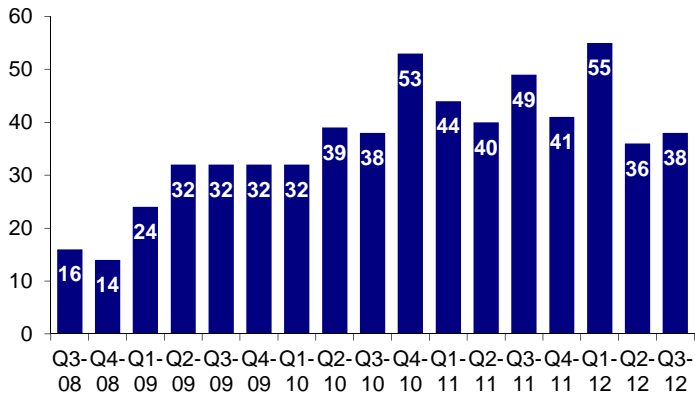
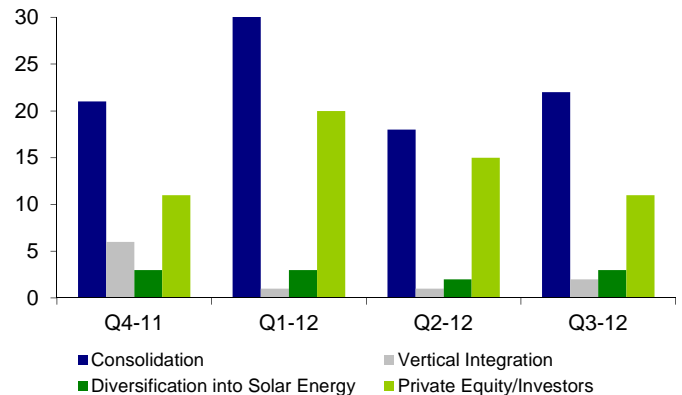


# Q3 2012 Deal Volume Comparison

**Chart A: Completed Solar Energy Transactions**

**Chart B: Quarterly Comparison - M&A by Category**


## Announcements

- JMB Energie Group acquired Aerowatt (ENXTPA:ALWAT) (September-12)
- ReneSola Ltd. (NYSE:SOL) acquired Lucas Est S.R.L. (September-12)
- Covema S.A.C.I.F. acquired Inventux Technologies AG (August-12)
- GASCOM Renew Spa acquired Premier Power Renewable Energy, Inc. (OTCPK:PPRW) (July-12)

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

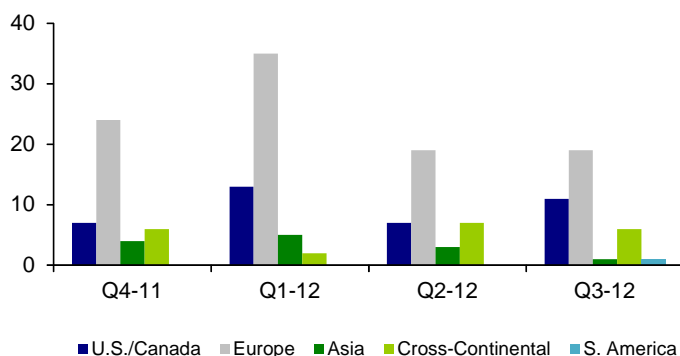
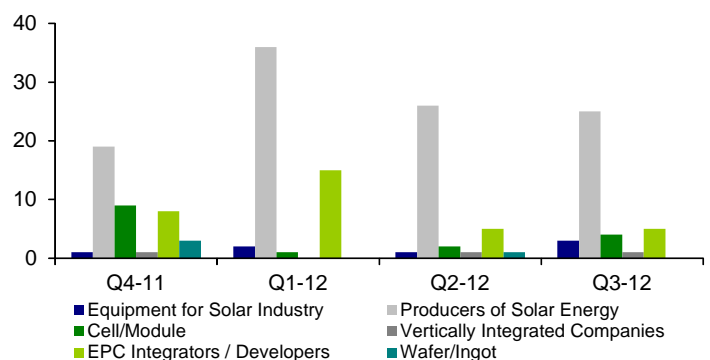
There were 38 completed solar energy transactions in Q3 2012 compared to 49 in Q3 2011. This number is a slight improvement from the 36 transactions recorded in Q2 2012. While the volume of transaction activity has declined from its peak in Q1 2012, the level of deal activity remains robust as the industry continues consolidating.

