



NON-RATING ACTION COMMENTARY

Acquisition of Atlas Renovaveis Does Not Affect Engie Brasil's Ratings

Tue 31 Oct, 2023 - 4:17 PM ET

Fitch Ratings-Rio de Janeiro-31 October 2023: Fitch Ratings views the acquisition of Atlas Renovaveis as neutral to the credit quality of Engie Brasil Energia S.A. (Engie Brasil). Fitch currently rates Engie Brasil's Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) 'BB+' and 'BBB-', respectively, and National Scale Rating 'AAA(bra)'. The Rating Outlook is Stable.

On Oct. 30, 2023, Engie Brasil announced the signing of a binding agreement for the acquisition of 100% of Atlas Energia Renovavel do Brasil S.A. and Atlas Brasil Energia Holding 2 S.A.'s (jointly denominated Atlas Renovaveis) shares held by the GIP Helios II S.A. The enterprise value of BRL3.2 billion comprises a disbursement of BRL2.3 billion for the equity and Atlas Renovaveis's net debt of BRL971 million on the date of the announcement. The closing of the transaction and cash disbursement should occur by 1Q24, following regulatory approvals.

The transaction is in line with Engie Brasil's growth strategy through renewables sources and will increase Engie Brasil's assets diversification and revenues predictability. The group will add capacity in the operational phase, with long-term power purchase agreements (PPAs), mostly under the regulated market with attractive prices. The acquisition, which should be supported by a combination of its cash balance and debt issuance, will require greater discipline from Engie Brasil in managing its leverage, which still remains below the rating trigger of 3.5x for a downgrade. Fitch estimates that the acquisition will result in a net leverage of 3.4x in 2024, which is 0.3x above previous expectations.

Atlas assets comprise five solar complexes fully operational with 545MWac in installed capacity, commercial capacity of 145 average MW and energy sales of 142 average MW. Commercial capacity of 65% was sold in the regulated market with PPAs maturing from 2037 to 2041, while the remaining 35% have PPAs within the unregulated market from 2024 to 2042. The new assets will increase Engie Brasil's current installed capacity by 7%, to 8.7GW. Atlas' EBITDA should reach around BRL300 million in 2024, representing approximately 5% of the BRL6.3 billion estimated to Engie Brasil for the year.

Fitch believes Engie Brasil has proven financial flexibility and that the disbursement for the acquisition will represent a manageable liquidity effort. At the end of June 2023, the group had a cash position of BRL4.8 billion and short-term debt of BRL2.1 billion. Consolidated net debt was BRL14.7 billion, and should increase by 22% with the acquisition.

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