

## MOODY'S AFIRMÓ LA CALIFICACIÓN CREDITICIA DEL GEB EN 'Baa2' A ESCALA INTERNACIONAL Y ACTUALIZÓ LA PERSPECTIVA DE NEGATIVA A ESTABLE

- *La firma calificadora de riesgo destacó el perfil crediticio del Grupo Energía Bogotá, beneficiado por su diversificación geográfica y operacional, al igual que por la credibilidad del flujo de caja proveniente de sus subsidiarias controladas.*
- *Moody's resaltó el acuerdo del Grupo con Enel señalando que le permitirá al GEB seguir creciendo en su portafolio de activos renovables, como lo reflejan los resultados de la reciente subasta de energía.*

**Bogotá D.C., 16 de noviembre de 2021:** La agencia Moody's afirmó la calificación crediticia de largo plazo del Grupo Energía Bogotá S.A. ESP (GEB) en "Baa2" a escala internacional, y actualizó la perspectiva de negativa a estable, en línea con el cambio de perspectiva del Distrito de Bogotá. Así mismo, ratificó la calificación de la Deuda Senior Subordinada en "Baa2".

La calificación del GEB refleja la relación con sus filiales para cubrir las necesidades de capital y el servicio de la deuda, resaltando que las operaciones de transmisión de la empresa le permiten generar su propio flujo de caja y que aportaron 9 por ciento del EBITDA total en 2020. TGI y Cálidda, filiales controladas del GEB con perfiles de grado de inversión, contribuyeron a su vez con flujos de caja estables.

Los dividendos de las filiales no controladas del GEB seguirán representando un flujo de caja significativo. La naturaleza regulada de las operaciones de distribución de electricidad y gas natural de Codensa y Vanti proporcionan visibilidad en el flujo de caja recibido por el Grupo.

Sobre el acuerdo alcanzado entre GEB y Enel Américas, la agencia calificadora destaca: "La reorganización es positiva desde el punto de vista crediticio para el GEB y Enel porque reforzará su posición en el sector de generación renovable, con un aumento de la capacidad instalada de 1.964MW (el 72% es capacidad de energía renovable no convencional) y creará nuevas oportunidades de negocio (...) Por ejemplo, en la reciente subasta de renovables, Enel Green Power Colombia fue uno de los ganadores. Esta subasta adjudicó 11 proyectos en total (eólicos y solares) que representan una nueva capacidad instalada de casi 800 MW para 2023".

Adicionalmente, Moody's evaluó la exposición de riesgos del GEB a factores ambientales, sociales y de gobernanza, calificándola de moderada por el balance logrado entre los riesgos identificados, así como por la credibilidad de la gerencia, la estructura organizacional y los controles internos.

Para Juan Ricardo Ortega, presidente del Grupo Energía Bogotá, estas calificaciones positivas reflejan la estabilidad y solidez del Grupo y sus filiales. "Además brindan confianza al mercado sobre las perspectivas de las compañías, la diversificación de sus negocios y los beneficios del acuerdo con su socio Enel, que permitirá la creación de una compañía



más grande, más verde y estable, que participará activamente en energías renovables no convencionales y en las nuevas tecnologías que demandan las ciudades del futuro”.

### **Acerca del Grupo Energía Bogotá**

Con 125 años de historia, el Grupo Energía Bogotá (GEB) es un grupo empresarial líder en transmisión y distribución de energía eléctrica y en transporte y distribución de gas natural en Colombia, Perú, Brasil y Guatemala. En Colombia, con Transmisión desarrolla proyectos de energía eléctrica. Con TGI es número 1 en transporte de gas natural con más de 4.000 kilómetros de gasoductos. En Perú es líder en distribución de gas natural con sus empresas Cálidda y Contugas y está presente en el negocio de distribución de energía con Electro Dunas, Cantalloc y Perú Power. En Brasil, con Gebbras, está asociado con Furnas y tiene 1.094 kilómetros de líneas de transmisión y con Argo tiene 1.460 kilómetros adicionales. En Guatemala, es número 1 en transmisión de energía eléctrica con Trecca y Eebis.

CREDIT OPINION

11 November 2021

Update

✓ Rate this Research

RATINGS

Grupo Energia Bogota S.A. E.S.P.

