

# The Augusta Briefing.

**Q&A: Why Spanish IPPs  
and developers should  
embrace the structured  
sales process**

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AUGUSTA & CO

Spain is currently a hotspot in the European renewable energy sector, setting new benchmarks for post-subsidy development and attracting the interests of institutional investors, both domestically and from overseas.

We speak to **Axel Narváez, Managing Director and Head of Spain**, about how Spanish developers and IPPs can take advantage of this international investor appetite to unlock the true value of their assets and portfolios.

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## How would you describe the market for renewable energy M&A in Spain and what factors are contributing to current growth?

Since 2018, the Spanish renewable energy sector has recorded a huge amount of deal flow in both the primary and secondary market.

This growth has been driven, on the one hand, by the political agenda. With the pro-renewables Spanish Socialist party re-elected, the nation is now working towards an ambitious target of 74% renewable electricity generation by 2030. In order to meet this, Spain needs to more than double its installed asset base – from around 40GW next year to 96GW in 2030, with 28GW of that new capacity coming from solar PV.

On the other, it is being driven by growing commercial interest in the market. Spain is emerging as one of the leading markets for private PPAs in Europe, while an ongoing rise in wholesale power prices has created a favourable environment for investment in subsidy-free projects.

Despite the current boom in M&A activity, however, there is still work to be done in engaging with international investors – both to unlock the funds needed to sustain growth and help Spanish developers and IPPs realise the full value of their assets.

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## Where do unrealised opportunities remain for Spanish renewables developers and asset owners?

The quality of Spanish renewable energy assets is very high, making them an attractive investment proposition, not only domestically, but also for international investors seeking solid returns and a foothold in a flourishing market.

Engagement with this wider international investment community has, however, been limited, and this, in turn, is restricting the value that can be unlocked through asset and portfolio sales.

In particular, many Spanish developers and IPPs still prefer to engage in bilateral discussions with familiar investors. While these discussions with known entities may seem easier to handle, they can be inefficient and do not create opportunities to maximise the value of the transaction for the seller. These bilateral agreements often give buyers the upper hand in negotiations, allowing them to dictate pricing.

Additionally, they may leave sellers vulnerable to complexities or weaknesses in the Sales Purchase Agreement with respect to factors such as warranties or financial penalties.

Embarking on a Structured Sales Process, led by an experienced advisor, is a proven means of widening the investor pool and tackling these challenges. However, Spanish domestic advisors – and even the Spanish offices of the large multinational advisory firms – may lack the international network required to unlock full value from an asset or portfolio sale.

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## How can a Structured Sales Process help Spanish firms get more value out of their assets?

A good Structured Sales Process brings a broader range of potential investors into play, creating a more competitive environment in which the seller has greater control over the terms of the sale, and the valuation of the project or portfolio. By creating – and then narrowing down – a targeted shortlist of investors, advisors can ensure that buyers are sought who have a genuine interest in the asset(s) and are prepared to offer a fair price.

In summary, a Structured Sale Process ensures the seller will obtain the best possible valuation while improving the transaction certainty.

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## What are the stages of Augusta's Structured Sales Process, and how do they contribute to successful deal closings?

No two sales processes are identical, and it is important to tailor the approach to the specific requirements of the client, the assets in question, and the pool of investors being targeted. However, there are a number of shared elements that contribute to successful transactions.

When Augusta is engaged by a client to lead a Structured Sales Process, we first undertake a substantial preparatory phase. In practice, this means that we work directly with the seller to fully understand their interests, determine where the unique value lies in the asset(s) they wish to sell, and identify a sales strategy that best meets their requirements.

Off the back of this, we are able to draw on our international market experience to compile a tailored and highly-specific list of potential investors, selected on the basis of proven appetite for assets sharing the same characteristics – such as location and technology. This targeted approach leads to high investor engagement, and an excellent response rate.

An initial announcement is then made to this target list, providing the key asset or portfolio details, and inviting expressions of interest.

In the meantime, we work closely with our client on the development of all relevant project materials. All investor-facing materials are fully signed off by the seller, before they are circulated – under NDA – with interested parties.

We then expect to receive a number of non-binding offers. These are thoroughly evaluated to create a select shortlist of investors who are identified as the best fit for the client. These selected parties are given access to a full electronic database, enabling them to make an informed binding offer.

Once binding offers have been received, Augusta advises the client on the final choice of bidder and prepares the Sales Purchase Agreement to take the transaction through to completion.

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## What are the key principles that inform Augusta's approach?

Augusta has been leading European renewable energy transactions for over 17 years, and this has informed an approach that is based on a number of key principles, specifically:

### **Absolute transparency**

We give our clients complete visibility of the Structured Sales Process throughout, giving them confidence that the process is being managed in their best interests

### **Strict confidentiality**

Our clients can be certain that no information will be leaked by Augusta before, during or after the sales process

### **Dedicated teams**

We assemble a specific team for each transaction, bringing together complementary expertise to best fulfil our clients' objectives

### **Reliable market valuation**

Having advised on over 90 transactions to an aggregate value of over €10 billion, our clients can be confident in our ability to determine an accurate market valuation



To find out more about the Structured Sales Process, and Augusta's offering to Spanish renewable energy developers and IPPs, please contact Axel Narváez, Managing Director and Head of Spain

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# AUGUSTA & CO

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Augusta & Co is an independent London-based specialist financial advisory and investment house serving the European renewable energy sector.

We have successfully closed 90 transactions to an aggregate value in excess of €10.2 billion and for 17 years have been at the forefront of pioneering transactions in the sector.

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