

Cleantech Ventures: A Maturing Asset Class

Wolfgang Seibold, Earlybird Venture Capital

Heidelberg – April 22, 2010

EARLYBIRD

Earlybird at a Glance

- Independent partnership founded 1997
- Currently €425m under management
- Previous funds generating superior returns including 6 IPOs and 7 trade sales, strong exit pipeline
- Stable team: partners more than 10 years with Earlybird
- Leveraging European Venture markets characterized by growing pool of quality deals at reasonable entry valuations
- Latest fund in the amount of €129m closed in 2008
- Sixteen new investments made from this fund

Earlybird Focuses on Early-Stage Technology Companies

- Technology companies seeking 1st or 2nd institutional round
- Start-ups, Spin-Offs (Corporate) and Spin-Outs (Universities and Research Institutions)
- Primarily sourced from German speaking countries
- As well as from the Nordics, France, Benelux and selectively the UK, syndicated with top tier European Venture firms
- Specific sectors include Internet Services, Communication, Cleantech, Software, Semiconductors and Medtech

Cleantech Ventures: A Maturing Assets Class

Promising Developments in Cleantech Venture Industry

- Cleantech has become a key area of VC funding, globally
- Cleantech exit activity has remained relatively stable during the crisis
- Europe's share of cleantech funding is growing rapidly

Cleantech Venture Funding Moving from Energy Generation towards Efficient Use of Energy

- Solar and biofuels less dominant
- Energy efficiency, e-mobility, storage and smart grid technologies becoming key drivers for growth
- Wind energy, water treatment and agriculture still at low levels
- Waste recycling, geothermal and green biotech upcoming trends to be watched

Move towards Later Stage and Higher Capital Intensity Demands Additional Means of Funding

- General move towards later stage investments
- Cleantech has become the most capital intensive VC sector
- Will cleantech deliver sufficient returns to VC investors?

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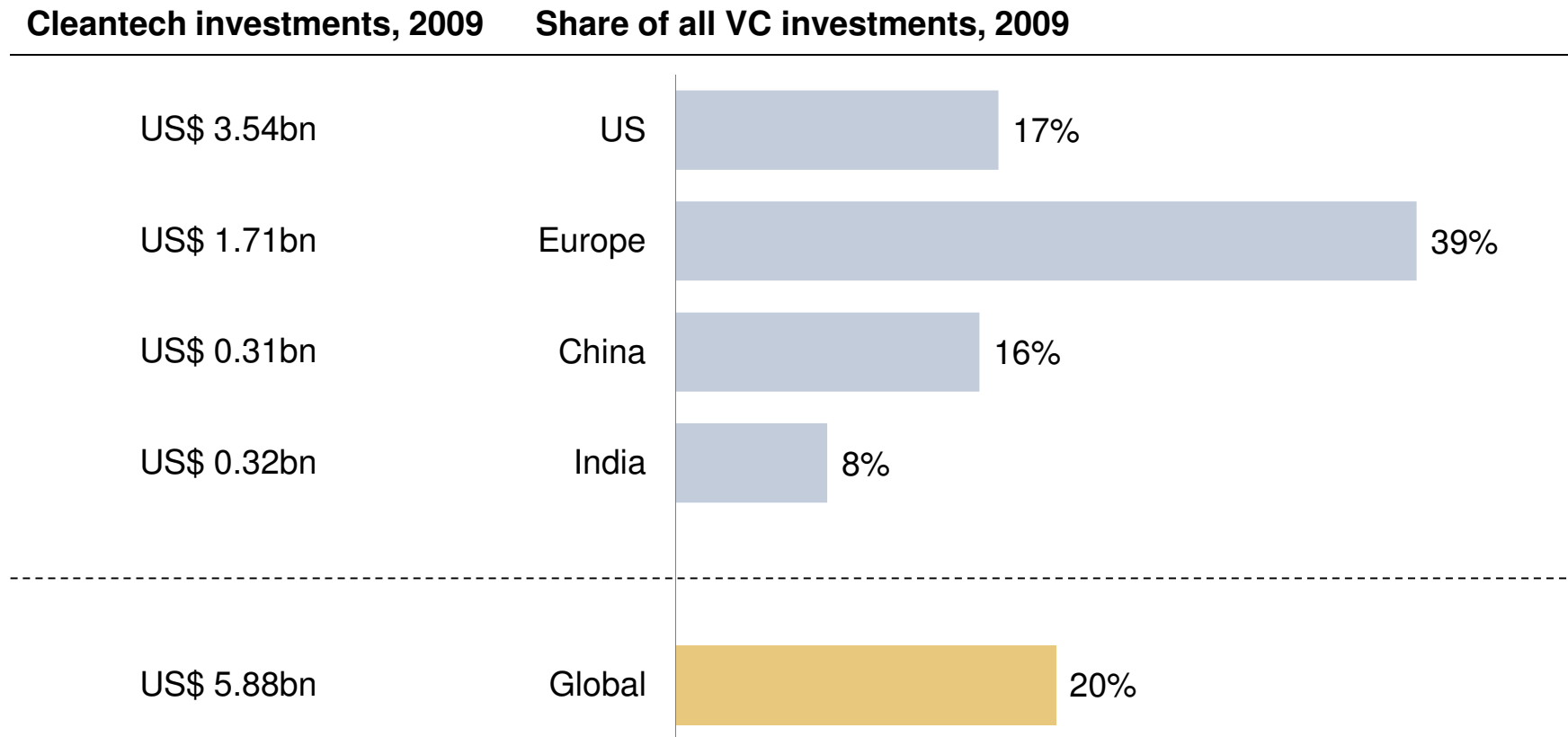
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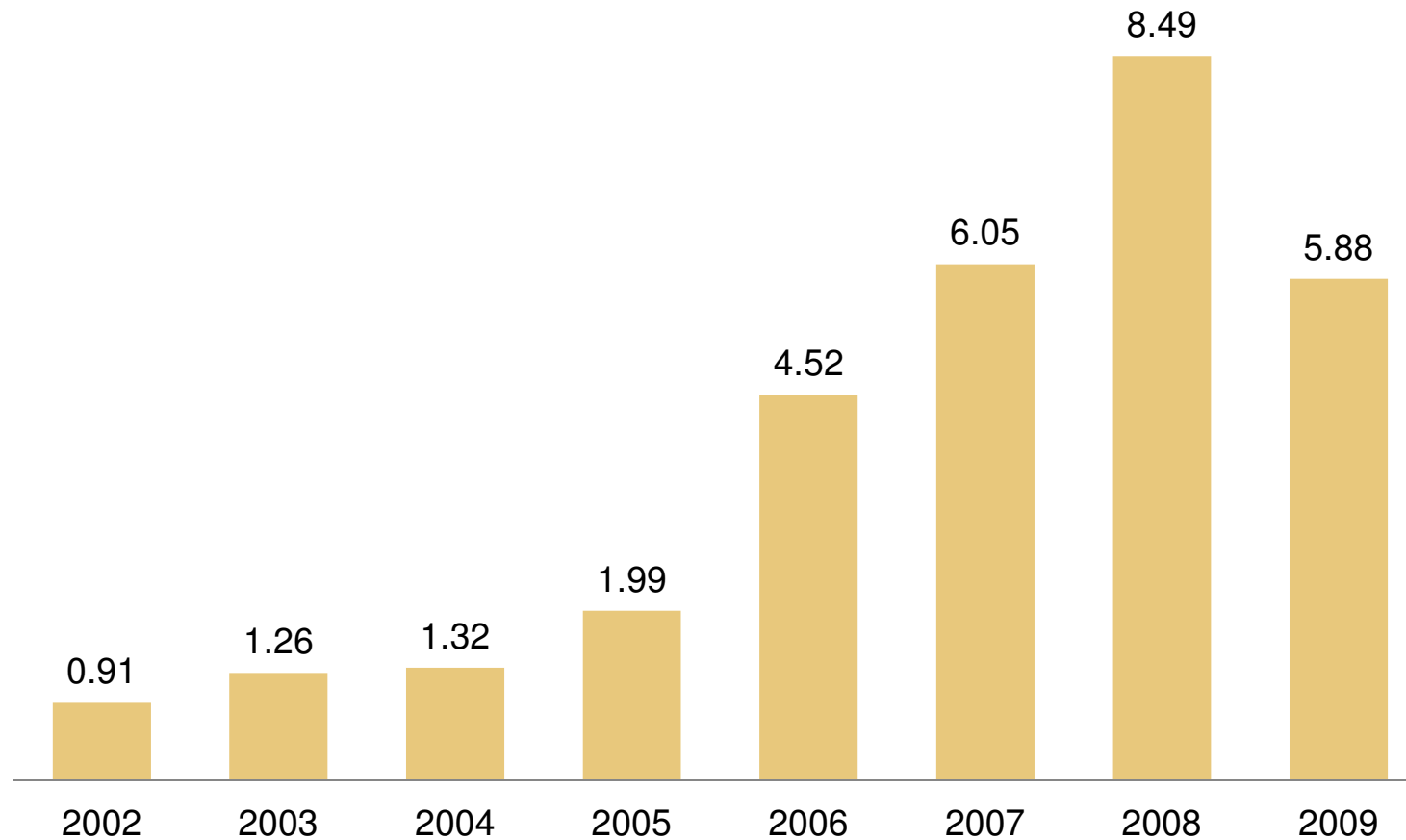
Cleantech Has Become One of the Most Important Sectors of Venture Investments