Within solar energy transactions, consolidation represented 58% of transactions, or 22 deals in Q3 2012. The next largest category was investment by private equity/investors with 11 transactions, or 29% of the Q3 2012 total. Diversification into the solar energy industry by corporations and investors accounted for three transactions in Q3 2012, or 8% of the total while vertical integration reported two transactions in the quarter, or 5% of the total.

In Q3 2012, 50% or 19 of the 38 total transactions occurred in Europe. This represents a 3% decrease from Q2 2012, which also recorded 19 transactions out of a total of 36. U.S. / Canada exhibited an increase in activity recording 11 transactions or 29% of the total in Q3 2012, which is four more than the seven recorded in Q2 2012. Cross-border transactions and Asia accounted for six and one transactions, or ~15% and 3%, respectively. Additionally, South America recorded a single transaction during Q3 2012 which represented 3% of the total.

In addition, there were 25 transactions for solar energy producers, or 66% of the total, which is slightly lower than the 26 recorded in Q2 2012. This quarter there were five acquisitions of companies categorized as EPC integrators / developers, or 13% of the total transaction volume. There were four transactions for cells / modules producers, or ~10% of total activity, while companies categorized as providers of equipment for solar accounted for three transactions, or 8% of the Q3 2012 total. Finally, there was one transaction for companies categorized as vertically integrated, or 3% of the total. No transactions categorized as wafer / ingot producers were recorded during the quarter.

Transaction activity remained relatively flat over the past quarter with consolidation for producers of solar power remaining the primary source of deal activity. The Federal Energy Regulatory Commission's Office recently issued a report stating that solar and wind projects accounted for all new U.S. electricity generated in the month of September. Given this exhibition of the demand for renewable energy combined with the declines in solar panels making it more affordable, the solar industry could be gaining momentum. This could result in further transaction growth and opportunity.

**Chart C: Quarterly Comparison - M&A by Geography**

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


## Margin Performance in the Solar Energy Industry

The uncertainty in many global solar markets combined with continued declines in panel prices from a global oversupply have caused solar energy companies' margins to decline across all sectors. However, certain sectors are now beginning to see slight margin improvements.

The three graphs below provide an overview of gross margin, operating income margin, and EBITDA margin performance from 2005 through today. Each graph shows the margin performance by sector within the solar energy industry.

In terms of margin performance, vertically integrated companies saw declines across all

measures from FY 2011 to LTM Q3 2012. The cells/modules companies' margins generally remained stable across all measures, with slight improvement in operating margin. The EPC integrators/developers had stable gross margin and operating margin, while EBITDA margin improved. Finally, the wafers/ingots companies showed stable gross margin and EBITDA margin but a decline in operating margin.

Overall, the wafers/ingots companies had the highest operating and EBITDA margins

while vertically integrated companies exhibited the highest gross margins. However, vertically integrated companies had the lowest EBITDA margins indicating larger levels of overhead needed to support the vertically integrated model. Cells/modules companies are exhibiting lower EBITDA margins overall as well, largely due to the global panel oversupply. However, companies moving downstream to development are beginning to show some margin enhancement.

