

URL: http://www.ey.com/global/content.nsf/International/Media_-_Press_Release_-_CleantechFeb07



[Global Home](#) > [Media](#) > [Press Release](#) > **Cleantech Companies Attract Venture Capital Investment**



The challenge for venture capitalists will be to understand which clean technology segments fit the venture capital model and where venture capital involvement adds the most value

Cleantech Companies Garner US\$1.28 Billion in Global Venture Capital Investment In 2006

Although a Small Portion of Overall Venture Capital Activity, Cleantech Deal Flow is Growing At Rapid Pace, According to Research from Dow Jones VentureOne and Ernst & Young

London and San Francisco, 27 February 2007 — The growing level of environmentally focused clean technology companies, dubbed "cleantech," is garnering significant interest in the venture capital market. According to new global research from Dow Jones VentureOne and Ernst & Young, US\$1.28 billion was invested in 140 financing rounds in 2006 in China, Europe, Israel, and the US. That compares to US\$664.1 million invested in 103 financings in 2005, showing that capital investment in the field has nearly doubled over the past year.

Because of the significant level of attention being focused on cleantech, VentureOne's research department adopted a strict methodology for categorizing potential companies in this new industry. They were defined as companies that directly enable the efficient use of natural resources and reduce the ecological impact of production. Areas of focus include energy, water, agriculture, transportation, and manufacturing where the technology creates less waste or toxicity. The impact of cleantech can be either to provide superior performance at lower costs or to limit the amount of resources needed while maintaining comparable productivity levels.

"Global climate change, high oil prices, accelerated growth in emerging markets, energy security and the finite nature of resources are some of the key drivers of global demand for clean technologies in energy and water," said Gil Forer, Global Director of Ernst & Young's Venture Capital Advisory Group. "In addition, the increased willingness of consumers and governments to pay for and use green technologies combined with the positive exit environment of the last couple of years has provided venture capitalists with the confidence to invest in emerging clean technology companies around the globe."

While the investment levels are growing, cleantech is a relatively small portion of the overall venture capital market. For comparison's sake, a total of about US\$34 billion was invested in 3,748 financings across all industries in the US, Europe, China and Israel in 2006.

"Although small, the impressive growth rate over the past year shows it is not an insignificant portion of the market. The increased attention to environmental concerns is causing venture capital investors to recognize and support the

entrepreneurial companies that are focused on making a difference and aiming to find market opportunities in this industry," said Stephen Harmston, Director of Global Research for VentureOne. "And certainly, that is the foundation of the venture capital model — to locate and sustain the next wave of innovation in the global marketplace."

Along with the growing level of investment, the size of financings for cleantech companies is growing as well. The median size of a cleantech financing round in 2006, on a global basis, was US\$6 million. For US headquartered companies the median round size was US\$7.5 million, slightly higher than the overall median for a US venture capital financing in 2006.

Perhaps not surprisingly, the US saw the most activity in this industry in 2006, with 87 deals and US\$883.6 million invested. But Europe grew as well, with 38 deals and US\$157 million invested in 2006, nearly twice as much investment as in 2005. Cleantech investing in China also increased to 12 deals, up from five in 2005, and US\$221.8 million invested, up from US\$85.5 million in the preceding year. Israel had no deals in 2005, but three deals and US\$22.5 million was invested in 2006.

"In the last 12 months we have seen an increasing number of venture capital funds start to invest in emerging clean technology companies. Although we expect the number of investors in this sector to grow, both in terms of sector-focused funds and mainstream funds, the challenge for venture capitalists will be to understand which clean technology segments fit the venture capital model and where venture capital involvement adds the most value. We also believe that China and India will play a major role in building the innovation pipeline in clean technology," Mr. Forer added.

The cleantech companies also are receiving solid premoney valuations. For example, the median valuation of a US cleantech company in 2006 was US\$13.5 million, which is lower than overall median valuations for venture-backed companies in the US which are at US\$18 million. The global median valuation for a cleantech company is US\$8.3 million.

The most active global investors in cleantech in 2006 include Draper Fisher Jurvetson, DFJ Element, Khosla Ventures, Nth Power and Rockport Capital Partners.

Ends

The investment figures included in this release are based on aggregate findings of VentureOne's proprietary global research. This data was collected by surveying professional venture capital firms, through in-depth interviews with company CEOs and CFOs, and from secondary sources. These venture capital statistics are for equity investments into early-stage, innovative companies and do not include companies receiving funding solely from corporate, individual, and/or government investors. No statement herein is to be construed as a recommendation to buy or sell securities or to provide investment advice.

Copyright © 2007, VentureOne.

About VentureOne

Dow Jones VentureOne, a unit of Dow Jones Financial Information Services,

has been the leading provider of finance and investment data to the venture capital industry for almost 20 years. Dow Jones VentureSource, a sophisticated electronic database on the venture capital industry, is published by VentureOne.

About Dow Jones Financial Information Services

Through its Financial Information Services group, Dow Jones produces focused, sector-specific online databases, newsletters and industry events for the private equity, venture capital and diversified markets. Newsletters published include *Private Equity Analyst*, *VentureWire* and *Daily Bankruptcy Review*. In addition, Dow Jones & Company (NYSE: DJ) is a leading provider of global business news and information services. Its Consumer Media Group publishes The *Wall Street Journal*, *Barron's*, *MarketWatch* and the *Far Eastern Economic Review*. Its Enterprise Media Group includes Dow Jones Newswires, Factiva, Dow Jones Licensing Services, Dow Jones Indexes and Dow Jones Financial Information Services. Its Local Media Group operates community-based information franchises. Dow Jones provides news content to CNBC and radio stations in the US.

About Ernst & Young

Ernst & Young, a global leader in professional services, is committed to restoring the public's trust in professional services firms and in the quality of financial reporting. Its 114,000 people in 140 countries pursue the highest levels of integrity, quality, and professionalism in providing a range of sophisticated services centered on our core competencies of auditing, accounting, tax, and transactions. Further information about Ernst & Young and its approach to a variety of business issues can be found at www.ey.com/perspectives. Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited does not provide services to clients.

Ernst & Young refers to one or more of the member firms of Ernst & Young Global Limited (EYG), a UK private company limited by guarantee. EYG is the principal governance entity of the global Ernst & Young organization and does not provide any service to clients. Services are provided by EYG member firms. Each of EYG and its member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Certain content on this site may have been prepared by one or more EYG member firms.