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Venturing out of the Great Recession

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Like every other industry, the cleantech market saw a substantial investment decline last year. An interesting statistic is how the world and the US investors reacted. According to Clean Energy Trends 2010 from Clean Edge, Inc., global investment fell from $155.4 billion in 2008 to $145.3 billion last year (a 6.5% decline). This investment number includes "VC and private equity investors; public market activity (IPOs, etc.); project financing; asset financing; government research and development; and corporate research, development, and deployment." The US venture capital share of this total financing for 2008 was $3.2 billion declining to $2.2 billion in 2009 (a 31.3% decline). This may be prudent restraint from investment in the riskiest segment, but opportunity still exists. Consider not only the massive growth that has already occurred but the $100 billion of stimulus allocated to cleantech in the US, almost that much allocated in the coming years from South Korea, and half a trillion over this next decade in China. Add to this the projected global revenue growth of the cleantech market from this year's $139.1 billion (a 11.4% growth rate even in the midst of 2009) to over $325.9 billion at the end of this decade. No matter your beliefs in political arguments, this data and greater awareness of growth trends seem to make it grossly apparent there are substantial growth opportunities to be garnered and investors should be considering how to fit this 137% industry growth opportunity at home and abroad into their portfolio.

ACG Chicago has been producing targeted conferences in this area for much of the decade. Why ACG Chicago? Well, it takes innovations and inventions to advance our competitiveness in this market and it takes capital: biofuels plants cost hundreds of millions; wind farms are large project financings with contracted revenue; and, infrastructure projects involve concrete, welding and core construction financing. This is the stuff of middle market corporate growth if our professionals and investors become knowledgeable and comfortable about the future of the industry.

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Venture capital and private equity become more interchangeable terms as the size of deals become similar even though risk varies and as angel networks pick up more of the very early stage investments. The questions we ask in this important business development area must address what is innovation and technology development in established markets versus technology transfer to truly venture start-ups. The answers broaden the umbrella of growth for our members and the region. For this reason, we focus the next couple of Venture Network events on critical factors that will allow us to be global leaders in this dynamic market. The upcoming May afternoon event will focus on investors' appetites for this type of investment, and our 4th annual collaborative event in November will be our 2010 major efforts to bring greater awareness and direct investment in these markets to the Midwest.

Intellectual Property is an issue for all of us

We also need to improve our awareness of intellectual property as a real value driver in our businesses. Patents, trademarks, copyrights or trade secrets all are critical parts of most successful businesses. In preparation for panel at IP100 this February, a national retreat on deals and IP presented by the Licensing Executives Society, I ran a survey of middle market private equity funds. There were very interesting results. More than a third of the respondents said that these IP assets were of little or no value in their recent transactions and still over 30% ascribed little or no value to trade secrets. One could say this was due to depressed valuations and shrewd negotiations but this same group repeated their beliefs for transactions anticipated over the next 18 months.

These results came as no surprise to some of the leading IP directors in the country. While most were from Fortune 500 companies that may be larger than our middle market clients, a majority expressed interest in being brought in much earlier in the process to provide insight into the bidding process, to identify critical roadblocks that might decrease value as well as opportunities to utilize buyer's proprietary knowledge for greater valuations. We will explore this further in the coming year and provide deeper relative content for our members to gain a greater awareness and dealmaking opportunities.

Building on years of collaborative success

This November will be our 4th year of collaboration with Argonne Labs, and the University of Chicago, plus a few others will join us again this year. The Midwest Alternative Energy Venture Forum name may be shortened to a more easily spoken title but the intent and drive will still be the same – to bring new ideas and investments to the market in an effort to build a stronger, more established network of cleantech businesses in the Midwest. Building off the above ideas and the market evolution, we will increase the focus on the very deep knowledge pool that exists in our companies, universities, and labs to bring you technology patents and opportunities for growth from their innovations. Future updates through emails and on the web will alert you on the topics, speakers, and investment opportunities for 2010. ■

Please let us know if you have expertise or a developing market in these areas so that we can continue to build the ACG Chicago Venture Network, the economy and your business.