Green Giraffe
The renewable energy financial advisors

PV secondary markets in Germany & France

Operation, Maintenance and sale of ground-mounted PV Conference, OFATE, Paris

7 November 2017

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1. Green Giraffe introduction

We get deals done

Deep roots in renewable energy finance

- Launched in 2010 by experienced finance specialists with a **strong and proven track record** in renewable energy
- 60+ professionals with offices in Hamburg (Germany), London (UK), Paris (France) and Utrecht (the Netherlands)
- Multi-disciplinary skill set including **project & structured finance, contract management, M&A, and legal** expertise

High quality, specialised advisory services

- Focus on projects where we can actually add value
- We can provide a holistic approach and are able to include sector-specific tasks in addition to traditional debt or equity advisory (such as contracting, strategic advisory and development services)
- Widening geographical reach with a burgeoning presence in the Americas and Africa in addition to Europe
- Priority given to **getting the deal done!**

Close to **EUR 15 billion** funding raised for renewable energy projects in **7 years**

60+ professionals in **4 countries**

Involved in over **80 renewable energy projects** with a capacity of more than **18 GW**

2. Market context

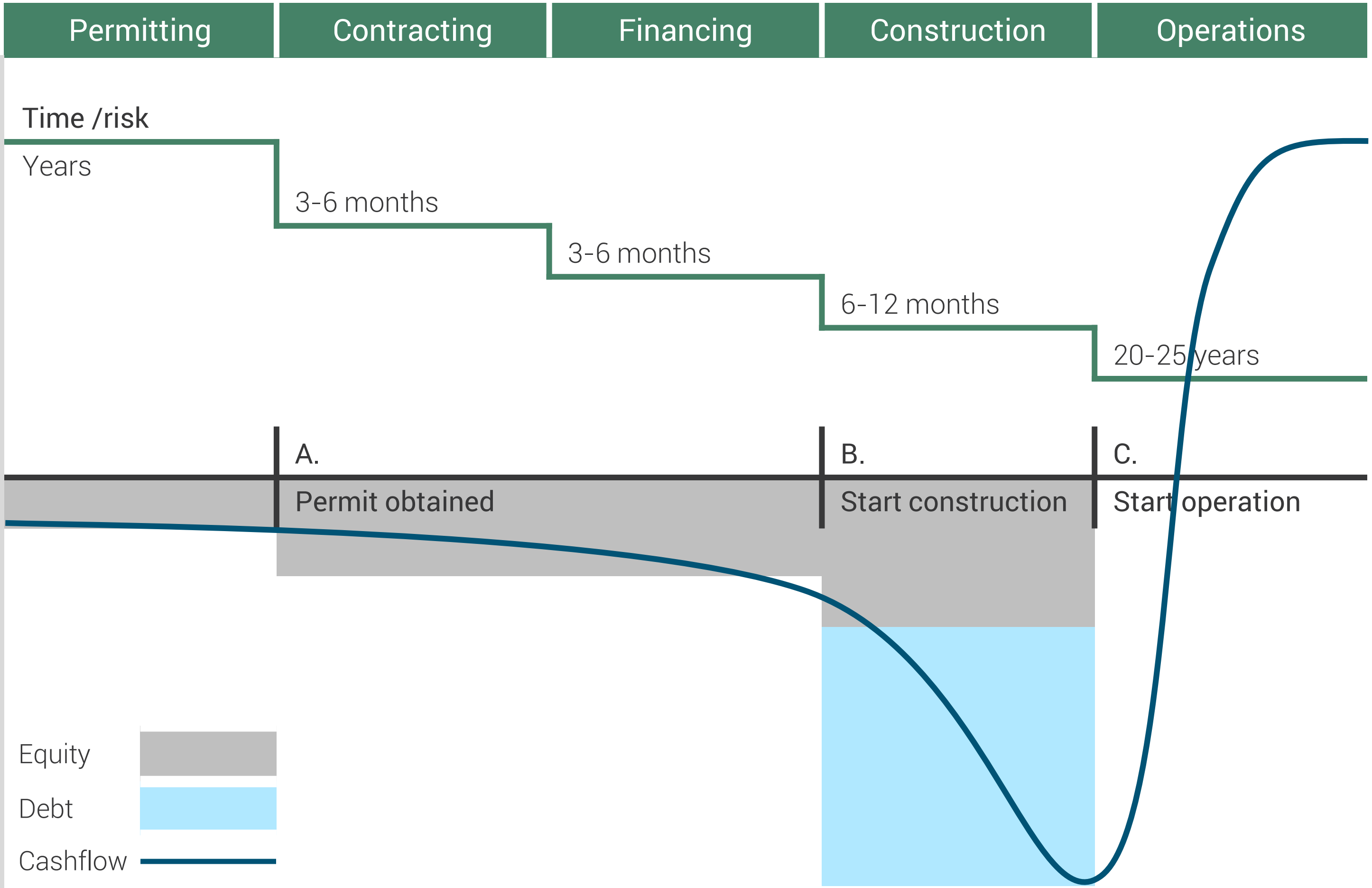
Secondary market is currently very active in Europe

