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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Oi S.A.'s conference call to discuss the first quarter of 2018 results. Audio and slides are being broadcast simultaneously on the Internet at company's IR website, www.ir.oi.com.br, and on MZiQ platform. (Operator Instructions) We'd also like to inform you that the conference call will be done in Portuguese and -- by the company's management and will be in English by simultaneous translation.

This conference call contains forward-looking statements that are subject to known and unknown risks and uncertainties that could cause the company's actual results to differ materially from those in the forward-looking statements. Such statements speak only as of the date they are made, and the company is under no obligation to update them in light of new information or future developments.

I'll now turn the conference over to Eurico Teles, the CEO. Please, Mr. Eurico, you may proceed.

Eurico de Jesus Teles Neto - *Oi S.A. - CEO, Chief Legal Officer & Member of Board of Executive Officers*

Good morning, everyone. Thank you for joining our conference call today. I have here with me José Cláudio Gonçalves, Chief Operating Officer; Bernardo Winik, Chief Retail Officer; Carlos Eduardo Medeiros, Chief Regulatory Officer; Silvio Almeida, Chief Administrative Officer; Carlos Brandão, Chief Financial and Investor Relations Officer; and Marcelo Ferreira and our IR team.

We'll begin the presentation of our results on Slide 3 with an overview of the first quarter 2018 highlights. We started the year with significant progress in the operations and in the steps of the Judicial Reorganization process of the company. At the Extraordinary Shareholders' Meeting, we approved the financial statements of 2017 and filed the 20-F form at SEC, a crucial step to move forward with the debt restructuring process with the capital increase.

As for the operations, the first quarter 2018 EBITDA was BRL 1,567,000,000, a substantial increase of 20% quarter-on-quarter and which is on the same level as previous quarters, in line with the EBITDA and the Judicial Reorganization's report for the end of 2018.

Focusing on operating efficiency and on the digitalization of our services, we managed to reduce our costs by BRL 318 million year-on-year and BRL 426 million quarter-on-quarter. It's important to point out that the strict cost management is accompanied by the constant improvement in our operating and quality indicators.



As for our revenue, many challenges still lie ahead for various reasons such as the unstable economic and political scenario; the growing unemployment rate; our limited investment capacity in recent years, which is below margin levels; and the uncertainties related to the Judicial Reorganization process. All of that contributed significantly to this challenge. However, the approval of the Judicial Reorganization Plan in December gave us all and our customers more confidence and clarity to think about the future of the company and the company's sustainability.

We are working on several initiatives to increase revenue in 2018 in all segments, which will be further detailed by Brandão. Some of these actions have already been rolled out and started to yield the first positive results regarding the growth of the customer base and some of our products. Another key step to improve revenue will be the acceleration of our investments in fixed and mobile access, which will be financed by the capital increase.

We are complying with all the steps of the Judicial Reorganization Plan and working to bring forward this capital inflow into the company's cash later this year. At the same time, the company continues to prepare internally for the start of a new cycle.

And I'll give the floor to our CFO, Carlos Brandão, who will detail Oi's financial and operating results in the quarter.

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Thank you, Eurico. Good morning, everyone.

Let's start on Slide 4. Net income from Brazilian operations closed this quarter at BRL 5.6 billion, a decrease of 7.2% year-on-year and 2.6% quarter-on-quarter. Some of these factors combined caused this decrease. Amongst them, the serious competition, especially in the mobile segment; the recovering macroeconomic scenario, which is still recovering; and the increase in the unemployment rate, which has a correlation with the prepaid mobile market and the company's Judicial Reorganization mainly in the B2B segment.

Revenue will be recovered through both of the following measures: The first is more related to our structure and will happen thanks to the capital increase approved in the Judicial Reorganization, which will fund the acceleration of investments, mainly in fixed and fiber access and in 4G mobile coverage.

The second will be specific strategic measures in each segment, taking advantage of market opportunities. We'll provide further detail on these measures throughout the presentation.

Our cost efficiency efforts had positive results again in this quarter, down 7.3% year-on-year and 9.5% quarter-on-quarter. The main reasons for this reduction were basically a result of our operating efficiency and digitalization measures, delivering even better ANATEL quality indicators. The quarter-on-quarter comparison was impacted by the seasonal effects discussed in the fourth quarter 2017 call as well.

