

**Bulletin:**

## **Energisa S.A. Ratings Not Immediately Affected By Acquisition Proposal For Eletropaulo**

**Primary Credit Analyst:**

Vinicius Ferreira, Sao Paulo + 55(11)30399763; [vinicius.ferreira@spglobal.com](mailto:vinicius.ferreira@spglobal.com)

**Secondary Contact:**

Marcelo Schwarz, CFA, Sao Paulo + + 551130399782; [marcelo.schwarz@spglobal.com](mailto:marcelo.schwarz@spglobal.com)

SAO PAULO (S&P Global Ratings) April 6, 2018--S&P Global Ratings said today that its 'BB-' global scale and 'brAA-' Brazil national scale ratings on the Brazil-based electricity distribution group Energisa S.A. (Energisa) are not immediately affected by its proposal for a voluntary public offer to acquire up to a 100% shares in Eletropaulo Metropolitana Eletricidade de São Paulo S.A. (Eletropaulo: BB-/Stable/--; brA+/Stable/--), the largest electric power distributor in Brazil in terms of revenues (R\$13.2 billion as of Dec. 31, 2017) and energy distributed (43.0 GWh as of Dec. 31, 2017).

On April 5, 2018, Energisa's board of directors approved the acquisition proposal, agreeing it may purchase each share for R\$19.38, which could result in a total amount of R\$3.2 billion if all shares are tendered. In addition, if the acquisition materializes, Energisa committed to make a R\$1 billion equity injection into Eletropaulo to improve its capital structure. The conclusion of the transaction is subject to some conditions; for example, at least 50% of the shares and an additional one share must be tendered, and Eletropaulo's creditors must agree to the change in control.

At this juncture, we don't expect any material impact on Energisa's liquidity because the company has access to committed lines, which provide it with some financial flexibility to perform the acquisition. In parallel, Energisa intends to launch an equity issuance in order to finance both the acquisition and the proposed capitalization of Eletropaulo. Currently the ratings on

Energisa are limited to those on the Federative Republic of Brazil (Brazil: Global Scale: BB-/Stable/B; National Scale: brAA-/Stable/--), which provides a cushion to the ratings. Even if the transaction is fully financed with debt, we don't expect Energisa's credit metrics to consistently worsen to FFO to debt lower than 9% or debt to EBITDA above 5.5x on a pro-forma basis, which could trigger a negative rating action. Nevertheless, we will closely monitor the resulting capital structure and any impact on liquidity if the transaction is concluded, as well as the potential benefits of a larger scale and geographic diversification.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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