



Equity is Available, but Regulations Cause Worries

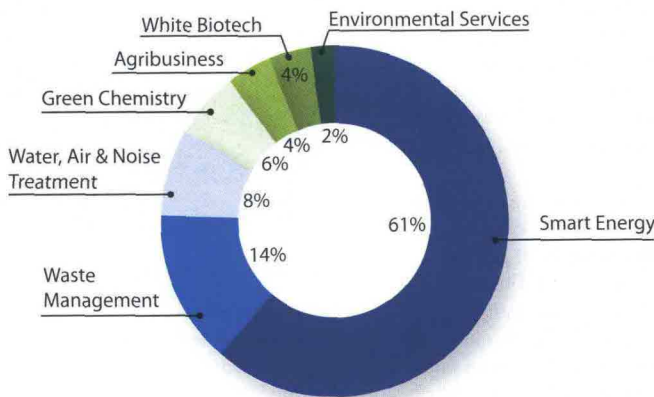
Uncertainty is the main obstacle to green **investments**, according to a recent survey, but institutional **investors** are also lured by the great **potential** of the market. In the meantime private equity fund managers are cherry picking. Here are some examples

by Pier Paolo Albricci

The leading brokers in the green sector expect energy, water, air and waste to be at the heart of the investment trends in the coming months. An analysis of the portfolios of the top Italian brokers by VedoGreen shows that Smart Energy (61%), Waste Management (14%), Water, Air & Noise Treatment (8%) and Green Chemistry (6%) are the biggest areas of investment. Investors have realized that the trends in the next few years will revolve around climate change and the growing number of people on the planet. More specifically, they have seen that the greatest interest lies in a few broad areas: energy efficiency, combined with the development of new technology and plants for energy production using alternative sources to fossil fuels; the search for new water treatment systems and technology, and the construction of new water supply infrastructures,

especially in emerging countries that have experienced uncontrolled industrialization; and waste management, in particular in terms of recycling, waste-to-energy systems and waste materials from manufacturing. "A sample group of 50 European institutional investors with expertise of the green economy underlined that green investing is an approach that can be taken in a number of sectors and it is not limited to a specific industrial model," explained Marco

A breakdown of preferred investments in green businesses



Marco Giorgino is VedoGreen's chairman

INVESTORS

Loans to renewable energies

	Power MW	Amount	Interest Rate	Duration
Photovoltaic				
Mediocredito	na	100%	fixed /variable + spread	Max 20 years
Mps Welcome Energy	-	70% /max € 600th	variable Euribor + spread	Max 18 years
Bpm Credito Fotovoltaico	-	from 1th to 2 mn	variable + spread	Max 15 years
Wind				
Mediocredito	< 20	100% t	fixed /variable + spread	Max 15 years
Mps Energie Pulite	< 1	70%/ max € 1,5 mn	variable + spread	Max 15years
Hydroelectric				
Mediocredito	< 10	100%	fixed /variable + spread	Max 20 years
Mps Energie Pulite	< 1	70%/ max € 1,5 mn	variable + spread	Max 15 years
Bio-energy and general efficiency				
Mediocredito	< 5	100%	fixed /variable + spread	Max 15 years
Bpm Pacchetto ecologia	-	from € 5 th to € 2 mn	variable + spread	Max 15 years

Source: Company data

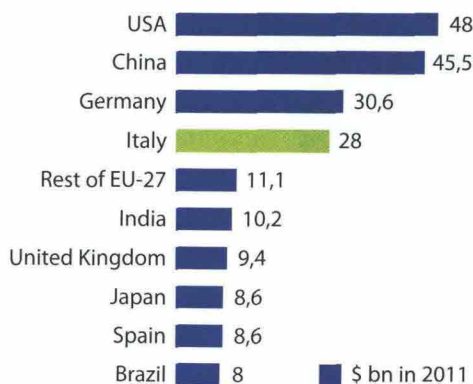
Intesa Sanpaolo is the Italian bank most focused on the financing of renewables. In the period 2009-2012, loans to the market amounted to € 2.2 bn, managed through different subsidiaries, such as Mediocredito (long term financing), Leasint (leasing), Banca dei Territori (short and medium term financing to retail and families) and Banca IMI (project finance and corporate financing). But, according to Bank of Italy, the industry's loans to privates were down 3.3% m/m in July (in June -3.0%). Since the drop was more accentuated in loans to families, it credit crunch for corporates seems to have relaxed slightly

