

# SunEdison Inc.

## Bent But Not Broken

### Too many questions with not enough answers: Downgrade to Neutral

Although shares are off ~40% since the 2Q earnings call, we cannot recommend investors attempt to catch a falling knife in this risk-off market environment. Investor debates continue but with the absence of clear public answers from management, without a catalyst to reverse the negative trend. We have seen natural interest from new buyers but with a steep learning curve, we do not expect near-term relief. We reiterate that there is still fundamental value if SUNE can simply achieve its stated targets (back to the \$30s) but ex-GP splits our valuation is ~\$6 and with many investors losing confidence we think the outlook could get worse before it gets better.

### SUNE moves on warehouse and preferred stock: Can it increase confidence?

Following the latest moves to improve the balance sheet (Dominion deal, preferred stock, and warehouse), the investment debate has returned to where it started last month: can SUNE simultaneously generate EBITDA margins at the DevCo and make drop-downs into its YieldCos accretive? We once again assume more 'normal' ~17% utility-scale gross margins, but suspect drops may continue to push this lower. Mgmt affirmed its ability to achieve TERP's 2016 DPS implying that the IDRs are still achievable but we question the sustainability and growth beyond that point. With respect to TERP's value creation, we see a fundamental challenge in securing deals with IRRs > cost of capital with latest calc'd WACC seemingly ~9.3% vs >9% levered IRR guidance.

### Call on margin loan but still appears to be sufficient collateral

Details on the \$410Mn margin loan secured by SUNE's TERP LP and GP interest remain scarce but we understand that there has been a margin call made which management has satisfied. SUNE has taken steps to restructure the loan (we suspect increasing TERP collateral) which it believes will prevent any disruptions to the business going forward. The original loan agreement requires a 50% minimum loan-to-value ratio implying \$205Mn TERP value must be maintained (~9Mn LP shares).

### Valuation: Reduce Price Target \$9 to \$11 as GP value is restrained

Valuation is based on SOTP. We detail the moving pieces on P.6 but the largest change was an \$8 reduction in our TERP GP valuation given concerns about long-term sustainable growth given the cost of capital and competitive environment.

## Equities

Americas

Electric Components &amp; Equipment

**12-month rating** **Neutral**  
*Prior: Buy*
**12m price target** **US\$11.00**  
*Prior: US\$20.00*
**Price** **US\$10.73**
**RIC:** SUNE.N **BBG:** SUNE US

### Trading data and key metrics

<b>52-wk range</b>	US\$32.13-10.72
<b>Market cap.</b>	US\$2.92bn
<b>Shares o/s</b>	272m (COM)
<b>Free float</b>	99%
<b>Avg. daily volume ('000)</b>	3,190
<b>Avg. daily value (m)</b>	US\$69.9
<b>Common s/h equity (12/15E)</b>	US\$1.32bn
<b>P/BV (12/15E)</b>	1.2x
<b>Net debt / EBITDA (12/15E)</b>	0.4x

### EPS (UBS, diluted) (US\$)

	12/15E			
	From	To	% ch	Cons.
<b>Q1</b>	(0.45)	(0.76)	-66.86	(1.36)
<b>Q2</b>	(0.42)	(0.88)	-109.48	(0.93)
<b>Q3E</b>	(0.38)	(0.81)	-112.11	(0.64)
<b>Q4E</b>	(0.40)	0.81	301.85	(0.64)
<b>12/15E</b>	(1.66)	(1.59)	4.30	(3.47)
<b>12/16E</b>	(0.93)	(1.80)	-93.12	(1.99)
<b>12/17E</b>	(0.34)	(1.19)	-250.14	(1.92)

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Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
<b>Revenues</b>	2,870	2,556	2,484	1,403	1,663	1,906	2,530	2,996
<b>EBIT (UBS)</b>	40	(226)	(540)	(8)	183	670	1,308	1,926
<b>Net earnings (UBS)</b>	64	(210)	(255)	(484)	(568)	(378)	(65)	277
<b>EPS (UBS, diluted) (US\$)</b>	0.28	(0.87)	(0.95)	(1.59)	(1.80)	(1.19)	(0.20)	0.87
<b>DPS (US\$)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net (debt) / cash</b>	(279)	414	27	(185)	(227)	175	1,030	2,599
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
<b>EBIT margin %</b>	1.4	-8.9	-21.8	-0.6	11.0	35.1	51.7	64.3
<b>ROIC (EBIT) %</b>	1.7	(8.2)	(10.3)	(0.1)	1.3	3.0	4.4	5.5
<b>EV/EBITDA (core) x</b>	3.0	44.3	-27.1	6.3	3.3	2.1	1.5	1.1
<b>P/E (UBS, diluted) x</b>	11.0	(8.8)	(20.2)	(6.8)	(6.0)	(9.0)	(52.9)	12.4
<b>Equity FCF (UBS) yield %</b>	(68.2)	(44.6)	(17.7)	(160.6)	(275.9)	(286.5)	(199.0)	(166.3)
<b>Net dividend yield %</b>	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\$10.73 on 24 Aug 2015 19:38 EDT

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# Investment Thesis

## SunEdison Inc.

### Investment case

SunEdison (SUNE) is a solar development growth company that currently sponsors two YieldCos, Terraform Power (TERP) and TerraForm Global (GLBL). SUNE still has exposure to manufacturing via its ownership in a small poly manufacturing plant within SUNE, SMP. Additionally, SUNE is active in third-party M&A and has completed numerous deals in the past year, notably First Wind and Vivint Solar (pending). SunEdison discloses 15.7GW of conversion weighted development opportunities which it estimates can generate \$2.5Bn of cash available for distribution.

### Upside scenario

Our upside scenario is premised on SUNE's ability to: meet its development expectations (volume and margins), fulfil its working capital requirements, and execute accretive growth at its two YieldCos. In our upside scenario, we see shares rising to \$38.

### Downside scenario

We see downside to shares if SUNE is not able to develop assets consistently in the future, development margins compress greatly due to competition, SUNE isn't able to meet working capital requirements—curtailing growth, and EM YieldCos target markets don't develop as expected. We see shares declining to \$0/sh with liabilities outnumbering assets.

### Upcoming catalysts

October	Expected 3Q15 Earnings Release
4Q15	Expected Close of VSLR Transaction

12-month rating

**Neutral**

12m price target

**US\$11.00**

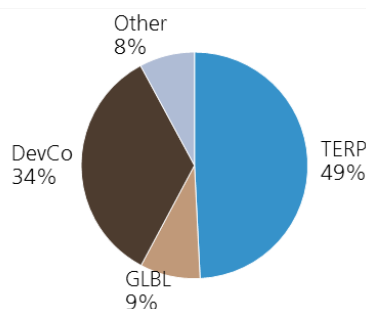
### Business description

SunEdison (SUNE) is a global developer of renewable projects, primarily wind and solar, in North America, Europe, Asia, Latin America, Middle East and Africa. Its solar assets range from utility-scale to commercial & industrial and residential. Projects are developed to sell to third parties as well as the two YieldCos created, TerraForm Power (TERP) and TerraForm Global (GLBL). Its other business lines include solar and wind servicing. SunEdison has spun off its stake in SunEdison Semiconductor (SEMI). SUNE was previously known as MEMC Electronic Materials.

### Industry outlook

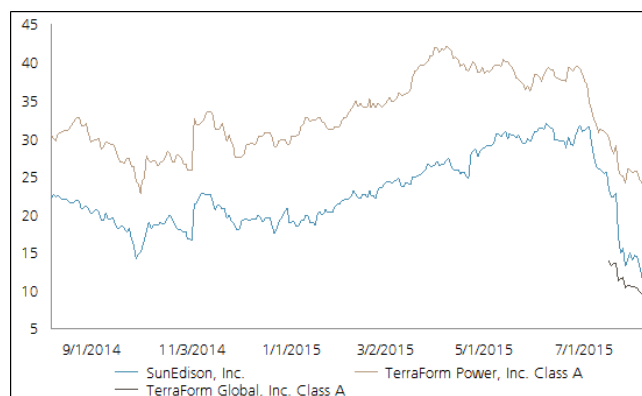
The renewable energy market in the US received an initial push by the government via Renewable Portfolio Standards and the ITC, along with other jurisdictional incentives like Net Energy Metering and tax breaks for renewable adoption. As a result of declining equipment costs in the solar sector, the growth of solar is not expected to be thwarted in the long term as a result of the ITC's anticipated removal. Conversely, the solar market is projected to grow substantially in the next 10 years as a result of the expected continued cost declines. Utilities will have a significant impact on the pace and sustainability of renewable growth in the long-term as the viability of the DG sector is predicated by decisions surrounding Net Energy Metering. Post-2016, we see many utilities entering residential solar and benefitting from system ownership, as well as developing utility-scale projects in-house.

