

US Solar Flash

Shedding Some Light on Solar Developments

Equities

North America
Electric Utilities

NEM proposals in CA could set the precedent for future revisions

As outlined below, SCE and PGE provided their mandatory responses to the AB 327 NEM 2.0 planned energy metering revisions, providing recommendations that would shake up the DG solar market in CA. Largely, the proposals attempt to mitigate the concerns that customers with DG generation are getting overcompensated for the electricity they feed into the grid, and are driving up the electricity costs for the non-solar customers. The SCE plan has 4 main pillars, 1) customers do not pay for the electricity they generate and use, 2) participating customers purchase excess demand at their normal retail rate, 3) the utility will compensate the customer an expected \$0.08/kWh for energy exported to the grid, and 4) SCE will charge a \$3.00/kW-month fixed grid access charge.

PGE proposal looks to present demand charges to the resi customers

Conversely, the PGE proposal recommends that 1) demand charges are introduced at the residential and small-commercial levels (\$3/kW-month max), 2) TOU rates are provided to residential and small-commercial customers, 3) DG generation that's exported to the grid will be reimbursed at the TOU rates, 4) true-ups will occur on a monthly rather than yearly basis. While the proposals are set to benefit the utilities more than the customers, we do agree that revisions must be made to the current system in order for DG generation to have long-term viability in CA. While both proposals share similarities, we note the TOU/ demand charge route attempted by PGE is an interesting one as it tries to mitigate the peak demand issue in the state.

YieldCo guidance revisions on wind expectations... guiding down for LT?

With NYLD and NEP recently revising guidance down on the back of historically low wind generation in the Western US, we note that TERP could take a much needed win on this front as they are seemingly much less exposed to Western wind than peers. Overall, wind resource appears it could be a 2015+ issue.

Fundamentals remain intact for renewable development in 2Q results

Despite ongoing capital market concerns, NEE, SRE, SPWR, and FSLR' 2Q results all point to continuing success in execution on both solar and wind organic development. Even SO continues to guide up on potential deployment opportunities. The story remains about margin rather than volumes today.

FSLR focused on technological development amidst YieldCo chaos

With the attention in the solar sector recently on the underperformance of the YieldCo space, FSLR focused much of their 2Q earnings call y'day on technological advances on the panel front. As of the end of 2Q15, FSLR's best-line conversion efficiency reached 16.2%, highly competitive for a thin film provider. As we have stated previously, thin film technology has the potential to overtake silicon based panel efficiencies in the long term (10-20 yrs out), many experts have indicated that silicon efficiencies will reach peaks of 30-40%, but thin film has the ability to surpass that. FSLR has noted that improved efficiencies have driven their gross margins into the low 20's%. On the CAFD front, FSLR once again noted that no additional projects will be dropped into the YieldCo in 2015. As for project development, over 50% of FSLR's ~17 GW pipeline is located outside of North America, with many leads in Emerging Markets that are outside of CAFD's scope of late.

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What is on Clients' Minds

In an effort to keep all 'in the loop', we highlight our recent Alternative Energy reports below:

The YieldCo Façade on the Resi Solar Market

Reviewing The YieldCo Track Record

Making Sense of the YieldCo Purge

2Q15 Playbook: Seeking Shade from Summer

A Barrage of Equity

The Real Risk of Rising Rates on Renewables

TERP: There's No Place Like Home

SUNE: Another Day Another Portfolio Acquisition

Breaking New Boundaries?

YieldCos: Follow the Leader?

A Different Kind of YieldCo

Solar Primer: Champagne Supernova

Renewable Events in the Week Ahead:

All earnings call times are Eastern Standard Time unless otherwise noted.

Thursday (8/6):

- SUNE & TERP 2Q15 Earnings Call: 8am ET
- VSLR 2Q15 Earnings Call: 5pm ET

...

Monday (8/17) – Tuesday (8/18):

- UBS Access: CA Renewables Trip

FSLR/CAFD 2Q Lessons Learned

2Q15 Earnings snapshot

FSLR earned \$896M in revenues, and 18.4% gross margins in 2Q15, off of 563 MW of manufacturing production.

