

Brazilian Utilities

A Trigger-Driven Playbook on a Stable LT Price Thesis

Updating GenCos and Bringing the Most Relevant Themes for Each Name

We are updating our estimates for Axia, Auren, Engie and Copel and establishing new YE26 TP's of R\$63.3/sh., R\$13.8/sh., R\$31.5/sh. and R\$17.0/sh., while keeping our ratings for these names unchanged (buy for Axia and CPLE and neutral for AURE and EGIE). The new year doesn't change the pivotal thesis behind these names: LT prices, but individually we see each name carrying its own triggers and idiosyncrasies. In this report we try to summarize the key things to think of or to look out for these names throughout 2026, as well as refresh our estimates to include: i) new macro data; ii) updated power price curves and iii) relevant name specific events such as the UBP prepayment for EGIE, the LRCap for Copel and analyses for potential curtailment events for AURE.

Revising our ST and LT prices, updating macro estimates and updating our models to 4Q25. When we initiated coverage in Oct'25, our LT price of R\$220/MWh was certainly above consensus and market prices, now it seems like a mid-point range of what the market is pricing. While we remain constructive on LT prices, the only update we've made is to gross-up these prices for sales taxes (to make it comparable to market references). In our [BESSonomics report](#), we've calculated the LCOE for renewables with and without BESS and our conclusion is that our current estimate is still ~20% below the current marginal expansion cost of the system. While our LT prices are no longer an optionality, we still see room for further increases that make GenCos like Axia a good carry.

Axia Energia (AXIA; Buy; YE26 TP of R\$63.3/AXIA3 & R\$71.2/AXIA6): We see AXIA as a name in which utilities investors might have to switch their frameworks to think like commodity/generalist investors to better capture the upside on the story. In this report we bring more details on how we are framing Axia.

Copel (CPLE3; Buy; YE26 TP of R\$17.0/sh.): Copel should have another positive year in 2026 with the potential value creation from the LRCap, potential upsides from the tariff review at the DisCo, and high single/low double digit DY's.

Engie (EGIE3; Neutral; YE26 TP of R\$31.5/sh.): EGIE' 2026 could be defined on the two events expected to occur in 2Q26: the conclusion (or not) of the Jirau transfer and the prepayment of the UBP liability. If these events play out as expected, we see EGIE as a fairly priced name with no relevant triggers afterwards.

Auren (AURE3; Neutral; YE26 TP of R\$13.8/sh.): AURE's year is consensually defined as a challenging one: i) an energy balance where the company is short this year; ii) still challenging curtailment dynamics and iii) leverage that won't come down. Consensus EBITDA's that were north of R\$3.5-3.6bn are now closer to R\$3bn (XPe' 2026e EBITDA is at R\$3.1bn). With all the "knowns" leading to no momentum, we see tail events (especially on the curtailment front) that could make the story seek an inflection. These events, however, are still too uncertain to take a more constructive stance at this point.

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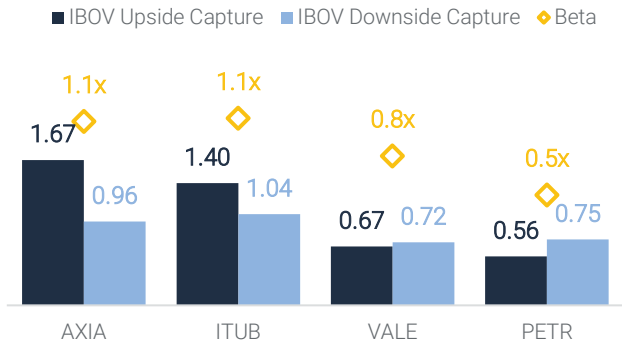
[Engie](#)



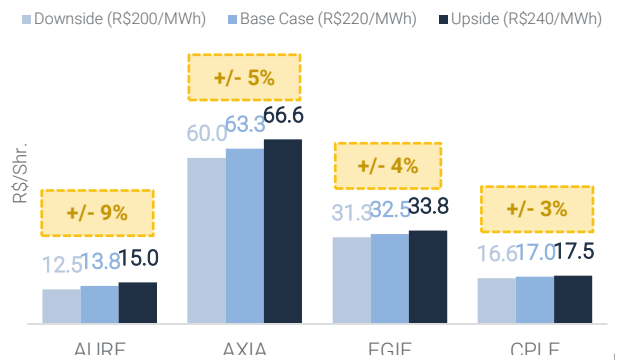
If All You Have is 5 Minutes

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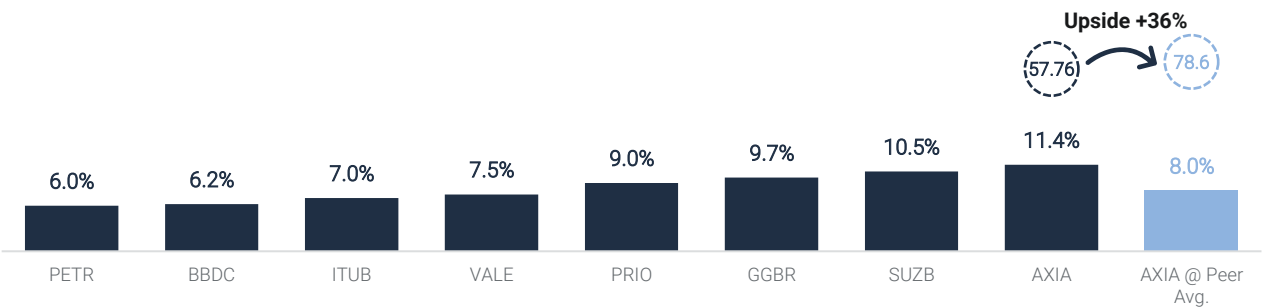
Axia Beta and Capture Ratio vs. IBOV



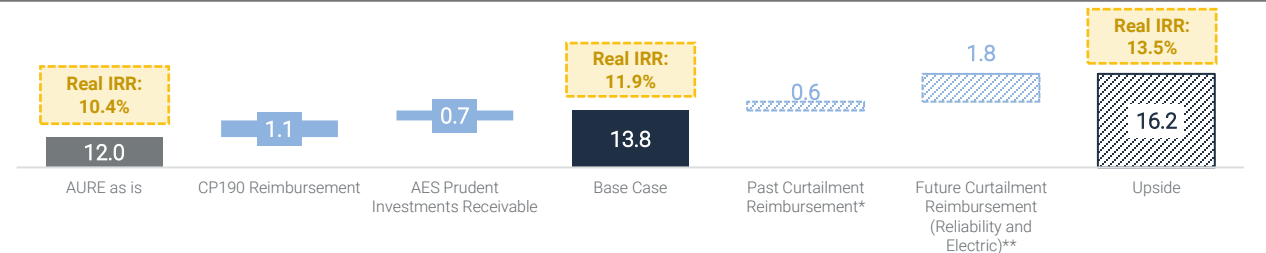
Equity Value Sensitivity to LT Prices



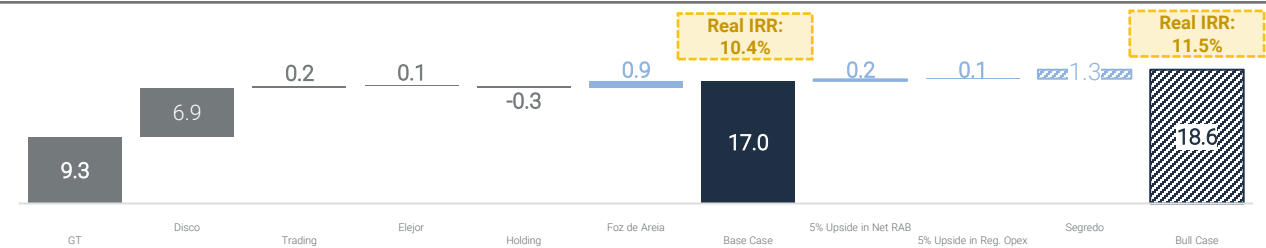
Axia Dividend Yield vs. Peers



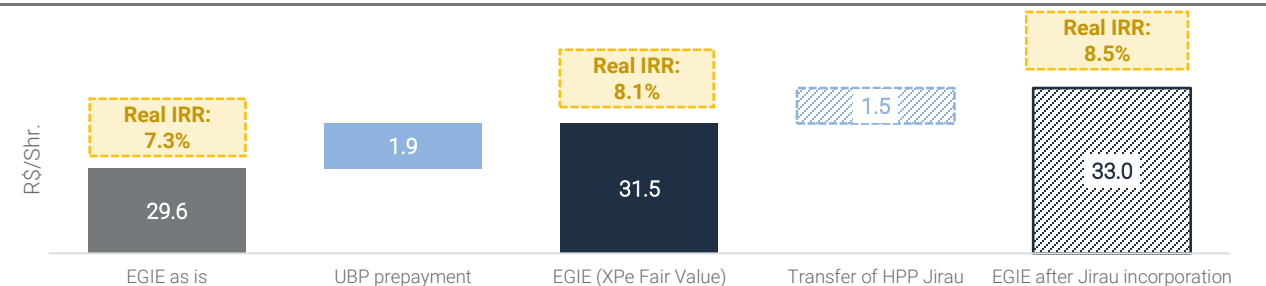
AURE's Fair Value Building Blocks (XPe)



