

Brookfield Renewable Partners Acquires Controlling Stake in TerraForm Power

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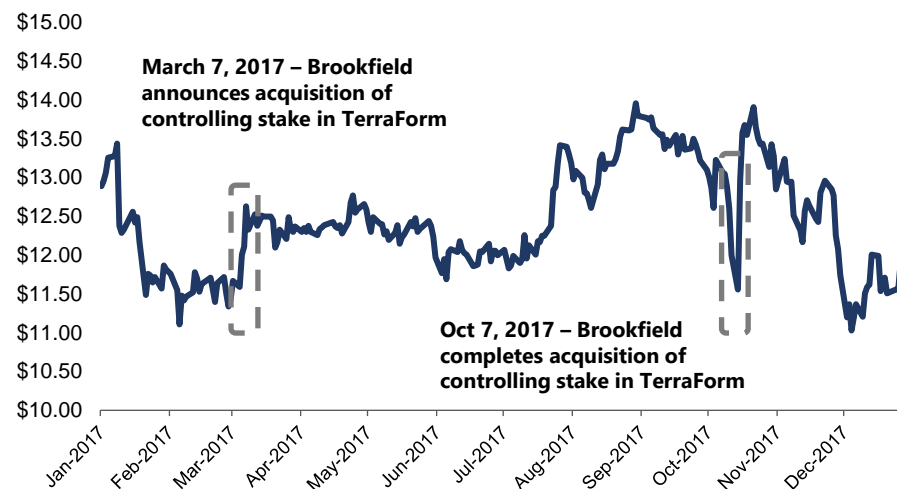
Transaction Details

- Brookfield acquires controlling stake at \$11.46 price per Class A share, with implied TEV of \$6.6bn
- Brookfield to become cornerstone investor in TerraForm Power with 51% ownership
- TerraForm Power Class A shareholders to receive \$11.46 per share in cash with option for shareholders to elect shares
- Brookfield, as a world-class sponsor, to provide
 - Management expertise in renewable assets operation
 - Access to capital
 - \$500mm equity line for M&A and accretive growth

Origination

- TerraForm Power and TerraForm Global were originally yieldcos under SunEdison, which was once the world's largest renewable energy developer
- SunEdison went through restructuring in the spring of 2016 after prolonged investor concerns with the firm's buying spree
- SunEdison was forced to sell off \$2.3bn in former assets, including both TerraForm Power and TerraForm Global
- TerraForm Global exited the NASDAQ in 2016 with stockholder compensation at \$5.10 per share
- Brookfield's acquisition of TerraForm Power price was derived from a pre-SunEdison settlement price of \$12 per share

52-Week Stock Performance



Valuation Check

Valuation Method		Weight Price		WACC Calculation	
Discounted Cash Flow	20%	\$10.37		Cost of Debt	4.38%
Comparables Analysis	10%	\$10.54		Tax-Rate	28.00%
SunEdison Restructuring	70%	\$12.00		After Tax Cost of Debt	3.15%
Target Price		\$11.53		Risk Free Rate	1.00%
Acquisition Price		\$11.46		Historical Market Return	9%
Acquisition Premium		1%		Adjustment	
				Market Risk Premium	8.00%
Levered Beta Calculations				Comps. Levered Beta	0.82
Comps Unlevered Beta		0.29		Cost of Equity	6.53%
Target D/E		2.5		Target Debt-to-EV	0.1
Effective Tax Rate		28%		Target Equity-to-EV	0.9
TerraForm Levered Beta		0.82		WACC	6.20%

Transaction Overview

Brookfield Renewable Partners Acquires Remaining Shares in TerraForm Power, 2020

Brookfield And TerraForm Power Merger

- On March 16, 2020 Brookfield Renewable Partners L.P. (NYSE: BEP) and TerraForm Power, Inc. entered into a merger agreement for Brookfield Renewable to acquire all of the outstanding shares of Class A common stock of TerraForm Power
- This will take BEP from 61.5% to 100% ownership, making them one of the largest pure play renewable power companies in the world with over \$50bn in assets
- Each share of Class A common stock of TerraForm Power will be acquired for consideration equivalent to 0.381 of a Brookfield Renewable unit
- Premium paid:** 17% to TERP's unaffected trading price



