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Corporate participants

- **Rodrigo Costa** – Chairman and CEO
- **Gonçalo Morais Soares** – CFO & Executive Director
- **João Faria Conceição** – COO & Executive Director
- **Madalena Garrido** – Head of Investor Relations

Participants

- **Flora Trindade** – Analyst; Caixa Bank BPI
- **Ignacio Doménech** – Analyst; JB Capital Markets
- **Fernando Garcia** – Analyst; RBC Capital Markets
- **Enrico Bartoli** – Analyst; MedioBanca

Madalena Garrido

Good morning, ladies and gentlemen, and welcome to REN's First Quarter 2025 Results Conference Call. We appreciate your presence today.

Joining us are the members of REN's Executive Committee, Rodrigo Costa, our CEO; Gonçalo Morais Soares, our CFO; and João Conceição, our COO.

Rodrigo will begin with his opening remarks, and this will be followed by a detailed overview on REN's operation and financial performance for the first quarter. Following the presentation, we will open the floor for your questions. Thank you, again, for your attention and continued interest in REN.

Rodrigo Costa

Thank you, Madalena. Good morning, all. I'm sure we will have some questions about the blackout today, which probably -- we will have less questions than usual about the business.

As you know, the quarter results were fine. We had a busy quarter with the good results in Portugal, also in Chile, and all in all, everything was going perfectly without surprises, until, of course, April 28th. And even that, we managed properly. Gonalo will guide you through the presentation as usual.

Just a note on the Q&A and the blackout. We have been communicating a lot since the event start. We shared information publicly. We made several interviews during and post events. And just to anticipate what will happen on the Q&A, we will try to answer all the questions, but we are not going to go beyond the facts we have.

As you know, there are multiple audits in progress, some in Portugal, some in Spain, some at European level. We trust that, in a few weeks, we will be able to have more data, And for sure, that will be shared publicly.

And with that, we move to the presentation.

Gonalo Morais Soares

Thank you, Rodrigo. Good morning to you all. So, slide four on the summary, just to say, the financial results of the quarter are good. I'd say they are uneventful. They are completely in line with expectation.

And in terms of EBIT, it was pretty stable, so no major news there. I'll come into that. But I'd say pretty stable with small increase in Portugal, small increase in Chile, but, actually, pretty stable.

Net profit is increasing quite a lot, but that is given to the fact that, typically, on the first quarter due to the accounting of the full amount of the levy, it's very small, and since we are also now, as we have explained in the full year accounts, accounting for the 25% of the tax incentive that we have, it kind of creates this variation that it's mostly due to that.

In terms of net debt, strong decrease. This is given to the fact that there is small CapEx still in this -- as normal, in this quarter. And I would not expect this level of cash flow going on average, so we are happy with it. But I'll go into a little bit more detail.

[Operations] CapEx, it's a little bit too early. I think everything is okay, but it's a bit early to give you any -- actually, proper feedback.

Let me hand over to Joo that will go through the operating part. Joo?

Joo Faria Conceio

Thank you, Gonalo. Good morning to you all. From the operational side, obviously, the blackout of last 28th of April is probably the most relevant issue. As you know, the causes of this blackout are still under the investigation and there is lots of information that we have already. But still, it's still impossible to have a positive and solid conclusion what were the causes of all this.

We managed to put the system into operation fully in Portugal in less than 12 hours, so before midnight Lisbon time. And we did this with full articulation with the Portuguese authorities, as well as the other stakeholders, both generators, the distribution operator, as well as, our counterpart in Spain.

Coming back to the other indicators from the renewable's energy sources, this first quarter, we stay above 80% of renewable sources, supplying the total consumption of Portugal. This is a slight decrease versus last year, last 2024 first quarter.

Having said that, if we take the picture with a couple of months more right through to the end of April, we increased a little bit this 80.5% to 83% with important share of hydro generation as we are going through quite wet here. So, we have plenty of water in our dams, which is very positive for the hydro generation into the system.