CPL's Fair Value Building Blocks (XPe)



EGIE's Fair Value Building Blocks (XPe)



Valuation Summary

Valuation Summary

Figure 01: Utilities Valuation Table

Companies	Group**	Ticker	Rating	Share Price	Mkt Cap (R\$mn)	ADTV (R\$mn)	Target Price (YE26)	Total Return (%)	Real Implied IRR (%)	Duration	Ke, Real	Dividend Yield		EV/RAB	
												2026e	2027e	2026e	2027e
DisCos															
Equatorial	LT	EQTL3	Buy	40.6	50,793	290	53.4	31.6%	12.1%	10.8	10%	3.9%	4.8%	1.4x	1.3x
Energisa	LT	ENGI11	Buy	51.6	25,995	153	84.9	64.4%	15.1%	9.5	10%	5.2%	6.4%	1.5x	1.4x
Light	ST	LIGT3	Buy	3.4	5,524	6	6.2	80.0%	19.8%	7.6	12%	0.0%	0.0%	0.7x	0.6x
Integrated															
Neoenergia	ST	NEOE3	Buy	33.1	40,225	67	42.6	28.7%	11.7%	9.8	10%	6.7%	7.7%	1.5x	1.4x
CPFL	ST	CPFE3	Buy	48.7	56,126	100	45.4	-6.7%	8.3%	8.5	10%	9.1%	7.4%	1.5x	1.4x
Cemig	MR	CMIG4	Neutral	11.9	34,112	146	13.8	16.1%	13.3%	8.4	12%	6.8%	7.3%	1.2x	1.1x
Copel	LT	CPLE3	Buy	14.4	42,952	301	17.0	18.4%	10.4%	8.7	9%	13.7%	9.2%	1.3x	1.2x
Axia	ST	AXIA3	Buy	57.8	165,451	657	63.3	9.6%	10.1%	6.6	9%	10.9%	12.1%		
	ST	AXIA6	Buy	63.0	165,451	88	71.2	13.1%	10.2%	6.6	9%	10.9%	12.2%		
TransCos															
Alupar	LT	ALUP11	Buy	34.3	11,296	30	36.2	5.7%	7.6%	11.4	8%	4.5%	5.4%		
Isa Energia	MR	ISAE4	Neutral	28.2	18,594	66	25.9	-8.3%	6.2%	9.3	8%	6.7%	5.4%		
Taesá	MR	TAAE11	Neutral	42.3	14,579	86	32.7	-22.8%	3.0%	6.0	8%	8.1%	10.9%		
GenCos															
Eneva	LT	ENEV3	Buy	21.2	40,986	337	27.1	28.2%	12.5%	8.0	10%	0.0%	1.7%		
Auren	MR	AURE3	Neutral	11.8	12,373	48	13.8	16.8%	11.9%	8.2	11%	0.0%	0.0%		
Engie	MR	EGIE3	Neutral	31.9	36,416	61	31.5	-1.2%	8.1%	7.1	9%	4.6%	5.9%		
Sanitation															
Copasa	ST	CSMG3	Buy	54.5	20,712	153	53.6	-1.7%	9.2%	9.2	10%	1.4%	1.3%	1.7x	1.5x
Sabesp	LT	SBSP3	Buy	149.5	102,185	464	162.4	8.6%	10.2%	9.1	10%	3.6%	4.6%	1.2x	1.1x
Sanepar	ST	SAPR11	Buy	41.5	12,555	66	45.9	10.5%	11.9%	6.9	12%	13.4%	5.9%	0.7x	0.7x
Waste Management															
Orizon	10x	ORVR3	Buy	64.4	10,062	48.8	97.5	51.3%	14.8%	8.3	10%	0.0%	0.0%		
Sector Avg.								18.0%	10.9%	8.5	10%	5.8%	5.7%	1.3x	1.2x

GenCos Update

(re)Underwriting Axia

Axia increasingly is an Index Heavy Commodity-Driven Story

As utilities analysts still rely heavily on LT implied IRR estimates, investing in Axia could become a hard task if you become too bearish on LT power prices. While we are fundamentally constructive that current LT power prices aren't that far off from where they should, we still believe that prices could continue to point upwards, assuming the current backdrop doesn't change (risk-averse pricing methodology, high LCOE for renewables and rainfall structurally below the LT average).

Ultimately, LT estimates are a construct fueled by expectations cemented in ST/MT fundamentals. While a LT price estimate can be seen as a "fixed" parameter, names with short duration and high ST FCF yields tend to correlate increasingly with the dynamics of the ST underlying rather than the LT estimate.

In our opinion, Axia is converging to become exactly that: a company that correlates far more with the ST performance of the commodity, rather than with the LT price expectation (which should bear lower volatility).

Our belief is that a "commodities analyst framework" should be a more successful investment strategy in Axia vs. the "utilities analyst framework".

Lastly, we see a new peer group for Axia: Brazilian large caps with high ST yields with a high relevance in the index. Banks like Itau and Bradesco, commodity-linked names like Vale, Petrobras, Suzano are all competing for over/under-weight allocations by all sorts of investment pockets. In this backdrop, we believe that the names that combine: i) earnings momentum, "cheap" ST multiples measured by DYs and iii) low-correlation to other themes tend to be beneficiaries, Axia checks all these boxes (in the current backdrop).

Figure 02: Axia Beta and Capture Ratio vs. IBOV

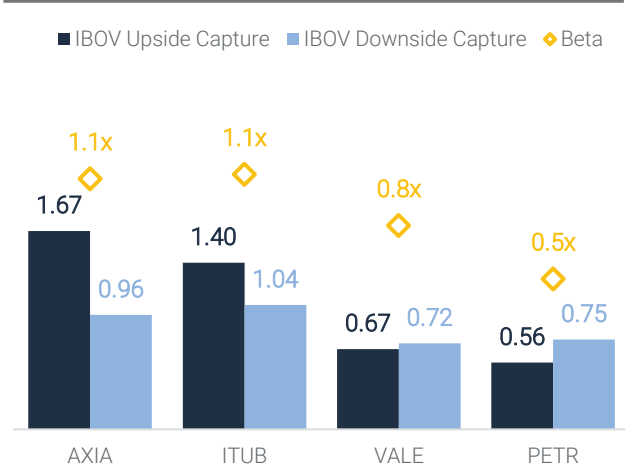


Figure 03: LT Power Prices (DCIDE) vs. AXIA3 Price Action

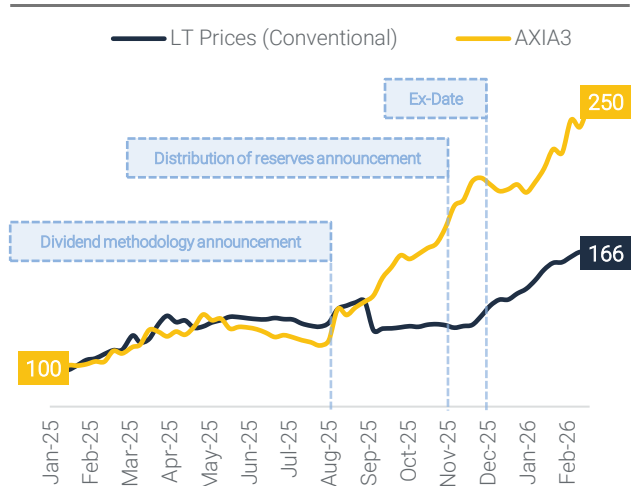
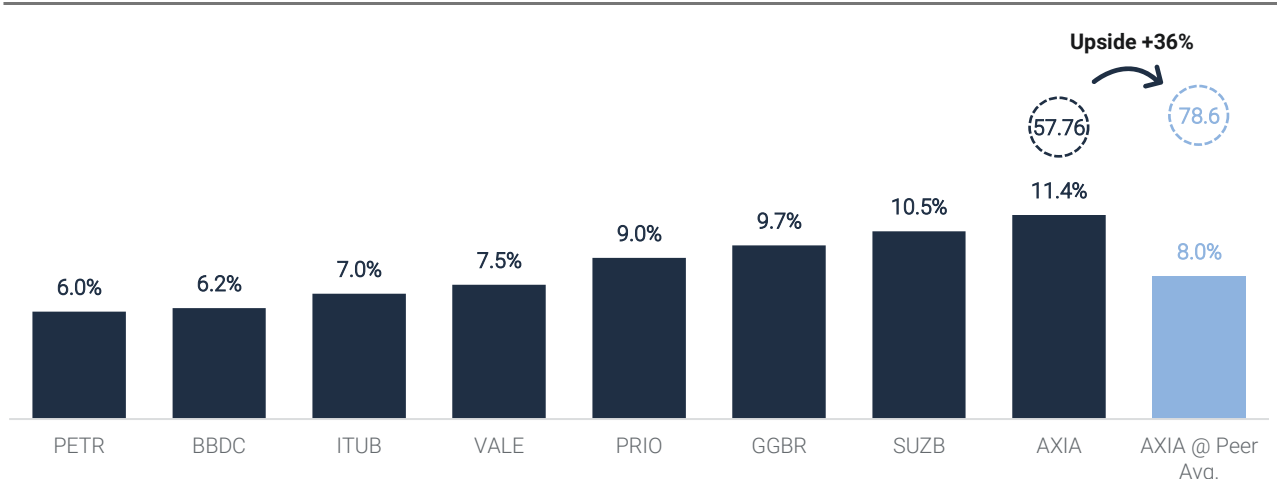


Figure 04: Axia Dividend Yield vs. Peers



Engie: Pre-Paying UBP and the Transfer of Jirau

Two Important Events to Define the Investment Story for the Year

Engie's 2026 will mostly be defined by two relatively ST events: i) the UBP prepayment (concession payment liability) that is expected to add R\$2.5bn in NPV and ii) the transfer of HPP Jirau from the parent company to the listed company.

