

Tony Van Bommel, Senior Managing Partner of the Industrial, Clean, and Energy (ICE) Technology Venture Fund, BDC Capital

Canada



Where do you see opportunities for powerful, effective investing today?

Mr. Van Bommel: The opportunity for powerful, effective investing is really dependent on the size and stage of your fund. Our Fund, currently C\$152M, focuses on industrial, clean, and energy (ICE) technologies that are highly scalable and capital efficient. In that focus, there is a heavy emphasis on technology. That means the fund focuses on software, electronics like semiconductors, novel materials and, to a lesser extent, hardware. As these are traditional areas for investment by venture capitalists, I believe the opportunity is to apply technology to the identified sectors. For example, Business-to-Business software and Semiconductors are the first and third largest area of value creation in the IT sector. Both apply to ICE technologies—this coupled with massive underlying fundamental business drivers such as growing energy and water demand coupled with resource scarcity, increasing regulatory oversight, and emissions awareness, aging and expanding utility infrastructure, energy security, technical innovation and increasing corporate and consumer market pull. It is my belief that tremendous advances in efficiency and productivity will present large opportunities for

value creation that will be captured by the innovative entrepreneurs and investors. Investments in energy efficiency, smart grid, automation, the internet of things, big data, and similar areas are key areas of focus.

Larger and later stage funds have more options for investment. Over the last 10 years, many venture capitalists have invested in much larger infrastructure opportunities with mixed results. Building distributed energy projects like solar, wind, or biomass has matured and now these projects are well recognized with investment returns that have moderated as the technology risk has been all but eliminated. Other large infrastructure investments in new biofuel, green chemical, or waste-to-energy projects have been met with limited returns and many failed projects. These investments require a tremendous amount of capital but could present very large returns if they are successful. Large funds, strategic investors, and governments will all have to work together to see major breakthrough in these areas.

What sector has had the most significant impact on the renewable energy landscape thus far? Why?

Mr. Van Bommel: Solar has had the most impact to the renewable energy landscape in the last ten years. Once solar reached the tipping point—the achievement of grid parity—it resulted in a substantial rush of investment and innovation. As the innovation continues, the reduction of the capital cost of solar allows for greater adoption in developed markets and increases penetration in areas where the grid did not previously reach. Solar was a major contributor to the significant reduction in the building of traditional electricity generation facilities in the developed world, while at the same time creating significant challenges for utility operators.

The adoption of solar and the advances in the technology has been well-documented elsewhere and will not be repeated here. It is of note to mention, however that from an investment perspective, that there were many winners and losers along the way. I would now consider solar a mature industry where much of the technical risk has been eliminated. There is still much investment opportunity in the sector as there is a race to maximize adoption and to increase the usefulness of the resource. Some examples of areas of opportunity and investment are as follows: Novel business models to finance and install capacity; the development of electricity storage methods; continuing reduction in the cost of the hardware required for solar energy generation and conversion; and, investment in the innovation of improving the efficiency of generation and conversion methods.

Debates about environmental issues and solutions are common among the public and governments. What role do you think investors could play in establishing active working relationships with all stakeholders to effectively address environmental challenges?

Mr. Van Bommel: Venture Capital investors are generally at the forefront of identifying innovation that will positively address environmental challenges. When considering an investment, the regulatory environment is a key area of due diligence and discussion for the Venture Capitalist. Often a change in the status quo in that regulatory environment can create both winners and losers, resulting in often-difficult issues and negotiations to be addressed. So, in the Venture Capitalist's mind, if the financial rewards of backing the positive innovation are greater than the regulatory risk, then capital will flow to that positive innovation. As a result, the Venture Capitalist is generally a party actively involved in pushing the boundaries of the regulation and advocating change to take advantage of the opportunity. They act as an advocate, they enlist highly qualified management, they bring their due diligence skills to bear in identifying the risks and rewards, and they bring financial capacity to reduce the risk in exploring the issues and solutions.

BIOGRAPHY

Tony Van Bommel is the Senior Managing Partner of the Industrial, Clean, and Energy (ICE) Technology Venture Fund for BDC Capital, investing exclusively in Canadian companies. A champion of the cleantech sector for 14 years, Tony shapes BDC Capital's investment direction. He oversees the C\$152 million ICE Fund. Since 2012 alone, ICE has invested or reserved over C\$70 million in 18 transactions across 14 technology companies. These companies employ over 700 people and generate revenues of C\$100 million. Currently located in the Toronto, Ontario, office, Tony has been with BDC Capital since 2001 and held positions in the BDC Halifax, Nova Scotia, and Vancouver, British Columbia, offices. He holds or has held numerous board of directors seats and currently is working with Axine, Regen, CarbonCure, Nexterra and Vizimax, all emerging Canadian cleantech companies. Tony was also recognized as one of Canada's top CLEAN50 nominees for 2015.

Before joining BDC, Tony spent four years at InNOVAcorp, a General Partner for the Nova Scotia First Fund, an early-stage, knowledge-based venture fund, where he helped implement a venture capital program and provided assistance to emerging technology companies. While at InNOVAcorp, he completed two secondments to Ocean Nutrition—completing a market map and market strategy; and to Dalhousie University—teaching courses in business strategy, building innovative companies, and market strategy. For 10

years prior to this, he worked as a lawyer and partner in the business law firm, Little & Wright in London, Ontario. Tony has held multiple directorships in both public and private emerging growth companies across Canada and holds the CVCA “VC Deal of the Year award” for the funds exit in the sale Q1 Labs to IBM in 2012. He was also instrumental in bringing Radian6 to BDC Capital, the CVCA “VC Deal of the Year Award” winner in 2011 for the sale to Salesforce.com.

Tony earned the Dalhousie Governor General’s Gold Medal for the top graduate student chosen from all faculties at Dalhousie University and the gold medal from the Dalhousie University MBA program. He received his Bachelor of Laws (LLB) from the University of Western Ontario, where he won the Pitney Bowes Award for the top graduating law student in Ontario who combined academics, athletics, and service to the community. He is a past chairman of Junior Achievement of Nova Scotia and Volunteer of the Year for that organization.

BDC Capital is one of the most active industrial, clean, and energy technology investors solely focused on investing in Canadian companies. The BDC ICE Fund tailors its investments toward capital-efficient and scalable businesses with the potential to reach and operate across a global market. With C\$152 million under management, BDC ICE invests in early- and development-stage companies and uses its professional experience in materials, electronics, and ICT to build global companies to be commercial successes. Active in the industry since 2001, BDC has successfully strengthened its expertise in smart-grid, energy-storage, green-IT, building-energy management, energy-efficient lighting, the internet-of-things, big-data, and water-treatment technology sectors. Some of our successful exits in ICE are Miranda, Xantrex, Satlantic, Pyrophotonics, Welaptega Marine, Ballard Power, and Cellex.