

# Brazilian Utilities

## 1Q26 Earnings Pack – CPFE, ORVR, SAPR and LIGT

CPFE (=/-); ORVR (+); SAPR (=/+); LIGT (=/-)

Four companies under our coverage reported results this evening: CPFE, ORVR, SAPR and LIGT. **CPFE** delivered a slight operational miss on all segments with an adj. EBITDA 3% below XPe. Results at the DisCo were 4% below us. Overall, CPFL shouldn't have a relevant market reaction. **ORVR** and Vital's combined EBITDA of R\$339mn was virtually in line with XPe backed by healthy KPIs (especially on gate fee's that fully recovered its trajectory vs. the 4Q25 hiccup) and the startup of Biomethane plants. We expect a neutral market reaction, and our LT thesis remains unchanged. **SAPR** delivered an adj. EBITDA of R\$844mn that was 5% above us and 8% above consensus. Despite the healthy trends we also don't expect results to be a relevant mover. Lastly, **LIGT** reported an adj. EBITDA 24% above XPe but 27% lower on a YoY basis. Results were soft despite the beat but given that the company will now enter the end of its Chapter 11 process and has a relevant regulatory agenda in the coming months, we believe results are less of an event.

### CPFL (CPFE3; Sell; YE26 TP of R\$51.3/sh.) – (=/-) Slightly Below Our Expectation

**Are there elements in the results that could structurally change our view?** CPFL's reported an adj. EBITDA of R\$3,220mn, slightly below our expectations (-3% vs. XPe and 5% above consensus). This result is mainly explained by the DisCos segment, based on softer volume trends due to milder temperatures that lead to a gross profit (Part B) miss of 2% to our estimates. Also worth noting that we had a positive surprise with delinquency dynamics (16% below our estimates), which were partially offset by other expenses (+15% vs. XPe) and opex 2% above ours, translating into an adj. EBITDA miss of 4% to our estimates at the DisCo. Overall, we see recurring PMSO at the DisCos well captured by our estimates and for delinquency we will observe the following quarters to eventually fine tune any potential changes. Regarding its GenCo, adj. EBITDA of R\$846mn came in 2% below our estimate (XPe of R\$859mn), while TransCo adj. EBITDA of R\$230mn missed our R\$265mn estimate.

**Maintaining our sell rating and target price of R\$51.3/sh.** At current prices, we see CPFE3 trading at a 10.3% real IRR. CPFL's thesis has some very similar aspects to that of Copel: a healthy balance between yield and growth, although with a potentially smaller appetite to allocate capital in a relevant way in new ventures. Additionally, the company combines a premium portfolio of distribution, HPPs, and transmission assets that are mitigating the challenging operational trends in its renewables arm. While our buy rating was a combination of good valuation with two potential triggers (self-dealing and thesis of the century), we now see CPFE trading at a tight valuation and with both triggers failing to materialize.

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Figure 01: CPFL (CPFE3): 1Q26 Results

