

# **TAG acquisition**

## **Financial impacts**

**Conference call**

**June 24, 2019**



# ENGIE STRATEGY IN ACTION

## THE TAG TRANSACTION IS ACCOMPANIED BY A BROAD RANGE OF OTHER KEY DEVELOPMENTS

### Client Solutions

35-year DHC contract in Ottawa (Canada)

European partnership with Fiat-Chrysler for new e-mobility solutions

Inauguration of first mini-grid in Zambia

Full takeover of Cofely BESIX Management (Middle-East)

### Renewables

ENGIE-EDPR MOU to create a leading global offshore wind player

Renewable JV in Mexico with Tokyo Gas

RES recent developments: 0.8 GW solar & wind commissioned and 0.5 GW awarded

### Thermal / Nuclear

Completion of Glow disposal (Thailand)

Signing of disposal of German and Dutch coal assets

Restart of all nuclear units (Tihange 2 shortly)

### Others

ENGIE largest corporate green bond issuer with a new issuance of €1.5bn green bonds

# LEADING POSITIONS IN GAS NETWORKS IN FRANCE

## GROWING INTERNATIONAL PRESENCE

### Global gas networks presence 2018



**EUROPE**  
**€28.7bn**

RAB/CE  
2018<sup>(1)</sup>



**LATAM**  
**€1.3bn**



**OTHER**  
**€0.1bn**

**>€30bn RAB/CE**  
**€2.3bn COI**

**€27.3bn RAB and €2.0bn COI  
for French Networks**

**Worldwide gas grids:  
>250,000 km distribution (with >14m  
customers) and  
>35,000 km transmission**

**Gas networks rankings:  
Europe: #1 distribution and storage,  
#2 transmission and LNG terminals  
World: #3 distribution and #4 storage**

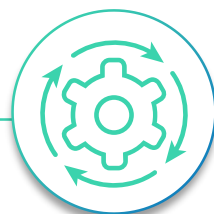
(1) RAB/CE at 01/01/18 @ 100%

# ACQUISITION FULLY ALIGNED WITH ENGIE STRATEGY



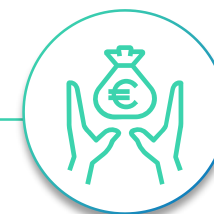
## STRATEGIC

- More **geographic diversification and development** of large scale regulated networks assets
- More exposure to **international networks growth trajectories**
- **Develop** new renewable gas technologies
- **Brazil as priority country:**
  - Long, successful ENGIE track record
  - Increasing operational concentration across business lines
  - Gas growth, complementing renewables



## OPERATIONAL

- **No construction risk:** already in operation
- **ENGIE as industrial partner**, managing the asset after close and O&M after transition
- **Further additional opportunities:**
  - Optimize O&M with internal expertise
  - Broaden local customer portfolio
  - Gas storage

