Bocconi Students For Alternative Investments

AES Corporation

Take-Private Transaction Report

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Deal Analysis, April 2026

0. Summary of Results

Introduction

On March 2, 2026, AES Corporation announced a definitive agreement to be taken private by a consortium led by Global Infrastructure Partners (part of BlackRock) and EQT AB, with CalPERS and Qatar Investment Authority as co-investors. Shareholders will receive **$15.00 per share in cash**, a 40% premium to the pre-announcement price, implying an **equity value of $10.7 billion** and an **enterprise value of approximately $33.4 billion** including assumed debt. The transaction is structured as 100% equity-financed, with no incremental debt added at closing.

We selected the AES take-private transaction as the subject of this report for two converging reasons.

- Take-private deals have become one of the defining trends in private equity over recent years: as Private Equity International noted in its November 2025 analysis "The Rise and Rise of Take-Privates", short-term and increasingly passive public markets are often a poor fit for major capital-intensive transformations, particularly those driven by decarbonisation and AI, precisely the dynamics that define AES's current trajectory.
- At the same time, renewed tensions around the Strait of Hormuz have once again exposed the fragility of fossil fuel supply chains and sharpened the strategic case for energy independence through renewables. As geopolitical risk reprices, capital is rotating back into clean energy assets with long-term contracted cash flows, and AES sits squarely in that category.

Our position

In our view, **the deal is well-priced and strategically sound** for the acquiring consortium. AES enters the transaction carrying the characteristics of a compelling take-private candidate: a portfolio of long-duration infrastructure assets underpinned by contracted revenues, a clear and credible energy transition strategy, and a financial profile that public markets have consistently undervalued. **Our DCF analysis yields an enterprise value of $39.2 billion** (**Fig. 0.1**), slightly above the deal price of $33.4 billion, while our trading multiples analysis places the implied EV even higher, between $53 billion and $70 billion depending on the metric used. Taken together, the evidence suggests that the consortium is acquiring AES at a meaningful discount to intrinsic value, with the upside unlocked by patient, long-term private ownership and access to capital that public markets were no longer prepared to provide on acceptable terms.

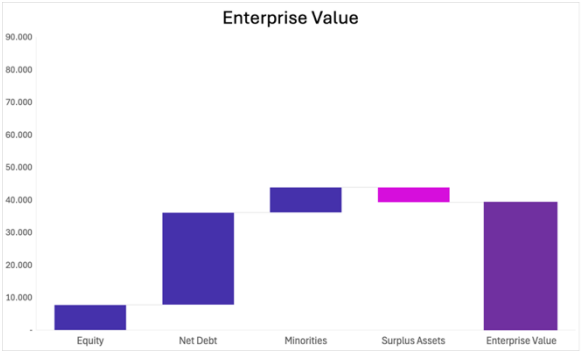

Fig. 0.1 – Enterprise Value Bridge: Equity ($7.7B) + Net Debt ($28.3B) + Minorities ($7.9B) – Surplus Assets ($4.7B) = Enterprise Value ($39.2B)

Beyond the valuation, three elements reinforce our positive view on the transaction.

- First, the decision to **structure the deal as 100% equity-financed** is, in

our opinion, a sign of discipline: rather than amplifying returns through leverage on an already debt-heavy balance sheet, the consortium has chosen to absorb the existing debt load without stacking additional financing costs on top, a prudent call given AES's interest coverage ratio currently sitting at just 1.26x.

- Second, while our model projects negative free cash flows through 2028, reflecting the ongoing capex intensity of the renewable buildout, the **trajectory improves materially from 2029 onwards** as the contracted backlog is progressively deployed and the capex-to-revenue ratio declines from 36% to 18% by 2030. For infrastructure investors with a five-to-seven-year horizon, this profile is entirely manageable.
- Third, and perhaps most importantly, **AES is exceptionally well-positioned to serve the surging electricity demand driven by artificial intelligence infrastructure**. Global data centre power consumption is projected to nearly double from 415 TWh in 2024 to approximately 945 TWh by 2030, and AES is already embedded in this value chain: the company holds long-term power purchase agreements with Amazon, Google, and Microsoft, supplying large-scale clean energy directly to the hyperscalers building out AI capacity. In our view, this positioning is the core reason why this investment is attractive, and why the consortium is willing to pay a 40% premium to bring it private.

1. Deal Analysis

1.1 Overview

Given that short-term and increasingly passive public markets can be a poor fit for major capital-intensive transformations, particularly those driven by trends such as decarbonization and AI, take-private transactions have become increasingly important. In this context, AES, a U.S. power generation company, announced on March 2, 2026 that it had entered into a definitive agreement to be acquired by a consortium led by **Global Infrastructure Partners**, part of BlackRock, and Swedish private-equity firm **EQT AB**, with **CalPERS** and **Qatar Investment Authority** as co-investors.

AES stockholders will receive $15.00 per share in cash, implying a **$10.7 billion equity value** and approximately **$33.4 billion enterprise value**, including assumed debt, making this one of the largest transactions in the sector. As announced, the acquisition is **100% equity-financed**, adding no incremental acquisition of debt.

The strategic rationale from AES' point of view is primarily to enable **access to capital**, to achieve **scale efficiencies**, to **strengthen competitive positioning**, and to support market expansion. As energy demand rises, AES stated that it would require significant capital beyond 2027 to fund growth in U.S. generation, regulated utilities in Indiana and Ohio, and critical energy infrastructure across Latin America. In the absence of a transaction, AES said it would have had to reduce or eliminate dividends or make substantial new equity issues. Private ownership therefore gives AES greater financial flexibility to accelerate its growth strategy while preserving business continuity.