Chart E: Average Gross Margin Performance

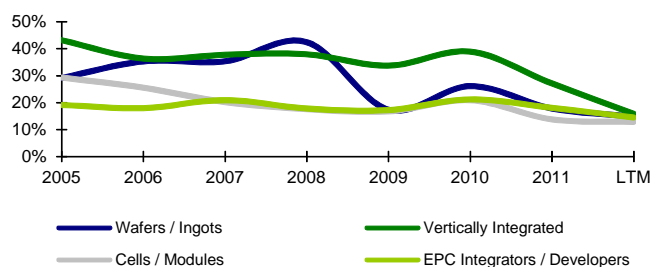


Chart F: Average Operating Income Margin Performance

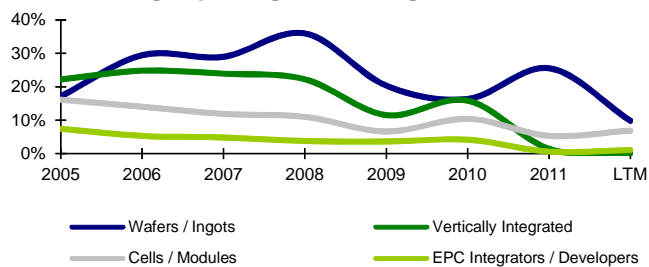
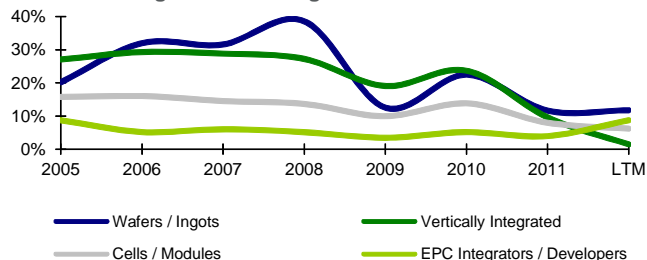


Chart G: Average EBITDA Margin Performance



(LTM)	Gross Margin	Operating Margin	EBITDA Margin
GCL-Poly Energy Holdings Ltd.	19.4%	9.8%	20.9%
LDK Solar Co., Ltd.	na	na	na
MEMC Electronic Materials Inc.	10.1%	na	na
PV Crystalox Solar plc	na	9.8%	11.7%
ReneSola Ltd.	na	na	na
<b>Average Wafers / Ingots</b>	<b>14.8%</b>	<b>9.8%</b>	<b>16.3%</b>
aleo solar AG	9.4%	na	na
Canadian Solar Inc.	7.4%	na	na
Centrosolar Group AG	28.1%	na	na
China Sunergy Co. Ltd.	na	na	na
Delsolar Co. Ltd.	na	na	na
E-Ton Solar Tech. Co., Ltd.	na	na	na
First Solar, Inc.	23.6%	6.9%	16.0%
Gintech Energy Corporation	na	na	na
Hanwha SolarOne Co., Ltd.	na	na	na
JA Solar Holdings Co., Ltd.	0.3%	na	na
Motech Industries, Inc.	na	na	na
Solar-Fabrik AG	15.5%	na	1.5%
Solaria Energia y Medio Ambiente, S.A.	na	na	na
SunPower Corporation	11.1%	na	1.0%
Suntech Power Holdings Co. Ltd.	7.7%	na	na
<b>Average Cells / Modules</b>	<b>12.9%</b>	<b>6.9%</b>	<b>6.2%</b>
JinkoSolar Holding Co., Ltd.	6.2%	na	na
Renewable Energy Corporation ASA	45.1%	na	1.4%
SolarWorld AG	11.7%	na	na
Trina Solar Limited	9.0%	na	na
Yingli Green Energy Holding Co. Ltd.	7.1%	na	na
<b>Average Vertically Integrated</b>	<b>18.2%</b>	<b>na</b>	<b>1.4%</b>
Aiön Renewables SpA	16.2%	1.0%	8.7%
Conergy AG	15.4%	na	na
Phoenix Solar Aktiengesellschaft	0.7%	na	na
Real Goods Solar, Inc.	25.5%	na	na
SAG Solarstrom AG	14.9%	na	na
<b>Average EPC Integrators / Developers</b>	<b>14.5%</b>	<b>1.0%</b>	<b>8.7%</b>

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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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