

Interconexión Eléctrica

Fewer uncertainties should narrow discount; Buy rated

COP9,200 target price offers 25% upside

We initiate coverage on Interconexión Eléctrica S.A. (ISA) with a Buy rating and a YE15 TP of COP9,200/share, based on a sum-of-the-parts valuation, offering a total return of 25%. A positive revision of its Brazil claim, a neutral resolution to the transmission business revision and a re-rating of Chilean concessions should all help secure a good stock performance. ISA is trading at 10.6x P/E for 2015E (9.9x for 2016E) and 7.0x EV/Ebitda for 2015E (8.0x for 2016E), a discount to other names we cover in Colombia and LatAm peers.

Playing the macro landscape in the Andean region + Brazil

The economic backdrop is a key driver. In Colombia, we expect economic activity to adjust to the “new normal” and expand below potential GDP growth (3.8-4.2%) in the next 2 years, while CPI inflation expectations for the next 5 years are already bordering on the 3% annual target. Further afield, although Chile and Peru aren't growing much right now, longer-term prospects have improved and inflation expectations should remain stable. In Brazil, we expect GDP to slump 1.4% this year.

Poised to capitalize on Colombia's infrastructure expansion

With its experience in Chile and know-how in general, ISA stands to benefit from the next decade of infrastructure expansion in Colombia, and plans to win as many projects as possible. It is looking to tap the government's 4G concessions. The first two rounds have already taken place, with ISA yet to participate. The third round is a package of 11 projects with an estimated 2,240km and Capex of COP10bn (\$4bn).

Expansion in Chile (mainly in transmission) will also be crucial

ISA is building the reinforcement of its transmission line in the northern part of the SIC system. This investment will benefit from high toll payments starting in 2018, when the interconnection is slated to be ready. A 50-50 J&V between ISA and ECL to develop the interconnection is a possibility, and additional investments in the road concession business should further boost earnings in the years ahead.

Valuation	12/2013	12/2014	12/2015E	12/2016E	12/2017E
RoIC (EBIT) %	8.6	9.8	10.1	9.1	8.8
EV/EBITDA	8.4	7.5	7.0	8.0	8.2
P/E	22.6	15.7	10.6	9.9	10.8
Net dividend yield %	2.1	3.6	4.7	4.2	4.5

Financials (COPbn)	12/2013	12/2014	12/2015E	12/2016E	12/2017E
Revenues	3,601	3,921	4,491	4,172	4,383
EBITDA	1,976	2,247	2,407	2,236	2,349
Net Income	433	593	745	798	735
EPS (COP)	402.33	551.34	692.58	741.81	682.89
Net DPS (COP)	188.00	214.00	240.93	302.65	324.17
Net (debt) / cash	(6,878)	(7,526)	(8,879)	(9,870)	(11,334)

Source: Company reports, Bovespa, BTGPactual S.A. estimates. / Valuations: based on the last share price of the year; (E) based on a share price of COP7,360.00, on 29 June 2015.

Rating	Buy
12m Price Target	COP9,200.00/US\$3.55
Price	COP7,360.00/US\$2.84
RIC: N.A., BBG: ISA CB EQUITY	

Trading Data and Return Forecasts

52-wk range	COP9698.92-7238.57/US\$5.03-2.73
Market cap.	COP7,917bn/US\$3,056m
Shares o/s (m)	1,075.7
Free float	31%
Avg. daily volume('000 Shares)	297
Avg. daily value (COP m)	2,358.6
Forecast price appreciation	+25.0%
Forecast dividend yield	3.3%
Forecast stock return	+28.3%

Stock Performance (COP)



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Playing the macroeconomic landscape in LatAm

Expect some volatility before a return to normal

ISA has experienced some turbulent years since September 2012, when the Brazilian government announced the new terms of concession renewal for transmission companies affecting TRPL. And, with several issues still pending, this is something that still raises a lot of questions among investors. With a number of key decisions to be made this year, 2015 promises to be huge for ISA. A couple of events could trigger a stock re-rating if their outcome is favorable, but so far we think the market is playing this scenario cautiously.

The first and main event, in our view, is the compensation of its Brazilian assets. We are currently using our TP for TRPL (CTEEP), which reflects the decision announced by ANEEL, but some changes could improve our base case. This should take place in 2H15. The impact of the 'Brazil payment' goes beyond the money itself. And if the outcome is in line with ISA's expectations, the company may be willing to start investing in the country again, unlocking relevant growth potential.

The second event is the revision of the transmission remuneration methodology and the tariffs per se. We expect an announcement in 4Q15 and applicability from 1Q16 onwards. We believe Colombian investors are focusing more on the second issue, which we consider relevant as well.

The Colombian issue is by no means minor, but we think the outcome will be close to neutral in terms of valuation. The regulator will probably move the remuneration methodology from a system that remunerates assets based on estimates of the cost of building the network again from scratch to a system that remunerates assets based on depreciating value. The real question, beyond the change in methodology per se, is if the government's changes will guarantee the same return for assets- given the regulator's track record, we expect this to be the case. We are working with a 200bps reduction in the transmission business' WACC, applicable from 2016 onwards regardless of the chosen methodology.

Beyond these two points, we think investors have two questions on the company's future: i) where will growth come from; and ii) how profitable can it be? We expect growth to come from the infrastructure business (4G concession and brownfield projects). Essentially, the rationale of this business is the same – to lend money at lower rates than the project return. And profitability should come from the new Strategic Plan announced back in 2013.

Last but not least, investors are fretting about Ecopetrol's plans to sell its ISA stake. The announcement created an overhang for the name, but we reckon uncertainty here is less important than the answers to the above questions (which Ecopetrol is no doubt asking itself) – which is what will ultimately define the real value of the asset.

We are initiating coverage on ISA with a Buy rating and a target price of COP9,200. And we think the company offers several sources of upside: i) a favorable resolution to the Brazilian claim, ii) a neutral resolution to the transmission business in Colombia and iii) a re-rating of its Chilean assets.

ISA | BUY | TP: COP9,200/share

We are launching coverage on Interconexión Eléctrica S.A. (ISA) with a Buy rating and a target price of COP9,200 for YE15, based on a sum-of-the-parts valuation, indicating a total return of 25%.

Table 1: Interconexión Eléctrica S.A. sum-of-the-parts

Stake	Company	Equity	Methodology	Comments
100%	Colombia	6,674,317	FCFE	ISA non consolidated / Transelca
60.0%	Peru	1,788,020	FCFE	
37.8%	ISA Capital (CTEEP)	1,979,040	FCFE	
100.0%	INTERVIAL CHILE	2,100,015	FCFE	
	Equity investment	12,541,393		Preferred shares
	Isa Capital do Brazil	-659,319		
	Netdebt	-918,770		
	Holding expenses	-700,000		
	Valuation	10,263,304		
	# shares	1,108		
	Price per share	9,200		

Source: BTG Pactual.

We see upside to our TP if the company can improve its concession business approach in Chile. Since investors don't take the proper time to understand this business, if disclosure improves and investors look at the segment more closely, we could see a rerating and, who knows, an upward TP revision. We had a tough time compiling the information to complete a reasonable valuation exercise. If disclosure improves and investors feel more comfortable, we see ISA as a great asset to hold.

Investors should be buyers if (i) they are positive on the resolution to the Brazil claim, (ii) they expect the regulatory changes to be neutral (or even slightly negative) and (iii) they are willing to bet on a re-rating of the Chilean concession business (which we believe is misunderstood by investors). Right now, we think ISA is a good asset to hold, with some caveats that seem largely priced-in.

Our DCF-based TP of COP9,200 translates into target trading multiples of 13.7x P/E for 2015E (12.8x for 2016E) and 9.5x EV/Ebitda for 2015E (10.6x for 2016E).

Chart 1: 12-month forward P/E (x)

Source: BTG Pactual.

Chart 2: 12-month forward EV/Ebitda (x)

Source: BTG Pactual.

Chart 3: 12-month forward P/Book (x)



Source: BTG Pactual.

