



# **CELG-D Acquisition**

## Investors Presentation

1 December 2016



Américas

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# Enel Americas to Acquire CELG-D

## Transaction Terms



- Enel Americas has been successful in the privatization auction to acquire CELG-D from Eletrobras and CELGPar
  - Auction Price of US\$ 0.6bn<sup>1</sup>
  - Adjusted Enterprise Value of US\$ 1.3bn
  - 1.6x EV / RAB<sup>2</sup>
- 
- Enel Brazil reaches almost 10 million clients and Enel Americas reaches 16.8 million clients
  - Enel becomes the 2<sup>nd</sup> largest player in Brazil
  - Enel Americas gets substantial opportunity of value creation

<sup>1</sup> Equity Value for 94.84% of the company.

<sup>2</sup> Expected Net RAB for 2016.

# Timeline of Next Events

Nov  
2016

- 11/30/2016 – Public auction (for 94.84% of the shares)

Dec  
2016

- 12/9/2016 – Preliminary results of the public auction and beginning of the period for appeals against results of the public auction
- 12/20/2016 – Final result of the public auction
- 12/29/2016 – Homologation of the results of the Auction

Jan  
2017

- 1/30/2017 – Auction settlement and execution of the SPA

Mar /  
Apr  
2017

- 3/16/2017 – Disclosure of the number of unsubscribed shares of the second Offer to Employees and Retirees
- 4/17/2017 – Acquisition and settlement of unsubscribed shares of the second Offer to Employees and Retirees by the winning bidder

# Agenda



CELG-D at a Glance

Transaction Rationale

Contribution to Enel Brasil

Growth Delivery

Valuation Overview

Closing Remarks

# CELG-D at a Glance

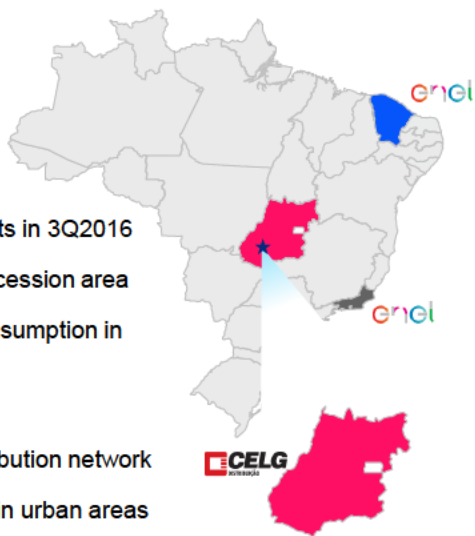
CELG-D is the electricity distribution company of the State of Goiás



## Overview

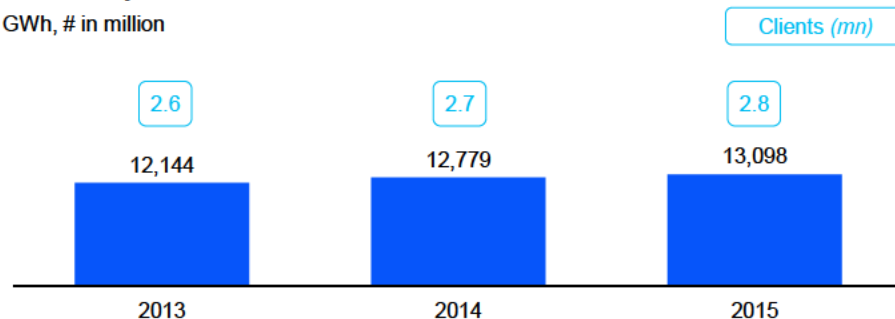
### Key Highlights

- More than 2.9 million clients in 3Q2016
- ~337 thousand km<sup>2</sup> of concession area
- ~13.1 TWh of electricity consumption in 2015
- 237 municipalities served
- ~201 thousand km of distribution network
  - 70% in rural areas / 30% in urban areas
- Responsible for providing electricity to 97% of the population of Goiás (State population of 6.5 million as of 2014)
- Concession granted until 2045