CPFL - Consolidated (R\$mn)	1Q26A	1Q26E	A/E	1Q25	YoY%	4Q25	QoQ%
<b>Net Revenues</b>	<b>9,630</b>	<b>9,741</b>	<b>-1%</b>	<b>9,104</b>	<b>6%</b>	<b>10,026</b>	<b>-4%</b>
Variable Costs	-5,210	-5,220	0%	-4,623	13%	-5,400	-4%
<b>adj. Gross Profit</b>	<b>4,420</b>	<b>4,521</b>	<b>-2%</b>	<b>4,481</b>	<b>-1%</b>	<b>4,626</b>	<b>-4%</b>
adj. Opex	-1,090	-1,055	3%	-1,019	7%	-1,202	-9%
Delinquency & Provisions	-110	-134	-18%	-157	-30%	-264	-58%
<b>adj. EBITDA</b>	<b>3,220</b>	<b>3,333</b>	<b>-3%</b>	<b>3,305</b>	<b>-3%</b>	<b>3,160</b>	<b>2%</b>
Depreciation	-616	-615	0%	-590	4%	-605	2%
<b>EBIT</b>	<b>2,604</b>	<b>2,718</b>	<b>-4%</b>	<b>2,715</b>	<b>-4%</b>	<b>2,555</b>	<b>2%</b>
Net Financial results	-730	-712	3%	-869	-16%	-689	6%
Taxes	-605	-634	-4%	-777	-22%	-549	10%
Equity Income/Minorities	77	0	n.a.	61	28%	65	19%
<b>Net Income</b>	<b>1,346</b>	<b>1,373</b>	<b>-2%</b>	<b>1,129</b>	<b>19%</b>	<b>1,382</b>	<b>-3%</b>
<b>DisCos (R\$mn)</b>	<b>1Q26A</b>	<b>1Q26E</b>	<b>A/E</b>	<b>1Q25</b>	<b>YoY%</b>	<b>4Q25</b>	<b>QoQ%</b>
<b>Net Revenues</b>	<b>8,076</b>	<b>8,278</b>	<b>-2%</b>	<b>7,352</b>	<b>10%</b>	<b>8,114</b>	<b>0%</b>
Variable Costs	-4,984	-5,118	-3%	-4,353	14%	-4,902	2%
<b>Gross Profit (Part B)</b>	<b>3,092</b>	<b>3,160</b>	<b>-2%</b>	<b>2,999</b>	<b>3%</b>	<b>3,212</b>	<b>-4%</b>
Opex	-740	-729	2%	-692	7%	-815	-9%
Delinquency	-88	-104	-16%	-76	15%	-74	18%
Other/Provisions	-124	-107	15%	-123	1%	-169	-27%
<b>adj. EBITDA</b>	<b>2,141</b>	<b>2,220</b>	<b>-4%</b>	<b>2,107</b>	<b>2%</b>	<b>2,154</b>	<b>-1%</b>
Depreciation	-355	-348	2%	-330	8%	-348	2%
<b>EBIT</b>	<b>1,785</b>	<b>1,872</b>	<b>-5%</b>	<b>1,778</b>	<b>0%</b>	<b>1,805</b>	<b>-1%</b>

### Orizon (ORVR3; Buy; YE26 TP of R\$97.5/sh.) – (+) Healthy and In-Line Across the Board (Reviewing Orizon and Vital)

Are there elements in the results that could structurally change our view? Orizon ex-Vital delivered healthy results, through a combination of decent financial figures (EBITDA bang in line with XPe) and healthy operational KPIs (gate fee growth of 10.3% YoY and 9% QoQ, was a reassuring sign that the soft print reported on 4Q25 was a one-off). This quarter both Jaboatao and Paulinia's Biomethane plant started produce (~66k m<sup>3</sup>/d), which according to the company is running at contribution margins above 65%. In the quarter, ORVR also sold R\$12mn of additional carbon credits, marking a 4<sup>th</sup> consecutive quarter of sales and ~70% of the credits produced in the quarter, another healthy KPI showcasing that the company could eventually reach 100% of carbon credit sales. Vital also reported its 1Q26 results, and the combination of slightly stronger revenues and slightly lower S,G&A offset by lower gross margins led to an adj. EBITDA virtually equal to our expectations. As we get more familiar with Vital's P&L and new disclosure we might tweak some assumptions in our model (e.g. higher collection revenues, that lead to lower gross margins, etc.). Overall we see results both from Orizon and Vital as data points that reassure our constructive view on the combined company, nor do we expect material earnings revisions going forward. On a consolidated basis, adj. EBITDA of R\$339mn was 1% below XPe, driven by marginally lower gross profit and lower S,G&A. Our @ stake 2026 EBITDA estimate of R\$1.3bn remains unchanged.

**Maintaining our buy rating and target price of R\$97.5/sh.** At current prices, we see ORVR3 trading at an attractive 12.1% real IRR. Orizon is one of those once in a decade investment opportunities. The company combines several factors that we appreciate: i) a market leader in a highly fragmented sector; ii) a natural consolidator in a sector that provides highly accretive capital allocations (e.g. the transformational acquisition of Vital); iii) a top-tier management team with a clear strategic path and iv) a portfolio that by itself provides relevant growth opportunities during the next 5 years (26-31e EBITDA CAGR of 19%). We see the waste management sector in the very early innings of a significant transformation and Orizon is on the forefront of capturing these changes. Lastly, with a market cap of only ~R\$10bn (fully-diluted), ORVR's size vs. the size of the opportunities it has combines for a unique investment opportunity.

