

SunEdison Inc.

Assessing the Aftermath

Following latest -25% slide in shares, we skew positively

Reflecting 2q disclosures through our SOP valuation, we're maintaining our Buy rating, albeit with a \$20/sh PT reflecting reduced margin and opex expectations at the devco, as well as our latest reduced TERP PT to \$34/sh. We continue to reflect IDR value on TERP (at \$14/sh), among the key swing factors in our valuation upon re-execution of the accretive growth cycle. We ascribe limited value to GBL at ~\$2/sh all-in for GP/LP.

Focus shifts to Devco as we lower margins and increase opex

Development margins remain the focus, as 'forgone' margins on drops to TERP implied 12.5%. We emphasize our latest Devco value reflects a 13% figure on utility-scale projects, below mgmt's target of 18% for utility-scale. We emphasize mgmt commentary suggested SUNE would (continue to) sacrifice on margins to deliver more accretive drops to TERP to enable DPS growth (13% margin implies ~9% unlevered returns to TERP per hypothetical project disclosures on slide 38).

Liquidity remains a further focus – mgmt likely to act to quickly expand credit

With many investors focused on timeline for SUNE to continue to develop assets without dropdown liquidity to TERP, we emphasize they miss the opportunity for SUNE to simply continue to sell-down (some) assets to third-parties as it addresses wider liquidity considerations. We expect finalization of additional warehouse & credit facilities in coming months (incl for GBL). Bottom line, this appears more of a perception than a reality as long as mgmt holds a pipeline of contracted renewable projects with reasonable IRRs; there is a clear end-market. Moreover, mgmt could sell down TERP shares.

Valuation: \$20/sh target reflects reduced devco, but still real GP value for TERP

We see TERP stabilizing with clear valuation analogies to peer low-growth income companies trading tighter. In turn, with expectations for future margin degradation at the parent potentially sufficient to 'kickstart' the YieldCo, we see several further 'life-saving' measures to preserve the positive cycle around accretive drops to TERP. We maintain the story remains a particularly high risk/reward story – and would expect volatility to persist. Our price target is based on our SOP valuation.

Equities

Americas

Electric Components & Equipment

12-month rating

Buy

12m price target

US\$20.00

Prior: US\$28.00

Price

US\$17.08

RIC: SUNE.N BBG: SUNE US

Trading data and key metrics

52-wk range US\$32.13-14.30

Market cap. US\$4.65bn

Shares o/s 272m (COM)

Free float 99%

Avg. daily volume ('000) 2,122

Avg. daily value (m) US\$59.2

Common s/h equity (12/15E) US\$1.36bn

P/BV (12/15E) 3.4x

Net debt / EBITDA (12/15E) 0.3x

EPS (UBS, diluted) (US\$)

| | 12/15E | | | |
|--------|--------|--------|---------|--------|
| | From | To | % ch | Cons. |
| Q1E | (0.30) | (0.45) | -52.74 | (1.36) |
| Q2E | (0.25) | (0.42) | -65.88 | (0.55) |
| Q3E | (0.21) | (0.38) | -82.61 | (0.51) |
| Q4E | (0.22) | (0.40) | -81.96 | (0.70) |
| 12/15E | (0.98) | (1.66) | -69.10 | (3.09) |
| 12/16E | 0.23 | (0.93) | -496.33 | (1.41) |
| 12/17E | 0.57 | (0.34) | -159.41 | (1.28) |

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| Highlights (US\$m) | 12/12 | 12/13 | 12/14 | 12/15E | 12/16E | 12/17E | 12/18E | 12/19E |
|---------------------------|--------|--------|--------|---------|---------|---------|---------|--------|
| Revenues | 2,870 | 2,556 | 2,484 | 1,403 | 1,663 | 1,906 | 2,530 | 2,996 |
| EBIT (UBS) | 40 | (226) | (540) | 28 | 459 | 945 | 1,578 | 2,196 |
| Net earnings (UBS) | 64 | (210) | (255) | (449) | (300) | (110) | 198 | 539 |
| EPS (UBS, diluted) (US\$) | 0.28 | (0.87) | (0.95) | (1.66) | (0.93) | (0.34) | 0.61 | 1.66 |
| DPS (US\$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net (debt) / cash | (279) | 414 | 27 | (153) | 47 | 690 | 1,781 | 3,586 |
| Profitability/valuation | 12/12 | 12/13 | 12/14 | 12/15E | 12/16E | 12/17E | 12/18E | 12/19E |
| EBIT margin % | 1.4 | -8.9 | -21.8 | 2.0 | 27.6 | 49.6 | 62.4 | 73.3 |
| ROIC (EBIT) % | 1.7 | (8.2) | (10.3) | 0.3 | 3.1 | 4.2 | 5.4 | 6.2 |
| EV/EBITDA (core) x | 3.0 | 44.3 | -27.1 | 9.1 | 3.9 | 2.8 | 2.1 | 1.6 |
| P/E (UBS, diluted) x | 11.0 | (8.8) | (20.2) | (10.3) | (18.3) | (50.1) | 27.9 | 10.3 |
| Equity FCF (UBS) yield % | (68.2) | (44.6) | (17.7) | (100.2) | (167.5) | (174.2) | (119.4) | (98.8) |
| 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\$17.08 on 06 Aug 2015 19:38 EDT

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Making sense of it all...

