CREDIT OPINION
3 June 2024

Update

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RATINGS

Grupo Energia Bogota S.A. E.S.P.

Domicile	Bogota, Distrito Capital, Colombia
Long Term Rating	Baa2
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Grupo Energia Bogota S.A. E.S.P.

Update to credit analysis

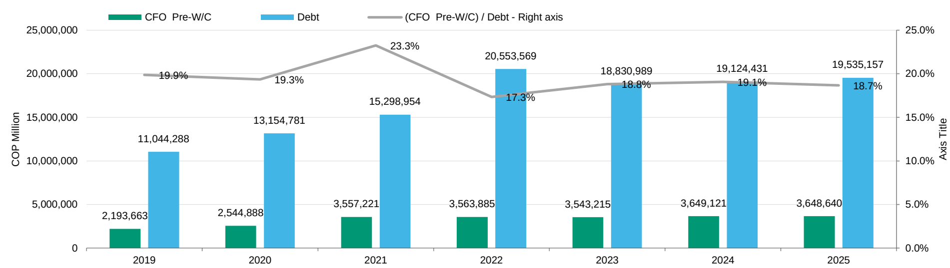
Summary

Grupo Energia Bogota S.A. E.S.P.'s (GEB, Baa2 negative) credit profile benefits from its geographically diversified operations and strong financial metrics. GEB's financial profile is underpinned by the cash flow from its creditworthy key controlled subsidiaries Transportadora de Gas Internacional (TGI, Baa3 negative) and Gas Natural de Lima y Callao S.A. (Calidda) (Baa2 stable). The ratings also reflect its ownership structure and links with Distrito Capital Bogota (Colombia) (Bogota, Baa2 negative).

GEB's credit quality is constrained by the structural subordination of its parent-only debt, which constituted nearly 48% of total consolidated debt as of December 2023, and its dependence on subsidiaries' cash upstreams to cover capital requirements and debt service despite GEB's own profitable transmission operations. GEB's credit profile is also constrained by potential new investments that could lead to slight and temporary pressures in debt-related metrics and the foreign-exchange exposure that could lead to an increase in hedging costs (Exhibit 1).

Exhibit 1

Slight increase in debt and hedging costs will lead to a temporary deterioration in credit metrics



Sources: GEB´s financial statements and Moody's Financial Metrics™

Credit strengths

» Ownership structure, with strong links to the District of Bogota

» Operationally and geographically diversified portfolio of subsidiaries

» Growing importance of key controlled subsidiaries

Credit challenges

» Structural subordination that results from the nearly 50% parent-only debt, compared with consolidated debt

» Strong dependence on subsidiaries' cash upstreams to meet capital requirements, including its debt service, which is partially offset by GEB's own profitable transmission operations

» Exposure to foreign-exchange risk

Rating outlook

GEB's negative rating outlook reflects the negative outlook on Bogota, the support provider. It also takes into consideration the uncertainty around GEB's standalone credit quality stemming from the government's attempts to further interfere in regulated electricity tariffs that would hurt the company's consolidated financial performance. In addition, it captures the recent regulatory changes in the gas transportation business in Colombia, particularly those related to compensation for foreign-currency exposure, at a time when GEB is already facing higher borrowing costs, inflationary pressure and still-large investment requirements.

Factors that could lead to an upgrade

GEB's outlook could be changed to stable if Bogota's — the support provider — rating outlook is changed to stable. The change in the outlook to stable would also require cash interest coverage ratios above 3.5x on a sustained basis and our assessment that government or regulatory interference is immaterial to the company's credit profile.

Factors that could lead to a downgrade

GEB's ratings could be downgraded as a result of a downgrade of Bogota's ratings. Additionally, negative regulatory or government intervention that significantly affects GEB's financial performance would also trigger a downgrade. For example, the ratings could be downgraded if GEB records cash interest coverage ratios below 3.0x or cash flow from operations preworking capital (CFO pre-W/C)/ debt below 14%, with dividends above the minimum legal requirement on a projected and sustained basis.

Key indicators

Exhibit 2
Grupo Energia Bogota S.A. E.S.P.

