

Eco-catholic as

C&A heir Marcel Brenninkmeijer hats, so don't try to pigeonhole

He pursues a vision of a world with clean energy. He supports projects in developing countries that provide people with access to electricity from the sun. He simply wants to make the world a better place. Marcel Brenninkmeijer, an heir to the fashion chain C&A, is an investor that can hardly be measured with the conventional yardsticks employed by the finance world.

Sometimes Marcel Brenninkmeijer sounds like a Greenpeace activist talking about venture capitalism. This businessman, born in England, the holder of a Dutch passport, founded a company with the name Good Energies in tax-friendly Switzerland, which has become one of the most important investors in PV industry start-ups in recent years. Additionally, he has financed electrification projects in Africa, »since less has been done there in years past.« Brenninkmeijer hopes to set an example this way. »If you're Catholic like me, then you don't want to leave the world worse than how you found it,« he says.

Brenninkmeijer seems to be comfortable in many different roles, so he's not easy to pigeonhole. The 50 year-old certainly doesn't fit the role of a capitalist hungry only for a good rate of return. That's why it seems fitting that he came to the world of venture capital through a circuitous path. Until the 1990s, Brenninkmeijer worked in management at C&A, a European fashion boutique with a long history. And his family owns C&A. At the time, as the company's environmental officer, he became familiar with the subject of ecology, which soon took hold of him. After a sabbatical, he

Aleksander Pefkovic / photon pictures.com

Big heart for green gold: Marcel Brenninkmeijer's investment firm Good Energies is now the most precious venture in the Cofra Group – even more profitable than fashion retail chain C&A.

shareholder

wears many

him

decided it was time »to do something completely new in this area.« The only question was: »How can you do something for the environment and still make a profit?«

He found the answer in Good Energies, a venture capital company that has become one of the most important investors in the area of renewable energies since its humble beginnings in 2000 – and also earned rates of return of which his cousins in the clothing industry could only dream about.

But money, he says, is not the most important thing. He wants to accomplish something meaningful. »If it's just about money, then we don't do it,« he notes describing the philosophy of his investment firm.

His family fortune allows him the luxury of being a bit less opportunistic than most of his colleagues in the finance sector. Cofra Holding, along with C&A and Good Energies, also includes a real estate company, a financial service advisor active in Latin American as well as a private equity business. As the sole funder, it provides €350 million (\$520 million) annually (see interview, p. 70). You have to have income from venture-capital-financing in the middle term, otherwise financial backers become

anxious. People also expect this from Cofra, says Brenninkmeijer, »but we think in terms of generations.«

In Good Energies' conference rooms hang pictures of Clemens and August Brenninkmeijer, and the initials of their first names have been the basis for the brand name C&A for almost 170 years. Marcel, August's descendent, is very aware of his family's significance. It's no easy task to set up a fund like he has done. It's even harder when you don't have any experience in the finance sector. He had to learn the ropes in the field first, establish contacts, and build networks. »The family has always been very supportive of me,« says Marcel Brenninkmeijer.

It seems that this trust has slowly begun to pay off. While the sales of shares in Norway's REC to Orkla and Q-Cells AG (in which Good Energies also holds stock) so far is the only investment that has yielded considerable return – a net of €1.1 billion (\$1.6 billion), the network has grown in any case. Brenninkmeijer has brought on board individuals to which many other investors would certainly love to have access. Good Energies' CEO is Richard Kauffman, previously a partner at US investment bank Goldman Sachs. The chief investment officer (CIO) is Sven Hansen, who worked for many years at major Swiss bank UBS in London and New York. Both of them are specialists in their fields, and 30 investment experts now work under their leadership – all of which have enormous amounts of experience and expertise in each of their respective niches.

With their help, Good Energies has succeeded in recognizing trends and exploiting them at an early stage. »Until now we've been lucky,« admits Hansen.

