Western Canada
Cleantech findings

RemTech Workshop –
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Introduction

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• Leader of Edmonton Corporate Finance and Transaction Services practice
• 17 years of providing corporate finance services, business valuations and financial advisory services to clients
• Wide variety of experience with public and private companies in various industries including energy services, engineering & construction and manufacturing

Spencer Ord, MBA
• Manager in the Edmonton Corporate Finance and Valuations practice
• Responsible for providing
  – Business and intellectual property valuation
  – Merger, acquisition, divestiture and partnering transaction support
  – Emphasis on technology, energy technology and energy services
Deloitte-SDTC Western Canada Cleantech Report – Background

• SDTC partnered with Deloitte in the spring of 2009 to co-author report
• Report mandate covers the 4 western provinces (BC, AB, SK, MB)
• Survey went out to approximately 150 “cleantech developers” as well as several large “cleantech users”
• Wide range of developers from early to later-stage
• Report on the state of the cleantech industry in Western Canada
Selected Report Findings
#1: Cleantech growth

Compared to other technology sectors in Canada, how fast do you think the Cleantech industry will grow in the next 5 years?

- 50% Much faster
- 36% Somewhat faster
- 14% Just as fast
#2: Spending on cleantech

How has / will consumer and corporate spending on Cleantech change?

**Change from last year**

- Major increase: 13%
- Modest increase: 14%
- Same: 61%
- Modest decrease: 2%
- Major decrease: 10%

**Anticipated change a year from now**

- Major increase: 16%
- Modest increase: 4%
- Same: 68%
- Modest decrease: 0%
- Major decrease: 0%
#3: Perceived impact on cleantech from economic forces and gov’t regulation

Gov't promotion of cleantech
Trends in local or regional attitudes towards need for cleaner air/water
Need for Cleantech due to climate change related regulations
Environmental and sustainability targets for Government operations.
Investor confidence in North American Cleantech companies

Remediation related:
Tipping fees for hazardous waste
Regulatory protection from environmental liability
Regulations regarding the acceptable quality of remediated land.
Policies and financial incentives for redeveloping Brownfields.
Demand for remediated land in urban or industrial centres.

Positive impact  No impact  Negative impact  Unknown
#4: Top competitive advantages – Alberta and BC

### Top competitive advantages - AB

- Quality of life: 15%
- Availability of well educated/skilled workforce: 12%
- Stable, low-cost operational environment: 10%
- Current level of corporate tax rates: 8%
- Government regulation: 6%
- Proximity to users of Cleantech: 5%
- Proximity to US and other major markets: 5%
- Current level of personal tax rates: 5%
- Availability of private equity or venture capital: 5%
- Availability of R&D facilities/institutions: 5%
- Access to grants/funding at the R&D stage: 5%
- Availability of government incentive programs: 5%
- Other: 5%

### Top competitive advantages - BC

- Availability of well educated/skilled workforce: 22%
- Quality of life: 21%
- Access to grants/funding at the R&D stage: 19%
- Availability of government incentive programs: 18%
- Proximity to US and other major markets: 17%
- Stable, low-cost operational environment: 16%
- Availability of R&D facilities/institutions: 15%
- Government regulation: 14%
- Availability of private equity or venture capital: 14%
- Other: 14%
- Proximity to users of Cleantech: 13%
- Current level of personal tax rates: 13%
- Proximity to other similar companies: 13%
#5: Top competitive disadvantages – Alberta and BC

## Top competitive disadvantages – AB

- Availability of private equity or venture capital
- Government regulation
- Current level of corporate tax rates
- Stable, low-cost operational environment
- Availability of angel financing
- Proximity to other similar companies
- Current level of personal tax rates
- Availability of well educated/skilled workforce
- Proximity to users of Cleantech
- Proximity to US and other major markets
- Availability of R&D facilities/institutions
- Access to grants/funding at the R&D stage

## Top competitive disadvantages – BC

- Availability of private equity or venture capital
- Availability of government incentive programs
- Stable, low-cost operational environment
- Access to grants/funding at the R&D stage
- Government regulation
- Proximity to users of Cleantech
- Availability of R&D facilities/institutions
- Availability of well educated/skilled workforce
- Availability of angel financing
- Current level of corporate tax rates
- Proximity to other similar companies
- Proximity to US and other major markets
- Current level of personal tax rates
What is the current stage of development of your Cleantech products/services?

- Majority of products/services in market and generating revenue: 48%
- Majority of products/services in development or testing stage: 3%
- Majority of products/services in research stage: 3%
- Company is in the concept/start-up phase: 5%
- Other: 3%

What will be the stage of development of your Cleantech products/services a year from now?