Figure 02: Orizon (ORVR3): 1Q26 Results

Orizon		1Q26A	1Q26E	A/E	1Q25	YoY%	4Q25	QoQ%
<b>Net Revenues</b>	<b>R\$m</b>	<b>331</b>	<b>303</b>	<b>9%</b>	<b>241</b>	<b>37%</b>	<b>264</b>	<b>25%</b>
Disposal	R\$m	228	237	-4%	188	21%	209	9%
Energy Transition	R\$m	86	45	92%	33	159%	40	113%
Circular Economy	R\$m	17	22	-21%	19	-12%	15	11%
<b>Gate fee per ton</b>	<b>R\$/ton</b>	<b>91</b>	<b>90</b>	<b>1%</b>	<b>83</b>	<b>10%</b>	<b>84</b>	<b>9%</b>
Waste Volume	k ton	2,306	2,333	-1%	2,176	6%	2,250	2%
COGS	R\$m	-148	-123	21%	-97	53%	-99	51%
<b>Gross Profit</b>	<b>R\$m</b>	<b>183</b>	<b>181</b>	<b>1%</b>	<b>144</b>	<b>27%</b>	<b>166</b>	<b>10%</b>
G&A	R\$m	-39	-38	3%	-36	9%	-32	22%
<b>EBITDA</b>	<b>R\$m</b>	<b>144</b>	<b>143</b>	<b>0%</b>	<b>108</b>	<b>33%</b>	<b>134</b>	<b>7%</b>
Depreciation	R\$m	-57	-47	21%	-50	14%	-49	16%
<b>EBIT</b>	<b>R\$m</b>	<b>87</b>	<b>96</b>	<b>-9%</b>	<b>58</b>	<b>51%</b>	<b>85</b>	<b>3%</b>
Net Financial Results	R\$m	-51	-68	-25%	-55	-7%	-55	-7%
Taxes	R\$m	-12	-7	82%	-8	53%	-6	113%
Equity Income/Minorities	R\$m	0	6	-108%	4	-111%	0	-1456%
<b>Net Income</b>	<b>R\$m</b>	<b>23</b>	<b>20</b>	<b>11%</b>	<b>-2</b>	<b>-1585%</b>	<b>23</b>	<b>-3%</b>

Figure 03: Vital 1Q26 Results

Vital		1Q26A	1Q26E	A/E
<b>Net Revenues</b>	<b>R\$m</b>	<b>633</b>	<b>609</b>	<b>4%</b>
Integrated Waste Management	R\$m	514	495	4%
Disposal	R\$m	59	65	-9%
Collection	R\$m	59	49	21%
<b>Avg. Gate Fee (LTM)</b>	<b>R\$/ton</b>	<b>86</b>	<b>89</b>	<b>-4%</b>
Disposal Volume (LTM)	k ton	1,210	1,194	1%
COGS	R\$m	-409	-354	15%
<b>Gross Profit</b>	<b>R\$m</b>	<b>224</b>	<b>254</b>	<b>-12%</b>
G&A	R\$m	-29	-56	-49%
Other Expenses/Revenues	R\$m	3	0	n.a.
<b>Reported EBITDA</b>	<b>R\$m</b>	<b>198</b>	<b>198</b>	<b>0%</b>
Non-recurring	R\$m	0	0	n.a.
<b>Adj. EBITDA</b>	<b>R\$m</b>	<b>198</b>	<b>198</b>	<b>0%</b>
Depreciation	R\$m	-20	-17	17%
<b>EBIT</b>	<b>R\$m</b>	<b>178</b>	<b>182</b>	<b>-2%</b>
Net Financial Results	R\$m	12	-27	-143%
Taxes	R\$m	-60	-56	8%
Equity Income/Minorities	R\$m	-39	-37	3%
<b>Net Income</b>	<b>R\$m</b>	<b>91</b>	<b>61</b>	<b>48%</b>

Figure 04: Orizon + Vital Pro-forma 1Q26 Results

Orizon + Vital		1Q26A	1Q26E	A/E
<b>Net Revenues</b>	<b>R\$m</b>	<b>964</b>	<b>912</b>	<b>6%</b>
COGS	R\$m	-557	-477	17%
<b>Gross Profit</b>	<b>R\$m</b>	<b>407</b>	<b>435</b>	<b>-7%</b>
G&A	R\$m	-68	-94	-28%
<b>Adj. EBITDA</b>	<b>R\$m</b>	<b>339</b>	<b>341</b>	<b>-1%</b>
Depreciation	R\$m	-77	-64	20%
<b>EBIT</b>	<b>R\$m</b>	<b>262</b>	<b>277</b>	<b>-5%</b>
Net Financial Results	R\$m	-40	-95	-58%
Taxes	R\$m	-72	-63	16%
Equity Income/Minorities	R\$m	-39	-31	25%
<b>Net Income</b>	<b>R\$m</b>	<b>111</b>	<b>88</b>	<b>26%</b>

