



Q2 2015: “Energiewende 2.0”

Welcome to the latest issue of the Energy Group Deal Reader, a newsletter offering insights on trends, news and M&A transactions of interest to industry executives, business owners, and investment professionals. We are pleased to provide commentary regarding relevant topics and keep you informed about developments at our firm and in the market.

Key topics covered in this issue include:

- Current status of the “Energiewende”: is the corporate world taking on the challenges presented
- Is the necessary refocusing of vast areas of the energy universe reflected in increased M&A activity
- Current valuation levels of select European energy component and services players

Energie 2.0 — what does it mean for energy components and services

This December sees the sixth anniversary of the UN’s COP15 Copenhagen Climate Change Conference and its failure to agree on a global commitment to curb carbon emissions. While the world is gearing up for another summit in December in Paris with unclear political outcome, corporates around the world have shown that they take climate change seriously and have started to act.

“You don’t change things by fighting the existing reality, you change things by building a new model that makes the existing one obsolete”

*(Buckminster Fuller,
American Philosopher 1895-1983)*

Recent significant corporate developments

May 2015: The CEO’s of six big European oil and gas firms called in a letter to the UN Secretary for climate change for a globally co-ordinated price on carbon-dioxide emissions to restrain the impact on the climate of burning fossil fuel. They write that “for us to do more, we need governments across the world to provide us with clear, stable, long-term ambitious policy frameworks. We believe that a price on carbon should be a key element of these frameworks. If governments act to price carbon, this discourages high carbon options and encourages the most efficient ways of reducing emissions widely”.

April 2015: The Norwegian government announces that its USD 885 billion sovereign wealth fund will stop investing in companies that emit an “unacceptable” amount of greenhouse gases. The new mandate is not limited to specific sectors or types of greenhouse gases and not mandating an immediate liquidation of the fund’s existing fossil fuel-related investments. It will rather use the threat of exclusion to pressure companies into cleaning up their acts. According to Norwegian Finance Minister Siv Jensen, the ban could apply to as many as 75 companies in which the fund has invested some USD 4.5 billion. Companies sitting above the threshold include power companies RWE, SSE and Duke Energy.

January 2015: Industry observer Bloomberg New Energy Finance announces that world clean energy investment rebounded strongly in 2014, boosted by demand for large-scale and rooftop solar photovoltaics on the back of its greatly improved competitiveness, and by the financing of a record USD 19.4 billion of offshore wind projects. Global investment in clean energy was USD 310 billion last year up by 16% from 2013 and only 2% below the all-time record of USD 317.5 billion reached in 2011.

December 2014: The German utility E.ON announces plans to split into two independent firms, one focused on renewables and clean technologies, and the other providing a home for its fossil fuels, nuclear, energy trading, and upstream operations. It views this move as a response to “dramatically changed energy markets” and “tapping the growth potential generated by the transformation of the energy world”.

November 2014: Saudi Arabia’s Acwa Power bids an unprecedented USD 5.98 USD cents/ kWh for a 100 MW solar PV project confirming that solar PV has reached grid parity in certain situations thanks to the massive cost decreases over the last years. The bidding took place in a fully commercial and unsubsidized setting and confirms that in wide geographical areas of the world solar is already commercial today.

Overview of M&A activity

M&A activity in renewables has increased significantly over the last ten years, albeit since 2011 it has slid backwards. Enthusiasm for corporate M&A has suffered most due to the difficult times the sector faced in the last couple of years and was dominated by restructuring cases in solar and wind

USD billion	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Asset acquisitions & refinancing	5.3	12.5	19.1	30.6	35.4	37.8	32.1	40.1	53.8	49.3	54.5
Corporate M&A	2.4	7.6	12.3	20.3	17.6	21.8	19.4	30.1	10.1	15.2	9.8
PE buy-outs	0.8	3.7	1.8	3.6	5.4	2.2	2.0	3.1	3.3	0.6	2.5
Public market investor exists	0.4	2.4	2.7	4.0	1.0	2.5	4.9	0.2	0.4	1.8	1.9
Total	8.9	26.2	35.9	58.5	59.4	64.3	58.4	73.5	67.6	66.9	68.7
Disclosed deal count	44	130	170	275	291	298	289	273	254	254	254
Total deal count	95	264	371	512	544	580	631	709	681	740	589

