

AES Earnings Call Transcript

Date: 2025-11-05

Quarter: 3

Operator: Hello, everyone, and thank you for joining The AES Corporation's Q3 2025 Financial Review Call. My name is Claire and I will be coordinating your call today. [Operator Instructions] I will now hand over to Susan Harcourt, Vice President of Investor Relations from AES to begin. Please go ahead.

Susan Pasley Harcourt: Thank you, operator. Good morning, and welcome to our Third Quarter 2025 financial review call. Our press release, presentation and related financial information are available on our website at aes.com. Today, we will be making forward-looking statements. There are many factors that may cause future results to differ materially from these statements, which are disclosed in our most recent 10-K and 10-Q filed with the SEC. Reconciliations between GAAP and non-GAAP financial measures can be found on our website along with the presentation. Joining me this morning are Andres Gluski, our President and Chief Executive Officer; Steve Coughlin, our Chief Financial Officer; Ricardo Falu, our Chief Operating Officer; and other senior members of our management team. With that, I will turn the call over to Andres.

Andres Ricardo Gluski Weilert: Good morning, everyone, and thank you for joining our third quarter 2025 financial review call. Today, I will address our year-to-date progress on our financial and strategic objectives, and speak to key development in our renewables and utility businesses. Following my remarks, Steve Coughlin, our CFO, will further discuss our financial performance and outlook. First, I am pleased to reaffirm our full year 2025 guidance and long-term growth rates, including adjusted EBITDA, adjusted EPS and parent free cash flow. We are executing according to our plan, and we are well positioned going into 2026. We remain fully on track with our credit ratings and have received credit opinions from all 3 major agencies confirming our investment-grade rating with stable outlook, including from Moody's in September. Second, we are confident that we will sign 4 gigawatts of new PPAs this year, as we deliver the energy solutions that our customers need at attractive returns. Year-to-date, we have signed 2.2 gigawatts and expect to sign at least an additional 1.8 gigawatts before the end of the year as we are in advanced negotiations on several large projects. Similarly, we're on schedule to complete 3.2 gigawatts of construction projects this year with 2.9 gigawatts already completed year-to-date. An additional 4.8 gigawatts of our 11.1 gigawatt backlog is under construction and expected to be completed through 2027. We're also repowering the 1.2 gigawatts of natural gas at AES Indiana, which is scheduled to be operational next year. This significant construction program provides clear line of sight to EBITDA growth through our guidance period and beyond. Turning to Slide 5. We have seen a 46% increase in our renewables EBITDA year-to-date, driven primarily from the organic growth of new projects coming online and the maturing of our U.S. renewables businesses. By year-end, the installed capacity of our U.S. business will be almost 60% larger than it was just 2 years ago. We are seeing projects with higher returns come online as we benefit from substantial economies of scale in purchasing, construction and operation. These benefits are particularly evident as the average size of our projects has increased by over 50% over the past 5 years. Turning to Slide 6. We're also benefiting from the completion of projects serving data centers that we have signed over the last few years. Of 8.2 gigawatts, 4.2 gigawatts are in operation and 4 gigawatts are in our backlog. Nearly half of these remaining 4 gigawatts are under construction and will be added to our fleet in the next 18 months. Additionally, and leveraging on our development capabilities, this quarter, we signed a development transfer agreement, or DTA with a large data center customer to provide them with

