



STRICTLY CONFIDENTIAL

Perfin Apollo Energia

R\$ 1.45bn / US\$ 358mm FIP-IE Listing

Case Study
January, 2020

For additional information, please read carefully the notice at the end of this presentation.



SECTION 1

Transaction Overview

FIP Apollo Energia

Lead Coordinator in the Listing of the Largest Energy Fund (FIP-IE) in Brazil to Date (R\$ 1.45bn/US\$ 358mm)

BTG Pactual advised Perfin Asset Management (“Perfin”) in the structuring and listing of a R\$ 1.45 billion infrastructure-focused investment fund (FIP-IE), in the largest ever transaction of the kind in Brazilian capital markets. The new FIP-IE was priced at an estimated return of 5.75% (BRL, real terms), at a moment of all-time low interest rates in Brazil, and reached a total oversubscription of 2.8x

Summary

- On December 19th, 2019, Perfin concluded the bookbuilding process of the listing of FIP-IE Apollo Energia, an infrastructure-focused investment fund that enjoys tax exemptions for private individuals. The listing raised funds for the FIP-IE to acquire the minority stakes previously held by other funds managed by Perfin in 6 transmission assets. The public offering reached R\$ 1.0bn, while some quota holders of the old Perfin funds paid another R\$ 450mm for a stake with their old quotas at the same valuation of the offering
- The offering had an initial valuation range that reflected an estimated return interval for investors from IPCA + 5.75% to IPCA + 6.25% (IRR DDM, net of management and transaction fees), following estimates provided by an independent valuator (PwC). In the end, the book was priced at IPCA + 5.75%, at returns slightly below listed transmission firms in Brazil and a low spread to infrastructure debentures with similar durations
- As Lead Coordinator, BTG Pactual’s key tasks included:
 - General structure the FIP-IE, assisting with the development of the fund’s bylaws and governance structure and providing fund administration services
 - Preparation of all financial analysis needed and marketing materials
 - Recommend different strategies regarding the marketing of the transaction
 - Conduct several local roadshows with the largest institutional and also individual investors in Brazil to explain the transaction merits and rationale

Perfin

- Perfin, the FIP’s manager/general partner, is an independent asset management firm with an experienced team, successful track-record, a long history of investments in the power sector and more than R\$ 13.5bn of resources under management. Perfin first entered the transmission segment by bidding together with Alupar in the greenfield auctions of 2016-2017, which were characterized by high return rates. This transaction marked the exit of the quota holders of Perfin’s original investments, with a ~16.5x cash-on-cash return for the original fund Apollo 11 (in ~3 years), ~4.9x for Apollo 12 (~2 years) and ~1.4x for Apollo 15 (~9 months)

The Assets

- Apollo Energia a closed-end fund initially composed of six transmission concessions, which together amount to R\$ 774 million annual revenues (RAP for the 2019/2020 cycle) and are 2,123 km long and 83% of the RAP will be operational by 2H2020. The assets are controlled and operated by Alupar, the largest private transmission player in Brazil, with excellent knowhow in construction, above-average operating indicators and solid financial position



BTG Pactual acted as the **Lead Coordinator** in the structuring and listing of a FIP-IE holding minority stakes in 6 power transmission assets

R\$ 1.45 billion / US\$ 358 million⁽¹⁾



December, 2019

Transaction Overview

R\$ 1.45bn / US\$ 358mm Structuring and Listing of a FIP-IE Comprised of 6 Power Transmission Assets

On December 19th, 2019, Perfin Apollo Energia Fundo de Investimentos em Participações em Infraestrutura (“FIP Apollo Energia”) concluded the bookbuilding process of its R\$1.455mm offering in the B3 exchange

