

Financing Central American Renewables and Catalyzing Investment

CAMRIS
2015 Central American
Renewables Investment Summit

July 2015

Attracting Financing to Central American Renewable Energy Projects

- Pan American Finance has conducted research on sources of debt and equity capital for renewable energy projects in Central America for the five and a half-year period from January 2010 to June 2015

- Seven countries:

- Belize
- Guatemala
- Honduras
- El Salvador
- Nicaragua
- Costa Rica
- Panama

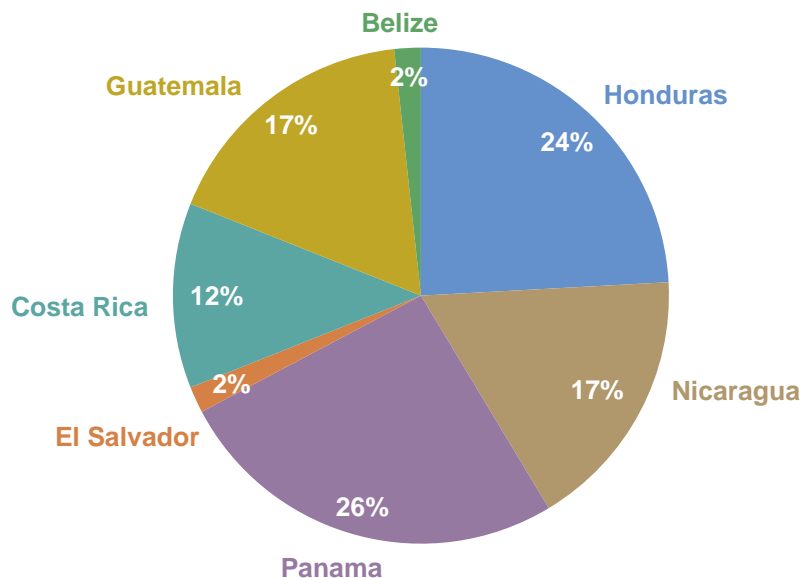


- Researched renewable energy projects that have secured debt and equity financing
- 58 transactions, 1.8 GW of new capacity, estimated total investment of ~US\$4.9 billion¹ – of which ~US\$3.4 billion (~69%) in debt and ~US\$1.5 billion (~31%) in equity

¹ Excludes large hydro projects ICE Reventazon and CHN Tumarín, with combined capacity of 560 MW and total investment ~US\$2.5 billion.

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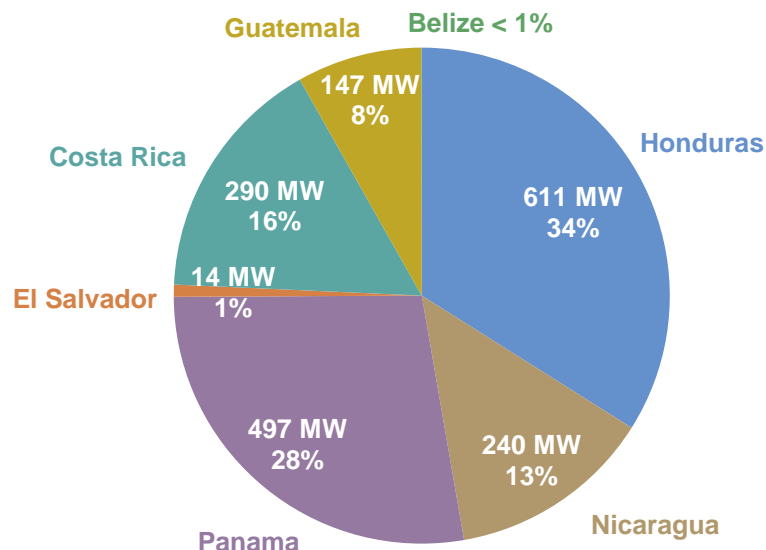
Renewable energy financings by country (2010-15)¹



Total: 58 deals

- Panama and Honduras had the largest number of announced financings, together accounting for approximately 50% of the total
- Belize and El Salvador had the fewest, representing only approximately 4% of all announced financings

