Altus Power (AMPS)
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$20m capacity · 0.5-1.8x MOIC · 6-9 months
$3.15 · $500m mc · $1.6b EV · $200m rev · $115m EBITDA
Drivers: infra M&A · solar incentives · electricity demand

AMPS is levered ownership of a unique 990 MW PV solar asset at $1.6/W versus $1.6-2.2/W new build costs. Asset quality is overshadowed by a devco drag. Exec changes signal M&A or cost cuts for 0-75% upside within 6-9 months.

Perception Gap & Resolution

Hypotheses & Evidence

Solar IPP portfolio is undervalued

- Superior generation, monetization (20c vs 14c/kWh), and credit per comps.
- New builds attract capital at $2.75/W (less ITC) despite 1-3 year execution risk.
- Acquisitions not indicative of pricing: checks confirm motivated sellers.
- Devco drag should be limited to $20-50m of unwind costs, per competitor.

CEO change & fund flows will lead to value realization

- Demand for $1b+ 7-8% unlev yields coming from infra raises per PM checks.
- Promotional co-CEO, Lars Norell, stepped down; board changes are positive.
- Network checks confirm CEO caliber; he did not have agency on A / BDC.
- Actions show alignment: CEO spent 1.5y salary purchasing stock at $3.9-4.5.

Mispricing

Management is underestimated

- CEO Gregg Felton's Amaranth and BDC history led to uninformed conjecture.
- Negative $300m EV to devco by sell-side assumes no management agency.
- Unrealistic SPAC projections caused justifiable credibility damage.

Information availability asymmetry

- ETFs drive flows: x% of float held by price-agnostic alt-energy funds.
- Lack of public/M&A comps for distributed solar to guide banker wisdom.
- Substandard public research from a Sohn pitch that regurgitated the deck.
- IR might have catered story for pods: head of IR is ex-Millenium.
- Size deters research effort: $150m free float, $4m ADV.
- Mark disjunct between book at $1.6/W vs acquisitions under $1.4/W.

Value Acceleration

- Increase investor awareness of situation through publishing research.
- Cost rationalization through CEO discussions to improve screen metrics.
- Increase their reach by introducing them to solar partners in my network.

Asset Dynamics

Altus monetizes regulatory solar incentives: they manage assets earning a premium by targeting favorable jurisdictions, sell stable cashflows to insurers, and manage risk via careful site selection and access to Blackstone financing.

Economics. 990 MW of PV arrays across ~300 C&I sites generate ~1.1b GWh: $200m revenue through PPAs, net-metering and solar credits. Yields $110-120m NTM EBITDA with downside to SREC loss and upside to electricity prices.

G&A ($40m) and opex ($38m; maintenance) is spread over 90 employees ($200k/FTE) involved in origination, development, operations and construction.

TTM	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2
Capacity (MW)	678	698	721	896	981	990
Factor	13.8%	13.9%	13.4%	12.9%	12.7%	12.6%
Generation (GWh)	507	632	732	780	853	955
SREC (c/kWh)	8.5	8.3	7.3	6.3	5.6	5.0
Revenue (c/kWh)	22.8	22.7	21.6	21.0	20.4	19.6
Revenue ($m)	113	135	148	158	169	175
Yield on PPE	9.5%	9.8%	9.3%	8.8%	8.6%	8.3%
Blended Int Cost	4.5%	4.4%	4.3%	4.8%	4.7%	5.1%
Yield Spread	64	79	85	81	82	76
G&A	26	28	29	32	37	39
GA/Spread	41%	35%	35%	40%	45%	51%
EBITDA	65.9	82.6	92.3	93	96.8	97.2

Differentiators. Altus is establishing long-term control of desirable mid-scale solar sites, allowing them to add battery storage, as economics improve, with low CaC. M&A team leverages BX financing to acquire assets at below market prices.

Industry. C&I is 20 GW (300 GW US total), positioned between utility (low $/kWh) and residential (high CaC). TAM is not relevant. Privates own 10 GW: Altus is the largest at 1 GW, but Power Corp, Carlyle, and Goldman are entering the space.