General Hesitation During Financial Crises Led to a Dip in 2009

Global Cleantech VC Investments

US\$ bn



Source: Cleantech Group Venture Investment Database

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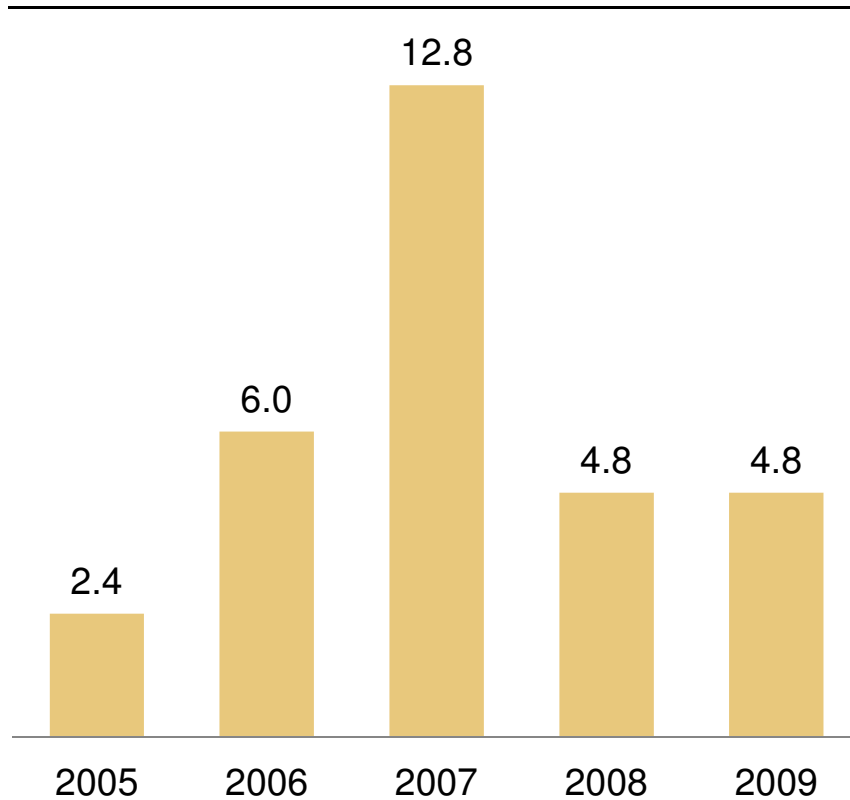
Private Capital Funding Expected to Recover in 2010 – Potentially Resulting in Record Fund Year

Key Drivers Behind Growth of Cleantech Funding

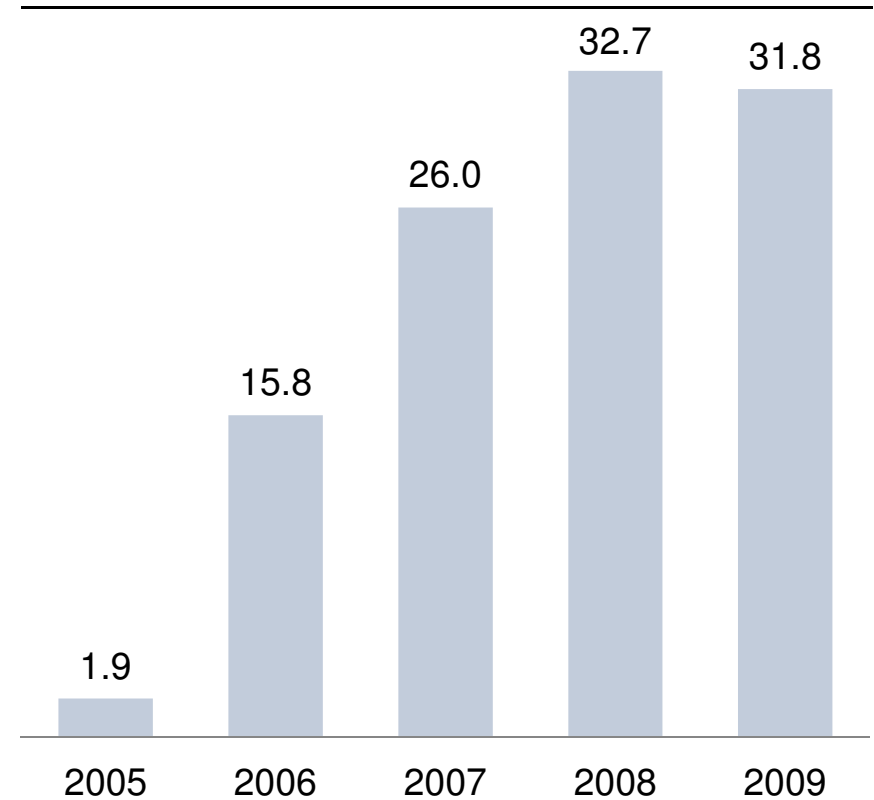
- ➔ Increasing government stimulus spending will attract more private capital into cleantech
- ➔ Valuations have come down (even in cleantech)
- ➔ Clear policy signals will drive market demand
- ➔ Cleantech companies among the first to benefit from soft opening of IPO markets in 2010
- ➔ Recovering debt funding and project finance