New renewable energy capacity by country (2010-15)¹



Total: 1.8 GW

- Panama and Honduras accounted for approximately 62% of new capacity financed
- The largest project financed in Central America was InterEnergy Holdings' 215 MW Penonomé Wind Project

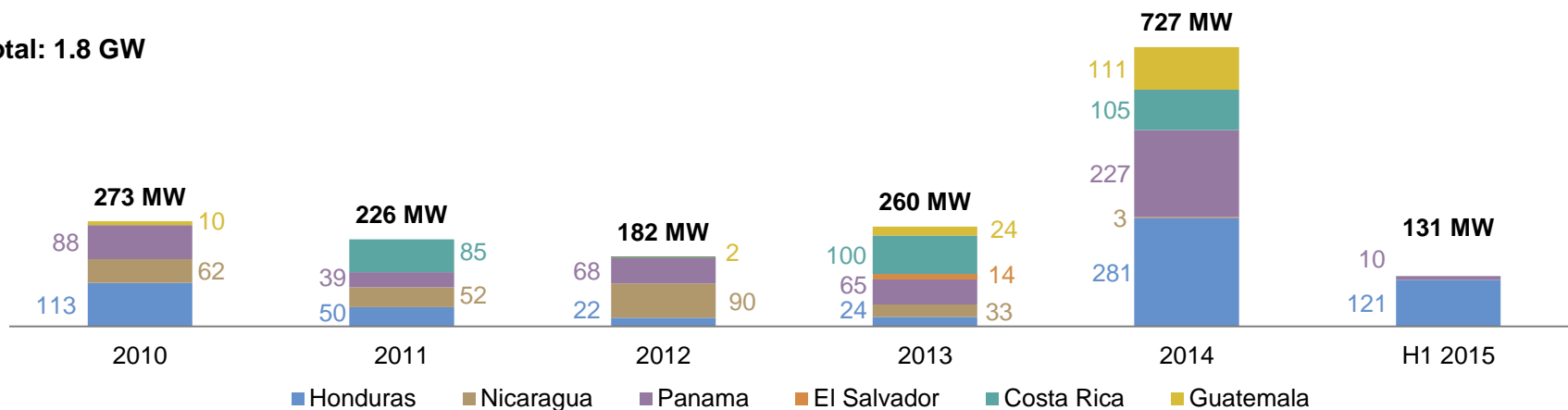
Source: Bloomberg New Energy Finance; Pan American Finance data.

¹ Excludes large hydro projects ICE Reventazon and CHN Tumarín, with combined capacity of 560 MW and total investment ~US\$2.5 billion.

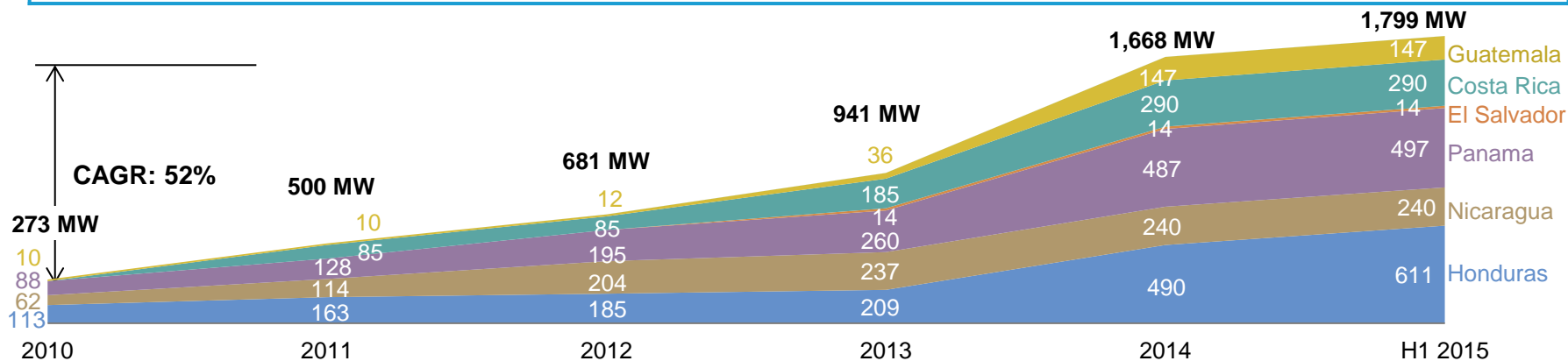
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New renewable energy capacity by country (2010-15)^{1,2}

