Cleantech
Investing 2.0:
SJF Summit

Today and Tomorrow VC Strategies

Durham, NC September 14, 2010



SJF invests in and assists high-growth companies that positively impact the world







- Founded 1999, \$45MM under management
- Offices in NC, NYC and San Francisco, invest nationwide
- Strategy and Sectors: Target rapidly-growing companies that are positively impacting the world
  - Clean technologies, energy efficiency, renewable energy, recycling
  - Web-enhanced and business services
- Investment Size: \$1MM to \$5MM of equity, independently or with a syndicate
- Investment Stage: Expansion stage companies with revenues of \$1MM to \$20MM at an inflection point for growth



## **Cleantech: More with Less**

#### **CLEANTECH** encompasses <u>knowledge-based</u> technology products/services that:

- Provide superior performance at lower costs
- Greatly reduce or eliminate negative ecological impact
- Improve the productive and responsible use of natural resources



ENERGY: Includes Energy Generation, Storage, Infrastructure and Efficiency



TRANSPORTATION: Includes vehicles design, fuels and logistics



WATER: Includes filtration, purification, water conservation and wastewater treatment



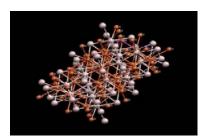
AGRICULTURE: Includes land management, natural pesticides, natural fertilizers, irrigation



AIR & ENVIRONMENT: Includes remediation, emission control, trading and offsets



RECYCLING & WASTE:
Includes various recycling services and waste treatment services.

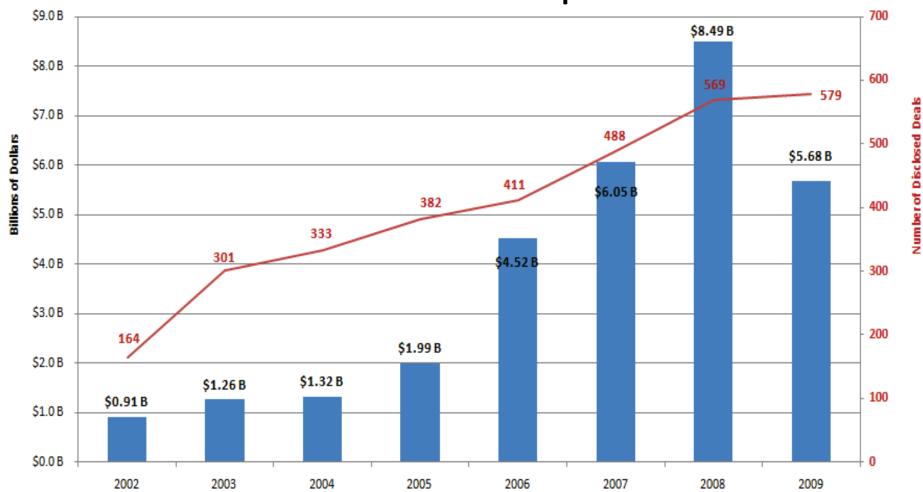


MATERIALS: Includes environmental friendly nanotech, biotech, chemical materials



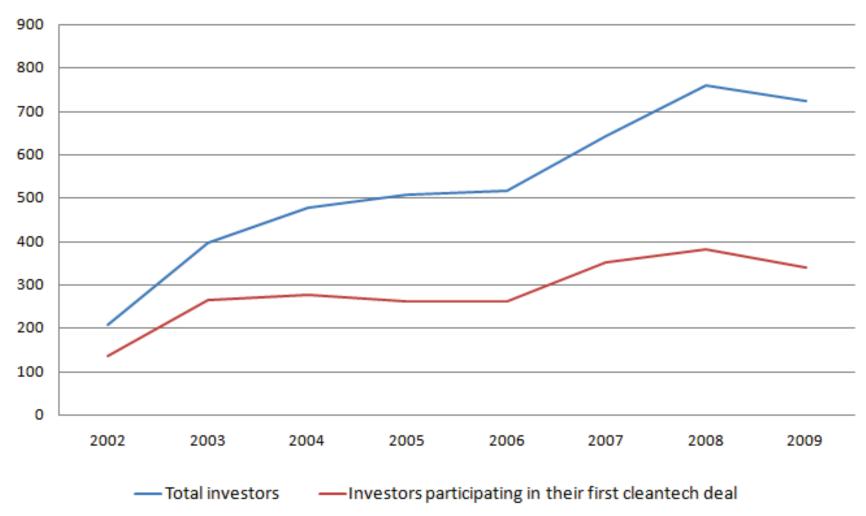
MANUFACTURING/INDUSTRIAL: Includes monitoring/control appliance and smart production industries

