

# Econsult



**Project Elqui – Executive Summary**  
**Final Report Independent Valuator**  
**Enel Chile S.A.**  
**November 3, 2017**



## Executive Summary (1/2)

### Transaction Background

- On July 3, 2017, the Board of Directors (“BoD”) of Enel Chile S.A. (the “Company”, “Enel Chile” or “ECH”) sent a letter to Enel S.p.A. (“Enel”) proposing a restructuring plan (the “Transaction”) that considers:
  - i. A public tender offer over Enel Generación Chile S.A. (“EGC” or “Enel Generación”) for up to 100% of its shares (the “Tender Offer”). The Tender Offer will be equivalent to a mixed offer payable with cash and shares of Enel Chile(1) and would be subject to reaching at least 75% of the total shares of Enel Generación
  - ii. A merger between Enel Chile and Enel Green Power Latin America S.A.<sup>(2)</sup> (“EGPL” or “EGP Latin America”) (the “Merger”)
- On August 25, 2017, Enel sent its response to Enel Chile’s Board of Directors indicating that:
  - i. The Transaction seems aligned with strategic interests of Enel and provided a preliminary favorable opinion, subject to further analysis
  - ii. The acceptance of the Transaction will be subject to certain minimum conditions
- On the same day, the Enel Chile’s Board of Directors approved to initiate the works and analysis for the implementation of the Transaction under the related party transaction regulations (in Spanish *procedimiento de operación entre partes relacionadas*) established in the Chilean Corporation’s Law

### Summary of Enel’s Conditions

#### Minimum Conditions for Acceptance of the Transaction

1. Transaction has to be executed at market terms, recognizing the growth potential of renewable energies in Chile
2. Transaction has to be EPS accretive for Enel Chile’s shareholders
3. Enel must retain a share ownership similar to the current one in Enel Chile after the completion of the Transaction, without losing, at any time, its condition of controlling shareholder and within the ownership concentration limit of 65% established in the Company’s bylaws
4. Enel Generación should remove from its bylaws the ownership restrictions established in the Title XII of DL 3,500 of 1980

### Request from the Board of Directors’ Committee of Enel Chile

- The Company hired Econsult to act as independent valuator according to the article 147 of the Chilean Corporations Law (Ley n° 18.046 de *Sociedades Anónimas*) to support Board of Directors’ Committee of ECH on the analysis of the Transaction
- In accordance with this role, Econsult was requested to prepare a report (the “Report”) that should contain, among others, the following:
  - i. A description of the main terms and conditions of the Transaction
  - ii. Analysis of the strategic rationale and potential impacts on value of the Transaction, in order to determine if it contributes to the corporate interest of the Company
  - iii. Valuation of Enel Chile, Enel Generación and EGP Latin America in the context of the Transaction
  - iv. Assessment on the exchange ratio for the Merger
  - v. Assessment on the terms and conditions for the Tender Offer considering that:
    - a) It contributes to the corporate interest of ECH
    - b) It is in line with minimum conditions set by Enel in the letter sent on August 25, 2017

(1) On October 26, 2017 it was published a Material Fact (“Hecho Esencial”), informing that ECH’s Board resolved that the Tender Offer will be payable exclusively in cash, but that the offer will contemplate among its terms and conditions, that a portion of proceeds received by each EGC shareholder must be used to subscribe shares of Enel Chile to be issued in connection with a capital increase.

(2) EGPL changed from a *Limitada* company to a *Sociedad Anónima* with a total of 827,205,371 shares.

## Valuation Summary

Econsult has conducted a sum-of-the-parts valuation of each of the companies involved in the Transaction. In order to estimate the value of each one, the discounted cash flow (“DCF”) methodology was considered as the most appropriate valuation tool for the definition of the Transaction terms. In order to have additional value references, we have also considered other four valuation methodologies.

