SunEdison to halt transfer of assets to yieldcos

07. OCTOBER 2015 | MARKETS & TRENDS, GLOBAL PV MARKETS, INVESTOR NEWS, INDUSTRY & SUPPLIERS | BY: CHRISTIAN ROSELUND

Citing "market dislocation", SunEdison has announced short-term changes to its operating plan. This includes a plan to hold more projects in warehouses instead of moving them into the company's two yieldcos.

SunEdison plans to sell 800-1000 MW of projects in 2016 to supply the company with cash

SunEdison has been in the news a lot lately. After taking a beating in the stock market, over the weekend it was revealed that the company is laying off a significant portion of its workforce. SEC filings later revealed this to be 15% of the global total.

On Wednesday morning, SunEdison held a call to explain the short-term restructuring of its operations which it says is due to a "market dislocation" - namely the deep and sustained fall in its stock price and the stock prices of its two yieldcos.

In a rapid shift of strategy, SunEdison is not planning to drop any of the projects which it completes in 2016 into either of its two yieldco vehicles. Instead, the company plans to keep most of the projects which it completes in warehouse facilities, supported by investment banking and private equity firms including Goldman Sachs and First Reserve.

This will not affect those projects which are in the process of being transferred to TerraForm Power and TerraForm Global, only new projects starting in 2016.

The warehouses will allow SunEdison the option of moving these projects into its yieldcos when market conditions improve. Additionally, SunEdison plans to sell 800-1,000 MW of projects in 2016 to third parties, in order to supply a steady flow of cash.

"We continue to believe in the value of TerraForm Power and Global as the best options to derive value for SunEdison", explains SunEdison CFO and Executive VP Brian Wuebbels. "As the market conditions evolve, we will further refine the mix between third party and megawatts retained."

SunEdison is clear that it is still excited about yieldcos, but Wuebbels states that the company is "acknowledging reality" that the lack of market confidence in yieldco vehicles is affecting their performance. "People need to build confidence in the asset classes," explains Wuebbels. "They are going to come back in four weeks and see how they deliver."

Additionally, SunEdison says that it is going to continue to focus on markets in the United States, Latin America, China and India. The company singled out the UK as one of the markets which it will be exiting, citing the slashing of the nation's feed-in tariff.

However, SunEdison did not complete a $700 million purchase of Latin American Power, which was set to close on September 30. Both parties have alleged that the other did not deliver, with Wall Street Journal citing un-named sources in saying that SunEdison failed to make a $400 million up-front cash payment.

Most read

- Panasonic announces 22.5% module-level efficiency solar panel
- LCOE for renewables decreases, fossil fuels see increase
- China increases solar installation target for 2015
- Global solar investment shows flat growth in Q3 2015
- UK: First round of solar job losses announced as FIT cuts bite

Photovoltaic jobs

Check out pv magazine's job listings for positions in the international photovoltaic sector.

Press releases

Want to **publish your press releases for free**? Simply log in or register, enter the information you want to appear and we'll publish it for you!

SunEdison has indicated that it will continue with its purchase of Vivint Solar, but says that positions will be cut. “We are going to go line by line, and totally rationalize (Vivint) and our residential business,” explained SunEdison CEO Ahmad Chatila.

Despite these problems, SunEdison is clear that the fundamentals of its business remain healthy, including strong demand for the projects that it is building. "Whether or not public market sentiment improves, these projects will be built and financed,” declared Chatila during the Wednesday call.

The company estimates that before it pulled back, yieldcos were planning on buying only 2% of 3% of the renewable assets in the world, and notes that purchase prices and the cost of capital for traditional project buyers have remained unchanged.

The company also addressed concerns about its debt and cash positions. SunEdison has US$727 million in debt due over the next three years, but no further debt due until 2020.

The company expects to complete 875 MW of wind and solar plants quarterly through its development company in 2016, which it says will translate to $156 million in EBITDA per quarter. Between third parties, a joint venture and the warehouses, SunEdison expects to have over $6 billion in incoming capital in 2016.

“We are going to be patient here,” stated Wuebbels. “We still believe in the long-term plan that we have laid out.”

Related News:

- The pv magazine weekly news digest 09.10.2015
- Update: SunEdison to cut 15% of global workforce 06.10.2015
- SunEdison to streamline business operations, rumors of job cuts 05.10.2015
- California: EPRI, SunEdison partner on net-zero energy home pilot project 16.09.2015
- Federal regulators clear SunEdison to acquire Vivint Solar 20.08.2015
- SunEdison forms $1 billion investment vehicle with Goldman Sachs 18.08.2015