Our debt cost management offset the decrease in revenue and contributed to an EBITDA in line with our Judicial Reorganization Plan in the quarter. Our CapEx in the quarter was BRL 1.1 billion, a drop of 8.3% year-on-year and 38.7% quarter-on-quarter. As we mentioned in our last call, this reduction was already expected and reflects the early investments made in the court -- the fourth quarter 2017, which focused mainly on the core of the network but also on seizing a few market opportunities.

Slide 5. We'll talk about our customer base. In the Residential segment, the highlights are due to the growth in the Pay TV base supporting our convergence strategy as well as the growth in ARPU in the segment, which was 1.5% year-on-year.

In personal mobile segment, the decrease observed in the prepaid base was mainly due to the policy to disconnecting inactive customers.

In the postpaid segment, the base had a slight decrease year-on-year, but started to show the first signs of recovery in the quarter.

In B2B, we have stability in the number of customers, both year-on-year as well as quarter-on-quarter. However, I'd like to highlight the growth of the B2B mobile base, especially in the small enterprise segment, with a 50% increase in gross additions year-on-year.

Slide 6. I'll present the results of the Residential segment. The company's strategy for the Residential segment is based on 3 pillars: one, convergence focused on upselling with higher-speed broadband offering proposals. The value proposition for convergence focuses on prices similar to those in the market but offers more added value through larger amounts of data and package content, generating positive impact on the churn rates in the segment and an increase in our ARPU.

Offer breakdown. Making use of tools developed by the company's digital transformation process, such as the NBA, Next Best Action, to offer each customer the most appropriate plan according to their customer profile. Treat better customer experience, which, in the Residential segment, will come not only from the higher broadband speed and applications through the virtual technician but also through products like Oi Play, our over-the-top content service with over 30,000 titles, including movies and series available to Oi TV subscribers and more recently, as value-added content to broadband subscribers.

The presented indicators show that we have been able to make progress in these strategies, making good use of our existing base and infrastructure and will naturally boost this improvement with the acceleration of the investments in fiber through the capital increase.

Slide 7 now. We'll talk about the results of the mobile segment. Despite a drop in mobility revenue, the positive responses from (inaudible) in recent months have shown that the market related well -- reacted well through the Mother's Day offer, indicating we might expect a recovering in top line in the coming quarters.

In the prepaid segment, the decrease in revenue is closely correlated with the deterioration of the unemployment rate. To cushion this effect, we are working on the increase -- or working to increase Oi Livre's share in the base. In this quarter, almost 70% of our prepaid base was already in the Oi Livre offering, which, in addition to improving customer experience with our products since it allows them to exchange voice minutes when they go through the app, it also contributes to the revenue given that the average top app per user is almost 14% higher than in other offerings.

In the postpaid segment, revenue strategies in both voice, data and content offering being supported by digitalization through to Minha Oi app to improve customer experience with our products.

In addition, we started refining the 1.8 frequency gigahertz for the 4.5 gigahertz offering starting with 22 large cities in the course of this year, with Fortaleza and Salvador already being delivered in July.

In line with our strategies, we launched Oi Mais Digital over Mother's Day. This new portfolio offers data packages and unlimited voice minutes to all operators in Brazil and all plans as well as providing free access to video content services partners such as Fox, Discovery, ESPN, depending on the plan.

The Oi Mais Controle plan portfolio has also been redesigned, and all plans have unlimited voice and larger data packages. The response from the market was extremely positive. With this offering, we observed that the net additions in April in postpaid segment was the highest in the 18 months, amounting to 72,000.

Slide 8 will present the results of the B2B segment. An unstable macroeconomic and political scenario in the country, large exposure to segment and governmental customers, uncertainty regarding the resolutions of Oi's Judicial Reorganization process, these are just a few of the factors that contributed to the low performance of B2B in the last year. Although the macro and political scenarios still are recovering, the approval of the Judicial Reorganization process in December brought a degree of transparency and greater clarity to the negotiation with larger customers.

