Q1 2015 Deal Volume Comparison

Chart A: Completed Solar Energy Transactions

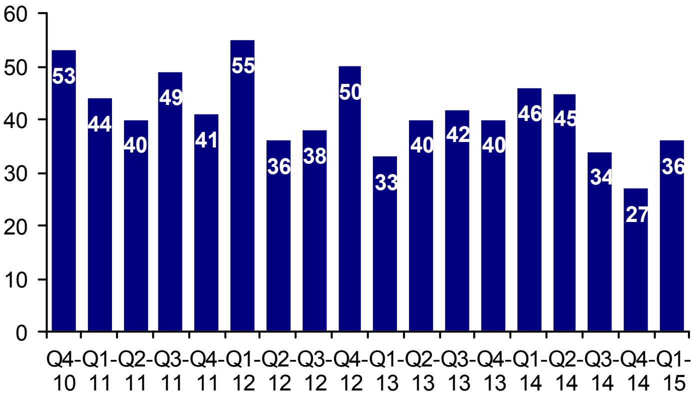
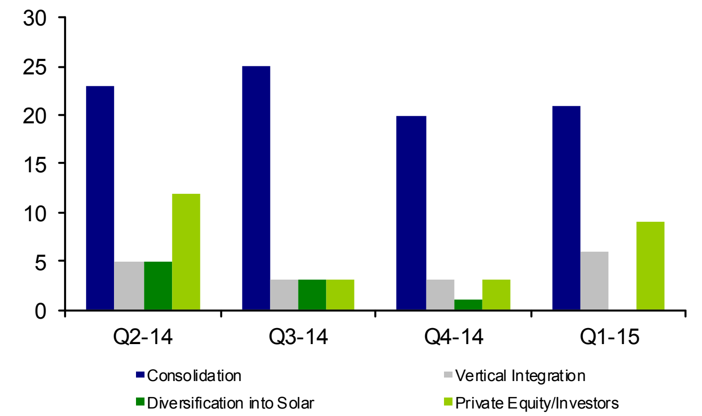


Chart B: Quarterly Comparison - M&A by Category



Announcements

- SunEdison, Inc. (NYSE:SUNE) has acquired Solar Grid Storage LLC from Ben Franklin Technology Partners
- The AES Corporation (NYSE:AES) has acquired Main Street Power Company, Inc.
- Duke Energy Renewables LLC has acquired REC Solar, Inc. from Mainstream Energy Corporation
- Canadian Solar Inc. (NasdaqGS:CSIQ) has acquired Recurrent Energy, LLC from Sharp US Holding Inc.

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 36 completed solar energy transactions in Q1 2015 compared to 46 in Q1 2014. This number is an increase from the 27 transactions recorded in Q4 2014.

Within solar energy transactions, consolidation represented 58% of transactions, or 21 deals in Q1 2015. The next largest category was investment by private equity/investors with 9 transactions, or 25% of the Q1 2015 total. Vertical integration within the solar industry accounted for 6 transactions, or 17% of the Q1 2015 total.

In Q1 2015, 42% or 15 of the 36 total transactions occurred in the U.S./Canada. This represents an 8% increase in share from Q4 2014. Europe exhibited a decrease in activity recording 11 transactions or 31% of the total in Q1 2015, down from 37% of total in the previous quarter. Asia recorded six transactions, or 17% of the total in Q1 2015, while cross-continental transactions accounted for four transactions, or 11% of the total in Q1 2015. South America did not record a transaction.

In addition, there were 26 transactions for solar energy producers, or 72% of the total, which is above the 20 recorded in Q4 2014. This quarter there were six acquisitions of EPC integrators/developers, or 17% of the total transaction volume. There were three transactions for companies categorized as providers of equipment for solar, or 8% of total activity, while companies categorized cell/module producers accounted for one transaction, or 3% of the Q1 2015 total. No transactions of companies categorized as wafer/ingot producers or vertically integrated companies were recorded during the quarter.

After declines in the previous three quarters, acquisition activity increased in Q1 2015. 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. This trend is expected to continue as the industry further matures and attracts available capital. There has also been a recent increase in vertical integration activity, especially among companies looking for access to solar project pipeline generation and growth. Activity remained significantly weighted to the more established markets in North America and Europe, with nearly 75% of all transactions in Q1. Additionally, the Asian markets showed an increase in transaction activity potentially given some of the growth occurring and expected in the region.