Cleantech Exit Activity Has Remained Relatively Stable, Even During the Crisis

Global Cleantech IPOs, amounts raised
US\$ bn



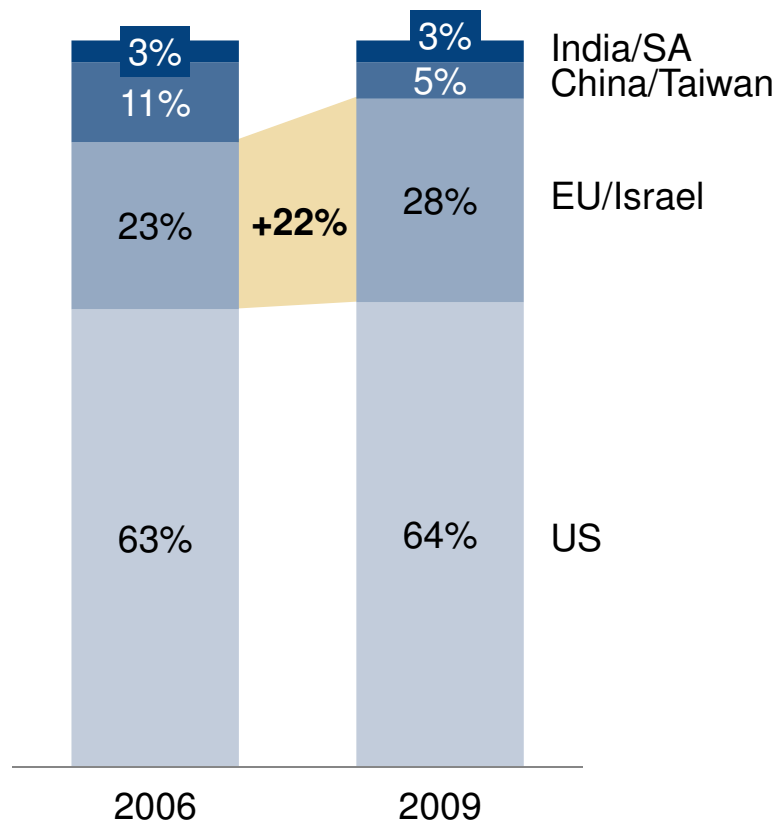
Cleantech M&A activity, worldwide transaction volumes
US\$ bn



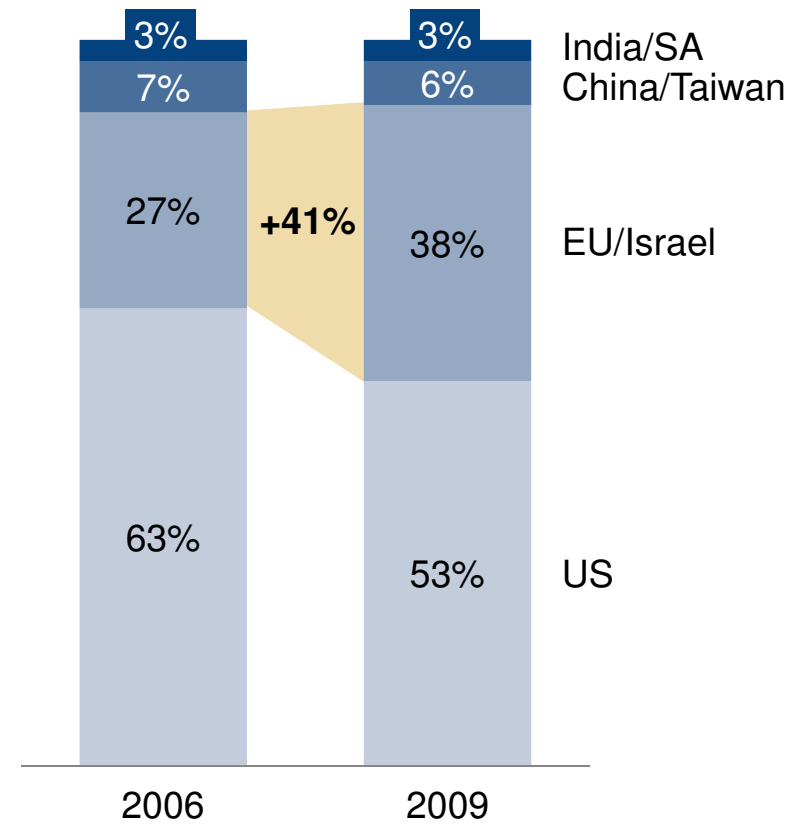
Source: Cleantech Group

Europe's Share of Global Cleantech Investments Is Growing Rapidly – Both in Amounts and in Number of Investments