For the consortium, the acquisition provides large-scale exposure to long-term demand drivers including electrification,

digitalization and rising power needs from major technology customers, through a diversified platform spanning regulated utilities, competitive generation and one of the industry's largest clean-energy development pipelines. The transaction therefore **expands the buyers' geographic presence** across the Americas, deepens diversification across both regulated and competitive power markets, and strengthens competitive positioning in essential energy infrastructure.

1.2 The players

Global Infrastructure Partners (GIP)

GIP is a New York-based infrastructure asset manager founded in 2006 and acquired by BlackRock in 2024 for $12.5 billion, bringing its AUM to approximately $106 billion. It specializes in owning and operating large-scale assets across energy, transport, digital and water infrastructure. GIP leads the consortium through its flagship **GIP Fund V**, a core-plus infrastructure fund targeting 15-20% gross returns with typical ticket sizes of $1-3 billion per deal. As lead investor, GIP commits the largest share of the $10.7 billion equity consideration alongside EQT.

EQT AB

EQT is a Stockholm-based, publicly listed alternative asset manager founded in 1994 and one of Europe's largest infrastructure investors, with ~€75 billion in infrastructure AUM. It participates through **EQT Infrastructure VI**, a €21.5 billion value-add infrastructure fund closed at its hard cap in March 2025. The fund targets essential-service businesses with stable demand and predictable cash flows, with a thematic focus on energy transition, digital infrastructure and decarbonization. Following the AES deal, EQT Infrastructure VI will be 75-80% deployed, making this one of its largest single investments.

CalPERS

CalPERS is the **largest public defined-benefit pension fund in the United States**, managing assets on behalf of approximately 2.4 million current and former California public employees. It participates in the AES acquisition as a co-underwriter, **investing directly through its infrastructure program rather than through a named fund vehicle**. Its strategy prioritizes long-dated, predictable cash flows from essential infrastructure assets, with a growing focus on energy transition and renewables. The exact amount committed has not been publicly disclosed.

Qatar Investment Authority (QIA)

QIA is **the sovereign wealth fund of the State of Qatar**, established in 2005 to manage and diversify the country's hydrocarbon-derived financial reserves. It invests globally across public equities, private equity, infrastructure, real estate and technology, and participates in the AES deal as a **co-underwriter** alongside CalPERS. Its involvement reflects a strategic mandate to deploy patient, long-term capital into scalable clean energy platforms as part of Qatar's broader economic diversification agenda. As with CalPERS, the specific equity commitment has not been publicly disclosed.

1.3 The context

The AES take-private sits at the intersection of two of the most powerful structural forces reshaping private markets today: the **surge in public-to-private dealmaking** and the **explosive growth in energy demand driven by artificial intelligence**. To understand

why this deal makes sense, it helps to zoom out and look at the two broader trends driving it.

Take-private transactions have become one of the defining features of the current private equity cycle. In 2025, PE dealmakers closed 41 take-private transactions in the US alone, valued at a combined $242.9 billion, more than double the $104.3 billion recorded in 2024. The reasons are structural. PE managers in the US have approximately **$1 trillion of uninvested capital to deploy**, and public-to-private transactions have emerged as one of the most effective routes to putting large sums of capital to work in established businesses. Also, the VIX index climbed to its highest levels since the pandemic in the first half of 2025, creating price dislocation across stock markets and opening windows of opportunity for buyout firms to acquire public companies at attractive valuations.

Additionally, energy has become one of the hottest sectors for private capital, and the reason is simple: AI needs a lot of power. **Electricity demand from data centres soared by 17% in 2025**, well outpacing growth in global electricity demand of 3%. For PE and infrastructure investors, this is an attractive proposition: revenues are long-term and contracted, demand keeps growing, and very few platforms can deliver power at the scale that Amazon, Google or Microsoft need. That said, risks exist; if AI investment cools down, demand may not grow as fast as expected. This means that you are committing capital today against a demand curve that plays out over a decade.

2. Business and Market Analysis

2.1 Overview

AES Corporation is a major **global company** in the world dedicated to the **production and distribution of electricity**. Despite having its headquarters in the US, the company is present in several nations on four continents (Fig 2.1), making it one of the most globally dispersed companies in the industry.

Similarly, the management has recently changed its approach to focus on digital innovation and sustainable energy, emerging as a major force in the energy transition industry. In particular, the company specializes in providing renewable energy solutions to corporations, utilities, and governments; these solutions are typically linked with long-term contracts to guarantee steady cash flow generation.

2.2 History of the company

The AES Corporation was founded in 1981 under the name Applied Energy Sources, Inc. and is still headquartered in Arlington, Virginia, USA. Roger W. Sant and Dennis W. Bakke, who had both worked at the Federal Energy Administration and contributed to early drafts of the Public Utility Regulatory Policies Act (PURPA) of 1978, co-founded the business. Although the precise amount is not made public, AES's initial funding came from early project financing and personal investments. By mandating utilities to buy power from independent producers, PURPA significantly contributed to the company's expansion and opened up a new market for AES.