powered land for a data center site adjacent to 2 of our power projects. In the past, we have signed DTAs with utility customers to develop and transfer power prices. But this is our first involving the transfer of a data center site. We will provide more details on this powered land solution in the future as we continue completing milestones and are ready to announce it with the customer. Moving to Slide 7. We continue to see very strong demand across the sector with our customers overwhelmingly focused on time to power. Given the overall scarcity of ready-to-build projects, AES is well positioned to meet the urgent need for energy due to our advanced pipeline of development projects, robust domestic supply chain with no FERC exposure and secured tax credit position. As a reminder, our 7.5-gigawatt U.S. backlog is entirely safe harbor. And in our pipeline, we have an additional 4 gigawatts with safe harbor protections. We also have line of sight to safe harbor an additional 3 to 4 gigawatts before July 4, 2026, enabling us to bring online projects with tax credits through 2030. As we move toward the end of the decade, our safe harbor projects that qualify for tax credits will give us a growing competitive advantage. This will help us serve our customers with reliable and low-cost power. Moving to our U.S. utilities, beginning on Slide 8. We are focused on our core mission of serving our customers with affordable and reliable power as we address the increased demand that we are seeing in our service territories. Across Indiana and Ohio, we're among the lowest cost providers in each state, a position we expect to maintain following the resolution of our active rate cases. Turning to Indiana on Slide 9. Earlier this year, we filed for a rate review with the Indiana Utility Regulatory Commission. This rate case represents our first using a forward-looking test year, bringing us in line with the rest of the electric utilities in Indiana. We are committed to maintaining bill affordability, and we have been disciplined in holding our operations and maintenance costs flat for the last 5 years. As such, our rate increase request is less than the cumulative impact of inflation since our last rate adjustment. I am pleased to report that in October, we filed a partial settlement agreement which included parties such as the City of Indianapolis. We expect the final order in Q2 of next year. We still expect our residential rates to be at least 15% lower than the average rates in the state. Furthermore, we're making excellent progress on our generation program at AES Indiana, which includes the construction of new facilities to replace aging infrastructure and improve system reliability. Earlier this year, we brought online a 200-megawatt Pike County project, the largest energy storage facility in MISO, and we're on track to complete an additional 295 megawatts of new capacity by the end of this year. Moving to Slide 10. Last week, we filed our integrated resource plan with IURC, laying out a 20-year outlook and short-term action plan for our generation portfolio. Our IRP submission evaluated scenarios with and without new data center load as we see the potential for significant new demand in our service territory, with new load coming online towards the end of the decade. As we work with data center customers, we are committed to ensuring that new load will lower cost for all existing customers as we spread fixed costs across a larger customer base. We will announce these arrangements with more specificity in due course. Turning to AES Ohio on Slide 11, where we have 2.1 gigawatts of signed data center agreement and expect more to come. I should note that in Ohio, our data center-related investments are for transmission and are supported by FERC formula rates with no regulatory lag. By 2027, we expect transmission to represent 40% of our total rate base. We are now also in the final stages of our distribution rate review. Since our last call, we filed a unanimous settlement, including all customer classes and PUCO staff. The settlement includes an annual revenue increase of approximately \$168 million and an ROE of nearly 10%. We expect to have our final order in the very near future with rates effective as early as this month. Looking ahead, we plan to file our next rate review next week as we work towards the transition in Ohio's regulatory framework away from the existing ESP model. In this filing, we will be using forward-looking test years from 2027 to 2029 as we seek to further optimize our current rate structure and reduce regulatory lag. With that, I would now like to turn the call over to our CFO, Steve Coughlin.

Stephen Coughlin: Thank you, Andres, and good morning, everyone. Today, I will discuss our third quarter results in our 2025 guidance and parent capital allocation. First, turning to adjusted EBITDA on Slide 13. Third quarter adjusted EBITDA was \$830 million versus \$698 million a year ago. This was driven by significant growth from new renewables projects, rate-based investment at our U.S. utilities, and continued progress on our cost savings program announced on the fourth quarter call. We have already realized the majority of the \$150 million in cost savings for this year, and we are on track to

