



# BRAEMAR

## ENERGY VENTURES

**RI Business Plan Competition's  
Green Track Workshop**

**Scott E. DePasquale  
Attracting Venture Capital**

*March 10, 2010*

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- I. About Braemar – *Who we are*
  
- II. State of the Markets – *VC Statistics*
  
- III. Attracting Venture Capital – *What to Expect*

# Braemar Energy Ventures Highlights



- A venture capital firm devoted to financing companies that use *advanced energy technologies* to *more efficiently utilize conventional and alternative energy sources*
- Team with one of the longest histories in the sector:
  - 10 person team in Boston and New York; Investments in over 50 companies; Investing since the mid 1980's
- Team with perhaps the best record of investment returns in the energy/industrial VC sector:
  - 22 exits (11 IPOs and 11 trade sales)
  - Initial investor in some of the most well known names in energy including A123 (NASDAQ:AONE), EnerNOC (NASDAQ:ENOC), Ballard Fuel Cells (NASDAQ:BLDP), AstroPower (purchased by GE), Electronic Ballast (purchased by Philips Lighting)
- Currently investing out of Braemar Energy Ventures II, LP:
  - One of the largest venture capital funds devoted exclusively to energy technology
  - Backed by leading institutional investors from the US, Europe and Asia

## Braemar Portfolio Companies:





## Industry Veterans with a Global Perspective

**Mohammad A. Al-Ramadhan** – President, KPC Energy Ventures, Kuwait Petroleum Corporation

**John Anderson** – Former Head of energy practice at Rocky Mountain Institute; former Head of R&D at the National Energy Renewable Laboratory

**The Rt. Honorable Tim Eggar** – Former UK Energy Minister under Prime Ministers Major and Thatcher; CEO Monument Oil and Gas and Chairman AGIP UK

**David Fitzsimmons** – Former CEO of International Oil Trading at BP, President of BP, Asia and Group Vice President and Commercial Director responsible for BP's Gas, Power and Renewable businesses

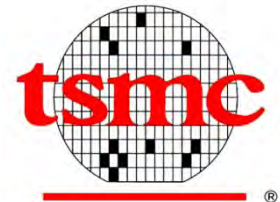
**Robert Gillham** – Former Head of the Global Power and Environmental Group at JPMorgan Chase and Vice Chairman of Scott-Macon, Ltd.

**Eugene McGrath** – Former Chairman and CEO of Con Edison

**Dennis Schiffel** – Former CFO of Sierra Pacific Resources, Former VP of Corporate Planning of Arco

**Bruce Wrobel** – CEO of Sithe Global, a leading international independent power company

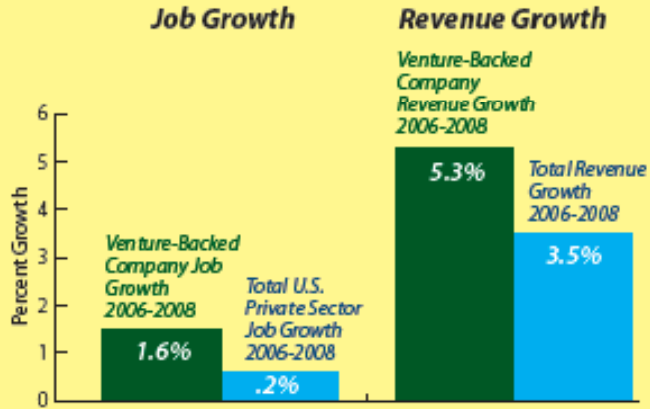
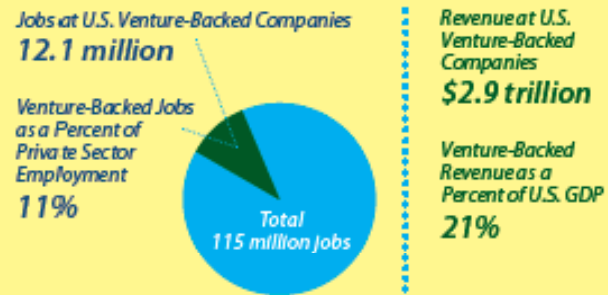
# Recent Strategic Partners and Co-Investors



# Why Venture Capital Matters to the Economy



## The Economic Impact of Venture Capital at a Glance



Total Venture Investment from 1970-2008'  
\$456 billion into 27,000+ companies

Source: NCVA, "The Economic Importance of Venture Capital-Backed Companies to the US Economy", 2009

- In 2008, nearly 3,300 U.S. companies received \$28B in venture capital; of which \$4B (~15%) was allocated to 268 "Cleantech" companies
- In 2009, overall U.S. venture funding dropped by 37%, and Cleantech related investments dropped by 52% (see next page)
- Between 2006 and 2008, revenue and job growth for venture backed companies has significantly exceeded total private sector levels
- Since 1970, 47% of all U.S. venture investments were made on the west coast, 35% on the east coast, and 18% in the central U.S.

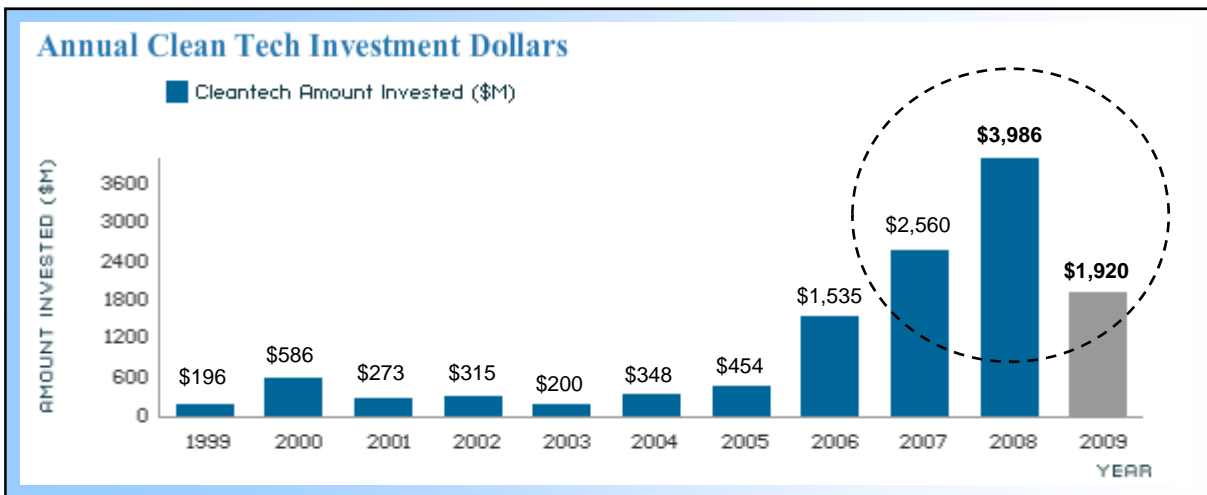


Source: The MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association, based on data from Thomson Reuters.

