

Atlantic Power Corporation

Atlantic Power agrees to be acquired for US \$3.03 /sh

AT / ATP (NYSE; TSX) US\$2.10; C\$2.67	STOCK RATING Tender (Was Outperform)	TARGET US\$3.03 (Was US\$2.60)	EST. TOTAL RETURN 44.3%
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A 48% premium to 30 day VWAP

AT agrees to be acquired by I Squared Capital

AT has entered into an agreement to be acquired by I Squared Capital, a global infrastructure investor, for an all-cash price of \$3.03/sh. The deal has received a unanimous recommendation from a special committee of the board and requires approval of two-thirds of votes cast by common shareholders, convertible debenture and medium term note holders. The deal is also subject to a number of closing conditions, but could close in Q2.

Transaction price looks fair, with a 48% premium to VWAP

With a 48% premium implied by the take-over price, we believe the transaction looks fair. Based on our model, the acquisition price represents an implied IRR of roughly 6.5% on future cash flows on existing assets, with conservative terminal value assumptions. This is higher than where some of our renewable power coverage trades today, but with its mix of thermal assets, AT has traded at a discount to this group. AT was in exclusive discussions with I Squared Capital, but reports it has had numerous M&A discussions since shopping the company a few years ago. Given this history and the complex nature of AT's structure, we don't anticipate any competing offers.

Moving target to \$3.03 /sh and recommendation to Tender

AT is relatively illiquid, exposed largely to thermal power, does not have a dividend and it has a number of power purchase agreements which expire in the next three to five years. With that, the stock has not attracted much investor attention. With good upside for equity holders from the proposed transaction, we are moving to a Tender rating.

STOCK DATA

52-Week High and Low (\$)	2.56-1.70
Dividend per Share (\$)	0.00
Dividend Yield (%)	0.0
Shares Outstanding (Mln)	92.0
Shares Outstanding - FD (Mln)	89.2
Market Capitalization (\$Mln)	187.4
Net Debt (\$Mln)	706.4
Enterprise Value (\$Mln)	893.8

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2019A	2020E	2021E
Revenue (\$Mln)	282.0	300.6	307.8
Adj. EBITDA (\$Mln)	196.3	181.3	190.1
CFO (\$Mln)	145	103	129
Net Debt (\$Mln)	731.1	678.4	560.6
EV/EBITDA (x)	5.5	5.4	4.4

All figures in US\$ unless otherwise noted

Source: Company Reports, Refinitiv and NBF Estimates

STOCK PERFORMANCE (Source: FactSet)

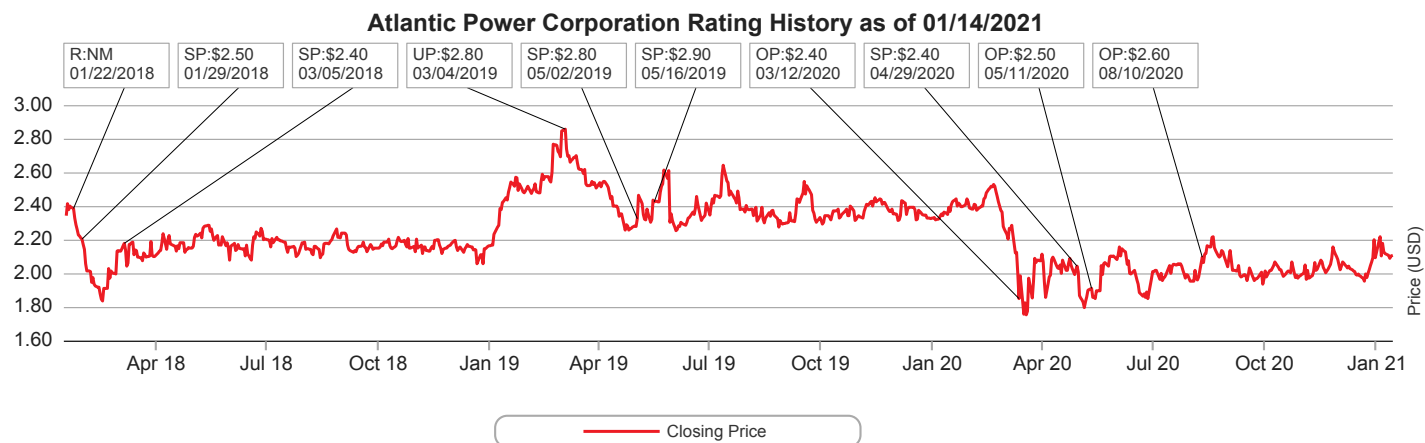


COMPANY PROFILE

Atlantic Power has interests in a diversified portfolio of power generation projects across North America, totalling ~ 1,447 MW net of capacity. About 80% of its portfolio is natural gas fired generation. Most projects have long-term PPAs and fuel supply contracts in place, with a weighted average PPA duration of ~6 years.

Disclosures

PRICE, RATING AND TARGET HISTORY: OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; (Source: Factset, NBF)



RISKS:

Offtake risk: The company generates most of its revenues under fixed contracts and as such is subject to risks and uncertainties related to its offtakes. Some offtakes are signed with government entities that are subject to political changes.

Financial Risk: ATP's debt service costs are still relatively high vs. the peer group and may limit the payment of dividends in the future.

ADDITIONAL COMPANY RELATED DISCLOSURES

Atlantic Power Corporation

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	Outperform	Sector Perform	Underperform
Coverage Universe Ratings Distribution	61%	36%	0%
Investment Banking Distribution	70%	59%	%

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