

Western Canada Cleantech findings

**RemTech Workshop –
October 14, 2009**



Introduction

David Sparrow, CA, CBV, CF

- 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

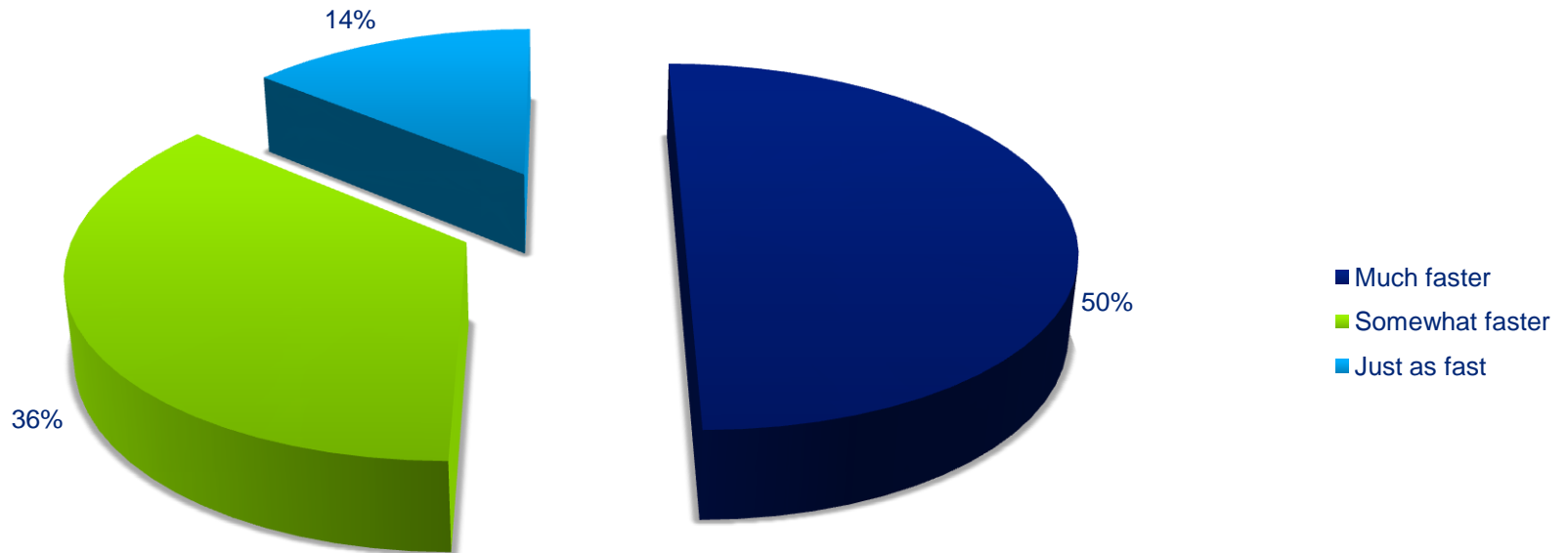
Deloitte.



Selected Report Findings

#1: Cleantech growth

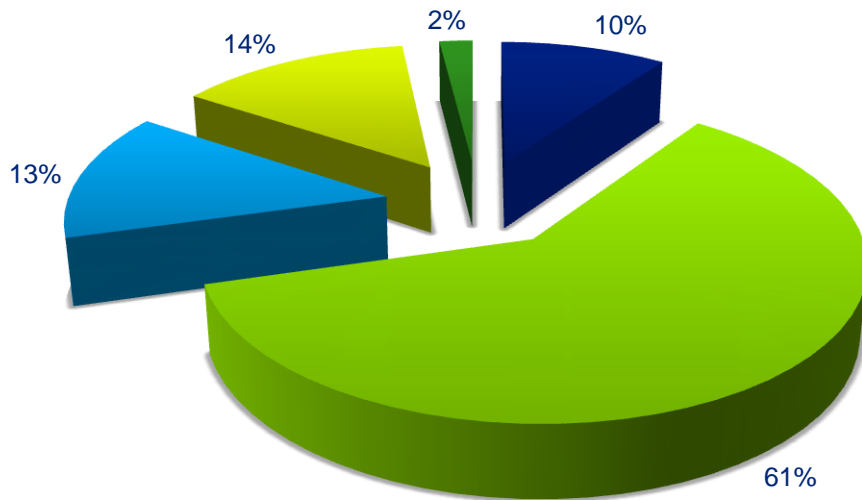
Compared to other technology sectors in Canada, how fast do you think the Cleantech industry will grow in the next 5 years?



