



# **Eletropaulo**

*Enel Américas' 2018 Analyst Update Meeting*

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*CEO Enel Américas*

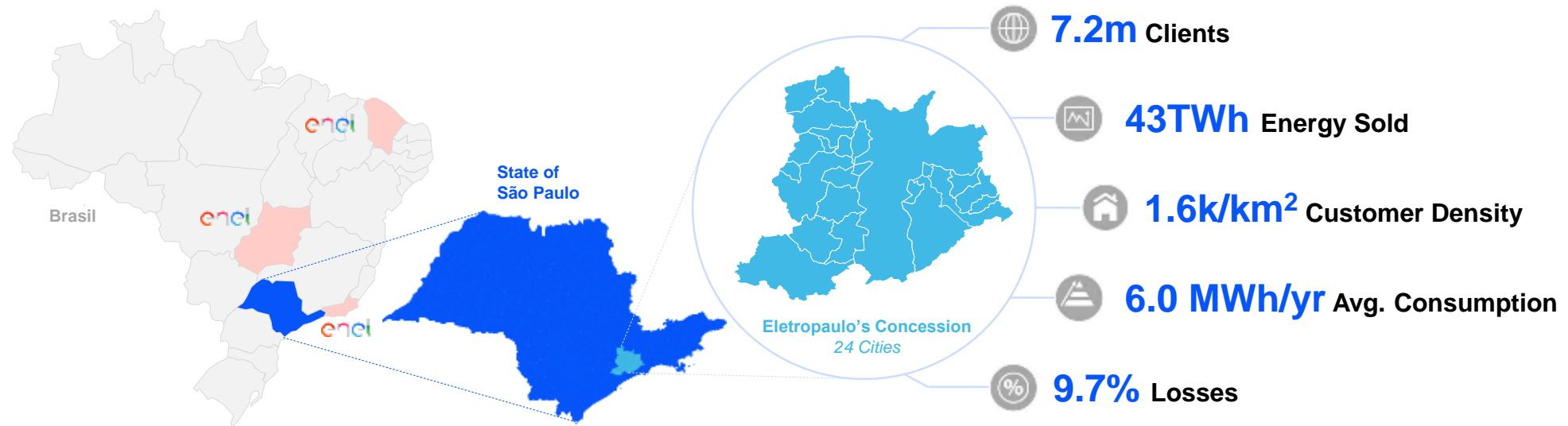
*Carlo Zorzoli*

*Country Manager Enel Brasil*



# Eletropaulo at a Glance

Largest Metropolitan Area of the Most Developed and Industrialized State in Brazil



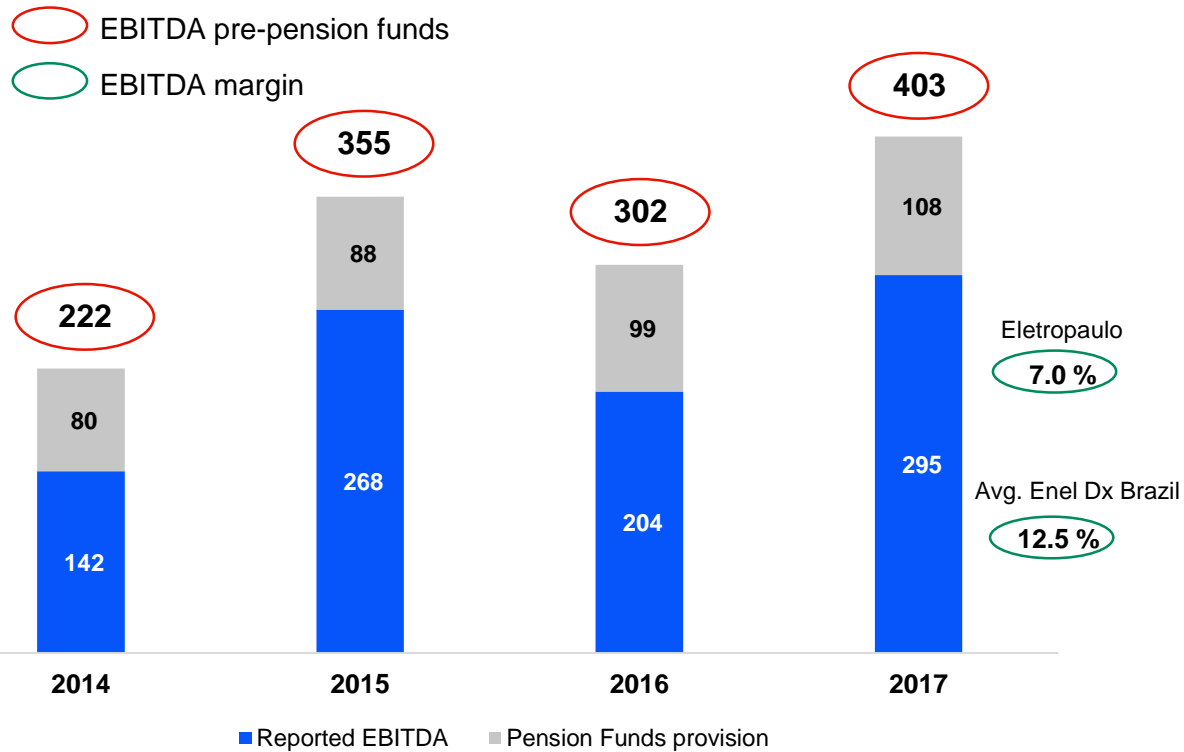
*Eletropaulo is a distribution company in the State of Sao Paulo with a concession area of 4.5 thousand km<sup>2</sup> (2% of the state), covering 24 municipalities*