Offering Summary

Issuer Ticker	Perfin Apollo Energia Fundo de Investimentos em Participações em Infraestrutura / PFIN11
Offering Structure	Unique series, in the terms of CVM Instruction 400
Offering Size	Indicative value of the transaction: R\$1,455 million - Primary Offering: R\$ 153 million - Secondary Offering: R\$ 852 million - Pay-in of old Apollo quota holders in the FIP-IE: R\$ 450 million
Offer Price	R\$ 104.76 per Quota
Post-Money Market Capitalization	R\$1,455mm / US\$358mm ⁽¹⁾ - Offering represented 69.0% of Market Cap.
Selling Shareholder	Perfin Apollo 11 FIP-IE; Perfin Apollo Eleven FIP-IE; Perfin Apollo 12 FIP-IE; Perfin Apollo Twelve FIP-IE; CSHG Perfin Apollo 15 FIP-IE (older funds managed by Perfin)
Use of Proceeds	Primary: conclusion of the investment plan and costs of the Offering Secondary: monetization of the participation of the quota holders of the original assets
Pricing Date	December 19 th , 2019

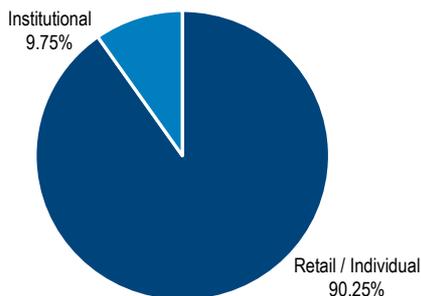
Lead Coordinator



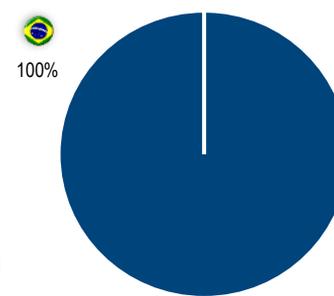
Note: (1) USD = 4.07 BRL as of 19th, December 2019

Institutional Allocation Breakdown

Breakdown by Investor Type



Breakdown by Region



Offering Highlights

- BTG Pactual acted as the Lead Coordinator of the Offering
- Largest ever listing of quotas of a FIP-IE (infrastructure-focused investment fund with tax exemption for private individuals) in Brazil
- Portfolio comprised of 6 transmission assets, 5 of which still in construction phase, but with fully equalized capital structure. Predictability of the segment makes it a bond-proxy, which helped the issuer obtain very favorable returns
- BTG Pactual was able to successfully price the listing despite the fact the Offering was a pioneer in the segment, with such returns and asset profiles, and required a heavy investor education and roadshow effort over a period of 6 weeks
- Offering reached a 2.76x oversubscription, with BTG responsible for ~25% of the demand and the highest number of individuals (2,034 out of a total of 4,073). Overall, 9.8% of the offering was subscribed by institutional investors and 90.2% by individuals (including Perfin's team)
- Offer Constitution: (i) Close-end fund, with undetermined duration; (ii) There will be no quota rescues, only in the occasion of liquidation of the FIP-IE; and (iii) Governed by the Regulation available in the Law nº 11,478/07 and in the CVM 578 Instruction
- The Fund is exclusively destined to qualified investors, who fall within the concept established by the article 9th-B of the CVM 539 Instruction

Transaction Overview

Summary of Offering

1

Return Estimates to the New Investor

Flows consider the participations to be held by the new FIP-IE, including adjustments in the exercise of the call options of Alupar and management and administration fees (total of 0.6% per year)

2

Value of the Actual Portfolio

Valuation based on a DDM (*Dividend Discount Model*), providing investors an estimated return of inflation + 5.75% (BRL)

Flow based on dividend estimates for each of the six assets of the fund, elaborated by independent evaluator (PwC), and net of SG&A and calculated management, administration and transaction fees

3

Secondary Offer

Total value of the portfolio of the old funds currently managed by Perfin

Quota holders of the funds had the option to keep their participations in the new vehicle → amount offered subtracts the amount maintained by the remaining quota holders

4

Primary Offer

Transaction cost estimates of the Offering, as described in the prospectus

Final contributions of equity in the projects + working capital needs and payment of structure fees for the first year