We are maintaining our Buy rating, albeit lowering our price target yet again to \$20 from \$28 earlier in the week on the back of reduced Devco margin expectations and higher opex guidance. We maintain our preference for TERP over SUNE, seeing SUNE as effectively a levered play on recovery in TERP confidence and in turn meaningful access to capital markets due to meaningful IDR value contribution to the SOP.

Sentiment has shifted rapidly to the downside – confidence is key to story execution

We see the latest slide in shares as driven by a combination of both short-sellers as well as anxious owners, with investors of all stripes poring over every filing to understand their cash flow and liquidity to a much greater extent than ever previously scrutinized. While many on the Street may have missed liabilities on the balance sheet, we think management will need to focus all the more on aligning their stated non-GAAP disclosures around FCF with their future disclosures to provide investors comfort that despite the messy GAAP accounting cash is truly beginning to accrue. We emphasize that while macro factors and concerns on overall returns in the sector precipitated the latest downtick (perhaps only ignited by Vivint transaction, but certainly not the root cause), there remains the real possibility of an upswing – and re-emergence of positive circularity in valuation given TERP accretion from drop-downs.

How are we positioning the story now? Either better Devco value – or GP value

With many investors trolling through the scenarios on Sun Edison, we emphasize our latest reduction in the devco business reflects more conservative assumptions for both the utility-scale business (13%) and distributed business (15%) in anticipation of what are likely future compressed margins to enable more accretive drops back to TERP. We emphasize SUNE's own disclosure on 'forgone' margin on drops to TERP in 2Q reflect 12.5%. In turn, we are maintaining our GP value of \$14/sh, reflective of an expectation for the positive cycle to re-emerge out of SUNE's 'life-support' measures. These could further include exchange of TERP shares for assets rather than cash in order to illustrate continued growth at the TERP.

Comes down to margins – to which SUNE sees a continued robust outlook

Ultimately, mgmt will need to execute on promised margins (18% Americas guidance in 2016 and into 20's for 2017) in order to drive confidence in the DevCo valuation amidst wider concerns of competitive pressures in the industry. While 2Q results have illustrated across the sector that volumes in renewables remain more than robust, it's all about realized margins/returns on new projects. Moreover, we agree with mgmt's insinuation that Yieldco capital raises pale in comparison to other sectors, but rather, see a need for the sector to illustrate it is indeed able to deliver upon promised returns prior to a return in confidence. With three recent failed IPOs in recent weeks, we suspect this could yet take some time.

Holding the line on the turnaround and execution – increases commitment

Despite scrutiny from shareholders around FCF and margins, management remained adamant that its project return profiles were indeed not only palatable, but could still be quite accretive to shares of TERP Classic and TERP Global, albeit before yesterday's slide in shares. In fact, mgmt suggested it could well out deliver on opex guidance released with its capital markets day released earlier this Winter.

Balance sheet remains the focus, but liquidity build in 2Q helps dramatically

Having only recently executed in previous months on closing a wide range of its warehouse facilities, we see the liquidity raised as meaningfully extending the runway. Leveraging the cash burn figures disclosed, we estimate current capacity through ~3-quarters at current trajectory of project development (flat opex) as well as closing of pending deals including substantial Invenenergy acquisition. Should further warehouse facilities nor ability to tap TERP for further equity in coming quarters, the company would need to slow its organic development efforts. Bottom line, we maintain that management can indeed close on pending transactions (Vivint) assuming continued access, albeit access to debt capital markets would be ideal for a further Convertible note offering.

Valuation

Below we provide our condensed SOTP valuation and highlight the areas that we modified to reach our new price target of \$20/sh.

Figure 1: Short- SOTP Valuation: reduced to \$20 from \$28/sh

| SunEdison Valuation UBSe | | | |
|--|-----------------------|-----------|-----------|
| TERP LP Ownership Interest | Downside | Base Case | Upside |
| TERP LP Value to SUNE | \$5.34 | \$6.26 | \$8.47 |
| Current Share Price (for Comparison) - and Corresponding Value/sh | \$26.00 | | \$4.79 |
| TERP GP Ownership Interest | Downside | Base Case | Upside |
| | Thru 2017 | Thru 2019 | Thru 2020 |
| NPV of IDRs & Terminal Value @ 20x CF | \$8.08 | \$14.27 | \$17.83 |
| TERP GP Value to SUNE | \$2.44 | \$14.27 | \$18.44 |
| Non-TERP Projects Sold to Third Parties | Downside | Base Case | Upside |
| Value of to SUNE | \$0.25 | \$0.33 | \$0.41 |
| Emerging Markets YieldCo (EMYCo) | Downside | Base Case | Upside |
| Incentive Distribution Rights from YieldCo | \$0.00 | \$0.38 | \$7.24 |
| Value of to SUNE | \$2.85 | \$2.49 | \$11.74 |
| Solar and Wind Servicing | Downside | Base Case | Upside |
| Value of to SUNE | \$0.42 | \$1.53 | \$2.29 |
| Market Value of Equity to SUNE | \$136 | \$204 | \$271 |
| DevCo Value --> Step-up Value as Dropped from SUNE to TERP | Downside | Base Case | Upside |
| Value of to SUNE | (\$1.46) | \$4.09 | \$18.82 |
| Parent Obligations | Value/Sh. | | |
| Sellers Note due 2020 collateralized w/ TERP Shares (First Wind Acquisition) | \$328 | | |
| Non-Recourse 1st Lien Term Loan from Vivint Acquisition | \$500 | | |
| GLBL Interest Obligations | \$203 | | |
| Earnout Payments to First Wind | \$510 | | |
| Interest Payment Due to GLBL's Orosi Project Credit Facilities - 3/31/2015 | \$78 | | |
| Grand Total Debt | \$3,510 | | |
| Cash Outstanding (SUNE unrestricted basis per 2Q Presentation) | (\$665) As of Aug 5th | | |
| Net Debt | \$2,845 | | |
| Grand Total Obligations | \$3,355 | | |
| Grand Total Obligations per Share | \$9.81 | | |
| Value of to SUNE | (\$9.81) | | |
| SUNE Equity Value per Share | \$0 | \$19.76 | \$51 |
| Upside/(Downside) | -97% | 16% | 201% |

