

ALGONQUIN
Power & Utilities Corp.

# Global Strategy and Growth Enhancement

November 1, 2017

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# Agenda

| | |
|---|---|
| **Introductory Remarks** | **Chris Jarratt**<br>*Vice Chair*<br>*Algonquin Power and Utilities Corp.* |
| **Transaction Highlights and Strategic Rationale** | **Ian Robertson**<br>*Chief Executive Officer*<br>*Algonquin Power and Utilities Corp.* |
| **Overview of AAGES Joint Venture** | **Ian Robertson** |
| **Overview of Atlantica Investment** | **Chris Jarratt** |
| **Financing Plan** | **David Bronicheski**<br>*Chief Financial Officer*<br>*Algonquin Power and Utilities Corp.* |
| **Concluding Remarks** | **Ian Robertson** |



# Transaction Highlights and Strategic Rationale

# Algonquin's International Strategy – Two Separate but Related Initiatives

## *AAGES JOINT VENTURE*

ALGONQUIN Power & Utilities Corp.

ABENGOA

50% 50%

Global clean energy and water infrastructure development platform

Abengoa - Algonquin

*Global Energy Solutions*

ROFO Agreement

Potential future drop down of projects

## *ATLANTICA INVESTMENT*

ALGONQUIN Power & Utilities Corp.

25%

Strategic investment

Atlantica Yield

# Key Strategy Drivers – Strong Assets, International Growth

| | 1 | 2 | 3 |
|---|---|---|---|
| **AAGES Joint Venture** | Clean energy and water infrastructure development platform allows measured approach for international development | APUC to benefit from Abengoa's long-standing presence, expertise, and existing construction and development pipeline | Provides strong entry point into energy storage, desalination, large scale concentrating solar, and new international markets |
| **Atlantica Investment** | APUC ownership in Atlantica secures competitive investment vehicle for AAGES development assets | Cash flows from Atlantica interest immediately accretive to APUC on key financial and non-financial metrics | Secures access to an attractively-priced collection of contracted, high quality, international operating assets |



# AAGES Joint Venture

# Significant Strategic Benefits of the AAGES Joint Venture

## AAGES to be APUC's cornerstone development vehicle for international growth opportunities

- AAGES represents a strategic first step for APUC into opportunities in the global arena
- Partnership provides a balanced, risk-managed approach to global expansion

## AAGES establishes a capable global growth platform for APUC with an experienced partner

- Abengoa brings breadth of knowledge, experience and presence in key global markets
- Significant near and medium term investment potential available through Abengoa's highly visible growth pipeline

## AAGES development approach fully aligned with APUC's criteria for viable global investment

- Governance structure and project stage-gating process aligned with APUC's approach
- Project screening will ensure that the strength and quality of assets and cash flows are consistent with APUC standards
- Selected project geographies will be consistent with APUC's stated strategy for international investment:
  - ***Stable legal jurisdictions***
  - ***Minimal political risk***
  - ***Manageable currency risk***
  - ***Repatriation of capital***
  - ***Long term revenue certainty***
  - ***Experienced local partner***

