

8Point3 Energy Partners LP

Poised to Peer Over the ITC Cliff

Expect full update on SPWR/CAFD at Nov 12th Analyst Day on 2016 and beyond

We look for a full update on both project outlook without ITC into 2017 as well as cost trajectory at SPWR/CAFD's upcoming Analyst Day on 11/12. Look for full 2016 guidance as well as key 2017 drivers, as well as capacity expansion plans, and details surrounding its overall cost roadmap, particularly with its latest Helix product. We emphasize FSLR too has reiterated improving costs via BoS systems improvements as it aims to keep a deflationary trend in utility-scale solar systems amidst the drop-off in 2017. We expect detail on the financing structure going forward, along with future drops into the CAFD structure, a further update to the initial ROFO disclosures.

Focusing on higher margins via new products in the commercial segment

SPWR recently launched its long-awaited new commercial product, Helix in recent weeks, focusing on bringing down the Balance of System (BoS) costs for these mid-scale installations (panels/mounting/wiring + software). We highlight that commercial was the only sector where SPWR met or beat MW deployed guidance at 66MW vs 60-65MW guided, although margins have been problematic in recent quarters; SPWR missed 3Q on both resi and power-plant MW targets (see tables below)

Margins key to the SPWR story – drop of Quinto to CAFD in 4Q is key question

With SPWR missing on total MW deployed guidance, the company posted a significant beat on EBITDA resulting from the higher than anticipated gross margins realized at 17.7% (vs 10-12%). SPWR also increased guidance on margins for FY15 by 1-2%, with a consolidated expectation for 23-24%, above long-term target of high-teens to low 20's given high-PPA priced Quinto drop in 4Q down to CAFD.

Valuation: Maintain \$11 PT for CAFD; parent support matters into Analyst Day

Valuation is based upon applying a 7% yield plus a 200bp discount, which is ~\$3/sh premium to our 'no growth' DCF analysis of \$8/sh (which applies a 7% discount rate to PPA + merchant value). We expect CAFD shares will benefit from SPWR updates.

Equities

Americas
Electric Utilities

12-month rating **Neutral**

12m price target **US\$11.00**

Price **US\$13.46**

RIC: CAFD.O BBG: CAFD US

Trading data and key metrics

52-wk range	US\$20.68-10.48
Market cap.	US\$1.35bn
Shares o/s	100m (COM)
Free float	100%
Avg. daily volume ('000)	472
Avg. daily value (m)	US\$6.5
Common s/h equity (12/15E)	US\$0.42bn
P/BV (12/15E)	0.7x
Net debt / EBITDA (12/15E)	>10

EPS (UBS, diluted) (US\$)

	12/15E	
	UBS	Cons.
Q1	(0.12)	-
Q2E	(0.05)	0.01
Q3E	(0.04)	0.05
Q4E	(0.01)	0.04
12/15E	(0.21)	0.04
12/16E	0.15	0.42
12/17E	0.13	0.58

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Highlights (US\$m)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	-	-	12	15	59	107	121	135
EBIT (UBS)	-	-	4	(4)	31	63	51	40
Net earnings (UBS)	-	-	(2)	(5)	9	11	4	(1)
EPS (UBS, diluted) (US\$)	-	-	(0.10)	(0.21)	0.15	0.13	0.03	(0.01)
DPS (US\$)	-	-	0.00	0.84	0.91	0.98	1.06	1.14
Net (debt) / cash	-	-	(260)	(247)	(330)	(552)	(744)	(809)
Profitability/valuation	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	-	-	35.0	-25.3	53.2	58.8	41.8	29.8
ROIC (EBIT) %	-	-	-	(1.4)	7.1	6.3	2.9	1.7
EV/EBITDA (core) x	-	-	-	>100	30.4	18.3	17.8	16.9
P/E (UBS, diluted) x	-	-	-	(62.9)	88.2	99.8	NM	NM
Equity FCF (UBS) yield %	-	-	-	(21.2)	(21.8)	(59.4)	(54.5)	(23.6)
Net dividend yield %	-	-	-	6.2	6.7	7.3	7.9	8.5