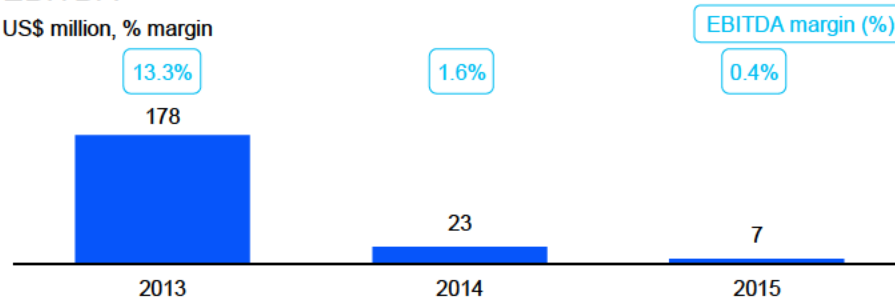
## Electricity Sold

GWh, # in million



## EBITDA<sup>1</sup>

US\$ million, % margin



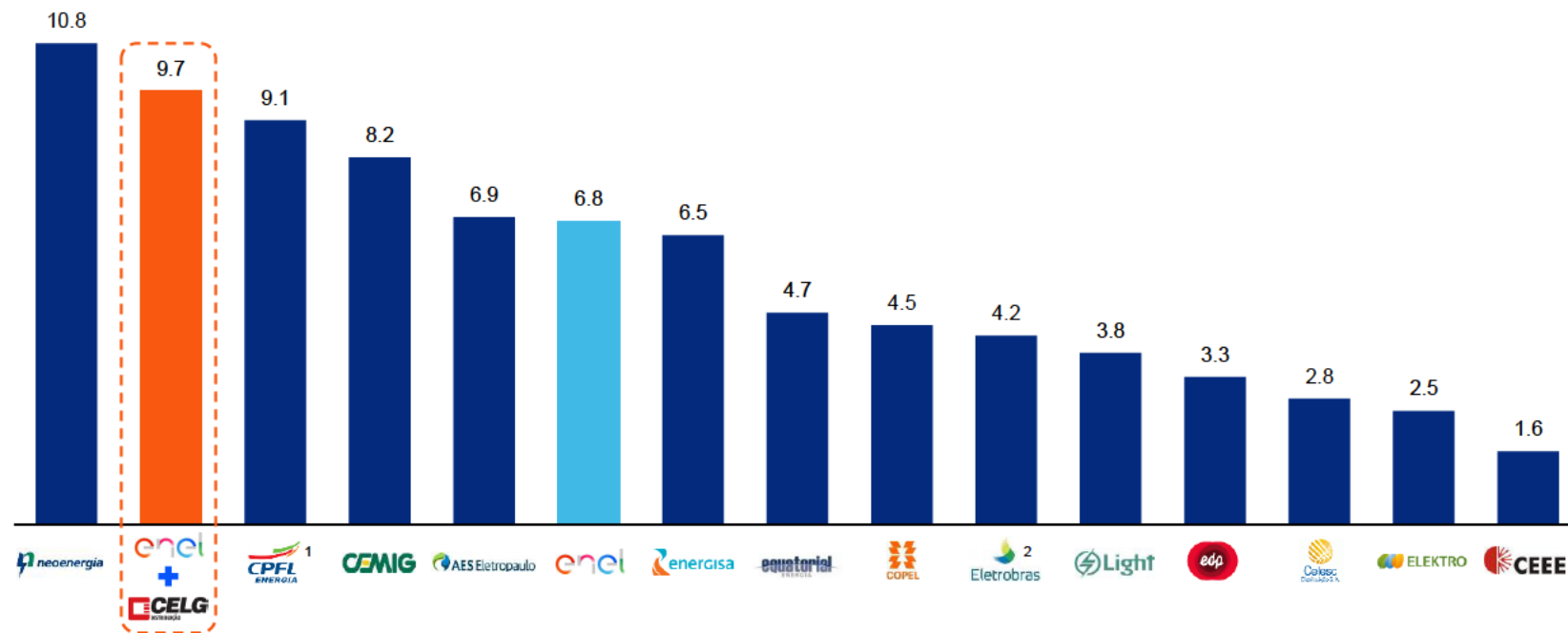
# Becoming One of the Largest Players in Brazil

Ranking of Brazilian distribution companies per number of clients



Total Number of Clients by Brazilian Distribution Companies

# in million



Source: ANEEL - Sistema de Apoio à Decisão (SAD) as of Sep 2016

<sup>1</sup> CPFL includes AES Sul's client base

<sup>2</sup> Eletrobras client base excludes CELG-D

# Transaction Rationale

## 4 key pillars



### Become Leader in Brazil

- Brazil is the 7<sup>th</sup> largest power electricity consumer market in the world<sup>1</sup>
- Best opportunity to expand Enel Americas' presence in Brazil power distribution
- Enel Americas reaches almost 10 mn clients in Brazil, becoming the 2<sup>nd</sup> largest player in terms of number of clients

