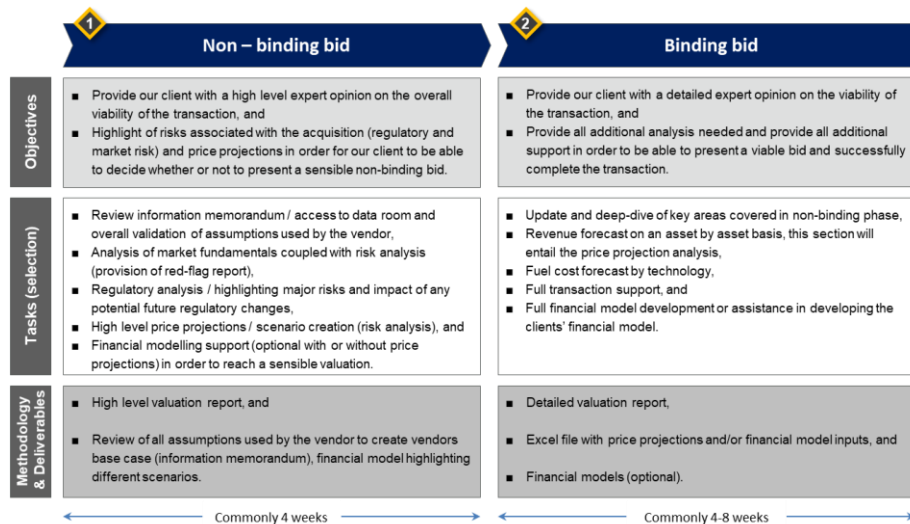


# M&A – Case Study

**The following Case Study provides a summary of the M&A work carried out by EKON experts for our client (in this case a large infrastructure fund) during the acquisition of a large portfolio of Wind assets in Spain**

Our client, one of the largest international infrastructure funds was looking to acquire a large portfolio of Wind assets being auctioned in Spain and requested external expert advice in order to assist them in their decision-making process.

The project was split into 2 phases, an initial non-binding phase and a binding phase, as summarised below:



## Phase 1: Assistance in presenting a non-binding bid

As a starting point, EKON was asked to present an updated view on the Spanish Energy Market (market drivers, supply and demand, regulatory analysis, etc.) which served our client to get an updated and accurate high-level view of the market and therefore be in a better position to make informed decisions with regards to the acquisition process.

EKON experts were then provided access to the vendors’ virtual data room in order to access the information for each of the assets as well as the information on the holding companies.

EKON experts were instructed to also help our client in selecting the most appropriate technical advisor in order to carry out a technical due diligence.

### Red Flag Report

As a key part of the project EKON drafted a red-flag report within 2 weeks of having reviewed the information within the data room, this concise report was prepared with a view to providing our client with an affordable first glance at the projects to see if there were any major deal-breakers.

The report included a high level legal, market and technical opinion of the viability of the transaction. In the event of having detected any red-flag areas (having analysed both the severity of the risk as well as the likelihood of occurrence), the project would have terminated at this point. In this case, no deal breakers were detected and the Client decided to invest more resources in further analysing the deal.

### Understanding the regulatory risk.

Given the economic crisis that Spain was going through at the time, it seemed more than likely that the Spanish Government would implement certain regulatory modifications that would impact on the remuneration received by Wind farms in Spain.

At the time, wind farms had two options, either to receive a fixed tariff or to receive the wholesale electricity price (pool) + subsidy (environmental premium). The regulatory changes that were looming on the horizon implied the removal of the fixed tariff and would require our client to be fully aware of the risks and opportunities of being exposed to the fluctuating pool price.

## Phase 2 – Binding bid

Once we had reviewed the regulatory framework, EKON experts along with the technical advisor carried out a high-level review of all of the vendors’ assumptions (from historical production data to revenue and cost analysis), in order to provide the inputs that would be used in the Client’s financial model to provide a base case valuation.

### Modelling the Spanish Pool

Given the risk of the regulatory changes, the importance of being able to accurately forecast the revenue stream from the pool became even more important.

In order to do so, EKON experts constructed a future supply and demand curve based on different development scenarios and price projections to derive a capture price (SMP price applicable to the average production of the wind farm portfolio) which was to be used as the Central Case. We modelled the entire electricity market and assessed the possible adjustments the Spanish Government might need to implement in an attempt to balance the system (i.e. not generate future Tariff Deficits). This exercise was used to forecast a worst-case scenario.

### Assistance in developing the financial model

EKON experts assisted our Client in developing the financial model that was used to value the opportunity. We provided an expert opinion on almost all of the inputs, including the sense checking and benchmark analysis of the most important input assumptions. The Financial model that EKON experts helped develop for this project operates at project level and is a semester model in order to capture project finance complexities and its impact on Cash Flows. Our financial models are capable of:

- Modelling transactions / assets on a geared or ungeared basis,
- Calculate the maximum gearing possible and/or specify gearing ratio,
- Incorporate a wide variety of financing sources, Equity, Sub-debt, Senior and Junior debt, Mezzanine, grants, etc,
- Work with a wide variety of RES support schemes, Premiums, FiT, CFD, etc.

### Binding bid

Having carried out a thorough analysis, and having developed a number of different scenarios, EKON experts brought all of the information together in order to prepare a report that contained our expert opinion on the valuation of the portfolio. In the end, and despite several delays, our client successfully completed the transaction.

EKON provides a full range of consulting services split into 4 general groups.

EKON has a strong track record of providing Arbitration services and M&A support during complex commercial transactions.

One of the keys to our success has been the full-time involvement of the experts from the very start of a project through to completion, to our clients’ full satisfaction.

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