

2011 State of Cleantech Survey

A pulse survey of the cleantech industry by RoseRyan
September 2011



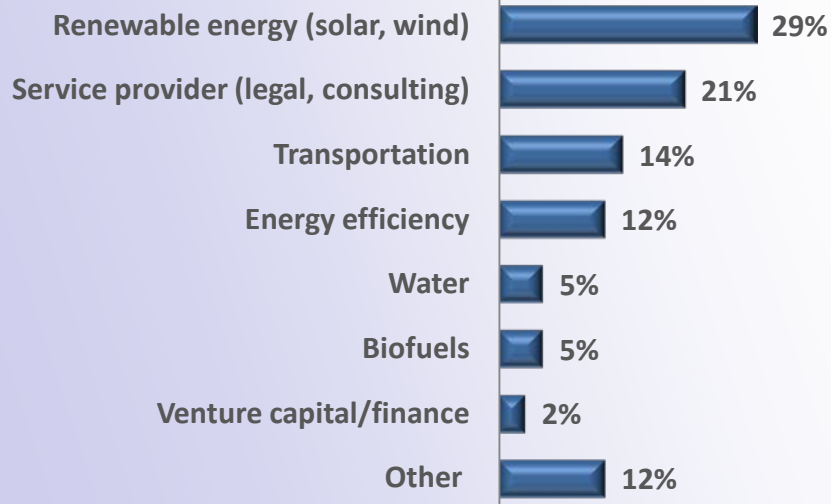
Objectives and methodology

- RoseRyan conducted its second annual State of Cleantech survey in July 2011. The benchmark study was conducted in May 2010.
- Study objectives: take the current temperature of cleantech, assessing the industry's optimism, growth potential, challenges and risks for the coming year. As much as possible, compare findings to the 2010 benchmark study.
- Survey invitations were distributed to targeted cleantech leaders through email and in-person networking channels. A total of 42 people clicked on the link to the survey, and 38 completed it.
- The sample size of 38 is too small to be statistically projected to the cleantech industry as a whole. The survey results are best viewed as *directional* in nature.
- This survey was conducted by RoseRyan, with assistance from KPMG, Arbor Advisors and Barney & Barney. It was implemented by the Green Research Group. Please contact Chris Vane at RoseRyan (cvane@roseryan.com) with any questions.

Who we spoke to

- Respondents are predominately high-level leaders from renewable energy and service provider sectors.
- The transportation and energy efficiency sectors are also well represented.

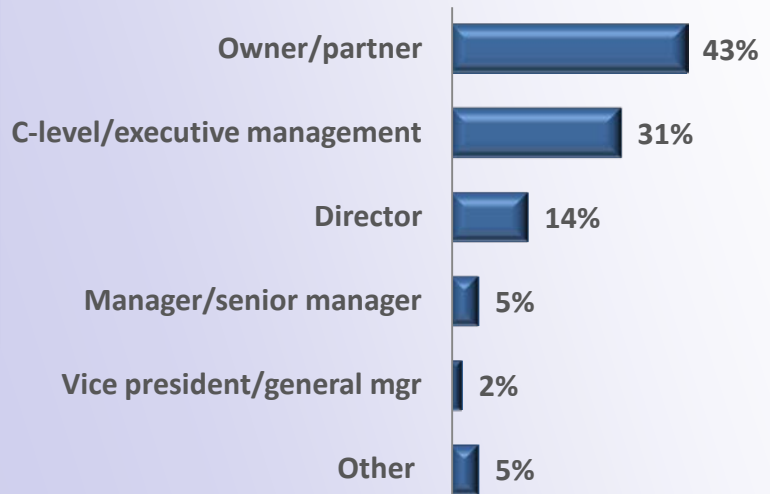
Which of the following most closely represents the cleantech work that you do?



Note: lighting, green building – 0%

Base: Total sample, 42n

What is your role in your organization?



Key findings

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- **Outlook for venture funding is optimistic, with 67% of respondents saying they are extremely/very/somewhat optimistic.**
 - Hesitations center around VC aversion to funding for risky/innovative ideas and small start-up firms.
 - Safer ideas, especially from midsize to large companies and those with a shorter time horizon for revenue/profitability are perceived as better candidates for funding.

- **The outlook for cleantech growth in Northern California is strong, with fully 50% saying they are extremely/very optimistic, and another 42% saying they are somewhat optimistic.**
 - The sector with the largest growth prospects is energy efficiency, followed by lighting and transportation.