Figure 1: Guidance vs. Actuals

	2013		2014		1Q15		2Q15E		2015E	2016E
	Actual	Guidance	Actual	Guidance	Actual	Guidance	Actual	Guidance	Guidance	Guidance
Production	1628	1600-1700	1846	1800-1900	540.3		563			
Revenues	\$3,309	\$3400-\$3600	\$3,392	\$3600-\$3900	\$469	\$550-\$650	\$896	\$750-\$850	\$3500-\$3600	\$3800-\$4500
Gross Margin %	26%	24-26%	24%	19-20%	8.3%		18.4%		21-22%	15-20%
EPS	\$4.22	\$4.25-\$4.50	\$4.34	\$2.40-\$2.80	(\$0.47)	\$0.25-(\$0.35)	\$0.93	\$0.45-\$0.55	\$3.30-\$3.60	\$3.50-\$5.00
Average Conversion Efficiency	13.40%		14.40%		14.70%		15.4%		16.2-16.5%	16.9-18%

Source: Company Filings

Margins upgraded

While the last FY15 guidance was provided roughly a year and a half ago, mgmt. has increased the gross margin range by ~4.5% on average, up to 21-22%. This highlights mgmt's expectations that margins in 2H15 will be much higher than those in 1H15, with 1Q and 2Q gross margins reaching 8.3% and 18.4% respectively. Gross margins for 2016 have not been updated by mgmt., but they noted that FY16 guidance will be provided at their next capital markets day, expected to be in early 2016.

2015 guidance of 21-22% is ahead of longer-term guidance given more robust demand for panels, seemingly driven by expectations for panels amidst immediate demand prior to US ITC expiration.

Figure 2: 2015 Guidance as of 8/4/2015

Guidance	
Net Sales	\$3.5b-\$3.6b
Gross Margin	21%-22%
Operating Expenses	\$415M-\$425M
EPS	\$3.30-\$3.60
Net Cash Balance	\$1.2b-\$1.4b

Source: Company Filings

Figure 3: Guidance as of 3/19/2014

Guidance	
Net Sales	\$3.8b-\$4.3b
Gross Margin	15%-20%
Operating Expenses	\$300M-\$600M
EPS	\$4.50-\$6.00
Net Cash Balance	\$1.3b-\$1.6b

Source: Company Filings

Sold out for 2015...and 2016?

Mgmt stated that they are sold out of panels for 2015 with an expected 2.8-2.9 GW of sales, with their manufacturing running at 85% capacity. Additionally, they are largely sold out for 2016 as well, aside from a few hundred MW. Manufacturing capacity is expected to increase in 2016 for two major reasons, 1) average conversion efficiency for the fleet is expected to be above the current 'best line' efficiency of 16.2%, and based on capital markets day estimates could hover in the 16.9%-18% range, and 2) manufacturing will be running at greater than 85% capacity as plant updates are expected to be completed. In our estimates, taking into account the aforementioned factors, 2016 sales could reach between 3 and 3.6 GW. As FSLR is already sold out for 2016, outside of ~300 MW, mgmt. stated that they could still derive value from the current situation by spreading shipments around through the negotiated delay of shipments to some customers to deliver to others sooner.

Coming through on efficiency roadmap—recent updates

Mgmt highlighted the average conversion efficiency of their fleet is up 0.7% QoQ to 15.4%. Their best-line conversion efficiency has reached 16.2%, and they expect that full manufacturing capacity will be at this level in 2H15. As for their record thin-fil efficiency, that reached 18.2% in 1H15. These efficiencies equate to high 20%-low 30% capacity factors depending on the location of the panels, due to the efficiencies as well as the tracking equipment utilized in their projects.