Total: 1.8 GW



Cumulative new renewable energy capacity by country (2010-15)^{1,2}



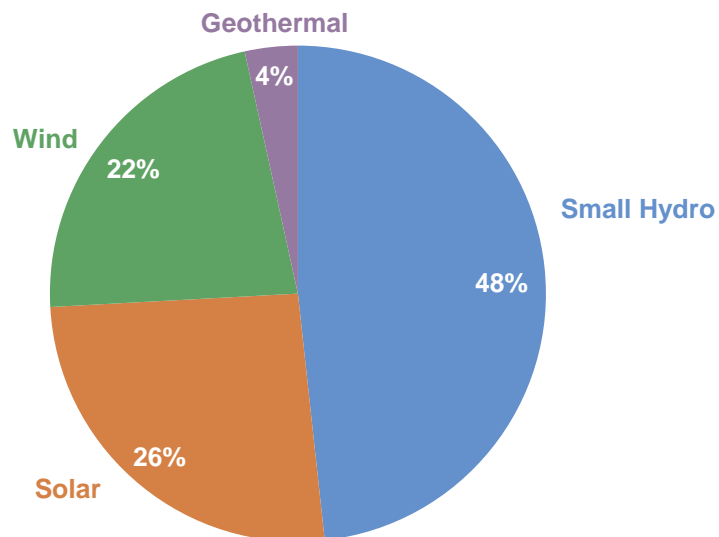
Source: Bloomberg New Energy Finance; Pan American Finance data.

¹ Excludes large hydro projects ICE Reventazon and CHN Tamarin, with combined capacity of 560 MW and total investment ~US\$2.5 billion.

² One project in Belize in 2014 of less than 0.5MW.

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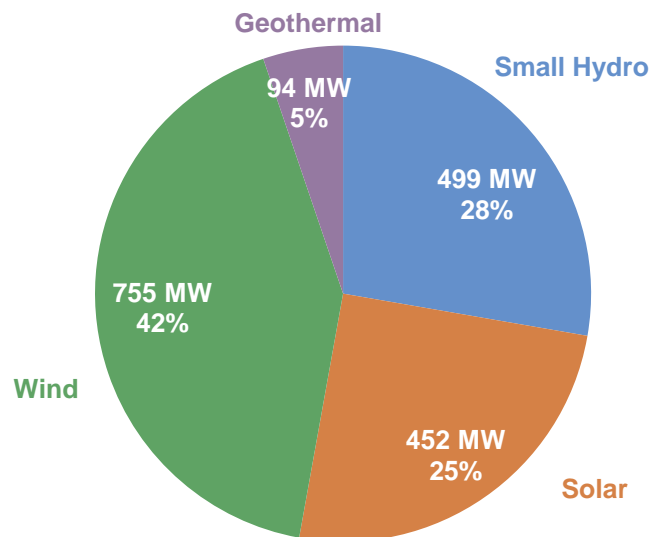
Renewable energy financings by technology (2010-15)¹



Total: 58 deals

- Small hydro power plants represented 48% of all renewable energy projects financed and 28% of new renewable capacity, with an average project size of 18 MW