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$13.46 on 30 Oct 2015 19:42 EDT

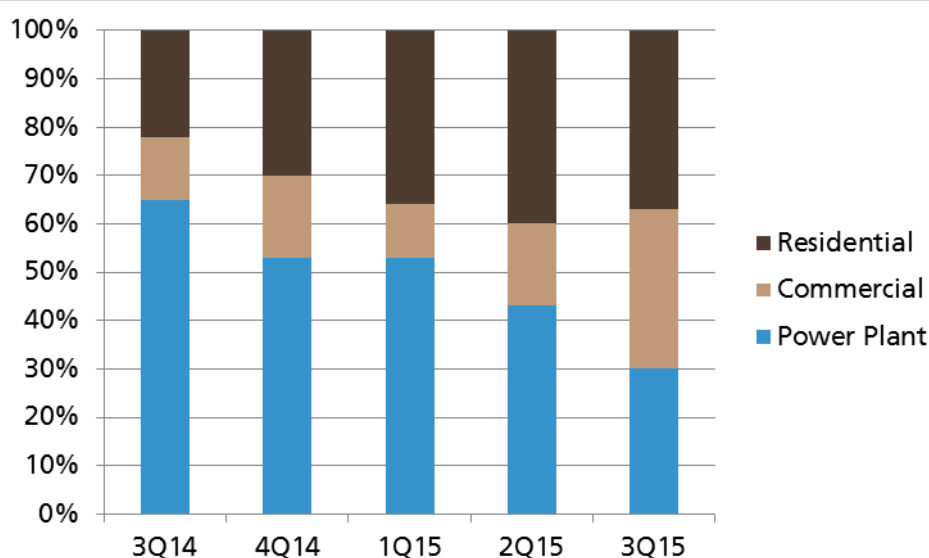
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Breaking down the segment-level MWs:

As illustrated below, the share of revenue from power plants has been gradually decreasing over the past 5 quarters, with commercial revenue beginning to take greater share in 2Q15 and more critically 3Q15. Revenue from residential projects had been increasing in share from 3Q14 to 2Q15, but tapered back in 3Q15 with the shift from resi to commercial.

Figure 1: SPWR Revenue by Segment – Shifting to Higher Margins?