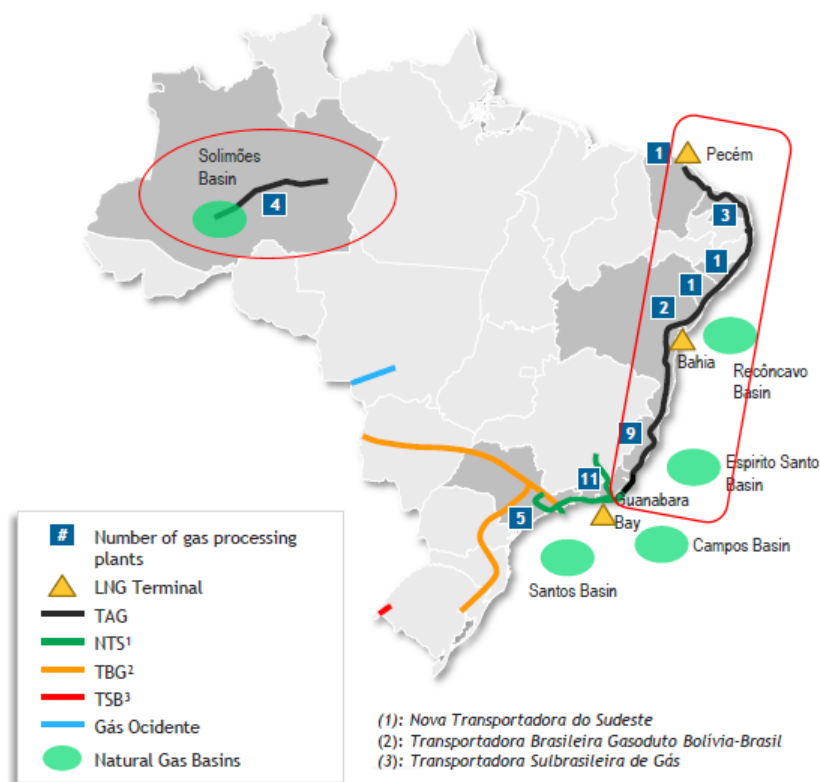


## FINANCIAL

- **Immediate positive earnings contribution**
- **Significant medium-term growth expectations** and high financial returns (net 2020 P/E < 14x)
- **Attractive and stable contracted/regulated profit stream (no exposure to market risk)** with volumes 100% contracted on average for 12 years, regulated thereafter
- **Optimized financing partnership scheme** with CDPQ
- **Largest non-recourse financing in Brazil** (c. \$6bn)

# LARGEST NATURAL GAS TRANSMISSION COMPANY IN BRAZIL

## Geographical characteristics



## Technical characteristics

- **~4,500 km high pressure gas pipelines** on the Northeast coast (3,700 km) and the Amazon Region (800 km)
- **12 compression stations** (6 proprietary and 6 subcontracted)
- Network with **various interconnection points**:
  - 10 gas distributors
  - 91 delivery points
  - Refineries, fertilizer and power production plants supplied
  - 12 gas entry points (incl. 2 LNG terminals)

# ATTRACTIVE CONTRACTUAL FRAMEWORK

TRANSPORT FEES ON MEDIUM-/LONG-TERM GAS TRANSPORTATION AGREEMENTS (GTAs) WITH TAKE-OR-PAY CLAUSES

**Current existing contracts  
with average residual duration of c. 12 years**

| Pipelines              | Length [km]   | Agreement maturity | Termination of authorization | Contracted volumes [MMm <sup>3</sup> /day] |
|------------------------|---------------|--------------------|------------------------------|--|
| Gasene                 | ~1,400        | Nov. 2033          | Mar. 2039                    | 30.3                                       |
| Malha NE               | ~2,000        | Dec. 2025          | Mar. 2039                    | 21.6                                       |
| Pilar-Ipojuca          | ~200          | Nov. 2031          | Nov. 2041                    | 15.0                                       |
| Urucu-Coari-<br>Manaus | ~800          | Nov. 2030          | Nov. 2040                    | 6.3  |
| Lagoa Parda<br>Vitoria | ~100          | Signature pending  | Mar. 2039                    | 0.7  |
| <b>Total</b>           | <b>~4,500</b> |                    |                              | <b>~74</b>                                 |

- **After expiration of the current contracts: tariff will be restated by the ANP<sup>(1)</sup>, what will lead to a maximum allowed revenue**
- **Start of a 5-year tariff review cycle**
- **Public offer of the transmission capacities**
- **Potential contracts portfolio expansion:**
  - Transmission network extension
  - Additional connections (thermal power plants, re-gasification terminals, distributor intakes, ...)
  - Development of gas storage

(1) ANP = Agência Nacional do Petróleo i.e. Brazilian national oil agency

# POTENTIAL TO OPTIMIZE CURRENT O&M COSTS



## O&M ACTIVITIES

Currently, O&M is 100% contracted with Transpetro (fully owned by Petrobras)

### ENGIE to take full O&M scope:

- Dispatching
- Maintenance
- Operations

### Maintenance Capex (p.a.):

- BRL 100-300M for 2020-22
- BRL 40-70M afterwards



## STAFF

Total targeted workforce:  
300-350 people

Staffing strategy  
(still under assessment):

- ENGIE staff, based on Networks and/or Client Solutions affiliates
- Existing staff
- Others



