

## RESEARCH NOTE

By MAKE Consulting

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### **Gamesa Corporación divests its OMS activities**

Yesterday, Gamesa Corporación announced that it has sold its OMS division (operation, maintenance and service) to venture capital fund, 3i. The price is EUR 170 million.

This is no surprise as we expected such a transaction as mentioned in our market report from February 2006. Recently, Gamesa Corporación also sold its Aeronautics division and the company is now focusing on wind turbine development, manufacturing and marketing as well as wind farm development and sale.

It is a general tendency in the industry that companies are shifting from concentrating on the entire value chain to being more focused on specific areas in the value chain in order to optimise its resources and business. When it comes to OMS activities, these have also developed towards an “outsourcing” area. This is seen as a combination of third party companies supplying OMS skills to the industry and large IPP’s and utilities taking an increasing role in service and maintenance.

That being said, wind turbine suppliers are still having the overall responsibility for the OMS when the wind turbines are under warranty. When using third party OMS providers in this period, the wind turbine supplier offers supervision while the third party supplies arms and legs. A general tendency that we have seen is that after the wind turbine warranty period expires, third party OMS providers are getting an increasing part of the after sales market as wind turbine owners are often seeing wind turbine suppliers’ OMS packages to be too expensive. Hence they use third party providers. However, as the warranty periods seem to be longer in the future, wind turbine suppliers are automatically in charge of OMS for a longer period.

Furthermore, most wind turbine suppliers have become more focused on the after sales area with the objective to become more profitable and to get higher volumes by getting more OMS agreements after the warranty period expires. One thing that supports this is the fact that the wind turbines are getting more technical sophisticated, which will require even more specialised skills for third party providers to be future players in the after sales market.

Regarding Gamesa Corporación, we are still looking at a scenario in which the company also divests its wind turbine division, Gamesa Eólica, in order to fully concentrate its efforts in developing and sale of wind farms through Gamesa Energia. It remains to be seen medium-term, whether Gamesa Corporación will be in both areas or only concentrate on Gamesa Energia.

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