Pattern

PATTERN ENERGY GROUP INC.

Q4 2015 Earnings Call | February 29, 2016

SAFE HARBOR STATEMENT

The following information contains, or may be deemed to contain, "forward-looking statements" (as defined in the U.S. Private Securities Litigation Reform Act of 1995 and "forward-looking information" as defined in Canadian securities laws). The words "may," "plan," "forecast," "seek," "target," "goal," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements about Pattern Energy Group Inc. (the "Company"). By their nature, forward-looking statements are not statements of historical facts and involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are outside the Company's control. Such risks and uncertainties could cause the actual results, performance or achievements of the Company to be materially different from its current expectations and include, but are not limited to: the Company's ability to complete construction of any construction projects and transition them into financially successful operating projects; the Company's ability to complete acquisition of power projects; fluctuations in supply, demand, prices and other conditions for electricity; the Company's electricity generation, projections thereof and factors affecting production including wind and other conditions, other weather conditions, availability and curtailment; changes in law; and the Company's ability to keep pace with and take advantage of new technologies.

In particular, this presentation contains the Company's adjusted EBITDA and cash available for distribution, which are not measures under generally accepted accounting principles in the United States ("U.S. GAAP"). Adjusted EBITDA and cash available for distribution have been disclosed because the Company believes that these measures may assist investors in evaluating its financial performance and its ability to pay dividends. Neither adjusted EBITDA nor cash available for distribution should be considered the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, the Company's U.S. GAAP measures, including, but not limited to, the most directly comparable U.S. GAAP measures, net (loss) income and net cash provided by operating activities, respectively. See pages 20-22 and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Metrics in the Company's annual report on Form 10-K for the year ended December 31, 2015, for a reconciliation of net cash provided by operating activities to cash available for distribution and net (loss) income to adjusted EBITDA. Forward looking measures of CAFD, run-rate CAFD and CAFD per share growth are non U.S. GAAP measures that cannot be reconciled to net cash provided by operating activates as the most directly comparable non U.S. GAAP financial measure with unreasonable effort. A description of the adjustments to determine CAFD can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Metrics of the Company's 2015 Annual Report on Form 10-K.

All forward-looking statements speak only as of the date made, and the Company expressly disclaims any intention or obligation to revise or publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise except as may be required by applicable law. For additional information regarding known material risks that could cause the Company's actual results to differ from its projected results please read "Risk Factors" in the Company's 2015 annual report on Form 10-K.

(All currencies are U.S. dollars unless specified otherwise.)

Q4 HIGHLIGHTS

ALL
16
PROJECTS FULLY
OPERATIONAL

8th
CONSECUTIVE
DIVIDEND
INCREASE

$32.9M
IN CAFD BEAT
EXPECTATIONS

150MW
AMAZON WIND FARM
FOWLER RIDGE PLACED INTO OPERATIONS

$1.524
ANNUALIZED
DIVIDEND
PER SHARE

90%
INCREASE
VS Q4 2014

2015 HIGHLIGHTS

$92M CAFD

49% INCREASE VS 2014

10% ABOVE GUIDANCE

98%+ SIEMENS & GE TURBINE AVAILABILITY

5 PROJECT INTEREST RATE REDUCTIONS

GREW BY **640MW** OPERATING ASSETS IN 2015

39% INCREASE VS 2014

INTEGRATED OPERATOR OF HIGH QUALITY ASSETS

Wind

Drop downs

Best-in-class equipment

+

Long term power sales contracts

Creditworthy counterparties

OUR STRATEGY FOR STABLE, GROWING RETURNS

PATTERN OUTLOOK

BEST-IN-CLASS BUSINESS

Built in CAFD Growth
- Growing to $156M from $92M (FY 2015)
- 8 consecutive dividend increases (22% increase since IPO)

Wind Resources
- ~7 years of on site data
- Quarterly forecasting

Best Equipment
- Siemens/GE
- <3 year average age
- ~98% turbine availability

Long-term Contracts
- A- weighted average credit rating of off-takers
- 90% of volume under long-term contract