### Valuation Summary (% Excluding Parent Obligations)



Source: FactSet

### One-Year Performance



Source: FactSet

# Outlook Far Less Sunny

After management has pulled levers to increase confidence (Dominion deal and warehouses primarily), *why are we downgrading now?* A lot has changed in the last two weeks, notably continued deterioration in the YieldCo's costs of capital and SunEdison's convertible securities no longer being 'in-the-money' driving dilution. Although the liquidity scare has been largely cured, we still do not see a fundamental solution to facilitate growth at TerraForm Power (TERP) beyond 2018. As TERP is forced to tap the financial markets again if its cost of capital does not improve (seemingly greater than the WACC of projects it has executed to date) we see SunEdison shares as forced to return to a more traditional developer, garnering margins on sales to third-parties (of which there are *clearly* a multitude of willing buyers). We admit that 2018 is quite far off and management guides to no equity issuances being necessary to achieve its 2016 guidance at TERP. This lack of visibility into growth manifests itself by our reduction in the Incentive Distribution Rights value in our model (-\$8/sh) to a still healthy \$6/sh. We previously applied a healthy 20x CF multiple to the IDR value in 2019 which we have reduced to 15x based upon MLP comp set (see full table below).

We believe that management can take steps to help better articulate the value in shares but awaiting a more decisive turnaround we are returning to the sidelines.

## Can TERP overcome its cost of capital?

**Is the YieldCo model broken? No. Bent, but not broken in our view.**

With liquidity concerns easing for now, the focus returns squarely to the fundamentals of whether TERP can buy assets with levered IRRs greater than its cost of capital. In its 2Q15 Presentation TerraForm management cites a 7.28% cost of equity premised on a 0.72 beta representing the "mean of YieldCo and infrastructure peers" and a weighted average cost of capital (WACC) of 6.64%. This WACC ex pre-IDRs and management guides to it increasing to 7.31% at a \$2.71/sh dividend per share level.

Utilizing the adjusted Beta from Bloomberg for TERP derives a higher cost of capital than SunEdison's 2Q presentation.

While management's rationale for utilizing a below-average Beta has logic (low commodity exposure with long weighted average contract lives), the actual beta observed for YieldCos has been closer to 1.0 given the volatility and dependency on the capital markets. Simply put, YieldCo investors are demanding higher returns given the above-average risk inherent in these equities today. **When utilizing TERP's actual observed adjusted beta vs S&P 500 and management's assumption of equity risk premium, we calculate a 9.3% WACC for TERP.** This compares with a target 9% levered IRR per the Analyst Day and a historical weighted average yield (not IRR) of 8.3%. We elaborate on this point subsequently in the note but we believe this trend will necessitate SunEdison sacrificing more margin to support the YieldCos, as it said it would on the call.

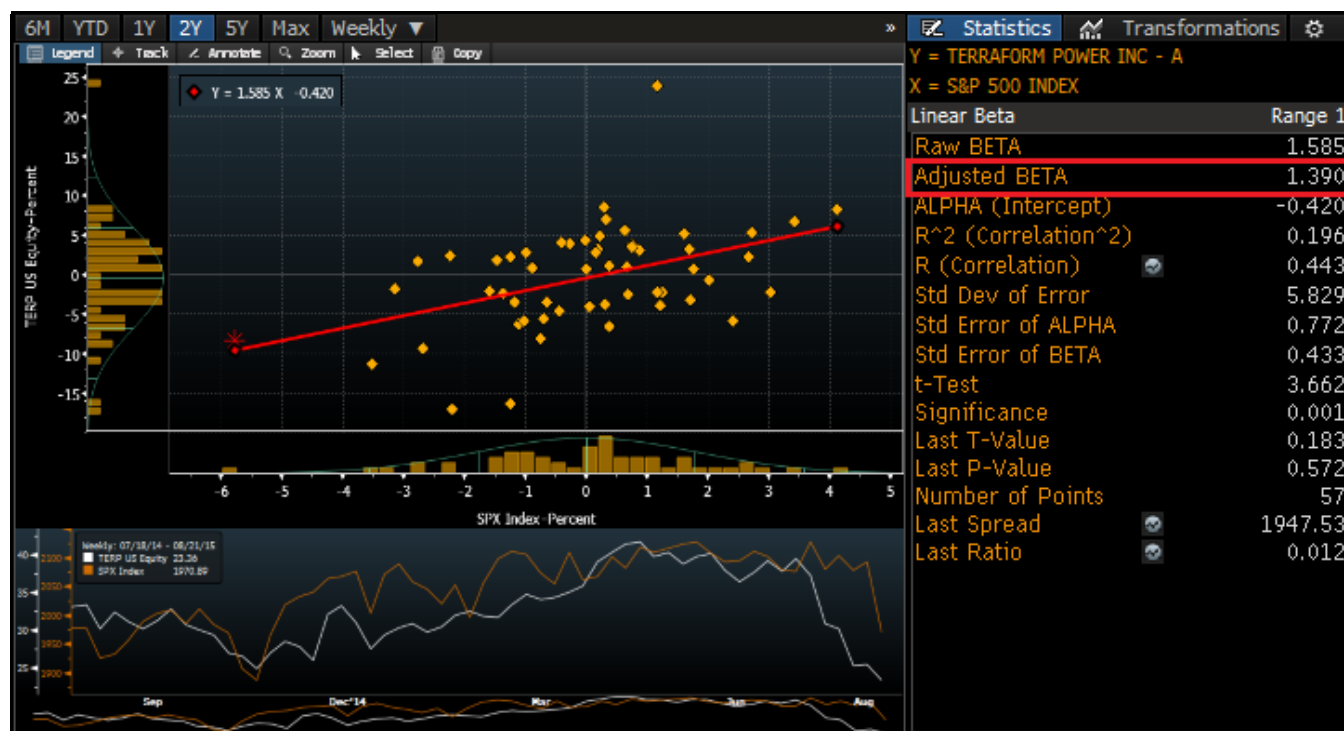
**Figure 1: YieldCo UBSe Weighted Average Cost of Capital**

Weighted Average Cost of Capital (WACC)					
Analysis	Cost of Equity	%Equity	Cost of Debt	%Debt	WACC
UBSe	11.50%	58%	6.33%	42%	9.3%
Mgmt. Guidance	7.28%	50%	6.00%	50%	6.6%
Analysis	Risk-Free	Beta	Risk Premium Cost of Equity		
UBSe	2.40%	1.39	6.55%	11.50%	
Mgmt. Guidance	2.59%	0.72	6.55%	7.28%	

Source: Bloomberg, FactSet, Company Filings, and UBS Estimates

We utilize the adjusted Beta of 1.39 relative to S&P 500 as displayed below via Bloomberg.

Figure 2: TERP Historical Beta Analysis – Two-Year Weekly Beta (8/24/13-8/24/2015)



Source: Bloomberg

## How can management portray the story better to increase investor comfort?

**(1) Enhance disclosure transparency:** We have heard from many investors following the 50% decline in SUNE that they would consider getting involved on the long side but we see the steep learning curve as limiting the ability of 'new money' to get comfort with the story. Furthermore, even many bulls on SunEdison seemingly lack conviction given the complex nature of consolidated financial statements and lack of opacity on returns. For example, the debate should not revolve around seemingly simple items including but not limited to (1) the cash balance at the SunEdison level; (2) whether forgone margins are on a gross or net basis; and (3) how much debt is actually recourse to SunEdison. Additional color on the margin loan and other borrowings with TerraForm shares used as collateral would be well received.

Solar investments are complex story and we see ways for management to provide additional disclosures to help with the learning curve.