I	There is now around 50 GWp of installed PV capacity in Germany and France – making for a huge potential in terms of secondary transactions (M&A as well as refinancings)
II	Both countries benefit from strong support mechanisms that are considered stable making them particularly attractive for potential lenders and investors
III	Huge number of investors (from very varied backgrounds) actively looking for PV assets in France and Germany to provide long-term stable cash flows
IV	Financing terms have never been more competitive and liquidity in the banking market is extremely high, meaning that there can be significant benefits to refinancing existing debt

3. M&A transactions

What are the motivations for selling projects?

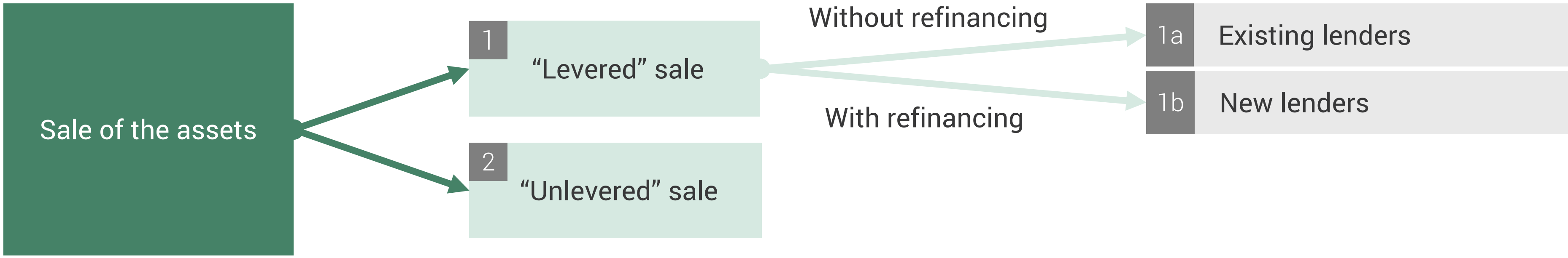
- Renewable energy projects generally follow similar patterns of development
- Project risk/return profile transforms over time: a project “de-risks “ as key development milestones are realised (key permits, contracts, financing, construction, operation)
- Most investor appetite is for the construction or operational phases, not many investors are keen to take permitting or financing risk
- Most value is created in the contracting / financing phase as these parameters will largely determine project economics later



Most value is created during the development & contracting phases

3. M&A transactions

Multiple options to sell a portfolio/project



1a "Levered" sale without refinancing

- Buyer keeps the existing debt with incumbent banks
- Debt restructuring could be an option (waiver-based)

1b "Levered" sale with refinancing

- Repayment of existing debt and raising of new debt package based on more advantageous terms
- New pool of commercial banks, requiring more detailed DD package and parallel process
- Prepayment conditions and swap breakage/novation to be considered

