

LatAm Utilities

EEB in Brazil/Sabesp: tariff hike/ Energias: new Board/Cesp, Cemig: good divvies/ 4Q14 #s/ More

Equities

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Utilities

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Highlights: Brazilian utilities: reducing dividends on poor 1H15 outlook

Discos reported strong 4Q14 on accounting changes that recognize future tariff hikes upfront plus still reasonable sales volume growth. By contrast, Gencos and Water ute reported weak 4Q14 on dry weather (higher than anticipated costs, provisions for losses). Most companies have reduced payout and DPS y/y, with the exception of CESP and CEMIG, but note that CEMIG decided to withhold R\$797m (c.25% EPS) of the declared dividends for future payment. This underscores risk of weaker quarters ahead due to the still dry weather and poor volume growth outlook. Electricity rationing risks have come down (rainfall closer to historical average, nil demand growth due to recent >50% price hikes/nationwide savings campaign -page 3) but hydro generation shortfall should remain high, hitting Genco results again this year. We are more optimistic on Bz utilities, from a very low base, and have turned less negative on CESP (given the high dividend proposal - [click here](#)) and SABESP ([click here for the 14% tariff hike note](#)). [Click here for co-by-co overview slides](#).

What's new: Sabesp, Energias, Eletrobras, Copasa, Copel, Equatorial, more.

M&A: Colombian EEB paid \$170m for Brazilian transmission assets. **Brazil:** more rain in April; lower demand (+0.2% or -0.5% y/y); higher power prices/returns for greenfield auctions but no GSF help yet, though. **Sabesp:** 14% tariff hike (+); DCF-derived PT is up R\$1/sh on partial pension fund dispute resolution (+); more rain but lower sales volumes in 1Q15 (-). **Energias:** PT (DCF) up R\$1/sh (+); Board changes (+). **Eletrobras:** R\$3bn net loss in 2014FY with zero DPS (+/-); R\$8.6bn debt to Petrobras to be paid for by end-users (+); no money for Angra 3 nuclear project (+/-). **Cemig:** additional R\$0.45/sh DPS (+), deferred R\$0.63/sh DPS for future distribution (+). **Copel:** R\$882m RBSE transco compensation request (+). **Cesp:** PT (DCF) down R\$1/sh on dry weather (-). **Equatorial:** new higher DCF/SOTP-derived R\$28 PT (+). **IEInova:** Pemex reduces stake in Los Ramones II project (+). **BEATS:** CPFL, CEMIG. **MISSES:** SABESP, COPEL, CESP, COPASA. **IN LINE:** TRACTEBEL.

Weekly Performance (US\$ terms, closing price as of April 1st)

Bz Ute (+4.3%) outperformed IBOV (+2.0%), while Chilean Ute (+1.5%) performed in line with IPSA (+1.4%). **BEST:** Energias do Brasil (+10.4%), CPFL Energia (+8.5%), Equatorial (+7.1%). **WORST:** Eletrobras PN (-3.6%), Taesa (-1.1%), Copasa (-0.6%).

Table 1: Summary Ratings and Multiples (nom local currency)

Company	Local Ticker	UBS Rating	Price 1-Apr-15	Price Target	15e	P/E 16e	17e	15e	EV/EBITDA 16e	17e	15e	Div Yield 16e	17e
AES Tiete ON	GETI3	Buy	14.9	18.0	10.7	11.2	9.2	6.3	5.9	5.3	10.0%	9.6%	11.4%
AES Tiete PN	GETI4	Neutral	17.6	18.0	12.7	13.2	10.9	7.3	6.9	6.1	9.3%	8.9%	10.6%
Cemig PN	CMIG4	Sell	13.3	13.0	6.7	6.7	6.3	4.8	5.1	5.1	7.5%	7.5%	7.9%
CESP	CESP6	Sell	24.3	24.0	29.2	34.0	24.6	8.1	n.m.	12.1	6.1%	4.4%	4.5%
Copasa	CSMG3	Sell	18.5	16.0	10.4	11.2	4.3	5.7	5.2	3.6	3.2%	3.0%	7.7%
Copel PN	CPLP6	Neutral	35.1	36.0	6.2	6.5	5.6	5.0	5.4	4.7	8.5%	8.1%	9.3%
CPFL Energia	CPFE3	Buy	20.8	20.0	18.1	13.7	13.3	8.2	7.0	6.9	5.2%	6.9%	7.2%
CPFL Renovaveis	CPRE3	Not Rated	13.0	-	n.m.	15.2	11.5	10.2	8.6	7.8	1.1%	6.6%	8.7%
Cteep	TRPL4	Neutral	41.0	44.0	13.4	11.0	10.9	5.0	4.5	4.4	3.8%	4.1%	4.4%
Eletrobras PNb	ELET6	Not Rated	7.3	-	38.2	8.4	n.m.	21.2	10.4	n.m.	13.7%	9.3%	n.a.
Eletropaulo	ELPL4	Neutral	9.9	9.0	7.9	6.4	9.0	7.0	6.0	6.2	3.3%	4.0%	2.9%
Energias do Brasil	ENBR3	Buy	10.9	13.0	8.5	8.4	7.1	4.5	4.8	4.2	7.1%	7.2%	8.5%
Equatorial	EQTLL3	Sell	32.3	28.0	52.8	19.1	13.1	14.5	9.4	7.8	3.2%	n.m.	n.m.
IEInova	IEINOV4	Neutral	82.5	83.0	32.0	29.3	25.1	14.3	12.5	10.9	2.7%	2.9%	3.0%
Light	LIGT3	Buy	14.6	17.0	5.6	4.0	3.5	5.3	4.3	4.1	9.0%	12.6%	14.2%
Sabesp	SBSP3	Sell	18.2	17.0	13.6	10.9	6.4	7.5	6.4	4.9	1.8%	2.3%	4.7%
TAESA	TAEE11	Not Rated	20.9	-	11.4	11.4	11.4	12.3	12.9	13.7	8.3%	8.6%	8.9%
Tractebel Energia	TBLE3	Sell	36.3	32.0	15.2	12.8	10.2	8.2	7.3	6.1	6.6%	7.8%	9.8%

Source: Bloomberg and UBS estimates; Bloomberg consensus data used for Not Rated companies

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Sector Highlights

Brazilian Utilities (+4.3% in 1week, -16.5% YTD) outperformed IBOV (+2.0% in 1w, -12.1% YTD) amid lower electricity rationing risks in Brazil given (a) better rainfall forecasts, (b) lower demand growth outlook. See below:

Electricity rationing risks:

- **Much lower rationing risks on higher rainfall outlook for April and weaker demand growth, argues Brazilian authorities.** Brazil's national dispatch administrator ONS in its weekly Friday evening update expects rainfall to pick up in April to 95% of the long term average (LTA) for SE/CW (vs. 78% for March), 62% for NE (vs. 36%), 88% for S (vs. 115%) and 87% for N (vs. 69%). With these forecasts, the SE/CW region reservoirs would reach 32-35% of total capacity by April-end (vs. current 29% level), comparing fine vs. the minimum 33% threshold that would make Brazilian authorities rule out the need to declare rationing. ONS's Head Hermes Chipp indicated that even if rains only 65% of LTA rainfall in the May-October dry season there will be enough capacity to meet demand and water reservoir levels would still be above 10% by the end of year. Note that demand growth expectations by ONS for April is +0.3% for Brazil, led by NE (+3.8%) and S (+2.3%) regions, and lagged by the SE (-0.4%) and N (-5.0%) regions. Accordingly, the marginal cost of operation fell to R\$880/MWh on March 27th from R\$2,190/MWh in early Feb. 2015
- **2015FY demand growth forecast of +0.2% (down from +3.2%) as per ONS and -0.5% (down from +3%) as per Energy Planning Entity (EPE), much higher than the -5% cited by Energy Minister Braga.** ONS explained this was due to lower industrial consumption forecasts and the new tariff flags which give consumers price signals of scarcity. The +0.2% and -0.5% seem in line with our modelling assumptions which assume -2% to +1%, depending on the concession area.
- **High electricity costs to avoid rationing..... Brazil will run private generators costing R\$1,420-792/MWh based on diesel-gas, respectively (vs. R\$388/MWh spot market price cap).** Regulatory agency Aneel is setting out the rules for distributed generation. On March 17th ANEEL proposed these prices for private generators to inject new energy into the grid. The amount of new supply is however unknown, ranging from 3GWavg to 9GWavg as per different sector experts. As per local press, Sao Paulo-based gas distribution utility Comgas's CEO Luiz Henrique Guimarães indicated Comgas has been consulted by many shopping malls, industries and hotels to improve their self-generation capacity to at least 6h/day from current 3h/day. As per O Globo newspaper, Comgas' Director of Planning and Supply said that Brazil's three major gas discos have surplus of 3mcm/day, which would be enough to feed c.600MW capacity. However, there is overall scepticism about the effective increase in supply in the very near term.
- **Strong hydro generation shortfall of 23% in March 2015 (i.e., low GSF - generation scaling factor - of 0.77).** The hydro generation

shortfall was 23% in March vs. 21% in Feb and 19% in Jan. in view of very high thermoelectricity dispatch/ongoing drought. This makes up to c.21% shortfall in 1Q15 vs. 9% in 2014a and guidance from different corporates ranging from 15 to 20%. Our base case is 18% which is already reflected into our valuation models of Tiete and CESP, but not yet for the other companies within our coverage universe. A 20% hydro generation shortfall. means R\$33bn in energy purchase costs shared among Brazilian hydro gencos for 2015, on top of the c.R\$25bn hit incurred in 2014. Note that there has been increased speculation that the Brazilian Federal Govt. could reduce this burden by passing on these hydrology costs to end-users; we remain sceptical this will happen for "old" assets but think there might be changes to reduce future losses of recently started-up greenfield projects.

- Higher power prices for greenfield projects... in the A-5 new energy power auction set for April 30th.** The ceiling price for the upcoming auction will be R\$210/MWh for Small Hydro Plants up to 50MWnom capacity, R\$281/MWh for thermoelectricity, R\$155-187/MWh for larger hydro projects (R\$155/MWh for the 150MWnom Itaocara project in Rio, R\$164/MWh for 109MWnom Telemaco Borba in Parana, R\$201/MWh for 139MW Apertados in Parana, and R\$187/MWh for 87.1MWnom Ercilandia in Parana. These prices compare well vs. prior auction price caps., explained by lower funding levels of 50% from 70% and higher funding costs with the recent rise in TJLP interest rates to 6% p.a. from 5.5% and vs. 5% about one year ago. Only Itaocara within the hydro projects has the environmental license required for the project to be auctioned out. The minimum energy volume sold to the auction/regulated customers is 10% in the case of Small Hydro Projects and 70% for larger hydros or thermal projects. We note that transmission and distribution regulatory return outlook has also improved after the new Dilma Rousseff administration with Finance Minister Joaquim Levy took office.
- Hidden end-user tariff costs: Brazil's energy commercialization chamber CCEE got another R\$3.4bn loan for CDI + 3.15% p.a. interest cost.** This loan was set to cover for involuntary energy purchases incurred in Nov. and Dec 2014 at the spot market. The R\$3.4bn will be provided by eight banks (Banco do Brasil, Banrisul, BNDES, Bradesco, BTG Pactual, CEF, Itaú Unibanco and Santander) at a high cost. This R\$3.4bn, combined with the other R\$17.8bn in CCEE loans issued in 2014, will be repaid by end-users over a 54 month period (up from 24m). This maturity extension resulted in an increase of the interest rates to CDI+2.525% p.a. on the first loan (was CDI+1.35% p.a.) and CDI+2.9% p.a. to the second (was >CDI+2.35% p.a.).

Company by company review (Apr. 1st prices)

Figure 1: 4Q14 Beats and Misses, and why.