Figure 4: Panel Efficiency Snapshot

	2Q15	2Q15 vs. 1Q15 Change	2Q15 vs. 2Q14 Change
Fleet Average- Conversion Efficiency	15.4%	0.7%	1.4%
Best Line- Conversion Efficiency	16.2%	0.6%	2.1%
Record Efficiency	18.2%		

Source: Company Filings

Tetrasun silicon manufacturing coming along

As for FSLR's Tetrasun silicon product manufacturing, mgmt. noted that they are continuing to ramp the initial line and have been going through the qualification process before the product becomes marketable. They will produce 25 MW in 2015 and are talking to customers about receiving it. This product is manufactured out of Malaysia, in a factory that has 100 MW of annual production capacity. Efficiencies for this product are expected to reach over 21%.

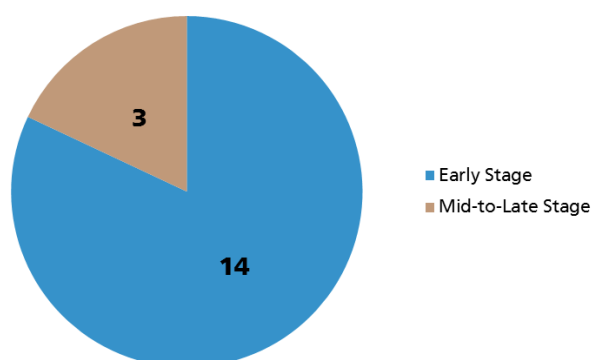
Not chasing smaller scale deals

Although FSLR are making significant efficiency strides on the thin film modules, and are entering the silicon panel manufacturing space, they are not looking to pursue development of small-scale projects. They are open to do business with strategic customers that are looking to supply panels to DG projects, but FSLR will not be pursuing these on their own accord.

EM focus on recent bookings – International remains the focus

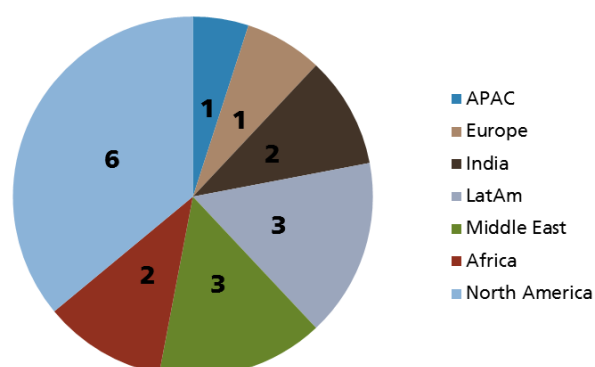
FSLR have booked 1.4 GW of sales YTD, with potential booking opportunities at 16.7 GW, made up of ~3 GW in early stage deals and ~14 GW of mid-to-late-stage. The company has further developed their international markets sales teams, and as seen below, FSLR holds a diverse pipeline of potential bookings by region. We note that many of the locations are outside of CAFD's core markets, as they are not focusing on the emerging markets.

Figure 5: Estimated Bookings by Stage



Source: Company Filings, UBSe

Figure 6: Estimated Bookings by Region



Source: Company Filings, UBSe

CAFD guidance

Through FSLR's 31% ownership of CAFD, they received \$284M in proceeds from the IPO, and contributed 4 projects to the YieldCo vehicle. Mgmt does not plan on dropping any further assets into CAFD for the remainder of 2015. As for the recently announced NV Energy 100 MW project, they expect this will be offered up to CAFD in the future. Lastly, with all of the fluctuation in the YieldCo market, mgmt. was clear to emphasize that they are maintaining their 12-15% growth rate commitment.

CA NEM Gets Proposed Shakeup

SCE and PG&E submitted their required proposals in response to the AB 327 Successor Tariff (NEM 2.0), the highlights of the plans are below:

SCE Proposal

Main aspects of the proposal:

1. Participating customers consume their generation with **no payment to the utility:**
 - o DG system cannot be sized to exceed the customer's annual historical load
2. Participating customers **purchase excess demand at their normal retail rate:**
 - o Their otherwise applicable tariff (OAT)
3. **Utility compensates for generated energy exported to the grid**
 - o Customers will be compensated at an Export Compensation Rate (ECR) of **\$0.08/kWh**, added as a credit to the bill
 - \$0.07/kWh for the utility's avoided cost and \$0.01/kWh premium for renewable attributes (must count toward SCE's RPS)
4. **Utility collects a monthly charge** based on the system's size to recover fixed costs associated with providing access to the grid
 - o **\$3.00/kW-month** Grid Access Charge (GAC) based on the installed AC nameplate capacity of the system
 - o Covers the T&D costs and the 'non-bypassable charges associated with energy displaced by DG systems'