- The two biggest trends are **an increase in M&A** and the **expansion of large multinationals** into cleantech.

Key findings (continued)

- **Cleantech's single greatest challenge is gaining access to capital.** Survey respondents believe some reasons for the reluctance for VC funding are government policies, the fragile state of the economy and the uncertainty of the ability to grow the customer base.
 - Survey respondents firmly believe that government incentives are needed to fuel growth and be globally competitive (especially against China). The U.S. government is perceived as lacking in commitment, especially to long-term and ongoing programs.

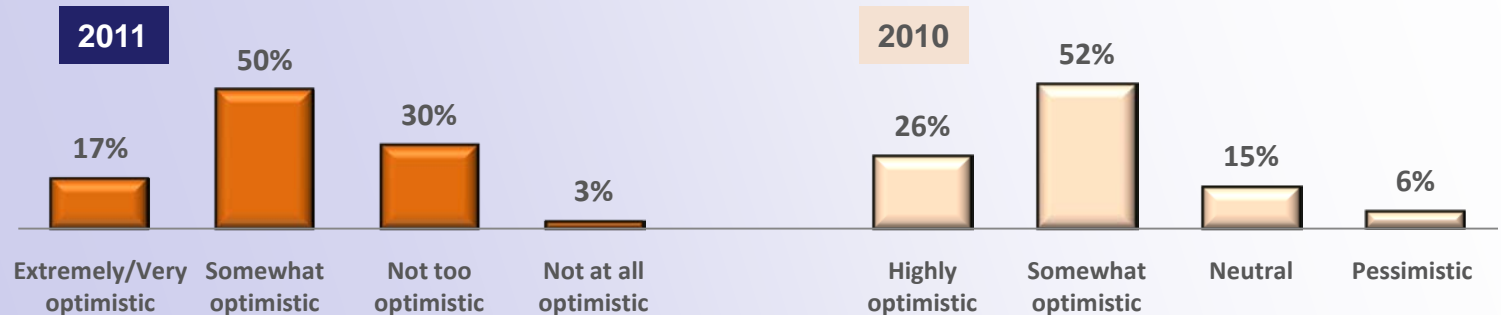
- With regard to personnel, **cleantech demand is highest for engineering support.** The greatest challenges are:
 - For executives, fundraising and the need to meet aggressive monthly/quarterly/annual targets.
 - For administration, sales and marketing: the ability to scale quickly.

Detailed findings

Optimism for venture funding

- **Outlook for venture funding, though down from last year, is still fairly optimistic**, with 67% saying they are extremely/very/somewhat optimistic.
 - Hesitations center around VC aversion to funding for risky/innovative ideas, government policy and small start-up firms.
 - Safer ideas, especially from midsize to large companies and those with a shorter time horizon for revenue/profitability, are perceived as better candidates for funding.
- While the 2011 and 2010 rating scales were different, it is noteworthy that:
 - The percentage of extremely/very/highly optimistic responses decreased to 17% from 26%.
 - The percentage that are somewhat optimistic remains stable, at 50% and 52% respectively.

How optimistic are you about the venture funding environment for cleantech companies?

