

MVC-FMCG/ESG

YiedCo Investing --ESG Investing

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Report Outline

PART 1	Introduction
PART 2	Industry Research
PART 3	Growth potential-Competitive Landscape
PART 4	Case studies
PART 5	Risk

Introduction-YieldCo

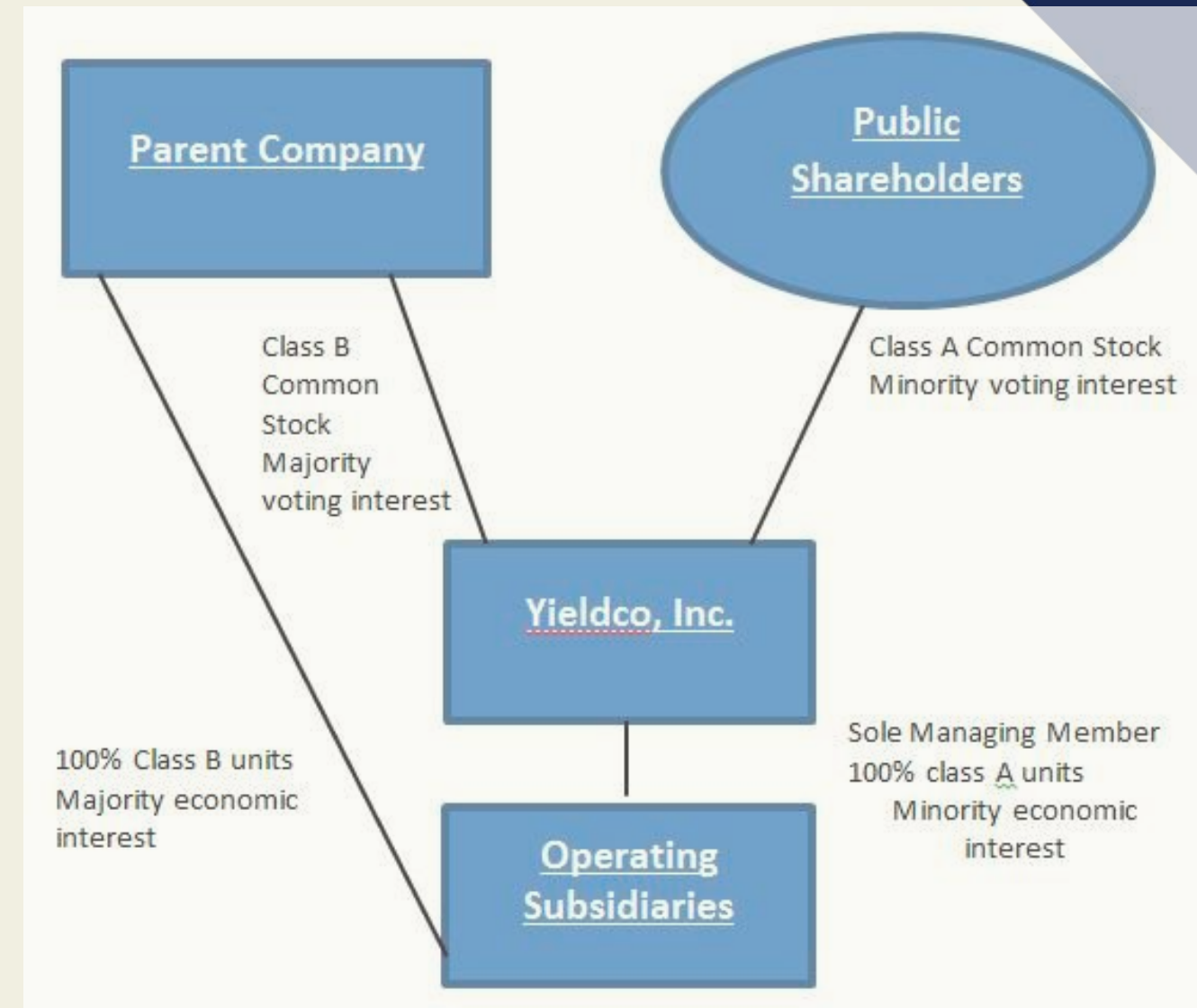
A yield company (YieldCo) is an entity formed to own operating assets, such as solar or wind power, and to raise funds by issuing shares to investors. Cash flows from these operating assets are then used to distribute dividends (cash payments) to shareholders over time. By separating operating assets from riskier activities such as project development, YieldCo can attract investors who are looking for more stable, predictable returns (e.g. from power purchase agreements).