	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
CFO pre-WC + Interest / Interest	4.5x	4.6x	6.1x	4.2x	3.3x
CFO pre-WC / Debt	19.9%	19.3%	23.3%	17.3%	18.8%
CFO pre-WC – Dividends / Debt	8.4%	8.7%	6.3%	8.0%	7.2%
Debt / Capitalization	42.1%	44.5%	46.2%	46.2%	45.7%

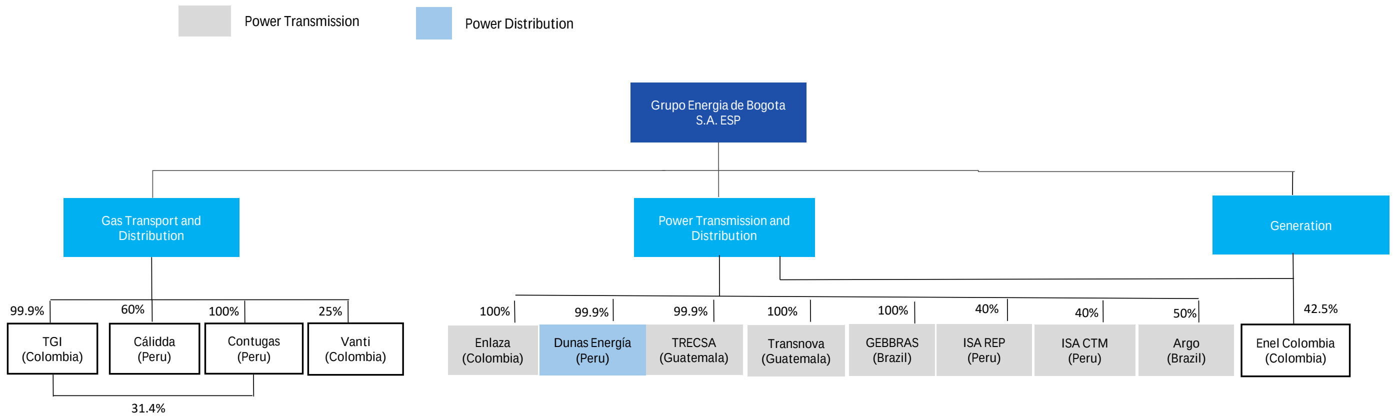
All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Sources: GEB´s financial statements and Moody's Financial Metrics™

Profile

Headquartered in Bogota, Colombia, Grupo Energia de Bogota S.A. E.S.P. (GEB) is a Colombian company with geographically and operationally diversified operations in the energy sector. GEB is subject to the purview of the Comision de Regulacion de Energia y Gas. It is also a holding company with significant equity interests in controlled and noncontrolled subsidiaries that conduct their electric and natural gas operations mainly in Colombia, Peru (Baa1 negative), Guatemala (Ba1 stable) and Brazil (Ba2 positive). Exhibit 3 depicts GEB's interest stakes in its core controlled and noncontrolled subsidiaries, as well as their allocation within the group, according to its operational segments (energy generation, transmission and distribution; and gas transport and distribution).

Exhibit 3

Strategic units and key subsidiaries (direct economic interest)



Sources: GEB's financial statements, corporate presentation and Moody's Ratings

As of December 2023, Bogota was GEB's majority shareholder (65.7%). GEB's remaining shareholders include pension funds (20.7%), Corporación Financiera Colombiana S.A. (5.2%) and others (8.4%).

Recent developments

» On 7 May 2024, Moody's completed a periodic review of the ratings of Grupo Energia Bogota S.A. E.S.P. and other ratings that are associated with this issuer. The review was conducted through a rating committee held on 26 April 2024 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

» On 1 November 2023, Moody's assigned a Baa2 rating to GEB's Senior Sustainable Bond for up to $400 million due 2033. Approximately $320 million of the proceeds were used to repay upcoming maturities while the remaining amount for capital investment needs.

Detailed credit considerations

Ownership structure

GEB's Baa2 issuer ratings reflect the application of our Joint Default Analysis (JDA) framework for government-related issuers, which takes into account the following input factors: a BCA of baa3 as a measure of GEB's standalone creditworthiness; the Baa2 ratings of Bogota as GEB's support provider; our estimate of strong implied government support in the case of financial distress; and moderate default dependence between GEB and Bogota. These assumptions take into consideration the company's links with Bogota, which owns 65.7% of GEB (as of December 2023). These assumptions also reflect the strategic and essential nature of the services provided, the government control and the direction of the company, which, under our framework, translate into a one-notch rating uplift from the baa3 BCA.

Our assessment of Bogota's willingness and ability to provide extraordinary financial support takes into consideration the facts that GEB is strategically important to the city government; historically, GEB's dividend distributions have represented less than 5% of the municipality's total budget; and Bogota will remain the majority shareholder. Pursuant to Agreement 01, 1996, the district is required to hold at least a 51% ownership stake in the issuer. A modification of this agreement requires certain regulatory approvals (including the municipal council's authorization), which is currently not planned.