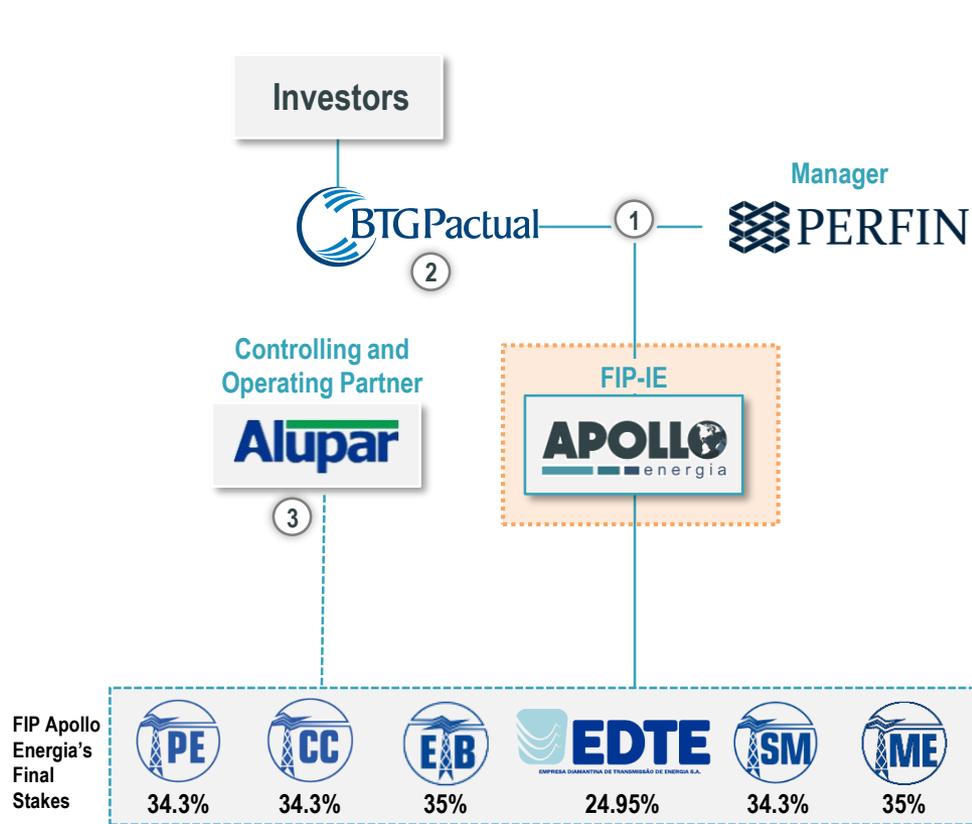
Perfin will keep a **minimum participation of 3%** of the fund, guaranteeing alignment of interests between manager and investors.
Roughly **1/3 of the NAV will be maintained** by the original quota holders of Perfin's original funds, Apollo 11, 12 and 15

Transaction Overview

Transaction Perimeter

Perfin is creating a new infrastructure-focused investment fund (FIP-IE) to acquire the minority stakes that its old funds (Apollo 11, 12 and 15) held in 6 transmission assets

Final Transaction Structure (After Call-Option Adjustments, if Applicable)⁽¹⁾



- 1 Perfin's new FIP-IE will acquire the shares of the 6 SPVs at a pre-determined valuation range, based on estimates by an independent evaluator (PwC)
- 2 BTG Pactual and the bank syndicate marketed and distributed the quotas in Capital Markets, raising the proceeds for the acquisition of the transmission assets
- 3 The new FIP-IE will remain a minority shareholder of the SPVs, with Alupar as the controlling and operating partner of each of the assets

Appealing for both Issuer and Investor

- **Permanent access to capital markets**, allowing for further investments (including primary growth) and exits
- **Tax exemption for individuals**, allowing for more favorable returns
- **Yield play** leading to a greater appeal at a moment of low interest rates
- Predictable and solid cash generation nature lead to analysis stemming from **cost of debt references** (especially as individuals migrate from low-return fixed income instruments) rather than cost of equity references