With a more favorable business environment, we started to implement our segment turnaround strategy also based on 3 pillars: attracting new customers, monetizing our base and loyalty and retention. We had an organization restructuring to strengthen our position and capture synergies in other segments. We are working on several leverages to protect and monetize our customer base and to prospect more customers as well as to attract new customers with appealing products.

The first results are encouraging. The first quarter, which historically has worst B2B results due to a lower number of business days, has already started to show more stability in revenue. In addition, we had a net sales result in March that was higher than the whole monthly average for 2017. We believe that we have good opportunities to improve performance in the segment.

Slide 9 will detail the cost reduction in the quarter. While the effect of our measures has not yet generated an increase to revenue, the focus on cost efficiency has helped stabilize EBITDA. In the fourth quarter, we reported an EBITDA below historical levels, which explained as -- which, as we explained, rather, is due to seasonal adjustments.

In this quarter, without these effects, regular EBITDA returned to historical levels, in line with the Judicial Reorganization Plan. As a result, the quarter ended with a regular EBITDA of BRL 1,567,000,000 EBITDA, 20% higher quarter-on-quarter and in line with the results reported in the quarters of the last year.

The company reaffirmed this commitment with an EBITDA of BRL 6.1 billion as established in the Judicial Reorganization report for the end of 2018. To that end, we continue to work on several business initiatives impacting both revenue and cost.

Slide 10. It's important to highlight that the cost reduction achieved by the company relates to operational efficiency and quality improvement. We are leveraging structural initiatives, turning our services digital and taking advantage of internal synergies. The result is that our quality indicators continue to improve.

Complaints launched with ANATEL declined 24% in 1 year; with PROCON, they declined 5%; and the Small Claims Court, they fell 23% over the same period of the year. Several other operational and satisfaction indicators have improved, and this ongoing cycle translates into lower cost and improved customer experience.

Slide 11. We'd like to highlight the company's digital transformation program. The process of the digitalization of our services started due to the company's need to reinvent itself and to innovate so as to face the challenges of a Judicial Reorganization process and its impact on Oi's results. Applications such as the Técnico Virtual, the virtual technician, Minha Oi and machine learning systems to define better operating profiles such as NBA, Next Best Action; and more recently, the progress of our virtual assistants to reply to messages on Facebook Messenger, they are just a few examples of the features designed and developed by our digitalization team.

Now looking at the figures. We already had a 53% growth over last year in the number of online accounts, reducing our costs with mailing and printing. The number of calls filed and our customer service decreased by 15% in the same period, reducing service costs. And our online sales increased by 38% year-on-year, reducing personnel expenses as well. This solution does not only contribute to the cost reduction we are presenting, but it also improves customer experience and satisfaction with our products and services. Digitalization is a priority and a key pillar in the company's strategy, and we continue to make progress in this direction.

Now Slide 12, we'll talk about CapEx. We ended the quarter investing a total of BRL 1.1 billion. As we said on our last call, this reduction was already expected, not only due to seasonality but also because we made earlier investments in the fourth quarter 2017 to be able to take advantage of some market opportunities in the fixed and mobile access networks. Thus, we are getting the company ready to start a new investment cycle, mainly focused on access to expansion of mobile coverage and high-speed broadband.

We already have a very well-structured plan for additional CapEx, which will be funded by the capital increase provided in the Judicial Reorganization Plan. The strategy will be to protect our current base by reducing the churn rate, offering better services with faster residential broadband speeds through FTTH and mobile through 4.5G and to increase revenue with customer base growth focused on data and value-added services.

To devise this strategy, we broke the country down into more than 9,000 clusters, assessing demand, existing infrastructure and competition in each one of these areas. We ranked these areas according to metrics that optimize the use of capital, and we did it based on NPV and IPV, focusing on those that have the best return rate on invested capital, accelerating value creation.

Slide 13 now. I'd like to present the company's cash in the quarter. We ended March with a cash position of BRL 6.2 billion, a reduction of BRL 773 million against the cash balance in December 2017. This decrease is explained mainly by 2 factors: one, BRL 270 million of CapEx turnover. This happens because there is a mismatch between investment projects contracted and the payment of these projects. Since we have brought forward a high volume of investments at the end of 2017, these payments occurred in the first months of 2018.

