

# Transmissora Alianca de Energia Eletrica S.A.

## Taesa Full Rating Report

### Ratings

Security Class	Current Rating
<b>Foreign Currency</b>	
Long-Term IDR	BBB
<b>Local Currency</b>	
Long-Term IDR	BBB
National Long-Term Rating	AAA(bra)
Sr. Unsecured — Third Issue	AAA(bra)
Sr. Unsecured — Fourth Issue	AAA(bra)

### Rating Outlooks

Long-Term Foreign Currency IDR	Stable
Long-Term Local Currency IDR	Stable
National Long-Term Rating	Stable

IDR – Issuer Default Rating.

### Financial Data

#### Transmissora Alianca de Energia Eletrica S.A. (Consolidated)

(BRL Mil.)	LTM	
	9/30/13	12/31/12
Revenue	1,387	1,224
EBITDA	1,127	1,044
Cash and Mkt. Securities	760	2,634
Total Adj. Debt	4,419	4,777
Total Adj. Debt/EBITDAR (x)	3.9	4.6
FFO Adjusted Leverage (x)	3.7	4.6
EBITDA/Gross Interest Expense (x)	3.4	2.9

This Full Rating Report was originally published in Fitch's report, "[Capital Structure Overview for Fitch 25 Largest Brazilian Local Issuers](#)" dated April 22, 2014.

### Related Research

2014 Outlook: Latin America Power Sector — Solid Credit Fundamentals (December 2013)

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### Key Rating Drivers

**Expectation of Reduced Leverage:** Transmissora Alianca de Energia Eletrica S.A.'s (Taesa) investment-grade ratings reflect the maintenance of a solid financial profile, even after relevant acquisitions were made the last couple of years, of BRL3.8 billion. In July 2012, Taesa concluded its capital issuance in the amount of BRL1.755 billion, which, in Fitch Ratings' view, allowed the company to keep its financial leverage in line with the assigned ratings.

**Low Business-Risk Assets:** The ratings are based on the low business risk of Taesa's asset portfolio and minimal exposure to concession renewals over the short to medium term. Taesa is one of the largest power transmission companies in Brazil, with 7,586km of transmission lines spread across the country. The company has 24 concessions, including 12 fully owned, which dilutes potential operating risks. Taesa benefits from a diversified client base and guaranteed payment structure. Its exposure to periodical tariff reviews is low.

**Predictable Cash Flow:** Taesa's highly predictable power transmission revenues are based on the lines' availability, not the volume transported. The company's consolidated revenue has been driven by the inflation-based permitted annual revenue readjustments and on the incorporation of the new assets acquired. Taesa's cash flow from operations (CFFO) should remain robust, reflecting high EBITDA margins in the 85%–90% range. Fitch expects FCF to continue to be pressured by strong dividend payments.

**Manageable Debt Profile:** Taesa's consolidated debt is characterized by an extended maturity profile and reduced foreign exchange risk. The growth recorded in recent years reflects the debt contracted to finance the recent acquisitions, added to the financial obligations which came with the concessions acquired. The company's liquidity position weakened during second-quarter 2013, after the payment of BRL1.7 billion for the participation in assets acquired from Companhia Energetica de Minas Gerais (Cemig).

**Moderate Regulatory Risk:** Taesa's ratings are not constrained by the credit quality of one of its main shareholders, Cemig, since Cemig shares the company's control with an investment fund and its access to Taesa's cash is limited to dividends. The regulatory risk of the Brazilian power sector is considered moderate.