Domicile	Bogota, Distrito Capital, Colombia
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Grupo Energia Bogota S.A. E.S.P.

Update following affirmation of Baa2 ratings, outlook changed to stable from negative

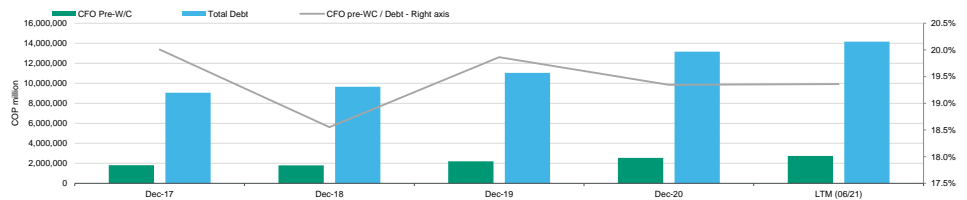
Summary

Grupo Energia Bogota S.A. E.S.P.'s (GEB, Baa2 stable) credit profile benefits from its geographically diversified operations and strong financial metrics. GEB's financial profile is underpinned by the cash flow from its creditworthy key controlled subsidiaries [Transportadora de Gas Internacional](#) (TGI, Baa3 stable) and [Gas Natural de Lima y Callao S.A. \(Calidda\)](#) (Baa2 stable). The rating also reflects its ownership structure and links with the [Distrito Capital Bogota \(Colombia\)](#) (Bogota, Baa2 stable).

GEB's credit quality is constrained by the structural subordination of its parent-only debt, which constitutes nearly 49% of total consolidated debt (2020), and its dependence on subsidiaries' cash upstreams to cover capital requirements and debt service despite GEB's own profitable transmission operations. GEB's credit profile is also constrained by potential new investments that could lead to a slight deterioration in some debt-related metrics.

Exhibit 1

Deterioration in credit metrics mainly because of the increase in debt, but partially offset by cash flow generation



Sources: GEB's financial statements and Moody's Investors Service

## Credit strengths

- » Ownership structure, with strong links to Bogota
- » Operationally and geographically diversified portfolio of subsidiaries
- » Growing importance of key controlled subsidiaries in their respective markets

## Credit challenges

- » Structural subordination of its parent-only debt, which constitutes nearly 49% of consolidated debt
- » Strong dependence on subsidiaries' cash upstreams to cover its capital requirements, including debt service
- » Exposure to foreign-exchange risk

## Rating outlook

The stable rating outlook reflects our expectation that GEB's key credit metrics will remain commensurate with the Baa rating category. The company's baseline credit assessment (BCA), which is a measure of GEB's standalone creditworthiness, also reflects our assumption of no significant changes in the group's ownership stakes and new important expansion plans, as well as that the group's dividend policy will remain sustainable. The stable outlook is also in line with the support provider, Bogota.

## Factors that could lead to an upgrade

GEB's ratings could be upgraded if the ratings of the [Government of Colombia](#) (Baa2 stable) and Bogota are upgraded in conjunction with an upgrade of GEB's BCA. An improvement in the BCA would be triggered if GEB's current structural subordination improves, either in terms of a reduction in its dependence on cash flow from the noncontrolled subsidiaries or a significant reduction in the percentage of parent-only debt over consolidated debt; and its financial metrics improve, specifically, if its three-year cash flow from operations before changes in working capital (CFO pre-W/C)-to-debt ratio and interest coverage exceed 22% and 5x, respectively.

## Factors that could lead to a downgrade

GEB's ratings is likely to be downgraded if the ratings of the Government of Colombia or Bogota are downgraded. The BCA could be downgraded if we assess a deterioration in the Colombian regulatory environment and/or an increase in the structural subordination considerations and/or significant changes in the portfolio of key subsidiaries. An aggressive dividend policy and/or investment program that results in incremental debt above our expectation is likely to also result in a downgraded BCA. Specifically, debt/capitalization above 48% on a projected and sustained basis could exert downward pressure on the rating. Expansion initiatives that increase the group's exposure to unregulated operations and/or less-transparent regulatory environments are likely to also have a negative effect on the BCA.

