ACCIONA Energía Internacional

# Partnership with KKR

**Juan Muro-Lara**

Chief Corporate Development Officer

24th June 2014

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# 1. Transaction description

# Transaction description

ACCIONA Energía ("AE") has entered into an agreement with KKR to sell a **one-third stake in ACCIONA Energía International ("AEI")**

acciona Energía

CASH

KKR

2/3

1/3

## ACCIONA Energía International

- 2.3GW net operating renewable capacity
- 55 assets in 14 international markets
- c.€120m cash distributable to partners

**Value creation for ACCIONA shareholders**

# Transaction description

## The transaction

**Minority partnership**

KKR acquires a 1/3 stake in AEI for €417m (excluding earn-out consideration)

AE retains the remaining controlling stake (2/3)

The relationship of the partners will be governed by a Shareholders Agreement

+

**Management Services Agreement**

AE will provide AEI fully-comprehensive services required for its proper operation in exchange of an annual fee

+

**Right Of First Offer**

AE will grant AEI a ROFO on future assets developed within AEI operational territory

+

**Potential YieldCo**

The agreement reflects the partners' intention to pursue the international listing of a YieldCo with a significant subset of AEI assets

# Transaction description

| | |
|---|---|
| Partner | ▶ KKR is one of the world leading investment firms with and impressive track record and over US$102bn of assets under management |
| Portfolio (AEI) | ▶ 2.3GW of net operating renewable generation assets<br>▶ 55 assets in 14 countries outside of Spain<br>▶ Generates c. €120m of cash distributable to partners<br>▶ AE pipeline not included in the transaction perimeter |
| Valuation | ▶ 100% EV: €2.6bn (ex earn-out)<br>▶ 100% Equity value: €1.3bn → Equity value for one-third: €417m (ex earn-out)<br>▶ Earn-out based on YieldCo execution: up to €50m of additional purchase price |
| Timing & CPs | ▶ Expected closing: Q4 2014<br>▶ Conditions precedent:<br>▪ 3rd party consents<br>▪ Competition<br>▪ Organisational restructuring: carve-in and carve-out of legal entities |

Note: All AEI assets will be operating by closing, except 115MW from two wind farms, Punta Palmeras (Chile) & Gouda (South Africa) with expected COD in early 2015

# 2. Strategic rationale

# Strategic rationale of the partnership with KKR

acciona

PERFECT FIT BASED ON COMPLEMENTARITY

KKR

- Technological track record
- Unmatched development capabilities and pipeline
- Pioneers

LONG TERM PARTNERSHIP

- Global access to competitive capital
- Value creation track record
- Pioneers

Partnership built with the desire of creating a long term strategic alliance to cooperate and strengthen our respective competitive positioning

# Strategic rationale of the transaction

This transaction will support ACCIONA's strategy to:

- Develop a **sustainable long-term relationship** with a leading **investor** such as KKR which shares our **ambition to grow** in the renewable energy sector

- **Monetize** part of our **international** energy portfolio through the sale of a **meaningful minority stake**