	EBITDA			EPS			Comments
	Beat	In line	Miss	Beat	In line	Miss	
AES Tiete			X			X	Tiete was short energy in 4Q14 by more than anticipated; note that the hydroelectricity generation shortfall was 12.1% and Tiete had to buy its shortfall in the spot market at c.R\$727/MWh to cover its selling contracts of c.R\$206/MWh. As an offset, company has been able to benefit from rising power prices over the medium to long term. Tiete is one of the few hydro gencos with excess capacity in 2015-16e.
Cemig	X			X			The beat was on extraordinary items: recognition of R\$1.1bn in regulatory Disco tariff, partially offset by R\$497m in provisions for losses and contingencies. Note that, as a small negative, operating costs were R\$400m higher than anticipated. More importantly and as a positive, dividend distribution was above expectations.
CESP			X			X	The miss was small, and explained by provisions for labour contingencies; higher than anticipated energy purchase to cover for hydro generation shortfall. These were partially offset by R\$195m lower financial results and R\$100m lower write-off from Jupia/Ilha Solteira hydro plants vs. UBSe.
Copasa			X			X	The miss was explained by high provisions for losses (R\$16m related to a stream dam construction, R\$21m on legal contingencies) and R\$33m in higher than anticipated costs related to ongoing drought (more treatment material and electricity). 4Q14 is not a key driver given very limited supply constraint in 4Q14.
Copel			X			X	Disco numbers were strong due to (i) recognition of R\$1.2bn in regulatory receivables due to accounting changes that hit Bz discos; (ii) +7.2% y/y demand growth. Nevertheless, Copel booked R\$117m in provisions for labour contingencies and impaired R\$807m of generation assets.
CPFL Energia	X			X			The beat was expected on accounting changes that now called for the recognition of R\$835m in future Disco tariff hike that is guaranteed in tariff contracts. Costs came out better than UBSe on lower fuel oil purchases for co.'s thermoelectricity plants. Other controllable costs came out in line.
Cteep	X			X			Numbers were above consensus estimate but below UBSe but not a key valuation driver. The better YoY numbers are explained by inflation-adjustment of top line plus reasonable return over grid reinforcement/improvement capex (revenues were up 12%), cost cutting efforts (down 27%), start-up of Madeira F project and a low 2013 base of comparison.
Eletropaulo		X			X		Beat explained by stronger top line due to accounting changes that added regulatory receivables to P&L and excess energy that was sold at spot market given that co. was overcontracted in the quarter.
Energias do Brasil	X			X			Beat mainly due to accounting changes impacting Disco top line, only partially offset by higher energy purchases at Gencos so as to cover for hydro generation shortfall due to the poor, dry weather. EBITDA breakdown: R\$666m Disco, R\$137m Genco, R\$15m Trading.
Equatorial	X			X			Strong result mainly driven by accounting changes that mandates Discos to report future tariff receivables in the income statement, P&L. Co. continued to show a nice story of loss reduction, namely at the recently-acquired Celpa disco in the Para state.
ENova		X				X	Miss due to mark-to-market of interest rate swap and higher taxes coming from FX/monetary adjustments over fixed assets that are denominated in Pesos and pay taxes in Mexico.
Light	X			X			The beat was expected on accounting changes that now call for the recognition of R\$1bn in future Disco tariff hike that is guaranteed in tariff contracts. Light also booked R\$143m gain from the R\$1.6bn equity issuance at Renova at above book value, subscribed by co-parent Cemig
Sabesp			X			X	Miss explained by lower than expected volume reduction due to intensified marketing campaign urging the population to save water/even lower water pressure in the system. Total volumes were -4% q/q, -11% y/y and average tariff was -9% y/y.
Tractebel Energia		X				X	EBITDA in line with UBSe, but slightly off Net Income of R\$514m due to higher than expected financial expenses. The low payout and DPS despite unleveraged balance sheet underscored another dry year ahead.

Source: UBS

ENERGIAS DO BRASIL (+10.4%) was the top performer amid positive changes at the Board towards better corporate governance standards. Note that Energias is considering stock option plan for its top employees.

We raised our DCF-dPT to R\$13/sh from R\$12 despite lower near-term estimates

from still poor weather/challenging macro due to improved cash flow outlook and better regulatory framework for Discos. We also have an improved perception of good governance ahead, with one more independent Board member (4 out of 8). Energias announced the nomination of Henrique Manuel Marques Faria Lima Freire as co.'s new CFO following the departure of Miguel Dias Amaro (who accumulated the post of CFO and Distribution Head). An entrepreneur, Mr. Freire also brings 15 years of experience in the financial markets, more recently as a partner of auditing company KPMG. The new deputy VP of Distribution will be Miguel Nunes Itkes, who is currently the Commercial, Technical and Environmental Director of disco Bandeirante, having worked in the past for EDP Group as Deputy Director of Commercialization (Apr. 2008), Executive Manager of Energy Planning (Feb. 2002). [Please click here for our report "ENERGIAS DO BRASIL Valuation solid with positive strategy and growth outlook amid near-term hydrology uncertainties"](#).

CPFL Energia (+8.5%) was a top performer amid good 4Q14 that was a beat to UBSe and Consensus. Note however quarterly results are not a key driver for the stock. The beat was expected on accounting changes that now call for the recognition of R\$835m in future Disco tariff hike that is guaranteed in tariff contracts. Costs came out better than UBSe on lower fuel oil purchases for co.'s thermal plants. CPFL Energia closed Dec. 2014 with 3.5x net debt-to-EBITDA as per co.'s own calculations (no additional dividends have been proposed). Watch for high volume reduction risks to hurt Discos, poor rainfall to hurt Genco units. These however can be offset by improved regulatory return outlook for the longer-term. [Click here for our CPFL report which includes a review of 4Q14 results.](#)

EQUATORIAL (+7.1%) was up amid no new news. We recently increased our PT so as to reflect a more benign view on sector regulatory framework underscored by: (i) 8.1% ROA (was 7.5%) over existing and future investments as early as August 2015 for Celpa/August 2017 for Cemar; (ii) better loss reduction curve at both Celpa and Cemar; (iii) accounting changes that will reduce working capital pressure from pass-thru of non-controllable costs. We however see lower volume growth from deteriorating macro scenario including poor hydrology risks in the short term - we actually cut our 2015-17e estimates. Solid company and management, but still a Sell on valuation. [Please click here for our note: "Equatorial Energia Higher R\\$28/sh PT on benign Disco rate review process but lower 2015-17e EPS: fairly valued"](#).

COPEL (+5.2%) was up despite poor 4Q14 generation results and disclosure of independent appraisal report valuing RBSE transmission receivables at R\$822m. Disco numbers were strong due to (i) recognition of R\$1.2bn in regulatory receivables due to accounting changes that hit Bz discos; (ii) +7.2% y/y demand growth. Nevertheless, Copel booked R\$117m in provisions for labour contingencies and impaired R\$807m of generation assets (R\$679m coming from the R\$1.8bn, 180MWavg. Colider hydro project and R\$129m from poor weather/several assets). Controllable costs were off by R\$150m and mgmt. is paying out 50% of EPS (in line). FY capex of R\$2.2bn was below budget but high, and leverage hit 2.6x net debt/EBITDA. 2015e capex budget was set high at R\$2.5bn. In the 4Q14 earnings call with CEO/CFO, management suggested it could reverse part of the impairment in the future, as estimates were based on strong hydro generation shortfall of 17.5-10-5% in years 2015-16-17e (seems very negative vs. UBSe of 18-3-0%, respectively). [For 4Q14 details, please click here: "COPEL 4Q14: hit by R\\$807m impairment in greenfield generation projects and higher operating costs"](#). **Separately**, COPEL informed the market that its RBSE Transco appraisal report prepared by *American Appraisal Serviços de Avaliação*

pointed out to R\$882m compensation for pre-2000 capex; this compares well vs. R\$160m book value. This number still needs to be audited by ANEEL.

CESP (+4.6%) was up despite 4Q14 miss to stale consensus and amid strong DPS distribution proposal; we cut our PT by R\$1 to R\$24/sh before the 4Q14 release on lower EPS from the ongoing drought.

CESP reported 4Q14 EBITDA of R\$613m (-2% YoY) which came out below UBSe of R\$764m and consensus of R\$695m. Net income of a loss of -R\$1.15bn (-R\$3.5/sh, +16% YoY) was slightly off UBSe of a loss of -R\$1.07bn and well below stale consensus of -R\$9m (street estimates did not include the R\$2.0bn impairment-related write-down management indicated could happen this year). The miss to UBSe can be explained by (i) provisions for labour contingencies; and, (ii) higher than anticipated energy purchase to cover for hydro generation shortfall. More importantly, management is proposing the distribution of an additional R\$1.6bn (R\$4.82 DPS, 21% interim yield), on top of the R\$193m in interest on capital that was already paid. This means 2014FY-based dividends of R\$1.77bn (R\$5.41 DPS, +70% y/y, 24% yield) vs. reported FY earnings of R\$560m. As per CFO, there seems to be no reason for the controlling shareholder to not approve this high payout proposal. [Please click here for our CESP 4Q14 full report.](#) Prior to 4Q14 earnings release, we cut our PT by R\$1/sh on lower EPS estimate as a result of the ongoing drought, which might impact 2015 EBITDA by R\$1.5bn - a result of 18% volume acquisition at high spot prices to cover for generation shortfall. We reiterated our Sell on unclear business strategy ahead (investments in gas pipelines? transmission?). [Please click here for our note: "CESP Cutting estimates to adjust for non-cash asset write-off and drier weather; lower R\\$24/sh PT".](#)

CEMIG (+3.6%) was up despite 4Q14, additional dividends, but amid partially delayed dividend payment.

4Q14 was a beat on non-recurring items (recognition of R1.1bn in regulatory Disco tariff receivables due to accounting changes that hit all Bz discos). Co. proposed another R\$0.45/sh DPS that means another 3.5pc yield that makes FY distributions at above 20pc - not recurring, though. Worth mentioning that co. decided to withhold R\$797m (c.25% EPS) of the declared dividends for future payment. [Please click here for our note "CEMIG 4Q14 a beat on strong demand and non-recurring items; another R\\$0.45/sh DPS proposal a positive".](#) Not much new news on the Sao Simao/Jaguara/Miranda dispute with Bz Fed Govt. from 4Q14 earnings call with new CEO/CFO. We learned from our meeting this week with CEMIG that co. has 10% of its assured capacity not-contracted to sell in 2015 that could be used as a hedge against hydro generation shortfall. This 10% level is higher at c.25% or c.1.6GWavg assuming co. continues to have rights to sell energy from Sao Simao and Jaguara hydro plants.

TRACTEBEL (+3.4%) was up despite in-line 4Q14 and still high hydro generation shortfall for 1H15e despite improved rainfall.

After delaying the FY release due to uncertainties on dividend payout, co. proposed R\$172m in dividends (R\$0.26 DPS), on the top of R\$603m already distributed, totalling R\$775m based on 2014FY (R\$1.19 DPS, 3.3% yield, 55% payout over adjusted earnings). The lower payout and dividends despite the unleveraged balance sheet (1x net debt/EBITDA) underscore another dry year ahead, which should hit Brazilian hydro generators again this year. We expect much weaker quarters ahead as we do not believe Brazilian Govt. will reduce hydrology risks for existing assets, but rather mitigate such risks for greenfield projects. We see downside risks to 2015 EPS on drought-related costs but this could be offset by higher power prices than the current levels; note that Tractebel still has 2-9-16-26-31-42% of its energy

portfolio free to be sold in 2015-16-17-18-19-20e, respectively. [Please click here for our note "Tractebel Energia: 2014FY slightly off UBSe; lower dividends on another dry year ahead; reiterate Sell on valuation"](#). During 4Q earnings conference call, management indicated continued optimism about the new auction for the second "part" of the Miroel Wolowski thermal project (Pampa Sul, won by Tractebel for R\$202/MWh tariff and with start-up expected for 2019) despite the higher capex (+R\$270m given the BRL devaluation), due to the higher auction cap price of R\$280/MWh (was R\$202/MWh).

SABESP (-0.4%) was down amid weak 4Q14 results and despite improved rainfall outlook and positive pension fund dispute resolution (which prompted us to raise our PT by R\$1/sh to R\$16). See below:

(a) 13.87% extraordinary tariff hike proposal, comprised as follows:

7.1% is annual inflation pass-thru and 6.4% is to cover for electricity costs and foregone volumes from ongoing rationing. The tariff discount (R\$376m last year, likely higher this year) was not included, and opex pressure (c.R\$100m above inflation on special pump operation, treatment material, marketing campaign) was not either. With the proposed tariff increase, SABESP should keep leverage within the limits of its debt covenants in 2Q15 onwards. We for now reiterate the Sell rating, although we suspect there is upside risk to our 2015 estimates from the tariff hike, offset by revenue downside risk for 2017 onwards. Click for our two recent notes on tariffs: ["Extraordinary tariff hike to compensate company for foregone volumes, but never for tariff discounts" dated Mar. 31st](#) and ["Asking for an extraordinary tariff hike" dated Mar. 9th](#).

(b) 2014FY results were weak and a miss to UBSe and consensus.

Earnings were negatively hit by R\$376m in tariff discount for a low savings volume of -3.3%. Total volumes were -4% QoQ, -11% YoY - i.e., worse than UBSe of -4.2% YoY on intensified marketing campaign urging the population to save water/even lower water pressure. Average tariff was -9% YoY on volume reduction (co.'s tariffs are progressive) and the more aggressive tariff discount program adopted in Nov. 2014. This quarter volumes were down by more than anticipated while the avg. tariff was only 2% below UBSe. Co. cut pay-out to R\$0.37/sh on high 4.1x net debt/EBITDA and still low reservoir levels despite recent improvement in rainfall. Interestingly, co. also cut 2015 investment plan to R\$2.3bn (vs. UBSe of R\$3.2bn and down from R\$3.2-2.7bn in 2014-13) by slashing sewage capex by half. This in our view underscores revenue constraints in 2015 as well as in 2016. We remain concerned on supply shortages. [Please click here for our note "SABESP 2014FY miss: R\\$376m tariff discount for 3% volume savings; low payout/capex ahead – is it worth it?"](#).