Like all investors, Good Energies also needs some luck if it wants to succeed in the future. But the know-how amassed by this venture capitalist could mean the company is less dependant on luck for future investment decisions. The industry will likely grow in the long-term. But it's also equally certain that in the future it will be more difficult to separate the wheat from the chaff. It seems that it will be even harder to provide a simple answer to the question of whether it pays to invest in a solar company. After Good Energies – via its former investment in REC – was the first solar company to set up its own silicon production, the Swiss have continued to put their money primarily into the area of crystalline technology. But the company is convinced that both concentrator technologies and especially thin-film technology will prove to be interesting in the future, even if the volume today is still small. »You can't underestimate that,« says Hansen. You can't fiddle about if you want to be successful. A 20 MW line in the thin-film sector doesn't make any sense anymore, says Hansen. »There simply seems to be a zero missing at the end of that number.« Still, one should stop and take a deep breath after investing, as one should always do with new technologies. The public stock markets have sent a clear message in recent years: almost all solar stocks have market capitalizations that far exceed their turnover, not to mention profits. But if you have the patience, technical expertise, and means to sustain the necessary investment marathon, you can earn a lot of money in the long term. As long as Cofra plays along, Good Energies shouldn't have any problems doing just that.

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»We are not gamblers«

Interview with Marcel Brenninkmeijer and
Sven Hansen from Good Energies



Operating under the strong umbrella of Cofra Holding, solar energy investor Good Energies uses its excellent position for long-term investments. The current turmoil on the stock markets is irrelevant, as the fundamentals are still in tact. Good Energies does not expect supply and demand to meet anytime soon. As soon as both come close to each other, margins will be reduced across the whole value chain and thus increases demand. There is nothing to worry about in solar's future – even if financial markets may do something entirely different with it in the short term. PHOTON International met with Good Energies founder Marcel Brenninkmeijer and CIO Sven Hansen at the company's global headquarters in Zug, Switzerland.





PHOTON Marcel Brenninkmeijer, private equity companies are currently having trouble raising money for their investments. You get €350 million (\$520 million) a year from family-run holding company Cofra. Does one question that amount in times like these?

Marcel Brenninkmeijer When Cofra Holding says that we can give out this amount each year, then we are able to do so. That's how it will be in the future, too.

PHOTON But even Cofra will want to see returns at some point.

Brenninkmeijer And they do see returns. We have already returned €1.1 billion (\$1.6 billion) from the sale of part of our REC shares. This alone would cover three years. What happens in the short-term on the financial markets is not of much importance. We think in terms of generations.

PHOTON Does that give you an advantage because you are able to focus entirely on the target companies without having to worry about refinancing?

Brenninkmeijer Yes, that is certainly the case. For example, we don't have a treasury department because the holding takes that off our plate. That takes away a lot of pressure. Anyone who manages a fund has to generate returns. The only thing that matters is money, which they have to profitably invest. If we don't invest for a year, then we simply don't do anything. But if we want to invest, then we can use Cofra's money.

Investors with attitude: Marcel Brenninkmeijer (top left) and Sven Hansen.



PHOTON The folks at Cofra probably aren't happy when you don't regularly access the €350 million (\$520 million). It must throw a wrench in their financial planning.

Sven Hansen If we were to actually not fully access that money, then they understandably would not be happy. But it is more important to make correct investments than to spend money. If we don't have any good investments, then we most certainly will not invest. But that hasn't been the case so far.

PHOTON Do you think that less is happening on the markets right now because of the uncertain financial situation?

Brenninkmeijer No, there is still an unbelievable amount of value that people are chasing. The one thing we see today is that valuations of publicly traded companies have declined.

Hansen I would even say that there is more money today for photovoltaics than before, if you look at it over time. When we started with Good Energies, there was only little money for solar, and then a little more was available and there will be massively more for solar this year. We've contributed somewhat to that. Good Energies is known in the meantime and our long-term strategy is an example for many people. That's why a lot of large funds get in touch with us today. They ask, how did you do that? In the past few weeks, we've had numerous of these types of inquiries, and that's why I think there will be significantly more money than in 2007.

PHOTON Is it sometimes difficult for you to find enough attractive target companies?

Hansen No, we would be able to spend our allotted budget several times over. We'd have no trouble doing so.

Brenninkmeijer It is a luxury problem, because we can really pick and choose where we want to invest.

PHOTON Based on investment volume, though, the majority of your investments have been in publicly traded companies, especially if one considers alone the market capitalization of Q-Cells.

