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CPFL Energia completes equity offering ahead of reorganisation plans

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State Grid's CPFL Energia has hired Pinheiro Neto Advogados in São Paulo to issue shares worth 3.2 billion reais (US\$829.6 million) after announcing plans to absorb its subsidiary, CPFL Renováveis.

BMA - Barbosa, Müssnich, Aragão in São Paulo and Rio de Janeiro advised the underwriters: Itaú BBA, Santander (Brasil), Bradesco, BTG Pactual and Morgan Stanley. The banks are also thought to have relied on Simpson Thacher & Bartlett LLP, but this could not be confirmed prior to publication. The transaction closed on 12 June.

CPFL Energia will use the proceeds to buy Chinese power company State Grid out of CPFL Renováveis, its publicly listed renewables company. State Grid is relying on Demarest Advogados in São Paulo for that deal. Meanwhile,

Shearman & Sterling LLP is thought to be representing CPFL Energia, but this could not be confirmed prior to publication. A memorandum of understanding between the two parties was signed on 21 May.

Besides raising funds, the offering mitigates the need for CPFL Energia to issue more shares if the CPFL Renováveis and CPFL Energia merger goes ahead. The Novo Mercado, where CPFL Energia is listed, requires companies to list at least 25% of their shares publicly. Before the 12 June offering, only 5% of CPFL Energia's share were available to trade. State Grid had until the 31 October to comply with the regulations.

Demarest partner João Paulo Minetto says State Grid was right to announce the merger before the share offering. "State Grid understood that by selling CPFL Renováveis to CPFL Energia instead of selling its stake in CPFL Energia to the market, it would convey the right message to investors who would be more inclined to buy shares in the context of a primary offering and having its proceeds flowing to CPFL Energia," he explains. "This assumption proved to be correct as the re-IPO was successfully completed."

State Grid is the largest utility company in the world and operates in China, the Philippines, Australia, Italy and Brazil. It launched a tender offer at the end of 2018 to acquire the remaining shares it did not already own in CPFL Renováveis for US\$1 billion. The Chinese company purchased its parent company two years earlier for US\$1.8 billion.

Counsel to State Grid Brazil Power

Demarest Advogados

Partners Thiago Giantomassi and João Paulo Minetto, and associates Julia Vazquez Tourinho and Marcelo Peloso in São Paulo

Counsel to CPFL Energia

Pinheiro Neto Advogados

Partner Fernando dos Santos Zorzo and associates Gustavo Ferrari Chauffaille, Francisca de Almeida Silva Pereira and Ana Clara Mattiello Sverzut in São Paulo

Counsel to Itaú BBA, Santander (Brasil), Bradesco, BTG Pactual and Morgan Stanley

BMA - Barbosa, Müssnich, Aragão

Partner Carlos Frederico Lucchetti Bingemer in Rio de Janeiro; and partner Rodolfo Constantino de Tella and associates Júlia Rodrigues, Alexandre Lindenberg, Juliana Monnerat, Laura Rocha and Bryan Klein in São Paulo