Two, BRL 228 million of income tax payment of group companies have -- that have taxable income. I'd like to remind you, the decline has a cash of BRL 6,188,000,000 in 2018. This number considers the capital increase of BRL 4 billion and a CapEx of BRL 7 billion. I should also remind you that fluctuations were considered in the plan, especially in the first half. As -- due to specific characteristics of our business, we have a higher concentration of payments.

Slide 14. I'd like to stress some concepts regarding the debt balance after this restructuring process as well as the shareholding restructuring process. The approval of the plan will enable Oi to reduce its debt by around BRL 36 billion on a fair value basis. Thus, the new gross debt balance of the company will be BRL 13.5 billion. The net debt will be BRL 7.3 billion. In the new shareholding structure chart on the right, we show an estimate of the new number of Oi shares after the conversion of the bonds into shares and the capital increase. Based on the results of the choices of plans' payments, the bond conversion will result in a dilution of 72.12% of the existing shares, resulting in a new post-conversion total of approximately 2.4 billion shares. As approved in the plan, the price per share and the capital increase of BRL 4 billion in cash takes into account a market capital of BRL 3 billion for the company's total equity capital divided by the number of the post-conversion shares, which is around 0.4 billion shares. As a result, the price per share of the capital increase would be BRL 1.24 per share, which would result in the issue of another 3.2 billion shares, leading to a total of approximately 5.7 billion issued shares.

Last quarter, we explained that the approval and ratification of the Judicial Reorganization Plan would have several accounting impacts on the company's balance sheet through the recognition of the main assumptions of the plan in the equity accounts. And that -- for that reason, in the fourth quarter 2017, these account adjustments would lead to a net equity that would be temporarily negative. And that with adjustments considered in the debt restructuring plan, the company's net equity would be positive again.

Therefore, as expected, these effects occurred in the first quarter, with a recognition in our balance sheet of the debt restructured covered in the Judicial Reorganization Plan. Thus, the equity -- the net equity for the first quarter of 2018 was once again positive, closing the quarter at around BRL 29 billion.

Slide 15, I'll talk about the next steps in the Judicial Reorganization process. We fulfilled 2 more important steps in the Judicial Reorganization process. The company's shareholder at the Extraordinary General Meeting held on the 14th of May approved the financial assessments for 2017. On the 16th of May, we filed our 20-F report at SEC for the years of 2017 and '16.

There are only 2 steps left for the company to have its capital increase: the recognition of the Judicial Reorganization Plan in other jurisdictions, that is Dutch, American, Portuguese and English courts; and the conversion of the bonds into shares.

We are already making advances on these processes and expect to complete them in the first half of 2018. After these 2 steps, the company will focus on the capital increase, which will drive the CapEx growth in the coming years. This incremental CapEx will be directed towards investment in fixing mobile aspects, fiber and 4G coverage, aiming to increase the participation in the various markets, generating incremental revenue and sustainable EBITDA growth in the medium term.

And I'll give the floor back to Eurico for his final remarks.

Eurico de Jesus Teles Neto - Oi S.A. - CEO, Chief Legal Officer & Member of Board of Executive Officers

Thank you, Brandão. I'd like to conclude today's call by reinforcing the main messages that we presented. We continue to complete important steps in the Judicial Reorganization process. We approved the 2017 accounts. And in May and June, we will achieve more and convert the bonds into shares.



We are fully committed to the Judicial Reorganization's report and to delivering an EBITDA in line with the estimates. The company's cash remains healthy and in line with the estimates in the Judicial Reorganization's Plan, giving us the confidence and stability to move forward in our investment path.

We continue to work in cost reduction opportunities, supported by the digital transformation of our services and by the operating efficiency initiatives, always in a rational manner focused on improving quality. We have taken on the revenue challenge and are working on several strategies in the segments, taking advantage of our existing infrastructure and opportunities to drive the market.

We have a ready-to-go CapEx plan. We're working on the Judicial Reorganization steps to bring forward a capital increase and -- that will fund this plan and will accelerate the growth of our revenues. We have reduced our debt. Our equity is positive. We're financially healthy again.