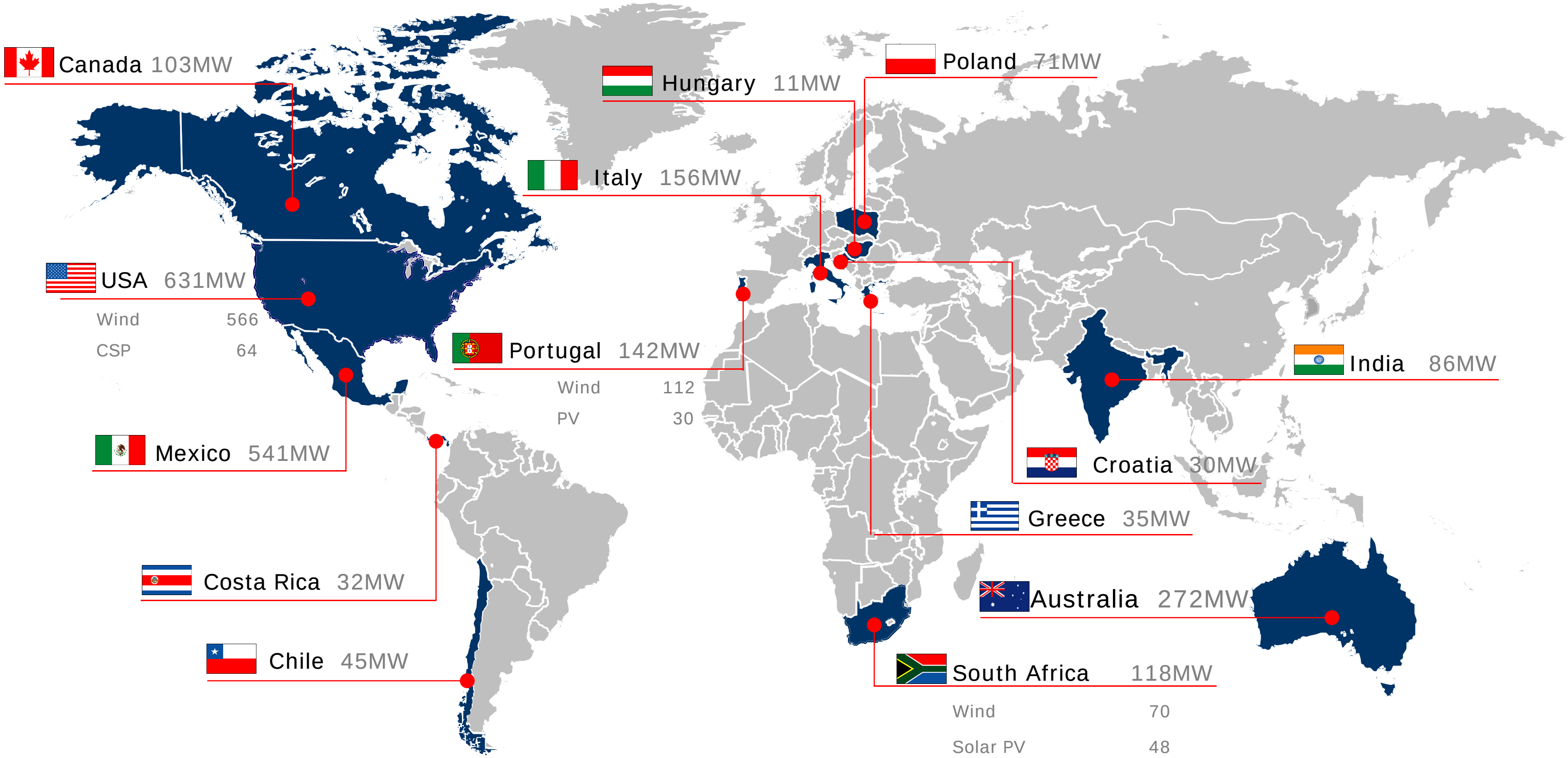
- **Enhance** our ability to pursue and **accelerate attractive growth** opportunities in international renewable energy markets, leveraging on the **experience and capabilities contributed by KKR**

- Execute the listing of a **YieldCo vehicle**, securing access to most **competitive cost of capital** to fund **strong renewable energy growth potential**

# 3. AEI portfolio overview

# AEI portfolio overview

**Diversified portfolio** with a combination of developed markets and high-growth countries that provides **secure and stable dividends**




**2,273 net MW** located in **14 countries** with an average **load factor of 36%** and an average **remaining life of 21 years**

Note: All AEI assets will be operating by closing, except 115MW from two wind farms, Punta Palmeras (Chile) & Gouda (South Africa) with expected COD in early 2015