**(2) Disclose IRR on TERP and GBL project acquisitions and assumptions:** Investor focus in the Solar/YieldCo world was quick to gravitate from retained value (NPV or IRR) to equity yields (CAFD / Equity) but following the mixed return picture in the Vivint transaction we see returning to a Finance 101 focus on IRRs. When initially asked about the IRRs on the Vivint deal TERP management instead pointed towards the cash-on-cash yield, downplaying the IRR. It was not until further pressed that TERP disclosed (2Q15 Slide 18) the IRR and underlying assumptions to drive a levered IRR greater than the WACC. For example, we calculated the base IRR ex-renewal and ex-repowering at ~5.6% and ex-repowering management has to embed a 75% renewal assumption to drive a 9% levered IRR. In its disclosures management

Figure 3: Vivint Scenario IRRs

Vivint IRRs		
Renewal Assumption %	Levered IRR	Levered IRR Assuming Repowering
10%	6.80%	7.90%
25%	6.80%	9.40%
50%	8.10%	10.90%
75%	9.00%	11.90%
90%	9.40%	12.60%

Source:

has compared weighted average yields to WACC rather than comparing average IRR to WACC which has been a source of further confusion amongst investors.

**(3) Provide more clarity into Global growth plans:** The debate regarding whether TerraForm Power (TERP) can continue to grow rages on but the market has already seemingly arrived at the consensus for the new TerraForm Global (GLBL); it seems investors do not believe the growth targets are achievable at the Emerging Markets YieldCo. We appreciate that management has been limited in its ability to provide updates following the IPO (quiet period for GLBL expires at month end) but with expectations so low for GLBL ironically any favorable disclosures could unlock value the easiest. We see expectations here as potentially modest vs. disclosed developer return profiles. Please see our latest joint report on the Indian market outlook [here](#).

It is true that there is an insignificant fundamental correlation between oil prices and US electric generation but there is indeed a relationship in emerging markets which rely more heavily on oil-fired sources. With oil declining below the \$40/barrel level, we would expect the economics of renewables to suffer, potentially delaying the sense of urgency in counterparties installing solar. Factor in the high cost of capital for GLBL (11.6% run-rate 2015 yield [\$1.10 DPS guidance] and 8%+ cost of debt; beta not yet available) and we see a challenged outlook for the subsidiary.

**Global subsidiary is now trading well below the IPO price (\$15/sh) as management faces early headwinds.**

**GLBL has 1.8GW of asset potential in China (167MW initial portfolio and 1,628MW call rights).**

#### \$650Mn convertible preferred offering value accrues to common equity

SunEdison announced that it will be offering 650,000 of perpetual convertible preferred stock raising \$650Mn (\$626Mn after offer costs) with a 6.75% yield; this compares to an initial announcement of \$500Mn offering. The preferred stock will be redeemable for 56.77 shares of common stock which translates to an initial conversion price of ~\$17.62 (\$1,000 par / 56.77 common shares). Proceeds will go towards general corporate purposes including funding working capital and management stated that proceeds will not be utilized to finance the pending Vivint Solar (VSLR) acquisition. The first distribution payment will be made in December.

**We see this as a positive announcement by SUNE, as it will provide much needed liquidity to the company to fund their needs into early 2016 but the low strike price limits the upside.**

The preferred stock issuance with a \$17.62/sh conversion price was a bit surprising as management has stated that it plans to avoid equity issuances. The preferred equity is now trading at \$959/sh, declining 4% following SunEdison latest slide.

**Figure 4: SunEdison Convertible Securities**

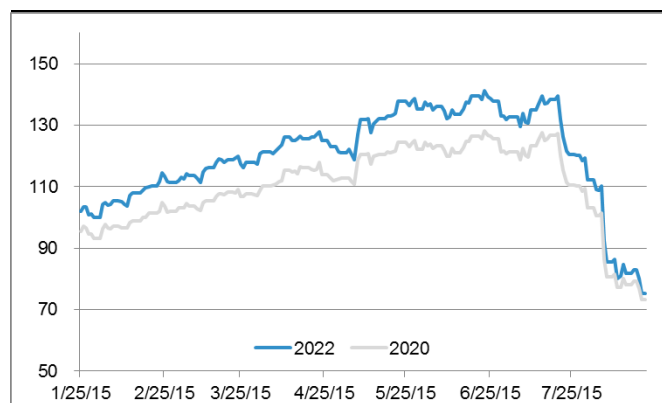
CUSIP	Instrument	Issue Date	Principal (\$Mn)	Interest	Due	Current Price	Conversion Rate	Implied Conversion Price at PAR	Implied Conversion Price at Current Price	Vs Current Stock Price
SDSNP	Preferred	August 2015	\$650	6.75%	N/A	\$959.48	56.7666	\$17.62	\$16.90	52%
86732YAJ	Debt	May 2015	\$375	2.63%	2023	\$65.56	25.8705	\$38.65	\$25.34	128%
86732YAK	Debt	May 2015	\$375	3.38%	2025	\$65.44	25.8705	\$38.65	\$25.29	128%
86732YAG	Debt	January 2015	\$400	2.38%	2022	\$75.38	39.6118	\$25.25	\$19.03	71%
86732YAE	Debt	June 2014	\$500	0.25%	2020	\$73.38	37.2148	\$26.87	\$19.72	78%
86732YAC	Debt	December 2013	\$500	2.00%	2018	\$105.75	68.3796	\$14.62	\$15.47	39%
86732YAD	Debt	December 2013	\$500	2.75%	2021	\$103.50	68.3796	\$14.62	\$15.14	36%

Source: Company Filings and FactSet

Below we show that the 2020 notes have fallen materially below par value with an implied \$26.87 conversion price at par. At par value the 2018 and 2021 convertible notes are now below their conversion price (\$14.62 vs ~\$14.50 SUNE price) and are trading above par currently due to the volatility embedded in the

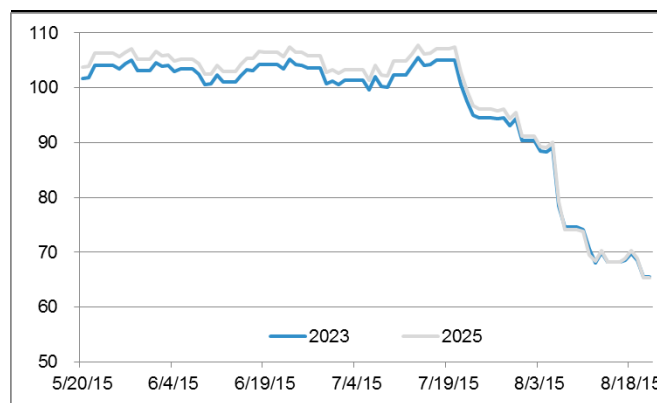
implied option. While the converts would appear to reflect concern around credit, despite the meaningful reduction in equity value of late, our SOP firmly shows intact value through a variety of outcomes. Rather, we attribute the slump in converts to a search for income in both a wider credit market environment and desire for current return amidst lower probabilities of participating in equity upside.

**Figure 5: 2020 and 2022 SunEdison Debt**



Source: FactSet

**Figure 6: 2018 and 2021 SunEdison Debt**



Source: FactSet

## What could turn around SUNE to the upside?

- **Reducing equity needs (further):** We suspect management may yet attempt to substantially reduce equity needs at the parent to fund its latest acquisitions, including Vivint. While more debt, rather than a reduction in the terms is more likely, at least this would limit the need to incur more dilution.
- **Reducing 2017 growth ambitions – and opex, by a lot:** As part of mgmt's aims to turn the company around, a reduction in capex plans would likely be perceived constructively, as potential corresponding deceleration in O&M in 2016 (off the \$0.22/Watt guidance, implying \$925 Mn/yr) would likely bring mgmt far closer to hitting its FCF positive target alongside easing burden on the need to continue to tap the capital markets for incremental working capital facilities (via warehouses). Without being rewarded for the growth in its shares, committing to such substantial growth appears potentially unnecessary. Admittedly, the question remains one of discrete economics around how much capital has already been committed, and/or what the incremental capital requirements truly are to achieving the stated incremental growth projects.
- **The Vivint deal getting restructured:** With SUNE's prospects seemingly hamstrung in part by the terms of the Vivint (VSLR) acquisition, we suspect there could yet be an eventual restructuring of this transition. This appears to be a key potential driver of real equity value to shares. While we remain fundamentally supportive of an eventual diversification into residential solar, we see the Street's close focus on overall FCF profile as potentially standing in contrast to the questionably FCF breakeven Devco business in 2016.
- **A restructuring or delay of the IDRs:** Lastly, we see any 'delay' in accretion of IDR benefits as a last resort to ensure that TERP can 'prove out' that drop-downs work under existing economics before re-mounting the campaign to grow the entity into the high splits once more. While we still reflect GP value in our SOP, we suspect the Street may increasingly discount any perceived value in shares. Recutting the dividend would likely immediately re-hash the value



proposition. We also emphasize that we are maintaining our Buy rating on TERP shares despite our latest SUNE rating change.