Chart C: Quarterly Comparison - M&A by Geography

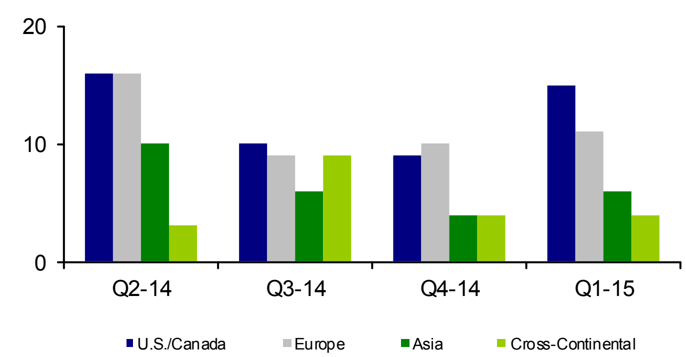
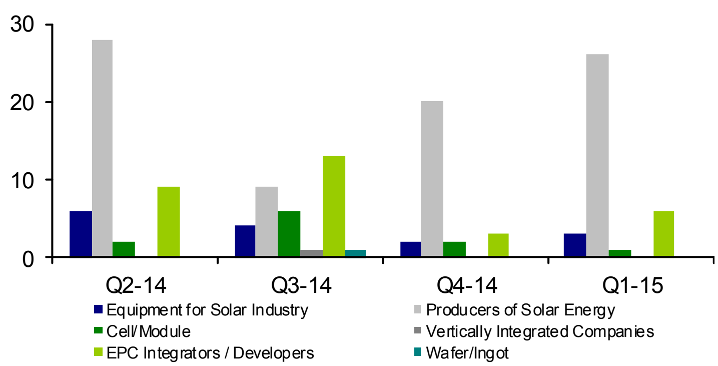


Chart D: Quarterly Comparison - M&A by Sector of Target Company



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. Both developers and cell/module producers have returned to a lower ratio level that is in line with the wafer/ingot and vertically integrated companies.

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. After experiencing higher ROA levels in late 2013 and early 2014, the industry has since experienced moderate declines.

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 slight 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

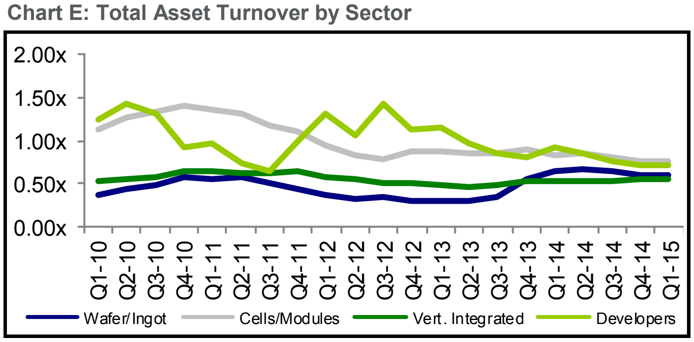


Chart F: Return on Assets

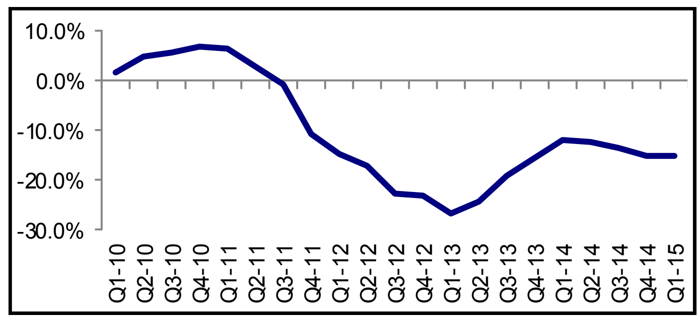


Chart G: Current Ratio

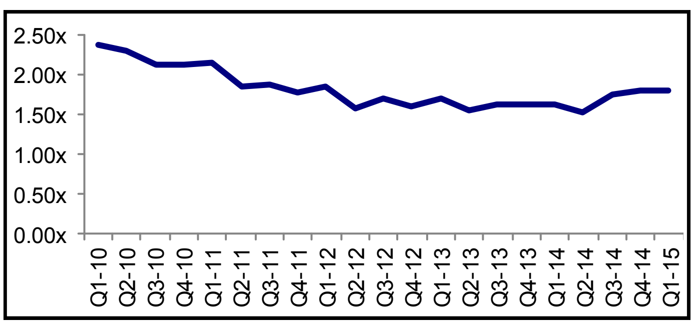
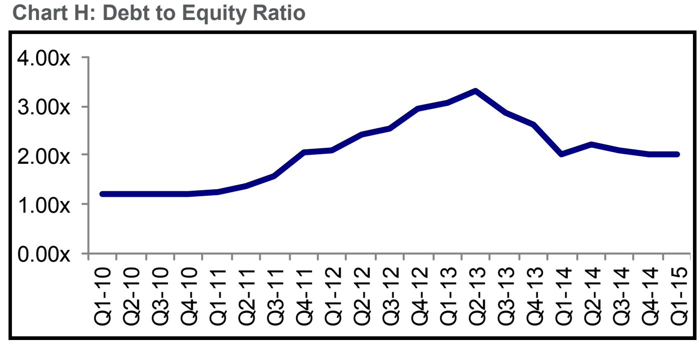


Chart H: Debt to Equity Ratio



Source: CapitalIQ

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