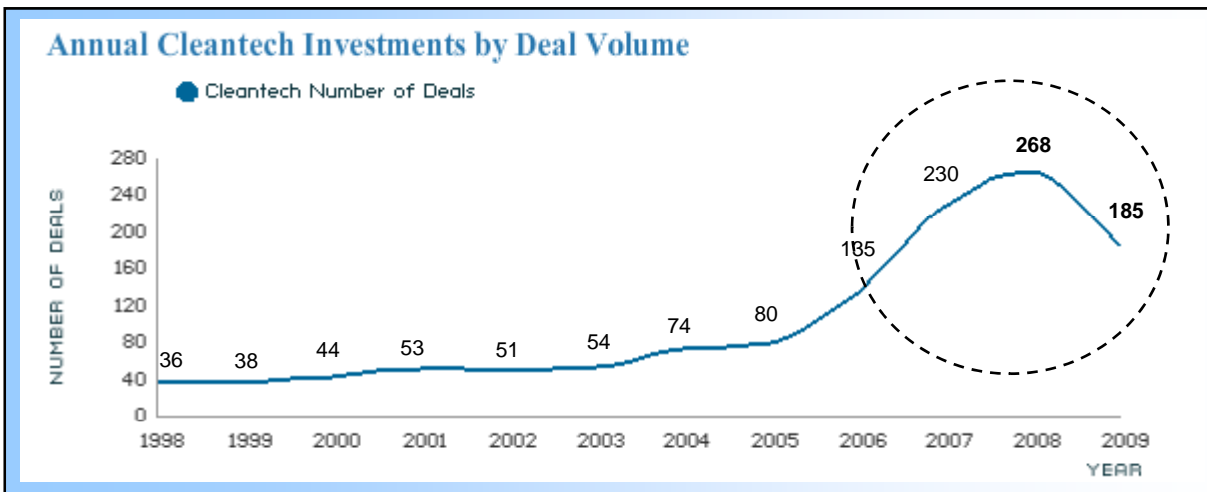
# U.S. Cleantech VC Investment is Expanding Rapidly Though still recovering from the economic downturn



Despite the economic downturn, interest in cleantech remains very robust compared to just a few years ago



52% decrease in cleantech investments for 2009, though still well above 2006 Levels