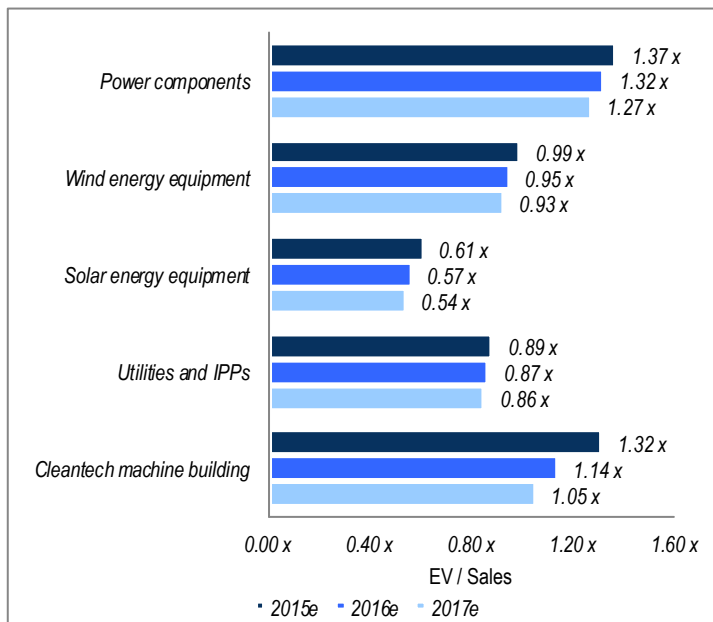
Source: Bloomberg New Energy Finance Note: Total values include estimates for undisclosed deals

Recent landmark M&A transactions in the last twelve months show however, that traditional players have started to seize growth opportunities. They also demonstrate their renewed interest in the sector by increased corporate VC activity, particularly around the digitization of the energy world. Notable recent transactions include:

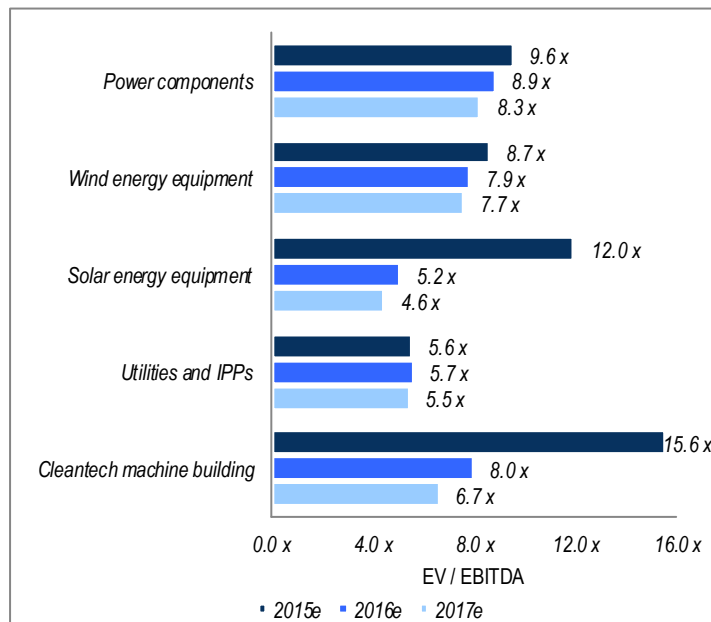
Date	Target	Acquirer	Comments
May 2015			<ul style="list-style-type: none"> German driveline and chassis technology firm ZF Friedrichshafen AG announced the acquisition of the industrial gears and wind turbine gearbox operations of Bosch Rexroth AG While the deal allows ZF to enter the industrial gears market, it also bolsters the company's existing wind turbine gearbox activities ZF noted that the factory being acquired in Beijing is focused exclusively on the production of wind turbine gearboxes
March 2015			<ul style="list-style-type: none"> RWE announced the acquisition of a minority stake in Conergy, now a pure EPC for solar projects This transaction is strengthening the close cooperation between the two companies in developing new solar projects
Jan 2015			<ul style="list-style-type: none"> Climatec is a US headquartered provider of energy efficiency, building automation, security and life-safety services for health care, education, office, hospitality, industrial, federal and other government building owners Bosch says the deal gives it comprehensive energy, building automation and security services and that demand for these services in the U.S. and around the world has increased.
Jan 2015			<ul style="list-style-type: none"> Private equity firm Centerbridge Partner announced the acquisition of wind-turbine manufacturer Senvion (former RePower) for a total consideration of Euro 1 billion, marking the first major transaction by a Private Equity player since the heydays of the wind industry in 2009 Industry analysts view in addition to an attractive purchase price driven by significant restructuring needs a chance for Senvion as a US shareholder to add a "stars and stripes" feel to the German turbine manufacturer to increase its attraction for deployment in the slow-moving US offshore market
Oct 2014			<ul style="list-style-type: none"> German municipal utility MVV Energie AG will buy a majority stake in renewable energy project developer Juwi AG as MVV expands in the clean-generation business Juwi is one of Germany's leading wind power project developers with about 1,000 employees.
Oct 2014			<ul style="list-style-type: none"> On Oct. 1 2014 MVV Energie AG took over Hanover-based Windwärts Energie GmbH, which in February filed for insolvency after developing about 300 megawatts of renewable plants
Sep 2014			<ul style="list-style-type: none"> E.ON announced that through its venture capital unit it has taken a stake in Thermondo, a Berlin-based start-up that helps residential customers to get an efficient and environmentally friendly supply of heat Based on an online platform and an in-house developed IT infrastructure, customers can compare a variety of heating system manufacturers and technologies in a quick, easy, and cost-effective way