LatAm peers

Table 2: Global peers

Company	Rating	Target	EV/EBITDA		P/E		Div. Yield		P/BV	
			2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
Utilities										
Aguas Andinas	Buy	405.0	10.7x	10.4x	18.4x	17.4x	5.4%	5.8%	3.4x	3.5x
AES Gener	Neutral	360.0	12.6x	12.2x	28.5x	25.1x	2.4%	2.4%	1.8x	1.7x
Alupar	Buy	18.5	na.	na.	na.	na.	10.3%	8.3%	1.2x	1.3x
IAM	Buy	1,056.0	6.5x	6.6x	16.5x	15.1x	6.5%	7.1%	1.5x	1.6x
ISAGEN	Buy	3,150.0	12.8x	9.2x	17.9x	17.9x	234.8%	241.8%	1.2x	1.3x
Celsia	Buy	6,000.0	9.0x	8.1x	22.5x	15.0x	2.8%	3.1%	1.0x	0.9x
Cemig	Neutral	12.0	6.3x	10.8x	5.9x	15.6x	8.5%	3.2%	1.3x	1.2x
CPFL	Neutral	19.5	9.8x	8.9x	29.3x	23.0x	2.0%	2.8%	2.5x	2.4x
Colbun	Buy	197.0	8.4x	7.2x	17.6x	14.8x	1.2%	1.7%	1.3x	1.2x
CPFL Renovaveis	Buy	15.5	12.1x	10.0x	na.	29.6x	0.1%	0.9%	1.5x	1.4x
Sabesp	Neutral	21.0	7.0x	6.7x	19.3x	12.0x	1.3%	2.1%	0.8x	0.8x
Endesa Chile	No Rating	n/a	na.	na.	na.	na.	na.	na.	na.	na.
Enersis	No Rating	n/a	na.	na.	na.	na.	na.	na.	na.	na.
Light	Neutral	23.0	6.2x	5.7x	13.6x	11.1x	5.1%	4.5%	0.9x	0.9x
Taesa	Neutral	19.0	8.6x	9.2x	8.4x	9.6x	11.3%	9.9%	1.7x	1.7x
TRPL	Neutral	40.0	22.9x	25.2x	13.3x	9.7x	16.1%	18.4%	1.5x	1.7x
Eneva	No Rating	n/a	na.	na.	na.	na.	na.	na.	na.	na.
Energias do Brasil	Buy	15.0	5.6x	4.2x	15.8x	9.4x	4.2%	7.0%	1.0x	1.0x
Copasa	Neutral	27.0	4.5x	4.2x	10.9x	6.4x	3.2%	5.5%	0.3x	0.3x
Eletropaulo	Buy	18.0	7.4x	5.7x	16.6x	8.6x	0.0%	0.0%	1.0x	0.9x
Tractebel	Neutral	32.0	10.1x	7.0x	23.4x	13.5x	4.3%	4.1%	3.8x	3.3x
CESP	Sell	16.0	3.1x	11.5x	8.8x	26.7x	11.3%	3.6%	0.8x	0.8x
Celesc	Buy	25.0	6.8x	6.7x	5.4x	6.8x	6.7%	5.4%	0.2x	0.2x
Equatorial	Buy	38.0	9.8x	8.2x	21.4x	15.6x	2.3%	3.1%	2.3x	2.1x
Copel	Buy	38.0	6.6x	5.7x	9.4x	8.3x	5.3%	6.0%	0.7x	0.6x
AES Tiete (ON)	Neutral	15.5	6.6x	6.2x	11.7x	10.9x	7.8%	9.9%	4.3x	4.3x
Aes Tiete	Neutral	17.0	6.8x	6.4x	12.2x	11.3x	8.2%	10.5%	4.5x	4.5x
ECL	Buy	1,045.0	7.5x	6.8x	18.6x	15.6x	2.2%	2.6%	0.8x	0.8x
EEB	Neutral	1,820.0	14.2x	10.9x	33.2x	19.5x	7.5%	3.4%	2.0x	1.6x
Median			7.5x	7.2x	16.5x	14.8x			1.3x	1.3x

Source: Company reports, BTG Pactual.

It's not about growth, it's about profitability

On July 3, 2013, ISA announced it was shifting its focus from growth to higher returns. This shift didn't mean it would pass up growth opportunities, but instead increase profitability by 1) focusing on high-return growth opportunities, 2) operating as an economic group to make business lines more profitable, and 3) dynamically adjusting its business portfolio and geographies.

Focusing on high-return growth opportunities

ISA is seeking higher returns from its projects, by: 1) focusing on projects in its transmission business that allow it to capture synergies and boost margins; 2) actively participating in the road concession niche, mostly in Colombia; and 3) capturing synergies from other businesses, basically leveraging its transmission infrastructure to develop new segments such as Telcos.

Operating as an economic group to make its business lines more profitable

It may sound odd that a large company like ISA doesn't already operate as a consolidated group when negotiating with suppliers. But the fact is that it is only now starting to capture synergies that will allow it to cut costs in new and ongoing projects.

The company is already exploiting its reach by obtaining discounts for the copper used in the transmission lines of its Chilean sub, saving ~6% off initial cost estimates. There is clear value accretion here, not just in the form of savings but also in the form of more efficient projects that will now make it more competitive in auctions.

ISA argues some subs can replicate best practices of other subs, cutting AOM expenses. We saw a preview of this in 2014 but still have a hard time plugging in extra gains. We thus keep it as upside or a "free option". So far, ISA has guided for US\$70mn in annual savings (NPV ~US\$800mn), some of which has already been captured.

Although ISA is the most efficient transco in LatAm, we still see room for improvement based on the International Transmission Operation and Maintenance Study (ITOMS), in which it ranks mid-table globally. It has hired the McKinsey Group to advise in this process. Despite few details on this plan and its targets, efforts on this front should be a stock driver. We are not including these synergies in our model yet.

Dynamically adjusting its business portfolio and geographies

ISA will play a more "active" role in managing its portfolio. In other words, if it thinks it can add value by selling an asset, it will do so. We don't have more color company on this theme, but we certainly expect some M&A activity in the coming years.

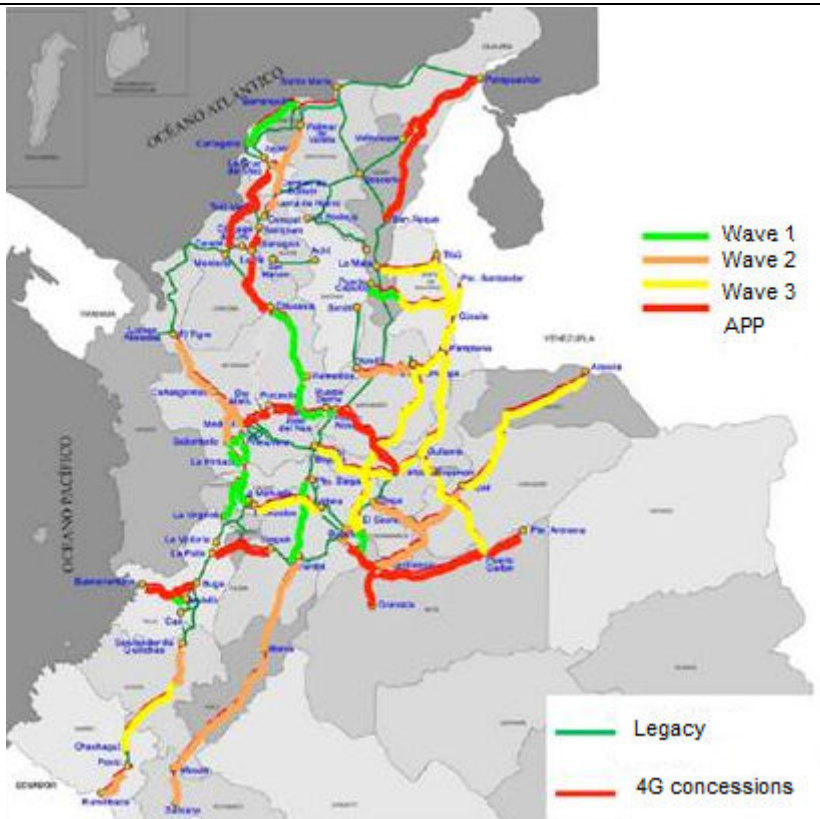
Playing the Andean macro scenario with hopes of gains in Brazil

The Colombian economy appears to be slowing down at a faster pace than market consensus and BanRep projections. The oil price drop has hit the economy stronger than anticipated, and for the next 3 years we expect economic activity to adjust to the “new normal” and grow below potential (3.8-4.2%). The fiscal rule should help keep public finances in order. As for inflation, despite a temporary CPI spike due to “El Niño” and FX depreciation pass-through, market inflation expectations for the next 5 years are very close to the 3% target. Lower oil prices and strong domestic demand brought the current account deficit to 5.2% of GDP. And although we expect terms of trade to continue shrinking this year, on a major slowdown in domestic demand and strong COP depreciation, we expect the current account deficit to improve in 2H15. Lower oil revenues and tax collection are hurting fiscal revenues and weakening the COP. For more details, please see our Colombian Outlook.

Colombia's infrastructure expansion means gains for ISA

We expect ISA to use its expertise in the Chilean concession business in order to surf the next decade of infrastructure expansion in Colombia. ISA is currently on the lookout for opportunities in 4G concessions. The first 2 rounds have already taken place, but ISA has yet to participate. The third round is a package of 11 projects with an estimated 2,240km and capex of COP10bn (\$4bn).

Figure 1: Colombian road concessions



Source: ISA.

It can also buy brownfield projects ...

In Colombia, ISA can also replicate its strategy of acquiring brownfield projects. Some players who have received projects in the 4G program are only interested in the construction business and want to divest immediately upon completion. ISA will clearly be a major player here, alongside local pension funds. The upside is hard to quantify, but we remind investors that infrastructure projects aren't limited to 4G concessions.

Other option: River Park

River Park (Medellin): in 2014 a memorandum of understanding between Medellin city hall, ISA and EPM to structure the project and gauge feasibility was signed.

- If viable, the project involves mobility, environment, public space and urban development. We expect ISA to be involved on the mobility side. We have few details right now and will only know in August if the project has received the green light.

Transmission business in Colombia

The transmission arm is a mature business of a mature company, and unfortunately the opportunities for organic growth seem limited. In fact, the new strategy is to focus more on profitability than on growth. ISA will continue to add projects here, but the question is how meaningful they will be for a company of its profile. In the short term, we see at least 7 projects being awarded, with an estimated capex of US\$1bn.

Tariff revision could be a problem

As is already common knowledge, the regulator is revising distribution and transmission tariffs. *Transmission*: despite not officially covering ISA until now, we were aware of investor concerns here. To counter these worries, Mr. Alarcon (ex-CEO) issued strong statements on the risks of the regulator changing its methodologies.

