Investment Activity Leaped In The Clean Technology Market In 2009

GlobalData's "***Clean Technology Annual Deals Analysis 2010***" report is an essential source of data and trend analysis on the Mergers and Acquisitions (M&A) and financing in the clean technology market. The report provides detailed information on M&A, Equity/Debt Offerings, Private Equity, Venture Financing and Partnership transactions registered in the clean technology industry in 2009. The report portrays detailed comparative data on the number of deals and their value in 2009 subdivided by deal types, segments, and geographies. Additionally, the report provides information on the top private equity, venture capital, and advisory firms in the clean technology industry.

Data presented in this report is derived from GlobalData's proprietary in-house Clean Technology eTrack deals database and primary and secondary research.

Investments In The Clean Technology Industry Increased By 32%, While The Number of Deals Decreased By 24% In 2009

The clean technology market witnessed a 32% increase in investments to reach $381 billion in 2009 from $288 billion in 2008. This was driven by new climate and energy legislation from governments worldwide, and especially China's large players scouting out to gain technology and market access in the West. Troubled companies looking at realignment with large-stronger companies in order to survive has also created the perfect storm for investment activity in the clean technology market, despite the economic turmoil. The first quarter of 2009 had emerged as the best investment quarter with $157.2 billion of new investments.

The clean technology market had seen a gradual increase in investments with CAGR of 30% from 2005-2009, driven by confluence of economic trends, technological advancements, and resource constraints which has positioned the clean technology market for sustained growth.

The number of deals decreased from 2,853 deals in 2008 to 2,176 deals in 2009, attributing to large number of small deals. The year 2009 showcased a big challenge for huge amount of capital raising.

Mergers & Acquisitions' Investments Increased Marginally In The Clean Technology Industry In 2009

Mergers and acquisitions witnessed a marginal increase in investments to reach $86.5 billion in 2009 from $80.1 billion in 2008. M&A activity was buoyant in the clean technology market, spurred by enormous stimulus packages provided by various governments worldwide and the clean energy legislative activity.

Q1 2009 pocketed maximum investments with $46.9 billion. Some of the big-ticket deals that led to huge investments in Q1 2009 include: Acciona's sale of 25.01% interest In Endesa for $12.2 billion; RWE's $9.8 billion acquisition of Essent; and Vattenfall's acquisition of 49% interest in Nuon for $6.2 billion.

The number of M&A deals decreased from 832 deals in 2008 to 526 deals in 2009, due to companies nidus approach on the stabilization and on the planned capital investment activities.

Further, asset transactions/purchases of clean technology assets, such as wind farms, solar and hydro equipment, ethanol/biodiesel plants, recycling facilities, and geothermal projects, witnessed a decrease in investments from $8.3 billion in 2008 to $2.5 billion in 2009. The big drop out in investments was attributed to International Paper's acquisition of Weyerhaeuser's containerboard packaging and recycling business for $6 billion in 2008. However, the number of deals increased to 104 deals in 2009 from 54 deals in 2008.

According to Arun Kumar C, Analyst at GlobalData, "Consolidation activities in clean energy generation sector are partly attributed to the marginal increase in M & A activities in the clean technology industry. Small and medium sized cleantech companies struggled to stay afloat during 2009 due to tight financing options caused by credit crunch. Global credit crunch made the SMEs potential targets for mergers and acquisitions. Government owned power utilities in an effort to diversify the energy mix acquired clean energy companies the world over which also bumped up M&A Investments."

Increased Financing Through Debt Offerings

Debt offerings, including secondary offerings and private placements, became the most prominent among all financing activities in the clean technology market with over $221 billion raised from 550 deals in 2009, compared to $127 billion raised from 474 deals in 2008.The increase in investments can primarily be attributed to energy generation segment with a contribution of 51% to the total deal value in 2009. Public debt offering dominated the debt market with 460 deals worth $165 billion. Further, the clean technology market has seen a gradual increase in debt offerings with CAGR of 46.7% from 2005 - 2009.

In addition, equity offerings, including initial public offerings (IPOs), secondary offerings, and private placements, increased from $45 billion in 2008 to $64 billion in 2009. One of the major deals that caught the headlines was Enel's completion of rights offering for $10 billion.

According to Arun Kumar C, Analyst at GlobalData, "Global stock markets plummeted and investor confidence in equities remained at very low levels throughout 2009. Corporations naturally opted for low-risk debt instruments to finance their operations and expansions which manifested as a marked increase in debt offerings."

Decreased Venture Capital Funding For Clean Technology Companies In 2009

Venture capital financing for clean technology companies decreased from $8.8 billion in 2008 to $3.4 billion in 2009, paralleling the global economic decline, after a good bullish run in the investment from $3.6 billion in 2007 to $8.8 billion in 2008. The number of venture capital deals also decreased from 373 deals in 2008 to 236 deals in 2009; primarily driven by the cautious movement of venture capitalist and tumbling global economic indicators. Energy Generation, Energy Infrastructure, and Transportation segments saw strong investment contributions from venture capitalists in 2009.

Some of the major companies that squeezed out venture capital funding in 2009 were Today Energy Equity, Inc., a developer of solar power plants, which received $110 million from Hiroshi Development, LLC and Credit de Laque, LP; Silver Spring Networks, Inc., a smart grid solutions provider, which received $100 million from Google Ventures and Kleiner Perkins Caufield & Byers; and Suniva, Inc., a manufacturer of silicon solar cells, which secured $75 million from Warburg Pincus LLC. Khosla Ventures emerged as the top venture capital firm by providing financing for 12 clean technology companies worth $201.3 million in 2009, followed by Kleiner Perkins with 11 financing deals worth $364.4 million.

In addition, private equity (PE) financing decreased drastically from $19 billion in 2008 to $3.6 billion in 2009, mirroring the global financial meltdown. The Quercus Trust topped the PE financing table, by participating in 10 transactions for deal value worth $44.3 million in 2009.

According to Arun Kumar C, Analyst at GlobalData, "Clean technology industry received less than expected PE\VC Funding in 2009 with investors' enthusiasm tumbling due to the gloomy economic climate. PE\VC firms held back from investing in new cleantech ventures and followed wait & watch approach looking for green shoots in global economy."

Investments Surge In Asia Pacific And Europe In 2009

Clean technology investments in Asia Pacific and Europe increased by 126% and 52% respectively in 2009. Asia Pacific registered $60.3 billion of investments in 2009 compared to $26.7 billion in 2008, and Europe reported investments of $168.4 billion in 2009 compared to $110.5 billion in 2008, amid the financial crunch and economic crisis. Further, North America registered a steady growth in investments, from $141 billion in 2008 to $145 billion in 2009

Further, Middle East and Africa saw a decline of 52%, registering $1 billion of new investments in 2009, and South Central America saw a decline of 12% with $6.5 billion of investments in 2009.

According to Arun Kumar C, Analyst at GlobalData, "Aggressive ramp-up plans for renewable energy sources in the developing economies of China and India attracted significant investments to Asia Pacific cleantech sector. Governments and Investors joined forces to invest enthusiastically in clean technology industries causing a spurt despite the gloomy economic conditions."

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