(c) Pension fund receivables. Co. announced it reach an agreement (in favour of SABESP) with its parent the Sao Paulo State Govt. and the Sao Paulo State water regulatory agency DAEE involving an R\$1bn pension plan dispute. The parent has agreed to pay in kind: 2.2m CTEEP shares (c.R\$87m) to SABESP plus 156 monthly instalments of c.R\$3.9m (adjusted by IPCA inflation + 0.5% per month) starting in April 2017 (coincidentally, at the time of co.'s second rate review). This dispute was off balance sheet and meant +R\$1/sh to our fair value estimate of SABESP. There is

still a R\$783m separate dispute with the parent on the same topic but this will likely only be resolved in the courts.

- (d) **Credit rating downgrade risk increased, according to Fitch.** The rating agency's concern lies on potentially higher restrictions on water supply, which could impair co.'s balance sheet. SABESP's credit rating is BB+ but now with negative outlook. This piece of news helped company secure an above-inflation tariff hike for April of +14% which should make co's leverage remain below the 3.65x net debt/EBITDA cap.
- (e) **Hydrology is improving for SABESP reservoirs, and the injunction capping volume withdrawals has been lifted; nevertheless, we note bolder adherence to co.'s savings plan this 1Q15 relative to 4Q14.** Cantareira and Alto Tiete reservoirs reached 19% and 22.8% of their capacities given that it rained 116-108% of long term average in March. However, Cantareira system's inflow rate is still quite low at 65% in the March 1-30 period vs. much lower 56-14% in Feb-Jan 2015. [Click here for more on SABESP's hydrology situation and impact on its valuation.](#) The Sao Paulo State Govt. successfully challenged the court decision specifying that regulatory agencies ANA and DAEE should cap the water usage from Cantareira reservoir. We note that volume withdrawal has already come down by -18% at Cantareira and -4% at Alto Tiete reservoirs when comparing Feb. 2015 with Feb. 2014. In yesterday's conference call management also indicated that c.62% of customers reduced demand in March by more than 20% so that they got a 30% tariff discount; this compares with average 52% in 4Q14a.

IENOVA (-0.9%) underperformed MEXBOL (+0.2%) amid news that its partner Pemex in the US\$1.4bn Los Ramones II North project reduced its stake to give room to Blackrock and First Reserve. Los Ramones II control will now be as follows: 35% Pemex, 45% Blackrock/Federal Reserve, 25% IEnova vs. 75% Pemex/25% IEnova previously. Note that Pemex also sold a 45% stake (from 75%) in the Los Ramones II South (for the same partners), so that the project will now be owned as follows: 35% Pemex, 45% Blackrock/Federal Reserve, 25% GdF Suez. The price was US\$900m for both stakes. This sale in our view is positive to IEnova, due to (a) better governance/transparency ahead (note that Pemex is the off-taker of the gas); 2) new partners have lower balance sheet constraints; 3) less regulatory scrutiny given that the energy reform laws call for Pemex to divest midstream assets to regulatory entity Cenagas. Should Pemex not sell its midstream assets, they might be transferred to Cenagas at unclear valuation; 4) with more cash in hands, Pemex might be able to focus on Upstream, including higher gas production. For more on Pemex, energy reforms and key controversial issues, [please click here.](#)

COPASA (-0.6%) was a top underperformer despite tariff surcharges ahead, on rising rationing risks and below expectation, weak 4Q14 earnings:

- (a) **Minas Gerais State Government issued resolution #49 underscoring rising rationing risks.** This resolution specified: i) that the regulatory agency is allowed to approve a tariff surcharge to cover for hydrology-related losses, aiming to provide economic equilibrium to the business - we think this is due to the imminent breach of debt covenants with steep volume reduction; (ii) Copasa should prioritize the use of water in case of scarcity (20% cut for human or animal consumption, 25% for irrigation, 30% for industries/agribusiness, 50% for other uses) under a worst case

emergency situation (note that Copasa does not provide sales volume breakdown).

- (b) **Weak response to demand-side management initiatives.** Co. informed that only 20% of the population reduced consumption by more than 30% in February (as urged by Copasa CEO), 26% was able to reduce demand to some extent, and 27% actually increased consumption.
- (c) **4Q14 weak and a miss to UBSe and with low earnings payout.** This was due to high provisions for losses (R\$16m related to a stream damn construction, R\$21m on legal contingencies) and higher than anticipated costs (R\$33m) related to ongoing drought (more treatment material and electricity). Not surprisingly, co. is paying out minimum 25% of earnings (R\$0.87/sh) based on 2014FY. We expect 2015 numbers to deteriorate further vs. 2014, which showed EBITDA and EPS down 4-24% YoY. Co. said it will not renegotiate covenants (they are at 2.9x net debt/EBITDA and cap is 3.0x) but rather reduce capex by doing investments via third party agents (Public Private Partnership). When asked about tariff hike during the conference call, CFO did not disclose how much they are requesting for in the May annual tariff adjustment; regardless, management suggested one should not expect an extraordinary tariff hike. Please click here for our note: "COPASA "4Q14 miss on cost pressure and provision for contingencies; even lower volumes ahead".

ELETROBRAS (-3.6% PN, -0.4% ON) was the top underperformer amid the following news flows:

- (a) **FY2014 net loss of R\$3bn vs. loss of R\$6.2bn in previous year; no dividends, not even the minimum priority one for PN shares.** Losses were not higher and results, although weak, improved y/y driven by: (i) lower personnel costs (-16.8%), (ii) reversal of provisions amounting R\$2.7bn (net provisions for losses in 2014FY was R\$1.9bn vs. R\$3.3bn prior year), (iii) recognition of R\$740m of future tariff receivables; offset by (iv) negative R\$1.2bn contribution from operating subs - note that co. booked R\$9.9bn of consolidated energy purchase costs mostly due to dry weather (hydro generation shortfall) plus losses at Santo Antonio project. As expected, company is not paying dividends, not even the minimum priority one for the PN shares, because losses eroded earnings reserves with 4Q14 losses. All-in, Eletrobras remains cash flow negative, with high leverage and high cost of debt at 120% of CDI interest rates; yet, it has continued to participate in greenfield projects eating growth at reasonable returns of peers. This might change with tighter fiscal policy of the Central Govt. but earnings visibility of Eletrobras remains low.
- (b) **R\$8.6bn debt to Petrobras and its fuel distribution unit, of which R\$6.1bn will be paid for by end-users via CDE regulatory charges.** While the R\$6.1bn will be paid immediately, the remaining R\$2.5bn will likely only be paid after regulatory agency ANEEL approves the cost pass-thru mechanism. This dispute involving sister SOEs Eletrobras and Petrobras is regarding the cost of oil purchase that is necessary to dispatch thermal plants in the isolated North Region system.
- (c) **Funding for nuclear power project Angra 3 has disappeared amid Car Wash scandal implications to the sector.** Angra 3 construction groups include Andrade Gutierrez, Odebrecht, Camargo Correa, Queiroz

Galvao, UTC, Engevix, Techint – all these are included in the sanction list of Petrobras due to corruption/bribery Car Wash scandal.

- (d) **Colombia-based EEB (Empresa Energia de Bogotá) acquired a 51% stake in 4 Brazilian transmission projects for c.US\$ 170m (the remainder 49% stakes belong to Eletrobras' sub Furnas).** EEB has plans to invest US\$ 1.8bn in next 4 years and holds strategic investments in Colombia, Peru and Guatemala. According to EEB CEO, Brazil presents biggest growth expectations on energy infrastructure, and another advantage is the existence of regulations for incomes which reduces uncertain levels on sector and allows a better analysis of opportunities.
- (e) **Solar panels on hydro reservoirs at R\$220-250/MWh cost, on top of Eletrobras reservoirs.** As per Energy Minister Braga, Brazil could add 15GW nom capacity with solar panels should they be installed on top of SE-based hydroelectricity reservoirs. The selling price of this energy would be R\$220-250/MWh, cited the Minister. The idea is to first install 350MW solar panels on top of Balbina hydro plant (Amazon forest), and potentially in the Sobradinho plant (Sao Francisco river in Brazil's NE region) as well - both belong to Eletrobras. This project could be operational already in September 2015. We suspect this would be done with R&D funds.

Stock Picks

Buy ratings: AES TIETE ON, CPFL Energia, ENERGIAS DO BRASIL, LIGHT.

AES TIETE ON: We think TIETE can offer double-digit dividend yields of c.16% in 2015, and 9-11% yields thereafter, even under a scenario of below-average hydrology. With a clean balance sheet with no leverage, strong and defensive cash flows thru 2015YE, a benign view on 2016+ power prices, opex and capex discipline, and profit-maximization mind-set of its AES Corp parent, we see the ON shares (GETI3) attractive. ADTV remains a concern under the current market environment, and rising rationing risks seem to be already reflected in the stock price with the recent poor performance.

CPFL ENERGIA: We rate the stock Buy, reflecting: 1) valuation premium deserved for its independent, quality management team/corporate governance standards; 2) solid asset base and above-average profitability due to benchmarking efficiency ratios; 3) growth via renewable subsidiary Renovaveis; 4) potential growth from M&A activity; 5) potential improvements to the 4th Disco tariff reset cycle. Rising rationing risks should be offset by Bz Fed Govt. increased indications that it will pass thru hydrology-related costs incurred by Discos to end users via extraordinary tariff hikes as soon as possible.

ENERGIAS DO BRASIL: Quality name with 50/50 exposure to genco/disco offering genco volume growth upside from new projects and already priced-in reduction in short term cash flows due to 1) disco tariff reset, and, 2) higher energy purchase costs from spot for Pecem I plant. With the parent's corporate restructuring we believe the local management team will increase focus on growth generation projects at a similar, positive investment discipline we have seen in the past. The recent bid for the R\$1.1bn Caldeirao or for the R\$2.7bn Sao Manoel hydro projects are coming at a 7-8% targeted ROE, which seems reasonable under current global environment for a 30-yr period, assuming execution risks turn out to

be low and overcome as guided by management. Rising rationing risks should be offset by Bz Fed Govt. increased indications that it will pass thru hydrology-related costs incurred by Discos to end users via extraordinary tariff hikes as soon as possible.

LIGHT: We see the stock as attractive, when taking into account higher Disco return outlooks with hydrology normalization and the deteriorating 2015 outlook (coming from co.'s complex concession area which is prone to higher delinquency/loss rates under the recent high tariff hike/potential demand rationalization/rationing event). The Genco business looks attractive, noting the relative better hedge position against the drought, high power price upside on uncontracted capacity and lower regulatory risks vs. peers due to long-term expiring concessions (year 2027 for Genco and hence not impacted by MP579). In our view, the current share price seems to also reflect risks that the independent financial partners might exercise their put option against co-parent CEMIG.

NEUTRAL: CTEEP, AES TIETE PN, COPEL, IENOVA, ELETROPAULO.

SELL: CEMIG, CESP, COPASA, EQUATORIAL ENERGIA, SABESP, TRACTEBEL ENERGIA.