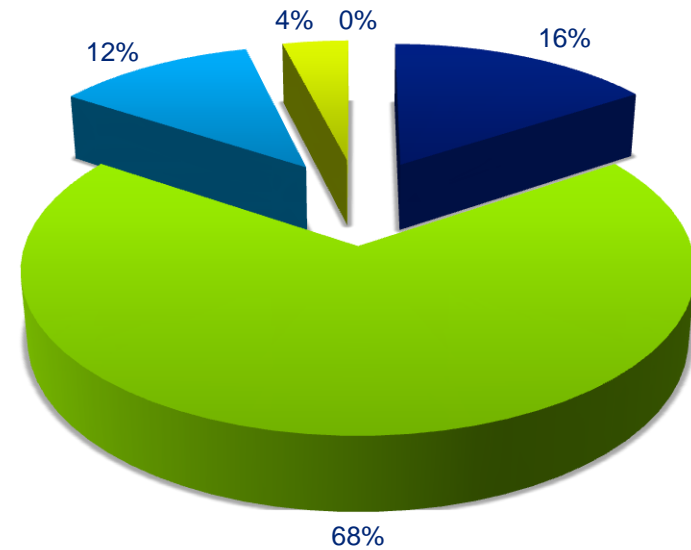
#2: Spending on cleantech

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

Change from last year



Anticipated change a year from now

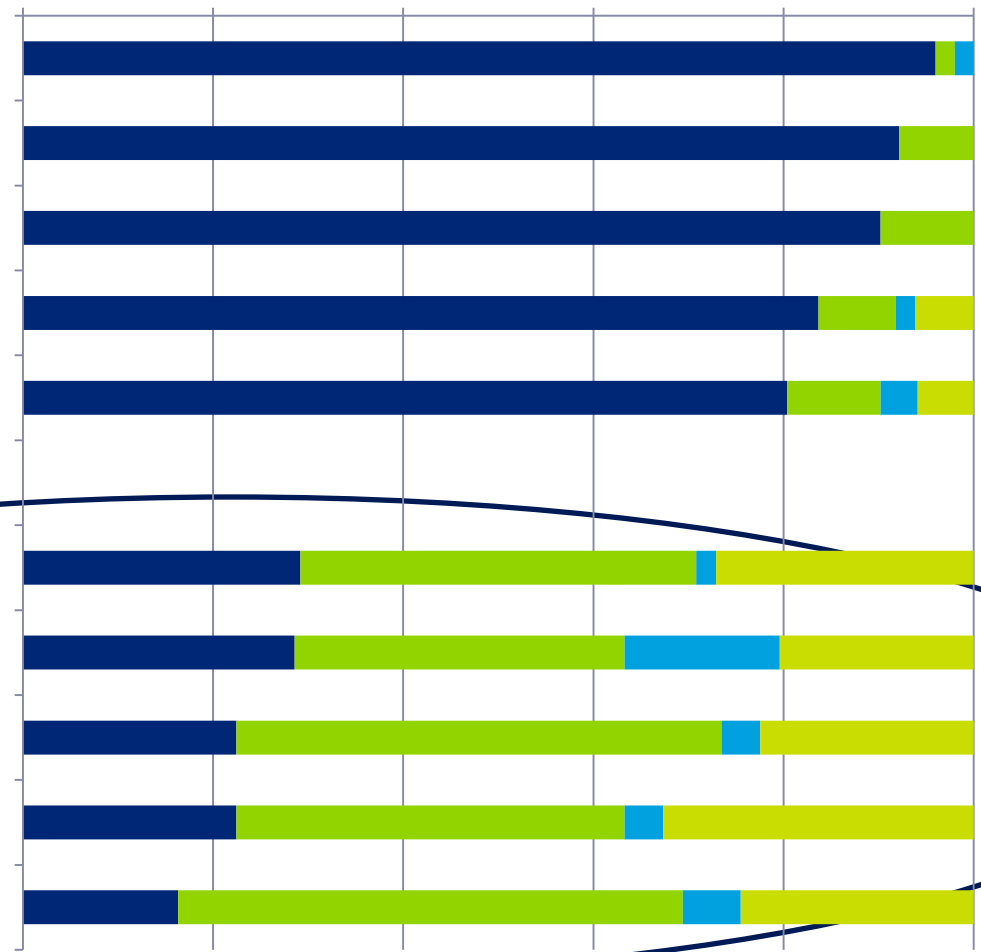


■ Major increase ■ Modest increase ■ Same ■ Modest decrease ■ Major decrease

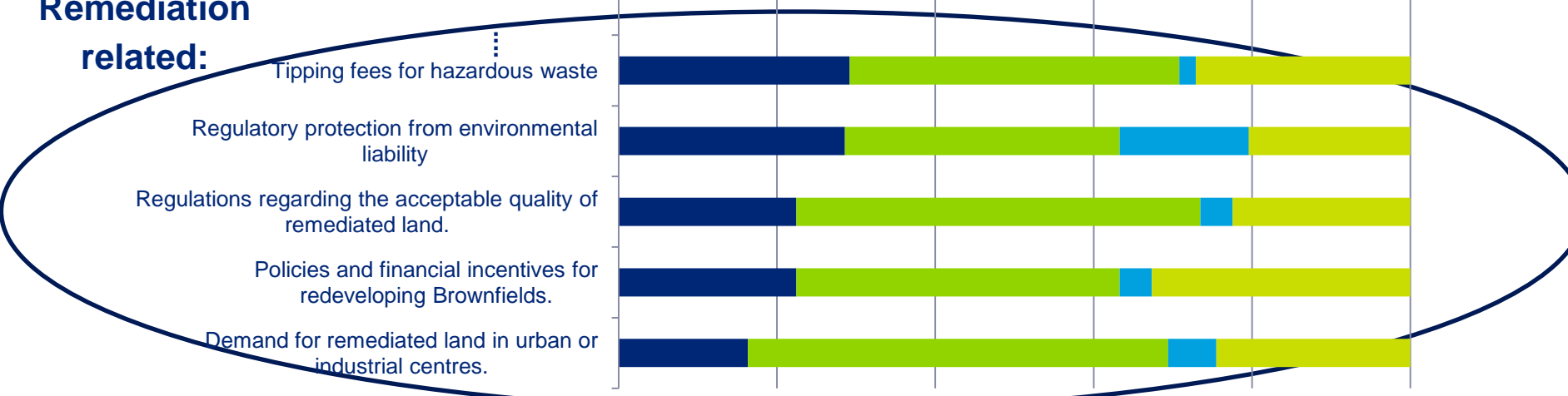
#3: Perceived impact on cleantech from economic forces and gov't regulation

