

SunEdison Inc.

Another Day Another Portfolio Acquisition

YieldCo Cometh to the Resi Solar mrkt: SUNE acquires 2nd largest resi solar firm

SUNE announced a significant push into the DG segment with a \$2.2bn (including debt) acquisition of Vivint Solar (VSLR), the second largest resi solar firm in the US after SolarCity (SCTY). VSLR's 523 MW contracted rooftop solar portfolio will be dropped into TERP where mgmt. estimates an incremental \$81mn 10-year average unlevered CAFD – we expect this to translate into ~\$0.2 per share LP value; and \$0.5 GP value to SUNE, pre dilution from stock issuance for the deal. Mgmt revised 2016 guidance for capacity build to 4.2-4.5GW from an earlier 2.8-3GW: staying conservative on the lower end we estimate an incremental ~\$6.3 per share value at the DevCo. Overall, accounting for the \$379mn stock issuance, \$350mn converts issued, \$500mn of non-recourse 1st lien term loan, we derive a ~\$4 PT uplift from the VSLR acquisition.

Amidst the resi euphoria, don't forget the utility scale synergy potential

With the First Wind team now firmly onboard, SUNE increased its guidance on utility-scale backlog by 250MWs for '16 execution following execution both abroad and on legacy opportunities previously not pursued while FirstWind was seemingly in transition. We reflect conservatively 4.2GW/yr assumption for the DevCo in '16, at the lower end of 4.2-4.5GW range; we look for a new consolidated look with 2Q with EM too.

We also incorporate value from recent Terraform Global & Invenery updates

The other ~\$3 in our PT change comes from SUNE's slew of EM portfolio acquisitions (\$2/sh) and TERP's recent acquisition of Invenery (\$1/sh). The EM acquisitions coincided with the release of an updated Terraform Global S-1 which boosted the initial portfolio from 989 MW to 1.4 GW, increased ROFO to 3.8 GW, and added ~\$67 Mn in initial annualized CAFD. The 930MW Invenery deal (460MW at TERP/470MW in new warehouse facility) has an estimated 8.4% cash-on-cash yield, slightly below comparable transactions as there was heightened competition although TERP commented that it does not really see competition for deals.

Valuation: Raise price target to \$39 on latest round of deal-making

We increase our SOTP based share price target to \$39 on the increase in MW capacity coming through from recent deals. We continue to see execution of the Global spin as the next major catalyst for shares beyond continued execution of story.

Equities

Americas
Electric Components & Equipment

12-month rating **Buy**

12m price target **US\$39.00**
Prior: US\$32.00

Price **US\$31.66**

RIC: SUNE.N BBG: SUNE US

Trading data and key metrics

52-wk range	US\$32.13-14.30
Market cap.	US\$8.62bn
Shares o/s	272m (COM)
Free float	99%
Avg. daily volume ('000)	1,640
Avg. daily value (m)	US\$48.6
Common s/h equity (12/15E)	US\$1.54bn
P/BV (12/15E)	5.5x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (US\$)

	12/15E			
	From	To	% ch	Cons.
Q1E	(0.32)	(0.30)	7.53	(1.36)
Q2E	(0.28)	(0.25)	9.24	(0.55)
Q3E	(0.24)	(0.21)	11.32	(0.49)
Q4E	(0.25)	(0.22)	11.24	(0.62)
12/15E	(1.09)	(0.98)	9.64	(3.14)
12/16E	(0.87)	0.23	126.84	(1.40)
12/17E	(0.40)	0.57	243.35	(1.44)

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Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	2,870	2,556	2,484	1,403	1,663	1,906	2,530	2,996
EBIT (UBS)	40	(226)	(540)	217	845	1,249	1,900	2,487
Net earnings (UBS)	64	(210)	(255)	(266)	76	185	510	822
EPS (UBS, diluted) (US\$)	0.28	(0.87)	(0.95)	(0.98)	0.23	0.57	1.58	2.53
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(279)	414	27	206	433	1,287	2,561	4,376
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	1.4	-8.9	-21.8	15.5	50.8	65.5	75.1	83.0
ROIC (EBIT) %	1.7	(8.2)	(10.3)	2.4	5.8	5.5	6.4	7.0
EV/EBITDA (core) x	3.0	44.3	-27.1	11.9	5.3	4.2	3.2	2.5
P/E (UBS, diluted) x	11.0	(8.8)	(20.2)	(32.3)	NM	55.2	20.1	12.5
Equity FCF (UBS) yield %	(68.2)	(44.6)	(17.7)	(49.4)	(90.0)	(90.6)	(60.8)	(50.0)
Net dividend yield %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$31.66 on 20 Jul 2015 19:38 EDT

Building out All Angles of Renewables Thesis

We reiterate our Buy rating on shares following mgmt's latest transaction. We continue to see shares as attractive following the latest slew of deals. We suspect the next quarterly update could well act to 'summarize' all of the latest deals – ROFO arrangement, development platforms, and operating assets across both its emerging market and OECD efforts (not to mention organic execution on projects already contract). We see the residential expansion as entirely logical – and a potential key source of future incremental MWs, albeit contributing to a limited extent to TERP's backlog given limited development gestation period. We revise our PT today to reflect EM acquisitions, Invenergy, and the Vivint deal to \$39 up from \$32 previously, with upside potential around full backlog and EM updates.

Entering the Retail Landscape

We see SUNE's acquisition of Vivint as well expected by those tracking SUNE, whose business strategy had, up until yesterday, a meaningful hole as it relates to the residential solar business. Following recent announcements to round out efforts on storage, SUNE appears to have largely executed on its strategic goals for the time being in terms of development platforms. Rather, the question is to what extent management will opt to complement its development expertise in each of these units. We suspect niche opportunities could yet arise in specific states as well as around any 'shaking out' in a post-2017 world.