Effects of the Merger

- The merger creates one of the largest, renewable power companies in the world with a 15,000 MW development pipeline, one of the strongest investment grade balance sheets in the sector and a 20-year track record of creating shareholder value
 - The acquisition adds to the wind and solar portfolio of assets (mainly US & EU) adding approximately 1600MW of capacity
- Post-transaction the available liquidity will be approximately \$3.4 billion and total costs will be reduced by approximately \$100M
- There is increased ability for diversification and growth with the expansion into Solar and Wind energy
- Brookfield is now the fifth largest renewables company in the world by market capitalization

	Company	Market Cap
1.	Iberdrola (IBDRY)	\$80.02 B
2.	Orsted (DNNGY)	\$74.00 B
3.	Vestas Wind Systems (VWDRY)	\$42.55 B
4.	Siemens Gamesa Renewable Energy (GCTAY)	\$27.26 B
5.	Brookfield Renewable Partners (BEP)	\$13.24 B

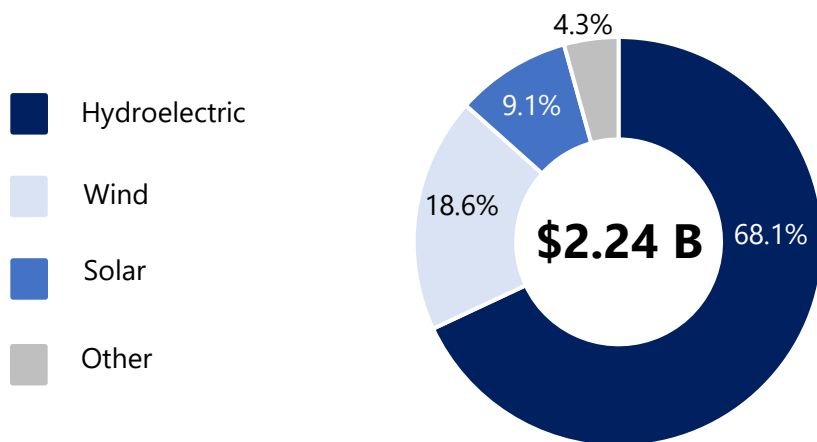
Acquiring Company Overview: Brookfield Renewables

Company Overview

Business Description

- Founded in Canada and has a presence in over 30 countries
- Operates one of the largest publicly traded renewable power platforms
- Global leader in hydroelectric power – 68% of its portfolio
- Objective is to deliver long-term returns of 12%-15% annually on investments
- 120 years of experience in electricity generation and marketing

Revenue Breakdown



Management Team



Name:	Bruce Flatt	Sachin Shah	Conner Teskey
Position:	CEO	CIO	CEO Renewable Power
Years Exp:	19	19	9

Financial Overview

Market Cap	\$13.24 B	EV/EBITDA	20.40
EV	\$49.55 B	Debt to Equity	83.07
Revenue	\$3.94 B	EV/Revenue	12.58

Target Company Overview: TerraForm Power

Company Overview

Business Description

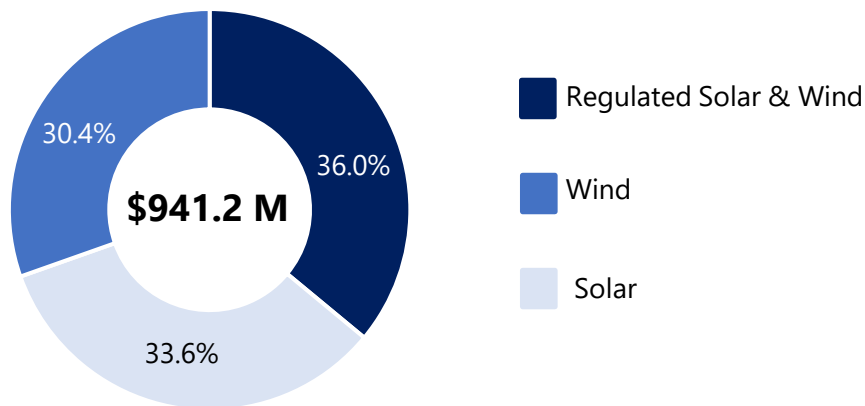
- Founded in Jan 15, 2014
- Owns and operates over 4200 MW renewable power portfolio including solar and wind assets
- Has a global presence, with global assets mostly focused in North America and Europe but also present in South America
- The combined company will have more than \$50 billion in assets and over 36 GW of existing and forthcoming renewable projects

