



Conduit Sells Honduras Power Plant to Local Partners

Conduit Capital Partners has exited its stake in **Electricidad de Puerto Cortés (ELCOSA)**, an electric power generation plant in Puerto Cortés, Honduras. By selling its 30.6% stake for \$10.6 million to the controlling shareholders, Conduit was able to record a 26% IRR on the investment, earning a return of 3.7 times its initial investment, a “very good transaction” by Conduit’s standards.

Over the past three years, the **Lerach** family—part of the **HECO** consortium—has bought out the other partners in ELCOSA other than Conduit and the **International Finance Corporation**, including **Wartsila**, and **Illinova**. Conduit was “faced with a situation where we could never gain control of the plant because they had control,” said Conduit’s Scott Swensen. “At the end of the day, there were things they wanted to do that we didn’t support, and a satisfactory way to resolve the issue was for them to buy us out and take control.”

Of Honduras’ power sector, Swensen comments, “We were the first IPP (independent power producer) in 1994, starting with a very isolated sector with major blackouts.” The sector has undergone major developments since then, with strong interest coming from domestic and international investors. “Today, the reality is, I don’t think they need us. However, in the right situation, we might invest again in Honduras,” said Swensen. “We had an excellent relationship with the country—it was a good partnership and I have only positive things to say about our experience in Honduras,” he added. “I feel very proud of what we have done.”

The decision to exit from the ELCOSA holding was spurred by an assessment made earlier this year, when Conduit came to the conclusion that it had essentially done all it could to add value to the plant, and faced slim

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prospects of gaining a majority share of the plant. Consequently, the private equity firm decided to explore whether it could sell its interest in the plant at a good price and move on. After several months of negotiations, Conduit sold the asset to its local partners—the HECO consortium—at the end of the third quarter of this year.

The ownership issues at ELCOSA are a prime example of Conduit’s decision to purchase controlling interests in its investments, a strategy that it has pursued with its later investments. ELCOSA numbered among one of the 7 investments Conduit had made with its \$100 million **Latin Power I** fund, which was launched in 1993. Since then, Conduit has purchased control of two of its assets through its second fund, **Latin Power II**. Currently, it appears that future funds to be raised by the firm will also emphasize ownership of controlling stakes in portfolio holdings.

J.K.