

## **Restructuring of Iguá Saneamento is concluded with AIMCo's acquisition of Galpar's stake in FIP Iguá**

*Funding for the transaction came from Alberta Investment Management Corporation ("AIMCo"), under the management of IG4 Capital, which continues to control the Company.*

**São Paulo, 22nd of July, 2019** – Two years after assuming control of Iguá Saneamento S.A. ("Iguá Saneamento" or the "Company"), formerly known as Companhia de Águas do Brasil ("CAB Ambiental"), Brazilian alternative asset manager IG4 Capital Investimentos Ltda. ("IG4 Capital") completed Iguá Saneamento's restructuring process by acquiring, through Alberta Investment Management Corporation ("AIMCo") on behalf of certain of its clients, the remaining stake held by Galvão Participações S.A. ("Galpar") in Iguá Fundo de Investimento em Participações Multiestratégia ("FIP Iguá"), which controls the water & sanitation concessionaire. AIMCo, in coordination with IG4 Capital, acquired Galpar's stake in FIP Iguá in a secondary transaction that was executed via a judicial auction as part of the proceedings of Grupo Galvão's judicial recovery process.

Proceeds from the transaction will primarily go to Grupo Galvão's creditors as part of the Judicial Recovery Plan. With the culmination of this transaction, Grupo Galvão no longer has any stake, either direct or indirect, in Iguá Saneamento.

"This is a success story, one of the first post-crisis cases in which a public services concessionaire undergoes a complete financial and operational turnaround via a private markets solution and without the need for either the state or the judiciary to intervene. We took over a company that was facing imminent bankruptcy, restructured its debt in partnership with the main creditor banks, installed a new management team focused on operational efficiency, obtained new investors and we are currently executing an investment plan that will benefit the population that is served by Iguá Saneamento," according to Paulo Mattos, partner of IG4 Capital. "However, what makes us proudest is that we were able to both preserve current jobs while also generating new ones, and we are confident in the company's growth. What motivates us is the following: developing an asset which has a significant socioenvironmental impact, contributing to job and income growth and helping improve the quality of life for Brazil's citizens, especially in such an important yet delicate sector long devoid of investment, such as basic sanitation", he added.

Galpar, the holding company of Grupo Galvão, was the controlling shareholder of CAB Ambiental until IG4 Capital assumed control of the Company. With CAB's restructuring and the creation of Iguá Saneamento, Galpar became a passive quota holder with no governance rights in FIP Iguá, with an indirect stake of approximately 20% in the Company. As a result of this transaction, AIMCo increased its indirect stake in Iguá Saneamento 25.23%, via its investment in FIP Iguá. Along with its direct investment in the Company via Mayim Fundo de Investimento em Participações Multiestratégia ("FIP Mayim"), AIMCO's total stake in the Company is approximately 49.24%. AIMCO's stake in both FIPs, as well as those of other quota holders, continues to be managed by IG4 Capital as part of IG4 Capital Private Equity Fund I.

In October 2018, AIMCo anchored a primary capital injection, investing approximately R\$ 350 million of the R\$ 400 million of primary equity injected into FIPs Iguá and Mayim. With this transaction, both FIPs (Iguá and Mayim) controlled by IG4 Capital increased their assets under management to over R\$1.1 billion. More recently, in May 2019, Iguá Saneamento obtained R\$ 120 million of debt financing by emitting debentures via Banco Votorantim S.A. and XP Investimentos, and also resumed its relationship with BNDES, receiving R\$ 100 million in financing in July 2019.

The totality of the investment anchored by AIMCo in October 2018 went to bolster Iguá Saneamento's cash holdings and was used to anticipate investments that had already been mapped out by Iguá Saneamento's concession agreements. Iguá Saneamento currently holds 18 operations in 25 municipalities in 5 Brazilian states. In total, it serves 6.6 million people either directly or indirectly.

### **Results of the restructuring**

In 2018, Iguá Saneamento generated EBITDA of R\$ 255.2 million, an increase of 20.3% versus the R\$ 212.1 million generated in 2017. The Company's EBITDA margin also increased from 39.0% to 43.9% and was one of the highest margins in the sanitation sector (including both public as well as private companies). In the first full year of operations under IG4 Capital's control, the Company also resumed investing in its operations, investing a total of R\$ 292.6 million for the year, which in turn helped increase net revenues to R\$ 581.5 million.

The growth in both EBITDA as well as the pace of investment was accompanied by an improvement in the Company's leverage profile. Iguá Saneamento once again re-entered the Brazilian credit markets via several new financing agreements while simultaneously reducing its leverage ratio (Net Debt / EBITDA) to 3.6x, and the Company is on pace to reach a ratio of 3.0x, considered the recommendable leverage ratio for the sector by specialists. The Company closed 2018 with 86% of its debt classified as long-term, which further reinforces its financial strength and its ability to continue to execute upon its investment plan.