



# **What Private Equity Looks For In a Renewable Energy Project**

**September 18, 2008**

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## Pegasus Capital Advisors, L.P.

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- Pegasus Capital Advisors, L.P. is a U.S.-based private equity fund manager that provides creative capital and business solutions to middle market companies across a wide variety of industries.
- Currently manage over \$1.8 billion in assets through several private equity funds
- Over 70 investments since inception
- Unique mix of Investment Professionals and Operating Advisors
- Investments in cleantech space include:
  - Lighting Science Group
  - Universal Lubricants
  - L'Anse Warden Electric Company

## PERSPECTIVE ON GLOBAL ENERGY

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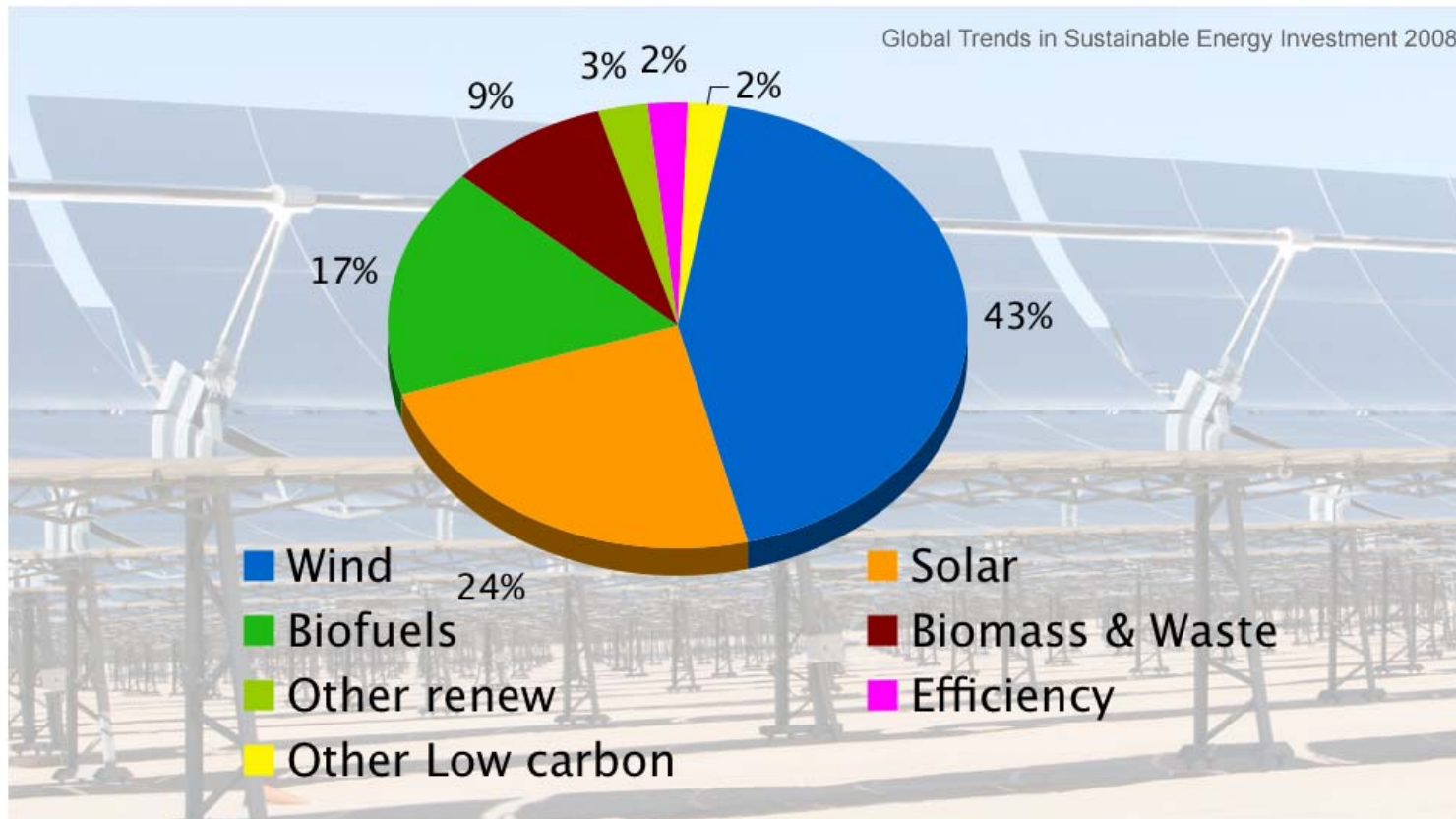