# Eletropaulo at a glance

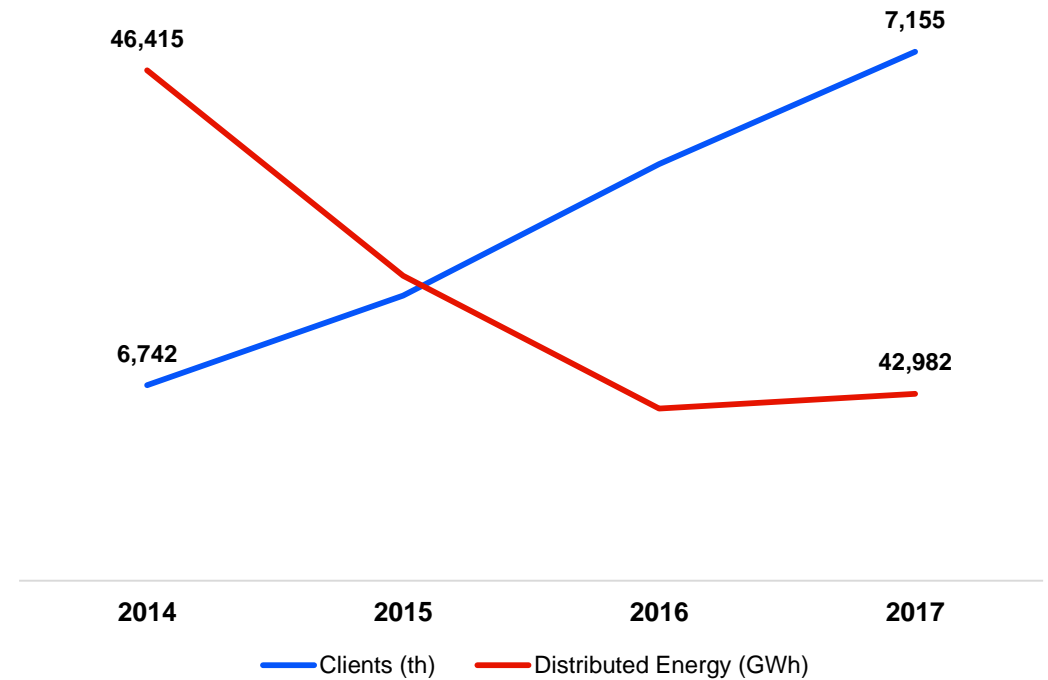
Eletropaulo's historical EBITDA, Clients and Distributed Energy evolution



EBITDA (US\$m)