**Sanepar (SAPR11; Buy; YE26 TP of 45.9/sh.) – (=/+ ) A Decent 1Q26**

**Are there elements in the results that could structurally change our view?** SAPR's adj. EBITDA of R\$844mn came 5% above our estimates and 8% above consensus. This beat was mainly driven by slightly higher revenues (+1% vs. XPe), combined with better-than-expected delinquency, which more than offset a modest miss in adj. cash costs. We note however, that delinquency has been a volatile line in recent quarters, and we wouldn't revise our numbers at this point. Finally, Adj. Opex was 2% above XPe, driven by decent personnel expenses that has been outshined by 3<sup>rd</sup> party services expenses in recent quarters. Therefore, we wouldn't make a big deal over the slight EBITDA beat, and we expect a neutral market reaction.

**Maintaining our buy rating and target price of R\$45.9/sh.** We see Sanepar trading at a decent 13.0% real IRR. Sanepar's thesis consists of: an appealing valuation with a good carry that doesn't rely on a privatization but would certainly be a huge value driver. We see room for SAPR's ERP relative to other utilities to compress overtime (and larger DY's in case the recently won judicial claim is approved by the regulatory agency to be captured by at least 25% towards the company). As we've mentioned in our IoC, the maturity of local regulatory agencies will eventually close or narrow the gap of risk perception between state and federal regulation that should drive such compression naturally. The catalysts of potentially high yields and a privatization could speed things up substantially.

**Figure 05: Sanepar (SAPR11): 1Q26 Results**

Sanepar		1Q26A	1Q26E	A/E	1Q25	YoY%	4Q25	QoQ%
Total Volumes	mn m <sup>3</sup>	278	280	-1%	275	1%	271	3%
Avg. Tariff	R\$/m <sup>3</sup>	7.0	6.9	2%	6.6	7%	7.0	0%
<b>Net Revenues</b>	<b>R\$m</b>	<b>1,946</b>	<b>1,924</b>	<b>1%</b>	<b>1,805</b>	<b>8%</b>	<b>1,890</b>	<b>3%</b>
Variable Costs	R\$m	-284	-289	-2%	-248	14%	-276	3%
Opex	R\$m	-746	-732	2%	-1,078	-31%	-825	-10%
Delinquency	R\$m	-35	-75	-54%	-83	-58%	-77	-55%
Provisions	R\$m	-38	-23	62%	136	-128%	39	-196%
<b>EBITDA</b>	<b>R\$m</b>	<b>844</b>	<b>804</b>	<b>5%</b>	<b>532</b>	<b>59%</b>	<b>751</b>	<b>12%</b>
D&A	R\$m	-173	-162	7%	-150	15%	-162	7%
<b>EBIT</b>	<b>R\$m</b>	<b>671</b>	<b>642</b>	<b>4%</b>	<b>382</b>	<b>76%</b>	<b>589</b>	<b>14%</b>
Net Financial Results	R\$m	-73	-100	-27%	185	-139%	-88	-17%
<b>EBT</b>	<b>R\$m</b>	<b>599</b>	<b>543</b>	<b>10%</b>	<b>567</b>	<b>6%</b>	<b>502</b>	<b>19%</b>
Income Taxes	R\$m	-246	-185	33%	59	-520%	-141	74%
<b>Net Income</b>	<b>R\$m</b>	<b>353</b>	<b>358</b>	<b>-2%</b>	<b>626</b>	<b>-44%</b>	<b>361</b>	<b>-2%</b>

**Light (LIGT3; Buy; YE26 TP of 6.3/sh.) – (=/- ) Soft but Above XPe**

**Are there elements in the results that could structurally change our view?** LIGT's adj. EBITDA of R\$423mn was 24% above our estimates but 27% lower YoY. Despite the beat vs. our numbers, results continue to be severely challenged by the soft volumes observed combined with high non-technical losses and power purchase prices. The DisCo reported a gross profit of R\$789mn, a miss of 4% vs. our R\$823mn estimate, due to a combination of lower volumes and higher power purchase prices. On the opex front, the DisCo printed a number 19% below XPe, a relevant trend reversal when compared to 4Q25, but implying that expenses could remain volatile in coming quarters. All in, the DisCo reported an adj. EBITDA of R\$247mn, 21% above XPe but 48% lower on a YoY basis. Additionally, Light announced the approval of its planned R\$1-1.5bn capital injection as part of the last steps to terminate the Chapter 11 process. Post debt conversion and capital increase, Light's Net Debt/EBITDA should reach closer to 2.2-2.0x. While the soft results continue to pushback on the expected turnaround of the company, we remain constructive as we expect that i) the 2027 tariff review to substantially reduce the losses gap and ii) a forthcoming regulatory change on losses and delinquency to introduce the concept of severe restriction areas and potentially revise regulatory delinquency upward.