31% fewer deals in 2009, though activity still very robust

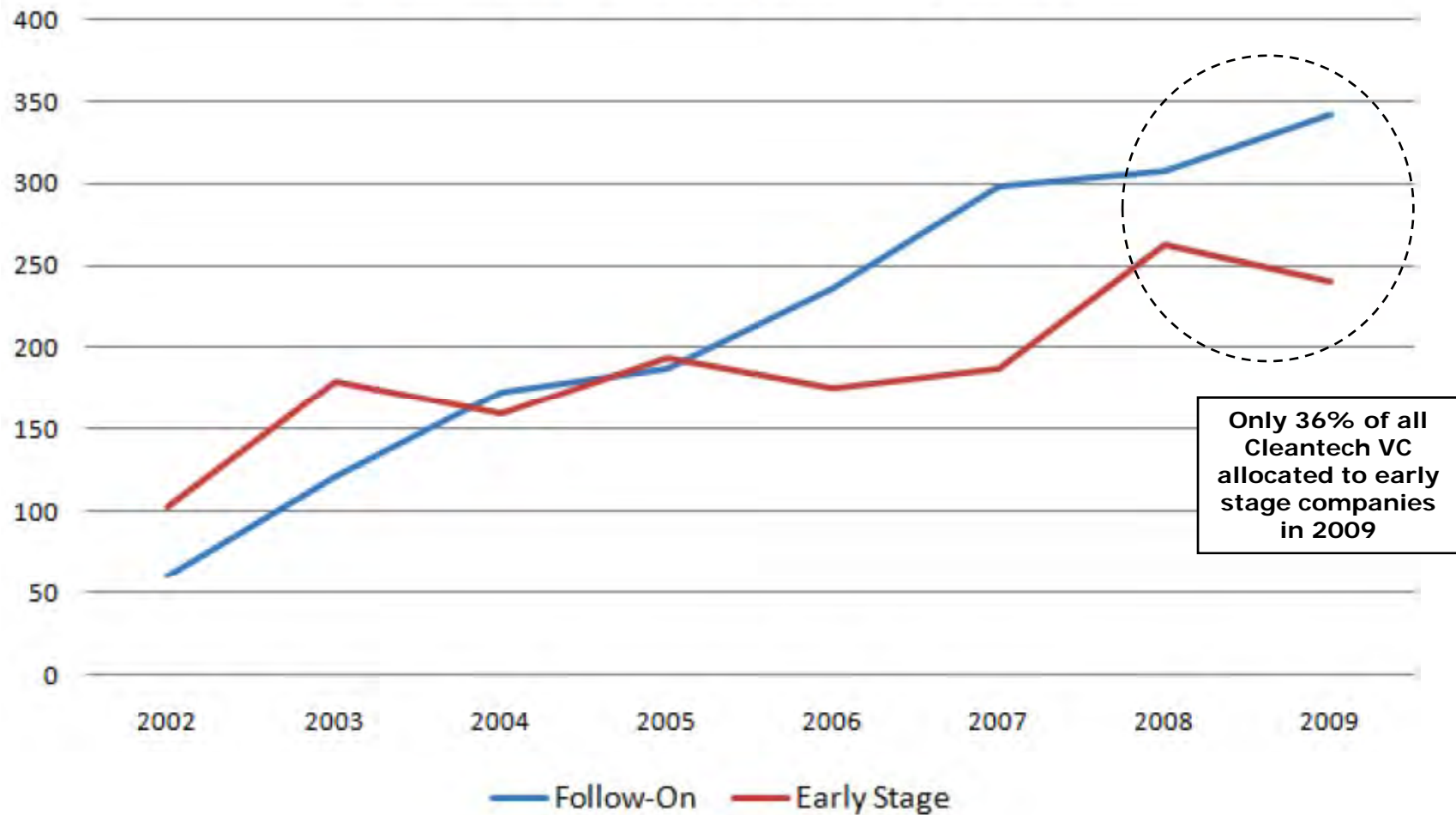
DATA SOURCE: THE MONEYTREE REPORT BY PWC AND NVCA; DATA: THOMSON REUTERS

# Early Stage Investment in Sector Has Fallen Off

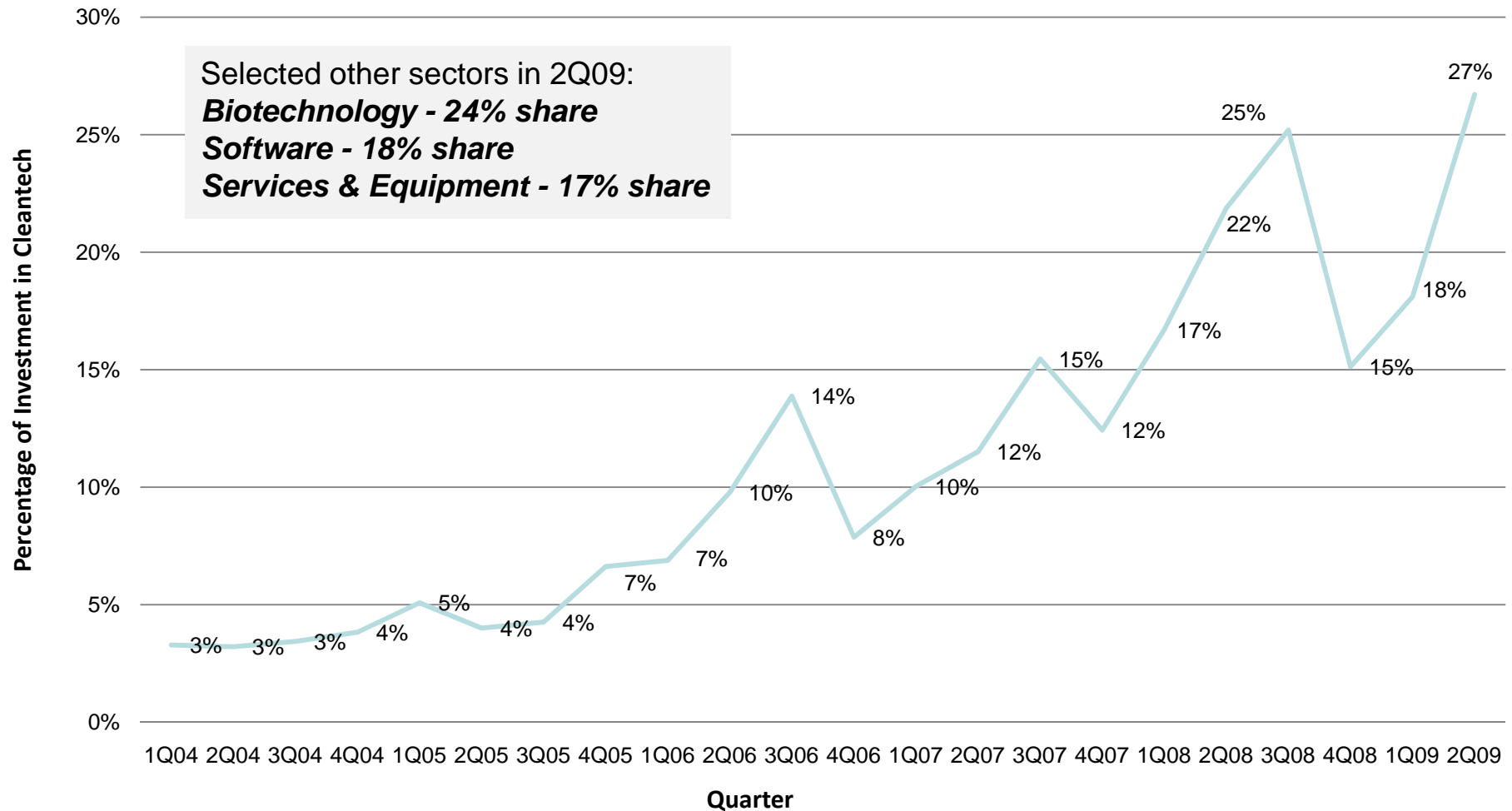
