



**The AES Corporation
Financial Review Call Script
Second Quarter 2024**

Susan Harcourt: Thank you, Operator. Good morning and welcome to our Second Quarter 2024 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 Andrés Gluski, our President and Chief Executive Officer; Steve Coughlin, our Chief Financial Officer; and other senior members of our management team.

With that, I will turn the call over to Andrés.

Andrés Gluski: Good morning, everyone, and thank you for joining our second quarter 2024 financial review call. We are very pleased with our financial performance so far this year. Today, I will discuss our results, the significant advancements we have made with large technology customers, and the work we are doing to incorporate Generative AI in our portfolio to develop new competitive advantages.

Beginning on Slide 3, with our second quarter results. We had a strong second quarter that was in line with our expectations, with Adjusted EBITDA with Tax Attributes of \$843 million, Adjusted EBITDA of \$652 million, and Adjusted EPS of \$0.38. We are on track to meet our 2024 financial objectives, and we now expect to be in the top half of our ranges for Adjusted EBITDA with Tax Attributes and Adjusted EPS. We are also reaffirming our remaining 2024 guidance metrics and growth rates through 2027. Steve Coughlin, our CFO, will give more detail on our financial performance and outlook.

I am also pleased to report that since our last call in May, we have signed 2.5 GW of new agreements in total, including 2.2 GW with hyperscalers across our utilities and renewable businesses. This includes 1.2 GW of new data center load growth across AES Ohio and AES Indiana, a PPA to provide 727 MW of

new renewables in Texas, and a 310 MW retail supply agreement in Ohio. With these arrangements, we are expanding our work with the major data center providers to new areas of business.

Turning now to data center growth at our US utilities on Slide 4. Since our last call we have signed agreements to support 1.2 GW of new load across AES Ohio and AES Indiana, expected to come online in phases, beginning in 2026.

Additionally, we are in advanced negotiations across several sites to support another 3 GW of new load. These agreements are transformative for both utilities, with the potential to increase the peak load at both AES Ohio and AES Indiana by more than 50%. As a result, AES Ohio's rate base will consist predominantly of FERC-regulated transmission assets, receiving timely recovery through a formula rate. For AES Indiana, this growth creates the potential for significant investment in transmission, as well as additional buildout of new generation assets. These opportunities will even further increase our industry-leading US utility rate base growth plans. Our service territories are particularly well-positioned to serve data centers and other large loads, with available interconnection, lower rates and land prices, access to water resources, and local incentives.

Turning to Slide 5 and the generation buildout at AES Indiana. We continue to make progress in upgrading and transforming our generation fleet, as we shut down or convert our coal units to gas, and build our renewables fleet. I am pleased to announce that we have signed a deal to acquire a 170 MW solar-plus-storage development project that AES Indiana will construct and own. The project will require approximately \$350 million of capex, with an expected completion date in late 2027. Once approved by the Indiana Utility Regulatory Commission, this will be the sixth project supporting AES Indiana's recent generation growth.

Now, turning to our renewables business on Slide 6. Since our last call in May, we have further expanded our partnership with Google, signing a 15-year PPA for 727 MW in Texas to power its data center growth. The agreement includes a combination of wind and solar to further Google's 24/7 Carbon Free Energy goals. These projects are expected to come online in 2026 and 2027.

We also recently signed a retail supply agreement with Google for 310 MW to support their Ohio data centers. This agreement demonstrates the strong trust and collaboration between our companies, which began with our original 2021

partnership to provide 24/7 renewable power in Virginia. We see further opportunities to add renewables to support Google's data center growth in Ohio.

Turning to Slide 7. With these major announcements today on our collaborations with hyperscalers, we have now signed a total of 8.1 GW directly with technology companies, which is clearly a leading market position.

As you can see on Slide 8, our backlog of projects under signed long-term contracts now stands at 12.6 GW. Our focus remains on maximizing the quality of MW over the quantity, which means delivering high-quality projects with higher returns and long duration PPAs. We have never felt better about our key customer relationships and the long-term market dynamics that are supporting growth and value creation in our portfolio.

