Q2 2013 Deal Volume Comparison

Chart A: Completed Solar Energy Transactions

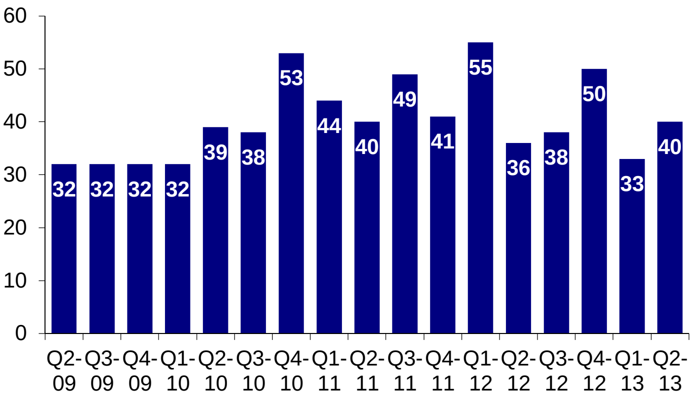
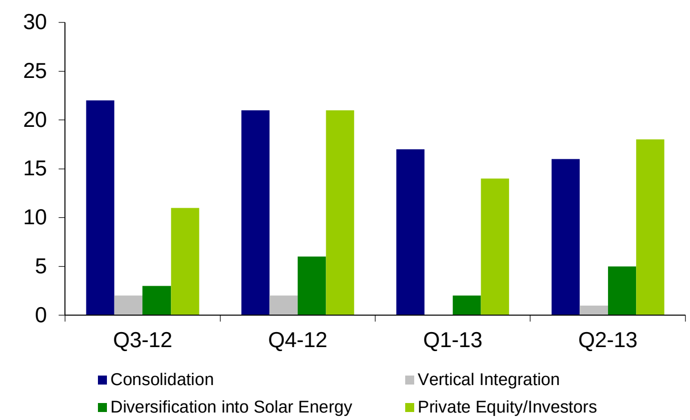


Chart B: Quarterly Comparison - M&A by Category



Announcements

- FPA srl acquired Premier Power Italia spa from Rupinvest sarl (Jun.-13)
- Hanergy Holdings Group Company Ltd. acquired Engensa Ltd. from Albion Ventures LLP (May-13)
- Advanced Energy Industries, Inc. (NasdaqGS:AEIS) acquired REFUsol Holding GmbH from Jolaos Verwaltungs GmbH (Apr.-13)
- First Solar, Inc. (NasdaqGS:FSLR) acquired the 150 MW Solar Gen 2 project from Goldman Sachs Group (NYSE: GS) (Jan.-13)

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 40 completed solar energy transactions in Q2 2013 compared to 36 in Q2 2012. This number is an increase of 21% from the 33 transactions recorded in Q1 2013, and is generally in line with the average transaction level over the past eight quarters. On the whole, solar deal activity remains relatively stable as the industry continues to consolidate and attract private investment.

Within solar energy transactions, investment by private equity / investors represented 45% of transactions, or 18 deals in Q2 2013. This is the first quarter since 2011 that deal volume in this category has represented the largest share. The next largest category was consolidation with 16 transactions, or 40% of the Q2 2013 total. These top two categories continue to represent the vast majority of transactions in the solar market. Diversification into the solar energy industry by corporations accounted for five transactions, or 13% of the total, while vertical integration reported one transaction in the quarter.

In Q2 2013, 53% or 21 of the 40 total transactions occurred in Europe. This represents an 8% increase in share from Q1 2013. The U.S. / Canada region recorded nine transactions or 23% of the total in Q2 2013, which represented a smaller share of transactions than the previous quarter. Cross-continental and Asia each accounted for five transactions, or 13%, which represented a much larger share for Asia as compared to the previous quarter. South America did not record a transaction.

In addition, there were 27 transactions for solar energy producers, or 68% of the total, which is 10 more than the total recorded in Q1 2013. This quarter there were seven acquisitions for companies categorized as providers of equipment for solar, or 18% of the total transaction volume. There were four transactions for EPC integrators / developers, or 10% of total activity. Cells / modules producers and vertically integrated companies each accounted for one transaction, or 3% of the Q1 2013 total, respectively. No transactions categorized as wafer / ingot producers were recorded during the quarter.

After a slight dip in Q1 2013, acquisition activity returned to normal levels in Q2 2013. Producers of solar energy continued to be the primary targets for acquisition, as these projects are attractive to both private investors as well as other producers. This is clearly demonstrated by the vast majority of deals that fell into the consolidation and private equity / investors categories. As in recent quarters, activity remained significantly weighted to the more established markets in Europe and North America, however, Asian and cross-continental deals represent a growing niche. Looking ahead, the exit of smaller players, along with the development of new solar markets, will support a ripe M&A environment.