### Entry in Resilient and High Growth Market

- State of Goiás GDP grows above national averages in past years
- 2015 Consumption Growth: CELG-D +2.5% vs Brazil -2.1%
- Low commercial losses and low bad debts
- Large Size: relevant industrial clients (mining, autos, food)

### Turnaround Potential

- High potential of costs reduction (25% - 30% in 3 years) on O&M, procurement, external costs and structure optimization
- CELG-D's current operational and financial performance well below Enel Americas' indicators for Brazil
- Poor quality indicators (SAIDI, SAIFI) in a low complexity area (flat terrain, lack of aggressive climate events)
- High levels of tax credits from historical losses

### Synergies with Enel Americas

- Operational synergies with Enel Americas' operations in Brazil and Latin America
- Take advantage of Enel's know-how in technology and digitalization (telecontrol, smart meters, smart grids...)
- Expansion of Value Added Services (VAS) business into the region

**Increase presence in a high growth market through a turnaround opportunity**



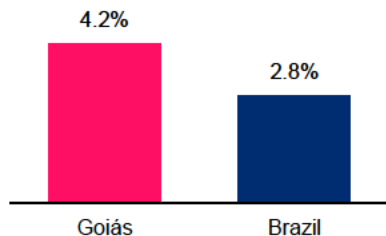
# State of Goiás: Very Attractive Region

Growth in low complexity area

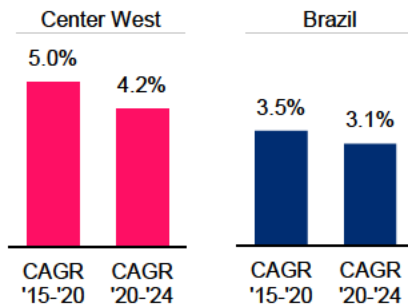


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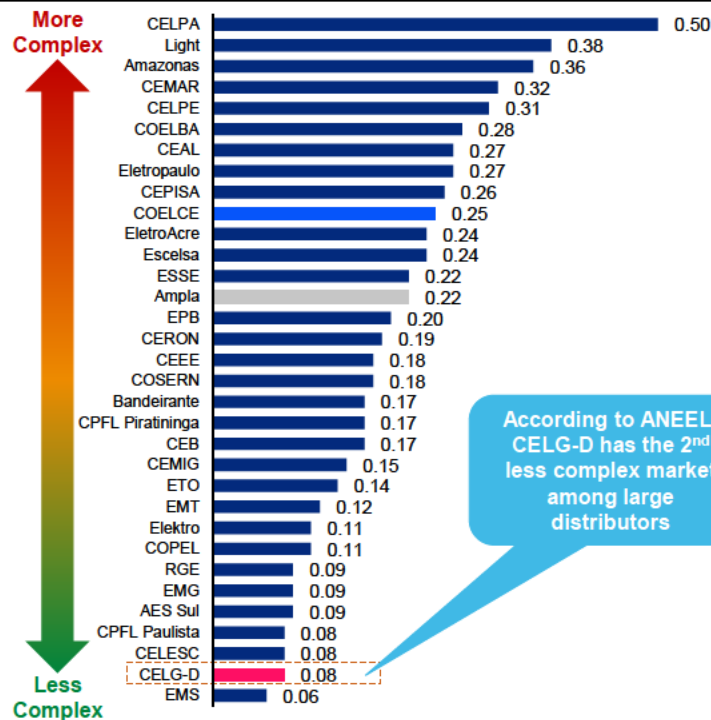
GDP Growth Evolution  
2003 – 2015 Average Growth Y-o-Y %



Brazilian Energy Supply  
Load Growth Outlook<sup>1</sup>

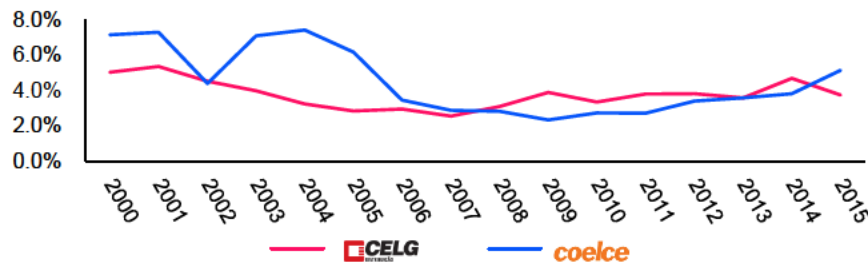


Low Market Complexity  
ANEEL's Market Complexity Index<sup>2</sup>



According to ANEEL, CELG-D has the 2<sup>nd</sup> less complex market among large distributors

