



# Investor Update

Acquisition of EDP Gás

April 2017



## Key Terms

- ▶ REN has signed a Share Purchase Agreement with the EDP Group to acquire 100% of EDP Gás (EDPG)
  - EDPG is Portugal's second largest gas distribution company, with a 4,640 km network and a net RAB of €452M
  - Unique opportunity for REN to achieve vertical integration in core domestic natural gas infrastructure, by entering the highest growth energy infrastructure segment
  - The transaction perimeter excludes EDP Gás SU, which operates as a 'last resort' gas supplier to end clients<sup>1</sup>
- ▶ The transaction's underlying Enterprise Value is €532M, representing a 1.18x EV/RAB multiple and a 11.0x EV/EBITDA multiple, below recent transaction precedents
- ▶ Funding is secured, and is expected to consist of a mix of new equity and debt
  - c.€250M will be financed through a rights issue for which a standby underwriting agreement, subject to certain customary market conditions being met, has been executed by REN with Banco Santander, CaixaBI and J.P. Morgan
- ▶ EDPG's acquisition completion is subject to standard legal and regulatory approvals (expected in the next 2-3 months)

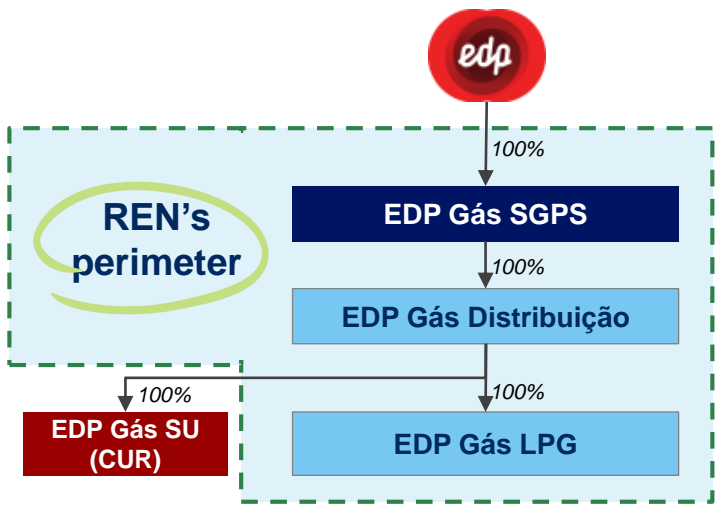
## Expected Key Dates

- ▶ **April 7<sup>th</sup> 2017** – Share Purchase Agreement has been signed and the acquisition and funding structure for the transaction have been approved by the Board of Directors of REN
- ▶ **May 11<sup>th</sup> 2017** – REN General Shareholder's Meeting
- ▶ **Next 2-3 months** – Expected legal and regulatory authorizations for the transaction
- ▶ **Before end of Q3 2017** – Capital Increase to be followed shortly after by a Debt Issue (in Q3 or Q4)

## Overview

- ▶ Gas distribution company providing services in the coastal region of Northern Portugal
- ▶ 40-year concession contract (ending in December 2047)
- ▶ Second-largest gas distribution concession in Portugal, initiated in 2008
- ▶ Fully-regulated business with a transparent and stable remuneration framework based on allowed revenue set by regulator ERSE for 3 year regulatory periods
  - ▶ Consistent with the regulatory framework for REN's activities

## Transaction perimeter



- ▶ EDP Gás SU, which operates as “last resort” gas supplier (CUR) to end-clients, is not included in the transaction perimeter as, under Portuguese law and the natural gas system unbundling, the TSO is not allowed to perform marketing or supply activities of natural gas

## Concession area



**EDPG's operational and business team has a proven track record with deep knowledge and seasoned business skills**

**EDPG - Key technical data (2016)**

<b>Network length:</b>	<b>4,640 km</b>
<b>Connection points:</b>	<b>339,012</b>
<b>Distributed gas:</b>	<b>7,090 GWh</b>