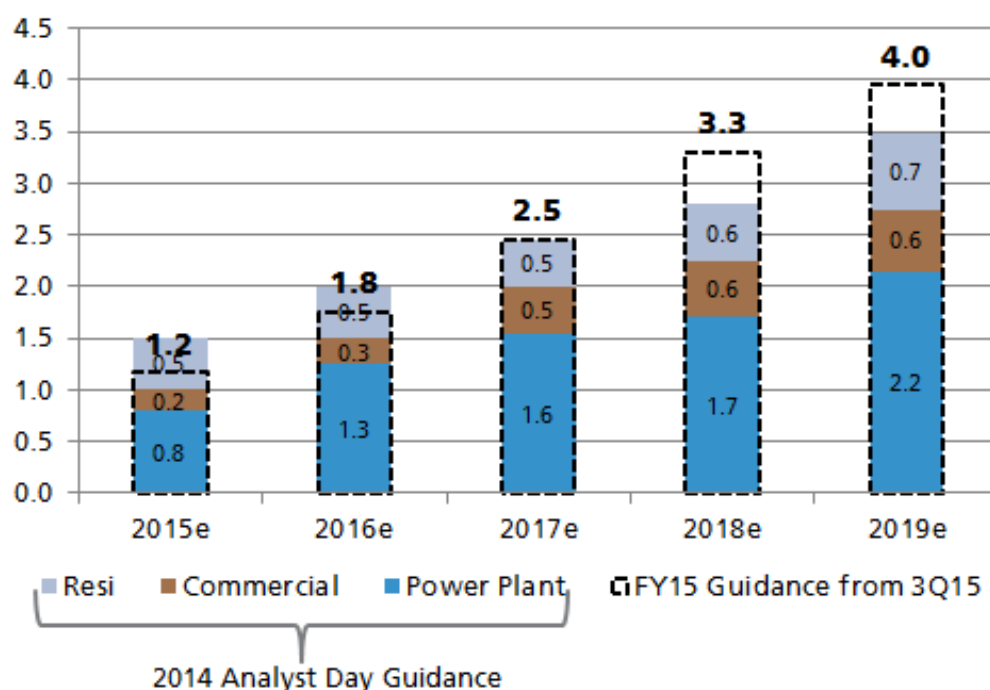
Source: Company Filings

Setting expectations into the Analyst Day: Mix Matters

The MW deployed targets outside of FY15 were not updated on the 3Q15 call, but we expect further disclosures at the analyst day. As displayed, mgmt. decreased FY15 and FY16 expectations slightly in 2Q15, compared with 2014 analyst day, while maintaining FY17 expectations and increasing FY18 and FY19 guidance.

Expect an update to the below segmented chart by customer class to prove a key point of the overall update. Discussion of trajectory for improvement in margin by customer class will also be important, likely focusing on higher margins on commercial segment. Providing a roadmap for commercial execution remains challenging given historic challenged track record.

Figure 2: SPWR MW Deployed Guidance (FY15-19 Guidance from 3Q15 vs 2014 Analyst Day)



Source: Company Filings

SunPower: More Capex Coming? Details at Analyst Day on Expansion.

Management noted that 3Q15 capex was \$64M, and they anticipate this increasing in Q4, specifically with Fab 4 construction ramping. Fab 4 is expected to be producing in 2016. The key question at the Analyst Day remains to what extent management will opt to ramp up Fab 5 as well as timing on its Chinese LCPV JV, employing SPWR's specialized Laminate.

Other datapoints:

Mgmt. is bullish on the state of renewable demand in the many states in the US, with favorable policy/ economics in CA, NY, NJ, NC, and HI still. SPWR noted that even after the ITC drops, costs will continue to come down and 80% of the renewable demand will come from ~15 states rather than 5-7 currently, creating a more diverse market in the US.

Margins in the commercial space drive the beat

As indicated below, the significant step-up in commercial margins from 6.4% in 2Q15 to 21.4% in 3Q15 was the main driver for beating EBITDA guidance, according to mgmt. We highlight that, with revenue being recognized for the 135MW Quinto project in 4Q15 (with construction completed and being dropped into CAFD), power-plant margins will increase QoQ from the 8.2% realized in 3Q15. Expect a substantial bump in 4Q with this drop into CAFD. Timing of margin recognition for power plant project scaled projects impacts quarterly margins.

Figure 3: SPWR 3Q15 Earnings Snapshot – Commercial & Power Plant flipping on Gross Margins (%) Realized vs. Historic Trend.

(\$Mn) - Non-GAAP	3Q15	2Q15	1Q15	3Q14
Revenue	\$441.4	\$376.7	\$430.6	\$704.2
Power Plant	\$133.2	\$161.5	\$226.2	\$455.5
Commercial	\$145.6	\$63.0	\$49.1	\$94.8
Residential	\$162.3	\$152.2	\$155.3	\$153.9
Gross Margin	17.7%	17.6%	20.5%	16.7%
Power Plant	8.2%	16.5%	22.0%	16.5%
Commercial	21.4%	6.4%	6.2%	14.9%
Residential	22.2%	23.3%	22.7%	18.6%
Opex	\$93.60	\$84.40	\$83.30	\$75.20
EBITDA	\$54.2	\$63.6	\$58.8	\$85.5
Tax Rate	40.7	34.5%	23.3%	5.9
Net Income	\$20.5	\$27.2	\$19.7	\$46.4
<i>Diluted Shares</i>				
Out.	156	157	156	159
Diluted EPS	\$0.13	\$0.18	\$0.13	\$0.30

Source: Company Filings

Below we highlight SPWR's performance relative to guidance in 3Q15, and compare the updated FY15 guidance to what was previously disclosed. In the tables below, the green indicates a beat or improvement, red is a miss or reduction, and yellow indicates SPWR met guidance. 3Q15 gross margins were beat by nearly 6% on the high range, with EBITDA exceeding the high range of guidance by roughly \$40M. Management updated gross margin, EBITDA, and EPS guidance for FY15, with revenue expectations staying relatively in-line.