LatAm Valuation Comps

Table 2: Valuation Comps in nominal local currency (data for ADRs in the currency of the lead stock)

Company	Stock/ADR	Country	UBS Rating	Price 1-Apr-15	12-month Target (Lc\$)	Total Stock Return	Mkt Cap Lc\$mn	EV Lc\$mn	ADTV Lc\$mn	P/BV last	15e	P/E 16e	17e	15e	EV/EBITDA 16e	17e	FCF Yield			15e	16e	17e	Div Yield			Payout 15e
AES Tiete ON	GETB	Brazil	Buy	14.9	18.0	33.0%	5,673	6,519	5.8	2.6	10.7	11.2	9.2	6.3	5.9	5.3	10.0%	9.3%	12.1%	10.0%	9.6%	11.4%	10.0%			112%
AES Tiete PN	GETI4	Brazil	Neutral	17.6	18.0	13.7%	6,718	7,564	14.0	3.1	12.7	13.2	10.9	7.3	6.9	6.1	8.5%	7.9%	10.2%	9.3%	8.9%	10.6%	112%			
Agua Andinas	AGUAS/A CI	Chile	Not Rated	19.7			2,138,102	2,902,247	1,401.1	3.0	13.3	n.m.	n.m.	10.3	n.m.	n.m.	n.a.	n.a.	n.a.	7.1%	n.a.	n.a.	95%			
Alupar	ALUP11	Brazil	Not Rated	19.7			4,104	6,826	4.5	1.3	11.8	12.0	8.8	6.5	5.3	5.6	n.a.	n.a.	n.a.	8.5%	8.3%	n.a.	101%			
Celesc	CLSC4	Brazil	Not Rated	19.2			739	2,077	0.5	0.4	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Cemig ON	CMIG3	Brazil	Not Rated	13.7			17,183	31,646	2.1	1.2	6.8	6.8	6.5	4.8	5.1	5.1	12.7%	12.0%	11.1%	7.3%	7.3%	7.7%	50%			
Cemig ON ADR	CIG/C	Brazil	Not Rated	4.2			16,853	31,315	0.0	1.2	6.7	6.7	6.3	4.8	5.1	5.1	13.0%	12.3%	11.3%	7.5%	7.5%	7.9%	50%			
Cemig PN	CMIG4	Brazil	Sell	13.3	13.0	1.4%	16,793	31,256	77.4	1.2	6.7	6.7	6.3	4.8	5.1	5.1	13.0%	12.3%	11.4%	7.5%	7.5%	7.9%	50%			
Cemig PN ADR	CIG	Brazil	Sell	4.2			16,773	31,236	89.5	1.2	6.7	6.7	6.3	4.8	5.1	5.1	13.0%	12.3%	11.4%	7.5%	7.5%	7.9%	50%			
CESP	CESP6	Brazil	Sell	24.3	24.0	7.7%	7,948	9,198	33.9	0.8	29.2	34.0	24.6	8.1	n.m.	12.1	14.0%	10.4%	8.7%	6.1%	4.4%	4.5%	177%			
Coelce	COCE5	Brazil	Not Rated	42.1			3,274	4,393	1.6	2.0	10.9	6.6	n.m.	7.1	5.3	n.m.	n.a.	n.a.	n.a.	5.1%	7.4%	n.a.	56%			
Colbun	COLBUN CI	Chile	Not Rated	188.8			3,311,179	4,102,772	1,505.7	1.7	19.9	17.7	17.1	10.7	10.8	10.0	n.a.	n.a.	n.a.	1.6%	2.6%	n.a.	33%			
COMGAS	CGAS5	Brazil	Not Rated	48.7			5,829	8,429	2.7	2.1	9.4	8.7	8.0	5.7	5.3	4.9	n.a.	n.a.	n.a.	8.2%	9.2%	10.1%	77%			
COPASA	CSMG3	Brazil	Sell	18.5	16.0	-10.2%	2,207	5,297	10.2	0.4	10.4	11.2	4.3	5.7	5.2	3.6	n.m.	n.m.	3.5%	3.2%	3.0%	7.7%	33%			
Copel PN	CPL6	Brazil	Neutral	35.1	36.0	14.6%	9,605	13,755	24.8	0.7	6.2	6.5	5.6	5.0	5.4	4.7	10.4%	10.0%	11.7%	8.5%	8.1%	9.3%	50%			
Copel ADR	ELP	Brazil	Neutral	11.0			9,553	13,702	25.9	0.7	6.1	6.5	5.6	5.0	5.4	4.7	10.4%	10.0%	11.7%	8.5%	8.1%	9.4%	50%			
CPFL Energia	CPFE3	Brazil	Buy	20.8	20.0	2.2%	19,977	33,844	26.3	2.8	18.1	13.7	13.3	8.2	7.0	6.9	4.1%	8.4%	10.1%	5.2%	6.9%	7.2%	95%			
CPFL Energia ADR	CPL	Brazil	Buy	13.1			19,872	33,739	18.3	2.8	18.0	13.7	13.2	8.2	7.0	6.9	4.1%	8.4%	10.2%	5.3%	6.9%	7.2%	95%			
CPFL Renovaveis	CPRE3	Brazil	Not Rated	13.0			5,735	9,820	0.7	1.6	n.m.	15.2	11.5	10.2	8.6	7.8	7.9%	11.8%	14.3%	1.1%	6.6%	8.7%	25%			
CTEEP	TRPL4	Brazil	Neutral	41.0	44.0	13.9%	6,259	6,660	14.7	1.3	13.4	11.0	10.9	5.0	4.5	4.4	1.5%	3.9%	4.0%	3.8%	4.1%	4.4%	51%			
E-CL	ECL CI	Chile	Not Rated	980.0			1,032,244	1,343,175	768.7	1.1	18.1	19.8	n.m.	7.2	7.3	n.m.	n.a.	n.a.	n.a.	2.0%	2.7%	n.a.	35%			
Edenor	EDN AR	Argentina	Not Rated	10.1			9,155	10,710	6.4	20.9	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Edenor ADR	EDN	Argentina	Not Rated	16.8			6,732	8,287	12.6	15.4	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Eletrobras ON	ELET3	Brazil	Not Rated	6.0			8,048	23,150	18.9	0.1	31.2	6.9	n.m.	19.6	9.7	n.m.	n.a.	n.a.	n.a.	0.0%	0.0%	n.a.	n.a.			
Eletrobras ON ADR	EBR	Brazil	Not Rated	1.9			8,134	23,236	6.5	0.1	31.5	6.9	n.m.	19.7	9.7	n.m.	n.a.	n.a.	n.a.	0.0%	0.0%	n.a.	n.a.			
Eletrobras PNB	ELET6	Brazil	Not Rated	7.3			9,861	24,963	19.3	0.2	38.2	8.4	n.m.	21.2	10.4	n.m.	n.a.	n.a.	n.a.	13.7%	9.3%	n.a.	n.a.			
Eletrobras PNB ADR	EBR8	Brazil	Not Rated	2.3			9,761	24,863	1.8	0.2	37.8	8.3	n.m.	21.1	10.4	n.m.	n.a.	n.a.	n.a.	13.8%	13.1%	n.a.	n.a.			
Eletropaulo	ELPL4	Brazil	Neutral	9.9	9.0	-4.5%	1,657	6,406	8.9	0.6	7.9	6.4	9.0	7.0	6.0	6.2	n.m.	9.1%	3.3%	3.3%	4.0%	2.9%	25%			
ENDESA	ENDESA CI	Chile	Not Rated	929.7			7,625,007	9,277,849	3,739.8	2.8	15.8	15.6	20.6	8.6	8.3	8.1	n.a.	n.a.	n.a.	3.0%	4.3%	1.4%	47%			
ENDESA ADR	EOC	Chile	Not Rated	45.2			7,625,037	9,277,879	2,319.2	2.8	15.8	15.6	20.6	8.6	8.3	8.1	n.a.	n.a.	n.a.	3.0%	4.3%	1.4%	47%			
Energias do Brasil	ENBR3	Brazil	Buy	10.9	13.0	33.9%	5,183	8,263	19.7	1.1	8.5	8.4	7.1	4.5	4.8	4.2	8.1%	11.1%	13.5%	7.1%	7.2%	8.5%	60%			
ENERSIS	ENERSIS CI	Chile	Not Rated	203.3			9,982,524	11,484,843	4,665.6	1.6	12.9	12.4	11.7	7.2	6.8	6.8	n.a.	n.a.	n.a.	3.3%	3.4%	3.6%	43%			
ENERSIS ADR	ENI	Chile	Not Rated	16.4			9,959,084	11,461,403	5,164.6	1.6	12.9	12.3	11.6	7.2	6.8	6.8	n.a.	n.a.	n.a.	3.3%	3.4%	3.6%	43%			
Eneva	ENEV3	Brazil	Not Rated	0.2			141	6,148	2.5	0.1	n.m.	0.9	0.5	10.4	6.2	5.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25%			
Equatorial	EQTL3	Brazil	Sell	32.3	28.0	-9.9%	6,400	8,276	31.6	2.7	52.8	19.1	13.1	14.5	9.4	7.8	n.m.	10.6%	3.4%	3.2%	n.m.	n.m.	167%			
IAM	IAM CI	Chile	Not Rated	1,002.9			1,002,900	1,385,034	775.6	1.0	14.6	n.m.	n.m.	8.1	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IEnova	IENOV4	Mexico	Neutral	82.5	83.0	1.9%	95,218	97,908	85.4	3.1	32.0	29.3	25.1	14.3	12.5	10.9	n.m.	1.8%	4.9%	2.7%	2.9%	3.0%	88%			
ISA	ISA	Colombia	Not Rated	7,660.0			8,484,829	15,358,822	2,606.7	0.8	14.5	n.m.	n.m.	4.9	n.m.	n.m.	n.a.	n.a.	n.a.	2.6%	2.8%	n.a.	37%			
Light	LIGT3	Brazil	Buy	14.6	17.0	24.3%	2,969	8,344	18.8	0.8	5.6	4.0	3.5	5.3	4.3	4.1	4.9%	11.2%	16.0%	9.0%	12.6%	14.2%	50%			
Pampa Energia	PAMP AR	Argentina	Not Rated	8.5			11,145	14,874	9.5	5.3	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Pampa Energia ADR	PAM	Argentina	Not Rated	17.8			8,241	11,969	23.8	3.9	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Renova Energia	RNEW11	Brazil	Not Rated	28.5			2,516	4,212	1.0	1.4	17.0	9.0	10.2	9.0	6.3	5.7	n.a.	n.a.	n.a.	1.1%	3.3%	n.a.	25%			
SABESP	SBS P3	Brazil	Sell	18.2	17.0	-2.1%	12,440	22,649	34.2	0.9	13.6	10.9	6.4	7.5	6.4	4.9	n.m.	n.m.	3.3%	1.8%	2.3%	4.7%	25%			
SABESP ADR	SBS	Brazil	Sell	5.7			12,309	22,518	63.0	0.9	13.5	10.8	6.3	7.4	6.4	4.9	n.m.	n.m.	3.4%	1.9%	2.3%	4.7%	25%			
Sanepar	SAPR4	Brazil	Not Rated	5.2			2,145	4,350	0.5	0.6	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
TAESA	TAEE11	Brazil	Not Rated	20.9			7,186	11,015	15.6	1.6	11.4	11.4	11.4	12.3	12.9	13.7	4.9%	5.4%	5.5%	8.3%	8.6%	8.9%	95%			
Tractebel Energia	TBLE3	Brazil	Sell	36.3	32.0	-2.6%	23,695	26,379	33.5	4.2	15.2	12.8	10.2	8.2	7.3	6.1	7.9%	9.5%	12.2%	6.6%	7.8%	9.8%	100%			

Source: Bloomberg; Companies; UBS estimates; Bloomberg consensus for not covered companies. Note: Total Stock Return = Price Target Upside + Next 12 month dividend yield

Table 3: Valuation Comps in nominal US\$ (data for ADRs in the currency of the lead stock)