Project Debt
- Amortizing less than PPA term
- <5% long-term fixed interest on project debt

SOUND STRATEGY

Driving Value Over 5 Years
- Reducing operating costs by $10,000 – $20,000/turbine
- Increasing production 3 – 5%
- Increasing corporate efficiencies

Patient Capital Needs
- No equity required for current business
- Capacity for 1+ drop down

Growing Responsibly
- Strong 1.3 GW identified ROFO
- Expanded Pattern Development capital

Expanding Business Opportunities
- 5,000 MW by end of 2019
- Development

Lasting Capital Structure
- Project debt
- 3X corporate debt cash flow coverage

PATTERN: A UNIQUE YIELDCO

	PATTERN ENERGY	TYPICAL YIELDCO
Sponsor flexibility	private: high degree	public: lower degree
Approach	operating company	financial structure
Management	internal	external
IDRs	none	most have IDRs
Growth strategies	develop & drop opportunistic 3rd party	3rd party acquisitions, some drops
Growth approach	CAFD multiple + intrinsic / strategic	primarily CAFD multiple

CLEAN & TRANSPARENT RELATIONSHIPS

- No IDRs
- No undisclosed commitments to sponsor
- No cross defaults on any loans
- No undisclosed 3rd party commitments

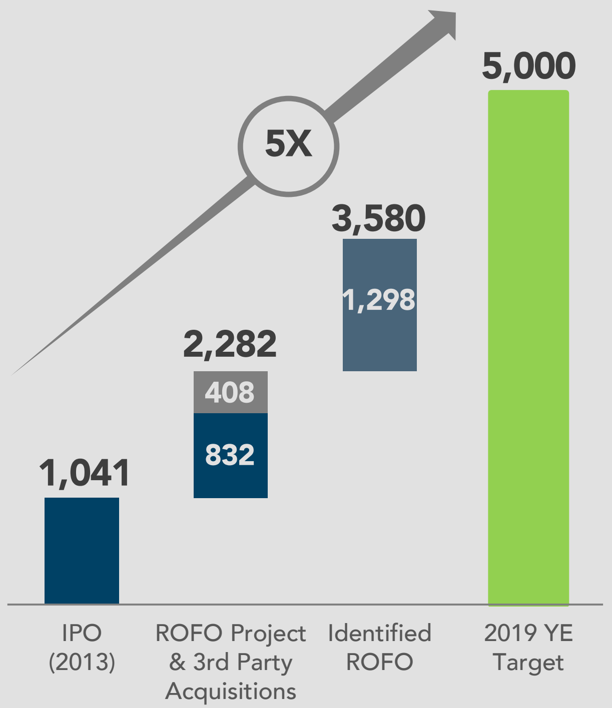
STRONG ALIGNMENT BETWEEN INVESTORS AND MANAGEMENT