Capital Decisions & Management

Allocation. Altus creates PV assets at 8-8.5% yields through development (230 MW $2.78/W; $1.94/W after 30% ITC) and acquisition (757 MW at $1.46/w).

The M&A team purchases 10-100W from inefficient developers (Duke: 90 people managing 200 MW) and mismatched durations (Basalt: 25y asset in a 7y fund).

Devco inefficiency is the crux of the thesis: G&A has increased from $26m in 2022 to $40m+ in 2024 with no commensurate cheap built asset growth.

Between required amortization drawing cash and no clear path to low-cost debt to create funding spread, their 25% MW/EBITDA growth target is infeasible.

Capitalization. Growth has been financed via BX insurance securitizations. $468m ('21 at 3.5%) and $420m ('23 at 6%) anchor their $1.2 debt. $100m 8.5% note issued in '23 at 3% OID belies their capital advantage claim.

$637m from the SPAC at $10 was cheap capital but $290m paid prefs. Disjunct between growth and cash was apparent per a VIC short that had a $3-5 floor.

Leadership. Gregg Felton took over as sole-CEO in April 2024. His background in distressed credit (partner at Goldman, led book at Amaranth) shows in his underwriting (no defaults) and in his decision to slow unprofitable growth.

Gregg, Lars, Blackstone, and CBRE own 15% each. Bonuses are based on EBITDA and MWs led to debt-fueled M&A. Tony Savino, the founder, leads the devco –ownership change could accelerate restructuring.

Security Valuation

This is akin to purchasing an LP stake in an IPP yieldco with variable passthrough expenses – devco and holdco costs. Outcomes to equity will depend on management's incentives and ability to reduce that drag.

Private value. Natural buyers are infra funds ($40b raised in 1H24) and pens/insu seeking duration. Utility yieldcos have been purchased at $0.7-1.5/W, but 1 GW+ C&I (450 ctrpty vs 5) have yet to trade. Bankers use 14x EBITDA as a 'fair' proxy.

New builds attract capital at $100m+ levels for costs of $2.5-2.75. This post-ITC band of $1.75-1.93/W is the baseline - confirmed by strategic acquirers – without a premium for de-risked assets. Unwind costs of ~$50m net $4.5-5.5 to equity.

Checks with recently raised infra funds indicate they've marketed 200-250 bp spreads, which indicates underwriting the yieldco to 7-8% before factoring in yield compression. This yields an equity range of $4.8-$5.8/share.

A MBO reduces the required equity check from ~$1b to ~$300m. Management belief in long-term value might indicate openness to this option.

Public value. At owner earnings of $20-30m/y (4-6% yield) and EBITDA of $115m (14x) there's downside to comps as well as earnings compression as SREC $/kWh decline. Estimate base of $1.5-2.5, barring upside from alt-energy flows.

G&A is 50% of yield spread or a 2.6% mgmt fee. Reducing this to their previous levels of $20m/y vs the current $40m could provide $200m or $1.25 upside to $4.25. Leaving costs unchecked plus $/kWh risks imply downside to $1.5.

	Probability	Outcome	Duration	Expected Value
Acquisition	50%	$4.5-$5.80	6-9 m	$2.58
Cost Rationalization	25%	$3.50-$4.25	9-12 m	$0.97
Status Quo	25%	$1.5-$2.5	12 m +	$0.5
		$1.5-5.80	6-12 m	$4.05

Revaluation Points. Reconfirm deal potential if there's no 8-K by Jan 31. Update probabilities if strategic alternatives or cost reductions are announced.

Execution & Position Management

Build position below $3.2 for 30% expected IRR. Facilitate management intros and information dissemination. Exit before 3Q25 earnings if no deal is indicated.

Risks & Mitigation

- Continued devco burn: convince Gregg to quantify devco value or slash costs.
- Cash crunch due to amortization: idiosyncratic, managed by timing exit.
- Reduction of tax incentives: idiosyncratic, managed by timing exit.

Decision Framework. Re-underwrite below $2 for an SPV. Election results do not affect this trade: could improve entry point. ITC reduction or PV tariffs is a positive as new builds become expensive.