## Key indicators

Exhibit 2

### Grupo Energia Bogota S.A. E.S.P.

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	6/30/2021(LTM)
CFO pre-WC + Interest / Interest	4.8x	4.0x	4.5x	4.6x	4.9x
CFO pre-WC / Debt	20.0%	18.6%	19.9%	19.3%	19.4%
CFO pre-WC – Dividends / Debt	10.0%	7.0%	8.4%	8.7%	7.7%
Debt / Capitalization	40.3%	40.5%	42.1%	44.5%	45.6%

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

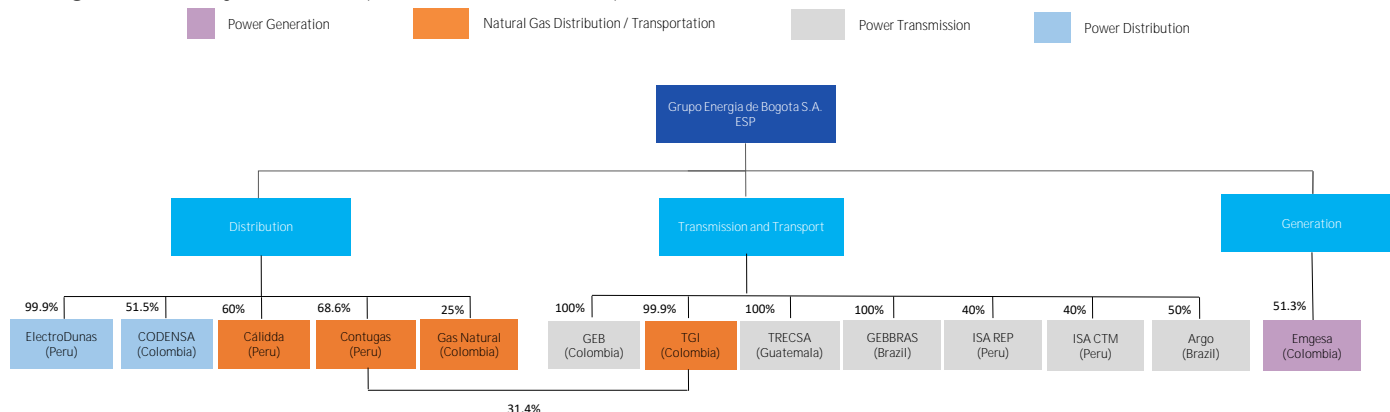
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## Profile

Headquartered in Bogota, Colombia, Grupo Energia de Bogota S.A. E.S.P. (GEB) is a Colombian company with geographically and operationally diversified operations in the energy sector. GEB is subject to the purview of the Comision de Regulacion de Energia y Gas (CREG). It is also a holding company with significant equity interests in controlled and noncontrolled subsidiaries that conduct their electric and natural gas operations mainly in Colombia, [Peru](#) (Baa1 stable), [Guatemala](#) (Ba1 negative) and [Brazil](#) (Ba2 stable). Exhibit 3 depicts GEB's interest stakes in its core controlled and noncontrolled subsidiaries, as well as their allocation within the group, after the group's reorganization into three key business segments: distribution, transmission and transport, and generation.

Exhibit 3

### Strategic units and key subsidiaries (direct economic interest)



Sources: GEB's financial statements, corporate presentation and Moody's Investors Service

As of September 2021, Bogota was GEB's majority shareholder (65.7%). GEB's remaining shareholders include pension funds (21.9%), Corficolombiana S.A. (5.2%) and others (7.2%).

## Recent developments

On 11 October, we affirmed the Baa2 issuer and debt ratings assigned to GEB. The outlook on the ratings changed to stable from negative after the change in outlook on the rating of Bogota.

On 22 June, GEB announced a reorganization of Emgesa and Codensa as part of a revamped partnership with [ENEL Americas S.A.](#) (Enel, Baa2 stable). The reorganization is credit positive for GEB and Enel because it will strengthen their position in the renewable generation sector, with an increase in installed capacity of 1,964 MW (72% is non conventional renewable energy capacity) 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. GEB ownership will be 42.515% over Enel Colombia with dividend distribution around 90%.

