

SunEdison Inc.

2Q14 Call, Execution Success and Spin-off Potential

Strong growth in new bookings and pipeline setting up well for 2015-2016

SunEdison grew its solar project backlog by 99MW q/q to 1.1GW (of which 475MW is under construction) which we believe is a leading indicator now that it has spun out its semiconductor business and its YieldCo. We estimate new backlog in 2Q14 were over 300MW as it completed 218MW and believe strong growth in its solar project pipeline which saw gross additions of 902MW also show solid management execution. We now have increased confidence that it can meet or exceed its project completion targets in 2015 and 2016 of 1.5GW and 2.0GW as well as its \$175M CAFD to TERP. One concern from 2Q14 results could be its reported 2Q14 gross margin of only 2% but we are less concerned as its foregone margin on 164MW on retained projects as opposed to selling was 29% (its total gross margin would have been 18% if all those projects were sold), thus we believe value will be unlocked in time through TERP.

Possible second YieldCo would be another positive catalyst; DG/Resi upside

SunEdison reiterated that it was considering a possible second YieldCo which we estimate could be more internationally focused. We believe this is now more likely since it as non-US is around 40% backlog, 50% of pipeline and post-2016 outlook may further this trend. SunEdison also reiterated its target for distributed generation (DG) where we estimate it is the market leader at 150MW. We estimate DG margins and prices are better than utility projects, another tailwind for 2015 and 2016 turns adds; we estimate residential/securitization may bring additional post 2014 upside.

Raising 2014 estimates on higher completions and pricing outlook

SunEdison raised its full year completions guidance to 1,075MW (up from 975 previously) and its solar project prices to \$2.75/watt (up from \$2.58/w previously) which we believe reflects its strong DG completions, project execution, and price improvements. Our 2014E EPS is \$0.41 versus \$0.60 previously and 2015E and 2016E remain (\$0.12) and \$0.12.

Valuation: Buy Rated with a 12-month price target of \$30

Our PT is based on a sum of the parts valuation (page 3).

Equities

Americas
Electric Components & Equipment

12-month rating **Buy**

12m price target **US\$30.00**

Price **US\$21.59**

RIC: SUNE.N BBG: SUNE US

Trading data and key metrics

52-wk range	US\$24.05-6.46
Market cap.	US\$5.79bn
Shares o/s	268m (COM)
Free float	99%
Avg. daily volume ('000)	1,888
Avg. daily value (m)	US\$39.5
Common s/h equity (12/14E)	US\$0.27bn
P/BV (12/14E)	21.4x
Net debt / EBITDA (12/14E)	6.3x

EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
Q1	(0.25)	(0.25)	-1.20	(0.25)
Q2	(0.29)	0.16	154.27	(0.27)
Q3E	(0.09)	(0.25)	-181.87	(0.12)
Q4E	0.02	(0.06)	-344.56	(0.04)
12/14E	(0.60)	(0.41)	31.76	(0.63)
12/15E	(0.12)	(0.12)	3.34	(0.18)
12/16E	0.12	0.12	-4.89	0.06

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	3,243	2,870	2,556	2,926	2,524	2,717	2,883	3,316
EBIT (UBS)	23	40	(226)	(168)	159	235	333	489
Net earnings (UBS)	45	64	(210)	(113)	(34)	33	107	229
EPS (UBS, diluted) (US\$)	0.20	0.28	(0.87)	(0.41)	(0.12)	0.12	0.37	0.80
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(76)	(279)	(462)	(1,068)	(1,017)	(719)	(452)	81
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	0.7	1.4	-8.9	-5.8	6.3	8.6	11.6	14.8
ROIC (EBIT) %	1.0	1.7	(8.2)	(4.2)	3.3	5.0	7.5	11.6
EV/EBITDA (core) x	8.5	3.0	44.3	39.7	13.3	11.6	10.0	8.2
P/E (UBS, diluted) x	44.3	11.0	(8.8)	(52.7)	NM	NM	58.0	27.1
Equity FCF (UBS) yield %	(62.7)	(68.2)	(45.3)	(10.0)	1.0	5.7	5.1	10.2
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. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$21.59 on 07 Aug 2014 18:42 EDT

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Investment Thesis

SunEdison Inc.

Investment case

SunEdison's solar project business growth is a function of its ability to manage its cash cycle and the growth of its project backlog. We believe new financing options, including YieldCos, will help lower cost of capital and levelized cost of solar energy, thus driving growth. We look for SunEdison's solar sales to have a 50% CAGR over the next two years to 1.5GW in 2016 at an average price of \$2.40 per watt at a gross margin of 15-20% and operating margin of 5-10%. SunEdison's semi wafer business spun-off May 2014 with SUNE still retaining 60%+ ownership; we expect this business to be worth \$1.25/share. Our price target of \$30 is based on a sum-of-the-parts valuation, with the Solar Project business at \$8.50 per share, Solar YieldCo related cash flow and economic interest at \$20.25 per share, and the Semi business at \$1.25 per share.

Upside scenario

Our upside scenario for SunEdison assumes its interest in TerraForm Energy to be worth \$14.00/share with greater asset drops downs occurring by 2018 and a lower yield of 3.75%; we expect additional drop down margins to contribute at a 15x multiple on \$220M in cash, or \$11.25/share. We also expect an upside scenario for the Incentive Distribution Rights (IDRs) to be worth a 40x multiple on \$118M cash flows to SUNE, giving a \$4.00/share valuation. Finally, we think the SEMI business could be worth up to \$1.75/share while the SUNE DevCo ex-TerraForm assets could contribute \$12.75/share in value on higher solar market penetration on completions (1.25GW year) and higher margins (18%) on the back of consolidation of developers and grid-parity in many countries and US states. Our upside sum-of-the-parts gets to a \$44.00/share valuation.

Downside scenario

Our downside scenario for SunEdison assumes its interest in TerraForm Energy to be worth \$9.50/share with lower than anticipated asset drops downs occurring before 2018 and a higher yield requirement of 5% on the back of declining development asset growth; we expect additional drop down margins to contribute at a 10x multiple on \$72M in cash, or \$2.00/share. We also expect a downside scenario for the Incentive Distribution Rights (IDRs) to be worth a 25x multiple on \$59M cash flows going to SUNE, potentially on the back on CAFD CAGR underperforming and hesitance on solar asset growth not supporting high end MLP IDR comps thus giving a \$0.75/share valuation. Finally, we think the SEMI business could be worth as low as \$0.75/share while the SUNE DevCo ex-TerraForm assets could contribute \$4.50/share in value on increased development competition and decreased interest from state sponsored programs. Our downside sum-of-the-parts is \$17.50/share.