Transaction Overview

Overview of Perfin's Roadshow

Perfin carried out a one team, 6-week roadshow throughout Brazil, having discussions with over 30 institutional accounts and hundreds of individual investors

Roadshow Summary

- 16 days of roadshow meetings⁽¹⁾ over six weeks
- 6 cities visited in Brazil: São Paulo, Rio de Janeiro, Porto Alegre, Belo Horizonte, Curitiba and Recife

Management Roadshow Team

- Ralph Gustavo Rosenberg (Founding Partner, CIO)
- José Roberto E. de Moraes Filho (Founding Partner, Co-Investments)
- Felipe Ferreira (Partner, Co-Investments)
- Carolina Rocha (Partner, COO & IR)

Summary Investor Feedback

Merits

- Investors appreciated the fact that Perfin would not charge performance fees and that the new FIP-IE had clear guidelines and hurdle rates for the acquisition of new assets
- Being a new asset class, investors appreciated the time for analysis between launch and the end of bookbuilding
- Assets of extremely high quality, supported by Alupar's track-record, the advanced stages of development and other de-risking features

Considerations

- Many investors were not familiar with the structure, which demanded an additional effort of education
- Some institutional investors were unable to participate in the offering given that their mandate precluded them from investing in FIPs
- Questionings about liquidity in secondary market, as this is a new product

Roadshow Schedule

	Monday	Tuesday	Wednesday	Thursday	Friday		Monday	Tuesday	Wednesday	Thursday	Friday
November	18	19	20	21	22	December	2	3	4	5	6
	São Paulo	São Paulo		Rio de Janeiro			Curitiba	São Paulo		São Paulo	
	21	22	23	24	25		7	8	9	10	11
		São Paulo			São Paulo					Recife	São Paulo
	26	27	28	29		12	13	14	15	16	
	São Paulo	Porto Alegre		Belo Horizonte São Paulo		São Paulo				São Paulo	



