows it to produce energy to supply the demand of approximately 86,000 homes.

The remuneration scheme of the power plant is a PPA with CAMMESA of around 20 years maturity under the Program Renov.ar 2.5.

With this acquisition, Central Puerto will generate approximately 10% of the country's total solar capacity reaching a total renewable energy capacity of 475 MW, of which 80% corresponds to wind energy and 20% to solar energy.

#### Slide 7 - Market Overview Installed Capacity

Now, let's use the next two slides to analyze the evolution of the Argentine energy market during this quarter.

As we can see in slide 7, the country's installed generation capacity has increased by 1% or 554 MW reaching a total of 43,453 MW, compared to 42,889 MW in the 3Q22. This increase in capacity was mainly due to the incorporation of 424 new MW from renewable sources, increasing 8% *vis a vis* the same period 2022, of which 236 MW corresponds to solar photovoltaic projects, 183 MW to wind farms, 3 MW to biomass and finally, 2 MW of biogas generation units.

In turn, thermal capacity sources recorded a net 0.5% increase or 130 MW, as a combination of the incorporation to the system of 735 MW of new combined cycles and the decommissioning of 567 MW and 38 MW of gas turbines and diesel engines respectively.

#### Slide 8 - Market Overview Demand & Generation

Now let's move to the analysis of the power generation and demand of the period.

In the third quarter of the year, energy generation increased 7% to 35,861 GWh, compared to 33,454 GWh in the 3Q22, mainly due to a strong increase of 63% in hydro generation followed by a rise of 6% in the supply of renewable energy, which resulted in a lower requirement of thermal and nuclear generation, with decreases of 12% and 6%, respectively.

The higher power generation in 3Q23 *vis-a-vis* 3Q22 was a direct consequence of a 1% increase in energy demand, which was essentially driven by a 4% increase in residential consumption. It is worth mentioning that residential demand decreased during July and remained almost flat during August due to milder temperatures. However, lower temperatures recorded during September 2023 boosted residential consumption by 14% on a year over year basis, being partially offset by a 6% contraction in industrial demand due to a drop in major users' consumption through the distribution networks.

This slightly higher demand was mainly covered with more generation from hydro and renewable sources, as previously stated. In the first case, the increase in generation was a direct result of higher flow rates, mostly in the Comahue region of the Provinces of Neuquén and Río Negro. Comparing the 3Q23 with 3Q22, flow rates of the rivers Collón Curá, Futaleufú, Limay and Neuquén rose by 86%, 83%, 64% and 167%, respectively. Flow rates of Uruguay and Paraná rivers were also higher, but the increments were much lower in comparison. It is worth to mention that during the 3Q23 the flow rate of the Collón Curá river was higher than the historical mean for that period, with peaks even higher than the historical maximum flow rate recorded for September (more than 2,000 m<sup>3</sup>/s). In the second case, the growth in generation was a consequence of new capacity added to the system, as detailed above.

The higher hydro and renewable generation prompted lower thermal dispatch, which was also impacted by lower availability levels (73.4% in 3Q23 vs. 77.6% in 3Q22), mostly from steam and gas turbines (61.2% in 3Q23 vs. 67.9% in 3Q22). This resulted in a decrease in fuel consumption, essentially for fuel oil (-69% y/y) and diesel (-16% y/y). The higher supply of hydraulic and renewable generation also prompted lower nuclear dispatch, primarily for Emabalse and Atucha I power plants since Atucha II was under maintenance works.

#### Slide 9 - Central Puerto Operating Metrics

Going now to our key performance indicators for the quarter, on slide 9, we can see that power generated by Central Puerto rose by 46% to 5,721 GWh, compared to 3,932 GWh in the 3Q22.

It should be noted that this increase includes the incorporation of 767 GWh generated by Central Costanera, which was acquired at the end of the first quarter of this year and is not included in 3Q22 figures. Thus, when analyzing the energy generated in 3Q23 excluding data from Central Costanera, in the quarter over quarter comparison, the increase reached to 26% to 4,953 GWh.

Hydro generation explained most of the 46% increase in GWh production of the quarter. Piedra del Aguila hydro power plant increased 248% its energy production, which was a direct result of the rise in the flow rates of the Collón Curá and Limay rivers when compared with the same period of 2022 (+86.3% and +64.2%, respectively), as previously mentioned. The flow rate of the Collón Curá river was higher than its historical average for the period, with peaks even higher than its historical maximum flow rate recorded for September.

Renewable energy as a whole increased 1% between 3Q22 and 3Q23, mainly explained by La Castellana II and Genoveva I (lower wind resource offset by higher availability of wind turbines) and, to a lesser extent, Manque and Los Olivos (higher wind resource and availability of wind turbines).