Figure 4: SPWR 3Q15 Financial Metrics

	3Q15		4Q15	FY15 Updated	FY15 Previous
Non-GAAP	Guidance	3Q15A	Guidance	Guidance	Guidance
Revenue	\$400 to \$450M	\$441.40	\$1.25 to \$1.3B	\$2.5 to \$2.55B	\$2.4 to \$2.6B
Gross Margin	10% to 12%	17.70%	28% to 29%	23% to 24%	21% to 23%
EBITDA	\$0 to \$15M	\$54.20	\$300 to \$325M	\$475 to \$500M	\$425 to \$475M
Non-GAAP EPS	na	\$0.13	na	\$1.95 - \$2.05	\$1.50 - \$1.80

Source: Company Filings

Conversely, indicative of the importance of the improved margins, SPWR lowered expectations of MW deployed across all segments except commercial, and missed on 3Q15 cumulative deployed MW guidance as well.

Figure 5: SPWR 3Q15 MW Deployed & FY15 Guidance

MW	3Q15 Guidance	3Q15A	4Q15 Guidance	FY15 Updated Guidance	FY15 Previous Guidance
Residential	100 to 105	67	80 to 90	335 to 345	405 to 420
Commercial	60 to 65	66	60 to 65	210 to 215	210 to 230
Power Plant	140 to 160	74	135 to 150	605 to 620	635 to 650
MW Deployed	300 to 330	293	275 to 305	1,150 to 1,180	1,250 to 1,300
MW Recognized	200 to 230	208	330 to 360	950 to 980	1,025 to 1,075

Source: Company Filings

Lastly, SPWR is largely in-line with expectations on CAFD IPO and ROFO deployments, and slightly ahead of schedule on the Hooper plant. As previously stated, the Quinto project has been completed and revenue will be recognized in 4Q14. We expect further disclosures on CAFD drops at the analyst day.

Figure 6: CAFD IPO and ROFO Project Status

Project	Segment	Status	Total MW	3Q15 MW Cum. Deployed	3Q15 MW Previous Cum. Guidance	4Q15 Planned Add'l Deployments
Quinto	Power Plant	IPO	135	135	135	
Hooper	Power Plant	ROFO	58	57	30	1
Henrietta	Power Plant	ROFO	128			50
UC Davis	Commercial	IPO	16	16	16	
RPU	Commercial	IPO	9	9	9	
Macy's NorCal	Commercial	IPO	5	5	5	

Source: Company Filings

Where are costs going?

SPWR expects costs to continue decreasing, and note that this will help in allowing the company to ride the ITC drop. Mgmt. highlighted that cost decreases will not make up the full ~20% delta resulting from the step-down, but that the portion that isn't covered by costs will be absorbed partially installers along with SPWR.

What else will be disclosed at analyst day?

In addition to what we previously discussed on analyst day expectations, we see more detail being provided on all new product offerings, not just Helix. Additionally, a detailed panel efficiency roadmap is expected, in coordinance with capacity expansion plans going forward. Critically, SPWR noted that detailed disclosures on costs expectations going forward will be discussed, which is crucial given the ITC drop. Lastly, mgmt. has noted that they will provide more color on the CAFD portfolio and future plans surrounding the vehicle, along with the geographic mix of the parent portfolio, and how that will evolve over time.

Additional metrics:

- Cash flow profile metrics
- CAFD at the asset and portfolio levels
- EBITDA growth, EBITDA/Watt
- Firm growth targets with MWs by segment, including Commercial turnaround with new product.

- Storage + solar + software product: key to enabling long-term Commercial growth
- Firm renewables product, likely in Chile
- 3-5 year Opex projections
- Focus on firming renewable projects. Mgmt is likely to discuss to a greater extent the value of firm renewables across various geographies, including Chile. We note Calpine (CPN) has expressed a similar interest in its nascent solar efforts.