2 "Unlevered" sale

- Buyer repays entire debt
- Prepayment and swap breakage costs to be assessed

3. M&A transactions

Categories of potential buyers for operational projects

Class		Geography	Ticket size	Control	Debt?
Developer	Utility	Europe	Full range (preferably large)	Usually majority	Unlevered
	IPP	Mostly local	EUR 10 M - EUR 70 M	Majority	Levered
	Pure developers	Mostly local	Development costs only	Full control before sale	Levered
Institutional investors	Infra funds	Selected countries	EUR 10 M - EUR 100 M	Minority	Levered
	Private equity	Worldwide	EUR 50 M - EUR 1,000 M	Majority	Levered
	Insurance companies	Worldwide	EUR 10 M - EUR 1,000 M	Minority	Potentially
	Pension funds	Developed countries	EUR 50 M - EUR 500 M	Minority	Potentially
	Sovereign wealth funds	Worldwide	EUR 200 M - EUR 1,000 M	Both	Potentially
Corporations	Contractors	Europe	Up to EUR 100 M	Minority	Potentially
	Japanese trading houses	Worldwide	EUR 50 M - EUR 1,000 M	Majority/key partner	Levered
	Other corporates	Local or global	No general rule – can be large	With strategic investor	Potentially

4. Refinancing existing debt

Why refinance?

Structural improvements

- Increase term loan maturity
- Lower DSCRs
- No gearing constraint
- Lower margins
- LC facility to replace cash funded DSRA
- Lower O&M budget/cost
- Higher P90 production assumptions thanks to
  - operational track record
  - portfolio effect (diversification)
- Lighter covenants

Additional costs

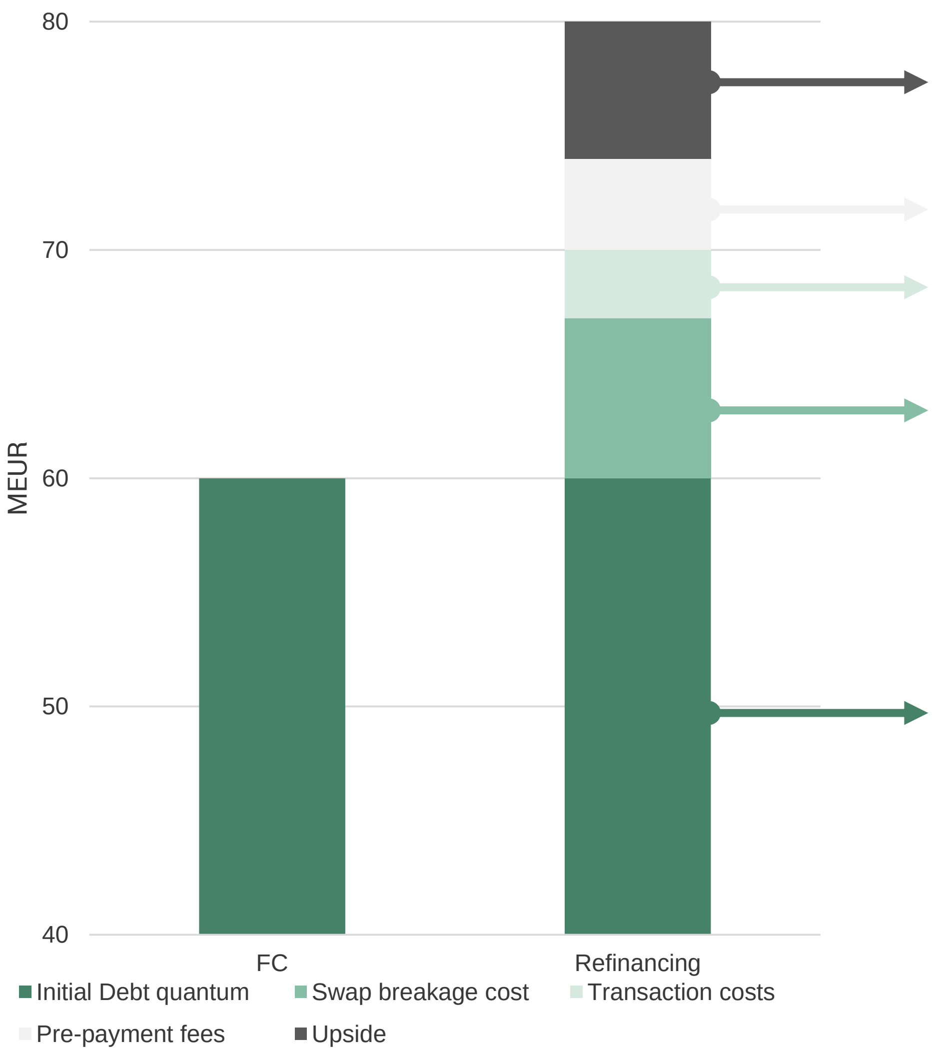
- Transaction costs (DD costs, upfront fees, legal fees, etc.)
- Pre-payment fees/penalties (sometimes)
- Swap breakage/unwinding costs:
  - Cost if rates have gone down since
  - Revenue if rates have gone up since