**EDPG - Key financial data (2016)<sup>1</sup>**

<b>EBITDA (M€)</b>	<b>48.5</b>
<b>Net Income (M€)</b>	<b>20.8</b>
<b>RAB (M€)</b>	<b>451.6</b>
<b>Capex (M€)</b>	<b>22.9</b>
<b>RoR (%)</b>	<b>7.85%</b> <i>(2015-2016)</i>
<b>REN RoR Gas Transportation%</b>	<b>-30bp</b> <i>presently</i>

Source: EDP Gás, ERSE  
 1. The values presented are REN's estimates (unaudited/not official) specifically for the purpose of the transaction – excludes EDPG SU which is outside the transaction perimeter  
 Note: Key technical data, RAB, Capex and RoR figures for EDP Gás Distribuição.

# EDPG presents a unique opportunity for natural gas infrastructure integration, while maintaining REN's strong financial and credit profile



## 1 New growth opportunity

- ▶ EDPG has a **strong growth potential** within the gas distribution sector in Portugal
- ▶ Opportunity to **increase REN's RAB by €452M (+13%)**

## 2 Low risk transaction

- ▶ **Limited integration risk** considering REN's experience in integrating and managing regulated gas assets in Portugal
- ▶ Regulatory remuneration framework **similar to REN's existing gas and electricity TSO activities**
- ▶ **40-year concession (ending 2047)** aligned with the long-term maturity of REN's concessions and **supervised by the same Portuguese regulatory bodies**

## 3 Compelling valuation

- ▶ **Acquired at 11.0x EV/EBITDA, below the 14.8x median multiple** for similar market transactions<sup>1</sup>, which is particularly significant considering this is an acquisition granting full control
- ▶ Share Purchase Agreement helps **protect REN against post-transaction risks**
- ▶ Opportunity for **synergies over the long term**, leveraging REN's best-in-class industry expertise

## 4 Funding plan preserves financial discipline

- ▶ Expected funding structure designed to **maintain solid investment grade credit metrics**
- ▶ REN plans to **maintain its current nominal dividend** per share (0.171 €/sh)

## 5 Improvement of stock liquidity

- ▶ Capital Increase is expected to expand Free Float and **increase the market liquidity for REN's shares**

1. Precedent transactions include Naturgas, Galp's GGND and Madrileña Red de Gas  
Source: Press releases, corporate presentations and REN