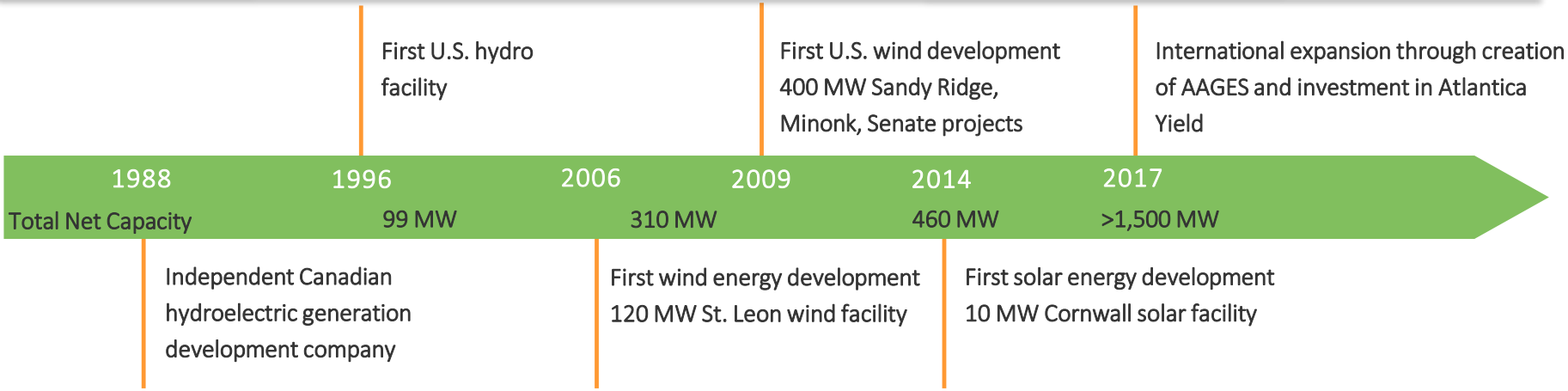






# International Expansion Consistent with APUC's Growth Strategy

## The Next Logical Step in APUC's Track Record of Sustainable Growth




## AAGES International Development Platform – Measured Approach to Global Expansion for APUC

| Algonquin Power & Utilities Corp. | | + Abengoa |
|---|---|---|
| 39 Renewable & Clean Energy Facilities | Headquartered in Ontario, Canada | Headquartered in Seville, Spain |
| 6 Canadian Provinces and 8 U.S. states | Diversified North American Generation, Transmission, and Distribution Utility | Experienced project developer with international development support |
| 1,500 MW net installed capacity | Strong access to capital | Respected EPC and O&M provider |
| 16 years average PPA length | 2,200 employees | ~13,750 employees |

# Abengoa: Experienced International Partner

## Abengoa is well positioned to support AAGES in securing international development opportunities and providing EPC and O&M services

### Overview

#### Depth of International Expertise

- Abengoa is an international company that applies innovative technology solutions for sustainability in the infrastructure, energy and water sectors
- Abengoa has an established presence in infrastructure development in key global markets

### Key Figures

**€3,700**mm
enterprise value

**13,776**
employees

**91**%
of revenues from outside of Spain

**50** countries
Global presence

### Key Operations Across Two Businesses

#### Engineering and Construction

- Focus in the clean energy and water sectors
- Turn-key project execution for solar-thermal, solar-gas, conventional generation, and waste-to-energy facilities as well as large-scale transmission lines

#### Operations and Maintenance

- Long-standing provider of operations and maintenance services to global infrastructure client base

### Share Sale Supports Restructuring

- Proceeds from the sale of the 25% interest in Atlantica form an important part of Abengoa's plan to re-affirm its leading market position
- Portion of sale proceeds to be committed to funding AAGES

# Pipeline of Development Opportunities: AAGES Hits the Ground Running

## Existing Abengoa Construction Projects can Benefit from AAGES Involvement

- Certain construction assets within the Abengoa portfolio are candidates for near term involvement of AAGES:
  - A3T (cogeneration)
  - ATN3 (transmission)
  - San Antonio Water (potable water transmission pipeline)
- Projects (representing expected equity investment of ~US $300 million) projected to be available for sale to Atlantica following completion which is expected within 2 - 3 years

## Existing Abengoa Opportunity Pipeline Contributed to AAGES

- Development focused on wind and solar generation, electric transmission and water infrastructure
- AAGES development team staffed from deep bench strength of APUC and Abengoa
- Geographies to be selected by AAGES to meet APUC criteria
- AAGES to be non-competitive with APUC in Canada and United States

## AAGES ROFO Provides New Source of Growth for Atlantica

- New 10 year right of first offer agreement to be executed between AAGES and Atlantica
- Atlantica provides competitive investment for ownership of AAGES projects



# Atlantica Investment

# Significant Strategic Benefits of the Atlantica Investment

## Accretive on key financial measures

- Expected to be immediately accretive to EPS, with mid-single digit accretion expected over the first 3 to 4 years
- Attractive valuation multiple for operating assets
- Significant opportunity to unlock additional value within Atlantica over time

## Investment in high-quality, diverse operating portfolio

- Assets within Atlantica are 100% operational - no development risk
- Diverse portfolio: power generation and transmission (1.7 GW / 1,770 km); water desalination: 10.5 $Mft^3$/day
- Strong contracts: 21-year current average remaining contract life(1), and 68% of its facilities are availability-based(2)
- New asset classes: significant growth in solar, brings new, high growth asset classes (energy storage, desalination)
- Atlantica project level debt is non-recourse and fully amortizing, resulting in growing earnings over time

## Maintains strength of APUC balance sheet and business mix

- Financing plan consistent with APUC's long term credit metrics and capital structure targets
- Measured approach to international expansion through partnership with Abengoa and the creation of AAGES
- Investment in Atlantica supportive of APUC's dividend growth objectives