Upcoming catalysts

Project acquisition and project backlog growth
Sale of stake in SEMI in 4Q14

12-month rating

Buy

12m price target

US\$30.00

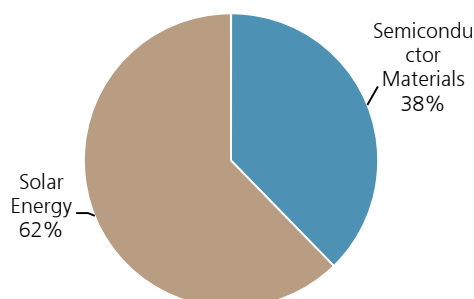
Business description

SunEdison is a global player in the development and manufacturing of semiconductor wafers and a seller of photovoltaic energy solutions. The company operates in two segments: semiconductor materials and solar energy. The semiconductor materials segment includes manufacturing silicon wafers needed for semiconductor production and contributes ~35% of revenues. The solar energy segment includes providing solar energy services that integrate design, installation, and operations, accounting for 65% of revenues.

Industry outlook

We expect solar energy to reach sustainable levels in different parts of the world, depending on the cost of traditional sources of electricity and cost of capital. We expect solar costs to decline by 10-15% YoY over the next three years and for solar demand to grow at a similar rate. We expect distributed generation solar demand (where SunEdison has a strong presence) to grow at 20-25% YoY. In semiconductor materials, we expect semi wafer starts to grow at 3-5% YoY over the next two to three years following semicap investments by foundry and memory customers.

Sales by Segment (June 2014)



Source: Company reports

Revenues and Operating Margin by Segment (\$M)

	2010	2011	2012	2013
Semiconductor Materials	993	1,023	918	96
Operating Margin	6.9%	-3.0%	-0.5%	-1.2%
Solar Energy	1,247	1,692	1,612	1,101
Operating Margin	6.1%	-67.6%	10.1%	-17.2%
Total Revenue	2,239	2,716	2,530	2,008
Operating Margin	0.9%	-47.9%	2.3%	-15.6%

Source: Company reports

Some Insight into SUNE's Project Margins

On their 2Q14 earnings call, SunEdison provided additional information on their retained projects for the past few quarters to help explain the 'lost EPS' from holding assets and transferring/selling to TERP. While the GMs look very weak, getting as low as 2% for the quarter, the assets that were retained were better quality and had margins closer to 28%, giving overall MW completions for the quarter around 18% margins, in the same GM range as FSLR and SPWR on their sold assets.

We believe that this GM and value derived from these MWs represent the lower bookend and that TERP and the emerged retention model will unlock greater value for SUNE now and in larger magnitude as they continue to execute project development and TERP drops.

Figure 1: Economics of completed projects with estimates on retained MWs

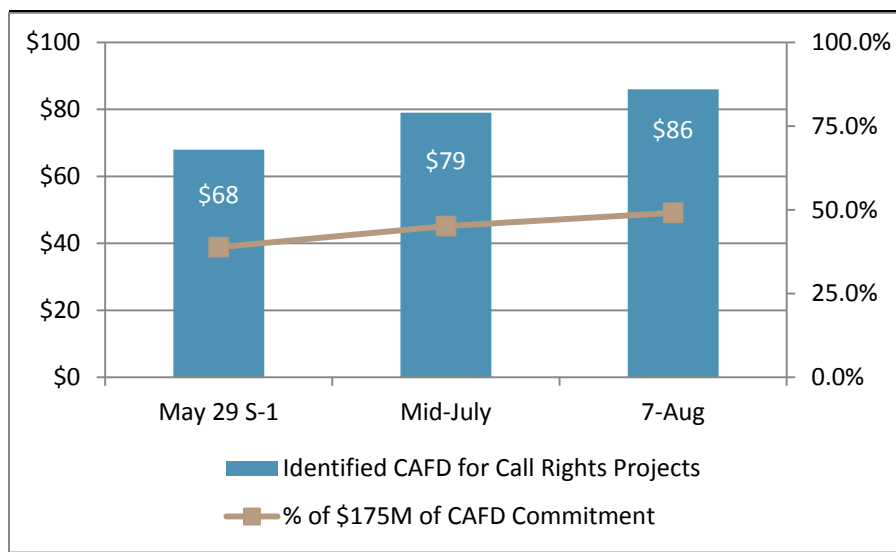
	Actuals		Pro-Forma (Assumes all MWs sold)			
	4Q13	1Q14	2Q14	4Q13	1Q14	2Q14
MW Sold	206	76	54	333	150	218
MW Retained	127	74	164	0	0	0
Total MW Completed	333	150	218	333	150	218
Revenue (\$M)	749	372	343	1,138	553	845
Gross Margin (\$M)	40	13	5	139	38	150
Gross Margin %	5.3%	3.5%	1.5%	12.2%	6.9%	17.8%
OpEx (\$M)	131	100	115	131	100	115
Op Profit (\$M)	(91)	(87)	(110)	8	(62)	35
Retained Value (\$M)	257	122	330			
Net Value Created (\$M)	160	35	220			
Foregone Revenue (\$M)	389	181	502			
Foregone Margin (\$M)	99	25	145			
Foregone GM %	25.4%	13.8%	28.9%			

Source: Company Reports

CAFD tracking for 2015 and 2016 \$175M Call Rights

SUNE also shared with us progress in delivering the \$175M in CAFD call rights projects in 2015-2016 from contracted projects to date that meet TERPs acquisitions criteria. As of August 7 there are \$86M in CAFD from identified projects using TERP's current criterion but we note that there is potential for a larger number depending on the criteria and interest of TERP as well as through bookings/completions in DG that will occur in the course of 2015 and 2016. We believe that getting this number meaningfully higher than \$100M using current prospects should be reasonable (such as the option on the Italian AES/Riverstone assets) and continue to expect outperformance on these targets.