  (net impact is nil at first order because the increased debt quantum linked to lower interest rates is close to the swap breakage cost. Vice versa if rates have gone up.)

Structural improvements lead to an increase in debt quantum - additional debt can be used to pay for transaction costs and still leave some upside for the project owner(s)

4. Refinancing existing debt

Comparison of debt quantum before and after refinancing



Potential upside for project owner(s)

- Increased debt quantum drawn at refinancing pays for additional costs (see below), any excess can be distributed

Pre-payment fees/penalties

Transaction costs

- Costs associated with the refinancing transactions

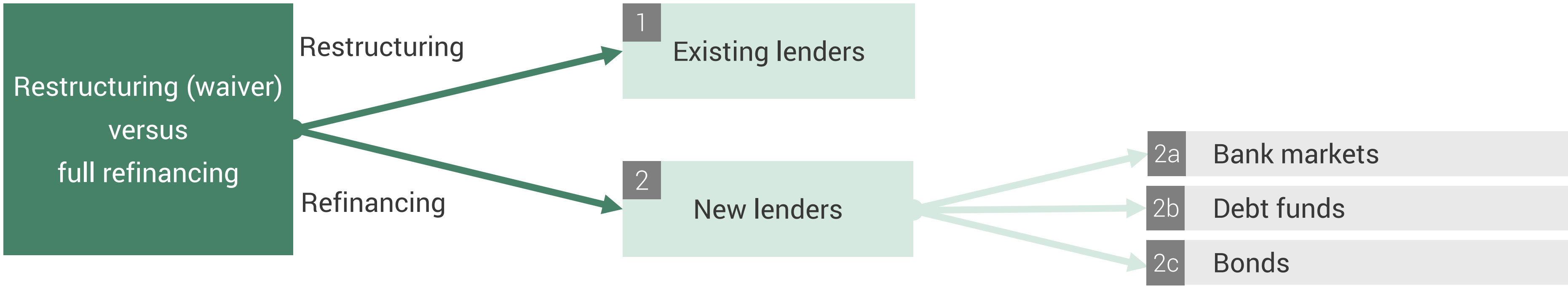
Swap breakage costs

- Very dependent on swap rate at FC and market conditions at the time of refinancing (can be very significant)

Debt quantum outstanding before refinancing

4. Refinancing existing debt

Several refinancing options



1 Restructuring with existing lenders

- Iterative discussions with creditors
- Unanimous approval required
- Updated technical & market due diligence reports
- 3-6 months

2 External refinancing with new lenders

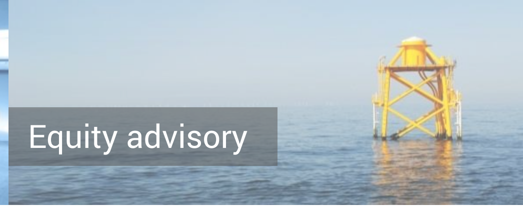
- Broad market approach, requiring full set of due diligence
- Need sufficient volume
- 6 months process including preparatory work

2a 2b Through loan markets

- Typically with commercial banks
- Possibility to include some debt funds or institutional investors, if possible regulatory and tax-wise

2c Through bond markets

- To attract the right amount of capital, likely to require early appointment of placement agent and rating agency
- May require some information to be made public
- Still a new tool, not very proven



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