Additionally:

- SCE recommends that the Commission reassesses the ECR and T&D compensation/ costs **every 3 years**
 - o ECR will be calculated on a 20-yr levelized basis, and customers will **lock in to ECR's for 20 yrs**
- Commercial Projects, up to 1 MW in size:
 - o *Instead of a GAC, SCE will recover T&D costs from these customers through demand and customer charges, and non-bypassable charges through an updated Schedule for Departing Load Non-bypassable Charges (DL-NBC).*

PGE Proposal

Main aspects of the proposal:

1. Demand charges will be introduced to residential and small commercial customers.

- Max demand charges will be \$3/kW-month
- Paying the demand charge will enable the customers to not pay standby charges
- 2. TOU rates will be introduced for residential/ small-commercial customers
 - 'Energy charges will be reduced by an amount commensurate with expected revenue collection from demand charges'
- 3. DG generation exported to the grid will be reimbursed at the new TOU rates, which will be lower than current rates as the demand charges will offset the difference.
 - Current bundled average price is 9.7¢/kWh, but these rates will be TOU (upwards of 20¢/kWh in the summer, on peak)
- 4. Annual true-up period will be changed to a monthly true-up period
 - Charges and credits are accounted for at the end of the monthly billing period and the surplus generation will be reimbursed at 'the same rate that is now available'

Figure 7: Projected Residential Rate Structure

	Non-CARE	CARE
E-TOU Proposed Successor Tariff		
Minimum Charge (\$/mo)	\$10.00	\$5.00
Max Demand Charge (\$/kW-mo)	\$3.00	\$0.55
Unbundled Energy Rates (\$/kWh)		
Summer Distribution Energy	\$0.075	\$0.014
Winter Distribution Energy	\$0.046	\$0.008
Summer Generation On Peak Energy	\$0.207	\$0.207
Summer Generation Off Peak Energy	\$0.104	\$0.104
Summer Generation Off Peak Energy	\$0.101	\$0.101
Winter Off Peak Energy	\$0.082	\$0.082
Other Energy Charges	\$0.033	\$0.022
Total Energy Rates (\$/kWh)		
Summer On Peak Energy	\$0.315	\$0.243
Summer Off Peak Energy	\$0.212	\$0.140
Winter On Peak Energy	\$0.180	\$0.131
Winter Off Peak Energy	\$0.161	\$0.112

Source: Company Filings

Additionally:

- These customers will not pay the non-bypassable charges
- Interconnection application fees will be introduced at \$100 for units under 30kW and \$1,600 for units above 30kW.
 - Customers with projects of 500kW or less do not pay distribution upgrade costs and vice versa.

- Recommendation that the CPUC reviews and revises NEM rates and policies regularly starting in 2019
- CARE Program for customers in disadvantaged communities: 28 MW for the first 3 years
 - CARE customers can enroll to have 100% of their usage provided by a local project

What do we make of NEM developments?

We see this debate as likely the more vociferously fought following a relatively calm resolution of rate design issues in California. It appears clear there is some palatability of reversing full NEM in California, a key leading indicator as to other regions.

Sensitivity Table for Sponsors/YieldCo's

Given the recent underperformance in the YieldCo space, and the subsequent impact YieldCo price changes have had on the parent co's we provide a sensitivity analysis below based on our models. As demonstrated, price changes of \$1/sh on the YieldCo level impact the parent co's between 20c and 27c in our models, with NRG the most heavily impacted and SUNE the least, although the range is fairly tight among the peer group.