Low Level of Commercial Losses  
Non-Technical Losses as % of Required Energy



Source: MDIC, IPEA, companies' filings, Enel Brasil and ANEEL

<sup>1</sup> EPE, according to "2024 10-year plan" report

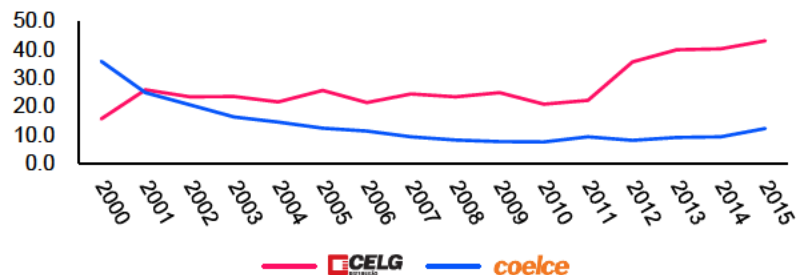
<sup>2</sup> Index based on social-economic variables (deaths per aggression incident, % of population with salaries below ½ minimum wage, Gini index, delinquency) used by ANEEL to define operational/efficiency metrics limits to the different concessions

# Turnaround Opportunity

Focus on efficiency and improvement in losses

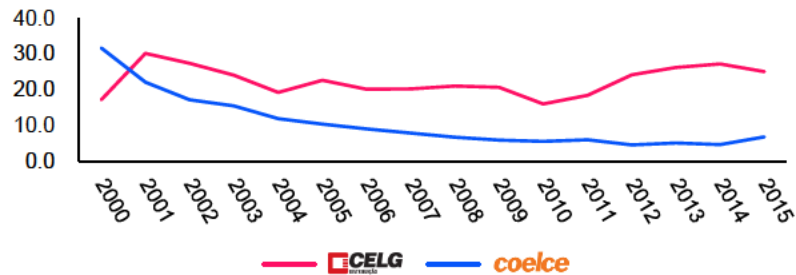
SAIDI - System Average Interruption Duration Index

Hours of Interruption per Year/Client



SAIFI - System Average Interruption Frequency Index

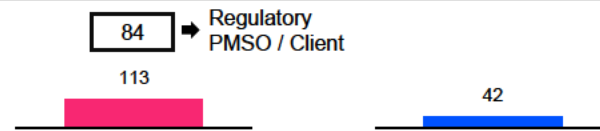
Times per Year/Client



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PMSO<sup>1</sup> / Client (2015)

US\$/client



Energy Sold / Employee (2015)

MWh/Employee (Own)



Client / Employee (2015)

'000 Clients/Employee (Own)



Targeting Coelce as a benchmark in the medium term

Source: ANEEL and public filings

Note: Reference USDBRL FX rate: 1 US\$ = 3.41 R\$ as of November 25, 2016

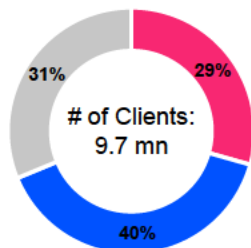
<sup>1</sup> PMSO: Personnel, Material, Services and Other expense

# CELG-D's Contribution to Enel Distribution Portfolio in Brazil

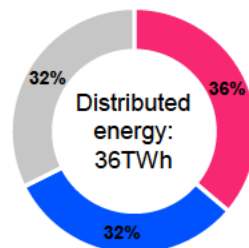
Material operational addition to the portfolio