Through Enel Colombia, GEB and Enel will continue to grow their renewable portfolio. For example, in the recent renewable auction, Enel Green Power Colombia was one of the winners. This auction awarded 11 projects in total (wind and solar) that represents new installed capacity of almost 800 MW for 2023.

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. For more information please visit: [Grupo Energía Bogota's reorganization increases renewable portfolio and creates business opportunities.](#)

## Detailed credit considerations

### Ownership structure

The Baa2 issuer rating assigned to GEB reflects the application of our Joint Default Analysis (JDA) framework for government-related issuers, which takes into account the following input factors: a BCA of baa3 as a measure of GEB's standalone creditworthiness; the

Baa2 rating of Bogota as GEB's support provider; our estimate of strong implied government support in the case of financial distress; and a moderate default dependence between GEB and Bogota. These assumptions take into consideration the company's links with Bogota, which owned 65.7% of GEB as of September 2021. These assumptions also reflect the strategic and essential nature of the services provided, the government control and the direction of the company, which, under our framework, translate into a one-notch rating uplift from the baa3 BCA.

Our assessment of Bogota's willingness and ability to provide extraordinary financial support takes into consideration the facts that GEB is strategic to the city government; historically, GEB's dividend distributions have represented less than 5% of the municipality's total budget; and Bogota will remain the majority shareholder. Pursuant to Agreement 01, 1996, the district is required to hold at least a 51% ownership stake in the issuer. A modification of this agreement requires certain regulatory approvals (including the municipal council's authorization), which is currently not planned.

### Structural subordination considerations

GEB's reliance on dividends from its subsidiaries, particularly the noncontrolled companies, along with the substantial amount of holding company debt (around 49% of total consolidated debt as of December 2020), underpin our structural subordination considerations. GEB's credit profile takes into consideration the fact that the company's transmission operations allow it to generate its own cash flow, but it represented only 9% of total EBITDA in 2020. Thus, GEB relies on its subsidiaries' cash to cover capital requirements and debt service. TGI and Calidda, GEB's key controlled subsidiaries with investment-grade profiles, contributed 37% and 14%, respectively, of total EBITDA in 2020, generating relatively stable cash flow streams for GEB.

We expect GEB's noncontrolled subsidiaries' dividends to further account for a significant amount of cash flow (roughly 30% of total EBITDA in 2020). The regulated nature of the electric and natural gas distribution operations of Codensa and Gas Natural S.A. E.S.P. (Vanti) provides visibility into the upstreamed cash flow. We also expect the unregulated power generation company Emgesa to remain a key source of cash flow for GEB (12% of total EBITDA in 2020). In addition, we take into consideration GEB's minority ownership of Red Electrica del Peru and [Consortio Transmantaro S.A.](#) (Baa3 stable).

### Deterioration in credit metrics driven mainly by the increase in debt

GEB's consolidated credit metrics have been relatively stable and consistent over the last few years. There was a slight deterioration in its 2020 metrics because of a debt increase in 2020, but its metrics will stabilize because part of the new debt proceeds are likely to fund some investments for 2021-22. The debt increase includes new financing of \$300 million for the acquisition of Argo Energia, a Brazilian power transmission company for \$330 million, and other resources to be used in 2020-22, which are included within the capital spending program. Importantly, Argo Energia is likely to generate sizable dividend distributions starting 2023. On a consolidated basis, GEB's CFO pre-W/C-to-debt ratio was 19.3% in 2020 compared with 19.9% in 2019, and interest coverage was 4.6% in 2020 compared with 4.5% in 2019. We expect an improvement in cash flow for 2021 given the recovery of the Colombian economy and the distribution to GEB of retained earnings by Emgesa and Codensa as a result of the reorganization described in the "Recent Developments" section.

The capital spending program for the next 5 years considers an investment of \$1.65 billion, in which no material additional debt is considered to fund it, however a new acquisition is likely to be funded with debt.

GEB also has a long history of access to debt financing, and its credit rating reflects a manageable debt maturity profile and our expectation that GEB's dividend policy will be reasonable and sustainable with a 70% dividend payout ratio, which is the minimum payout ratio required by law after certain liquidity reserves are met. Additionally, GEB is working on changing its amortization profile to move some short/medium term maturities to a longer ones, which will help to reduce upcoming maturities.