## Fending Off the Bears

We offer two observations to stem downside concerns raised by the key bears:

- **There are more opportunities now – than ever – to develop and sell projects to third parties.** The YieldCo phenomenon is clearly not limited to SUNE-TERP, and with a litany of *other* YieldCo and utility investors keen to buy projects as early as Notice-to-Proceed (NTP) – and likely only then at a slight discount, there's a deep liquid market to rapidly turnover capital if need be. While this isn't our base case, we see a ready market to tap to both illustrate reasonable margins and enhance liquidity as the likely next key datapoint in the story. *Bottom line, third party sales are potentially a (quick) source of liquidity to fund SUNE development if necessary – particularly given tighter working capital considerations.*
- **Projects can finance off PPA value:** Furthering our point on depth in the renewable market, we emphasize that mgmt's strategy to effectively fund working capital off the value of its PPAs is realistic. We see the underlying value of the PPAs – and ensuing projects - as suitable to raise project level financing. Rather, the key question remains the cost of the corresponding equity piece (eg – the equity infusion from the Goldman warehouse) to finance the transaction.

## What remains our focus on execution--

- **Reaching the FCF positive juncture in 2016:** Among the prospective points – we see the latest warehouse and perpetual convert as reducing the ability for management to in turn make good on its transition to a FCF positive company by 4Q15. Our latest FCF profile below showing margins of 16% and new total interest expense show SUNE as modestly FCF positive now in 2016E prior to netting out any further working capital requirements. Bottom line, illustrating how and executing on this goal remains critical – and is likely to increasingly be mgmt's stated ambition.
- **Addressing the margin loan for TERP shares:** Among the growing focuses for SUNE is its outstanding \$410 Mn margin loan against TERP shares. While we're not concerned around a call on the assets (or a *further* call rather, seeing one as already having been recently cured), the risk relates to whether shares in TERP would be immediately fully or even partially liquidated to satisfy any capital calls. More broadly, we see characterization of debt between *recourse* and *non-recourse* in recent disclosures as potentially reducing mgmt credibility as it seeks to reassure investors that its prospective margins are indeed as good as contemplated. Bottom line, while we suspect SUNE will continue to expand commitments to prevent further margin loan erosion, this is likely to provide a modest negative update on subsequent SOP updates.

Reaching the FCF positive threshold is key to address bear concerns

# Valuation: Downgrade to Neutral; Reduce Price Target to \$11

We show our summary sum-of-the-parts and below we detail the primary adjustments to our valuation since our previous note (amounts have been rounded to the nearest \$0.50/sh increment).

Figure 7: SunEdison Summary Valuation

SunEdison Valuation UBSe		Downside	Base	Upside
TERP LP Ownership Interest - Using UBS Price Target				
TERP LP Value to SUNE		\$3.04	\$5.70	\$7.98
Current Share Price (for Comparison) - and Corresponding Value/sh	\$23.43		\$4.45	
TERP GP Ownership Interest				
TERP GP Value to SUNE		\$1.79	\$6.24	\$13.77
GLBL LP Ownership Interest				
GLBL LP Value to SUNE		\$1.53	\$1.70	\$1.86
GLBL GP Ownership Interest				
GLBL GP Value to SUNE		\$0.07	\$0.39	\$3.99
DevCo Value --> Step-up Value as Dropped from SUNE to TERP				
Value to SUNE		(\$1.51)	\$7.30	\$19.42
Solar and Wind Servicing				
Value to SUNE		\$0.43	\$1.58	\$2.36
Non-TERP Projects Sold to Third Parties				
Value to SUNE		\$0.25	\$0.34	\$0.42
Parent Obligations				
Obligation of SUNE		(\$11.76)	(\$11.76)	(\$11.76)
SUNE Equity Value per Share		\$0	\$11	\$38
Upside/(Downside)		-100%	2%	240%

Source: Company Filings and UBS Estimates

## ▪ Ownership in TerraForm Power (TERP) LP: **-\$0.50**

- We have reduced our Price Target for TerraForm to \$30 from \$34 primarily due to yet another increase in our dilution assumption as the stock continues to decline. We value TERP with a 2018E dividend per share yield with \$2.11/sh in 2018 representing a slight YoY growth compared with TERP management's \$2.05 2017 guidance.

## ▪ Ownership in TerraForm Power (TERP) GP: **-\$8.00**

- Our reduction in IDR value reflects declining confidence as the weighted average cost of capital increases while project returns face greater competition. We have moved our base case IDR year to 2018 from 2019 which reduces the valuation by \$7/sh. The comp multiple from our MLP team shows a contraction to 15x cash flows from 20x previously, driving a further \$1/sh reduction to our valuation estimate.



Figure 8: MLP General Partners Comp Sheet as of August 24, 2015

	Ticker	UBS Rating	Unit Price		Price / DCF	
			Current	Target	2015e	2016e
General Partners						
Columbia Pipeline Gr	CPGX	Buy	\$25.76	\$33.00	NA	NA
Crestwood Equity	CEQP	Buy	\$2.78	\$7.00	6.1x	5.0x
Energy Transfer Equity	ETE	Restricted	\$27.50	NA	23.0x	19.7x
EnLink Midstream LLC	ENLC	Neutral	\$22.61	\$29.00	18.6x	16.5x
Kinder Morgan	KMI	Buy	\$31.79	\$46.00	14.0x	12.2x
NuStar GP Holdings	NSH	Buy	\$31.69	\$44.00	14.5x	13.4x
ONEOK	OKE	Neutral	\$34.13	\$38.00	10.8x	10.9x
Plains GP Holdings	PAGP	Neutral	\$18.51	\$20.00	20.3x	19.8x
SemGroup	SEMG	Buy	\$51.72	\$97.00	7.4x	6.3x
Spectra Energy Corp	SE	Neutral	\$27.72	\$37.00	15.0x	16.2x
Targa Resources	TRGP	Buy	\$63.62	\$100.00	12.7x	10.4x
Western Gas Equity	WGP	Neutral	\$53.17	\$64.00	35.8x	28.6x
Williams Cos	WMB	Restricted	\$49.65	NA	19.8x	17.6x
Average					16.5x	14.7x

Source: Company Filings and UBS Estimates

▪ **Ownership in TerraForm Global (GLBL) : -\$0.50**

- GLBL has declined from \$11.60/sh as of our August 11<sup>th</sup> note to \$9.30 as of August 21<sup>st</sup>. The \$2.30/sh fall in GLBL trims ~\$0.40/sh based on SunEdison's ownership.

▪ **Development Company: +\$3.00**

- The gross margin on utility scale projects was increased to 16% from 13%, closer to management's guidance and appropriate in our view following management's disclosure that the Supplemental Datasheet on its website of "foregone margin" represents gross margins. We see 16% as within the expected range of industry peers for 15-20% in third-party transactions, albeit closer to the lower end to recognize wider investor concerns around returns. We see the latest Dominion deal as supportive of a gross margin calculation closer to 20%, but suspect the overall portfolio is likely to be more 'normal' in profile.
- Clarifying a further point on 'gross margins', we emphasize those used in its slides as part of its 2Q deck is *net* of Opex, whereas those reflected in 'forgone margins' is truly *gross* of Opex.
- We suspect shares could see support if returns were consistently shown to be even consistent with those of peers at this 16% range. Rather, part of the recent concern is whether investors will be willing to look past 2q 'forgone margins' on drops to TERP to realize the more *normalized* margin outlook.

▪ **Ownership in SMP Poly Facility: -\$0.50**

- Following the declines in poly prices and weakness in the USD/Won exchange rate, we estimate that equity value at this non-recourse subsidiary is insufficient to meet the \$370Mn SMP Credit Facility obligation. Net-net, while still generating *some* cash margins as best we can tell, we zero out the segment against corresponding debt issuance.

