

CEPU Earnings Call Transcript

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Quarter: 3

Operator: Good morning, ladies and gentlemen. Welcome to Central Puerto's Third Quarter of 2025 Earnings Conference Call. A slide presentation is accompanying today's webcast and will be also available on the Investors section of the company's website, centralpuerto.com/en/investors. [Operator Instructions] 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 centralpuerto.com. In addition, a replay of today's call will be available in upcoming days by accessing the webcast link at the same section of the Central Puerto's website. Our host today will be Mr. Fernando Bonnet, Central Puerto CEO; Mr. Enrique Terraneo, the company's CFO; Mrs. Maria Laura Feller, Head of Investor Relations; and Mr. Alejandro Diaz Lopez, Head of Corporate Finance. Maria Laura, please go ahead.

Maria Laura Feller: Thank you very much. Good morning, and welcome. We are turning you today with our management team from Buenos Aires to report on the results of the third quarter of year 2025 and then answer any questions you may have. During the third quarter, adjusted EBITDA reached \$101.1 million, up 64% quarter-on-quarter and 8% increase year-on-year. Revenues totaled \$233.9 million, up 30% quarter-on-quarter, mainly reflecting higher contract sales from renewables and thermal. Fuel cost pass-through, up 26% year-on-year mostly reflected additional revenues in this quarter from fuel cost pass-through and also Central Costanera successfully resuming activities after the maintenance works. Total generation was 4,539 gigawatt hours, 4% up from second quarter 2025, but 20% down year-on-year mostly due to the lower hydrology at Piedra del Aguila. From a financial standpoint, our net leverage ratio remains very healthy at 0.5x, adjusted EBITDA underscoring our strong balance sheet and financial flexibility. Also good news for our credit rating. Moody's has initiated the grade assessment with a AA+ Fix SCR upgrading our rating to AA from AA-. Third quarter 2025 capital expenditures amounted to \$76.1 million which includes the acquisition of Cafayate solar farm at \$48.5 million. Final works for the closing of the Brigadier Lopez combined cycle and San Carlos Solar farm, which are very near COD as well as maintenance CapEx. Moving to a key development for the quarter. In August, our company successfully participated in [AlmaGBA] Battery Energy Storage System bidding process, BESS. We were awarded, both projects we submitted which collectively represent 205-megawatt hours of new best capacity. The projects are scheduled to be fully operational by mid-2027. A significant fourth quarter outlook. The Energy Secretariat released Resolution 400/25 in October. This resolution marks a pivotal step in liberalization of the power market and creates a strong business outlook for our company. Going now to Page 4 for the earnings summary. Our adjusted EBITDA came in strong at \$101.1 million reflecting the effective fuel cost pass-through to revenues and solid operational performance in both our renewable portfolio and at Central Costanera. In this quarter, our revenue mix was 53% spot and 47% contracted with 63% of total revenues denominated in dollars. Renewable generation revenues increased by 24% this quarter, supported by a 21% rise in generation volumes quarter-on-quarter. This strong performance was driven by our wind farms and the contribution from the newly acquired Cafayate solar plant. On the thermal side, contracted revenues benefited from additional fuel cost pass-through at Terminal 6. Thermal revenues also rose in both the spot and contract markets, reflecting the positive impact of Central Costanera, which successfully completed maintenance works in the second quarter as well as fuel cost pass-through effects. Now

