

## Total Corporate Funding in the Solar Sector Comes to \$1.7 Billion in Q2 2016: Mercom Capital

Global solar VC funding (including private equity) saw a large decline this quarter with \$174 million in 16 deals compared to \$406 million in 23 deals in Q1 2016.

**M**ercom Capital Group, LLC has released its report on funding and merger and acquisition (M&A) activity for the solar sector in the second quarter of 2016.

Total corporate funding, including venture capital funding, public market and debt financing into the solar sector in Q2 2016 fell to \$1.7 billion this quarter, a 41 percent drop compared to the \$2.8 billion

raised in Q1 2016. Year-over-year total corporate funding was down significantly compared to \$5.9 billion in the second quarter of last year.

"The solar industry continues to experience weakness in terms of financing activity, and corporate funding in Q2 2016 was at its lowest level in three years," said Raj Prabhu, CEO and Co-Founder of Mercom Capital Group.

Global solar VC funding (including private equity) saw a large decline this quarter with \$174 million in 16 deals compared to \$406 million in 23 deals in Q1 2016. Year-over-year (YoY) VC numbers were slightly better compared to Q2 2015 with \$142 million in 24 deals.

Solar downstream companies raised the most (64 percent) VC funding in Q2 2016 with \$112 million in seven deals. A large

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SPEAKING TO...



**Mr. Raj Prabhu**

CEO & Co-Founder;  
Mercom Capital Group

### ENERGETICA INDIA: What have been the reasons/drivers for the drop in solar funding in Q2 2016?

MR. RAJ PRABHU: The solar industry continued to experience weakness in terms of financing activity and corporate funding in Q2 2016 was at its lowest level in three years. Most solar companies that are publicly-traded continue to underperform. Public market financing has yet to recover and VC funding fell this quarter due to the absence of large deals into solar installers. Debt financing also fell this quarter as companies are finding it difficult to borrow in this current environment.

While global solar installations are forecasted to exceed 60 GW in 2016, demand in China is softening after a feed-in-tariff (FiT) change in June. Slow Chinese de-

mand is causing module prices to decline, inventory buildup, and an oversupply situation, all of which will negatively affect manufacturers. Generally this trend is beneficial to developers but the proliferation of hypercompetitive "lowest bid wins" solar auctions (to reduce subsidy costs) around the world has caused a steep drop in tariffs, lowering returns for developers and investors of large-scale solar projects.

SunEdison's bankruptcy in April has added to the overall investor skepticism of yieldcos and solar public companies in general. Solar rooftop players are not immune either as most of them are heavily dependent on subsidies. Policy uncertainty surrounding net-metering in the U.S. has hurt most rooftop installers, especially public rooftop companies who have fallen out of favor with investors.

part of the total came from the \$100 million raised by Silicon Ranch from private equity firm Partners Group.

Other VC deals this quarter included the \$20 million raised by Tigo Energy, 1366 Technologies' \$15 million raise, and the \$12.5 million raised by Sol Voltaics. A total of 21 VC investors participated in funding deals.

Solar public market financing in Q2 2016 came to \$179 million in four deals compared to \$94 million in four deals in the first quarter of 2016 and \$2.3 billion in 12 deals in Q2 2015.

Announced debt financing came to \$1.3 billion in 12 deals in Q2 2016 compared to \$2.3 billion raised in 19 deals in Q1 2016 and \$3.4 billion in 14 deals in Q2 2015. The top large-scale project funding deal in Q2 2016 was the \$588 million secured by Engie for its 100 MW Kathu CSP solar project located in Northern Cape Province of South Africa. Connor, Clark & Lunn Infrastructure, Samsung Renewable Energy and Six Nations of the Grand River Development secured \$482 million for their 100 MW Grand Renewable solar project. DE Shaw Renewables received a \$226 million syndicated loan for its 100 MW North Star solar project. Suzhou GCL New Energy secured a loan of \$200 million for the construction of Hubei Jiangling Sanhu solar project and Hefei Changfeng Mingcheng Reservoir solar projects (60 MW). Mytrah secured a \$175 million loan for the devel-



opment of a portfolio of solar and wind projects in the company's pipeline.

