

# ***LIQUIGÁS***



## ***Investment Opportunity***

***April 9<sup>th</sup>, 2019***



# Investment Opportunity: Liquigás Distribuidora S.A.

## Transaction Overview

- In accordance with its strategic plan of exiting the liquefied petroleum gas (“LPG”) distribution segment in Brazil, Petróleo Brasileiro S.A. (“Petrobras”) is considering the divestiture of 100% of Liquigás Distribuidora S.A. (“Liquigás” or the “Company”) (the “Potential Transaction”)
- Petrobras has retained Banco Santander (Brasil) S.A. (“Santander”) to act as its exclusive financial advisor in connection with the Potential Transaction

## Overview of Liquigás

- Liquigás operates in the bottling, distribution and sale of LPG in Brazil through the bottled and bulk business segments;
- The Company is the leading player in the bottled LPG segment, with a nationwide presence:
  - ▶ #1 player in the bottled market (serviced by 13kg bottles) with a 22.6% market share as of September 2018;
  - ▶ #3 player in the bulk market, with an 18.1% market share as of September 2018;
- Liquigás benefits from a unique logistics infrastructure with 23 operating centers, 16 warehouses, 1 road/railway storage facility and loading base, contracted services of 7 outsourced bottling plants and 2 logistic operators;
- The Company has a network of more than 4,800 own distributors that serve ~35 million residential consumers per month;
- Founded in 1953 and headquartered in São Paulo, Liquigás was acquired by Petrobras from ENI in August 2004, and has operated as an independent company since then.



## Key Investment Highlights

1. Strong Industry Fundamentals
  - ▶ Brazil is one of the largest LPG markets in the world
  - ▶ LPG plays a key role in Brazil’s energy matrix, serving 100% of the country’s municipalities
  - ▶ Highly resilient track record
2. Leading Market Position
  - ▶ #1 player in the bottled LPG segment
  - ▶ Unparalleled nationwide presence, with presence in over 4,800 points of sale and 20,000 bulk customers
3. Best-in-Class Infrastructure

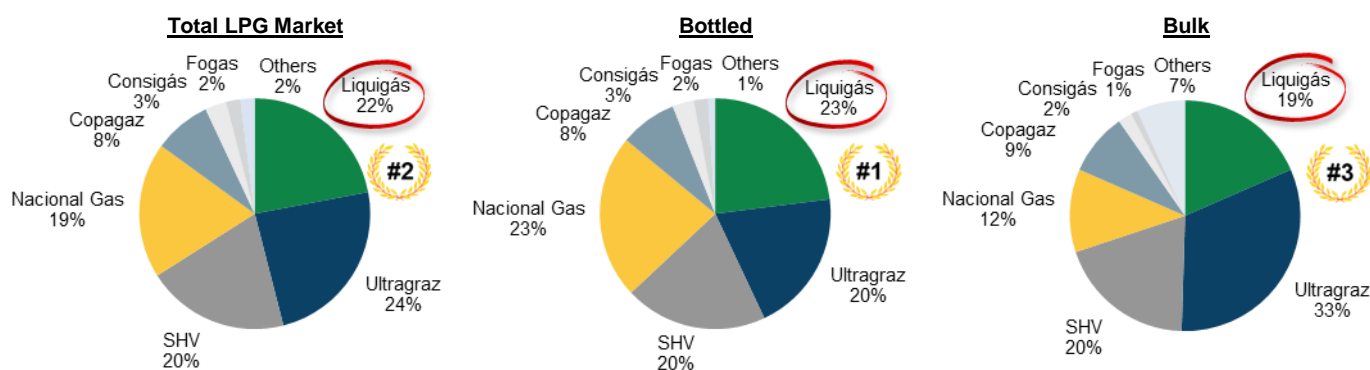
- ▶ Strategically located bottling plants, typically neighboring sources of LPG supply
  - ▶ Nationwide distribution with 455 trucks, 181 trailers, 309 tankers and nearly 35 million residential consumers per month
4. Unique Brand Awareness
- ▶ According to Sindigás, Liquigás is the *Top of Mind* brand in the Brazilian LPG market
5. Clearly Identified Growth Opportunities
- ▶ A considerable number of houses in Brazil still use firewood as primary energy source
  - ▶ LPG use in segments such as agriculture and others
  - ▶ Strong potential for profitability improvement and organic growth

## Key Operational Indicators

	2012	2013	2014	2015	2016	2017	2018
<b>LPG Total Sales (tons)</b>	<b>1,615,405</b>	<b>1,661,788</b>	<b>1,668,373</b>	<b>1,653,023</b>	<b>1,600,919</b>	<b>1,600,705</b>	<b>1,565,351</b>
Bottled	1,296,970	1,325,045	1,339,606	1,330,461	1,291,929	1,297,830	1,275,897
Bulk	318,435	336,743	328,767	322,562	308,990	302,875	289,514
<b>Market Share (Total)</b>	<b>22.6%</b>	<b>22.7%</b>	<b>22.5%</b>	<b>22.6%</b>	<b>21.6%</b>	<b>21.7%</b>	<b>21.4%</b>
Bottled	24.0%	24.1%	24.0%	23.8%	22.9%	22.8%	22.6%
Bulk	19.2%	19.3%	18.8%	19.5%	18.5%	18.7%	18.1%