New renewable energy capacity by technology (2010-15)¹



Total: 1.8 GW

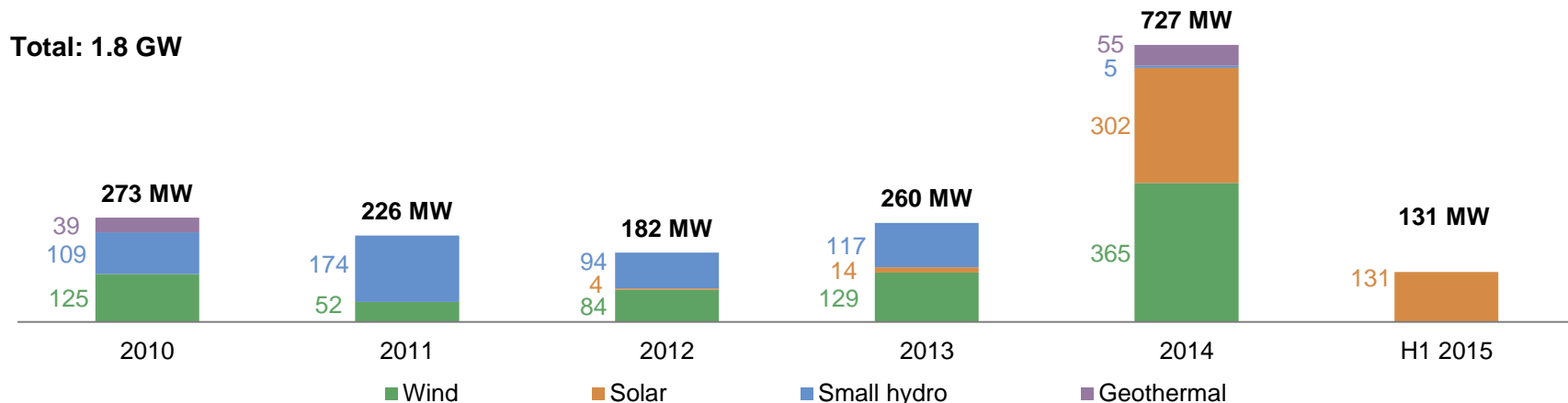
- Wind and solar PV power plants represented 48% of renewable energy projects financed and 67% of new renewable capacity, with an average project size of 43 MW

Source: Bloomberg New Energy Finance; Pan American Finance data.

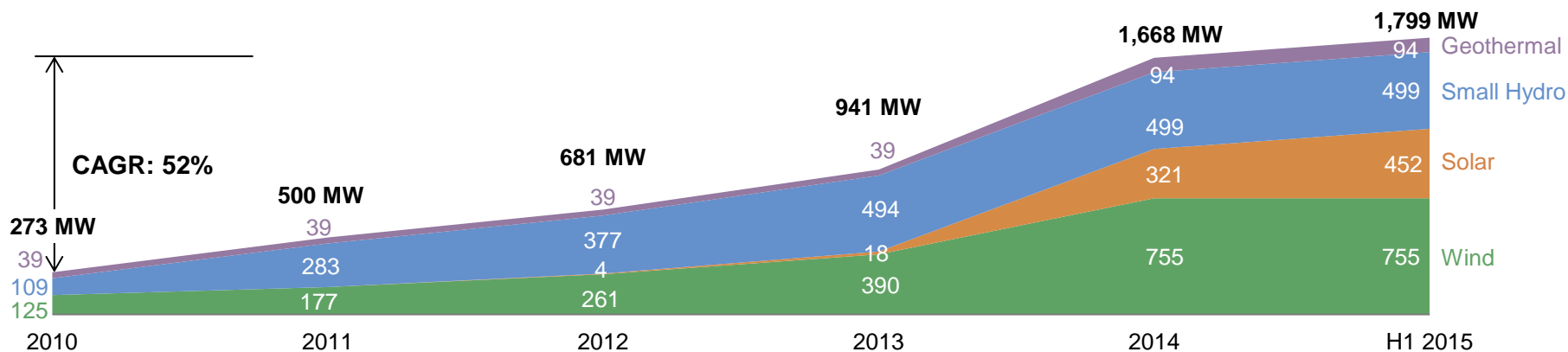
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Attracting Financing to Central American Renewable Energy Projects

