

ISSUER COMMENT

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Grupo Energía Bogota S.A. E.S.P.

Grupo Energía Bogotá's reorganization increases renewable portfolio and creates business opportunities

On 22 June, [Grupo Energía Bogotá S.A. E.S.P.](#) (GEB, Baa2 negative) announced a reorganization of Emgesa and Codensa as part of a revamped partnership with [ENEL Americas S.A.](#) (Enel, Baa3 positive). The reorganization is credit positive for GEB and Enel because it will strengthen their position in the renewable generation sector and will create new business opportunities.

Emgesa will be the absorbing vehicle to create the new entity Enel Colombia, which will incorporate Codensa, Enel Green Power Colombia, and ESSA 2SpA. Through Enel Colombia, GEB and Enel will continue to grow their renewable portfolio. In addition, according to GEB, Enel Colombia will also be the entity that will focus on potential new businesses such as smart cities, public lighting and distributed generation. This transaction follows Enel's recent absorption of Enel Green Power's operations in the region.

Emgesa and Codensa are currently co-owned by GEB and Enel. While GEB holds a majority stake, these entities are not controlled by the company because it only holds close to 43% of voting rights. Under the new structure, Enel will contribute with its wholly owned ESSA 2 SpA and Enel Green Power Colombia, which will also be capitalized by Enel with approximately COP2 billion. Through these, Enel owns a portfolio of renewable assets in Colombia, Costa Rica, Panama and Guatemala. The transaction will occur via exchange of ownership stakes of the companies and will not require additional equity or debt from GEB. GEB will retain a 43% ownership stake in Enel Colombia and Enel will own close to 57% of the company. Thus, Enel will not only retain control over the new entity but also a majority ownership.

Post-transaction Enel Colombia will increase its installed capacity from 3,500 megawatts (MW) to 4,180 MW. GEB and Enel expect that the company will rapidly increase its capacity to around 5,470 MW with new plants in the pipeline.

The proposal also includes the resolution of past disputes with Enel involving dividend distributions. Before the transaction takes place, an extraordinary dividend will be distributed to GEB by Emgesa and Codensa of approximately COP1 billion to reflect pending distributions for 2016-20. GEB will distribute around 70-90% to its stockholders, including [Bogota, Distrito Capital \(Colombia\)](#) (Baa2 negative), which owns 65.7% of GEB. Going forward, a clearer distribution policy will be in place: 90% of net income in the next two years and afterward the distributions will be made according to set net debt-to-EBITDA ratios. For example, 90% of net income will be distributed if net debt/EBITDA falls between 0.5x and 1.5x.

The transaction is subject to the approval of the boards of all the parties involved.

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