Turning to Slide 9. The demand for power that is coming from the rise of Generative AI and data centers represents a significant structural change in the power sector, and no one is better positioned than AES for sustained growth from this opportunity. Regardless of election or policy outcomes, we are confident in our ability to continue signing renewable PPAs with mid-teens IRRs. Our corporate customers value our unique record of bringing projects online on

time over the past five years. Furthermore, looking at the interconnection queues, time to power and price certainty, we see renewables as the only source of new power that can meet most of the demand over the next decade.

AES has a long-standing and deep relationship with hyperscaler customers. This includes our ability to co-create new offerings and structure innovative clean energy solutions, such as hybrid PPAs, shaped products, and 24/7 renewables.

As you can see on Slide 10, of the 3.6 GW that we expect to bring online this year, we have already completed the construction of 1.6 GW and expect the remainder to be weighted toward the third quarter. I should note that for the projects coming online this year, we have all of the major equipment already onsite, and almost all for 2025. Additionally, we expect a significant portion of our solar panels to be domestically produced beginning in 2026. All of the above, combined with having panels onsite for 2025 projects greatly mitigates our exposure to any potential new tariffs. Our diversified and resilient supply chain has been, and will continue to be, best-in-class.

Finally, turning to Slide 11. Not only is Generative AI shaping the customer landscape, but it is also transforming how we work internally, providing new

opportunities for efficiencies, customer service and innovations that will give us new competitive advantages.

As you may have seen, in June we announced a partnership with AI Fund to accelerate AI-driven energy solutions. Founded by AI leader, Andrew Ng, AI Fund is a venture studio that works with entrepreneurs to rapidly build companies. We are collaborating with AI Fund on co-building companies that leverage AI to address bottlenecks and improve efficiencies in the energy transition, in areas such as developing and operating renewables and asset management.

At the same time, we continue to leverage AI across our portfolio, with our culture of innovation and continuous improvement. We are increasingly using proprietary tools across a wide range of our business operations, enabling our people to work faster and smarter. For example, our renewables team has built sophisticated tools that utilize Generative AI to accurately predict the speed at which projects will move through interconnection queues, helping us more efficiently coordinate the various simultaneous development processes.

As you can see on Slide 12, earlier this week we launched the world's first AI-powered solar installation robot, Maximo, which uses state-of-the-art AI and robotics to complement our construction crews in the installation of solar modules. Maximo enables faster construction times and reduces overall project costs. It can work three shifts even in the worst weather conditions, with a more inclusive workforce. Not only does it reduce time-to-power, which is highly valued by our customers, but it will boost overall project returns. We plan to ramp up our use of Maximo in 2025 and are already utilizing it to construct a portion of our 2 GW Bellefield project in California, which is the largest solar-plus-storage project in the US, and is contracted to serve Amazon.

With that, I would now like to turn the call over to our CFO, Steve Coughlin.

Stephen Coughlin: Thank you, Andrés, and good morning, everyone. Today I will discuss our second quarter results, and our 2024 guidance and Parent capital allocation.

Turning to Slide 14, Adjusted EBITDA with Tax Attributes was \$843 million in the second quarter versus \$607 million a year ago. This was driven by growth in our

Renewables SBU, new rates and growth investments in our US utilities, and higher margins in our Energy Infrastructure SBU.

Turning to Slide 15, Adjusted EPS for the quarter was 38 cents versus 21 cents last year. Drivers were similar to those of Adjusted EBITDA with Tax Attributes, but partially offset by higher depreciation and higher interest expense as a result of our growth. I'll cover the performance of our SBUs, or Strategic Business Units, on the next four slides.

Beginning with our Renewables SBU on Slide 16, higher EBITDA with Tax Attributes was driven primarily by contributions from new projects, but was partially offset by lower availability from a forced outage event at our 1 GW Chivor hydro plant in Colombia. The outage was caused by record water inflows in early June, which brought significant sediment into the plant and damaged the units. Repairs to the plant were completed quickly and all units resumed operations by mid-July.