- **Parent Obligations: -\$4.00**

- We have revised our parent obligations component to account for the full face value of obligations due on the convertible notes. We note in SunEdison's Consolidated Debt Overview (2Q15 Slide 41) they present the convertible senior notes net of embedded convertible option value per accounting rules. For example, the \$450Mn 2025 convertible senior notes issued in May are recorded on the balance sheet at \$281Mn net of discount. The 2018 and 2020 convertible notes with a conversion price of \$14.62 are now out-of-the-money and we have restored the \$600Mn remaining obligations. Other adjustments to the net debt balance include adding value for Vivint cash and debt but this was largely value neutral.

- **Preferred Stock Issuance: +\$2.00**

- With an \$11 Price Target we assume that the newly issued Preferred Stock will not be converted (\$17.62/sh conversion price); i.e. the full \$626Mn of proceeds accrues to reduce the net debt balance.

### **What about the growing interest expense?**

We include the consolidated projections for working capital and interest expense in the table below, reflecting the latest issuance – and the meaningfully higher cash burn introduced from the recent converts.

**Figure 9: Working Capital Needs and Parent Interest Expense**

Working Capital Needs	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E
Total Capital Needed Annually (\$ Mn)	4,400	8,960	9,821	9,133	8,494
Warehouse Facility	<u>\$1,500</u>	<u>\$4,500</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
Net Capital to SUNE to Finance	\$2,900	\$4,460	\$4,821	\$4,133	\$3,494
Leverage on SUNE-Financed Development	\$2,175	\$3,345	\$3,616	\$3,100	\$2,621
Equity Working Capital (@ 75% Leverage)	\$725	\$1,115	\$1,205	\$1,033	\$874
Incremental Net Working Capital Needs	\$225	\$390	\$90	(\$172)	(\$160)
Interest Expense on Warehouse @ 8%	(\$120)	(\$360)	(\$400)	(\$400)	(\$400)

Interest	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E
Convertible senior notes due 2020, net of discount	(\$3)	(\$3)	(\$3)	(\$3)	(\$3)
Converts issued in 1Q15 - 2022	(\$11)	(\$11)	(\$11)	(\$11)	(\$11)
Converts issued in 2Q15 - 2023	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)
Converts issued in 2Q15 - 2025	(\$12)	(\$12)	(\$12)	(\$12)	(\$12)
Converts issued in 3Q15 -	(\$11)	(\$44)	(\$44)	(\$44)	(\$44)
Converts issued for Vivint Solar	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)
<b>Total Interest Payment by Segment</b>					
Warehous facility expense (DevCo)	\$120	\$360	\$400	\$400	\$400
Converts	\$90	\$123	\$123	\$117	\$117
Other	\$8	\$8	\$8	\$8	\$8
Margin Loan	\$26	\$26	\$26	\$26	\$26
Seller Note	\$13	\$13	\$13	\$13	\$13
Interest payment Agreement - GLBL	\$80	\$80	\$40	\$30	\$20
Incremental Recourse Debt					
<b>Grand Total Interest Payment</b>	<b>(\$336)</b>	<b>(\$609)</b>	<b>(\$609)</b>	<b>(\$593)</b>	<b>(\$583)</b>
Projections (ex-warehouse)	(\$100)				

Source: Company reports and UBS estimates

### How does this translate to FCF?

We include our latest consolidated FCF for the business, reflecting our latest assumptions of CFO both pre- and post-w/c. We flag our estimates now reflect a 16% gross margin for 2015+ onwards on realized drops. SUNE appears close to garnering positive cash flow in 2016 *despite* the latest interest expense from converts and warehouses. We see real potential for mgmt to achieve a modestly higher margin in 2016 to achieve its started target of positive FCF in 2016.

**Figure 10: SUNE Consolidated FCF Profile**

Total cash flow from ops.	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E
Devco Cash Flow (Sales to TERP)	\$114	\$484	\$577	\$577	\$577
Materials Cash Flow (Samsung JV/Legacy)	(\$30)	\$34	\$34	\$34	\$34
TERP Dividends	\$84	\$99	\$180	\$230	\$298
TERP IDRs	\$0	\$5	\$41	\$165	\$401
Servicing Cash Flow	\$22	\$32	\$52	\$75	\$101
EM YieldCo - Dividends & IDRs	\$0	\$0	\$61	\$109	\$273
Parent Interest Expense	(\$336)	(\$609)	(\$609)	(\$593)	(\$583)
<b>Total cash flow (pre-w/c)</b>	<b>(\$146)</b>	<b>\$45</b>	<b>\$336</b>	<b>\$596</b>	<b>\$1,102</b>
<i>Per share</i>	(\$0.48)	\$0.14	\$1.06	\$1.87	\$3.45
Working Capital	(\$225)	(\$390)	(\$90)		
Proceeds from Sale of SEMI	-				
<b>Total cash flow (post-w/c)</b>	<b>(\$371)</b>	<b>(\$345)</b>	<b>\$246</b>	<b>\$596</b>	<b>\$1,102</b>

Source: Company reports and UBS estimates

## Putting this together with the Devco projections

We include our Devco margins and opex by year to illustrate the margin derived in our consolidated SUNE FCF above. We assume 16% margins through the near term. Opex inflation trajectory in 2017+ remains critical as mgmt achieves targets.

**Figure 11: Devco Projected EBITDA Buildup**

Development Business Model	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E
Utility-Scale MWs Completed	2,200	3,400	4,200	4,200	4,200
Development Cost (\$/W)	\$2.00	\$2.00	\$1.86	\$1.73	\$1.61
Implied Sale Price (\$/W)	\$2.32	\$2.00	\$2.16	\$2.01	\$1.87
Gross Margin (%)	16%	16%	16%	16%	16%
Development Gross Margin	\$704	\$1,088	\$1,250	\$1,162	\$1,081
Resi-Scale MWs Completed		800	800	800	800
Development Cost (\$/kW)		\$2.70	\$2.51	\$2.34	\$2.17
Gross Margin (%)		15%	15%	15%	15%
Gross Margin (\$/W)		\$0.40	\$0.37	\$0.35	\$0.32
Gross Margin (\$ Mn)		\$320	\$298	\$277	\$257
Development Gross Margin	\$704	\$1,408	\$1,548	\$1,439	\$1,338
Opex	(\$590)	(\$924)	(\$970)	(\$970)	(\$970)
Implied \$/W	\$0.27	\$0.22	\$0.19	\$0.19	\$0.19
Opex Inflation		57%	5%	0%	0%
Devco EBITDA	\$114	\$484	\$577	\$469	\$368

Source: Company reports and UBS estimates

## How much cash is there really?

Below we present our pro-forma cash walk for the purpose of our SOP cash walk (abbreviated in our full SOP below). We emphasize the company has substantial cash on its balance sheet at present, largely addressing any lingering concerns of any immediate liquidity impediments.

**Figure 12: Pro-Forma SUNE Cash Walk**

Pro-Forma SUNE Cash Walk	2Q15
2Q15 SunEdison Unrestricted Cash	1,294
2Q15 TerraForm Power Cash	(391)
2Q15 Foreign Cash	(199)
2Q15 Vivint Solar Cash	152
2Q15 Net Cash	856
Net Proceeds from Preferred Stock Issuance	626
<b>Pro-Forma Net Cash</b>	<b>1,482</b>

Source: Company Filings and UBS Estimates

## Turning to our latest consolidated SOP

We include a full breakout of our latest SOP valuation for SUNE, reflecting our latest reduction in price target.