What levers exist to push for CAFD on drop-downs?

- Project level debt: None of the existing deals at the entity have project level debt in place, enabling a further layer for secured financing in case of need
- Lower payout ratio: With CAFD in the mid-70's on its DPS payout ratio, there appears further latitude to moderate the pace of growth here too.

Making sense of the margin vs. yield discussion

- SPWR has noted that an 8.5% yield translates to a 5-6% IRR for a YieldCo, over the life of a ~20 year contracted asset.
- Previously IRR's had been seen in the 8-9% range for YieldCos; conversely, returns for tax equity investors reach 8-10%.

What's the 'theoretical' downside for CAFD? Evaluating the DCF

Based on the disclosures in the 3Q15 earnings deck (slide 11), we have created a baseline DCF analysis to value the company based on the current portfolio. With our YieldCo valuations across the space based on growth, and the current environment essentially limiting the growth potential, we feel the DCF valuation offers a better metric when trying to gauge the intrinsic value of the operating assets in the vehicles.

For 8.3, we have used the disclosures on CAFD per project, and annualized that over the remaining PPA life of each asset. We assume that each project can have a useful life of ~35 years, so we have modelled out a 'merchant' CAFD for the remaining years, by assuming discounted rates, and netting out the O&M costs. The total CAFD/yr, which is originally \$81M until the PPAs begin to drop off, is then netted of \$5M/yr in Opex, interest expense (3.6% actual interest rate through 2020 and then we model in a 100bp increase in year five and ten), debt amortization of \$300 Mn the term loan (years 11-20), and \$7M in network upgrade reimbursements are added back for the first 5 years. Using a 7% discount rate, we reach an NPV of ~\$596M, which equates to \$8/sh— a proxy for downside to shares.

Our discounted cash flow analysis results in a ~\$8/sh valuation using a 7% discount rate.

In contrast to peer portfolios, we emphasize CAFD does *not* have any significant exposure to incentive renewable revenues, including PBI or SRECs as nearly the entirety of the portfolio is long-term contracted PPAs. Given the limited size of the portfolio, we see the NPV of the portfolio as readily accessible to calculate at varying discount rates. *Please email us for an XLS version of the associated CAFD DCF mini-model.* We suspect this floor valuation using a DCF approach could prove even *high* vs. peers given the widening in standalone-alone entities since the latest MLP pullback of the sector.

Figure 7: CAFD DCF Valuation – what's the core portfolio worth? \$8/sh in our mini-model.

	CAFD Share	Remaining PPA Years	Remaining PPA + Merchant Years	Contracted CAFD (\$M)	Post-Flip CAFD (\$ M)	Inflator (%)	MW's	PPA Rate (\$/MWh)	Merchant Rate (\$/MWh)	O&M/ Year (\$M)	CF (%)	Merchant Revenue (\$M)	Merchant EBITDA (\$M)
Project	%												
Maryland Solar	6%	18	28	5			20	90					
Solar Gen 2	21%	25	35	17		2.65%	74	110	40	2.2	30%	7.7	6
Lost Hills	4%	29	34	3			16	100	40	0.5	30%	1.6	1
North Star	12%	20	30	10		2.65%	29	100	40	0.9	30%	3.1	2
RPU	1%	25	35	1	1		7	100	40	0.2	30%	0.7	1
Quinto	42%	20	30	34	35		108	130	40	3.2	30%	11.4	8
UC Davis	2%	20	30	2	2		13	90	40	0.4	30%	1.4	1
Macy's	1%	20	30	1			3	100	70	0.1	30%	0.6	0
Resi	11%	18	28	9		2.65%	39	170	130	1.2	17%	7.6	6
Total	100%			81			309						28
OPEX (\$M)				5	Annually								
Interest on Debt (\$Mn)				11-17	Annually; Credit facility matures 6/2020								
Debt Service (\$M)				30	Annually in years 11-20								
Taxes (35%)				13-17	Annually post year-ten								
Degradation in CAFD				0.60%									
Network Upgrade Reimbursements (\$M)				7	Annually for 7 years								
Total Cash Flow													
NPV (\$M), netting out TL Debt Amort Est				\$596									
Shares Outstanding (M)				71									
\$/Share				\$8.39									
Implied Market Cap (\$M)				\$950									
Unlevered IRR on Current Stock Price				3%									
Levered IRR on Current Stock Price				1%									