Jumping into the slide number seven, you have an overview of the operational indicators. As I mentioned, renewable share in electricity decreased a little bit versus the first quarter of 2024, still with the latest information, which is 8.5% is increasing. Now, that we -- until the end of April, we are having 83%.

In terms of consumption, we saw a slight increase of consumption of electricity in Portugal. Even if we do the normal corrections for temperature and the weak days, this increase was around 2%, which is a figure that we are anticipating to be the one by the end of the year.

Gas transportation, consumption of gas, basically, it didn't change very much the overall consumption of gas in Portugal. Although, there was a change in the sense that -- what we call the conventional consumption, so industrial and household, decreased around 6% versus the first quarter of 2024, which was offset by an increase of the usage of gas to generate electricity on our combined cycle plants.

So, when you look to the consumption of gas from the distribution perspective and you see this decrease of 8.2% versus last year, this is almost in line with the overall figure of conventional consumption that we have for the country.

In terms of the availability rates, as well as, in the average interruption time, in the first quarter, nothing much to be said. Of course, the 28th of April event was lighter than that, and we are still waiting for the decision of the regulator regarding if it's considered to be an exceptional event, and therefore, is not considered in terms of our quality of service indicators.

And with that, Gonalo, I give it back to you.

Gonalo Morais Soares

Thank you very much, Joo. So, slide number eight is just the main -- the main number, so I'll jump through that and go straight to slide number nine in EBITDA. So, on asset and OpEx remuneration, this is mostly driven by amortization and by the solar agreements that are contributing to this increase.

In OpEx, I'd say that there's some timing of some costs and some costs that are actually recognized also in revenues. I'll go a little bit into that. And in international segments, I'd say that it is increasing now around 12% in line with what's expected. You see that international growth a little bit as the [weight]. But as you can see, Portugal is and always will be the priority, and international is around 5%.

Looking at slide 10 on RoR evolution, there is basically no major change, so that's why you see that base RoRs are basically flat versus last year. So no change there.

In terms of investment, this is a little bit too early to tell, so you see an increase. We are expecting a strong CapEx here. Execution is going well, but it's too early to make any other comment. But that everything is going according to plan, and we should expect, as I said, a strong CapEx here.

In terms of slide number 12, you see the evolutions of the returns of the several businesses, so electricity growing mainly by asset base evolution. And actually, if you make the calculation of the RAB evolution, taking into account the solar agreements, what you'll see is that, from '23 to '24, having the solar agreements, we grew around a little bit over 2%, so around 2.3%.

And what we are expecting this year, if everything goes according to plan, is that that growth will increase again, so it should be around 3.5%, 4%. Let's see how things go. But so we are accelerating the growth on the electricity assets as we had told during the business plan. Gas transportation is still coming down due to the asset evolution, and gas distribution is more or less the [same], okay?

In terms of OpEx, what you see is this increase of close to 9%. Personnel cost is the smaller part here, and we know that they are growing, as we are still growing people. But they are, I'd say, more or less symbolizing on core external.

Part of these things relate to the electricity in the -- in the -- in the LNG terminal [ADC]. You cannot see that this EUR 700,000 is more or less neutral than -- or will be neutral in terms of EBITDA, but we also have more revenue, so it's not really additional. OpEx -- or OpEx is growing on the core external cost less than we are expecting. Some of other costs, I'd say, also there's some timing issue. So, yes, we'll have costs growing this year, but I'd say a little bit less than what you are seeing here. Okay?

In slide 14, talking about Chile. As I said, no surprises, so Transemel, the electricity company, growing as expected. So, EBITDA growing around 13%, so we are back to this growth trend that we were supposed to see. So, I think that this is going to consolidate over this next year as the options that we have been winning and some of the other construction starts to come online. Okay?