Why Investing YieldCo

- An excellent and reliable sponsor
- Stable Cash Flow
- Lower Risk
- The trend for renewable energy
- No requirement for deep knowledge of upper stream technology, but is benefited from the technical advancement of whole

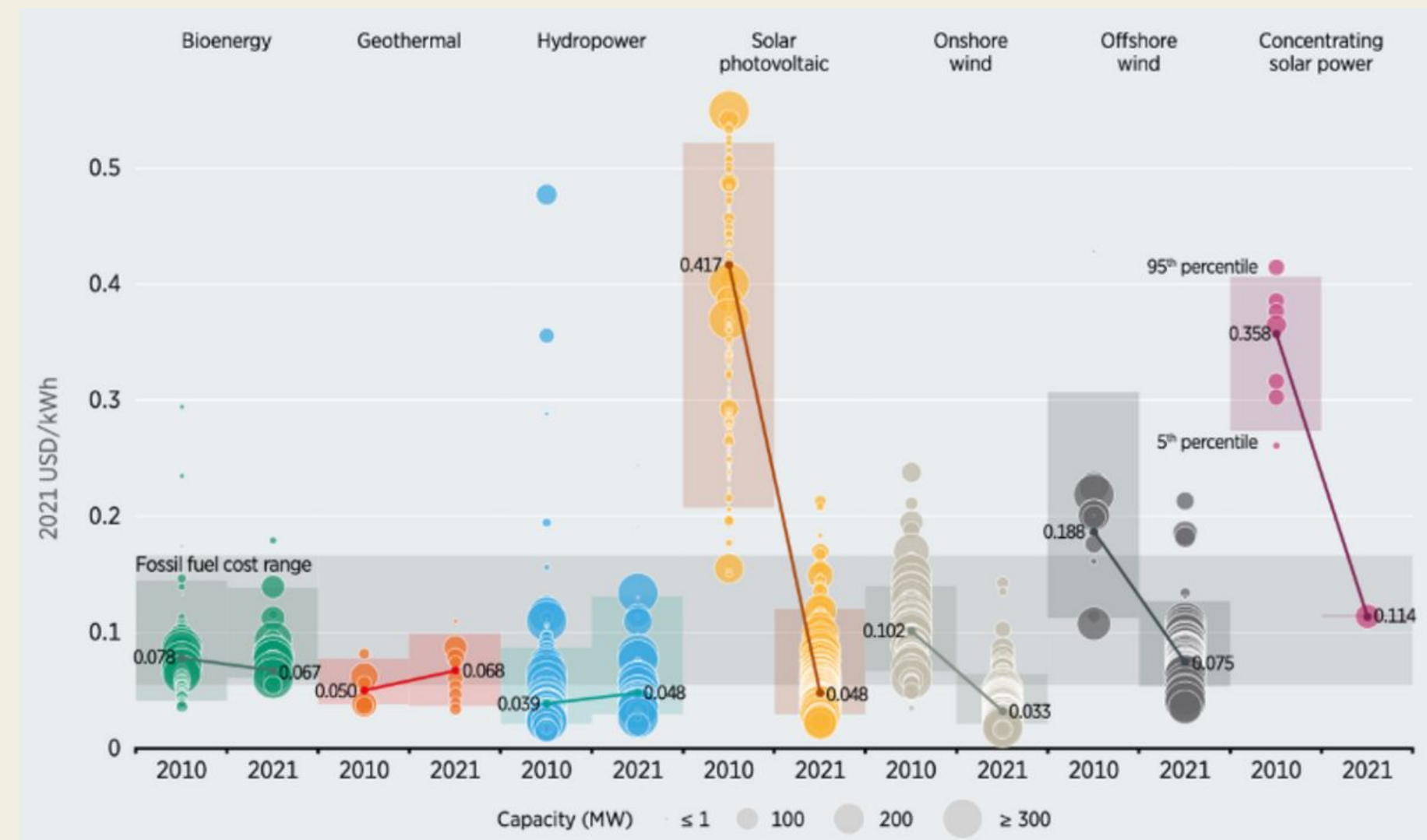
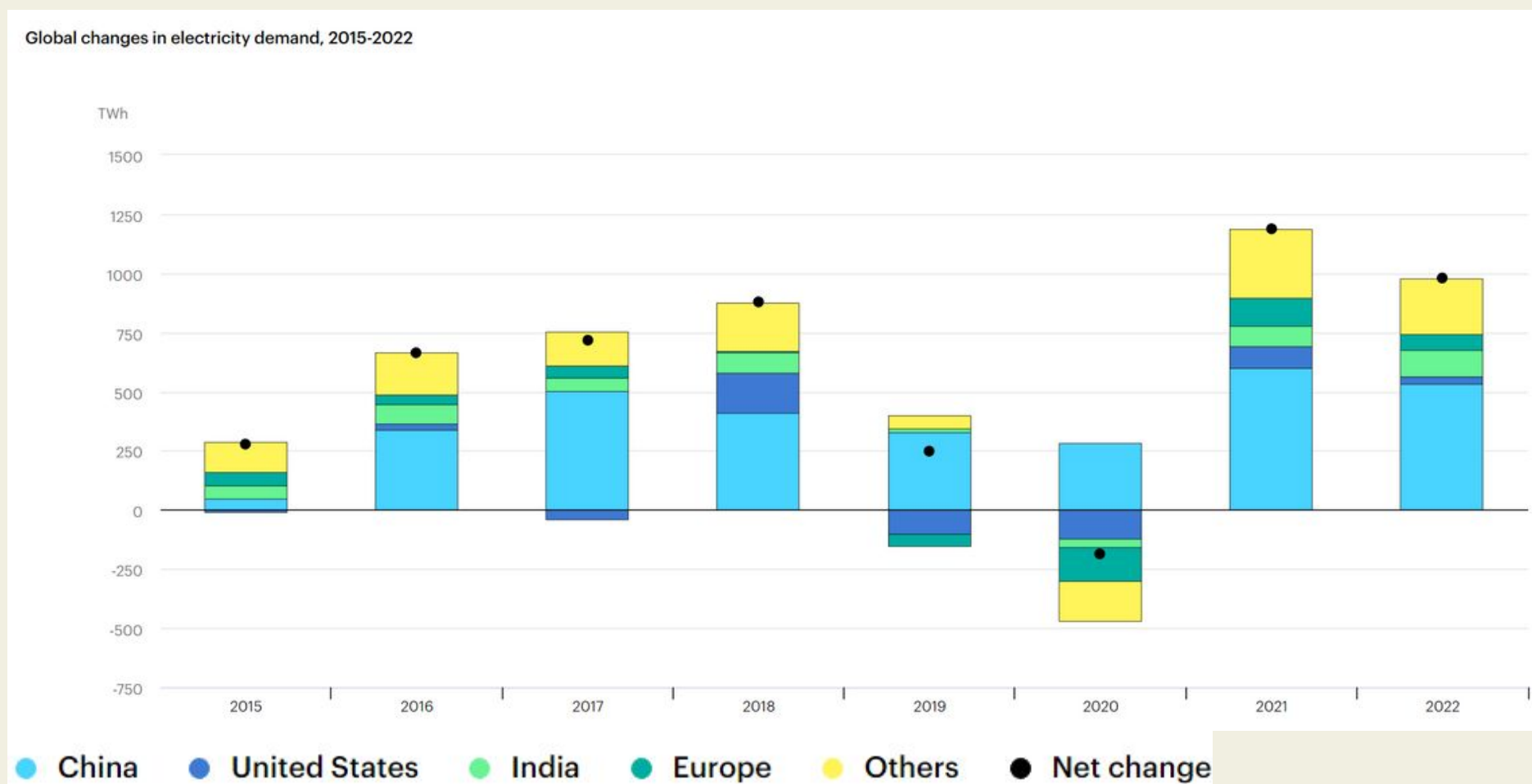
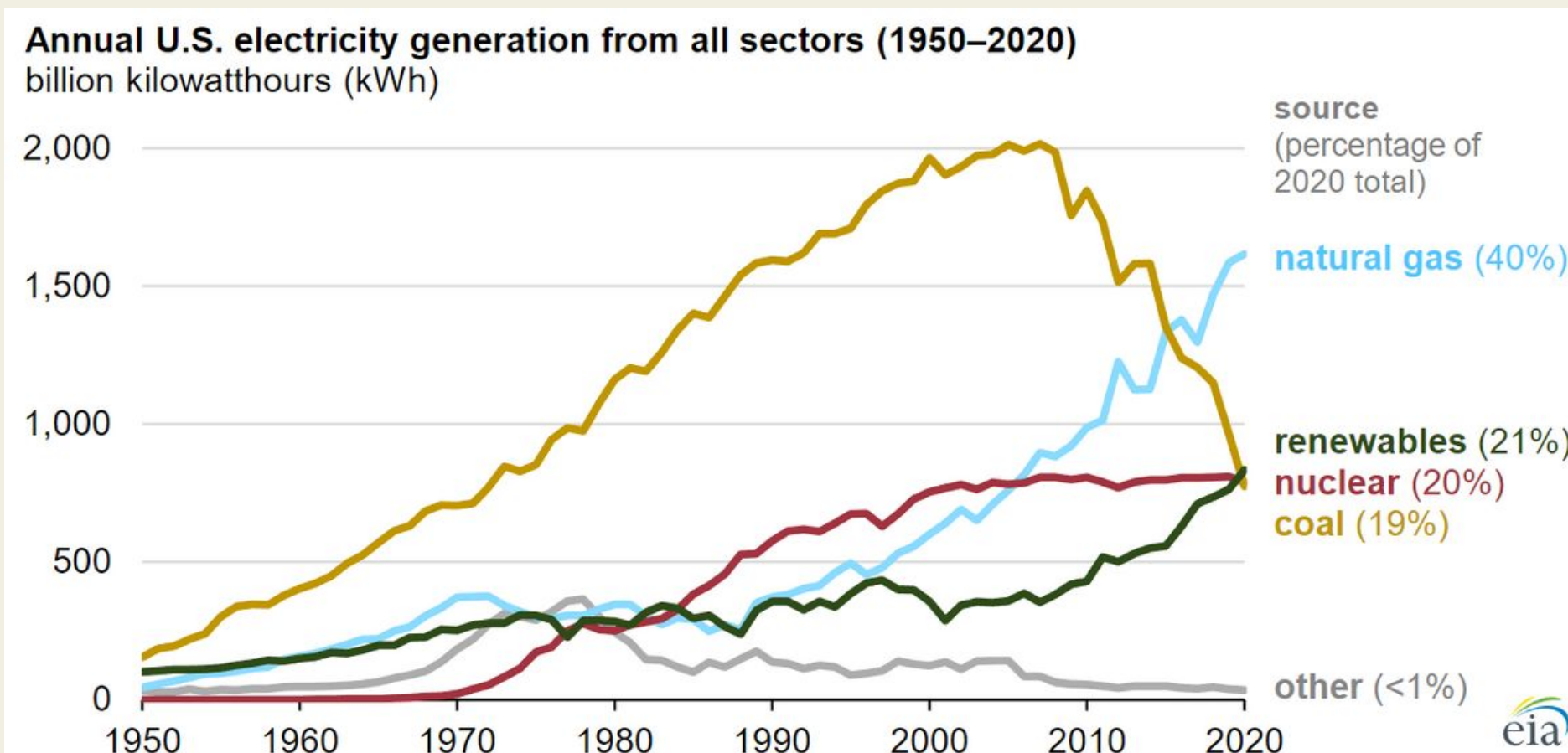
industry



