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5 questions with Alain Harrus

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Crosslink Capital's Alain Harrus was an expert in precision manufacturing and the science behind semiconductors long before the cleantech revolution transformed him into an expert in renewable energy. The early stage partner joined Crosslink in 2006 and is now helping keep the firm's venture arm and its hedge fund apprised of developments and innovations in the energy market.

PE Week Senior Writer Alexander Haislip recently sat down with Harrus, as his firm is about halfway to reaching its \$600 million fifth fund, to find out what's exciting in the renewable energy market.

Q: Why the excitement about solar?

A: The market is expanding, if you believe the demand. There might be a time in 2008 when there might be parity between silicon supply and demand, but beyond that, there's a very strong possibility that the demand will outpace the supply. If the demand continues, all of that silicon will be absorbed, so people will have to put more capacity online or expand.

Two or three years ago, when the recent solar effort started, it was mostly about silicon; then we got excited about thin film. The thin film really competes with the silicon for the rooftops, but thin film is flexible. These areas are increasing, even with the limited supply of silicon. People can sell everything they make. It's a pretty bubbly environment.

Q: Where do you see the solar market going?

A: We're starting to see more vertical integration, such as Sunpower's acquisition of PowerLight. There will be much more vertical integration taking place with suppliers of materials and modules, and installers.

And the thin film companies are going to come to market in 12 months. We're going to see IPOs here, too, in a couple of months, such as MiaSole.

Q: So where do you look for value?

A: We've been focusing on the front end of the module and materials manufacturing. We are now returning to thin film and looking at silicon companies again, as well as other aspects of the manufacturing process, such as screen printing.

Q: What about other energy plays?

A: For all of the news about solar, the numbers are miniscule. The ability in terms of energy savings, converting from incandescent lighting to fluorescent or LED, is more than the savings from solar. Accelerating solid state lighting has a much greater impact than solar. Fluorescent lights still make you feel like you're in the subway in New York.

Luxim, one of our portfolio companies, sells a solid state lighting device that is a plasma-based lamp. The big advantage of a lamp like this is that it doesn't have an electrode. As a result of this, it has a long life. We are also looking at the lighting market with solid state lighting in LEDs. We have one company that is providing the phosphor for LEDs.

For battery companies, it's been hard to find a company with a venture type return. Storage and load leveling is also very interesting. You can store electricity with compressed air for example. It's a clever idea, but it is big project financing and we haven't seen anything exciting there.

Q: How does investing in startups relate to Crosslink's hedge fund investments?

A: The crossover strategy has been successful on the solar side. We created our own model for the venture side and used it to value public companies. The public team comes in and looks at the private companies with us. It helps us understand if the company is a stand alone public company or a product for somebody else.