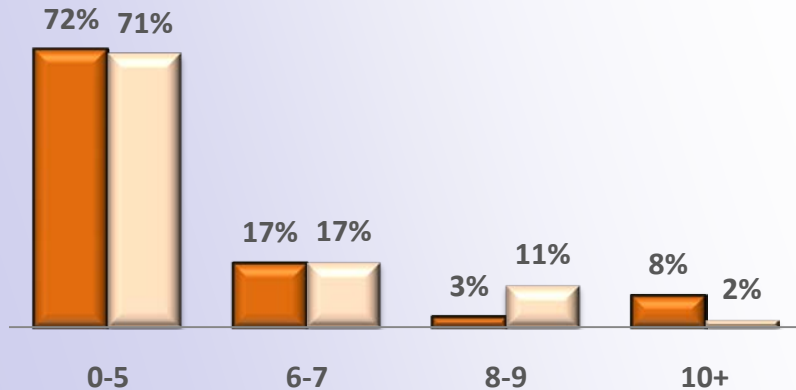


Base: total sample, 2011, 40n; 2010, 65n

Anticipated IPO and M&A activity

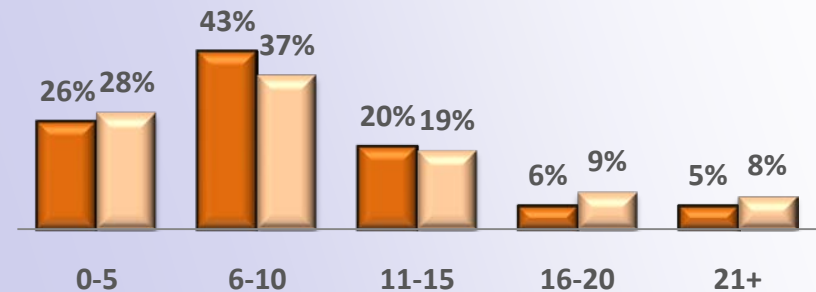
- Within the next 12 months, **72% of respondents think that there will be five or fewer cleantech IPOs** in Northern California (25% said 0–1 IPOs, 47% said 2–5).
 - The results are similar to 2010, except that more respondents expect 10+ IPOs (8% in 2011 vs. 2% in 2010).
- M&A activity is expected to be slightly lower than 2010, with 31% of respondents thinking there will be 11+ mergers and acquisitions, compared to 36% in 2010.

Within the next 12 months, how many **IPOs** do you think there will be in the Northern California cleantech sector?



Note: 2011 IPOs: 0-1 IPO: 25%; 2-5 IPOs: 47%

Within the next 12 months, how many **mergers and acquisitions** do you think there will be in the Northern California marketplace?