Next up: International expansion on deck

The latest updates presented by management largely exclude the benefits of recent international acquisitions, notably in its drop-down pipeline. We expect to see a further increase to the backlog as soon as its next quarterly call, at which time we would expect many deals like the Renova stake acquisition to be closed. The two key questions to be updated include both how many MWs will be developed annually as well as how much larger the international business will be?

Adding more wind to the 2016 utility-scale buildout

Among the larger updates yesterday was the release of an updated 2016 development projection, increasing the utility-scale by ~250MWs (2.8-3.0GW to 3.0-3.3GW), principally reflecting added confidence on wind execution. The increase appears principally tied to two separate factors: 1) the addition of international MWs via the FirstWind transaction, a region in which the company had previously had no exposure (as such, a higher development risk in our view); and 2) the addition of MWs tied to incremental domestic wind opportunities not previously realized while the company was in the sales process.

Expect ABS to be an integral part of VSLR: Following on announcement that TERP will immediately acquire the existing residential solar assets from Vivint, we expect TERP to be the first YieldCo to employ ABS to fully leverage the portfolio. We look for details on this issuance in coming periods, with total \$/Watt leverage despite existing tax equity an important datapoint.

Will this put pressure on peers to follow suit? The strategic question is whether this will place pressure on Residential pure-plays to follow suit with the YieldCo structure, such as industry leader SolarCity, which has indicated it is evaluating such a move among management. Further afield, the question is how will this impact others considering IPOing into the residential solar space. At a

Vivint fills strategic hole in 'all of the above' renewable strategy

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minimum, we see the improved access to capital for VSLR as putting the pressure on others to swiftly execute on their own capital raising strategies with ABS.

Bringing scale to Resi solar: coming after others? Turning course from previous management statements that SUNE would not pursue a residential solar transaction that entailed meaningful infrastructure/person, nor necessarily prior to ITC expiration, we interpret the change in heart as tied to the recognition that a strategic expansion was needed sooner as pre-eminent ownership of the sector is established.

Timing and scale the key factors

Mgmt believes that in order for them to make a strong push in the resi market, they needed to enter pre-ITC drop, and acquire a player with significant scale—this deal seems to tick the boxes on both of those requirements. Scale is critical to riding the ITC drop, as the smaller players will struggle to access the lowest costs of capital and equipment. We believe that SUNE/ VSLR is now setup to pursue securitizations on their DG assets under contract, replicating a move that only SCTY has been able to execute on to date.

What's the SCTY read-through? Stock was up ~7% yesterday

The deal underlines mgmt's long term confidence in the resi market even post ITC revision. We think the push into resi solar before the 2017 ITC revision gives SUNE an early mover advantage; and sets the stage for a heavyweight bout with SCTY, potentially putting the latter on the radar for possible acquisition (SCTY was up ~7% yesterday possibly on expectations of it being a takeout target as well). With SUNE entering the fray, we think this transaction could also put pressure on SCTY to position itself/create a YieldCo too.

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We note higher capital market risk as SUNE indulges in a slew of transactions

Given the slew of recent transactions, and financing via stock/converts and debt issuance; we highlight elevated capital market exposure for SUNE. For the VSLR deal, for example, VSLR Solar stockholders will receive \$16.50 per share, consisting of \$9.89 per share in cash, \$3.31 per share in SunEdison stock, and \$3.30 per share in SunEdison convertible notes – thus overall exposing shareholders to possible stock price gyrations.

Valuation: Reflecting the Latest Round of Deals

We have raised our SUNE PT from \$32/sh to \$39/sh based on 1) increases in TERP and Terraform Global value to SUNE and 2) increase in DevCo value, following recent transactions. The breakdown of the rise in PT is:

We have raised our SUNE PT from \$32/sh to \$39/sh

- **Uplift from VSLR Transaction:** A \$4/sh accretion from the VSLR transaction, based on an increase in DevCo value as mgmt revised 2016 guidance for capacity build to 4.2-4.5GW from an earlier 2.8-3GW. We assume a conservative 4.2GW build, and apply an unchanged 18% gross margin; and 5x EBITDA (which was already discounted to reflect uncertainty). There is no significant change to LP/GP value attributable from TERP as they (and as indeed all other SOTP components) get muted somewhat by dilution from the \$370mn stock issuance to finance the VSLR deal.

Converts have a 2 year minimum lock-in period: Blackstone is one of the largest holders of VSLR; they now have a 5 year window but a 2 year minimum lock-in

period on the converts issued by SUNE. The price range on the converts is \$27-33.

Figure 1: SUNE Transaction Summary

Source of Funds	\$mn
SUNE Stock	370
Convertible Note	350
SUNE Cash	57
SUNE Capital	777
Non-Recourse 1st Lien Term Loan	500
Total Capital	1,277

Source: Company presentation

Uplift from TERP Global/Invenergy: ~\$1/sh in accretion from TERP from the Invenergy acquisition, ~\$5/sh in added value from TERP Global derived from the recent portfolio acquisitions and subsequent updated S1, but offset by \$2/sh through the reduction in cash outstanding and increase in debt resulting from the TERP Global deals.

