



# **VOLTA GRANDE - HYDRO CONCESSION BRAZIL**

## **INVESTORS PRESENTATION**

September, 29<sup>th</sup> 2017



# Agenda



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# Key Transaction Terms

## HPP Volta Grande



- ❑ On September 27<sup>th</sup>, the Brazilian power regulator auctioned **4 hydropower plants** (*Sao Simao; Jaguará, Miranda and Volta Grande*) owned by CEMIG
- ❑ Enel Américas, through its subsidiary Enel Brasil, was awarded the concession to operate **Volta Grande** hydro-power plant (380 MW) for a 30-year period
- ❑ The tender amounted **BRL 1,419 Mn (US\$ ~445)** to be paid on November 30<sup>th</sup>
- ❑ The Company is expected to **take over** the facility in January 2018

- ❑ Enel hydro capacity in the country will increase to **1,270 MW** from the current 890 MW
- ❑ Enel Américas gets substantial opportunity of value creation due to potential **synergies** with the Cachoeira Dourada operation
- ❑ **Attractive implied return based** on a more disciplined offer strategy with a limited premium in price. Potential upside connected to the economy recovery
- ❑ **Accretive acquisition** with strong cash flow that will deliver immediate value to the Company
- ❑ Opportunity to **grow in the free market** in line with the targets announced in the Company's Strategic Plan

**The Company increases by 42% its hydro capacity in the country**

# Volta Grande at a glance

## HPP Volta Grande



### Start of Construction and COD

- *Start of Construction: 1970*
- *COD: 1974*

### Reservoir

- *Area (km<sup>2</sup>): 222*
- *Minimum Upstream Water Level: 493.87*
- *Maximum Upstream Water Level : 495.47*
- *Municipalities: 8*

### Power House

- *Installed Capacity (MW): 380*
- *Number of units: 4 (Kaplan) x 95 MW*
- *Garantia Física (MWavg): 230.6*
- *EOH: 5316 (Load Factor 60.7%)*
- *Flow per unit (m<sup>3</sup>/s): 216.5*

### Dam

- *Type: earth with rockfill*
- *Length: (m): 2,330*
- *Maximum Height (m): 56*
- *Crest level (m): 498*

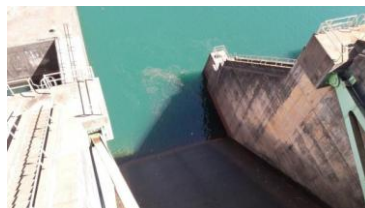
### HPP VOLTA GRANDE



**Hydro plant in excellent state of conservation**

# Investment Rationale

## HPP Volta Grande



|                        |  |
|------------------------|--|
| Strategic Plan fitting | <ul style="list-style-type: none"><li>Sound and stable cash generation aligned with the Strategic Plan. Growth in the free market and customer focus</li></ul>                           |
| Energy balance         | <ul style="list-style-type: none"><li>V. Grande can mitigate the impact of own energy available as in 2027 expires the concession of C. Dourada)</li></ul>                               |
| Operational synergies  | <ul style="list-style-type: none"><li>Close to Cachoeira Dourada HPP: high operational &amp; commercial synergies expected</li></ul>   |
| Asset status           | <ul style="list-style-type: none"><li>Assets are in excellent conditions.</li><li>No additional CAPEX needed</li></ul>   |
| Time to EBITDA         | <ul style="list-style-type: none"><li>Immediate EBITDA: January 2018</li></ul>   |
| Risks                  | <ul style="list-style-type: none"><li>Low risk profile:<ul style="list-style-type: none"><li>70% of the revenues is almost zero risk</li><li>No risk of construction</li></ul></li></ul> |