Figure 8: YieldCo Price Target Sensitivity Analysis to Parent Valuation

Change to YieldCo	YieldCo	Change to Parent	Parent
+/- \$1	NYLD	+/- \$0.27	NRG
+/- \$1	GLBL	+/- \$0.20	SUNE
+/- \$1	TERP	+/- \$0.20	SUNE
+/- \$1	NEP	+/- \$0.25	NEE

Source: UBSe

Week That Was: Best and Worst Performers

Weekly Solar Company and YieldCo Performance

BENCHMARKS	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
S&P500	SPY	0.0%	1.9%	38.6	N/A
Global X YieldCo ETF	YLCO	-3.2%		19.4	N/A
Guggenheim Solar ETF	TAN	-3.8%	-0.5%	25.7	N/A

YIELDCOs and MLPs	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
Abengoa Yield PLC	ABY	-14.4%	-15.0%	3.7	N/A
Dominion Midstream Partners	DM	-0.2%	-13.5%	40.1	N/A
Hannon Armstrong Sustainable Infracore	HASI	-2.0%	36.6%	23.9	N/A
Pattern Energy Group A	PEGI	-7.8%	-7.9%	26.7	New Low
Transelectrica Renewables	RNW-CA	0.4%	6.3%	42.1	N/A
TerraForm Power	TERP	-10.0%	-8.9%	7.3	N/A
NextEra Energy Partners, LP	NEP	-8.7%	-3.3%	19.7	N/A
Average		-6.1%	-0.8%	23.4	

SOLARCOs	Ticker	5 Day Return	YTD Return	RSI (14Day)	New High/Low?
First Solar	FSLR	2.6%	-0.2%	56.3	N/A
SunPower	SPWR	4.1%	3.4%	55.9	N/A
SunEdison	SUNE	-13.0%	15.1%	1.8	N/A
SolarCity	SCTY	5.3%	10.3%	62.5	N/A
Vivint Solar	VSLR	-4.2%	64.4%	8.4	N/A
SolarEdge	SEDG	-1.4%		47.3	N/A
Canadian Solar	CSIQ	-4.5%	1.6%	38.1	N/A
Trina Solar	TSL	-7.3%	-2.1%	36.7	N/A
Average		-2.3%	13.2%	38.4	