Company	Stock/ADR	Country	UBS Rating	Price 1-Apr-15	12-month Target (Lc\$)	Total Stock Return	Mkt Cap \$mn	EV \$mn	ADTV \$mn	P/BV last	15e	16e	17e	15e	16e	17e	15e	16e	17e	15e	16e	17e	Payout 15e
AES Tiete ON	GETIB	Brazil	Buy	14.9	18.0	33.0%	1,792	2,165	1.8	1.9	9.3	10.3	8.7	5.8	5.7	5.3	11.5%	10.2%	12.8%	11.5%	10.5%	12.0%	112%
AES Tiete PN	GET14	Brazil	Neutral	17.6	18.0	13.7%	2,123	2,495	4.4	2.3	11.0	12.1	10.3	6.6	6.6	6.1	9.7%	8.6%	10.8%	10.7%	9.7%	11.2%	112%
Agua Andinas	AGUASA CI	Chile	Not Rated	367.9			3,461	4,852	2.3	2.6	11.0	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	8.7%	n.a.	n.a.	95%
Alupar	ALUP11	Brazil	Not Rated	19.7			1,297	2,495	1.4	0.9	10.3	11.0	8.3	7.5	6.2	6.5	n.a.	n.a.	n.a.	8.5%	8.3%	n.a.	101%
Celesc	CLSC4	Brazil	Not Rated	19.2			234	822	0.2	0.3	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cemig ON	CMIG3	Brazil	Not Rated	13.7			5,429	11,795	0.7	0.9	5.9	6.3	6.1	5.0	5.6	5.7	14.6%	13.1%	11.8%	8.4%	8.0%	8.2%	50%
Cemig ON ADR	CIGC	Brazil	Not Rated	4.2			5,325	11,691	0.0	0.9	5.8	6.1	6.0	4.9	5.5	5.6	15.0%	13.4%	12.0%	8.6%	8.2%	8.4%	50%
Cemig PN	CMIG4	Brazil	Sell	13.3	13.0	1.4%	5,306	11,672	24.5	0.9	5.8	6.1	6.0	4.9	5.5	5.6	15.0%	13.4%	12.0%	8.6%	8.2%	8.4%	50%
Cemig PN ADR	CIG	Brazil	Sell	4.2			5,300	11,666	28.3	0.9	5.8	6.1	6.0	4.9	5.5	5.6	15.0%	13.4%	12.0%	8.6%	8.2%	8.4%	50%
CESP	CESP6	Brazil	Sell	24.3	24.0	7.7%	2,511	3,061	10.7	0.6	25.4	31.2	23.2	7.4	n.m.	12.0	16.1%	11.4%	9.2%	7.0%	4.8%	4.7%	177%
Coelce	COCE5	Brazil	Not Rated	42.1			1,034	1,527	0.5	1.4	9.5	6.1	n.m.	6.8	5.4	n.m.	n.a.	n.a.	n.a.	5.9%	8.1%	n.a.	56%
Colbun	COLBUN CI	Chile	Not Rated	188.8			5,360	6,801	2.4	1.5	19.9	17.7	17.1	11.0	11.1	10.2	n.a.	n.a.	n.a.	2.0%	3.2%	n.a.	33%
COMGAS	CGAS5	Brazil	Not Rated	48.7			1,842	2,415	0.9	1.5	8.2	8.0	7.5	4.5	4.4	4.2	n.a.	n.a.	n.a.	9.5%	10.1%	10.7%	77%
COPASA	CSMG3	Brazil	Sell	18.5	16.0	-10.2%	697	2,058	3.2	0.3	9.0	10.3	4.0	6.1	5.9	4.2	n.m.	n.m.	3.7%	3.7%	3.2%	8.1%	33%
Copel PN	CPL6	Brazil	Neutral	35.1	36.0	14.6%	3,035	4,861	7.8	0.5	5.4	6.0	5.3	4.9	5.5	5.0	11.9%	10.9%	12.4%	9.8%	8.8%	9.9%	50%
Copel ADR	ELP	Brazil	Neutral	11.0			3,018	4,845	8.2	0.5	5.3	5.9	5.3	4.8	5.5	5.0	12.0%	10.9%	12.4%	3.1%	2.8%	3.1%	50%
CPFL Energia	CPFE3	Brazil	Buy	20.8	20.0	2.2%	6,312	12,416	8.3	2.0	15.8	12.6	12.5	8.3	7.5	7.6	4.7%	9.1%	10.7%	6.0%	7.5%	7.6%	95%
CPFL Energia ADR	CPL	Brazil	Buy	13.1			6,279	12,382	5.8	2.0	15.7	12.5	12.5	8.3	7.5	7.5	4.7%	9.2%	10.8%	6.1%	7.6%	7.6%	95%
CPFL Renovaveis	CPRE3	Brazil	Not Rated	13.0			1,812	3,610	0.2	1.2	n.m.	13.9	10.8	10.3	9.2	8.6	9.0%	12.9%	15.1%	1.3%	7.2%	9.2%	25%
CTEEP	TRPL4	Brazil	Neutral	41.0	44.0	13.9%	1,978	2,154	4.7	0.9	11.7	10.0	10.3	4.5	4.3	4.3	1.7%	4.2%	4.2%	4.4%	4.5%	4.6%	51%
E-CL	ECL CI	Chile	Not Rated	980.0			1,671	2,237	1.2	1.0	18.1	19.8	n.m.	7.4	7.5	n.m.	n.a.	n.a.	n.a.	2.4%	3.3%	n.a.	35%
Edenor	EDN AR	Argentina	Not Rated	10.1			1,037	1,232	0.7	19.0	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Edenor ADR	EDN	Argentina	Not Rated	16.8			763	957	1.4	13.9	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Eletrobras ON	ELET3	Brazil	Not Rated	6.0			2,543	7,315	6.0	0.1	27.1	6.3	n.m.	17.1	8.9	n.m.	n.a.	n.a.	n.a.	0.0%	0.0%	n.a.	n.a.
Eletrobras ON ADR	EBR	Brazil	Not Rated	1.9			2,570	7,342	2.1	0.1	27.4	6.4	n.m.	17.1	8.9	n.m.	n.a.	n.a.	n.a.	0.0%	0.0%	n.a.	n.a.
Eletrobras PNb	ELET6	Brazil	Not Rated	7.3			3,116	7,887	6.1	0.1	33.2	7.7	n.m.	18.4	9.6	n.m.	n.a.	n.a.	n.a.	15.7%	10.2%	n.a.	n.a.
Eletrobras PNb ADR	EBRb	Brazil	Not Rated	2.3			3,084	7,856	0.6	0.1	32.9	7.6	n.m.	18.3	9.5	n.m.	n.a.	n.a.	n.a.	15.9%	10.3%	n.a.	n.a.
Eletropaulo	ELPL4	Brazil	Neutral	9.9	9.0	-4.5%	523	2,614	2.8	0.4	6.9	5.9	8.5	7.8	7.1	7.6	n.m.	9.9%	3.5%	3.8%	4.4%	3.1%	25%
ENDESA	ENDESA CI	Chile	Not Rated	929.7			12,344	15,352	6.1	2.5	13.0	12.9	17.0	7.3	7.0	6.9	n.a.	n.a.	n.a.	3.6%	5.2%	1.7%	47%
ENDESA ADR	EOC	Chile	Not Rated	45.2			12,344	15,352	3.8	2.5	13.0	12.9	17.0	7.3	7.0	6.9	n.a.	n.a.	n.a.	3.6%	5.2%	1.7%	47%
Energias do Brasil	ENBR3	Brazil	Buy	10.9	13.0	33.9%	1,638	2,993	6.2	0.8	7.4	7.7	6.7	4.5	5.1	4.6	9.3%	12.1%	14.3%	8.1%	7.8%	9.0%	60%
ENERSIS	ENERSIS CI	Chile	Not Rated	203.3			16,160	18,894	7.6	1.4	10.7	10.2	9.6	6.1	5.7	5.7	n.a.	n.a.	n.a.	4.0%	4.1%	4.3%	43%
ENERSIS ADR	ENI	Chile	Not Rated	16.4			16,122	18,856	8.4	1.4	10.7	10.2	9.6	6.1	5.7	5.7	n.a.	n.a.	n.a.	4.0%	4.1%	4.4%	43%
Eneva	ENEV3	Brazil	Not Rated	0.2			44	2,689	0.8	0.0	n.m.	0.8	0.4	12.5	7.9	6.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25%
Equatorial	EQTL3	Brazil	Sell	32.3	28.0	-9.9%	2,022	2,848	10.0	1.9	45.9	17.5	12.4	13.7	9.4	8.1	n.m.	11.6%	3.6%	3.6%	n.m.	n.m.	167%
IAM	IAM CI	Chile	Not Rated	1,002.9			1,624	2,319	1.3	0.9	12.1	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IEnova	IENOVA	Mexico	Neutral	82.5	83.0	1.9%	6,284	6,490	5.6	2.7	32.0	29.3	25.1	14.4	12.5	10.9	n.m.	1.8%	4.9%	2.7%	2.9%	3.0%	88%
ISA	ISA	Colombia	Not Rated	7,660.0			3,294	6,782	1.0	0.6	14.5	n.m.	n.m.	5.6	n.m.	n.m.	n.a.	n.a.	n.a.	2.6%	2.8%	n.a.	37%
Light	LIGT3	Brazil	Buy	14.6	17.0	24.3%	938	3,304	6.0	0.6	4.9	3.6	3.3	5.7	5.0	4.9	5.6%	12.2%	16.9%	10.3%	13.8%	15.0%	50%
Pampa Energia	PAMP AR	Argentina	Not Rated	8.5			1,263	1,729	1.1	4.8	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pampa Energia ADR	PAM	Argentina	Not Rated	17.8			934	1,400	2.7	3.6	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Renova Energia	RNEW11	Brazil	Not Rated	28.5			795	1,542	0.3	1.0	14.8	8.2	9.7	9.1	6.7	6.3	n.a.	n.a.	n.a.	1.2%	3.6%	n.a.	25%
SABESP	SBSP3	Brazil	Sell	18.2	17.0	-2.1%	3,931	8,424	10.8	0.7	11.9	10.0	6.1	7.7	6.9	5.4	n.m.	n.m.	3.5%	2.1%	2.5%	5.0%	25%
SABESP ADR	SBS	Brazil	Sell	5.7			3,889	8,383	19.9	0.7	11.7	9.9	6.0	7.6	6.9	5.4	n.m.	n.m.	3.6%	2.1%	2.5%	5.0%	25%
Sanepar	SAPR4	Brazil	Not Rated	5.2			678	1,164	0.1	0.4	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TAESA	TAE11	Brazil	Not Rated	20.9			2,271	3,956	4.9	1.2	10.0	10.5	10.8	12.2	13.5	14.7	5.7%	5.8%	5.8%	9.5%	9.4%	9.4%	95%
Tractebel Energia	TBLE3	Brazil	Sell	36.3	32.0	-2.6%	7,487	8,668	10.6	3.0	13.2	11.7	9.6	7.5	6.9	6.0	9.1%	10.4%	12.9%	7.6%	8.5%	10.4%	100%

Source: Bloomberg; Companies; UBS estimates; Bloomberg consensus for not covered companies.

Catalyst Calendar

Table 4: Latin America Utilities Catalyst Calendar

THIS WEEK				
Monday, March 30	Tuesday, March 31	Wednesday, April 01	Thursday, April 02	Friday, April 03
■ TRACTEBEL 4Q14 Earnings Results	■ TRACTEBEL 4Q14 Conf call ■ SABESP 4Q14 Conf call ■ CEMIG Investors Meeting - SP	■ CESP 4Q14 Conf call	■ TRACTEBEL Investors Meeting - SP	
NEXT WEEK				
Monday, April 06	Tuesday, April 07	Wednesday, April 08	Thursday, April 09	Friday, April 10
■ ELETROBRAS Investors Meeting - SP			■ CEMIG Investors Meeting - NY	
FOLLOWING WEEK				
Monday, April 13	Tuesday, April 14	Wednesday, April 15	Thursday, April 16	Friday, April 17
2015				
April	May	June	July	August
■ CEMIG: Cemig-D tariff adjustment (8th) ■ CPFL: CPFL Paulista tariff adjustment (8th) ■ BRAZIL: Renewables Energy Auction (27th) ■ BRAZIL: A-5 New Energy Auction (30th)	■ BRAZIL: 1Q15 earnings (before 15th)	■ UBS: Brazil Utilities Trip (15th to 19th) ■ CPFL: RGE tariff adjustment (19th) ■ COPEL: Copel disco tariff adjustment (24th)	■ ELETROPAULO: disco 4th cycle tariff reset (4th) ■ BRAZIL: A-3 New Energy Auction (24th)	■ ENERGIAS: Escelsa tariff adjustment (7th) ■ EQUATORIAL: Celpa 4th cycle tariff reset (7th) ■ BRAZIL: 2Q15 earnings (before 15th) ■ EQUATORIAL: Cemar tariff adjustment (28th)
September	October	November	December	January
	■ ENERGIAS: Bandeirante 4th cycle tariff reset (23rd) ■ CPFL: CPFL Piratininga 4th cycle tariff reset (23rd)	■ LIGHT: Light disco tariff adjustment (7th) ■ BRAZIL: 3Q15 earnings (before 15th)		

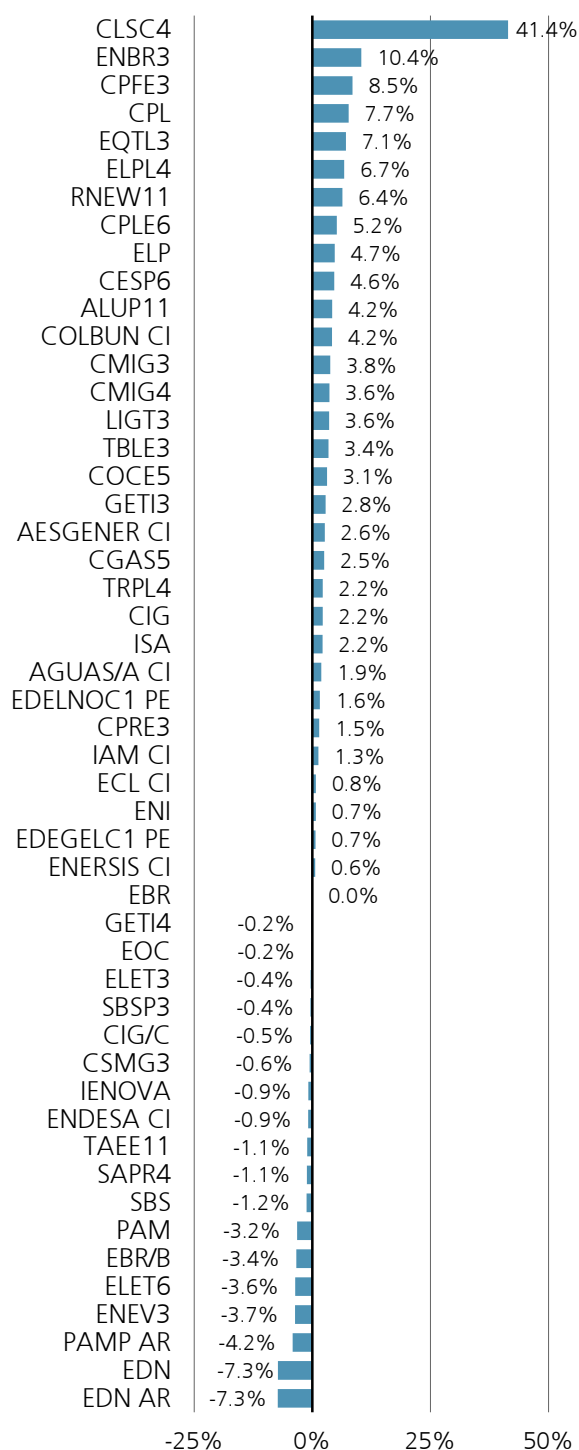
Source: Company Data and UBS

Price & Liquidity Tables and Charts of Worst/Best Performers

Table 5: Price & Liquidity in Lc\$ (ADR in \$)