# AEI portfolio overview

Portfolio consisting of multiple technologies located in some of the most productive regions worldwide and with **proven track record**

| | Country | Net MW | 2015E Load Factor | Current Status | COD[1] |
|---|---|---|---|---|---|
| WIND | United States | 566 | 37% | Operating | 2009 |
| | Mexico | 541 | 46% | Operating | 2010 |
| | Australia | 272 | 38% | Operating | 2009 |
| | Canada | 103 | 35% | Operating | 2008 |
| | Portugal | 112 | 27% | Operating | 2006 |
| | Italy | 156 | 20% | Operating | 2010 |
| | India | 86 | 31% | Operating | 2010 |
| | Greece | 35 | 28% | Operating | 2007 |
| | Poland | 71 | 27% | Operating | 2012 |
| | Hungary | 11 | 24% | Operating | 2006 |
| | Croatia | 30 | 31% | Operating | 2013 |
| | South Africa | 70 | 33% | Under construction | Q2 2015 |
| | Costa Rica | 32 | 58% | Under construction | Q3 2014 |
| | Chile | 45 | 31% | Under construction | Q1 2015 |
| | **Total wind** | **2,131** | **37%** | | |
| CSP | United States | 64 | 24% | Operating | 2007 |
| | **Total CSP** | **64** | **24%** | | |
| SOLAR PV | Portugal | 30 | 22% | Operating | 2008 |
| | South Africa | 48 | 25% | Under construction | Q4 2014 |
| | **Total SPV** | **78** | **24%** | | |
| | **Total AEI** | **2,273** | **36%** | | |

Note: All AEI assets will be operating by closing, except 115MW from two wind farms, Punta Palmeras (Chile) & Gouda (South Africa) with expected COD in early 2015

[1] Weighted average COD by capacity. Expected COD for those assets under construction