Management Team

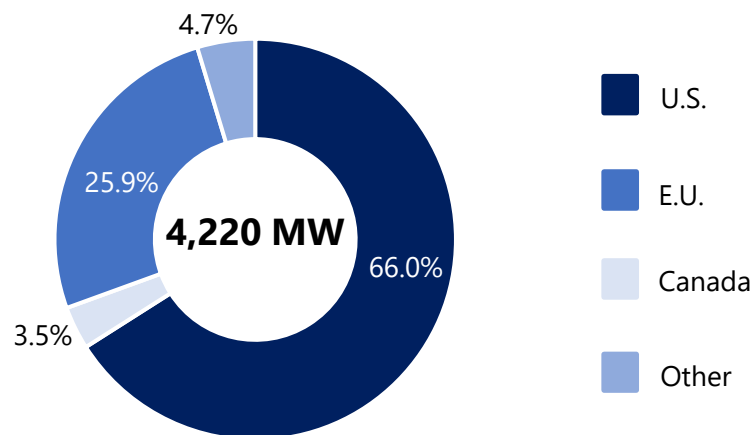


Name:	John Stinebaugh	Michael Tebutt	Kimball Osmars
Position:	CEO	CFO	COO
Years Exp:	20	11	35

Revenue Breakdown



Asset Portfolio Geographic Breakdown



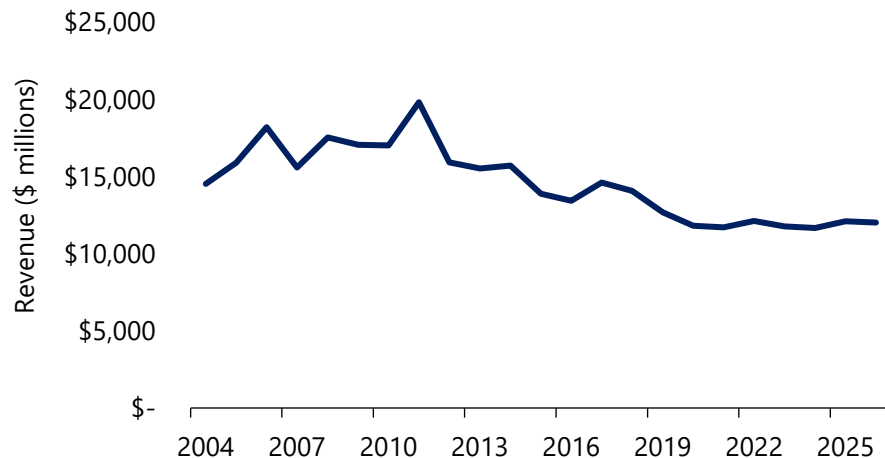
Industry Overview - BEP

Hydroelectric Energy

Coal Retirement & Decrease in Fossil Fuel Energy

- The growing issue of climate change and global warming are prompting a switch to renewable energy sources in North America and Europe especially, leading to widespread coal retirement
- Hydropower is zero carbon and not a variable energy resource, making it an attractive energy generation source after fossil fuel energy
- Growing legislation promoting renewable energy use and resource adequacy have led to the creation of both a zero-carbon premium and a capacity premium
- Industry revenue is forecast to increase at an annualized rate of 0.5% to \$12.1 billion over the five years to 2025 despite negative growth over the past decade
- Low oil and gas prices have slowed the switch to renewables

U.S. Industry Revenue Growth



Growing Capacity Market

- The increase of renewable energy and variable energy resources (VERs) on the electric grid has led to a lack of energy reliability
- This led to the creation of a capacity market and resource adequacy (RA) legislation to address potential unreliability
- The lack of regulation for capacity allows hydro owners to charge for their dam capacity. This value has increased steadily over the past several years as the proportion of VERs on electric grids increases
- Hydroelectric energy has an implied premium in capacity value and is a promisingly profitable generation source for BEP

