

# CleantechInnovate

Investing in Cleantech for Game-Changing Outcomes | 20th March 2018 London

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## TOP TIPS FOR GETTING INVESTMENT FOR YOUR ENVIRONMENTAL TECHNOLOGY

**Cleantech Innovate asks Richard Smith, Partner, Technology and Technology Transfer at Earth Capital Partners about how sustainable SMEs can improve their chances of accessing capital...**



As you will know, Cleantech Innovate 2018 is all about helping the low carbon stars of tomorrow scale up their game changing technologies by connecting investors with environmental innovators. At Cleantech, businesses will be provided with the opportunity to present their technologies to the audience with the chance of securing investment.

As part of the knowledge exchange leading up to the event in London on 20<sup>th</sup> March, we asked Richard, who came to the 2017 event, for an investors perspective on how companies can refine their pitches for investment. Read the full interview, which includes Richard's top tips below, and don't forget to check out [www.cleantechinnovate.com](http://www.cleantechinnovate.com) to see how you can become involved.

### **Could you give us a quick overview of Earth Capital Partners, what you do, and your focus in environmental technology?**

Earth Capital is focused on environmental and sustainable technologies, mainly on their deployment and growth, and to a lesser extent on their early development stages. We are part of a group called SET3 which includes sister companies in Europe, USA, Southern Africa, Asia, and we have our own subsidiaries in China and Brazil. These investment managers are deploying in a range of strategies from clean energy infrastructure (in Asia and Africa) to energy efficiency asset finance to sustainable technology growth capital.

Our core focus today is the Nobel Sustainability Fund® (NSF) which we have launched in partnership with the Nobel Sustainability Trust®. We have had an initial close at below \$80m and hope to grow this to c.\$200-300m as we complete discussions with investors. The Fund is mainly focused on growth capital for companies whose products and services have a sustainability focus or benefit, and mostly in the UK, Europe and North America. A smaller portion of the fund is being deployed via our sister companies in Africa and Asia, in developing clean energy and agriculture projects with very established technologies.

In the UK, we are investing typically in SMEs where the technology itself is well developed (typically beyond Technology Readiness Level 6 or so) and ideally where there is already

commercial traction and initial orders.

### **And how about yourself, what does your role involve?**

My early career was as a Chartered Engineer with Ford Motor Company in a variety of roles in product design, operations and quality. I later did an MBA at INSEAD, then spending some years in strategy consulting before moving into investing.

In the UK, I work closely with my colleagues at Sustainable Technology Investors Ltd (STIL) who manage the UK portion of the fund. We are based in the same office so can operate in a very seamless way. Our team has people from different business and finance backgrounds which should help us make better decisions as it gives us a better appreciation of the risks we are taking – between us we hopefully also appreciate better the issues the companies or management teams we meet are facing.

I work directly on some of our company investments, and also lead our initiative in technology transfer. Our investment activity includes meeting new potential companies for the fund, the occasional new transaction, in addition to the ongoing work with our existing companies and the associated reporting to our investors and so on. In time, our activity will transition to seeking exits for the Fund from these investments.

For technology transfer, a key objective we have is to facilitate the roll-out of UK and European technologies into Asia, especially China. Our China-based team is working towards raising an RMB-denominated fund, much of which will be dedicated to assisting companies grow into the Chinese market where there is significant need for environmental technologies. We work together to help find appropriate partners and locally based funds will help accelerate this process.

### **What are the 3 most important aspects of an Environmental Technology business that make you want to invest?**

1. For our growth capital investments, the potential to attack a significant global market is preferred; niche local investments can be somewhat successful, but the economics of a typical fund rely on the potential for material gains on a few of the investments, and this is often driven by multi-regional markets. That said, it is better to be defendably #1 within a particular sub-segment than to be too undifferentiated.
2. Making SME's successful is not easy, so we rely heavily on experienced, high-performance entrepreneurs and managers to drive their businesses. Ideally, we would have a team of experienced leaders who have previously been successful in creating or growing a venture and worked together materially before in some way.
3. Technology with IP protection, and material proof that it works, ideally with customer validation. We typically look for companies with 'hard tech' and physical products; clearly software and analytics can add material value to these, but our own backgrounds are more 'physical' so we tend to feel less comfortable with software-only propositions.

### **What are the 3 biggest mistakes that environmental technology companies make when seeking investment?**

1. Over-complex, long or wordy initial teaser or pitch documents
2. Unrealistic claims about 'multi-billion dollar markets' which are not relevant to the product or technology they are explaining, with little sense of the time and effort it

might make to make those sales a reality. Yes, make exciting goals but make them somewhat realistic and relevant. i.e. credible

3. Not being clear about what is being asked for. (How much money? By when, and for what %?) and what will be done with the money (R&D, trials, offices, new people, working capital for stock etc.?)

### **What is your best piece of advice for an investment pitch?**

1. Explain what is the benefit to customers and who those customers are: what does the product do, what pain is being removed or solved, and how much money might it make them or save them? Generally, an argument that a new solution is 'lower cost' may not overcome customers' natural resistance to change or their worries about being exposed to small companies as suppliers, so I tend to be nervous if that is really the sole benefit – unless the change is really 'game-changing'.
2. Be clear about the extent of customers' validation available; the more market validation the better. Use pictures or props where possible, videos of customer loving your product etc.
3. Be clear about what you are asking for. (How much money? By when, and for what %?) and what will be done with the money (R&D, trials, offices, new people, working capital for stock etc.?) I am repeating myself, but you would be surprised how often pitches and teasers do not make that clear.

### **You were at Cleantech Innovate last year, why do you, as an investor, attend?**

I've attended for quite a few years now – Cleantech Innovate has good networking and a mix of companies pitching from different sectors. We generally have some follow-up meetings afterwards, both with SMEs and also amongst the investor community.

### **How can Earth Capital Partners help SMEs take their environmental technology to the next level?**

In the UK, partners STIL and ourselves have significant experience in the SME space – so, like some other investors, we can assist teams in considering and achieving their growth plans. However, the more unique help we can offer is the reach through our multi-regional network, and the different types of relevant finance available within the group. As I mentioned earlier, we expect our China team will help accelerate and de-risk entry to this major market which is desperate for environmental solutions, and to assist with partnering to set up local manufacturing. Regarding financing solutions, we can draw on colleagues with experience in energy efficiency and asset finance which some SME's find useful as they seek to bring a broader range of financing solutions to their own clients and reduce barriers to making sales.

### **If we want to find out more about Earth Capital Partners, where should we go for more information?**

In the UK, please see [www.earthcp.com](http://www.earthcp.com) or STIL [www.stil.uk.com](http://www.stil.uk.com)

We hope that you found this interview valuable, if you are currently seeking investment, apply for a Cleantech Innovate presentation slot by using the banner below or visit [www.cleantechinnovate.com](http://www.cleantechinnovate.com) for more information