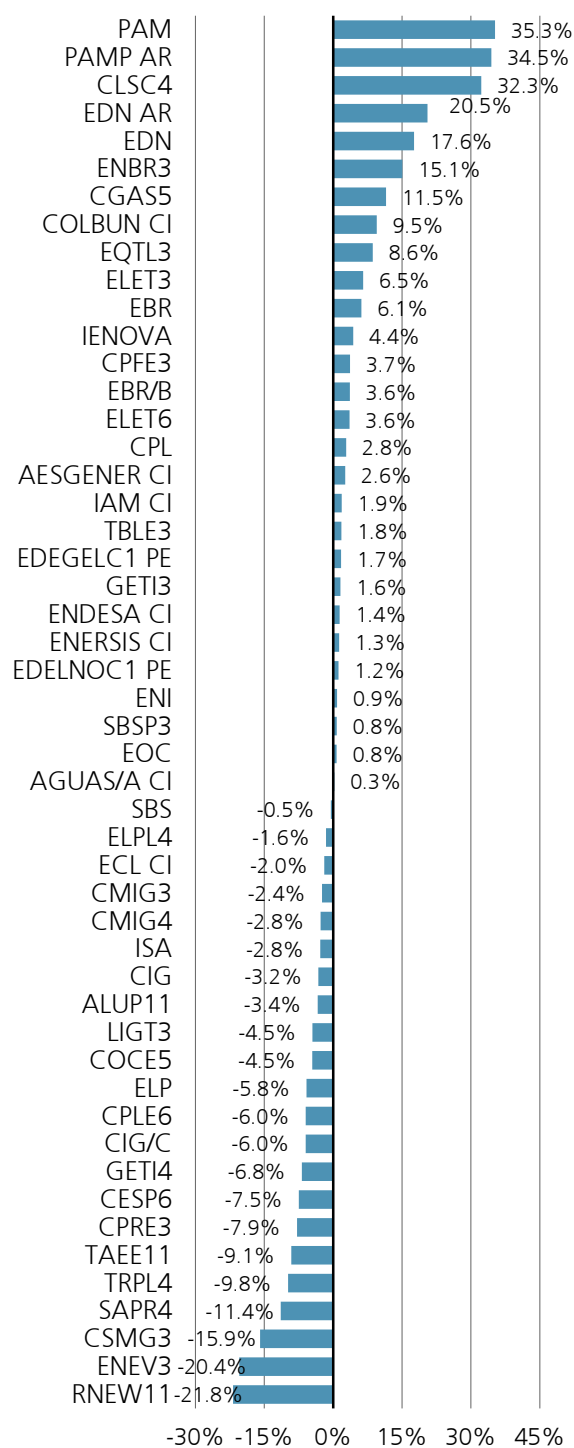
Prices in Lc\$ (ADR in \$)				UBS	Price	12-month	Market Cap	Stock Price (US\$)			Price Change (US\$)						Price Change (Lc\$)						Free Float	Avg Daily Vol (\$mn)	
Stock	Ticker	Country	Sector	Rating	1-Apr-15	Target (Lc\$)	US\$m	Last	High	Low	1 day	1 week	1 mo	3 mo	12 mo	YTD	1 day	1 week	1 mo	3 mo	12 mo	YTD	(US\$m)	3m	6m
AES Gener	AESGENER CI	CHI	Genco	Not Rated	344.5		4,687.3	0.6	0.6	0.5	2.5%	2.6%	2.6%	4.9%	8.5%	4.9%	1.3%	2.3%	2.7%	6.8%	21.7%	6.8%	585	1.1	1.3
AES Tiete ON	GETB	BRA	Genco	Buy	14.9	18.0	1,792.5	4.7	7.6	4.1	2.6%	2.8%	1.6%	-18.6%	-21.5%	-18.6%	1.6%	1.6%	11.0%	-3.1%	9.9%	-3.1%	265	1.7	1.8
AES Tiete PN	GET4	BRA	Genco	Neutral	17.6	18.0	2,122.6	5.6	9.0	5.2	3.5%	-0.2%	-6.8%	-18.3%	-20.3%	-18.3%	2.4%	-1.3%	1.8%	-2.8%	11.6%	-2.8%	525	4.2	4.4
Agua Andinas	AGUASA CI	CHI	Water	Not Rated	367.9		3,536.0	0.6	0.6	0.6	1.9%	1.9%	0.3%	4.7%	0.9%	4.7%	0.7%	1.5%	0.3%	6.7%	13.2%	6.7%	1,273	1.9	2.3
Alupar	ALUP11	BRA	Transco	Not Rated	19.7		1,296.6	6.2	8.3	5.4	3.1%	4.2%	-3.4%	-6.2%	-10.7%	-6.2%	2.1%	3.0%	5.6%	11.7%	25.0%	11.7%	249	1.0	1.4
Celesc PNB	CLSC4	BRA	Disco	Not Rated	19.2		233.6	6.1	7.5	4.1	2.0%	41.4%	32.3%	8.0%	-17.1%	8.0%	1.0%	39.8%	44.6%	28.7%	15.9%	28.7%	136	0.1	0.2
Cemig ON	CMIG3	BRA	Integrated	Not Rated	13.7		5,429.3	4.3	8.3	3.7	7.4%	3.8%	-2.4%	-16.9%	-23.4%	-16.9%	6.3%	2.6%	6.6%	-1.1%	7.2%	-1.1%	292	0.4	0.7
Cemig ON (ADR)	CIG/C	BRA	Integrated	Not Rated	4.2		5,324.9	4.2	8.4	3.6	6.8%	-0.5%	-6.0%	-19.8%	-24.8%	-19.8%	6.8%	-0.5%	-6.0%	-19.8%	-24.8%	-19.8%		0.0	0.0
Cemig PN	CMIG4	BRA	Integrated	Sell	13.3	13.0	5,306.0	4.2	8.3	3.6	5.1%	3.6%	-2.8%	-14.8%	-21.8%	-14.8%	4.1%	2.5%	6.3%	1.5%	9.5%	1.5%	3,197	16.0	24.5
Cemig PN (ADR)	CIG	BRA	Integrated	Sell	4.2		5,299.7	4.2	8.4	3.6	2.9%	2.2%	-3.2%	-14.0%	-23.0%	-14.0%	2.9%	2.2%	-3.2%	-14.0%	-23.0%	-14.0%		16.4	28.3
CESP PNB	CESP6	BRA	Genco	Sell	24.3	24.0	2,511.5	7.7	14.5	6.9	3.6%	4.6%	-7.5%	-24.0%	-26.5%	-24.0%	2.6%	3.5%	1.1%	-9.5%	2.9%	-9.5%	1,393	10.1	10.7
Coelce PNA	COCE5	BRA	Disco	Not Rated	42.1		1,079.9	13.3	17.6	12.3	2.6%	3.1%	-4.5%	-10.7%	-16.9%	-10.7%	1.6%	2.0%	4.3%	6.3%	16.3%	6.3%	351	0.4	0.5
Colbun	COLBUN CI	CHI	Genco	Not Rated	188.8		5,360.2	0.3	0.3	0.2	3.6%	4.2%	9.5%	15.8%	24.3%	15.8%	2.3%	3.8%	9.6%	17.9%	39.4%	17.9%	2,211	2.7	2.4
COMGAS PNA	CGAS5	BRA	Gas Disco	Not Rated	48.7		1,880.9	15.4	23.4	12.7	0.6%	2.5%	11.5%	-16.3%	-27.8%	-16.3%	-0.4%	1.4%	21.9%	-0.3%	1.1%	-0.3%	342	0.8	0.9
COPASA ON	CSMG3	BRA	Water	Sell	18.5	16.0	697.4	5.8	18.3	5.0	1.0%	-0.6%	-15.9%	-38.2%	-61.9%	-38.2%	0.0%	-1.7%	-8.1%	-26.5%	-46.7%	-26.5%	340	2.0	3.2
Copel PN	CPL6	BRA	Integrated	Neutral	35.1	36.0	3,034.9	11.1	17.2	9.9	5.4%	5.2%	-6.0%	-17.9%	-9.0%	-17.9%	4.3%	4.0%	2.8%	-2.2%	27.3%	-2.2%	1,120	6.2	7.8
Copel PN (ADR)	ELP	BRA	Integrated	Neutral	11.0		3,018.4	11.0	17.3	9.9	5.2%	4.7%	-5.8%	-16.2%	-9.3%	-16.2%	5.2%	4.7%	-5.8%	-16.2%	-9.3%	-16.2%		7.1	8.2
CPFL Energia ON	CPFE3	BRA	Integrated	Buy	20.8	20.0	6,312.0	6.6	9.9	5.5	2.5%	8.5%	3.7%	-5.7%	-15.3%	-5.7%	1.5%	7.3%	13.3%	12.3%	18.5%	12.3%	1,979	8.3	8.3
CPFL Energia ON (ADR)	CPL	BRA	Integrated	Buy	13.1		6,278.8	13.1	19.8	11.1	2.6%	7.7%	2.8%	-3.8%	-14.8%	-3.8%	2.6%	7.7%	2.8%	-3.8%	-14.8%	-3.8%		4.6	5.8
CPFL Renovaveis ON	CPRE3	BRA	Genco	Not Rated	13.0		2,065.8	4.1	6.5	3.8	1.3%	1.5%	-7.9%	-6.8%	-31.1%	-6.8%	0.3%	0.3%	0.7%	11.0%	n.a.	11.0%	0	0.0	0.2
CTEEP PN	TRPL4	BRA	Transco	Neutral	41.0	44.0	2,101.3	13.0	15.8	10.1	3.5%	2.2%	-9.8%	-17.0%	25.5%	-17.0%	2.5%	1.1%	-1.4%	-1.2%	75.6%	-1.2%	1,142	6.7	4.7
E-CL	ECL CI	CHI	Integrated	Not Rated	980.0		1,671.0	1.6	1.7	1.2	1.4%	0.8%	-2.0%	8.7%	25.4%	8.7%	0.1%	0.4%	-1.9%	10.7%	40.7%	10.7%	392	1.1	1.2
Edegel	EDEGELC1 PE	PER	Genco	Not Rated	3.9		2,873.1	1.3	1.3	0.9	2.1%	0.7%	1.7%	-0.5%	41.7%	-0.5%	2.1%	1.3%	1.8%	3.5%	56.5%	3.5%	471	0.2	0.3
Edehlor	EDELNOC1 PE	PER	Disco	Not Rated	5.5		1,123.5	1.8	2.0	1.5	0.3%	1.6%	1.2%	-12.6%	13.8%	-12.6%	0.4%	2.3%	1.3%	-9.2%	25.7%	-9.2%	212	0.2	0.4
EDENOR	EDN AR	ARG	Disco	Not Rated	10.1		1,037.3	1.1	1.2	0.4	3.7%	-7.3%	20.5%	77.7%	154.3%	77.7%	3.8%	-6.9%	21.8%	85.3%	180.6%	85.3%	506	0.6	0.7
EDENOR (ADR)	EDN	ARG	Disco	Not Rated	16.8		762.8	16.8	18.5	7.4	4.1%	-7.3%	17.6%	79.6%	129.0%	79.6%	4.1%	-7.3%	17.6%	79.6%	129.0%	79.6%		1.0	1.4
Eletrobras ON	ELET3	BRA	Integrated	Not Rated	6.0		2,542.9	1.9	3.8	1.5	4.3%	-0.4%	6.5%	-13.9%	-33.4%	-13.9%	3.3%	-1.5%	16.4%	2.6%	-6.9%	2.6%	420	3.4	6.0
Eletrobras ON (ADR)	EBR	BRA	Integrated	Not Rated	1.9		2,570.0	1.9	3.8	1.5	5.0%	0.0%	6.1%	-11.2%	-31.9%	-11.2%	5.0%	0.0%	6.1%	-11.2%	-31.9%	-11.2%		1.3	2.1
Eletrobras PNB	ELET6	BRA	Integrated	Not Rated	7.3		3,115.6	2.3	5.6	5.6	8.3%	-3.6%	3.6%	-25.2%	-44.6%	-25.2%	7.2%	-4.7%	13.2%	-10.9%	-22.5%	-10.9%	506	4.9	6.1
Eletrobras PNB (ADR)	EBR6	BRA	Integrated	Not Rated	2.3		3,084.0	2.3	5.7	2.0	8.6%	-3.4%	3.6%	-20.6%	-44.0%	-20.6%	8.6%	-3.4%	3.6%	-20.6%	-44.0%	-20.6%		0.5	0.6
Eletropaulo PN	ELPL4	BRA	Disco	Neutral	9.9	9.0	523.5	3.1	5.2	2.5	2.5%	6.7%	-1.6%	-4.0%	-13.3%	-4.0%	1.4%	5.5%	7.6%	14.3%	21.3%	14.3%	290	2.8	2.8
Endesa	ENDESA CI	CHI	Integrated	Not Rated	929.7		12,343.6	1.5	1.6	1.4	0.8%	-0.9%	1.4%	-0.6%	5.9%	-0.6%	-0.4%	-1.2%	1.5%	1.3%	18.8%	1.3%	4,939	5.0	6.1
Endesa (ADR)	EOC	CHI	Integrated	Not Rated	45.2		12,343.5	45.2	47.7	41.4	0.2%	-0.2%	0.8%	1.3%	6.5%	1.3%	0.2%	-0.2%	0.8%	1.3%	6.5%	1.3%		3.1	3.8
Energias do Brasil ON	ENBR3	BRA	Integrated	Buy	10.9	13.0	1,637.8	3.4	5.1	2.7	6.2%	10.4%	15.1%	1.9%	-14.3%	1.9%	5.1%	9.1%	25.8%	21.3%	19.9%	21.3%	800	6.5	6.2
Enerdis	ENERSIS CI	CHI	Integrated	Not Rated	203.3		16,160.0	0.3	0.4	0.3	0.7%	0.6%	1.3%	0.8%	9.0%	0.8%	-0.5%	0.3%	1.4%	2.7%	22.3%	2.7%	4,233	7.1	7.6
Enerdis (ADR)	ENI	CHI	Integrated	Not Rated	16.4		16,122.1	16.4	17.6	15.0	1.0%	0.7%	0.9%	2.9%	9.1%	2.9%	1.0%	0.7%	0.9%	2.9%	9.1%	2.9%		8.1	8.4
Eneva ON	ENEV3	BRA	Genco	Not Rated	0.2		44.4	0.1	0.7	0.1	1.0%	-3.7%	-20.4%	-58.0%	-90.9%	-58.0%	0.0%	-4.8%	-13.0%	-50.0%	-87.3%	-50.0%	12	0.3	0.8
Equatorial ON	EQTL3	BRA	Disco	Sell	32.3	28.0	2,022.2	10.2	11.7	8.6	4.2%	7.1%	8.6%	-2.2%	15.7%	-2.2%	3.2%	5.9%	18.7%	16.4%	61.8%	16.4%	1,558	13.4	10.0
IAM	IAM CI	CHI	Water	Not Rated	1,002.9		1,623.5	1.6	1.6	1.4	1.0%	1.3%	1.9%	6.9%	5.2%	6.9%	-0.2%	0.9%	2.0%	8.9%	18.1%	8.9%	549	0.9	1.3
IEnova	IENOVA	MEX	Integrated	Neutral	82.5	83.0	6,288.8	5.4	6.4	3.5	-0.1%	-0.9%	4.4%	8.8%	7.2%	8.8%	-0.9%	0.2%	5.3%	11.8%	24.4%	11.8%	1,188	5.1	5.6
ISA	ISA	COL	Transco	Not Rated	7,660.0		16,160.0	3.0	5.1	2.8	4.1%	2.2%	-2.8%	-18.1%	-32.9%	-18.1%	3.1%	3.5%	-1.3%	-11.2%	-11.8%	-11.2%	1,036	0.8	1.0
Light ON	LIGT3	BRA	Integrated	Buy	14.6	17.0	938.2	4.6	11.3	4.0	2.1%	3.6%	-4.5%	-28.2%	-38.1%	-28.2%	1.1%	2.4%	4.4%	-14.5%	-13.4%	-14.5%	449	5.5	6.0
Pampa Energia	PAMP AR	ARG	Integrated	Not Rated	8.5		1,262.8	1.0	1.1	0.3	1.0%	-4.2%	34.5%	84.4%	228.5%	84.4%	1.1%	-3.7%	35.9%	92.3%	262.4%	92.3%	1,073	1.3	1.1
Pampa Energia (ADR)	PAM	ARG	Integrated	Not Rated	17.8		933.7	17.8	19.6	5.8	0.5%	-3.2%	35.3%	77.2%	207.8%	77.2%	0.5%	-3.2%	35.3%	77.2%	207.8%	77.2%		3.5	2.7
Renova Energia Unit	RNEW11	BRA	Genco	Not Rated	28.5		794.9	9.0	21.8	8.4	3.2%	6.4%	-21.8%	-36.2%	2.2%	5.2%	-14.5%	-24.0%	-31.8%	-24.0%		182	0.1	0.3	
SABESP ON	SBSP3	BRA	Water	Sell	18.2	17.0	3,930.6	5.8	10.9	4.9	3.8%	-0.4%	0.8%	-10.2%	-37.2%	-10.2%	2.8%	-1.5%	10.2%	7.0%	-12.2%	7.0%	1,953	8.1	10.8
SABESP ON (ADR)	SBS	BRA	Water	Sell	5.7		3,889.2	5.7	10.9	4.9	5.0%	-1.2%	-0.5%	-9.5%	-37.2%	-9.5%	5.0%	-1.2%	-0.5%	-9.5%	-37.2%	-9.5%		17.2	19.9
Sanepar	SAPR4	BRA	Water	Not Rated	5.2		780.1	1.6	2.7	1.5	2.6%	-1.1%	-11.4%	-22.5%	-31.9%	-22.5%	1.6%	-2.3%	-3.2%	-7.8%	-4.7%	-7.8%	3	0.1	0.1
TAE SA	TAE11	BRA	Transco	Not Rated	20.9		2,270.6	6.6	9.6	6.2	0.6%	-1.1%	-9.1%	-7.0%	-8.7%	-7.0%	-0.4%	-2.2%	-0.						