Regional distribution of Cleantech Venture Funding
Amounts invested



Regional distribution of Cleantech Venture Funding
Number of deals

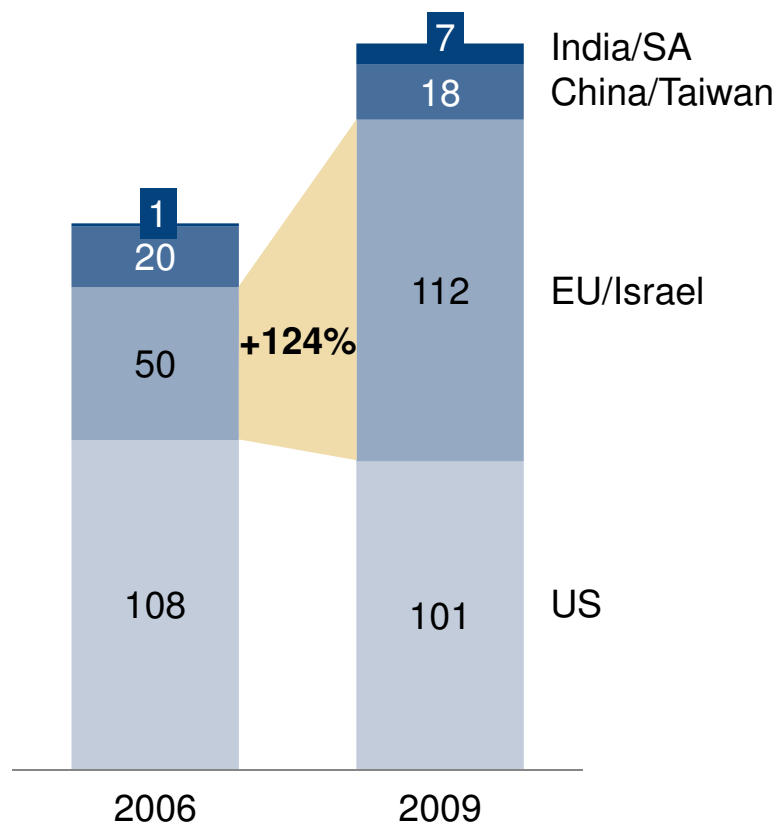


Source: Cleantech Group Venture Investment Database

Growth of European Share Largely Driven by Early-Stage Investments

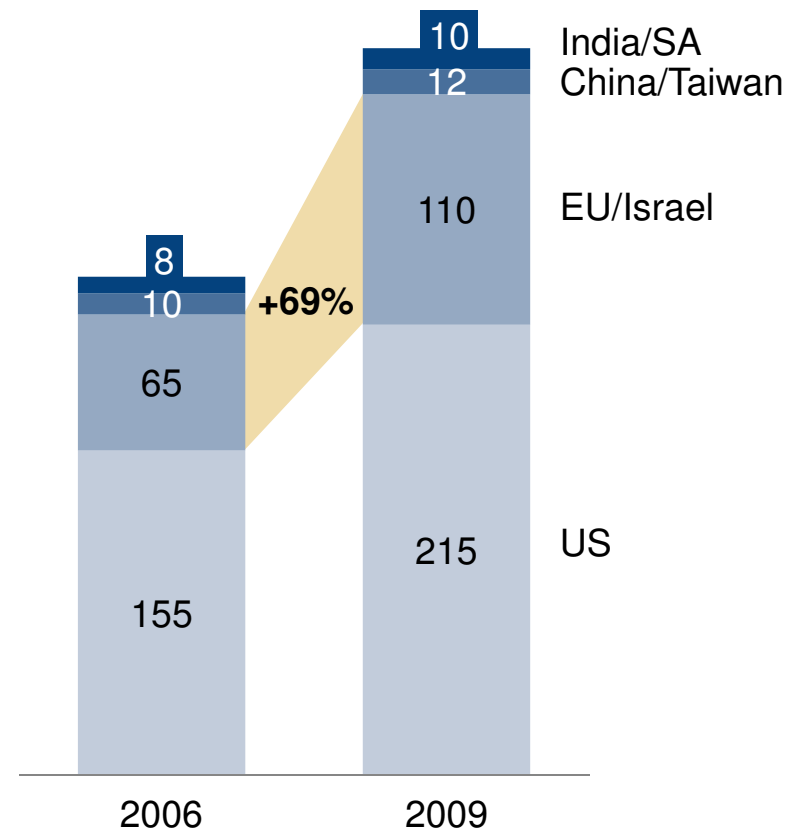
Early-stage VC deals

Number



Growth investments

Number

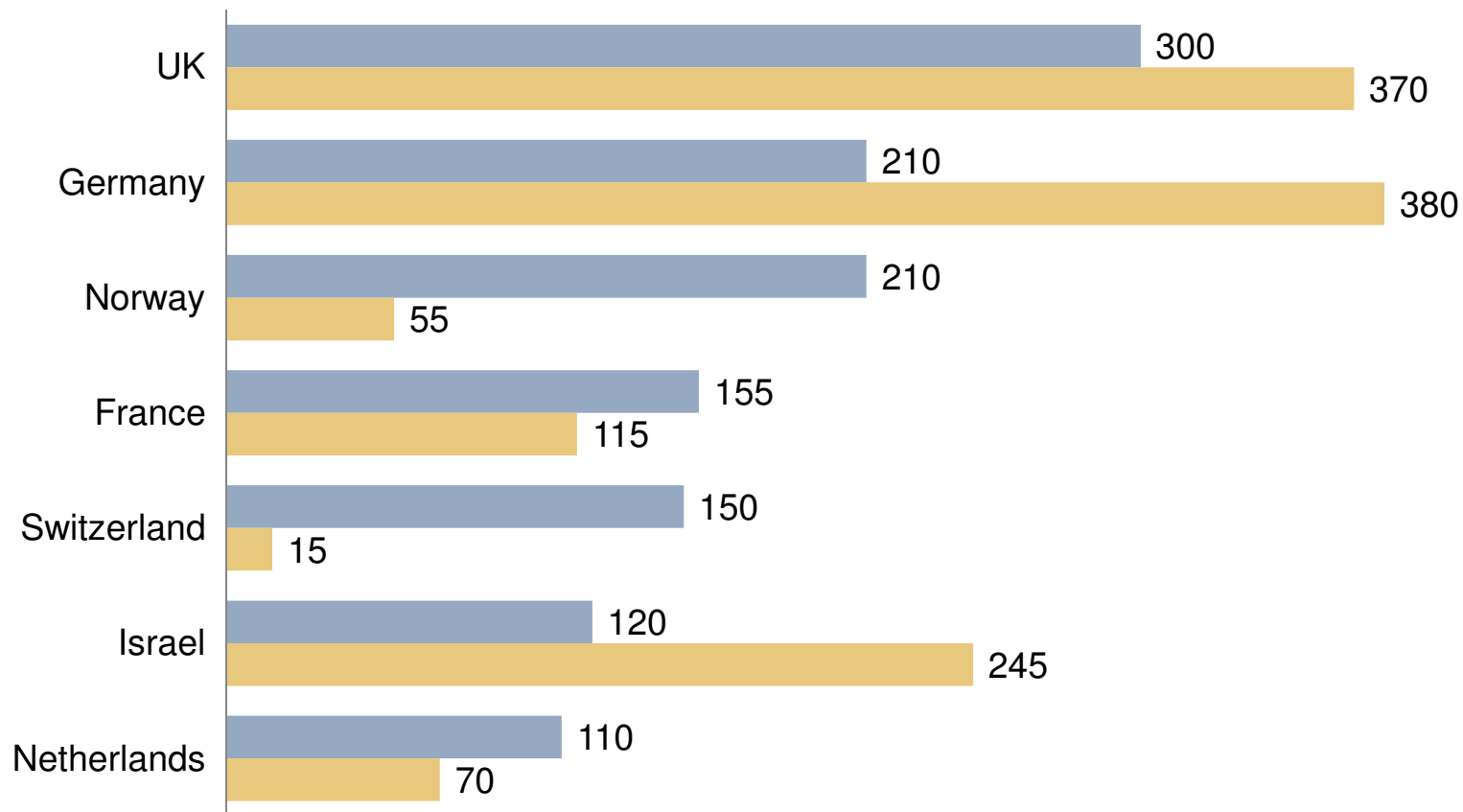


Within Europe, Germany and UK Are Fighting for the Lead