Chart C: Quarterly Comparison - M&A by Geography

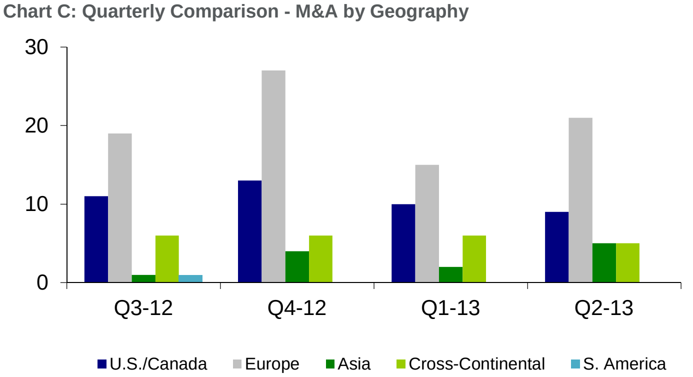
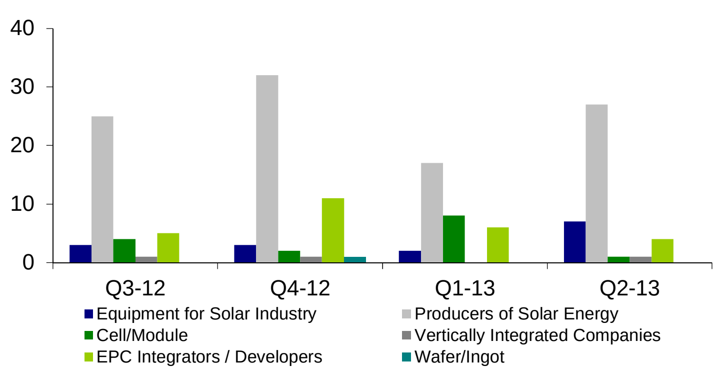


Chart D: Quarterly Comparison - M&A by Sector of Target Company



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. Despite the dynamic conditions in the solar market, all four segments have maintained relatively stable TATs over the past several years as demonstrated in Chart E. This indicates that solar companies have been able to utilize their assets efficiently. However, companies have been challenged in converting their assets to profits.

This can be seen very clearly 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. Solar companies have generally experienced negative earnings since mid-2011, as shown in Chart F. However, it appears that the industry may have bottomed out and could turn to an upward trend as consolidation helps companies improve operations and business focus.

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 decline over the past several years, as shown in Chart G. This decline is largely attributable to greater liabilities, as can be seen in Chart H.

The Debt to Equity Ratio is a leverage ratio that measures what proportion of equity and debt a company uses to finance its assets. 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 shown a consistent upward trend since 2009. This trend mirrors the growth exhibited by the overall industry, but will be an important indicator to watch moving forward if companies continue to add leverage to their operating models.

Chart E: Total Asset Turnover by Sector

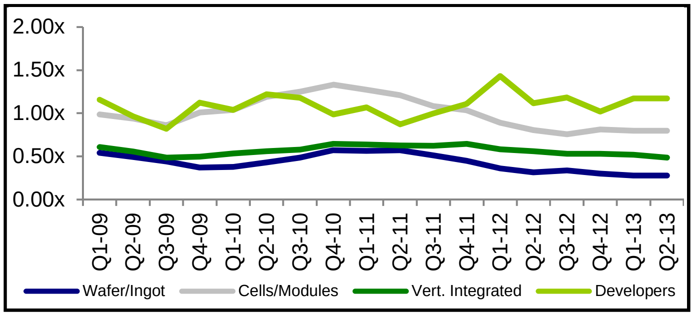


Chart F: Return on Assets

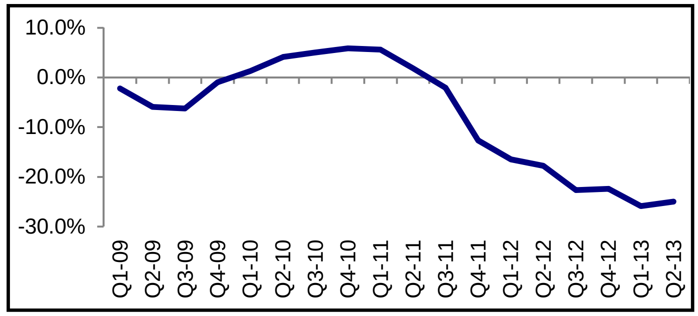


Chart G: Current Ratio

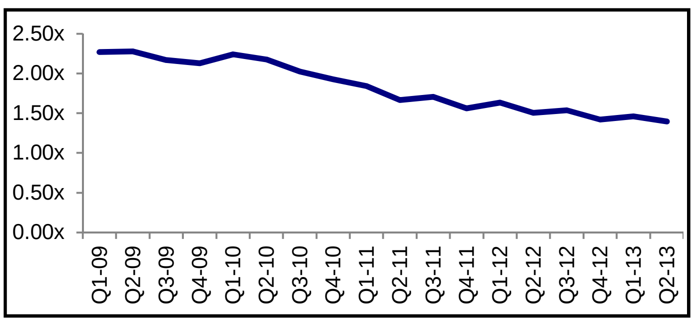
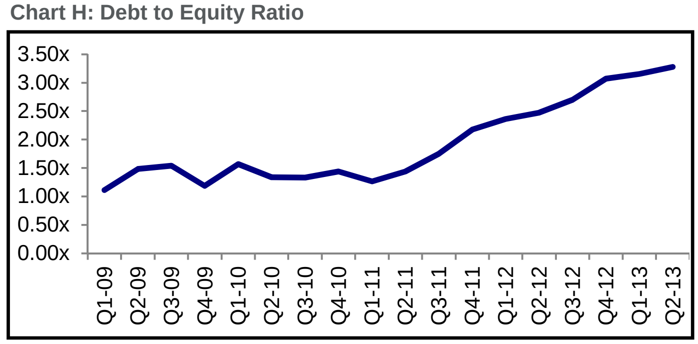


Chart H: Debt to Equity Ratio



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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