

DealReader

Solar Energy

Q1 2017



Inside this Issue

Q1 2017 Deal Volume Comparison

Recent Solar Energy Transaction Announcements

Global Solar Energy Ratio Analysis

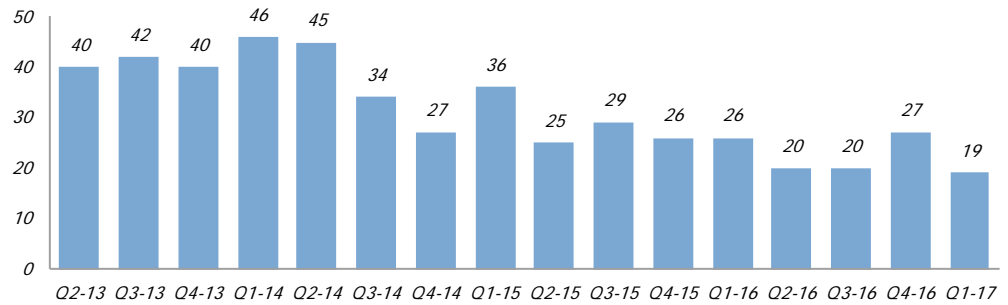
Announcements

- Baywa has acquired Green Hedge Operational Services Limited (Jan-17)
- Foresight Group has acquired a 25 MW solar project in Australia from Elecnor (Feb-17)
- Greencoat Capital has acquired seven solar projects in the U.K. (March-17)
- First Solar has acquired a 50 MW solar project from Infigen Energy (March-17)

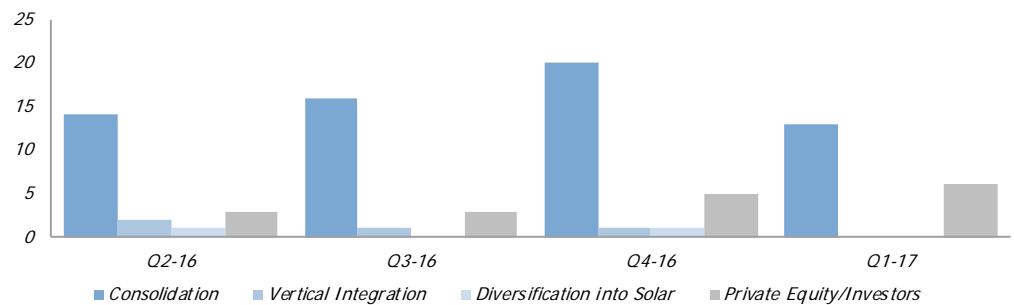
Sources: All information contained in this newsletter including the charts was obtained from company websites, Lincoln International's internal data and Capital IQ.

Q1 2017 Deal Volume Comparison

Completed Solar Energy Transaction Volume



Quarterly Comparison – M&A by Category



There were 19 completed solar energy M&A transactions in Q1 2017, which represents a decrease from the 27 transactions recorded in Q4 2016. On a comparative basis, this represents a decrease from the 26 transactions reported in Q1 2016.

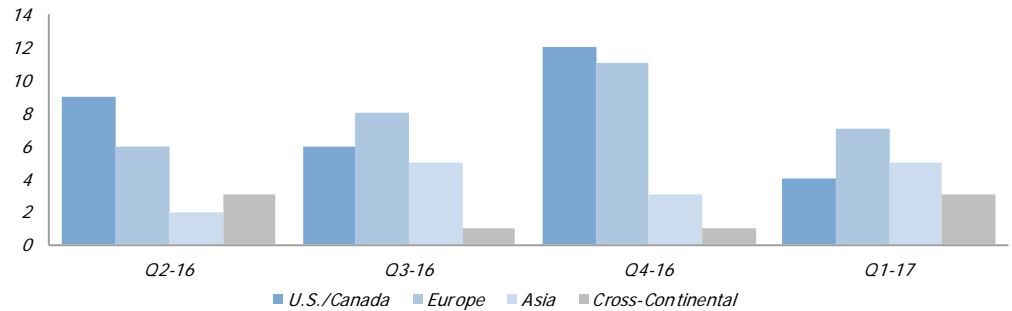
Within the solar M&A transactions, consolidation represented 68% of the volume, or 13 deals in Q1 2017. The next largest category was investment in the solar energy industry by private equity or private investors with 32% of transactions, or 6 deals this quarter. There were no transactions categorized as vertical integration or diversification into the solar energy industry.

