

## **Clean Markets: Tepid IPO market for renewable, clean tech companies expected to heat up**

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Initial public offerings have gotten the cold shoulder so far this year.

According to a July 24 [study](#) by PricewaterhouseCoopers, the number of initial public offering listings in the United States fell in the first half of 2008 to 42, raising a total of \$29.3 billion, compared to 147 IPOs that amassed \$32.8 billion in the same period last year. While the aggregate value of the IPOs appeared relatively stable, [Visa Inc.](#)'s IPO inflated the amount raised in the first half of 2008, the study noted. Excluding Visa's IPO, only \$11.4 billion in proceeds were raised for the first half of the year.

Energy, including the renewable sector, generated the most proceeds from IPOs in the second quarter, with five IPOs raising \$3.2 billion.

Turbulence in the credit markets and the related volatility in the equity markets continue to challenge IPO pricing, according to PricewaterhouseCoopers.

### **How renewable, clean tech IPOs have fared**

So far this year, only three clean technology IPOs have taken place, versus nine in the same period in 2007, according to Piper Jaffray & Co. Last year, a total of 11 clean technology companies went public. Overall, the performance of the clean tech stocks that have gone public recently has been lackluster. Those companies, however, have issues specifically related to their businesses that are weighing them down, according to Skip Grow, managing director at Lazard. In addition, the overall decline in oil prices has put pressure on all clean tech stocks, he said. Indeed, renewable and clean tech stocks in general are well off their 52-weeks highs, Grow said, particularly solar stocks due to concerns about end-market demand in Europe.

Some investors had high expectations for GT Solar International Inc. when the company began [publicly trading](#) its stock July 24. Priced at \$16.50 per share, the stock closed July 24 at \$14.59, for a loss of \$1.91, or 11.6%, for the day. The IPO raised \$500 million, more than \$100 million short of the amount the company anticipated. On Sept. 8, the stock closed at \$10.40, down 37% from its first day of trading.

Real Goods Solar Inc. went public in NASDAQ under the ticker symbol RSOL on May 8 at \$9.00 and closed at \$8.80 on the day. On Sept. 8, the stock closed at \$5.84, down 35.1% from its opening day price. Energy Recovery Inc., a water desalination company based in San Leandro, Calif., has performed better: The company went public on July 2 priced at \$8.50, and the stock soared on its first day of trading to \$11, up 29%. On Sept. 8, the stock closed at \$8.79, up 3.4% since its debut.

The momentum players appear to have left the renewable and clean tech sector, which prompted multiples to contract and made life more difficult for some of the commodity-like clean tech players, according to Grow. "We believe that this is a temporary hiatus and as these companies continue to hit their earnings expectations, investors will become more confident and this will be one of the earlier sectors to see strength," he added. The number of clean tech companies going public is expected to increase in 2009 as investor confidence returns.

### **Green companies represent 'the biggest shift in the economy since the Industrial Revolution'**

The [outlook](#) for renewable energy companies is strong, said Lois Quam, leader of strategic investing for green economy and health at Piper Jaffray.

"This is the most significant opportunity in front of our economy and the world," she said. "There are significant constraints on oil and increasing science that climate change is accelerating. Coupled with that, there are demands from governments in terms of regulations, consumers in terms of what they want to purchase and businesses to offer green and lower cost carbon and energy solutions. All of that means this is the mother of all economic opportunities. It is the biggest shift in the economy since the Industrial Revolution, and that will create very significant opportunities for entrepreneurs in this space."

Grow shares Quam's optimism about the IPO market for clean tech companies. "We're seeing many exciting opportunities in the pipeline for clean tech companies for this year and the first half of next year," he said.

Other strategies, such as listing on the [Alternative Energy Market](#) or conducting a reverse IPO, are not viable options right now for most clean tech companies, Grow said. Therefore, many companies are turning to private equity or planning to go public. Given the nature of renewable projects, Quam expects that more activity "at the intersection of public financing and investment banking."

Wall Street firms continue to reassign and add to their clean tech divisions, according to Quam. "We're seeing more institutions bring in people with strong expertise," she said, noting that Piper Jaffray is among such firms. In August, Piper Jaffray hired Doug Cameron, who formerly served as the chief scientific officer at Khosla Ventures and was director of biotechnology at [Cargill Inc.](#), to help Quam build the firm's global franchise in renewable energy and clean technology.

The best-performing IPOs will be ones with a differentiable product offering and a clear path to commercialization in addition to strong venture investors, Grow said.

### **IPOs in pipeline**

In May, [Noble Environmental Power LLC](#) filed a [Form S-1](#) stating its plans for an [initial public offering](#). An Aug. 29 [amended Form S-1](#) filing states that the company plans to offer 23,437,500 shares of its common stock and has applied to be listed on NASDAQ under the symbol NEPI.

At least two other renewable companies have recently filed for IPOs. One, Enfield, Conn.-headquartered STR Holdings Inc., a solar power module encapsulant manufacturer, filed a Form S-1 on July 31 to raise \$300 million. [First Wind](#), a wind energy company based in Newton, Mass., also filed a Form S-1 on July 31 and expects to raise \$450 million.

"The best companies in this space will have a solid business model and technology coupled with excellent supply contracts and outstanding management that can take these companies to their fullest potential," said Quam. Truly understanding the risk and how that risk is priced, along with the caliber of the management and other factors, must be considered. "Not every green company is a good investment," she added.

Quam will be the keynote speaker at the 2008 New Jersey Clean Energy Conference & Leadership Awards in Jersey City, N.J., Oct. 17.