Portfolio Context. Fits into a special situations sleeve sized for a max loss of 50% with a 50% probability of 50-75%% upside within a 1-year timeframe. Risks cannot be hedged out. Main correlations are to rates and to infra M&A.

Footnotes

Primary Research

- Executive at tax-equity fund was impressed by their underwriting - req intro.
- PM familiar with CEO noted no BH overlap; came too late to fix Full Circle.
- CCO at PE-acquired dev noted $2.5-3/W costs with uncertain timelines.
- Partner at infra fund 6 mo underwrite for $500m checks – AMPS interesting.
- PM at infra fund noted $1.6-2/W as indicative interest for $100m PV assets.
- MD at pension fund acquired utility, but unlikely to look at C&I complexity.
- Debt filings for GREC confirm relative quality and competitor weakness.
- Former solar banker indicated 14x EBITDA "fair", mentioned pot acquirers.
- Unreleased CEO video supports evaluation of caliber.

Potential Acquirors

	Raised	Year
Blackstone	$7b	2023
Carlyle	$1.5b	2024
TPG	$7.6b	2022
Alliance Bernstein	$1.5b	2023
iCON Infrastructure	$3.6b	2022
Goldman Sachs	$4b	2023
Brookfield	$28b	2023

Unit Economics

A 1 MW project costs $1-2m to source, contract, build, and connect to the grid over 1-2 years and takes ~100,000 sf. Generates about 1.25m kWh annually, earning between 5-15c/kWh and costs ~$40/kW in O&M to maintain.

Projects are financed with 10% cash equity, a 30% federal investment tax credit, and 60% debt financing. Solar credits vary by state – developers benefit from the overhead (Altus offers a 10-90 share in their favor).

Observations

In the SUNE/TERP/GLBL situations, portfolio yield was misallocated to the devco, leading to an overall leakage of value away from public equity holders. That is a path AMPS was heading towards – one Gregg is key in addressing.

Their claim of access to cheap BX capital doesn't hold: while the 2021 issuance was at 3.5% Walmart issued a $2b 10y 1.8% green bond in 2021. CBRE's tenant origination channel that has yet to have material results.

HASI, NEP, and the upcoming SEI IPO are worth exploring as shorts.

Company History

Tony Savino founded Altus in 2008 as a solar developer. Lars Norell joined in 2009 from a Cohen MD position. Gregg Felton joined 2013 after Goldman. Blackstone invested in 2014. Goldman Sachs and GA/KKR in 2016.

Public via a CBRE SPAC in 2021. Pitched growing the portfolio with debt and priced themselves at 7x estimated $235m 2024 EBITDA (vs $115m actual).

Comps

- Private: Aspen (Carlyle); Brookfield REP; GREC (Managed by Greenbackr, likely distressed seller); Nautilus (Power Corp / Desmarais, new acquirer, unrefined); HASI (accounting issues, expensive); DESRI (DE Shaw).

	EBITDA	EV/EBITDA
Nextera Energy LP	$1060m	7.8x
HA Sustainable	$640m	10.9x
Boralex	$710m	6.9x
Innergex	$750m	14x
Altus (trailing)	$97m	16.5x
Altus (forward)	$115m	13.9x

Note: public comps include lower $/kWh wind and utility portfolios.

Secondary Research

Fund A presented AMPS as a long at Sohn 2023. Fund B correctly identified AMPS as an overvalued roll-up at $11 in 2022. They noted $3-4.5/share as a floor based on asset value, but that was in a lower rate environment.