Note: 2011 M&As: 0-1: 6%; 2-5 M&As: 20%

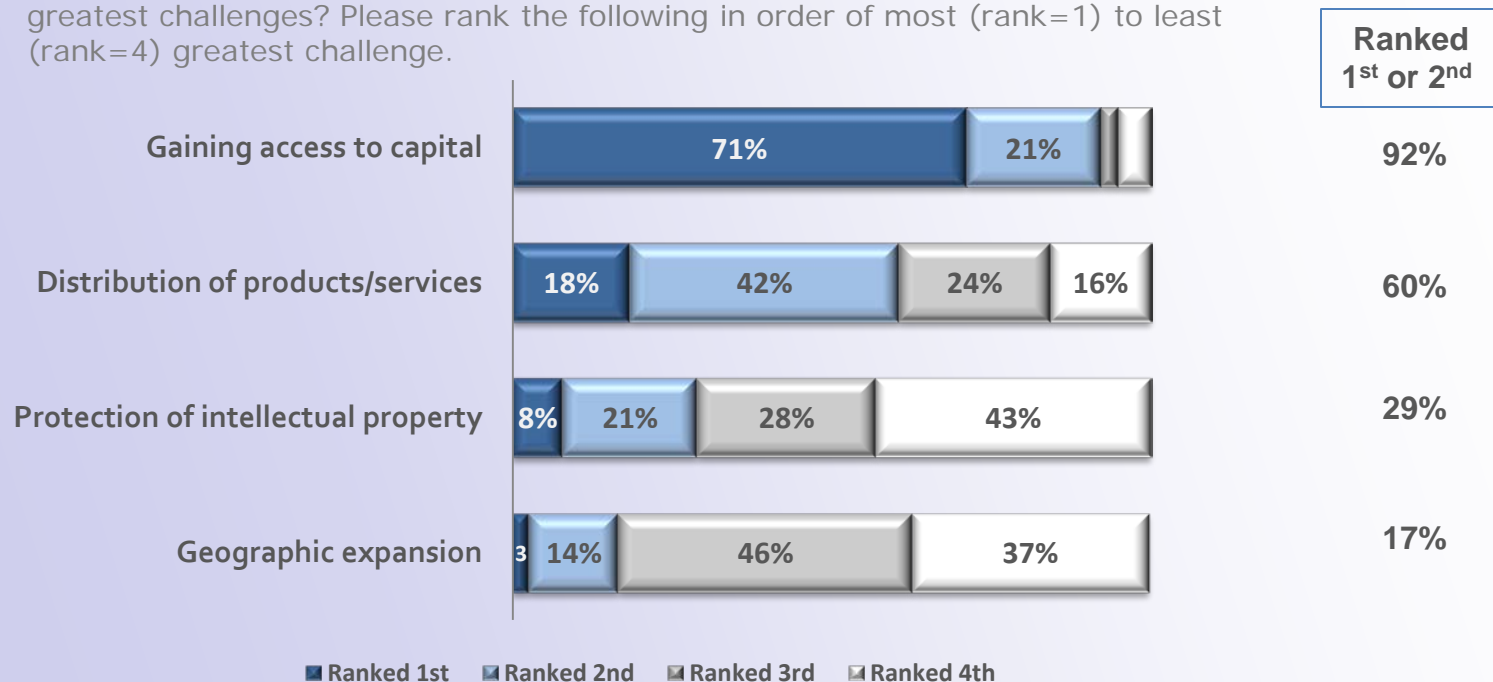
2011 2010

Base: total sample, 2011, 35n; 2010, 65n

Cleantech's greatest challenges

- By far, the single greatest challenge facing cleantech is gaining access to capital. Fully seven in 10 respondents rank this as their biggest challenge.

In the coming year, which of the following do you consider to be cleantech's greatest challenges? Please rank the following in order of most (rank=1) to least (rank=4) greatest challenge.

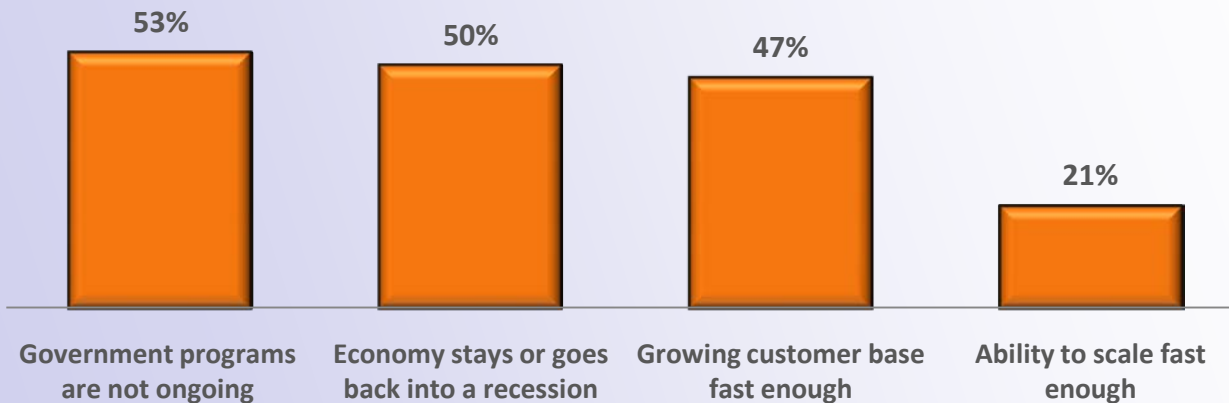


Base: total sample, 2011, 39n

Cleantech's biggest risks

- Cleantech risks appear on many fronts: government programs, the economy and a slow-growing customer base.

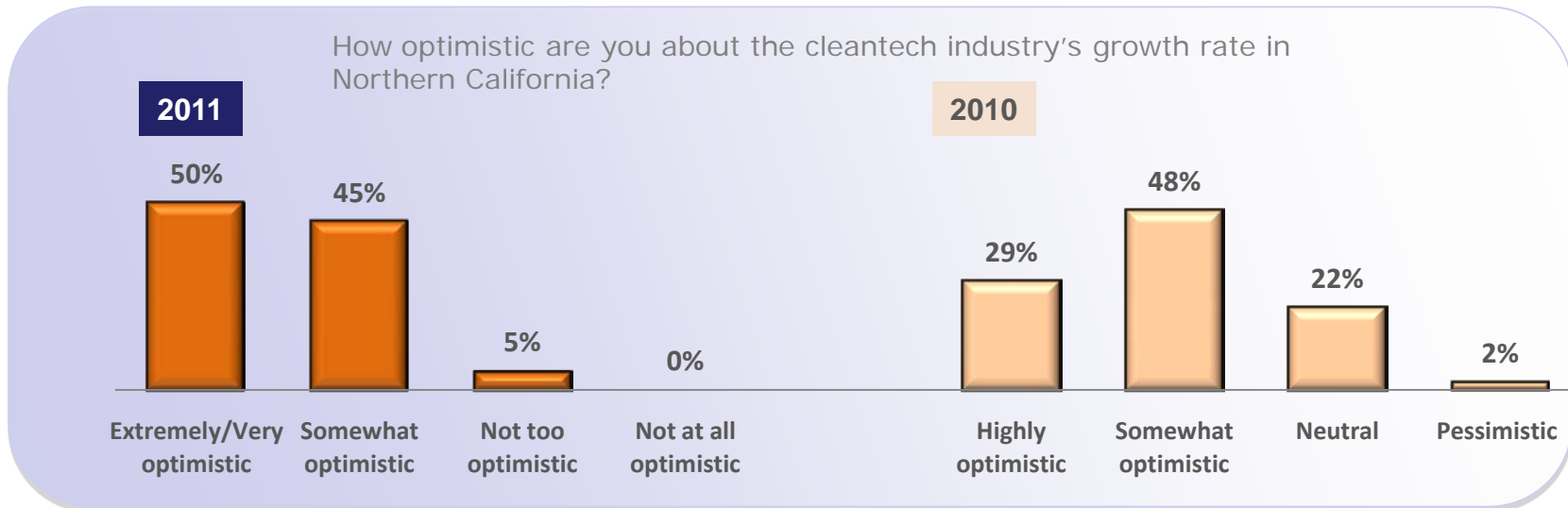
What do you think cleantech companies biggest risks are?