Over time, AES experienced several notable changes. In 1987, it began production at its first coal-fired cogeneration plant in Beaver Valley, Pennsylvania, validating the Independent Power Producer (IPP) model. After completing its initial public offering (IPO) on the New York Stock Exchange in 1991 and renaming itself The AES Corporation, the company was able to grow globally.

After acquiring Ipalco and Gener, a Chilean company, in 2000, AES started to **own and operate regulated utilities**. In order to focus on energy storage technology, together with Siemens, it launched **Fluence** in 2018, a global energy storage technology and services company that develops battery-based storage systems, software, and digital solutions to help utilities and businesses manage electricity more efficiently, integrate renewable energy, and stabilize power grids. This further solidified its position in the energy transition. By 2025, AES reaffirmed its financial forecasts, indicating continued growth driven by renewable energy and utilities.

In a similar vein, AES has recently accelerated its **shift to renewable energy**, moving away from fossil fuels and growing its portfolio of wind, solar and battery storage projects. One of the biggest forces behind the change is growing corporate demand for clean electricity, especially from tech companies and data center operators. In 2025, AES was recognized as the No. 1 seller of clean energy to corporations in the United States and the Americas by BloombergNEF for the fifth year in a row. Long-term Power Purchase Agreements (PPAs), in which companies agree to purchase renewable energy directly from AES, have been behind much of this growth. Corporate customers now make up almost two-thirds of AES's project backlog, while about 85% of its newly signed renewable contracts in 2025 were with corporate customers. AES has partnerships with leading customers like Google and its joint venture Fluence for energy storage solutions. AES is positioned to be a key player in enabling the global energy transition through reliable, scalable, and low-carbon energy solutions.

2.3 Business Analysis

As a stand-alone utility and power producer, AES produces electricity using a combination of conventional (primarily gas, with some coal) and renewable (solar, wind, hydro, and storage) energy sources. The foundation of its business strategy is the development, financing, construction, and operation of power plants, followed by the sale of electricity through wholesale markets, regulated tariffs, or long-term power purchase agreements (PPAs).

The value chain starts with project development and permitting, then moves on to financing (usually through partnerships and project finance), asset construction, and finally electricity generation and sale. The fact that a large portion of AES's income is obtained through long-term contracts, which produce steady and predictable cash flows, is one of the model's main advantages.

Geographically, AES is primarily active in the Americas, with smaller operations in Europe, Asia, and the Middle East and a significant presence in the United States and Latin America, particularly Chile, Colombia, Panama, the Dominican Republic, El Salvador, and Argentina (**Fig 2.1**).

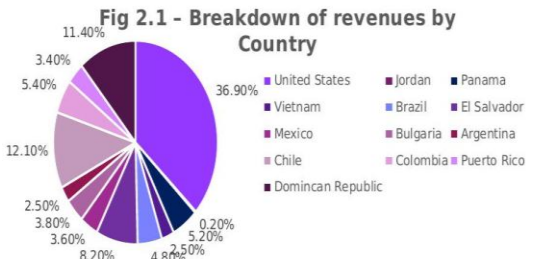

Fig. 2.1 – Breakdown of Revenues by Country (pie chart; US 36.9%, Chile 12.1%, Dominican Republic 11.4%, El Salvador 8.2%, others)

Through its regulated distribution businesses, it serves end users, utilities, grid operators, and major corporations like **Amazon, Google, and Microsoft** that buy renewable energy. Due to its reliance on **contracted revenues and regulated pricing**, the company is comparatively less exposed to tariffs; however, it is still at risk from currency fluctuations, regulatory changes, and some exposure to competitive electricity markets. Overall, the business model appears sustainable, driven by the global shift toward clean energy and AES's growing focus on renewables and energy storage. However, its long-term success will depend on managing geopolitical and regulatory risks, particularly in emerging markets, and continuing to transition away from legacy fossil fuel assets.

2.4 Financial overview

The restatement of the financial statements enabled us to have a snapshot of the situation of the company at the end of last year. As we saw, the company has been going through a significant strategic transformation over the past five years, moving away from coal and betting heavily on clean energy. On paper, the revenues are solid and the business has scale. But a deeper look at the financials tells a more nuanced story, one where growth and ambition are running ahead of cash generation and financial stability.

Revenue grew from $9.7 billion in 2020 to a peak of $12.6 billion in 2022, but since then it has essentially plateaued (**Fig 2.2**). The 2024 and 2025 figures sit around $12.2 billion, with essentially zero growth. More importantly, margins have been under consistent pressure. The EBITDA margin dropped from 37% in 2020 to 27% by 2022 and has stayed flat there ever since. The EBIT margin tells an even less comfortable story, falling from 26% to around 16% in 2025. This compression reflects the **cost of running two businesses at once: maintaining legacy infrastructure while aggressively building new renewables, which are capital-heavy and take time to produce returns**.