We are finally ready and motivated to work for the company to make its way back into the competitive position in the market by delivering to society, customers, shareholders, creditors and employees the return they expect of us.

Thank you for your trust, support and dedication over the years. We are taking an incredible step in the Judicial Reorganization approval, but this was only the first step.

I'll now open to the question-and-answer session. Thank you in advance for joining.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Eurico de Jesus Teles Neto - *Oi S.A. - CEO, Chief Legal Officer & Member of Board of Executive Officers*

We have opened for questions and answers. Brandão has a couple of questions, and we're going to start answering them.

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Good morning again, everyone. We're starting with the question-and-answer session. We'll start off with the webcast platform. The first question we received has to do with revenue: What is the company doing to reduce the trend for revenue to go down? Is there a chance that we're going to see revenue go up in the short term? Bernardo Winik, our Commercial Officer, will answer that question.

Bernardo Kos Winik - *Oi S.A. - Chief Commercial Officer & Member of Board of Executive Officers*

Good morning, everyone. It's important to say that we are going to make investments. And with the investments, we're going to see improvement again. In mobility, we have been working on our commercial strategies. We have been working on, like, for example, the offer we did on Mother's Day, and we have been reaping the results. This is a first quarter call, but we have already published the data for April. And in April, we did better than in the whole first quarter. And this trend continues in May as well. Another point we're addressing is that 1.8 GHz, we started that process -- that project rather than in 22 cities in the Northeast. Fortaleza and Salvador will be ready in the next quarter. That should also help us with our coverage position, especially in the areas where we have our market share. We have also been working on channeling portfolio synergy for the B2B, especially with SME, small and medium enterprises. Another point worth mentioning in the Residential segment is that we are to launch Oi Total, an optic fiber, in the second quarter as well, which should also leverage our competitiveness, especially in increasing the number of customers in broadband. One last point I'd like to mention, and that applies to mobility as well to the Residential segment, is that we have been working hard to reduce issues with customers, especially in charging -- in having customers call us related to problems with the invoices that were sent. Another

point is that we have been working on the profiling of the products we sell. As well as in -- with both in Residential and mobile, we have been segmenting offerings we make so that each customer profile is met. That was also mentioned on the call. We have the B2B turnaround. We have started to reap the results.

Companies are coming to us with these agreements with the creditors. It's made people less concerned about coming to us and having us join projects with them. We have been joining in bids. We have been taking part in several bids, both in the public as well as in the private sectors. We have been winning a few bids, and we can see improvements in the commercial side. The UGR has been going up. Our base has been going up. That should have an impact in the coming months as well.

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Thank you, Bernardo. We have a second question from the webcast platform regarding the company costs. Is it still possible to reduce costs in volume in a sustainable fashion? What was the cost reduction in the quarter? The cost reduction is related to activities that we have been doing as per our strategic plan. And our Chief Operating Officer, (inaudible), will be talking a little bit about them.

Unidentified Company Representative

Thank you, Brandão. Good morning, everyone. Cost reduction is important and sustainable. We have been working on that in the recent years, but we have been working hard in the last year, and we have been focusing on improving operational gain and improving customer experience. We have now embraced -- we have taken in the network companies and improved our productivity. We have over 7 activities a day. This increase in productivity also allowed us to improve our focus on preventative maintenance and reducing corrective maintenance. The latter is more expensive. The number of interventions in the network has also gone down, and all of that has an impact on the cost platform going down and improving quality for the customers. We continue to focus on that, and we intend to continue to improve customer experience and cost reductions. The digitalization is also very important. We have been using that to improve productivity as well as our operating efficiency. We have been innovating using these platforms like the Virtual Technician, Minha Oi. There's a number of actions that help us to make processes digital, which expedite the process for the customer to get the service and improve the customer's experience as well and reduce the cost on our side, reducing back office and reducing existing cost structures. Better improvement and quality has a direct impact regarding contingency funds. There are fewer people filing complaints against us in small civil court, so we reduced costs on that front as well. As for the future, we'll continue to focus on cost reduction and operational efficiency as well as in improved customer experience. As I said, Oi Digital is a very important platform. There's a lot that can be done to that to improve customer experience. We believe in a lighter, faster company that will allow us to improve revenue and improve our performance in the market. Thank you, everyone.