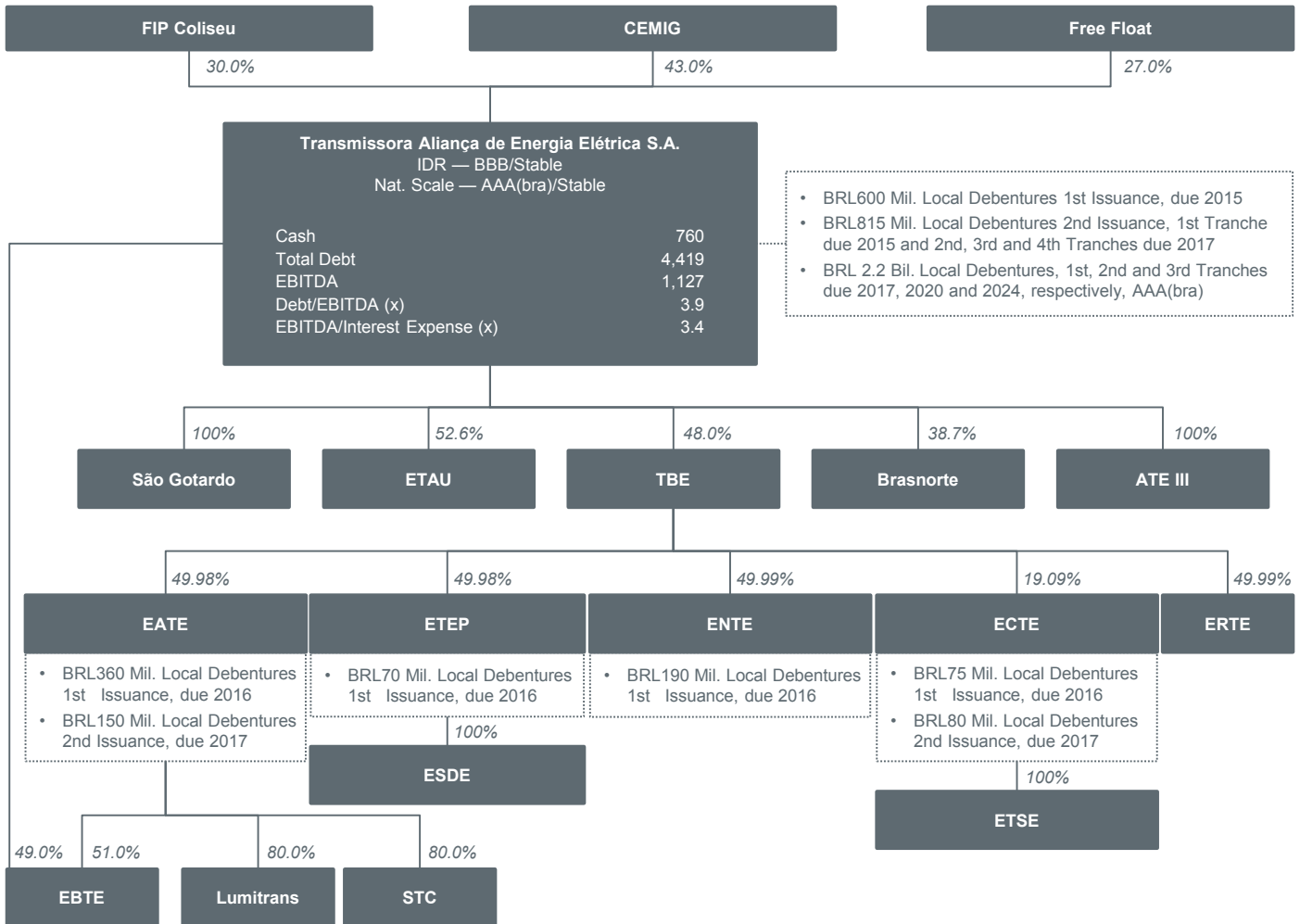
**Stable Outlook:** The Rating Outlook is Stable as Fitch expects Taesa to maintain its consolidated net financial leverage close to 3.0x, on a pro forma basis, in 2013 and less in the following years, absent new acquisitions.

### Rating Sensitivities

**Investments May Pressure the Ratings:** Negative rating actions could be triggered by deterioration in Taesa's consolidated financial profile, with net leverage going above 3.5x. Acquisitions at significant volumes financed with debt and relevant investments in new projects, with risks associated with the construction phase and low profitability, also could pressure the company's ratings. A positive rating action could be triggered by the strengthening of Taesa's financial profile, with net leverage going below 2.0x and a sustainable increase in its liquidity position.