0% 20% 40% 60% 80% 100%

- 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



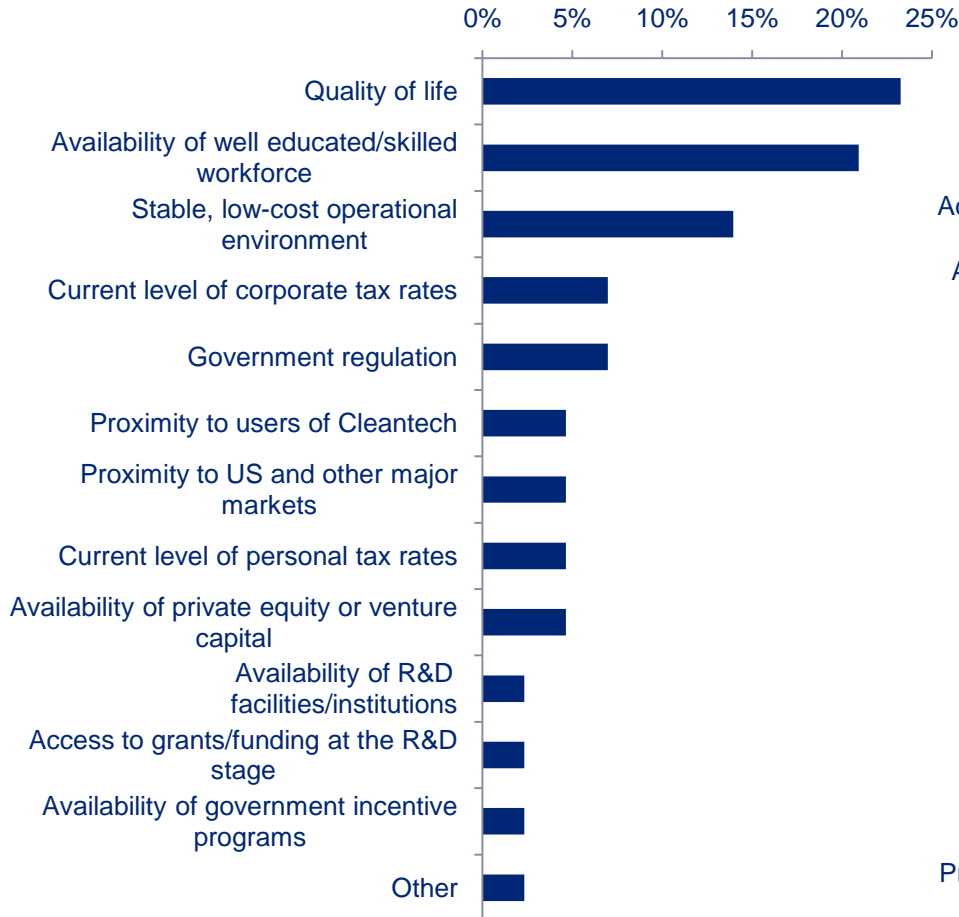
Remediation related:



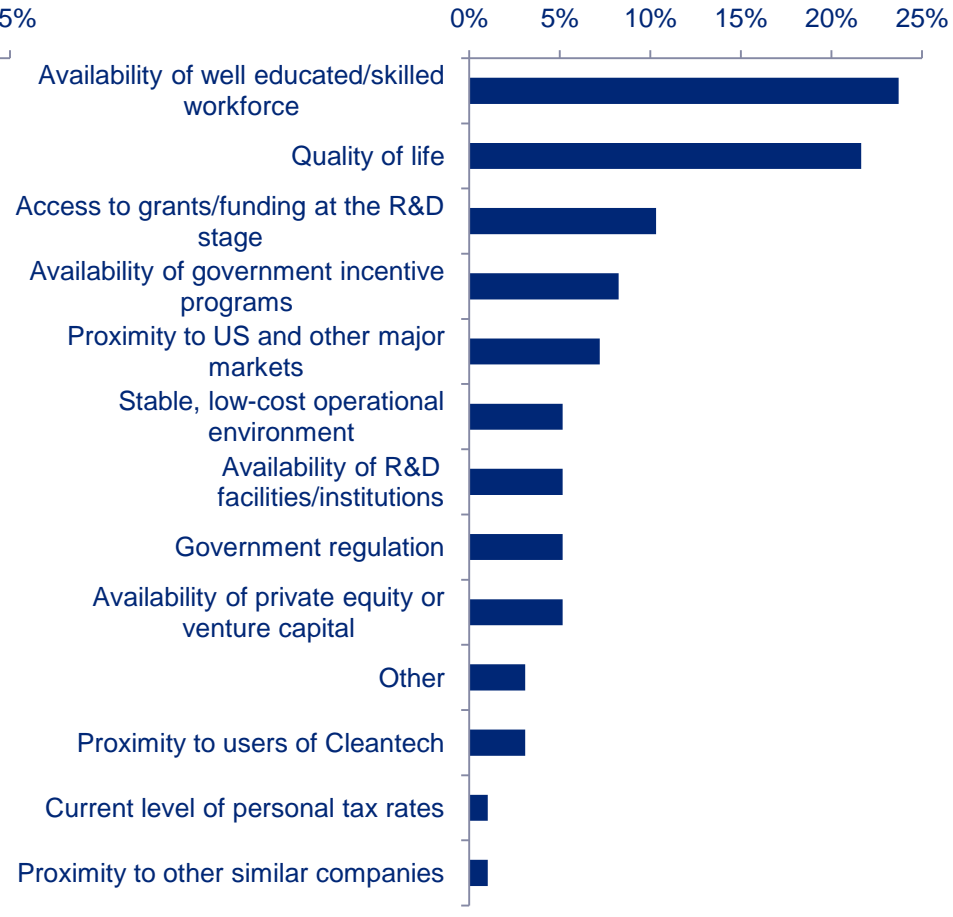
■ Positive impact ■ No impact ■ Negative impact ■ Unknown