Giorgino, the chairman of VedoGreen, referring to an IR Top survey conducted in fall 2012. "Investors will focus on renewable energy, waste management and energy savings, while in the future the greatest investment opportunities will be presented by energy efficiency, eco-mobility, smart grids, smart cities and green building." According to the abovementioned survey, uncertainty about the regulations is the main obstacle to green investment (as cited by 84% of the group). Around half of the investors (45%) were concerned about

the difficulty of applying sustainability criteria to asset allocation, while a small minority mentioned the lack of assessment standards and the fact that the business models are not yet mature. Among the reasons given for making green investments is the great potential of the market (as cited by 85% of the group), followed by environmental and social responsibility, and financial factors such as high yields and low risks. Finally, 85% of the interviewees said that they wanted to invest more in the green sector in the next three years.



Mario Barozzi, Idea Capital Funds' CEO

RES investments in G20 countries


Source: the Pew Charitable Trusts

The banking industry is also paying more attention to funding for the green economy. This is especially true in Europe due to the important contribution of the European Investment Bank (EIB), which has recently adopted new guidelines to boost the support for investments in energy efficiency and renewable energy. In 2012, the EIB provided €6.8 bn in financing in Italy, a significant proportion of which went to small and

medium enterprises through joint financing agreements with Italian banks. More than a quarter of the EIB's total loans in Italy (over €48 bn between 2007 and 2012) were used to support big energy companies such as Eni, Enel, Enel Green Power, Iren, Agsm, Snam, Acea and AES Torino. Details for some of the leading closed-end investment fund vehicles that specialize in the green economy are provided below.

IDEA CAPITAL FUNDS

IDEA is the largest independent Italian management company of private equity funds of funds and direct investments through



private equity direct funds with domestic and international exposure. It was founded in 2007 by DeA Capital, which is listed on the Milan stock exchange and is part of the De Agostini group, an organization with a turnover of approximately €4 bn. IDeA Capital Funds has €1.3 bn of assets under management in four closed-end funds. One of them is Idea Efficienza Energetica e Sviluppo Sostenibile (IDEA EEF), which has raised €100 mn and invests directly in SMEs offering products or services for energy savings, the use of renewable materials and efficient utilization of resources. In the last 18 months, the management team has made six private equity investments. "We aim to make growth and expansion capital investments in small and medium enterprises with outstanding technology and services," stated **Sergio Buonanno**, the managing director of the fund. "In the green sector, technology and services for efficient use of resources and reduced environmental impact have excellent growth prospects and are less likely than renewable energy to be influenced by any changes to the incentive systems and credit availability, even though they have similar development dynamics." The three most recent investments were made in Domotecnica (installation of energy efficiency systems in residential and commercial premises), Elemaster (design and production of electronics for niche segments including energy, rail transport and home automation) and SMRE (components for electric vehicles).

They have a good track record for growth and profitability.

AMBIENTA SGR

Established in 2007, Ambienta is a growth SME investor targeting the environmental sector, seeking to capitalise on huge and growing markets for businesses focused on energy and resource efficiency, waste management and pollution, and renewable energy services. Assets under management, raised in 2008, were €217 mn, of which €30 mn have yet to be invested. Nine investments were carried out in 2012, the last one last October. They achieved an aggregate growth of revenues of 29% and of Ebitda of 37%, according to the management of the fund, led by **Nino Tronchetti Provera** who in 1997 founded Cam Tecnologie (Camfin group, now Pirelli Eco Technology) to develop clean technologies and products. The most important product developed was a low environmental impact fuel (branded Gecam), a diesel-in-water emulsion alternative to traditional diesel fuel for transportation. Gecam reached a 20% market share in the Italian Public Transportation market with eight production facilities and turnover of more than €50 mn, with operations in France, the Czech Republic and China. Cam Tecnologie also built some of the earliest Italian wind farms. In 2012, Ambienta made three investments, Tattile (smart

vision), Found Ocean (services to offshore energy), Tower Light (energy efficiency), while at the end of last July it announced its first divestment, the sale of 100% of Tower Light to the US company Generac, a leading manufacturer of generator sets and lighting towers, listed on the NYSE. Ambienta purchased an 82% stake in Tower Light in February 2012, investing €13.5 million through a management buy-out. "We succeeded in growing revenues and profitability faster than expected, thanks to our ability to foster additional international growth, which resulted in a doubling of Ebitda with respect to when we began discussions with the company," explained **Mauro Roversi**, partner of Ambienta, without revealing the final price for the stake.