Cleantech VC investments, most active countries in Europe

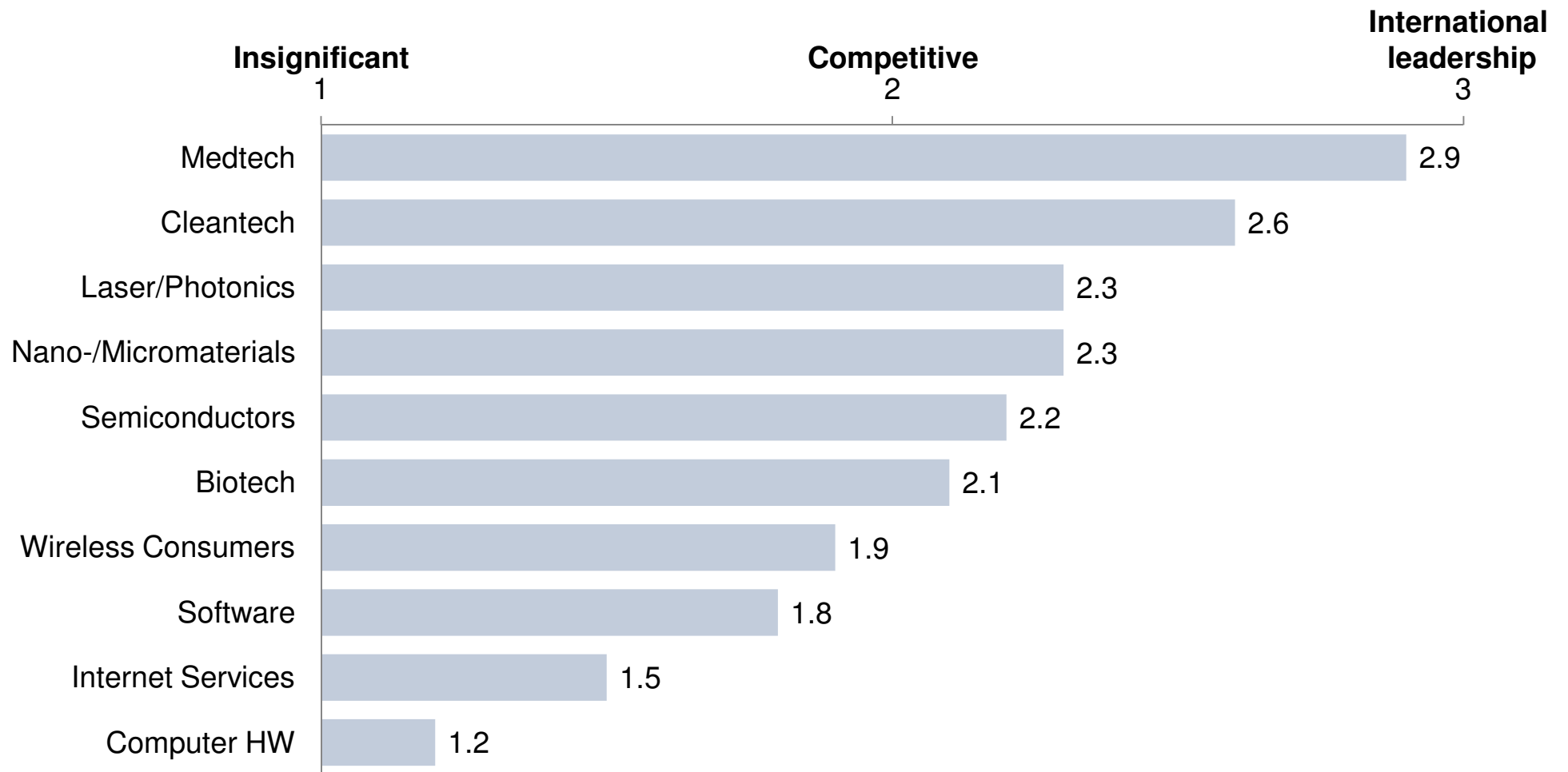
US\$

2009
2008



Cleantech, a Key Area for Innovations in Germany

Key Innovation Areas of Germany



Source: FHP survey, 2004

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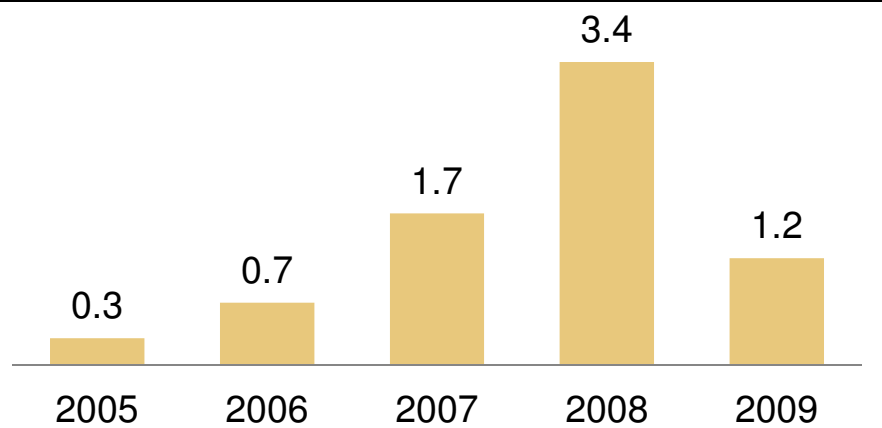
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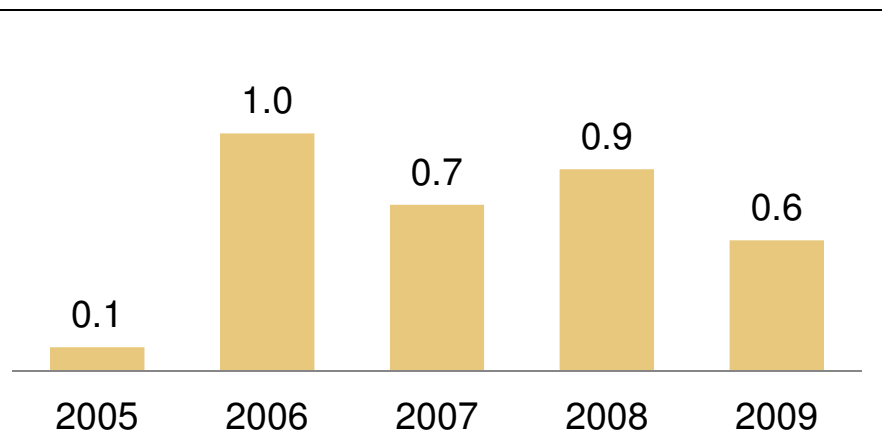
Solar and Biofuels Loosing Significance