These two events will potentially happen until the end of 1H26 which should lead to a potentially volatile 2Q26. While the UBP is most certainly a positive, the transfer of Jirau will depend on the valuation proposed for the asset and for the proposed ratio (we expect a share swap between EGIE and the parent company). This exchange ratio will trigger preemptive rights for minorities that could lead to a capital increase of ~R\$2bn. The capital raise would be welcome if the exchange ratio is fair as it would help the company to prepay the UBP commitments without changing its leverage position substantially.

EGIE has a Gross Debt/EBITDA covenant of 4.5x (and it closed YE25 at 3.8x), so avoiding new issuances while unwinding a costly liability would be an accretive move.

Figure 05: UBP Prepayment (XPe)

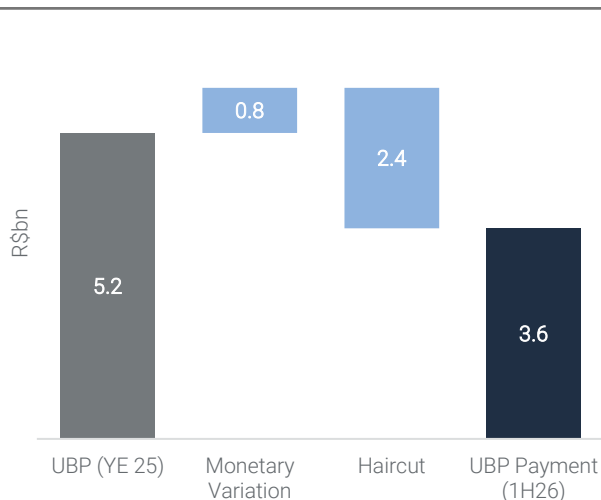
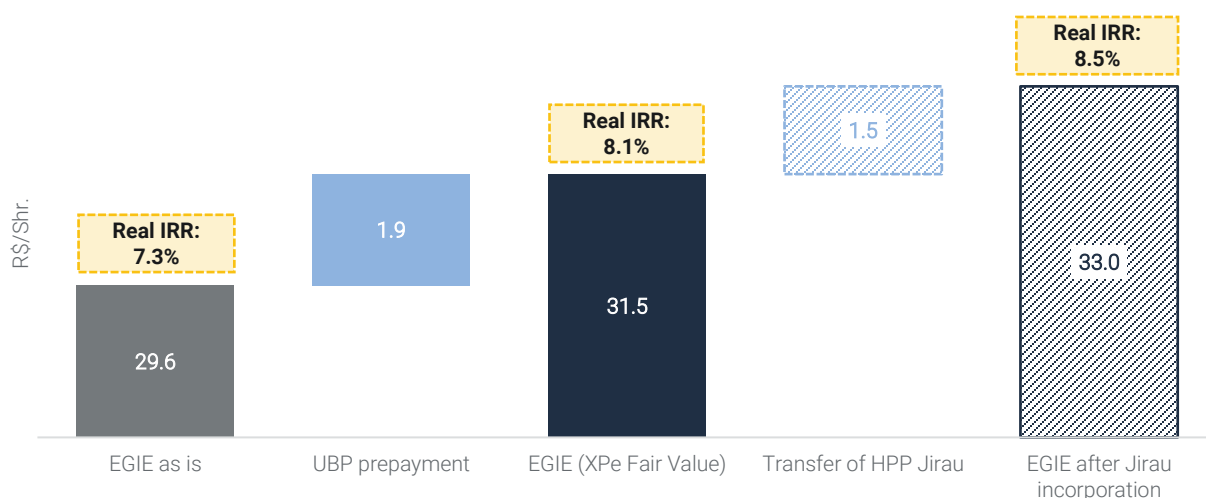


Figure 06: Jirau Incorporation (XPe)

EGIE3 Potential Share Issuance w/ Jirau Incorporation			
Jirau acquisition price @ 9% real Ke	R\$m	(A)	4,711
EGIE3 shr. price	R\$/Shr.	(B)	31.9
# of New Shares	# Shr.	(C)=(A)/(B)	148
EGIE3 current # of shares	# Shr.	(D)	1,142
EGIE3 # of shares after Jirau	# Shr.	(E)=(D)+(C)	1,290
Parent Company stake in EGIE3	% of Shr.	(F)	68.7%
Minorities # of new shares	# Shr.	(G)=(C)*(1/(F)-1)	67
Potential Capital Increase	R\$m	(H)=(G)*(B)	2,146

Figure 07: EGIE's Fair Value Building Blocks (XPe)



Auren: Is There Any Silver lining in a Challenging 2026?

Any Surprises in Curtailment Discussions or Indemnifications Could Redefine the Investment Thesis

While 2026 will be a knowingly challenging year for AURE as the company has short energy position throughout the year, curtailment won't bring any ease and consequently leverage should remain higher than what the company would expect (YE26 XPe Net Debt/EBITDA of 6.7x), the "unknowns" are certainly tweaked to the upside.

We (and for that matter, the market) don't assume anything of future reimbursements regarding reliability or electrical curtailment, nor do we assume any ease in curtailment due to a potential change proposed by ANEEL that would allow GD assets to be curtailed (physically but not economically). Nor do we assume any new positive rulings on indemnification receivable Auren might be entitled to.

While these changes aren't a base case, we don't rule out scenarios in which they materialize and as such, we see more tail risks to the upside than to the downside.

Figure 08: AURE's Portfolio Curtailment

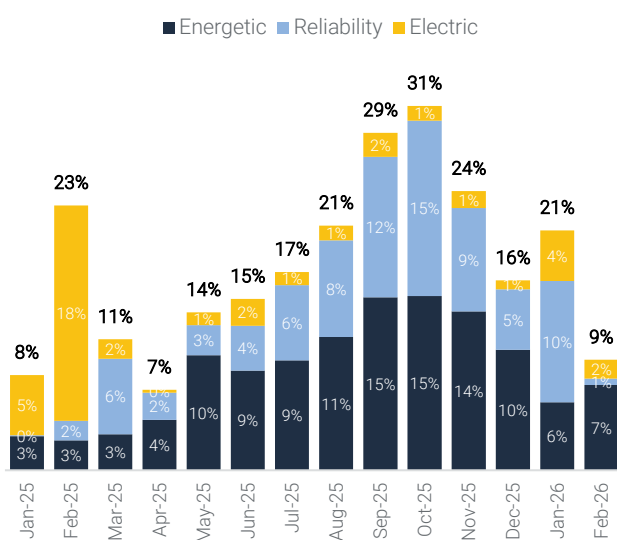


Figure 09: Equity Value Sensitivity to LT Prices (XPe)

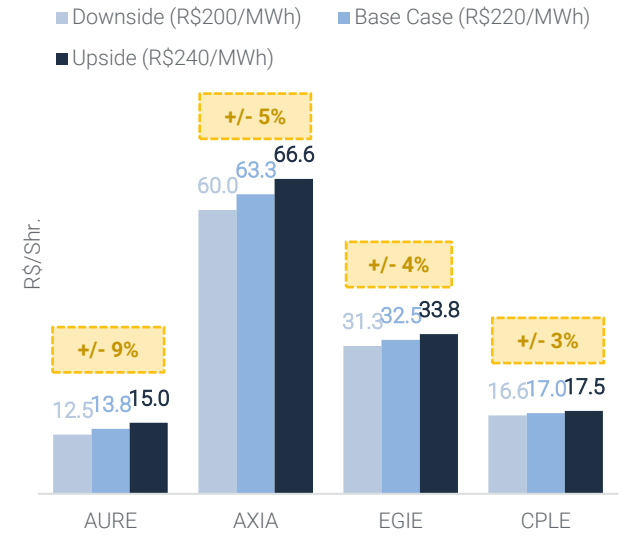
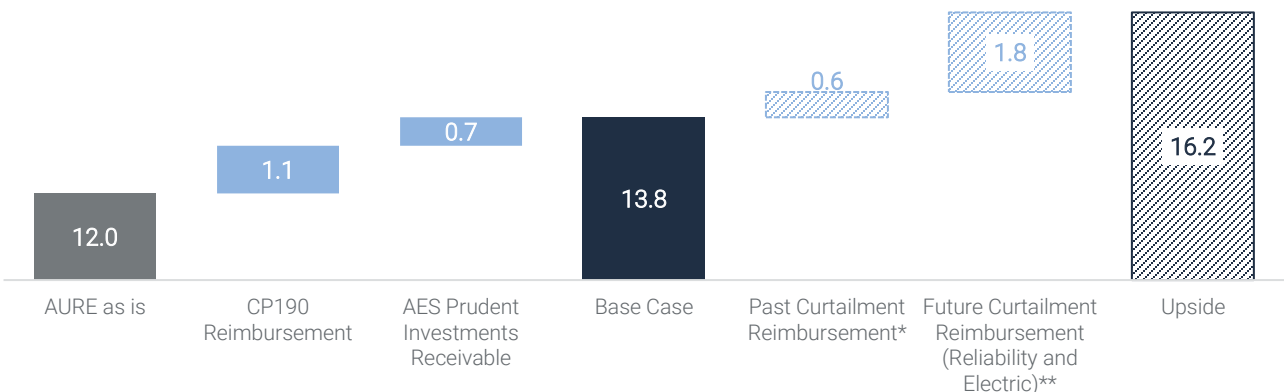


Figure 10: AURE's Fair Value Building Blocks (XPe)



*Past curtailment reimbursement until Nov'25, valued at PLD for ACL contracts and PPA prices for ACR contracts;
 **Considering 50% reduction of our curtailment assumptions from 2027 until 2031.