Source: Company Filings, UBS estimates

What Changed in our SOTP?

Increased visibility into DevCo

In the 2Q15 earnings call SUNE mgmt. provided additional color on their DevCo, and most critically their margins. As a result of the updated information, we now have greater comfort in attributing a value to SUNE's internal development group. Due to this visibility, we have decreased our valuation of the DevCo from \$12/sh to \$4/sh. We have maintained our expectations that SUNE will meet the low end of their 2016 development guidance range at 4.2 GW, but have changed the utility scale margins to reflect the mgmt. disclosures.

We now value the utility-scale business at **13%** margins (down from 18%), and maintain DG at **15%**. While the gross margin % has stayed the same on the DG

We now apply 13% gross margins to the utility-scale development business, and maintain DG at 15%

side, we note that with the increased resi that SUNE will be developing due to the VSLR deal, the implied margin for DG has increased to \$0.40/W. The implied \$/W on the 13% utility margin is \$0.26/W on an assumed \$2.00/W project cost. We flag that 'forgone' margins (eg-projects sold down to TERP) were realized at 12.5%, consistent with a lower trend in 1Q15.

Additionally on the DevCo side, we have updated the Opex to reflect the \$0.22/W guidance, with total 2016 Opex now reaching \$924M, up from \$765 in previous our SOTP. We maintain the 5x EV/EBITDA multiple. The full margin disclosures can be seen in the table below.

Figure 2: SUNE Utility-Scale DevCo Historic Margins

| DevCo Margins | | | | | | | | | | 2016 Guidance | | | 2017 Guidance | | |
|-----------------------------|------|-------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|------------------------|------|------|---------------|------|------|
| | 2012 | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | FY14 | 1Q15 | 2Q15 | Bear | Base | Bull | Bear | Base | Bull |
| Total MW | 430 | 542 | 150 | 218 | 297 | 383 | 1,048 | 273 | 404 | 4,200-4,500 | | | | | |
| Retained MW | 47 | 165 | 74 | 164 | 251 | 295 | 783 | 202 | 359 | | | | | | |
| 3rd Party Sales MW | 383 | 377 | 76 | 54 | 46 | 88 | 265 | 71 | 45 | | | | | | |
| Dropdowns - TERP MW | | | | | | 76 | 76 | 167 | 146 | | | | | | |
| Foregone Revenue \$M | | | \$181 | \$502 | \$663 | \$656 | \$2,002 | \$382 | \$750 | US *Utility-Scale Only | | | | | |
| Foregone Margin \$M | | \$111 | \$25 | \$145 | \$180 | \$130 | \$480 | \$31 | \$94 | | | | | | |
| Margin % | | | 13.8% | 28.9% | 27.1% | 19.8% | 24.0% | 8.1% | 12.5% | | | | | | |
| Margin \$/W | | | | | | | | | | | 0.37 | | | 0.55 | |
| Opex | | | | | | | | | | | 0.10 | | | 0.10 | |
| Operating Margin (slide 38) | | | | | | | | | | | 0.27 | | | 0.45 | |

Source: Company Filings

The Devco business arguments

We continue to ascribe a 5x EV/EBITDA multiple to the Devco business despite the lower margin. We see arguments in both directions – for and against a higher more normalized multiple.

- Ultimately, we see the risk of further compression amidst both continued new entry into the sector as well as ITC expiration.
- This overwhelms arguments that the devco business is a specialty E&C business. We emphasize that if this was indeed the case, E&C companies trade off EPS multiples (and without earnings, it's hard to make the same case). Additionally, with double-digit margins, vs. typical single-digit margins it's a harder comparison on value.
- Among the strongest arguments for a premium multiple is mgmt's guidance for a meaningful improvement in both margins *and* volumes at this business not just YoY in 2016, but once more into 2017 (despite the ITC stepdown) on the back of continued cost declines in the solar and wind sectors. Guidance points to an average ASP to \$1.91 from \$2.07 (-\$0.16) and **even greater project cost decline to \$1.46 from \$1.80 YoY (-\$0.39 in 2017)**. As such, margins in US utility-scale projects are anticipated to improve despite the loss of ITC benefits per mgmt's latest disclosures (28% in '17 vs. 18% in the table above, a level previously seemingly unseen in the sector).
- Lastly, we emphasize with few pure-play downstream renewable developers to comp against, it's hard to gain confidence on specific multiples. Rather, we see some semblance to higher quality energy marketing companies, which tend to trade in the 4-6x EBITDA range as well.