## *New Entrants Are Re-Grouping*



### Number of Cleantech VC Rounds by Stage



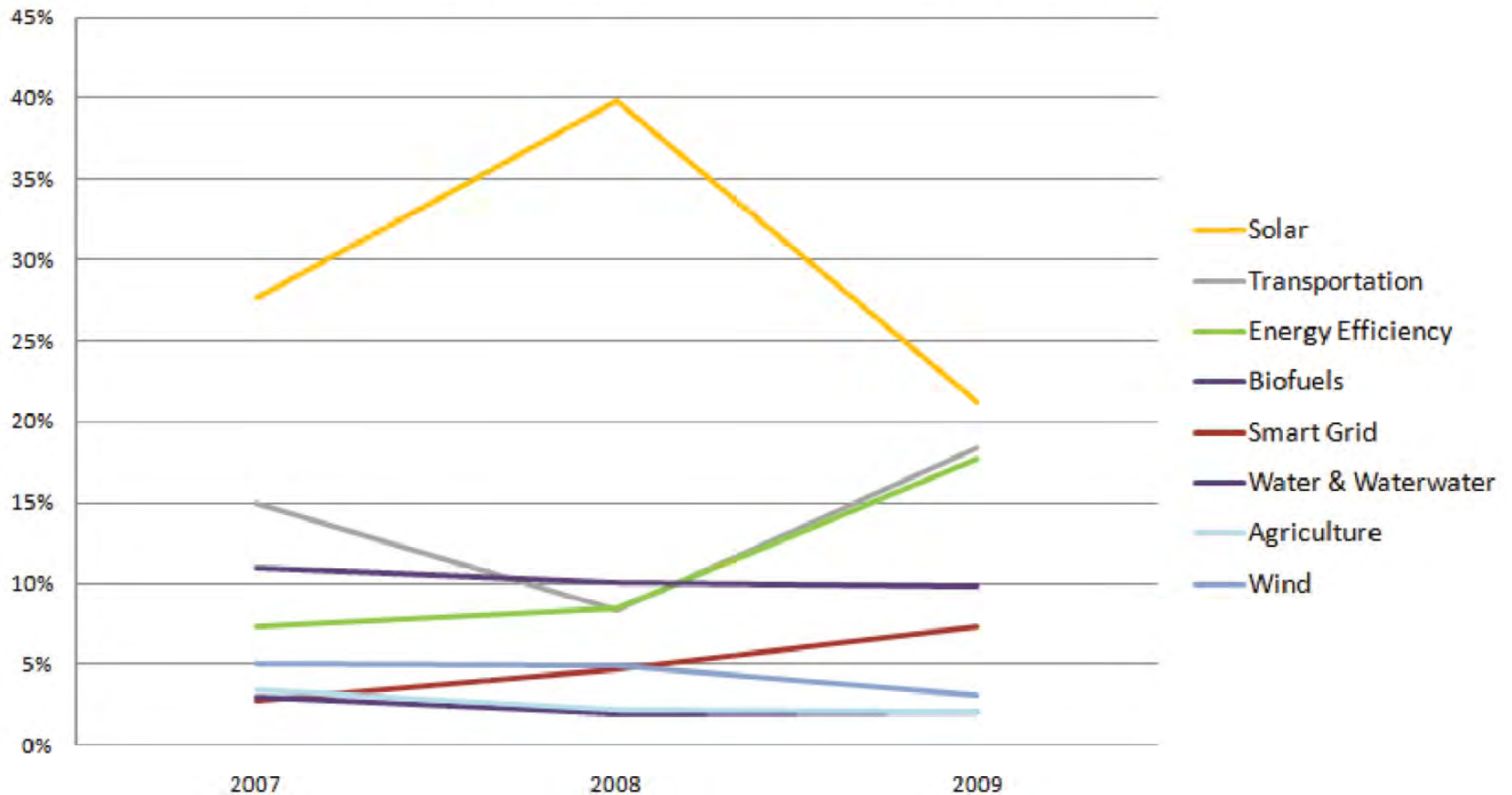
# Cleantech has Surpassed Software and Biotech Becomes the Largest US VC Category



# Cleantech VC Investment is Broadening / Shifting



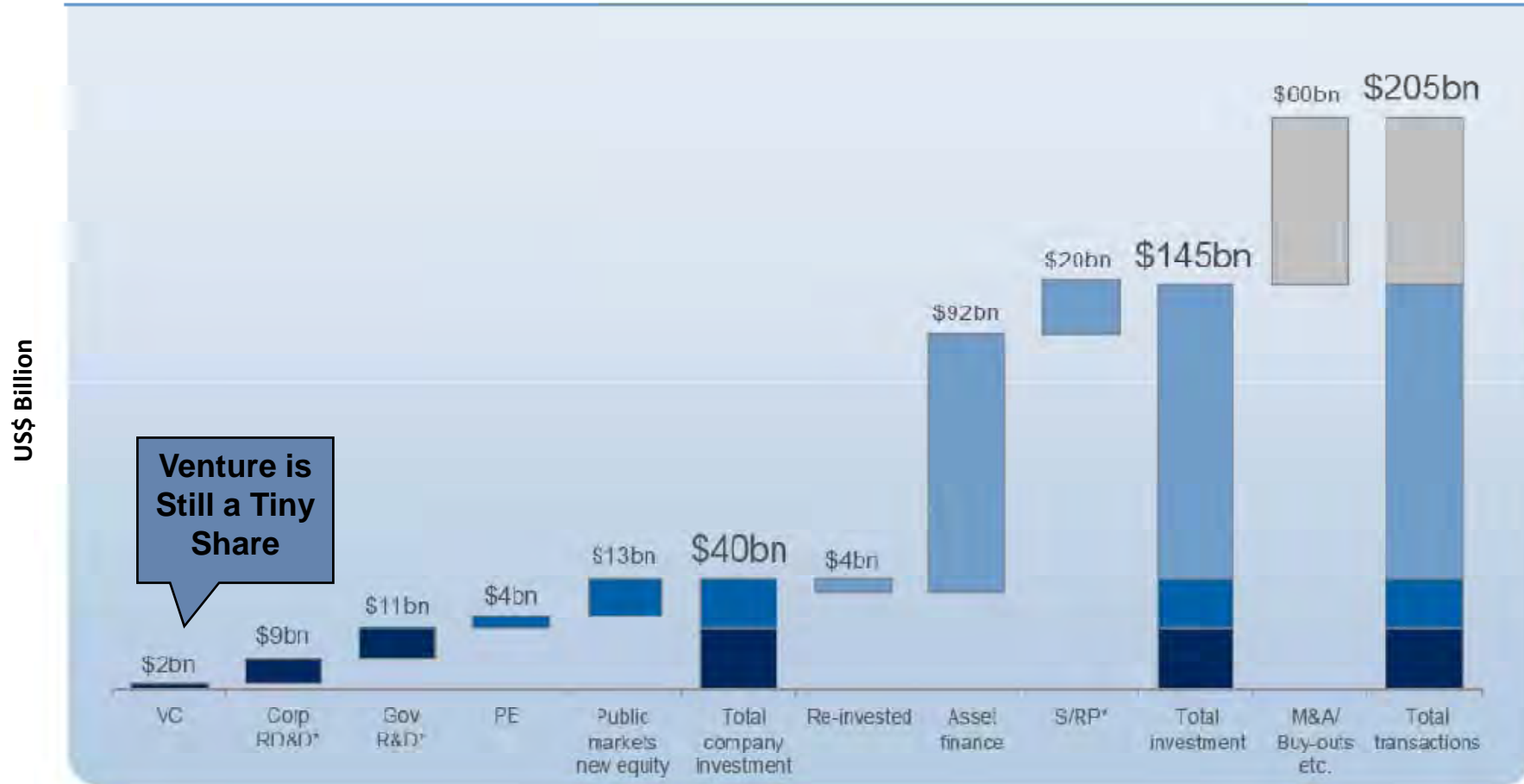
## Share of Cleantech VC Investment by Technology



