

actis

# Atlas Renewable Energy

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**Renewable energy is an increasingly important element of Latin America's power mix, with many countries in the region benefiting from strong wind capacity and high solar irradiance and as rapid economic development increases so does the demand for energy. As an investor pioneering buy and build energy platforms across the emerging markets, Actis identified the opportunity to acquire the Latin American assets of a troubled US corporate to create Atlas Renewable Energy in 2017. Spanning markets that are well known to Actis, the business has become the region's largest independent renewables business, with 1200MW of capacity so far contracted.**

### The opportunity

When Actis was approached by the Latin American management team of a global renewable energy business that was in restructuring talks, we saw significant potential to invest in a business of scale that was already present in many of the markets in which Actis had previously successfully invested.

Atlas Energía was to be our fifth power generation platform in Latin America, where we had invested in, or created, Zuma Energía in Mexico, Aela Energía in Chile, Atlantic Energias Renovaveis in Brazil and Eolo Energía and Globeleq Mesoamerica in Central America. With Atlas's presence in three of these – Chile, Brazil and Mexico – we could enter negotiations with a deep understanding of how the markets operate and of the potential for value creation following our replicable strategy of creating and building energy platforms.

The management team was already well known to Actis – we had been in negotiations previously about a sale of one of our portfolio companies. We knew it was one of the region's strongest solar energy teams: over the years, we had seen first-hand that the team had played a pioneering role in bringing renewable power to markets such as Chile and Brazil and we recognised the value of its strong credentials in raising project finance. The team approached Actis as a natural investor in the business, based on its experience of working with us and our reputation in the local market and energy sector.

### What did we do?

Following the approach, we made contact with the chief restructuring officer and were able to gain exclusivity on the deal early on. We were armed with all the information we needed to make the decision to invest from a very early stage, in part because of the restructuring process, but also because of the trust established between Actis and the other parties involved.

Entering restructuring negotiations requires sensitivity combined with pragmatism - they can be fraught with complexity and are far from emotionally passive processes. As an investor with decades-long experience of investing under sometimes difficult circumstances, Actis took a personal and commercial approach to the negotiations, based on a good understanding of the markets and the risks each party would be prepared to take. Our global presence and networks and our experience of investing in local markets also meant that we were able to manage effectively the multi-jurisdictional characteristics of the deal. Actis was able to secure the deal quickly, helping to prevent value erosion, and with a package that would enable construction to restart.

The establishment of Atlas from the restructuring process created significant value from the outset. The business we acquired included an optimal mix of assets in operation, projects under construction and new contracts won. Our energy team has experience of all these phases and so we clearly understood the risk-reward profile and knew how to support the management team through all stages. Importantly, this also meant that we had invested in a business of scale from day one.

Strong governance is a feature of all Actis investments and Atlas was no exception. Drawing on our strong network of contacts, we were able to strengthen the already outstanding management team through the appointment of a new CFO, a general counsel and a head of ESG. These individuals were carefully selected to complement the skills and experience of existing team members.

With Atlas on a secure footing as an independent business in early 2017, we were able to support its expansion almost immediately. The company's initial 470MW of capacity was increased to 1000MW within the first year as new projects and additional power purchase agreements were secured in Brazil.

By 2019, Atlas had a total of 1,200MW contracted and had completed four projects, including two in Brazil, totalling 350MW, and one in Mexico, with a 130MW capacity. The business had also developed a pipeline of further opportunities across the company's existing three markets and was exploring expansion into Colombia. The team had grown from just nine founding members to 70, including some key hires brought in through Actis's networks, including a head of wind in Chile, a head of operations and maintenance and a head of business development.

Careful consideration of the social and environmental impact of our investments is a hallmark of the Actis approach. All our portfolio companies are measured using our Impact Measurement Framework, while ESG factors are embedded across all our processes. Renewable energy projects, such as those delivered by Atlas, clearly offer additional, clean power capacity, providing economic and community benefits. However, we also engage with communities to help meet local needs.

Following extensive consultation with communities local to sites in North East Brazil and Central Mexico, Atlas established technically-focused vocational education and training programmes. These have so far reached 10,000 people and touched the lives of 4,000 families, as Atlas's projects have created not just job opportunities during construction, but also a legacy of improved skills and employability in the local area. This work continues across other projects as Atlas's head of ESG has already visited a new site under development in Southern Mexico. Atlas is working closely with residents to develop plans and projects that will be tailored to the needs of largely indigenous communities living in the region.

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### The future

Operating across Chile, Mexico and Brazil, Atlas is now Latin America's largest independent renewable energy business, with 1,200MW so far contracted. We are now supporting the business as it focuses on completing existing construction projects and also helping Atlas to expand further with the addition of new projects expected by the end of 2019. Together, these plans will realise the ambition of growing Atlas to a 1500MW renewable energy business within just three years. In addition, as an investor in over 50 companies around the world, Actis is able to draw on its strong procurement capability. In the same year as we established Ostro Energy, we also created a Mexican wind energy business with an initial development of 350MW of capacity. This allowed us to negotiate better value contracts with global suppliers we trusted and knew could deliver.