CONSISTENTLY DELIVERED RESULTS

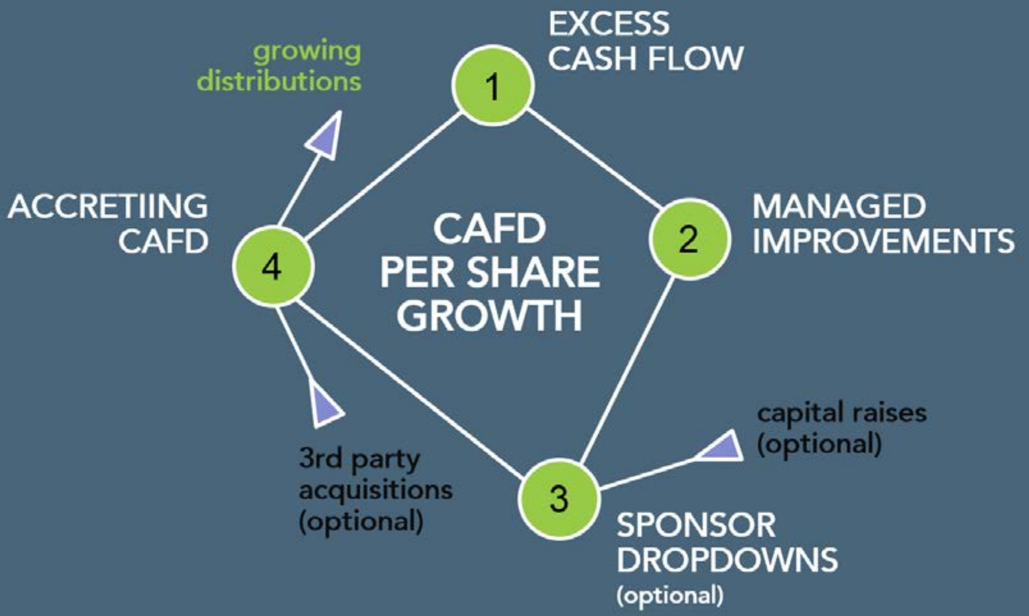
- Forecasting strength
- Managing costs

EXPANDING OUR OUTLOOK T0 5,000 MW BY END OF 2019

OWNED CAPACITY GROWTH (MW)