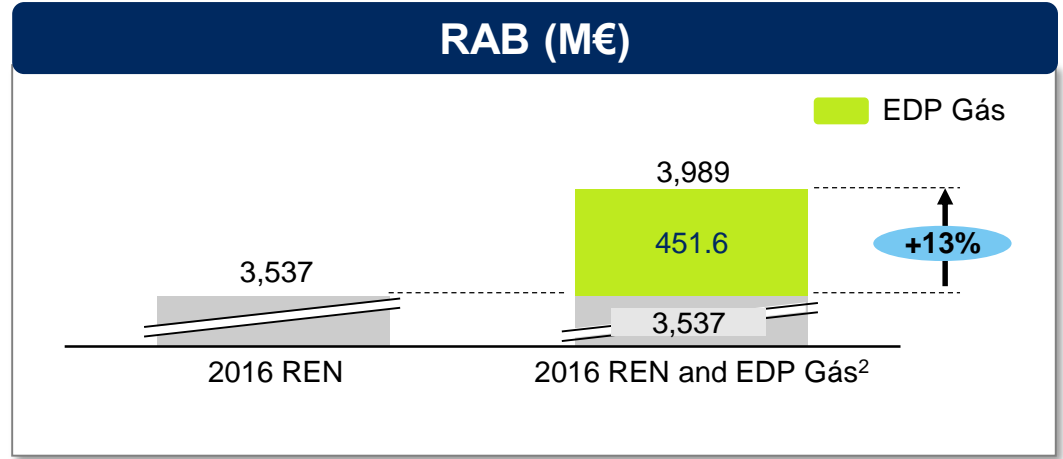
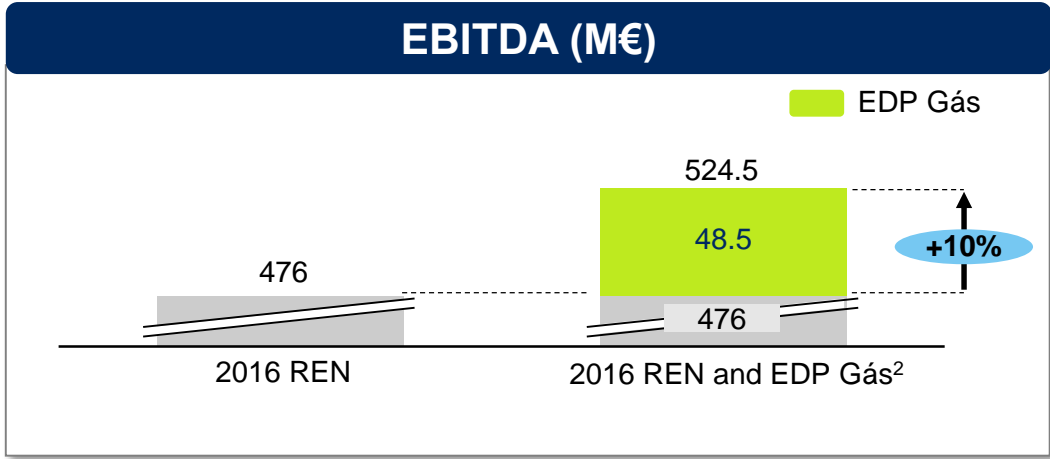
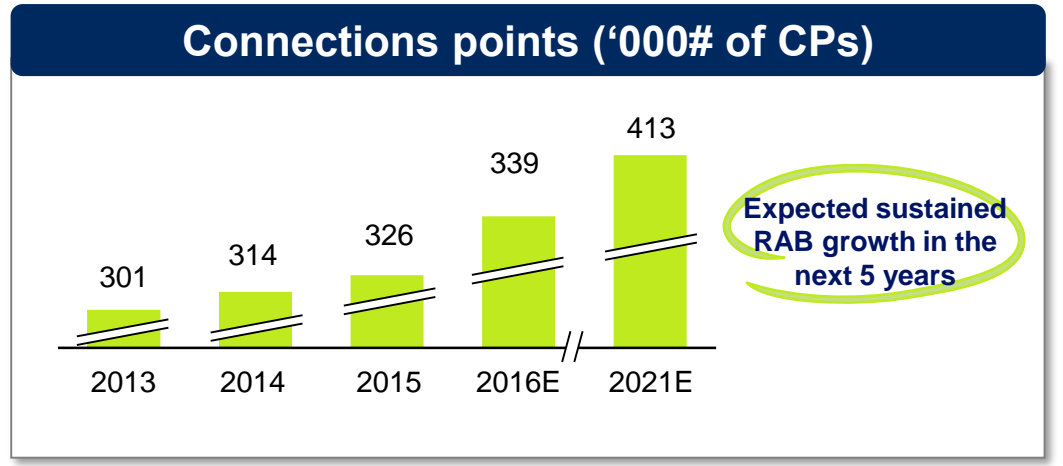
# EDPG has significant growth potential within the gas distribution sector in Portugal, and will add value to REN's existing business



**Growth opportunity will complement REN's stable gas transportation asset base**

### Significant growth potential:

- ▶ 21.7% of total households in Portugal (vs. 20.4% of Lisboa<sup>1</sup>)
- ▶ 26.4% of gas penetration rate (vs. 45.3% of Lisboa<sup>1</sup>)
- ▶ Concession region has colder weather compared to Portugal as whole, favouring higher energy demand