### 1 Tender Offer Price and Exchange Ratio

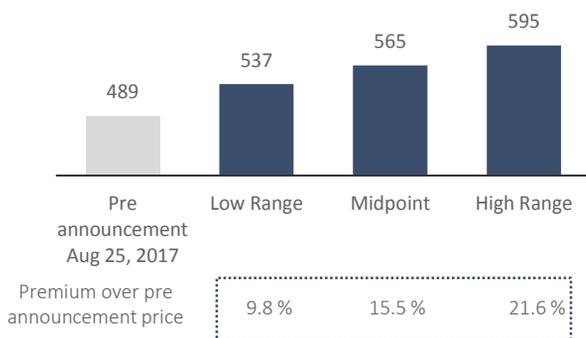
Valuation scenarios	ECH		EGC			Exchange Ratio (EGC/ECH)		
	Equity Value (US\$ m)	Share Price (CLP) <sup>(1)</sup>	Equity Value (US\$ m)	Share Price (CLP) <sup>(1)</sup>	Premium over pre announcement price <sup>(2)</sup>	Holding Discount 7.5%	Base Case Holding Discount 10.0%	Holding Discount 12.5%
Low range	5,892	\$79	6,674	<b>\$537</b>	9.8%	<b>6.60x</b>	6.78x	6.97x
Midpoint	6,148	\$83	7,015	\$565	15.5%	6.64x	6.83x	7.02x
High range	6,428	\$86	7,390	<b>\$595</b>	21.6%	6.70x	6.88x	<b>7.08x</b>

### 2 Merger Exchange Ratio

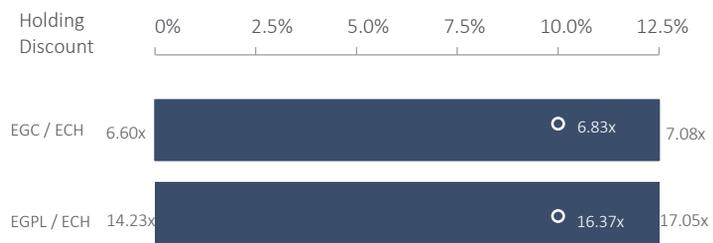
Valuation scenarios	EGPL		Exchange Ratio (EGPL / ECH)								
	Equity Value (US\$ m)	Share Price (CLP) <sup>(1)</sup>	Holding Discount 7.5%			Base Case Holding Discount 10%			Holding Discount 12.5%		
			ECH Low Range	ECH Midpoint	ECH High Range	ECH Low Range	ECH Midpoint	ECH High Range	ECH Low Range	ECH Midpoint	ECH High Range
Low range	1,584	\$1,264	15.53x	14.88x	<b>14.23x</b>	15.96x	15.30x	14.63x	16.42x	15.73x	15.05x
Midpoint	1,696	\$1,353	16.62x	15.93x	15.23x	17.08x	16.37x	15.66x	17.57x	16.84x	16.10x
High range	1,796	\$1,433	17.60x	16.87x	16.13x	18.09x	17.33x	16.58x	18.61x	17.83x	<b>17.05x</b>