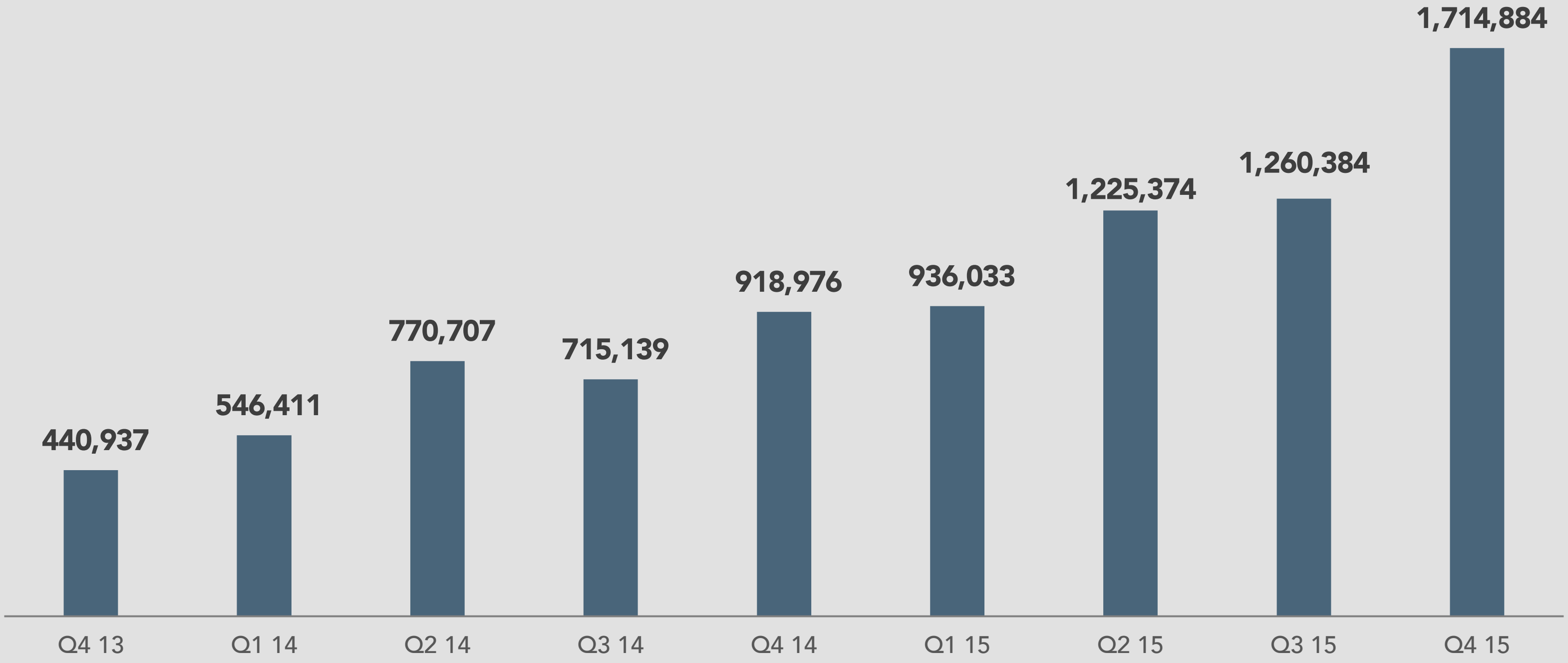
PATTERN'S VIRTUOUS CYCLE



FINANCIALS

DIVERSIFIED AND INCREASING ASSET BASE

QUARTERLY PROPORTIONAL PRODUCTION (MWh)



Q4 AND FY 2015 FINANCIAL SUMMARY

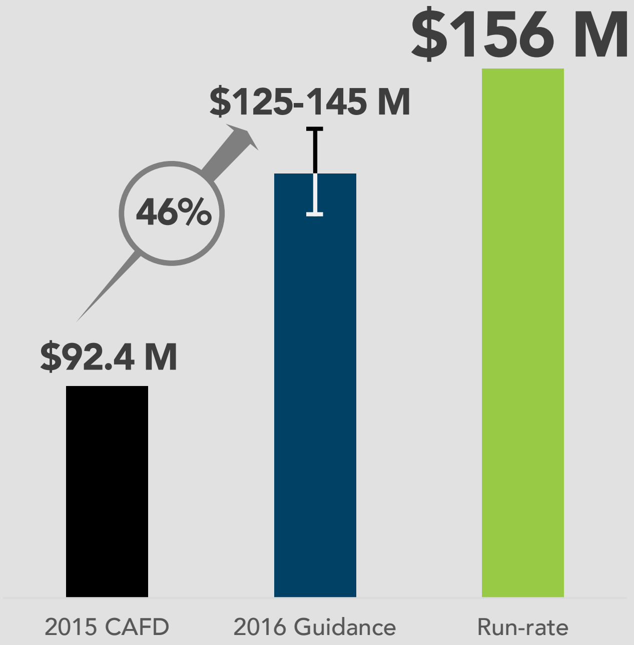
USD millions (except GWh)	Q4 2015	Q4 2014	change	2015	2014	change
GWh	**1,715**	**919**	**87%**	**5,137**	**2,951**	**74%**
Revenue	**$90.6**	**$79.4**	**14%**	**$329.8**	**$265.5**	**24%**
Adjusted EBITDA[1]	**$78.3**	**$57.7**	**36%**	**$250.5**	**$198.1**	**26%**
Cash Available for Distribution[1]	**$32.9**	**$17.3**	**90%**	**$92.4**	**$62.1**	**49%**

$92.4 M: EXCEEDED 2015 CAFD ESTIMATE OF $81-87 M

1) See pages 20-22 for a reconciliation of Q4 2015/2014 and FY 2015/2014 net cash provided by operating activities to Q4 2015/2014 and FY 2015/2014 cash available for distribution and net (loss) income to adjusted EBITDA

NO NEW EQUITY REQUIRED TO ACHEIEVE BOTH GUIDANCE AND RUN RATE

2016 CAFD GUIDANCE $125-145 M



EXISTING ASSETS AND CAPITAL STRUCTURE ALLOW FOR CONTINUED GROWTH

EIGHT DIVIDEND INCREASES

Period	Dividend per Class A share	% increase
Q1 2014	$0.3125	--
Q2 2014	$0.322	3%
Q3 2014	$0.328	2%
Q4 2014	$0.335	2%
Q1 2015	$0.342	2%
Q2 2015	$0.352	3%
Q3 2015	$0.363	3%
Q4 2015	$0.372	2.5%
Q1 2016	$0.381	2.4%
TOTAL SINCE IPO		22%

