DealReader

Solar Energy

Q1 2016

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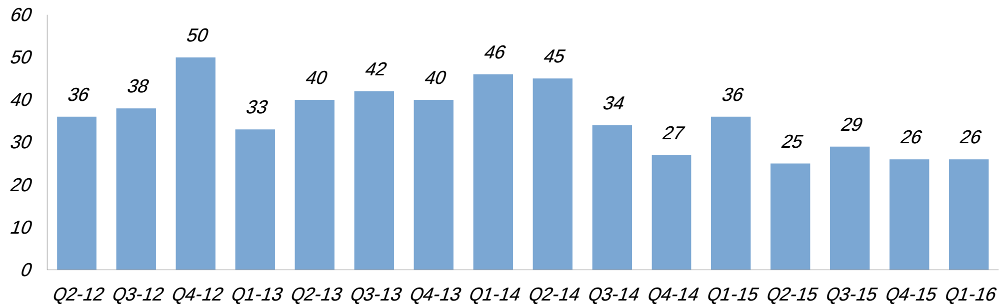
Announcements

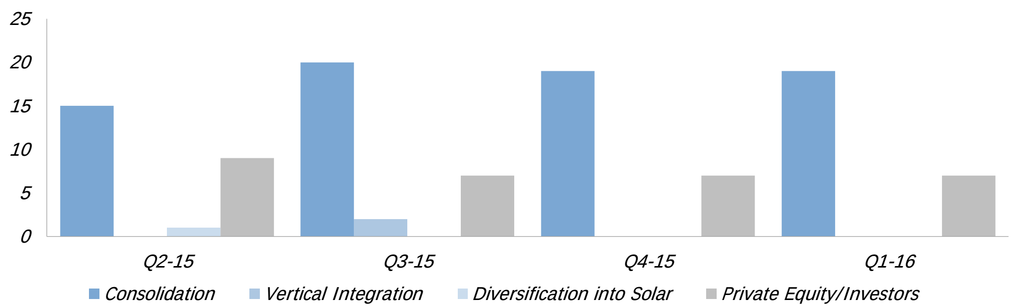
- NextEnergy Solar Fund has acquired a 53.3 MWp portfolio of solar projects from Hanwha Q CELLS (Jan-16)
- UGE International has acquired Endura Energy Project Corp. (Feb-16)
- Onyx Renewable Partners has acquired the solar division of Tecta America (Feb-16)
- PSEG Solar Source has acquired multiple large-scale solar projects from juwi Inc. (Mar-16)

Q1 2016 Deal Volume Comparison

Completed Solar Energy Transactions



Quarterly Comparison – M&A by Category



There were 26 completed solar energy transactions in Q1 2016, which represents the same level of M&A activity in Q4 2015. On a comparative basis, this represents a decrease from the 36 transactions reported in Q1 2015.

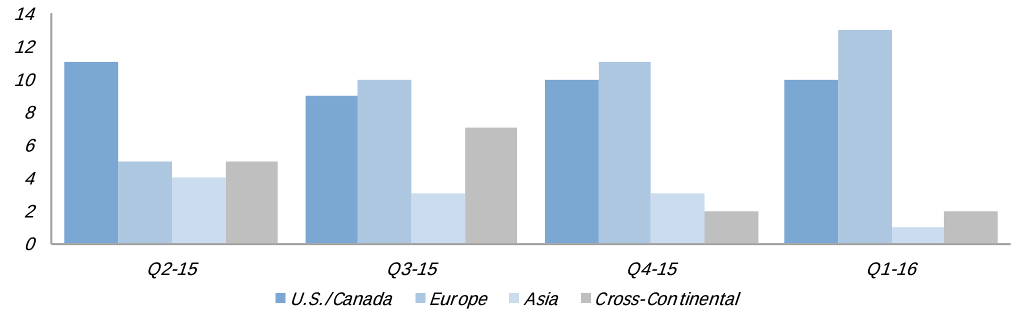
Within the solar energy transactions, consolidation represented 73% of M&A activity, or 19 deals in Q1 2016. The next largest category was investment by private equity/investors with 7 transactions, or 27% of the deals in Q1 2016. There were no transactions categorized as vertical integration or diversification into the solar industry this quarter.