# 4. MSA & ROFO agreements

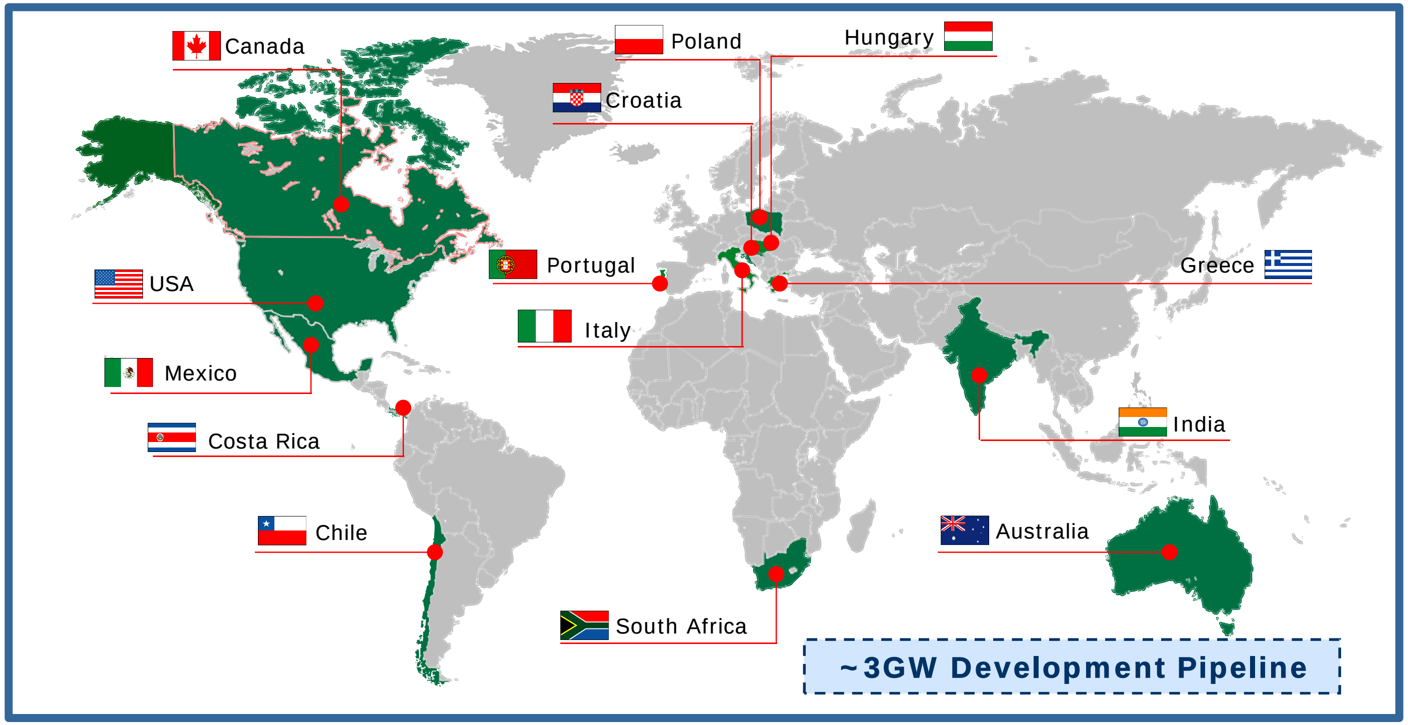
# MSA agreement

Long-term fully-comprehensive management contract with a 20-year term

| | |
|---|---|
| Purpose of the MSA | ► AE and AEI have entered into a Master Services Agreement pursuant to which AE will provide AEI all services required for its proper administration and operation, including:<br>▪ Energy management<br>▪ Assets management & technical monitoring<br>▪ Finance management<br>▪ Management of legal affairs<br>▪ Other corporate services (IT, HR, Institutional Relations, Communications, R&D...) |
| Remuneration of the MSA | ► The management services provided by AE to AEI is structured through an arm's-length annual fee based on AEI's EBITDA |

# ROFO agreement

AE has granted AEI a Right of First Offer **("ROFO") on future assets developed within AEI's operational territory**