Environmental and Regulatory Risks

- Hydroelectric energy is dependent on water flow to generate electricity. The dependence on natural inputs makes hydroelectric energy a highly risky generation source
- Severe droughts from 2016-2020 have lessened the available water flow and thus reduced the amount of energy generation from hydroelectric dams (explains some of the stagnant industry growth)
- Regulation has a severe effect on the hydroelectric industry. Strict environmental regulations have lessened investments in building new hydro sources
- Large hydroelectric sources are not associated with renewable energy credits (RECs), lessening hydro's appeal and making its growth slower relative to wind and solar

Industry Overview - TERP

Solar and Wind Energy

Fragmented C&I Solar

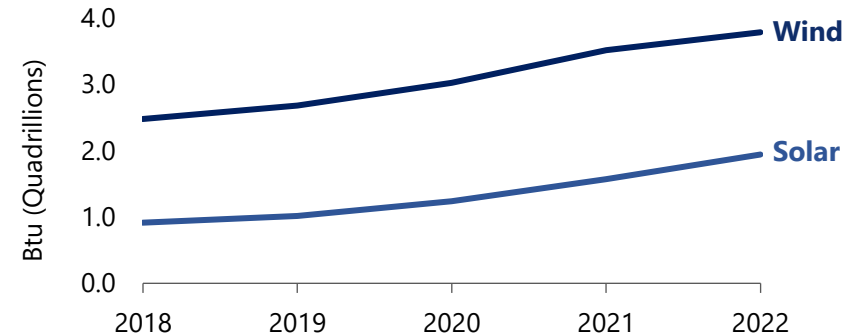
- Close relationships with local utilities, interconnection rules, and other project details required to make things work. Requires more consolidation + standardization within the industry
- Creditworthiness of C&I projects is harder to ascertain in comparison to residential, as such, requires consolidation to allow bigger players to enter the market and set standards
- BEP's C&I DG business segment is mostly concentrated in the U.S. consolidation allows them to gain market penetration in this segment in the EU

Large costs continue despite technological improvements

- Limited partnership identity of BEP deters investors from investing due to tax and other problems. Establishment of BEPC will diversify investors and provide additional capital for new projects
- Typically, project capex is large and technological advancements that improve efficiency has not changed this fact. Large equity and debt contributions are necessary for large utility-scale projects

Continuation of Cheaper Solar & Wind Bulk Generation

- BEP's portfolio is mostly hydro, which carries much more environmental risk, hence diversification with TERP is appropriate
- In the U.S., wind and solar output is growing and is forecasted to continue to do so in the next couple of years



Favorable Regulatory & Investor Resources in Europe

- There is a misconception that the European market is oversaturated with renewable energy projects. With only 38% of generation coming from renewables, there is a long way to go. When compared to other regions with weak regulatory authority, political discrimination, and investor scrutiny, Europe's situation is most favorable
- However, BEP's geographic presence is lacking in the EU compared to other regions
- Asia is an exception as the largest player: China favors private enterprises and market penetration is difficult for foreign entities
- This leaves the EU

Transaction Rationale I

Stable Cash Flows & Strong Backing

Overview

- Take Terraform Power stake from 61.5% to 100% ownership
- Become one of the largest pure play renewable power companies in the world with over \$50bn in assets
- The acquisition adds to the Wind and Solar portfolio of assets (mainly US & EU) >4,200 MW of installed capacity on top of BEP's 19,000 installed MW and 13,000 in the development pipeline
- Expand portfolio in NA and Western EU
- Synergies: public company costs, simplified ownership structure
- Better diversification with growth in solar and wind
- Terraform initially formed as a yieldco – very stable cash generating assets for Brookfield

Accretion/Dilution Analysis

- Using public comps to interpolate for average industry EPS growth, BEP's EPS growth should have been 124% in 2020 Q1
- Actual EPS growth from 2019 Q4 to 2020 Q1 was instead at 144%, representing an 45.4% accretion from the transaction