New renewable energy capacity by technology (2010-15)¹



Cumulative new renewable energy capacity by technology (2010-15)¹

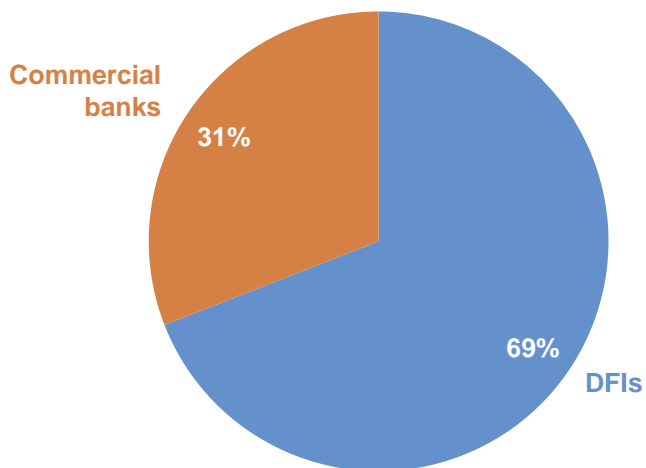


Source: Bloomberg New Energy Finance; Pan American Finance data.

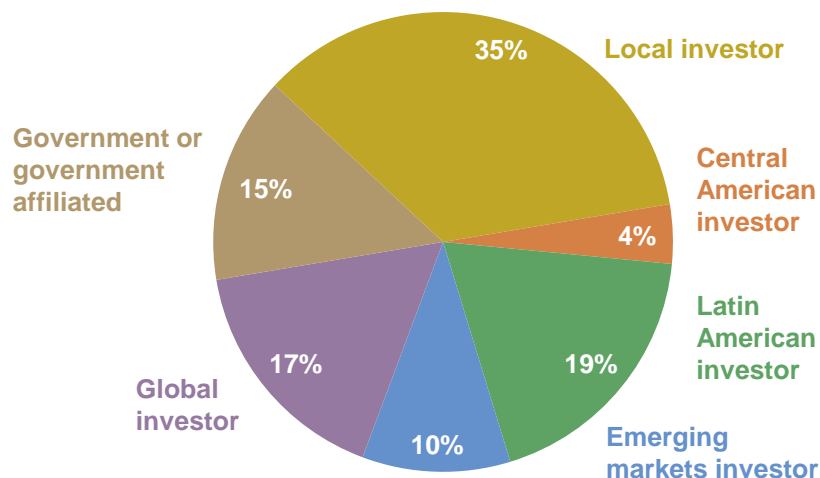
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Attracting Financing to Central American Renewable Energy Projects

Debt sources by participant type (2010-15)^{1,2}



Equity sources by primary sponsor type (2010-15)^{1,2}

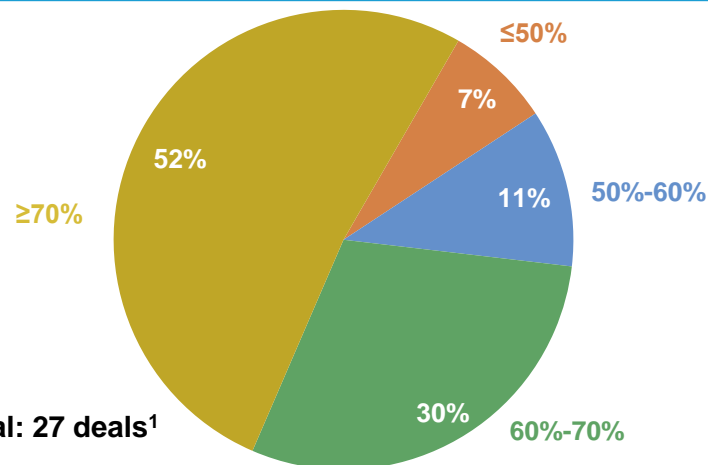


Total: 38 deals, 97 participants¹

- In financings analyzed, 69% of participations were by Development Finance Institutions and 31% by commercial banks
- Approximately 50% of primary equity sponsors were private investors with multi-country experience
 - Governments sponsored 15% of new renewable-energy projects, and local investors sponsored 35%
- Approximately 52% of projects analyzed had leverage 70% or greater, 41% had leverage of between 50% and 70%, and 7% had leverage of 50% or less

Total: 48 deals, 48 primary sponsors¹

Leverage (2010-15)^{1,2}



Total: 27 deals¹

Source: Bloomberg New Energy Finance; Pan American Finance data.