## OPTIMIZATIONS/UPSIDES

### Technical:

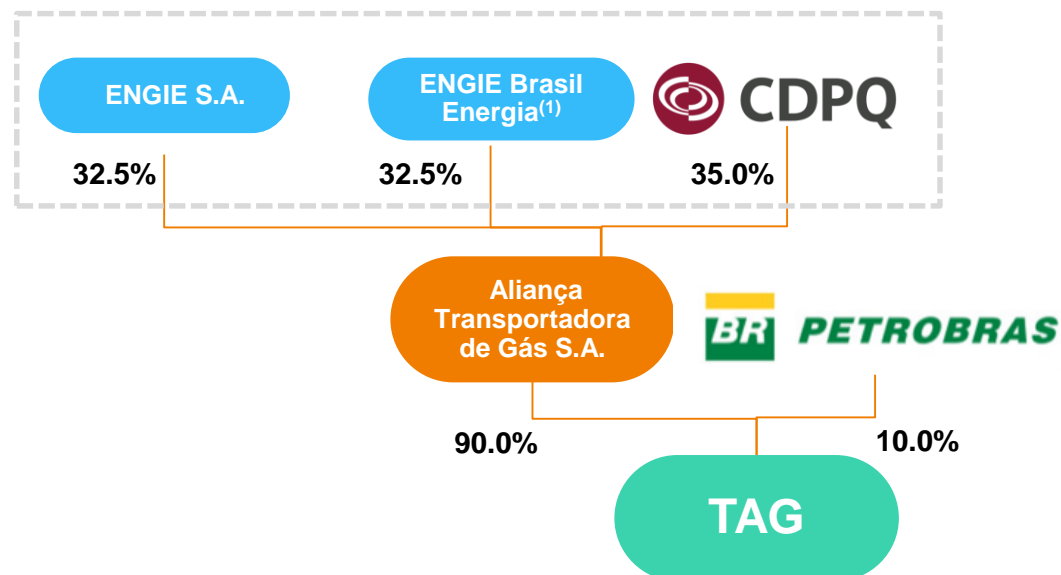
- Processes reengineering
- Tech. expertise/best practices from GRTgaz/Engie Mexico
- Innovations: drones, virtual reality

### Commercial:

- Potential gas storage developments
- Potential expansion: new city gates, connection regasification terminals
- Expanding O&M activities to other infrastructures owners

# OPTIMIZED FINANCING STRUCTURE

## Consortium



## Transaction capital structure

|  |                                   |       |
|--|-----------------------------------|-------|
| <b>Consideration paid for 90% of TAG shares</b>                          | <b>€7.7bn</b><br><b>(\$8.6bn)</b> |       |
| of which long-term and non-recourse Debt in local and foreign currencies | €5.3bn                            | ~70%  |
| of which Equity incl. bank fees  | €2.4bn                            | ~30%  |
| <b>Total Equity for the consortium members</b>                           | <b>€2.4bn</b>                     |       |
| of which ENGIE SA  | €0.8bn                            | 32.5% |
| of which ENGIE Brasil Energia  | €0.8bn                            | 32.5% |

**Net debt impact of €1.6bn for ENGIE**

(1) Shareholding of ENGIE Brasil Energia (EBE): 68.7% ENGIE and 31.3% Minority shareholders



# TRANSACTION IMMEDIATELY ACCRETIVE

## P&L CONTRIBUTION AT ENGIE LEVEL

- TAG accounted for as an **associate (equity method)**
- **COI level: positive contribution of 58.5% of TAG's net income<sup>(1)</sup>**
  - 29.25% from the equity stake owned by ENGIE SA
  - 29.25% from the equity stake owned by EBE (EBE is owned at 68.7% by ENGIE and fully consolidated)
- **Minority interests:** 9.2% of TAG's net income will be deducted in minorities, corresponding to EBEs interests not attributable to ENGIE SA
- **Net recurring income, Group share: 49.3% of TAG net income<sup>(1)</sup>**

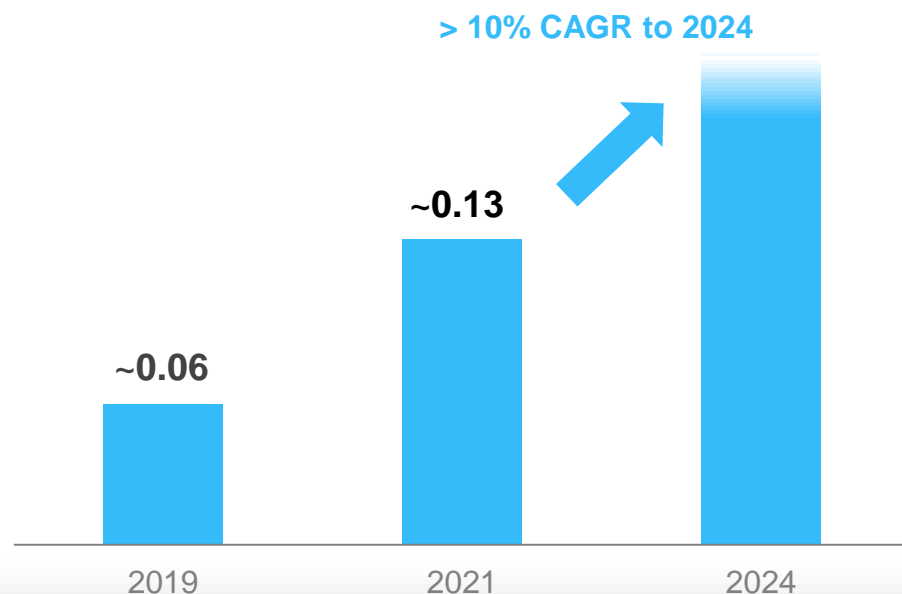
## Earnings accretion by 2021<sup>(2)</sup>, in €bn