Solar
US\$ bn



-  Thin Film PV
-  Crystalline Silicon PV
-  Concentrated Solar Thermal
-  Concentrated PV
-  Solar Services

Biofuels
US\$ bn



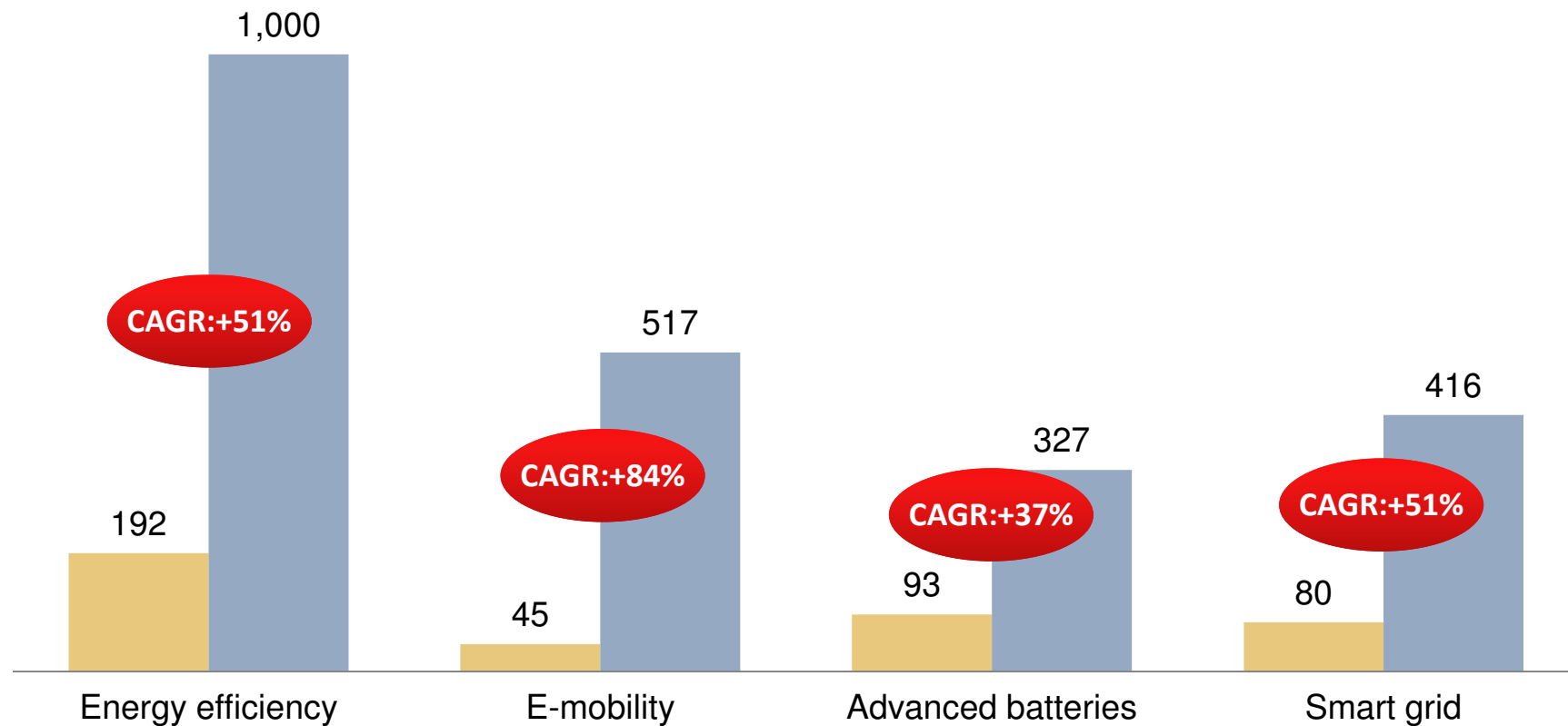
-  Grain Ethanol
-  Biodiesel
-  Cellulosic Ethanol
-  Biomass
-  Biogas
-  Algae Biodiesel

Source: Cleantech Group Venture Investment Database, Earlybird Analysis

While Energy Efficiency, E-Mobility, Storage and Smart Grids Are Driving the Growth of the Industry ...

US\$ m

2005
2009

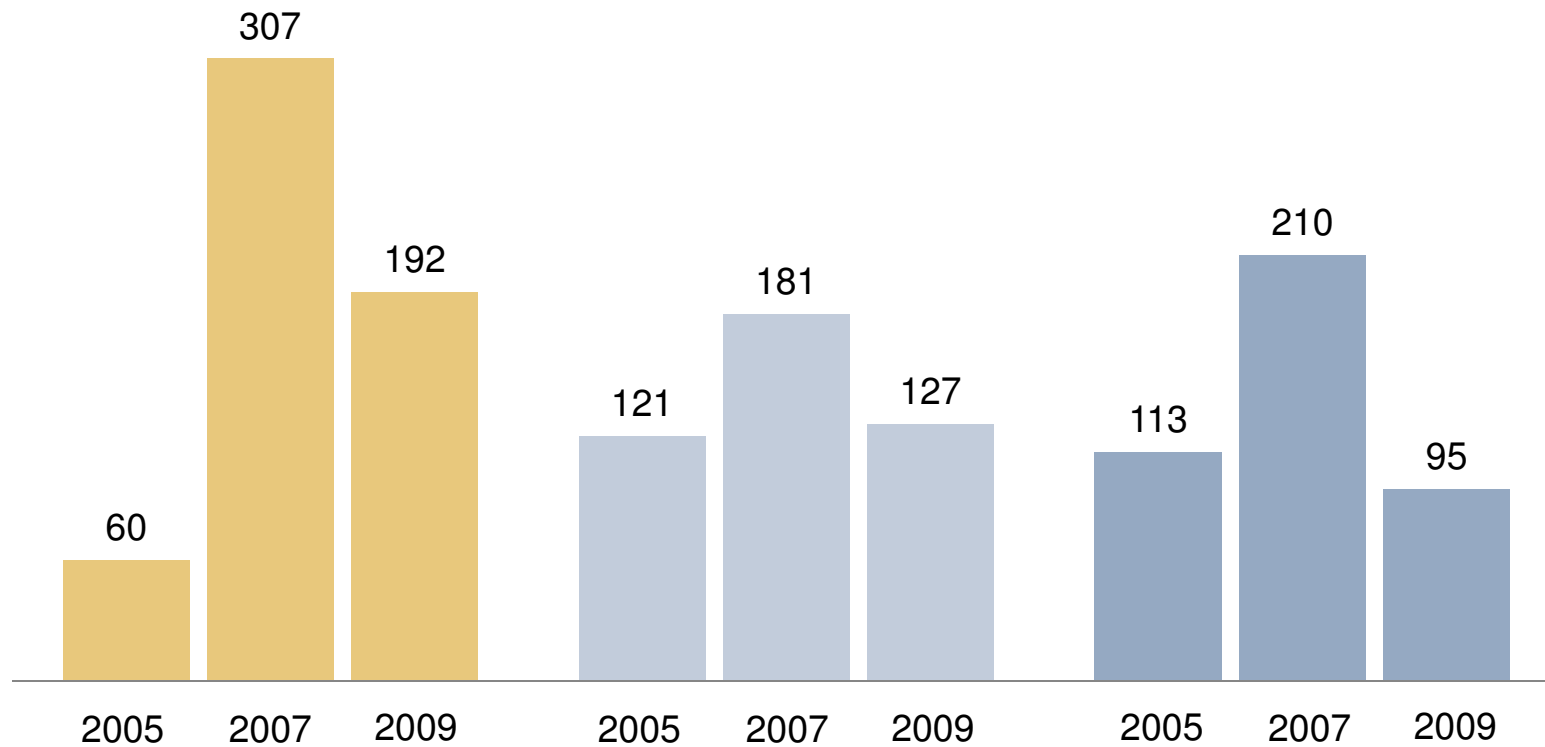
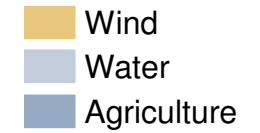