turning to Page 5. Let's look at our generation and availability performance. Total generation for the quarter was 4,539 gigawatt hours, composed of thermal, hydro and renewable sources. Volumes were up 4% quarter-on-quarter. Thermal generation represented the largest share followed by [hydro and renewables]. Thermal and renewal volumes grew, while hydro volumes decreased due to lower [indiscernible]. Availability rates for all our thermal units remained strong at 88%, with combined cycles rate at a very competitive level of 96%. We continue executing our growth strategy. [indiscernible] combined cycle at the [indiscernible] solar farm are very near COD. In OS, we acquired 80-megawatt [Cafayate] solar farm and also, we secured 2 best projects totaling 205 megawatts and [15-year contracts]. Central Puerto complex we had 150 megawatts of lithium [iron phosphate] and the offtaker would be the institutional company Edenor. Central Costanera complex will have 55 megawatts and the offtaker will be Edesur. Estimated capital expenditure is between \$130 million and \$140 million for both projects combined. On October 21 and already effective since November 1, the Energy Secretariat issued the new framework to reform the Argentine's wholesale electricity market. The core objective of Resolution 400 is to liberalize such market through a progressive transition. The new spot revenues incorporate a margin on top of variable production costs supporting long-term value creation for generators. Also, there is a significant shift for revenues in the spot, now denominated in dollars, mitigating currency and inflation risk. Thermal generators gained significant flexibility, allowing them to trade capacity and energy in the new Thermal Term Market. We can sell up to 20% of our production to large users and the remaining up to 100% to distribution companies or the spot market. Spot market energy remuneration will capture marginal rent on top of the variable cost of producing the energy, and capacity payment in the spot market is now \$12 per megawatt of capacity per [MAT] and is weighted by a factor based on fuel requirement and fuel management approach. Also, we decided the reliability reserve. During a fuel management transition period until Plan Gas contracts naturally expire, CAMMESA continues as a supplier of the contracted capacity of Plan Gas which ends December 2028. From 2029, generators will be fully responsible further on fuel management. For renewables, existing renewable contracts will be enforceable until natural expiration, then generators will trade in the matter. Our total financial debt at quarter end stood at \$452 million. Cash and cash equivalents totaled \$292 million, resulting in net debt of \$159.9 million. Net leverage ratio stood very healthy at 0.5x adjusted EBITDA. In October, we issued a new corporate bond facing \$89 million in capital and also repaid \$90 million of maturing debt, including the repayment of our Class B corporate bond and the legacy debt associated with the [Guanizuil] solar farm. Total installed capacity in Argentina as of September 2025 was approximately 43,887 megawatts. Energy generation during the third quarter was 34,342 gigawatt hours, while domestic demand reached 35,255 gigawatt hours. Going now to Page 10 for key takeaways. 3Q '25 adjusted EBITDA of \$101.1 million and 3Q '25 last 12-month adjusted EBITDA of \$317.5 million reflect solid operations and a starting point in this new market environment. Central Puerto was awarded both projects submitted under the AlmaGBA Battery Energy Storage Systems tender. This means we added 205 megawatts of new capacity. These strategic projects notably boost our growth path and provide additional operational capabilities needed in the future of power generation. Our growth pipeline is delivering results with the acquisition of Cafayate Solar Farm, which added 80 megawatts of installed capacity to our portfolio since August 2025. Additional growth will be provided by ongoing projects. Brigadier Lopez combined cycle closing and the San Carlos Solar Farm very near COD. Central Puerto's business outlook has gained significant growth momentum, driven by the Energy Secretariat Resolution 400. This resolution formalizes the market liberalization roadmap, representing a pivotal step towards strengthening long-term value creation for us. This context reinforces our positive outlook for 2026 in our long-term company vision. Thank you for your time and your confidence in Central Puerto. Operator, please open the line for questions.

Operator: [Operator Instructions] The first question comes from Mr. Martin Arancet with Balanz Capital. Martin Arancet: I have 2 topics that I would like to discuss. I will run them one by one, if that's okay. First, regarding the market liberalization. I was wondering if you could provide any guidance on how much do you expect this to improve your results over the next 2 years? Also, if you are considering any improvement to your loyalty fleet, given this inhales in revenues? And how likely do you think it will be to contract that 20% with large users?

Fernando Bonnet: Martin, thank you for your interest and your questions. We are going to the first one.