**Maintaining our buy rating and target price of R\$6.3/sh.** At current prices, we see LIGT3 trading at a rewarding 22.7% real IRR. Light is an extremely risky investment case, but with rewards that pay-off the risks embedded. With the pending concession renewal process for the DisCo as the last point to be tackled for LIGT to finish its bankruptcy process, we see a company post-concession renewal (and consequent debt-to-equity conversions and capital increase) as a business that breakevens in cash generation with a net debt/EBITDA of ~2.0x, with 2 important topics that should dramatically re-rate the story. The tariff review next year should update the non-technical losses calculation to somewhere above 55% and reduce LIGT's losses gap by ~13p.p. (or another ~R\$400mn losses gap reduced). And lastly, we could see Aneel incorporating in its methodology a potential differentiated treatment to high-risk areas where they cease to be considered as targets and become charges for consumers. This change could reduce LIGT's losses gap up to ~R\$200mn on a recurring basis (assuming Light's own methodology to frame high risk areas). By creating ~R\$500-600mn in recurring cash flow post-taxes (~8-10% FCFE), these triggers could make LIGT's equity more than double.

Figure 06: Light (LIGT3): 1Q26 Results – Consolidated (R\$mn)

Light	1Q26A	1Q26E	A/E	1Q25	YoY%	4Q25	QoQ%
<b>Net Revenues</b>	<b>3,712</b>	<b>3,358</b>	<b>11%</b>	<b>3,268</b>	<b>14%</b>	<b>3,885</b>	<b>-4%</b>
Variable Costs	-2,727	-2,361	15%	-2,212	23%	-2,956	-8%
<b>adj. Gross Profit</b>	<b>985</b>	<b>997</b>	<b>-1%</b>	<b>1,056</b>	<b>-7%</b>	<b>929</b>	<b>6%</b>
adj. Opex	-417	-513	-19%	-333	25%	-415	0%
Delinquency	-145	-142	2%	-145	0%	-94	54%
<b>adj. EBITDA</b>	<b>423</b>	<b>342</b>	<b>24%</b>	<b>578</b>	<b>-27%</b>	<b>420</b>	<b>1%</b>
Depreciation	-240	-233	3%	-220	9%	-235	2%
<b>EBIT</b>	<b>183</b>	<b>109</b>	<b>68%</b>	<b>358</b>	<b>-49%</b>	<b>185</b>	<b>-1%</b>
Net Financial results	-153	-51	200%	-71	115%	-77	99%
Taxes	-127	-35	264%	-163	-22%	-57	123%
<b>Net Income</b>	<b>-97</b>	<b>23</b>	<b>-524%</b>	<b>124</b>	<b>-178%</b>	<b>51</b>	<b>-290%</b>

Figure 07: Light (LIGT3): 1Q26 Results - - Distribution Segment (R\$mn)

DisCos	1Q26A	1Q26E	A/E	1Q25	YoY%	4Q25	QoQ%
<b>Net Revenues</b>	<b>3,240</b>	<b>3,173</b>	<b>2%</b>	<b>3,020</b>	<b>7%</b>	<b>3,449</b>	<b>-6%</b>
Variable Costs	-2,451	-2,350	4%	-2,096	17%	-2,652	-8%
<b>Gross Profit (Part B)</b>	<b>789</b>	<b>823</b>	<b>-4%</b>	<b>924</b>	<b>-15%</b>	<b>797</b>	<b>-1%</b>
Opex	-332	-408	-19%	-240	38%	-313	6%
Delinquency	-145	-142	2%	-145	0%	-94	54%
Other/Provisions	-65	-68	-4%	-68	-4%	-67	-3%
<b>adj. EBITDA</b>	<b>247</b>	<b>205</b>	<b>21%</b>	<b>471</b>	<b>-48%</b>	<b>323</b>	<b>-24%</b>
Depreciation	-204	-200	2%	-187	9%	-200	2%
<b>EBIT</b>	<b>43</b>	<b>5</b>	<b>818%</b>	<b>284</b>	<b>-85%</b>	<b>123</b>	<b>-65%</b>

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