# Venture Capital a Small Part of Investment in the Sector



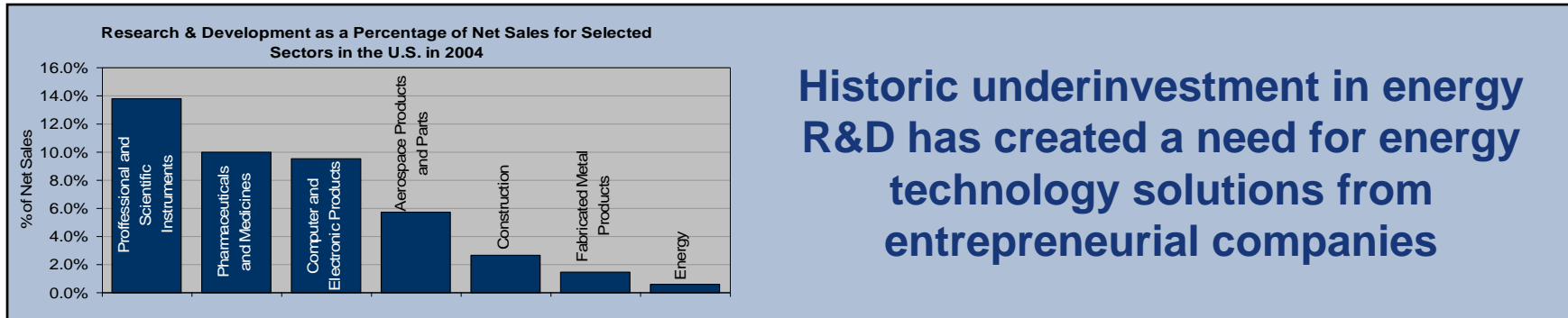
## Clean Energy Investment 2009



Note: Includes 4 quarter running average. Financial sector investment only (i.e. excludes corporate and government R&D, and residential scale projects). Not adjusted for re-invested equity. Total values include estimates for undisclosed deals.

# Corporate Cleantech Investment

## *Part of a Sustainable Long-term Trend*



**Historic underinvestment in energy R&D has created a need for energy technology solutions from entrepreneurial companies**

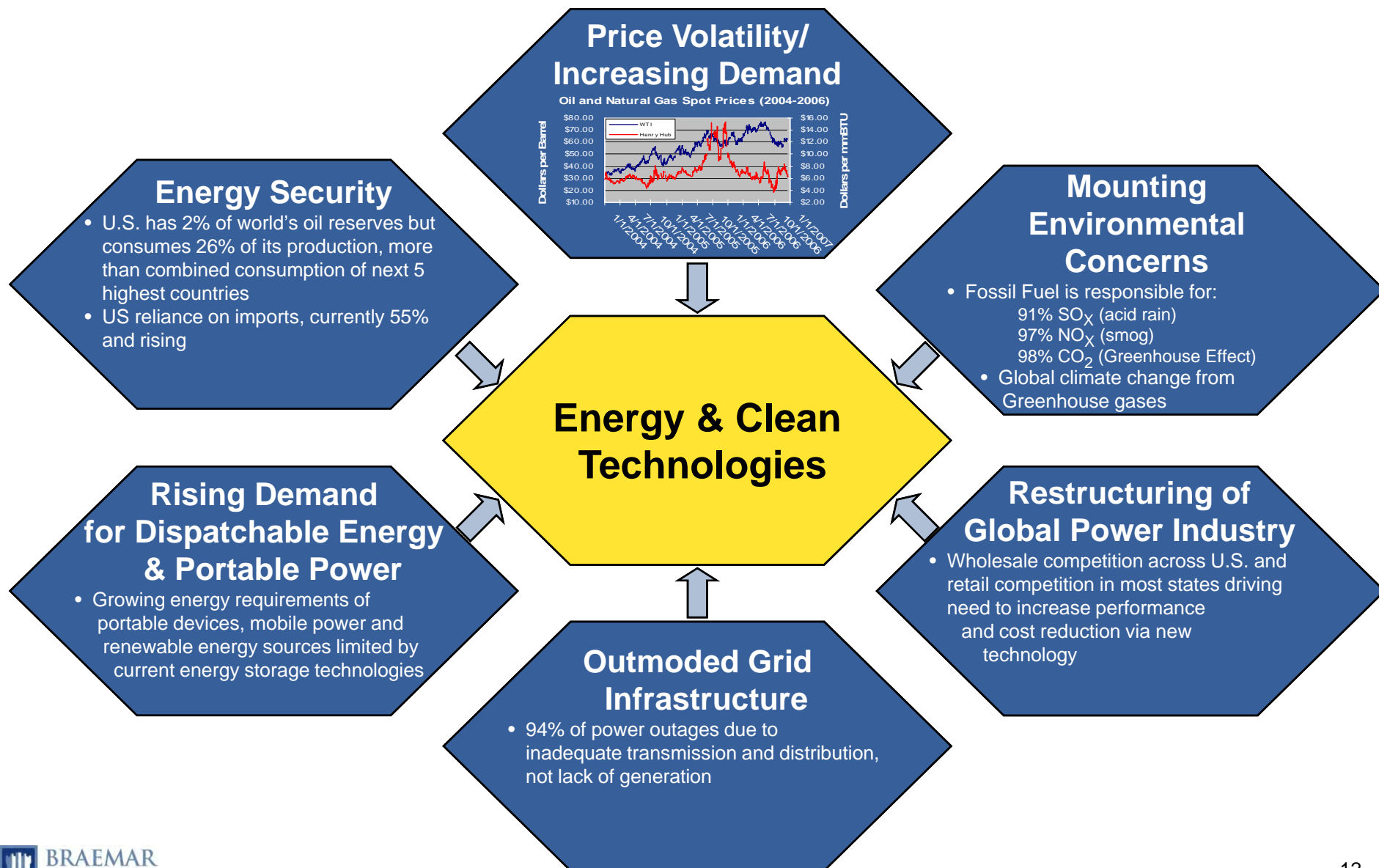


**Global awareness of the consequences of climate change is having a profound effect on corporations, government & consumers**



**Movement to a proactive strategy in a new business and regulatory landscape which values efficiency and assigns costs to pollution**

# Key Drivers of Energy Technology are Secular



## Efficiency: An Increasingly Popular Theme in Industry and Government



*“The biggest gains, in terms of decreasing the country’s energy bill, the amount of carbon dioxide we put into the atmosphere, and our dependency on foreign oil, will come from energy efficiency and conservation in the next 20 years...”*

