Clean Technology Market Overview

Discussion Materials for REE Educators

October 24, 2008
Introduction to Element Partners

Industry leading private equity firm in the fast growing clean technology sector
- $800 million in two institutional venture funds dedicated to clean technology investments
- Have completed investments in over 50 leading cleantech companies

Experienced management team with deep domain expertise
- Over 75 years collective cleantech investing experience
- Successfully managed over $1 billion in six prior cleantech venture funds

Proven strategy
- Invest where resource constraints or environmental challenges are economically important
- Focus on market-driven solutions with compelling value propositions to customers

Exceptional reach and world-class investment infrastructure
- Leveraging unique network to provide deal flow, co-investment capital, technical expertise and portfolio company support
Defining the CleanTech markets

**Clean technologies** or “CleanTech” investments enable economic growth in the face of resource constraints and environmental limitations.

Includes products, services and technologies that improve the management of finite resources through the resource lifecycle:

- **Sourcing & Delivery**
- **Management & Optimization**
- **Disposal/Reuse**

**Examples:**
- Energy and power (e.g., alternative energy, energy efficiency, alternative fuels)
- Water and air (e.g., wastewater treatment, water purification, emissions control)
- Manufacturing/industrial (e.g., waste reduction, materials sourcing, process management)

**CleanTech** affects all major sectors of the global economy:

- Industrial
- Transportation
- Manufacturing
- Utilities
- Chemicals
- Electronics
- Agriculture
- Consumer
- Services
CleanTech is broad...
## MARKET DRIVERS

- Energy and materials prices at all-time historical highs
- Increasing resource demands from a globalizing economy (China/India)
- Global warming
- Competitive pressure on businesses to achieve greater efficiency
- Advances in enabling technologies
- Increasing environmental regulations

## MARKET RESPONSE

- High rate of new business formation
- Seasoned entrepreneurs & management teams
- Increase opportunities in capital markets
- Emerging as a discrete sector for venture capital investment
- Increased corporate awareness and spending
- Increase in sophistication and quality of co-investors

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Private and Confidential
Cleantech markets are global

Cleantech markets, issues, and innovation are global

Note: (1) 2007 figures for North America and Europe, Cleantech Network
(2) 2006 China figures, 2007 n/a, Cleantech Network
Over the last decade, CleanTech has emerged as a leading investment space.

In 2007, over $3.9 billion was invested in the CleanTech venture space in North America alone, more than triple the total investment amount in 2002.

**CleanTech Investment Data for North America. 2002-2007 ($M USD)**

- **2002**: $1,267
- **2003**: $1,021
- **2004**: $1,107
- **2005**: $1,598
- **2006**: $2,902
- **2007**: $3,900

**5YR CAGR = 25.2%**

The CleanTech sector is now the 3rd largest segment for venture capital investment, behind only Software/IT and Life Sciences.

Private and Confidential
Increased exit market activity

- Increased activity in the public/private equity markets, with increased acquisition multiples
  - 100+ IPOs generating over $30.0 billion since 2005 alone\(^1\)
  - 500+ M&A deals over the same time period\(^1\)

Poised for aggressive growth over the next decade

- Fueled by strong economic, regulatory, corporate spending, and technology drivers

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**Global CleanTech M&A and IPO Equity Activity (2002-2006)**


\(^1\) Source: (1) Cleantech Network Investment Monitor Reports, New Energy Finance, CapitalIQ 2008
\(^2\) Goldman Sachs Renewable Energy Sector Equity Performance Jan 2007

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Private and Confidential
Market Innovation
Innovation across different sectors

Biofuels | Electric Vehicles | Green Materials

BioFuelBox™ | Tesla™ | ARXX™

Recycling Services | Smart Grid IT Services | Solar Services

RecycleBank™ | ENERNOC® | SolarCity®