Chart 1: Weekly performance in US\$



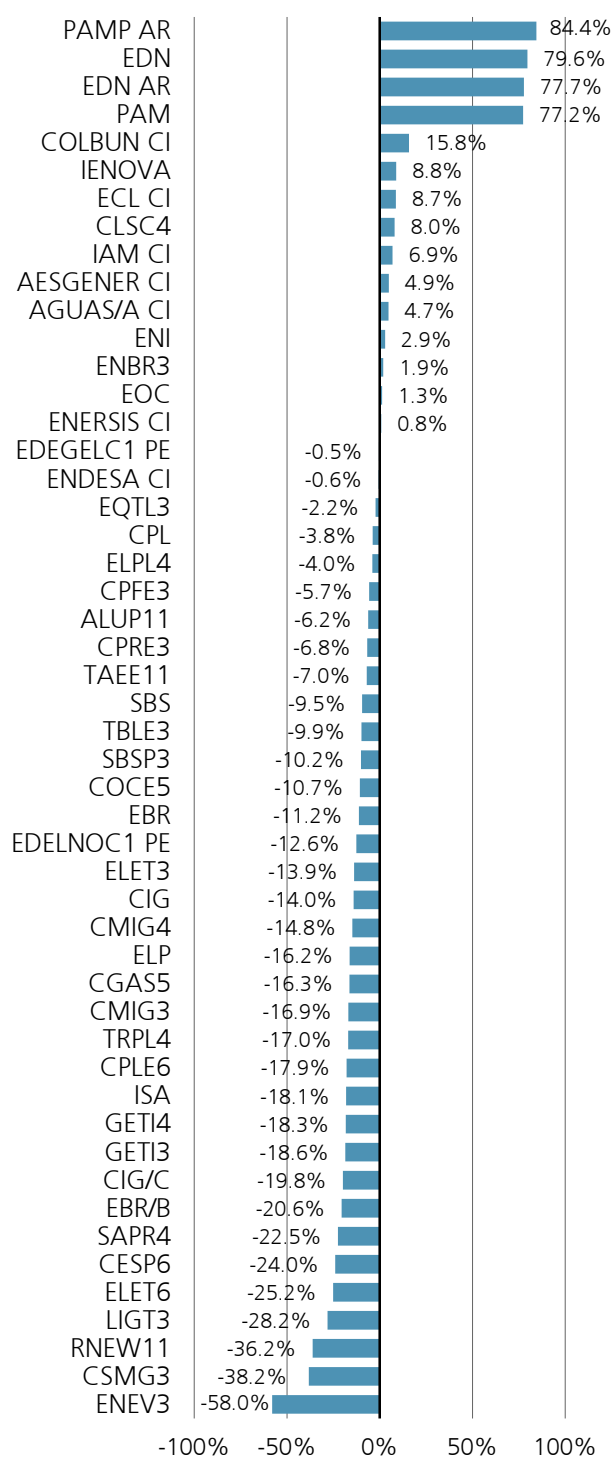
Source: Bloomberg and UBS

Chart 2: Monthly performance in US\$



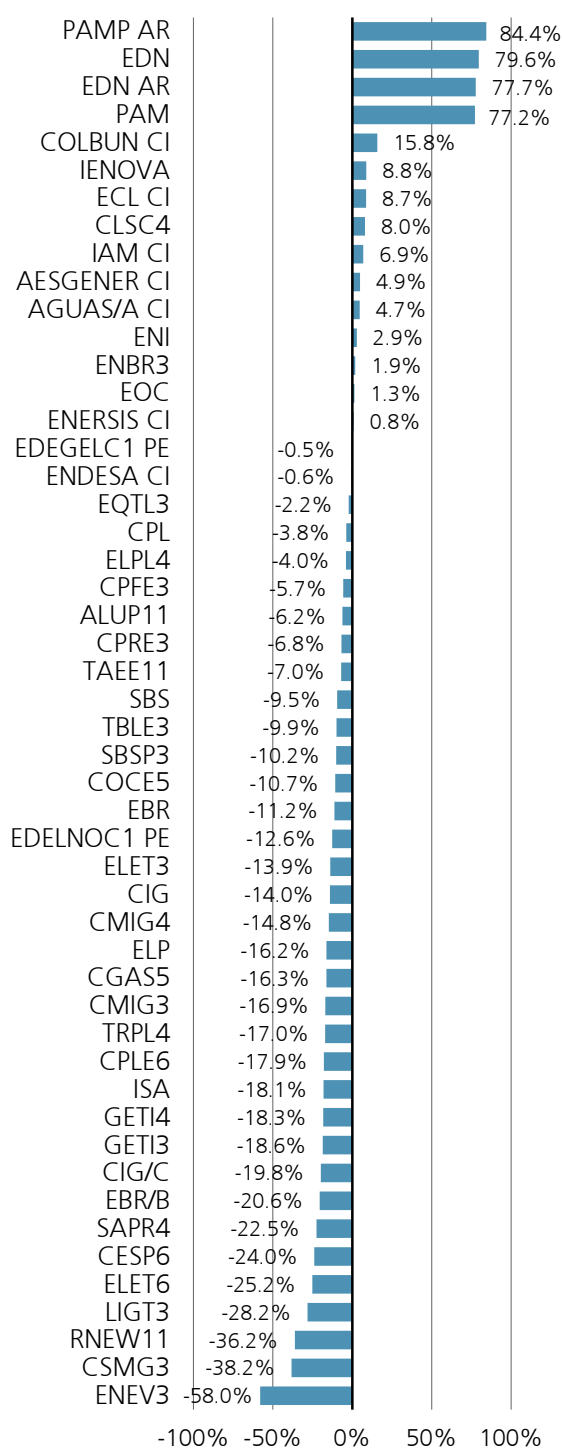
Source: Bloomberg and UBS

Chart 3: 3-Month performance in US\$



Source: Bloomberg and UBS

Chart 4: YTD performance in US\$



Source: Bloomberg and UBS

Recent Publications - LatAm and Global Utilities

Table 6: Latin America Utilities Latest Publications

Our Latest Publications	Date
Tractebel Energia "2014FY slightly off UBSe; lower dividends on another dry year ahead; reiterate Sell on valuation"	31-Mar-15
CESP 4Q14: "slightly off UBSe; strong dividend proposal of R\$1.6bn (>20% yield) a positive sign"	29-Mar-15
CEMIG 4Q14: "a beat on strong demand and non-recurring items; another R\$0.45/h DPS proposal a positive"	27-Mar-15
SABESP 2014FY: "miss; R\$376m tariff discount for 3% volume savings; low payout/capex ahead – is it worth it?"	27-Mar-15
CPFL Energia 4Q14: "strong and a beat, but not a key driver"	27-Mar-15
ENERGIAS DO BRASIL: "Valuation solid with positive strategy and growth outlook amid near-term hydrology uncertainties"	24-Mar-15
COPEL 4Q14: hit by R\$807m impairment in greenfield generation projects and higher operating costs	23-Mar-15
COPASA 4Q14 miss on cost pressure and provision for contingencies; even lower volumes ahead	19-Mar-15
CESP Cutting estimates to adjust for non-cash asset write-off and drier weather; lower R\$24/h PT	18-Mar-15
Equatorial Energia Higher R\$28/h PT on benign Disco rate review process but lower 2015-17e EPS: fairly valued	18-Mar-15
Sempra Energy Revitalizing the Mexican Midstream Opportunity	16-Mar-15
LatAm Utilities IEnova: LNG upside/SBS: tariff review?/LIGT: upgrade/CESP: gas pipelines/ENBR: new Board	16-Mar-15
Sector Keys - LatAm Utilities	12-Mar-15
LIGHT4Q14 a beat vs. stale estimates; up to Buy with lower R\$17 PT on exaggerated stock price decline	9-Mar-15
SABESP Finally asking for an extraordinary tariff hike (magnitude unknown); what can we expect?	9-Mar-15
LatAm Utilities Brazil: corruption / Eletropaulo: upgrade/Copasa: no rain/4Q14: IEnova, CTEEP, EdB, Tiete/More	5-Mar-15
ENERGIAS DO BRASIL: "4Q14: an expected beat on accounting changes; coal-based Pecem results to improve this year"	3-Mar-15
CTEEP: "2014FY: growth from existing asset base and cost control; no new news from R\$3.6bn receivable"	27-Feb-15
AES TIETE (ON): "4Q14 a miss with 2015e EPS cut on drought-related costs, but still a Buy on power price upside"	26-Feb-15
ELETROPAULO: "4Q14 weak but in line; expect tariff improvements ahead"	26-Feb-15
ENOVIA: "4Q14: strong top line but a miss on higher financial expenses and higher taxes; remain Neutral"	26-Feb-15
LatAm Utilities: "Brazil: electricity demand rationalization/SABESP: better weather/4Q14: Equatorial, Tractebel/More"	24-Feb-15
LatAm Utilities: "Removing Eletropaulo from Least Preferred"	24-Feb-15
ELETROPAULO: "Up to Neutral with higher regulatory return and some protection against rationing"	24-Feb-15
LatAm Utilities: "Brazil: higher 8.1% Disco ROA ahead to offset volume risks/Cemig: CEO meeting/Copasa/More"	12-Feb-15
Brazil Rationing Series II: "Energy shortage poses further risk to auto sector"	10-Feb-15
COPASA: "Awaiting the rain or tariff clarity; still a Sell, with lower estimates and PT"	9-Feb-15
Brazilian Utilities: "Higher regulatory ROAs at 8.09% for Discos and potentially 7-8% for Transcos: a positive sign"	3-Feb-15
Latin American Economic: "Perspectives Brazil: Energy rationing déjà vu"	2-Feb-15
Brazilian Utilities: "Electricity rationing: when and how much? It's raining c.50pc of historical average"	2-Feb-15
Brazilian Utilities: "2015 Outlook Déjà vu? No, it is worse now. Rationing Series 3"	1-Feb-15
LatAm Utilities: "Sabesp: 25% lower PT/Copasa: water rationing/Cemig: new CFO, concession dispute update/More"	26-Jan-15
SABESP: "Rationing on thru 2016; keeping Sell with lower estimates and R\$15 PT after meeting water experts"	21-Jan-15
Brazilian Utilities: "Rationing risks up again on poorer than anticipated hydrology – it will rain <50% of historical avg."	18-Jan-15
Brazilian Utilities: "Treasury subsidies down, end-user electricity tariffs up; positive but watch for shortage risks"	14-Jan-15
Brazilian Utilities - 2015 Outlook: "Déjà vu? Rationing Series 3"	12-Jan-15
LatAm Utilities: "Sabesp: rationing, new CEO/CTEEP: downgrade/Cemig, Copasa: new CEOs/Copel: high capex/more"	12-Jan-15
2015 Sector Keys - company by company review: "LatAm Utilities"	12-Jan-15
CTEEP "R\$3.6bn or R\$5.2bn receivable? Down to Neutral on recent strong performance and despite higher PT"	9-Jan-15
LatAm Utilities "Cemig: keeping Sao Simao for now/Sabesp: letting go foregone revenues/Copel: new CEO, CFO/More"	28-Dec-14
ENOVIA "Lost El Encino II bid. Still plenty of growth projects ahead, despite some likely delay"	17-Dec-14
LatAm Utilities "Cemig: losing Jaguará/IEnova: lost a big bid/Energias: Pecem I/Tractebel: coal/Eneva: broke"	17-Dec-14
ENERGIAS DO BRASIL: "Buys out Eneva's 50% stake in Pecem I for reasonable R\$300m"	10-Dec-14
LatAm Equities "Key Questions to Make the Most of 1-1 Meetings at UBS 2014 GEM Conference in New York"	1-Dec-14
LatAm Utilities: "Brazil: shortage risks for 2015; 3Q14 Beats but on one-off items/IEnova: won \$300m project/More"	24-Nov-14
COPASA: "Cutting estimates and PT post-3Q14 and ahead of 2015 review of growth strategy; reiterate Sell"	21-Nov-14

Source: UBS

Table 7: Global Utilities Publications – Latest Highlighted Publications

Latest Highlighted Publications	Analyst	Date
US IPP Weekly Power Points "Entering Auction Season"	Dumoulin-Smith	30-Mar-15
US Electric Utilities & IPPs "Taking The Pulse of The Power Markets"	Dumoulin-Smith	27-Mar-15
US Electric Utilities & IPPs "Does MATS Really Matter?"	Dumoulin-Smith	27-Mar-15