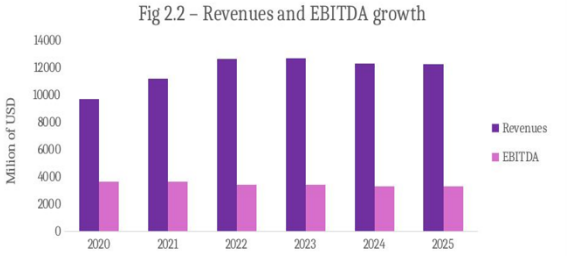

Fig. 2.2 – Revenues and EBITDA Growth 2020–2025 (Revenue plateau ~$12.2B since 2022; EBITDA margin compressed from 37% to 27%)

Capital expenditure has been one of the defining features of this period. Between 2021 and 2025, AES planned a total capex program of around $9.6 billion World Benchmarking Alliance, largely directed at its **renewable buildout**. In the first three quarters of 2023 alone, the company recorded $5.3 billion in capex, up from $2.7 billion in the same period a year earlier. More recently, management has moved to pull back on spending. At the 2024 full-year results, AES announced it was targeting a **reduction in capex of $1.3 billion while**

still aiming for a 60% increase in renewable EBITDA in 2025. The plan for the US utility business is also active: the company is on track with a **$1.4 billion capex plan at its US utilities for 2025**, aimed at delivering infrastructure upgrades to customers. This is a company that has been spending heavily to build a future-proof portfolio, with the payoff only now starting to come through.

The leverage picture is where things get uncomfortable. Gross financial debt has grown from roughly $19.9 billion in 2020 to nearly $30 billion by 2025, and the net financial position mirrors that trajectory. The **debt-to-equity ratio sits at around 2.96** and the **interest coverage ratio is thin at around 1.26x**. From the financial model, interest expenses alone have grown from $1.0 billion to $1.4 billion over the five-year period. The result is that most of the operating profit is absorbed by financing costs before it reaches the bottom line. The D/E ratio at these levels is not typical even for a capital-intensive utility, and it leaves the company with very little buffer if market conditions deteriorate or refinancing becomes costly.

Stepping back, AES is a company with a genuinely interesting long-term story. It has real assets, a growing backlog of signed renewable contracts, and strong relationships with tech companies and hyperscalers who need clean energy at scale. But the near-term financial profile is strained. Free cash flow turned sharply negative in the 2025 estimates, margins are compressed, and the debt load is heavy relative to earnings.

From this point of view, the fact that a consortium agreed to acquire AES is not entirely surprising. AES has the characteristics that make a company attractive for a private takeover: **undervalued long-duration assets**, a **clear strategic direction** that markets were pricing skeptically, and a management team that had largely done the hard work of repositioning the portfolio. For infrastructure investors with a long time horizon and access to cheap capital, the math can look very different than it does for public market equity investors worried about near-term cash flows and dividend sustainability.

2.5 AES' Positioning In the Global Energy Sector

The electricity industry is divided into three main market segments:

- **energy services**,
- **transmission and distribution** (T&D),
- and **generation**.

Generation is the process of producing electricity from sources like solar, wind, hydro, natural gas, and, to a lesser extent, coal. Businesses like AES supply electricity as independent power producers (IPPs), which construct, own, and run generating facilities and sell to wholesale markets or long-term contracts. T&D is the process by which electricity travels via high-voltage transmission lines and local distribution networks from the point of generation to the final consumer (i.e., homes and businesses). It is usually controlled and run by utilities and guarantees the dependability and steady supply of power to both homes and businesses. Energy trading, grid management, and solutions like battery storage and smart grid technologies that balance supply and demand while incorporating renewable resources into the power system are all part of the rapidly

expanding energy services segment of the electricity industry. From generation to end-use consumption, these segments collectively comprise the electricity value chain.

As is well known, the global energy sector has been under constant pressure to shift the model to more sustainable and cleaner solutions, focused on renewable energy and decarbonization, which forces firms to act into changing their model for the future. According to the International Energy Agency (IEA, 2025), global renewable energy capacity is expected to double by 2030, highlighting the rapid expansion of the sector.

The increasing demand for electricity can be tight up with **population growth** and **digitalization** across industries and consumption. In particular, the rapid expansion of artificial intelligence is expected to significantly increase electricity demand, with global data centre consumption projected to nearly double from around 415 TWh in 2024 to about 945 TWh by 2030, growing at approximately 15% per year (IEA). These two drivers are making energy companies invest large amounts of money into R&D, leading to new technologies in battery storage and smart grids, for example. Another important trend that is necessary to consider is the **emerging markets' rapid energy demand growth**, as well as **diversification demand**, led by the different wars and crises the world has seen in the past years.