- Majority of products/services in market and generating revenue: 27%
- Majority of products/services in development or testing stage: 70%
- Majority of products/services in research stage: 1%
- Company is in the concept/start-up phase: 2%
- Other: 3%
#7: Top cleantech subsectors

Percentage of Developers within each Cleantech subsector

- Energy Generation: 56%
- Energy Efficiency: 29%
- Air Quality: 21%
- Water & Wastewater: 21%
- Energy Infrastructure: 16%
- Recycling & Waste: 16%
- Transportation: 14%
- Advanced Materials: 10%
- Industrial and manufacturing: 8%
- Other: 8%
- Agriculture and Land Management: 5%
- Energy Storage: 5%

Remediation related
#8: Expected sales growth

Cleantech Sales Level and Implied Growth Trend

- **$0 to $100,000**
- **$100,000 to $500,000**
- **$500,000 to $2,000,000**
- **$2,000,000 to $10,000,000**
- **Greater than $10,000,000**

% of respondents

- **2008**
- **2009**
- **2010**
#9: Cleantech customers

Primary customers by percentage of respondents

- Energy - oilsands, conventional, mining and services: 52%
- Energy - renewables: 51%
- Utilities: 34%
- Consumers and consumer business: 22%
- Forestry and agriculture: 17%
- Public sector: 17%
- Transportation and logistics: 15%
- Manufacturing: 15%
- Other industrial: 14%
- Technology, media and telecommunications: 9%
- Other: 9%
- Financial services: 3%
#10: Current sources of financing

Average percentage of 2008 financing by source

- Operating cash flow related to Cleantech: 23%
- Operating cash flow related to other operations: 6%
- Founder equity: 20%
- Private equity and venture capital: 15%
- Government or other grants/incentives: 5%
- Friends and family: 5%
- Angel investors: 5%
- Term debt: 2%
- Operating Line: 1%
- Public offering: 1%
- Other: 1%
#11: Upcoming financing requirements

How much Cleantech related external financing will your company require in 2009 and 2010?

- 36%: 0 to $1,000,000
- 26%: $1,000,000 to $3,000,000
- 21%: 3,000,000 to $10,000,000
- 17%: Greater than $10,000,000
#12: Perceived barriers to receiving VC/PE financing

Barriers to Receiving Private Equity Financing

- Private equity firms are focused on later stage deals (33%)
- Private equity firms want to see a quicker exit (19%)
- Inability to agree upon valuation of company (17%)
- Other (14%)
- Cannot find Cleantech focused private equity in Canada (10%)
- Private equity firms are not interested in or do not understand clean tech (7%)
#13: Top challenges

Challenges to cleantech developers

- Raising new growth capital
- Attracting major new customers (domestic)
- Attracting major new customers (USA)
- Attracting grants/funding to support R&D or product... (truncated)
- Attracting major new customers (other international)
- Hiring qualified employees
- Government regulation
- Attracting qualified board members
- Increasing innovation in your business
- Hiring qualified management
- Corporate tax rates
- Deregulation
- Retaining qualified employees and management
- Canadian exchange rate relative to the US dollar
- Availability of research facilities

Key challenge: dark blue
Moderate challenge: green
No challenge: light blue
Unknown: yellow
Findings summary

1. Modest outlook for cleantech growth and spending;
2. Cleantech companies generally not aware or not sure of impact of economic and government issues specific to remediation;
3. 89% of respondents’ products / services are beyond research stage, but most generate less than $2 million in sales;
4. Development focused on energy generation, but remediation areas of wastewater and recycling & waste also popular;
5. Primary customers are Energy E&P and related services (remediation);
6. Financing split evenly between internal and external sources;
7. About half of respondents need < $3 million external financing through to 2010, while the other half need > $3 million each;
8. Top perceived barriers to VC/PE – too focused on later stage deals, inability to agree upon valuation;
9. Top challenges: Raising capital and attracting new customers;
Implications for remediation industry

1. Top cleantech customer is E&P and related services (remediation)
   – Opportunity for remediation to be at the forefront of a growing industry

2. Cleantech developers unsure / don’t see remediation issues impacting their business
   – Opportunity to educate cleantech developers on opportunities / challenges related to remediation

3. Lack of / difficult PE/VC financing environment
   – Cleantech motivated to find creative ways to grow
   – Opportunity to utilize alternative growth methods, including: partnering, alliances and licensing with remediation companies
Deloitte profile

• Deloitte, a leading professional services firm, offers clients a broad range of fully integrated services in areas that include accounting, assurance and advisory, tax, risk management, business, financial, and human capital consulting.

• We serve 150 of the leading energy and utility companies in North America. In Canada, our clients include over 50 oil and gas exploration and production companies, and a number of service, energy trading and marketing organizations, as well as a growing number of municipal water and wastewater systems.