#4: Top competitive advantages – Alberta and BC

Top competitive advantages - AB

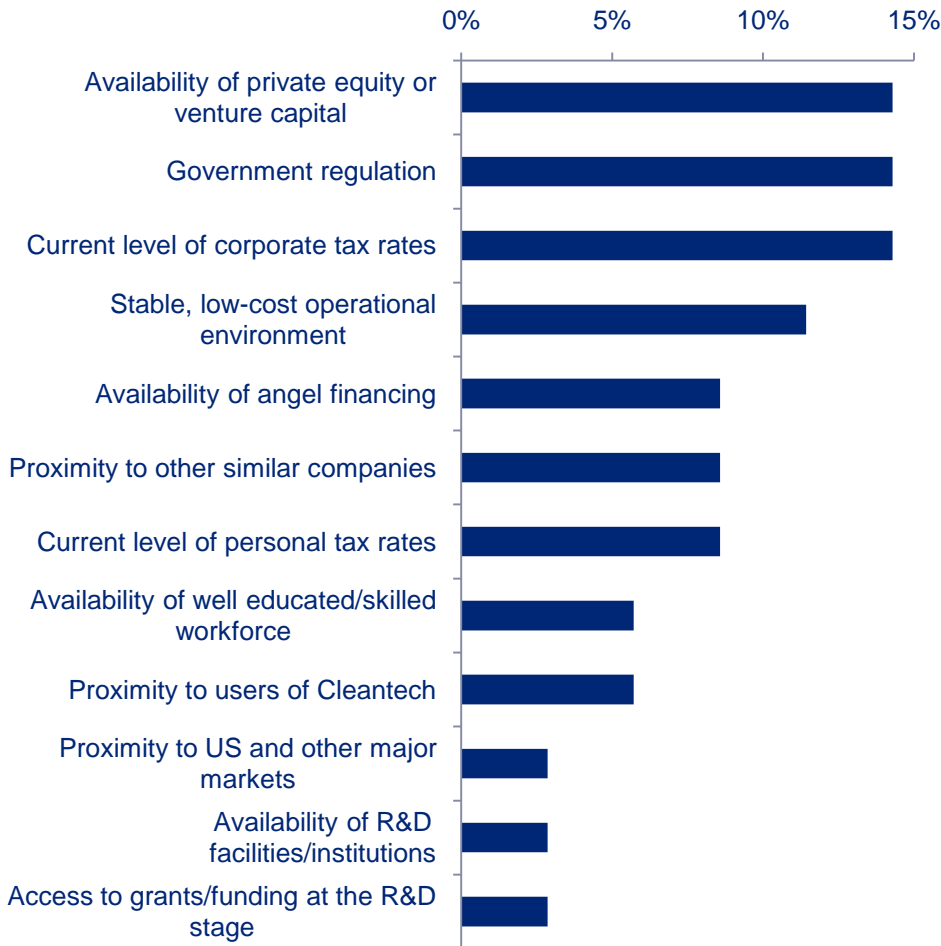


Top competitive advantages - BC

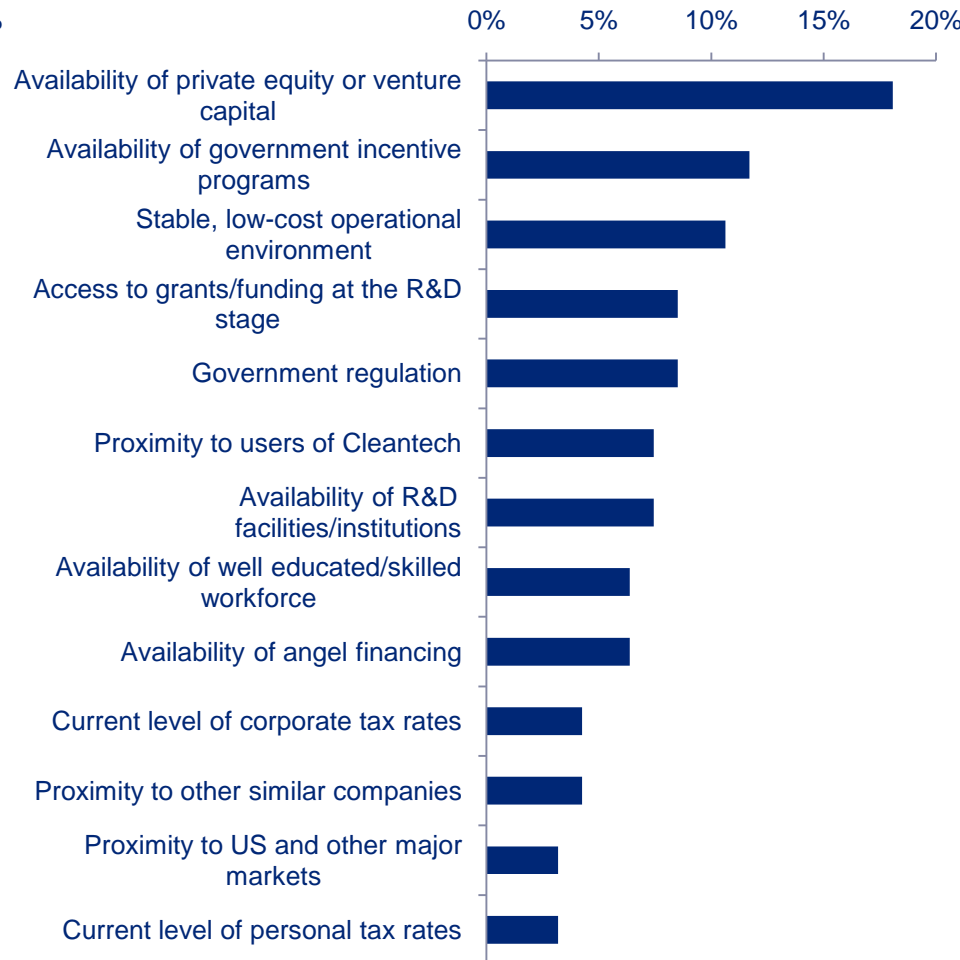


#5: Top competitive disadvantages – Alberta and BC

Top competitive disadvantages – AB

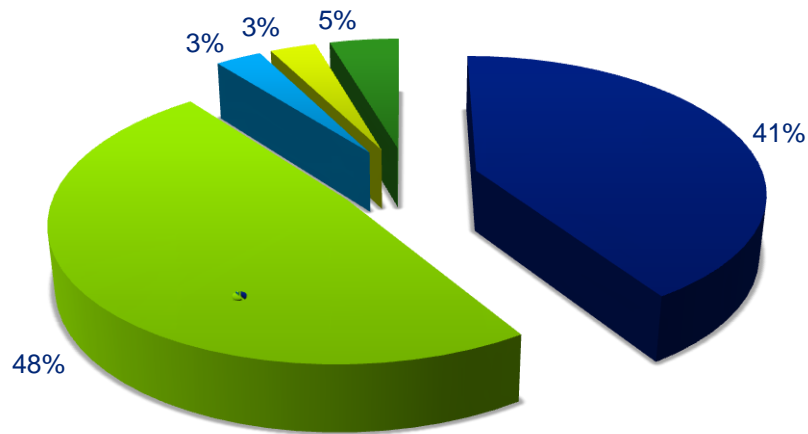