Figure 3: DevCo Valuation – Lowered to \$4/sh from \$12/sh previously principally on higher Opex, lower margins

| DevCo Value --> Step-up Value as Dropped from SUNE to TERP | Downside | Base Case | Upside |
|--|-----------------|---------------|----------------|
| Utility-Scale Capacity Built (MW) - 2016 | 3,100 | 3,400 | 4,400 |
| \$/Watt Costs | 2.00 | 2.00 | 2.00 |
| Margin (%) | 12% | 13% | 19% |
| Implied Margin (\$/Watt) | 0.24 | 0.26 | 0.38 |
| Utility-Scale Gross Margin (\$ Mn) | 744 | 884 | 1,672 |
| Resi Capacity Built (MW) - 2016 | 400 | 800 | 900 |
| <i>Resi Guidance for 2016</i> | | 800 | |
| <i>DG Guidance for 2016</i> | | 1100-1300 | |
| Build Costs (\$/W) | 2.70 | 2.70 | 2.70 |
| Margin (\$/Watt) - Weighted down to reflect 2017 stepdown | 0.20 | 0.40 | 0.60 |
| Implied Margin (%) | 10% | 15% | 22% |
| DG Gross Margin (\$ Mn) | 80 | 320 | 540 |
| Total MWs | | 4,200 | |
| <i>Total Guidance for 2016</i> | | 4200-4500 | |
| Weighted Average Margin | <u>11.8%</u> | <u>13.3%</u> | <u>19.5%</u> |
| Opex | (924) | (924) | (924) |
| Opex \$/W Guidance | | 0.22 | |
| EBITDA | -100 | 280 | 1288 |
| EV/EBITDA-> 4-6x Range... Discounted given uncertainty | 5.0x | 5.0x | 5.0x |
| Implied Value | (500) | 1,400 | 6,440 |
| Implied Value (\$/kW-yr) | (32.26) | 0.41 | 293 |
| Value of to SUNE | (\$1.46) | \$4.09 | \$18.82 |

Source: Company Filings, UBS estimates

What the lower margins could mean...

We note that there has been a great deal of negative sentiment surrounding the disclosures of 13% utility-scale DevCo margins, but that the thinking here seems to be to provide the most attractive returns to TERP at 11% unlevered and 9% levered. We expect SUNE would sell a pre-packaged utility project for mid to high teen margins in the open market, but are providing more value to TERP and circularly themselves by discounting the price to TERP.

We expect mgmt. will take lower margins on their dropdowns to TERP, in the ~13% range to garner higher yields at the TERP level

Figure 4: TERP Drop-Down Margins & Returns

| | 2016 | | |
|--------------------------------------|--------|--------|------------|
| \$/W | Base | | |
| Project ASP | \$2.25 | \$2.07 | \$1.95 |
| DevCo Operating Margin | \$0.45 | \$0.27 | \$0.15 |
| Opex | \$0.10 | \$0.10 | \$0.10 |
| Gross Margin % | 24% | 18% | 13% |
| TERP Equity | \$1.10 | \$0.93 | \$0.80 |
| TERP Debt | \$0.63 | \$0.63 | \$0.63 |
| Unlevered CAFD | \$0.13 | \$0.13 | \$0.13 |
| Levered CAFD | \$0.09 | \$0.09 | \$0.09 |
| TERP Levered 'Current Year' Return | 8% | 10% | 11% |
| TERP Unlevered 'Current Year' Return | 8% | 8% | 9% |

Source: Company Filings, UBS estimates

Parent obligations & Liquidity

Parent obligations updates in SOTP

Updated disclosures were also provided on the parent obligations and liquidity fronts, with our total parent obligations value to SUNE decreasing from -\$11.71/sh to -\$9.81/sh. We also include items identified as 'other credit facilities' \$266M and Solar Energy recourse financing of \$8M, bringing total recourse debt just shy of \$2Bn.

We have also updated this section to include earn out payments to First Wind at UBSe \$510M (disclosed in company filings) as well as \$203M in interest obligations for GLBL, representing the NPV of \$250M in interest payments through 2019, at a 9.75% cost of debt.

Additionally, we continue to include the \$410M margin loan of TERP shares, disclosed as non-recourse element of the First Wind acquisition, as we aren't convinced that this is truly collateralized. Lastly, we have updated the cash outstanding to \$655M as reflected in the latest disclosures (net of restricted and TERP balances).

We value SUNE's total parent obligations of \$4B, less the \$665 of cash outstanding to be worth (\$10)/sh to SUNE

Figure 5: SUNE Parent Obligations

| Parent Obligations | Value/Sh. | |
|--|-----------------|---------------|
| | Outstanding | Converted |
| Convertible senior notes due 2018 | \$0 | \$485 |
| Convertible senior notes due 2020 | \$445 | \$0 |
| Convertible senior notes due 2021 | \$0 | \$429 |
| Converts issued in 1Q15 - 2022 | \$338 | \$0 |
| Converts issued in 2Q15 - 2023 | \$303 | |
| Converts issued in 2Q15 - 2025 | \$281 | |
| Converts issued for Vivint Acquisition | \$350 | |
| Total Converts | \$1,717 | \$914 |
| Other Credit Facilities | \$266 | |
| Solar Energy recourse financing | \$8 | |
| Total Recourse Debt | \$1,991 | |
| Margin Loan - w / TERP Shares (First Wind Acquisition) | \$410 | |
| Sellers Note due 2020 collateralized w / TERP Shares (First Wind Acquisition) | \$328 | |
| Non-Recourse 1st Lien Term Loan from Vivint Acquisition | \$500 | |
| GLBL Interest Obligations | \$203 | |
| Earnout Payments to First Wind | \$510 | |
| Interest Payment Due to GLBL's Orosi Project Credit Facilities - 3/31/2015 | \$78 | |
| Grand Total Debt | \$3,510 | |
| Cash Outstanding (SUNE unrestricted basis per 2Q Presentation) | (\$665) | As of Aug 5th |
| Net Debt | \$2,845 | |
| Grand Total Obligations | \$3,355 | |
| <i>Grand Total Obligations per Share</i> | <i>\$9.81</i> | |
| Value of to SUNE | (\$9.81) | |