The impact of the new deregulation of the sector. In terms of -- in terms of cash, we are seeing -- that's depending on the dispatch of the used consumer fuels, but we can expect around between 20% and 25% of increase in our EBITDA could be, as I mentioned, would be 20%, 25% depending on the dispatch of the units and the fuel consumption. Talking about the other improvements that the regulation brings that are important also as important as the pricing as Maria has mentioned -- it's very important for us to have the denominations of these new prices in dollars, setting dollars. So we cannot need to wait until the government resolution month by month for price increase, which was the case in the past. So for us, it's very important to keep the remuneration at least attached to dollars updated. And the other big improvement and is related to your question is that we can sell our part of our production to -- in private terms, private offtakers, as you mentioned, it's 20% for big users, the consumers, but we have no limitation to sell it -- in the percentage to sell it to distribution companies. So in terms of this 20%, we are start selling, the situation right now is the big consumers are very, very contract. The biggest ones are very contract with renewables. So we are trying to find the ones that are not contracted and the small -- going down to small ones, the [indiscernible] GUDIs. But for that, it is -- we have been selling since the regulation was issued, but to be completely honest with you, the market right now is trying to understand how the price is going to move with these new regulations. How CAMMESA is going to set the prices and the Secretariat of Energy is going to set the prices for spot basis of market, and for the GUDIs that are still in the distribution companies that right now, the price is still setting by resolutions and the scheme of every quarter setting by Secretariat of Energy and CAMMESA. But we are very confident that we -- whenever these are more or less clear by the demand, the demand is going to start to contract because the prices of the spot during winter times will be much more higher than now. And because of that, they're going to prefer to cap that increase on winter times and set contract we generate. So we are very confident that during this year, we're going to reach that 20%, and we expect more with the distribution company. Distribution companies needs also to set with each regulator -- each province regulator and national regulator in the case of [indiscernible] how they're going to make the pass-through of these contracts or new contract that the distribution companies will establish with the generator. So everything is under -- and is moving, but we are confident that this new market [MAT] as the regulation mentioned going to start, and we have a good pace to contract our production during this year.

Martin Arancet: Just a couple of follow-up questions. First, you mentioned \$20 million to \$25 million of additional EBITDA per year. I was wondering if that's not considering the 20% that you could sell to big users? And if so...

Fernando Bonnet: Sorry, Martin, it's not \$20 million it's 20% increase.

Martin Arancet: 20% to 25% okay, right...

Fernando Bonnet: This is -- it is more than around \$70 million, \$80 million.

Martin Arancet: Great. And that's without the 20%. So if you are successful in selling that 20% to industrials, we could see any where further improvement, right?

Fernando Bonnet: Yes.

Martin Arancet: Okay. Great. And then follow-up question regarding you mentioned distribution companies. Probably it's too soon, but do you foresee new auction for distribution companies next year or in the near future?

Fernando Bonnet: You are talking about the capacity auction or batteries?

Martin Arancet: An option to sell the other 80%, I mean, if I understood correctly...

Fernando Bonnet: No, no, but -- yes, this will be by each distribution company process. It's not a centralized like batteries or like a capacity contract. It's any distribution company can do -- go for -- this regulation established that CAMMESA is going to provide around 75% or between 70% and 75% of the distribution company's demand and the rest could be contract by distribution companies itself direct with generators. So we are seeing some distribution companies asking for quotations and start the conversation for provide these 20% or 25% of these -- of their demand. But it's not centralized -- will be each by distribution company and there will be a negotiation directly between generators and distribution companies...

Martin Arancet: Yes. So we can expect also beyond the 20%, some distribution companies probably in 2026, 2027 contracting additional energy?

Fernando Bonnet: Yes.

Martin Arancet: Well, great. Then my -- the second topic that I would like to discuss was regarding the recent hydro auction. I don't know if you could provide any color on that, probably the targeted assets and expected time line for awarding these assets?

Fernando Bonnet: Yes. So as you know, we participate with Central Puerto and Costanera. We expect that have more news in the next coming weeks. The first, the CAMMESA is -- are evaluating CAMMESA and Secretariat of Energy are evaluating the capacity and the documentation that the bidders provide. And then I think between, as I mentioned, next week, on the other one, we will have a clear view of the competition or the ones are available to compete. And then for sure, in previous to middle of December, we will have the results -- the final results.

Operator: Our next question comes from Mr. [indiscernible] with Citi.

Unknown Analyst: My question is on -- first on capital allocation. I mean we have been seeing a lot of rerating of Argentinian assets over the last couple of weeks. So in that context, are you evaluating maybe some portfolio recycling with some of your assets in forestry perhaps in mining already? Or would you rather wait for longer cycle to engage on that front, especially considering now there may be some more projects looking interesting as investment opportunities. And yes, my second question would be, conceptually speaking, where do you see the stabilizing for the term market price, right, which today is about \$60 per megawatt hour, but you will get an ever growing supply of power there. On the other hand, you may also have increasing demand from distributors for those PPAs. So where do you see that stabilizing over the short term? Those would be my 2 questions.