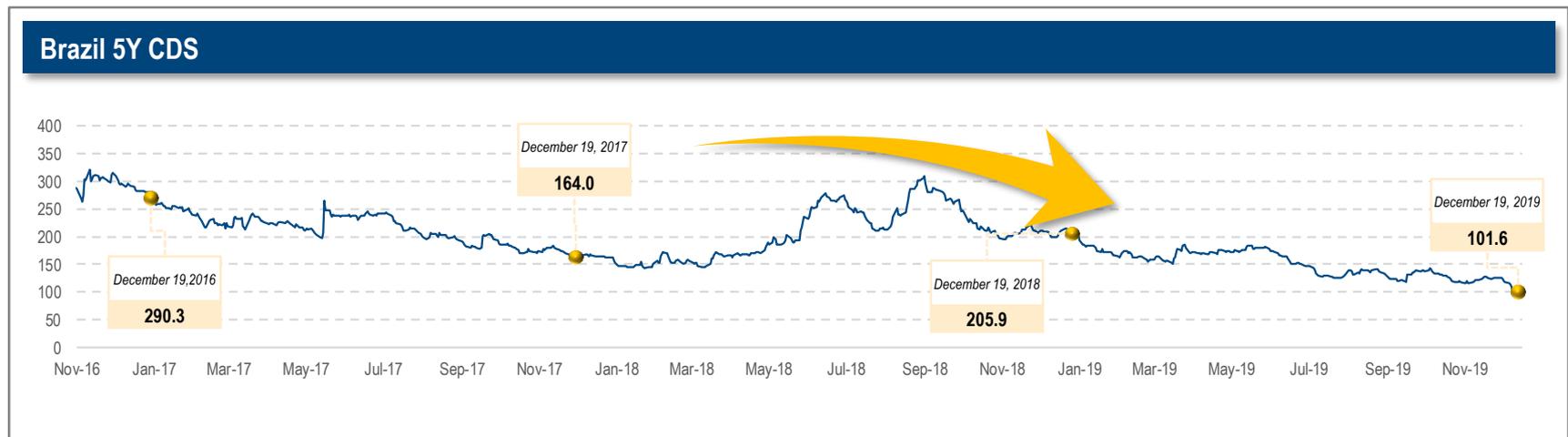
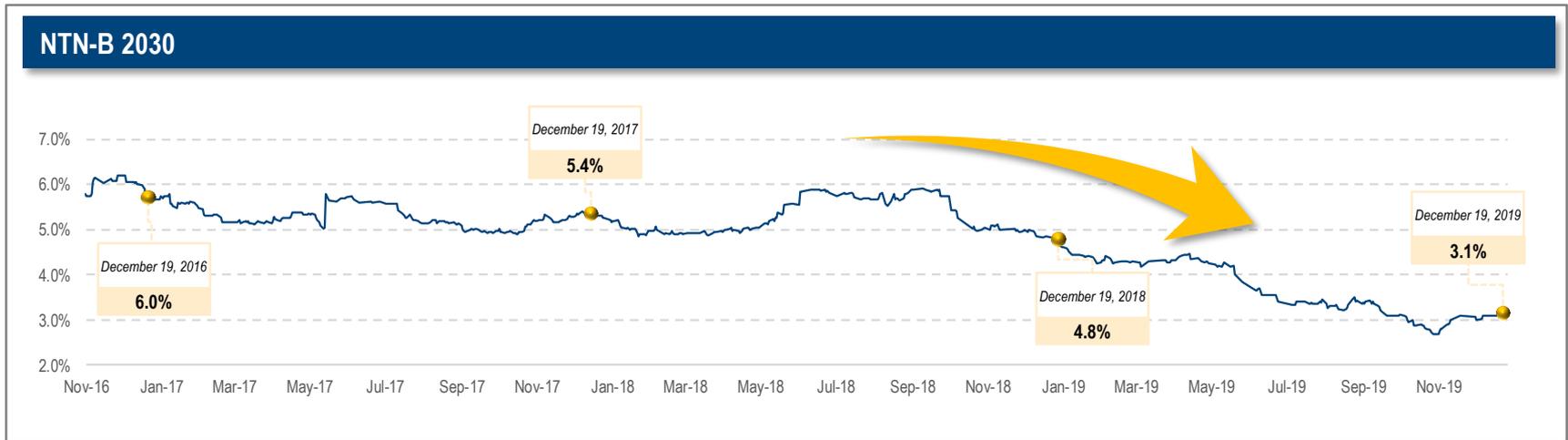
SECTION 2

Transaction Structure & Considerations

Transaction Structure & Considerations

All-Time Low Brazilian Cost of Capital

The Transaction provided investors with an estimated return of $IPCA + 5.75\%$, at a moment in which Brazilian cost of capital is at an all-time low. This resulted in an oversubscription reaching 2.76x the size of the offering book



Transaction Structure & Considerations

Structure Considerations for the Investor

The FIP-IE lies between fixed income investments and stocks in terms of risks and expected returns, while enjoying a relevant income tax exemption

Comparison of Investment Alternatives				
	FIP-IE	Infrastructure Debentures	FII (REITs)	Stocks
Remuneration Profile	Variable	Fixed	Variable	Variable
Type of Investment	Income	Income	Income	Capital gains + income
Fiscal Considerations	Tax-exempt ⁽¹⁾ on all proceeds and capital gains	Tax-exempt ⁽¹⁾ on all proceeds and capital gains	Tax-exempt only on income	Tax exempt only on dividends
Risk Assessment	Infrastructure assets, with stable and predictable revenue streams in the long run Dividend Risk	Infrastructure assets, with stable and predictable revenue streams in the long run Credit risk	Rent contracts allow for revenue predictability during their terms Vacancy and delinquency risks	Greater volatility and high exposure to macroeconomic variations Gain opportunities in the short, médium and long terms
Final Risk Classification				

