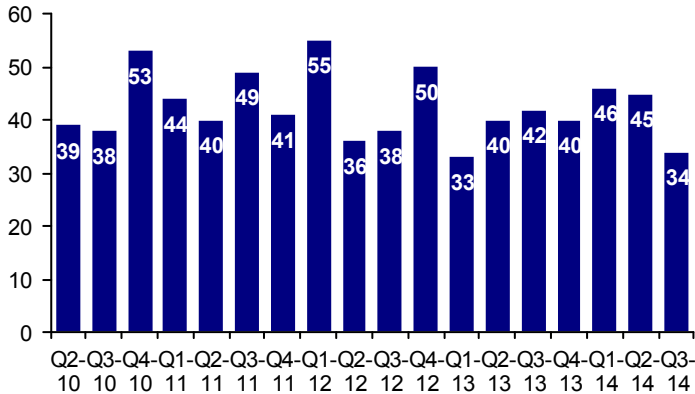
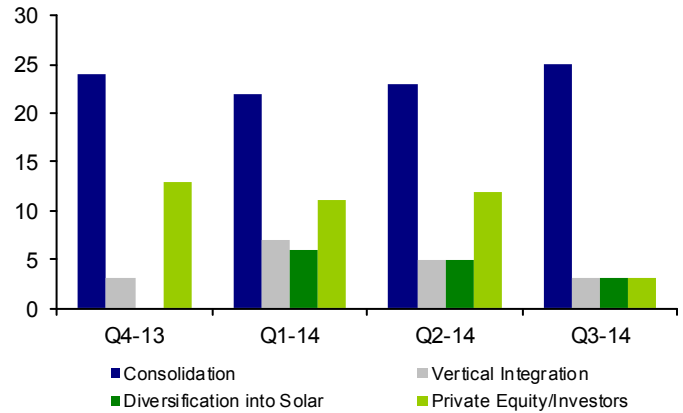


# Q3 2014 Deal Volume Comparison

**Chart A: Completed Solar Energy Transactions**

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


## Announcements

- SolarCity Corporation (NasdaqGS:SCTY) acquired Silevo Inc. (Sept.-14)
- NRG Energy, Inc. (NYSE:NRG) acquired Goal Zero, LLC (Sept.-14)
- Trina Solar Limited (NYSE:TSL) acquired a 50 MW solar site from Good Energy Group plc (Aug.-14)
- SunEdison, Inc. (NYSE:SUNE) acquired Silver Ridge Power Inc. from AES Corporation (NYSE:AES) (July-14)

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 34 completed solar energy transactions in Q3 2014 compared to 42 in Q3 2013. This represents a decrease of 19% year over year, and continues the declining trend from the prior quarter. The past seven quarters have averaged approximately 40 transactions each, which is still a robust level of activity.

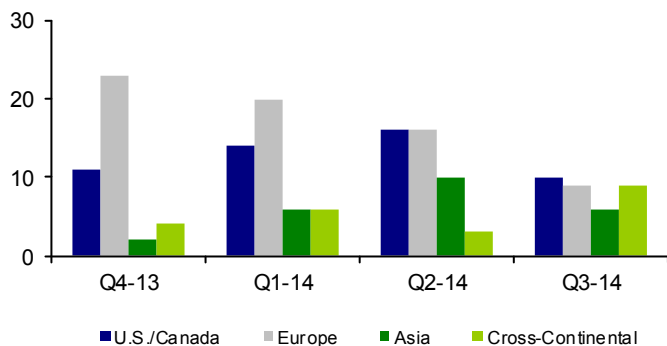
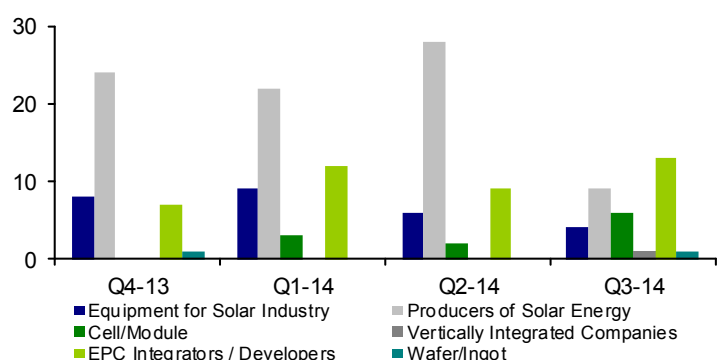
Within the solar energy transaction activity, consolidation represented 73% of transactions, or 25 deals in Q3 2014. This is the largest share by any category in a quarter over the past several years and exhibits the continued maturity of this industry through consolidation. The remaining three categories, vertical integration, diversification into solar and private investment, each represented 9%, or 3 transactions in Q3 2014.