For a while now, the regulator has been proposing a change in its methodology from (i) a system that remunerates assets based on the estimated cost of building the network from scratch to (ii) a system remunerating assets based on depreciating value, which might be more appropriate for capex-intensive businesses. Naturally, this type of change sparks risk aversion and is still the main risk to ISA's investment case.

ISA told us they aren't concerned about the change in methodology per se, as this is the model many countries use to remunerate the business. The main concern is the apparent urgency in making this change – adding that the methodological change doesn't guarantee an adequate return for assets.

ISA sees 3 potential outcomes:

- Regulator publishes new resolution changing the methodology for comments;

- After all the sector comments, the regulator decides to keep the current methodology and delay the change to the next period, or,
- The regulator publishes a new resolution making the methodology applicable early next year, without room for new comments. This is the most unlikely outcome, but still possible.

A final decision is likely to be made before year end, to take effect from 2016 onwards.

This is one of the main events for investors to follow. Our model assumes no change (but equity value will suffer if there are), but clarity here is poor. If the regulators change the methodology intelligently, we don't foresee any negative impacts.

Gauging the changes

The market occasionally over/underestimates the scale of potential changes in regulations by misunderstanding threats/opportunities. To gauge the impact, we calculated what % of ISA's revenues might be at stake. Colombia represents 41% of revenues but includes "ISA non-consolidated" results, Transelca and other small businesses such as Telcos.

Of these subs, ISA non-consolidated is the only one that may suffer from regulatory changes. But 20% of the network of ISA non-consolidated is call concessions. The main risk is to the call concessions, as non-call assets will migrate to the new regulation only after the 25- or 30-year first stage concession (we are only addressing Transelca and 20% of the assets at ISA individual). After cleaning up these numbers, it appears that only 19% of total revenues are vulnerable to possible changes in methodology.

Since we estimate ISA and Transelca represent 58% of ISA's equity value, the risk is not trivial. ISA told us the regulator has listened and is sympathetic to its concerns. If it makes any alterations, it will look to change the NPV as little as possible.

In general, we agree with the market's approach. We only wonder if investors are focusing so much on the downside risks in Colombia that they are missing the positive CTEEP story in Brazil or the interesting case in Chile.

Brazil's CTEEP (TRPL) story and compensation expectations

On January 9, TRLP Transmissão Paulista (CTEEP) released Aneel's view on the residual value regarding the company's pre-2000 transmission assets (RBSE). CTEEP was claiming a R\$5.2bn residual value, but Aneel's figure was a mere R\$3.6bn. All figures consider December 2012 prices. The company is appealing the decision.

A short-term bump but a long-term winner

Although Transmissão Paulista will probably suffer from Aneel's view on the RBSE residual value, longer-term we believe its investment case won't be too dissimilar to those receiving heavy attention from income-oriented investors. In the near future,

TRPL should become a solid, predictable and long-term dividend payer. We are using the TRPL assumption (TP of R\$40) of our Brazilian utilities team in our ISA valuation. For more details, please read our Brazilian team's: i. *Disappointing RBSE notice by the regulator* (January 9), ii. *TRPL's strong 1Q15* (April 30), iii. *Risk/return is less attractive; down to Neutral* and iv. *Preliminary technical note looks bad for TRPL*.

Our base case

Our Brazilian utilities team includes the compensation payment for the RBSE assets under the following scenario:

- Payment will be amortized in a 30-year period, adjusted by inflation+6%
- RBSE of R\$3.6bn (December 2012)
- Payment begins in 3Q15; and
- It flows through the financial income line and is taxed on the difference between the assets' residual value and book value. This indemnification may still be paid via an increase in the RAP (regulatory annual revenues).

Preliminary technical note looks bad for TRPL

Aneel suggests transfer of some transco assets to discos

Last June 25th, at its board of directors' meeting, Aneel announced it will start a public hearing process to discuss the transfer of Other Transmission Assets ("DIT") from transmission companies to discos. DITs are transmission lines that operate in tensions below the usual 230kV. This has been a longstanding debate.

Zero-sum transfer? Our TP could be adjusted by some R\$2/share

Although the transfer may make sense from a technical standpoint, it is very important that it happens under the right conditions. TRPL (the most affected company) will lose R\$237mn of its RAP and will receive, as per Aneel, receive an indemnification payment of R\$348mn. This sounds value-destructive, assuming the DITs generate ~30% EBITDA margin. If our profitability numbers are right, the transfer would knock ~R\$2/share off our TP. The proper way to calculate the indemnification, in our view, is by calculating the concession's NPV. For distributors, the indemnification should become RAB and then be monetized by the regulatory return (in theory, this could help the Sao Paulo-based distribution concessions' NAV, such as CPFL, ELPL and ENBR).

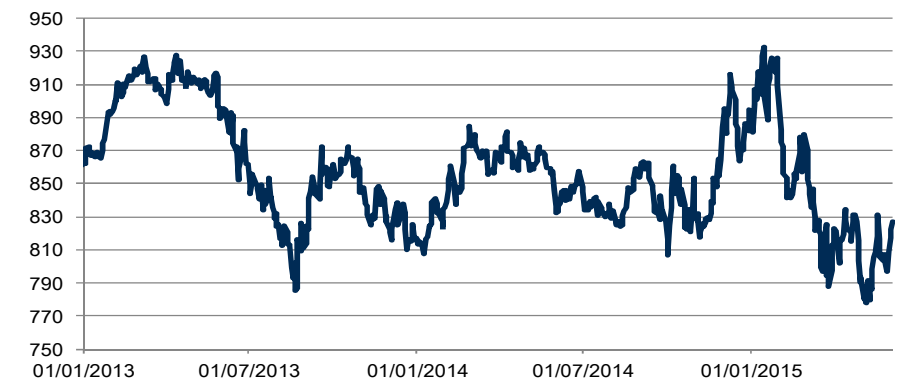
The proposal should change in the public hearing phase

The proposed document seems to be an easy target. TRPL, for instance, accepted the renewal terms and signed a new concession agreement in which financial equilibrium must be respected. If the company, for example, loses R\$50mn/year of EBITDA, there would be only one reasonable way of calculating the indemnification. For consumers, the transfer might not be as good as described, since the distribution WACC is greater than the transmission one. The changes seem irrelevant for Alupar and Taesa.

Impact of BRL depreciation

But the compensation story does not end there. Another wild card for investors is the future level of the BRL, as currency depreciation in Brazil could lower the value of these assets for ISA in Colombian pesos.

Chart 4: BRL/COP exchange rate



Source: BTG Pactual.

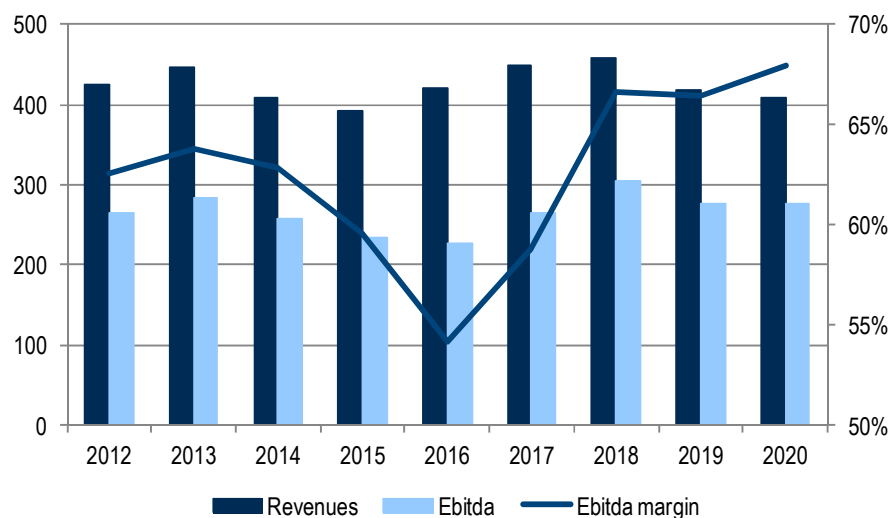
Concession and transmission businesses in Chile

In Chile, ISA has two main businesses: 1) road concessions (Intervial S.A.), currently operating via several concessions, and 2) transmission lines (Interchile S.A.), currently under construction.

Road concession business

ISA has several concessions that are already in operation and total 907km of highways in Chile. As of 1Q15, this business in USD terms represented 22% of total revenues for ISA and 22% of total Ebitda, with an Ebitda margin of 60%. We expect this contribution to remain stable in the long term but keeping the cycle of business.

Chart 5: Concession revenues (USDmn)



Source: ISA, BTG Pactual.

It is also on the lookout for any new opportunities unveiled by the Ministry of Public Works (MOP) in the medium term. Intervial is working on widening the road between Santiago and Rancagua (adding a third lane in each direction), which has average daily traffic of 35,000 vehicles. Further investments in the road concession business should continue to improve earnings in the coming years.

How much are investors willing to pay for this business?

According to our estimates, ISA's infrastructure assets could be worth much more than investors currently think. Why? The complexity of ISA's structure is one reason. But the complexity in grouping certain key information to measure the value of the business is likely the #1 culprit. We believe disclosure should improve and, as a result, investors should eventually feel more comfortable paying for the real value of this business. Right now, we are pricing in 2/3 of the value of its infrastructure assets rather than 100%.