Higher Adjusted PTC at our Utilities SBU was mostly driven by higher revenues from the \$1.6 billion we've invested in our rate base in the past year, new rates

implemented in Indiana in May, year-over-year load growth of 3.1%, as well as favorable weather.

Higher EBITDA at our Energy Infrastructure SBU primarily reflects higher revenues recognized from the accelerated monetization of the PPA at our Warrior Run plant and higher margins in Chile, partially offset by lower margins in the Dominican Republic and the sell-down of our gas and LNG businesses in Panama and the Dominican Republic.

Finally, relatively flat EBITDA at our New Energy Technologies SBU reflects our continued development of early stage technology businesses, partially offset by continued margin increases at Fluence.

Now turning to our expectations on Slide 20. As a result of our strong first half performance and high confidence in a strong second half, I'm very happy to share that we now expect Adjusted EBITDA with Tax Attributes to be in the top half of our 2024 expected range of \$3.6 to \$4 billion. Drivers of Adjusted EBITDA with Tax Attributes in the year-to-go include higher contributions from new renewable commissionings, contributions from growth investments and expected

higher load at our US utilities, partially offset by expected closings in our asset sale program.

Turning to Slide 21, I am also very glad to share that we now expect our 2024 Adjusted EPS to be in the upper half of our guidance range of \$1.87 to \$1.97. We increased our share of earnings in the first half of the year from 25% in 2023 to nearly half in 2024. Growth in the year-to-go will have similar drivers as Adjusted EBITDA with Tax Attributes, partially offset by higher interest expense from growth capital.

Now to our 2024 Parent capital allocation on Slide 22. Sources reflect approximately \$3 billion of total discretionary cash, including \$1.1 billion of Parent Free Cash Flow, \$900 million to \$1.1 billion of proceeds from asset sales, and \$950 million of hybrid debt that we issued since our last earnings call in May.

On the right-hand side you can see our planned use of capital. We will return approximately \$500 million to shareholders this year, reflecting the previously announced 4% dividend increase. We also plan to invest \$2.4 billion to \$2.7 billion toward new growth, of which 85% will go to renewables and utilities.

Turning to Slide 23, we are well on our way towards achieving our long-term asset sale target of \$3.5 billion from 2023 through 2027. We've signed or closed more than \$2.2 billion of asset sales since the beginning of last year, and we are now nearly two-thirds of the way to reaching our target, even though we're only one and half years into our five-year guidance period. We do not announce specific asset sales in advance, but the remaining proceeds could come from sell-downs of renewables projects, our intended coal exit, monetization of our New Energy Technologies businesses, and sales or sell-downs of other non-core assets.

In summary, we've made excellent progress this quarter toward all of our strategic and financial targets. We have clear line-of-sight toward achieving the key drivers of our year-to-go earnings growth, and we are well-positioned to continue delivering on our financial goals beyond this year. We've also made significant headway on our long-term funding plan, which allows us to continue simplifying and focusing our portfolio, while we scale our leading renewables and utilities businesses. Our strategy to serve high-value corporate customers, including a rapidly growing base of data center providers across our renewables and utilities businesses is highly resilient and will continue to yield financial success for AES and our shareholders.

With that, I'll turn the call back over to Andrés.

Andrés Gluski: Thank you, Steve. Before opening up the call for Q&A, I would like to summarize the highlights from today's call. With more than 8 GW of agreements already signed directly with large technology customers, including 2.2 GW signed since our last call, we continue to be the industry leader in this segment. At the same time, we continue to deliver our projects on time and on budget, with 1.6 GW completed so far this year, we are fully on track to add a total of 3.6 GW by the end of 2024.

We see demand for power from data centers in the US growing around 22% a year, and we could not be better positioned to serve these customers, from our renewables business to our utilities. I would like to reiterate that with strong demand for the projects in our 66 GW development pipeline and our existing 12.6 GW backlog of signed long-term PPAs, we are very confident in our ability to continue to meet or exceed our long-term objectives.

Operator, please open up the line for questions.

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