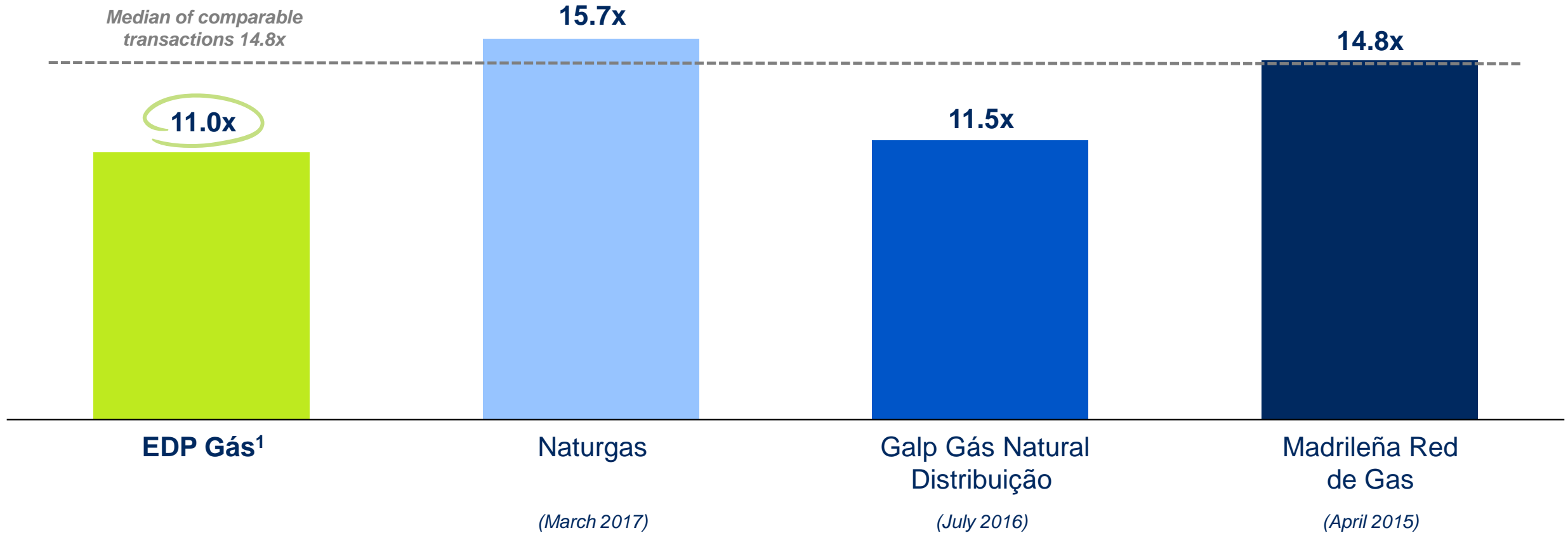


1. Lisbon metropolitan area concession  
 2. The values presented for EDP Gás are REN's estimates (unaudited/not official) specifically for the purpose of the transaction – excludes EDPG SU which is outside the transaction perimeter. The 2016 values of REN and EDP Gás do not include transaction costs or funding costs, do not represent any consolidation of accounts and are for illustration purposes only.  
 Source: EDPG, ERSE, REN, PDIRDGN

3 The transaction multiple is the lowest compared to recent similar market deals



EV / EBITDA multiple



Additionally, the Share Purchase Agreement helps protect REN against post transaction risks