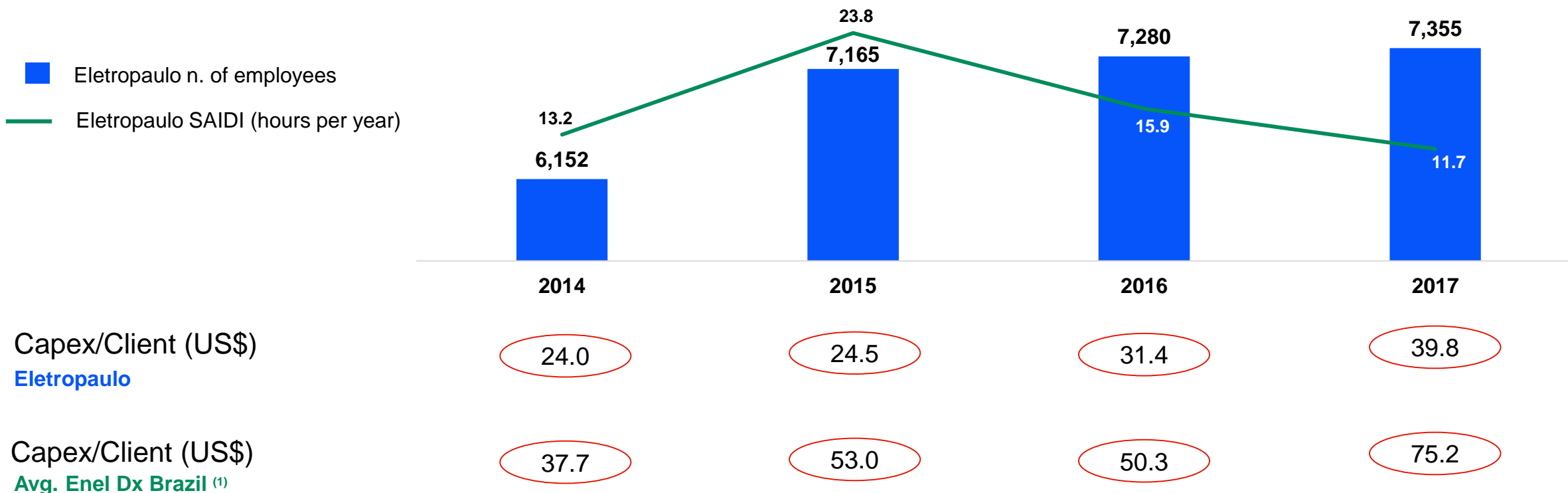
Clients and Distributed Energy



**Historical performance affected by Pension Funds contribution and volume contraction due to recession**

# Eletropaulo at a glance

## Eletropaulo Capex by clients



**Recent increase in headcount with investment level staying low**

1. Enel Dx Rio and Enel Dx Ceará. Excluding Enel Dx Goiás  
Original values in BRL translated into USD using an Exchange rate of 3.60 BRL/USD. Source: Eletropaulo public information.

# Investment Rationale

Eletropaulo Represents an Attractive Investment, Operating in Brazil's Most Important Region

