

AES CORP
Form 424B5
August 14, 2017
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-209671

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION

Preliminary Prospectus Supplement dated August 14, 2017

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED FEBRUARY 23, 2016

\$500,000,000

% Senior Notes due 2027

Interest payable on and

We are offering \$500 million aggregate principal amount of % Senior Notes due 2027. We will pay interest on the notes on and of each year, beginning , 2018. The notes will mature on , 2027, unless earlier repurchased by us.

We may redeem all or a part of the notes on or after , 2022, on any one or more occasions, as described in this prospectus supplement under the caption Description of the Notes Optional Redemption. In addition, at any time prior to , 2022, we may redeem all or a part of the notes, on any one or more occasions, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus a make-whole premium as of, and accrued and unpaid interest, if any, to, but not including, the date of redemption, as described in this prospectus supplement under the caption Description of the Notes Optional Redemption. In addition, at any time, and on one or more occasions, prior to , 2020, we may redeem in the aggregate for all such redemptions up to 35% of the aggregate principal amount of the notes with the net cash proceeds from certain equity offerings at the redemption price equal to % of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the date of redemption, as described in this prospectus supplement under the caption Description of the Notes Optional Redemption.

Upon the occurrence of a change of control triggering event, you may require us to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase.

The notes will be our senior unsecured obligations ranking equally with all of our other unsecured debt and effectively junior to our secured debt, including our senior secured credit facility, and structurally subordinated to the debt and other liabilities (including trade payables) of our subsidiaries. The notes will be issued only in registered form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-11 of this prospectus supplement.

	Price to public(1)	Underwriting discount	Proceeds, before expenses, to us
Per Note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest, if any, from , 2017, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form on or about , 2017.

Joint Book-Running Managers

J.P. Morgan
Goldman Sachs & Co. LLC

Credit Agricole CIB
SOCIETE
GENERALE

Co-Managers

BNP PARIBAS

HSBC

KeyBanc Capital Markets

Loop Capital Markets

Ramirez & Co., Inc.

SMBC Nikko

The date of this prospectus supplement is , 2017.

Table of Contents**Table of contents**

	Page
<u>About This Prospectus Supplement</u>	S-1
<u>Incorporation by Reference</u>	S-1
<u>Where You Can Find More Information</u>	S-2
<u>Summary</u>	S-3
<u>The AES Corporation</u>	S-3
<u>Tender Offer</u>	S-5
<u>Company Information</u>	S-5
<u>Summary Historical Consolidated Financial Information</u>	S-6
<u>The Offering</u>	S-8
<u>Risk Factors</u>	S-11
<u>Forward-Looking Statements</u>	S-16
<u>Use of Proceeds</u>	S-19
<u>Ratio of Earnings to Fixed Charges</u>	S-20
<u>Description of the Notes</u>	S-21
<u>U.S. Federal Income Tax Consequences</u>	S-37
<u>Underwriting</u>	S-41
<u>Legal Matters</u>	S-47

We and the underwriters have not authorized anyone to provide any information other than that contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any relevant free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer or sale of notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus is accurate only as of the date appearing on the front cover of this prospectus supplement or the accompanying prospectus, as applicable, or the date of the applicable incorporated document. Our business, financial condition, results of operations and prospects may have changed since that date.

Table of Contents

About this prospectus supplement

This prospectus supplement is part of a registration statement that we filed with the Securities and Exchange Commission (the "SEC") utilizing a shelf registration process. Under this shelf registration process, we are offering to sell the notes using this prospectus supplement and the accompanying prospectus. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus gives more general information, some of which may not apply to this offering. You should read this prospectus supplement together with the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus before making a decision to invest in the notes. If the information in this prospectus supplement or the information incorporated by reference into this prospectus supplement is inconsistent with the accompanying prospectus, the information in this prospectus supplement or the information incorporated by reference into this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

Incorporation by reference

We have incorporated by reference into this prospectus supplement and the accompanying prospectus certain documents that we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. This information incorporated by reference is a part of this prospectus supplement and the accompanying prospectus, unless we provide you with different information in this prospectus supplement or the information is modified or superseded by a subsequently filed document. Any information referred to in this way is considered part of this prospectus supplement and the accompanying prospectus from the date we file that document.

This prospectus supplement and the accompanying prospectus incorporate the documents listed below that we have previously filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with the SEC's rules and regulations), which contain important information about us, our business, our financial condition and various important risks you should consider before investing in the notes:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Annual Report"), filed with the SEC on February 27, 2017;

our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 8, 2017;

our Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed with the SEC on May 8, 2017 and our Quarterly Report on Form 10-Q for the period ended June 30, 2017, filed with the SEC on August 8, 2017 (each, a "Quarterly Report" and, collectively, the "Quarterly Reports"); and

our Current Reports on Form 8-K filed with the SEC on February 24, 2017, April 24, 2017, May 15, 2017, May 24, 2017, June 1, 2017, June 29, 2017, July 18, 2017 and July 31, 2017 (solely with respect to Item 8.01).