Current valuation levels of select European energy component and services players (mean)

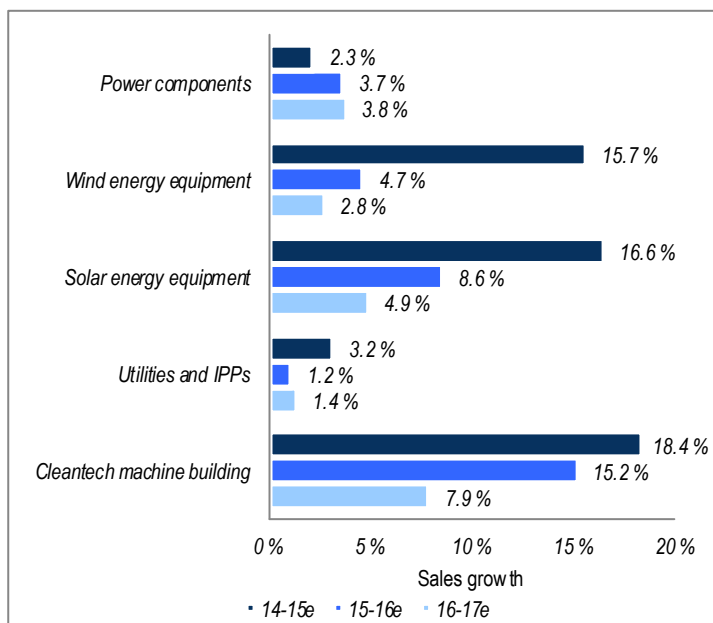
EV / Sales (2015e-2017e)



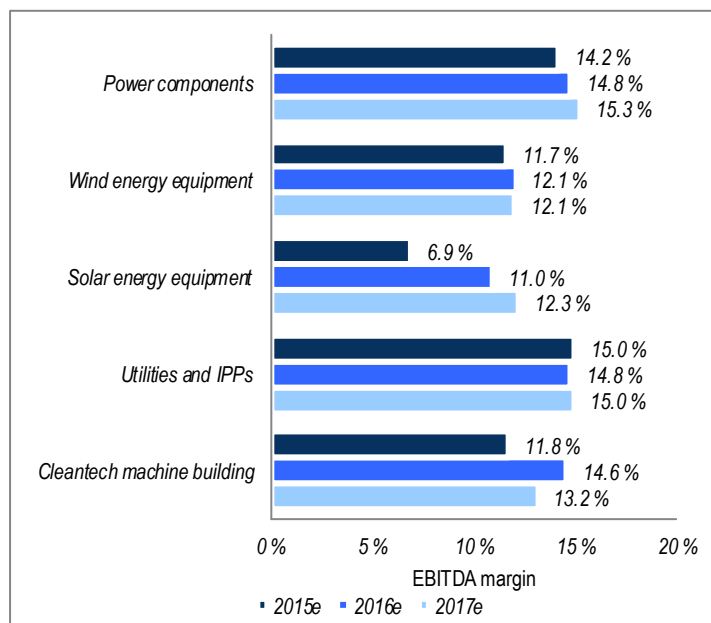
EV / EBITDA (2015e-2017e)