Source: Company Filings, UBS; * portion of CAFD share is estimated from 3Q pie chart, with corresponding PPA and Projected 'Merchant' rates estimated.

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			12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Income statement (US\$m)										
Revenues	-	-	12	15	19.0	59	303.6	107	121	135
Gross profit	-	-	11	9	-24.0	50	NM	91	105	118
EBITDA (UBS)	-	-	8	1	-82.4	50	NM	91	105	118
Depreciation & amortization	-	-	(3)	(5)	48.4	(18)	262.0	(28)	(54)	(78)
EBIT (UBS)	-	-	4	(4)	-	31	-	63	51	40
Associates & investment income	-	-	0	0	-	0	-	0	0	0
Other non-operating income	-	-	0	0	-	0	-	0	0	0
Net interest	-	-	(13)	(14)	-8.6	0	-	(23)	(37)	(44)
Exceptionals (incl goodwill)	-	-	0	0	-	0	-	0	0	0
Profit before tax	-	-	(8)	(17)	-108.9	32	-	40	14	(4)
Tax	-	-	0	0	-	0	-	0	0	0
Profit after tax	-	-	(8)	(17)	-108.4	32	-	40	14	(4)
Preference dividends	-	-	0	0	-	0	-	0	0	0
Minorities	-	-	6	13	108.4	(23)	-	(29)	(10)	3
Extraordinary items	-	-	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	-	-	(2)	(5)	-108.3	9	-	11	4	(1)
Net earnings (UBS)	-	-	(2)	(5)	-108.3	9	-	11	4	(1)
Tax rate (%)	-	-	0.0	0.0	-	0.0	-	0.0	0.0	0.0
Per share (US\$)										
EPS (UBS, diluted)	-	-	(0.10)	(0.21)	-108.3	0.15	-	0.13	0.03	(0.01)
EPS (local GAAP, diluted)	-	-	(0.10)	(0.21)	-108.3	0.15	-	0.13	0.03	(0.01)
EPS (UBS, basic)	-	-	(0.10)	(0.21)	-108.3	0.15	-	0.13	0.03	(0.01)
Net DPS (US\$)	-	-	0.00	0.84	-	0.91	8.0	0.98	1.06	1.14
Cash EPS (UBS, diluted) ¹	-	-	0.05	0.01	-86.0	0.46	NM	0.47	0.52	0.56
Book value per share	-	-	3.74	18.47	393.4	10.92	-40.9	14.87	15.96	14.65
Average shares (diluted)	-	-	23.00	23.00	0.0	59.00	156.5	82.97	111.44	138.54
Balance sheet (US\$m)										
Cash and equivalents	-	-	38	78	105.0	100	28.4	137	195	271
Other current assets	-	-	4	4	16.7	17	303.6	31	35	39
Total current assets	-	-	41	82	97.3	117	42.6	168	229	310
Net tangible fixed assets	-	-	289	564	95.0	861	52.7	1,670	2,406	2,722
Net intangible fixed assets	-	-	0	0	-	0	-	0	0	0
Investments / other assets	-	-	442	442	0.0	442	0.0	442	442	442
Total assets	-	-	772	1,088	40.8	1,420	30.5	2,279	3,078	3,474
Trade payables & other ST liabilities	-	-	26	8	-69.9	15	93.8	27	31	34
Short term debt	-	-	0	0	-	0	-	0	0	0
Total current liabilities	-	-	26	8	-69.9	15	93.8	27	31	34
Long term debt	-	-	298	325	9.2	430	32.3	689	938	1,080
Other long term liabilities	-	-	24	279	NM	279	0.0	279	279	279
Preferred shares	-	-	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	-	-	348	612	76.1	725	18.4	995	1,249	1,394
Common s/h equity	-	-	374	425	13.5	644	51.7	1,233	1,779	2,030
Minority interests	-	-	50	50	0.0	50	0.0	50	50	50
Total liabilities & equity	-	-	772	1,088	40.8	1,420	30.5	2,279	3,078	3,474
Cash flow (US\$m)										
Net income (before pref divs)	-	-	(2)	(5)	-108.3	9	-	11	4	(1)
Depreciation & amortization	-	-	3	5	48.4	18	262.0	28	54	78
Net change in working capital	-	-	0	(19)	-	(5)	72.2	(2)	(1)	0
Other operating	-	-	0	0	-	0	-	0	0	0
Operating cash flow	-	-	1	(19)	-	22	-	37	58	77
Tangible capital expenditure	-	-	(67)	(267)	-300.0	(316)	-18.4	(836)	(791)	(394)
Intangible capital expenditure	-	-	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	-	-	0	0	-	0	-	0	0	0
Other investing	-	-	0	0	-	0	-	0	0	0
Investing cash flow	-	-	(67)	(267)	-300.0	(316)	-18.4	(836)	(791)	(394)
Equity dividends paid	-	-	0	(19)	-	(53)	-177.0	(81)	(118)	(158)
Share issues / (buybacks)	-	-	0	50	-	264	NM	659	659	411
Other financing	-	-	0	0	-	0	-	0	0	0
Change in debt & pref shares	-	-	0	27	-	105	282.42	259	250	142
Financing cash flow	-	-	0	59	-	316	NM	836	791	394
Cash flow inc/(dec) in cash	-	-	(66)	(227)	-245.9	22	-	37	58	77
FX / non cash items	-	-	-	267	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	-	-	-	40	-	22	-44.5	37	58	77