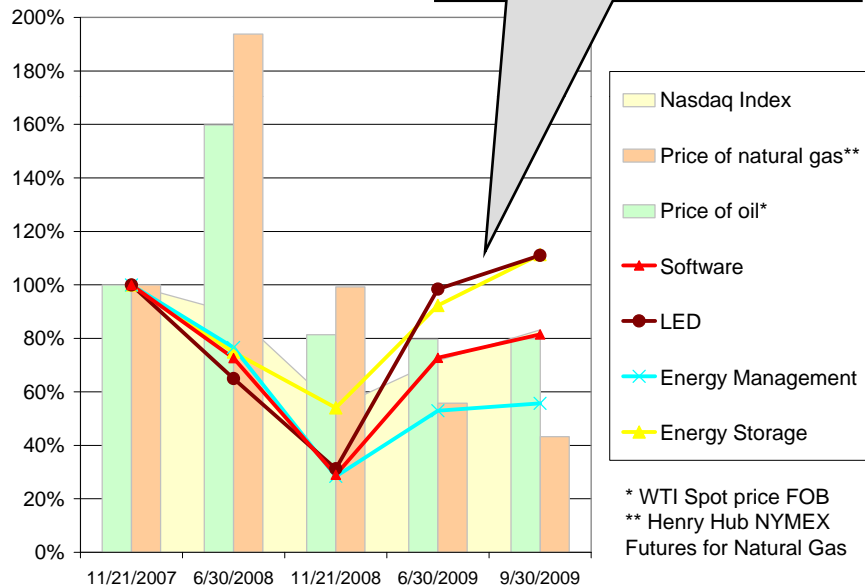
*“When it comes to saving money and growing our economy, energy efficiency isn't just low hanging fruit; it's fruit laying on the ground.”*

Steven Chu, U.S. Secretary of Energy, 2009

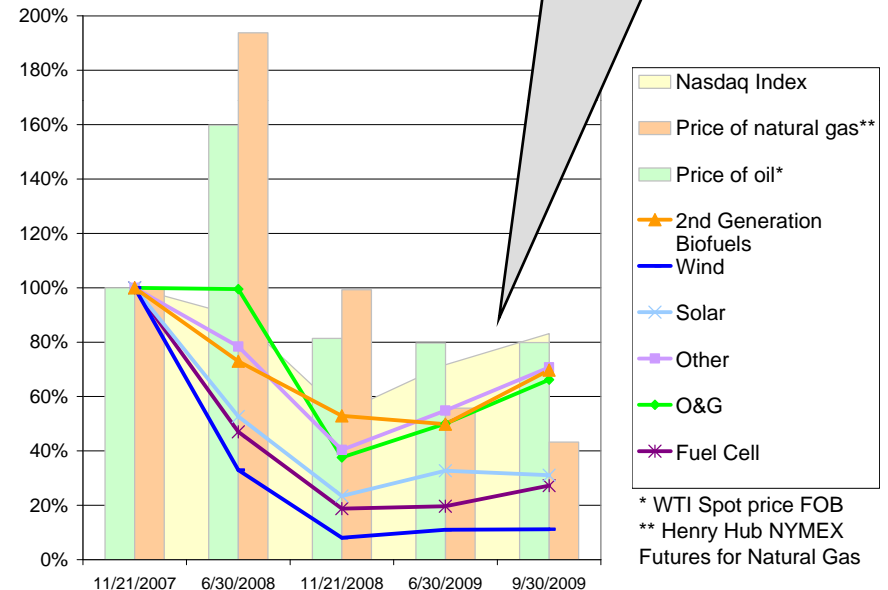
# Energy Efficiency Stocks *Leaders in the Recent Recovery*



Since the downturn's low point, energy efficiency\* stocks have recovered quickly...



...whereas energy generation and others show slower recovery



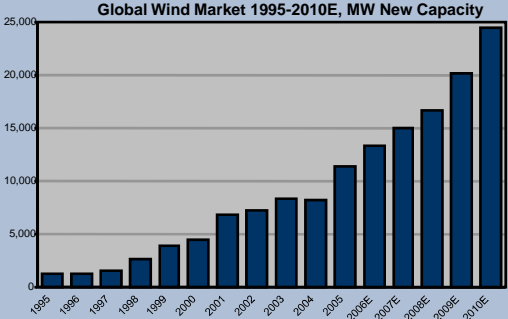
\* Includes those sectors related to energy consumption, management, and storage  
 Note: "Other" category includes compression, advanced electron beam, and vacuum coating companies; 2<sup>nd</sup> generation biofuels includes advanced biofuels, biodiesel, and cellulosic ethanol, excluding corn-based ethanol  
 Source: Capital IQ, EIA, Braemar analysis



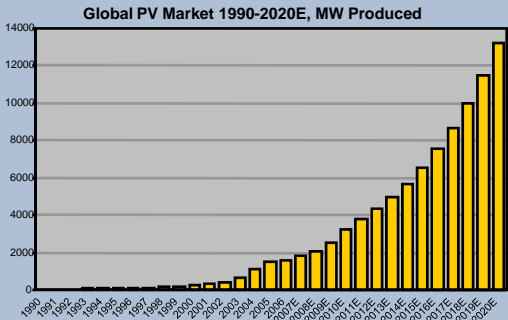
# Yet Technology Is Needed for the Whole Energy Market

