

FUNDING INNOVATION

How Companies Navigate from Idea to Mainstream

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BOULDER WIND POWER – WHAT WE DO

- Generator and power converter designs provide radically better equipment for utility scale wind turbines
- Enables wind energy at *15% lower cost of energy*, resulting in potential *300 bps gain in unlevered IRR*
 - Less Capital Cost
 - Lower Operation and Maintenance Cost
 - More Energy Production
 - Scalable Platform Technology
- Technology supplier to wind turbine OEMs
- Backed by NEA and Molycorp (NYSE: MCP)
- Experienced executive team with over 100 years of leadership in wind energy



Funding Sources



Source	Stage	Risk Profile	Portfolio Company Returns	Size of Investment
Financial				
Grants	Early	High	Research	
Angel Investors ----- Friends and Family	Very Early	Very high	High Returns ----- Return of Capital? Love?	< \$1m
Venture Capital	Early	High	7-10x Investment	\$1m – 20m
Private Equity / Growth Capital	Medium	Medium	3-7x Investment	\$50m+ (into billions)
Strategic				
Internal Development	Early	Necessity? Cool side project?	Positive NPV Internal Hurdle Rate	Varies
Strategic Investor	Medium	Post- Proof-of-Concept	Financial Returns + Fit	\$1m-20m+

VC Portfolio

Company	A	B	C	D	E	Fund Total
Investment	\$40m	\$40m	\$40m	\$40m	\$40m	\$200m
Result	Fail	Fail	Return Capital	Return Capital	SUCCESS!	
Returns	\$0	\$0	\$40m	\$40m	\$400m	\$480m

Portfolio Analysis

Year 0 – Invested \$200m in a wide variety of companies

Year 7 – Two failures, two returned capital, one homerun.

ROI = 140%

CAGR = 13.3% (7 years)

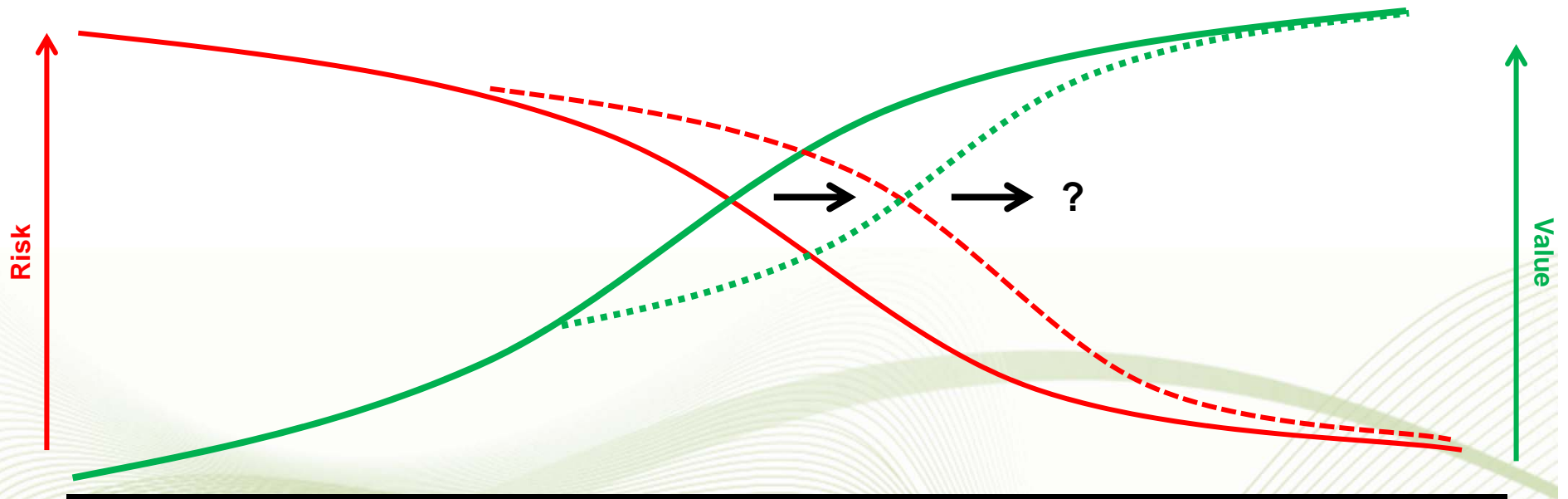
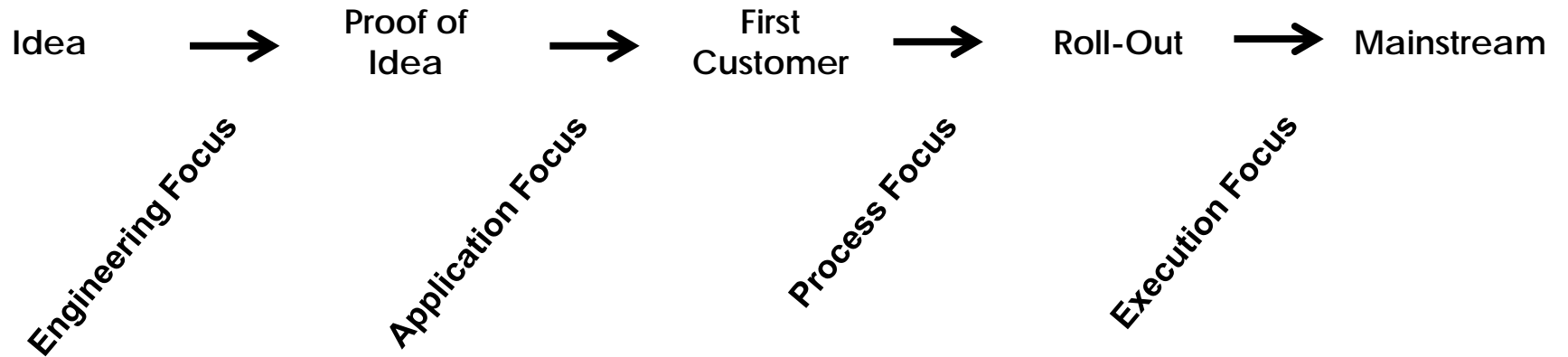
Same portfolio – all achieve 50% return (\$60m):

