



## **Project Finance in Renewables**

**Comments on Financing Developments for Developers**

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MERCHANT BANKERS

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Aberdeen

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## **Market Update**



# Project Finance – a seller's market

*We estimate  
there is approx  
€4.5bn<sup>1</sup> equity  
for European  
renewable  
investment*

- There is too much money chasing too few quality deals
- Three distinct groups of investors have emerged for assets:
  - Yield private equity funds (incl. family offices) (~25)
  - Hedge/Investment Funds (~20)
  - Strategic investors (~12)
- These allow the running of competitive pricing processes to generate high sales prices even for small deals
- Relatively few successful deals closed so far because deals complex and challenging and sellers (mainly developers) unused to demands of project finance community

<sup>1</sup> Estimate assumes funds actually raised at end 2006

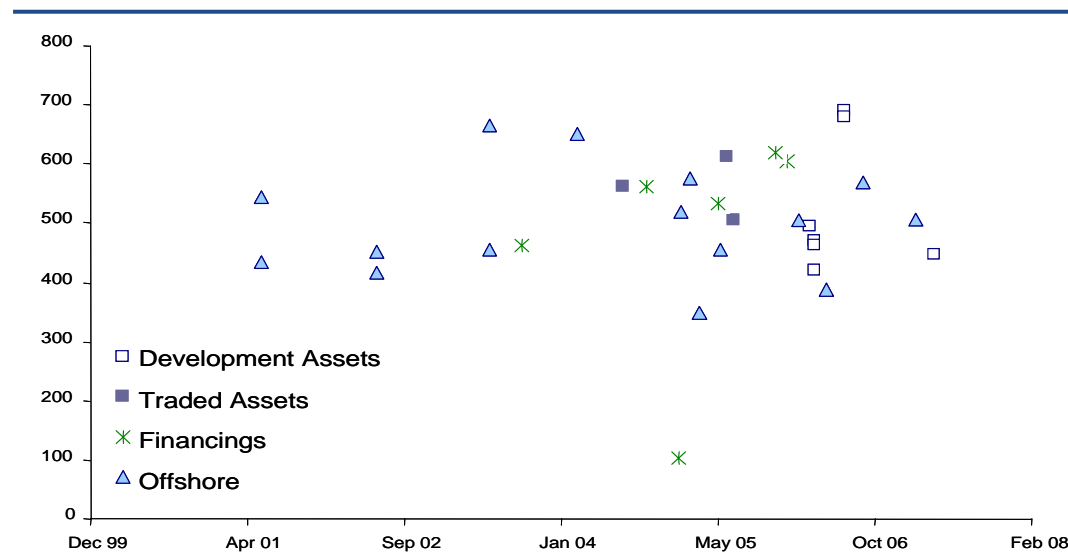
# Infrastructure pricing continues to rise

*Rising prices are forcing investors to take new technology and development risk to achieve returns*

Pricing continues to rise as yield expectations decline

- Comfort with technologies and energy resources
- Strong appetite for green investments and non correlated yield returns
- Increasing appetite for development opportunities

Recent Wind Transactions (€MWh)