Figure 2: Progress Towards 2015-2016 TERP CAFD Commitment

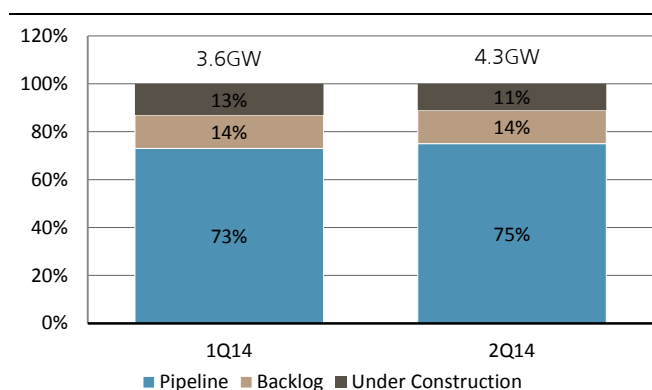


Source: Company reports

Additionally, SunEdison meaningfully grew project pipeline and backlog. With 700MW of net pipeline growth, or 900MW of new adds, the strong growth in sourcing new opportunities fairly evenly across the globe is what SUNE should be pursuing. Additionally, the net addition of 100MW of backlog, or around 317MW of new additions, is also quite positive. While there are acquisitions in that number, such as 72MW from Tenaska and 50MW of MA projects, there is a large chunk of self-developed projects as well. Thus, the dual sourcing of assets is continuing and will set a growth foundation for TERP and other potential spin-offs.

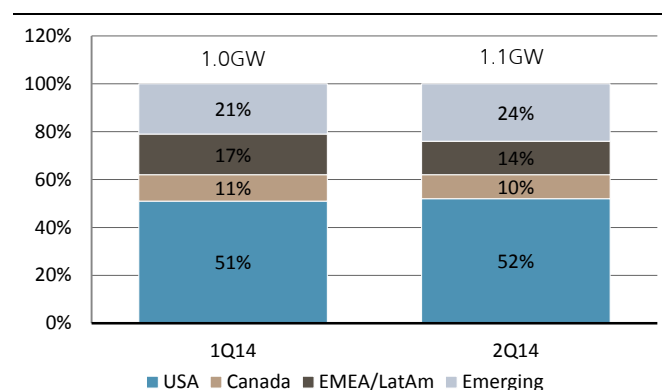
We also note this growth, both in completions and in geographies, as being a potential driver for an emerging market YieldCo and another opportunity to arb the private/public markets and the strong desire for yield. SUNE's development activities reflect the characteristics necessary to create the needed projects whatever the targeted structure and portfolio ends up being, should they move ahead with these plans.

Figure 3: Total Pipeline by Development Stage



Source: Company Reports

Figure 4: Project Backlog by Geography



Source: Company Reports

Figure 5: SUNE Sum-of-the-Parts Summary

Segment	Base	Upside	Downside
Forward TerraForm Interest	\$11.50	\$14.00	\$9.50
Forward IDR Value	\$3.00	\$4.00	\$0.75
Cash Drop-Down Margin	\$5.75	\$11.25	\$2.00
Total YieldCo Value	\$20.25	\$29.25	\$12.25
Other Segments			
SEMI Ownership	\$1.25	\$1.75	\$0.75
Other Solar Segments	\$8.50	\$13.00	\$4.50
Total Value Per Share	\$30.00	\$44.00	\$17.50

Source: UBS estimates

Figure 6: Value of TerraForm Interest to SUNE

	Base	Upside	Downside
FY2015, Incr. CAFD	\$107	\$107	\$107
FY2016, Incr. CAFD	\$75	\$75	\$75
FY2017, Incr. CAFD	\$100	\$100	\$100
FY2018, Incr. CAFD	\$120	\$140	\$60
Additional Acquisitions	\$63	\$68	\$18
FY2018 Total CAFD	\$465	\$490	\$360
85% Dividend Rate	\$395	\$417	\$306
IDR Amounts	\$70	\$74	\$54
Net Cash Remaining	\$59	\$62	\$46
2018 Dividend Yield Required	5.00%	4.00%	5.00%
2018 Market Cap	\$7,905	\$10,413	\$6,120
SUNE Ownership	59%	54%	64%
Net Value to SUNE	\$4,665	\$5,623	\$3,917
Discounted Back	\$3,855	\$4,647	\$3,237
SUNE Share Count	335	335	335
Value Per Share	\$11.50	\$14.00	\$10.00

Source: UBS estimates

*Share reflect 267M common shares + 82M shares dilution from convert – 14M repurchased with option spread

Figure 7: IDR Valuation to SUNE

	Base	Upside	Downside
FY2018 CAFD	\$465	\$490	\$380
Dividend Paid	\$395	\$417	\$323
MQD/Share	\$0.23	\$0.23	\$0.23
MQD/Share (Annual)	\$0.90	\$0.90	\$0.90
Est TerraForm Shares	180	180	180
Total Annual Min Dist.	\$162	\$162	\$162
15%Hurdle	\$243	\$243	\$243
25%Hurdle	\$284	\$284	\$284
50%Hurdle	\$324	\$324	\$324
1st Traunch, 15%	\$6	\$6	\$6
2nd Traunch, 25%	\$10	\$10	\$10
3rd Traunch, 50%	\$35	\$46	\$0
Total IDR Payments	\$52	\$62	\$16
Effective Tax Rate	25%	25%	25%
Total to SUNE	\$39	\$47	\$12
IDR P/E Multiple	30x	35x	25x
Value	\$1,161	\$1,634	\$304
Discounted Back	\$960	\$1,350	\$251
Share Count	335	335	335
Valuation	\$3.00	\$4.00	\$0.75

Source: UBS estimates

Figure 8: Value of Drop Downs to SUNE (net of TERP equity received)