Source: Cleantech Group

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... No Major Growth from Wind Energy, Water Technologies and Agriculture Innovations

US\$ m



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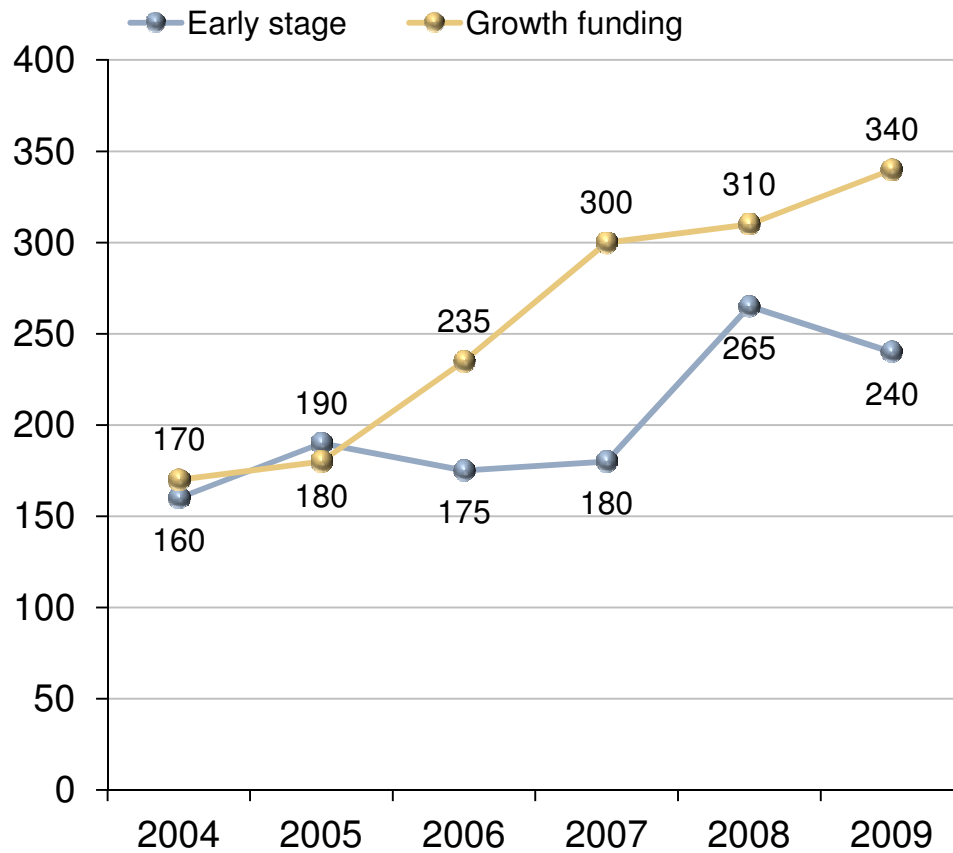
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Global Cleantech VC Investments Moving Towards Later Stage