FONDAMENTA SGR

Fondamenta is a management company for private equity, venture capital, real estate and infrastructure investments. Since April 2013, it has been controlled by the Genesi holding group, which also controls Quadrivio SGR. A merger is now taking place between Quadrivio and Fondamenta, which have €1 bn in assets under management, more than 200 Italian and international investors, 11 funds and three advisory contracts between them. There are more than 50 professionals in the team, which is divided into six business areas. Since 2005, Fondamenta has expanded into the green energy/clean tech sector with its investment products and launched the first Italian holding company for renewable ener-



Nino Tronchetti Provera, founder and CEO of Ambienta

▷ INVESTORS

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Quadrivio's chairman, Alessandro Binello

gy only. Using its experience from this initiative, it went on to promote and launch two new investment funds. They raised €90 mn and approximately €60 mn of this money has already been invested. The vehicles of the two funds own around 20 photovoltaic and biogas plants, with an installed capacity of over 25 MW. "Despite the changes in the legislation and the gradual cuts to incentives in Europe, the renewable energy sector is still of great interest to Quadrivio/Fondamenta," stated **Gianluigi Lucchini**, the investment director of Fondamenta. "In particular, we see opportunities in hydroelectric power and the construction of new biogas plants. As for investments in Italy, there will be a big focus on energy efficiency and energy storage systems."



Michele Appendino, chairman and founder of AME Venture

AMBER CAPITAL

Established in 2009, Amber Capital Italia manages the long/short equity fund Amber Italia Equity and the private equity fund Amber Energia. The Amber Energia fund (now fully invested) is focused on the renewable energy sector, through the acquisition of qualified minority stakes in companies characterized by a solid business model, an established international presence and a significant development pipeline. "With respect to the renewable energy sector, we believe that the businesses with the highest upside potential will be characterized by a low dependence on incentives and a high industrial and technological content", says **Alessandra Bianchi**, portfolio manager of Amber Energia. A widespread geographical presence will be another key success factor, in order to mitigate the economic and legal risks connected to the single markets. "We are very positive on the hydro sector, on which we have invested through the acquisition of a minority stake in Sorgente Holding, a leading player with a unique technology in the field of small hydro plants," said Bianchi.

AME VENTURES

AME Ventures is an investment holding focused on early stage companies active mainly in renewable energies, founded in 2005 by Michele

Appendino, co-founder of Net Partners Ventures (Self Trade, Edreams, Mutuonline, Yoox) in 1997 and a former McKinsey Manager. AME Ventures has a strong track record in early stage investments, with over 40 companies in many sectors and many countries, with several IPOs and trade sales. All sectors are considered for investment and the current areas of focus are very diverse: service sector companies, technology applied to design companies and renewable energy, in particular solar. AME Ventures is the founding shareholder of **Solar Ventures**, a solar energy power producer which manages large scale photovoltaic plants. The company is active in Italy, Eastern Europe, and the MENA Region and it has so far developed a 500MWp international pipeline. This year **Solar Ventures** signed a joint venture with Mitsubishi Corporation and Innovation Network Corporation of Japan, the strategic investment fund of the Japanese government, aimed at acquiring and managing operating PV plants in Italy. AME Ventures has also a stake in the Israeli Cleantech Fund Terra Venture, that invests in the best early stage companies in the environmental sector. "We believe that energy efficiency and solar thermal energy are very promising sectors. They have regular growth trends because they benefit from development policies that aim to improve the quality of buildings and promote more rational use of energy sources," stated **Michele Appendino**, the chairman of AME Ventures, who is also chairman and CEO of **Solar Ventures**. **L**