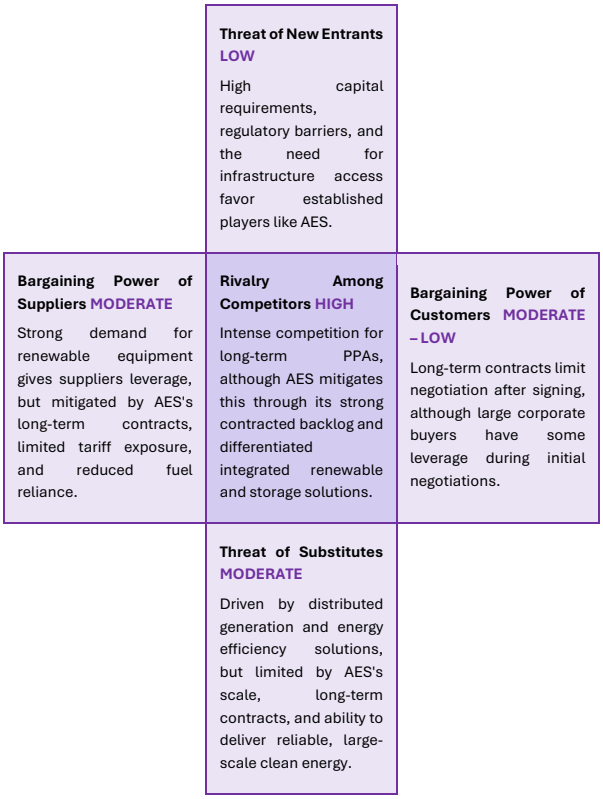

Figure 2.3 – Five Forces Analysis

In this context, AES is particularly well positioned to benefit from rising electricity demand driven by digitalization and artificial intelligence. The company has established **long-term Power Purchase Agreements (PPAs) with major technology firms,** most notably Google, which was its largest corporate customer in 2025. A recent example is the expansion of their partnership in Texas, where AES will develop and operate energy generation co-located with a new Google data center under 20-year PPAs, while also providing energy management and infrastructure services. AES has also signed agreements with other hyperscalers such as Amazon and Microsoft, all of which require large amounts of reliable, renewable electricity to power energy-intensive data centers. These partnerships not only provide stable, long-term revenue streams but also highlight AES's capability to deliver energy solutions at scale. With nearly 12 GW of agreements

signed with data center customers, AES is strongly positioned to capture growing demand from the digital economy.

Switching the focus on specific AES' competitors, we find companies like NextEra Energy, Enel, and Ørsted, showing that the company does not only face competition from renewable energy firms, but also traditional utilities. This obliges them to differentiate through innovation, digital innovation solutions, and long-term contracts, as mentioned before.

Even though AES is a large firm, they have approximately 1.5% of market share, contrasting with the 3% of NextEra, for instance. At last, AES is obliged to enter into partnerships to help reduce this difference with competitors, such as their partnership with Google that aims at innovating the energy industry of the future.

In summary, AES is at the intersection of the energy transition and the digital economy, combining renewable generation, energy storage and long-term corporate contracts with leading technology companies to secure stable revenues, while also being in a good position to benefit from the constant growth in global electricity demand (**Figure 2.3**).

2.6 SWOT Analysis

Besides, we must examine AES's main strengths. The first one is, of course, its **strong global presence**, which allows them to reduce dependence on one specific region which could be affected by a war or another crisis. Furthermore, they have a very **diversified portfolio** with different solutions, including solar, wind, hydroelectric power, energy storage, and natural gas generation, spreading risk across various energy sources, and avoiding instability. Thirdly, we must also consider that AES's growing **focus on the renewable energy sector** is in line with global trends and, evidently, increases the firm's future competitiveness.

On the other hand, AES does have **high capital requirements**, and they are constantly in need of large investments, which leads to financial pressure. One last weakness is the obvious **exposure to regulatory and political risks**, which increase, considering that they have presence in multiple continents.

Moreover, it is essential to take a look at the opportunities AES has: firstly, we can confidently say that there is a **rising global demand for clean energy solutions**, and as we mentioned, the company is one of the leaders in this sustainable transition. Similarly, since they are also **focused on innovation**, better technologies and advances are not only good for cleaner production and distribution but can also decrease costs and open the door for future possible business possibilities.

On the contrary, a threat AES may face is that there are a **large number of players** in the energy sector, constantly threatening their market share and giving less negotiation power with clients. On top of that, **energy prices are constantly changing** because of global dynamics, but long-term contracts sometimes help hedge this risk. Finally, the **always changing environmental regulations** affect their margins and may force changes in their operations.

3. Valuation

3.1 Methodology

The starting point of our DCF was downloading AES's historical financial data from Orbis through 2025. Before building any forecast, we restated the three financial statements (income statement, balance sheet, and cash flow statement) to ensure consistency and comparability across periods. This restatement step was essential to clean the data from accounting distortions and create a reliable base from which to project future performance.

Building on the restated financials, we developed a set of **forward-looking assumptions** to project AES's unlevered free cash flows (*UFCF = NOPAT + D&A - CAPEX - Change in Net Working Capital*) through 2030.

We deliberately chose a **five-year forecasting horizon**, shorter than what is typically used for a capital-intensive utility, to reflect the expected holding period of the PE consortium, which would most likely look to exit within that timeframe.

Beyond 2030, we computed the terminal value using a **perpetuity growth model**, applying a **long-term growth rate of 8.5%**, consistent with the industry projected CAGR for the renewable energy sector: *Terminal Value = UFCF (2030) x (1 + g) / (WACC - g)*

The terminal value captures the bulk of AES's long-run value creation, which is appropriate given the company's ongoing investment cycle in large-scale infrastructure assets.

To discount the projected cash flows back to present value, we estimated AES's **Weighted Average Cost of Capital** (WACC), defined as: *WACC = (E / (E + D)) x Ke + (D / (E + D)) x Kd x (1 - tax rate)*. The cost of equity (Ke) was estimated via the CAPM*: Ke = Rf + Beta x (Rm - Rf)*.

The cost of debt (Kd) was based on AES's actual financing structure. The resulting WACC served as the discount rate applied to both the explicit forecast period cash flows and the terminal value, yielding our final estimate of AES's intrinsic enterprise value: *Enterprise Value = sum of PV(UFCF) + PV(Terminal Value)*. Finally, we decided to compare our results from the intrinsic valuation with the values resulting from a relative one.

3.2 Assumptions

Revenues

Revenue growth is modelled as installed capacity (GW) multiplied by average revenue per GW. **Capacity is expected to grow approximately 3 GW per year**, driven by AES's contracted backlog, while price per GW reflects regulated rate increases and the effects of inflation. This approach ties growth directly to the company's physical expansion pipeline, providing a transparent and traceable forecast. Sell-side analyst estimates for revenue growth are generally more optimistic; however, we deliberately adopted a conservative stance to limit the risk of overstating intrinsic value.