Just to note that we did announce the acquisition of that small company, TENSA, and it operates around 190 kilometers in Chile. So, this is completely in line with what we want to do in terms of strategy, which is to grow organically in very small, I'd say, asset acquisitions, without increasing Chile above a small percentage of what it represents inside REN.

Okay. With regards the gas company is -- it's pretty much stable and with no major (inaudible).

So below EBITDA. You see depreciation evolving in line with revenues, also from amortization, so no news there.

In terms of financial results, there, I'd say, also having -- they have a very good evolution this quarter. Average cost of debt is stable, as we had said, so they are, I'd say, in the 2.77%, so slightly below 2.8%. We don't think that this is going to change materially now.

There is also an impact, and we'll see that, of net debt coming down because of several reasons that impacts the financial results, and there is also some impact of positive exchange rate evolution.

As you know, last year, it was negative. The year before, it was positive. So, it's something that, kind of, every year is positive or negative and more or less neutral on the longer term kind of view.

In terms of taxes, so what you see here is the full amount of levy being accounted, and there are no -- in relation to (inaudible), there are no new news. There's nothing new that we know apart from what we already told you on the full year event. So there's no other news from the courts, there's no other news from the -- from the government or from the budget.

So, I'd say, everything is as it was, so, although, the news were positive and the trend is positive, and we are very hopeful that this is going the right way as of now, and we are still being conservative and putting it into the account. As you know, this is only [priced] in October, so we will see how this evolves along the year.

Furthermore, as I said, we accounted for the EUR 7.5 million, which is our best estimate as of now of what is 25% of the full year amount of the tax incentives. And we also have some other positive impacts around a little bit below EUR 2 million of other taxes that we recuperated from previous year. Okay? That's why it's kind of slightly lower also than we have anticipated.

So, in slide 16, the full picture. So, I'd say, EBITDA flat and you have a good contribution from financial result and from income tax that helps this growth. It's a little bit likely on a full year amount. This will change, because, as you know, the tax incentive was fully accounted for last year in the fourth quarter, so on the full year amount, you'll see this kind of level out. On the first, second, and third quarter, we will always have this, I'd say, positive year-on-year impacts of the tax incentives.

I'm going to net debt on slide 17. So, this has a -- has a very positive evolution, and there are several reasons to this. On one side, still some correction on tariffs deviations, so I think this is now stabilizing around EUR 100 million number that we should expect. So, it can be a little bit higher -- can't say where it is, but so it was, I'd say, some of the final corrections.

Secondly, CapEx is, I'd say, a lower quarter in terms of execution, so slightly less burden. The dividends are not paid here, so it's part of what you see in the second quarter. And also, finally, on the other, you see that there is a positive impact there of minus EUR 76 million almost. Part of this is relating -- or most of it is relating to the solar agreements around EUR 70 million. So this is what -- as we told you, we received some of the money in advance as we are executing the agreement.

So, there is going to be, at the start, sometimes in any given quarter, we may receive it and execute the following quarter. So, in any given quarter, you can see a positive impact, or you can see the CapEx being a little bit higher than what you're expecting. But this is completely normal, and this is related to the solar agreements.

Maturity, as you see, still a little bit above five years. You can expect that, in the second and third quarter, this is going to come down a little bit until we issue a new bond, which is expected before year-end, and then I think this will recuperate.

We are also always refinancing the loans that we have, so we are aiming at maintaining this around this. But it may come down a little bit and go up a little bit more. But I'd say, no news on the net debt side.

Slide 18, just sharing evolution. So, I think we've been having a good share price evolution, and this year despite some turbulence recently, I think it was pretty stable, and we are clearly have peers in the market, okay?

Moving very quickly through the ESG information and to slide 20, just to tell you, and that we are continuing to develop and execute our strategy. What you see here in terms of gas emissions going up is mainly due to the fact that, in the beginning of the year, more [CCGCs] were used, so we have more gas-produced electricity, and because we have more gas-produced electricity, we feel this a little bit, but I'd say, that is the normal. For instance, as João said, as more renewables come online, you'll see slight changes in this figure along the year, so I'd say nothing very different.