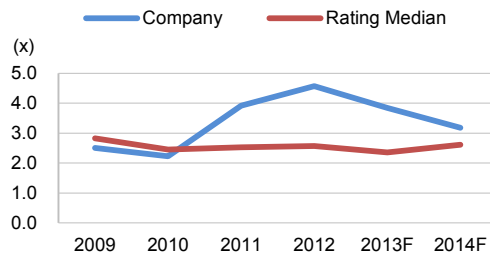
## Organizational Structure — Transmissora Aliança de Energia Elétrica S.A. (TAESA)

(BRL Mil., As of Sept. 30, 2013)



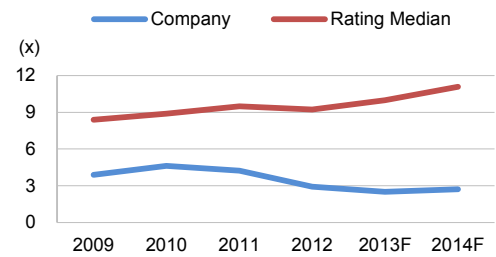
IDR – Issuer Default Rating.  
Source: Fitch Ratings, Company Data.

### Leverage: Total Adjusted Debt/ Operating EBITDAR



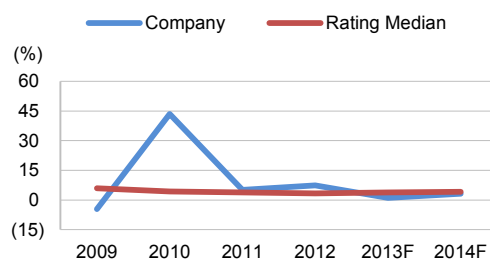
F – Forecast.  
Source: Company data, Fitch Ratings.

### Interest Coverage: Operating EBITDA/ Gross Interest Expense



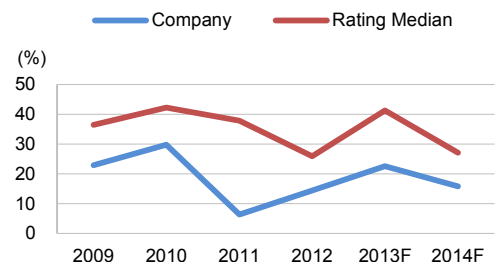
F – Forecast.  
Source: Company data, Fitch Ratings.

### FCF/Revenues



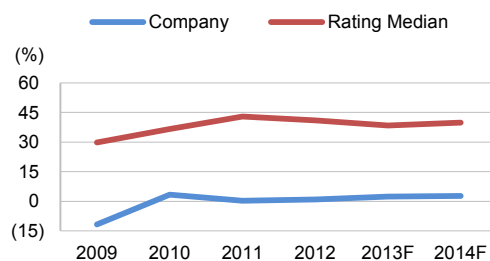
F – Forecast.  
Source: Company data, Fitch Ratings.

### FFO/Debt



F – Forecast.  
Source: Company data, Fitch Ratings.

### Capex/CFO



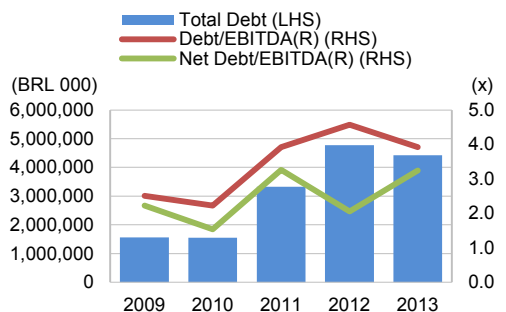
F – Forecast.  
Source: Company data, Fitch Ratings.

### Debt Maturities and Liquidity

As of Sep. 30, 2013	BRL Thousand
Current Maturity	826,214
Two Year	229,412
Three Year	466,354
Four Year	234,669
Beyond Four Years	2,662,637
CFO	833,926
Cash	760,097
Undrawn Committed Facilities	0

Source: Company data, Fitch Ratings.

### Total Debt and Leverage Ratios



Source: Company data, Fitch Ratings.

Financial Summary — Transmissora Alianca de Energia Eletrica S.A.

