

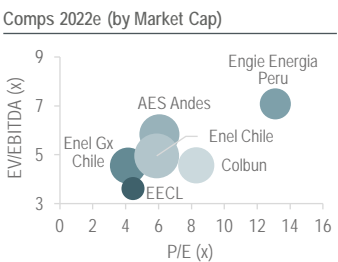
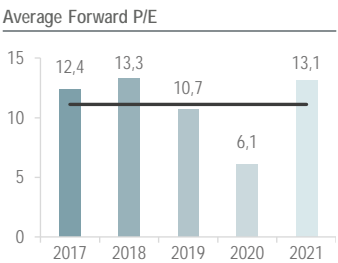
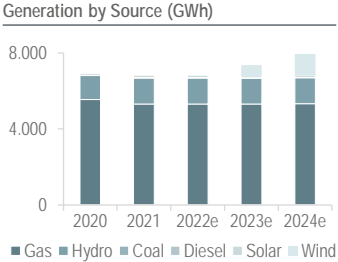
Recommendation	NEUTRAL	Sector	Utilities	Date	17-Mar-2022
Target Price (PEN/Share)	7.50	Close Price (PEN/Share)	6.50	Bloomberg Ticker (Local)	ENGIE1 PE
Target Price (USD/ADR)	n.a.	Close Price (USD/ADR)	n.a.	Bloomberg Ticker (ADR)	n.a.

Valuation Method	%
DCF @ 9.0% nominal WACC	100

Stock Information	
52w High-Low (PEN/Share)	7.67-5.30
Avg. Daily Volume (USD mn)	0.01
Free Float (%)	38%
# Shares (million)	601
ADR Ratio	n.a.
Market Cap (USD mn)	1,045

Management Team (Mar-22)	
Chairman of the Board:	Frank Demaille
CEO:	Hendrik de Buyserie
CFO:	Marcelo Soares
IR:	Adriana Burneo

Ownership Structure (Dec-21)	
Engie	62%
Pension Funds	34%
Others	5%



EXPIRY OF REGULATED CONTRACTS TO EAT INTO MARGINS

Our **NEUTRAL** recommendation is based on the following factors: (i) We foresee some pressure in the medium term as 35% of EEP regulated contracts will begin expiring in 2022, with volumes shifting to the less attractive unregulated segment (prices ~20% lower); (ii) We expect heightened pressure caused by political uncertainty will weight on GDP growth expectations, thus impacting valuations in the sector as depressed prices will remain; (iii) Persistent oversupply suggests growth in renewables is limited; and (iv) Despite the stock's seemingly attractive valuation at 7.1 EV/EBITDA and 13.1 PE, we consider other names we cover more appealing.

Year	2020	2021	2022e	2023e	2024e
Operating Data					
Thermal Capacity (MW)	2,208	2,208	2,073	2,073	2,073
Hydro Capacity (MW)	248	248	248	248	248
Electricity Generation (GWh)	6,472	6,710	6,707	7,248	7,834
Profit & Loss (USD mn)					
Total Revenues	484	532	513	516	490
Var (%)	-9.75	9.94	-3.62	0.61	-5.12
Gross Margin (%)	37.3	30.3	32.2	33.6	31.0
Operating Income	153	142	145	152	130
Op. Margin (%)	31.6	26.8	28.2	29.5	26.6
EBITDA	227	229	223	237	228
Var YoY (%)	-9.38	0.99	-2.96	6.52	-3.85
EBITDA Margin (%)	46.9	43.1	43.4	45.9	46.5
Net Income	87.9	65.2	88.7	89.5	74.5
Var YoY (%)	-9.19	-25.9	36.1	0.96	-16.8
Net Margin (%)	18.2	12.2	17.3	17.4	15.2
Balance Sheet (USD mn)					
Current Assets	313	377	297	270	313
Fixed Assets	1,720	1,739	1,842	1,945	1,900
Total Assets	2,181	2,250	2,273	2,349	2,347
Current Liabilities	169	307	337	337	332
Long Term Liabilities	845	798	798	848	824
Equity	1,167	1,145	1,139	1,164	1,190
Total Liabilities & Equity	2,181	2,250	2,273	2,349	2,347
Free Cash Flow (USD mn)					
EBITDA	227	229	223	237	228
Taxes	-38.6	-53.3	-41.7	-42.1	-35.0
Changes in Working Capital	2.41	-10.4	4.68	-0.26	4.92
Cash Flow from Operations	191	166	185	195	198
CAPEX	-21.6	-104	-190	-190	-41.2
Free Cash Flow to the Firm	169	61.9	-4.18	4.19	157
Interest Expenses	-31.2	-25.0	-25.0	-27.3	-26.2
Free Cash Flow to the Equity	138	36.9	-29.1	-23.1	130
Dividends Paid	-61.1	-62.4	-62.1	-62.7	-52.1
Total Free Cash Flow	77.0	-25.5	-91.2	-85.8	78.3
Debt Amortization	-105	-79.8	-203	-91.0	-20.0
Credit Metrics (x)					
Debt/Equity	0.43	0.47	0.47	0.51	0.47
EBITDA/Interest expenses	7.28	9.19	8.92	8.69	8.71
Debt/EBITDA	2.18	2.35	2.42	2.48	2.47
Net Debt/EBITDA	1.74	1.50	1.87	2.08	1.84
FFO/Debt (%)	38.5	30.8	34.5	33.1	35.1
Valuation					
Close Price (PEN/Share)	7.00	5.86	6.50	6.50	6.50
EPS (PEN)	0.53	0.38	0.50	0.50	0.42
P/E (x)	13.2	15.6	13.1	12.9	15.4
EV/EBITDA (x)	6.87	5.93	7.08	6.97	6.93
P/BV (x)	1.00	0.89	1.02	1.00	0.97
Div. Yield (%)	5.25	6.14	5.35	5.40	4.49
FCF Equity / Mkt Cap (%)	11.9	3.64	-2.51	-1.99	11.2
ROE (%)	7.53	5.69	7.79	7.69	6.25
ROIC (%)	5.36	5.16	5.26	5.33	4.56