- IEA estimates that \$11.6 trillion of investment will be needed in power sector from 2006-2030, half of which is for power stations (\$230B per year)
- Renewable energy accounted for 9.4% of global energy infrastructure investment and for 23% of new electricity generating capacity in 2007 (31GW)
- \$150 billion of investment in clean energy sector in 2007
- Investment levels on track to reach \$450 billion by 2012

- Data from "Global Trends in Sustainable Energy Investment 2008" by United Nations Environment Programme & New Energy Finance

# WHERE DID FUNDS GET INVESTED?

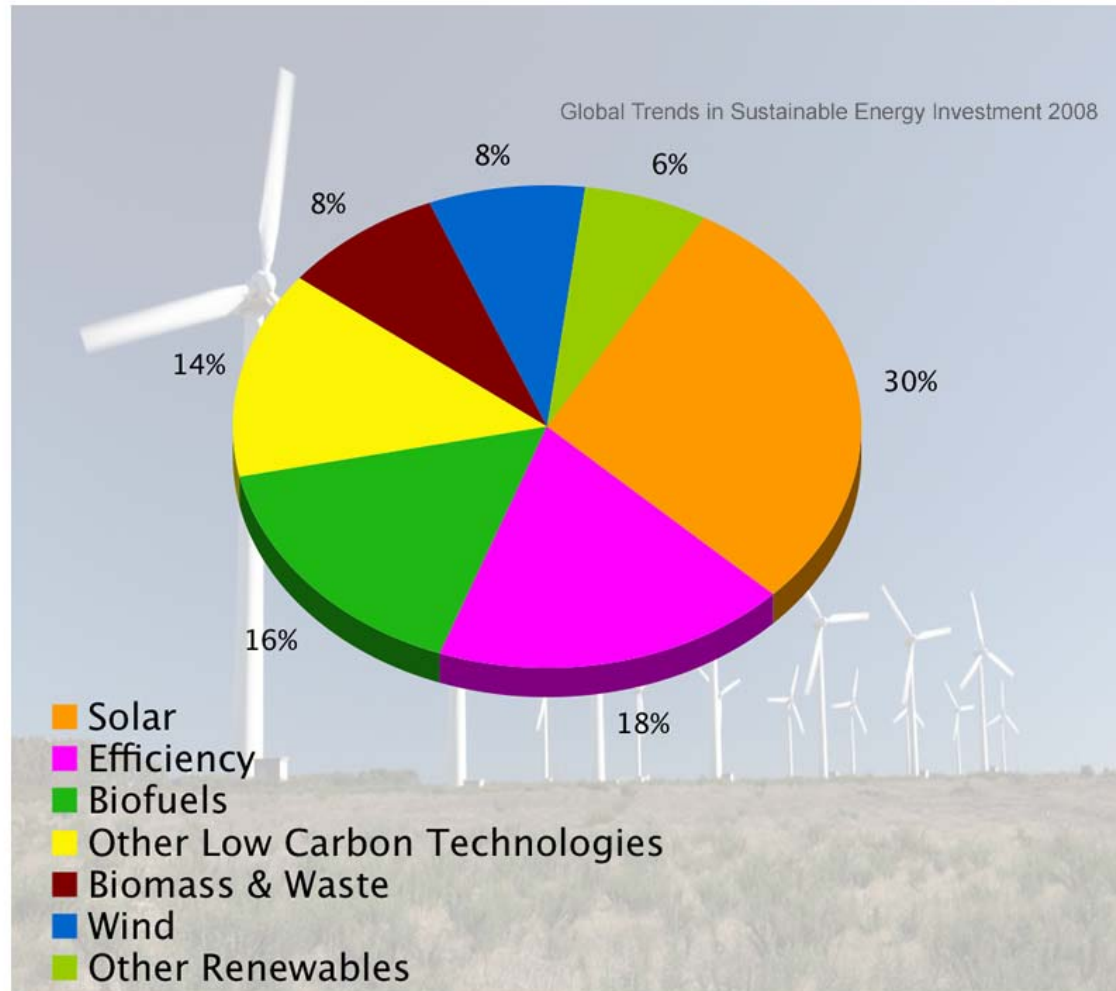
## Global Investment by Technology, 2007