1. As of December 31, 2016
2. Measured in terms of run rate CAFD

# Atlantica Yield: Strong, Diversified International Operating Fleet

## Atlantica invested in a diversified portfolio of 21 contracted and regulated assets in the renewable energy, transmission and water infrastructure sectors

### Overview

#### Objectives are Well Aligned with APUC Strategy

- Focus on delivering total returns to investors consisting of share price appreciation and dividends
- Atlantica has built its portfolio with a focus on stable, diverse, long-term cash flow generating assets

### Key Figures

**1,442 MW** of renewable generation (83% MW Solar)

**300 MW** of conventional power generation

**1,770 KM** of electric transmission lines

**10.5 Mft³ / day** of water capacity

### Key Features

#### Strength and Quality of Cash Flows

- Revenues 100% contracted(1) for full output
- Over 95% is generated from investment grade off-takers
- Over 90% is denominated or hedged in USD

#### Strength of Financing Structure

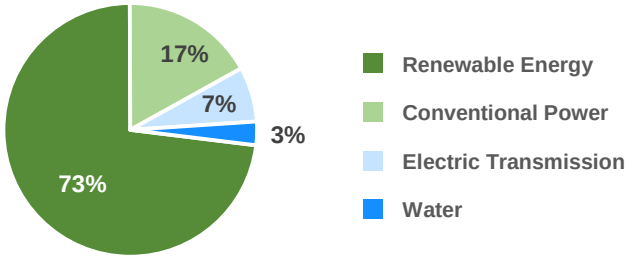
- 100% of assets have long-term non-recourse project financing which amortizes prior to end of contract life
- ~90% of project debt has fixed or hedged interest rates
- Prudent financial policy with debt at project level

#### Strength of Assets

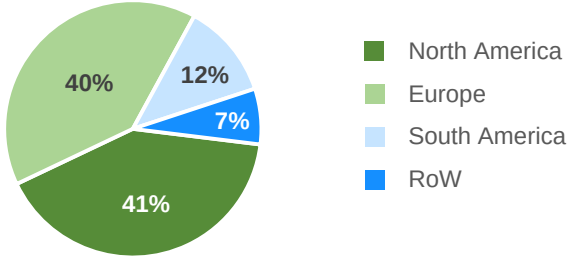
- Peer-leading weighted average contract life of 21 years(2)
- Benefits of diversity by both geography and modality

### Diverse Portfolio

#### By Modality




#### By Geography




1. Regulated in the case of the Spanish solar assets
2. As of December 31, 2016

# Highly Visible Near Term Growth Through ROFO Agreements

## Near-term drop down of assets into Atlantica facilitated by Transaction

- Drop down of assets into Atlantica are re-enabled as a result of the transaction
- Certain operational assets (representing expected equity investment of ~US $300 million) within the Abengoa portfolio are candidates for near-term sale:
  - Xina (Solar)
  - Khi (Solar)
  - SPP1 (Integrated solar/gas cogen)
  - Tenes1 (Desalination)
- Additional project (Atacama 1 – solar) (representing expected equity investment of ~US $500 million) secured for Atlantica through a right of first offer provides additional growth
- ROFO pipeline together with AAGES construction assets would provide significant CAGR in assets for Atlantica over next 36 months

## Potential for drop down of assets into Atlantica from APUC

- APUC to consider whether opportunities exist for portfolio optimization through the sale of some existing Algonquin assets to Atlantica



# Financing Plan

# Financial Considerations and Timeline for Transaction

## Significant Accretion to Financial Metrics

- APUC to recognize income from the Atlantica common share dividends
- Expected to be immediately accretive to EPS, mid-single digit accretion expected over first 3 - 4 years
- Supportive of APUC's 10% annual dividend growth objectives

## Significant enhancement of non-financial metrics

- Atlantica's weighted average contract life of 21 years[1] compares favorably to APUC's 16 years
- Significant geographic diversification

## Favorable valuation combined with improved outlook for Atlantica's current portfolio and growth

- Attractively-priced opportunity
  - Atlantica share price decline largely due to market uncertainty surrounding sponsorship / growth
  - Acquisition being completed at an attractive TEV / '18E EBITDA multiple

## Financing plan

- Purchase of Atlantica interest to be financed through a portion of the concurrent common equity offering and debt consistent with APUC's long term capital structure and credit metrics
- APUC expects no changes to its BBB (stable) credit rating by S&P