 Tender Offer price and exchange ratios consistent with ECH’s corporate interest

## EGC’s Tender Offer Price per share (CLP)



## Exchange Ratio Holding Discount Sensitivity (Base Case Midpoint Valuation)



## Conclusions

- Econsult considers that a joint execution of: (i) a merger with EGPL; and (ii) a tender offer over the shares of EGC would be beneficial for the Company, considering both the strategic rationale of the transactions as well as the potential positive impacts on ECH
- From an strategic stand point, the Transaction could allow to:
  - Consolidate ECH as the leading player in Chilean power and utility sector, under a structure where the interests are fully aligned with the controlling shareholder;
  - Improve ECH's competitive positioning and investment thesis; incorporating assets of renewable generation for 1,195 MW and an attractive portfolio of new projects;
  - Optimize ECH's capital structure as a result of the additional debt related with the execution of the Transaction;
  - Reduce ECH holding discount to the extent that a relevant part of EGC's shares are acquired;
  - Increase secondary trading volumes of ECH's shares due to: (i) increase on its free float; (ii) positive impact in its weight in the different relevant equity indexes; and (iii) positioning as the best power and utility entity to invest in Chile
- It is important to highlight that given that the Transaction will be payable with a combination of cash and stock, no significant changes on ECH's credit ratings that could trigger a downgrade to non investment grade are expected
- The analysis performed included a valuation for each of the companies. Based on these valuations the exchange ratios between EGPL/ECH and EGC/ECH were defined
- In particular, Econsult considers that the exchange ratio between the shares of EGPL and ECH should be in the range of 14.23x – 17.05x, in order to be beneficial for the corporate interest of the Company
- Econsult also considers that in order for the Transaction to contribute to the corporate interest, the value per share of EGC for the Tender Offer should be between CLP 537-595 pesos per share and the exchange ratio between EGC and ECH shares should be in the range of 6.60x – 7.08x
  - These valuations represent a premium between 9.8% and 21.6% over EGC's share closing price on the day of the announcement of the Transaction
  - The proposed exchange ratios are consistent with the historical average of the last twelve months prior to the announcement of the Transaction
- In order to minimize dilution and maximize earnings per share of ECH, it is convenient for the Company to maximize the cash payment of the Tender Offer according to its additional debt capacity
- Based on the analysis performed, it is recommended that the cash payment of the Tender Offer to be between 60% and 65% of the total consideration
- The minimum conditions established by Enel are fulfilled in the vast majority of possible scenarios within the terms of Transaction proposed by Econsult
- If Enel wishes to comply with the minimum conditions set out in all possible Transactions scenarios, it should consider adjusting some of these minimum conditions.

Econsult RS Capital SpA ("Econsult") was hired by the Committee of Directors of Enel Chile S.A. ("ECH") to provide an independent assessment under the terms of article 147 of Law No. 18,046, on Corporations, in connection with the proposed merger of ECH with Enel Green Power Latinamerica ("EGPL") and the tender offer for up to 100% of Enel Generación Chile S.A. ("EGC") that will be considered successful if 75% of the shares are tendered (the "Transaction") as defined in the agreement entered into by ECH and Econsult dated as of September 20, 2017 (the "Agreement"). In providing its services, Econsult considered that the Transaction is subject to "going-private" regulations in the United States. ECH, EGPL and EGC shall collectively be referred to as the "Companies".

This report (the "Report") is restricted to the issues covered by the Agreement regarding the Transaction, in accordance with article 147 of Law No. 18,046. The Report does not have the scope of an audit process and has assumed as correct, true, complete and sufficient all the information provided by the Companies, as well as other publicly available information. Additionally, we note that the above description of the Transaction, as well as any other descriptions contained in the Report, do not seek to reproduce all the details as described in the documents pertaining to the Transaction. In case of doubts or questions in relation to the Transaction, we encourage you to address the Companies in order to obtain such documents or raise all relevant questions to the Committee of Directors of ECH.

1. This Report has been prepared solely for the use and benefit of the Directors' Committee of the Board of Directors of ECH and its shareholders within the context of the Transaction as set forth in the Agreement, and should not be used in any other context or for other purposes not described herein, or relied upon by any person to whom this Report is not expressly addressed. This Report shall only be disclosed to third parties in accordance with the terms and conditions set forth in the Agreement and in article 147 of Law N° 18,046.

This Report, including its analysis and conclusions, do not constitute, and shall not be construed as a recommendation or indication as to how to proceed in relation to any decision to be adopted regarding the Transaction. We assume no responsibility in relation to any resolution of the Committee of Directors or the shareholders of ECH or any other entity in relation to the Transaction, or any decision adopted by any person in this matter. We encourage you to independently analyze the risks and benefits of the Transaction considering all the information available.

The record date for this Report is November 3, 2017 ("Reference Date").

