If I Had $1,000,000! Investment & Funding Opportunities

What investors look for

Tom Murley, Two Lights Energy Advisors
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Two Lights Energy Advisors

- Founded 2016 by Tom Murley
- Built and led $1.1 billion EU renewable energy fund for 12 years
- Raised $1.5 billion from over 40 institutional investors for energy projects
- Director and Investment Committee of the $5 billion UK Green Investment Bank
- 25 years renewable investment experience in 15 countries covering over $15 billion of energy projects
- Started energy career in Maine in 1991 as the General Counsel of Beaver Wood Power, Bangor

Focus:
- Advising institutional investors on renewable energy investment strategy and risk identification and mitigation, with a focus on renewable infrastructure
- Independent investment committee advice on specific deals
- Advising companies seeking investment on fundraising strategies
Where are we with clean finance?

- Increasing appetite for clean energy / sustainable investment (2017 looks better than 2016)

- ... but, overwhelming investor appetite for renewable energy projects

- Venture capital, private equity and start-up capital not growing
  - Start-up capital increasingly difficult
  - Most investors favor later stage investments in companies that have revenues and clear path to profitability

- ... but, increasing number of firms focusing on sustainable / impact investments generally
  - The Rise Fund, Texas Pacific Group
  - Bain Impact Capital
  - Luxe Capital

**Global Investment in Clean Energy 2004-2016**

USD$ Billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Clean Energy Investment</th>
<th>Global PE/VC Clean Energy Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$62</td>
<td>$1.3</td>
</tr>
<tr>
<td>2005</td>
<td>$88</td>
<td>$2.0</td>
</tr>
<tr>
<td>2006</td>
<td>$128</td>
<td>$4.1</td>
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<td>2007</td>
<td>$182</td>
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<tr>
<td>2008</td>
<td>$205</td>
<td>$13.3</td>
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<tr>
<td>2009</td>
<td>$207</td>
<td>$8.2</td>
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<td>2010</td>
<td>$276</td>
<td>$10.7</td>
</tr>
<tr>
<td>2011</td>
<td>$317</td>
<td>$8.2</td>
</tr>
<tr>
<td>2012</td>
<td>$290</td>
<td>$7.0</td>
</tr>
<tr>
<td>2013</td>
<td>$268</td>
<td>$5.2</td>
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<tr>
<td>2014</td>
<td>$315</td>
<td>$5.6</td>
</tr>
<tr>
<td>2015</td>
<td>$349</td>
<td>$6.8</td>
</tr>
<tr>
<td>2016</td>
<td>$288</td>
<td>$8.0</td>
</tr>
</tbody>
</table>

Source: Bloomberg New Energy Finance
Today’s investor attitudes towards cleantech investment are colored by experience in the first cleantech boom -
- Higher failure rates than other VC sectors
- Lower Returns than other VC sectors
- Concerns about regulatory driven markets
...but this is a known cycle

The Gartner Curve

- Technology Trigger
- Peak of Inflated Expectations
- Trough of Disillusionment
- Slope of Enlightenment
- Plateau of Productivity / Commoditization
What do investors want 1?

1. Make money
2. Make enough money relative to the risk of failure
3. Make same or more money than investing in another business or technology
4. Make money $\geq$ the benchmark against which they are measured (stock market, other venture firms) (so we can raise more money)

Warren Buffet on investing:

*Rule No. 1: Never Lose Money.*
*Rule No. 2: Never Forget Rule No. 1.*

5. Get credit for being green (so we can raise more money)
6. Access sustainable / impact capital allocations for being green (so we can raise more money)
7. Making the world a better place
What do investors want 2?

1. Products / ideas that solve an existing problem or fill an unfilled need
   ✓ Software to enhance climate risk reporting for financial institutions
   ✓ Software to better manage electric grids with increased intermittency from renewables
   X New wind turbine company to compete with GE, Vestas, Siemens, etc.

2. Management teams / founders that have put their own money at risk (not amount, but percentage relative to their financial capability)
   • “I really like to invest with people who put everything they have into the business; they won’t give up when it gets tough”

3. Management teams that know their strengths and weaknesses
   • “I know that this is great technology, we are good at creating the technology, but we have no idea about how to run a business or bring the product to market.”

4. A credible business plan
   • Quarterly or monthly financial needs to get from today to the next milestone (test product, commercial sales, etc.
   • Resources needed (people, money, technology)
   • How you are going to use the money
   • How your product or idea will make money
Pitching - What you should do?

1. Research potential investors and approach those that match
   - Don’t pitch a start-up to an infrastructure investor
   - Don’t limit yourself to cleantech, if you have cleantech software, go to software specialists

2. Have a strong “elevator” pitch. Most investor meetings are won or lost in the first 10 minutes
   - Clear message on your product, USP and path to profitability
   - Clear message on what you need (money, technology, etc.) and how you are going to measure that you are on track

3. Keep the pitchbook to <25 pages – have all your key points on ≤5

4. Rehearse for meetings; have answers to routine questions, and who will answer them.

5. Listen carefully to questions, and answer the question asked.

6. Thank everyone you meet for their time and interest, even if they turn you down

7. Ask questions during and after the meeting
   - “We think that X, Y & Z are our main challenges. In your experience do you see others that we are not thinking of?”
   - “We understand that our opportunity does not fit with your goals? Could you tell us how we could make our presentations better?
   - What is missing from our business plan or approach that led to you passing this time?
   - Who else should I approach?
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Holistic carbon footprint analysis across all dimensions of personal consumption

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For corporate & city programs:

Measure & verify goals for emissions and CSR
Understand user behavior
Pitching – What not to do?

1. Don’t underestimate the time, capital or resources needed to execute your business plan
   • Management teams often fear they will get turned down if ask for too much
   • Savvy investors will know when a plan is under-resourced
   • Worst position to be in is to go back for more money and have to admit that original estimates were light

2. If you don’t know an answer to a question or unsure, don’t answer it. Follow-up after the meeting.

3. If more than one of you presenting; don’t talk over each other; resist the temptation to add to what your colleagues say.

4. Don’t correct a colleague who gets something wrong, let it pass.

5. Don’t have 10+ slides on climate change, or Paris Agreement or the green agenda. The investors should already know this.

6. Don’t try and convert investors who don’t believe climate change is real, move on?
Closing thoughts

1. Don’t let this dose or reality put you off

2. We are entering what will be the golden era of cleantech investment
   - 195 of 196 countries signed the Paris Agreement, only 1 is pulling out
   - Reported Monday that CO2 emissions rising 2% this year
   - >2,000 investment firms around the world looking at cleantech
   - >400 investment firms around the world looking for $100,000-5,000,000 cleantech investments
   - More money available today than at any time in history for renewable energy and cleantech

3. Think global
   - Cleantech, climate change is a global issue
   - . . . creating global markets
   - . . . and global investment demand