

## **Fitch Ratings: Taesa's Transmission Assets Acquisition Neutral to Ratings**

Fitch Ratings-Rio de Janeiro-18 December 2018: Transmissora Alianca de Energia Eletrica S.A.'s (Taesa) acquisition of Amber Energia Ltda's and the Multi-Strategy Investment Fund Milan's (FIP Milan) energy transmission assets are neutral to Taesa's ratings, according to Fitch Ratings.

Fitch rates Taesa Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) 'BB' and 'BBB-', respectively. The National Rating long-term is 'AAA (bra)'. The Ratings Outlook is Stable.

On Dec. 17, 2018, Taesa announced a sale and purchase agreement for the acquisition of four transmission assets: 100% of Sao Joao Transmissora de Energia SA and Sao Pedro Transmissora de Energia SA and 51% of Triangulo Mineiro Transmissora de Energia SA and Vale do Sao Bartolomeu Transmissora de Energia SA. The transaction is subject to compliance with previous conditions and regulatory and corporate approvals. The transaction is expected to be completed within 120 days.

According to Fitch, the acquisition does not deteriorate Taesa's credit profile, since the group's net financial leverage, which increases to 2.0x from 1.5x in a pro-forma view of the acquisition based on Sept. 30, 2018, remains conservative for the company's ratings. In addition, the new assets contribute to the greater diversification of Taesa's portfolio and provide synergies with the group's other transmission lines.

The higher leverage reflects a BRL943 million disbursement for the acquisition, BRL363 million from the incorporation of net debt of acquired assets, and the proportional consolidation of EBITDA of the company's acquired shares, totaling BRL112 million. The disbursement with the purchase will be supported mainly by a loan of BRL850 million - with extended maturities of five and seven years and payment of the principal at maturity - and the remainder with cash from the holding, which at the end of September 2018 totaled BRL209 million. Part of the loan will have a financial cost of 107% of CDI and the other part, 115.5% of CDI.

Together, the assets have 1,227 kilometers of total extension of transmission lines and BRL130 million of Annual Revenue Allowed (RAP) in the 2018/2019 cycle, proportional to the acquired participation. At the end of September 2018, Taesa had 9,283 kilometers of transmission lines and RAP of BRL2.6 billion for the same cycle. The four transmission companies have extended concession periods that expire in 2043. The concessions are synergistic to the transmission lines already owned by Taesa, as they are located close to other operating assets or in the construction phase of the group.

Taesa's ratings reflect its low business risk relative to its strong and diversified portfolio of power transmission assets, with predictable and robust cash flow generation and high operating margins. In addition, none of the 35 concessions that it currently participates in expire before 2030, which sustains its operations. The analysis also incorporates Fitch's expectation that the company will keep a solid financial profile in the medium term, with credit metrics strong for the existing IDRs when compared to its peers in Latin America. On a pro forma consolidated basis, Taesa presents low leverage for a company within the power transmission sector, as well as an adequate liquidity profile. Taesa's Foreign Currency IDR is capped by the country ceiling, and Fitch considers a three-notch difference between the company's Local Currency IDR and the sovereign IDR (BB-/Stable) as appropriate for a regulated sector.

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