Source: New Energy Finance

# WHAT HAVE VC/PE FIRMS INVESTED IN?

## VC/PE Investment by Technology, 2007



## WHAT DOES PEGASUS LOOK FOR?

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**BUY LOW – SELL HIGH**

# WHAT DOES PEGASUS LOOK FOR?

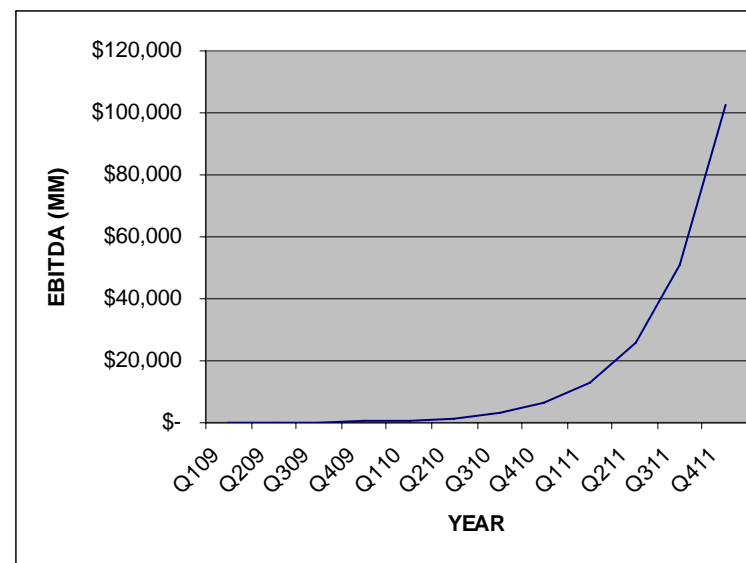


Companies with sound business models that are situated to deploy a clean technology that will generate stable earnings.

- Combined skill set of Operating Advisors allows Pegasus to develop greenfield projects; essentially buying in at book value.

## Key Criteria for Investment

- **MANAGEMENT**
  - In depth knowledge of market
  - Operational know-how
  - Understanding of firm's capabilities
  - .....and limitations



## OTHER KEY CRITERIA

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- TECHNOLOGICAL

- Proven technology that has demonstrated efficacy over prolonged periods of time
- Control of Intellectual Property

- FINANCIAL

- Business Fundamentals
  - Regional & National supply demand characteristics
  - Load Pockets
  - Utilize government subsidies and tax credits to enhance returns, but base downside case on none
- Clear path to profitability
- Ability to mitigate market risk
  - Back-to-back contracts
  - Hedging mechanisms
- Exit strategy

# APPLICATION TO MAJOR RENEWABLE SECTORS

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- Solar
  - Relies heavily on government subsidies
  - High installed cost
  - Evolution of technologies
- Biofuels
  - Food versus fuel debate
  - Inability to hedge uncorrelated markets
  - Technology Risk
- Wind
  - Established technology
  - Reliant on government subsidies
  - Intermittent power supply
- Energy Efficiency
  - Demand Side
  - Supply Side

## APPLICATION TO THE MAJOR SECTORS (cont.)

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- Biomass/Waste Energy
  - Numerous Technologies
    - Biomass Power Plants
    - Gasification
    - Anaerobic Digestion
  - Base load power supply
    - Ability to sell capacity and energy
  - Long term feedstock agreements

# USED OIL RECYCLING CENTER