Transaction Structure & Considerations

Investment Thesis of the FIP-IE

Defensive profile, long-term flows and income tax exemption for individuals

1

Transmission Assets

High Predictability
Long-term Profile
High Dividend Payouts

- **Revenue predictability**
 - Flow with defined annual revenue (RAP) and indexed to inflation
- **Solid cash generation**
 - High margins
 - Low maintenance CapEx
- **Long-term concession contracts**
 - Remaining average life >26 years
 - *Duration* of 9.4 years
- **Transfer of 100% of the dividends after expenses**
- Fund initially constituted of 6 transmission assets⁽²⁾
 - **1 operational** and **5 pre-operational** with conclusion in the **short-term**
 - Possibility of future investments in generation of renewable energy ⁽³⁾

2

Tax Benefit

Income Tax Exemption for Individuals

- **Income tax exemption** for natural people investors of the FIP-IE in
 - Proceeds - dividends and any other cash receipt
 - Sale of quotas (capital gains)
- **Requirements**
 - Fund must have at least 5 quota holders
 - No quota holder can own more than 40% of the quotas

3

Managerial and Operational Excellence

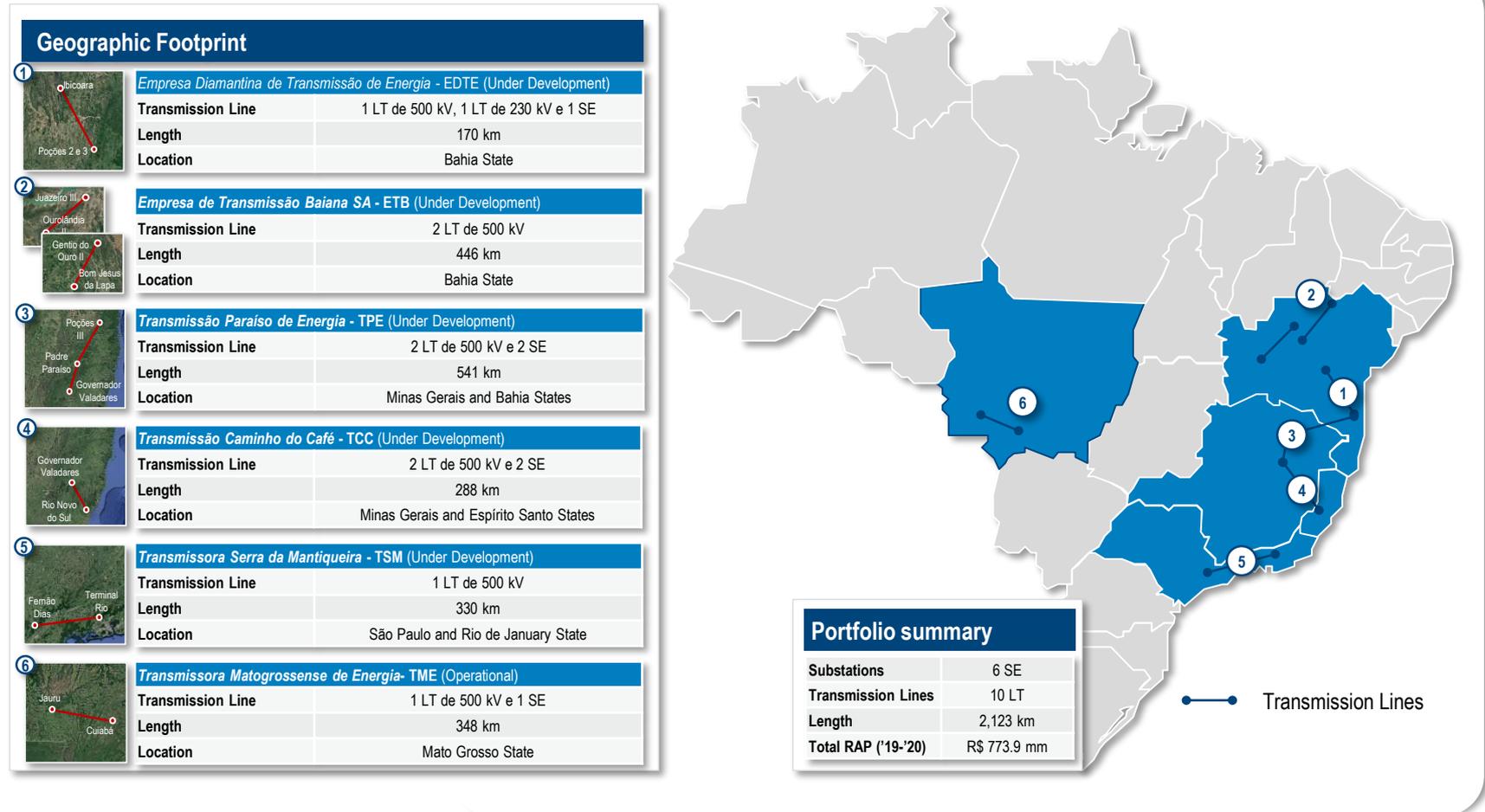
Assets with Active Management by Perfin and Operations Led by Alupar