Accretion / Dilution Analysis			
	2019 Q4 H	2020 Q1 F	Change QoQ
Organic EPS Growth	\$ (0.16)	\$ 0.04	124%
Actual EPS Growth	\$ (0.16)	\$ 0.07	144%
BEP&TERA Accretion			45.4%

Stable Cash Flows & Strong Backing

- Terraform began as an exploited yieldco spinoff of SunEdison, a now bankrupt energy company. Without a backing company, Terraform became a much riskier asset for investors
- Becoming part of much larger Brookfield Renewables gives Terraform investors additional stability with the robust backing of the largest pure play renewable power company
- Brookfield Investors gain stable cash flow generating assets of Terraform to expand their market presence

Renewable Energy Company Comparables		
	2019 Q4	2020 Q1
NextEra Energy Partners, LP (NYSE:NEP)	0.54	-3.39
Clearway Energy, Inc. (NYSE:CWEN.A)	-0.05	-0.25
Atlantica Sustainable Infrastructure plc (NasdaqGS:AY)	0.01	-0.40
Ormat Technologies, Inc. (NYSE:ORA)	0.25	0.51
Northland Power Inc. (TSE: NPI)	0.23	1.02
Algonquin Power & Utilities Corp. (TSE: AQN)	0.38	-0.13
Brookfield Renewable Partners (NYSE:BEP)	-0.16	0.07

Transaction Rationale II

Grow BEP's market share in the renewables sector and with high-growth wind and solar assets

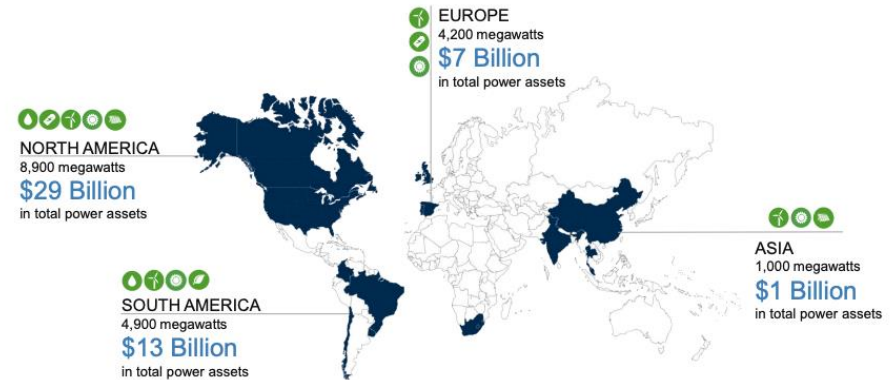
Diversification

- Brookfield Renewables acquisition of Terraform Power took their stake in the business from 61.5% to 100% making it one of the largest pure play renewable power companies in the world with over \$50bn in assets
- The acquisition expanded BEP's portfolio of assets in the United States and Western Europe
- BEP's large exposure to hydro risk is mitigated by the addition of TERP's significant wind and solar portfolio
- The transaction allows BEP to diversify away from a mature and highly-regulated market into two younger and higher-growth markets

Larger Market Share in Higher Growth Markets

- Dropping prices of wind and solar generation are incentivizing utilities and wholesale power generators to switch into these high growth markets
- Utility-scale prices range from \$16/MWh - \$35/MWh for both wind and solar, a competitive and appealing price for wholesale generators
- As energy storage technology improves, variable energy sources such as wind and solar will be in even more demand as storage will mitigate grid unreliability and render these generation sources cheap and reliable, in addition to being renewable
- Solar and wind are expected to drive renewable energy generation from 18% of all U.S. generation in 2018 to 31% in 2050