Slide 21, I will not go into it. It's just for your reference. It's also a bit more information.

Next slide 22 is just to tell you that, as you see, our efforts are being -- and continue to be rewarded in terms of the ratings. We do not live for these ratings, but this is a reflection of the good work that is being done, and they are having positive evolutions in most of them, and in some of them the same, but I think this shows the work being done on the ESG front.

As closing remarks, so, I'd say, pretty good results, very much in line with what we expect, stable EBITDA and strong CapEx that you'll see full year, net profit growing [on that] reason, I'd say, unusually high cash flow contribution, as I explained before.

Bear in mind, also, in terms of dividend that -- the dividend is being paid now on the 13th [and] today and it's the expected dividend date, so that's why you see correction on the price in the market. And we will be paying the dividend as agreed. Okay?

So, thank you for your attention and we will now open for Q&A. Thank you.

Q&A

Flora Trindade

Yes. Hi. Good morning. Thanks for the presentation and for taking my question. The first one, and I know you can't share a lot of details on the blackout, but just wondering if you have been asked any compensations following the blackout, and how will you manage this potential risk?

And then, two questions on results. So, you mentioned that you don't see this performance of cash flow throughout the year, but you have ended the quarter with EUR 2.3 billion net debt, and you have a target of EUR 2.5 billion to EUR 2.7 billion. So, can we see a lower than the target debt for year-end?

And then, on the target set in the Capital Markets Day for net profit, these were not including the incentives on the recapitalization of operating companies. I was just wondering to understand whether it would be simply adding these incentive, or if you do see any other adjustments that we would have to make to this target. Thank you.

Rodrigo Costa

Okay. I will start, and then we move to Gonalo. In terms of any type of compensation, we're not being asked any compensation. And for the moment, we have no comments to do in relation to that. Joo briefly mentioned how the event will be classified, et cetera, but nothing to share from our side.

Gonalo Morais Soares

It's on the results on the cash flow. I mean, as of now, we are not revising that number on the net debt. As I told you, it's an -- it's a unusually better than expected quarter in terms of cash flow.

But I think as time goes by, what you'll see is that now we are going to pay the dividend. Now, we are going to execute some of the CapEx that we already received. Now, which one is going to execute more CapEx in the third and fourth quarter as usual in relation to this.

So, what you'll see is things happening in line -- more in line with what we said. So we are not anticipating any major difference. It can be a little bit below what you said -- or what we said, but we are not seeing anything.

On the -- on the incentive, I mean, there's other adjustments, of course, versus the plan, because, in the plan, but we don't issue [differences], for instance. Interest rates are lower than they were in the plan.

So, what you see is slightly lower rates of return in some cases than you had in the plan, slightly lower costs of funding that you had in the plan. But I say that, this one, the tax incentive is clearly a large number that was not included. So, that number you can have because it was not included at all, okay? Thank you.

Ignacio Doménech

Hello. Good morning. Thank you for taking my questions. The first one is also in relation with the blackout in Iberia. I was wondering, on the IMDT incentive, okay, the regulatory incentive, could this blackout have an impact on the -- on the KPIs, and in turn, it would be entitled to have a lower regulatory incentive in 2025.

And still on the -- on the blackout in Spain, you are now -- in Iberia, you're now approaching the regulatory review. So I was wondering if you think this could change the stance from the regulator in terms of incentivizing networks in Portugal, okay?

Then my second question is related to -- with Chile on the recent acquisition of TENSA. I was wondering if you could give us also some color on the strategy there. You think this is an interesting market. So, you think we could see other minor acquisitions there, which could also [give] some scale in the Chilean market.

And lastly, on the taxes in 2025, you put the special energy tax in the quarter. Last year, we saw in the -- in the last quarter an offset following some decisions from the Constitutional Tribunal. So I was wondering if this situation could be, again, repeated, right?