It was a good quarter for residential and commercial solar funds, led by SolarCity, Mosaic, and Sunnova Energy, with \$1.36 billion in 11 deals in Q2 2016, a 36 percent increase over the \$1 billion raised in six deals in Q1 2016. Of the \$1.36 billion announced in Q2 2016, \$800 million went towards the lease model and \$555 million went to loan funds. Since 2009, almost \$20 billion has gone into residential/commercial solar funds.

There were 17 solar M&A transactions in the second quarter of 2016 compared to 14 in Q1 2016. Almost half of the M&A transactions involved solar downstream companies with eight deals, which was followed by BOS companies with five. Sungevity announced a merger with Easterly Acquisition Corp, a blank check company traded on Nasdaq in a deal valued at \$357 million.

There were 38 large-scale solar project acquisitions (13 disclosed for \$1.9 billion) in Q2 2016, compared to Q1 2016 with 50 transactions (22 disclosed for \$1.2 billion).

More than 2 GW of solar projects were acquired in the second quarter compared to the 2.4 GW in the previous quarter.

The largest disclosed project acquisition by dollar amount in Q2 2016 was the \$1.4 billion acquisition of 1,140 MW (solar 994 MW and wind 146 MW) renewable energy project pipeline of Welspun Renewables Energy by Tata Power Renewable Energy, a Tata Power subsidiary. NextEnergy Solar Fund, a UK-based investment fund, acquired a portfolio of five solar projects totaling 84.3 MW for \$140 million. United PV (Changzhou) Investment, a wholly owned subsidiary of United Photovoltaics Group, acquired a 99 percent equity interest in Guodian Wulateqianqi Photovoltaics Power from Forty-eighth Research Institute of China Electronics Technology Group for \$75 million, which gave them a 50 MW solar project located in Inner Mongolia. 8point3 Energy Partners, a yieldco formed by First Solar and SunPower acquired an interest in the 40 MW Kingbird solar project located in Kern County, California, from First Solar, for \$60 million. Sky Capital America, a wholly owned U.S. subsidiary of Sky Solar, acquired 22 operating solar projects in California and one operating solar project in Massachusetts for a combined 22 MW from Greenleaf-TNX and SunPeak Universal Holdings for \$57 million.

Mercom also tracked 196 new large-scale project announcements worldwide in Q2 2016 totaling 11.3 GW ◀◀

The stocks of SolarCity, SunRun, and Vivint Solar were all down more than 50 percent year-to-date.

#### **ENERGETICA INDIA: How was the solar funding in Q2 2016 compared to Q2 2015?**

MR. RAJ PRABHU: Total corporate funding, including venture capital funding, public market and debt financing, into the solar sector fell steeply this quarter with \$1.7 billion. Year-over-year (YoY) corporate funding was 71 percent lower compared to the \$5.9 billion raised in Q2 2015.

Solar public market financing in Q2 2016 came to \$179 million in four deals, up compared to the \$94 million in four deals in Q1 2016, but still lagging significantly compared to the same quarter of last year. The first quarter of 2016 was the lowest

for public market financing since the third quarter of 2012.

Announced debt financing came to \$1.3 billion in 12 deals in Q2 2016 compared to over \$2.3 billion raised in 19 deals in Q1 2016. Year-over-year (YoY) funding was lower by almost \$2 billion compared to the \$3.4 billion raised in Q2 2015.

Global VC funding saw a decline this quarter with \$174 million in 16 deals, one of the lowest quarters since Q2 2015. Year over year, the numbers were slightly better compared to Q2 2015 when \$142 million was raised in 24 deals.

#### **ENERGETICA INDIA: What is your view on solar funding for the remaining of the year 2016?**

MR. RAJ PRABHU: We expect funding activity to improve in the second half of the year; however funding will not come close to 2014 or 2015 levels. This year will probably be one of the weakest years for corporate funding into solar companies. That said, projects continue to get financed in record numbers with more than 60 GW expected to be installed globally in 2016.

Energetica India: Based on this year's funding pattern till now, which part of solar's value chain seems to attract the most investment?

MR. RAJ PRABHU: Solar downstream companies (developers and installers) managed to amass most (64 percent) of the VC funding raised in Q2 2016, followed by PV technology companies and balance of systems (BOS) companies ◀◀