|                              | ENGIE S.A. | ENGIE Brasil Energia | ENGIE consolidated |
|------------------------------|------------|----------------------|--------------------|
| COI <sup>(3)</sup>           | ~0.07      | ~0.07                | ~0.13              |
| NRIGs                        | ~0.07      | ~0.03                | ~0.1               |
| Dividend payout at TAG level |            | ~65%                 |                    |

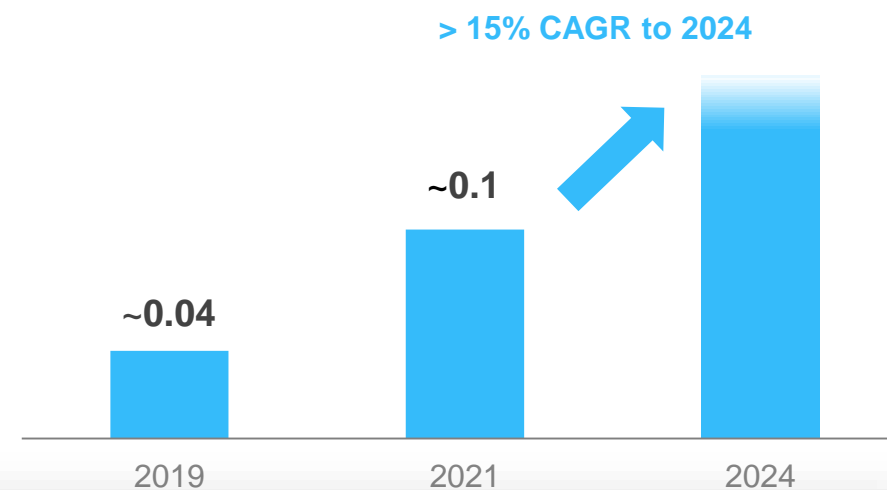
(1) after preliminary PPA allocation and acquisition related interest expenses  
 (2) calibrated to the current level of ownership and a FX assumption of 4.32 €/BRL  
 (3) incl. share in net income of associates

# SIGNIFICANT MEDIUM-TERM GROWTH EXPECTATIONS <sup>(1)</sup>

**TAG's contribution for ENGIE  
at Current Operating Income<sup>(2)</sup> level, in €bn**



**TAG's contribution for ENGIE  
at net recurring income Group share level, in €bn**



**Material investment beyond the scope of previously announced CapEx plan, generating incremental profits  
ROCE starting in the low double-digits, anticipated to grow into the teens**

(1) after preliminary PPA allocation and acquisition related interest expenses, calibrated to the current level of ownership and a FX assumption of 4.32 €/BRL  
(2) incl. share in net income of associates

# DISCLAIMER

## Forward-Looking statements

This communication contains forward-looking information and statements. These statements include financial projections, synergies, cost-savings and estimates, statements regarding plans, objectives, savings, expectations and benefits from the transactions and expectations with respect to future operations, products and services, and statements regarding future performance. Although the management of ENGIE believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of ENGIE securities are cautioned that forward-looking information and statements are not guarantees of future performances and are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of ENGIE, that could cause actual results, developments, synergies, savings and benefits to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public filings made by ENGIE with the *Autorité des Marchés Financiers* (AMF), including those listed under “*facteurs de risque*” (risk factors) section in the *Document de Référence* filed by ENGIE (ex GDF SUEZ) with the AMF on March 20, 2019 (under no: D.19-0177). Investors and holders of ENGIE securities should consider that the occurrence of some or all of these risks may have a material adverse effect on ENGIE.

# FOR MORE INFORMATION ABOUT ENGIE

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