Source: Company

## Market Share Information



Source: ANP as of Sept. 2018

## Financial Highlights

(R\$ in millions)	2012	2013	2014	2015	2016	2017	2018
<b>Net Revenues</b>	<b>R\$ 2,768</b>	<b>R\$ 2,899</b>	<b>R\$ 2,978</b>	<b>R\$ 3,296</b>	<b>R\$ 3,589</b>	<b>R\$ 3,997</b>	<b>R\$ 4,783</b>
<b>Gross Profit</b>	<b>807</b>	<b>871</b>	<b>924</b>	<b>1,078</b>	<b>1,240</b>	<b>1,180</b>	<b>1,207</b>
<b>EBITDA</b>	<b>126</b>	<b>113</b>	<b>148</b>	<b>214</b>	<b>320</b>	<b>198<sup>(1)</sup></b>	<b>274</b>
<b>EBITDA Margin</b>	<b>4.6%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>6.5%</b>	<b>8.9%</b>	<b>4.3%</b>	<b>5.7%</b>
<b>Net Earnings</b>	<b>45</b>	<b>23</b>	<b>53</b>	<b>114</b>	<b>201</b>	<b>103</b>	<b>148</b>
<b>Net Margin</b>	<b>1.6%</b>	<b>0.8%</b>	<b>1.8%</b>	<b>3.5%</b>	<b>5.6%</b>	<b>1.5%</b>	<b>3.1%</b>
<b>CAPEX</b>	<b>185</b>	<b>128</b>	<b>130</b>	<b>133</b>	<b>72</b>	<b>71</b>	<b>78</b>
<b>Net Debt</b>	<b>74</b>	<b>41</b>	<b>102</b>	<b>132</b>	<b>8</b>	<b>5</b>	<b>(12)</b>

Note: (1) Adjusted to the CADE fine related to the Termo de Compromisso de Cessação de Prática signed in September 2017

Source: Company

## Process Information

- Petrobras is inviting selected potential investors (“Prospective Purchaser”) to participate in a competitive bidding process (“the Process”)
- In order to qualify for the Process, a potential investor must meet at least one of the categories described below (“Eligibility Requirements”)
  1. Strategic Players:
    - ▶ Companies present in the LPG, natural gas or fuel distribution segments or global commercialization of third-party commodities (trading), such as crude oil and its byproducts and have 2018 Gross Revenues in excess of US\$100 million; and
    - ▶ Companies that already operate in the national LPG distribution market and have over 10% market share according to ANP’s last published report (October/2018) shall only participate as part of an offering group and shall not acquire a share corresponding to over 30% of Liquigas’ current sales volume individually.
  2. Other Investors:
    - ▶ The Investor or his economic group must have assets under management or control of at least US\$ 1 billion.
- Prospective Purchasers who meet the Eligibility Requirements (“the Potential Purchaser”) should formally contact Santander by 04/19/2019, in order to express its interest.
- Qualified Prospective Purchasers will then receive the Non-Disclosure Agreement (“NDA”), which should be executed prior to the receipt of the confidential Information Package and the Instruction Letter, and the Compliance Certificate (“CC”) that should be signed until one week before the non-binding offer. The Instruction Letter will include, among other information, detailed instructions regarding the submission of proposals by Qualified Potential Purchasers.

- In the binding phase, Potential Purchasers must sign a letter in which the participant commits to accept any conditions imposed by CADE to settle any competitive issues or to indemnify Petrobras in the case the transaction is rejected by CADE for the amount to be defined in the SPA. Each Competitor should also provide an Informative Competitive Evaluation Report, in the form that will be defined in the Process Letter.
  
- Joint bids for the divestment program will be accepted and should follow the rules below:
  - i. The joint bid can have the objective of a joint operation of the company after its acquisition or just the participation in the competitive process, in which case each member would end up with a separate part of the Company;
  
  - ii. All participants should be named and individually meet the Eligibility Requirements and have signed the Non-Disclosure Agreement and the Compliance Certificate ;
  
  - iii. Joint bids shall be made by an offering group (“Offering Group”) and each Offering Group, like any other individual participant, shall sign a Declaration of Independent Proposal for each of the offers until its respective dates;
  
  - iv. The leading member of the Offering Group should be named together with the announcement of the formation of the Offering Group;
  
  - v. The formation or modification of an Offering Group after the non-binding stage of the process, is only allowed in case the company/companies joining a Prospective Purchaser or Offering Group in the binding stage is/are not participating in the process, either because it has/have not been classified to the binding phase, or because is/are joining the process only in this stage.
  