To better understand the business dynamics, we compiled a bunch of information and ran a complex set of numbers. But the main point we think the market could be missing is that the road concessions have continuously posted fiscal losses, creating a "fiscal shield" – AIF note 10 – that has allowed the company to pay lower taxes (cash taxes) and significantly increase the value of assets. ISA has also deleveraged concessions.

A look at the market's valuation methodologies for this unit suggests that it isn't comfortable with ISA's current disclosure approach. Though we don't have any breaking news, we did press the company for more specific guidance before initiating coverage and, in short, we think investors could change their minds on the value of ISA's assets, which could make for a substantial re-rating.

The transmission business

ISA is working on reinforcing the transmission line in the northern part of the SIC, and has 2 projects under construction:

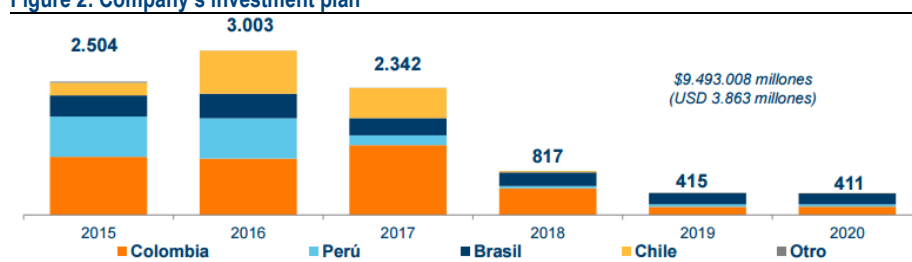
- 1) The Cardones–Polpaico Project consists of a transmission line of high voltage 500kV double circuit, with substations that will change the voltage level required for interconnection to the SIC grid. The estimated investment is US\$1.0bn for 753km, for an indefinite useful life. The project comprises Atacama, Coquimbo, Valparaíso and metropolitan Santiago (capital city). For this project, the company has asked for an extension to the Environmental Impact Study deadline (to October 9) to comply with all the requirements. This project is expected to start operations by 2018 and should add US\$63mn in revenues per year.
- 2) Encuentro–Lagunas project consists of a high voltage and dual circuit power transmission line of 220kV. The estimated investment is US\$101mn for 192km, with an indefinite useful life. It comprises the towns of Pozo Almonte in the region of Tarapaca, and Maria Elena in the region of Antofagasta. This project is expected to start operations by 2017 and should add US\$2.6mn in revenues per year.

These investments should benefit from higher tolls starting in 2018, when the Interconnection (between SIC and SING grids) materializes. ISA may participate in the development of the interconnection, but no firm decision has yet been made.

Investment plan focused on energy

ISA has an investment plan of COP9.4bn (or US\$3.8bn) to be developed in Colombia, Peru, Brazil and Chile, with 44% to be invested in Colombia and 20% in Brazil, Chile and Peru. 93% will focus on future energy developments (mainly transmission).

Figure 2: Company's investment plan



Source: Company reports.

Table 3: ISA investments by country

Investment by country	COP bn	%
Colombia	4,208	44%
Peru	1,801	19%
Brazil	1,848	19%
Chile	1,603	17%
Others	33	0%
Total	9,493	

Source: ISA.

Table 4: ISA investments by business

Investment by business:	COP bn	%
Energy	8,863	93%
Infrastructure	185	2%
Telco	285	3%
GISTR	160	2%
Total	9,493	

Source: ISA.

Attractive short-term investments in transmission

We see major investment opportunities in the short term, mainly in transmission, and we expect ISA to use its knowledge and participate in the expansion process.

In **Colombia**, as per UPME's growth plan, several projects have been identified for a total US\$1.07bn. The largest: 1) Ituango line (US\$421mn); 2) line reinforcements in the Southwest (US\$292mn) and 3) line reinforcement in the Caribe area (US\$226mn).

Chile has some projects in both the SIC and SING grids for a total of US\$885mn, the most relevant of which is the interconnection of both grids for US\$700mn.

In Peru, some of the projects announced by Proinversion totaled US\$278mn: 1) the Azangaro–Puno transmission line for US\$80mn, the Corpac substation, and the Industriales–Corpac transmission line for US\$148mn, among others.

In Panama, the interconnection between Colombia and Panama for US\$500mn will be an interesting project that ISA will follow closely.

Road concessions are #2 business

In **Colombia**, ISA is searching for opportunities in 4G concessions, having failed to participate in the first 2 rounds. Round 3 is a package of 11 projects featuring an estimated 2,240km and capex of COP10bn (\$4bn).

ISA will have to make US\$300mn in additional investments in its **Chilean** concessions.

There is a nice pipeline of future concessions to be awarded by the Ministry of Public Works (MOP) in the short term, and ISA is very interested in participating.

Table 5: Chile infrastructure pipeline projects

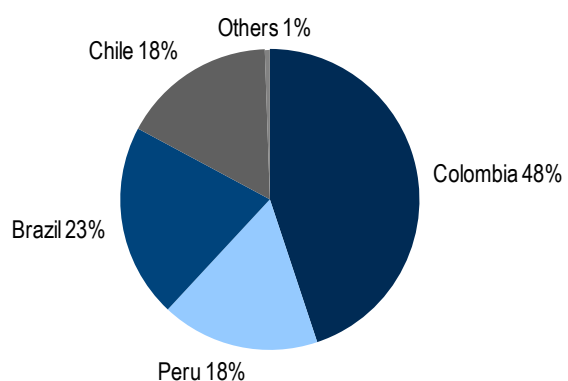
Project	Auction	MMUSD
Ruta G-60 Conexión Vial Melipilla - Camino de la Fruta	2014	38
Camino Nogales - Puchuncaví	2014	148
Túnel El Melón [R]	2015	120
Mejoramiento Ruta Nahuelbuta	2015	237
Conexión Vial Ruta 78 hasta Ruta 68	2015	108
Ruta de la Madera	2016	142
Ruta 66 Camino de la Fruta	2016	420
2016 726	2016	726
Concesión Vial Autopista Metropolitana del Puerto Montt	2016	273
Concesión Ruta 5 Tramo Caldera - Chañaral 2017 250	2017	250
Conurbación La Serena Coquimbo 2017 133	2017	133
Mejoramiento Ruta 68 2020 200	2020	200

Source: ISA.

Comfortable debt profile

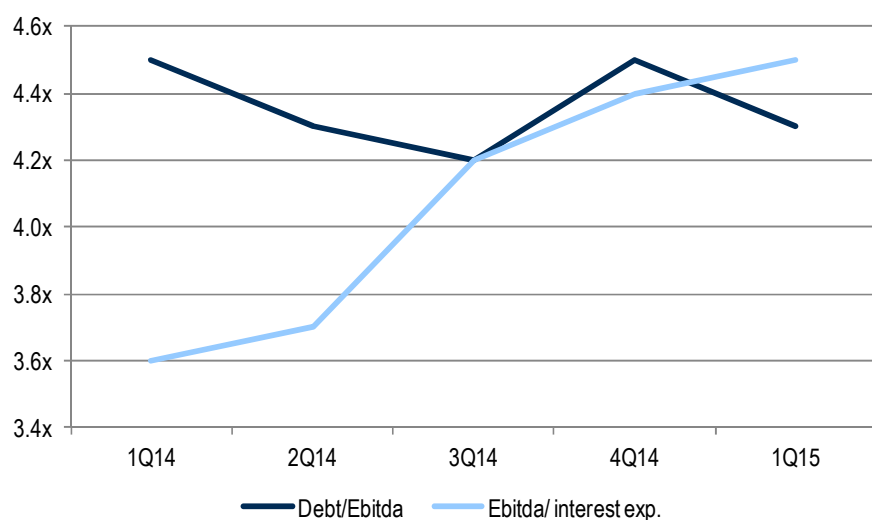
ISA's investment plan should provide the foundations to grow its business over the next decade. It has announced investments of US\$3.7bn for 2015-20. Free cash flow should be tight in the next 5 years due to expected strong capex, which should be funded by further debt issuances (via banks or bonds).

Table 6: Debt by country as of 1Q15



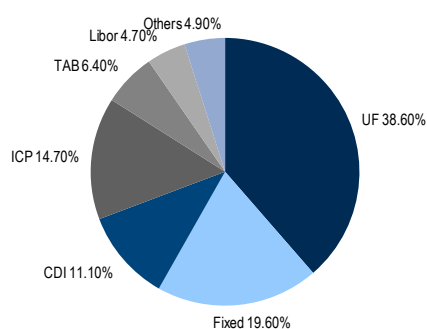
Source: Company reports.

Chart 6: Consolidated financial ratios



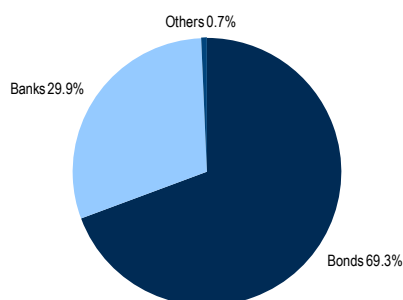
Source: Company reports.