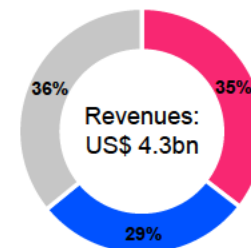
Number of Clients<sup>1</sup>



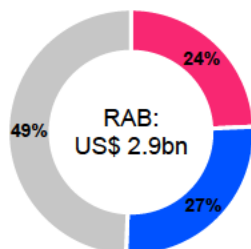
Energy Sold<sup>1</sup>



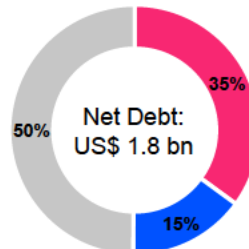
Net Revenues<sup>1</sup>



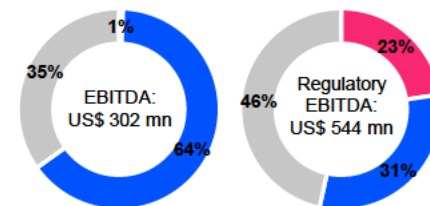
RAB<sup>1</sup>



Net Debt<sup>2</sup>



EBITDA & Regulatory EBITDA<sup>1</sup>



**CELG-D:**

- Regulatory EBITDA: US\$ 123 mn
- Actual EBITDA: US\$ 7 mn

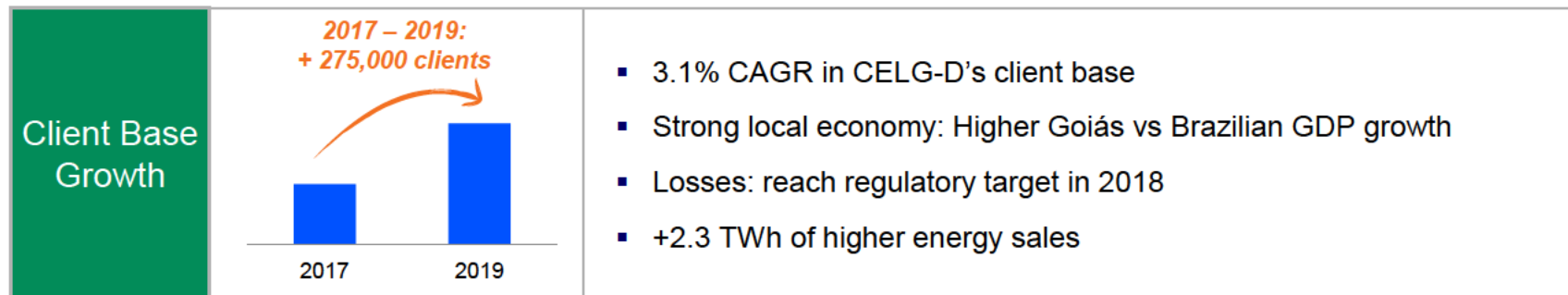
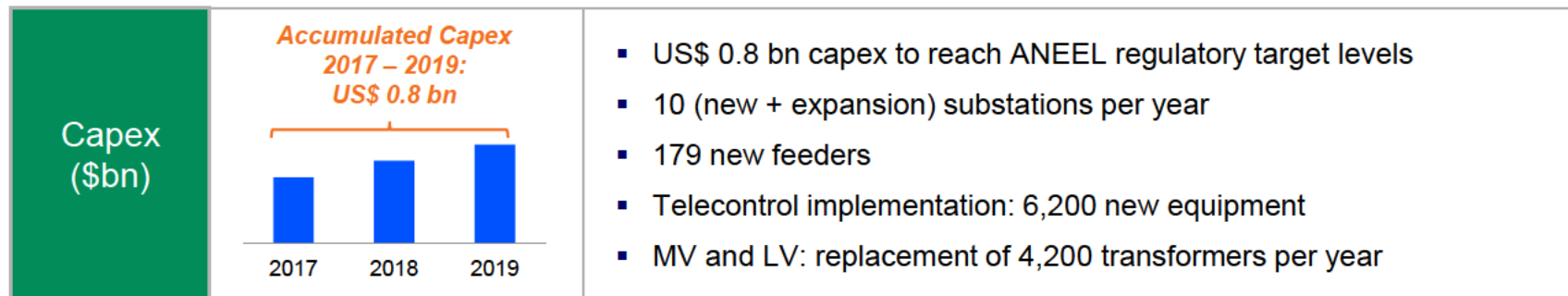


<sup>1</sup> As of 2015, except for number of clients (as of 3Q16); 2015 Year Average Fx BRL/USD of 3.34 and 2015 Year End Fx BRL/USD of 3.95 as of Dec 31, 2015

<sup>2</sup> Net debt as of 3Q16, as reported by Ampla and Coelce. For CELG-D, considers financial debt, Itaipu-related debt as debt and debt-like, minus cash & cash equivalents. USDBRL considered as 3.26 as of September 30, 2016.