Assumed growth rates: 6% in 2026 and 2027, stepping down to 5% in 2028 and 2029, and 4% in 2030 (**Figure 3.1**).

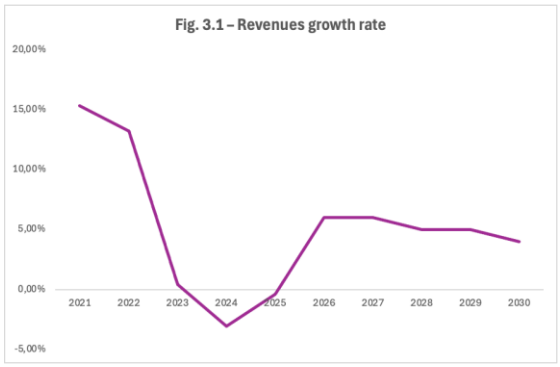

Fig. 3.1 – Revenue Growth Rate 2021–2030: historical decline to 2024, recovery and stabilisation 2026–2030 (6%→4%)

Operating Expenses

Cost of goods sold (COGS) as a percentage of revenue is assumed to gradually compress from approximately 71% in the base year. This reflects the **growing share of renewables** in AES's portfolio, **which carry near-zero fuel costs**, **partially offset by residual natural gas price exposure and ongoing inflationary pressures on operations and maintenance** (O&M). The shares of COGS are forecasted to improve from 70% in 2026 to 68% by 2030.

Other operating expenses, which primarily consist of general and administrative costs, are held constant at 2% of revenue across the entire forecast period. This reflects the assumption that overhead scales proportionally with the business and that no material restructuring or step-change in G&A is expected.

Capital Expenditures

Capital expenditure is modelled in two components. First, **growth capex is driven by GW additions, declining from approximately 3 GW in 2026 to around 1.5 GW by 2029** as the contracted backlog is progressively deployed, at a unit cost of approximately $1.2M per MW. Second, a recurring base of approximately $1 billion per year is assumed for regulated rate base investment. Together, these translate into a **capex-to-revenue ratio declining from 36% in 2026 to 18% in 2030**.

The share of capex allocated to net property, plant and equipment (PP&E) has been set as the average of the 2020 to 2025 historical period. **Intangible assets are modelled as a percentage of revenues** using the historical average of 19.86%.

Depreciation is applied at a fixed rate of 3.95%, computed as the mean of the last five historical years. This rate is applied to the opening net PP&E balance each year. Net write-downs and impairments are assumed to be zero throughout the forecast horizon, consistent with the view that AES is in an active investment and growth phase rather than a restructuring or impairment cycle.

Non-Cash Working Capital

All working capital ratios (trade receivables, inventory, other current assets, trade payables, and other current liabilities) are **held constant at their 2025 levels as a percentage of revenues**. This assumption reflects the view that AES operates under long-term power purchase agreements (PPAs) and regulated tariff structures, which tend to produce stable and predictable working capital dynamics. Given the absence of structural changes in the business mix that would materially alter payment terms or inventory cycles, freezing the 2025 ratios represents the most defensible baseline.

Financial Debt and Interest

For the purpose of this valuation, **the deal is assumed not to include any additional debt at closing**. Furthermore, for simplicity, we assume that the existing financial debt will be refinanced at the same interest rate throughout the forecast period, with no deleveraging taking place. Total gross debt is therefore held constant at its 2025 level of $29,897 million. Short-term debt is assumed to represent 11% of total financial debt each year, consistent with the recent historical average.

The interest expense rate is fixed at 5.0% on gross financial debt, and interest income is held constant at its 2025 level of $287 million, reflecting the assumption that excess cash is maintained at a stable balance.

Dividends

No dividend distributions are assumed over the forecast horizon, even though AES currently offers a dividend yield of approximately 4.8%. This decision is supported by the projected cash flow profile: free cash flow to equity (FCFE) is expected to remain negative through 2029, as the company continues to invest heavily in its renewable expansion. In this context, modelling dividend payments would require implicitly assuming additional external financing, which would introduce further complexity without meaningfully improving accuracy.

Surplus Assets

Surplus assets, which primarily comprise long-term non-operating investments and equity stakes, are forecasted by applying the average rate of change observed in 2025, equal to approximately -1% per year. This reflects a **mild, gradual reduction in non-core asset holdings**, consistent with the observed recent trend of AES monetising peripheral investments to fund its core energy transition strategy.

Deferred Taxes

Deferred taxes are modelled as a percentage of net PP&E rather than revenues. This reflects the underlying economic driver: deferred taxes primarily arise from timing differences between tax depreciation and book depreciation schedules, which are directly tied to the fixed asset base. The rate used is the average of the last five historical years. Despite a recent downward trend in the deferred tax ratio, using the historical average rather than the most recent year provides a more conservative estimate and avoids over-extrapolating a short-term trend.

Other Long-Term Non-Interest-Bearing Liabilities

Other long-term non-interest-bearing liabilities, which include items such as asset retirement obligations and regulatory liabilities, are also modelled as a percentage of net PP&E. This is consistent with the view that these obligations relate to the ownership, operation, and eventual decommissioning of physical assets rather than to revenue-generating activities. The ratio is held constant at the most recent year (2025) rather than continuing the observed downward trend. While the percentage of liabilities relative to net PP&E has been declining in recent years, it is not clear how

much further this compression can continue. Holding the 2025 ratio constant is therefore the more conservative and prudent approach.