	Base	Upside	Downside
MWs Developed	750	1000	500
ASP (EV)	\$2.90	\$3.00	\$2.60
Build Cost (/watt)			
Module cost	\$0.55	\$0.50	\$0.60
Inverter	\$0.22	\$0.22	\$0.22
Racks/Wires/Etc	\$0.20	\$0.20	\$0.20
Labor Cost	\$0.25	\$0.25	\$0.25
Dev Cost	\$0.15	\$0.15	\$0.15
Total Util Cost/w	\$1.37	\$1.32	\$1.42
Total DG Cost	\$2.75	\$2.75	\$2.75
Average Build Cost	\$1.78	\$1.75	\$1.82
Margin	\$1.12	\$1.25	\$0.78
Corp Opex	\$0.23	\$0.10	\$0.20
Corp Debt	\$0.02	\$0.03	\$0.02
Net Profit	\$0.87	\$1.12	\$0.57
Total Profit	\$651	\$1,120	\$283
Tax Rate	25%	25%	25%
Value to SUNE	\$488	\$840	\$212
Net of Equity Granted to SUNE	\$339	\$588	\$148
Cash Margin to SUNE	\$149	\$252	\$64
Multiple	13x	15x	10x
Total Value	\$1,934	\$3,781	\$636
Share Count	335	335	335
Valuation	\$5.75	\$11.25	\$2.00

Source: UBS estimates

Figure 9: Value of SEMI to SUNE

	Base	Upside	Downside
Current Holdings (millions)	24	24	24
% Ownership	58%	58%	58%
Current Price	\$18.00	\$25.00	\$11.00
Value for SUNE	\$432	\$600	\$264
Share Count	335	335	335
Valuation	\$1.25	\$1.75	\$0.75

Source: UBS estimates

Figure 10: Value of Development Business to SUNE (non-TERP related)

	Base	Upside	Downside
MW's Developed	1000	1250	750
ASP	\$2.40	\$2.40	\$2.40
Build Cost	\$1.87	\$1.90	\$1.99
GM	22%	21%	17%
Gross Margin	\$528	\$630	\$306
Opex (% Dev MWs)	\$250	\$250	\$135
Effective Tax	25%	25%	25%
Corp Debt	\$19	\$24	\$15
FCF to SUNE	\$190	\$261	\$113
Solar Dev Multiple	13x	15x	10x
SUNE Dev Value	\$2,467	\$3,920	\$1,133
Share Count	335	335	335
Valuation	\$7.50	\$12.00	\$3.50
Other business/ Share*	\$1.00	\$1.00	\$1.00
Total Other SUNE/ Share	\$8.50	\$13.00	\$4.50

Source: UBS estimates

Figure 11: SunEdison 2Q14 Results versus Previous Guidance

	2Q14 Guidance	2Q14 Actual
Solar Energy Systems MW Sold(Non-GAAP)	60 – 80	54
Solar Energy Systems MW Retained on Balance Sheet(100 – 120	164
Solar Energy Systems Total MV Completions	160 - 200	218
Fully-Developed Solar Energy Systems Avg. Price (\$/W _{dc})	\$2.85 - \$3.15	\$3.33

Source: Company reports

Figure 12: SunEdison Revised FY2014 Guidance

	Old	New
Solar Energy Systems MW Sold(Non-GAAP)	460-580	460-580
Solar Energy Systems MW Retained on Balance Sheet(440-570	710-830
Solar Energy Systems Total MV Completions	900-1150	1,000-1,150
Fully-Developed Solar Energy Systems Avg. Price (\$/W _{dc})	\$2.40-\$2.75	\$2.50-\$3.00

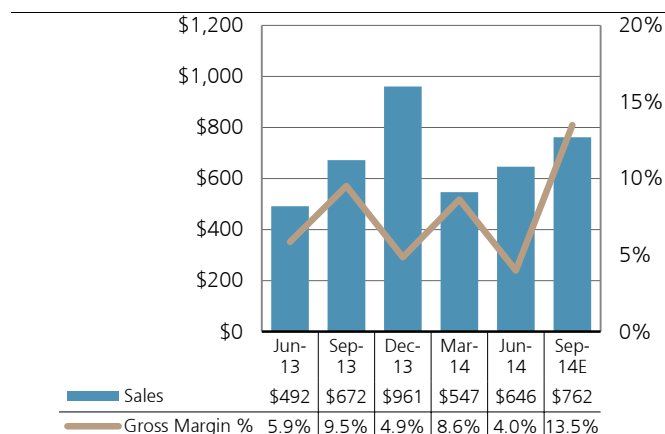
Source: Company reports

Figure 13: Solar Project activity (in MW)

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Projects Sold (MW)	55	28	82	109	49	169	74	91	45	51	75	206	76	54
Retained on Balance Sheet (MW)	1	0	2	7	5	41	0	0	12	0	25	127	74	164
Projects under construction (MW)	105	160	330	255	147	104	117	73	135	200	558	504	463	475
Total Solar Projects	161	188	414	371	201	314	191	164	192	251	658	837	613	693

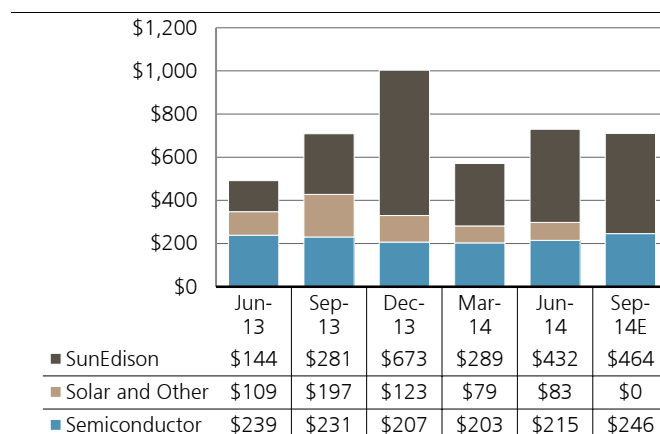
Source: Company reports, UBS estimates

Figure 14: Sales and Gross Margin (M\$)



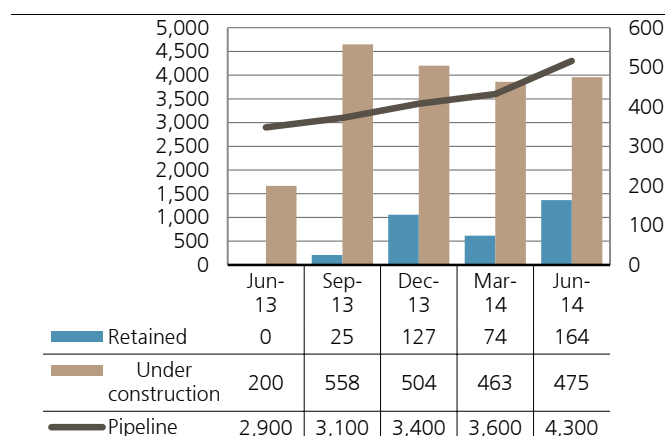
Source: Company reports, UBS estimates

Figure 15: Sales by Segment (M\$)



