Q1 2014 Deal Volume Comparison

Chart A: Completed Solar Energy Transactions

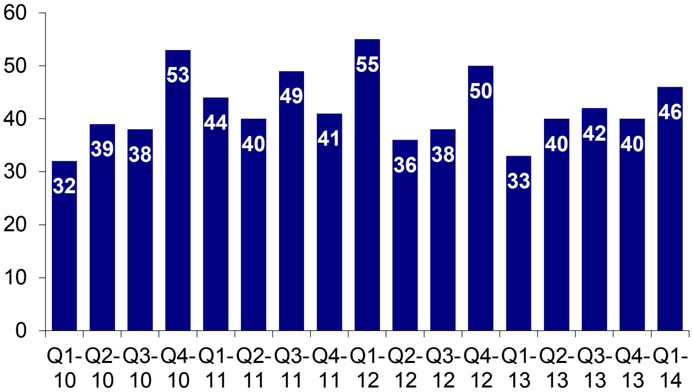
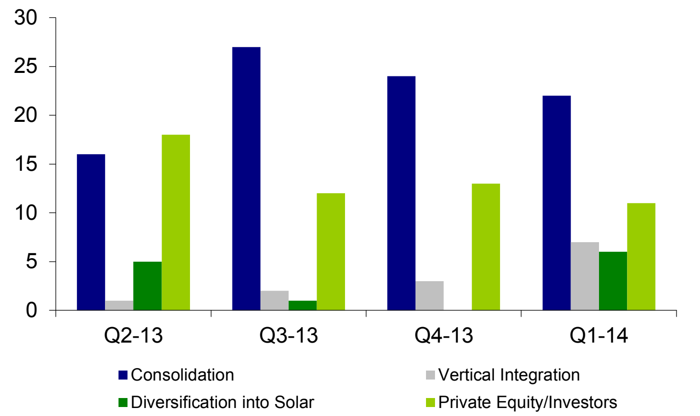


Chart B: Quarterly Comparison - M&A by Category



Announcements

- ALANOD GmbH & Co. acquired BlueTec GmbH & Co. from Capital Stage AG (DB:CAP) (Mar.-14)
- Solvay America, Inc. has acquired Plextronics, Inc. from Birchmere Ventures (Mar.-14)
- Nordwest Industrie Capital GmbH has acquired Mounting Systems GmbH from Conergy AG (XTRA:CGY) (Feb.-14)
- Real Goods Solar, Inc. (NasdaqCM:RGSE) acquired Mercury Energy, Inc. from Oppenheimer Holdings Inc. (NYSE:OPY) (Jan.-14)

Sources: All information contained in this newsletter including the charts was obtained from company websites, Lincoln International's internal data and Capital IQ.

There were 46 completed solar energy transactions in Q1 2014 compared to 33 in Q1 2013. This number is an increase from the 40 transactions recorded in Q4 2013, and is above both Q2 and Q3 2013 levels.

Within solar energy transactions, consolidation represented 48% of transactions, or 22 deals in Q1 2014. The next largest category was investment by private equity/investors with 11 transactions, or 24% of the Q1 2014 total. Vertical integration within the solar industry accounted for seven transactions, or 15% of the total, while diversification into the solar energy industry by corporations and investors accounted for six transactions, or 13%, in the quarter.

In Q1 2014, 43% or 20 of the 46 total transactions occurred in Europe. This represents a 15% decrease in share from Q4 2013. U.S. / Canada exhibited an increase in activity recording 14 transactions or 30% of the total in Q1 2014, up from 11 transactions, or 28% of total in the previous quarter. Cross-continental transactions accounted for six transactions, or 13%, which is slightly above the total for the previous two quarters. Additionally, Asia recorded six transactions during Q1 2014, which represented 13% of the total. South America did not record a transaction.

In addition, there were 22 transactions for solar energy producers, or 48% of the total, which is slightly below the 24 recorded in Q4 2013. This quarter there were 12 acquisitions of EPC integrators / developers, or 26% of the total transaction volume. There were nine transactions for companies categorized as providers of equipment for solar, or 20% of total activity, while companies categorized cell / module producers accounted for three transactions, or 7% of the Q1 2014 total. No transactions categorized as wafer / ingot producers or vertically integrated companies were recorded during the quarter.