3.3 Cost of capital

To discount AES's operating cash flows, we used the **weighted average cost of capital (WACC)** as the appropriate discount rate. This measure reflects the return required by both equity holders and lenders and therefore captures the overall cost of financing the company. Based on our assumptions, we estimated AES's **WACC at 6.43%**.

To derive this measure, WACC combines the cost of equity and the after-tax cost of debt, weighting each component according to its share in the firm's capital structure. Formally, we computed it as:

$$WACC = Cost\ of\ Equity \times E/(D+E) + Cost\ of\ Debt \times (1 - T) \times D/(D+E)$$

We relied on market values rather than book values, as they more accurately reflect the current opportunity cost of capital faced by investors. Based on a **market capitalization of $10.2 billion** and a **market value of debt of $30.2 billion**, AES's capital structure is heavily debt-oriented, with approximately 25% equity and 75% debt. This composition plays a key role in shaping the overall cost of capital, given the lower cost and tax advantage associated with debt financing.

Turning to its components, we estimated the cost of equity using an extended version of the Capital Asset Pricing Model (CAPM), expressed as:

$$Cost\ of\ Equity = Risk\text{-}free\ Rate + Beta \times Equity\ Risk\ Premium + Country\ Risk\ Premium.$$

This specification allowed us to account not only for systematic market risk, but also for the additional risk associated with AES's international exposure. Using a 4.37% risk-free rate, a beta of 1.31, an equity risk premium of 5.5%, and a country risk premium of 1.88%, we obtained a **cost of equity of approximately 13.5%**.

We proxied the **risk-free rate** using the **yield on 5-year U.S. Treasury securities, equal to 4.37%.** In line with standard valuation practice, we used government bonds from the same country where the investment is made. We used a 5-year maturity as it reflects our forecast horizon.

The beta was estimated using a bottom-up approach, rather than relying solely on AES's historical trading beta. To do so, we constructed a peer group of comparable companies selected on the basis of business mix, geographic exposure, and risk profile.

The peer group includes **Enel, NRG Energy, Brookfield Renewable, and NextEra Energy** (**Table 3.1**). Enel is relevant as a global integrated utility with regulated networks and a broad renewable portfolio, capturing AES's international and infrastructure-like characteristics. NRG provides exposure to competitive power markets and merchant risk. Brookfield Renewable reflects the contracted and renewable segment of the business, characterized by stable, infrastructure-style cash flows. Finally, NextEra serves as a benchmark combining regulated utility operations with large-scale renewable generation.

Company	Mkt Debt	Mkt Cap	D/E	EV	Country	Tax Rate	Beta
ENEL (ENEL)	69.7	89.1	0.782	158.8	IT	49%	0.397
NRG Energy (NRG)	16.6	30.3	0.548	42.9	US	21%	1.800
Brookfield Ren. (BEP)	35.8	82.7	4.328	69.0	US	21%	0.849
NextEra Energy (NEE)	96.1	167.2	0.575	272.4	US	21%	0.457

Table 3.1 – Peers' Analysis: Beta Estimation Peer Group (Bloomberg data, weekly returns, 2-year window vs. MSCI World; figures in USD billions)

Using this peer group, we took the betas of these companies from Bloomberg by regressing each stock against the MSCI World index. We decided to take weekly returns from the last two years. Afterwards, we applied Bloom's adjustment (*Adjusted Beta = Levered Beta*2/3 + 1,00*1/3*), which partially reverts the beta toward 1. We then removed the effect of capital structure by unlevering each comparable's equity beta. We computed the median unlevered beta, which was subsequently relevered using AES's own debt-to-equity ratio and tax rate, yielding a raw beta of approximately 1.46. Finally, we reapply the Bloom's adjustment, resulting in a **final estimate of 1.31.** This is consistent AES business: even though it is a regulated utility company, and so we would have expected a beta in a rage of (0.3;0.6), but it operates in unregulated markets too, which explains why it doesn't behave like a defensive stock.

The **equity risk premium of 5.5% is sourced from Fernández** (IESE Business School, annual ERP survey) and captures the additional return investors demand for holding equities relative to a risk-free asset.

A separate country risk premium is added because AES operates in several countries where sovereign, political, and regulatory risk exceed U.S. levels. The model starts from country-specific sovereign risk premia and weights them by AES's geographic exposure, adjusted through a lambda factor so that exposure is not overstated (**Table 3.2, Appendix**). Lambda is computed as AES's percentage of revenues in country X divided by the average percentage of revenues in country X by a company from country X. This produces an aggregate **country risk premium of about 1.88%**, allowing the valuation to incorporate the additional risks arising from AES's international operations.

Finally, we turn to the cost of debt. We estimate **AES's pre-tax cost of debt at 5.13%**, based on Bloomberg data. Since interest payments are tax-deductible, debt is incorporated into WACC on an after-tax basis, resulting in an effective cost of approximately 4.05% after applying a 21% tax rate.

Overall, the estimated WACC of 6.43% appears consistent with AES's risk profile and capital structure. While the company benefits from relatively stable and partially contracted cash flows, it is also characterized by significant leverage and exposure to international and market-driven risks. The resulting discount rate appropriately reflects these underlying factors and provides a coherent basis for the valuation.