Fernando Bonnet: Okay. Thank you. Going to the first one. We are not evaluating right now a reallocation of our assets or selling. We are not -- we think that they have a lot of room to increase price. And so because of that, we are waiting for a longer period of growth, and we are also evaluating the possibility of -- if we improve the value by some developments around those assets. So it's not -- right now, we are not looking for reallocate that assets or sell. In terms of the second one, talking about prices, we are seeing some -- in the short term, for sure, we are seeing some reduction around \$60, perhaps moving between \$57, \$55, \$56 in the short term when this new offer come to the market. But in the long run, we are not seeing a huge reduction on those values because you will have to increase the capacity of Argentina and the prices for new capacity are going up. All the data centers, boom and the demand of Middle East are rocketing the prices of the GTs and the delivery time. So perhaps we see some reduction at the beginning in order to stabilize that market, that new market -- but in the long run, we are seeing prices around \$60.

Unknown Analyst: If I may add a quick one. Now that thermal projects should have, I mean, with the new rules should have better rates of return, very likely. What would you say are the key projects in the thermal side of the business that Central Puerto is looking into?

Fernando Bonnet: Well, this new regulation is not -- I think it's not enough yet to bring new projects from zero from scratch. It's not easy to set a big combined cycle, I don't know 800 megawatts and sell it to the market. We are not there yet. As I mentioned, the price will be much more than \$50 something. So I think the new projects coming will be perhaps at the beginning of the next year, some auctions that the government are planning to set in terms of capacity, small open cycles and machines working as [pickers] I think this is what we are seeing coming with centralized auctions but not huge combined cycle selling to private. We think we are new -- I mentioned new ones, we are not there yet.

Operator: Our next question comes from text. This is [indiscernible]. In the release, we saw that the installed capacity of San Carlos, Cafayate and Brigadier Lopez is already available. Could you provide some color on how much of the capacity will actually be operating or contributing to generation during 4Q? And what we could expect in terms of revenues or margin uplift, both from the additional capacity and from the recent steps toward electricity market deregulation?

Fernando Bonnet: Thank you for your question. In terms of new capacity entrants, San Carlos and Brigadier Lopez, as you mentioned, are right now entering -- San Carlos is entering, I think this week or the next -- the beginning of the next month. So the impact in our revenues for the fourth quarter will be like half of November and full December. In respect of Brigadier Lopez, which is closing of combined cycle, we are expecting the COD. We are right now in the commissioning -- at the end of the

commissioning phase, but we need to make a lot of test to be online and to be producing energy and we receiving the payment. So in the case of Brigadier Lopez, we expect the mid of December, perhaps 20 -- 20 something of December. So the impact on our revenues in the fourth quarter will be significant. But talking about full year basis, we expect around -- in terms of Brigadier Lopez around an additional EBITDA of \$60 million, \$65 million, and San Carlos around \$3 million -- between \$3 million and \$5 million more, fully based -- full year basis. I don't know if I forget a question or one part.

Operator: Our next question comes from Ludovic Casrouge with Autonomy Capital.

Ludovic Casrouge: My question was about the CapEx. Which level of CapEx do you expect for next year?

Fernando Bonnet: Okay. Thank you for your question. In terms of CapEx, we are finishing, as I mentioned, Brigadier Lopez and San Carlos. So we are not expecting big CapEx for that part. The CapEx that we are entering on right now and will be continued in the next year is the best projects that we get awarded last quarter. And this will be around \$130 million, \$140 million for both projects, the Central Puerto and Costanera projects. Sorry?

Ludovic Casrouge: Just for 2026?

Fernando Bonnet: Yes, yes. We expect the completion of those projects in 2026, yes.

Ludovic Casrouge: Okay. And just thinking could we expect an extra dividend distribution for the end of this year?

Fernando Bonnet: Well, that depends on the results of the hydro auction. That will depend on that.

Operator: Thank you. This concludes our Q&A; session. I would like to turn the conference back over to Mr. Fernando Bonnet for any closing remarks.

Fernando Bonnet: Hello, everyone, for your interest in Central Puerto. We encourage you to call us for any information that you may need. Have a great day. Bye-bye.