Source: FactSet

Solar & YieldCos Comps Table

	Ticker	Rating	Market Cap. (\$ in millions)	Price 8/5/2015	Price Target	Dividend Yield	P/E multiple					Earnings Per Share				EV / EBITDA Multiple			
							2014E	2015E	2016E	2017E	2018E	2015E	2016E	2017E	2018E	2015E	2016E	2017E	2018E
SOLARCOs																			
First Solar Inc	FSLR	Neutral	4,487	44.50	60.00	0.00%	17.1	8.9	9.7	10.9	11.8	5.00	4.60	4.10	3.76	3.1	3.3	3.6	3.8
SunPower Corp	SPWR	Neutral	3,645	26.72	31.00	0.00%	20.8	20.6	14.5	11.7	12.3	1.30	1.84	2.28	2.18	10.4	7.5	6.1	6.0
SunEdison Inc.	SUNE	Buy	7,064	22.45	29.66	0.00%	nm	nm	95.6	39.2	14.2	-0.98	0.23	0.57	1.58	17.8	7.9	6.2	4.9
Canadian Solar Inc.	CSIQ	Not Rated	1,368	24.57	NA	0.00%	6.0	8.9	9.7	6.2	na	2.77	2.54	3.99	na	4.1	2.4	na	na
Hanwha Q Cells Co.	HQCL	Not Rated	122	12.23	NA	0.00%	na	nm	na	na	na	-2.48	na	na	na	na	na	na	na
JA Solar Holdings Co.	JASO	Not Rated	374	7.40	NA	0.00%	7.6	8.7	5.2	4.6	na	0.85	1.43	1.62	na	2.0	1.9	na	na
JinkoSolar Holding Co.	JKS	Not Rated	694	22.32	NA	0.00%	8.9	6.6	5.7	5.1	na	3.36	3.94	4.37	na	3.7	3.2	na	na
Real Goods Solar, Inc.	RGSE	Not Rated	10	2.12	NA	0.00%	nm	nm	na	na	na	-0.78	na	na	na	na	na	na	na
ReneSola Ltd.	SOL	Not Rated	110	1.27	NA	0.00%	nm	nm	nm	nm	na	-0.52	-0.43	-0.07	na	6.5	5.7	na	na
SolarCityCorp	SCTY	Not Rated	5,735	59.00	NA	0.00%	nm	nm	nm	nm	nm	-7.09	-7.70	-5.89	-6.38	-16.7	50.9	na	na
SolarEdge Technologies Inc.	SEDG	Not Rated	1,163	29.72	NA	0.00%	na	55.0	25.1	16.8	19.1	0.54	1.19	1.76	1.56	21.5	13.9	na	na
Trina Solar Ltd.	TSL	Not Rated	773	9.07	NA	0.00%	11.2	9.3	7.4	4.8	na	0.98	1.23	1.87	na	3.3	2.6	na	na
Vivint Solar Inc.	VSLR	Not Rated	1,606	15.16	NA	0.00%	nm	nm	nm	nm	nm	-2.15	-2.74	-2.71	-3.11	-5.0	-6.8	na	na
Yingli Green Energy Holding Co.	YGE	Not Rated	145	0.80	NA	0.00%	nm	nm	nm	nm	na	-0.74	-0.45	-0.75	na	6.7	na	na	na
Zep Inc.	ZEP	Not Rated	#N/A	20.04	NA	1.20%	23.6	23.6	na	na	na	0.85	na	na	na	na	na	na	na
Enphase	ENPH	Not Rated	249	5.64	NA	0.00%	nm	29.7	9.1	8.4	37.6	0.19	0.62	0.67	0.15	5.1	2.2	na	na
Average							13.6	19.0	20.2	12.0	19.0	0.1	0.5	0.9	0.0	4.8	7.9	5.3	4.9
							5.5% 6.6%												
	Rating		Market Cap. (\$ in millions)	Price 8/5/2015	Price Target	% Public Float	Dividend Yield (%)					Dividend Growth Rate				EV / EBITDA Multiple			
							2014E	2015E	2016E	2017E	2018E	2015E	2016E	2017E	2018E	2015E	2016E	2017E	2018E
PRIMARY YIELDCOs																			
Abengoa Yield PLC	ABY	Not Rated	1,857	23.21	N/A	38.4%	5.10%	7.14%	9.51%	11.00%	12.06%	40%	33%	16%	10%	9.6	6.3	5.4	na
8point3 Energy Partners	CAFD	Neutral	1,058	14.90	21.00	28.1%	na	3.41%	6.28%	7.36%	8.83%	na	84%	17%	20%	25.0	13.0	9.0	na
Hannon Armstrong Sustainable Inf	HASI	Buy	632	19.44	22.00	93.5%	5.45%	5.45%	6.36%	7.51%	9.00%	0%	17%	18%	20%	na	na	na	na
NextEra Energy Partners LP	NEP	Neutral	3,132	32.62	33.00	19.2%	2.30%	3.74%	4.39%	5.16%	6.06%	63%	18%	18%	18%	6.1	4.8	4.3	3.2
NRG Yield	NYLD.A	Neutral	2,359	16.20	27.00	64.2%	4.35%	4.91%	5.80%	6.85%	8.09%	13%	18%	18%	18%	5.9	5.6	5.7	5.7
Pattern Energy Group A	PEGI	Neutral	1,692	22.72	N/A	69.2%	6.36%	6.34%	7.35%	8.24%	9.73%	0%	16%	12%	18%	9.7	8.7	9.1	6.2
TerraForm Power	TERP	Buy	4,100	28.13	52.00	41.6%	3.32%	4.80%	6.22%	7.29%	8.46%	45%	30%	17%	16%	20.1	14.6	12.0	na
TerraForm Global	GLBL	Not Rated	2,432	13.60	N/A	33.2%	na	8.09%	9.71%	11.65%	13.98%	na	20%	20%	20%	na	na	na	na
Tranastla Renewables	RNW-C	Not Rated	2,328	12.20	N/A	27.2%	6.65%	6.66%	6.89%	7.16%	7.38%	0%	3%	4%	3%	9.8	8.4	7.5	na
Average							4.8%	5.6%	6.9%	8.0%	9.3%	22.8%	26.5%	15.5%	15.8%	12.3	8.8	7.6	5.0
US-Focused Average							4.7%	5.0%	6.2%	7.1%	8.2%	20.0%	26.5%	14.9%	16.1%	12.8	9.2	7.9	5.0
SECONDARY YIELDCOs																			
Algonquin Power & Utilities Corp.	AQN-C/	Not Rated	2,248	9.41	NA		4.72%	5.01%	5.53%	na	na	6%	10%	na	na	10.5	9.5	na	na
Brookfield Renewable Energy Par	BEP-UT	Not Rated	10,259	37.21	NA		4.36%	4.64%	5.01%	5.32%	5.64%	6%	8%	6%	6%	11.2	10.5	9.5	8.9
Capital Power Corporation	CPX-C/	Not Rated	2,219	21.76	NA		6.41%	6.79%	7.00%	na	na	6%	3%	na	na	8.7	8.2	na	na
Capstone Infrastructure Corporatio	CSE-C/	Not Rated	286	3.04	NA		9.87%	9.87%	9.87%	9.87%	na	0%	0%	0%	na	10.7	10.2	10.1	na
Greencoat UK Wind Plc	UKW-G/	Not Rated	522	1.13	NA		5.44%	5.41%	5.57%	5.66%	na	0%	3%	2%	na	na	na	na	na
Innergex Renewable Energy Inc.	INE-CA	Not Rated	1,075	10.62	NA		5.84%	5.89%	5.84%	na	na	1%	-1%	na	na	15.4	10.2	na	na
Renewables Infrastructure Group I	TRIG-G	Not Rated	544	1.04	NA		6.07%	6.27%	6.36%	na	na	3%	2%	na	na	na	na	na	na
Saeta Yield SA	SAY-ES	Not Rated	743	9.11	NA		6.87%	7.88%	8.27%	7.90%	7.68%	15%	5%	-4%	-3%	8.3	9.6	9.6	9.6
Average							6.2%	6.5%	6.7%	7.2%	6.7%	4.6%	3.8%	0.8%	1.6%	10.8	9.7	9.7	9.3

