



# Brookfield Renewable Partners offers US\$1.5-billion for buyout of minority stake in TerraForm Power

DAVID MILSTEAD INSTITUTIONAL INVESTMENT REPORTER

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Brookfield Renewable Partners L.P. has offered US\$1.5-billion to buy the minority chunk of renewable energy provider TerraForm Power Inc. that it doesn't already own.

The plan allows the Brookfield partnership, an affiliate of Brookfield Asset Management Inc., to add to its wind and solar assets and continue to benefit from a turnaround at TerraForm. Brookfield Renewable acquired its 62-per-cent stake in TerraForm Power in 2017, when it bought an affiliate company, TerraForm Global Inc.

Terraform Power operates a portfolio of wind and solar power facilities across North America and western Europe.

Monday's offer of US\$17.31 a share is a 11-per-cent premium to TerraForm's closing price on Friday and values TerraForm at just under US\$4-billion. To pay for the acquisition, Brookfield Renewable Partners is offering shares in its Brookfield Renewable Corp. entity, rather than cash, which would allow TerraForm stockholders to participate in the upside, the company says.

TerraForm said on Monday the Brookfield Renewable proposal was both unsolicited and non-binding, and that its board has formed a special committee of independent directors that will review the proposal. TerraForm said "there can be no assurance" that a deal will be made.

If the committee approves the offer, it would still require approval from a majority of the remaining minority shareholders.

Sachin Shah, chief executive of Brookfield Renewable Partners, said, "We're really doing this primarily because we think that if we merge the two companies, keep it all public, we have a bigger, stronger business from which to continue to grow in the renewable space."

The deal is another example of a major Canadian institutional investor buying a publicly traded renewable-energy company. In November, Canada Pension Plan Investment

Board said it would spend US\$2.63-billion to buy San Francisco-based Pattern Energy Group Inc., Canada's biggest producer of wind power. The Pattern Energy deal is worth US\$6.1-billion, including debt.

“We look at the renewable industry as a multidecade opportunity that the entire planet is undertaking to transition to, and very few companies are set up to be global, to have expertise in all the major technologies – wind, solar, distributed generation, hydro and storage – and Brookfield Renewable is set up to do that,” Mr. Shah said.

Power plants, in general, are multidecade assets with large capital requirements, making them ideal for the long-term investor, Mr. Shah said. And the move to wind and solar requires extra investment. He argues Brookfield Renewables, which has a market capitalization of just under \$20-billion, and assets on its balance sheet of nearly \$44-billion, is one of a handful of players capable of winning in the space.

“Electricity grids all around the world are transitioning away from fossil fuels and the sheer amount of capital needed to transition is in the multitrillions of dollars,” Mr. Shah said. “Therefore, if you're an investor and you're at the front end of transitioning electricity grids all around the world and you have one of the largest, most dominant companies in the space, and it's a multitrillion multidecade opportunity, that's a pretty good place to be. We're very fortunate – lots of companies are facing many headwinds. And we get to have this great tailwind at our back.”

TerraForm Power and Pattern Energy Group are both “yieldcos,” a concept that made its debut on the public markets in the second half of 2013, but quickly fell out of favour.

The idea was that the developers of renewable energy power plants would sell their properties to the yieldcos, which would then offer investors steady dividend increases thanks to long-term contracts that provided easy-to-forecast profit growth. By the following year, there were a half-dozen yieldcos trading on North American exchanges, including TransAlta Renewables Inc., a spin-off from Calgary's TransAlta Corp.

But by mid-2015, the stocks had cratered – many down by half or more – as investors began to doubt both the business model and the macroeconomic outlook, particularly with oil prices in freefall.

TerraForm Power and TerraForm Global – both spun off from SunEdison Inc. – led the downward spiral. TerraForm Power shares peaked at US\$42.66 in March, 2015, but fell to US\$6.73 by October of that year.

Pattern Energy shares peaked on the Nasdaq at US\$34.51 in June, 2014, not long after their public debut, but haven't traded above US\$30 since early 2015. CPPIB's offer of US\$26.75 a share was a 15-per-cent premium to the price the stock traded at before the company acknowledged it was talking to suitors, but below the price immediately prior to the deal announcement.

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