## Alternative Energy Sources Are Expected to See Substantial Growth . . .

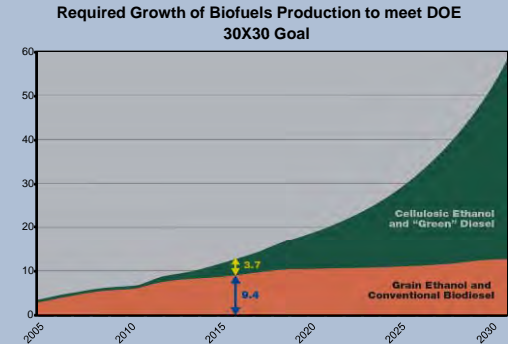
### Wind



### Solar

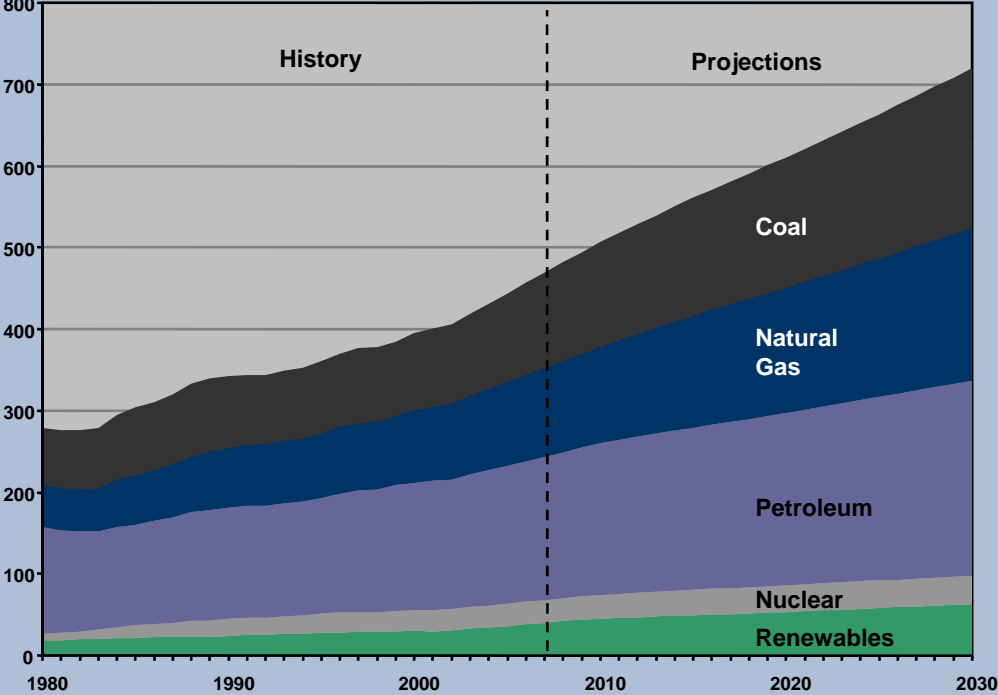


### Biofuels

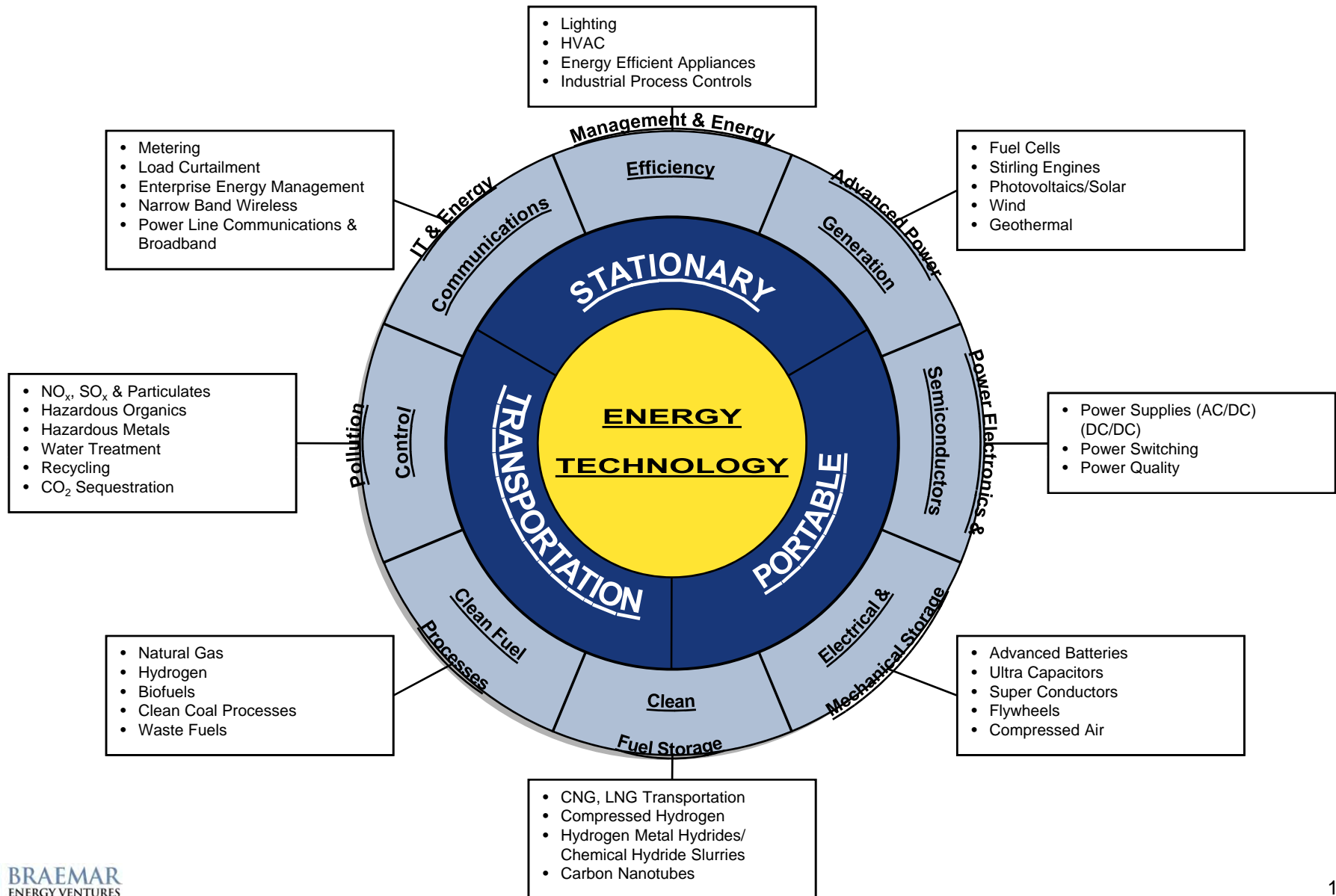


## But Traditional Energy Sources Will Remain Dominant

World Marketed Energy Use by Energy Type, 1980-2030 (quadrillion Btu)



# Opportunities Span a Broad Investment Universe



# Attracting Venture Capital



"I have not failed. I've just found 10,000 ways that won't work." - **Thomas Edison**

"The entrepreneur always searches for change, responds to it, and exploits it as an opportunity." - **Peter Drucker**

"Logic will get you from A to B. Imagination will take you everywhere." - **Albert Einstein**

"We were young, but we had good advice and good ideas and lots of enthusiasm." - **Bill Gates**

"Entrepreneurship is the last refuge of the trouble making individual." - **Natalie Clifford Barney**

"If you can't make it good, at least make it look good." - **Bill Gates**

"My son is now an 'entrepreneur'. That's what you're called when you don't have a job." - **Ted Turner**