Operator

We now have a question from Susana Salaru from Itaú.

Susana Salaru - *Itaú Corretora de Valores S.A., Research Division - Sector Head, Telecommunications, Media & Technology*

I have 2 questions, actually. The first one has to do with the clusters that are used to break down the [countries]. You said that you focus on return on investment. What is the minimum return on investment that you expect for these clusters and the ones that you prioritize? That's the first question. The second question has to do with refarming. You're doing that with the 1.8. And this 1.8 refarming, will that be enough? Will that be enough for 4G? Or do you -- as we know -- and at the end of the Judicial Reorganization process, is there anything -- any chance that will change?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Thank you, Susana, for your question. Let's start out with the cluster question. We haven't prioritized it based on the return on investment itself, but valuation between VPL and VPN, the net present value and the net investment value. We'll look at capital use, which increases value generation



for the company. We prioritize it based on these metrics and, of course, we took into account the resources we have at hand and how we'd be able to carry the project out. That is, of course, natural in those sort of investments. We were looking at the net present value and the investment -- net invested value and made our decisions. As for the 1.8 refarming, there's still a long way ahead of us before we can derive profits from that. We have the biggest 1.8 portfolio, so there's a long way ahead of us in combining that with 2.5. The 22 cities we mentioned already take that use of that frequency into account, and we'll look at our base, so we have a higher market share. We'll always look at the option of increasing our share. And of course, we'll always take into account the return -- the economic return we will get looking at the frequency, also looking at the price. So once that has become an option to the company, we'll certainly take that into consideration, and then we'll make that decision.

Operator

Our next question comes from Carlos Sequeira from BTG Pactual.

Carlos Eduardo Palhares Sequeira - *Banco BTG Pactual S.A., Research Division - Head of Research and Analysis & Brazil Strategist*
(inaudible)

Unidentified Company Representative

I apologize, we're not able to listen to the question. There's a problem with the connection. We're still not able to listen to the question, we apologize.

We apologize. The connection was very, very bad. We were not able to understand your question. I think the first question was related to income tax, is that correct?

Unidentified Company Representative

The first quarter has the income tax payment related to the tax income on the Internet that looked at it from a fiscal perspective to try and bring efficiencies to the tax results. This has only applied to this quarter. We have already absorbed Internet into Oi model, making it a more efficient legal. As for tax impact, they haven't yet happened. We'll probably see impacts on the second quarter as we're making the conversion now. And we have a new debt restructuring, there will be tax impacts, which we planned around the Judicial Reorganization. I'm not sure if I understood the questions. The connection was very, very bad. I'm sorry.

Carlos Eduardo Palhares Sequeira - *Banco BTG Pactual S.A., Research Division - Head of Research and Analysis & Brazil Strategist*
About CapEx for 2018. About CapEx 2018, what are your expectations around CapEx for 2018?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

BRL 5.5 billion, that's our expectation for CapEx, with a leverage of -- I mean, we hope to leverage that number as -- when we get the actions. And of course, we have a BRL 5.5 billion as a minimum base and maybe there'll be leverage between BRL 6 billion, BRL 6.5 billion. It depends on the resources we get. Now back to webcast questions.

Operator

We have another question related to the debt. The debt presented is a new debt or are this quarter -- are these numbers going to be reviewed every quarter? What are the next steps?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

I think this quarter makes it clear what we have been doing relative to debt restructuring. As we said, BRL 36 billion in financial debt was reduced, so the company is in a more sustainable level, and that's in line with the balance sheet. That allows the company to get into a better turnaround cycle. And from here on and from then on, we'll be much more in line with what is going on in Brazil and much less focused on debt restructuring capital. So I think that is positive, and I think that is going to be guiding the company's master plan there. As for the objective question, if these numbers are going to be reviewed, that is the net that we have in the balance sheet. That is the debt we are going to be looking at in our discussion in the market. These numbers are not going to be reviewed every quarter. We do that only once. From now on, there's only going to be adjustments to this number as per regular accounting practices. Our next steps are really focused on converting debt into shares, converting bonds into shares. And we need to wait for the Judicial Reorganization Plan to be approved in Holland, the United States and England. That is an important step in our Judicial Reorganization process.