In Q1 2016, 50% or 13 of the 26 total transactions occurred in Europe. This represents an 8% increase in M&A activity in this geography from Q4 2015. The U.S. and Canada recorded the same number of transactions as in Q4 2015 with 10 deals, or 38% of the Q1 2016 total. Cross-continental deals accounted for two transactions, or 8% of the total in Q1 2016, while Asia recorded one transaction, or 4% of the Q1 2016 total. South America did not record a solar energy transaction this quarter.

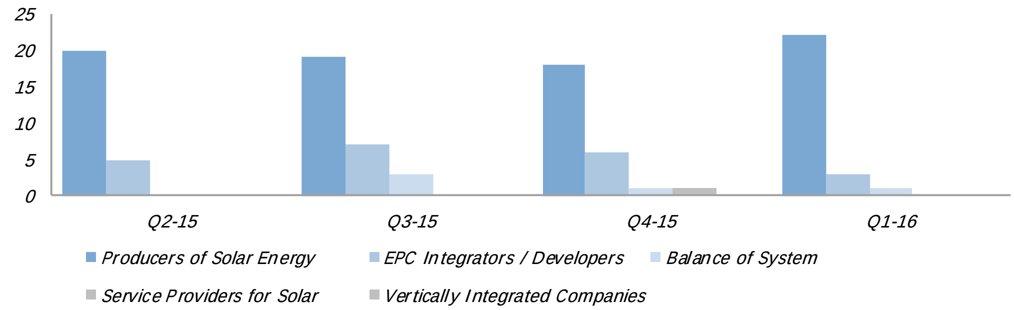
In addition, there were 22 acquisitions of producers of solar energy (this category includes acquisitions of solar projects), or 85% of the total. There were three acquisitions of EPC integrators/developers, or 12% of the total transaction volume in this quarter. Acquisitions of solar companies categorized as balance of system providers accounted for one transaction, or 4% of the total in Q1 2016. There were no acquisitions of companies categorized as vertically integrated or service providers for solar during the quarter.

Consolidation for producers of solar power continued to be the primary source of deal activity, in addition to continued volume from the private equity/investors category. With the recent extension of the U.S. Investment Tax Credit (ITC), the solar energy industry is positioned for strong growth over the next several years. As the industry continues to grow and mature, further consolidation can be expected along with increased activity from private equity investors.

Quarterly Comparison – M&A by Geography



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 (please refer to the charts on the following page for additional information related to these ratios).

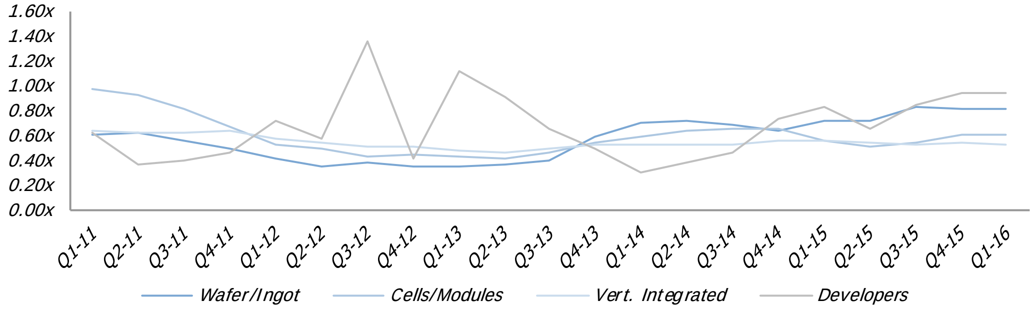
One such ratio is Total Asset Turnover ("TAT"), which is calculated as total revenue divided by total assets. This ratio is a measure of how efficiently a business generates sales on each dollar of assets, where an increasing ratio indicates more productive use of assets. While wafer/ingot and vertically integrated companies have maintained relatively stable TATs over the last five years, the dynamics of the solar industry can be seen in the shift of this ratio between the developers and cell/module producers. Recently, both developers and cell/module producers have returned to stable ratio levels consistent with 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 beginning in mid-2011. After experiencing increasing ROA levels in late 2013 and early 2014, the industry has since experienced stable, yet negative, ROA levels.