Source: UBS estimates for companies under coverage; all others are Factset

Statement of Risk

Demand for solar is still largely dependent on individual country government intervention through tax rebates or tariffs although dramatic reductions in installed costs are changing those dynamics. 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. The solar industry is also in a state of flux as demand for solar modules has not kept up with capacity additions in over the last few years while regulatory matters and trade disputes create pricing distortions in certain markets. We expect the solar equipment industry will generally face pressure in the near term as industry supply adjusts to fluctuating supply/demand levels and excess inventory is removed from the solar supply chain. On the other hand, the increased presence of yield vehicles has brought cheaper financing to solar and has thus increased opportunities for solar installations globally, increasing module demand and setting the stage for a potential upcycle and mid-term volatility as the markets find equilibrium.

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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.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
First Solar Inc. ^{13, 16}	FSLR.O	Neutral	N/A	US\$44.50	04 Aug 2015
NextEra Energy ^{2, 4, 6a, 6b, 7, 16}	NEE.N	Buy	N/A	US\$106.54	04 Aug 2015
NRG Energy Inc. ¹⁶	NRG.N	Buy	N/A	US\$20.04	04 Aug 2015
NRG Yield ¹⁶	NYLDA.N	Neutral	N/A	US\$16.20	04 Aug 2015
Sempra Energy ^{2, 4, 5, 6a, 16, 18}	SRE.N	Buy	N/A	US\$99.96	04 Aug 2015
Southern Company ^{2, 4, 6a, 16}	SO.N	Sell	N/A	US\$44.42	04 Aug 2015
SunEdison Inc. ^{13, 16}	SUNE.N	Buy	N/A	US\$22.45	04 Aug 2015
SunPower Corp ¹⁶	SPWR.O	Neutral	N/A	US\$26.72	04 Aug 2015

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

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