OVERVIEW

SAIL CAPITAL PARTNERS

SAIL was founded in 2002 as a pioneer in the cleantech investment sector and continues to be one of the sector’s recognized thought leaders. Our comprehensive portfolio currently includes fourteen leading companies spanning the universe of sustainable innovations in the areas of energy storage and efficiency, renewable fuels, electrical efficiency, green cleaning products and water purification.

In this era of profound changes in the way we produce and consume valuable resources, SAIL focuses on exceptional profit opportunities as a result of inefficiencies in the global markets. Our team of uniquely talented investors employs their decades of experience and cleantech-related networks to the most exciting venture investment opportunities.

www.sailcapital.com
This past year was challenging for cleantech, but PE Hub and The Cleantech Group have some promising news: corporate venture capital (CVC) is on the rise. According to the National Venture Capital Association, Corporate venture groups invested $2.2 billion in both 2012 and 2011, an increase from $1.9 billion in 2010 and $1.3 billion in 2009. In 2012, more than 20% of energy venture investments involved a corporate partner, compared to 15% across all venture investments. Furthermore, in 2012, over 100 new CVC’s and Corporates invested in cleantech for the first time – pointing to potential for further growth in the involvement of corporates in the space.

Corporate Venture Capital (CVC) Involvement Over Time

Earlier this month, Enerpulse was awarded the 2012 North American Best Practices Award for Automotive Powertrain Customer Value Enhancement. Analysis of the automotive powertrain market clearly showed that Enerpulse’s Pulstar Pulse Plugs provide better performance and efficiency. "Stricter emission regulations and expensive fuel are currently the biggest challenges for the automotive industry," said Frost & Sullivan. "While the industry has come up with solutions to improve efficiency and reduce emissions, while still maintaining performance, some of these solutions are expensive with unattractive price-efficiency and price-performance ratios. Enerpulse has a product that is easy to install without any modification of the current system." The report went on to say that Enerpulse’s gains in performance and efficiency, as well as "the product's price are superior to alternative solutions on the market."
XTREME POWER  TO SELL BATTERY FACTORY, FOCUS ON SOFTWARE

Xtreme Power, with a decades-old advanced lead-acid battery technology and about 77 megawatts of grid-scale storage deployed around the world, is getting out of the battery-making business to focus on a less capital-intensive field — building and managing the software platforms that integrate these expensive batteries into the grid.

Xtreme plans to sell the Oklahoma-based factory where it makes its solid-state, advanced lead-acid PowerCell batteries, and has a signed letter of intent from a buyer with experience in the battery business. After a temporary shutdown, that buyer intends to restart the plant to help Xtreme fill its ongoing orders for its PowerCell batteries. At that point, the new owner will become another customer to the startup’s new line of business, its Xtreme Active Control Technology (XACT) software platform.

Over the past year, Xtreme has signed up two other deep-pocketed battery makers to use its grid-integration software and services expertise — General Electric for its sodium-metal Durathon batteries, and Samsung SDI for its grid-scale lithium-ion batteries. Xtreme is also working with a fourth, unnamed maker of lithium-titanate batteries and expects to announce that relationship in the coming month.

“Frankly, it really helps us a lot,” said Alan Gotcher, Xtreme’s CEO. “It reduces our need for capital, and from our point of view, it means our cash flow will turn positive, probably a year or so earlier,” he said. Xtreme, which has raised about $55.7 million since it was founded in 2004, now expects to reach profitability in late 2013 or early 2014, he added.

Xtreme’s strategy appears to make sense, given the dynamics of the grid storage business, according to David Groarke, smart grid senior analyst for GTM Research. “A clear competitive advantage for smaller firms in this industry will be to be hardware-agnostic, and to be able to supply seamless turnkey solutions to utilities and customers while battery technology continually innovates on the backend without disruption to service.”

Software also doesn’t require the same R&D dollars that batteries will continue to need as new chemistries and component advances challenge previous generations of technology, he noted. But beyond that, there’s the cold, hard fact that the best batteries in the world are little more than dumb on-off devices with little use for utilities, unless someone builds the hardware-software interconnections necessary to integrate them into the grid.
M2 RENEWABLES, WATERHEALTH INTERNATIONAL, AND THE NEED FOR WATER INNOVATION

Ernst & Young’s Global Cleantech Center released a white paper this month titled “The US Water Sector on the Verge of Transformation.” It outlines several major water challenges in the US and the role of venture capital in catalyzing innovation. In fact, the importance of clean water technology has been featured by many cleantech pundits over the last few months. This includes the Cleantech Group’s recent report about rising investments in water companies that was featured in last month’s newsletter. As VERGE stated in a recent article, they “don’t typically talk about water but that’s about to change...global drought has squeezed our energy and food systems to the point that the value of water can no longer be ignored.”

The E&Y report calls for new financing and business models, greater engagement of the public, and technological innovation to fight water scarcity. SAIL portfolio companies M2 Renewables and WaterHealth International are two such leaders who are tackling inefficiencies inherent in the existing global water paradigm.

As Figure 1 shows, the United States and Australia use the most water per capita, yet water in the US is undervalued. That being said, tariffs in the US have increased in recent years more than elsewhere in the world. According to Global Water Intelligence, the average combined tariffs in the US rose by 6.4% from July 2011 to July 2012, while global tariffs rose on average by 3.6%. The US water industry is starting to advocate additional tariff hikes to manage rising costs, improve its ability to attract private capital, and facilitate water conservation efforts.

It’s clear that the US water sector is on the verge of transformation, and that companies like M2 Renewables and WaterHealth International will continue to have critical technologies in handling the world’s most precious resource.

