



Session 3A: Investing in PV companies

During Session 3A experts focused on Investments in PV companies, with sub-sessions titled **Financing PV-Start-Up Companies** and **Venture capital Investments in PV**.

The first presentation by Mr. **Hardacker** (Quantum Board) illustrated the attitude of Business Angels investing in clean-technologies. Since Clean-tech and especially PV are very attractive sectors, a great number of amateur Angels start investing in the PV market without knowing it well. This situation caused an over-evaluation and thus, higher risk of investment. Mr. Hardacker showed the different situations of the Angel markets in the US and Europe.

Mr. **Rüter** (Grazia Equity) explained that unlike the Dot-com businesses, the PV sector is a capital intensive market: large amounts of money are required to expand the value chain, increase growth and accomplish internationalization. Therefore fears of a “bubble” in the current market situation are not valid. Mr. Rüter then explained the different approaches on how to raise money in Europe and the US. Larger investments have to be carried out on start-ups in Europe, by VCs, Business Angels as well as Strategic investors. Public discussions on support schemes need to take place, because Europe has the largest market today, however such situation could change soon. In terms of financing, especially early stage VC and private equity, new US-based companies will come up and the market-size will increase in the US.

Mr. **Agostinelli** (PV Technology Platform) highlighted the key R&D areas which need to be addressed to make PV cost competitive. The growth-rate of the market is so rapid that it overwhelms the technology cycle times. The objective of the PV Technology Platform is to address this issue and promote joint research on a well selected issue in order to achieve in time significant technology improvement and industrial competition.

Mr. **Hansen** (Good Energies) explained how the solar industry will experience a huge and steady growth in the next 10 years; from EPIA's expectations of 7 GW to 20 GW of Analysts' outlook.

On the mid and long-term the industry is expected to continue with robust growth rates.

On the short term (2008 and 2009), markets will be characterized by heavy volatility on the stock market. There will be great opportunities for investment. Margins will then drop in 2010 and 2011 when the PV market will be already extremely competitive. The PV sector is comparable to other industries such as

Mobile Handsets, D-Ram, Flash Memory, LCD, where margins of profit today are much lower than in the past.

From 2008 to 2011, 300bn to 500bn USD investments are expected to be realized only in the PV sector. In 2010 approximately 100bn investments in PV are expected. 84bn coming from debt financing, 24.5bn from Equity and a remaining 1.5bn from Venture Capital investments. The biggest challenge will be to raise finance from debt rather than from equity, since due to concerns regarding support programmes, banks are still not comfortable in lending money to the solar sector.

Overall the Solar Market is not yet mature, and there is high volatility. Investors will have to therefore understand the risks and to be careful with evaluations.

Mr. **Van den Heuvel** (Scheuten Solar), illustrated strategic venturing into PV from Scheuten Solar's perspective. Scheuten controls the full value-chain: from up-stream initiatives in silicon supply to down-stream, where Scheuten serves the market with both trade and turn key projects.

Panel Discussion: Consistency and Confidence

The session ended with a panel discussion, which was moderated by Mr. Cameron (EPIA Vice-President) and included the following panelists:

- Mr. Hilgert (Managing Director, Citibank, Global Investment Bank)
- Mr. Stokes, (President, Suntech Europe)
- Mr. Perry (CFO, SolarCentury)
- Mr. Kapell (Director, Deutsche Bank, Equity Capital Markets)
- Mr. Hardacker (Managing Partner, Quantum Board)

The panel examined how the finance and PV communities can move on together given issues like the recent turbulence of the financial markets, and the future uncertainty of the continuation of support schemes, and also a passage from undersupply to oversupply of silicon.

Mr. **Hilgert** (Citibank), pointed out the several factors which have recently driven PV share prices. Overall he agreed that the outlook from a market perspective will remain strong, but there will be continued volatility in the short term.

Mr. **Perry** (Solar Century) illustrated Solar Century's experience in the British market, which is basically not subsidized. In Europe, BIPV's main driver apart from premium tariffs (FiTs), is the cost per m² of the PV material, which in many cases is lower than the ordinary building material costs. Therefore BIPV is a niche market which will grow very quickly in the upcoming future. Companies can therefore develop markets in unfavorable regimes like the UK simply by working with customers.

Mr. **Kapell** (Deutsche Bank) gave an overview on how traders and analysts see the market. The solar sector has been a very attractive sector for banks and investors.

However, the market has suffered lately by the US recession.

From an investor's perspective regarding solar stocks it seems now to be a very attractive sector because it is not related to a cycle.

According to Mr. Kapell, prices and margins will decrease in 2009 and the volume of investments will consequently increase. The earnings season is now over and looking into 2009 there is some uncertainty. However the long-term situation will be attractive, especially after amendments to the regulation, and the chance of investors buying heavily into the sector is high.

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