Base: total sample, 2011 , 38n

Optimism for cleantech growth in Northern California

- Fully 95% of all respondents say they are extremely, very or somewhat optimistic about cleantech growth in Northern California.
 - 10% are extremely optimistic while 40% are very optimistic.
- Though the rating scale in 2011 is different versus 2010, results suggests increased optimism compared to 12 months ago.



Base: total sample, 2011 , 38n; 2010 , 65n

Industry growth

- **Energy efficiency** followed by **lighting** show the largest anticipated growth for the coming year.
 - Somewhat smaller growth is expected for the transportation, solar and water sectors, while biofuels and building materials may see less growth.
- **China** leads in international expansion (45%) followed by Europe (21%).
- In both 2011 and 2010 **midsize** cleantech companies are expected to have the most success.

In the coming year, which of the following sectors do you think have the greatest growth prospects?

	2011	2010
Energy efficiency	68%	
Lighting	40%	
Transportation	32%	
Solar	26%	
Water	24%	
Biofuels	16%	
Building materials	13%	

Where do you anticipate the most growth for international expansion in cleantech?

	2011	2010
China	45%	
Europe	21%	
India	13%	
South America	8%	
Japan	3%	

What size cleantech companies do you think will be most successful in the next year?

	2011	2010
Small – \$0-\$5M revenue	22%	14%
Mid-sized - \$5M-\$50M revenue	50%	55%
Large - \$51M+ revenue	28%	31%