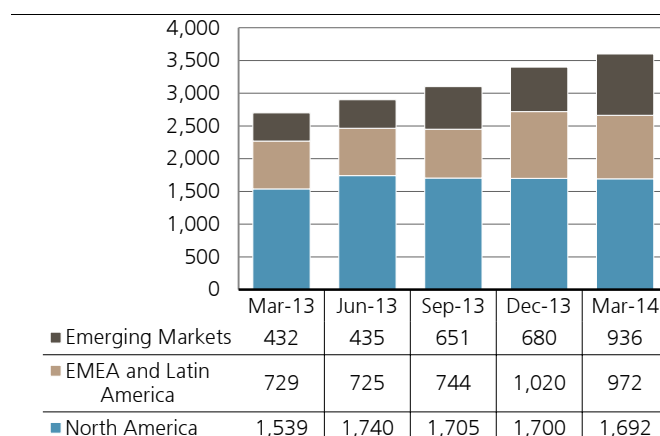
Source: Company reports, UBS estimates

Figure 16: SunEdison's pipeline



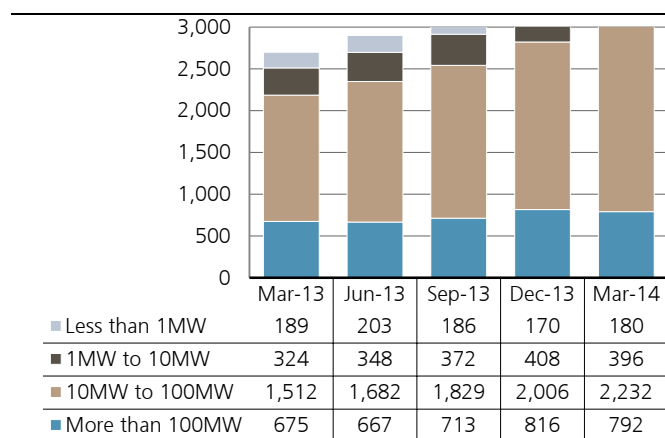
Source: Company reports, UBS estimates

Figure 17: SunEdison pipeline by Geography



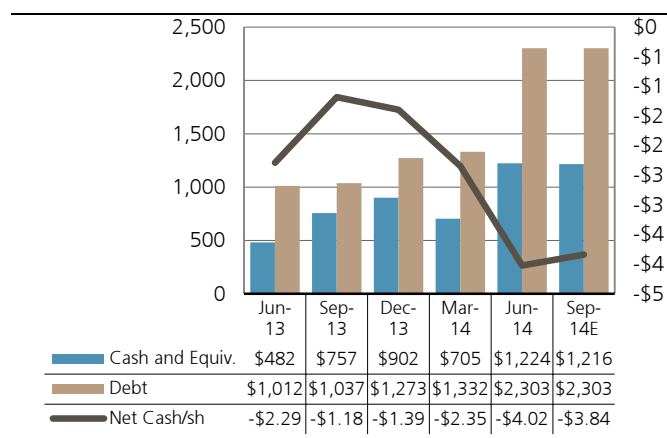
Source: Company reports, UBS estimates

Figure 18: SunEdison pipeline by project size



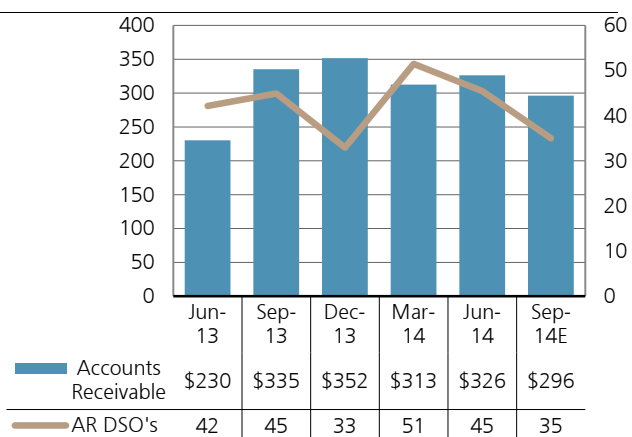
Source: Company reports, UBS estimates

Figure 19: Cash and Debt (M\$)



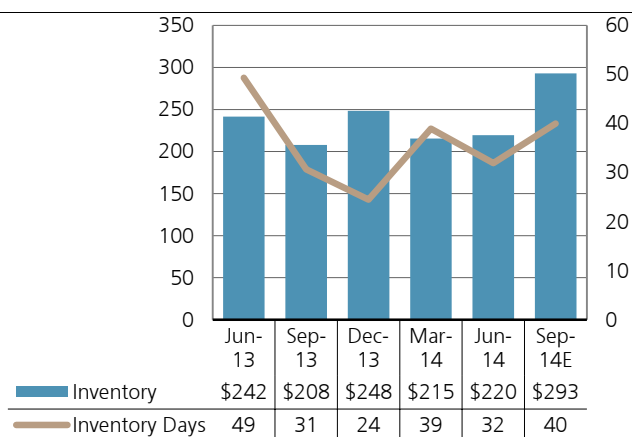
Source: Company reports, UBS estimates

Figure 20: Accounts Receivables (M\$)



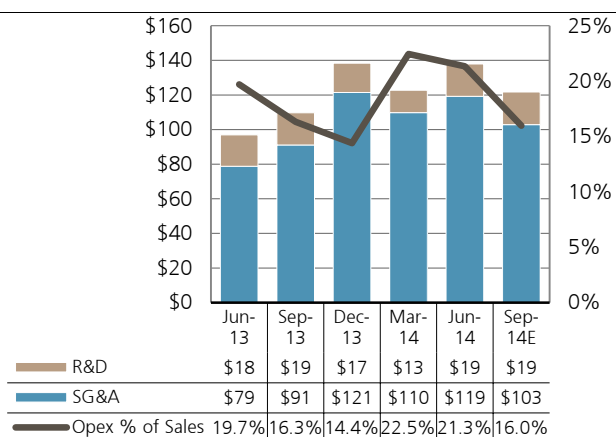
Source: Company reports, UBS estimates

Figure 21: Inventory (M\$)