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.¹Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

8Point3 Energy Partners LP (CAFD.O)

Valuation (x)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	-	-	-	NM	NM	NM	NM	NM
P/E (UBS, diluted)	-	-	-	(62.9)	88.2	99.8	NM	NM
P/CEPS	-	-	-	NM	29.0	28.5	25.8	24.2
Equity FCF (UBS) yield %	-	-	-	(21.2)	(21.8)	(59.4)	(54.5)	(23.6)
Net dividend yield (%)	-	-	-	6.2	6.7	7.3	7.9	8.5
P/BV x	-	-	-	0.7	1.2	0.9	0.8	0.9
EV/revenues (core)	-	-	-	NM	NM	NM	NM	NM
EV/EBITDA (core)	-	-	-	>100	30.4	18.3	17.8	16.9
EV/EBIT (core)	-	-	-	NM	NM	26.4	NM	NM
EV/OpFCF (core)	-	-	-	NM	NM	18.5	18.0	17.0
EV/op. invested capital	-	-	-	5.4	3.4	1.7	1.1	0.9
Enterprise value (US\$m)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	-	-	-	1,346	1,346	1,346	1,346	1,346
Net debt (cash)	-	-	254	254	289	441	648	776
Buy out of minorities	-	-	50	50	50	50	50	50
Pension provisions/other	-	-	269	269	269	269	269	269
Total enterprise value	-	-	-	1,919	1,954	2,106	2,313	2,442
Non core assets	-	-	(442)	(442)	(442)	(442)	(442)	(442)
Core enterprise value	-	-	-	1,477	1,513	1,665	1,871	2,000
Growth (%)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	-	-	-	19.0	NM	81.1	13.2	11.0
EBITDA (UBS)	-	-	-	-82.4	NM	82.6	15.4	12.7
EBIT (UBS)	-	-	-	-	-	100.1	-19.5	-20.9
EPS (UBS, diluted)	-	-	-	-108.3	-	-11.6	-74.3	-
Net DPS	-	-	-	-	8.0	8.0	8.0	8.0
Margins & Profitability (%)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	-	-	NM	59.0	NM	NM	NM	NM
EBITDA margin	-	-	62.7	9.3	NM	NM	NM	NM
EBIT margin	-	-	35.0	-25.3	53.2	58.8	41.8	29.8
Net earnings (UBS) margin	-	-	NM	NM	15.2	10.5	3.2	NM
ROIC (EBIT)	-	-	-	(1.4)	7.1	6.3	2.9	1.7
ROIC post tax	-	-	-	NM	7.1	6.3	2.9	1.7
ROE (UBS)	-	-	-	(1.2)	1.7	1.2	0.3	(0.1)
Capital structure & Coverage (x)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	-	-	33.7	NM	6.6	6.1	7.1	6.8
Net debt / total equity %	-	-	61.1	52.1	47.6	43.0	40.7	38.9
Net debt / (net debt + total equity) %	-	-	37.9	34.2	32.2	30.1	28.9	28.0
Net debt/EV %	-	-	-	16.7	21.8	33.1	39.7	40.4
Capex / depreciation %	-	-	NM	NM	NM	NM	NM	NM
Capex / revenue %	-	-	NM	NM	NM	NM	NM	NM
EBIT / net interest	-	-	0.3	NM	NM	2.7	1.4	0.9
Dividend cover (UBS)	-	-	-	-	0.2	0.1	0.0	-
Div. payout ratio (UBS) %	-	-	-	-	NM	NM	NM	-
Revenues by division (US\$m)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	-	-	12	15	59	107	121	135
Total	-	-	12	15	59	107	121	135
EBIT (UBS) by division (US\$m)	-	-	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	-	-	4	(4)	31	63	51	40
Total	-	-	4	(4)	31	63	51	40