Industry Research

PEST Model	Summary	Key words
Political	Inflation Reduction Act Biden's Climate Plan Permitting Policy	Regional Support: California, Texas Federal Energy Management Program Tax Incentives
Economical	Russia's war with Ukraine high inflation rates federal quantitative tightening policy	The world will have to invest \$90 trillion in sustainable infrastructure by 2030
Social	Customer's positive attitudes toward renewable energy	Education Party Income
Technology	Solar Energy: Choice of Materials Offshore Wind vs Onshore Wind Geographical Analysis	Silicon, PERC, TOPCon, HJT

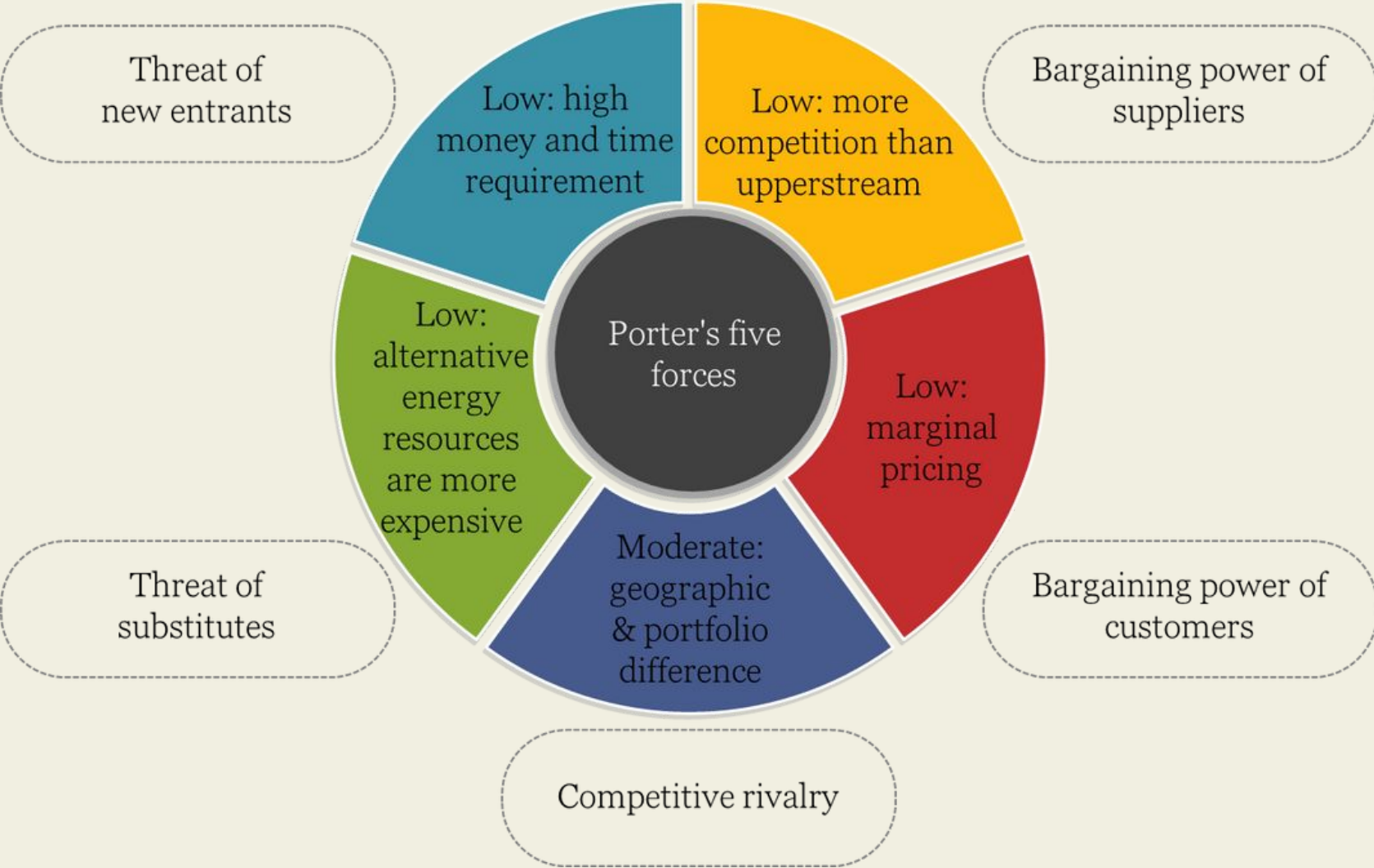
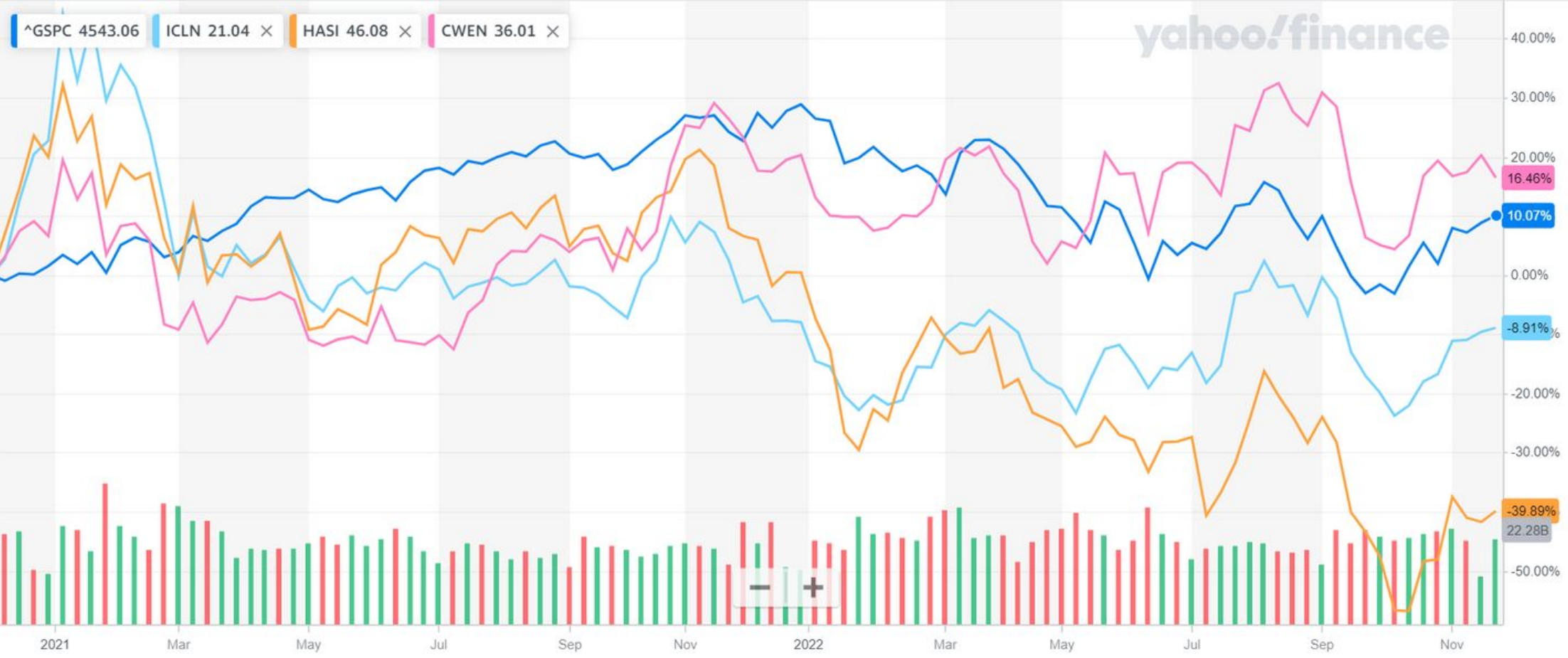
Growth Potential