achieve a \$300 million annual run rate in 2026. These drivers were partially offset by the sale of AES Brazil and the sell-downs of AES Ohio and our Global Insurance business. Turning to Slide 14. Adjusted EPS increased to \$0.75 per share versus \$0.71 in the prior year. Drivers were similar to adjusted EBITDA, partially offset by higher depreciation and interest expense and lower renewable tax attribute recognition, mainly due to timing. We also benefited from a slightly lower adjusted tax rate. Next, I'll cover the performance drivers within each of our strategic business units. Beginning with our renewables SBU on Slide 15. Our strong growth was primarily driven by the 3 gigawatts of new capacity brought online since Q3 2024. Our results were also driven by the continued benefit from cost reductions and scaling down of development spending as our pipeline has continued to mature. Lastly, the net effect of moving Chile renewables to the renewables SBU this year was more than offset by the sale of our 5 gigawatt AES Brazil business. Turning to Slide 16. We've made excellent progress so far this year toward achieving our full year renewables EBITDA guidance and have already exceeded our full year 2024 EBITDA in just the first 3 quarters of 2025. We expect to continue this momentum in the year to go, driven by our expanded operating fleet and full realization of our cost savings objective. As the size of our operating portfolio increases, while our development spending and overhead decline, our operating margins are significantly improving. In addition, hydro conditions in Colombia have normalized compared to last year, and we expect to realize the largest benefit in our fourth quarter results. Turning back to our third quarter results on Slide 17, in the Utilities SBU, higher adjusted pretax contribution, or PTC, in the quarter was mostly driven by the \$1.3 billion of rate base investments we've made over the previous 4 quarters to improve reliability and customer experience. This was partially offset by the 30% sell-down of AES Ohio that closed in April. At our Energy Infrastructure SBU, higher EBITDA primarily reflects our acquisition of the remaining ownership in the Cochrane coal plant, cost savings and the commencement of operations at our Gatun gas plant last year. This was partially offset by the Chile renewable assets moving to our renewables segment in 2025. Finally, EBITDA at our New Energy Technologies SBU was relatively flat versus a year ago, with no material drivers. Turning to our 2025 EBITDA guidance on Slide 20. We have already achieved more than 3/4 of the midpoint of our guidance in the year-to-date. And I am highly confident in our full year range of \$2.65 billion to \$2.85 billion. Growth in the year to go will be primarily driven by the continued strong increase in contributions from new renewables projects, rate base investment in our U.S. utilities, normalized results at our Colombian hydro assets and the full realization of our \$150 million cost savings target. Looking at the right-hand side, we are also reaffirming our adjusted EPS guidance of \$2.10 to \$2.26. In addition to the drivers of adjusted EBITDA, we expect slightly higher tax credit recognition on new renewables projects, partially offset by higher interest expense as a result of new debt for our growth investments and a slightly higher adjusted tax rate. Looking beyond this year on Slide 21, we're also reaffirming our 5% to 7% long-term growth rate for adjusted EBITDA through 2027 from the midpoint of guidance we gave at our Investor Day in 2023. Notably, we expect a strong step-up over the next 2 years with our growth rate increasing to the low teens next year. We expect to have significantly less drag from asset sales and coal retirements going forward. And instead, our overall results will be driven by new EBITDA contributions from our 11.1 gigawatt renewables backlog and 11% utilities rate base growth. It is important to highlight that our long-term guidance through 2027 understates the actual run rate earnings power of our portfolio. Looking beyond 2027, we expect to earn an incremental \$400 million of run rate EBITDA. This is from projects that we expect to be either still under construction at the end of 2027 or that will come online during 2027 and will contribute a full year of EBITDA in 2028. This \$400 million does not require any additional project development or PPA signings, but represents the full realization of investments we'll have already made by the end of our guidance period. Now let's turn to our 2025 parent capital allocation plan on Slide 22. Sources reflect approximately \$2.7 billion of total discretionary cash, including achieving upper half of our \$1.15 billion to \$1.25 billion parent free cash flow target. We achieved our asset sales target with the sell-down of our global insurance business in the second quarter, and we expect to borrow an additional \$500 million at the parent to continue funding growth. On the right-hand side, you can see our planned use of capital. We will return more than \$500 million of dividends to shareholders this year while investing approximately \$1.8 billion towards new growth, primarily in the renewables and utilities businesses. We have also repaid approximately \$400 million of subsidiary debt. Our balance sheet and cash flow generation remains