  - vi. A participant of an Offering Group can abandon the process. In case this participant is the group leader, in order to the offer still be considered valid, it is necessary that at least one of the participants remaining in this Offering Group participated in the non-binding stage and becomes the new leader. If there are no other participants in these conditions, the offer will be disqualified.
  
  - vii. In the cases described in the items (v) and (vi) above, all participants must meet the Eligibility Requirements. The group leader of the bid must inform the intention to present a joint bid to the Santander in a maximum of 7 days before the date defined for the presentation of the binding offer, and until this date all participants of the joint bid must have signed the NDA, the CC and the new Declaration of Independent Proposal of the joint bid;
  
  - viii. The submission of the joint bid should be accompanied by:
    - a. Power of Attorney vesting powers to the group leader signed by the other participants of the joint offer;
    - b. Declaration of the group leader that is not acting as a mere intermediary in the Potential Transaction;
  
  - ix. The bidding group should also present, in the binding phase, a specific contract in accordance with guidelines that will be shared with the Prospective Purchaser in the Instruction Letter;
  
  - x. Companies selected to the binding phase in a single bid or joint bid are not allowed to form a group in order to present a single joint bid or exchange members of the group among each other;
  
  - xi. Each participant may only present one bid in each phase of the process (either individually or as a part of a bidding group).
  
- Questions and inquiries should be directed to Santander via the contacts indicated below. No Petrobras or Liquigás employee can be contacted directly.

## Santander Contact Information

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## Additional Information Regarding the Process

- Petrobras reserves the right to amend the process as it judges appropriate, ensuring that any change is equally informed to all parties
- Petrobras may, during the Process, perform preventive risk analysis, in compliance with Anti-Bribery Laws and the Petrobras Program of Corruption Prevention, and can request to any participant to fill a detailed questionnaire to verify the accordance of its practices and conducts to the Anti-Bribery Law
- Neither potential buyer nor any of its affiliates may:
  - ▶ Be owned or controlled by a person or entity subject to (i) any economic, financial or trade sanctions, (ii) regulations sanctions, (iii) embargoes or (iv) restrictive measures, all related to fuel distribution activities (sanctioned person), and that were administered, enacted, imposed or applied by the World Bank, the United Nations Security Council, the United States of America, the United Kingdom, the European Union, France, Italy, Austria, the Netherlands, Brazil, and the respective governmental institutions and agencies of any mentioned previously
  - ▶ Be located, incorporated, organized or resident in a country subject to any (i) economic, financial or commercial sanctions, (ii) regulations sanctions, (iii) embargoes or (iv) restrictive measures, all related to activities in the energy sector (sanctioned country) and that were administered, enacted, imposed or executed by the World Bank, the United Nations Security Council, the United States of America, the United Kingdom, the European Union, France, Italy, Austria, the Netherlands, Brazil and the respective governmental institutions and agencies of any mentioned previously
  - ▶ Have any business affiliation or commercial relations with, or investments in, any sanctioned country or sanctioned person
- In addition, the potential buyer shall not be listed in the following restrictive lists:
  - ▶ Cadastro Nacional de Empresas Inidôneas, Suspensas e Punidas (Available at: <http://www.portaldatransparencia.gov.br/ceis>);
  - ▶ Empresas impedidas de transacionar com a PETROBRAS (Available at: <http://transparencia.petrobras.com.br/licitacoes-contratos>)
- If the potential buyer, or any of its affiliates, is identified in the abovementioned hypotheses, it will be excluded from the Process in any time, in compliance with the rules applicable to Petrobras
- By participating in this process, the potential buyer shall compromise not to take any action, or omit any action that violates any applicable law regarding business ethics, including, but not limited to, the US Foreign Corrupt Practices Act, UK Bribery Act, Brazilian Anti-Corruption Laws (especially Brazilian Federal Law No. 12,846 / 2013) and the principles described in the Organization for Economic Cooperation and Development (OECD) Convention on Preventing Bribery of Foreign Public Officials in International Business Transactions (hereafter "Anti-Corruption Laws")

- In order to participate in the Process and comply with the requirements set forth above, potential buyers shall sign a Compliance Certificate and indicate, if applicable, whether it is subject to any kind of sanction, even if it considers that the sanction does not prevent its participation in the Process. If the potential buyer is subject to sanctions, it shall describe in the Compliance Certificate the nature and details of the sanction, as well as indicate the restrictions arising from it
- The accuracy of the declaration and the fulfillment of the requirements mentioned above will be verified by Petrobras after the acceptance, by the potential buyer, of the confidentiality obligations necessary to participate in the Process

For the purpose of this document and any communication made in the competitive process, Petrobras group, including the holding and/or its affiliates, will be defined as “PETROBRAS”.

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