ROI = 50%

CAGR = 6% (7 years)

Long-term Market Returns ~ 7%

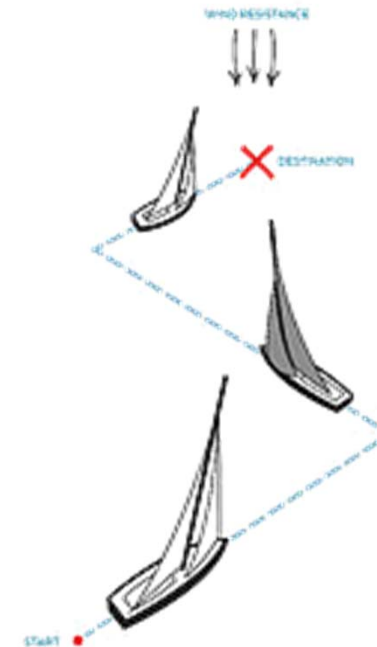
Hypothetical Product-Focused Company



NB: Not always linear. Usually the processes overlap.

1: Idea -> Proof of Concept

- Does it Work?
- Product
 - Build a Team
 - Focus on engineering
 - Prove the Idea Works
 - Keep eye on cash spend with disciplined R&D
 - Decrease company risk
 - Develop intellectual property
- Market (Aiming for the Target)
 - LCOE
 - Customer feedback
 - Competitive analysis
- Investors
 - First round of funding (grants, angels, venture capital)
- Experiences
 - Boulder Wind Power
 - Shift from full WTG to Generator to focus on value



2: Proof of Concept -> First Customer

- **Idea works! Do people care?**
- **Product**
 - Expand the Team
 - Engineering turns to application
 - Customer prototype and demonstrations
- **Market (Customer Feedback)**
 - LCOE meets reality
 - Are price assumptions valid? Can cost decrease?
 - Need to stay agile to respond to market feedback
- **Investors**
 - 2nd Round of Funding
 - What does financial plan look like?
 - Did the sale meet metrics?
- **Experiences**
 - Previous
 - No first win...
 - Starting today, we focus on... turning the ship
 - Boulder Wind Power



3: First Customer -> Roll Out

- **We Made a Sale!**
 - People like us! Champagne!
- **Product**
 - De-risk product from prototypes to standard article
 - Manufacturing, installation, operation
 - Customer requests, 3rd party review
- **Market (Develop Sales Process)**
 - First sale was expensive!
 - Global customers, prototype costs
 - How do we increase sales and decrease cost of sales
- **Investors**
 - Do we need a 3rd round of funding?
 - Are strategic investors available to aid growth?
 - How do we continue to fund innovation?
- **Experiences**
 - Developing Process
 - Boulder Wind Power
 - 3rd Party Diligence



4: Roll Out -> Mainstream

- **Things are clicking**
 - Developing replicable processes
- **Product**
 - How does a company continue to evolve?
 - Continued product refinement, new variants
- **Market (What Next?)**
 - Continually aiming at where market will be
- **Investors**
 - Last round of funding?
 - How can company grow? IPO? Acquisition?
 - Returns to shareholders
- **Experiences**
 - There is no finish line



Wrap-Up

- **Types of Funding**
 - Different periods of the business can require different types of funding
- **Balancing Act**
 - Market needs and staying responsive
 - Continued innovation
 - Customer wins
 - Financial metrics
- **Team Building**
 - A good team consists of investors, employees (engineering and sales), management, customers, consultants

THANK YOU