strong, consistent with our investment-grade credit ratings. Our consolidated Moody's FFO to net debt metric is tracking ahead of the agreed path of 10% to 11% in 2025 and we are confident in achieving the 12% target by the end of 2026. In summary, we've demonstrated the high growth of our renewables and utilities businesses and our excellent track record of completing projects on time and on budget. Since we initiated our long-term plan in 2023, we brought 10 gigawatts of projects online and signed another 12 gigawatts, while investing nearly \$4 billion in the rate base at our U.S. utilities. We are extremely well positioned to achieve our 2025 guidance and long-term growth rates through 2027, and our plan remains largely derisked. I look forward to meeting with many of you next week at the EEI Financial Conference. With that, I'll turn the call back over to Andres.

Andres Ricardo Gluski Weilert: Thank you, Steve. Before we open the call for questions, I want to reiterate how pleased I am with our execution this year. We remain firmly on track to achieve all of our strategic and financial objectives. And we have made significant progress in growing our renewables business as evidenced by the 46% increase in renewables EBITDA year-to-date. The primary driver of this EBITDA growth is the 3 gigawatts of new capacity completed over the last 12 months. Our construction program provides clear line of sight to continued EBITDA growth through our guidance period and beyond. These results demonstrate the strength and resilience of our strategy and our ability to bring new projects online efficiently and at scale. As a diversified power company, we are well positioned to deliver the technology and solutions our customers need, whether through renewables, our utilities or our energy infrastructure business. Our safe harbor pipeline, a robust domestic supply chain and deep customer relationships give us a competitive advantage as we meet the growing demand for reliable, low-cost power. I am confident that our continued focus on execution will drive value for our shareholders as we move into 2026 and beyond. With that, I'd like to ask the operator to open up the call for questions.

Operator: [Operator Instructions] Our first question comes from Nick Campanella from Barclays.

Nicholas Campanella: Thanks for all the updates. Maybe just -- I heard your comments on the 5% to 7% long-term growth on EBITDA, very confident in that through '27 as well as the disclosure about the \$400 million of EBITDA beyond '27. Maybe just with the asset sales progressing, are you trying to communicate that you're going to be above this range as we look out to '27 and then more within the range as we look to '26? Or maybe can you just walk through some of the moving pieces that we should kind of consider there?

Stephen Coughlin: Yes. Nick, it's Steve. So we're reaffirming the 5% to 7% through 2027. When we referenced the \$400 million in our remarks, we're talking about the fact that we expect to have projects coming online in '27, and projects that are still in construction at the end of '27. And this is primarily from things that are already in the backlog that will be yielding an incremental \$400 million of EBITDA beyond 2027 so in '28 and in '29 on an annualized basis. So the capital that we have provided includes the investment and the debt for that, but obviously not the EBITDA since these are projects that would not be completed or at least not full year contributing in 2027. So that was the point there. We're really confident in our 5% to 7% guidance through the period. As you know, we have really derisked the business. We have a long-term contracted generation where it's coming from as well attractive returns in the utilities. So we, over the long term, see this as a very solid plan to achieve that target. Note that we have 11.1 gigawatts of projects in our backlog, which is roughly 3 to 4 years of built-in growth already. And the other driver is utility rate base growth, which at roughly 11% as we've guided to, and there's upside to that with the new data center load that's in advanced negotiations that we've been talking about. So we feel really good about the 5% to 7%. The other thing to note is that the energy infrastructure, where we've had more of the coal retirements, more of the asset sales, that's really starting to level off. So when you look at the overall growth of AES, it's no longer somewhat offset by that decline in energy infrastructure to that same degree. So we see a very favorable path here to the 5% to 7% and then even beyond that.

Nicholas Campanella: Okay. That's helpful. And then maybe just a comment on parent funding going forward. Just as you look towards accelerating growth in renewables further, just what's balance sheet capacity at this point -- look like at this point? How should we think about the need for additional equity in any new plan or if you plan to just fully mitigate that and there shouldn't be any equity? And maybe you can just comment on how you're thinking about, I think there's a January parent maturity for next

year.