**Transaction fits with the growth strategy carried out by the Company**

# Regulated Revenues

HPP Volta Grande



$$\text{RAG} = \text{RBO} + \text{GAG Improvements} + \text{GAG O\&M} + \text{Regulatory Fees} + \text{Ajl}$$

|                     |  |
|---------------------|--|
| Length              | <ul style="list-style-type: none"> <li>• 30 years</li> </ul>   |
| Tariff              | <ul style="list-style-type: none"> <li>▪ The auction provide signing a contract for <u>SERVICE</u> of Operation and Maintenance of the assets, with a fixed revenue (RAG):             <ul style="list-style-type: none"> <li>▪ <b>RBO</b> = Return for the Bonus Payment*</li> <li>▪ <b>GAG Improvements</b> = related to CAPEX for maintenance</li> <li>▪ <b>GAG O&amp;M</b> = related to OPEX for operating the asset</li> <li>▪ <b>Regulatory Fee</b> = some duties due to regulation will be reimbursed</li> <li>▪ <b>Ajl</b> = yearly adjustment based on performance</li> </ul> </li> <li>* A parcel of RBO is not considered in the EBITDA as it is regarded as restitution of a loan given by the concessionaire to the Government</li> </ul> |
| Indexation          | <ul style="list-style-type: none"> <li>• IPCA</li> </ul>   |
| Counterparty        | <ul style="list-style-type: none"> <li>• Discos through CCEE (<i>camara de liquidacion</i>)</li> </ul>   |
| Strategy            | <ul style="list-style-type: none"> <li>▪ 30% of the Firm Energy will be sold in the <b>Free Market</b> : competitiveness can be increased depend on the Trading Strategy.</li> </ul>   |
| Minimum Generation  | <ul style="list-style-type: none"> <li>▪ Performance is measured comparing PLANT AVAILABILITY during the year vs. Reference Values of:             <ul style="list-style-type: none"> <li>▪ Planned stops for usual maintenance</li> <li>▪ Forced stops due to unexpected events</li> </ul> </li> </ul>  |
| Penalties and bonus | <ul style="list-style-type: none"> <li>▪ Penalties and bonus (<b>Ajl</b>) are applied only on the <b>GAG</b> parcel;             <ul style="list-style-type: none"> <li>▪ The annual Equipment Availability will be compared to the Reference Values defined for a each asset and the <u>penalties or bonus</u> will be applied on the GAG revenues: advantage for competitor with <b>High Performance Efficiency</b>.</li> <li>▪ Maximum penalty in 4 first years: <u>10%</u> i.e. worst case will be 2.3% of revenues<br/>From the 5<sup>th</sup> year and on, no limits (bonus and onus)</li> </ul> </li> </ul>   |

# Financial overview

## HPP Volta Grande



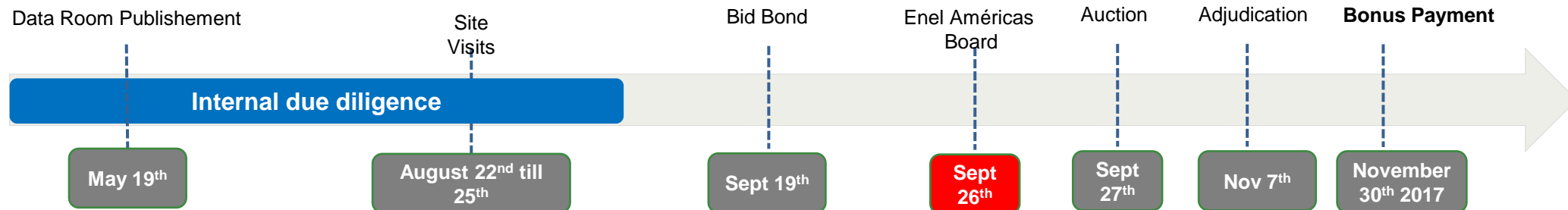
### Financial assumptions @ 2018E (US\$ mn)

- Concession bonus:
  - Minimum: ~408
  - Bid: ~445
  - Premium (%): +9.8%
- Operating revenues<sup>(1)</sup>: ~87
- OPEX: ~23
- EBITDA: ~60 (EV/EBITDA Ratio: 7.3x)
- EBITDA + Bond repayment (~15): ~75 (EV/EBITDA Ratio: 5.9x)
- CAPEX: ~1
- Debt: No existing debt
- Risks: 70% of the revenues is almost zero risk
- IRR: ~18%