From a geographic perspective, 29% or 10 of the 34 transactions during Q3 2014 occurred in the U.S./Canada region. Cross-continental and European deals each accounted for 9 transactions, or 26% of the total. Asia accounted for 6 transactions, or 18% of the total. South America did not record any transactions this quarter.

The EPC integrators/developers category of target companies led transaction activity during Q3 2014 with 13 deals, or 38% of the total. There were 9 acquisitions of producers of solar energy, or 26% of the total transaction volume. There were 6

transactions for cells/modules companies, or 18% of total activity. Companies categorized as providers of equipment for solar accounted for 4 transactions, or approximately 12% of the Q3 2014 total. Companies categorized as wafer/ingot producers and vertically integrated companies each recorded one transaction during the quarter.

Acquisition activity in Q3 2014 was lower than most quarters in recent history. Activity was disturbed relatively evenly across the solar markets in Europe, North America and Asia, with cross-continental deals accounting for the greatest number of transactions. EPC integrators/developers replaced producers of solar energy as the primary targets for acquisition, with the remaining balance of transactions fluctuating between the other categories. Regardless of target category, a large proportion of deals were the result of industry consolidation as smaller companies and projects were acquired by established players. The high level of consolidation activity highlights the maturation in the solar industry as companies look to build scale, vertically integrate and grow their solar project portfolios through acquisition.

**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 majority of sectors within the solar energy industry are still exhibiting lower than optimal bottom line margins. However, certain sectors are now beginning to see slight margin improvements from industry consolidation, continued growth for solar in certain geographies and benefits from vertically integrated models.

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 improvement in gross, operating and EBITDA margins in LTM Q3 2014. The wafers/ingots companies saw increasing gross and EBITDA margins compared to their Q3 2013 LTM levels. The cells/modules companies saw increasing operating and EBITDA margins yet decreasing gross margins as compared to this time in 2013. Finally, the EPC integrators/developer companies saw increasing gross

margins and operating margins, yet decreasing EBITDA margins as compared to a year ago.

Overall, vertically integrated companies exhibited the most consistent margin improvement over the last year. This could indicate that the integrated model is beginning to bear fruit as companies are realizing the scale and cost benefits from being integrated across the value chain.