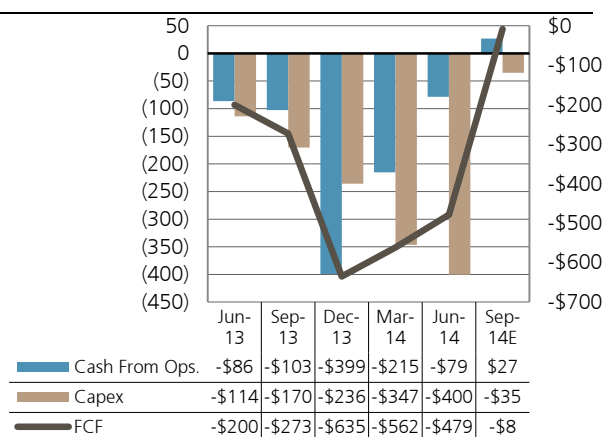
Source: Company reports, UBS estimates

Figure 22: Operating Expenses (M\$)



Source: Company reports, UBS estimates

Figure 23: Cash Flow (M\$)



Source: Company reports, UBS estimates

Figure 24: SUNE Income Statement

SunEdison (SUNE) UBS 212.713.4111	FY 2010	FY 2011	FY 2012	1Q Mar-13	2Q Jun-13	3Q Sep-13	4Q Dec-13	FY 2013	1Q Mar-14	2Q Jun-14	3Q E Sep-14	4Q E Dec-14	FY E 2014	1Q E Mar-15	2Q E Jun-15	3Q E Sep-15	4Q E Dec-15	FY E 2015
Sales	2,386	3,243	2,870	390	455	672	961	2,478	543	711	762	972	2,988	756	774	938	1,018	3,487
Cost of Goods Sold	1,967	2,684	2,509	347	411	608	975	2,341	496	607	623	792	2,518	618	629	765	825	2,836
Gross Margin	419	560	361	43	45	64	-14	137	47	104	139	180	470	138	146	173	193	651
SG&A	277	353	307	70	79	91	121	362	110	119	103	105	437	74	81	88	94	337
R&D	56	88	72	17	18	19	17	71	13	19	19	19	70	10	10	10	10	38
Operating Expenses	333	442	384	83	97	110	138	428	123	138	122	124	506	84	90	97	104	375
Operating Margin	96	118	20	-40	-52	-46	-153	-291	-76	-34	17	56	-36	55	56	76	89	275
Interest Income	-33	-68	-139	-48	-36	-50	-144	-278	-519	6	-54	-54	-621	-47	-48	-48	-47	-190
Pre-tax Income (adjusted)	62	50	-119	-88	-89	-96	-296	-569	-594	-27	-37	2	-657	8	8	28	42	85
Taxes	-30	-67	-72	-21	-15	-17	20	-32	-20	12	-2	0	-11	1	1	4	6	13
Income before equity inc and minority int (adjusted)	92	117	-185	-109	-103	-79	-317	-609	-574	-16	-35	2	-623	7	6	24	35	73
Equity Income	7	-66	-2	-0.3	0	4	2	6	1.1	8	0	0	10	0	0	0	0	0
Minority Interest	-14	-13	-2	10	-7	4	18	25	-1	10	-2	-2	5	-2	-2	-2	-2	-8
Preferred Stock Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income (adjusted)	86	45	62	-38.8	-44.4	2	-129	-210	-67.4	42.3	-71	-16	-113	-20	-22	-6	14	-34
Shares	228	230	232	231	232	237	267	242	267	268	283	283	275	284	284	284	284	284
EPS	\$0.38	\$0.19	\$0.27	-\$0.17	-\$0.19	\$0.01	-\$0.48	-\$0.87	-\$0.25	\$0.16	-\$0.25	-\$0.06	-\$0.41	-\$0.07	-\$0.08	-\$0.02	\$0.05	-\$0.12
YOY Sales Growth	105.3%	35.9%	-11.5%	-25.6%	-51.2%	-5.2%	36.4%	-13.7%	39.4%	56.3%	13.3%	1.2%	20.6%	39.2%	8.9%	23.2%	4.8%	16.7%
Sequential Sales Growth				-44.7%	16.8%	47.7%	43.0%		-43.5%	30.9%	7.1%	27.6%		-22.2%	2.4%	21.1%	8.6%	
Gross Margin	17.6%	17.3%	12.6%	11.0%	9.8%	9.5%	-1.5%	5.5%	8.6%	14.7%	18.2%	18.6%	15.7%	18.3%	18.8%	18.5%	18.9%	18.7%
SG&A	11.6%	10.9%	10.7%	18.0%	17.3%	13.6%	12.6%	14.6%	20.2%	16.8%	13.5%	10.8%	14.6%	9.8%	10.4%	9.3%	9.3%	9.7%
R&D	2.3%	2.7%	2.5%	4.5%	4.0%	2.8%	1.8%	2.9%	2.4%	2.6%	2.5%	2.0%	2.3%	1.3%	1.2%	1.0%	0.9%	1.1%
Operating Expenses	14.0%	13.6%	13.4%	21.3%	21.3%	16.3%	14.4%	17.3%	22.6%	19.4%	16.0%	12.8%	16.9%	11.1%	11.7%	10.4%	10.2%	10.8%
Operating Margin	4.0%	3.6%	0.7%	-10.3%	-11.5%	-6.9%	-15.9%	-11.8%	-14.0%	-4.7%	2.2%	5.8%	-1.2%	7.2%	7.2%	8.1%	8.7%	7.9%
Interest Income	-1.4%	-2.1%	-4.8%	-12.3%	-8.0%	-7.4%	-15.0%	-11.2%	-95.5%	0.9%	-7.1%	-5.6%	-20.8%	-6.2%	-6.2%	-5.1%	-4.6%	-5.4%
Pre-Tax Income	2.6%	1.5%	-4.1%	-22.6%	-19.5%	-14.3%	-30.9%	-23.0%	-109.4%	-3.9%	-4.9%	0.2%	-22.0%	1.1%	1.0%	3.0%	4.1%	2.4%
Tax Rate	-47.8%	-133.3%	60.6%	23.9%	16.4%	17.3%	-6.8%	5.6%	3.4%	-41.9%	5.0%	10.0%	1.6%	15.0%	15.0%	15.0%	15.0%	15.0%
Net Income	3.6%	1.4%	2.2%	-10.0%	-9.8%	0.3%	-13.4%	-8.5%	-12.4%	5.9%	-9.4%	-1.7%	-3.8%	-2.7%	-2.8%	-0.6%	1.4%	-1.0%

