

RENEWABLE ENERGY COMPANIES ON AIM 2006

Renewable energy companies, in their many different guises, have been around for some considerable time. Yet it is only in the last decade or so that they have begun to capture the imagination of investors, entrepreneurs and governments. This is largely the result of the known effects that fossil fuels are having on the environment and the acknowledgement that oil and gas are a finite resource - sooner or later the world economy will have to wean itself off its reliance upon them.

Since it was created in 1995, AIM has played host to an array of alternative energy companies and, following a dramatic increase in activity in this sector in the past few years, it has become the unofficial home for ambitious renewable energy ventures from around the globe.

A rising renewable trend

For evidence of the sector's rising profile you need only look at the results of *Growth Company Investor's* unique survey, carried out in association with leading AIM lawyers Hunton & Williams. Table 1 shows that, as of 1 September, 2006 had seen 15 new flotations in the area, with these firms securing £490.8 million between them. This figure represents around 9.4 per cent of all the cash raised at IPO on AIM during the period and easily outstrips the total of £352.09 million raised by a total of 16 renewables companies in the whole of 2005.

Take a 12-month view and you'll see that, including secondary funding rounds, renewable energy firms have tapped the market for a combined £874.11 million since 1 September 2005.

Of the individual fundraisings, Bermuda-

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 1	
IPO & FUNDRAISING SUMMARY			
	Companies	Raised at IPO (£m)	Additional monies raised in last 12 months (£m)
2006	15	490.79	1.60
2005	16	352.09	203.45
2004	4	52.00	37.30
2003	2	37.40	0.00
2002	1	7.50	0.00
2001	1	3.60	0.00
Total	39	943.38	242.35

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 2	
IPOS BY AMOUNT RAISED			
Company	Floated	Raised @ IPO (£m)	
Infinity Bio-Energy	May-06	270.55	
Trading Emissions	Apr-05	135.00	
Clipper Windpower	Sep-05	65.00	
Econergy International	Feb-06	60.00	
EcoSecurities	Dec-05	56.43	
Ceramic Fuel Cells	Mar-06	37.20	
ReneSola	Aug-06	26.22	
Renewable Energy Generation	May-05	25.00	
Camco International	Apr-06	24.90	
Ocean Power Technologies	Oct-03	22.40	
Ceres Power	Nov-04	16.00	
Biofuels	Jun-04	15.00	
Climate Exchange	Sep-03	15.00	
Oxford Catalysts	Apr-06	15.00	
Solar Integrated Technologies	May-04	11.00	

domiciled acquisition vehicle Infinity Bio-Energy has led the way (see Table 2), raising a considerable £270.55 million to help it fund planned purchases of Brazilian ethanol interests (a series of deals have since been identified). Carbon credits business Trading

Emissions, meanwhile, attracted £135 million at float and a further £175 million in subsequent fundraisings since its arrival on AIM in April 2005.

Possibly the most remarkable of all the statistics relating to AIM's burgeoning

renewable energy sector, however, is that the fundraising potential and market assessment of such businesses are being judged purely on future promise.

Table 3 ranks all 39 of AIM's renewable energy firms (as of 1 September) by market cap and shows the last reported full-year revenue and profit figures for each. Three are profitable - ReneSola, Climate Exchange and Renova Energy - and a full third of all energy companies have registered their potential by generating annual revenues in excess of £1 million. As can be seen, 15 have a market cap of more than £50 million. Seven even enjoy market valuations north of £100 million, and will spend the next few years hopefully justifying these valuations.

What will no doubt please their backers is that the majority of these renewable energy companies have seen their share prices rise sharply since IPO, with only 16 currently trading below their initial values. The strongest performance of all has come at biomass business Libra Natural Resources, which has posted an impressive 233.33 per cent gain since floating in March 2005. Nevertheless, with a market cap just shy of £16 million, it remains one of the smallest renewable energy stocks on AIM.

Other star performers to date include biofuels business Renova - up 200.72 per cent and currently looking to build its third ethanol production facility in Idaho - and UK fuel cells group ITM Power, whose development targets are on schedule and on budget.

At the other end of the spectrum stand solar panel roofing systems supplier Solar Integrated Technologies (SIT) and Compact Power (another biomass business). Both have fallen by over 70 per cent since launch.