Stephen Coughlin: So look, our top priority is continuing to strengthen our balance sheet and keeping our investment-grade ratings strong, right? So that's the focus throughout our planning and our decision-making. It's not about gigawatt growth, but rather profitable growth with attractive returns that helps us achieve our balance sheet and our financial objectives. So keep in mind, we've already done a lot here to support the balance sheet. We removed \$2 billion of cash through the actions we took in earlier this year, reducing overhead, resizing our development efforts, driving efficiencies throughout the organization. We've also successfully executed sell-downs that has helped delever the business, for example, in AES Ohio, the sell-down to CDPQ was largely used to reduce debt in the Ohio holdco. So -- and then in renewals, we're focused on pursuing fewer, but larger new projects with returns in the upper half of our 12% to 15% guidance range. On top of all that, our EBITDA has reached an inflection point, as you can see with the Renewables segment, which has already grown 46% this year, it will likely be around 50% by the end of the year. So we see the strong EBITDA, strong growth in FFO, and so we see ourselves on a path to keep the balance sheet healthy. We are self-funded through 2027. We see an ability to extend that self-funding even beyond that point. And we do not have any plans to issue equity in this horizon.

Operator: Our next question comes from David Arcaro from Morgan Stanley.

David Arcaro: I was wondering if you could comment on whether you've seen an acceleration in demand following the treasury guidance a couple of months ago and generally what you're seeing from both the data center industry and their interest level in renewables. And would be curious if you could just maybe put that in context of the slower bookings and contracting activity that it looks like you experienced this past quarter?

Andres Ricardo Gluski Weilert: Sure. Look, we see very strong interest from our data centers and our corporate customers. I would say that in our case, two things. One is, we've always said this is lumpy. And so we're doing fewer projects, larger projects. So there's no reason to expect that these are going to be evenly distributed among 4 quarters. So we feel confident we'll hit our 4 gigawatts. Now having said that, I think not all gigawatts are made the same or equal. So we're more than focusing on a number of gigawatts. What we're focusing on is the quality of those gigawatts. We have a pipeline of safe harbor projects, and we want to make the most value from those projects. So what really counts is how profitable are the projects you're doing. So as we've said, our projects are, on average, 50% larger than they were 5 years ago. So we're going for bigger projects, more profitable projects. We're hitting -- we're trending towards the upper end of our IRR guidance, we feel very comfortable about that. So the demand is there. And the question is how do you optimize that asset you have, what I would call is the safe harbored projects. And look, there's interest beyond that horizon as well. So very strong demand for renewables because look, that's what can get built in this window. They can be talking about nuclear or other technologies, those take years to build. So what is going to meet the majority of the demand -- well, this year, it's probably going to be 90% is renewables and batteries. And it very likely will be next year as well. So very strong demand from our clients, and we're working very well with them.

David Arcaro: Excellent. Yes, that makes sense. I appreciate that extra color there. And separately, so I guess we're seeing indications that storage, battery storage is being incorporated into more data center plans. I'm curious, what are you seeing on the ground in terms of storage demand? How big an opportunity could that be for on-site storage development on your end and potentially at data centers?

Andres Ricardo Gluski Weilert: Well, look, energy storage is really critical to meet the growing demand that we're seeing. So it's like a hammer, it has many, many uses. So definitely, there's a behind-the-meter use in the data centers themselves to smooth out their demand and also to have very fast reaction should there be any interruption if they're being fed by the grid. That's number one. Number two, it's quite frankly, using renewables to provide dispatchable energy for a longer period of time and transmission as well. So already more than half of our solar projects are coming with batteries. And I would expect more demand for stand-alone batteries for grid services into the future. So batteries -- demand for batteries will be very strong, even gas plants. If you have a peaking gas plant, you can dispatch it more efficiently if you put batteries on it. One of the first applications we actually had with battery was on a fossil plant in Chile. So again, many, many uses. We see strong demand, and we do see demand for behind-the-meter as well at the data center itself.