Figure 2: SUNE SOTP Valuation (1/2)

SunEdison Valuation UBSe				
TERP LP Ownership Interest	Downside	Base Case	Upside	
Ownership in TerraForm Power (NYSE: TERP), using Price Target				
Shares Owned (Mn), 2015e	63.0	63.0	63.0	
UBSe Price Target	\$29.00	\$52.00	\$73.00	
Equity Value (\$ Mn)	\$1,827	\$3,276	\$4,599	
TERP LP Value to SUNE	\$5.45	\$9.77	\$13.72	
Current Share Price (for Comparison) - and Corresponding Value/sh	\$41.00		\$7.70	
TERP GP Ownership Interest	Downside	Base Case	Upside	
	Thru 2018	Thru 2019	Thru 2020	
NPV of IDRs & Terminal Value @ 20x CF	\$8.08	\$14.27	\$17.83	
TERP GP Value to SUNE	\$8.08	\$14.27	\$17.83	
Non-TERP Projects Sold to Third Parties	Downside	Base Case	Upside	
Capacity (MW)		280		
EV (\$/kW)		\$2,000		
Developer Margin (%)	15%	20%	25%	
Market Value of Equity to SUNE	\$84	\$112.00	\$140	
Shares Outstanding	335	335	335	
Value of to SUNE	\$0.25	\$0.33	\$0.42	
Emerging Markets YieldCo (EMYCo)	Downside	Base Case	Upside	
Value of to SUNE	\$4.12	\$12.38	\$16.76	
Remaining Ownership in Semiconductors	Shares (Mn)	Public Price	Value	Value/Sh.
Ownership in SunEdison Semiconductor (NYSE: SEMI)	10.6	\$20.29	215	\$0.64
Solar and Wind Servicing	Downside	Base Case	Upside	
Value of to SUNE	\$0.43	\$1.56	\$2.34	
SMP poly Plant	Downside	Base Case	Upside	
Value of to SUNE	\$0.46	\$0.66	\$0.86	
DevCo Value --> Step-up Value as Dropped from SUNE to TERP	Downside	Base Case	Upside	
Capacity Built (GW) - 2016	3,200	4,200	5,200	
Guidance for 2016		4200-4500		
\$/Watt Costs	2.00	2.00	2.00	
Margin (%)	17%	18%	19%	
Gross Margin (\$ Mn)	1,088	1,512	1,976	
Opex	(765)	(765)	(765)	
EBITDA	323	747	1211	
EV/EBITDA -> 4-6x Range... Discounted given uncertainty	5.0x	5.0x	5.0x	
Implied Value	1,615	3,735	6,055	
Implied Value (\$/kW-yr)	101	0.89	233	
Value of to SUNE	\$4.82	\$11.14	\$18.06	

Source: Company Filings, UBSe

Figure 3: SUNE SOTP Valuation (2/2)

Parent Obligations	Value/Sh.	
	Outstanding	Converted
Convertible senior notes due 2018	\$0	\$485
Convertible senior notes due 2020	\$500	\$0
Convertible senior notes due 2021	\$0	\$429
Converts issued in 1Q15 - 2022	\$460	\$0
Converts issued in 1Q15 - 2022	\$600	\$0
Converts issued in 2Q15 - 2023	\$450	
Converts issued in 2Q15 - 2025	\$450	
Converts issued for Vivint Acquisition	\$350	
Total Converts	\$2,810	\$914
Other non-solar energy system recourse debt	\$215	
Solar Energy recourse financing	\$40	
Total Recourse Debt	\$3,065	
Margin Loan - w/ TERP Shares	\$410	
Sellers Note due 2020 collateralized w/ TERP Shares	\$337	
Non-Recourse 1st Lien Term Loan from Vivint Acquisition	\$500	
Grand Total Debt	\$4,312	
Cash Outstanding	(\$944)	
Proceeds Raised from 2Q Proceeds	(\$747)	
Acquisition: TERP <u>Global</u> Assets (UBSe for Operating and Dev Pipeline) - All Acquisitions ~	\$1,400	
Acquisition: TERP Global Assets Dev Pipeline ?	\$0	
Net Debt	\$4,021	
<u>YieldCo Acquisition / Warehouse Facility</u>	<u>Outstanding</u>	<u>Size</u>
TerraForm Global YieldCo acquisition facility	\$0	
TERP Warehouse Facility	\$0	\$1,500
Total Warehouse	\$0	
LC Facility	\$0	\$540
Grand Total Obligations	\$4,021	
<i>Grand Total Obligations per Share</i>	<i>\$12.00</i>	
Value of to SUNE	(\$12.00)	
<u>SUNE Equity Value per Share</u>	\$12.24	\$38.77
Upside/(Downside)	-60%	28%
		94%

Source: Company Filings, UBSe

Update on recent Terraform Global release

The TERP global acquisitions that led to the updated S1 increase the initial portfolio by 989 MW, initial CAFD up \$67 Mn, and call rights/ ROFO up 1 GW. The new portfolio, highlighted below, now reaches 1.4 GW in initial operating projects, \$232 Mn in initial CAFD, and 3.8 GW of call rights/ ROFO. The total portfolio now reaches 5.2 GW, and call rights/ ROFO account for \$630 Mn in CAFD. Our CAFD projections are based on the CAFD guidance given by mgmt. of \$232 Mn, which equates to ~16c/W. The call rights/ ROFO assets can be broken down at a 1.3:1 ratio of 3rd party acquisitions to internal development.

Figure 4: Terraform Global Portfolio

Generation Type	Country	Initial			Initial CAFD	*CAFD/ W	ROFO CAFD	3rd Party Acq	Dev	3rd Party Acq	Dev
		Portfolio MW	ROFO MW	Total MW				ROFO MW	ROFO MW	ROFO CAFD	ROFO CAFD
Solar	India	134	626	760	\$22	\$0.16	\$103				
Wind	India	119	413	532	\$20	\$0.16	\$68				
Wind	China	149		149	\$24	\$0.16					
Solar	China	18	88	106	\$3	\$0.16	\$14				
Hydro	Peru	73		73	\$12	\$0.16					
Wind	Brazil	294	1,968	2,263	\$48	\$0.16	\$324				
Hydro	Brazil	42	148	190	\$7	\$0.16	\$24				
Solar	Brazil		53	53		\$0.16	\$9				
Wind	South Africa	18		18	\$3	\$0.16					
Solar	South Africa	81	274	355	\$13	\$0.16	\$45				
Solar	Uruguay	101		101	\$17	\$0.16					
Solar	Malaysia	12	5	18	\$2	\$0.16	\$1				
Solar	Honduras	82		82	\$13	\$0.16					
Wind	Honduras	126		126	\$21	\$0.16					
Solar	Thailand	39	149	188	\$6	\$0.16	\$25				
Wind	Costa Rica	74		74	\$12	\$0.16					
Wind	Nicaragua	44		44	\$7	\$0.16					
Wind	LatAm (ex-Brazil)		80	80		\$0.16	\$13				
Solar	Philippines		23	23		\$0.16	\$4				
		1,406	3,827	5,234	\$232	\$0.16	\$630	2,170	1,637	\$357	\$270