Structural subordination considerations

GEB's reliance on dividends from its subsidiaries, particularly the noncontrolled companies, and the substantial amount of holding company debt (around 48% of total consolidated debt as of December 2023, slightly lower than the 49% reported as of December 2022) underpin our structural subordination considerations. GEB's credit profile takes into consideration the fact that the company's transmission operations allow it to generate its own cash flow, but it represented 10.4% of 2023 adjusted EBITDA (including dividends from noncontrolled companies), up from 9.1% in 2022. Thus, GEB relies on its subsidiaries' cash to cover capital requirements and debt service. TGI and Calidda, GEB's key controlled subsidiaries with investment-grade profiles, contributed 33% and 17%, respectively, of adjusted EBITDA in 2023, generating relatively stable cash flow streams for GEB. The company expects that Brazilian Gebbras will start to distribute dividends in 2025 or 2026, once the intercompany loans with GEB are repaid.

We expect GEB's noncontrolled subsidiaries' dividends to further account for a significant amount of cash flow in 2024 and 2025. The regulated nature of the natural gas distribution operations, Gas Natural S.A. E.S.P. (Vanti), provides visibility into the upstreamed cash flow. We expect GEB's ownership of Enel Colombia, with a dividend distribution of around 90%, to be a key source of cash flow for GEB. In addition, we take into consideration GEB's minority ownership of Red Electrica del Peru and Consorcio Transmantaro S.A. (Baa3 stable). Argo, a joint-venture in Brazil will also contribute with dividend distributions starting in 2024.

Deterioration in credit metrics, driven mainly by the increase in debt

GEB's consolidated credit metrics have been relatively stable and consistent over the last few years. However, there was a deterioration in 2022 and 2023 due to increase in leverage for investments, higher interest rates, the volatility of the Colombian currency and lower cash flow after the extraordinary dividends received in 2021, following the agreement with Enel Colombia and Red de Energía del Perú (ISA REP). This resulted in its cash interest coverage (measured as [CFO pre-W/C + interest]/interest expense) deteriorating to 3.3x in 2023, from 4.2x in 2022, while (CFO pre-W/C)/debt improved slightly to 18.9% from 17.3% during the same period.

In 2024, we expect that credit metrics will remain similar to those recorded in 2023. The projected performance takes into consideration the increase in debt mainly as a result of the currency depreciation and higher financing costs. For 2024, we expect cash interest coverage of around 3.4x and (CFO pre-W/C)/debt 19.1%.

The capital spending program for 2024-28 includes investments up to $1.4 billion, including organic transmission and gas distribution projects currently committed. This amount does not consider possible acquisitions, which can be financed with debt or cash flow.

GEB also has a long history of access to debt financing. Its credit ratings reflect a manageable debt maturity profile and our expectation that GEB's dividend policy will be reasonable and sustainable with a 70% dividend payout ratio, which is the minimum payout ratio after certain liquidity reserves are met.

ESG considerations

Grupo Energia Bogota S.A. E.S.P.'s ESG credit impact score is CIS-3

Exhibit 4
ESG credit impact score

CIS-3

ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Ratings

Grupo Energia Bogota S.A. E.S.P.'s (GEB) ESG Credit Impact Score (**CIS-3**) indicates that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The score reflects GEB's material exposure to social risks, partially balanced with moderate exposures to environmental and governance risks.

Exhibit 5
ESG issuer profile scores

Source: Moody's Ratings

Environmental
GEB's exposure to environmental risks (**E-3** issuer profile score) is mainly driven by its exposure to physical climate risks such as floods, droughts, and sea level rise, and to carbon transition from its natural gas transport and distribution businesses and to a lesser extent, fossil-fuel based generation. These exposures are partially mitigated by the business and geographic diversification of the company. Our score also incorporates low exposures to water management, waste and pollution and natural capital risks.

Social
GEB's **S-4** issuer profile score reflects a material exposure to demographics and societal trends due to increasing public concern over environmental, social, or affordability issues that could lead to adverse regulatory political intervention. These risks are partially balanced by low exposures to customer relations, human capital, responsible production, and health and safety considerations.

