

Romania: Hidroelectrica obtained permission to bid for CEZ assets

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Hidroelectrica got permission from the Romanian Government to submit a bid for Romanian assets of Czech energy company CEZ.

Subsequently, Hidroelectrica submitted the binding bid as part of a consortium consisting of electricity supplier and distributor Electrica and State Energy Management Company (SAPE), which are also controlled by the state. The given approval also allows the company to obtain a loan in order to finance the purchase.

Through the Ministry of Energy, the Government holds 80 % stake in Hidroelectrica. However, the Manager of Romania's largest private investment fund Fondul Proprietatea (FP) Franklin Templeton said earlier that the fund is against Hidroelectrica's (in which it holds 20 % stake) involvement in the purchase of Romanian assets of Czech energy company CEZ. According to reports, hydro-based electricity producer is interested in the two wind farms. He outlined several reasons for Hidroelectrica not to get involved in the deal. The arguments include the lower profitability of CEZ assets, the regulatory risks faced by Hidroelectrica by getting involved in new sectors, the takeover calendar interfering with the planned initial public offering (IPO) and that the deal is against the principles of liberalization.

Earlier in June, CEZ has estimated the aggregated equity of its Romanian subsidiaries at 1.07 billion euros and it is expecting to get a minimum bid of 1 billion euros for those assets. Earnings before interest, taxes, depreciation and amortization (EBITDA) generated by the companies subject to sale is around 124 million euros, while the aggregated net profits are significantly lower, namely around 37.6 million euros. The two wind farms (with installed capacity of 347.5 MW and 252.5 MW) account for nearly two-thirds of the total value of the CEZ assets in Romania: 654 million euros of combined equity. They also generate half of the aggregated EBITDA or 58 million euros. The stake in electricity distribution company CEZ Oltenia, which produces 50.8 million euros of EBITDA, is valued at 385 million euros. The three smaller CEZ companies in Romania are CEZ Vanzare (electricity supplier, valued at 18.6 million euros), TMK Hydroenergy Power (operates 22 MW in small hydropower plants, valued at 9.5 million euros) and the holding company, valued at 8.25 million euros. Last September, CEZ launched a market test for the sale of its assets in Romania. CEZ aims to sell all of its seven companies, in line with the new strategy previously approved by the parent company. CEZ included seven Romanian companies in the market testing (Oltenia Energy Distribution, Ovidiu Development, Tomis Team, MW Team Invest, CEZ Sale, TMK Hydroenergy Power and CEZ Romania). Potential investors can express their interest for the entire group of companies mentioned, as well as individually for any of the companies.