Significant Global Presence Post-Merger



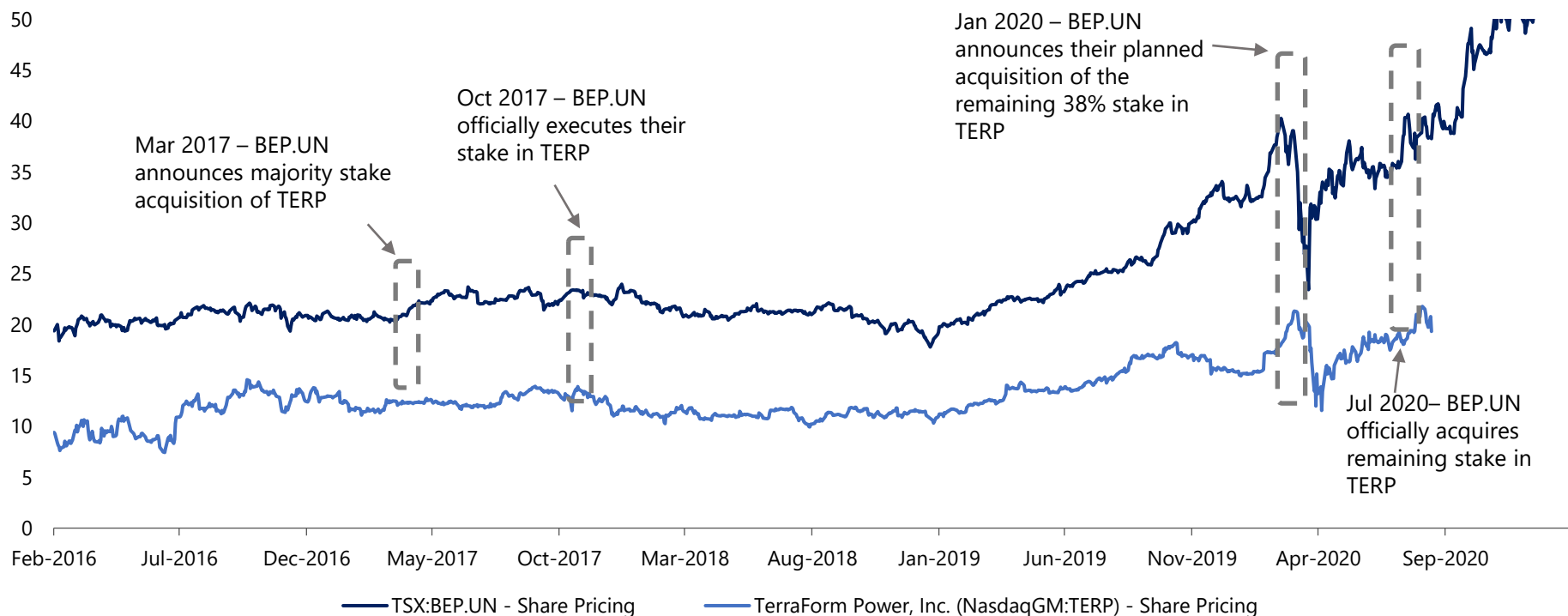
Renewable Energy Credits (RECs)

- Increasing climate change awareness and pro-renewable policy has led to environmental policies globally mandating specific power asset mix with more renewable generation
- In the U.S., renewable portfolio standards (RPS) can be fulfilled using RECs which are tradeable credits per MW of generated energy from some renewable sources (includes most recent wind and solar plants)
 - Large hydro does not receive RECs despite being zero-carbon as it has a larger negative environmental impact
- TERP's large portfolio of wind and solar assets provides an additional high-growth revenue stream as REC prices are driven up with harsher RPS
- BEP's largely hydroelectric energy portfolio does not allow for the same access to the REC market in the U.S. without TERP's assets

Share Price Timeline Analysis

Strong transaction rationale balances the dilutive nature of the transaction from a shareholder perspective

Share Price Timeline Overview



Commentary

- In March 2017, Brookfield Renewable Partners announce their planned acquisition of a majority stake in Terraform Power in an all stock transaction that causes their share price to uptick 1% and 7% respectively
- In December 2017 the acquisition closes in an all stock transaction that confirms Brookfield Renewable Partners as the majority shareholders in Terraform Power causing an share price change of 4% and -6% respectively
- Announcement on March 16, 2020 states that Brookfield Renewable Partners plan to acquire the remaining stake in Terraform Power, share price movement because this news was negligent because of overall macro-events (lockdown, COVID-19)
- Transaction was confirmed July 31, 2020 where Brookfield Renewable Partners acquired the remaining 38% stake in Terraform Power in an all stock transaction. Share Price movement was 1% and 8% respectively leading up to the execution

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