Major institutional supporters

These statistics suggest that, with regard to the sector, investors are prepared to take a few things on trust and a quick glance at Table 4 reveals that many major players are backing companies in the renewables market. Merrill Lynch, for instance, leads the way in terms of both the number of investments made (seven) and the value of these stakes (£103.08 million). Invesco (£60 million), Fidelity (£57.7 million) and The Bank of New York (£37.38

RENEWABLE ENERGY COMPANIES BY SIZE

Company	Market cap (£m)	Share price performance	Turnover (£m)	Profits (£m)
Clipper Windpower	490.04	168.68%	1.43	-10.18
Infinity Bio-Energy	295.75	-4.51%	0.00	n/a
Trading Emissions	173.14	28.25%	0.00	n/a
Ceres Power	171.70	137.50%	0.07	-2.65
ITM Power	148.30	193.50%	0.00	-1.86
EcoSecurities	140.65	2.33%	1.53	-2.83
ReneSola	140.00	77.98%	3.26	0.30
Climate Exchange	85.80	186.00%	0.82	0.02
Ceramic Fuel Cells	85.10	29.41%	1.09	-6.99
Econergy International	77.00	-11.50%	0.59	-0.51
Camco International	70.80	-14.84%	0.00	n/a
Renewable Energy Generation	70.40	28.00%	0.00	n/a
Tinci	59.57	60.71%	0.00	n/a
Renova Energy	57.19	200.72%	7.97	0.62
Oxford Catalysts	51.70	-20.40%	0.00	n/a
Oxonica	48.93	35.70%	1.25	-4.33
China Biodiesel	47.20	22.35%	0.00	n/a
Biofuels	46.10	24.00%	1.90	-0.07
Ocean Power Technologies	45.26	-30.00%	2.83	-0.23
Protonex Technology	44.96	11.76%	0.92	-1.16
PolyFuel	34.14	11.76%	0.99	-22.05
CMR Fuel Cells	31.60	-11.65%	0.00	-0.53
Novera Energy	27.67	-12.93%	2.59	-2.45
ReEnergy	24.47	-60.00%	0.00	-3.36
Clean Air Power	23.40	-13.00%	3.18	-6.50
Energetix	21.40	18.75%	0.00	n/a
Greenhouse Fund (The)	19.02	22.50%	0.00	n/a
Renewable Energy	17.65	-22.00%	0.00	-1.39
Freeplay Energy	16.40	-36.54%	1.62	-2.37
Solar Integrated Technologies	16.11	-72.81%	17.59	-9.00
Axeon	15.90	15.18%	0.24	-1.31
Libra Natural Resources	15.87	233.33%	0.00	-0.38
Clean Diesel Technologies	14.70	-38.93%	0.42	-2.85
Biofutures International	10.30	180.00%	0.00	n/a
KP Renewables	8.96	-84.40%	0.00	-1.94
Compact Power	8.40	-72.78%	1.51	-1.72
Voller Energy	8.40	-50.68%	0.04	-0.81
Irvine Energy	6.76	12.67%	0.00	n/a
KleenAir Systems	4.16	-51.11%	0.01	-0.44

million) also boast sizeable stakes via a variety of investment vehicles.

As Table 5 shows, the majority of the money invested has gone to firms in two sub-sectors, namely biofuels (£303.57 million raised at IPO) and carbon credit generation/trading (£291.33 million). Impressive as these figures are it should be noted that they owe much to the exploits of the aforementioned Infinity and Trading Emissions, which have completed the two

largest renewable energy IPOs so far.

In addition to having raised the most money collectively, AIM's five biofuel businesses also represent one of the strongest performing sub-sectors with a mean share price gain of 84.51 per cent. Infinity is the only one to have fallen, and marginally so at that.

Amongst the other sub-sectors, only wind can claim a better average performance, with two firms - Clipper Wind Power and Renewable Energy Generation - rising by a

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 4	
INSTITUTIONAL INVESTORS BY VALUE OF HOLDINGS			
Investor	Number of Investments	Value of stakes (£m)	
Merrill Lynch	7	103.08	
Invesco	6	60.01	
Fidelity	5	57.70	
Ethanol Associates	1	38.21	
The Bank of New York	3	37.38	
Lehman Brothers	1	33.37	
Gartmore	2	30.86	
Moore Capital	4	30.39	
Lansdowne Partners	2	27.39	
RAB Capital	3	26.67	
Goldman Sachs	3	24.82	
Credit Suisse	4	22.00	
MSM Capital Partners	1	21.80	
Polar Sky Corporation	1	20.53	
Aviva	3	19.40	

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 5	
SUB-SECTORS BY MONEY RAISED AT IPO			
Principal interest	Number of companies	Raised at IPO (£m)	Average share price performance
Biofuels	5	303.57	84.51%
Carbon credits	5	291.33	38.05%
Fuel Cells	7	100.30	45.95%
Wind	2	90.00	98.34%
Fuel economy/emissions	7	41.76	-1.69%
Solar	2	37.22	2.59%
Varied renewable interests/investment	5	32.00	-16.83%
Wave energy	1	22.40	-30.00%
Biomass	3	15.30	33.52%
Alternative power	2	9.50	-8.89%

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 6	
COUNTRY OF ORIGIN BY NUMBER OF FLOATS			
Country of origin	Number of companies	Raised at IPO (£m)	Average share price performance
UK	27	483.83	38.37%
USA	5	53.80	-23.64%
China	3	36.27	53.68%
Australia	2	42.50	8.24%
Bermuda	1	270.55	-4.51%
Ireland	1	56.43	2.33%