LIQUIDITY (as of December 31, 2015, $ millions)

Unrestricted cash	$95
Restricted cash	$52
Revolver availability	$118
Undrawn capacity under certain project debt facilities	$104
Total	$368

MANAGING LIQUIDITY

80% target payout ratio of CAFD run rate

Reserving cash in strong cash flow periods

Repricing and modifying project debt

Increase project output via improvements and availability

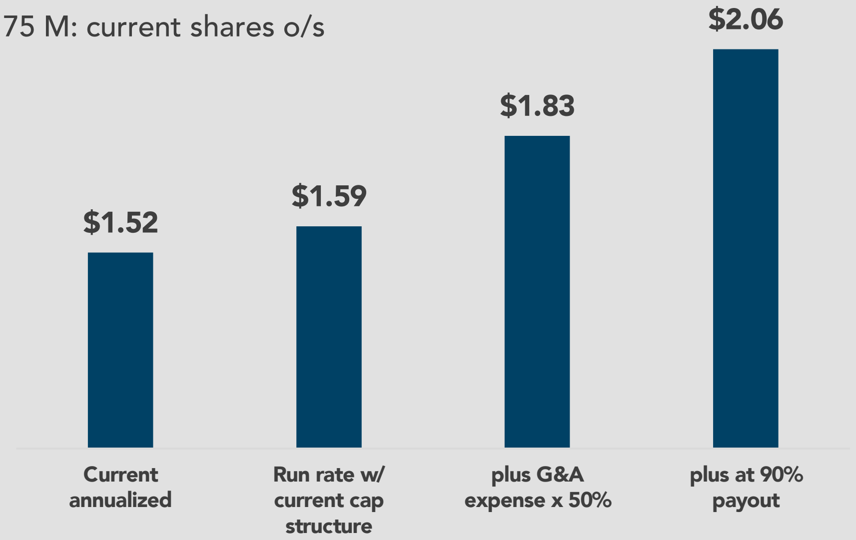
STRONG GROWTH WITH EXISTING ASSETS

DIVIDENDS PER SHARE

$125-145 M: 2016 estimated CAFD

$156 M: Run-rate CAFD

75 M: current shares o/s



DIVIDEND YIELD

Share price	$16.18 02/26/16	$23.00 Jul offering	$29.25 Feb offering
Current	9.4%	6.6%	5.2%
Run-rate	9.9%	6.9%	5.5%
plus			
G&A x 50%	11.3%	8.0%	6.3%
plus			
At 90% payout	12.7%	9.0%	7.0%

NO NEW LIQUIDITY REQUIRED TO ACHIEVE RUN-RATE CAFD

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CLOSING REMARKS

STARTING 2016 IN A STRONG POSITION

CERTAINTY OF PTC

HIGHER DEMAND FROM EXPANDING RFSs & CPP

LOWER kWh COSTS

GROWTH WITH NO NEW EQUITY

GROWING ROFO LIST

ONLY ACCRETIVE DROP DOWNS

CONSISTENTLY DELIVERED SINCE IPO

PATIENT, YET ACTIVE APPROACH

Pattern

PATTERN ENERGY GROUP INC.