## **Global Cleantech Venture Capital Investment**



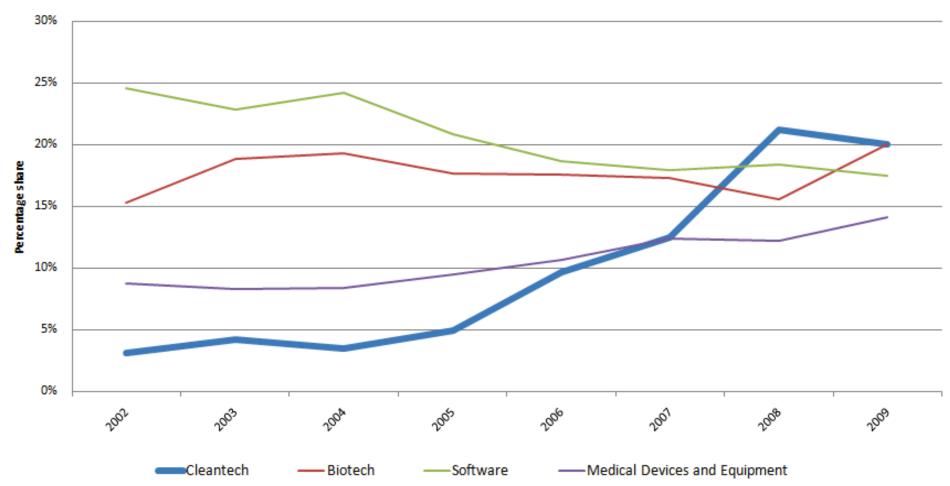


#### Number of Active Investors in Cleantech VC Globally - by Year



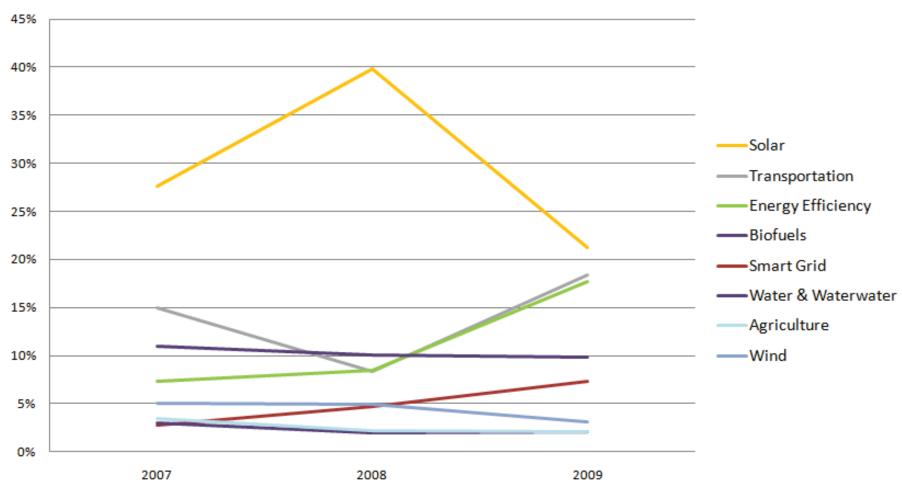


#### Share of overall VC Investment in the US





### Share of Cleantech VC Investment by Technology

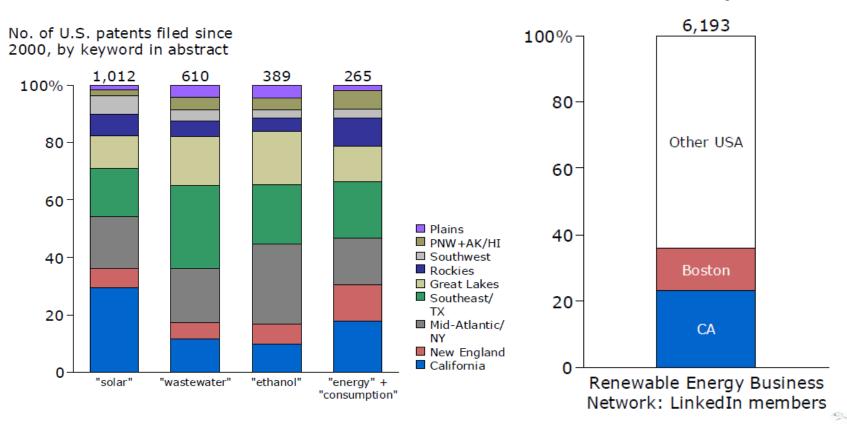




# Cleantech isn't just in CA and MA

### **Cleantech Innovation**

## **Cleantech Entrepreneurs**



Source: Rob Day, @Ventures, 2008



# Two Cleantech Investment Strategies – Both Important

## Today VC Strategy

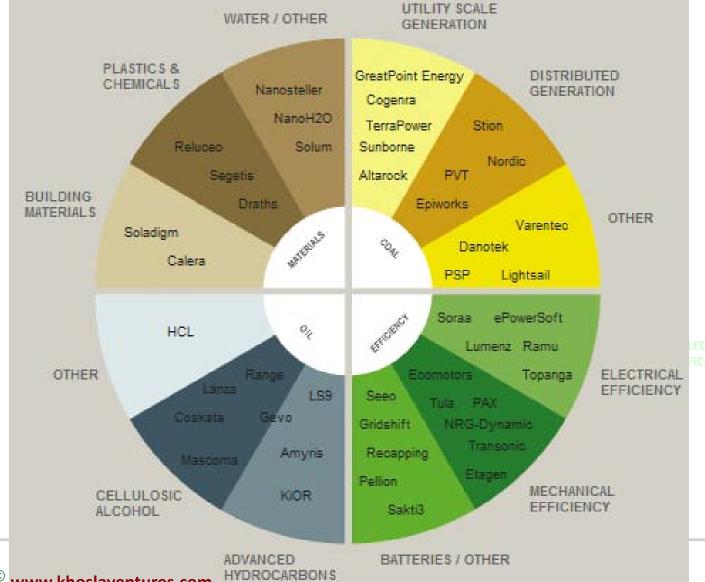
- Commercial revenues
- Execution play
- Existing markets
- Incremental
- Integrated solutions
- Capital raises < \$20MM</li>
- Exits via strategic sales

## Tomorrow VC Strategy

- Pre-revenue
- Technology play
- New or emerging markets
- Transformative
- Component innovations
- Capital raises >\$50MM
- Exits via IPOs



## **Khosla Ventures Portfolio**



## **SJF Ventures Portfolio**



Energy Efficiency & Renewables







Online
Education &
Access

Water Efficiency

High growth, sustainable strategy companies

Materials
Recycling &
Efficiency





Healthy & Sustainable Consumer



Winning Workforce Innovations







## **Market: Solar Power**

## **Today VC Strategy**

#### **Downstream solar**

- Developers, installers, integrators, distributors
- Sales, marketing, partnerships, execution enabling deployment

### **Examples**

- GroSolar (SJF)
- FLS Energy (NC)
- Southern Energy Management (NC)

## **Tomorrow VC Strategy**

### **Upstream solar**

- PV manufacturing IP, R&D and design
- Technology and efficiency breakthroughs enabling lower costs

### **Examples**

- Stion (Khosla)
- Megawatt Solar (NC)
- Sencera (NC)

Hundreds of solar manufacturing, sales, installation, maintenance jobs



# Market: Electric, Water, Building Efficiency and Control

## Today VC Strategy

### **Upgrade Infrastructure**

- Electric lines, water pipes, buildings and homes need better monitoring, fix low hanging fruit
- Monitoring and upgrading will enable future intelligence

### **Examples**

- Fieldview Solutions (SJF)
- Novinium (WA)
- Exacter (OH)

## Tomorrow VC Strategy

#### **Smart Grid**

- Control electricity, water, buildings and homes in an intelligent way
- Smart communication network required

### **Examples**

- Silver Spring Networks (CA)
- Consert (NC)
- Sequentric (NC)