After a flat Q4 2013, acquisition activity increased in Q1 2014. Consolidation for producers of solar power continued to be the primary source of deal activity, in addition to significant volume from the private equity / investors category. Activity remained significantly weighted to the more established markets in Europe and North America, with nearly 75% of all transactions in Q1. A trend seemingly has emerged within the solar energy industry in as the level of transactions of companies categorized as EPC integrators / developers has increased steadily over the last three quarters. Some of this is being driven by the focus on the growth of the U.S. residential solar market. There continues to be substantial fragmentation among U.S. residential and commercial installers/developers and there remains significant opportunity for companies to build stronger platforms in the space through consolidation.

Chart C: Quarterly Comparison - M&A by Geography

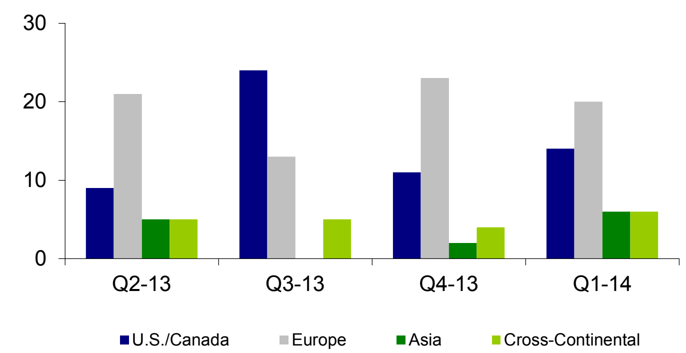
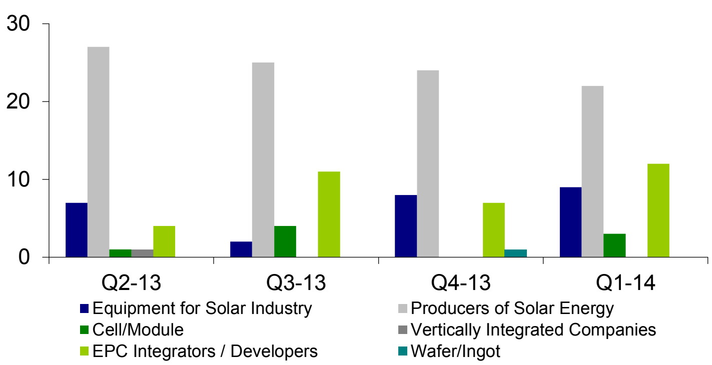


Chart D: Quarterly Comparison - M&A by Sector of Target Company



Global Solar Energy Ratio Analysis

Several key efficiency, profitability, liquidity and leverage ratios provide useful insight into the solar industry's performance and trends over time.

One such ratio is Total Asset Turnover ("TAT"), which is calculated as total revenue divided by total assets. This ratio is a measure of how efficiently a business generates sales on each dollar of assets, where an increasing ratio indicates more productive use of assets. While wafer/ingot and vertically integrated companies have maintained relatively stable TATs over the last four years, the dynamics of the solar industry can be seen in the shift of this ratio between the developers and cell/module producers. While developers have returned to a higher ratio level the cell/module producers ratio has declined with the sectors reduced performance over the last several years.

In combination with the TAT ratio it is helpful to review the sector's profitability through the Return on Assets ("ROA") ratio. ROA is a profitability ratio that measures a company's ability to turn assets into profit. It is calculated by dividing earnings by total assets. The higher the ROA number, the better, because the company is earning more money on less investment. The solar industry experienced a significant decline in profitability since mid-2011, as shown in Chart F. However, it appears that the industry may have bottomed out in the beginning of 2013 and has since turned upward.

The Current Ratio is a key measure of liquidity and indicates a business' ability to meet short term obligations with short term assets. It is calculated as current assets divided by current liabilities. A ratio between 1.2 and 2.0 is generally considered sufficient, but a ratio less than 1 may indicate liquidity issues. The industry's Current Ratio has seen a steady but moderate incline over the past several quarters, as shown in Chart G. This incline is primarily attributable to decreased liabilities, as can be seen in Chart H.