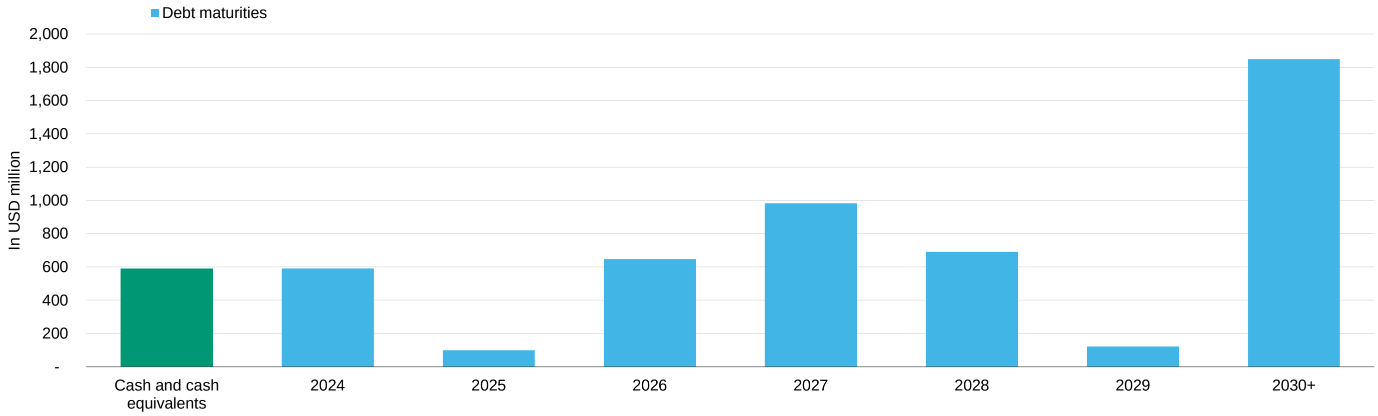
Governance
GEB's governance risk (**G-3** issuer profile score) captures moderate exposures to financial strategy and risk management; and board structure, policies and procedures. GEB is exposed to influence by Bogota, Distrito Capital (Colombia) (Baa2, stable), its majority owner, but as of today this has not been a material negative credit consideration. Our governance score also considers low exposures to management credibility and track record, organizational structure as well as internal controls risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis
As of December 2023, GEB's cash position was COP2,289,704 million (almost $591 million). This cash position is enough to cover the 2024 debt maturities. In addition, as of May 2024, GEB's short-term credit facilities available amount to COP1.13 billion (around $289 million) and $280 million.

Debt principal payments in 2024 of $522 million mainly considers Contugas' syndicated loan maturity of $320 million. We expect the company to be able to refinance this loan and extend its maturity, reducing refinancing risk, but the cost could increase because of the market conditions compared with those during previous issuances. Refinancing risk in 2024 was also reduced after the intercompany loan with TGI was refinanced in the local market and with the repayment of upcoming maturities using proceeds from the Senior Sustainable Bond issued in 2023.

Exhibit 6
GEB's refinancing needs are significant for 2024 but the company has a strong cash position and access to financing
2024-30 GEB's debt maturities



Sources: GEB's financial statements and GEB's corporate presentation

Other considerations

GEB seeks to naturally hedge its exposure to foreign-exchange risk by matching the currency of its debt to its EBITDA. However, exposure remains with around 44% of GEB's total EBITDA denominated or indexed to US dollars and 65% of its total debt was US dollar denominated as of December 2023. Foreign-exchange exposure initially increased because of the regulatory changes in the Colombian gas transport business, where tariff indexation changed from US dollars to Colombian pesos. Nonetheless, TGI mitigated this exposure through a hedge contract. Furthermore, international subsidiaries and joint-ventures that generate US dollar denominated cash flow, also contribute to reduce foreign exchange exposure.

GEB has moderate exposure to the increase in interest rates because around 35% of the total debt was fixed as of December 2023.

Methodology and scorecard

We assign GEB's BCA using our Regulated Electric and Gas Utilities rating methodology, published in June 2017. GEB's Baa2 ratings take into account our JDA for the company as a government-related issuer and, therefore, incorporate our expectations regarding the credit profile of Bogota, and our assumptions of moderate dependence and strong implied support.

Exhibit 7
Rating factors
Grupo Energia Bogota S.A. E.S.P.