Figure 13: SunEdison Sum-of-the-Parts Valuation – Part 1

SunEdison Valuation UBSe		Downside	Base	Upside
<b>TERP LP Ownership Interest - Using UBS Price Target</b>				
Shares Ow ned (Mn), 2015e		63.0	63.0	63.0
UBSe Price Target		<b>\$16.00</b>	<b>\$30.00</b>	<b>\$42.00</b>
Equity Value (\$ Mn)		\$1,008	\$1,890	\$2,646
<b>TERP LP Value to SUNE</b>		<b>\$3.04</b>	<b>\$5.70</b>	<b>\$7.98</b>
Current Share Price (for Comparison) - and Corresponding Value/sh	\$23.43		\$4.45	
<b>TERP GP Ownership Interest</b>				
		Thru 2017	Thru 2018	Thru 2020
NPV of IDRs & Terminal Value @ 15x CF		\$1.79	\$6.24	\$13.77
<b>TERP GP Value to SUNE</b>		<b>\$1.79</b>	<b>\$6.24</b>	<b>\$13.77</b>
<b>GLBL LP Ownership Interest</b>				
Shares Ow ned (Mn), IPO		60.3	60.3	60.3
TERP Global Current Price Price (\$/sh) - [10% Dow n/Up Scenarios]		<b>\$8.40</b>	<b>\$9.33</b>	<b>\$10.26</b>
Equity Value (\$ Mn)		\$506	\$562	\$618
<b>GLBL LP Value to SUNE</b>		<b>\$1.53</b>	<b>\$1.70</b>	<b>\$1.86</b>
<b>GLBL GP Ownership Interest</b>				
		Thru 2017	Thru 2018	Thru 2020
NPV of IDRs & Terminal Value		\$0.07	\$0.39	\$3.99
<b>GLBL GP Value to SUNE</b>		<b>\$0.07</b>	<b>\$0.39</b>	<b>\$3.99</b>
<b>DevCo Value --&gt; Step-up Value as Dropped from SUNE to TERP</b>				
Utility-Scale Capacity Built (MW) - 2016		3,100	3,400	4,400
\$/Watt Costs		2.00	2.00	2.00
<b>Gross Margin (%)</b>		<b>12%</b>	<b>16%</b>	<b>19%</b>
Implied Margin (\$/Watt)		0.24	0.32	0.38
<b>Utility-Scale Gross Margin (\$ Mn)</b>		<b>744</b>	<b>1,088</b>	<b>1,672</b>
Resi Capacity Built (MW) - 2016		400	800	900
Resi Guidance for 2016			800	
DG Guidance for 2016			1100-1300	
Build Costs (\$/W)		2.70	2.70	2.70
Margin (\$/Watt) - Weighted dow n to reflect 2017 stepdow n		0.20	0.40	0.60
Implied Margin (%)		10%	15%	22%
<b>DG Gross Margin (\$ Mn)</b>		<b>80</b>	<b>320</b>	<b>540</b>
Total MWs			4,200	
Total Guidance for 2016			4200-4500	
Weighted Average Margin		11.8%	15.8%	19.5%
Opex		(924)	(924)	(924)
Opex \$/W Guidance			0.22	
<b>EBITDA</b>		<b>-100</b>	<b>484</b>	<b>1288</b>
<b>EV/EBITDA-&gt; 4-6x Range... Discounted given uncertainty</b>		<b>5.0x</b>	<b>5.0x</b>	<b>5.0x</b>
<b>Implied Value</b>		<b>(500)</b>	<b>2,420</b>	<b>6,440</b>
Implied Value (\$/kW-yr)		(32.26)	0.71	293
<b>Value to SUNE</b>		<b>(\$1.51)</b>	<b>\$7.30</b>	<b>\$19.42</b>

Source: Company Filings, FactSet, and UBS Estimates

Figure 14: SunEdison Sum-of-the-Parts Valuation – Part 2

Solar and Wind Servicing			
	2015 (Today)	2017	2017 Upside
Capacity (MW)	5,000	14,523	14,523
Revenue @ \$20/kW-yr	100	290.46	290.46
EBITDA Margin %	16%	20%	30%
EBITDA	16	58	87
EV/EBITDA	9.0x	9.0x	9.0x
<b>Implied Value</b>	<b>144</b>	<b>523</b>	<b>784</b>
Implied Value (\$/kW-yr)	3	4	6
<b>Value to SUNE</b>	<b>\$0.43</b>	<b>\$1.58</b>	<b>\$2.36</b>
Non-TERP Projects Sold to Third Parties			
Capacity (MW)		280	
EV (\$/kW)		\$2,000	
Developer Margin (%)	15%	20%	25%
Market Value of Equity to SUNE	\$84	\$112	\$140
Shares Outstanding	332	332	332
<b>Value to SUNE</b>	<b>\$0.25</b>	<b>\$0.34</b>	<b>\$0.42</b>
Parent Obligations			
	Outstanding	Converted	
Convertible senior notes due 2018 (2.00%)	\$300	\$300	
Convertible senior notes due 2020 (0.25%)	\$600	\$0	
Convertible senior notes due 2021 (2.75%)	\$300	\$300	
Convertible senior notes due 2022 (2.375%)	\$460	\$0	
Convertible senior notes due 2023 (2.625%)	\$450		
Convertible senior notes due 2025 (3.375%)	\$450		
Convertible senior notes <u>to be</u> issued for Vivint Acquisition	\$350		
Convertible preferred stock (6.75%)	\$0	\$650	
<b>Total Converts</b>	<b>\$2,910</b>	<b>\$1,250</b>	
Other Credit Facilities	\$266		
Solar Energy recourse financing	\$8		
Assumption of Vivint Long-Term Debt	\$209		
<b>Total Recourse Debt</b>	<b>\$3,393</b>		
Margin Loan due 2017 collateralized w / TERP Shares	\$410		
Exchangeable Notes due 2020 (3.75%) collateralized w / TERP Shares	\$328		
<b>Total Debt Securitized by TERP Stake (First Wind Acquisition)</b>	<b>\$738</b>		
Non-Recourse 1st Lien Term Loan from Vivint Acquisition ( <i>Prospective</i> )	\$500		
GLBL Interest Obligations	\$203		
Earnout Payments to First Wind (NPV of \$510Mn over three years)	\$472		
Interest Payment Due to GLBL's Orosi Project Credit Facilities - 3/31/2015	\$78		
<b>Grand Total Obligations</b>	<b>\$5,383</b>		
2Q Cash Outstanding (SUNE+VSLR-TERP-GLBL)	(\$1,482)		
<b>Net Debt</b>	<b>\$3,901</b>		
<b>Obligation of SUNE</b>	<b>(\$11.76)</b>	<b>(\$11.76)</b>	<b>(\$11.76)</b>
<b>SUNE Equity Value per Share</b>	<b>\$0</b>	<b>\$11</b>	<b>\$38</b>
<b>Upside/(Downside)</b>	<b>-100%</b>	<b>2%</b>	<b>240%</b>

Source: Company Filings, FactSet, and UBS Estimates



## Shifting down general partnership value

Below we show the impact from pivoting to a 2018 IDR value from 2019 previously. The reduced multiple to 15x from 20x is also a \$1/sh contributing factor. Applying the multiple to a year with higher IDR proceeds materially changes the ultimate value ascribed. We emphasize our latest SOP applies \$6/sh off a 2018E base year.

**Figure 15: Value to SunEdison for GP Interest in TerraForm Power**

CAFD Projections	2015	2016	2017	2018	2019	2020
Estimated Cash Available for Distribution	\$224	\$456	\$681	\$1,034	\$1,244	\$1,500
CAFD/Share	\$1.70	\$2.70	\$3.15	\$3.79	\$3.97	\$4.32
% Growth		59%	17%	20%	5%	9%
Total Distribution (\$MM)	\$180	\$261	\$447	\$771	\$1,094	\$1,369
Payout	80%	57%	66%	75%	88%	91%
Less: IDR (\$MM)	\$0	\$5	\$41	\$155	\$282	\$391
<b>LP Distribution (\$MM)</b>	<b>\$180</b>	<b>\$256</b>	<b>\$406</b>	<b>\$616</b>	<b>\$812</b>	<b>\$978</b>
Unit Outstanding (MM)	132	169	216	272	314	347
<b>LP Distribution/Unit</b>	<b>\$1.36</b>	<b>\$1.52</b>	<b>\$1.88</b>	<b>\$2.26</b>	<b>\$2.59</b>	<b>\$2.82</b>
% Growth		12%	24%	20%	15%	9%
Payout	80%	56%	60%	60%	65%	65%
Coverage	1.2x	1.7x	1.5x	1.3x	1.1x	1.1x
Terminal value						
PV of LP Distribution/Unit	1.36	1.52	1.71	1.86	1.94	1.91
<b>Terminal PV</b>						
<b>TERP Equity Value per Unit</b>						
<b>SUNE GP Value</b>						
PV of GP Distribution/SUNE Share	\$0.00	\$0.01	\$0.10	\$0.33	\$0.55	\$0.70
Terminal Value (Undiscounted)		0.22	1.85	7.02	12.76	17.69
Terminal PV (Discounted Back)		0.22	1.68	5.80	9.59	12.08
<b>Estimated Value of IDRs to SUNE per Share</b>	<b>\$0</b>	<b>\$2</b>	<b>\$6</b>	<b>\$11</b>	<b>\$14</b>	