The Debt to Equity Ratio is a leverage ratio that exhibits a company's capital structure. It is calculated as total liabilities divided by total equity. A high ratio can indicate elevated business risk, while a low ratio can indicate that a company may not be fully utilizing available leverage in its capital structure. The industry has seen a downward trend in this ratio this past year, which is a result of some of the better performance seen by the industry recently and could be an indicator of companies strategically de-risking their respective capital structures.

Chart E: Total Asset Turnover by Sector

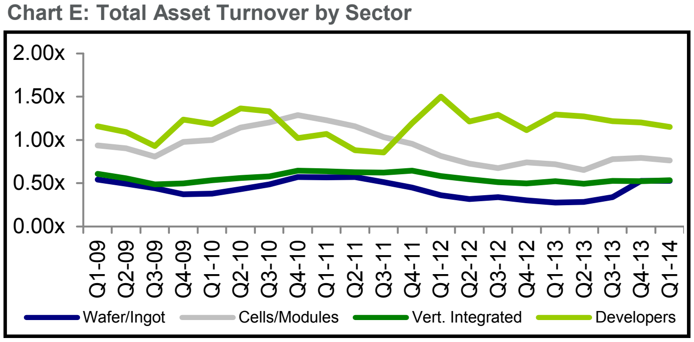


Chart F: Return on Assets

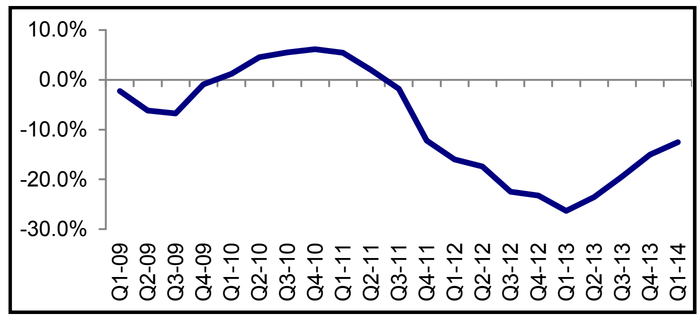


Chart G: Current Ratio

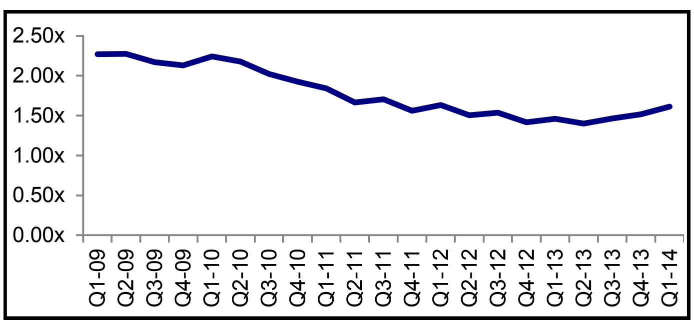
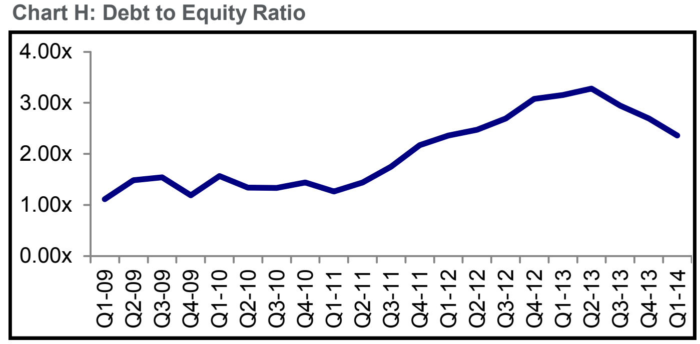


Chart H: Debt to Equity Ratio



Source: CapitalIQ

Contact

Lincoln International's Renewable Energy Group is led by a former CEO of a public company. The firm's Renewable Energy team provides transactional, financial and strategic advisory services to renewable energy companies and private equity groups with an interest in the renewable energy space.

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