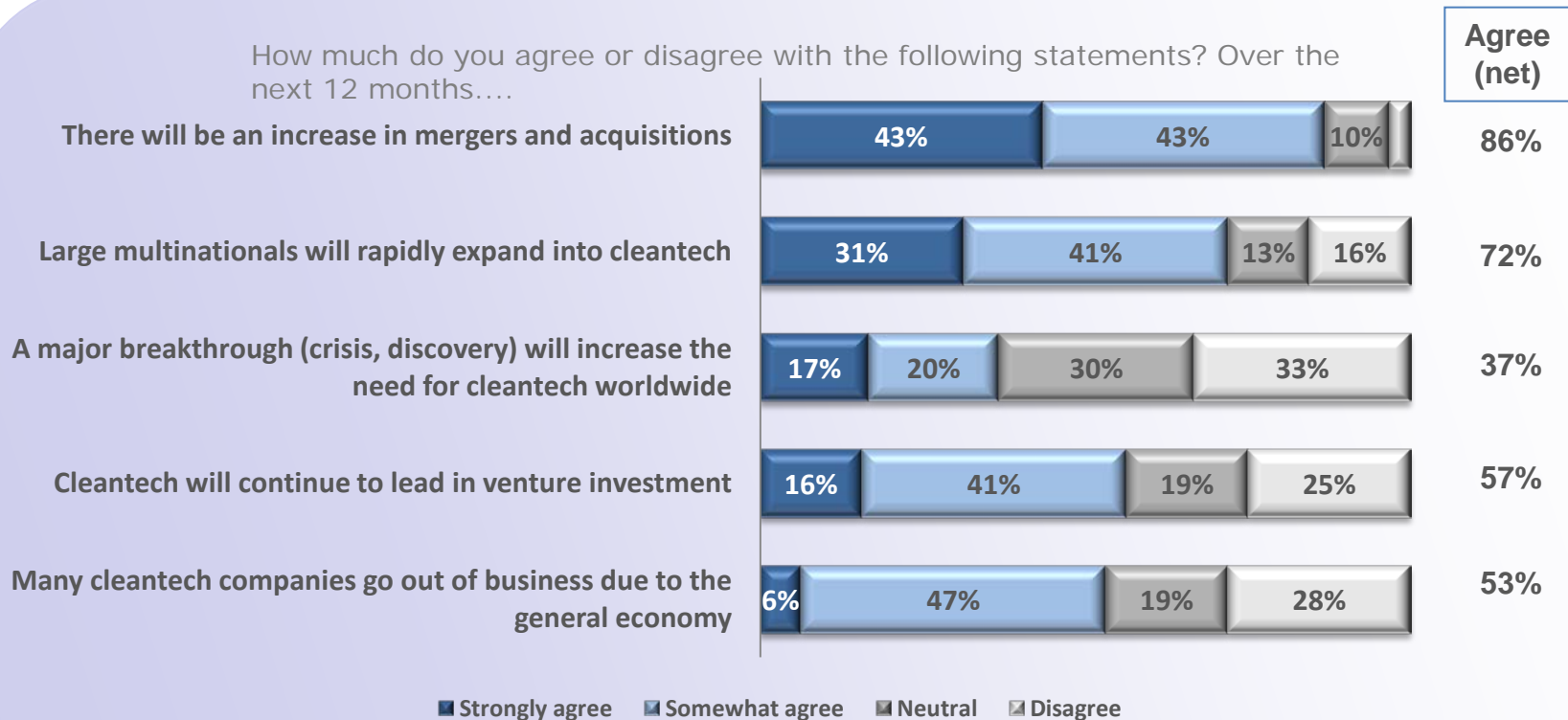
Note: In 2011 multiple answers were accepted. In 2010 only one answer was accepted. Therefore, results are not comparable

Base: total sample, 2011, 38n; 2010, 65n

Future trends

- The two biggest trends for cleantech are more M&A and the expansion of large multinationals into cleantech.

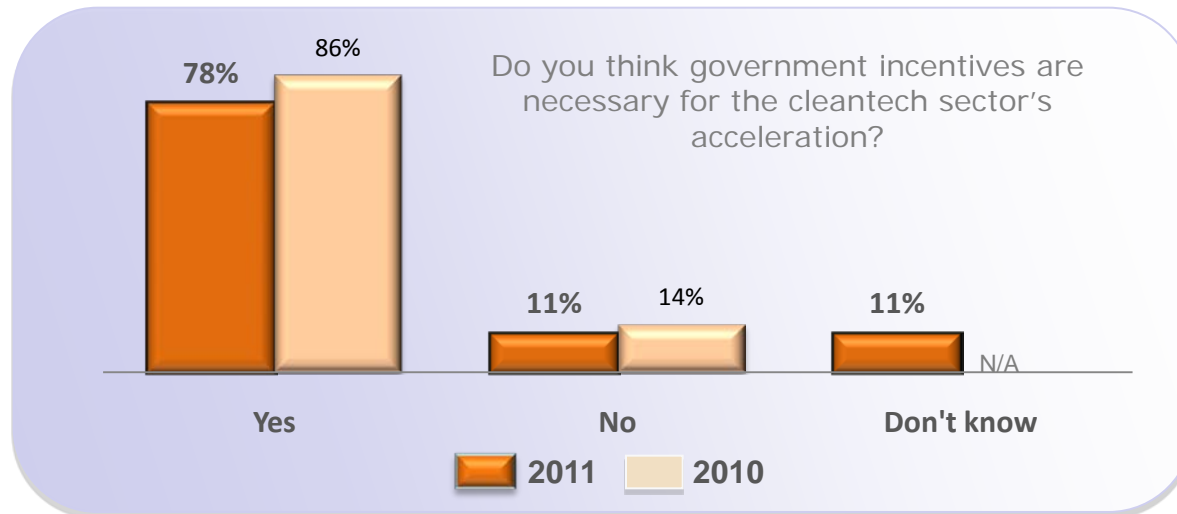
How much do you agree or disagree with the following statements? Over the next 12 months....