Source: Company Filings and UBS Estimates

## SunEdison Inc. (SUNE.N)

	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
<b>Income statement (US\$m)</b>										
<b>Revenues</b>	<b>2,870</b>	<b>2,556</b>	<b>2,484</b>	<b>1,403</b>	<b>-43.5</b>	<b>1,663</b>	<b>18.6</b>	<b>1,906</b>	<b>2,530</b>	<b>2,996</b>
Gross profit	414	206	222	534	140.8	964	80.4	1,252	1,690	2,246
<b>EBITDA (UBS)</b>	<b>284</b>	<b>42</b>	<b>(183)</b>	<b>507</b>	<b>-</b>	<b>984</b>	<b>94.3</b>	<b>1,508</b>	<b>2,093</b>	<b>2,875</b>
Depreciation & amortization	(245)	(268)	(357)	(515)	44.0	(801)	55.7	(838)	(784)	(949)
<b>EBIT (UBS)</b>	<b>40</b>	<b>(226)</b>	<b>(540)</b>	<b>(8)</b>	<b>98.5</b>	<b>183</b>	<b>-</b>	<b>670</b>	<b>1,308</b>	<b>1,926</b>
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
<b>Profit before tax</b>	<b>(5)</b>	<b>(561)</b>	<b>(1,308)</b>	<b>(483)</b>	<b>63.1</b>	<b>(545)</b>	<b>-12.9</b>	<b>(331)</b>	<b>41</b>	<b>431</b>
Tax	(65)	(28)	36	13	-63.3	15	12.9	9	(1)	(12)
<b>Profit after tax</b>	<b>(70)</b>	<b>(589)</b>	<b>(1,272)</b>	<b>(469)</b>	<b>63.1</b>	<b>(530)</b>	<b>-12.9</b>	<b>(322)</b>	<b>40</b>	<b>419</b>
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
<b>Net earnings (local GAAP)</b>	<b>(72)</b>	<b>(564)</b>	<b>(1,180)</b>	<b>(484)</b>	<b>59.0</b>	<b>(568)</b>	<b>-17.3</b>	<b>(378)</b>	<b>(65)</b>	<b>277</b>
<b>Net earnings (UBS)</b>	<b>64</b>	<b>(210)</b>	<b>(255)</b>	<b>(484)</b>	<b>-90.0</b>	<b>(568)</b>	<b>-17.3</b>	<b>(378)</b>	<b>(65)</b>	<b>277</b>
Tax rate (%)	-	-	-	-	-	-	-	-	2.7	2.7
<b>Per share (US\$)</b>										
EPS (UBS, diluted)	0.28	(0.87)	(0.95)	(1.59)	-67.3	(1.80)	-13.2	(1.19)	(0.20)	0.87
EPS (local GAAP, diluted)	(0.31)	(2.33)	(4.39)	(1.59)	63.8	(1.80)	-13.2	(1.19)	(0.20)	0.87
EPS (UBS, basic)	0.28	(0.87)	(0.95)	(3.30)	-247.2	(3.67)	-11.3	(2.43)	(0.41)	1.77
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	0.10	-74.0	0.74	NM	1.45	2.26	3.84
Book value per share	2.49	0.87	0.86	9.01	NM	28.17	212.6	51.90	65.42	84.78
Average shares (diluted)	231.76	241.65	268.79	305.11	13.5	316.18	3.6	317.18	318.18	319.18
<b>Balance sheet (US\$m)</b>										
Cash and equivalents	645	902	1,230	994	-19.1	948	-4.7	1,395	2,344	4,088
Other current assets	814	1,483	1,558	1,120	-28.1	1,670	49.2	1,931	2,344	2,717
<b>Total current assets</b>	<b>1,459</b>	<b>2,385</b>	<b>2,788</b>	<b>2,114</b>	<b>-24.2</b>	<b>2,618</b>	<b>23.8</b>	<b>3,325</b>	<b>4,688</b>	<b>6,805</b>
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
<b>Total assets</b>	<b>4,702</b>	<b>6,681</b>	<b>11,500</b>	<b>13,267</b>	<b>15.4</b>	<b>20,882</b>	<b>57.4</b>	<b>29,500</b>	<b>36,613</b>	<b>43,865</b>
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
<b>Total current liabilities</b>	<b>1,136</b>	<b>1,889</b>	<b>3,145</b>	<b>2,246</b>	<b>-28.6</b>	<b>2,375</b>	<b>5.7</b>	<b>2,495</b>	<b>2,804</b>	<b>3,035</b>
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
<b>Total liabilities (incl pref shares)</b>	<b>4,024</b>	<b>6,339</b>	<b>10,015</b>	<b>11,259</b>	<b>12.4</b>	<b>15,831</b>	<b>40.6</b>	<b>20,738</b>	<b>25,724</b>	<b>29,956</b>
Common s/h equity	575	232	233	1,325	NM	4,366	229.6	8,078	10,205	13,226
Minority interests	102	109	1,252	684	-45.4	684	0.0	684	684	684
<b>Total liabilities &amp; equity</b>	<b>4,702</b>	<b>6,681</b>	<b>11,500</b>	<b>13,267</b>	<b>15.4</b>	<b>20,882</b>	<b>57.4</b>	<b>29,500</b>	<b>36,613</b>	<b>43,865</b>
<b>Cash flow (US\$m)</b>										
Net income (before pref divs)	(72)	(564)	(1,180)	(484)	59.0	(568)	-17.3	(378)	(65)	277
Depreciation & amortization	245	268	357	515	44.0	801	55.7	838	784	949
Net change in working capital	(513)	(485)	(151)	(240)	-58.5	(421)	-75.7	(140)	(104)	(142)
Other operating	0	124	296	15	-95.0	38	157.7	56	104	142
<b>Operating cash flow</b>	<b>(340)</b>	<b>(657)</b>	<b>(678)</b>	<b>(195)</b>	<b>71.3</b>	<b>(150)</b>	<b>22.9</b>	<b>376</b>	<b>720</b>	<b>1,225</b>
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
<b>Investing cash flow</b>	<b>(138)</b>	<b>(139)</b>	<b>(995)</b>	<b>(4,129)</b>	<b>-315.2</b>	<b>(7,912)</b>	<b>-91.6</b>	<b>(8,749)</b>	<b>(6,535)</b>	<b>(6,084)</b>
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	180	230	298
Change in debt & pref shares	0	1,606	2,698	2,652	-1.69	4,444	67.57	4,787	4,677	4,001
<b>Financing cash flow</b>	<b>0</b>	<b>1,386</b>	<b>2,515</b>	<b>2,736</b>	<b>8.8</b>	<b>4,543</b>	<b>66.0</b>	<b>4,967</b>	<b>4,907</b>	<b>4,300</b>
<b>Cash flow inc/(dec) in cash</b>	<b>(479)</b>	<b>590</b>	<b>842</b>	<b>(1,588)</b>	<b>-</b>	<b>(3,520)</b>	<b>-121.6</b>	<b>(3,406)</b>	<b>(908)</b>	<b>(560)</b>
FX / non cash items	413	(334)	(514)	1,353	-	3,473	156.8	3,853	1,858	2,303
<b>Balance sheet inc/(dec) in cash</b>	<b>(66)</b>	<b>257</b>	<b>328</b>	<b>(236)</b>	<b>-</b>	<b>(47)</b>	<b>80.2</b>	<b>447</b>	<b>950</b>	<b>1,744</b>