# Public equity market issuance is growing again

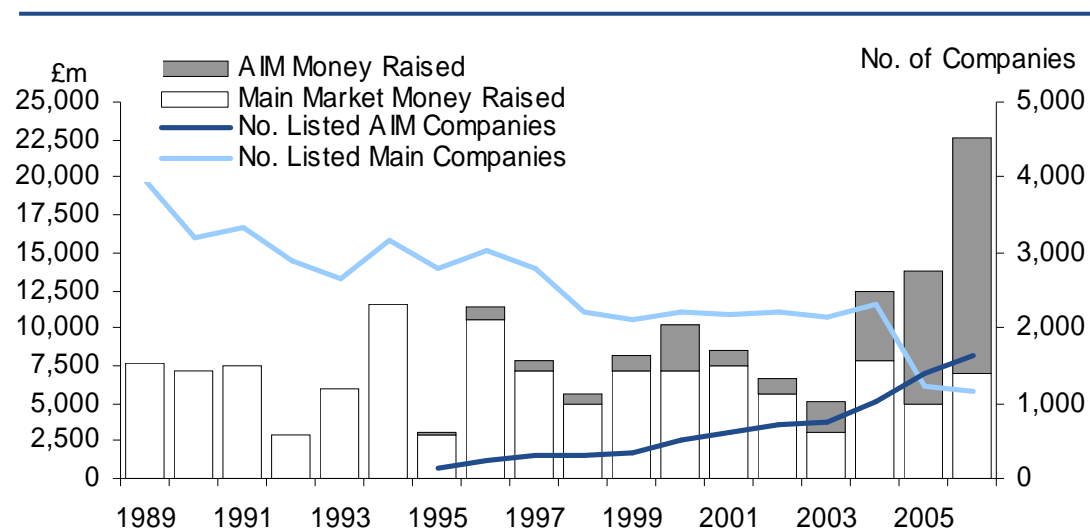
*Public equity markets are coming back and play well for sustainable growth stories...*

*...but can be punishing when numbers get missed*

Equity issuance is growing again after a few quiet years

- AIM is increasingly offering a liquid financing alternative
- Euronext & Deutsche Börse are improving their listing procedures
- Will pull greater VC appetite with improved exit opportunities

## UK Equity Issuance



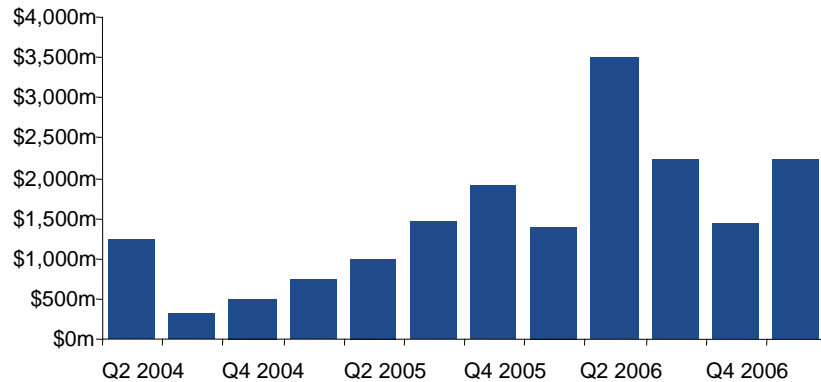
# VC / PE market showing continued strength

*VC and PE investment in renewables remains buoyant*

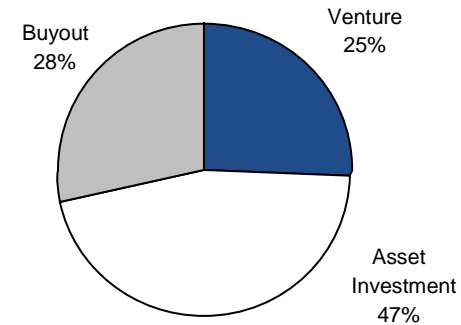
Global VC/PE renewable investment market remains strong

- > 250 VC companies know to be investing in Cleantech
- \$8bn invested last year, > \$2bn in venture situations
- LP's considering green as a separate asset allocation
- Strategic and infrastructure investors becoming increasingly active in venture funding