Source: Company Filings, UBS estimates

Liquidity gets a shakeup

On the liquidity front, the breakdown below of the pro-forma liquidity provides a detailed snapshot of how we arrived at our grand total liquidity for the end of 2Q15. As stated before, we started with the \$665M in cash on hand, and applied the disclosed capital amounts, less the debt already used up in the various vehicles, to arrive at a grand total liquidity for \$2.5Bn for the beginning of 2Q15.

We assume SUNE has \$2.5Bn of liquidity as of 2Q15, which will last them ~1 yr

The critical question remains how well management will be able to negotiate for further warehouses. While mgmt still has yet to finalize it's latest warehouse, which would conceivably provide the liquidity for the pending Invenergy deal, we look for yet *additional* structures to be launched in the period. Specifically, mgmt stated it would be seeking to implement a warehouse facility for the TERP Global structure.

Figure 6: 2Q15 Pro-Forma Liquidity

| Pro-Forma Liquidity as of 2Q15 | |
|--------------------------------|---|
| 665 | SUNE Cash |
| 725 | Total Credit Facility |
| (54) | LCs O/S again CF |
| 386 | Other W/C Facilities |
| (208) | W/C Facilities |
| 1,500 | FirstReserve Warehouse |
| (466) | FirstReserve Usage |
| 1,588 | Next Warehouse (4Q Close, Equity Component) |
| (1,588) | Invenergy Acq. |
| (57) | VSLR Deal (Cash Portion - 4Q) |
| 2,491 | Grand Total Liquidity |

Source: Company Filings

Figure 7: Illustrative Liquidity Walk Scenario

| Projected Quarterly Liquidity Analysis Scenario | |
|---|----------------|
| Project & Opex QoQ Growth | 0% |
| 2Q15 Ending Liquidity at DevCo | 2,491 |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 3Q15 Ending Liquidity at DevCo | 1,816 |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 4Q15 | 1,141 |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 1Q16 | 466 |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 2Q16 | (210) |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 3Q16 | (885) |
| Quarterly Burn - Project | (590) |
| Quarterly Burn - Interest - 2016 | (85) |
| 4Q16 | (1,560) |

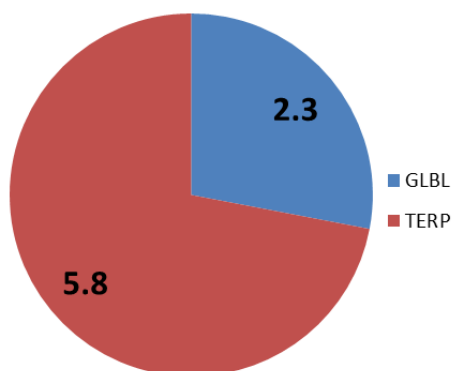
Source: Company Filings and UBS estimates; NO third party sales or TERP share sales are assumed, which can *clearly* serve as a potential source to solve all cash deficits.

Using the \$2.5Bn in estimated liquidity as a starting point, we provide the analysis above to indicate how 'far' this will take SUNE. As presented by mgmt. in their 2Q15 presentation, we estimate a quarterly cash burn of \$590M, with \$85M of quarterly interest expenses. Please note that we have not grown the quarterly cash burn, so this represents a highly unlikely no-growth scenario. We estimate that the \$2.5Bn in starting cash will last SUNE roughly a year in this analysis, through 2Q16.

TERP: updates less material at the YieldCo level

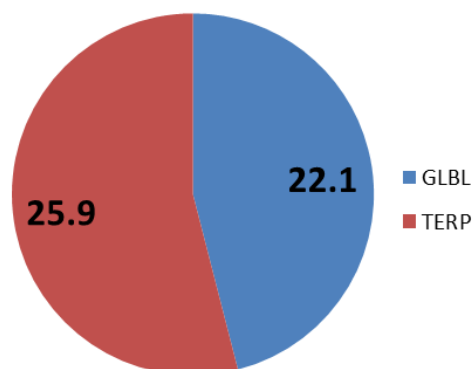
As for TERP, while we provide more color on our updates in the accompanying note, the major changes to the vehicle in the quarter were the disclosures of the share of total pipeline and leads + qualified leads at the SUNE level that are attributed to the YieldCos. While we previously assumed ~80% of pipeline/leads/qualified leads were for TERP dropdowns, disclosures stated that 72% of the pipeline was for TERP, but only 54% of leads and qualified leads were TERP's, with the deltas applicable to GLBL. The other main update to the value of TERP to SUNE relates to our decreased price target of SUNE to \$34/sh, which was driven down by our expectation of the lower level at which TERP would be able to issue equity, which lowers the TERP LP value to SUNE in our model by \$1 to \$7.33/sh.