Any reports filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") on or after the date of this prospectus supplement and before the completion of this offering of the notes will be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus and will automatically update, where applicable, and supersede any information contained in this prospectus supplement or the accompanying prospectus or incorporated by reference into this prospectus supplement and the accompanying prospectus. Unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we have furnished or may from time to time furnish with the SEC is or will be incorporated by reference into, or otherwise included in, this prospectus supplement or the accompanying prospectus.

Table of Contents

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at <http://www.sec.gov>, from which you can access our filings with the SEC.

We have filed a registration statement on Form S-3 with the SEC with respect to the notes offered hereby. This prospectus supplement and the accompanying prospectus do not contain all of the information included in the registration statement, and you should refer to the registration statement and its exhibits for that information.

Any statement contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein concerning, describing or summarizing the provisions of any document filed with the SEC is not necessarily complete, and is qualified in its entirety by reference to the full text of the document filed.

You may obtain, at no cost, copies of each of the documents incorporated by reference into this prospectus supplement or the accompanying prospectus (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference in that filing) by writing or telephoning the office of Assistant Counsel, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia, 22203, telephone number (703) 522-1315.

Table of Contents

Summary

The following summary contains certain information about us and the offering of the notes. It does not contain all of the information that may be important to you in making a decision to invest in the notes. We urge you to carefully read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, including our financial statements and related notes. You should also read the sections entitled Risk Factors and Forward-Looking Statements in this prospectus supplement, our Annual Report, our Quarterly Report and any subsequently filed Exchange Act reports for a discussion of important risks that you should consider before investing in the notes.

Unless otherwise indicated or the context otherwise requires, the terms AES, we, our, us and the Company refer to The AES Corporation, including all of its subsidiaries and affiliates, collectively. The term The AES Corporation or Parent Company refers only to the parent, a publicly held holding company, The AES Corporation, excluding its subsidiaries and affiliates.

The AES Corporation

We are a diversified power generation and utility company organized into six market-oriented Strategic Business Units (SBUs): US (United States), Andes (Chile, Colombia, and Argentina), Brazil, MCAC (Mexico, Central America and Caribbean), Europe, and Asia.

Strategy

We are focused on the following priorities:

Leveraging Our Platforms

Focusing our growth in markets where we already operate and have a competitive advantage to realize attractive risk-adjusted returns

- 4,759 megawatts (MW) currently under construction

 - Represents \$9.0 billion in total capital expenditures

 - Majority of AES \$1.6 billion in equity already funded

 - Expected to come online through 2021

- Completed 122 MW conversion at Dominican Power Partners in the Dominican Republic

- Completed \$2.0 billion non-recourse financing for 1,384 MW Southland re-powering project in California

- Will continue to advance select projects from our development pipeline

Reducing Complexity

Exiting businesses and markets where we do not have a competitive advantage, simplifying our portfolio and reducing risk

In 2017, announced the sale or shutdown of 3,737 MW of merchant coal-fired generation in Ohio and Kazakhstan

Table of Contents

Performance Excellence

Striving to be the low-cost manager of a portfolio of assets and deriving synergies and scale from our businesses

Expect to achieve a total of \$400 million in savings through 2020

Includes overhead reductions, procurement efficiencies and operational improvements

Expanding Access to Capital

Optimizing risk-adjusted returns in existing businesses and growth projects

Building strategic partnerships at the project and business level with an aim to optimize our risk-adjusted returns in our business and growth projects

Adjust our global exposure to commodity, fuel, country and other macroeconomic risks

Allocating Capital in a Disciplined Manner

Maximizing risk-adjusted returns to our shareholders by investing our free cash flow to strengthen our credit and deliver attractive growth in cash flow and earnings

In 2017, prepaid \$300 million of Parent Company debt

In July, closed the acquisition of sPower, the largest independent solar developer in the United States

Business lines & strategic business units

Within our six SBUs, as discussed above, we have two lines of business. The first business line is generation, where we own and/or operate power plants to generate and sell power to customers, such as utilities, industrial users, and other intermediaries. The second business line is utilities, where we own and/or operate utilities to generate or purchase, distribute, transmit and sell electricity to end-user customers in the residential, commercial, industrial and governmental sectors within a defined service area. In certain circumstances, our utilities also generate and sell electricity on the wholesale market.

Generation

We currently own and/or operate a generation portfolio of 29,770 MW, excluding the generation capabilities of our integrated utilities. Our generation fleet is diversified by fuel type. As a percentage of installed capacity, coal and natural gas each account for 29% and 35%, respectively, of our generating capacity. Renewables, including hydro, wind and energy storage, represent 31% of our generating capacity and oil, diesel and petroleum coke comprise the rest.

Performance drivers of our generation businesses include types of electricity sales agreements, plant reliability and flexibility, fuel costs, fixed-cost management, sourcing and competition.

Utilities

Edgar Filing: AES CORP - Form 424B5

AES seven utility businesses distribute power to more than 9 million people in three countries. AES two utilities in the United States also include generation capacity totaling 6,314 MW. The utility businesses have a variety of structures, ranging from integrated utility to pure transmission and distribution businesses.

S-4

Table of Contents

In general, our utilities sell electricity directly to end-users, such as homes and businesses, and bill customers directly. Key performance drivers for utilities include the regulated rate of return and tariff, seasonality, weather variations, economic activity, reliability of service and competition.