In Q1 2017, 37% of the solar energy M&A transactions occurred within Europe. Although Europe remains the most active geography for M&A transactions in the sector, its share of the solar M&A market has decreased 4% compared to the prior quarter. Deals within Asia accounted for 5 transactions, or approximately 26% of the total for Q1 2017, representing a 15% increase in solar M&A market share for this geography. The U.S. and Canada recorded 4 transactions, or 21% of the total, while cross-continental deals accounted for 3 transactions in Q1 2017.

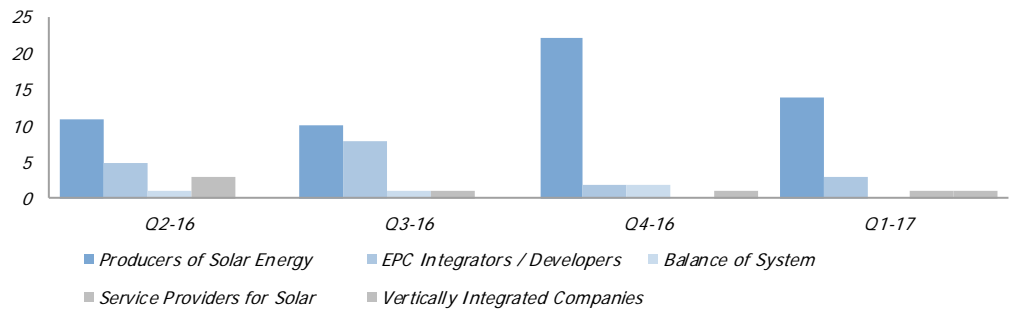
There were 14 acquisitions of companies categorized as producers of solar energy, representing the most common category of targets at 74% of the Q1 2017 total. This category primarily represents the acquisition of solar projects. EPC integrators/developers were the next most frequent acquisition targets, accounting for 3 transactions, or 16% of the total. Acquisitions of companies categorized as service providers for solar and acquisitions of vertically integrated companies each accounted for one transaction in Q1 2017. There were no acquisitions of companies categorized as balance of system providers in Q1 2017.

Consolidation for producers of solar power continued to be the primary source of deal activity in Q1 2017, in addition to continued volume from the private equity/investors category.

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, cells/modules 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 among developers. Recently, developers have experienced declining ratio levels while the ratio levels of wafer/ingot, cells/modules and vertically integrated companies have remained stable.

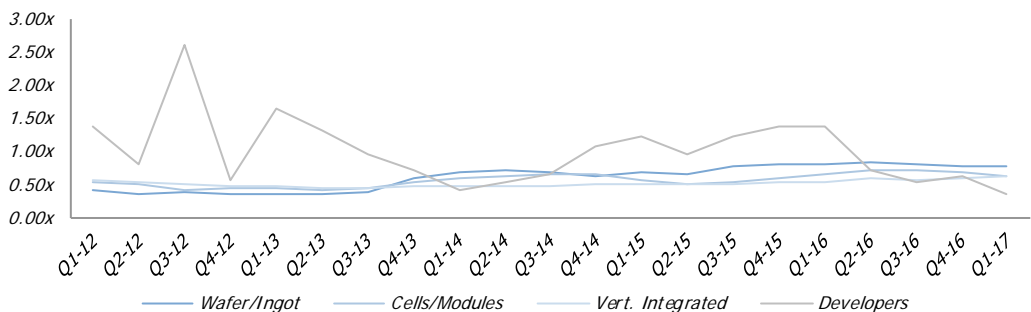
In combination with the TAT ratio it is helpful to review the sector's profitability through the Return on Assets ("ROA") ratio. ROA is a profitability ratio that measures a company's ability to turn assets into profit. It is calculated by dividing earnings by total assets. The higher the ROA number, 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 stable, yet negative ROA levels from late 2013 through early 2016, the industry experienced declining ROA levels, but saw a promising reversal of this trend during Q1 2017.