2. In preparing this Report we have: (i) used, as authorized by the management of ECH, the financial statements of the Companies, but not of affiliated entities, as necessary in order to prepare this Report; (ii) used other information related to the Companies, including financial projections, delivered and prepared by the Companies; (iii) conducted discussions with members of the Directors' Committee of the Board of Directors and management of the Companies regarding the business and prospects of the Companies; (iv) requested information about business plans of the Companies, duly provided by their respective Boards of Directors, including revenue growth, costs, general and administrative expenses and investment plans and expansion or maintenance; and (v) taken into account other public information, financial studies, analysis, economic and market reports that we consider relevant, in order to, to the extent applicable, analyze the consistency of the information received from the Companies (i) through (v), collectively, the "Information". The Information was obtained from sources we believe to be reliable and based on assumptions that we consider reasonable; however, we have not independently verified the Information and are not responsible for its accuracy, correctness, completeness or sufficiency. Any estimates or projections herein presented were obtained from public sources and from the management of the Companies, and there is no guarantee as to whether these estimates and projections will materialize. We do not assume any responsibility for these estimates and projections, or the way in which they were obtained. We are not responsible for conducting and have not conducted an independent verification of the Information.

3. As part of our work, we have assumed that the Information is true, accurate, sufficient and complete and that all information that might be relevant in the context of our work has been made available to us. We do not make any representation or warranty, expressly or implicitly, as to any information used to prepare this Report. Econsult did not undertake any independent verification with respect to the Information and is not able to certify its accuracy, correctness, completeness and sufficiency. ECH takes full and exclusive responsibility for the Information provided by the Companies. If any of the related assumptions does not occur or if the information proves to be incorrect, incomplete, inaccurate or insufficient, the conclusions of this Report may change substantially. According to the foregoing, Econsult cannot accept and shall not accept any responsibility for such accuracy or completeness. With respect to the portion of the Information related to future events provided to us, we have assumed that such information reflects the best estimates of the management of the Companies as currently available regarding the Companies' future performance, despite this we have not developed any verification of such projections; we do have analyzed the reasonableness of the assumptions that have been made explicit to us, and applied sensitivities on the projections received for our analysis.

4. We undertake no responsibility for conducting independent investigations as to any Information or to independently verify any assets or liabilities (contingent or otherwise) related to the Transaction. Accordingly, in respect of liabilities and contingencies affecting the Companies, we assumed that the figures included in the financial statements of the Companies are accurate, complete and that they reasonable reflect their amount and likelihood. We do not consider the possibility of eventual inaccuracies, or the potential effects of any judicial or administrative proceedings (civil, environmental, criminal, tax, labor, social security etc.), even if unknown or undeclared, pending or threatened, in the value of the assets and shares issued by the Companies. We have not been asked to conduct (and we have not conducted) any kind of due diligence or physical inspection of the properties or facilities of the Companies or their respective subsidiaries or related companies. Also, we did not evaluate the solvency or fair value of the Companies, considering the laws relating to bankruptcy, insolvency or similar matters.

5. We do not undertake any responsibility related to: (i) the verification of the regularity of the business carried out, or contracts entered into, by the Companies; (ii) issues resulting from the relationship of the Companies with any third party, including the economic and financial conditions of any contract, business or any other form of economic or commercial relationship between the Companies, and any third party, whether in the past or future; and (iii) the maintenance of current business conditions and existing contracts of the Companies, with any third party. We emphasize that the conclusions of this Report assume the full validity, effectiveness and enforceability of all contracts entered into by the Companies, with third parties, and their respective financial flows. If such contracts or businesses are re-negotiated, discontinued, terminated or in any way fail to generate results for the Companies, all or part of the conclusions described herein may, and probably will, differ materially from the actual results achieved by the Companies. We assume that the Companies obtained legal assistance in order to confirm the validity, effectiveness and enforceability of such contracts and audit process, including due diligence, aspects for which we are not liable. In that regard we expressly declare that we cannot confirm or provide any assurance that any and all contract entered into by the Companies are valid, effective vis-à-vis third parties, binding and enforceable, and we will accept no responsibility in that matter. In case you have concerns on the validity, effectiveness or enforceability of any agreement entered into or that is applicable to the Companies, we encourage you to address the management of said Companies to obtain the necessary confirmation on these matters.