Figure 8: SUNE Pipeline (GW)



Source: Company Filings

Figure 9: SUNE Leads + Qualified Leads (GW)



Source: Company Filings

Misc. further updates to model

- Sell-down of remaining stake in SEMI worth \$194M. We remove our explicit contribution in our SOP as this is now reflected in SUNE's cash balance as of quarter end.
- GLBL value to SUNE reduction ~50c to \$2.49/sh, based on a decrease in GLBL share price.
 - \$1 drop in TERP or GLBL = ~\$0.20/sh drop in SUNE PT

Figure 10: GLBL Stock Performance



Source: FactSet

Crickets on GLBL during the call...

Mgmt did little to inject confidence in the GLBL YieldCo during the 2Q15 call, focusing on injecting confidence back on TERP despite the latest break in the IPO pricing for GLBL. We expect greater clarity needs to be presented on the cost of debt for the EM projects relative to the equity yield.

What's the margin proposition at Global?

Mgmt emphasized it saw a spread on development assets of 2-4% vs. the targeted drop-down range, seeing continued ability to acquire assets accretively into the TERP Global structure. We suspect discussion of real vs. nominal returns (F/X) and sovereign risk free rates could well play into future apples-to-apples discussion on returns vs. TERP Classic and it's 200bp tighter targeted return profile.

Detailed SOTP Valuation:

We include our latest full SOP, reflecting our \$20/sh, but also admittedly indicating downside to \$0/sh as well as continued significant upside to ~\$50/sh.

Below we present our full SOTP presentation:

Figure 11: Full- SOTP Valuation (1/2)

| SunEdison Valuation UBSe | | | | |
|--|--|-------------|--------------|-----------------|
| TERP LP Ownership Interest | | Downside | Base Case | Upside |
| Ownership in TerraForm Power (NYSE: TERP), using Price Target | | | | |
| Shares Owned (Mn), 2015e | | 63.0 | 63.0 | 63.0 |
| UBSe Price Target | | \$29.00 | \$34.00 | \$46.00 |
| Equity Value (\$ Mn) | | \$1,827 | \$2,142 | \$2,898 |
| TERP LP Value to SUNE | | \$5.34 | \$6.26 | \$8.47 |
| Current Share Price (for Comparison) - and Corresponding Value/sh | | | \$4.79 | |
| TERP GP Ownership Interest | | Downside | Base Case | Upside |
| | | Thru 2017 | Thru 2019 | Thru 2020 |
| NPV of IDRs & Terminal Value @ 20x CF | | \$8.08 | \$14.27 | \$17.83 |
| TERP GP Value to SUNE | | \$2.44 | \$14.27 | \$18.44 |
| Non-TERP Projects Sold to Third Parties | | Downside | Base Case | Upside |
| Capacity (MW) | | | 280 | |
| EV (\$/kW) | | | \$2,000 | |
| Developer Margin (%) | | 15% | 20% | 25% |
| Market Value of Equity to SUNE | | \$84 | \$112.00 | \$140 |
| Shares Outstanding | | 342 | 342 | 342 |
| Value of to SUNE | | \$0.25 | \$0.33 | \$0.41 |
| Emerging Markets YieldCo (EMYCo) | | Downside | Base Case | Upside |
| <i>Illustrative from SUNE Owned Assets of Capital Markets Day</i> | | | | |
| Existing EM Assets CAFD (as of 4Q) \$ Mn | | | 46 | |
| Stand-Alone Asset Yield (Consistent with TERP/NYLD) | | | 6.00% | |
| Add'l EM Yield Adder | | 4.00% | 3.00% | 2.00% |
| Pro-forma Yield on EM Assets Today | | | 9.00% | |
| Implied Value on Only Assets Today | | | 511 | |
| Implied Value on Only Assets SUNE owned (\$/sh) - Min Value/Illustrative | | | \$1.49 | |
| YieldCo Valuation (Assuming ~ownership of Initial Portfolio Only) | | \$2.85 | \$4.00 | \$4.50 |
| TERP Global LP Ownership Interest | | | | |
| Shares O/S | | | 179 | |
| Shares SUNE owns | | | 60 | |
| TERP Global Shares Market Price (\$/sh) | | | \$12 | |
| Value to SUNE (\$ Mn) | | | \$723 | |
| Implied Value to SUNE (\$/sh) | | | \$2.11 | |
| Incentive Distribution Rights from YieldCo | | \$0.00 | \$0.38 | \$7.24 |
| Value of to SUNE | | \$2.85 | \$2.49 | \$11.74 |
| Sale of Ownership in SEMI | | Shares (Mn) | Public Price | Value Value/Sh. |
| Sale of Ownership in SunEdison Semiconductor (NYSE: SEMI) | | 10.6 | \$18.25 | |
| Solar and Wind Servicing | | Downside | Base Case | Upside |
| Value of to SUNE | | \$0.42 | \$1.53 | \$2.29 |
| SMP poly Plant | | Downside | Base Case | Upside |
| Value of to SUNE | | \$0.40 | \$0.60 | \$0.79 |