Copel: Higher Prices, LRCap and DisCo Tariff Review

We Continue to See a Favorable Investment Thesis for 2026

The year of 2026 could be an important one for Copel with: i) the LRCap scheduled this week which we expect HPP Foz Do Areia to add ~860MW in new capacity at a R\$2.8bn NPV; ii) the tariff review for the DisCo which could eventually have some upside potential vs. consensus estimates and iii) another healthy year at the G&T, despite the limited room in CPLE’s energy balance to capture upside potential from increasing prices.

With this context, we see Copel positioned to continue to provide healthy DY’s (low double digits), a defensive and diversified portfolio and exposure to inorganic capital allocation optionalities in the DisCo segment (although still unlikely – please read our report on Enel’s DisCos [here](#)).

Overall, we continue to see Copel as a must own name in the sector and remain very constructive with the thesis and its fundamentals.

Figure 11: Copel Dividend Yield vs. Peers (XPe)

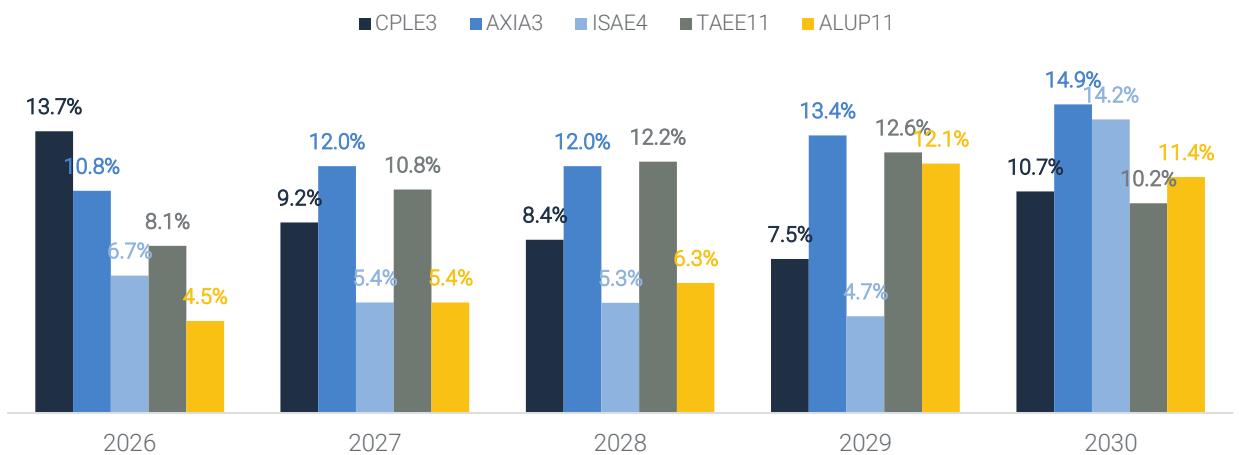
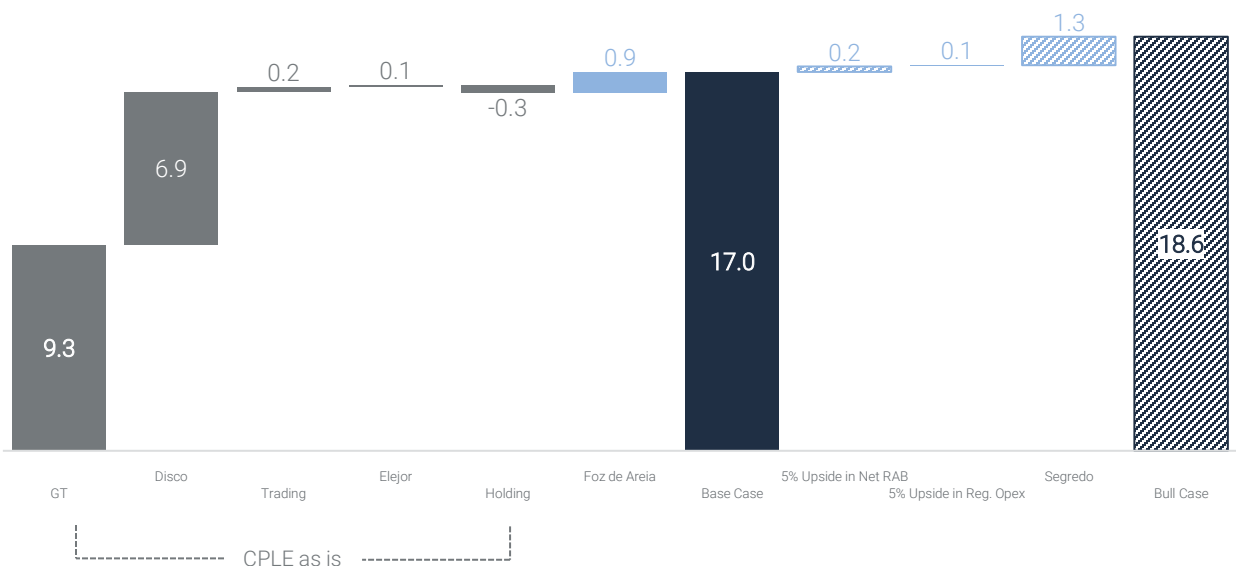


Figure 12: CPLE’s Fair Value Building Blocks (XPe)



Axia Energia

Axia Energia (AXIA3/AXIA6; Buy; YE26 TP of R\$63.3/AXIA3 & R\$71.2/AXIA6)

Investment Thesis, Catalysts and Risks

Investment Thesis: With: i) a paradigm shift in how the market thinks about LT power prices; ii) an important reduction in non-recurring items and iii) a relevant corporate simplification, we see Axia's thesis fully concentrated on LT prices and the optionalities that surround it. Additionally, as the LT price optionality becomes to be fully priced in, we believe the second layer of the story could play a bigger part: capital allocation. After some years of housecleaning and incentives alignment, the company is consolidating its corporate strategy for the LT. Although we acknowledge and appreciate the clear outline on how to think dividend distributions, we still believe that AXIA has more to offer in the LT if the company is able to find ways on how to reallocate its ~US\$3-5bn recurring cash flow at accretive returns in a systematic way, either in opportunities in Brazil or by creating the qualities and strengths necessary to internationalize the company and increase the addressable allocation opportunities.

ST Triggers/Momentum: AXIA will be increasingly correlated to power price dynamics in the rainy season (Oct-Apr) as the behavior of rainfall and consequently power prices will dictate the potential dividends the company will distribute. With most of the wet season past us, and with prices for close to R\$300/MWh, we see AXIA' distribution potential close to R\$18bn (11% DY). As we've mentioned, we believe more and more AXIA will behave like a commodity-linked name in which the performance of the ST underlying commodity will play a bigger role in the share price performance when compared to the LT view of the commodity.

Catalysts: i) even past the wet season, it is important to see rainfall levels below the historical avg. combined with modest wind resources; ii) the current status quo of adding more thermal capacity and current risk-aversion of the operation of the system by ONS (keeping an ~22GW minimum dispatch for Hydros, early thermal dispatch to meet ramp needs, increased operational restrictions to renewables, etc.) and iii) the pace and timing of the distributions expected for 2026.

Risks: i) changes to the current risk aversion models (reducing risk) for 2027; ii) a rapid penetration of BESS auctions that could sharply reduce ramp needs in the peak hours and iii) any relevant macro deterioration or increased political risks.

Valuation and Target Price: At current prices we see AXIA3 trading at a real IRR of 10.1%, compared to its generation peers EGIE and AURE of 8.1% and 11.9%, respectively. We have a YE26 TP of R\$63.3/AXIA3 & R\$71.2/AXIA6. Using a real cost of equity of 9.0%. We are **Buy-rated** on Axia Energia.