Source: Company Filings, UBSe, *CAFD/W is averaged out across the portfolio

Breaking down the latest

TERP Global Valuation

The delta between value to SUNE before and after the updated S1 is ~\$3.50/sh, with roughly 63% derived at the LP level and 37% at the GP level. The LP valuation can be seen in detail below, with the IDRs reflected at the GP level estimated through 2020.

Figure 5: Terraform Global LP Valuation

LP Valuation	Downside	Base	Upside
Total Drops (ROFO 3rd party & Development Assi	\$270	\$630	\$630
Existing CAFD	\$232	\$232	\$232
Total CAFD (Projected Achieved by ~2018)	\$501	\$862	\$862
Corporate Interest Post Tax	(\$34)	(\$80)	(\$80)
Net CAFD	\$467	\$782	\$782
Distribution Reserve	20%	20%	20%
Net CAFD	\$374	\$625	\$625
IDR - 2018E	\$114	\$190	\$190
CAFD for LP unitholders	\$260	\$435	\$435
Haircut	0%	0%	0%
CAFD distributed to LP Unitholders	\$260	\$435	\$435
Initial Shares Outstanding	64	64	64
Additional Unit Issued	24	56	56
Total LP Unit Outstanding	88	120	120
LP Distribution per share	\$2.96	\$3.63	\$3.63
YieldCo Peer Yield	6.0%	6.0%	6.0%
(Premium)/Discount	<u>4.0%</u>	<u>3.0%</u>	<u>2.0%</u>
Assumed Yield	10.0%	9.0%	8.0%
LP Value per unit	\$29.6	\$40.3	\$45.4
LP Value per Hypothetical Share			
SUNE ownership	53%	53%	53%
LP Value (\$ Mn)	\$1,379.6	\$2,566.5	\$2,887.4
LP Value to SUNE	\$4.26	\$7.93	\$8.92

Source: Company Filings, UBSe

TERP IDR Value

As seen in more detail in the corresponding TERP note, the Invenergy deal increases the portfolio by 930 MW and bumps up our GP valuation by ~70c/sh, and the LP value by ~40c/sh. The detailed GP valuation can be seen below. Unlike the TERP Global acquisitions, the Invenergy was done at the YieldCo level with no cash used up at the parent, meaning that SUNE retains the full \$1+/sh of value added from the deal.

Figure 6: TERP GP Valuation

CAFD Projections	2015	2016	2017	2018	2019	2020
Estimated Cash Available for Distribution	\$224	\$404	\$585	\$945	\$1,162	\$1,416
CAFD/Share	\$1.70	\$2.51	\$2.89	\$3.63	\$3.84	\$4.21
% Growth		48%	15%	26%	6%	10%
Total Distribution (\$MM)	\$180	\$249	\$419	\$735	\$1,055	\$1,325
Payout	80%	62%	72%	78%	91%	94%
Less: IDR (\$MM)	\$0	\$5	\$38	\$148	\$272	\$378
LP Distribution (\$MM)	\$180	\$245	\$380	\$587	\$783	\$947
Unit Outstanding (MM)	132	161	202	260	302	336
LP Distribution/Unit	\$1.36	\$1.52	\$1.88	\$2.26	\$2.59	\$2.82
% Growth		12%	24%	20%	15%	9%
Payout	80%	61%	65%	62%	67%	67%
Coverage	1.2x	1.6x	1.4x	1.3x	1.1x	1.1x
Terminal value						
PV of LP Distribution/Unit	1.36	1.52	1.74	1.94	2.05	2.07
Terminal PV						
TERP Equity Value per Unit						
SUNE GP Value						
PV of GP Distribution/SUNE Share	\$0.00	\$0.01	\$0.09	\$0.33	\$0.55	\$0.70
Terminal Value (Undiscounted)				9.25	17.00	23.65
Terminal PV (Discounted Back)				7.64	12.77	16.15
Estimated Value of IDRs to SUNE per Share				\$8	\$14	\$18

Source: Company filings & UBSe

Renova – Key Brazilian Renewable Deal

In early July, Light in Brazil announced an agreement with SUNE which establishes conditions for the sale of its 15.87% stake in Renova for US\$250m. Although the investment is for a ~16% stake, it gives SUNE access to cashflows from 100% of the existing projects. As we show below, Renova has a sizeable, scalable portfolio of windfarms along with some small Hydro projects. **See Appendix 1** at the end of this note with a detailed list of windfarm projects at Renova.

Key characteristics of the SUNE-Renova deal:

- ROFO rights to 3GW development pipeline: *How will management represent this in its quarterly backlog projections remains TBD*
- Acquisition opportunities of 1GW of operating assets.