- Electricity generated from renewable energy grows rapidly and occupied more than 1/5 of the market;
 - The fast growth in renewable electricity generation, however, cannot keep up with the increasing rate of demand;
 - The global average leveraged costs of energy (LOCE) of solar and onshore wind have experienced rapid reduction and are likely to be the lowest among all energy resources.
- Large market and high profit margin for YieldCo

Stock Selection

	Price	P/E	P/B	Piotroski Score	Altman's Z-Score
AY	27.48	N/A	1.99	6	4.9
BEP	29.01	N/A	1.79	7	4.0
CWEN	34.88	7.34	1.80	6	0.9
GPP	12.38	7.03	151.33	5	3.9
HASI	31.79	21.85	1.70	4	6.3
NEP	79.98	15.68	2.03	5	0.9
RNW	14.26	48.79	2.13	4	3.5



Goal: Select the best stocks that can be invested in mid-long term;
Conduct case studies to understand their portfolio, financial performance, and risks; Learn from the selected YieldCo and look for opportunities in the primary markets.

Case Studies

Hannon Armstrong



PORTFOLIO

- Behind-the-meter: residential solar, community solar, etc.
- Grid-connected: Utility-scale solar, onshore wind, storage
- Sustainable Infrastructure: transportation, etc.



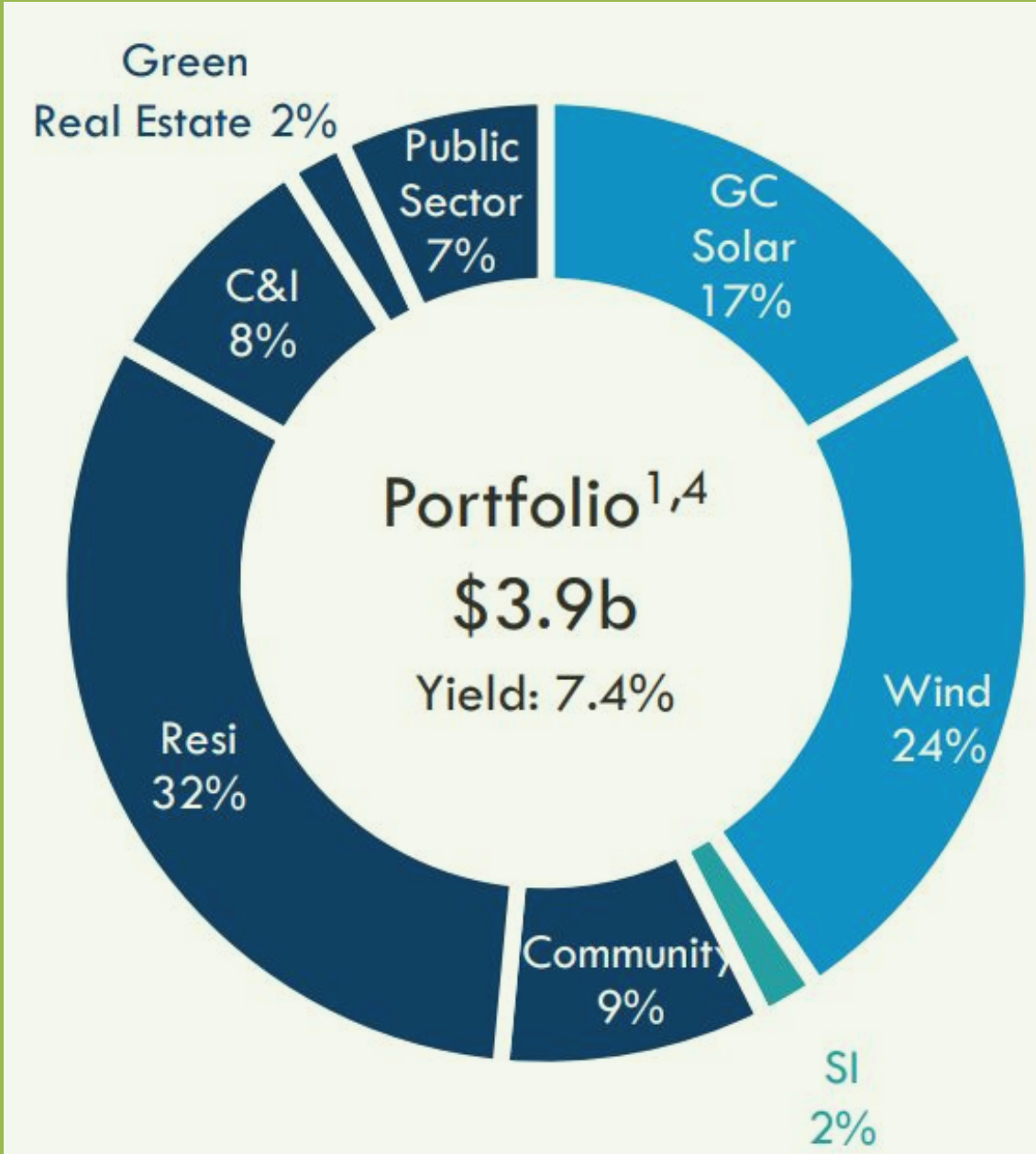
KEY RATIOS

- Market Cap: 2.74B
- PE: 21.85, EPS: 1.41
- Current ratio: 8.83
Cash ratio: 1.25
(much higher than average)
- Debt-to-common equity: 1.7
Financial leverage: (average)



INVESTMENT

- 48% equity investment
- 42% fixed-rate receivables and debt securities
- 10% real estate lease



Investment Thesis

DIVERSE PORTFOLIO

- Diverse portfolio of utility-scale and residential solar, wind, and other sustainable energy projects
- Diverse investments including equity, debt, and land

FINANCIAL PERFORMANCE

High EPS growth rate, stable dividend, excellent liquidity and solvency

STRATEGIC INVESTMENT

- Agreement to acquire 49% equity interest in a 2.3 GW US renewable portfolio (1.8 GW onshore wind, 0.5 GW solar) from a French utility company ENGIE
- \$125 and \$72 million investments in renewable natural gas and transportation fleet enhancement in Ameresco and Zum, respectively.

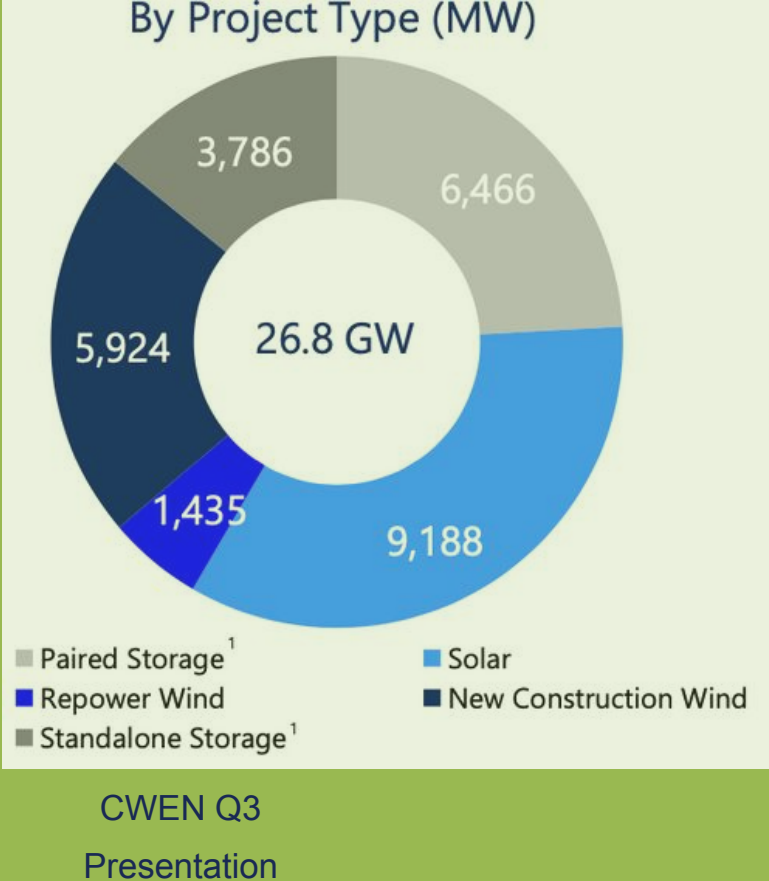
Case Studies

Clearway Energy Inc.