Q&A | FEBRUARY 29, 2016

HIGH-QUALITY PORTFOLIO OF POWER PROJECTS

	Project size	Owned %	Owned MW	Revenue	Off-Taker	COD	Turbines	Contract Tenor	% Under Contract
Gulf Wind, TX	283	100%	283	Hedge	Morgan Stanley	Q3 2009	Mitsubishi	2019	~58%
Hatchet Ridge, CA	101	100%	101	PPA	PG&E	Q4 2010	Siemens	2025	100%
St. Joseph, MB	138	100%	138	PPA	Manitoba Hydro	Q2 2011	Siemens	2039	100%
Spring Valley, NV	152	100%	152	PPA	NV Energy	Q3 2012	Siemens	2032	100%
Santa Isabel, Puerto Rico	101	100%	101	PPA	PREPA	Q4 2012	Siemens	2034	100%
Ocotillo, CA	265	100%	265	PPA	SDG&E	Q4 2012/ Q2 2013	Siemens	2033	100%
South Kent, ON	270	50%	135	PPA	IESO	Q2 2014	Siemens	2034	100%
El Arrayán, Chile	115	70%	81	Hedge	Minera Los Pelambres	Q2 2014	Siemens	2034	~74%
Panhandle 1, TX	218	79%	172	Hedge	Citigroup Energy	Q2 2014	GE	2027	~80%
Panhandle 2, TX	182	81%	147	Hedge	Morgan Stanley	Q4 2014	Siemens	2027	~80%
Grand, ON	149	45%	67	PPA	IESO	Q4 2014	Siemens	2034	100%
Post Rock, KS	201	60%	120	PPA	Westar	Q4 2012	GE	2032	100%
Lost Creek, MO	150	100%	150	PPA	Associated Electric Cooperative	Q2 2010	GE	2030	100%
K2, ON	270	33%	90	PPA	IESO	Q2 2015	Siemens	2035	100%
Logan's Gap, TX	200	82%	164	PPA / Hedge	Wal-mart Stores Inc. / Financial institution	Q3 2015	Siemens	2025/28	~75%
Amazon Wind Farm (F), IN	150	77%	116	PPA	Amazon.com	Q4 2015	Siemens	2028	100%
Total Combined	**2,945**		**2,282**					**14 years**	**89%**

IDENTIFIED ROFO PORTFOLIO

Near-term opportunities through Pattern Development purchase rights

	Net owned capacity (MW)	Revenue	Est. Commercial Operations Date
Armow	90	20 year PPA	2015 A
Futtsu Solar	19	20 year PPA	2016
Conejo Solar	84	22 year PPA	2016
Meikle	180	25 year PPA	2016
Kanagi Solar	6	20 year PPA	2016
Broadview	259	25 year PPA	2017
Grady	176	20 year PPA	2017
Belle River	50	20 year PPA	2017
Ohorayama	31	20 year PPA	2017
Henvey Inlet	150	20 year PPA	2017
Mont Sainte-Marguerite	147	25 year PPA	2017
North Kent	43	20 year PPA	2017
Tsugaru	63	20 year PPA	2018
Total	**1,298**		

1,298 MW

identified ROFO list owned interest

57%

increase to existing portfolio

832 MW

assets dropped down since IPO

CASH AVAILABLE FOR DISTRIBUTION*

(NON-GAAP RECONCILIATION)

	Three Months Ended December 31, 2015	2014	For the Year Ended December 31, 2015	2014
Net cash provided by operating activities	**$34,567**	**$26,548**	**$117,849**	**$110,448**
Changes in operating assets and liabilities	(451)	(1,282)	(6,880)	(9,002)
Network upgrade reimbursement	618	--	2,472	2,472
Release of restricted cash to fund project and general and administrative costs	110	13	1,611	223
Operations and maintenance capital expenditures	(485)	(133)	(779)	(267)
Transaction costs for acquisitions	(228)	602	1,598	1,730
Distributions from unconsolidated investments	10,722	3,187	34,216	7,891
Reduction of other asset - Gulf Wind energy derivative deposit	850	--	6,205	--
Other	(368)	--	(1,921)	--
Less:	--			
Distributions to noncontrolling interests	(3,500)	(630)	(7,882)	(2,100)
Principal payments paid from operating cash flows	(8,984)	(11,001)	(54,041)	(49,246)
Cash available for distribution	**$32,851**	**$17,304**	**$92,448**	**$62,149**

ADJUSTED EBITDA*
(NON-GAAP RECONCILATION)