Figure 7: Renova Energia nominal capacity forecasts

Renova Energia	2014	2015e	2016e	2017e	2018e	2019e	2020e
Nominal Capacity (MW)	710	930	1,214	1,461	1,731	1,958	1,958
Small Hydro Plants	42	42	42	42	42	42	42
Wind Farms	668	888	1,172	1,420	1,689	1,916	1,916

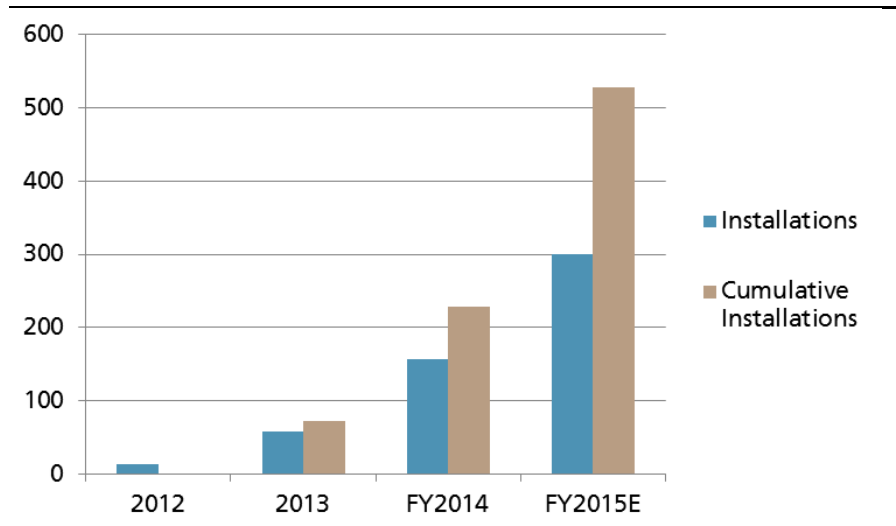
Source: UBS LatAm Utilities team

So who is Vivint?

~523MW installed by 2015 end

The company installed ~73 MW in 2Q15, and expects 290-310 MW in FY15 for a total of ~523MW cumulative by the end of the year.

Figure 8: VSLR Historic & Projected Installations



Source: Company Filings

Costs increase amidst headcount ramp-up

At their last earnings call VSLR announced that their costs increased QoQ from \$2.96/W in 4Q14 to \$3.21/W in 1Q15, resulting from an increase by ~20% in their total headcount QoQ. Management noted that they expect total costs to decrease QoQ for the remainder of 2015, and maintain FY15 guidance at \$2.80-2.90/W, with expectations reaching \$2.50/W by 2017.

SUNE mgmt. said on their call yesterday that they expect VSLR's cost structure and cost evolution estimates to remain the same post acquisition; and specifically highlighted that the opex/watt should decline to "beyond world class".

We flag that the \$2.50 price-point has been highlighted by other groups, SCTY in particular, and believe that this is the level installers/ developers believe they must reach in order to soften the ITC resi expiration blow and stay competitive into 2017.

During their 1Q15 earnings call VSLR noted that headcounts increased across the board, which is reflected by installation, sales & marketing, and G&A costs all increasing QoQ. VSLR stated that despite the nominally higher cost of the underlying installed equipment, it was the installation costs due to higher employee expense that continued to drive inflation in the overall cost structure (with equipment trends continuing to decline QoQ).

The concern for VSLR is how large their cost uptick was between 4Q14 and 1Q15, especially in comparison to their biggest competitor, but more specifically that the installation portion of the total cost increased in addition to sales G&A costs. Installation costs increased for 1Q15 to \$2.32/W from 2.25/W in 4Q14, compared to remaining flat at \$2.09 for SCTY.

We believe there will be further consolidation in the space in order for players to reach the scale necessary to achieve the lowest costs of capital and equipment, or else risk being left behind in this increasingly competitive market.

VSLR OPEX increase outweighs revenue uptick

At its last earnings call, VSLR posted increased contracted payments and total revenues, as well as increased opex, which caused EPS to decrease per mgmt statements.

SUNE acquisition has accelerated resi CAFD adoption

In the Street's desire to move away from retained value and toward CAFD metrics, VSLR indicated that they would be reporting similar metrics to competitors in the quarters to come. We believe the move toward reporting these metrics will be adopted by most if not all holdcos over the next year, and re-emphasize our view that companies not willing to follow the lead will become increasingly more difficult to comp, which could hurt their valuations. With the acquisition, we feel that SUNE will accelerate VSLR's adoption of CAFD metrics at the resi level.

Figure 9: VSLR 1Q15 Earnings Snapshot

\$Mn (Outside of EPS, \$/W)	4Q14	1Q15
Nominal Contracted Payments	\$1,031	\$1,205
Retained Value	\$481	\$560
Retained Value + Incentives (\$/Wp)	\$2.17	\$2.05
Operating Leases & Incentives Revenue	\$5.9	\$8.6
Total Revenue	\$6.9	\$9.5
OPEX	\$47	\$58
Loss From Operations	\$40	\$49
Net Income Loss	\$38	\$60
Non-GAAP EPS	\$ (0.36)	\$ (0.57)

Source: Company Filings

As highlighted by SCTY and SUNE, high growth requires high capex and opex, and facilitates to need to raise capital via the debt and equity markets. We see a potential risk for SUNE regarding their entrance in another capital intensive market, and suspect investors will be paying a close eye on SUNE's ability to fund VSLR in addition to the multiple utility-scale ventures that they're involved in *as well as critically inflation in opex expectations*

Figure 10: VSLR Capital Breakdown

Capital Raised	FY 2014	1Q15
Type	Amount (Mn)	Amount (Mn)
Tax Equity	\$1,046	\$450
Aggregation Facility	\$375	
Equity	\$413	

Source: Company Filings

C&I expansion could take a hit without Blackstone relationship

VSLR closed a C&I fund in 1Q15 and have formed a partnership with an unnamed EPC, but the loss of their relationship with Blackstone appears to diminish the edge that they previously had in the space. Blackstone previously agreed to facilitate relationships between VSLR and C&I property owners, but we suspect that the partnership has dissolved following the acquisition, further fueled by news that Blackstone will be looking to further invest in the space following the deal.