Regarding thermal generation, it rose 9% between 3Q22 and 3Q23, which includes the energy produced by Central Costanera. If this power generation is excluded, thermal generation actually decreased 17% in the 3Q23 when compared with 3Q22. This situation is basically explained by the much higher hydro generation of the period, as previously stated, which prompted lower thermal dispatch, particularly in Puerto site. Some steam turbines, mainly at the Puerto, Costanera and Mendoza plants, were also unavailable during the quarter while, on the other hand, some gas turbines of Mendoza and the one of Brigadier Lopez plant increased substantially their energy generation during the period. The generation from San Lorenzo plant shank in this period because of gas scarcity. In terms of availability, Central Puerto's performance continued to be better than the market when we exclude Central Costanera since this power plant has been carrying out several maintenance programs. Finally, steam production declined 12% during the 3Q23, which is explained by a 28% contraction in San Lorenzo plant. This performance was partially offset by a 16% increase in Mendoza cogeneration plant.

#### Slide 10 - Revenues

Now, zooming in our revenues analysis, as you can see on slide 10, these amounted to 166.5 million dollars in the quarter, as compared to 137.7 million dollars in the same period of 2022.

First, it should be noted that in this quarter, revenues of the Central Puerto Group include those corresponding to the acquisitions of Central Costanera and the forestry companies, which contributed with 21.2 and 8.2 million dollars respectively. Thus, when excluding these effects, the variation in revenues would be a slight decrease of 0.4% or 0.6 million dollars, as a combinations of the following factors:

- (i) A 23% or 11.5 million dollars increase in Spot/Legacy energy sales which amounted to 62.2 million dollars in 3Q23 compared to 50.7 million dollars in 3Q22, this was driven by a higher energy dispatch from Piedra del Aguila hydro power plant, a higher thermal availability from Central Puerto's combined cycles, and, the end of the Brigadier Lopez gas turbine PPA contract in August 2022 when it began to be remunerated in the Spot market, all of this being all partially offset by a lower generation from thermal units on the back of a higher hydro resource and a lower remuneration in dollars.
- (ii) A 28% or 1.9 million dollars increase in steam sales, which totaled 8.5 million dollars in the quarter compared to 6.6 million dollars in the same period 2022, this was due to a combination of better prices in dollars, a 12% decline in volumes produced and a revenue adjustment with a negative impact in 3Q 2022 revenues.
- (iii) A 17% or 12.7 million dollars reduction in sales under contracts, which totaled 63.6 million dollars in the quarter compared to 76.3 million dollars in the 3Q 2022, mainly as a result of the end of the Brigadier Lopez PPA contract in August 2022 as previously mentioned.

#### Slide 11 - ADJ. EBITDA

Jumping now to slide 11, for a better understanding on the evolution of our Adjusted EBITDA. During the third quarter 2023, the group's Adjusted EBITDA amounted to 88.8 million dollars, including the Adjusted EBITDA from Central Costanera and the forestry companies of 6.6 and 4.0 million dollars, respectively. Thus, on a consolidated basis, the adjusted EBITDA of the quarter recorded a contraction of 5% compared to the 93.8 million dollars in 3Q2022.

When analyzing the Adjusted EBITDA excluding acquisitions, we can observe that the variation is mainly explained by:

- (i) the previously mentioned drop in revenues,
- (ii) a 21% or 10.3 million dollars increase in cost of sales, explained primarily by a higher consumption of materials and spare parts due to the continued maintenance performed on the gas turbines at the Lujan de Cuyo Plant,
- (iii) a 13% increase or 1.3 million dollars in SG&A, mainly driven by higher personnel cost, maintenance activities and taxes on banks account,
- (iv) and finally a 22% increase or 3.3 million dollars in other operating results net, mainly due to higher interest from operating activities.

#### Slide 12 – Net Income

Moving to the next slide, Consolidated Net Income for the quarter amounted to US\$10.6 million, decreasing 66% on a year over year basis. In addition to the lower Adjusted EBITDA of the period, the net income was impacted by a combination of the following factors:

- (i) a higher loss on net monetary position of 40 million dollars partially offset by better results on associated companies.
- (ii) a decrease of 18 million dollars in net financial results mainly due to higher negative FX differences, partially offset by a gain in value financial assets measured at fair value.

All of this, being partially offset by:

- (iii) Higher positive foreign exchange differences and interest related to the FONI receivables, for 25 million dollars; and
- (iv) Higher positive results from an increase in the variation of the Fair Value of the Biological Assets from our forestry segment for 16 million dollars.
- (v) And finally a lower income tax of 2 million dollars due to the lower earnings before taxes of the period.