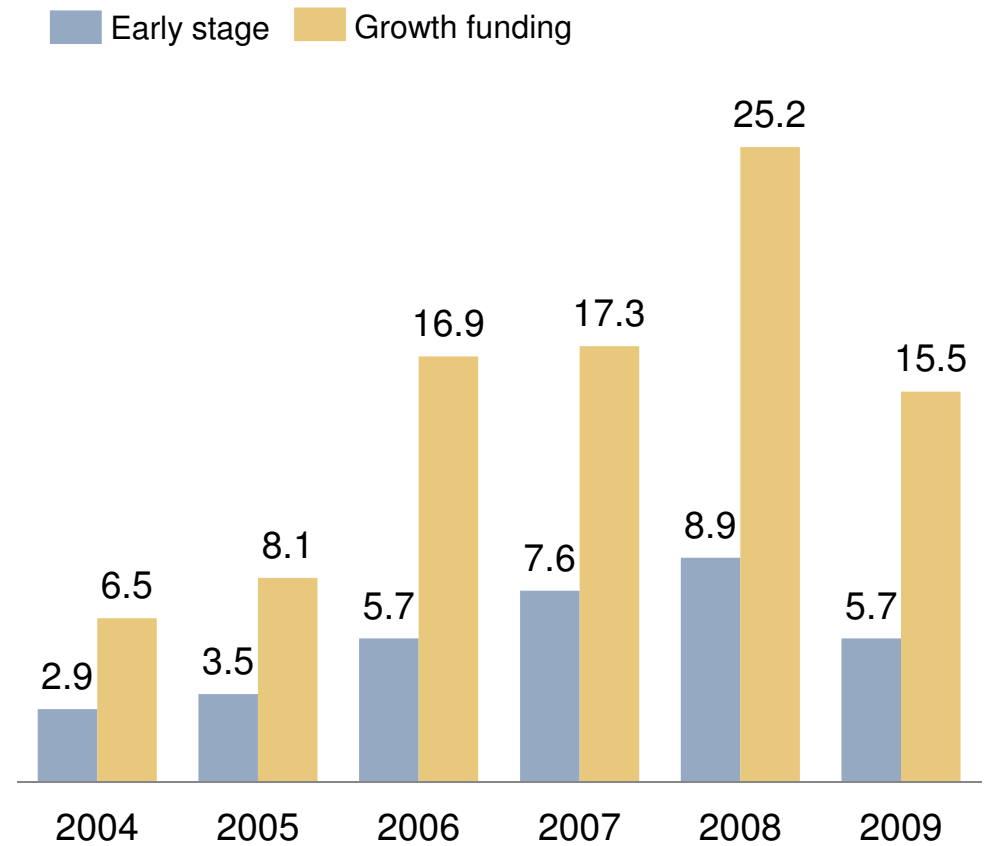
Cleantech VC rounds by stage

Number



Average round size

US\$ m

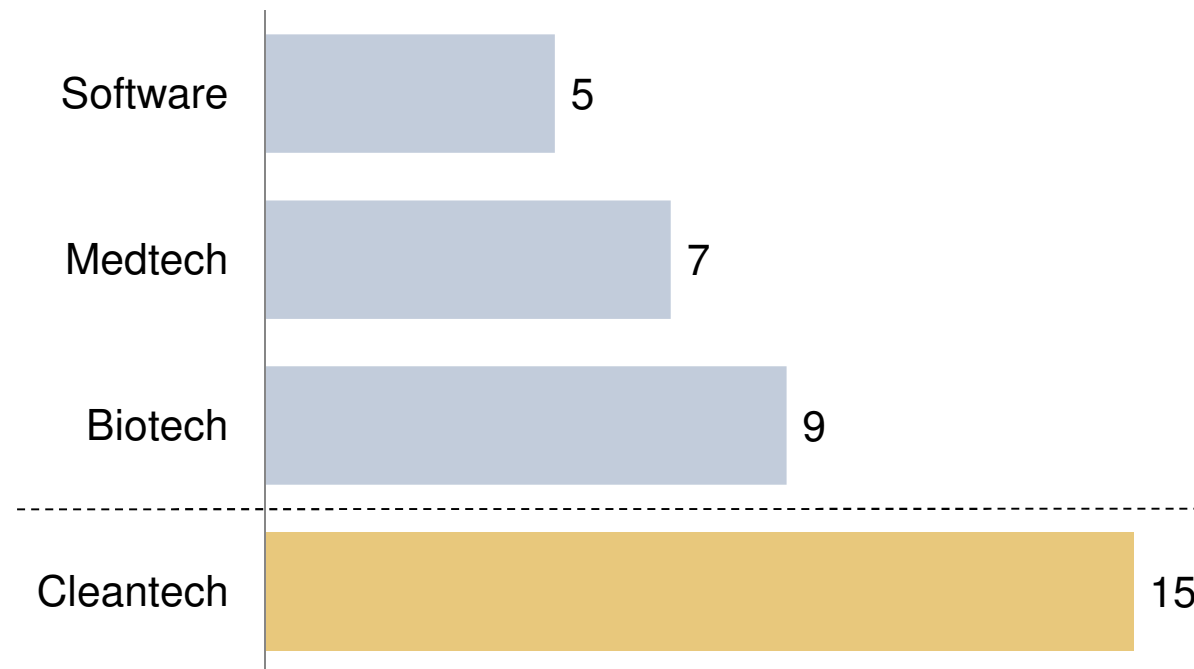


Source: ...

Cleantech Has Become the Most Capital-Intensive VC Sector

Average Funding Round Size

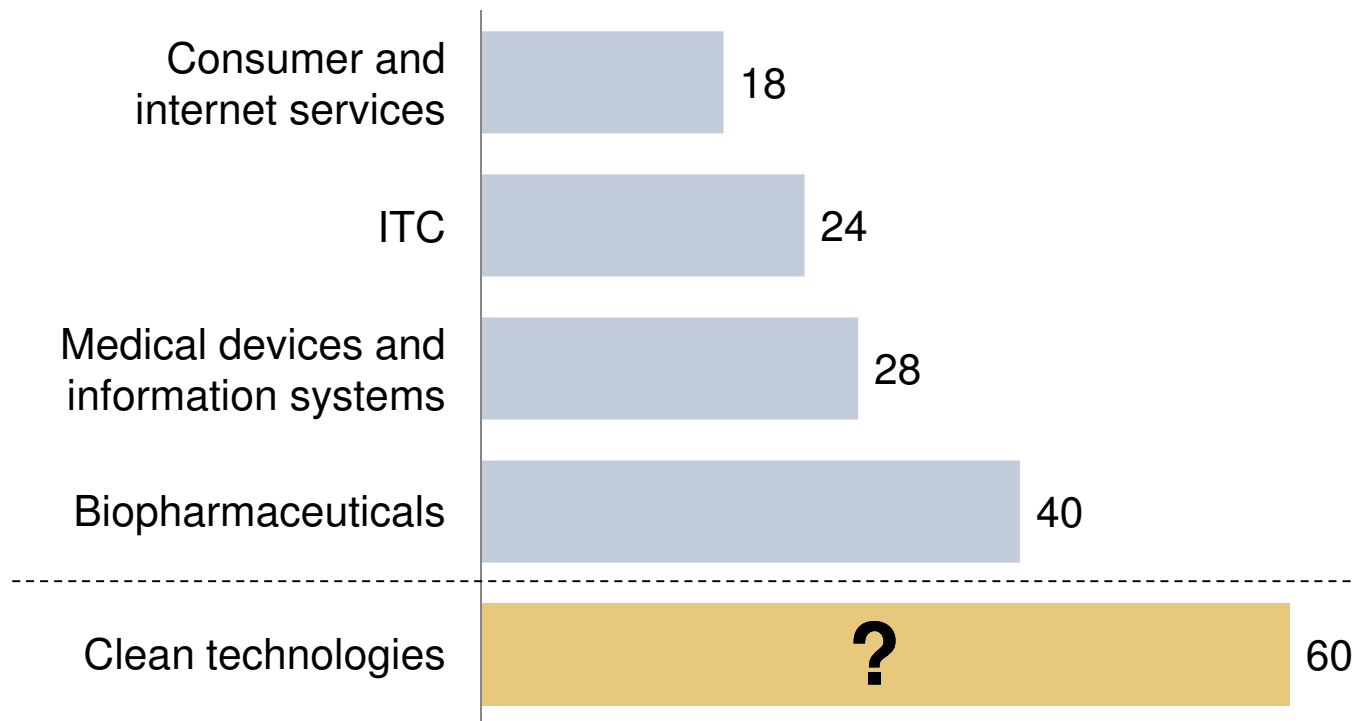
US\$ m (Ø 2007 - 2009)



Will Cleantech Deliver Sufficient Returns to Venture Investors?

Average Funding Needs Unit Exit

Estimates in US\$ m



What are We Looking for in Cleantech?

Real Breakthroughs in Significant or Rapidly Growing Markets

- Not 'just' better technologies but market revolutions
- International rather than regional opportunities

Scalability and Capital Efficiency are Key

- Rapid go-to-market-achievable with limited upfront investment
- Highly scalable business model
- Return potential of >10x within 4-6 years

Manageable Implementation Risks

- Proven technology base and visible product
- First evidence for market acceptance
- Managed by a convincing team of (repeat) entrepreneurs