Source: Company Filings, UBS estimates

Figure 12: Full- SOTP Valuation (2/2)

| DevCo Value --> Step-up Value as Dropped from SUNE to TERP | Downside | Base Case | Upside |
|---|------------------|----------------|----------------|
| Utility-Scale Capacity Built (MW) - 2016 | 2100 | 3,100 | 3,400 |
| | 3,100 | 3,400 | 4,400 |
| \$/Watt Costs | 2.00 | 2.00 | 2.00 |
| Margin (%) | 12% | 13% | 19% |
| Implied Margin (\$/Watt) | 0.24 | 0.26 | 0.38 |
| Utility-Scale Gross Margin (\$ Mn) | 744 | 884 | 1,672 |
| 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 down n to reflect 2017 stepdown | 0.20 | 0.40 | 0.60 |
| Implied Margin (%) | 10% | 15% | 22% |
| DG Gross Margin (\$ Mn) | 80 | 320 | 540 |
| Total MWs | | 4,200 | |
| Total Guidance for 2016 | | 4200-4500 | |
| Weighted Average Margin | 11.8% | 13.3% | 19.5% |
| Opex | (924) | (924) | (924) |
| Opex \$/W Guidance | | 0.22 | |
| EBITDA | -100 | 280 | 1288 |
| EV/EBITDA-> 4-6x Range... Discounted given uncertainty | 5.0x | 5.0x | 5.0x |
| Implied Value | (500) | 1,400 | 6,440 |
| Implied Value (\$/kW-yr) | (32.26) | 0.41 | 293 |
| Value of to SUNE | (\$1.46) | \$4.09 | \$18.82 |
| Parent Obligations | Value/Sh. | | |
| | Outstanding | Converted | |
| Convertible senior notes due 2018 | \$0 | \$485 | |
| Convertible senior notes due 2020 | \$445 | \$0 | |
| Convertible senior notes due 2021 | \$0 | \$429 | |
| Converts issued in 1Q15 - 2022 | \$338 | \$0 | |
| Converts issued in 2Q15 - 2023 | \$303 | | |
| Converts issued in 2Q15 - 2025 | \$281 | | |
| Converts issued for Vivint Acquisition | \$350 | | |
| Total Converts | \$1,717 | \$914 | |
| Other Credit Facilities | \$266 | | |
| Solar Energy recourse financing | \$8 | | |
| Total Recourse Debt | \$1,991 | | |
| Margin Loan - w / TERP Shares (First Wind Acquisition) | \$410 | | |
| Sellers Note due 2020 collateralized w / TERP Shares (First Wind Acquisition) | \$328 | | |
| Non-Recourse 1st Lien Term Loan from Vivint Acquisition | \$500 | | |
| GLBL Interest Obligations | \$203 | | |
| Earnout Payments to First Wind | \$510 | | |
| Interest Payment Due to GLBL's Orosi Project Credit Facilities - 3/31/2015 | \$78 | | |
| Grand Total Debt | \$3,510 | | |
| Cash Outstanding (SUNE unrestricted basis per 2Q Presentation) | (\$665) | As of Aug 5th | |
| Net Debt | \$2,845 | | |
| Grand Total Obligations | \$3,355 | | |
| Grand Total Obligations per Share | \$9.81 | | |
| Value of to SUNE | (\$9.81) | | |
| SUNE Equity Value per Share | \$0 | \$19.76 | \$51 |
| Upside/(Downside) | -97% | 16% | 201% |

Source: Company Filings, UBS estimates

Figure 13: SUNE FCF Profile

| HoldCo-only 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 for Vivint Solar | | | (\$8) | (\$8) | (\$8) | (\$8) | (\$8) |
| Warehous facility expense (DevCo) | | | \$120 | \$160 | \$200 | \$200 | \$200 |
| Converts | | | \$65 | \$65 | \$65 | \$65 | \$65 |
| Other | | | \$8 | \$8 | \$8 | \$8 | \$8 |
| Margin Loan | | | \$15 | \$15 | \$15 | \$15 | \$15 |
| Seller Note | | | \$13 | \$13 | \$13 | \$13 | \$13 |
| Interest payment Agreement - GBL | | | \$80 | \$80 | \$40 | \$30 | \$20 |
| Incremental Recourse Debt | | | | | | | |
| Total Interest Payment | | | (\$301) | (\$341) | (\$341) | (\$331) | (\$321) |
| Projections (ex-warehouse) | | | (\$100) | | | | |
| | | | | | | | |
| | | | | | | | |
| Emerging Markets | | | | | | | |
| LP div - SUNE's Share | | | \$0 | \$0 | \$58 | \$83 | \$130 |
| GP div | | | \$0 | \$0 | \$4 | \$26 | \$143 |
| Total Dividend Received | | | \$0 | \$0 | \$61 | \$109 | \$273 |
| | | | | | | | |
| | | | | | | | |
| Total cash flow from ops. | | | FY 2015E | FY 2016E | FY 2017E | FY 2018E | FY 2019E |
| Devco Cash Flow (Sales to TERP) | | | \$290 | \$638 | \$667 | \$667 | \$667 |
| Materials Cash Flow (Samsung JV/Legacy) | | | (\$30) | \$68 | \$68 | \$68 | \$68 |
| 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 | | | (\$301) | (\$341) | (\$341) | (\$331) | (\$321) |
| Total cash flow (pre-w/c) | | | \$66 | \$501 | \$728 | \$982 | \$1,488 |
| Per share | | | \$0.24 | \$1.84 | \$2.26 | \$3.03 | \$4.58 |
| Working Capital | | | (\$225) | (\$383) | (\$84) | | |
| Proceeds from Sale of SEMI | | | - | | | | |
| Total cash flow (post-w/c) | | | (\$159) | \$118 | \$644 | \$982 | \$1,488 |
| | | | | | | | |
| Less: Depreciation | | | 515 | 801 | 838 | 784 | 949 |
| Add Back: Working Capital Changes | | | 225 | 383 | 84 | - | - |
| Less: Proceeds from Sale of SEMI | | | - | | | | |
| Net Income: | | | (\$449) | (\$300) | (\$110) | \$198 | \$539 |
| (Diluted) EPS | | | (1.66) | (1.10) | (0.34) | 0.61 | 1.66 |