# Growth Delivery

CELG-D 2017-19 targets



**2019E EBITDA at approximately US\$ 250 million**

# Visibility on EBITDA Improvement

## Main levers



### Cost Efficiency

- Real cost reduction from 113 US\$ / client in 2015 to ~90 US\$ / client in 2019

### Increase in Regulatory Revenues

- Implementation of 4<sup>th</sup> regulatory cycle (WACC +12.3% vs 11.4%)
- Increase in Opex recognition

### Operational Performance

- Quality penalties reduction related to lower levels of interruptions
- Losses improvement

### Market Growth

- Historical growth trend recovery from 2.5% to 5%

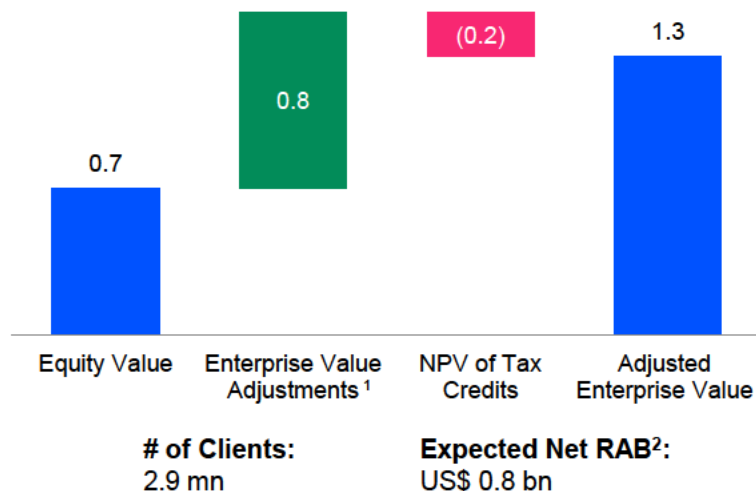
**Short term EBITDA improvement**

# Valuation Overview

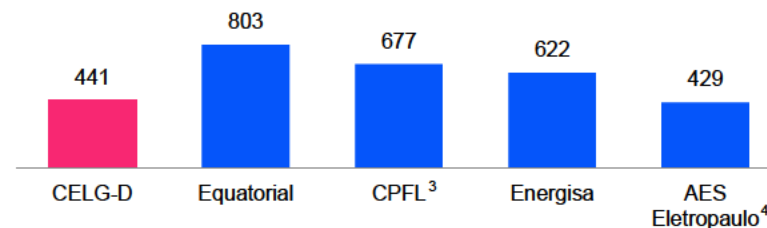
## Adjusted CELG-D's Enterprise Value and multiple benchmarking



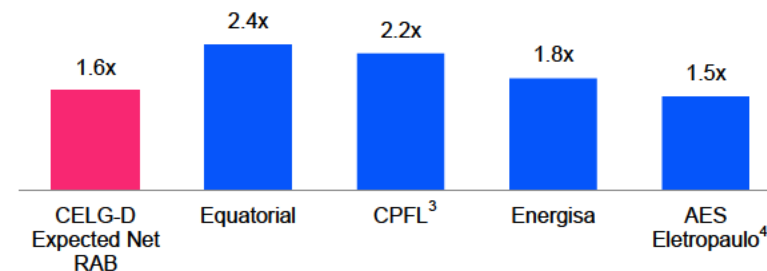
CELG-D: Adjusted Enterprise Value Build-Up (US\$ bn)



EV / 3Q16 Clients (US\$ / client)



EV / 16E RAB



**Note.** Reference USDBRL FX rate: 1 US\$ = 3.41 R\$ as of November 25, 2016

<sup>1</sup> Considers debt and debt-like items, non-operational assets / liabilities, cash and cash equivalents as per Accenture's Valuation Report as of Sep/2016

<sup>2</sup> Expected Net RAB for 2016.

<sup>3</sup> Adjusted to consider power distribution segment only

<sup>4</sup> Includes the pension fund liabilities (incl. account corridor) and Eletrobras dispute liability according to AES estimates.

## Closing Remarks



Enel Americas takes a firm step in the consolidation process in Brazil ✓

Opportunity to increase efficiency and improve EBITDA rapidly ✓

Sizeable acquisition: US\$ 1.3 bn at 1.6x RAB<sup>1</sup> ✓

US\$ 0.8 bn Capex envisaged to target ANEEL regulatory quality level in 2017E-2019E ✓

2019E EBITDA at approximately US\$ 250 million ✓

Acquisition fully funded from existing liquidity (2013 Enersis' capital increase) ✓

<sup>1</sup> Expected Net RAB for 2016.

Note Reference USDBRL FX rate: 1 US\$ = 3.41 R\$ as of November 25, 2016