Figure 1. Average water tariff and water use in select countries

Note: Size of the bubble represents the total annual amount of fresh water used to produce the goods and services consumed.
Last year, more active-duty soldiers committed suicide than died in battle. This fact has been reported so often that it has almost lost its jolting force. Almost. Worse, according to new data, stress that afflicts soldiers in Iraq and Afghanistan has primarily been treated by drugging soldiers on the front lines. Data shows that there has been a giant, 682 percent increase in the number of psychoactive drugs — antipsychotics, sedatives, stimulants and mood stabilizers — prescribed to our troops between 2005 and 2011. That's right. A nearly 700 percent increase — despite a steady reduction in combat troop levels since 2008.

The trouble is that we have no idea whether it's effective — or safe — to use antipsychotic drugs on a continuing basis to treat war-related stress or to numb or sedate those affected by it. That’s why CNS Response’s technology is so important. Its online registry allows physicians to compare and learn which medication treatments have been effective, and which have not been effective for treating patients with similar brain patterns. The current clinical trial at Walter Reed could be a huge step in identifying treatments that would benefit our troops and the general population and would, of course, better protect our soldiers and their mental health.

Please click the image below to see a brief video of CNS’ PEER Technology and the Walter Reed Trial that was recently featured on Fox News. The link will take you to vimeo.com to watch the video.
UPDATE on AUSTRALIA

SAIL portfolio companies continue to actively form partnerships and pursue opportunities in Australia. Chris Rhoades, CEO of M2 Renewables, recently returned from a trip in which M2R explored partnership opportunities with an Australian syndicate company, BioGill. The picture below (left) shows Chris with the CEO of BioGill and his colleague at the Blue Mountains. The other photo is of Chris and the CEO at BioGill’s largest installation at an apple juice factory in New South Wales (right).

Back in the States, one of SAIL’s own and an Australian native, Alison Haslip, and Coral Sustainable Services CEO, Bronwyn Jones, attended the G’Day USA Gala in Los Angeles.

SAIL Managing Partner Walter Schindler is currently in Australia exploring opportunities for other portfolio companies. Updates to come in the next newsletter.
SAIL Capital Partners invests in leaders—leading companies, and equally important, strong leadership teams. In appreciation of the exceptional teams at our portfolio companies, each month the newsletter highlights an individual who has significantly contributed to the growth and success of a SAIL portfolio company.

This month, we would like to recognize Colonel Stewart Navarre. Navarre joined CNS response in February 2011 as the Vice President of Customer Relations, and already has an impressive record of success. In his first 40 days at CNS, he initiated placement of product on the GSA Schedule, created an implementation strategy and set project schedule with Chief of Psychiatry at Walter Reed National Military Medical Center, and briefed investment bank senior leadership. His specialty has been project lead for FDA clearance of PEER technology, as well as getting approval for trials at major military hospitals. In a span of 20 months, Navarre has achieved Class I registration for a medical device, drafted new protocol for a 2,000 subject study of the technology, attained an FDA finding of Non-Significant Risk for the protocol, and obtained Institutional Review Board clearance to execute a study at Walter Reed National Military Medical Center and Fort Belvoir Community Hospital.

Navarre brings to his position significant background in business development, operations, logistics and large scale project management. Most recently he served as Business Development Director, Federal Sector Pursuits, for Bethel Services, Inc. Prior to that he was Managing Director, Project Management – Southern California for CB Richard Ellis, the world’s largest commercial real estate firm.

A retired U.S. Marine Colonel, Navarre has more than 30 years of experience in overseas operations and conflict, including battlefield situations, and in domestic leadership positions. His military assignments included serving as commanding officer for a Marine infantry regiment in Iraq; as branch head at the service headquarters at the Pentagon; as an operations officer for the Joint Staff at the Pentagon; and as chief of staff, Camp Pendleton, Calif., where he directed a 12,000-member workforce operating seven major Department of Defense installations.

Navarre is a graduate of the U.S. Naval Academy with a bachelor’s degree in biology and chemistry. He received a master’s degree in business from the University of Evansville, Indiana. He is also a graduate of the Program Manager’s Course, Defense Systems Management College, and of the National Defense College in Buenos Aires, Argentina. Originally from Monroe, Mich., Navarre graduated from Monroe High School.

Navarre currently resides in Rancho Santa Margarita, Orange County, Calif., with his wife, Yana. They have two children, Alexandra and Zachary. Alexandra is a graduate of Vanguard University and is a 1st Lieutenant in the U.S. Army Reserve. Zachary returned from Afghanistan in 2010 and completed a four year enlistment in the Marine Corps. He is pursuing an undergraduate degree in international business.
SAIL Capital Partners (www.sailcapital.com) is a leading cleantech investment firm with a global vision of technologies, markets and opportunities. We invest in cleantech companies with proven technologies, visionary leadership, measurable impact and exciting growth potential. We have invested in a number of today's leading cleantech companies including Xtreme Power, Ice Energy, The Cleantech Group, Enerpulse, SNTech, Flex Power, Paragon Airheater Technologies, M2 Renewables, Clean Technology Solutions, CNS Response and WaterHealth International. SAIL has offices in California, Toronto, New Orleans and Washington D.C. as well as a global network of investors and advisors.

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SAIL's Partners are a diverse team of successful entrepreneurs, corporate executives, experienced investors, government insiders and seasoned venture capitalists.

Sources

- Aftermarket Press
- Cleantech Group
- Greentech Media
- PE Hub
- Ernst & Young
- VERGE
- New York Times
- United States Naval Academy