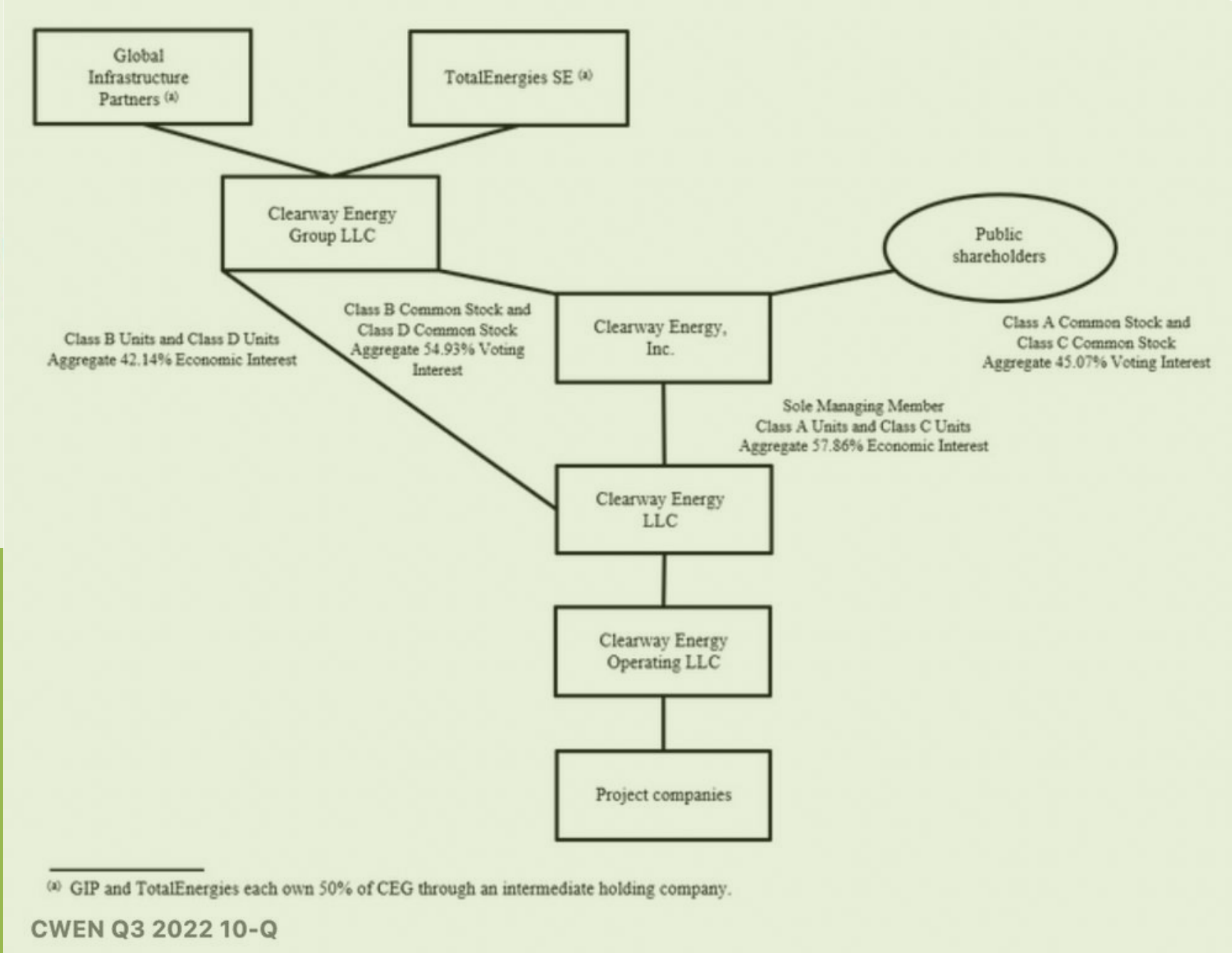
CAPITAL STRUCTURES

Parent Company:
Clearway Energy Group
Clearway Energy Group is backed by Total Energy Group and Global Energy Partners



KEY RATIOS

- Market Cap: 7.088B
- PE: 7.49 – Much Lower than Average
- EPS: 4.82
- CAFD of \$154 MM in 3Q22 and \$328 MM YTD (forced outage)



STOCK CHART

Price: 32.39\$
Target Price: 36\$

Investment Thesis

STRONG SPONSOR NETWORKS

Backed by Global Infrastructure Partners III, one of the world's most significant infrastructure funds and long-term benefits from the Inflation Reduction Act

FINANCIAL PERFORMANCE

High Earnings, stable dividend, high CAFD, low PEPipelines: 26.8 GW pipeline, growing projects

STRATEGIC ACQUISITION

French oil and gas company TotalEnergies has agreed to acquire a 50% stake in the US-based Clearway Energy Group .

Clearway secured and closed the acquisition of a 414-megawatt (MW) wind energy portfolio in Q3.

The company sold its thermal assets for \$1.4 billion

Risk Factors

1

ELECTRICITY OUTAGE

This last quarter conventional facilities were affected by outages which heavily impacted the expected income numbers.

4

GEOGRAPHICAL ISSUE

The renewable energy sector is largely affected by its geographical politics and climate issues

2

RISK OF HIGH DEBT

Management tries to gain too much growth too quickly and takes on a dangerous amount of debt: Case: SunEdison went bankrupt in 2016 after taking on over \$16 billion in debt in order to grow into one of the world's largest solar power providers

3

INVESTOR RELATIONS

YieldCos are sensitive to investors, suffering from very high yields, which results in high costs of equity and makes growth challenging

4

PORTFOLIO

DIVERSIFICATION

CWEN's portfolios mainly focus on one sector, which has a simple structure and lower defense ability

Risk exists, but controllable and relatively low