Source: Company reports and UBS estimates

Forecast returns

| | |
|-----------------------------|--------|
| Forecast price appreciation | +17.1% |
| Forecast dividend yield | 0.0% |
| Forecast stock return | +17.1% |
| Market return assumption | 5.7% |
| Forecast excess return | +11.4% |

Statement of Risk

SunEdison is exposed to supply/demand imbalances which are heavily impacted by local and national government incentives. Demand for solar is still dependent on government subsidies such as tax rebates or feed-in tariffs. Any material change in an individual country's position on support for solar energy could have a negative impact on the growth of the solar market. SunEdison's expansion plans are also driven by expected cost reductions in renewable energy system equipment. Additionally, adoption of renewable energy generation is associated with the costs of incumbent generation sources and will be heavily impacted by any large swing in the costs of these energy sources. 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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|-------------------|---|-----------------------|--------------------------|
| 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% |
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Source: UBS. Rating allocations are as of 30 June 2015.

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|--|---------|-----------------|-------------------|-----------|-------------|
| SunEdison Inc. ^{13, 16} | SUNE.N | Buy | N/A | US\$17.08 | 06 Aug 2015 |
| TerraForm Power, Inc. ^{2, 4, 5, 6, 16} | TERP.O | Buy | N/A | US\$25.97 | 06 Aug 2015 |

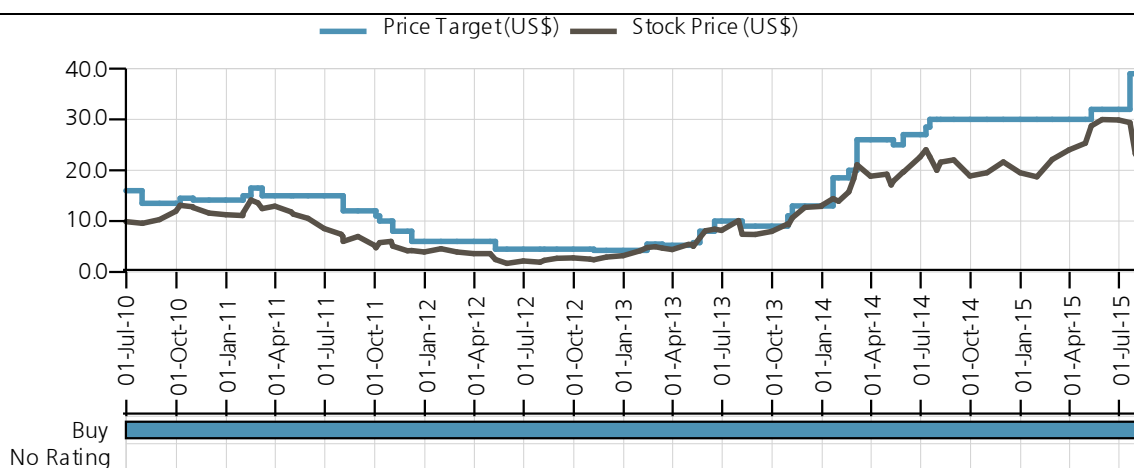
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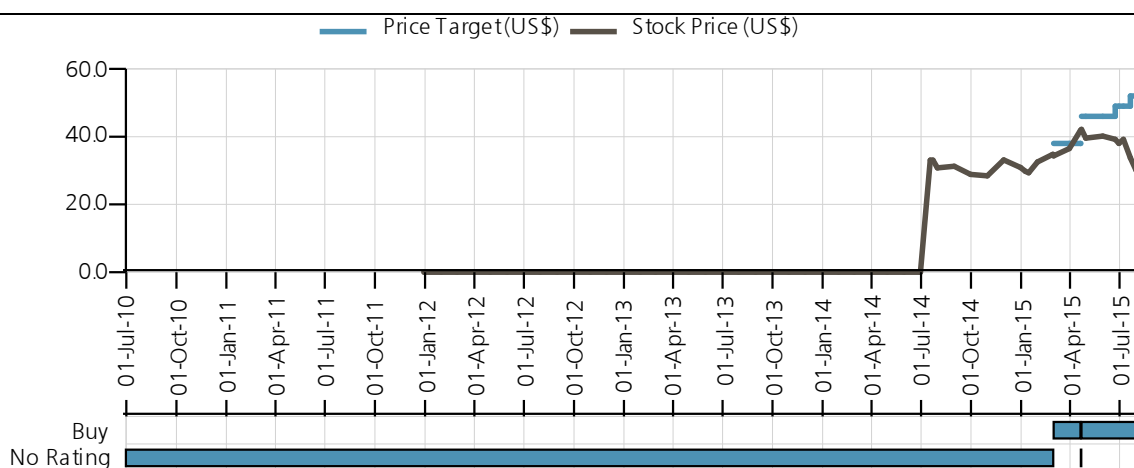
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