	Three months ended December 31, 2015	2014	For the Year Ended December 31, 2015	2014
Net (loss) income	**$(3,873)**	**$(15,986)**	**$(55,607)**	**$(39,999)**
Plus:				
Interest expense, net of interest income	18,886	19,044	75,309	66,729
Tax provision	4,267	4,641	4,943	3,136
Depreciation, amortization and accretion	40,469	31,941	143,376	104,417
Amortization of purchase power agreements, net (1)	771	--	1,946	--
EBITDA	**$60,520**	**$39,640**	**$169,967**	**$134,283**
Unrealized loss on energy derivative (1)	2,391	(7,265)	791	3,878
Loss (gain) on undesignated derivatives, net	1,908	6,062	5,490	15,743
Realized loss on designated derivatives	--	--	11,221	--
Early extinguishment of debt	828	--	4,941	--
Net (loss) gain on transactions	737	626	3,400	(13,843)
Plus, proportionate share from equity accounted investments:				
Interest expense, net of interest income	6,452	4,884	23,537	14,081
Tax provision (benefit)	--	--	--	102
Depreciation, amortization and accretion	6,434	4,697	22,680	13,720
Loss (gain) on undesignated derivatives, net	(1,017)	9,080	8,514	30,148
Adjusted EBITDA	**$78,253**	**$57,724**	**$250,541**	**$198,112**

(1) Amount is included in electricity sales on the consolidated statements of operations.

*SUMMARY NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA represents net (loss) income before net interest expense, income taxes, depreciation, amortization and accretion, including our proportionate share of net interest expense, income taxes and depreciation, amortization, and accretion of joint venture investments that are accounted for under the equity method. Adjusted EBITDA also excludes the effect of certain mark-to-market adjustments and infrequent items not related to normal or ongoing operations, such as early payment of debt and realized derivative gain or loss from refinancing transactions, and gain or loss related to acquisitions or divestitures. We disclose adjusted EBITDA, which is a non-U.S. GAAP measure, because management believes this metric assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that our management believes are not indicative of our core operating performance. We use adjusted EBITDA to evaluate our operating performance. You should not consider adjusted EBITDA as an alternative to net (loss) income, determined in accordance with U.S. GAAP.

Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- adjusted EBITDA:
  - does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
  - does not reflect changes in, or cash requirements for, our working capital needs;
  - does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
  - does not reflect our income tax expense or the cash requirement to pay our taxes; and
  - does not reflect the effect of certain mark-to-market adjustments and non-recurring items;
- although depreciation, amortization and accretion are non-cash charges, the assets being depreciated, amortized, and accreted will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP.

Cash available for distribution represents net cash provided by operating activities as adjusted to (i) add or subtract changes in operating assets and liabilities, (ii) subtract net deposits into restricted cash accounts, which are required pursuant to the cash reserve requirements of financing agreements, to the extent they are paid from operating cash flows during a period, (iii) subtract cash distributions paid to noncontrolling interests, (iv) subtract scheduled project-level debt repayments in accordance with the related loan amortization schedule, to the extent they are paid from operating cash flows during a period, (v) subtract non-expansionary capital expenditures, to the extent they are paid from operating cash flows during a period, and (vi) add cash distributions received from unconsolidated investments, to the extent such distributions were derived from operating cash flows, and (vii) add or subtract other items as necessary to present the cash flows we deem representative of our core business operations.

We disclose cash available for distribution because management recognizes that it will be used as a supplemental measure by investors and analysts to evaluate our liquidity. However, cash available for distribution has limitations as an analytical tool because it excludes depreciation, amortization, and accretion, does not capture the level of capital expenditures necessary to maintain the operating performance of our projects, is not reduced for principal payments on our project indebtedness except to the extent it is paid from operating cash flows during a period, and excludes the effect of certain other cash flow items, all of which could have a material effect on our financial condition and results from operations. Cash available for distribution is a non-U.S. GAAP measure and should not be considered an alternative to net cash provided by operating activities or any other liquidity measure determined in accordance with U.S. GAAP, nor is it indicative of funds available to fund our cash needs. In addition, our calculation of cash available for distribution is not necessarily comparable to cash available for distribution as calculated by other companies.