ROFO will **accelerate AEI's organic growth** in the coming years

# 5. The YieldCo opportunity

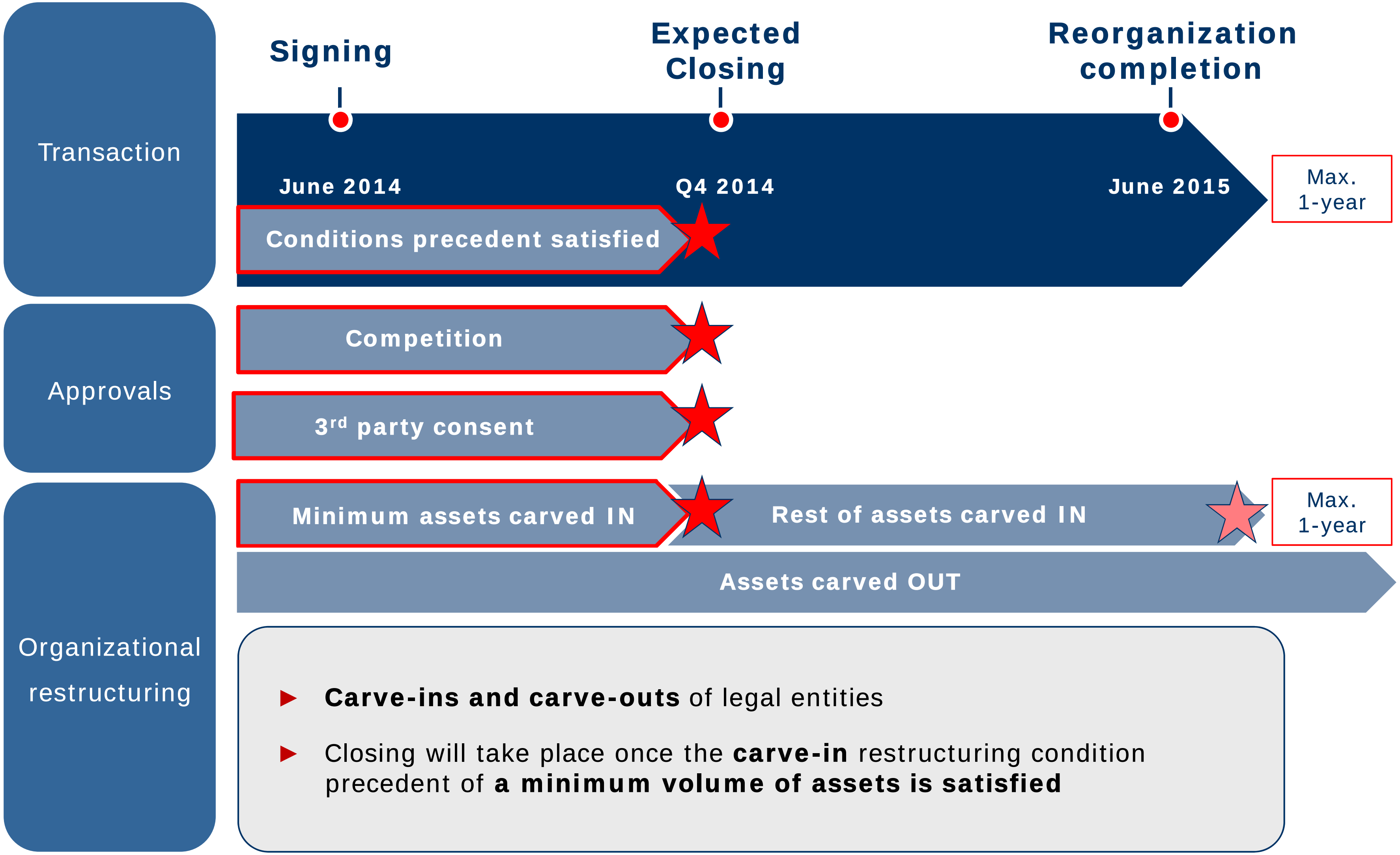
# The YieldCo opportunity

**The partners have agreed to pursue the listing of a YieldCo vehicle containing a meaningful perimeter of AEI assets**

| | |
|---|---|
| The opportunity | ► High investor appetite for infra assets with stable dividend, high visibility and growth – results in listing of yield-oriented renewables vehicles (YieldCos)<br>► This booming market presents an opportunity for AEI – portfolio suitable for YieldCo market<br>► The YieldCo perimeter can be optimized / tailor-made |
| Advantages | ► Enables crystallization of additional hidden value of AEI portfolio<br>► Provides funding for growth at an attractive and competitive "single digit" cost of capital<br>► Enhances AEI's potential to grow organically and via acquisitions |
| Earn-out | ► An earn-out up to €50m has been agreed in favor of AE linked to the potential increase in value of the YieldCo vehicle |

# 6. Expected timing and conditions

# Expected timing and conditions




- **Carve-ins and carve-outs** of legal entities
- Closing will take place once the **carve-in** restructuring condition precedent of **a minimum volume of assets is satisfied**

# 7. Conclusions

# Conclusions

Milestone transaction for ACCIONA Energía which monetizes part of its international portfolio while establishing a partnership with reputed partner KKR

Strengthens and accelerates growth potential in the international renewables market

Perfect fit between a value-driven financial investor and an experienced industrial partner with high degree of complementarity and long-term partnership vocation

Consistent with ACCIONA’s asset rotation strategy and incorporation of minority shareholders to core businesses

This landmark transaction implies total announced disposals (2013-14) of ~€800m, towards the high end of the target range of €500m-€1,000m

ACCIONA Energía Internacional

**Partnership with KKR**

**Juan Muro-Lara**

Chief Corporate Development Officer

$24^{th}$ June 2014