Changes to Estimates

Fine Tuning Estimates

We fine tune our estimates post 4Q25 results by updating our macro estimates going forward, by revising our power price curve, and incorporating sales taxes to our LT price estimates. We have also updated our models to reflect the recently disclosed 4Q25 numbers.

Our EBITDA estimates during this period have had a relevant increase as power prices since our loC have increased sharply among all tenures.

Figure 13: Axia Changes to Estimates

Axia Energia	Old			New			Actual vs. Old		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Income Statement									
Net Operating Revenues	43,068	44,224	41,394	49,295	51,010	50,532	14%	15%	22%
<i>YoY % Var</i>	-9%	3%	23%	1%	2%	0%	9.9p.p.	-0.8p.p.	-22.9p.p.
Adj. EBITDA	29,080	29,931	26,933	34,163	36,325	35,086	17%	21%	30%
<i>Adj EBITDA Margin</i>	68%	68%	65%	69%	71%	69%	1.8p.p.	3.5p.p.	4.4p.p.
Net Income	14,743	12,384	11,839	19,481	18,166	19,339	32%	47%	63%
<i>Net Income Margin</i>	34%	28%	29%	40%	36%	38%	5.3p.p.	7.6p.p.	9.7p.p.
Net Debt	32,107	38,199	49,116	24,587	29,960	38,028	-23%	-22%	-23%
<i>YoY % Var</i>	9%	19%	29%	-3%	22%	27%	-11.8p.p.	2.9p.p.	-1.6p.p.
Dividends	15,000	17,550	17,550	18,000	20,000	20,000	20%	14%	14%

Figure 14: Axia Estimates (XPe) vs. Consensus

(R\$ mn)	1Q26	2026e	2027e	2028e	2029e
Net Revenues (XPe)	13,655	49,295	51,010	50,532	50,914
Net Revenues (Consensus)	11,401	46,614	49,528	46,830	46,265
<i>Delta XPe vs. Consensus (%)</i>	19.8%	5.8%	3.0%	7.9%	10.0%
EBITDA (XPe)	10,292	34,163	36,325	35,086	37,160
EBITDA (Consensus)	7,777	29,297	33,745	33,845	31,285
<i>Delta XPe vs. Consensus (%)</i>	32.3%	16.6%	7.6%	3.7%	18.8%
Net Income (XPe)	6,406	19,481	18,166	19,339	19,581
Net Income (Consensus)	2,737	11,216	15,353	13,257	12,616
<i>Delta XPe vs. Consensus (%)</i>	134.0%	73.7%	18.3%	45.9%	55.2%

Figure 15: AXIA Sum of the Parts (XPe)

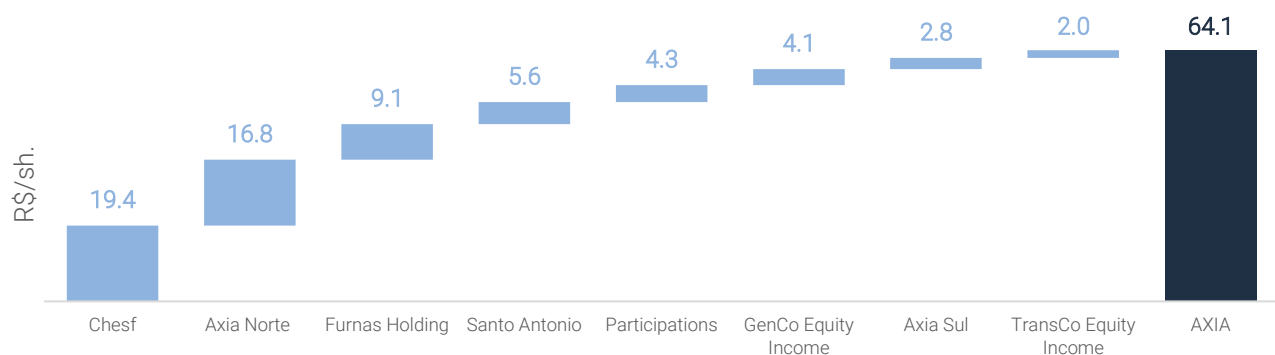


Figure 16: Axia Fact Sheet

# of Shares	2,840				
Ticker	Rating	TP YE26	Price	U/D	
AXIA3	Buy	63.3	57.76	9.6%	
AXIA6	Buy	71.2	63.00	13.1%	
Real Implied IRR - AXIA3	10.1%	Duration	6.6		
Real Implied IRR - AXIA6	10.2%				
Real Cost of Equity	9.0%				
Sum of the Parts	Firm Value	Net Debt	Eq. Inc.	Minorities	Eq. Value
Furnas_Holding	55,754	-26,703	0	0	29,050
Chesf	51,834	3,140	0	0	54,974
Eletronorte	49,792	-2,089	0	0	47,702
Eletrosul	11,447	-3,443	0	0	8,004
Santo Antonio	17,228	-1,318	0	0	15,911
Eletronuclear	0	0	0	0	0
Generation Equity Stakes	11,662	0	0	0	11,662
Transmission Equity Stakes	5,575	0	0	0	5,575
Equity Stakes in Listed Assets	9,091	0	0	0	9,091
Total	212,383	-30,414	0	0	181,969
Yields		2026e	2027e	2028e	2029e
Dividend Yield		11.0%	12.2%	12.2%	13.7%
Earnings Yield		11.9%	11.1%	11.8%	11.9%
FCFE Yield		11.6%	12.9%	11.7%	12.0%
3-Year IRR Exit Scenarios		2026e	2027e	2028e	2029e
Entry Price		-57.8			
DPS		0.0	6.3	7.0	7.0
Exit Price					70.5
Investor-level Cash Flow		-57.7	6.3	7.0	77.6
Nominal IRR		19.6%			
Real Implied IRR to Maturity		10.1%			
Real Ke @ Exit Year		9.0%			
Operational KPIs		2026e	2027e	2028e	2029e
Hydro Firm Capacity, net of GSF	MWavg	14,112	14,107	13,568	13,492
Contracted Capacity	%	10%	16%	37%	55%
Energy Gross Profit		14,941	27,366	28,842	28,915
EGP/MWh			201	229	230
RBSE - Financial Component		6,553	6,814	3,472	0
RBSE - Economic Component		3,084	3,194	2,474	1,732
O&M + RBNI		6,338	7,242	9,068	11,603
Other RAP		2,974	3,099	3,611	4,239
Transmission *Net RAB*		17,383	15,590	32,069	43,249
P&L	2025a	2026e	2027e	2028e	2029e
Net Revenues	40,349	49,295	51,010	50,532	50,914
Non-Controllable Expenses	-12,937	-8,926	-8,303	-8,850	-6,970
Controllable Expenses	-5,484	-5,500	-5,911	-6,369	-6,814
EBITDA	21,928	34,870	36,796	35,313	37,130
EBITDA margin	54.3%	70.7%	72.1%	69.9%	72.9%
EBIT	15,694	28,193	29,362	27,652	29,269
Financial Results	-11,245	-9,256	-9,577	-10,256	-11,125
EBT	4,954	18,937	19,785	17,396	18,145
Income Taxes	10,483	-3,057	-3,086	-2,853	-3,484
Income Tax Rate	-212%	16%	16%	16%	19%
Equity Income	1,833	3,601	1,466	4,796	4,920
Minorities	0	0	0	0	0
Net Income	17,270	19,481	18,166	19,339	19,581
Announced Dividends	8,000	18,000	20,000	20,000	22,500
Payout	46%	92%	110%	103%	115%
FCFE	0	19,066	21,119	19,197	19,709
FCFE as a % of Net Income	0%	98%	116%	99%	101%
EBITDA Breakdown	2025a	2026e	2027e	2028e	2029e
Furnas_Holding	6,076	12,083	12,589	11,626	12,177
Chesf	6,125	11,015	12,032	11,102	11,061
Eletronorte	5,040	7,662	8,139	8,632	9,549
Santo Antonio	2,282	2,481	2,226	2,043	2,182
Eletrosul	1,676	1,629	1,810	1,910	2,161
Total	21,199	34,870	36,796	35,313	37,130
Transmission EBITDA	10,456	11,303	12,077	10,833	9,903
Generation EBITDA	10,743	23,566	24,719	24,480	27,227
Net Debt	25,220	24,587	29,960	38,028	45,250
Net Debt/EBITDA	1.2x	0.7x	0.8x	1.1x	1.2x
Multiples @ Target		2026e	2027e	2028e	2029e
EV/EBITDA		5.9x	5.7x	6.2x	6.1x
P/E		9.2x	9.9x	9.3x	9.2x
Multiples @ Market		2026e	2027e	2028e	2029e
EV/EBITDA		5.4x	5.3x	5.7x	5.6x
P/E		8.4x	9.0x	8.5x	8.4x

Copel

Copel (CPLE3; Buy; YE26 TP of R\$17.0/sh.)

Investment Thesis, Catalysts and Risks

Investment Thesis: We see Copel as a very well-balanced case between yield and growth. While the company is able to distribute sustainable high-single/low-teens DY's and grow at good marginal ROICs in its DisCo segment. Additionally, the company has been able to quickly reposition itself as a premium name within the sector after several accretive and strategic moves (asset sales, acquisitions and uncrossing) that corroborate our (and the market) view that the current management is among the best in our coverage universe and any further announcements should continue to consolidate this perception. We see Copel's HPP Foz do Areia well positioned for the upcoming capacity auction (HPP Segredo seems more of an optionality rather than a favorite), as well as believe that the company will be a contender for any distribution assets that come to the market.