Source: Press releases, corporate presentations and REN  
1. 2016 values

## 4 The funding of the acquisition is secured



Funding source	Key considerations	Timing
<b>Capital Increase</b>	<ul style="list-style-type: none"><li>▶ c. €250M of proceeds</li><li>▶ The funding structure has been approved by the Board of Directors and consists of credit facilities and of a share capital increase</li><li>▶ The share capital increase through a <b>rights issue</b> is to be approved by the Board of Directors following a delegation to be resolved by the General Shareholders Meeting (GSM) on May 11th 2017</li><li>▶ <b>Expected to be fully underwritten</b> by Banco Santander, CaixaBI and J.P. Morgan pursuant to a definitive underwriting agreement and for which a <b>standby underwriting agreement</b>, subject to certain customary market conditions being met, has been executed</li></ul>	<ul style="list-style-type: none"><li>▶ Subject to transaction closing (following pending legal and regulatory authorisations and GSM approval)</li><li>▶ Expected to be before the end of Q3 2017</li></ul>
<b>Debt Issue</b>	<ul style="list-style-type: none"><li>▶ <b>Bridge loan</b> has been negotiated, and is expected, upon signing, to maintain existing liquidity</li><li>▶ REN has c. <b>€1bn of available liquidity</b>, of which c. €0.8bn is available for over 2 years</li><li>▶ <b>New debt to be raised</b></li></ul>	<ul style="list-style-type: none"><li>▶ Shortly after the capital increase</li><li>▶ Expected to be in Q3 or Q4 2017</li></ul>

Funding structure designed to maintain solid investment grade credit metrics

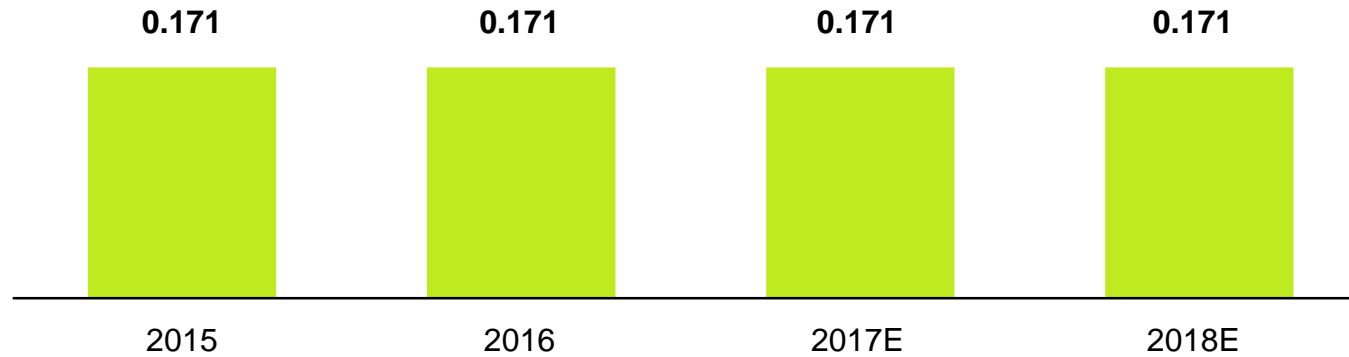


## 4 REN plans to maintain its dividend policy and credit profile



Dividend policy  
as approved in  
the Business  
Plan

Dividends per share (€)



REN plans to maintain the  
nominal dividend per  
share, year on year

Credit rating  
profile

FitchRatings

MOODY'S

STANDARD  
& POOR'S

Current

Investment grade ✓

Investment grade ✓

Investment grade ✓

REN credit metrics post  
transaction are expected  
to remain consistent with  
an Investment Grade  
rating

- ▶ Unique opportunity for natural gas infrastructure integration
- ▶ Aligned with strategic framework, increasing REN's RAB by 13% in a fully regulated sector with a stable regulatory framework
- ▶ Opportunity for long-term synergies, leveraging REN's best-in-class industry expertise and deep knowledge of the domestic gas regulation framework
- ▶ Allows REN to benefit from an asset with significant growth potential within the gas distribution sector in Portugal
- ▶ Contributing to REN's strong financial position through the steady and predictable cash flow generation profile of EDPGD
- ▶ EDP Gás' underlying Enterprise Value of €532M corresponds to a EV/RAB multiple of 1.18x, and a EV/EBITDA multiple of 11.0x, which is lower than similar recent market transactions in the sector
- ▶ The acquisition funding is secured and is expected to ensure the maintenance by REN of its current nominal dividend distribution policy (0.171 €/sh) and investment grade credit metrics
- ▶ EDP Gás' acquisition completion is subject to standard legal and regulatory approvals (expected in the next 2-3 months)

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