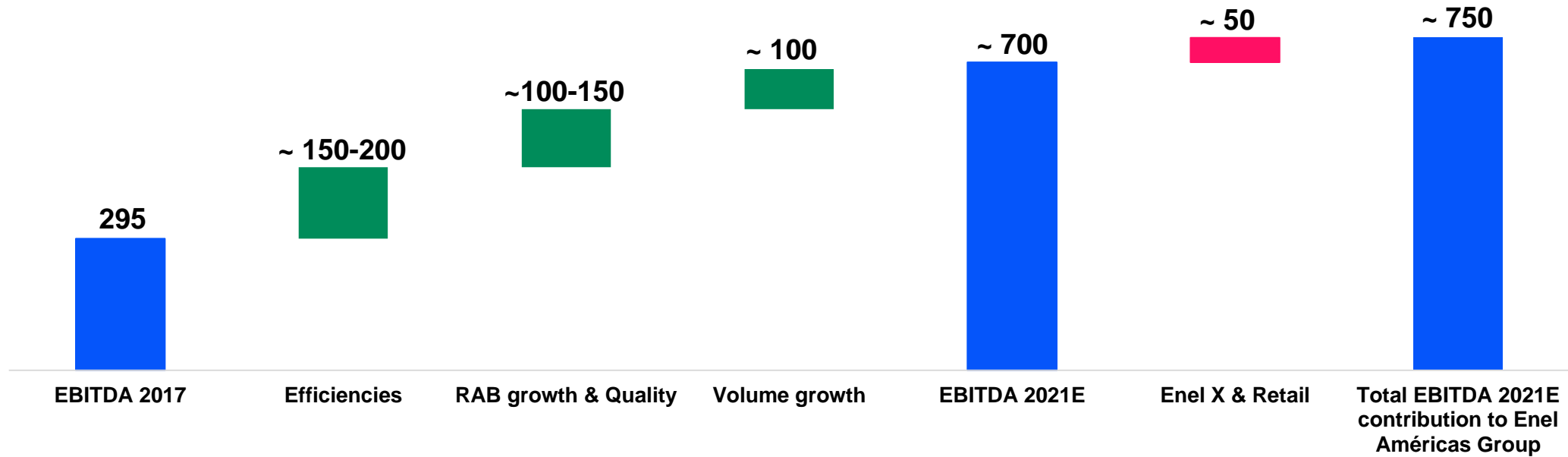


- Opportunity to **consolidate Enel Américas' presence in Brazil becoming a leading integrated player in that country**
- Leverage on Enel competences for **opex reduction and digitalization of distribution grids**
- **RAB growth opportunity:** RAB recovery opportunity to capture additional growth, maximize returns and improve quality indicators
- Best way to **increase Customer Base** with additional **~7 mn** premium customers
- Unique opportunity to boost Enel Américas growth in **free market** and in the **new digital energy services for customers**
- Potential for volume growth with economic recovery

**Major potential to increase profitability**

# Investment Rationale

Eletropaulo EBITDA evolution 2017-2021 (US\$m)



EBITDA/MWh  
Eletropaulo

6.86

2017

EBITDA/MWh  
Avg. Dx Brazil

20.13

2017

24.78

Average 2018-20



# Investment Rationale

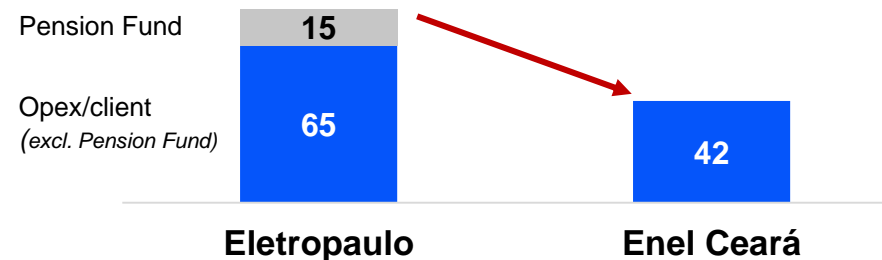
## Potential efficiencies



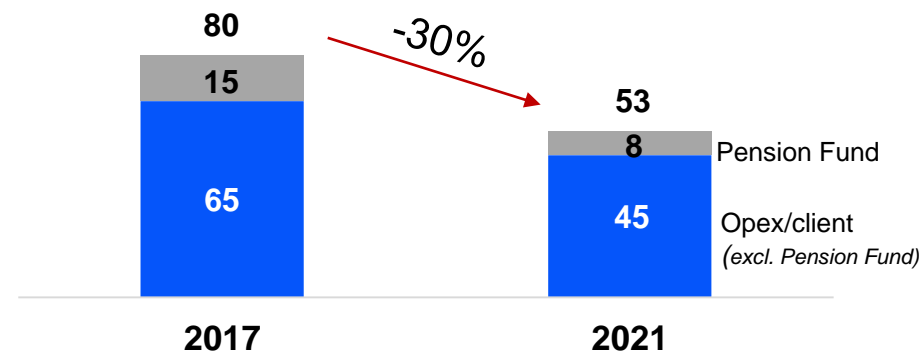
### Main initiatives

- **Leverage on global procurement**
- **Alignment in service contracts to Enel's standard procedures**
- **Deployment of smart technologies**
- **Technical Opex:** Convergence towards Enel best practices:
  - Faults reduction for improved preventive maintenance and investment plan
  - Technical Staff optimization
  - Efficiency gain for remote control and processes
- **Commercial Opex** starting from the baseline (2017) applying efficiency due to IT and process convergence:
  - Meter reading service outsourcing
  - Meter reading process improvement
  - Retail Cost Optimization