Top competitive disadvantages - BC

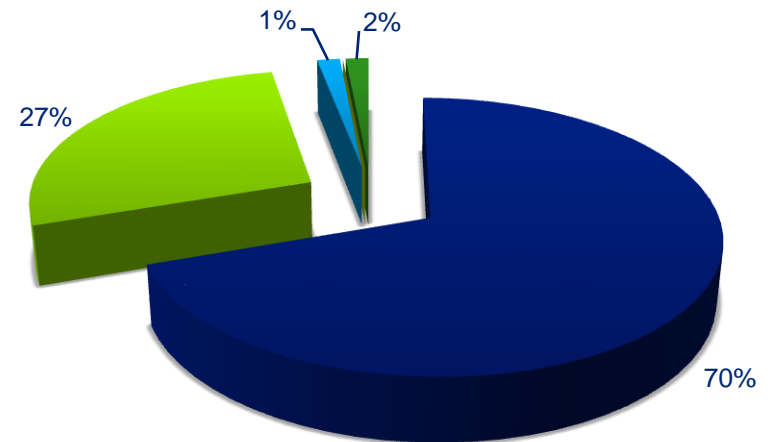


#6: Commercialization

What is the current stage of development of your Cleantech products/services?



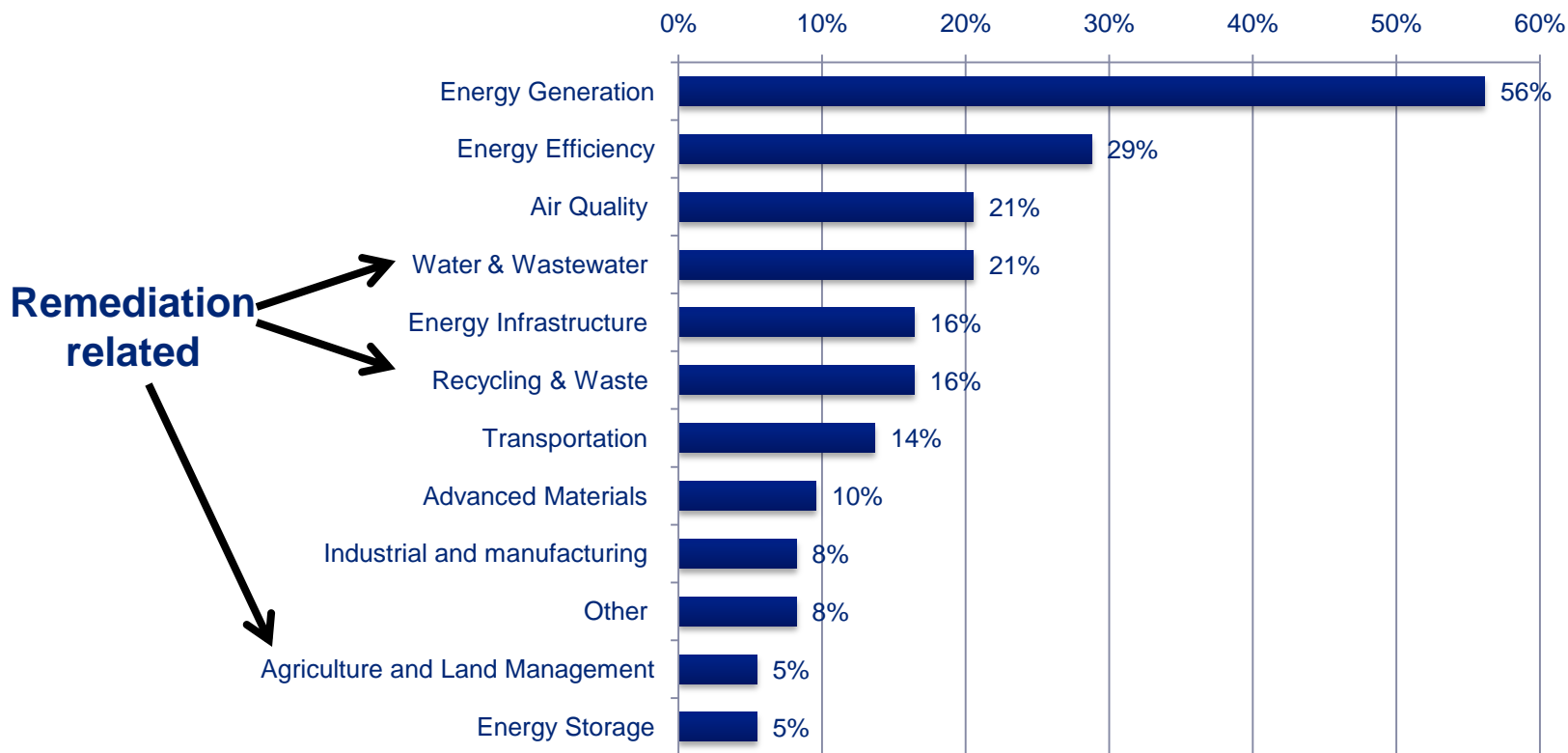
What will be the stage of development of your Cleantech products/services a year from now?