Question of share lockup is relevant for SUNE following latest deals

Following the recent LIGHT deal to acquire a 15% stake in the Brazilian Renova renewable portfolio with SUNE shares directly as well as Vivint deal in shares (with shares provided to corresponding strategic shareholder Blackstone), we see risk of potential sell-downs without meaningful lockups at least for LIGHT.

Appendix 1

Below we show a detailed list of wind projects with Renova:

Figure 11: Renova SHP/Wind projects

Renova Energia	2014	2015e	2016e	2017e	2018e	2019e	2020e
Nominal Capacity (MW)	710	930	1,214	1,461	1,731	1,958	1,958
Small Hydro Plants	42	42	42	42	42	42	42
Cachoeira da Lixa	15	15	15	15	15	15	15
Colino I	11	11	11	11	11	11	11
Colino II	16	16	16	16	16	16	16
Wind Farms	668	888	1,172	1,420	1,689	1,916	1,916
Rio Verde	30	30	30	30	30	30	30
Pindai	24	24	24	24	24	24	24
Licínio de Almeida	24	24	24	24	24	24	24
Guanambi	21	21	21	21	21	21	21
Serra do Salto	19	19	19	19	19	19	19
Candiba	10	10	10	10	10	10	10
Guirapa	29	29	29	29	29	29	29
Alvorada	8	8	8	8	8	8	8
Igapora	30	30	30	30	30	30	30
Ilheus	11	11	11	11	11	11	11
N. S. Conceição	27	27	27	27	27	27	27
Porto Seguro	6	6	6	6	6	6	6
Pajeú do Vento	29	29	29	29	29	29	29
Planaltina	26	26	26	26	26	26	26
Dos Araças	30	30	30	30	30	30	30
Da Prata	22	22	22	22	22	22	22
Morrão	30	30	30	30	30	30	30
Seraima	30	30	30	30	30	30	30
Tanque	27	27	27	27	27	27	27
Ventos do Nordeste	22	22	22	22	22	22	22
AMETISTA	29	29	29	29	29	29	29
BORGO	19	19	19	19	19	19	19
CAETITÉ	29	29	29	29	29	29	29
DOURADOS	29	29	29	29	29	29	29
ESPIGÃO	10	10	10	10	10	10	10
MARON	29	29	29	29	29	29	29
PELOURINHO	22	22	22	22	22	22	22
PILÕES	29	29	29	29	29	29	29
SERRA DO ESPINHAÇO	18	18	18	18	18	18	18
Sao Salvador		22	22	22	22	22	22
Abil		8	24	24	24	24	24
Acacia		5	16	16	16	16	16
Angico		3	8	8	8	8	8
Folha da Serra		7	21	21	21	21	21
Jabuticaba		3	9	9	9	9	9
Jacaranda do Cerrado		7	21	21	21	21	21
Taboquinha		7	22	22	22	22	22
Tabua		5	15	15	15	15	15
Vaqueta		8	23	23	23	23	23

Source: UBS LatAm Utilities team

Figure 12: Renova SHP/Wind projects (cont'd)

Renova Energia	2014	2015e	2016e	2017e	2018e	2019e	2020e
Nominal Capacity (MW)	710	930	1,214	1,461	1,731	1,958	1,958
Wind Farms	668	888	1,172	1,420	1,689	1,916	1,916
Umburanas 1					18	27	27
Umburanas 2					18	27	27
Umburanas 3					13	19	19
Umburanas 4					13	19	19
Umburanas 5					13	19	19
Umburanas 6					14	22	22
Umburanas 7					16	24	24
Umburanas 8					16	24	24
Umburanas 9					12	18	18
Umburanas 10					14	21	21
Umburanas 11					10	15	15
Umburanas 12					15	23	23
Umburanas 13					13	19	19
Umburanas 14					17	25	25
Umburanas 15					13	19	19
Umburanas 16					18	27	27
Umburanas 18					5	8	8
Mulungu				4	15	15	15
Pau Santo				5	18	18	18
Quina				3	11	11	11
Umburanas 17						24	24
Umburanas 19						26	26
Umburanas 21						24	24
Umburanas 23						17	17
Umburanas 25						17	17
PPA Light I	133	201	201	201	201	201	201
PPA Light II		68	203	203	203	203	203
Mercado Livre I		22	22	22	22	22	22
Mercado Livre II			101	101	101	101	101
Mercado Livre III	11	32	32	32	32	32	32

Source: UBS LatAm Utilities team

SunEdison Inc. (SUNE.N)