## Typical VC Fund Model

- \$50 to \$500 million of gross capital commitments; earn ~2% management fees and 20% carried interest on returns
- Average 20+ investments in a single fund, each fund typically deployed within 5 years, closing out in 10 years
- Average investment of \$10-\$12 million (ranges from \$500K to \$30+ million)
- Top 10 percent of deals produces more than 80% of profits

## Differentiators

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- Access to top deals
  - proprietary sources
  - strong entrepreneurial network and VC community
- Expertise
  - technology evaluation
  - industry
  - organizational
- Strong Value Prop to Partners
  - ability to assist young companies
  - brand that facilitates partnering activities (hiring, sales, etc.)
- Investment Judgment
  - Where to invest
  - When to invest
  - How to invest
  - When to exit

# Venture Capital Investment Focus



## How Companies Are Evaluated

### ✓ Team

- Management...fit?
- Co-Investors

### ✓ Market

- Size, Growth & Maturity
- Value Proposition and Adoption Speed

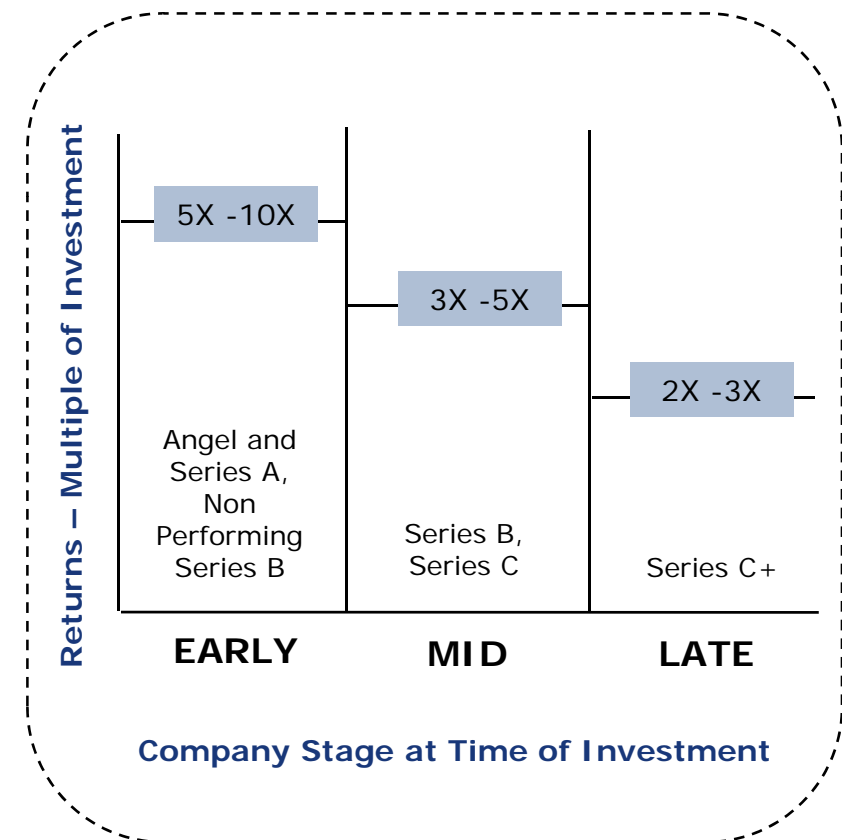
### ✓ Technology

- Value/Novelty
- Defensibility/Barriers
- Maturity

### ✓ Deal Terms / Risk Adjusted Return

- Valuation & Other Key Terms
- Viable Exit Options

## VC Return Expectations



# Preparing to Pitch a Business Plan



How VCs assess opportunities and interact with the entrepreneur sometimes depends on the stage of the company and industry served

- **Be prepared to hit the hot buttons – the story should include:**
  - Great margins
  - Home run potential (scalable!)
- **Be prepared to demonstrate the following:**
  - Character, relevant experience, expertise (track record of the key management team)
  - A clear understanding of your business
  - A clear understanding of the barriers to entry and other challenges/hurdles
  - Drive and ambition
  - A vision for growth
  - A sound business plan, with financial projections (proforma P&L, BS, CF Statements)
- **What contributions you should expect from a venture capitalist**
  - capital, both at the onset as well support over the growth cycle of the business
  - network of business professionals and team building skills
  - open doors with prospective customers and partners
  - active role in business model development
  - active board role; contribution to corporate governance

# Having a dialogue? What not to say...



**A humorous but all too accurate assessment of the VC mindset**  
(Thanks to Guy Kawasaki!)

**Entrepreneur:** “I’m bright and ambitious”

**Investor thinks:** *That’s a relief, because I usually invest in stupid and lazy people.*

**Entrepreneur:** “I love to think of ways to solve problems”

**Investor thinks:** *Is this a high school science fair?*

**Entrepreneur:** “I have lots of great ideas, let me tell you about a couple”

**Investor thinks:** *I want to know which idea you’re going to kill yourself trying to make successful, not which ideas cross your idle mind.*

**Entrepreneur:** “I don’t know much about your firm, but I thought I’d contact you anyway”

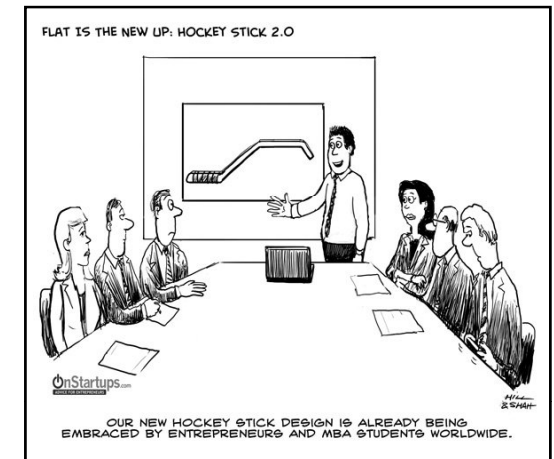
**Investor thinks:** *You’re a lazy idiot – why are you wasting my time?*

**Entrepreneur:** “I’ve always wanted to be an entrepreneur”

**Investor thinks:** *I’ve always wanted to be a professional golfer, so what if you always wanted to be an entrepreneur?*

**Entrepreneur:** “My goal is to build a world class company”

**Investor thinks:** *How about you build and ship the first product, and then we can talk about a world-class anything.*





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