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

Forecast returns

Forecast price appreciation	-18.3%
Forecast dividend yield	6.5%
Forecast stock return	-11.8%
Market return assumption	5.7%
Forecast excess return	-17.5%

Statement of Risk

Risks to our investment thesis include: 1) corporate conduct as General Partner will manage CAFD's operations and board members of the General Partner will be appointed by the Sponsors; 2) Anticipated cash distributions may differ as some of the projects in initial portfolio are still under constructions; 3) Expected cash distributions may not be achieved due to CAFD's inability to acquire projects from the sponsor or other non-accretive acquisitions; 4) Sponsors inability to develop projects or Sponsor may drop down projects to other third parties; 5) contract risks as contracted assets comprise all of the portfolio; 6) reliance on solar power could create variability in generation output and thus potentially negatively affect earnings and distributions; 7) the current state of credit markets that has limited the companies' flexibility to return excess cash to shareholders; 8) actual commodity prices differing significantly from our assumptions; 9) political and regulatory intervention to change the structure of competitive markets in response to high power prices and insufficient new build; 10) decrease of Investment Tax Credits to 10% in 2017; 10) unknown impact from a potential carbon legislation. Other investment risks include abrupt changes in weather patterns, sharp slowdown in economic demand, interest rate risks, and disruption of trading activity in power markets.

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Buy	FSR is > 6% above the MRA.	49%	33%
Neutral	FSR is between -6% and 6% of the MRA.	40%	26%
Sell	FSR is > 6% below the MRA.	12%	18%
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 September 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
8Point3 Energy Partners LP ¹⁶	CAFD.O	Neutral	N/A	US\$13.46	30 Oct 2015
First Solar Inc ¹⁶	FSLR.O	Neutral	N/A	US\$57.07	30 Oct 2015
NextEra Energy Partners LP ^{2, 4, 5, 6, 16}	NEP.N	Neutral	N/A	US\$26.26	30 Oct 2015
NRG Yield ¹⁶	NYLDa.N	Neutral	N/A	US\$13.73	30 Oct 2015
SunPower Corp ¹⁶	SPWR.O	Suspended	N/A	US\$26.84	30 Oct 2015
TerraForm Power, Inc. ^{2, 4, 6, 16}	TERP.O	Buy	N/A	US\$18.25	30 Oct 2015

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

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