BRL 000, Year Ending Dec. 31

	LTM				
	Sep. 30, 2013	2012	2011	2010	2009
<b>Profitability</b>					
EBITDA	1,126,558	1,043,859	850,185	696,437	624,062
EBITDAR	1,126,558	1,043,859	850,185	696,437	624,062
EBITDA Margin (%)	81.2	85.3	89.2	87.2	71.7
EBITDAR Margin (%)	81.2	85.3	89.2	87.2	71.7
FFO Return on Adjusted Capital (%)	13.1	11.8	7.4	15.1	13.7
Free Cash Flow Margin (%)	53.8	7.5	5.1	43.5	(4.6)
Return on Average Equity (%)	19.7	18.6	20.8	18.2	19.0
<b>Coverage (x)</b>					
FFO Interest Coverage	3.6	2.9	2.1	4.1	3.2
EBITDA/Gross Interest Expense	3.4	2.9	4.2	4.6	3.9
EBITDAR/Interest Expense + Rents	3.4	2.9	4.2	4.6	3.9
EBITDA/Debt-Service Coverage	1.0	1.3	0.6	3.4	0.7
EBITDAR/Debt-Service Coverage	1.0	1.3	0.6	3.4	0.7
FFO Fixed Charge Coverage	3.6	2.9	2.1	4.1	3.2
FCF Debt Service Coverage	0.9	0.6	0.2	2.4	0.1
(FCF+Cash and Marketable Securities)/Debt-Service Coverage	1.6	3.9	0.5	4.7	0.4
Cash Flow from Operations/Capital Expenditures	(1.3)	112.0	339.3	29.8	(8.6)
<b>Leverage (x)</b>					
FFO Adjusted Leverage	3.7	4.6	8.0	2.5	3.0
Total Debt with Equity Credit/EBITDA	3.9	4.6	3.9	2.2	2.5
Total Net Debt with Equity Credit/EBITDA	3.2	2.1	3.3	1.5	2.2
Total Adjusted Debt/EBITDAR	3.9	4.6	3.9	2.2	2.5
Total Adjusted Net Debt/EBITDAR	3.2	2.1	3.3	1.5	2.2
Implied Cost of Funds (%)	7.2	8.8	8.2	9.7	9.9
Secured Debt/Total Debt	—	—	—	—	—
Short-term Debt/Total Debt	0.2	0.1	0.4	0.0	0.4
<b>Balance Sheet</b>					
Total Assets	9,521,380	9,636,364	6,192,371	4,575,830	4,080,165
Cash and Marketable Securities	760,097	2,634,011	553,965	477,413	178,177
Short-Term Debt	826,214	431,326	1,311,767	55,928	684,698
Long-term Debt	3,593,072	4,346,077	2,019,302	1,492,935	881,150
<b>Total Debt</b>	<b>4,419,286</b>	<b>4,777,403</b>	<b>3,331,069</b>	<b>1,548,863</b>	<b>1,565,848</b>
Total Equity	4,589,097	4,097,243	2,252,472	2,508,354	2,207,369
<b>Total Adjusted Capital</b>	<b>9,008,383</b>	<b>8,874,646</b>	<b>5,583,541</b>	<b>4,057,217</b>	<b>3,773,217</b>
<b>Cash Flow</b>					
Funds from Operations	853,628	687,639	214,160	462,158	358,453
Change in Working Capital	(19,702)	(1,622)	604,838	7,373	(115,147)
<b>Cash Flow from Operations</b>	<b>833,926</b>	<b>686,017</b>	<b>818,998</b>	<b>469,531</b>	<b>243,306</b>
Total Non-Operating/Non-Recurring Cash Flow	—	—	—	—	—
Capital Expenditures	646,482	(6,127)	(2,414)	(15,738)	28,388
Common Dividends	(733,552)	(588,534)	(767,662)	(106,330)	(311,553)
<b>Free Cash Flow (FCF)</b>	<b>746,856</b>	<b>91,356</b>	<b>48,922</b>	<b>347,463</b>	<b>(39,859)</b>
Net Acquisitions and Divestitures	(2,350,289)	(658,874)	(912,052)	—	(205)
Other Investments, Net	3,339	—	58,729	—	—
Net Debt Proceeds	(511,106)	866,208	954,050	(48,227)	(83,128)
Net Equity Proceeds	163	1,729,499	—	—	281
Other (Investments and Financings)	—	—	—	—	—
<b>Total Change in Cash</b>	<b>(2,111,037)</b>	<b>2,028,189</b>	<b>149,649</b>	<b>299,236</b>	<b>(122,911)</b>
<b>Income Statement</b>					
Revenue	1,387,293	1,223,676	953,218	798,594	870,790
Revenue Growth (%)	13.4	28.4	19.4	(8.3)	39.3
EBIT	1,124,712	1,087,244	848,684	681,715	620,753
Gross Interest Expense	330,820	356,402	201,032	150,564	159,994
Rental Expense	—	—	—	—	—
Net Income	871,368	589,182	495,399	428,630	350,286

Source: Company report.



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