LTM VC/PE investment



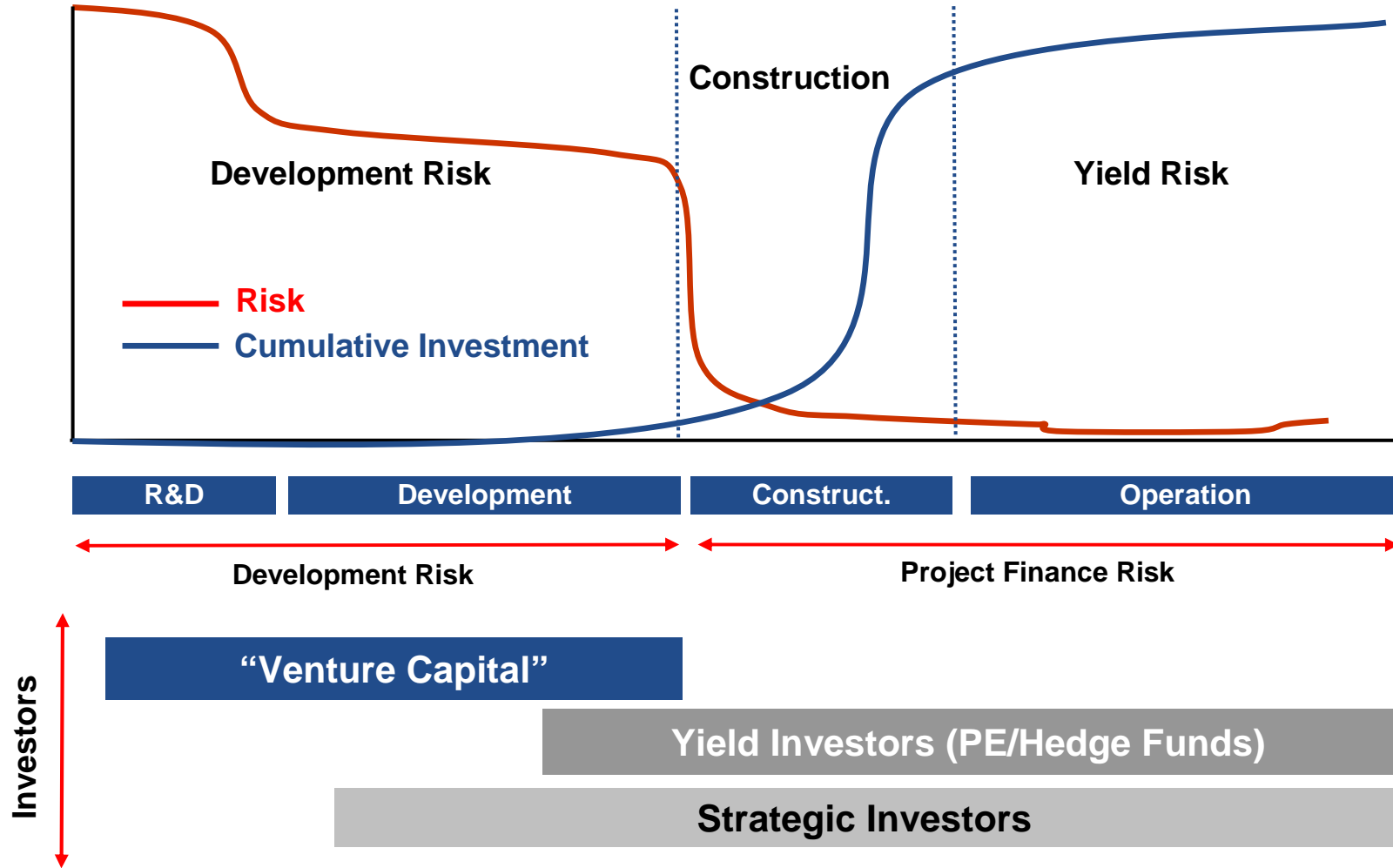
LTM Breakdown by Investment Type





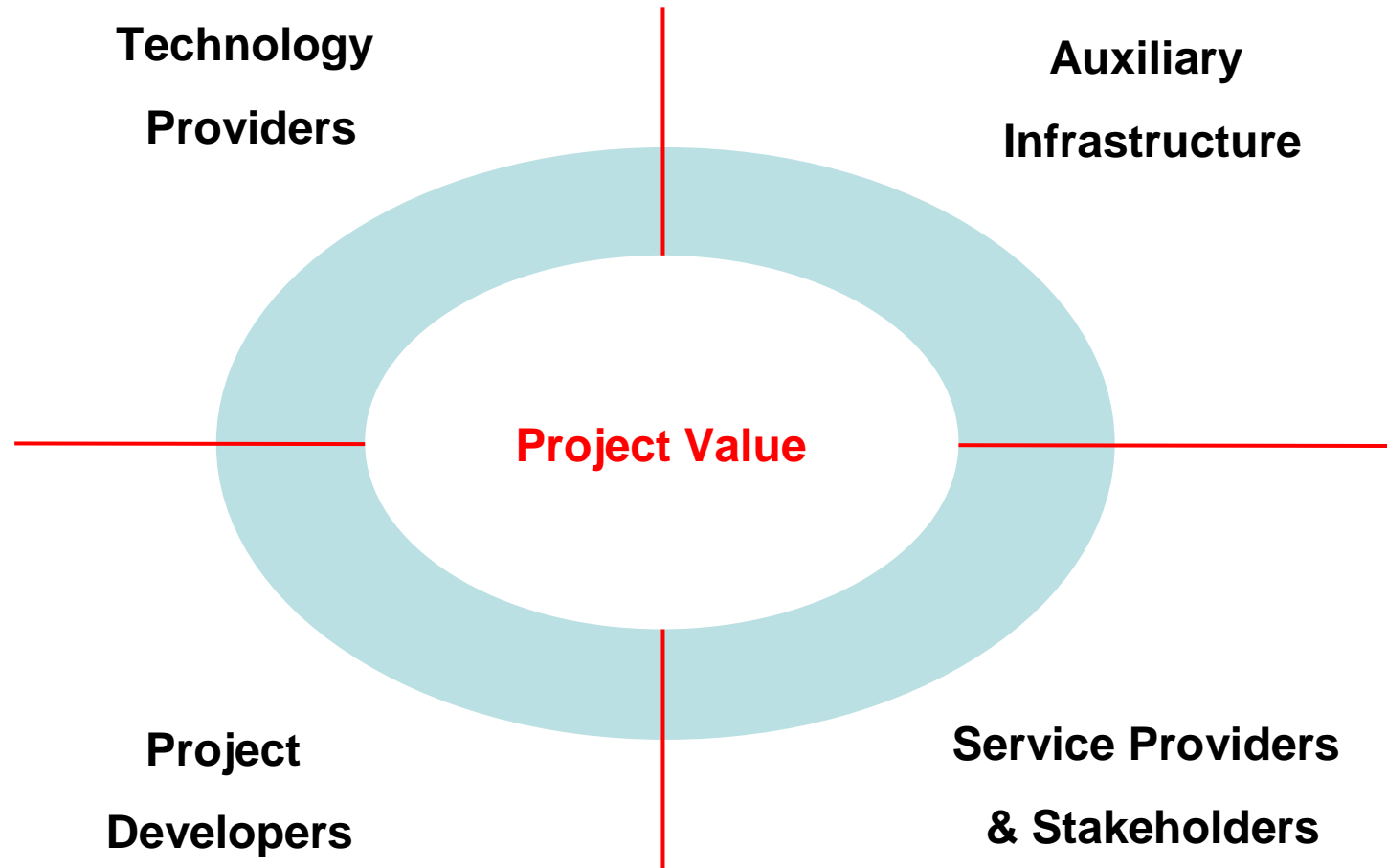
# **Project Finance and Development**

# Project finance avoids development risk...



...but underpins the development economics

*Project finance determines the value available to the key participants in the development process*