6. Part of our analysis was prepared based on commonly used valuation methodologies as described in item 8, and assumed ECH's macroeconomic scenario based in market consensus, which may change substantially in the future. Since the analysis and figures herein contained or that served as a basis for this Report are based on forecasts of future results, they are not necessarily indicative of the real and future financial results of the Companies, which may be significantly more or less favorable than those suggested in the Report. Moreover, considering that these analyses are intrinsically subject to uncertainties, based on various events and factors beyond our control and the control of the Companies, we assume no responsibility in case the results of the Companies differ substantially from the results presented in this Report in the future. There is no guarantee that the future results of the Companies will correspond to the financial projections used as a basis for our analysis (which were provided to us by the management of ECH), and that the differences between the projections used for purposes of this Report and the financial results of the Companies, may not be material. The future results of the Companies can also be affected by economic and market conditions.

7. The preparation of a financial analysis is a complex process involving several decisions as to the most appropriate and relevant methods of financial analysis and the application of such methods to the particular circumstances, and therefore the analysis described in this Report should be considered as a whole and not analyzed partially. To reach the conclusions presented in this Report, we conducted a quantitative and qualitative approach to the analysis and factors considered by us. We reached a final conclusion based on the results of the analysis, considered as a whole, and have not reached any conclusion based on or related to any of the factors or methods of our analysis considered in isolation. Thus, the selection of parts of our analysis and specific factors without considering the entire analysis and conclusions may lead to an incomplete and incorrect understanding of the processes used in our analysis and conclusions.

8. This Report indicates projections at our discretion, of the resulting value derived from the application of different methodologies, as we deemed appropriate, all of which are widely used in financial valuations, and do not evaluate any other aspect or implication of the Transaction or any contract, arrangement or understanding entered into in relation to the Transaction. Additionally, this Report is not and should not be used as (i) an opinion on the fairness of the Transaction (fairness opinion); or (ii) an investment recommendation or financial advice on any aspect of the Transaction. The results presented in this Report refer exclusively to the Transaction and do not apply to any other decision or transaction, present or future, relating to any of the Companies, the economic group to which they belong or the industry in which they operate. The Report does not constitute a judgment, opinion or recommendation to the Committee of Directors of ECH, its board of directors, ECH, its officers, shareholders or any third party in relation to the convenience and opportunity of the Transaction as it is not intended to support any investment decision but rather only provided for informational purposes.

9. We are acting as independent valuator for the Transaction, as appointed by the Committee of Directors of ECH, and will receive certain fees to be paid by ECH. However, these fees are not in any way contingent to the completion of the Transaction. ECH has agreed to indemnify us as well as certain persons for certain losses arising out of or in connection with this Report.

10. Our Report is based on information made available to us up to and until the Reference Date, taking into account market, economic and other conditions as presented and assessed up to the Reference Date. Although future events and other developments may affect the conclusions presented in this Report, we have no obligation to update, revise, rectify or revoke this Report, in whole or in part, as a result of any subsequent developments or for any other reason.

11. We may have in the past, from time to time, rendered investment banking services and other financial services to the Companies, for which we were paid, and may in the future provide such services to the Companies and, for which we expect to be compensated. In the normal course of our business we may acquire, hold or sell, on our behalf or on behalf of our clients, shares, debt instruments and other securities and financial instruments (including loans and other obligations) of the Companies, as well as provide investment banking and other financial services to such Companies or their majority or minority stockholders.

12. This Report is not a valuation report or appraisal in any legal sense and should not be used to justify any issuance price or to fulfill or comply with any legal or regulatory requirements applicable to the Companies, their respective subsidiaries and related companies or to the Transaction except as set forth under article 147 of Law No. 18,046. Additionally, this Report may not be used for any purpose other than the Transaction and should not be used by the Companies or their respective shareholders, directors or officers in any other context except as expressly provided for in the Agreement.

13. We also note that we are not an accounting firm and did not provide accounting or audit services in relation to the Transaction. Additionally, we do not provide, and have not provided, legal, tax or regulatory services regarding this Report or the Transaction.

14. The financial calculations of this Report contain some rounding and therefore their results may not always be absolutely accurate.

**15. This Report is presented in both English and Spanish languages, both of which shall constitute the same presentation; provided however, that in case of doubt as to the proper interpretation or construction of the Report, the Spanish text shall prevail.**



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