3.4 Results

Our DCF model yields an **Enterprise Value of $39.2 billion and an Equity Value of $7.7 billion** (**Table 3.3**). The relatively low equity value reflects the company's significant debt load of approximately $28.3 billion, as well as the negative free cash flows projected through 2028, which weigh heavily on the present value of future cash flows.

The Terminal Value accounts for the vast majority of the total Enterprise Value, which is consistent with a capital-intensive infrastructure business in an active investment phase.

Table 3.3 – Valuation (USD Millions)	
Terminal Value	39,715
PV of discounted FCFO	(496)
Enterprise Value	**39,219**
Net Debt	28,341
Minorities	7,866
Surplus Assets	4,697
Equity Value	**7,709**

Table 3. – DCF Valuation Summary (in USD Millions)

The consortium announced the acquisition of AES for an **Enterprise Value of approximately $33.4 billion and an Equity Value of $10.7 billion**. Our DCF produces an Enterprise Value moderately above the deal price, a difference that can be explained by the conservative assumptions embedded in our model, particularly around revenue growth and EBITDA margins, which may not fully capture the strategic upside that private infrastructure investors are pricing in. On the equity side, our estimate comes in below the deal value, largely because the transaction includes a 40% premium to the pre-deal market price, which reflects control and synergy considerations that a standalone DCF does not incorporate by design.

3.5 Trading multiples valuation

To strengthen our analysis, we paired the DCF with a trading multiples valuation. While the DCF captures AES's intrinsic value based on future cash flows, the multiples approach provides a market-based, relative perspective showing how the company is priced compared to its closest peers. Together, the two methods offer a more complete and robust picture of AES's fair value.

We selected **EV/EBITDA** because it is capital-structure neutral, making it the standard multiple for capital-intensive utilities with significant debt loads, exactly the case for AES and its peers. We added **EV/Revenues** as a secondary check because it is unaffected by differences in margins and depreciation policies across companies, providing a simpler and more comparable top-line anchor. Using both together reduces the risk of relying on a single metric.

The five comparables - **ENEL, Constellation Energy, NRG Energy, Brookfield Renewable, and NextEra Energy** - were selected because they share a similar business model with AES: large-scale power generation with a growing mix of renewables, and revenues primarily coming from regulated or contracted energy markets. This peer group is also consistent with the one we used to estimate the beta in our cost of capital, ensuring methodological coherence throughout the valuation. For each company, we calculated EV/EBITDA and EV/Revenues using public market data, then applied the average and median multiples to AES's own financials (Revenues: $12,233M; EBITDA: $3,315M) to derive an implied EV.

Applying the peer average multiples (**Table 3.4, Appendix**), we get an implied EV of **$53,229M using EV/EBITDA** (**16.06x**) and **$70,027M using EV/Revenues** (**5.72x**).

Both figures are significantly above AES's current market EV. As of April 24, 2026, AES's enterprise value stands at approximately $39.53B, with an EV/EBITDA of 11.38x and an EV/Sales of 3.23x well below both the peer average (16.06x EV/EBITDA, 5.72x EV/Revenues) and the peer median (18.20x and 4.54x). This consistent gap across both multiples and both benchmarks strongly suggests that the market is currently under-pricing AES relative to its comparable universe.

4. Appendix

Table 3.2 – Country Risk Premium Computation (Damodaran 2025 sovereign premia weighted by AES revenue exposure; World Bank domestic revenue ratios)

	Jordan	Panama	Vietnam	Brazil	El Salvador	Mexico	Bulgaria	Argentina	Chile	Colombia	Puerto Rico	Dom. Rep.
Moody's Rating (2025)	Ba3	Baa3	Ba2	Ba1	B3	Baa2	Baa1	Caa1	A2	Baa3	n.a.	Ba2
Abs. CRP (Damodaran, 2025)	4.66%	2.85%	3.90%	3.24%	8.41%	2.46%	2.07%	9.71%	1.10%	2.85%	n.a.	3.90%
% revenues in country	0.20%	5.20%	2.50%	4.80%	8.20%	3.60%	3.80%	2.50%	12.10%	5.40%	3.40%	11.40%
% domestic rev. avg. firm (World Bank)	76%	96%	96%	99%	94%	100%	87%	98%	98%	98%	n.a.	n.a.
Lambda (exposure)	0.26%	5.45%	2.61%	4.84%	8.74%	3.61%	4.36%	2.56%	12.38%	5.52%	n.a.	n.a.
Country Risk Premium	0.01%	0.16%	0.10%	0.16%	0.74%	0.09%	0.09%	0.25%	0.14%	0.16%	n.a.	n.a.

Table 3.4 – Relative Valuation: Peer EV/EBITDA and EV/Revenues Applied to AES Corporation (USD millions

Comparable	Revenues	EBITDA	EV	EV/EBITDA	EV/Rev.
ENEL (ENEL)	80,400	21,400	158,751	7.42x	1.97x
Constellation (CEG)	25,500	5,106	115,800	22.68x	4.54x
NRG Energy (NRG)	30,713	3,491	42,879	12.28x	1.40x
Brookfield Ren. (BEP)	6,407	3,504	69,032	19.70x	10.77x
NextEra Energy (NEE)	27,412	14,961	272,359	18.20x	9.94x
Average				**16.06x**	**5.72x**
Median				**18.20x**	**4.54x**
AES Corporation	12,233	3,315			
EV using EV/EBITDA			**53,229**		
EV using EV/Revenues			**70,027**		

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