# Cashflow visibility is key

*Each investor has  
a different view  
on all of these...*

*So do all sellers...*

*A confusing  
picture...*

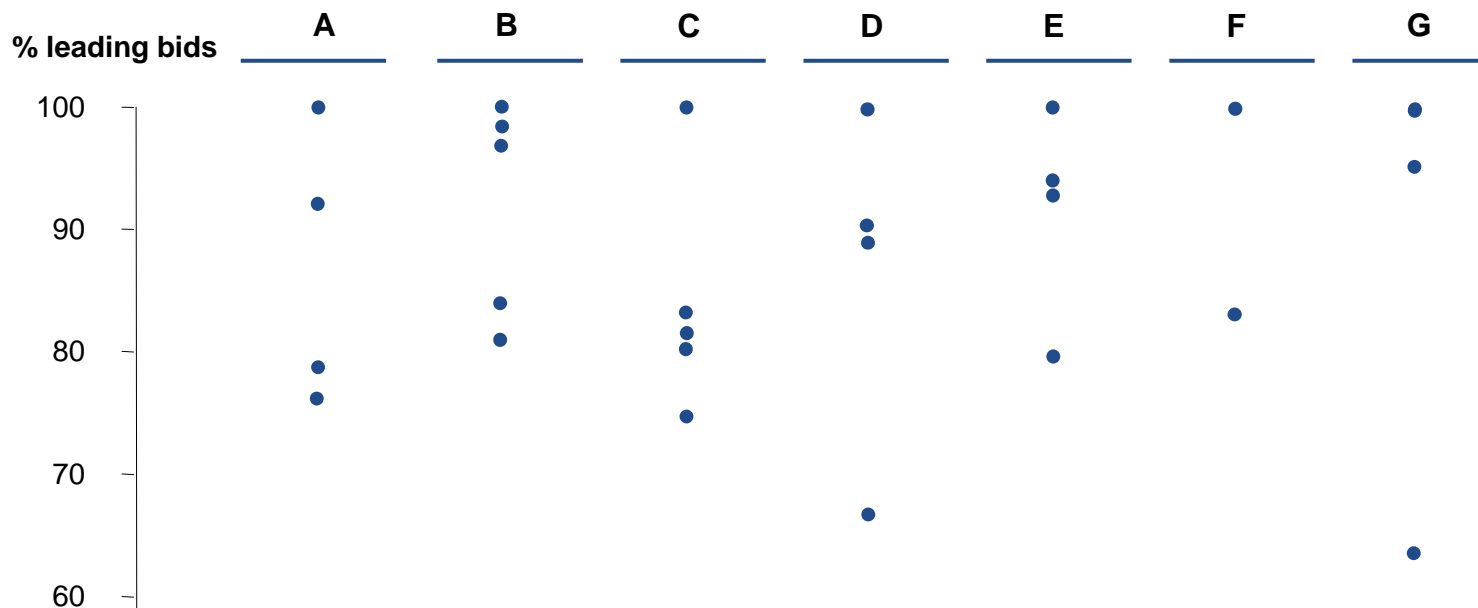
- Energy resource
  - Revenue support
  - Operating leverage
  - Technology risk and warranty protection
  - Construction / development risk
  - Quality / focus of management
  - Technology application and per asset investment opportunity
  - Scalability - Is there a realistic pipeline as well as existing assets?
  - Security over assets – transferability
  - O&M and maintenance etc
-  • Getting this wrong wastes time and can destroy value

# Investors take very different views

*... demonstrated  
by offers coming  
in at very  
different prices*

- Augusta sees a wide range in appetite from investors focused on renewables
- Confidence in management is often key

**Recent Augusta Auction Outcomes<sup>1</sup>**



<sup>1</sup> Implied equity offers for renewable projects

# Augusta is an independent merchant bank



*We have now advised and placed over €3 billion of deals since founding...*

*...some of our advisory assignments in renewables*



2006

Financial advisor on the equity placement of 48 MW windfarms in France

2006

Strategic advisor on UK and pan European renewables strategy

2005

Financial advisor on acquisition of Swiss / German renewables IPP

2005

Financial advisor on acquisition of major Spanish renewables IPP

2004

Financial advisor on acquisition of French wind portfolio

2004

Financial advisor to investors in acquisition of £400m portfolio of UK wind assets

# Augusta & Co contacts

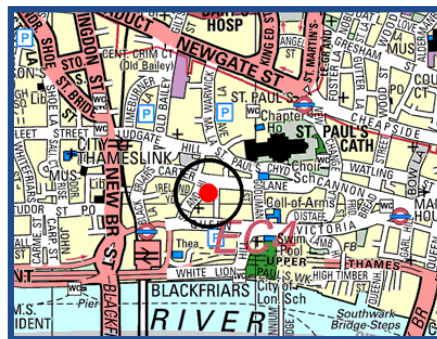


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