	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Income statement (US\$m)										
Revenues	2,870	2,556	2,484	1,403	-43.5	1,663	18.6	1,906	2,530	2,996
Gross profit	414	206	222	760	242.5	1,628	114.2	1,833	2,283	2,808
EBITDA (UBS)	284	42	(183)	732	-	1,646	125.0	2,087	2,684	3,435
Depreciation & amortization	(245)	(268)	(357)	(515)	44.0	(801)	55.7	(838)	(784)	(949)
EBIT (UBS)	40	(226)	(540)	217	-	845	289.6	1,249	1,900	2,487
Associates & investment income	(2)	6	8	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(139)	(278)	(780)	(475)	39.1	(728)	-53.4	(1,001)	(1,267)	(1,495)
Exceptionals (incl goodwill)	96	(62)	4	0	-	0	-	0	0	0
Profit before tax	(5)	(561)	(1,308)	(258)	80.3	117	-	248	632	991
Tax	(65)	(28)	36	7	-80.4	(3)	-	(7)	(17)	(27)
Profit after tax	(70)	(589)	(1,272)	(251)	80.3	114	-	241	615	964
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(2)	25	92	(15)	-	(38)	-157.7	(56)	(104)	(142)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	(72)	(564)	(1,180)	(266)	77.5	76	-	185	510	822
Net earnings (UBS)	64	(210)	(255)	(266)	-4.1	76	-	185	510	822
Tax rate (%)	-	-	-	-	-	2.7	-	2.7	2.7	2.7
Per share (US\$)										
EPS (UBS, diluted)	0.28	(0.87)	(0.95)	(0.98)	-3.4	0.23	-	0.57	1.58	2.53
EPS (local GAAP, diluted)	(0.31)	(2.33)	(4.39)	(0.98)	77.7	0.23	-	0.57	1.58	2.53
EPS (UBS, basic)	0.28	(0.87)	(0.95)	(0.98)	-3.7	0.24	-	0.58	1.59	2.56
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	1.33	0.24	0.38	0.92	141.6	2.73	196.2	3.17	4.00	5.45
Book value per share	2.49	0.87	0.86	5.72	NM	16.35	185.8	29.47	37.52	47.78
Average shares (diluted)	231.76	241.65	268.79	270.68	0.7	321.68	18.8	322.68	323.68	324.68
Balance sheet (US\$m)										
Cash and equivalents	645	902	1,230	1,429	16.1	1,681	17.7	2,630	4,046	6,061
Other current assets	814	1,483	1,558	904	-41.9	1,800	99.0	2,060	2,474	2,847
Total current assets	1,459	2,385	2,788	2,333	-16.3	3,481	49.2	4,690	6,519	8,908
Net tangible fixed assets	2,673	3,123	7,074	10,090	42.6	17,201	70.5	25,112	30,862	35,998
Net intangible fixed assets	114	117	660	660	0.0	660	0.0	660	660	660
Investments / other assets	455	1,056	978	403	-58.8	403	0.0	403	403	403
Total assets	4,702	6,681	11,500	13,486	17.3	21,744	61.2	30,864	38,444	45,969
Trade payables & other ST liabilities	1,035	1,492	2,065	1,166	-43.5	1,295	11.1	1,415	1,724	1,955
Short term debt	101	398	1,080	1,080	0.00	1,080	0.00	1,080	1,080	1,080
Total current liabilities	1,136	1,889	3,145	2,246	-28.6	2,375	5.7	2,495	2,804	3,035
Long term debt	759	0	0	0	-	0	-	0	0	0
Other long term liabilities	2,130	4,450	6,870	9,013	31.2	13,456	49.3	18,243	22,920	26,921
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	4,024	6,339	10,015	11,259	12.4	15,831	40.6	20,738	25,724	29,956
Common s/h equity	575	232	233	1,543	NM	5,229	238.8	9,442	12,036	15,329
Minority interests	102	109	1,252	684	-45.4	684	0.0	684	684	684
Total liabilities & equity	4,702	6,681	11,500	13,486	17.3	21,744	61.2	30,864	38,444	45,969
Cash flow (US\$m)										
Net income (before pref divs)	(72)	(564)	(1,180)	(266)	77.5	76	-	185	510	822
Depreciation & amortization	245	268	357	515	44.0	801	55.7	838	784	949
Net change in working capital	(513)	(485)	(151)	(25)	83.7	(766)	NM	(140)	(104)	(142)
Other operating	0	124	296	15	-95.0	38	157.7	56	104	142
Operating cash flow	(340)	(657)	(678)	239	-	149	-37.8	939	1,295	1,770
Tangible capital expenditure	(138)	(133)	(230)	(4,500)	NM	(7,912)	-75.8	(8,749)	(6,535)	(6,084)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	(7)	(719)	371	-	0	-	0	0	0
Other investing	0	1	(46)	0	-	0	-	0	0	0
Investing cash flow	(138)	(139)	(995)	(4,129)	-315.2	(7,912)	-91.6	(8,749)	(6,535)	(6,084)
Equity dividends paid	0	0	0	0	-	0	-	0	0	0
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	0	(220)	(183)	84	-	99	17.69	123	147	168
Change in debt & pref shares	0	1,606	2,698	2,652	-1.69	4,444	67.57	4,787	4,677	4,001
Financing cash flow	0	1,386	2,515	2,736	8.8	4,543	66.0	4,909	4,824	4,170
Cash flow inc/(dec) in cash	(479)	590	842	(1,154)	-	(3,221)	-179.1	(2,901)	(416)	(144)
FX / non cash items	413	(334)	(514)	1,353	-	3,473	156.8	3,849	1,832	2,160
Balance sheet inc/(dec) in cash	(66)	257	328	199	-39.5	252	27.0	949	1,416	2,016