Operator: Our next question comes from Julien Dumoulin-Smith from Jefferies.

Julien Dumoulin-Smith: Look, I wanted to focus first on the utility opportunity. And it raises in as much as, obviously, you had the IRP update here at IPALCO the other day. Can you give us a little bit of a sense of how far things are advanced there? I mean you obviously take note of what happened with NiSource here recently. And then separately, we saw the revisions of PJM at DPL here recently. You guys cite 2 gigawatts of potential advanced negotiations. I think the pipeline is up to 6 gigawatts. How would you set expectations at both in terms of near-term opportunities? And how does that compare against the guidance that you guys gave previously? I know the 11% rate base growth, how would you help frame and sensitize that out?

Ricardo Manuel Falu: Thank you, Julien, this is Ricardo. So I would say, in terms of AES Indiana, we are in advance negotiations. I think the IRP that we filed last week represents sort of the potential scenarios and the opportunity that we are currently pursuing. We expect to be in a position to announce deals in the next couple of months. I think in the IRP, you see that we run scenarios ranging from 520 megawatts to 2.5 gigawatts. I think we believe these deals will be more in the 1.5, 2.5 gigawatt range. But again, that's something we will be announcing soon. Of course, that will include building the transmission as well as the generation capacity needed to support that massive load. I think in the case of Ohio, we have 2.1 gigawatts already signed. And I would say between the 2 utilities, we have more opportunities that we are discussing with the hyperscalers that, of course, we will communicate and share more details as the deals materialize.

Julien Dumoulin-Smith: Got it. Excellent. And then just if you can elaborate a little bit on the powered land opportunity. You made some tantalizing comments here in the remarks here. What exactly does this specific partnership with the data center look like? Is this co-located with a gas plant versus renewables? What exact permutation are you thinking about here? And how do you think about extracting value? Is this about using existing assets or they're allowed to co-locate and have to build or bring new generation as well as part of this arrangement? I would just love to hear the parameters as best you see this coming together as an example? And how much further do you see for this to the extent to which it's a co-located thermal opportunity?

Andres Ricardo Gluski Weilert: Okay. No, this is a co-located opportunity, and it's interconnected really with the grid, but also with renewables. So it's a co-located opportunity. We helped develop the site and we are monetizing this. And we will provide more color as this project progress and we can announce it jointly with our client.

Julien Dumoulin-Smith: Okay. All right. It sounds like we got to stay tuned. And then on Uplight, anything to say there? I just noticed that in the queue here?

Andres Ricardo Gluski Weilert: Well, Uplight was our JV with Schneider Electric. And it's added more capacity to it, things like AutoGrid were taken in. So it has a bigger offering. But that market was a bit tough in the sense that with the uncertainty that they were in the market, the sales of new services were lower. We're seeing that market pick up now. But yes, there definitely was a slowdown and the ability to absorb new lines of business in that JV.

Julien Dumoulin-Smith: Yes. No, I was struck by the virtual power plant business being done.

Operator: Our next question comes from Dimple Gosai from Bank of America.

Dimple Gosai: Your slides kind of reaffirm strong data center PPA traction with 1.6 gigawatts kind of signed year-to-date. Can you quantify how contracted ROIC or unlevered returns on recent data center PPAs compared to your legacy book? And how pricing has moved in the last 6 to 12 months? And then I have a follow-up, please.

Stephen Coughlin: On the data center deals. So yes, these are -- we made good progress. So we've signed a total of 2.2 gigawatts to date of PPAs. We feel very comfortable hitting the minimum of 4 gigawatts that we set out to achieve to get to the 14 to 17 gigawatt total. The 1.6 is the portion of that, that is with data centers. Notably, I think you saw a slide where we have -- we're already doing -- we already have in operation 4.2 gigawatts, another total of 4 gigawatts of in construction or backlog with data centers, including the 1.6 for a total of 8.2. That also does not include our utility business with data centers. So that's just around powering data centers through -- directly through PPAs. The returns on these tend to be at the higher end of our 12% to 15%. They are -- these are projects that are in high

demand. The time to power is extremely important. And so because we have been developing a pipeline for many years now, we have projects that are ready. We're not just coming to this to put projects together at the last minute. We've been developing a 50-gigawatt pipeline for many years. So we have projects that can meet the time to power needs that are in the locations where our partnerships with data center hyperscalers have identified where they need power. And so we prioritize our development efforts in that regard. And so again, given the high demand, the need for near-term projects, and our ability to structure the solutions creatively that these folks need, we're seeing returns in the upper part of our 12% to 15% return.