- **Perfin:** governance and alignment with the investors
 - Action in the **decision-making** of the FIP-IE's assets
 - **Seat on the board** of each SPE
 - **Vote and veto rights** in sensitive decisions
 - **Joint action** with Alupar in auctions via consortium **since 2016**
 - **Manager and partners** will keep **at least 3% of participation** in the FIP-IE for all the fund's existence
- **Alupar:** excellence in operation
 - Excellence in operation in transmission assets
 - **Extensive track-record** in the construction of greenfield assets, with more than 20 years of experience

Transaction Structure & Considerations

Assets' Overview

The FIP-IE's assets are spread through six Brazilian states and amount to over 2,000 km of lines



Transaction Structure & Considerations

Governance Structure

The FIP-IE will comply with the best governance practices required by the market, with the New FIP-IE maintaining the rights already established in the shareholders' agreements for each SPV

Overview

- **Shareholders' Agreement and Rights**
 - Shareholders agreements between Alupar and holdings will be maintained
 - Veto and tag-along rights (including in case of sale by Alupar)
 - Seat on the board of directors for each SPE
- **Poison Pill**
 - Any shareholder that directly or indirectly reaches 25% or more of the issued quotas must make a public offering to acquire all FIP-IE's quotas
- **Acquisition of assets by FIP-IE**
 - Only operational assets, respecting the minimal limit of 70% of the Fund's Shareholders' Equity allocated in transmission assets
- **Minimal Return Required for New Projects**
 - i. Transmission lines: NTN-B reference + 2.75%
 - ii. Centralized wind and / or solar power generation: NTN-B reference + 3.50%
 - iii. Distributed Solar Power Generation: NTN-B reference + 4.00%
- **Joint Efforts of Manager (Perfin) and Administrator (BTG Pactual)**

Fund Management and Administration

Fund Management



Management of FIP-IE's Portfolio

- i. Manage and monitor portfolio assets
- ii. Negotiate service contracts
- iii. Prepare operational, results, and investment reports
- iv. Enter into shareholder agreements, sales and purchase agreements, offer registrations, etc.
- v. Diligence on administrative and governance activities (votes and vetoes)