¹ Statistics based on transactions for which information was publicly available; ² Excludes large hydro projects ICE Reventazon and CHN Tumarín, with combined capacity of 560 MW and total investment ~US\$2.5 billion.

Attracting Financing to Central American Renewable Energy Projects

Lessons Learned

- Project completion risk is real
 - Expect the unexpected – if it can go wrong, it probably will
 - Projects cost more and take longer than planned to be completed
 - Lenders will require that adequate contingencies be built into project costs
- Experienced and financially strong sponsors do matter
 - Financial strength can mitigate completion and operating risks associated with a project
 - Availability of new capital is important when problems arise
- Expect a debate about the resource – lenders' engineer versus owner's engineer
 - Same resource, different opinions
 - Lenders' engineer will always be more conservative
 - Credibility of owner's engineer with lenders is critical to facilitating a smoother financing process
- Loan tenor is highly important to returns
 - Don't focus only on interest rate and spread
 - Increased loan tenor has a significant positive impact on equity returns

Pan American Finance

- Pan American Finance provides M&A and capital raising financial advisory services in Latin America, with particular focus on countries around the Caribbean Basin
- In the last five years, our firm has advised on over US\$1.0 billion in renewable energy M&A and capital raising transactions
 - US\$85 million Phase I refinancing and US\$160 million Phase II long-term project financing for Polaris Energy Nicaragua's 72 MW San Jacinto Geothermal Power Project in 2010
 - Acquisition of certain assets of Conergy, German EPC contractor and solar PV developer, by Kawa Capital Management in 2013
 - Joint venture between Sonnedix Solar and JP Morgan Asset Management's Infrastructure Investments Fund; over €300 million in new equity commitments by the JV partners in 2014
 - Acquisition, US\$100 million bridge financing and US\$300 million long-term project debt financing for InterEnergy Holding's 215 MW Penonomé Wind Project in 2014
- Our firm has gained extensive experience in the power and renewable energy sector in Central America and has worked with numerous debt providers and equity investors
 - Development finance institutions
 - Local, regional, and global commercial banks
 - Strategic and financial equity investors

Pan American Finance

Pan American Finance has completed over US\$1.0 billion in transaction value for renewable energy projects in Central America and worldwide, including for geothermal, solar and wind

■ Transactions:

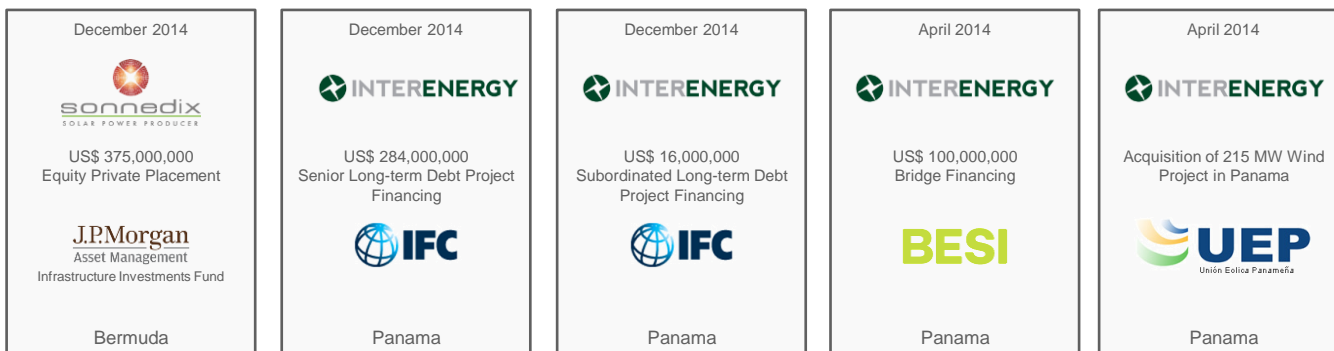
- M&A
- Restructuring
- Senior Debt
- Subordinated Debt
- Equity

■ Technologies:

- Solar
- Wind
- Geothermal

■ Geographies:

- Latin America
- Europe
- Asia
- South Africa



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