Andres Ricardo Gluski Weilert: Yes. I would also add that a key factor here is the supply chain. So as we've said in the past, we basically had on-site or in country, everything that we needed for this year and next. So this has been very favorable since we haven't been affected by any tariffs. And starting in 2026, we will be relying on domestically produced key inputs. So I think an important element in terms of looking at the returns of these projects is how we have such a secure supply chain in place. We also have very favorable arrangements with our contractors for construction, we basically give them a series of constructions and they roll from one to the other. So all of these efficiencies are being reflected in the returns.

Dimple Gosai: Okay. And then the natural follow-up is with hyperscalers increasingly exploring on-site and hybrid procurement strategies and the shift towards behind-the-meter or co-located structures, how does that actually change your development return or risk mix? How do we kind of think of that going forward?

Andres Ricardo Gluski Weilert: Look, we see so much demand for the products that we are selling that we don't think that's going to affect us. And really, when you talk to the hyperscalers, first, it's time to power. So any new announcements are years in the future. But in addition, you connect to the grid. So I think, as Steve said, it's having the created the opportunities in the right locations in the right markets is what they're really looking for. So look, the demand is so large. It's -- I don't see sort of cannibalization from sort of behind the meter from the hyperscalers.

Operator: Our next question comes from Steve Fleishman from Wolfe Research.

Steven Fleishman: So just maybe a high-level question. Just as you're getting into this next period of the plan soon, back a few years ago when you did the Analyst Day, you shifted to the EBITDA framework along with the earnings and part of the earnings was just that they were lumpy and they hit 1 year. How are you thinking about that as you get into this next period? And are you going to really focus more on the EBITDA guide or still try and target like an earnings growth?

Stephen Coughlin: Steve. So look, we continue to see EBITDA being the best way to measure the AES portfolio today and going forward. The part of moving to it was to give the underlying recurring earnings from our contracted businesses related to the PPAs more related to the ongoing cash flow versus the EPS that is obviously very highly influenced by the lumpiness of tax credits and when projects get brought online. Given that now with the new law in the OBBA and the new guidance, we still see an extended track for tax credits. And so we believe there will continue to be a significant influencer of the EPS and causing that lumpiness. So we think EBITDA continues to be the best way to look at the portfolio. And also the EBITDA is reaching that inflection as Andres and I discussed in our prepared remarks. What's driving it forward now is both the fact that we've really scaled up the operating portfolio. So we've installed just over the past 2 years, '24, '25, 6.9 gigawatts of new capacity. And we've grown the utility rate base by \$1.3 billion in the past year in investment. So we're seeing roughly going into 2026 from new projects about \$250 million of new EBITDA from utilities about \$100 million of new EBITDA from cost savings going from the \$150 million this year to the full annualized \$300 million. And so we really see just a significant inflection here. And again, without the stepping down in the energy infrastructure that we've seen to the same degree, those positives that I just mentioned, are largely going to flow all the way through to the total AES. So of course, there'll be some things that fall off, for example, the Maritza PPA does expire next year and have a partial offset, but not nearly to the same degree that things have been offsetting as we have been improving the quality of the portfolio, exiting markets where we were not seeing an attractive future for AES. It's been a quality story, but now it's both quality and a significant increase in the growth rate at the same time.

Steven Fleishman: Great. Okay. And just a couple of other tie-up questions. When we think about this

DTA type transaction, is there something related to this that would be an ongoing PPA or is this more of a build-own-transfer type thing or kind of a mix of both?