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 7	
ADVISERS AT IPO BY MEAN SHARE PRICE PERFORMANCE			
Adviser @ IPO	Number of companies	Raised at IPO (£m)	Average share price performance
Numis	3	211.00	51.42%
Collins Stewart	5	333.55	49.05%
Evolution Securities	3	40.20	4.95%
Canaccord Adams	2	18.80	-0.62%
Nabarro Wells	2	6.60	-13.13%
KBC Peel Hunt	2	39.90	-17.62%
Libertas Capital	2	48.20	-21.70%
Corporate Synergy	2	17.50	-47.39%

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 8	
BROKERS AT IPO BY MEAN SHARE PRICE PERFORMANCE			
Broker @ IPO	Number of companies	Raised at IPO (£m)	Average share price performance
Panmure Gordon	3	21.90	63.42%
Libertas Capital	3	42.36	59.45%
Numis	3	211.00	51.42%
Collins Stewart	5	333.55	49.05%
Evolution Securities	3	40.2	4.95%
Canaccord Adams	2	18.80	-0.62%
Corporate Synergy	4	26.09	-23.52%
KBC Peel Hunt	3	50.90	-36.02%

GROWTH COMPANY INVESTOR		HUNTON & WILLIAMS 9	
ACCOUNTANTS BY NUMBER OF FLOATS			
Accountants	Companies	Average share price performance	
BDO Stoy Hayward	6	-9.70%	
Grant Thornton	6	49.68%	
KPMG	5	40.94%	
PricewaterhouseCoopers	5	34.08%	
Baker Tilly	3	1.68%	
Deloitte	3	110.73%	
Ernst & Young	3	-7.98%	

respective 168.68 per cent and 28 per cent since IPO.

As for the most populous sub-sectors, fuel cell and fuel economy/emissions specialists lead the way with seven firms apiece. The former also makes its way to third place in both fundraising terms (a combined £100.30 million having been raised) and on the grounds of an average share price increase of 45.95 per cent. The likes of Clean Diesel Technologies and Kleen Air Systems, however, who constitute the fuel economy/emissions sub-sector and which are striving to improve the performance of existing engine technologies, have performed less well. Between them these companies have raised £41.76 million and have seen their shares fall by an average of 1.69 per cent.

Global plays

One of the major recent trends across AIM has been a dramatic increase in the number of overseas firms listed on the market. The renewables energy sector, if anything, is well ahead in these stakes. According to recent research from *Growth Company Investor*, almost 18 per cent of all firms on the market are from overseas, whereas 31 per cent of AIM's renewable stocks are based abroad. The US leads the way (see Table 6), contributing five firms headed by wave power business Ocean Power Technologies and the aforementioned SIT. China and Australia also have multiple representations.

In terms of performance, China is out in front with an average gain 53.68 per cent, placing it ahead of the UK (38.37 per cent rise). SIT, however, helps drag the US to the foot of the table with an average share price fall of 23.64 per cent.

Leading advisers

Employing the services of a leading advisor with strong fundraising abilities is key to the strategic goals of many companies in this sector. The leading advisor at IPO is Collins Stewart, having overseen five floats as a nominated adviser (Table 7). Evolution Securities and Numis come next in the list, each with three floats. In fundraising terms, Collins Stewart (£333.55 million) and Numis (£211.00 million) are at the front of the field by a significant distance. Both impress on the share price performance front too, with average gains of 49.05 per cent and 51.42 per cent respectively. Numis though, as Table 7 shows, has the best performing clients in this field, with collective gains of 51.42 per cent.

Having acted in a dual capacity to five firms on flotation Collins Stewart is broker to most renewable companies. Its closest rival is Corporate Synergy, which has raised £26.09 million for its four IPOs. These, however, have fallen by an average of 23.52 per cent in share price terms. KBC Peel Hunt's three IPOs have also witnessed a significant average share price fall (of 36.02 per cent). The top broker in

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LAWYERS BY NUMBER OF FLOATS

Lawyer	Companies
Hunton & Williams	4
Taylor Wessing	4
Pinsent Masons	3
Baker & McKenzie	2
Berwin Leighton Paisner	2
DLA Piper Rudnick Gray Cary	2
Norton Rose	2

terms of the performance of its clients is Panmure Gordon, whose three clients have risen 63.42 per cent. Libertas Capital and Numis have witnessed the clients they broker post mean gains in excess of 50 per cent.

In terms of current advisers, there have been some movements on the Nomad and broker fronts - Collins Stewart, for instance, now represents four companies in each capacity, with Evolution Securities have taken over the reins at Ocean Power Technologies.

As for accountants and lawyers, BDO Stoy Hayward (six clients), Grant Thornton (six), KPMG (five) and PricewaterhouseCoopers (five) lead the way in the former camp, while Hunton & Williams (four), Taylor Wessing (four) and Pinsent Masons (three) are the prime movers in the latter.

Sources
The AIM Guide
www.growthcompany.co.uk
www.growthbusiness.co.uk
AIM Market Statistics (London Stock Exchange)
All data and prices correct as of 1 September 2006

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