LT Compounder: Despite Copel's short life span as a private owned entity, we believe the company already has the elements for us to consider it as a LT compounder. First, the management team has already proven their capabilities to create value through capital allocation/recycling, second Copel's DisCo has a long path of capex deployment that should sustain continued RAB growth at very good returns and lastly, Copel has the size and balance sheet to make bold moves that could eventually move the needle.

Catalysts: i) the upcoming capacity auction expected to be held on March 18; ii) the DisCo tariff review where a good review would confirm and de-risk the investment case (confirming net RAB >R\$18bn and Reg. EBITDA >R\$3.0bn, as well as answers on CPLE's efficiency gains on the Opex side) and iii) any relevant DisCo asset that comes to the market could be a trigger for CPLE.

Risks: i) the tariff review comes as risk and catalyst. Any frustration in the tariff review numbers could be a downside risk to the investment case in the ST; ii) a deterioration in the macro-outlook and iii) Copel leaving the LRCap empty handed.

Valuation and Target Price: At current prices we see CPLE trading at a real IRR of 10.4%, compared to EQTL's 11.8% and AXIA3' 10.1%. We have a YE26 TP of R\$17.0/sh. Using a real cost of equity of 9%. We are **Buy-rated** on CPLE.

Changes to Estimates

Fine Tuning Estimates

We fine tune our estimates post 4Q25 results. We also incorporate our updated power price curve and LT price estimate, leading to a significant EBITDA revision in 2028+. We also incorporate HPP Foz do Areia being successful at the LRCap as a base case in our model.

On the Distribution front, we haven't made drastic changes to our estimates.

Figure 17: Copel Changes to Estimates

Copel	Old			New			Actual vs. Old		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Income Statement									
Net Operating Revenues	26,887	28,702	29,750	28,247	30,816	32,328	5%	7%	9%
<i>YoY % Var</i>	20%	7%	3%	16%	9%	5%	-3.3p.p.	1.8p.p.	1.6p.p.
Adj. EBITDA	6,991	7,949	8,291	7,128	8,367	9,124	2%	5%	10%
<i>Adj EBITDA Margin</i>	26%	28%	28%	25%	27%	28%	-0.8p.p.	-0.5p.p.	0.4p.p.
Net Income	2,623	3,195	3,339	2,879	3,402	3,675	10%	6%	10%
<i>Net Income Margin</i>	10%	11%	11%	10%	11%	11%	0.4p.p.	-0.1p.p.	0.1p.p.
Net Debt	18,463	19,033	20,104	18,454	22,551	24,981	0%	18%	24%
<i>YoY % Var</i>	24%	5%	5%	31%	22%	11%	6.5p.p.	17.1p.p.	5.7p.p.
Dividends	2,410	2,917	3,743	5,864	3,963	3,607	143%	36%	-4%
Net RAB	18,180	20,624	22,968	18,213	20,592	22,931	0%	0%	0%

Figure 18: Copel Estimates (XPe) vs. Consensus

(R\$ mn)	1Q26	2026e	2027e	2028e	2029e
Net Revenues (XPe)	6,779	28,247	30,816	32,328	34,263
Net Revenues (Consensus)	5,587	22,969	25,863	26,594	28,926
<i>Delta XPe vs. Consensus (%)</i>	21.3%	23.0%	19.2%	21.6%	18.4%
EBITDA (XPe)	2,026	7,128	8,367	9,124	10,268
EBITDA (Consensus)	1,811	6,945	7,886	8,494	8,498
<i>Delta XPe vs. Consensus (%)</i>	11.9%	2.6%	6.1%	7.4%	20.8%
Net Income (XPe)	814	2,879	3,402	3,675	4,331
Net Income (Consensus)	813	2,918	3,504	3,390	3,624
<i>Delta XPe vs. Consensus (%)</i>	0.2%	-1.3%	-2.9%	8.4%	19.5%

Figure 19: Copel Sum of the Parts per Share (XPe)

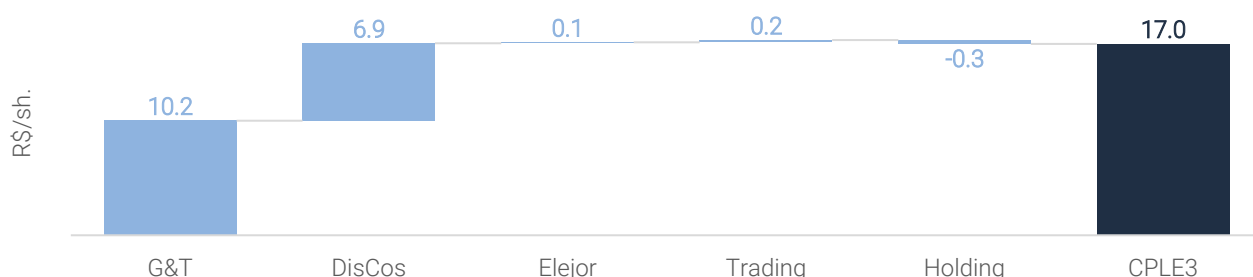


Figure 20: Copel Fact Sheet

# of Shares	2,983				
Tricker	Rating	TP YE26	Price	U/D	
CPL3	Buy	17.0	14.40	18.4%	
Real Implied IRR	10.4%	Duration	8.7		
Real Cost of Equity	9.0%				
Sum of the Parts	Firm Value	Net Debt	Eq. Inc.	Minorities	Eq. Value
GT	36,942	-7,854	1,711	-107	30,693
Disco	31,442	-10,924	0	0	20,518
Holding	-1,481	0	516	0	-965
Trading	415	193	0	0	607
Total	67,318	-18,585	2,227	-107	50,853
EV / RAB @ Mkt Prices		2026e	2027e	2028e	2029e
Market Cap		42,952	42,952	42,952	42,952
Equity Value Ex-DisCos		30,335	30,335	30,335	30,335
Implied Equity Value - DisCos		12,617	12,617	12,617	12,617
Net Debt DisCos		10,924	11,121	12,893	14,510
EV		23,542	23,738	25,511	27,127
Net RAB		18,213	20,592	22,931	25,352
EV/RAB		1.3x	1.2x	1.1x	1.1x
EV/RAB @ Target		2026e	2027e	2028e	2029e
Equity Value DisCos		20,518	20,518	20,518	20,518
Net Debt DisCos		10,924	11,121	12,893	14,510
EV		31,442	31,638	33,411	35,028
Net RAB		18,213	20,592	22,931	25,352
EV/RAB		1.7x	1.5x	1.5x	1.4x
Yields		2026e	2027e	2028e	2029e
Dividend Yield		13.7%	9.2%	8.4%	7.5%
Earnings Yield		6.7%	7.9%	8.6%	10.1%
FCFE Yield		10.9%	6.5%	11.0%	11.4%
3-Year IRR Exit Scenarios		2026e	2027e	2028e	2029e
Entry Price		-14.4			
DPS		0.8	2.0	1.3	1.2
Exit Price					17.6
Investor-level Cash Flow		-13.6	2.0	1.3	18.8
Nominal IRR		21.2%			
Real Implied IRR to Maturity		10.4%			
Real Ke @ Exit Year		9.0%			
P&L	2025a	2026e	2027e	2028e	2029e
Net Revenues	24,248	28,247	30,816	32,328	34,263
Non-Controllable Expenses	-15,299	-18,055	-19,347	-19,993	-20,669
Controllable Expenses	-2,689	-3,064	-3,102	-3,212	-3,325
EBITDA	8,081	7,128	8,367	9,124	10,268
EBITDA margin	33.3%	25.2%	27.2%	28.2%	30.0%
EBIT	6,600	5,544	6,701	7,370	8,433
Financial Results	-1,795	-1,890	-2,272	-2,490	-2,597
EBT	4,805	3,653	4,429	4,880	5,836
Income Taxes	-578	-1,016	-1,298	-1,501	-1,820
Income Tax Rate	12%	28%	29%	31%	31%
Equity Income	224	262	289	314	338
Minorities	-1	20	18	18	23
Net Income	4,452	2,879	3,402	3,675	4,331
Announced Dividends	2,393	5,864	3,963	3,607	3,205
Payout	54%	204%	116%	98%	74%
FCFE	n.a.	4,672	2,772	4,717	4,905
FCFE as a % of Net Income	n.a.	162%	81%	128%	113%
EBITDA	2025a	2026e	2027e	2028e	2029e
GT	3,519	3,689	4,120	4,732	5,701
Disco	2,790	3,322	4,152	4,316	4,486
Trading	55	34	40	42	44
Holding + Others	1,716	82	55	34	37
Total	8,081	7,128	8,367	9,124	10,268
Net Debt	14,141	18,454	22,551	24,981	25,859
Net Debt/EBITDA	1.7x	2.6x	2.7x	2.7x	2.5x
Multiples @ Target		2026e	2027e	2028e	2029e
EV/EBITDA		9.7x	8.8x	8.3x	7.5x
P/E		17.7x	14.9x	13.8x	11.7x
Multiples @ Market		2026e	2027e	2028e	2029e
EV/EBITDA		8.6x	7.8x	7.4x	6.7x
P/E		14.9x	12.6x	11.7x	9.9x

Auren

Auren (AURE3; Neutral; YE26 TP of R\$13.8/sh.)