Base: Total sample, 2011 – 34n

Government incentives

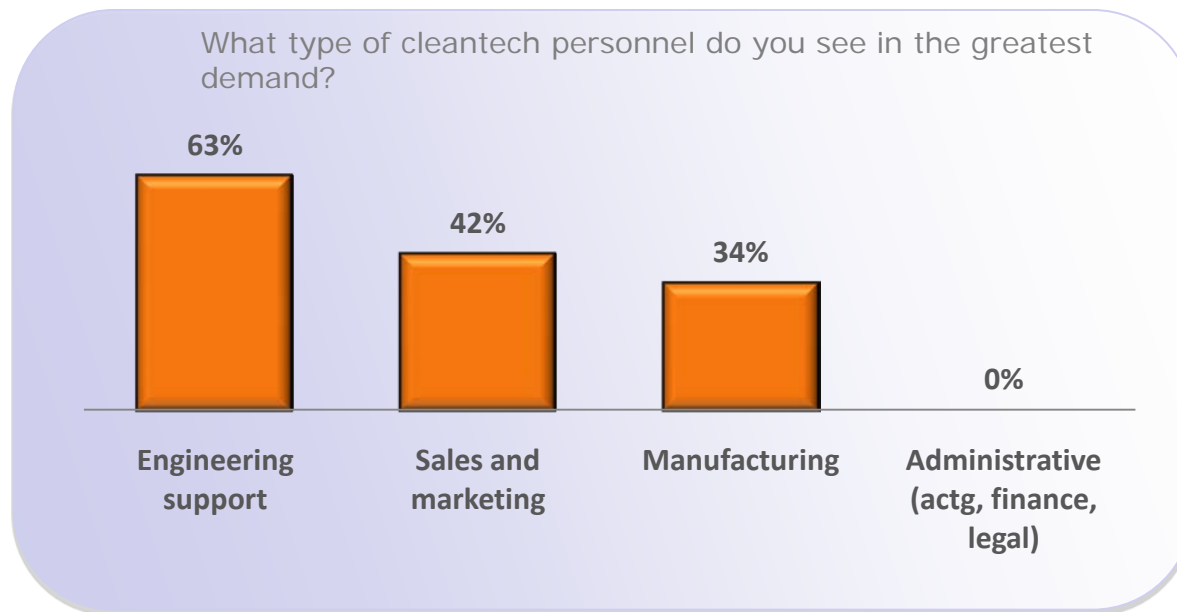
- The vast majority of respondents believe that government incentives are necessary to grow the cleantech sector. The 2011 results are similar to 2010.



Base: \total sample, 2011, 36n; 2010, 65n

Future demand for personnel

- Engineering support will be in greatest demand for cleantech companies.
- There will be somewhat less demand for sales and marketing and manufacturing personnel.



Base: total sample, 2011, 38n

Challenges for cleantech

- For executive teams, by far the biggest challenge is fundraising, followed by the need to meet aggressive monthly/quarterly/annual targets.
- For administrative teams, the ability to scale quickly is the main challenge.
- For sales and marketing, the three key challenges are the ability to scale quickly, expand internationally and differentiate from competitors.

% Extremely/very challenging:

For senior executive teams:

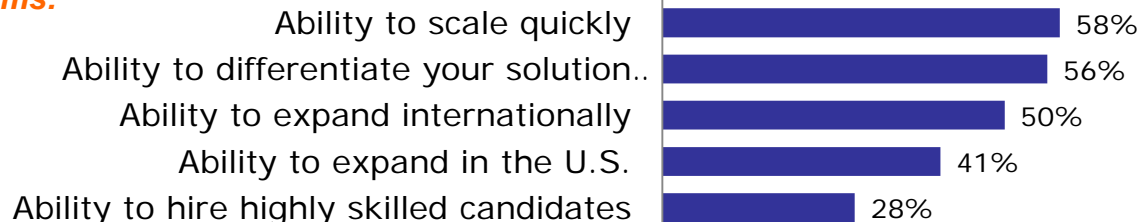


For administrative teams:



For _____ team at cleantech companies, how challenging is each of the following?

For sales/marketing teams:



Five-point rating scale: extremely challenging, very challenging, somewhat challenging, slightly challenging, not at all challenging

Thank you

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