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	NM	NM	12.4
P/E (UBS, diluted)	11.0	(8.8)	(20.2)	(6.8)	(6.0)	(9.0)	(52.9)	12.4
P/CEPS	2.3	31.7	50.3	52.2	7.1	3.6	2.3	1.4
Equity FCF (UBS) yield %	(68.2)	(44.6)	(17.7)	(160.6)	(275.9)	(286.5)	(199.0)	(166.3)
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	1.2	0.4	0.2	0.2	0.1
EV/revenues (core)	0.3	0.7	2.0	2.3	1.9	1.7	1.3	1.1
EV/EBITDA (core)	3.0	44.3	-27.1	6.3	3.3	2.1	1.5	1.1
EV/EBIT (core)	21.4	NM	NM	NM	17.5	4.8	2.5	1.7
EV/OpFCF (core)	3.9	NM	NM	7.2	3.5	2.2	1.6	1.1
EV/op. invested capital	0.4	0.7	0.9	0.4	0.2	0.1	0.1	0.1
<b>Enterprise value (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Market cap.	703	1,770	5,125	2,922	2,922	2,922	2,922	2,922
Net debt (cash)	(12)	(12)	(221)	79	79	79	79	79
Buy out of minorities	130	130	130	130	130	130	130	130
Pension provisions/other	78	78	78	78	78	78	78	78
<b>Total enterprise value</b>	<b>898</b>	<b>1,966</b>	<b>5,113</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>
Non core assets	(50)	(115)	(149)	0	0	0	0	0
<b>Core enterprise value</b>	<b>849</b>	<b>1,851</b>	<b>4,963</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>	<b>3,209</b>
<b>Growth (%)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Revenue	-11.5	-11.0	-2.8	-43.5	18.6	14.6	32.7	18.4
EBITDA (UBS)	13.7	-85.3	-	-	94.3	53.2	38.8	37.4
EBIT (UBS)	72.2	-	-138.6	98.5	-	NM	95.4	47.2
EPS (UBS, diluted)	41.1	-	-9.1	-67.3	-13.2	33.7	83.0	-
Net DPS	-	-	-	-	-	-	-	-
<b>Margins &amp; Profitability (%)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Gross profit margin	14.4	8.1	8.9	38.1	58.0	65.7	66.8	75.0
EBITDA margin	9.9	1.6	NM	36.1	59.2	NM	NM	NM
EBIT margin	1.4	-8.9	-21.8	-0.6	11.0	35.1	51.7	64.3
Net earnings (UBS) margin	2.2	NM	NM	NM	NM	NM	NM	9.2
ROIC (EBIT)	1.7	(8.2)	(10.3)	(0.1)	1.3	3.0	4.4	5.5
ROIC post tax	-	-	-	-	-	-	4.3	5.3
ROE (UBS)	9.7	(52.1)	(109.7)	(62.2)	(20.0)	(6.1)	(0.7)	2.4
<b>Capital structure &amp; Coverage (x)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Net debt / EBITDA	1.0	(9.9)	0.1	0.4	0.2	(0.1)	(0.5)	(0.9)
Net debt / total equity %	41.2	(121.3)	(1.8)	9.2	4.5	(2.0)	(9.5)	(18.7)
Net debt / (net debt + total equity) %	29.2	NM	(1.9)	8.4	4.3	(2.0)	(10.4)	(23.0)
Net debt/EV %	32.9	(22.4)	(0.6)	5.8	7.1	(5.5)	(32.1)	(81.0)
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	NM	0.3	0.7	1.0	1.3
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
<b>Revenues by division (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Others	2,870	2,556	2,484	1,403	1,663	1,906	2,530	2,996
<b>Total</b>	<b>2,870</b>	<b>2,556</b>	<b>2,484</b>	<b>1,403</b>	<b>1,663</b>	<b>1,906</b>	<b>2,530</b>	<b>2,996</b>
<b>EBIT (UBS) by division (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Others	40	(226)	(540)	(8)	183	670	1,308	1,926
<b>Total</b>	<b>40</b>	<b>(226)</b>	<b>(540)</b>	<b>(8)</b>	<b>183</b>	<b>670</b>	<b>1,308</b>	<b>1,926</b>

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

**Forecast returns**

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Forecast price appreciation	+2.5%
Forecast dividend yield	0.0%
Forecast stock return	+2.5%
Market return assumption	5.6%
Forecast excess return	-3.1%

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**Statement of Risk**

Risks to SunEdison include but are not limited to: liquidity and failure to meet liabilities and other obligations as due, potential failure to close the pending Vivint Solar and other contemplated M&A transactions, inability to transact with its YieldCo entities in an accretive fashion, inability to transact with third parties in an accretive fashion, increasing cost structure and competition pressuring realized margins, unfavorable international, federal, state, or local legislation/regulation, natural disasters, increased competition for project development opportunities, adverse changes to tax subsidies for solar and wind generation, unfavorable weather (wind and solar resource generation), below-average customer demand. 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. Swings in value can be driven by shifts in TERP shares and corresponding ability to realize Incentive Distribution Rights (IDRs). Moreover, developer margins are highly cyclical off a large fixed operating cost structure.

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12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
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 <sup>3</sup>	IB Services <sup>4</sup>
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.

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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
<b>SunEdison Inc.</b> <sup>13, 16</sup>	SUNE.N	Buy	N/A	US\$10.73	24 Aug 2015
<b>TerraForm Power, Inc.</b> <sup>2, 4, 5, 6, 16</sup>	TERP.O	Buy	N/A	US\$22.46	24 Aug 2015

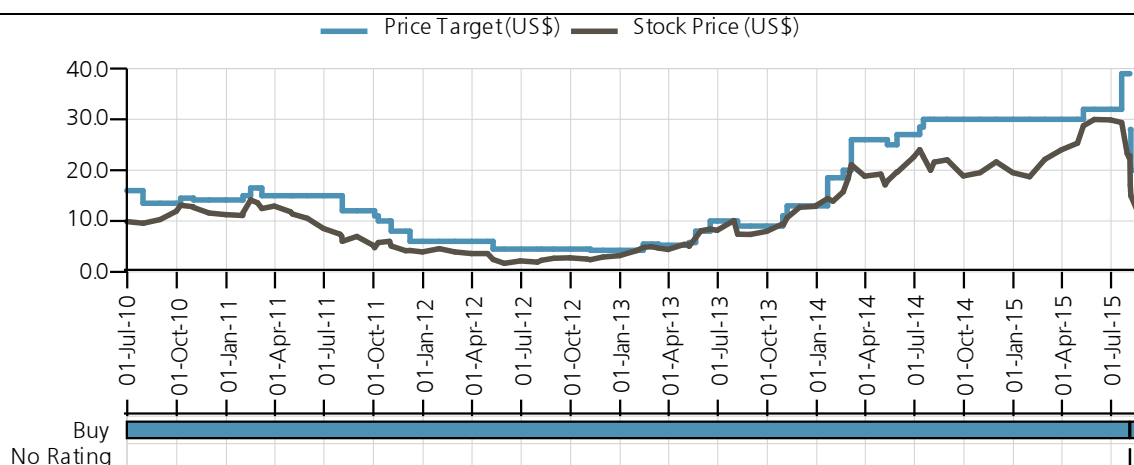
Source: UBS. All prices as of local market close.

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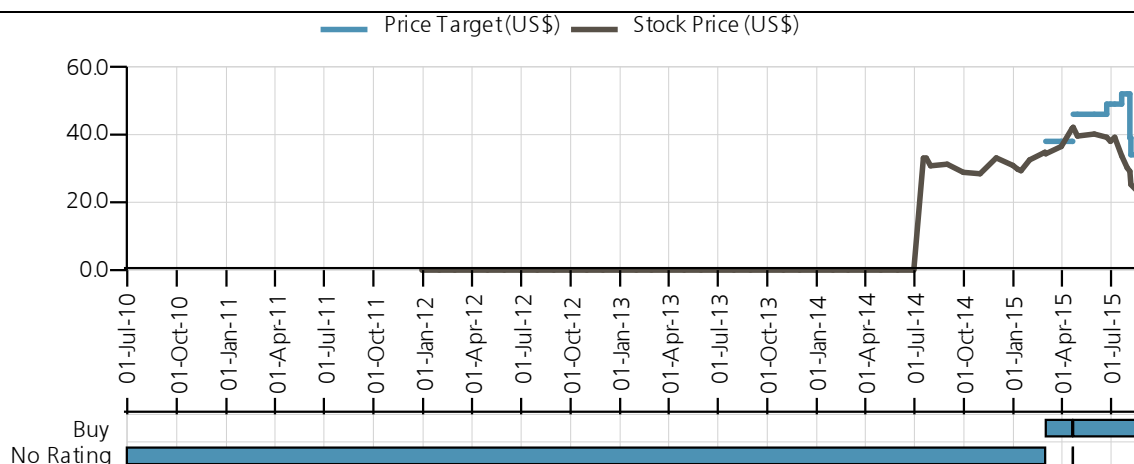
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

### SunEdison Inc. (US\$)



Source: UBS; as of 24 Aug 2015

### TerraForm Power, Inc. (US\$)



Source: UBS; as of 24 Aug 2015

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