Investment Thesis, Catalysts and Risks

Investment Thesis: For AURE' investment thesis to gain clarity/momentum it depends on: i) the market being able to see some level of structural solution to LT curtailment and ii) an inflection point in the current negative operational momentum that led to relevant EBITDA revisions for 2026/27, due to a short energy balance that has been hampered by high power prices. The alignment of one of these points might not be enough, which makes it difficult to become more constructive at this point, although we do acknowledge that there might be more tail events pointing to the upside than to the downside.

Mean Reversion: We see AURE as a mean reversion name despite acknowledging that there could be some events that could eventually re-rate the story. Concerns by policymakers regarding curtailment impacts and the complexity to operate the grid are still there even post-MP1304, but we still don't see with clarity paths to bring a more structural lifeline for renewables. There are some ideas that could move the needle such as adding GD to participate on the physical curtailment during hourly oversupply or if the regulator/ministry in fact considers that the text of MP1304 provided the legal backdrop to reimburse future curtailments regarding reliability and electrical restrictions. We estimate these two elements could add up to R\$2.4bn in NPV.

Catalysts: i) any announcements regarding solutions to curtailment issues (forward looking; ii) further improvements in the macro scenario that could lead to a faster decline in interest rates/cost of debt and iii) any new announcements regarding the HPP receivables Auren has.

Risks: i) further deterioration in curtailment expectations; ii) deterioration in the macro scenario that could lead to rates being higher for longer and iii) increase in ST power prices that could further lead to additional downward revisions to EBITDA.

Valuation and Target Price: At current prices we see AURE trading at a real IRR of 11.9%, compared to its generation peers EGIE and AXIA3 of 8.1% and 10.1%, respectively. We have a YE26 TP of R\$13.8/sh. Using a real cost of equity of 11.0%. We are **Neutral-rated** on Auren.s

Changes to Estimates

Fine Tuning Estimates

We fine tune our estimates post 4Q25 results. We have also updated our price curves, LT prices (we now assume R\$220/MWh net of taxes), and AURE's most recently disclosed energy balance.

Our 2026e EBITDA was sharply revised downwards due to AURE's short energy position in 2026. Our curtailment estimates are north of 20% for the next 3 years.

Figure 21: Auren Changes to Estimates

Auren	Old			New			Actual vs. Old		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Income Statement									
Net Operating Revenues	19,190	16,971	16,064	26,315	21,855	21,210	37%	29%	32%
YoY % Var	14%	-12%	-5%	88%	-17%	-3%	74.0p.p.	-5.4p.p.	2.4p.p.
Adj. EBITDA	4,061	4,234	4,347	3,047	3,656	3,943	-25%	-14%	-9%
Adj EBITDA Margin	21%	25%	27%	12%	17%	19%	-9.6p.p.	-8.2p.p.	-8.5p.p.
Net Income	-533	-111	223	-1,015	-553	-59	90%	396%	-127%
Net Income Margin	n.a.	n.a.	n.a.	n.a.	n.a.	0%	n.a.	n.a.	n.a.
Net Debt	18,341	16,534	14,379	20,889	19,223	17,208	14%	16%	20%
YoY % Var	-5%	-10%	-13%	19%	-8%	-10%	24.3p.p.	1.9p.p.	2.5p.p.
Dividends	431	346	396	0	0	262	-100%	-100%	-34%

Figure 22: Auren Estimates (XPe) vs. Consensus

(R\$ mn)	1Q26	2026e	2027e	2028e	2029e
Net Revenues (XPe)	6,150	26,315	21,855	21,210	22,624
Net Revenues (Consensus)	2,817	12,291	12,956	10,120	10,210
Delta XPe vs. Consensus (%)	118.3%	114.1%	68.7%	109.6%	121.6%
EBITDA (XPe)	870	3,047	3,656	3,943	4,786
EBITDA (Consensus)	858	3,401	4,122	4,293	4,740
Delta XPe vs. Consensus (%)	1.4%	-10.4%	-11.3%	-8.2%	1.0%
Net Income (XPe)	-212	-1,015	-553	-59	1,227
Net Income (Consensus)	-139	-1,020	171	363	910
Delta XPe vs. Consensus (%)	52.7%	-0.5%	n.a.	n.a.	34.8%

Figure 23: Auren Sum of the Parts (XPe)



Figure 24: Auren Fact Sheet

# of Shares	1,050				
Ticker	Rating	TP YE26	Price	U/D	
AURE3	Neutral	13.8	11.78	16.8%	
Real Implied IRR	11.9%	Duration	8.2		
Real Cost of Equity	11.0%				
Sum of the Parts	Firm Value	Net Debt	Eq. Inc.	Minorities	Eq. Value
Holding	-1,608	-2,671	0	0	-4,279
Hydro	14,247	-8,529	1,770	0	7,489
Renewables	20,093	-9,849	0	0	10,245
Trading	690	310	0	0	1,000
Total	33,423	-20,739	1,770	0	14,455
Yields		2026e	2027e	2028e	2029e
Dividend Yield		0.0%	0.0%	2.1%	3.1%
Earnings Yield		-8.2%	-4.5%	-0.5%	9.9%
FCFE Yield		-8.5%	8.4%	9.3%	14.1%
3-Year IRR Exit Scenarios		2026e	2027e	2028e	2029e
Entry Price		-11.8			
DPS		0.0	0.0	0.0	0.2
Exit Price					17.0
Investor-level Cash Flow		-11.8	0.0	0.0	17.3
Norminal IRR		14.6%			
Real Implied IRR to Maturity		11.9%			
Real Ke @ Exit Year		12.0%			
Operational KPIs		2026e	2027e	2028e	2029e
Hydro Firm Capacity, net of GSF	MWavg	1,729	1,764	1,764	1,764
Renewable Energy Output	MWavg	1,217	1,230	1,197	1,165
Curtailment	%	21%	23%	25%	27%
Trading Volumes	MWavg	6,500	5,461	5,460	5,459
Contracted Capacity	%	129%	116%	108%	101%
Energy Gross Profit		5,159	5,870	6,244	7,178
EGP/MWh		62	79	85	98
P&L	2025a	2026e	2027e	2028e	2029e
Net Revenues	14,010	26,315	21,855	21,210	22,624
Non-Controllable Expenses	-9,432	-21,821	-16,680	-15,688	-16,197
Controllable Expenses	-797	-1,447	-1,520	-1,579	-1,641
EBITDA	3,782	3,047	3,656	3,943	4,786
EBITDA margin	27.0%	11.6%	16.7%	18.6%	21.2%
EBIT	1,864	1,138	1,736	2,023	2,866
Financial Results	-2,398	-2,551	-2,495	-2,277	-2,071
EBT	-534	-1,413	-759	-106	1,388
Income Taxes	-401	101	-113	-217	-436
Income Tax Rate	-75%	7%	-15%	-205%	31%
Equity Income	434	298	318	263	275
Minorities	0	0	0	0	0
Net Income	-501	-1,015	-553	-59	1,227
Announced Dividends	0	0	0	262	389
Payout	0%	0%	0%	-441%	32%
FCFE	0	-1,046	1,038	1,156	1,745
FCFE as a % of Net Income	0%	103%	-188%	-1945%	142%
EBITDA Breakdown		2026e	2027e	2028e	2029e
Holding		-167	-173	-180	-187
Hydro		905	1,511	1,775	2,612
Renewables		2,025	2,109	2,144	2,164
Trading		284	210	204	197
Total		3,047	3,656	3,943	4,786
Net Debt		20,387	18,722	16,706	13,705
Net Debt/EBITDA		6.7x	5.1x	4.2x	2.9x
Multiples @ Target		2026e	2027e	2028e	2029e
EV/EBITDA		11.4x	9.1x	7.9x	5.9x
P/E		n.a.	n.a.	n.a.	11.8x
Multiples @ Market		2026e	2027e	2028e	2029e
EV/EBITDA		10.8x	8.5x	7.4x	5.4x
P/E		n.a.	n.a.	n.a.	10.1x

Engie

Engie (EGIE3; Neutral; YE26 TP of R\$31.5/sh.)

Investment Thesis, Catalysts and Risks

Investment Thesis: We see EGIE as a company that has historically delivered truthfully to its strategic proposition. A combination of selective growth and a defensive portfolio of assets that has provided historically high yields and low earnings volatility. Notwithstanding and as other players, EGIE's growth towards renewables has increased earnings volatility, and the largest investment cycle in the company's history has reduced EGIE's payout to its guided 55% minimum. With the desire to continue to look for growth opportunities in the transmission segment and leverage that is still higher than what the company sees as recurring (between 2.0-2.5x), we see the next couple of years as a continuity of payouts and yields at the low end, as the company continues to look for growth (with a focus in transmission). We expect the transfer of HPP Jirau from the parent company to the listed company and the potential R\$3.5bn prepayment of UBP concession liabilities to be concluded by the end of 2Q26. The transfer (if made via share swap) could lead to a R\$1.8-2.1bn preemptive rights offering that could raise a similar amount that the UBP payment will require, keeping leverage under control.