US Electric Utilities & IPPs "Turning New York Upside-Down"	Dumoulin-Smith	26-Mar-15
US Solar & Alternative Energy "Solar Wars: The Impact of Panel Import Duties (Incl. Call Transcript)"	Dumoulin-Smith	25-Mar-15
US Electric Utilities & IPPs "Coal's Gritty Outlook"	Dumoulin-Smith	24-Mar-15
US IPP Weekly Power Points "Awaiting the Capacity Performance"	Dumoulin-Smith	23-Mar-15
Key Call: Enel Welcome to the future: BUY - Erratum	Gandolfi	20-Mar-15
US Electric Utilities & IPPs "More March Madness in Columbus"	Dumoulin-Smith	19-Mar-15
Key Call: Enel Accelerating growth AND turning into an income play - BUY	Hummel/Gandolfi	19-Mar-15
First Read RWE Abu Dhabi investors: More growth, less divi?	Hummel	19-Mar-15
US Electric Utilities & IPPs "ERCOT: A Solar Eclipse?"	Dumoulin-Smith	18-Mar-15
Iberdrola US expansion to continue: €10bn 2020E war chest	Gandolfi	18-Mar-15
Video: RWE – Clear vision of the Utility of the Future	Gandolfi	10-Mar-15
Sempra Energy Revitalizing the Mexican Midstream Opportunity	Dumoulin-Smith	16-Mar-15
Sempra Energy Supersizing Sempra	Dumoulin-Smith	10-Mar-15
RWE Stay Neutral, but with a more cautious bias	Hummel/Gandolfi	10-Mar-15
Key Call: Enel Turning into fast-growing utility will expand PE	Gandolfi	10-Mar-15
Energias de Portugal: "ST EPS-downgrades just a speed-bump; the journey is still the same..."	Liebaert/Gandolfi	4-Mar-15
E.ON/RWE: "Muted 2015 outlook, but good valuation/DY support"	Hummel/Gandolfi	3-Mar-15
US Electric Utilities & IPPs: "The Patriotic UBS Question Bank for Boston"	Dumoulin-Smith	2-Mar-15
GDF Suez: "Good DPS and some nuclear-optionals...but consensus growth-expectations still too high"	Gandolfi	26-Feb-15
First Read: "Iberdrola US expansion: possibly the first of many steps..."	Gandolfi	26-Feb-15
First Read: "GDF Suez 2015 guidance is a disappointment – caution..."	Gandolfi	26-Feb-15
Suez Environnement: "2015 guidance seems overly conservative - Buy"	Hummel/Gandolfi	26-Feb-15
First Read: "Sempra Energy: Decision Making D-Day"	Dumoulin-Smith	26-Feb-15
Duke Energy: "Cashing in and Beefing Up"	Dumoulin-Smith	26-Feb-15
Edison International: "Cutting into the 2015 Reset"	Dumoulin-Smith	26-Feb-15
AES Corporation: "Dry Spell"	Dumoulin-Smith	26-Feb-15
US Electric Utilities & IPPs: "Purchase Power Placeholder"	Dumoulin-Smith	25-Feb-15
First Read: "Endesa: Upgrade in dividend policy seen as a major positive"	Dumoulin-Smith	25-Feb-15
Endesa: "Likely to move to 100% payout until 2019: Buy"	Gandolfi	25-Feb-15
Enagas: "Largely ex-growth: turning into a 'yield co'"	Gandolfi	24-Feb-15
Consolidated Edison: "ROE Risk Remains in Focus"	Dumoulin-Smith	24-Feb-15
US IPP Weekly Power Points: "The Final Stretch Looks Paved with Gold"	Dumoulin-Smith	23-Feb-15
US Electric Utilities & IPPs: "Coal Ash Regs: What Drives Costs? - Call Transcript"	Dumoulin-Smith	20-Feb-15
US Electric Utilities & IPPs: "Cracking the Carbon Code"	Dumoulin-Smith	19-Feb-15
Energias de Portugal: "Underappreciated cash-flow machine: upgrade to Buy"	Gandolfi	19-Feb-15
Suez Environnement /Veolia: "Improving macro outlook and weaker € - Buy Suez"	Hummel/Gandolfi	19-Feb-15
First Read: Duke Energy "Showing the Money: Deploying the 2015 Cash Pile"	Dumoulin-Smith	18-Feb-15
Enel Green Power SpA: "Improved ST outlook, appealing LT growth story and actionable catalyst – Reiterate Buy"	Liebaert/Gandolfi	16-Feb-15
EDF: "Soft power price outlook; minor EPS and PT cut"	Gandolfi	13-Feb-15
Key Call: Enel: "Recent +ives (worth €0.5ps) seem totally overlooked"	Gandolfi	11-Feb-15
Key Call: Enel: "Prelim FY results indicate FCF >€1bn for 2014"	Gandolfi	5-Feb-15
Gas Natural Fenosa: "More evidence of LNG tumbling: BG halves targets"	Hummel/Gandolfi	4-Feb-15
Key Call: Enel: "Dividend step up is essential to close valuation gap"	Gandolfi	3-Feb-15

Source: UBS

Statement of Risk

Given its regulated nature, the electricity sector is subject to potential political or legal interference. The federal and state governments could implement changes or apply more severe rules to the tariff reset process that could negatively affect companies' cash flows, and/or incentivize/penalize new-builds in renewables as opposed to gas or coal, for instance. Finally, an abrupt change in the macroeconomic scenario including FX weakness could negatively impact valuation for foreign investors, as tariffs are basically denominated in local currency (although adjusted by inflation annually).

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

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.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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UBS Brasil CCTVM S.A.: Lilyanna Yang, CFA; Carlos Herrera.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
AES TIETE (ON)	GETI3.SA	Buy	N/A	R\$14.88	01 Apr 2015
AES TIETE (PN)	GETI4.SA	Neutral	N/A	R\$17.62	01 Apr 2015
CEMIG ¹⁶	CMIG4.SA	Sell	N/A	R\$13.34	01 Apr 2015
CESP ⁵	CESP6.SA	Sell	N/A	R\$24.27	01 Apr 2015
COPASA ¹³	CSMG3.SA	Sell	N/A	R\$18.50	01 Apr 2015
COPEL ¹⁶	CPLE6.SA	Neutral	N/A	R\$35.10	01 Apr 2015
CPFL Energia ¹⁶	CPFE3.SA	Buy	N/A	R\$20.76	01 Apr 2015
CTEEP	TRPL4.SA	Neutral	N/A	R\$41.00	01 Apr 2015
ELETROPAULO	ELPL4.SA	Neutral	N/A	R\$9.90	01 Apr 2015
ENERGIAS DO BRASIL	ENBR3.SA	Buy	N/A	R\$10.88	01 Apr 2015
Equatorial Energia	EQTL3.SA	Sell	N/A	R\$32.25	01 Apr 2015
IENOVA	IENOVA.MX	Neutral	N/A	P82.51	01 Apr 2015
LIGHT	LIGT3.SA	Buy	N/A	R\$14.56	01 Apr 2015
Petrobras (ON) ^{13, 16, 20}	PETR3.SA	Neutral (CBE)	N/A	R\$10.08	01 Apr 2015
Petrobras (PN) ^{13, 16}	PETR4.SA	Buy	N/A	R\$10.21	01 Apr 2015
SABESP ¹⁶	SBSP3.SA	Sell	N/A	R\$18.20	01 Apr 2015
Tractebel Energia	TBLE3.SA	Sell	N/A	R\$36.30	01 Apr 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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