Fund Administration



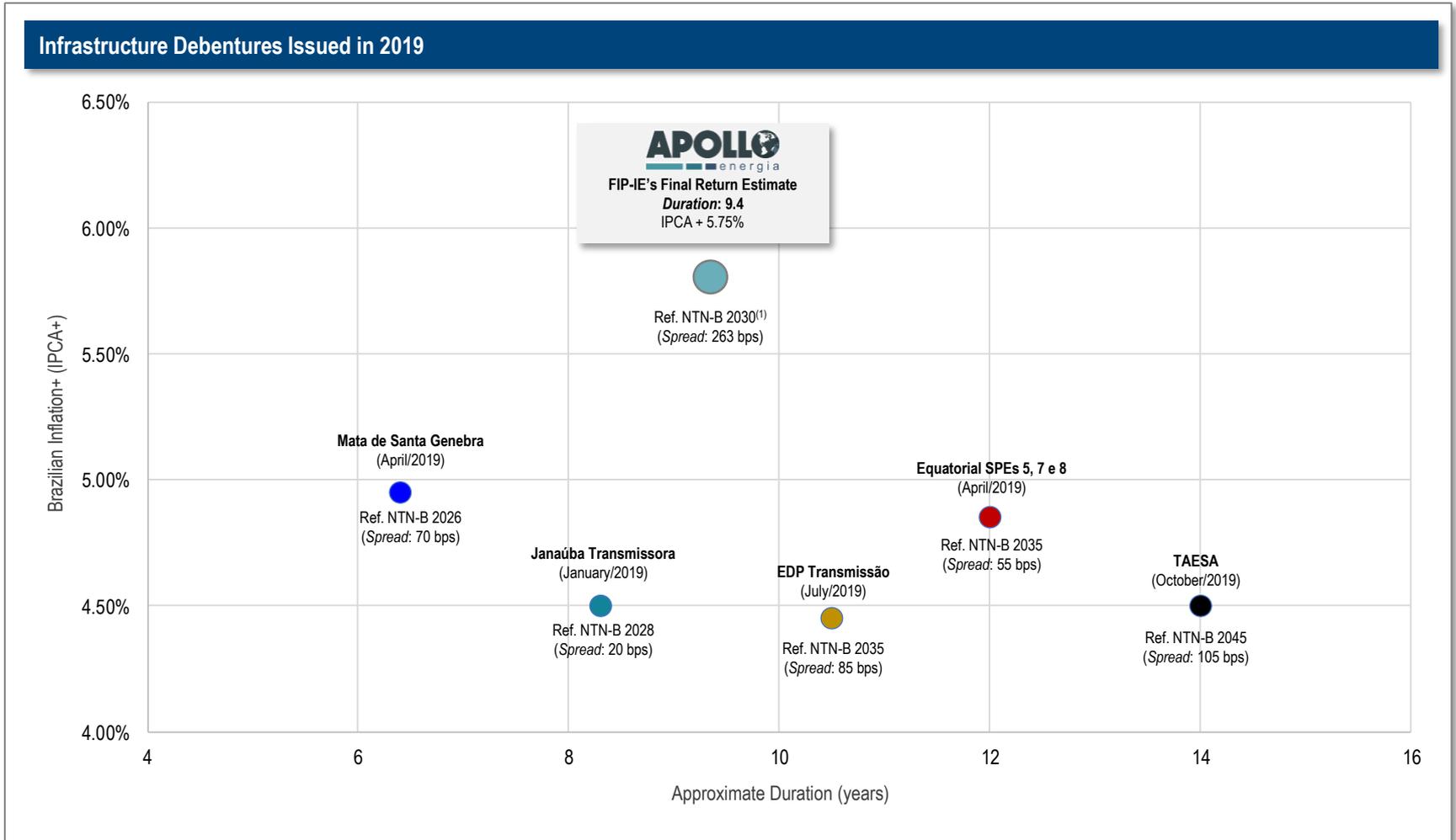
Operation and maintenance of FIP-IE, in addition to providing information to CVM

- i. Registration and transfer of quotas
- ii. Disclosure of reports to shareholders
- iii. Reports and payments to CVM
- iv. Financial Statement Reports
- v. Dividend and amortization receipt control

Transaction Structure & Considerations

Comparative Return Analysis

The FIP-IE was brought to market at a return range considerably more favorable to investors than debentures of the transmission segment with similar durations



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