Mean reversion: EGIE fits our mean reversion category as there is a lack of relevant ST triggers that could move the needle, nor perspectives of relevant capital allocations that could be transformational in terms of value creation positions the company as one that will eventually trade above or below its "fair" value and our job will be to look for the moments in time where these asymmetries arise. For now, we see a reasonably symmetrical risk/return for EGIE.

Catalysts: i) relevant capital allocation announcements; ii) any potential asset recycling opportunities (e.g. further monetization of its 17.5% stake in TAG, among others) and iii) any forward-looking solutions regarding curtailment that could make us significantly revise our estimates going forward.

Risks: i) relevant capital allocation announcements that could further pressure leverage; ii) potential corporate structure simplifications such as the acquisition of HPP Jirau from EGIE's parent company depending on the proposed structure and valuation;

Valuation, Rating and Target Price: At current prices we see EGIE trading at a real IRR of 8.1%, compared to its generation peers AURE and AXIA3 of 11.9% and 10.1%, respectively. We have a YE26 TP of R\$31.5/sh. Using a real cost of equity of 9.0%. We are **Neutral-rated** on Engie.

Changes to Estimates

Fine Tuning Estimates

We fine tune our estimates post 4Q25 results and update our macro estimates as well as our power price curve. We also include in our 2026 estimates a provision reversal of R\$2.5bn regarding the UBP prepayment.

Overall, we slightly increase our estimates as we now include the new HPPs acquired by the company, an updated power price curve which is partially offset by higher curtailment forecast during the period.

Figure 25: Engie Changes to Estimates

Engie	Old			New			Actual vs. Old		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Income Statement									
Net Operating Revenues	10,845	11,647	11,551	12,242	12,642	12,635	13%	9%	9%
<i>YoY % Var</i>	7%	7%	-1%	10%	3%	0%	3.1p.p.	-4.1p.p.	0.8p.p.
Adj. EBITDA	7,241	7,918	7,974	7,520	8,461	8,649	4%	7%	8%
<i>Adj EBITDA Margin</i>	67%	68%	69%	61%	67%	68%	-5.3p.p.	-1.1p.p.	-0.6p.p.
Net Income	2,311	3,282	3,650	3,964	3,907	4,465	72%	19%	22%
<i>Net Income Margin</i>	21%	28%	32%	32%	31%	35%	11.1p.p.	2.7p.p.	3.7p.p.
Net Debt	25,084	22,671	21,398	27,735	23,813	22,104	11%	5%	3%
<i>YoY % Var</i>	-3%	-10%	-6%	8%	-14%	-7%	10.9p.p.	-4.5p.p.	-1.6p.p.
Dividends	1,271	1,805	2,007	801	2,149	2,456	-37%	19%	22%

Figure 26: Engie Estimates (XPe) vs. Consensus

(R\$ mn)	1Q26	2026e	2027e	2028e	2029e
Net Revenues (XPe)	3,370	12,242	12,642	12,635	11,396
Net Revenues (Consensus)	2,855	11,547	11,865	12,582	13,685
<i>Delta XPe vs. Consensus (%)</i>	18.0%	6.0%	6.5%	0.4%	-16.7%
EBITDA (XPe)	2,191	7,520	8,461	8,649	8,264
EBITDA (Consensus)	1,820	7,541	8,117	8,158	9,198
<i>Delta XPe vs. Consensus (%)</i>	20.4%	-0.3%	4.2%	6.0%	-10.2%
Net Income (XPe)	635	3,964	3,907	4,465	4,664
Net Income (Consensus)	546	3,270	3,047	3,845	5,005
<i>Delta XPe vs. Consensus (%)</i>	16.3%	21.2%	28.2%	16.1%	-6.8%

Figure 27: Engie Sum of the Parts per Share (XPe)

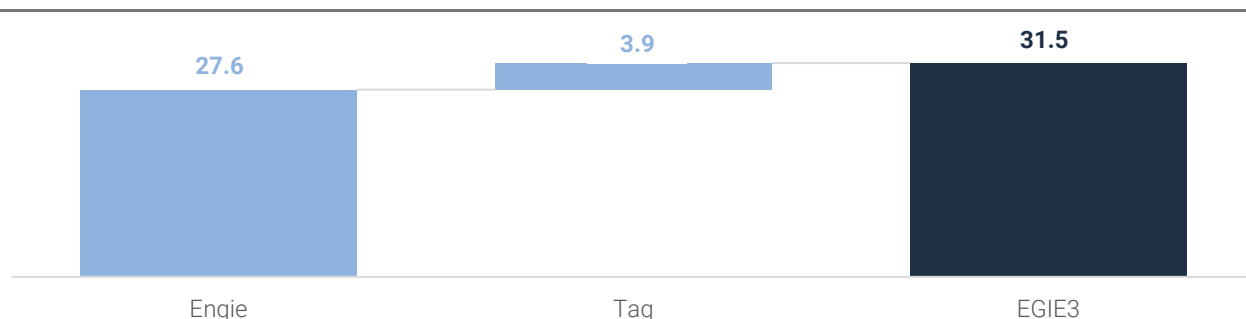


Figure 28: Engie Fact Sheet

# of Shares	1,142				
Ticker	Rating	TP YE26	Price	U/D	
EGIE3	Neutral	31.5	31.88	-1.2%	
Real Implied IRR	8.1%	Duration	7.3		
Real Cost of Equity	9.0%				
Sum of the Parts	Firm Value	Net Debt	Eq. Inc.	Minorities	Eq. Value
Engie	59,229	-27,735	0	0	31,494
TAG	40,466	-14,467	0	-21,529	4,470
Jirau	19,822	-6,099	0	-13,723	0
Others	0	0	0	0	0
Total	119,517	-48,301	0	-35,252	35,965
Yields	2026e	2027e	2028e	2029e	
Dividend Yield	2.2%	9.2%	10.0%	12.2%	
Earnings Yield	10.9%	10.7%	12.3%	12.8%	
FCFE Yield	0.5%	12.8%	13.8%	13.1%	
3-Year IRR Exit Scenarios	2026e	2027e	2028e	2029e	
Entry Price	-31.9				
DPS	0.6	0.7	2.9	3.2	
Exit Price				33.4	
Investor-level Cash Flow	-31.3	0.7	2.9	36.6	
Norminal IRR	9.8%				
Real Implied IRR to Maturity	8.1%				
Real Ke @ Exit Year	9.0%				
Operational KPIs	2026e	2027e	2028e	2029e	
Hydro Firm Capacity, net of GSF	MWavg	3,127	3,113	2,846	2,044
Renewable Energy Output	MWavg	1,336	1,336	1,336	1,369
Curtailment	%	20%	20%	20%	18%
Contracted Capacity	%	94%	99%	99%	106%
Energy Gross Profit	9,378	10,167	10,228	9,329	
EGP/MWh	240	261	279	312	
P&L	2025a	2026e	2027e	2028e	2029e
Net Revenues	12,124	13,391	13,827	13,819	12,464
Non-Controllable Expenses	-2,823	-2,888	-2,247	-2,101	-1,543
Controllable Expenses	-1,584	-1,834	-1,934	-1,885	-1,589
EBITDA	6,707	7,520	8,461	8,649	8,264
EBITDA margin	55.3%	56.2%	61.2%	62.6%	66.3%
EBIT	5,335	5,985	6,925	7,206	7,098
Financial Results	-2,642	-3,896	-2,949	-2,530	-2,380
EBT	2,693	4,473	3,976	4,676	4,718
Income Taxes	-769	-1,188	-860	-1,054	-959
Income Tax Rate	29%	27%	22%	23%	20%
Equity Income	687	679	791	843	905
Minorities	0	0	0	0	0
Net Income	2,612	3,964	3,907	4,465	4,664
Announced Dividends	0	801	3,343	3,654	4,434
Payout	0%	20%	86%	82%	95%
FCFE	0	165	4,660	5,020	4,761
FCFE as a % of Net Income	0%	4%	119%	112%	102%
EBITDA Breakdown (Stake adj.)	2026e	2027e	2028e	2029e	
Engie	7,520	8,461	8,649	8,264	
TAG	1,434	1,467	1,559	1,615	
Jirau	0	0	0	0	
Others	0	0	0	0	
Total	8,954	9,927	10,208	9,879	
Net Debt	30,960	27,735	23,813	22,104	20,836
Net Debt/EBITDA	4.6x	3.7x	2.8x	2.6x	2.5x
Multiples @ Target	2026e	2027e	2028e	2029e	
EV/EBITDA	8.5x	7.1x	6.7x	6.9x	
P/E	9.1x	9.2x	8.1x	7.7x	
Multiples @ Market	2026e	2027e	2028e	2029e	
EV/EBITDA	8.5x	7.1x	6.8x	6.9x	
P/E	9.2x	9.3x	8.2x	7.8x	

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