1. As of December 31, 2016



# Concluding Remarks

# Concluding Remarks

- Joint Venture capitalizes on Algonquin and Abengoa's core competencies ✓
- Balanced approach to international growth ✓
- Provides significantly enhanced visibility on global growth ✓
- Atlantica investment expected to be immediately accretive on key financial and operating metrics ✓
- Atlantica's assets are high quality and operational, with no development risk ✓
- Investment plan maintains conservative balance sheet leverage ✓



# Appendix A
# Supplementary Information

# Atlantica Yield – Operating Portfolio

## The portfolio of Atlantica is comprised of 21 assets with an average remaining PPA / contract tenor of 21 years[1]

| Asset | Type | Economic Stake | Location | Capacity | Offtaker[3] | Years Remaining on Contract | Currency |
|---|---|---|---|---|---|---|---|
| Solana | | 100%[2] | USA (Arizona) | 280 MW | APS | 27 | USD |
| Mojave | | 100% | USA (California) | 280 MW | PG&E | 23 | USD |
| Solaben 2 & 3 | | 70% | Spain | 50 MW x 2 | Kingdom of Spain | 21/20 | Euro |
| Solacor 1 & 2 | | 87% | Spain | 50 MW x 2 | Kingdom of Spain | 20 | Euro |
| PS 10 & 20 | | 100% | Spain | 31 MW | Kingdom of Spain | 15/17 | Euro |
| Helioenergy 1 & 2 | | 100% | Spain | 50 MW x 2 | Kingdom of Spain | 20 | Euro |
| Helios 1 & 2 | | 100% | Spain | 50 MW x 2 | Kingdom of Spain | 21 | Euro |
| Solnova 1, 3 & 4 | | 100% | Spain | 50 MW x 3 | Kingdom of Spain | 18/18/19 | Euro |
| Solaben 1 & 6 | | 100% | Spain | 50 MW x 2 | Kingdom of Spain | 22 | Euro |
| Seville PV | | 80% | Spain | 1 MW | Kingdom of Spain | 19 | Euro |
| Kaxu | | 51% | South Africa | 100 MW | Eskom Holdings | 18 | ZAR |
| Palmatir | | 100% | Uruguay | 50 MW | UTE | 17 | USD |
| Cadonal | | 100% | Uruguay | 50 MW | UTE | 18 | USD |
| ACT | | 100% | Mexico | 300 MW | Pemex | 16 | USD[4] |
| **Total Power** | | | | **1,742 MW** | | **21** | |
| ATN | | 100% | Peru | 362 miles | Peru | 24 | USD[4] |
| ATS | | 100% | Peru | 569 miles | Peru | 27 | USD[4] |
| ATN 2 | | 100% | Peru | 81 miles | Las Bambas | 16 | USD[4] |
| Quadra 1&2 | | 100% | Chile | 81 miles | Sierra Gorda | 18 | USD[4] |
| Palmucho | | 100% | Chile | 6 miles | Endesa Chile | 21 | USD[4] |
| **Total Transmission** | | | | **1,099 miles** | | **24** | |
| Skikda | | 34% | Algeria | 3.5 Mft3/day | Sonatrach & ADE | 17 | USD[4] |
| Honaine | | 25% | Algeria | 7 Mft3/day | Sonatrach & ADE | 21 | USD[4] |

1) As of December 31, 2016.
2) On September 30, 2013, Liberty Interactive Corporation agreed to invest $300M in Class A membership interests in exchange for a share of the dividends and the taxable loss generated by Solana.
3) All the offtakers have investment grade ratings except for Sierra Gorda and Sonatrach & ADE which are unrated.
4) USD denominated but payable in local currency.

# Algonquin Power & Utilities Corp.

## CONTACT INFORMATION


**Ian Robertson**
*Chief Executive Officer*
905-465-4510

**David Bronicheski**
*Chief Financial Officer*
905-465-4512

**Ian Tharp**
*Vice President, Investor Relations*
905-465-6770


## CORPORATE INFORMATION

| | |
|---|---|
| **Head Office** | Oakville, ON |
| **Common Share Symbol** | TSX and NYSE: AQN |
| **Preferred Share Symbols** | AQN.PR.A, AQN.PR.D |
| **Shares Outstanding*** | 387,036,183 |
| **Dividend** | US $0.4659 per share annually |
| **Price*** | $13.81 |
| **Market Capitalization** | $5.3 Billion |

* Shares outstanding as of Oct. 2, 2017, share price as of Oct 31, 2017.



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