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

#7: Top cleantech subsectors

Percentage of Developers within each Cleantech subsector

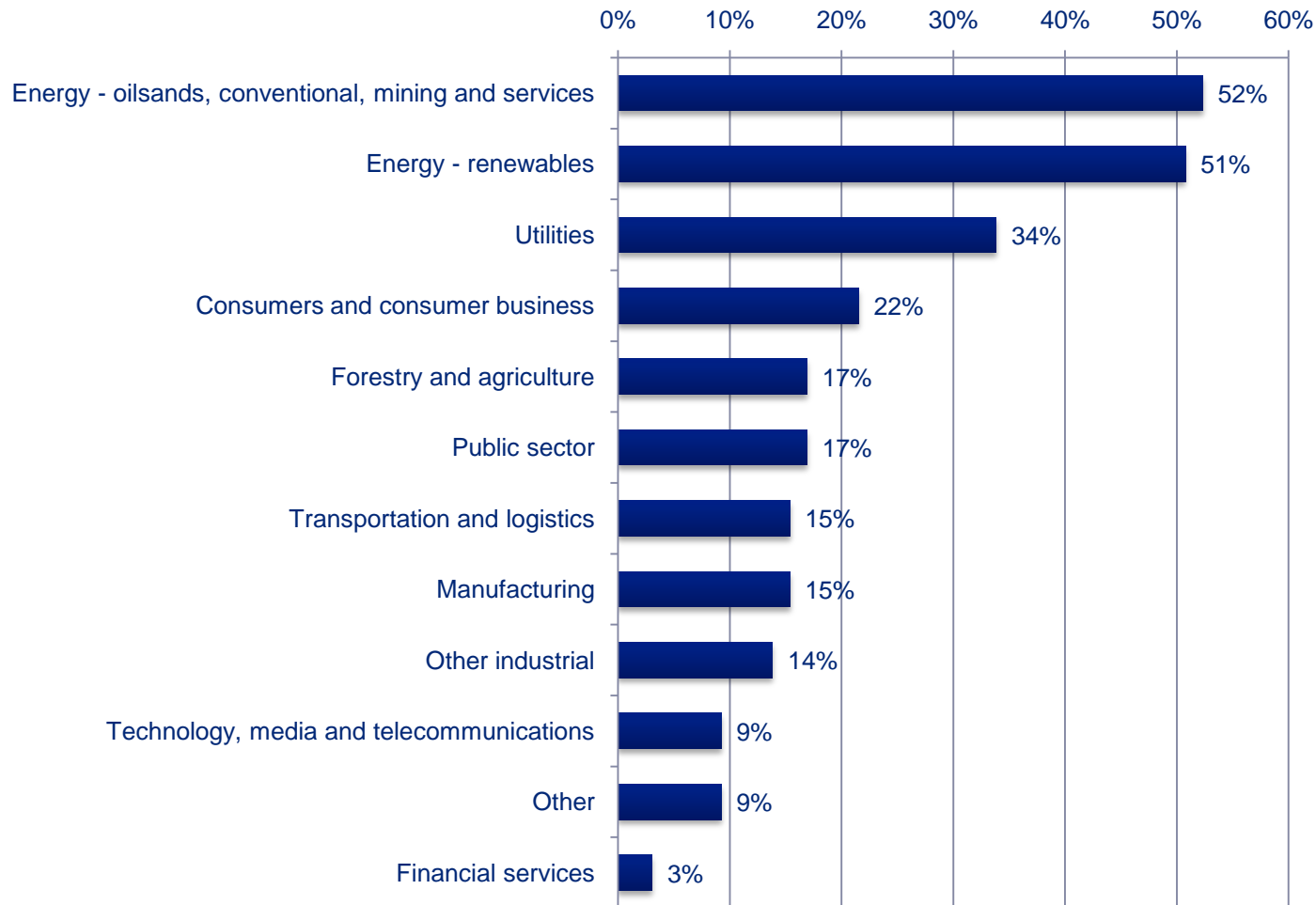


#8: Expected sales growth



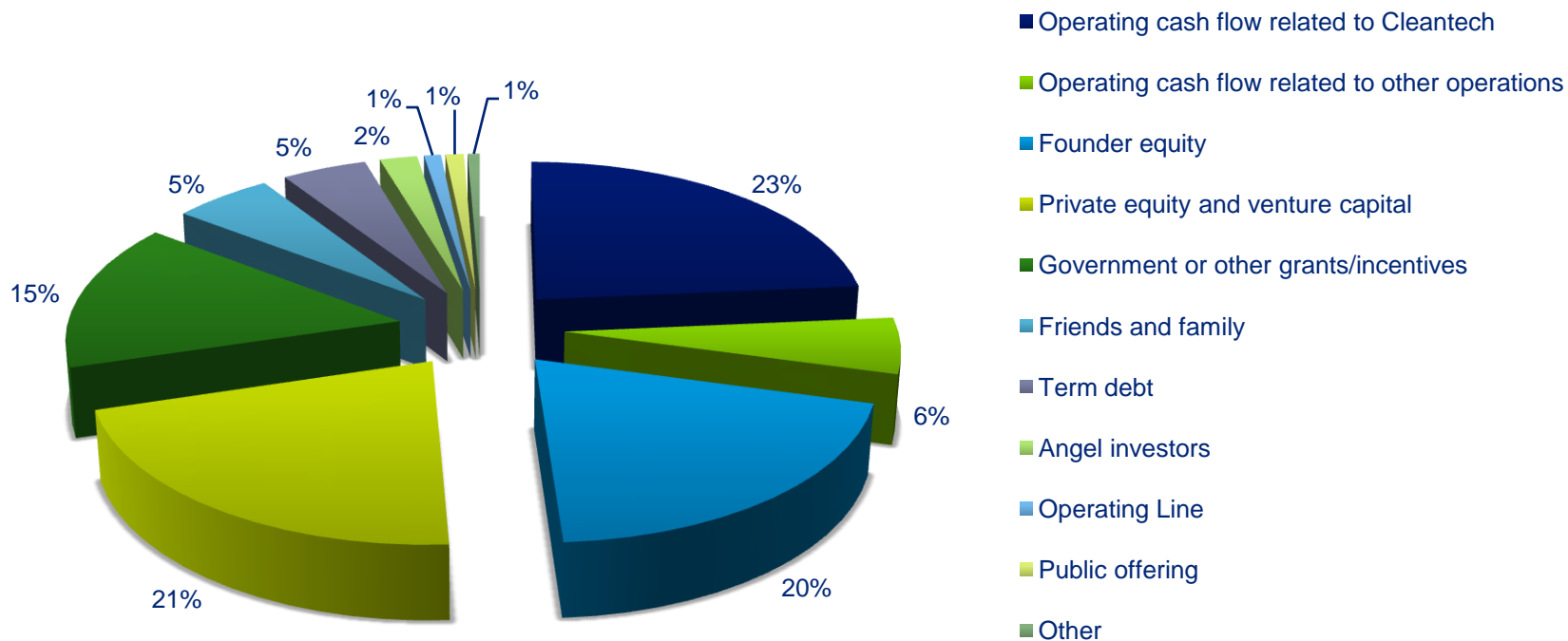
#9: Cleantech customers

Primary customers by percentage of respondents



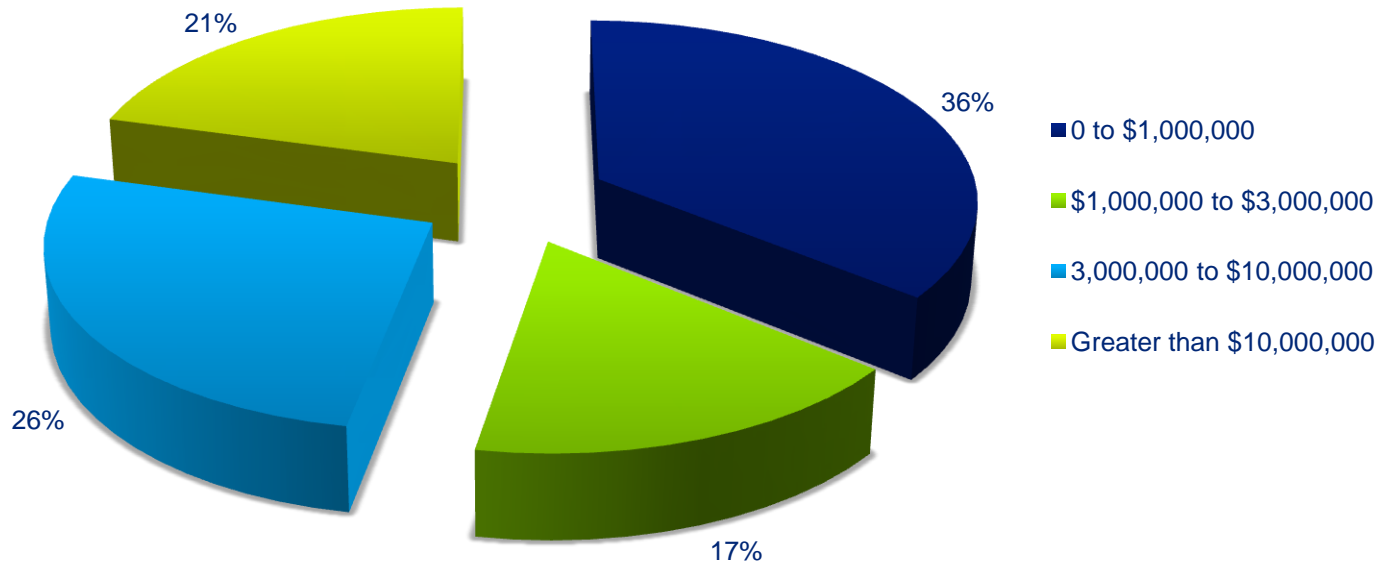
#10: Current sources of financing