Chart 7: Debt by rate



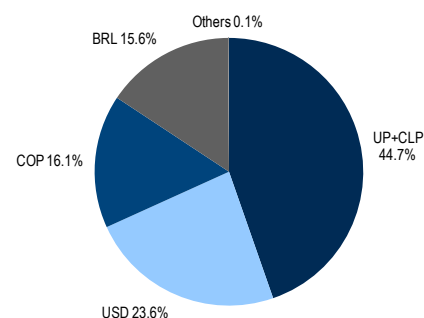
Source: Company reports.

Chart 8: Debt by source



Source: Company reports.

Chart 9: Debt by currency



Source: Company reports.

Ecopetrol stake set to be sold towards year-end

Ecopetrol announced plans to sell its 5.32% stake in ISA, likely in order to finance 2015 capex and as part of its strategy to sell non-core assets. EC is also divesting in Empresa de Energia de Bogota. The market was expecting a large discount but that hasn't proven to be the case, so we don't expect to see a large discount at ISA either.

Company description

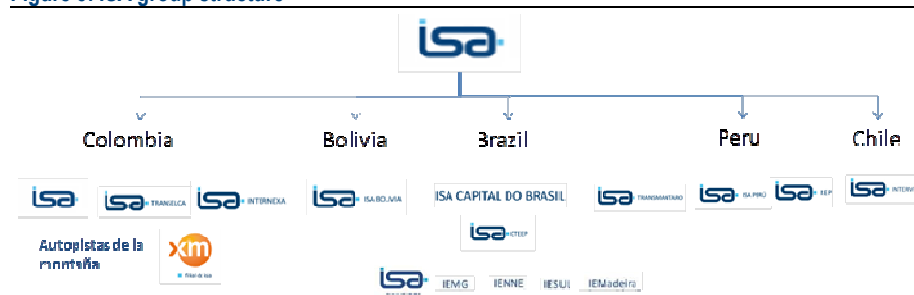
Interconexión Eléctrica S.A. (ISA)

ISA's strategic business is linear infrastructure systems, or connections between 2 locations: city-to-city, country-to-country, and point-to-point in Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama and Central America. The business focuses on electric energy transport, telecommunications transport, road concessions, market operation and management, and construction of infrastructure projects. The main entities of the ISA group are described below.

ISA group

Directly and via its 33 subsidiaries operating in LatAm (Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama and Central America), the ISA group focuses on energy transmission and operations for the road infrastructure business.

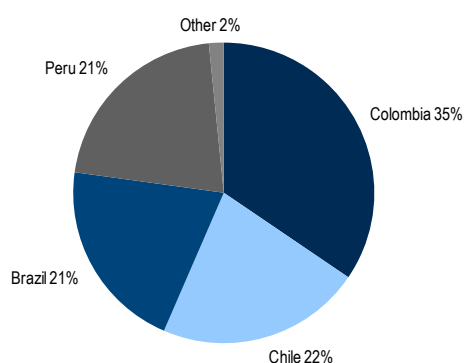
Figure 3: ISA group structure



Source: ISA, BTG Pactual.

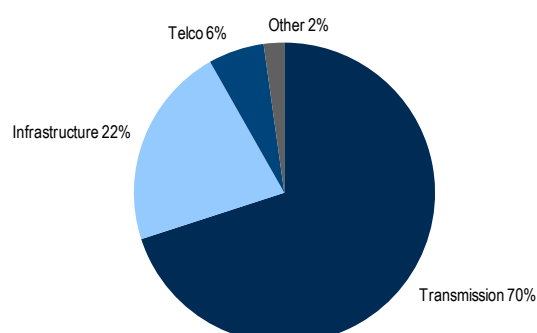
Revenues mainly come from Colombia (34.5%), Chile (22.0%), and Brazil (20.7%). By business line, revenues mainly come from energy (69.8%) and infrastructure (21.5%).

Chart 10: 1Q15 revenues by country



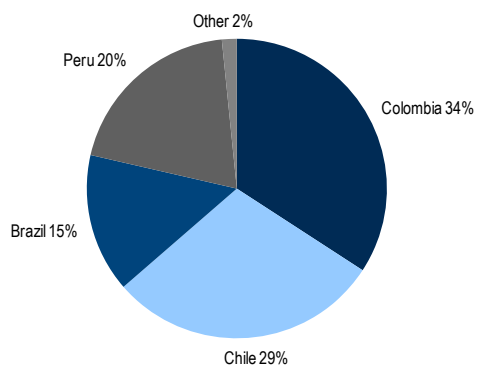
Source: Company report, BTG Pactual.

Chart 11: 1Q15 revenues by business line



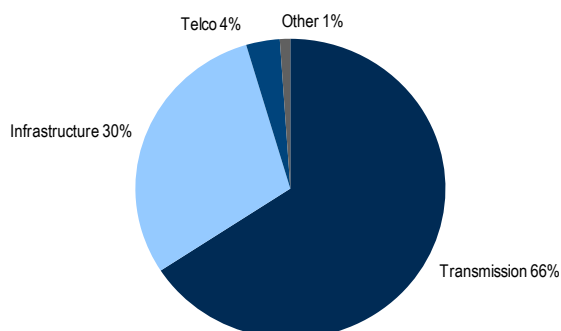
Source: Company report, BTG Pactual.

Chart 12: 2013 Ebitda by country



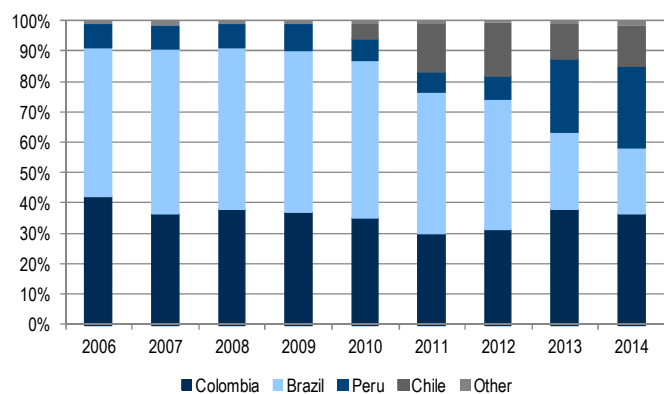
Source: Company report, BTG Pactual.

Chart 13: 2013 Ebitda by business line



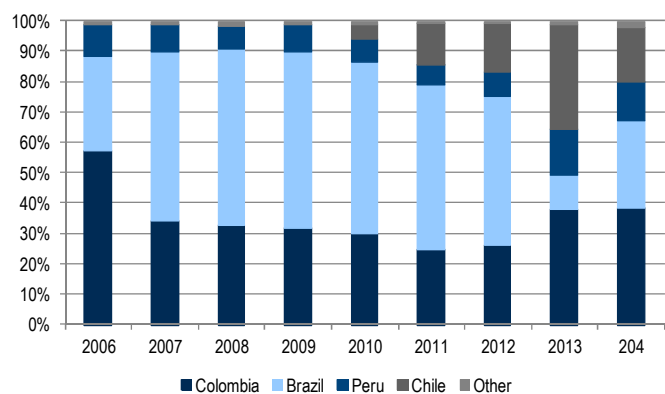
Source: Company report, BTG Pactual.

Chart 14: Revenues by country



Source: Company report, BTG Pactual.

Chart 15: Ebitda by country



Source: Company report, BTG Pactual.

The transmission business

ISA has a big footprint in South America, with 41,650km of high-voltage circuit and 77,710 MVA of transformation capacity. It dominates Colombia (79.62%, with 12,122km of transmission lines and capacity of 17,733 MW) and Peru (82%).

Figure 4: ISA transmission business: current operations and expansion



Source: ISA.

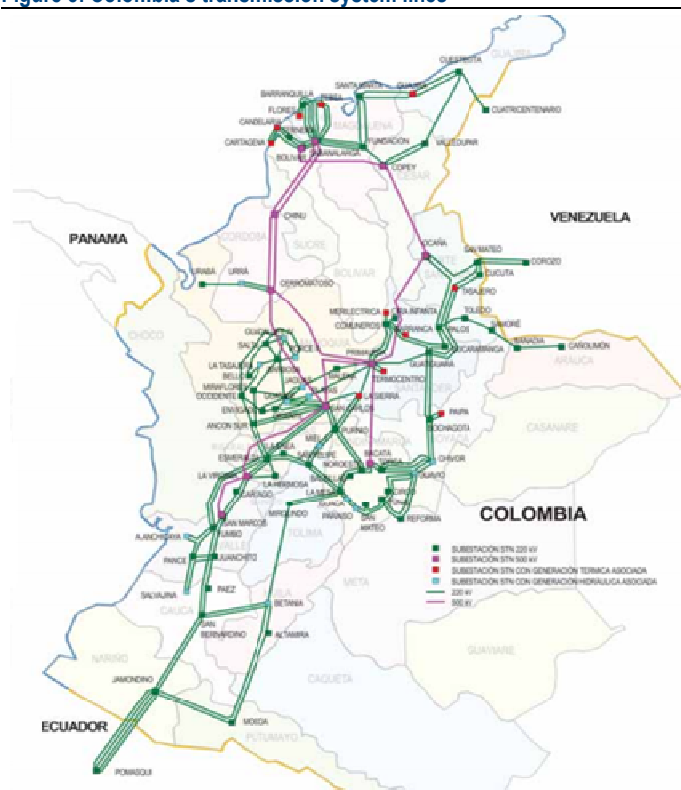
COLOMBIA – a mature business with 79.62% market share

The transmission system is formed by (i) the non-call network, or the lines built before the 1998 change in regulations, plus the extension of these lines, and (ii) the call network, or the lines built after 1998. ISA's assets are ~80% non-call and ~20% call.