Regulated Electric and Gas Utilities Industry [1][2]	Current FY 12/31/2023		Moody's 12-18 Month Forward View As of 5/30/2024 [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Baa	Baa	Baa	Baa
b) Consistency and Predictability of Regulation	Ba	Ba	Ba	Ba
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.2x	Baa	3.5x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	19.5%	Baa	18.9%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	7.2%	Ba	7.8%	Ba
d) Debt / Capitalization (3 Year Avg)	46.0%	Baa	45.3%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa2		Baa2
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned				Baa2
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa3			
b) Government Local Currency Rating	Baa2			
c) Default Dependence	Moderate			
d) Support	Strong			
e) Actual Rating Assigned	Baa2			

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2023.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Ratings

Ratings

Exhibit 8

Category	Moody's Rating
GRUPO ENERGIA BOGOTA S.A. E.S.P.	
Outlook	Negative
Issuer Rating	Baa2
Senior Unsecured	Baa2
GAS NATURAL DE LIMA Y CALLAO S.A. (CALIDDA)	
Outlook	Stable
Issuer Rating	Baa2
TRANSPORTADORA DE GAS INTERNACIONAL	
Outlook	Negative
Senior Unsecured	Baa3

Source: Moody's Ratings

Appendix

Exhibit 9

Cash flow and credit metrics

in COP thousand million	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
As Adjusted					
EBITDA	**3,676**	**4,173**	**4,536**	**5,245**	**5,503**
FFO	**2,181**	**2,532**	**3,533**	**3,552**	**3,531**
- Div	1,271	1,395	2,597	1,920	2,196
RCF	**910**	**1,136**	**936**	**1,632**	**1,335**
FFO	2,181	2,532	3,533	3,552	3,531
+/- Other	12	13	25	11	12
CFO Pre-WC	**2,194**	**2,545**	**3,557**	**3,564**	**3,543**
+/- ΔWC	(210)	(98)	(591)	396	(836)
CFO	**1,984**	**2,447**	**2,967**	**3,960**	**2,708**
- Div	1,271	1,395	2,597	1,920	2,196
- Capex	1,115	897	642	1,884	1,283
FCF	**(402)**	**154**	**(272)**	**156**	**(771)**
Debt / EBITDA	3.0x	3.2x	3.4x	3.9x	3.4x
Revenue	4,887	5,126	5,559	6,875	7,978
Cost of Good Sold	2,204	2,117	2,536	3,163	4,431
Interest Expense	632	703	696	1,109	1,512
Net Income	1,894	2,371	2,554	2,656	2,349
Total Assets	27,655	31,116	34,768	46,597	43,399
Total Liabilities	14,607	16,897	19,687	26,188	24,573
Total Equity	13,048	14,219	15,081	20,409	18,826

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 10

Peer comparison

	Grupo Energia Bogota S.A. E.S.P. Baa2 negative			Comision Federal de Electricidad Baa2 stable			Gas Natural de Lima y Callao S.A. (Calidda) Baa2 stable			Companhia Energetica de Minas Gerais - CEMIG Ba2 stable		
	FYE Dec-21	FYE Dec-22	FYE Dec-23	FYE Dec-21	FYE Dec-22	LTM Sept-23	FYE Dec-21	FYE Dec-22	FYE Dec-23	FYE Dec-21	FYE Dec-22	FYE Dec-23
Revenue (in USD millions)	1,487	1,628	1,854	22,066	23,887	26,775	730	800	849	6,248	6,686	7,383
EBITDA (in USD millions)	1,214	1,242	1,278	2,792	3,868	9,192	203	233	230	1,475	1,551	1,992
CFO pre-WC / Debt	23.3%	17.3%	18.8%	0.5%	7.1%	14.6%	21.0%	22.1%	19.6%	39.5%	24.3%	49.2%
CFO pre-WC – Dividends / Debt	6.3%	8.0%	7.2%	0.4%	7.0%	14.5%	12.4%	10.3%	8.0%	28.7%	7.8%	34.3%
Debt / EBITDA	3.4x	3.9x	3.4x	22.5x	16.9x	7.1x	3.7x	3.4x	3.8x	1.7x	1.6x	1.2x
Debt / Capitalization	46.2%	46.2%	45.7%	59.8%	61.2%	56.3%	66.8%	63.8%	66.4%	38.7%	35.4%	32.0%
EBITDA / Interest Expense	6.5x	4.7x	3.6x	1.0x	1.5x	3.4x	8.2x	7.2x	6.7x	5.7x	6.5x	6.8x

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted debt breakdown

in COP thousand million	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-23
As Reported Debt	**11,020**	**12,996**	**15,186**	**20,451**	**18,700**
Pensions	159	159	113	103	131
Non-Standard Adjustments	-135	0	0	0	0
Moody's - Adjusted Debt	**11,044**	**13,155**	**15,299**	**20,554**	**18,831**

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year end.
Source: Moody's Financial Metrics™

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