Andres Ricardo Gluski Weilert: It's a mix of both. It does have an ongoing PPA.

Steven Fleishman: Okay. Good. And then lastly, just on Indiana, your point is very valid on the rate levels and kind of maybe just a little bit of bad timing in the rate case and can't control just the politics. So just how important is it going to be to get -- do you think the consumer groups or at least one of them on board in this settlement? Do you think -- or how should we just think about that aspect?

Ricardo Manuel Falu: Steve, thank you. This is Ricardo. So I think the partial settlement that we reached, I think, strikes for the right balance between affordability and also the investments that are needed to have a reliable and resilient grid. As part of the agreement, AES Indiana agreed to reduce the original revenue increase by \$105 million, which is 53%. And if you look at -- and also, we are committing not to have another rate base increase until 2030. So all in all, it's a 2% annual increase through 2029, which is significantly lower than the cumulative inflation since 2022, which was the last rate increase. So we are confident on this settlement going through the different steps in the regulatory process. But more importantly, as I mentioned, strike the right balance between affordability and the investments that are needed to have a reliable grid. Of course, we will always welcome the Office of Utility Consumer Counselor to join the settlement. They could do it at any time of this process. But in any case, we expect a positive outcome as the commission is -- we'll need to look for something that makes sense from an affordability as well as reliability perspective.

Operator: Our next question is from Anthony Crowdell from Mizuho.

Anthony Crowdell: If I could follow up on Steve's first question. When -- I think on the fourth quarter, when you give us a roll forward, any thought to going out 5 years? Or does the company still plan to keep the outlook limited at 3 years?

Stephen Coughlin: Anthony. It's Steve. I would expect to go to 3 years, again, I think that is sufficiently long-term accounting for things that will change naturally in the world around us. But I think we'll go out to 2028 is what I would want you to expect.

Anthony Crowdell: And then lastly, if I follow up on Julien's question, and I apologize. I didn't follow the difference. On the powered land solution, I'm just wondering what it's between that program and also just maybe a PPA with a customer? And if it's easier offline, I could follow up with EEI?

Andres Ricardo Gluski Weilert: We can give you more color, let's say, offline. But basically, one is power land where you develop a data center, and it has an associated PPA with it. So the -- it's a different product that you're selling. One is energy over x number of years. And the other one is actually providing the site on which you can provide -- you can build the data center.

Anthony Crowdell: Got it. So it would be AES would actually own the land, build the data center, and there's a PPA attached and whatever hyperscalers would come in there in a one-stop shop all from AES?

Andres Ricardo Gluski Weilert: That's the way of thinking of it.

Operator: We have a follow-up question from Dimple Gosai from Bank of America.

Dimple Gosai: More of a housekeeping question, to be fair. I think you mentioned around 50% growth for the year in the Renewable segment is the expectation here. But it looks like you need closer to 57% for the low end for the renewables EBITDA guidance based on the 4Q '24 comp. So maybe can you comment on the key levers and considerations there that we need to consider to hit 2025 EBITDA guidance?

Stephen Coughlin: Dimple, it's Steve. So you're right that it actually is higher when you look at the prior year unadjusted for the Chile renewables, which moved into the segment this year. So the 50% includes when we adjust into 2024 on a pro forma basis, the Chile renewables that we were able to segregate from the Thermal segment last year. And so that's the 50% that I'm referring to. But it is even higher growth rate when you don't take that Chile into account at all for 2024.

Operator: [Operator Instructions] We have a question from Aidan Kelly from JPMorgan.

Aidan Kelly: [Technical Difficulty]

Operator: Apologies, we have lost connection with Aidan Kelly. [Operator Instructions] We currently have no further questions. So I'll hand back to Susan Harcourt for closing remarks.

Susan Pasley Harcourt: We thank everybody for joining us on today's call. As always, the IR team will

be available to answer any follow-up questions you may have. Thank you, and have a nice day.

Operator: This now concludes today's call. Thank you for joining. You may now disconnect your lines.