Tender offer

In connection with this offering, we have commenced a tender offer (the **Tender Offer**) to purchase for cash up to a total of \$217 million aggregate principal amount of our 8.00% senior notes due 2020 (the **Outstanding Notes**), of which \$445 million aggregate principal amount is currently outstanding. The Tender Offer is scheduled to expire at 11:59 p.m., New York City time, on September 11, 2017, unless extended or earlier terminated. We have reserved the right, but are under no obligation, to increase or decrease the total principal amount of the Outstanding Notes to be purchased in the Tender Offer.

The Tender Offer is subject to the satisfaction of certain conditions, including, but not limited to, the consummation of this offering. Nothing in this prospectus supplement shall be construed as an offer or solicitation to purchase the Outstanding Notes, which is taking place by means of a separate offer to purchase. We intend to use the net proceeds from this offering to fund the Tender Offer and to pay certain related fees and expenses. We intend to use any remaining net proceeds from this offering after completion of the Tender Offer to retire certain of our outstanding indebtedness.

Company information

We were incorporated in the State of Delaware in 1981. Our principal executive office is located at 4300 Wilson Boulevard, Arlington, Virginia 22203, and our telephone number is (703) 522-1315.

The name **AES** and our logo are AES owned trademarks, service marks or trade names. All other trademarks, trade names or service marks appearing in or incorporated by reference into this prospectus supplement or the accompanying base prospectus are owned by their respective holders.

Table of Contents**Summary historical consolidated financial information**

The table below presents our summary historical consolidated financial information for the periods presented, which should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and related notes in our Annual Report and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and our unaudited condensed consolidated financial statements and related notes in our Quarterly Report, which are incorporated by reference herein.

The summary consolidated balance sheet data as of June 30, 2017 have been derived from our unaudited condensed consolidated financial statements incorporated by reference into this prospectus supplement. The summary consolidated statement of operations data for each of the years in the three-year period ended December 31, 2016 have been derived from our audited consolidated financial statements incorporated by reference into this prospectus supplement. The summary consolidated statement of operations data for each of the six-month periods ended June 30, 2017 and 2016 have been derived from our unaudited condensed consolidated financial statements incorporated by reference herein. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for the period.

Operating results for the six months ended June 30, 2017 are not necessarily indicative of those to be expected for the full fiscal year. Our historical results for any prior period are not necessarily indicative of results to be expected for any future period.

(\$ in millions)	Six months ended		Years ended December 31,		
	2017	June 30, 2016	2016	2015	2014 (audited)
Statement of Operations Data:					
Revenue:					
Regulated	3,364	3,141	6,629	6,852	7,852
Non-Regulated	3,598	3,359	6,957	7,303	8,272
Total revenue	6,962	6,500	13,586	14,155	16,124
Cost of Sales:					
Regulated	(3,066)	(2,898)	(6,078)	(5,764)	(6,615)
Non-Regulated	(2,633)	(2,519)	(5,075)	(5,533)	(6,529)
Total cost of sales	(5,699)	(5,417)	(11,153)	(11,297)	(13,144)
Operating margin	1,263	1,083	2,433	2,858	2,980
General and administrative expenses	(103)	(95)	(194)	(196)	(187)
Interest expense	(681)	(732)	(1,431)	(1,344)	(1,451)
Interest income	190	255	464	460	320
Loss on extinguishment of debt	5	4	(13)	(182)	(261)
Other expense	(48)	(29)	(103)	(58)	(65)
Other income	87	25	65	82	121
Gain on sale of businesses	(48)	30	29	29	358

Table of Contents

(\$ in millions)	Six months ended		Years ended December 31,		
	2017	June 30, 2016	2016	2015	2014 (audited)
Goodwill impairment expense				(317)	(164)
Asset impairment expense	(258)	(394)	(1,096)	(285)	(91)
Foreign currency transaction gains (losses)	(8)	4	(15)	107	11
Other non-operating expense			(2)		(128)
Income from continuing operations before taxes and equity in earnings of affiliates	399	151	137	1,154	1,443
Income tax expense	(160)	(90)	188	(472)	(371)
Net equity in earnings of affiliates	9	14	36	105	19
Income from continuing operations	248	75	361	787	1,091
Income (loss) from operations of discontinued businesses, net of income tax expense of 0, 3, 9, 7 and (71), respectively		(6)	(19)	(25)	111
Net loss from disposal and impairments of discontinued businesses, net of income tax expense (benefit) of 0, 401, 266, 0 and (4), respectively		(382)	(1,119)		(55)
Net income (loss)	248	(313)	(777)	762	1,147
Noncontrolling interests:					
Less: (Income) from continuing operations attributable to noncontrolling interests	(219)	(43)	(364)	(456)	(386)
Less: Net loss attributable to redeemable stocks of subsidiaries			11		
Plus: Loss from discontinued operations attributable to noncontrolling interests					8
Total net income attributable to noncontrolling interests	(219)	(43)	(353)	(456)	(378)
Net income attributable to The AES Corporation	29	(356)	(1,130)	306	769