I understand that you don't have any notifications yet, but I would assume this could be something going forward. So, just a bit of color there. Thank you very much.

João Faria Conceição

Thank you for the questions. I will start with the IMDT incentive. As you know, the IMDT incentive has three components, the availability rate of the network, the interruption time, and the interconnection capacity.

Starting by the last one, all the decisions that are being made by the -- in the interconnection capacity are fully articulated with our government. So, that will depend on the position of the government.

Whereas, the two others will depend on the decision of the regulator regarding if it considers an exceptional event, this event. All the indicators show that the event started not in Portugal, and therefore, we will have to wait for the decision of the -- of the government.

And in addition to that, I think that it's relatively [consensus] that the work that was done after the blackout was considered to be a good work by everyone, and therefore we will have to wait for this decision on the regulator, specifically to see if what are the -- if there is any impact on the IMDT, although, we are positive.

Rodrigo Costa

Regarding the -- what is the -- well, what is the impact of this event in the minds of the regulators, governments, energy agencies, and European Commission, I think this event was -- it was so strong

and so sudden that it's making all the decision-makers, all the stakeholders, thinking about what should be done in the future.

We all know that we have to do a few things probably differently in the future. We all know that probably it will be needed more investment. People understand more the type of risks we all face as countries, and I'm sure this will have an effect in terms of how people see the financing and the investments in the -- in the future for energy.

Then, I think the expectation is that things will change with this extra concern that we have now in our minds, and it's not going to be different in the future.

Gonçalo Morais Soares

Okay. So relative to Chilean you asked, so this is completely in line with what our thoughts were. This was a very small asset acquisition. If we have -- or if we have another opportunity that is similar, we can look into it.

The issue here is that, first, in terms of returns, we are executing things where returns are, actually, very much aligned also with greenfield execution, so we are being very disciplined on this.

Secondly, when we do these small asset acquisitions, we are also substituting some of the -- of the CapEx that -- or, the capital that we would be allocating in the following years on options. So we are not thinking about allocating much more capital or more capital to Chile. This is more a way of sometimes anticipating things and making things go a little bit faster with similar return.

At the end of the business plan, instead of Chile going from 4.5% to 6%, imagine it's going from 4.5% to 6.5%, so. It's exactly the same. We are not going to make any major change. We like it, but it's small and it will continue to grow in this small sense.

In terms of the quarter and the offset of the levy that you asked, so there's no news. So, the only thing I can tell you is that, if tomorrow we have more cases that we won, that we were sure that we would be receiving the money, we would account for them as we accounted for them last year.

So, the accounting policy is the same. So, we just have to wait for the news to come from the court, so. But we have no new news relating to that. So there's nothing new that I can tell. Of course, every year new court cases are decided. So, the most likely thing is that something will happen during the year, but we don't know. Okay? Thank you.

Fernando Garcia

Good morning, and thank you for taking my question. So, the -- since the blackout, there was a change in the system operation. As far as I know, Portugal just resumed imports from Spain. I think this is limited to 1 gigawatt. So, my question there is when you think you can start operating normally, and maybe you need to wait until the reasons of the blackout are known.

The second question it comes follow-up of a previous comment that you, Rodrigo, did, that it was -- in that sense, if you have any feedback from the Portuguese regulator about the investment that needs to be done in order to limit the risk of the blackout in the future. I think this might be a little bit too early, but any indication here would be highly appreciated, no?

And last one, if you experience any frequency oscillation coming from Spain that was very different to normal in the minutes, hours, days before the blackout. Thank you very much.

João Faria Conceição

Well, starting for the -- by the first, when are we expecting this to come to normal? The sooner as possible. We are being -- implementing these measures that are known, completely articulated by -- with our government and the Portuguese authorities.

We are following very closely the outcomes of the outcomes of the wholesale daily market and the -- what's the Spanish TSO, Red Electrica, is implementing as additional measures for security. And as soon as we can -- could consider that there is more information and also clear evidence that we are all coming back to normal, we will, obviously, adjust and change the status of the interconnection to normal.

