

CASE STUDY

Private Equity Fund Leads \$100M Co-Investment in PV Module Manufacturer after Market and Technical Due Diligence Support by Clean Energy Associates

SCOPE

A leading private equity fund recently led an investment of over USD \$100 million into a PV module manufacturer, supported by technical and market due diligence provided by Clean Energy Associates (CEA). The PV manufacturer, focusing on the United States solar market, was seeking growth capital to expand its solar manufacturing business.

During the evaluation process, the private equity fund approached CEA to perform technical due diligence and provide market intelligence on the manufacturer as well as the targeted solar market segment. The private equity fund sought CEA's support based on the extensive breadth and depth of knowledge required to make this critical strategic decision in a very short time frame.

DUE DILIGENCE INCORPORATES STRATEGIC FEEDBACK THROUGHOUT SHORT INVESTMENT WINDOW

The private equity fund was seeking to better understand what technical challenges the manufacturer would likely need to overcome in order to successfully expand their facilities, and whether or not the market landscape would allow the supplier to fully utilize its planned capacity.

CEA carried out the due diligence work over a five-week period, conducting semi-weekly discussions and updates with the fund to identify and address "fatal flaws" in real time and incorporate strategic feedback and updates. CEA's findings enabled the private equity firm to tailor future work based on the concerns and risks identified.

CEA evaluated the manufacturer's competitive position, both technically and operationally. This included a visit and audit of their module manufacturing facility, inspection of the production lines, investigation into their quality control processes, and evaluation of the manufacturing technology. As part of the due diligence, CEA also surveyed and conducted interviews with major installers to get first-hand insights into end-user buying habits.

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TECHNICAL AND MARKET ANALYSIS LEADS TO KEY INSIGHTS

The final assessment of the PV manufacturer's operations, the targeted market, and policy-driven risks and opportunities allowed the private equity fund to understand key market and demand drivers, including supply chain impacts, pricing competition, and logistics. Policy analysis shed light on the impact of government incentives on demand and risks of end-market incentives, including relevant duties and tariffs.

The private equity fund was given an outlook on the competitive landscape, including the barriers to entry for solar module supply, and an assessment of end-customer decision factors, such as the impacts of brand, efficiency, and installer recommendations.

CEA's technical and market insights helped the deal team properly frame the risk / return profile of the investment, which was critical in garnering support from the fund's investment committee.



KEY DELIVERABLES LEAD TO SUCCESSFUL \$100M INVESTMENT OF PV MANUFACTURER

The due diligence assessment culminated in a formal recommendation that the market conditions and policy landscape were favorable, the manufacturer's product was aligned with the target markets, the timing to market was right, and the team was competent to execute.

As part of the final analysis and recommendations, CEA highlighted risks regarding the manufacturer's technology platform and cost structure and outlined the tight market conditions which could materialize if domestic incentives and tariff barriers were removed. This cautionary insight provided the private equity fund items to carefully consider and balance against the claims and expectations of the manufacturer.

The private equity fund ultimately decided to lead an investment of over USD \$100 million to help the manufacturer expand their solar production.