Performance and income are regulated for the non-call assets, while only performance is measured for the regulated network, as established by a public auction. The auction encourages free competition, as it measures cost and efficiencies, and differs from the past system that allocated lines to regional companies. For the call network, companies have to present an annual income base, and CREG will then select the company offering the best terms. This process determines the first 25 years of annual income, after which annual income is set by CREG by renegotiating with the company. The renegotiated income is unlikely to change significantly.

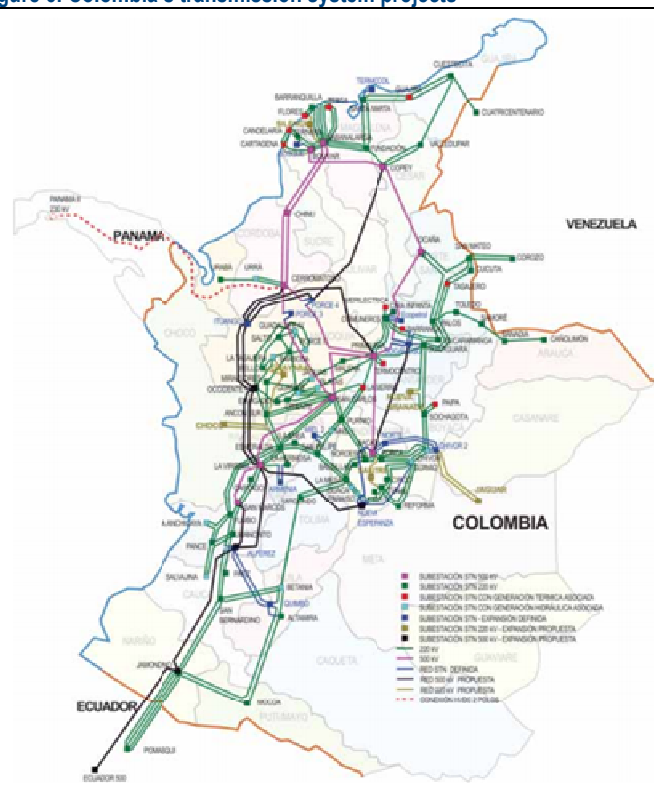
ISA is the largest Colombian player in transmission lines, with 69.21% share, followed by its subsidiary Transelca with 10.41%. For the infrastructure of the transmission lines, both companies have 79.62%, followed by EEB (7.9%), EPM (6.7%), EPSA (2.6%), ESSA (1.2%), DISTASA (0.4%), CENS (0.2%) and EBSA (0.2%).

Figure 5: Colombia's transmission system lines



Source: DNP.

Figure 6: Colombia's transmission system projects



Source: : DNP.

Peru: strongly positioned and still growing

In Peru, ISA has market share of 78% via its subsidiaries REP, CTM and ISA Peru, with 9,418km of transmission lines and projects to add 1,607km in the medium term. It also has 7,907 MVA (set to increase to 10,417 MVA).

On July 18, 2013, via its subsidiary Transmantaro, ISA was awarded a new transmission project to connect Mantaro-Marcona (350km), Marciba-Soabaya (445km) and Socabaya-Montalvo (105km). Expected annual income is US\$41.5mn and estimated capex for the project is US\$412mn.

How does the Peruvian transmission business work?

In 2006, Peru passed a law ensuring power generation and transmission. The law was similar to Colombian regulation, by remunerating (1) investments in assets, calculated as the annuity for a period of up to 30 years, with the discount rate set in Article 79 of the Electricity Concessions Law, (2) AOM expenses and (3) the corresponding settlement for the mismatch between rate bases authorized in the previous year and what was actually collected. These values depend on the results of the public auction.

In Peru, at the end of the 30-year concession or corresponding period, the company has to transfer the assets to the government for free, excluding the residual amount. 2 2 years before the end of the concession, the government will evaluate the need to keep the line in use and, if necessary, the network will go up for a new auction.

ISA has 3 subsidiaries in Peru. 2 of them (ISA PERU, Transmantaro) build and operate networks and receive annual income (AI = Investment + AOM). REP is different, because it only manages old networks (infrastructure more than 30 years old, returned to the government) and receives the value of the annuity defined in the public auction.

Red de Energia del Peru (REP)

REP was created on July 3, 2002, by ISA (30% interest), Transelca (30%), and EEB (40%). It is dedicated to power transmission and synergic businesses (e.g. telco services). In 2002, it won an auction to run the energy transmission network of the Peruvian government at ETECEN and ETESUR for 30 years, starting on September 5, 2002. The offer was US\$286.7mn, with an annuity guarantee income (AGI) of US\$58.6mn, adjusted by the *finished goods less food and energy index* of the US Labor Department. In 2006, it also signed a contract related to expansions for these networks.

In 2004, its original contract was modified after it requested an adjustment to the AGI, which rose US\$1.3mn. The company also received a one-time payment of US\$1.9mn via financial transaction taxes and currently manages 6,233km of network.

TRANSMANTARO (CTM)

CTM was created on January 30, 1998, after Hydro-Québec won the 33-year concession to design, build and run the Mantaro-Socabaya power network. It started construction on February 27, 1998, and began operations on October 8, 2000. Transmantaro's annual income is calculated in similar fashion to ISA Peru's.

On December 12, 2006, ISA and EEB took over at CTM after buying 100% of the company from Hydro-Quebec for US\$118mn. On June 12, 2009, the contract was modified to include expansion at the Mantaro-Socabaya power transmission network. The value of the investment was estimated at US\$93mn, with a 20-year concession.

ISA PERU

On February 16, 2001, Peru's government gave ISA a 32-year concession to build, manage and run the 242km Oroya-Carhuamayo-Paragsha-Vizcarra 220kW power network and the 131km Aguaytia-Pucallpa 138kW power network and corresponding substations. ISA PERU is owned by ISA (45.14%) and Transelca (54.86%). Its 2 contracts have a legal stability clause signed on April 26, 2001, setting a stable tax rate (22%) and allowing USD financial reporting. The 32-year concession began on April 27, 2000 (2 years construction; 30 for managing/running the power network).

BRAZIL: CTEEP compensation is still uncertain

The main variable of CTEEP's investment case is the discussion of the size of its residual payment (and the conditions of the payment itself). Up until the start of this decade, CTEEP was seen as a very predictable cash flow generator with decent dividend payouts. But the investment case has changed materially since its concession renewal proposal went public and it is now more of an event play.

Once the residual payment (and payment conditions) are known, we expect CTEEP to return to a stable-predictable environment, with recurring (strong) dividends and a solid investment base, potentially leading to a re-rating of multiples and less stock volatility. But despite this bullish view, we rate the stock a Buy as we think current valuation already prices in a good outcome for the residual event.

How does the Brazil transmission business work?

Brazil has 3 transmission concessions, depending on the periods they were granted. Group 1 consists of the so-called “legacy” assets (pre-1999), originally set to expire by 2015 but brought forward to 2013 (via Provisional Measure #579/2012, converted into Law #12.783/2013, a.k.a. the “concession renewal proposal”).

The second (Group 2) and least risky type of concession (auctioned between 1999 and 2006) is exempt from rate reviews and doesn’t expire until 2030. This group, however, is subject to a 50% top line reduction halfway through the concession.

The third (Group 3) consists of assets auctioned after 2006. These face rate reviews in years 5, 10 and 15 of the concession. The key focus of the review is to pass through the benefit of a lower TJLP interest rate.

ISA CAPITAL DO BRASIL

Created on April 28, 2006, as a limited liability company to participate in the privatization program of CTEEP. It was transformed into a limited liability corporation on September 19, 2006. On January 4, 2007, it registered with the SEC as an open corporation, and finally, on May 27, 2010, it went private. ISA has 100% of the common shares and 65.68% of the equity participation. HSBC and Votorantim Bank have equal preferred stocks, each with 17.21% of the capital equity.

The company’s aim is to hold interest in the capital of other companies. On July 26, 2006, it bought 31,341,890.064 common shares (for R\$1.2bn) from CTEEP (held directly or indirectly by Sao Paulo state), representing 50.1% of common shares and 21% of total capital. ISA Capital do Brazil assumed all of the liabilities of CTEEP. On January 9, 2007, it made a tender offer and bought 24,572,554.070 common shares (39.28%) for R\$755mn, getting 89.4% of voting rights and 37.46% of total capital. The rest is split between Electrobras (9.85%) and other shareholders (0.75%). Via this company, ISA Colombia consolidates the results of its Brazilian subsidiaries.

CTEEP

CTEEP is a Brazilian company listed on the Bovespa and one of the largest transcos in Sao Paulo and Brazil. It has installed capacity of 45,750 MVA (Mega Volt Ampere) and a footprint in 12 states: Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Minas Gerais, Rondônia, Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Maranhão and Piauí. CTEEP transmits 30% of electricity generated in Brazil and 60% of electricity consumed in the southeast. It has 19,189km of transmission lines, 8,794km of circuits, 2,488km of fiber optic cables, and 105 substations with a tension up to 550 kV, equivalent to almost 100% of Sao Paulo state consumption.