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

SunEdison Inc. (SUNE.N)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	NM	NM	NM	NM	NM	55.2	20.1	12.5
P/E (UBS, diluted)	11.0	(8.8)	(20.2)	(32.3)	NM	55.2	20.1	12.5
P/CEPS	2.3	31.7	50.3	34.3	11.5	9.9	7.8	5.7
Equity FCF (UBS) yield %	(68.2)	(44.6)	(17.7)	(49.4)	(90.0)	(90.6)	(60.8)	(50.0)
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV x	1.2	8.8	22.4	5.5	1.9	1.1	0.8	0.7
EV/revenues (core)	0.3	0.7	2.0	6.2	5.2	4.6	3.4	2.9
EV/EBITDA (core)	3.0	44.3	-27.1	11.9	5.3	4.2	3.2	2.5
EV/EBIT (core)	21.4	NM	NM	NM	10.3	7.0	4.6	3.5
EV/OpFCF (core)	3.9	NM	NM	13.0	5.5	4.3	3.3	2.6
EV/op. invested capital	0.4	0.7	0.9	1.0	0.6	0.4	0.3	0.2
Enterprise value (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	703	1,770	5,125	8,623	8,623	8,623	8,623	8,623
Net debt (cash)	(12)	(12)	(221)	(117)	(117)	(117)	(117)	(117)
Buy out of minorities	130	130	130	130	130	130	130	130
Pension provisions/other	78	78	78	78	78	78	78	78
Total enterprise value	898	1,966	5,113	8,714	8,714	8,714	8,714	8,714
Non core assets	(50)	(115)	(149)	0	0	0	0	0
Core enterprise value	849	1,851	4,963	8,714	8,714	8,714	8,714	8,714
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	-11.5	-11.0	-2.8	-43.5	18.6	14.6	32.7	18.4
EBITDA (UBS)	13.7	-85.3	-	-	125.0	26.8	28.6	28.0
EBIT (UBS)	72.2	-	-138.6	-	NM	47.8	52.1	30.9
EPS (UBS, diluted)	41.1	-	-9.1	-3.4	-	144.1	175.1	60.5
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	14.4	8.1	8.9	54.2	NM	NM	NM	NM
EBITDA margin	9.9	1.6	NM	52.1	NM	NM	NM	NM
EBIT margin	1.4	-8.9	-21.8	15.5	50.8	65.5	75.1	83.0
Net earnings (UBS) margin	2.2	NM	NM	NM	4.5	9.7	20.2	27.4
ROIC (EBIT)	1.7	(8.2)	(10.3)	2.4	5.8	5.5	6.4	7.0
ROIC post tax	-	-	-	-	5.6	5.4	6.2	6.8
ROE (UBS)	9.7	(52.1)	(109.7)	(29.9)	2.2	2.5	4.8	6.0
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	1.0	(9.9)	0.1	(0.3)	(0.3)	(0.6)	(1.0)	(1.3)
Net debt / total equity %	41.2	(121.3)	(1.8)	(9.3)	(7.3)	(12.7)	(20.1)	(27.3)
Net debt / (net debt + total equity) %	29.2	NM	(1.9)	(10.2)	(7.9)	(14.6)	(25.2)	(37.6)
Net debt/EV %	32.9	(22.4)	(0.6)	(2.4)	(5.0)	(14.8)	(29.4)	(50.2)
Capex / depreciation %	56.5	49.6	64.2	NM	NM	NM	NM	NM
Capex / revenue %	4.8	5.2	9.2	NM	NM	NM	NM	NM
EBIT / net interest	0.3	NM	NM	0.5	1.2	1.2	1.5	1.7
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	2,870	2,556	2,484	1,403	1,663	1,906	2,530	2,996
Total	2,870	2,556	2,484	1,403	1,663	1,906	2,530	2,996
EBIT (UBS) by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	40	(226)	(540)	217	845	1,249	1,900	2,487
Total	40	(226)	(540)	217	845	1,249	1,900	2,487

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+23.2%
Forecast dividend yield	0.0%
Forecast stock return	+23.2%
Market return assumption	5.7%
Forecast excess return	+17.5%

Statement of Risk

SunEdison is exposed to supply/demand imbalances which are heavily impacted by local and national government incentives. Demand for solar is still dependent on government subsidies such as tax rebates or feed-in tariffs. Any material change in an individual country's position on support for solar energy could have a negative impact on the growth of the solar market. SunEdison's expansion plans are also driven by expected cost reductions in renewable energy system equipment. Additionally, adoption of renewable energy generation is associated with the costs of incumbent generation sources and will be heavily impacted by any large swing in the costs of these energy sources.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	45%	36%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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UBS Securities LLC: Julien Dumoulin-Smith; Michael Weinstein; Paul Zimbardo.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
SunEdison Inc. ^{13, 16}	SUNE.N	Buy	N/A	US\$31.66	20 Jul 2015

Source: UBS. All prices as of local market close.

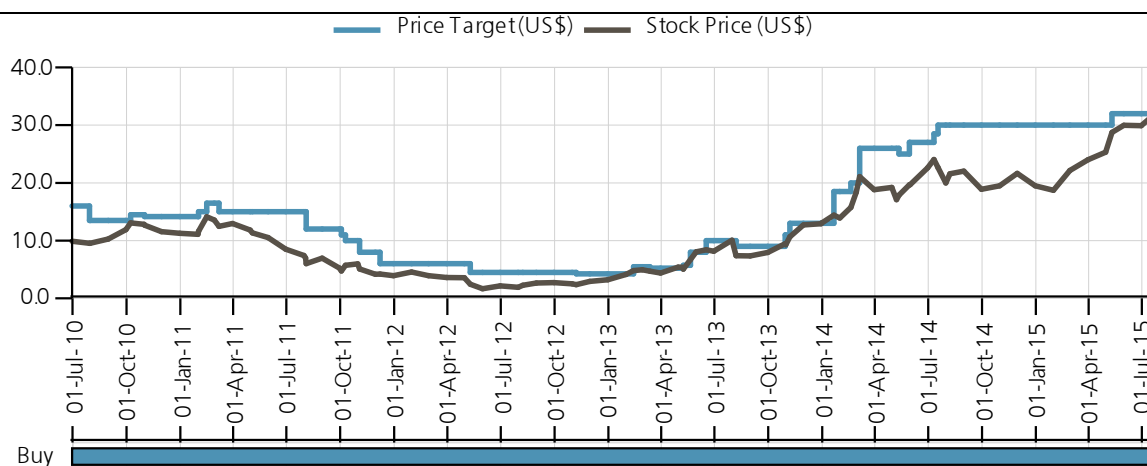
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

SunEdison Inc. (US\$)



Source: UBS; as of 20 Jul 2015

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