Filings

2024Q2: 10-Q 8-K Deck 2023FY: 10-K 8-K Deck
2024Q1: 10-Q 8-K Deck 2023Q3: 10-Q 8-K Deck

Data

Fig 1. Portfolio Valuation History

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Current
Gross PPE	765	788	1,004	1,372	1,405	1,448	1,619	1,745	1,751	
Gross PPE/W	2.07	2.09	2.14	2.02	2.01	2.01	1.81	1.78	1.77	
Debt	538	545	665	868	911	942	1,203	1,327	1,254	
Gross PPE Less Debt	227	243	340	503	495	506	416	418	497	
Market Cap	967	1,694	1,031	869	857	833	1,084	768	596	500.85
MC / (Gross PPE Less Debt)	4.27	6.97	3.04	1.73	1.73	1.65	2.61	1.84	1.20	1.0

Fig 2. Debt Distribution

Loan	Type	Originated	Maturity	Interest	Capacity	Annual Cost	06/30/24	12/31/23	Amort
APAF Term Loan	Fixed	08/25/21	02/29/56	3.51%	0	16,438	468,324	474,609	2.5% to '29 then 4% to '31 then fully amortize
APAF II Term Loan	SOFR+1.475%	12/23/22	12/23/27	4.89%	0	5,310	108,697	112,810	
APAF III Term Loan	Fixed	02/15/23	10/31/47	6.03%	0	25,363	420,620	426,619	2.5% to '33
APAF IV Term Loan	Fixed	03/26/24	03/26/49	6.45%	0	6,515	101,000	0	
APAGH Term Loan	Fixed	12/27/23	12/27/29	8.50%	0	8,500	100,000	100,000	
APAG Revolver	SOFR+1.60%	12/19/22	12/19/27		200,000	0	0	65,000	
APACF II Facilty	SOFR+3.25%	2011-10-23	2011-10-27	8.81%	200,000	2,808	31,868	0	
Other Term Loans	Fixed	06/29/22	2009-01-29	3.04%	0	334	11,000	11,000	
Failed Sale Leasebacks	Imputed			3.97%	0	1,688	42,520	42,767	
Blended Cost				5.21%		66,956	1,284,029		

Fig 3. Utility-scale capex at $1.6/W despite PPAs of 4-6c/kWh

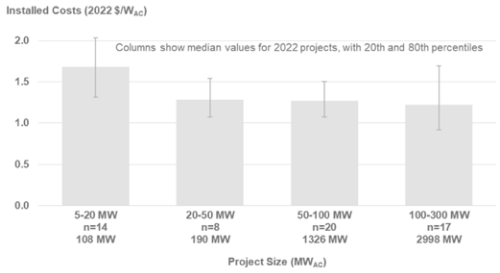

Fig 4. Acquisition History

Date	Facilities	MW	Price	$/W	MW/Facili	Seller	Source
Current Total		990	1,751	1.77			
Imputed Developed		232	647	2.79			
Total Acquired	258	758	1,104	1.46			
4/1/2019	n/a	1	3	2.15			VIC
4/5/2019	n/a	19	30	1.63			VIC
12/20/2019	n/a	2	4	2.05			VIC
2/28/2020	3	2	2	1.26	0.63		VIC
8/14/2020	21	4	6	1.53	0.19		VIC
10/12/2020	22	22	11	0.50	1.00		VIC
10/30/2020	1	2	8	3.33	2.40		VIC
12/22/2020	16	62	118	1.93	3.84		VIC
1/14/2021	2	4	5	1.16	2.15		VIC
7/29/2021	3	4	6	1.32	1.47		VIC
8/25/2021	28	79	197	2.50	2.82		VIC
10/22/2021	1	10	14	1.36	9.90		VIC
10/28/2021	17	5	6	1.23	0.31		VIC
4/1/2022	1	1	1	1.80	1.00		VIC
6/10/2022	6	5	10	2.15	0.77		VIC
11/11/2022	19	88	101	2.15	4.63	DE Shaw	AMPS
1/11/2023	1	3	4	1.41	2.70		AMPS
2/15/2023	58	220	299	1.36	3.79	True Greer	AMPS
8/3/2023	2	1	2	1.57	0.70		AMPS
7/13/2023	1	10	24	2.37	10.30	Marshall St	AMPS
12/20/2023	35	121	122	1.01	3.46	Basalt Infra	AMPS
1/31/2024	20	84	120	1.43	4.20	Vitol	AMPS
06/24/2024	1	9	10	1.15	8.50		AMPS

Fig 5. Portfolio distribution