It signed a contract with Brazil's government (in the form of sector regulator ANEEL) on June 20, 2001. The agreement was previously renewed for 20 years on July 8, 1995, to operate the high voltage power network, including the basic network. Every 4 years, ANEEL will update the Allowed Annual Income. One of its contracts, signed before 1999, is for concession 059/2001. Other contracts were signed after 1999. In CTEEP's case, only 11.2% of contracts are subject to 4-year revisions.

Other countries in the transmission business

CHILE: a solid footing in a new market

In October 2012, it was given the opportunity to design, finance, construct and provide maintenance for 3 double-circuit 500kV transmission lines and associated substations between Metropolitana and Atacama. These projects will enable it to become the #2 player in the transmission business in Chile, with 1,487km of lines, an estimated capex of US\$800mn and annual income of US\$63mn from 2017 onwards.

On June 12, 2013, ISA received a new 220kV transmission line and 174km extension in the north of Chile. Estimated capex is US\$80mn, and it will generate US\$5.85mn per year. The new InterChile Project will involve 931km of transmission lines. The company said this line will enable it to sign private contracts with the mining industry in that area.

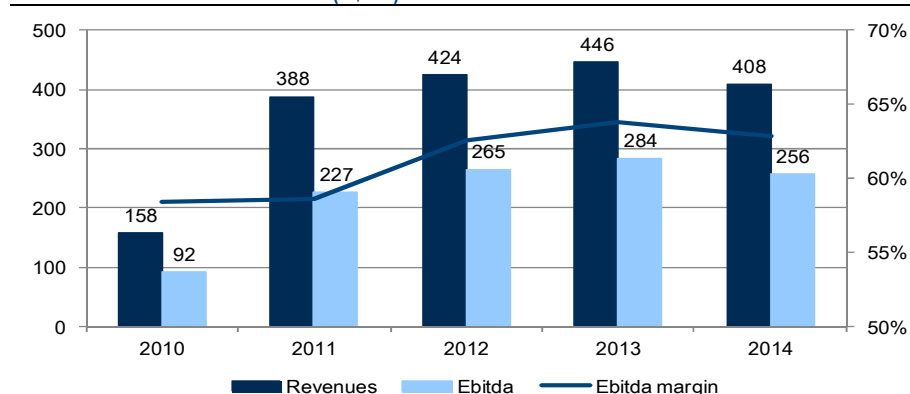
BOLIVIA

It owns the #2 electricity transco in Bolivia, with 34.22% market share (as of 2007), 230 kV in transmission lines, and higher voltage levels. The company has 588km in networks (Santibañez-Sucre 246km, Sucre-Punutuma 177.5km, Carrasco-Urubo 164.5km) and five substations with 30-year concessions (non-renewable), including construction and operation, starting in July 31, 2003. Shareholders include ISA (51%), Transelca (48.99%), and Internexa (0.01%).

Infrastructure business: growth driver

ISA decided to diversify its business and include road concessions in its business lines. On December 2, 2009, ISA and Cintra Infraestructuras de España signed an agreement to negotiate the assets of Cintra Chile S.A. ISA bought a 60% stake for US\$290mn. The deal also included an option to buy the other 40%, which was exercised on December 19, 2011, for US\$211mn. After the acquisition, Cintra became **Intervial Chile S.A.**

Chart 16: Intervial Chile financials (U\$mn)



Source: Company reports.

Since 1996, it has been a major player in Chile's interurban road concessions (40% share) and has been commissioned to design, construct, maintain, exploit, and operate the routes, including 907km in the "Ruta 5 sur", which pass through its 5 concessions (Autopista del Maipo, Talca-Chillán, Ruta del Bosque, Ruta de la Araucanía, and Ruta de los Ríos) from Santiago to Rio Bueno. The route covers the 6 main regions, home to 80% of the population, 70% of GDP and 74% of vehicles.

Figure 7: Intervial Chile concessions



Source: Company reports.

Playing the Andean macro scenario, but also Brazil

ISA's results are strongly regulated and depend on several macroeconomic variables such as inflation, GDP, and FX. In this section, we take a quick look at the forecasts of our macro team for the Andean countries and Brazil.

Brazil is expected to keep growing at a snail's pace

Last year was marked by uncertainties on the political-election scenario and the perception of a major economic adjustment by the new administration from 2015 onwards. As a result, 2014 saw a decline in business confidence, rising inventories and dwindling capacity utilization, with companies from a whole range of sectors announcing production stoppages and sales slowdowns. The drop in economic activity was mainly felt by industrial production (-3.2% y/y) and construction (-6% y/y). Despite the intense debate on the possibility of a negative GDP print, the official result indicated growth (albeit paltry) of 0.1% in Q1, whilst signaling a potentially major contraction in 2015 as a whole. Labor market conditions are also expected to deteriorate this year, along with tighter lending. Our scenario signals a contraction of 1.4% in GDP this year.

After a brief decline at the start of last year, in January to be more precise, the IPCA posted another lofty reading in 2014. Market players were already assuming some deterioration vis-à-vis 2013 (5.7%), but even they were disappointed by a year-end IPCA print of 6.4%, just below the ceiling of the inflation target. In addition to high levels in Q1, inflation remained elevated throughout the year. One of the bad pieces of news came from services inflation, which peaked during the World Cup and then remained stable in relation to 2013 at above 8% y/y. Another highlight was the performance of regulated prices (5.7% y/y), which started accelerating after atypically low readings in the previous two years. For 2015, several regulated price items have already been hiked. Our estimate for 2015 IPCA inflation is 8.7%, but with risks skewed to the upside. Upward risks still seem to dominate the inflation scene, due to FX pass-through and mounting pressure from energy prices, especially if oil prices head north.

In 2014, the Central Bank continued its Selic hiking cycle (initiated in April 2013), raising interest rates from 10% to 11% p.a. between January and April. At the end of the year, just after the elections, the Copom surprised markets with further hikes, with the Selic ending 2014 at 11.75% p.a. Interest rates are now at 13.75% p.a. and we recognize the risk of a higher terminal level, via a hike in July or via the cycle being extended until the early-September meeting. At this stage, we now assume a terminal level of 14.25%.

Sound macro framework in Chile

The automatic stabilizers of the Chilean economy are working to accommodate the new international scenario of lower terms of trade and capital flows to emerging economies. Chile's floating FX regime has allowed its currency to depreciate against the dollar (-33% since January 2013), making it more competitive, boosting external sector activities and reducing the current account deficit. The fiscal rule has helped the government soften the economic cycle, with fiscal spending (9.8% y/y) outgrowing

GDP in 2015, but the government has committed to consolidating the cycle starting in 2016. Chile's central bank has slashed the monetary policy rate (-200bps since October 2013), translating into lower financial costs for consumers and companies and likely allowing the economy to recover more quickly. Inflation has been running above the 3% target over the last year on the back of exchange rate pass-through effects. The credibility of the Central Bank has been crucial to keep inflation expectations well anchored in the relevant policy horizon and inflation is projected to converge back to the 3% target over the next 12 months. Long-term growth is estimated to be around 4%. For more details, please check our Chile Outlook.

Colombia is slowing more than market consensus imagined

The Colombian economy appears to be slowing down at a faster pace than market consensus and BanRep projections. The oil price slump has hit the economy stronger than anticipated, and for the next 3 years we expect economic activity to adjust to the "new normal" and grow below potential (3.8-4.2%). The fiscal rule should help to keep public finances sound. As for inflation, despite a temporary CPI spike due to "El Niño" and FX depreciation pass-through, market inflation expectations for the next 5 years are very close to the 3% target. Due to lower oil prices and strong domestic demand, the current account deficit surged to 5.2% of GDP in 2014. Terms of trade should continue to shrink this year, but the current account deficit should start to correct in 2H15 on the back of a sharp fall in domestic demand and major COP depreciation. Lower oil revenues and tax collection are hurting fiscal revenues and weakening the COP. For more details, please check our Colombian Outlook.

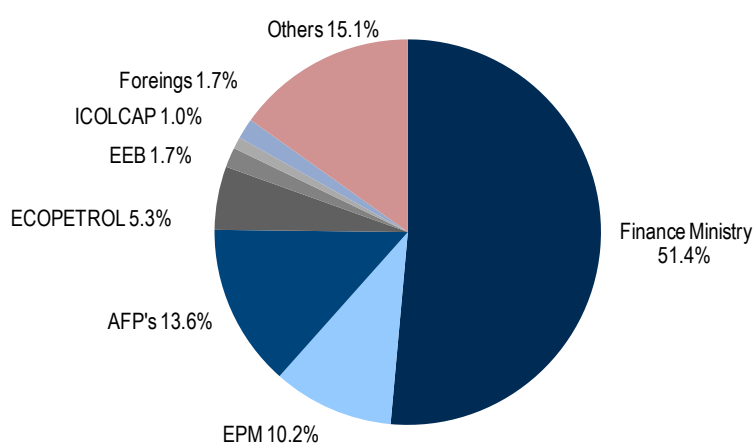
Peru has lost steam, but GDP growth has good chances of picking up

Peru's GDP growth has slowed down – from 6% (average of the past five years) to 2.4% in 2014 – in response to lower terms of trade and weaker private investment, which reflects, at least in part, the fading of the mining boom. Private consumption (60% of GDP), however, continues growing at a healthy pace (~4%) on the back of a relatively tight labor market, lower fuel prices, and accommodative macro policies (mainly fiscal: personal income tax cuts, ramp-up of social transfers, among others). In fact, cyclical weakness has a good chance of reverting, as record infrastructure concessions (US\$18bn, 9% of nominal GDP) enter the investment phase, massive mining projects (committed during the boom years) become operational, the US economy (#1 trading partner for manufactured goods) gains traction and, hopefully (but admittedly more uncertain), business confidence perks up. Looking forward, our forecasts for Peru's GDP growth in 2015 and 2016 are 3.5% and 5%, respectively. A stable macro environment should remain the norm in Peru, considering that inflation is anchored within the Central Bank's target range (1-3%), public finances are sound (large government savings and relatively low public debt), and foreign reserves (30% of GDP, highest in LatAm) provide a buffer against external imbalances. For further details, please see our Peru Outlook.