Source:

SunEdison Inc. (SUNE.N)

	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Income statement (US\$m)										
Revenues	3,243	2,870	2,556	2,926	14.5	2,524	-13.7	2,717	2,883	3,316
Gross profit	463	414	206	338	64.0	534	58.1	646	789	973
EBITDA (UBS)	250	284	42	169	304.6	526	211.2	602	700	856
Depreciation & amortisation	(227)	(245)	(268)	(337)	25.8	(367)	8.8	(367)	(367)	(367)
EBIT (UBS)	23	40	(226)	(168)	25.7	159	-	235	333	489
Associates & investment income	(66)	(2)	6	10	66.7	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(68)	(139)	(278)	(621)	-123.1	(190)	69.4	(187)	(181)	(173)
Exceptionals (incl goodwill)	(1,252)	96	(62)	0	-	0	-	0	0	0
Profit before tax	(1,363)	(5)	(561)	(779)	-38.9	(31)	96.0	48	153	316
Tax	157	(65)	(28)	28	-	5	-83.3	(7)	(38)	(79)
Profit after tax	(1,205)	(70)	(589)	(752)	-27.6	(26)	96.5	41	115	237
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(13)	(2)	25	5	-80.6	(8)	-	(8)	(8)	(8)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	(1,218)	(72)	(564)	(747)	-32.4	(34)	95.4	33	107	229
Net earnings (UBS)	45	64	(210)	(113)	46.3	(34)	69.7	33	107	229
Tax rate (%)	-	-	-	-	-	-	-	15.0	25.0	25.0
Per share (US\$)										
EPS (UBS, diluted)	0.20	0.28	(0.87)	(0.41)	52.9	(0.12)	70.6	0.12	0.37	0.80
EPS (local GAAP, diluted)	(5.29)	(0.31)	(2.33)	(2.71)	-16.1	(0.12)	95.6	0.12	0.37	0.80
EPS (UBS, basic)	0.20	0.28	(0.87)	(0.42)	51.6	(0.13)	69.7	0.12	0.40	0.85
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	1.18	1.33	0.24	0.82	239.0	1.17	43.8	1.40	1.66	2.08
Book value per share	3.20	2.49	0.87	1.01	15.9	0.88	-12.7	1.00	1.40	2.26
Average shares (diluted)	230.22	231.76	241.65	275.49	14.0	284.08	3.1	285.08	286.08	287.08
Balance sheet (US\$m)										
Cash and equivalents	711	645	902	1,372	52.2	1,428	4.1	1,760	2,056	2,649
Other current assets	1,175	814	1,483	1,608	8.4	1,476	-8.2	1,579	1,560	1,737
Total current assets	1,886	1,459	2,385	2,980	24.9	2,904	-2.5	3,339	3,617	4,386
Net tangible fixed assets	2,393	2,673	3,123	4,638	48.5	4,411	-4.9	4,184	3,957	3,730
Net intangible fixed assets	149	114	0	0	-	0	-	0	0	0
Investments / other assets	453	455	1,173	1,001	-14.6	1,001	0.0	1,001	1,001	1,001
Total assets	4,882	4,702	6,681	8,620	29.0	8,316	-3.5	8,524	8,575	9,117
Trade payables & other ST liabilities	1,289	1,035	1,492	1,992	33.5	1,723	-13.5	1,898	1,842	2,155
Short term debt	148	101	398	482	21.36	482	0.00	482	482	482
Total current liabilities	1,437	1,136	1,889	2,475	31.0	2,206	-10.9	2,380	2,324	2,637
Long term debt	568	759	876	1,820	107.9	1,820	0.0	1,820	1,820	1,820
Other long term liabilities	2,092	2,130	3,574	3,550	-0.7	3,550	0.0	3,550	3,550	3,550
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	4,097	4,024	6,339	7,845	23.8	7,576	-3.4	7,751	7,695	8,008
Common s/h equity	738	575	232	270	16.4	236	-12.6	269	376	605
Minority interests	47	102	109	504	362.4	504	0.0	504	504	504
Total liabilities & equity	4,882	4,702	6,681	8,620	29.0	8,316	-3.5	8,524	8,575	9,117
Cash flow (US\$m)										
Net income (before pref divs)	(1,218)	(72)	(564)	(747)	-32.4	(34)	95.4	33	107	229
Depreciation & amortisation	227	245	268	337	25.8	367	8.8	367	367	367
Net change in working capital	198	(513)	(497)	142	-	(137)	-	71	(37)	137
Other operating	(1)	0	124	(146)	-	0	-	0	0	0
Operating cash flow	(794)	(340)	(669)	(413)	38.3	196	-	472	437	733
Tangible capital expenditure	(449)	(138)	(133)	(165)	-24.0	(140)	15.2	(140)	(140)	(140)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	0	0	0	0	-	0	-	0	0	0
Investing cash flow	(449)	(138)	(133)	(165)	-24.0	(140)	15.2	(140)	(140)	(140)
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	0	0	0	-	0	-	0	0	0
Change in debt & pref shares	0	0	0	0	-	0	-	0	0	0
Financing cash flow	0	0	0	0	-	0	-	0	0	0
Cash flow inc/(dec) in cash	(1,243)	(479)	(802)	(578)	27.9	56	-	332	297	593
FX / non cash items	1,203	413	1,059	1,049	-1.0	0	-	0	0	0
Balance sheet inc/(dec) in cash	(40)	(66)	257	471	83.4	56	-88.1	332	297	593