### Opex/client<sup>1</sup> benchmark (US\$)



### Eletropaulo real Opex/client evolution (US\$)



1. Values as of December 2017.

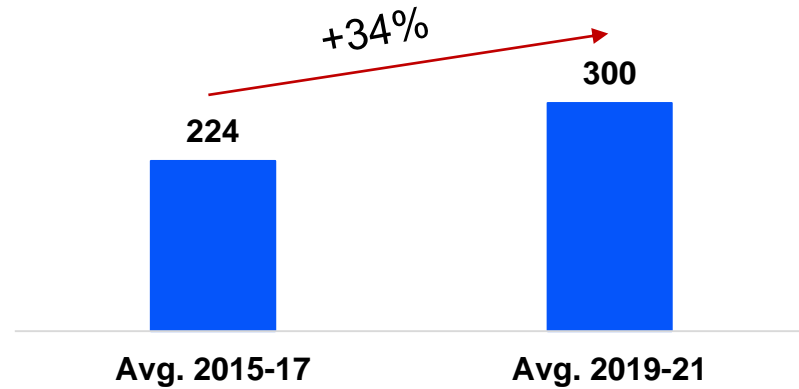
Original values in BRL translated into USD using an Exchange rate of 3.60 BRL/USD. Source: Internal estimates.

# Investment Rationale

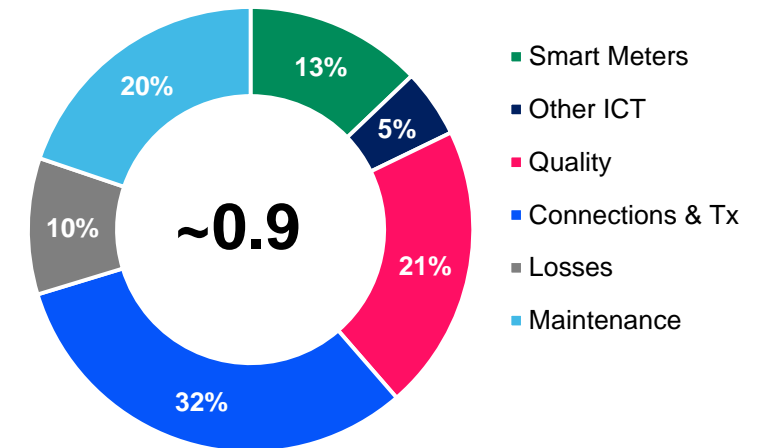
RAB growth opportunity



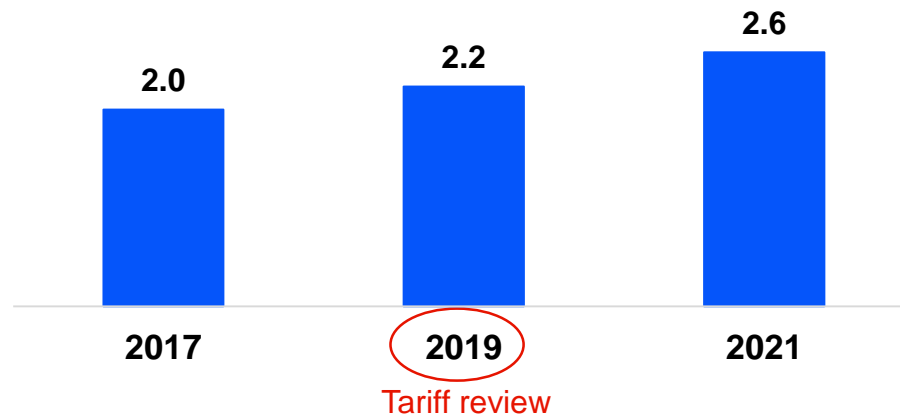
## Capex evolution (US\$m)