#### Slide 13 – Cash Flow

Finally, going to slide 13, we can see the evolution of our Cash Flow during the first nine months of the year.

**Cash flow provided by operating activities amounted US\$170.8 million** arising mainly from (i) the Adjusted EBITDA generated in the period and, (ii) US\$42.1 million in collection of interest from clients, including those of the FONI program, being all partially offset by (iv) Income tax payments of US\$54.3 million and (v) US\$6.2 million in negative working capital variations.

**Net cash used by investing activities totaled US\$77.9 million**, mainly due to the acquisitions of companies made along the year; coupled with US\$11.5 million in investments in property, plant, and equipment, US\$1.8 million from the selling of short-term financial assets, and US\$1.7 million from the share buyback program implemented in the quarter being all partially offset by a collection of US\$2.2 million in dividends during the period.

**Net financing was negative in US\$85.0 million**, basically as the result of (i) almost US\$78 million in debt service amortizations, primarily related to the Brigadier Lopez syndicated loan and the principal maturity of the Manque and Olivos dollar linked bond; (ii) along with US\$28.3 million in interest and other financing costs related to long-term loans; (iii) US\$12.1 million related to bond buybacks, and (iv) the cancellation of overdrafts in checking accounts for US\$2.4 million, which were partially offset by US\$41.4 million in financing obtained in the period, mainly from the issuance of our Class A notes for US\$37.2 million.

Consequently, our cash position as of September 30<sup>th</sup>, 2023, amounted to US\$58.2 million, which if current investments in financial assets are included, our total current liquidity amounts to 317 million dollars.

#### Slide 14 – Debt Maturity Schedule

To conclude with the presentation, in this slide I would like to bring to you our debt maturity schedule, but in particular, I would like to highlight the successful liability management carried out during September and October that will considerably alleviate our debt maturities for the year 2024.

In that connection, on October 17<sup>th</sup> the Company issued its first international bond for a total amount of US\$50 million with a 2-year tenor at a rate of 10%. This allowed us to partially prepaid, only two days later, US\$ 49 mm of the outstanding US\$ 55 million of the Syndicated loan signed with Citibank, JP Morgan and Morgan Stanley, remaining now only US\$6.0 mm to be paid on January 24. This not only permitted us to refinance short-term debt maturities, extending its life and reducing financial cost, but also help us to lift dividend payment restrictions that were imposed as covenants of the syndicated loan.

In that connection, and as previously explained the company has announced that will be distributing dividends to our shareholders with a combination of Argentine pesos and securities on November 16. This way maturities for 2024 amounts now to only 38 million dollars, being manageable and clearing short-term uncertainties.

It is also worth mentioning that on September 14th, the Company issued the Class A notes, denominated, integrated and payable in U.S. dollars, for an amount of US\$37.2 at a rate of 7% maturing in 2025, which were re-opened on October 20<sup>th</sup> for an additional 10 million dollars issued at a price of 102.9 dollars. With this I would like to conclude the presentation and now we invite you to ask any questions to our team.

Thank you for your attention.

### **Operator**

“We will now begin the question-and-answer session. To ask a question you may press \* (star key) then 1 on your touch-tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press \* (star key) then 2. At this time, we will pause momentarily to assemble our roster.”

Your first question is coming from Rodrigo Nistor with Latin Securities. Please pose your question. Your line is live.

### **Rodrigo Nistor – Latin Securities**

Welcome and good morning everyone. Thank you for the opportunity. So given the change in the government in 2024, how you're modeling the impact on legacy energy remuneration, what scenarios are being considered in terms of regulatory changes and how this might affect your strategy for your thermal project? Thank you.

### **Fernando Bonnet - Chief Executive Officer**

Hi, Rodrigo. Thank you for your question. I can't hear you very well. I assume that you're asking for Energia Base Remuneration Framework for 2024, is it correct?

### **Rodrigo Nistor – Latin Securities**

Yes. Can you hear me better now?

### **Fernando Bonnet - Chief Executive Officer**

Okay. Yes. Well, as you know, this Energia Base Remuneration Framework is a framework in which we receive the amounts in pesos and the Secretary of Energy establish the tariff and make the adjustment of that tariff in terms of inflation. Right now we are reaching with the last increase on November, we are reaching an increase this year of 150% for this year. We are trying to push for another increase on December, trying to catch all the inflation of this year, but we don't know now if we can get it or not because, of course, we need to wait until the elections if we have the same Secretary of Energy or the same government or we need to discuss with a new one. But we are confident that we can at least cap the inflation this year.