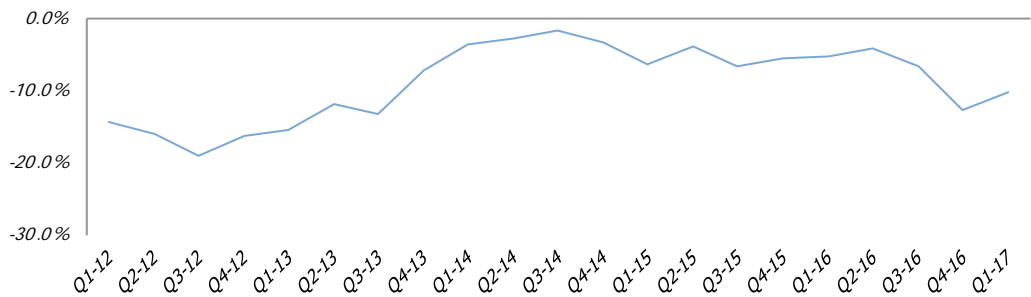
The Current Ratio is a key measure of liquidity and indicates a business' ability to meet short term obligations with short term assets. It is calculated as current assets divided by current liabilities. A ratio between 1.2 and 2.0 is generally considered sufficient, but a ratio less than 1 may indicate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

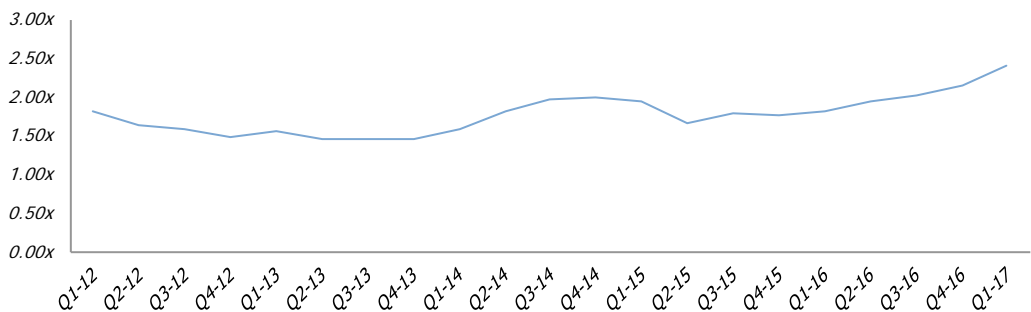
Total Asset Turnover by Sector



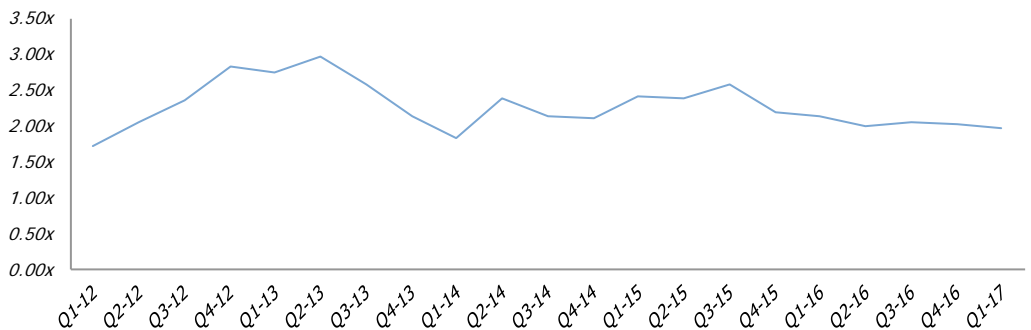
Return on Assets



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

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