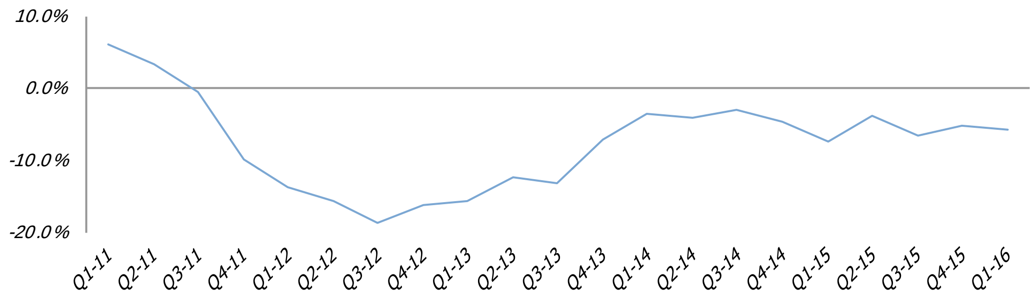
The Current Ratio is a key measure of liquidity and indicates a business' ability to meet short term obligations with short term assets. It is calculated as current assets divided by current liabilities. A ratio between 1.2 and 2.0 is generally considered sufficient, but a ratio less than 1 may indicate liquidity issues. The industry's Current Ratio has remained relatively stable over the past several quarters.

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's Debt to Equity Ratio has also remained relatively stable in recent periods.

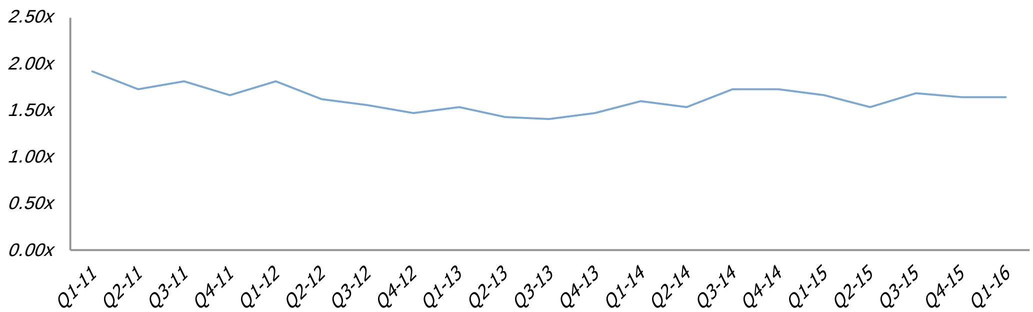
Total Asset Turnover by Sector



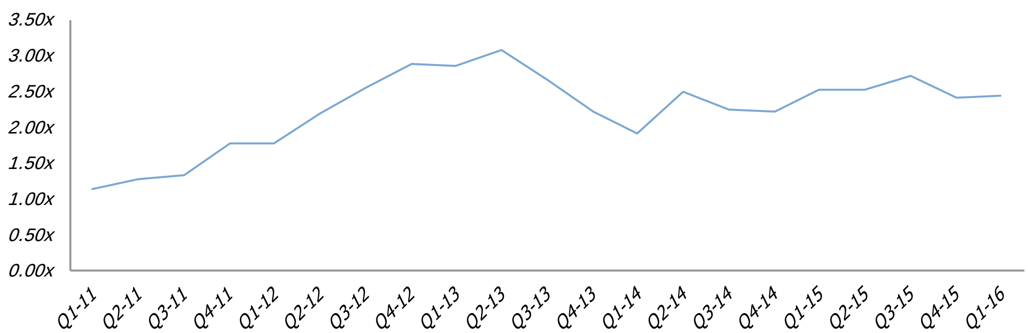
Return on Assets



Current Ratio



Debt to Equity Ratio



Global Industry Groups

Aerospace & Defense
Automotive & Truck
Building & Infrastructure
Business Services
Chemicals
Consumer
Distribution
Electronics
Energy & Power
Financial Institutions
Food & Beverage
Healthcare
Industrials
Packaging
Technology & Media

Global Locations

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Frankfurt
London
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Milan
Moscow
Mumbai
New York
Paris
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