

# Untangling AES

A financial and capital markets view of the proposed AES take-private acquisition

# Untangling AES amid a power valuation boom

*The much-rumored purchase of IPP–utility hybrid AES by GIP appears to be moving toward a closing phase, with the BlackRock subsidiary now diluting the full volume of its exposure to the complex deal by bidding in partnership with EQT.*

*There are signs of toppiness embedded in the structure of the deal, which will require market-facing patience and highly targeted financial engineering to execute successfully.*

The indicated price sits in the \$38–40 billion range, below AES’s roughly \$48 billion accounting-driven enterprise value, but representing an extremely rich premium to the \$11.3 billion market capitalization public investors have ascribed to AES after years of subpar results.

More importantly, the public markets valuation discount reflects the sheer complexity of a firm that has made diversity of market exposure into a liability rather than an asset through constant releveraging and asset churn.

The Virginia-based conglomerate lists over 300 majority-owned subsidiaries cutting across multiple countries and a constellation of market constructs. The firm’s position as a leading Latin American energy project developer and asset manager has at times acted both as a drag and as a propellant of results but fits awkwardly alongside its mix of regulated and unregulated U.S. assets.

Wall Street discussions around AES’ immediate outlook have focused on its exposure to the changes to clean energy tax credits stemming from the OBBBA. Analysts expect its pre-sold solar PPAs to be underwater absent sweeping renegotiations if it is unable to monetize tax credits on yet-uncompleted generation, and it is little surprise that AES’ share price scaped along at decade lows last summer against the background of the OBBBA’s process through Congress in May and June of 2025.

## Under pressure

And while AES may appear inexpensive at the rumored takeout price, both GIP and EQT are also under pressure to start moving capital out of historically massive infrastructure funds raised last year. GIP, which needed to prove it could keep its funding engine turning over under its new BlackRock structure, closed a record \$25.5 billion fund in July and EQT closed a 24-billion-euro (\$23.4 billion) fund in November.

As the majority owner and operator of 25GW of operating nameplate generation, AES is a major producer of RECs, a significant provider of capacity and a power sales giant. The portfolio breaks down as roughly half coal and gas, one-tenth hydro and the balance wind and solar. The portfolio’s natural gas assets, the heart of its fleet, are on the older side, averaging 31 years in operation.

GIP and EQT both have phenomenal track records in managing large platforms of operating assets, with EQT a more experienced player in restructuring existing large corporates and GIP the acknowledged master in maximizing the value and performance of individual infrastructure assets. Both firms are backed by patient capital and can withstand volatility in underlying markets, but as with all leveraged buyouts, the volume of debt in the deal will make a difference to outright performance and to relative success.

Looming over any large power company buyout by a private capital firm is KKR’s 2007 vintage acquisition of TXU. KKR worked with a group of firms to pick up TXU for \$45 billion amid promising sectoral tailwinds, but within five years was pricing its investment at 10 cents on the dollar and within seven years had put the successor company to TXU into bankruptcy. The market for second-hand power assets has been extremely robust, and no two deals are the same, but analysts will be watching for any echoes of TXU in AES.

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