Jumping to the last question on the frequency oscillation. Yes, we do confirm we have some voltage oscillation and slight frequency oscillation some minutes before. But the major events happened, as you know, in just five seconds at 11:33 Lisbon time.

Rodrigo Costa

On your question about feedback from the regulators, so far, we -- as you anticipated, it's still early. We don't -- we do not have any feedback from the moment. Of course, we have contacts, we speak with them, they speak with us, and we follow the event and we exchange information.

But this is just in the beginning of the process, the regulators, they all have to go through their -- the process of reviewing the future regulation. As I said before, this is going to have an impact for sure in the way the people think about the future.

João already mentioned, in fact, we had a very, very good interaction with government during all this situation. I think they allow us to do our job. We manage all the process as we -- as we wanted. I think we did it. Of course, this is our view.

But I think, overall, the evaluation is extremely positive in the way we did it. We were very well-trained. But this is -- this is the first time it happened. I would say, it's the first time at this level that happened in Europe since there is an organization of energy like the one we have today.

And you don't do a live training, it's impossible. This was the first time that it happened. And I'm sure, we deserve a lot of trust from all the regulators, energy agencies, the government, everybody.

Enrico Bartoli

Hi. Good afternoon, everybody. A few questions on my side. First of all, if you can elaborate on what you are seeing in terms of requests for data centers to your electricity transmission grid in Portugal, and what is the outlook that you expect from this source of demand over the next -- the next years?

And then, if you can give us some guidance on the CapEx that you expect for full year '25.

And then I have a question regarding results. I saw that there was a significant increase in the OpEx revenues in electricity transmission in the quarter, if you can elaborate on the driver for that, and if this is, let's say, a trend that yes are going to expect, also, over the next quarters. Thank you.

Rodrigo Costa

Well, first on the data centers, I don't know if João wants to have some comment. But the type of requests we are seeing is we have several projects being evaluated by the investors, several connections being evaluated by ourselves.

It's a little bit a hot topic everywhere in the world with the ups and downs. We see some of the projects in Portugal moving, like the SINES Data Center. They are moving with their plans. They finished the first phase. They -- we believe they are very committed for the next phases. And I don't think we can really comment much at this point.

João, do you want to (multiple speakers) --

João Faria Conceição

Just the way everyone is following the regulatory and legal procedures, so they are presenting the request to connect to the grid as consumers, data centers and other bigger industrial consumption.

We have to check if there is the availability of the network for that -- those connections to be granted. If that is the case, we give them. If there is an overload of requests versus the capacity that is available, we have to inform the Portuguese authorities, both the government and the (Inaudible) Energia, as well as the regulator, requiring that the analysis of a possible special area for big consumption of these industrial sites.

So that's where we are now. We are also waiting for some feedback from the -- from the governments and the regulators to follow the -- on the next steps.

Gonçalo Morais Soares

And your question on CapEx. So, as I said, we are expecting a strong CapEx year. So, I'd say that, if everything goes to plan (technical difficulty) you can see about EUR 400 million of CapEx (technical difficulty) this year. So, let's see.

Again, so it's a little bit early. But we clearly -- we clearly have a target to execute more CapEx this year. We will see where we (technical difficulty) EUR 400 million -- a little bit above EUR 400 million, and so I'd say that.

In terms of revenues, there was nothing, I'd say, unusual. It's the normal CapEx revenues, the normal asset revenues. I mean, there was nothing unusual in the numbers or below the numbers that we are seeing. We are seeing the solar starting to contribute. So, I'd say nothing out of the ordinary on the EBITDA from the revenue side. Okay. Thank you, [Enrico].

Madalena Garrido

Thank you, all. We appreciate your time and your questions. And as usual, remain available offline for any additional issues you may have. Have a good day. Thank you, all.