## Total Capex 2019-21 (US\$bn)



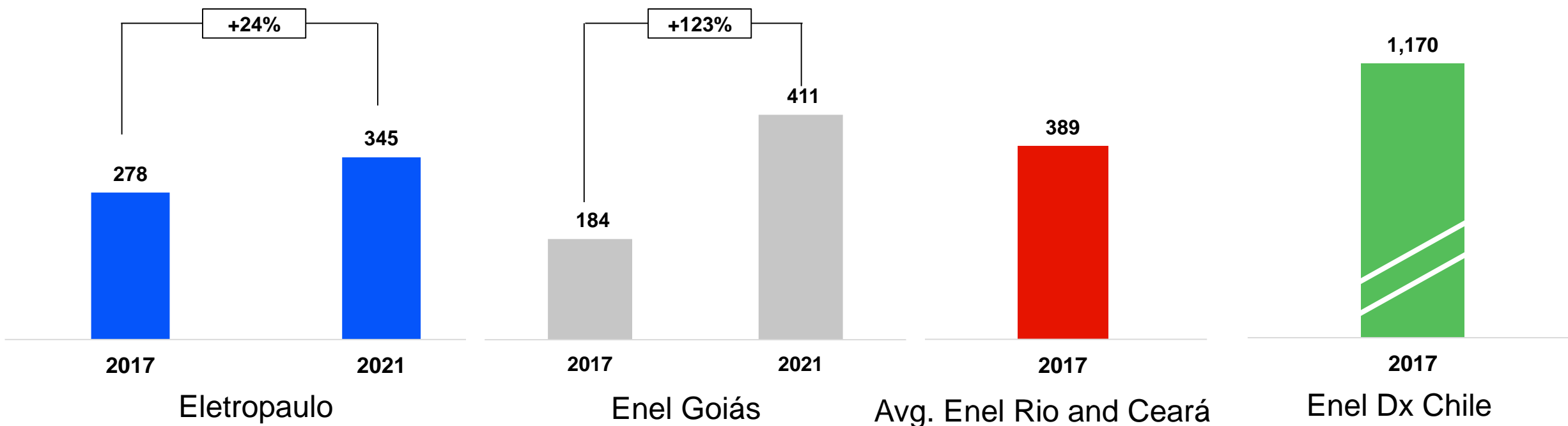
## RAB evolution (US\$bn)





# Investment Rationale

RAB per client evolution (US\$)



**High potential value creation from RAB increase**

# Investment Rationale

Additional contributions to the Enel Américas' EBITDA



enel x



- Distributed Generation / Storage



- Financial services connected to electricity bill
- Green products for the home



- Infrastructure projects for industrial / commercial customers



- E-Mobility

EBITDA @ 2021: ~ US\$30 m

## Energy sales to free market

- Presence in key markets for commercial / industrial clients
- Additional opportunities from potential market liberalization of MV clients
- Continuing migration to free market driven by price differential between regulated and free market
- Leverage vertical integration with hydro assets

EBITDA @ 2021: ~ US\$20 m

# Enel Américas Positioning

Strategically Positioned as Largest Dx player in Brazil



Number of Customers (m)