Operator

Another question regarding the company's cash. BRL 800 million cash spent in this [weekend]. How can the company expect to keep on this level to the end of the year?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

I think we addressed some of that on the presentation, right, on the call. That's not the level that we have in the company. The cash spent has to do with the seasonality of our business, and the second part, there will also be impacts like fiscal impacts. And we know that the second half has better cash positions for the company. This is really according to our plan. There was no surprises, so I think we should really make that comment as a positive aspect. Every stage, every step is being covered at the right time.

Operator

We have a question from Daniel Federle from Crédit Suisse.

Daniel Federle - *Crédit Suisse AG, Research Division - Research Analyst*

I have a question around some details. You mentioned -- I mean, debt to market, that's going to be reviewed once a year, and this discount rate that you have looked at, how do you consider that? And looking at the debt, is the company going to put the debt back into the market? That's sort of my question. And the second question around capital increase. We know that some bondholders are going to participate, so I'd like to know how much commitment that is. Is this BRL 4 billion? How much is it?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

As far as the debt adjustment question, that was done alongside with our auditors. We need to see the incremental cost the company would have looking at the maturity of instruments we have in our balance sheet. In our press release, we showed a breakdown of the fees and taxes that we're looking to add, so national credits, international credits. And I think that is all the transparency necessary so they can understand how we put that together. And from here on, we'll be reviewing the balance we presented today, the net balance -- the debt balance rather. There shouldn't be any alterations around the mechanics behind it nor to the fees. So corrections should be very transparent from now on. What was the other question? Sorry.



Daniel Federle - *Crédit Suisse AG, Research Division - Research Analyst*

How much capital has been committed already around this BRL 4 billion? Is that the figure? Is it a smaller figure?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

We have the BRL 4 billion committed, yes, and the compensation mechanics for this commitment. We have (inaudible) backstop at 8% and 10% paid in shares, but the BRL 4 billion has been committed, yes.

Daniel Federle - *Crédit Suisse AG, Research Division - Research Analyst*

And in the medium term, in 2, 3 years if the macro scenario is better if there's better growth rate and better credit than now after the Judicial Reorganization, will that continue to be 6%, 7%?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Yes, the rate would be around 6%, 7%, It would continue the same. Of course, it depends on the macroeconomic scenario, of course. Then we could maybe repurchase the debt. But we are working with that scenario right now. And as -- that's what we said in the press release, made it very transparent to the market then. Thank you.

Operator

Next question by Fred Mendes from Bradesco.

Frederico Mendes - *Bradesco S.A. Corretora de Títulos e Valores Mobiliários, Research Division - Research Analyst*

I have 2 questions. First one is the more strategic. Once the capital comes in for this incremental capital, we're going to have higher CapEx. There was one question around the net present value NPV, and I'd like to understand in B2B, how that works as well. Are you going to be addressing that? Or what is the strategy exactly in the scenario that we have for smaller players, bigger players? That's my first question. And my second question, I'd like to have an update on -- I mean, there's a very important point around the fiscal structures you have for PLC. And once the benefits are reaped for the fiscal structure, will that happen in [D1] or do you need some sort of authorization? Or is there anything around that -- this BRL 400 billion, BRL 500 billion and that could be done once the PLC is over?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

First question around CapEx. Our focus is to be as productive as possible with our capital. In the first phase, we are focusing more on fixed than mobile. What is in that sector is better. And then there is an important component, which is getting back into markets where competition is less sophisticated than what we have in the major cities. Reinvesting in fiber be it up to certain station or to the home of our customers. We also have investments in technology modernization, where the network has degraded. We should replace copper with fiber, and that will be much better for the customer. As for PLC 79, I'll address the fiscal point. Once we have migrated the model, we'll be able to do that in a very fast way. And it's very possible that, that will be real. (inaudible) will talk a little bit about that. We don't have a leverage in that, you're right, but she can shed some light on where we stand.