Next one depends on the new administration coming, if they're going to establish a regular basis adjustment, which is what we want, trying to have an automatic adjustment in trying to cover inflation, not going step-by-step, discussing every three months the adjustment is which we have right now. So we are confident to try to set a scheme of adjustment, automatically establish, trying to catch the inflation, as I mentioned, automatically. We talked with the possible Milei's ministry or Secretary of Energy, and they are aware about that. They know that we need to have that. We talked with the actual Secretary of Energy, and she knows the same, that we need to have an adjustment more automatically than we have now. And I think this will be the challenge for the next quarter.

Of course, first, they need to adjust the tariff, the end-user tariff, and we need to have the same, like or a scheme which is in order with that. So, first, they need to solve, I think the problems to establish a new tariff, end-user tariff scheme, and then we can discuss how we can enter in that scheme and having an automatic adjustment. So, that's our idea about how we can discuss the future in terms of legacy energy.

### **Rodrigo Nistor – Latin Securities**

Okay. And I have a second question, if I may. If you could outline Central Puerto's investment plans for 2024, including potential acquisition targets, progress in transitioning to combined cycle, and your expectations for the upcoming energy options and their impact on the company's position and performance. Thank you.

### **Fernando Bonnet - Chief Executive Officer**

Okay. So, the first thing that we have ready to start is the Brigadier Lopez closing combined cycle, which is in the finish. We are finishing the discussion with EPC constructor this month, I think, and we'll start the construction perhaps early January. So, this is the first more clear investment in CapEx, new investment in CapEx. This will be around -- it's not really -- it's not fully closed, but it will be around \$140 million and \$150 million in CapEx, and around 20 months of construction. We will reach an output of 400 megawatts in this combined cycle that we have in Santa Fe.

And then, in terms of new projects, as you know, we are participating in a bidding process, and maybe thermal process, thermal auction, and we are confident that we can at least reach two projects there. It's not fully finished. We expect that to have an announcement perhaps this week or the next one. But, of course, that will depend on also, I think the ending of the result of the election. And in terms of acquisitions, we are still looking in terms of new capacity in renewables. We are seeing several projects there, but we don't have any clear view about how we can continue the process because we are in the early stages. We are still looking at possibilities in mining, but also in early stages. So, we don't have another close possibilities right now. So, I think Brigadier Lopez is the more clear one, and second, the thermal options coming is another clear possibility.

### **Rodrigo Nistor – Latin Securities**

That was really helpful. Thank you.

### **Operator**

Your next question is coming from Martin Arancet with Balance Capital. Please pose your question. Your line is live.

**Martin Arancet - Balanz Capital**

Hi, thank you very much for materials and for taking my questions. I have three questions. I would like to run them one by one also, if that's okay. First, now that you have paid the syndicated loan, what could we expect in dividends or share repurchases for next year?

**Fernando Bonnet - Chief Executive Officer**

Well, as you mentioned, we are right now we don't have any limitation to pay dividends, so we want to come back to the regular basis payments as we have in the past. So, the amount will, of course, depend on the tariff adjustment, how many megawatts we get awarded in the thermal auction, and of course, the possibility of receiving financing in the future. But having said that, we want to come back to regular basis payments.

**Martin Arancet - Balanz Capital**

Very clear. Thanks. And then you already mentioned something about it, but I was wondering if you have any news on the evaluation of mining projects, if you think that Central Puerto could close a deal next year.

**Fernando Bonnet - Chief Executive Officer**

Well, for sure, we're going to put focus on that. As I mentioned, we are in the early stages, so I cannot comment on how or when we can get the closing, but we want to put focus and see alternatives in that sector, yes.

**Martin Arancet - Balanz Capital**

Okay, thanks. And my last question, well, you were one of the main leaders in the recent thermal auction, and of course, we are still waiting for the results, what IRR were you aiming for, and do you see a risk on financing rates for next year if the new government removes capital controls?

**Fernando Bonnet - Chief Executive Officer**

Okay, well, as you know, it's an open process right now. So I cannot comment specifically the IRRs that we are seeing, but I can say, yes, that they of course are related to the Argentine risk and the risk you mentioned of the financing perhaps limitations of financing situation that we can face in the near future. So the returns are according to that, but I cannot go forward because it's an open process.

**Martin Arancet - Balanz Capital**

Okay. Very helpful. Thank you.

**Fernando Bonnet - Chief Executive Officer**

Thank you for your interest



**Operator**

Thank you. Again, if you have a question, please press \*then 1.

This concludes our question-and-answer session. I would like to turn the conference over to Mr. Bonnet for closing remarks.

**Fernando Bonnet - Chief Executive Officer**

Thank you to everyone for your interest in Central Puerto. We encourage you to call us for any information that you may need. Have a great day.

**Operator**

Thank you. This does conclude today's conference call. Have a wonderful day.