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)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	NM	NM	NM	NM	NM	NM	58.0	27.1
P/E (UBS, diluted)	44.3	11.0	(8.8)	(52.7)	NM	NM	58.0	27.1
P/CEPS	7.3	2.3	31.7	25.8	17.4	14.5	12.2	9.7
Equity FCF (UBS) yield %	(62.7)	(68.2)	(45.3)	(10.0)	1.0	5.7	5.1	10.2
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV x	2.7	1.2	8.8	21.4	24.5	21.5	15.4	9.6
EV/revenues (core)	0.7	0.3	0.7	2.3	2.8	2.6	2.4	2.1
EV/EBITDA (core)	8.5	3.0	44.3	39.7	13.3	11.6	10.0	8.2
EV/EBIT (core)	NM	21.4	NM	NM	NM	29.8	21.0	14.3
EV/OpFCF (core)	11.3	3.9	NM	NM	15.0	12.8	10.9	8.8
EV/op. invested capital	0.9	0.4	0.7	1.7	1.4	1.5	1.6	1.7
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	1,983	703	1,770	5,790	5,790	5,790	5,790	5,790
Net debt (cash)	(12)	(12)	(12)	765	1,043	1,043	1,043	1,043
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	2,178	898	1,966	6,763	7,041	7,041	7,041	7,041
Non core assets	(54)	(50)	(115)	(41)	(41)	(41)	(41)	(41)
Core enterprise value	2,124	849	1,851	6,722	7,000	7,000	7,000	7,000
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	35.9	-11.5	-11.0	14.5	-13.7	7.7	6.1	15.0
EBITDA (UBS)	-0.4	13.7	-85.3	NM	NM	14.4	16.3	22.3
EBIT (UBS)	-73.4	72.2	-	25.7	-	47.7	41.8	46.8
EPS (UBS, diluted)	-48.7	41.1	-	52.9	70.6	-	NM	114.1
Net DPS	-	-	-	-	-	-	-	-
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	14.3	14.4	8.1	11.6	21.2	23.8	27.4	29.4
EBITDA margin	7.7	9.9	1.6	5.8	20.9	22.2	24.3	25.8
EBIT margin	0.7	1.4	-8.9	-5.8	6.3	8.6	11.6	14.8
Net earnings (UBS) margin	1.4	2.2	NM	NM	NM	1.2	3.7	6.9
ROIC (EBIT)	1.0	1.7	(8.2)	(4.2)	3.3	5.0	7.5	11.6
ROIC post tax	-	-	-	-	-	4.3	5.6	8.7
ROE (UBS)	3.0	9.7	(52.1)	(44.9)	(13.5)	13.1	33.0	46.7
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	0.3	1.0	11.0	6.3	1.9	1.2	0.6	(0.1)
Net debt / total equity %	9.6	41.2	135.4	137.9	137.5	93.0	51.4	(7.3)
Net debt / (net debt + total equity) %	8.8	29.2	57.5	58.0	57.9	48.2	33.9	(7.9)
Net debt/EV	3.6	32.9	24.9	15.9	14.5	10.3	6.5	(1.2)
Capex / depreciation %	197.7	56.5	49.6	48.9	38.1	38.1	38.1	38.1
Capex / revenue %	13.8	4.8	5.2	5.6	5.5	5.2	4.9	4.2
EBIT / net interest	0.3	0.3	NM	NM	0.8	1.3	1.8	2.8
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	3,243	2,870	2,556	2,926	2,524	2,717	2,883	3,316
Total	3,243	2,870	2,556	2,926	2,524	2,717	2,883	3,316
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	23	40	(226)	(168)	159	235	333	489
Total	23	40	(226)	(168)	159	235	333	489

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

Forecast returns

Forecast price appreciation	+39.0%
Forecast dividend yield	0.0%
Forecast stock return	+39.0%
Market return assumption	5.4%
Forecast excess return	+33.6%

Statement of Risk

SunEdison is exposed to supply/demand imbalances which can put significant pressure on pricing. 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. Many purchasers of SunEdison's systems enter into third-party arrangements to finance the systems, and hence SunEdison's sales are heavily tied to availability of credit and level of interest rates.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	48%	33%
Neutral	FSR is between -6% and 6% of the MRA.	41%	30%
Sell	FSR is > 6% below the MRA.	11%	23%
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 2014.

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: Stephen Chin.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
SunEdison Inc. ¹⁶	SUNE.N	Buy	N/A	US\$21.59	07 Aug 2014

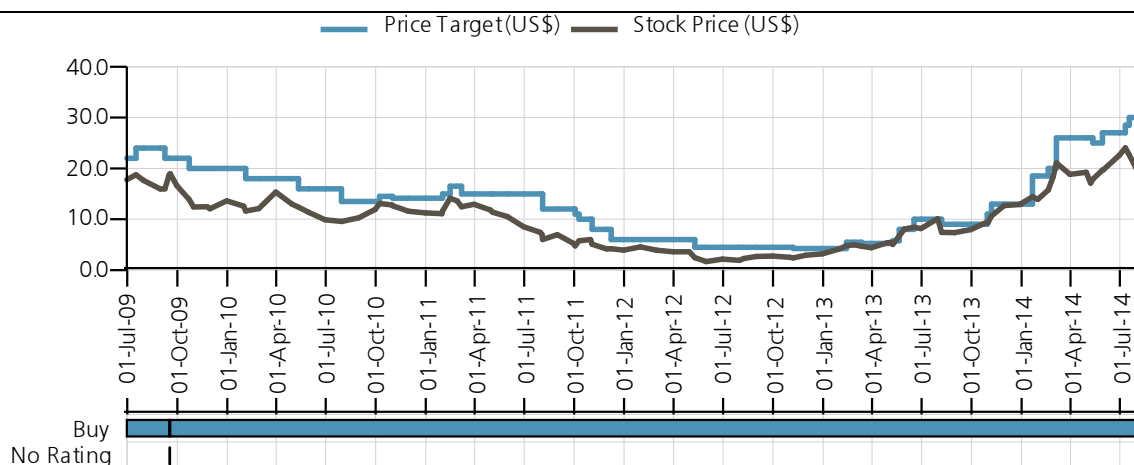
Source: UBS. All prices as of local market close.

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SunEdison Inc. (US\$)



Source: UBS; as of 07 Aug 2014

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