Unidentified Company Representative

Thank you, Brandão. Good morning, everyone. We don't have control over it, as we mentioned, but we are monitoring the project because it's extremely important to the telecommunication sector as a whole with opportunities to revisit their regulatory framework and look at measures

that have already been taken by the government. A milestone on our time line would be that once the PLC 79 is over, we'll still have a couple of months ahead, a few months, actually. But the company would need to make the decision whether or not the company wants to migrate. That is an option I need to remind you. And we need to look at the calculations. These calculations are not simple, so it will take a few months to make that decision once the PLC 79 is over. Thank you, Brandão, and everyone.

Operator

Next question from Andre Baggio from JPMorgan.

Andre Baggio - *JP Morgan Chase & Co, Research Division - Senior Analyst, Latin America Telecom, Media and Technology*

You had impressive results in the mobile and now we're seeing in April and apparently in May as well. What was that about? Was it about customizing what is offered to the customers? Is that supported by the network?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Thank you, Baggio. Bernardo Winik will answer your question.

Bernardo Kos Winik - *Oi S.A. - Chief Commercial Officer & Member of Board of Executive Officers*

Thank you, Andre. All of the developments in the company are based on a lot of research. And the product we launched in April -- I mean, the results we had in April is mainly due to a 15-day offer that we did. The result in May should be maybe a little for the whole month, but it brings the customer a very tailored experience that is exactly what the customer wanted. We're really customizing the package through the Minha Oi app. There was that product. There was also a lot of communication around that offer. And we have been really successful with sales there. What we see in April, I mean, it's a positive result, and we have similar results in May for the project. So the results have the right amount of data, and the experience to the customer that no other operator gives them. They can manage the whole managed experience. They don't need to call the call center. They can do everything on the Minas Oi app. As for whether the network supports that, I can answer that question as well. We'll put nothing in the market that we have not studied and made sure it is the right quality for our customers. So I can tell you that whatever we're offering meets our delivery capacity.

Andre Baggio - *JP Morgan Chase & Co, Research Division - Senior Analyst, Latin America Telecom, Media and Technology*

I have a question for Brandão. What are the main risks you foresee up to the end of the year with Judicial Reorganization, with the capital increase, with net debt restructuring? Is there any other risk you think we should keep our eye on?

Carlos Augusto Machado Pereira de Almeida Brandão - *Oi S.A. - CFO, IR Officer & Member of Board of Executive Officers*

Looking at our current scenario, I think that we have already completed very important steps that were a big concern in the Judicial Reorganization implementation. Having the plan filed, then having approvals, having the financial statements approved at the general meeting, I think that we have really overcome the main obstacles and concerns we had regarding the Judicial Reorganization Plan implementation, but we still have important steps ahead of us. We're going to look at ANATEL credits for that. [PG Mill4], these are points that we're watching up close. But I can tell you that we have achieved already important steps that makes the whole company lighter concerning problems and concerns. So I think this is a positive moment for the company, and it's a decisive point. Once that point is passed, then we can make other investments possible in the future.

Now we'll turn the floor over to Eurico for his final remarks.



Eurico de Jesus Teles Neto - Oi S.A. - CEO, Chief Legal Officer & Member of Board of Executive Officers

I'd like to thank everyone. Thank you for joining our call today. It was our call for the first quarter 2018. And I'd like to again assure you that we continue to attend to the steps in the Judicial Reorganization Plan. Our balance sheet is organized, and we're working towards converting bonds in the coming weeks and accelerate the capital increase as much as possible, which will be funding our sustainable growth. I would also like to say that we continue to improve our operations and service qualities.

We've already intensified our commercial activities. You've seen from Bernardo's words, we're implementing new products. We have Oi Digital, and we can see the first positive results yielded in our customer base, which reflects the fact that the company is getting better and better.

There is a lot of work ahead of us, and it is clear for everyone that we can see it, but we are working on building a new Oi. It is a new company. And I'd like to once again thank you, everyone, and wish you all a very good day. Goodbye. Thank you.

Operator

Oi S.A.'s conference call has now come to an end. Thank you all for joining. Have a great day.

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