**Enel Américas would become the first Brazilian distributor by number of End Users**

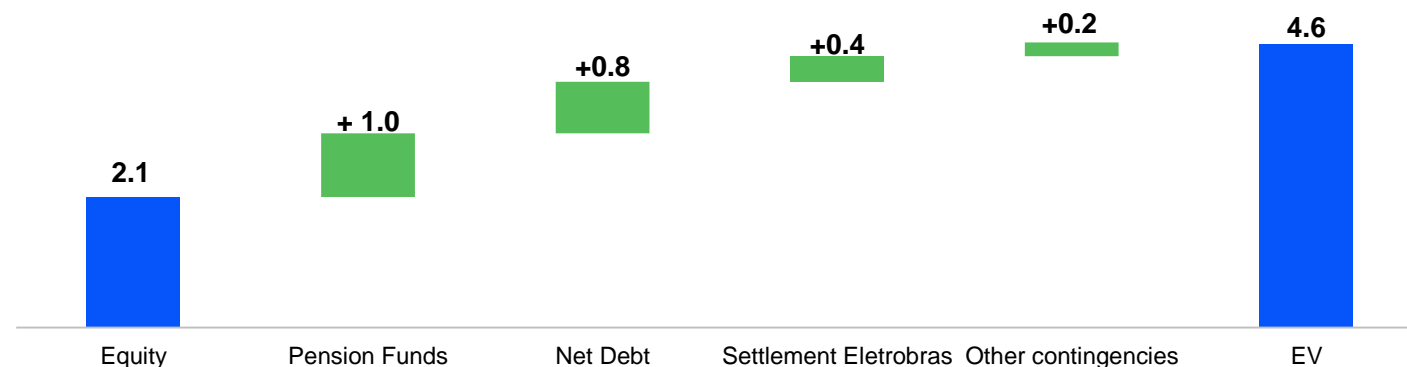
# Main Transaction Terms

## Tender Offer for Eletropaulo

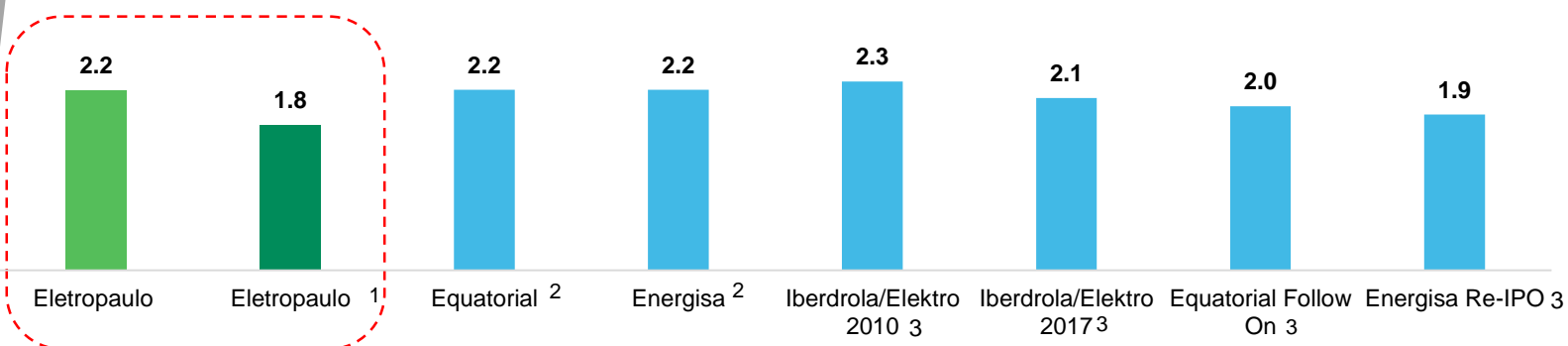


- Enel Américas has made the best offer to acquire Eletropaulo.
- Final price: 45.22 BRL per share.
- Enterprise Value of US\$ 4.6 bn.
- Tender offer successfully finalized (reached more than 50% of the shares of Eletropaulo).
- Shareholders have an additional period of 30 days to sell their shares.
- On June 21, President Temer approved the sale of the government shareholding in Eletropaulo of 7.97%. BNDES will be the responsible for executing the sale.
- Committed Capital increase in Eletropaulo of at least BRL 1.5 bn (~US\$ 400 m).

Eletropaulo Enterprise Value Build-Up (US\$ bn)



EV/RAB



**Multiple in line with comparable peers and historical M&A transactions**

1. Normalized EV/RAB at 2021. 2. Comparable peers. 3. Recent M&A transactions.  
Original values in BRL translated into USD using an Exchange rate of 3.60 BRL/USD. Source: Valuation from financial advisor.

# Closing remarks



Largest individual distribution concession in Brazil located in the most developed and industrialized state in the Country



Enel Américas would become the market leader in the distribution business in Brazil