### Financing structure

- Cash needs: Investment of ~445 US\$ mn to be disbursed on November, 30<sup>th</sup> 2017
- Bridge financing to be substituted by long term debt at the operating Company level
- As of today, the remaining portion of the 2013 equity raise proceeds is ~150 US\$ mn. This operation will entirely exhaust all the resources if there are not different and most optimal alternatives after November, 30<sup>th</sup>

### Tender Schedule

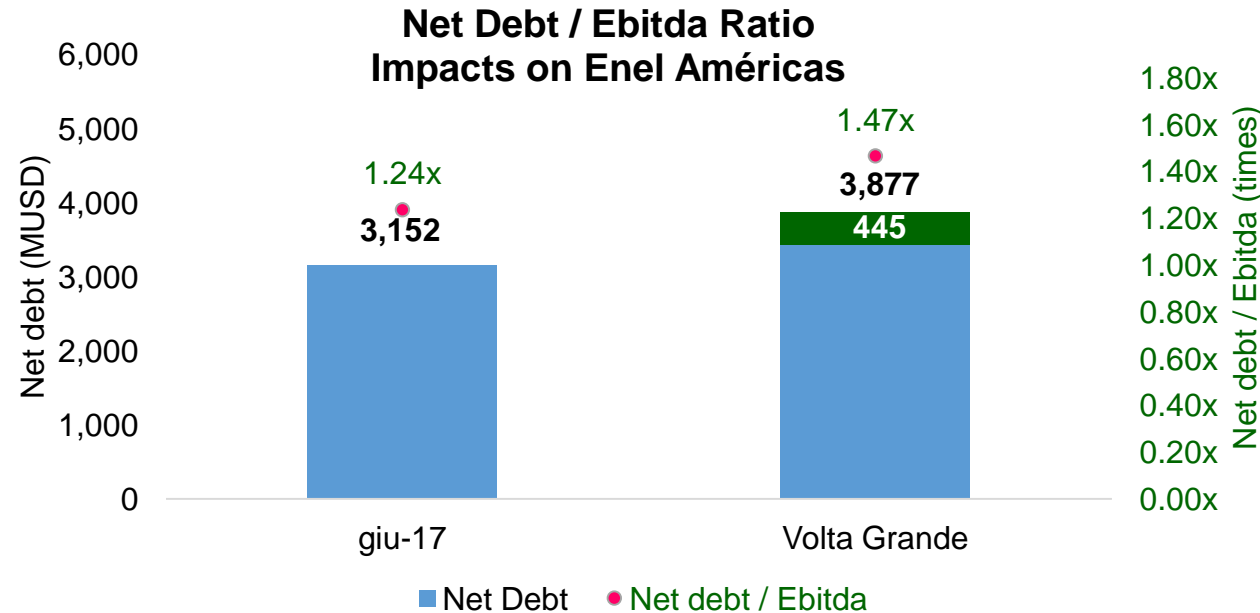


**Attractive returns and low risks. Company will adopt the most optimal financing structure**

1.- All revenues indexed by inflation

# Rating Considerations

## HPP Volta Grande



### Rating considerations

- Investment Grade rating for Enel Américas will not be jeopardized as a consequence of the transaction since the financial performance of the Company will continue to be in line with the Rating Agencies expectations
- Net debt to EBITDA ratio will continue to be below 2.0x and with an adequate liquidity
- Current rating valuations already factor Brazil's significant contribution to Enel Americas

**Ratings on Enel Américas will remain unchanged**



## Analyst first stake

Market analysts / Credit Rating Agencies



 **BICE** INVERSIONES



**Fitch**Ratings



**S&P Global**  
Ratings

LarrainVial 

J.P.Morgan

**Positive market reaction**

# Closing Remarks

HPP Volta Grande



Enel Americas increases by 380 MW or +42% its hydro capacity in Brazil

Volta Grande operating assets in excellent conditions and potential synergies with Cachoeira Dourada

Sizeable acquisition (US\$ ~0.45 bn) and reasonable premium paid (+9.8%)

Low risks; 70% of the guaranteed capacity being contracted 30 years at a pre-established specific price

2018E EBITDA at approximately US\$ 60 mn

Rating levels will remain unchanged after the transaction

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