Chart E: Average Gross Margin Performance

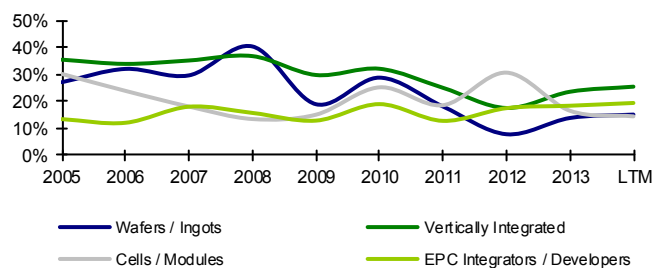


Chart F: Average Operating Income Margin Performance

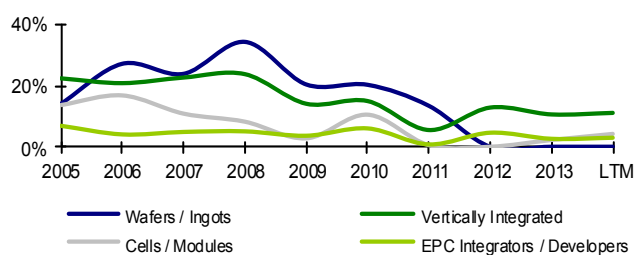
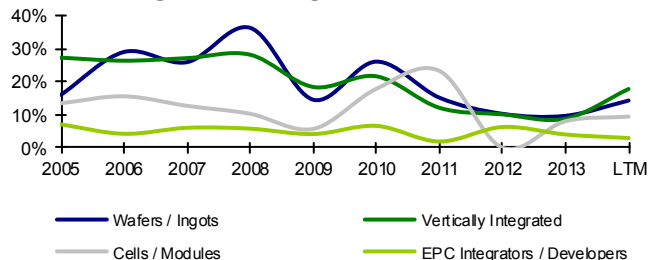


Chart G: Average EBITDA Margin Performance



| (LTM)                                       | Gross Margin | Operating Margin | EBITDA Margin |
|---|--------------|------------------|---------------|
| GCL-Poly Energy Holdings Ltd.               | 19.0%        | 11.1%            | 22.2%         |
| LDK Solar Co., Ltd.                         | na           | na               | na            |
| PV Crystalox Solar plc                      | 15.7%        | na               | na            |
| ReneSola Ltd.                               | 10.7%        | na               | 6.4%          |
| <b>Average Wafers / Ingots</b>              | <b>15.1%</b> | <b>na</b>        | <b>14.3%</b>  |
| aleo solar AG                               | na           | na               | na            |
| Centrosolar Group AG                        | 22.5%        | na               | na            |
| China Sunergy Co. Ltd.                      | 5.4%         | na               | na            |
| E-Ton Solar Tech. Co., Ltd.                 | na           | na               | 8.5%          |
| Gintech Energy Corporation                  | 7.3%         | 3.1%             | 14.0%         |
| Hanwha SolarOne Co., Ltd                    | 10.8%        | na               | 5.7%          |
| JA Solar Holdings Co., Ltd.                 | 14.9%        | 3.2%             | 9.9%          |
| Motech Industries, Inc.                     | 9.9%         | 5.2%             | 11.4%         |
| Neo Solar Power Corporation                 | 10.7%        | 5.3%             | 12.5%         |
| Solar-Fabrik AG                             | 17.9%        | na               | na            |
| Solaria Energia y Medio Ambiente, S.A.      | 29.3%        | na               | na            |
| Suntech Power Holdings Co. Ltd.             | 16.1%        | na               | 4.2%          |
| <b>Average Cells / Modules</b>              | <b>14.5%</b> | <b>na</b>        | <b>9.4%</b>   |
| Canadian Solar Inc.                         | 18.5%        | 8.0%             | 11.9%         |
| First Solar, Inc.                           | 25.0%        | 13.9%            | 20.9%         |
| JinkoSolar Holding Co., Ltd.                | 24.2%        | 12.0%            | 16.5%         |
| REC Silicon ASA                             | 77.2%        | 17.8%            | 45.3%         |
| SolarWorld AG                               | 24.6%        | na               | na            |
| SunEdison, Inc.                             | 6.3%         | na               | na            |
| SunPower Corporation                        | 23.3%        | 7.6%             | 11.6%         |
| Trina Solar Limited                         | 16.4%        | 3.9%             | 9.1%          |
| Yingli Green Energy Holding Co. Ltd.        | 14.1%        | na               | 3.5%          |
| <b>Average Vertically Integrated</b>        | <b>15.0%</b> | <b>5.8%</b>      | <b>8.1%</b>   |
| Capital Stage AG                            | na           | na               | na            |
| Conergy AG                                  | na           | na               | na            |
| Phoenix Solar Aktiengesellschaft            | 19.4%        | na               | 1.1%          |
| Real Goods Solar, Inc.                      | na           | na               | na            |
| SAG Solarstrom AG                           | 19.6%        | 2.9%             | 4.8%          |
| SolarCity Corporation                       | na           | na               | na            |
| <b>Average EPC Integrators / Developers</b> | <b>19.5%</b> | <b>2.9%</b>      | <b>2.9%</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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