### ESG considerations

#### How environmental, social and governance (ESG) risks inform our credit analysis of GEB

We take into account the effect of ESG factors when assessing GEB's credit profile. In the case of GEB, we assess the significance of ESG factors to its credit profile as follows:

We consider GEB moderately exposed to environmental risks because of its exposure to carbon transition and physical climate risks, such as floods, droughts and sea level rise, among others. However, GEB has relatively low exposure to water management, waste and pollution, and natural capital risks.

GEB's group social risks are moderate because of its exposure to demographic and societal trends, and responsible production that increase public concern over environmental, social or affordability issues that could lead to adverse regulatory or political intervention. These risks are partially balanced by low exposure to customer relations, human capital, and health and safety considerations.

GEB's governance risks are considered moderate. Governance risks are related to interference by the District of Bogota, which could affect the company's credit profile, for example, a more aggressive dividend distribution policy. Our view also takes into consideration its moderate exposures to financial strategy and risk management; its board structure with at least 5 of 9 independent members (currently 7 independent); policies and procedures. These risks are partially offset by GEB's management credibility, track record, organizational structure and internal controls.

Further details are provided in the Detailed credit considerations. Our approach to ESG is explained in our cross-sector rating methodology, [General Principles for Assessing Environmental, Social and Governance Risks](#).

### Liquidity analysis

As of June 2021, GEB's cash position was COP1,469,529 million, which sufficiently covers the remaining 2021 maturities of \$116 million. Additionally, as of August 2021, GEB had around COP3,000,000 million (close to \$800 million) in short-term credit facilities available with local banks without any amount used. For 2022, GEB has around \$30 million in maturities, a very manageable amount.

### Other considerations

GEB seeks to naturally hedge its exposure to foreign-exchange risk by matching its Colombian peso-denominated debt to its EBITDA generated in Colombian pesos. Although the foreign-exchange mismatch has decreased over the last few years as a result of this strategy, modest exposure remains. As of June 2021, around 70% of GEB's total EBITDA was US dollar denominated, while 81% of its total debt was US dollar denominated and 16% was in Colombian pesos.

### Methodology and scorecard

We assign GEB's BCA using our [Regulated Electric and Gas Utilities](#) rating methodology, published in June 2017. The scorecard-indicated outcome using the metrics is consistent with the assigned BCA.

GEB's Baa2 rating takes into account our JDA for the company as a government-related issuer and, therefore, incorporates our expectations regarding the credit profile of Bogota, and our assumptions of moderate dependence and strong implied support.

Exhibit 4

## Rating factors

Grupo Energia Bogota S.A. E.S.P.

Regulated Electric and Gas Utilities Industry [1][2]	Current LTM 6/30/2021		Moody's 12-18 Month Forward View As of 11/5/2021 [3]	
	Measure	Score	Measure	Score
<b>Factor 1 : Regulatory Framework (25%)</b>				
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Baa	Baa	Baa	Baa
b) Consistency and Predictability of Regulation	Ba	Ba	Ba	Ba
<b>Factor 2 : Ability to Recover Costs and Earn Returns (25%)</b>				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
<b>Factor 3 : Diversification (10%)</b>				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
<b>Factor 4 : Financial Strength (40%)</b>				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.2x	Baa	4.5x-5.0x	A
b) CFO pre-WC / Debt (3 Year Avg)	17.3%	Baa	20%-22%	Baa - A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.1%	Ba	10%-12%	Baa
d) Debt / Capitalization (3 Year Avg)	45.6%	Baa	44%-46%	Baa - A
<b>Rating:</b>				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa2		Baa2
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 6/30/2021 (L). [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 5

<b>Category</b>	<b>Moody's Rating</b>
<b>GRUPO ENERGIA BOGOTA S.A. E.S.P.</b>	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
<b>TRANSPORTADORA DE GAS INTERNACIONAL</b>	
Outlook	Stable
Senior Unsecured	Baa3
<b>GAS NATURAL DE LIMA Y CALLAO S.A. (CALIDDA)</b>	
Outlook	Stable
Senior Unsecured	Baa2

Source: Moody's Investors Service

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