Hundreds of electrical and mechanical contractor jobs as well as communication and IT jobs



## Market: Recycling and Resource Recovery

## **Today VC Strategy**

### **Resource Aggregation**

- Recycling collection, processing and reverse logistics platforms
- Enables highest valued resource recovery

### **Examples**

- CleanScapes (SJF)
- eRecyclingCorps (SJF)
- Salvage Direct (SJF)

## **Tomorrow VC Strategy**

### Resource Recovery

- Technologies that optimize byproducts from waste streams
- Typically produce energy/ biofuels, ag/building products

### **Examples**

- Harvest Power (Kleiner)
- Orbit Energy (NC)
- Waste to energy technologies

Hundreds of collection, processing and system O&M jobs



## **Cleantech Investment Outlook**

- Drivers for cleantech are here to stay
  - volatile energy prices, energy demand and supply
  - climate change
  - national security and economic competitiveness
  - population growth, consumer demand, job growth needs
- Significant opportunities exist with current innovations to achieve energy, resource and cost savings in large dirty industrial sectors
- Governments realizing that we can address climate change and economic recovery with the same strategies – creating new urgency
- Capital efficient, downstream cleantech investment strategies offer significant rewards with measured risk

# NC Prospects for Cleantech Leadership

- Renewable and energy efficiency portfolio standard
- Electric utility implementation of the standard
- \$6B per year spent on out-of-state fossil fuels
- New policies for green jobs and cleantech innovation
- Historic leadership in solar and efficiency research
- Strong entrepreneurial climate

































## **Cleantech 2.0 Observations**

- Despite few exits, venture and LP investors still committed
- 'Today strategy' offers opportunities for near term winners
- 'Tomorrow strategy' may result in transformative technologies
- Many opportunities regulatory driven, fall 2010 election uncertainty
- Rotation from upstream solar and biofuels to broader array of opportunities... efficiency, transportation, water, green building
- Jobless recovery creating more focus on green jobs and enterprise
- Global competition means more focus at the federal and state level required for US and the Southeast to be competitive



## THANK YOU!

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