Key value driver: Opportunity to increase efficiency and improve EBITDA rapidly



Synergies with Enel Américas, Enel X and free market



Enel Américas' plan allows substantial value creation over the investment





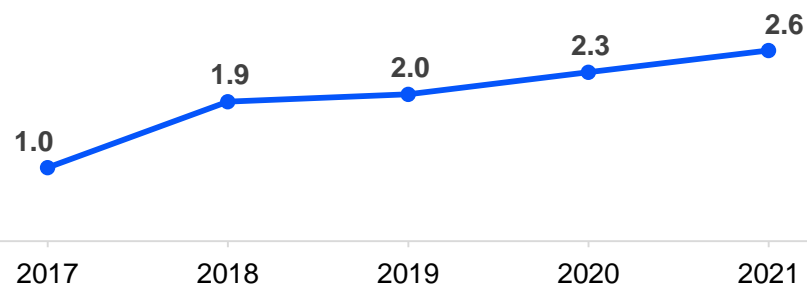
# Exhibits

# Main Macro assumptions

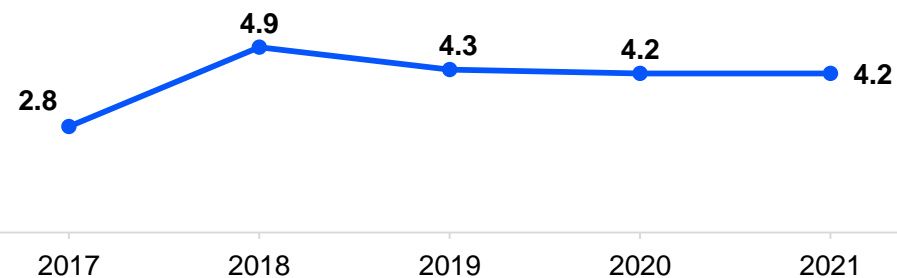
Favorable Macro and Sector Dynamics



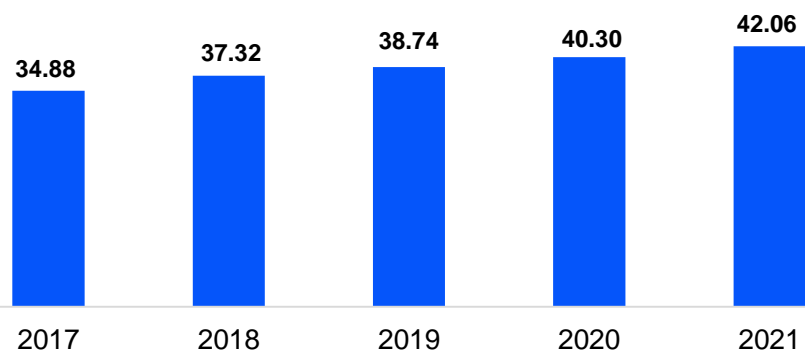
### GDP Brazil (% YoY)



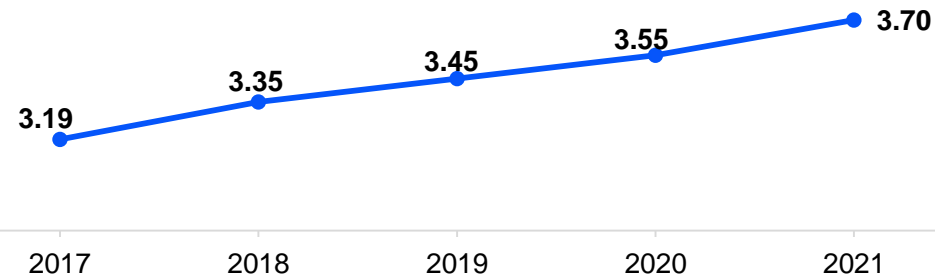
### CPI (%)



### Energy Distributed<sup>1</sup> (TWh)



### Fx Rate BRL/USD



—●— Enel Américas macro scenario 18-21

1. Enel Américas' Energy demand in Brazil (Enel Ceará, Enel Goiás and Enel Rio).

# AES Eletropaulo

## Historical Data



### Historical Data: Financials

(US\$m)	2014	2015	2016	2017	CAGR
EBITDA (pre-pension fund)	222	355	302	403	+22.0%
Pension Fund Provision	80	88	99	108	+10.5%
EBITDA (Local GAAP)	142	268	204	295	+27.6%
Net Income	(36)	28	6	(235)	-86.9%
Net Financial Debt*	601	853	612	824	+11.1%
CAPEX	162	168	220	285	+20.7%

\* Net Financial Debt do not consider Pension Fund deficit adjustment

### Historical Data: Operational

KPIs	2014	2015	2016	2017	CAGR
Customers (th)	6,742	6,853	7,016	7,155	+2.0%
Distributed Energy (GWh)	46,415	44,237	42,826	42,982	-2.5%
Energy Demand (GWh)	42,757	42,534	43,632	44,311	+1.2%
SAIDI (h/y)	13.2	23.8	15.9	11.7	-3.9%
SAIFI (x/y)	5.3	6.6	6.9	6.2	5.4%
Losses (%)	9.7%	9.4%	9.6%	9.7%	-0.0%



# Disclaimer



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