Average percentage of 2008 financing by source



#11: Upcoming financing requirements

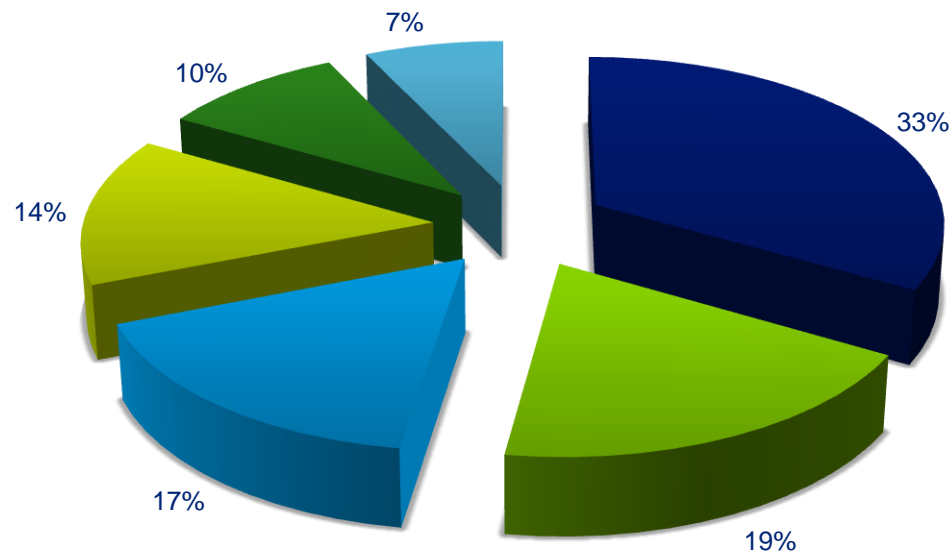
How much Cleantech related external financing will your company require in 2009 and 2010?



#12: Perceived barriers to receiving VC/PE financing

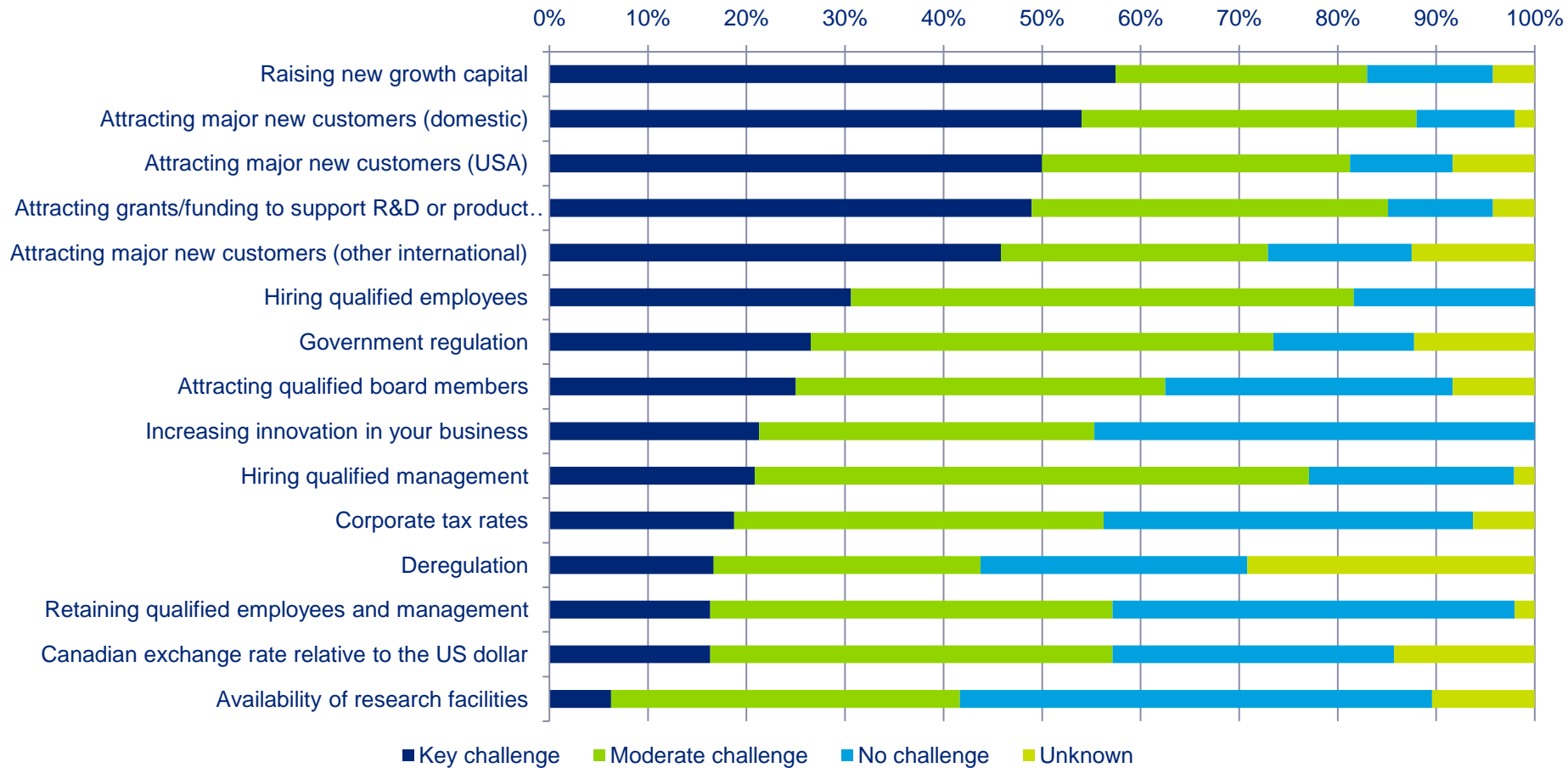
Barriers to Receiving Private Equity Financing

- Private equity firms are focused on later stage deals
- Private equity firms want to see a quicker exit
- Inability to agree upon valuation of company
- Other
- Cannot find Cleantech focused private equity in Canada
- Private equity firms are not interested in or do not understand clean tech



#13: Top challenges

Challenges to cleantech developers



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.

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