Sales growth (2015e-2017e)



EBITDA margin (2015e-2017e)



Constituents:

Power components: ABB, Schneider Electric, Siemens

Wind energy equipment: Gamesa, Nordex, Vestas

Solar energy equipment: REC Solar, SMA Solar Technology, SolarWorld

Source: Thomson ONE, Bloomberg

Note: Based on closing prices as of 26th June 2015

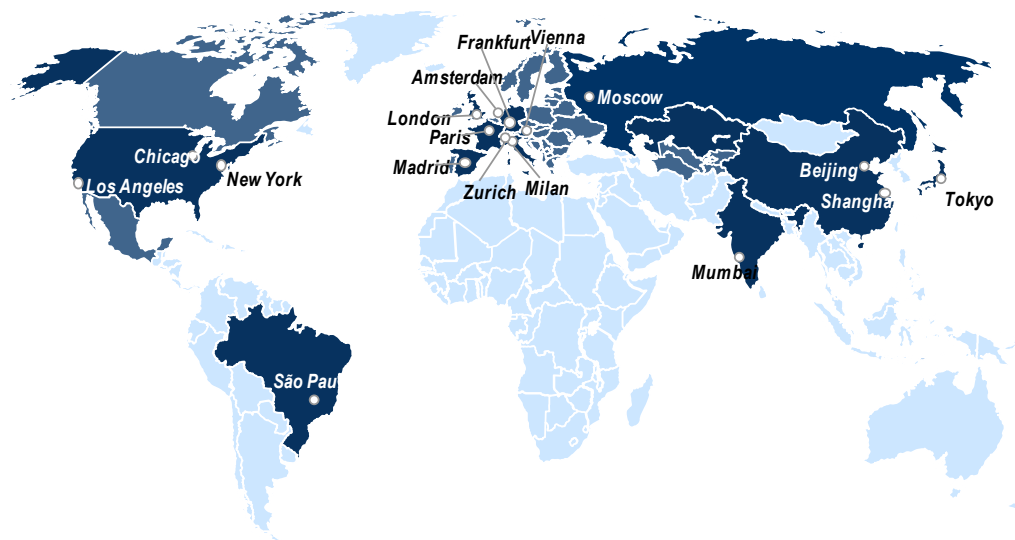
Utilities and IPPs: E.ON, EDF, EnBW, Engie, Iberdrola, RWE

Cleantech machine building: Aixtron, ISRA Vision, KUKA, LPKF Laser, PVA Tepla, Suess Microtec

Commentary:

- After the fall-out in renewables in a number of sub-segments but particularly in solar and wind in the period 2011 – 2013 most players have restored profitability in 2014.
- Solar and wind equipment as well as the machine builders serving these industries are expecting the highest growth rates which also translates into a significant trade-up in valuation levels of these companies.
- Nevertheless given the high volatility and risk associated with these business models they continue to trade significantly below more traditional power components which include major players like Siemens, Schneider and ABB.
- Valuation levels of utilities and Independent Power Producers are much lower reflecting their current woes in the energy market and their limited growth potential.

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17

own offices in the 10 major world economies

380

professionals globally for M&A and Debt Advisory

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professionals in the Frankfurt office

No. 1

globally as financial advisor to Private Equity on exits

No. 1

in German M&A sell-side league tables for 2014

> 135

successful transactions in 2014 worldwide

26

successful transactions in DACH region in 2014

Selected recent transactions with an energy angle advised by Lincoln International

NPM CAPITAL Prins

Sale

Prins Autogassystemen (NL) from NPM Capital (NL) to Westport Innovations (CAN)

December 2014

EMMVEE

Sale

Solarpark Bronkow (D) from EMMVEE (IND) to RheinEnergie (D)

May 2014

entelios

Sale

entelios (D) from the shareholders (D) to EnerNOC (USA)

February 2014

EGERIA HITEC

Sale

Hitec Special Measuring Systems (NL) from Hitec Power Protection (NL) to Phoenix Mecano (CH)

January 2014

FLABEG

Sale

Flabeg Solar (D) from Flabeg Holding (D) to ACWA Holding (SA)

August 2013

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