Appendix I: ISA's ownership structure

ISA (Interconexión Eléctrica S.A.) is controlled by the Colombian government, which had a 51.4% stake as of September 2013. Pension funds are the second-largest investors, with a 16.1% stake. Interestingly, three companies controlled by public entities have relevant stakes in ISA: EPM holds 10.2%, Ecopetrol 5.3%, and EEB 1.7%. Strictly speaking, the free float is limited to foreign (1.6%) and other minor shareholder (12.6%) positions, totaling 14.2%. The total number of shares is 1,107,677,894.

Chart 17: ISA's shareholder structure



Source: Superfinanciera.

Income Statement (COPbn)	12/2010	12/2011	12/2012	12/2013	12/2014	12/2015E	12/2016E	12/2017E
Revenue	3,514	4,369	4,303	3,601	3,921	4,491	4,172	4,383
Operating expenses (ex depn)	(1,075)	(1,434)	(1,489)	(1,688)	(1,717)	(2,103)	(1,977)	(2,076)
EBITDA (BTG Pactual)	2,475	3,027	2,903	1,976	2,247	2,407	2,236	2,349
Depreciation	(567)	(741)	(812)	(362)	(326)	(385)	(375)	(383)
Operating income (EBIT, BTG Pactual)	1,871	2,193	2,003	1,551	1,879	2,003	1,820	1,924
Other income & associates	9	49	316	(399)	25	0	0	0
Net Interest	(425)	(755)	(687)	(490)	(595)	(465)	(157)	(227)
Abnormal items (pre-tax)	0	0	0	0	0	0	0	0
Profit before tax	1,455	1,487	1,632	661	1,309	1,538	1,662	1,697
Tax	(424)	(457)	(666)	(92)	(380)	(515)	(565)	(657)
Profit after tax	1,030	1,029	965	570	929	1,023	1,097	1,040
Abnormal items (post-tax)	0	0	0	0	0	0	0	0
Minorities / pref dividends	(686)	(692)	(692)	(137)	(336)	(278)	(299)	(305)
Net Income (local GAAP)	344	337	273	433	593	745	798	735
Adjusted Net Income	344	337	273	433	593	745	798	735
Tax rate (%)	29	31	41	14	29	34	34	39
Per Share	12/2010	12/2011	12/2012	12/2013	12/2014	12/2015E	12/2016E	12/2017E
EPS (local GAAP)	319.71	313.09	253.74	402.33	551.34	692.58	741.81	682.89
EPS (BTG Pactual)	319.71	313.09	253.74	402.33	551.34	692.58	741.81	682.89
Net DPS	0.00	169.00	222.00	188.00	214.00	240.93	302.65	324.17
BVPS	5,817.39	5,800.14	5,516.60	6,727.12	7,857.56	6,146.98	6,564.69	6,903.67
Cash Flow (COPbn)	12/2010	12/2011	12/2012	12/2013	12/2014	12/2015E	12/2016E	12/2017E
Net Income	344	337	273	433	593	745	798	735
Depreciation	604	834	900	426	368	404	416	425
Net change in working capital	(315)	71	415	328	741	374	(456)	(240)
Other (operating)	-	-	-	-	-	-	-	-
Net cash from operations	-	-	-	-	-	-	-	-
Cash from investing activities	-	-	-	-	-	-	-	-
Cash from financing activities	-	-	-	-	-	-	-	-
Bal sheet chge in cash & equivalents	194	202	264	143	79	(739)	108	(358)
Balance Sheet (COPbn)	12/2010	12/2011	12/2012	12/2013	12/2014	12/2015E	12/2016E	12/2017E
Cash and equivalents	1,211	1,413	1,677	1,820	1,899	1,160	1,269	910
Other current assets	1,205	1,663	3,099	2,398	2,987	2,841	2,177	2,299
Total current assets	2,416	3,076	4,776	4,219	4,887	4,001	3,446	3,209
Net tangible fixed assets	7,895	7,975	8,727	16,072	17,512	18,100	20,687	22,603
Net intangible fixed assets	15,509	15,608	12,268	5,277	6,596	6,437	6,437	6,442
Investments / other assets	0	0	0	0	0	0	0	0
Total assets	25,820	26,659	25,771	25,567	28,994	28,538	30,569	32,254
Trade payables & other ST liabilities	1,504	1,556	2,572	1,959	2,138	2,338	2,508	2,402
Short term debt	782	1,548	1,349	0	0	0	0	0
Total current liabilities	2,286	3,104	3,921	1,959	2,138	2,338	2,508	2,402
Long term debt	7,313	7,947	8,043	8,698	9,426	10,039	11,139	12,239
Other long term liabilities	4,550	4,785	3,523	3,754	4,483	5,939	5,939	5,944
Total liabilities	14,149	15,836	15,487	14,411	16,047	18,316	19,586	20,585
Equity & minority interests	11,671	10,823	10,284	11,156	12,947	10,221	10,983	11,664
Total liabilities & equities	25,820	26,659	25,771	25,567	28,994	28,538	30,569	32,254

Company Profile:

ISA defines linear infrastructure systems as its strategy business, understood as the union between two points: stretch from city to city, country to country, and point to point, contributing to the advancement of the peoples of Colombia, Brazil, Peru, Chile, Bolivia, Ecuador, Argentina, Panama and Central America. For such purpose, its activities are focused on the businesses of Electric Energy Transport, Telecommunications Transport, Road Concessions, Markets Operation and Administration, and Construction of Infrastructure Projects.

Financial ratios	12/2013	12/2014	12/2015E	12/2016E	12/2017E
EBITDA margin	54.9%	57.3%	53.6%	53.6%	53.6%
Operating margin	43.1%	47.9%	44.6%	43.6%	43.9%
Net margin	12.0%	15.1%	16.6%	19.1%	16.8%
RoE	6.4%	7.3%	9.6%	11.3%	9.8%
RoIC	8.6%	9.8%	10.1%	9.1%	8.8%
EBITDA / net interest	4.0x	3.8x	5.2x	14.2x	10.3x
Net debt / EBITDA	3.5x	3.3x	3.7x	4.4x	4.8x
Total debt / EBITDA	4.4x	4.2x	4.2x	5.0x	5.2x
Net debt / (net debt + equity)	38.1%	36.8%	46.5%	47.3%	49.3%

Source: Company reports and BTG Pactual estimates. Valuations: based on the last share price of that year(E) based on share price as of 29 June 2015

Required Disclosures

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The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results.

BTG Pactual Rating	Definition	Coverage *1	IB Services *2
Buy	Expected total return 10% above the company's sector average.	43%	45%
Neutral	Expected total return between +10% and -10% the company's sector average.	51%	46%
Sell	Expected total return 10% below the company's sector average.	6%	29%

1: Percentage of companies under coverage globally within the 12-month rating category.

2: Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

Absolute return requirements

Besides the abovementioned relative return requirements, the listed absolute return requirements must be followed:

- a) a Buy rated stock must have an expected total return above 15%
- b) a Neutral rated stock can not have an expected total return below -5%
- c) a stock with expected total return above 50% must be rated Buy

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Valuation Methodology

Interconexión Eléctrica S.A. E.S.P. [COISA] (Primary) - Our target price is a Sum of the parts that reflects a DCF-based methodology for its subsidiaries.

Company Disclosures

Company Name	Reuters	12-mo rating	Price	Price date
Interconexión Eléctrica ^{18, 19, 20, 21, 22}	N.A.	Buy	COP7,360.00	29-6-2015

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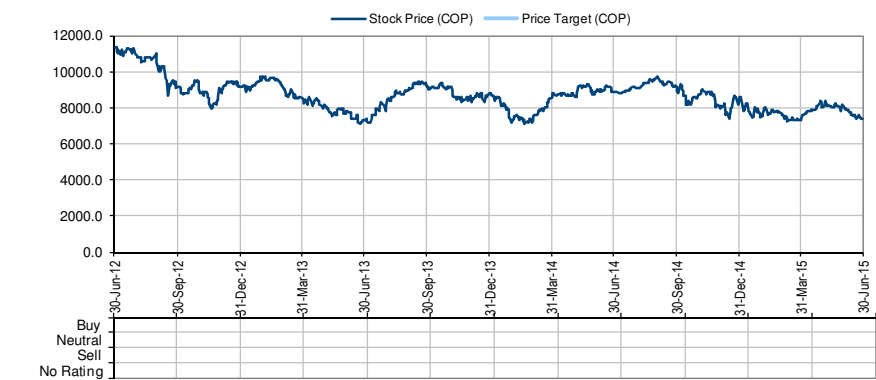
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Interconexión Eléctrica



Source: BTG Pactual and Economática. Prices as of 29 June 2015

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