Brenninkmeijer That is correct in terms of volume, but based on the number of investments, venture capital engagements are clearly the majority.

Hansen We have invested in listed companies only if we were already a shareholder before the IPO.

PHOTON How do you think the latest market correction will impact your business?

Brenninkmeijer Basically we are thankful that the price-earnings ratios have returned to normal with most companies. There are now, however, solar companies which are undervalued if you take the past year's growth rate and project it going forward. Confidence has also been destroyed in many cases. Numerous factors have

Aleksander Pekovic / photon-pictures.com (4)

contributed to uncertainty and disappointed expectations so that people just don't trust the whole thing anymore.

PHOTON Do you see more of an opportunity or risk?

Brenninkmeijer If we look at the fundamentals, then everything looks fine for the future. One can say, for example, that today's price-earnings ratio of 40 will be at 20 in two years and at 10 in four, because the earnings double every two years. We do not expect supply and demand to meet anytime soon. As soon as both come close to each other, margins will be reduced across the whole value chain and thus increases demand: We currently don't anticipate an over supply, as many fear.

PHOTON How do you get in touch with target companies. Do they come to you or



do you actively search?

Hansen We have all types of ways: personal contacts, trade fairs at which we actively approach people, brokers, investment banks, co-investors. Things come from all over. There is a massive deal flow, and that is difficult to handle. It takes an effort just to respond.

PHOTON How many inquiries do you get generally?

Hansen We get hundreds of investment proposals each year. Right now we have about 70 investments that we are investigating more closely.

PHOTON That means you are doing due diligence at 70 companies?

Hansen No, that is something different altogether. Due diligence comes only at the end of the entire process, after many general terms have been reached. We are nowhere near that far with all of them. We've already met 10 times with some of those 70 companies, with others we've seen each other only once, but in those cases we've thought the people are capable and we want to work further with them.

PHOTON How big are these companies?

Hansen All sizes. There are teams that haven't even really started work and their companies just consist of a business plan as a pdf document. There are also large companies that have an idea and ask us whether we want to do it together with them. Cofra is a huge privilege in this case, too, since we can do virtually everything: from early-stage financing to expansion financing. Hardly any other investor has this advantage. Most of our competitors are able to only invest a maximum of 20 percent in solar because of diversification requirements, while we could theoretically invest 100 percent in solar.

PHOTON The sector is slowly growing out of its baby shoes. Doesn't there have to be a consolidation wave soon?

Hansen Definitely. Meaningful investment amounts used to be €3 million (\$4.5 million), then five, and now 50. The numbers are rather quickly getting an extra zero added to them. Already not everyone can keep up. That's why it makes sense to get active and consider what would go well together. That is also the best way to prepare for the consolidation wave.

PHOTON Wouldn't it still be a good idea to diversify, even with Cofra?

Brenninkmeijer It's not like we say that solar isn't allowed to be more than a certain percentage. When Good Energies was still young, Cofra even recommended that we focus entirely on solar. We used to think that having such a focus was our weak point. Cofra wanted us to specialize while it would take care of the portfolio mix. Good Energies accounts for only a part of total assets.

PHOTON Is there a specific reason why you chose PV as an area on which to focus?

Brenninkmeijer When we started, the solar sector seemed to be the area in which we could have the greatest effect with a relatively low amount of money. Our first investments were in the single-digit millions. If we had invested €1 million (\$1.49 million) in the wind industry at that time, we would not have been able to become meaningful. Those companies were already billion-dollar firms at that time.

PHOTON In other words, it was easier to get a near-monopoly position in the solar sector.



Brenninkmeijer Monopoly is your word. I would express it like this: it was easier to create a unique selling proposition. REC, for example, was the first company to recognize the scarcity of silicon and to secure that raw material itself. REC was able to differentiate itself in that way and to become a market leader, because there wasn't another company out there to buy that was able to make its own silicon, and any company that did that would have a two- or three-year delay. That was the reason back then that we decided to continue to invest in REC – and it is for similar reasons that we decide to invest in companies today.

PHOTON You need a lot of qualified specialists to evaluate these things. How difficult is that for you?

Brenninkmeijer Luckily, we don't have to find all of them on our own. We have very good contacts and a very good network. Richard Kauffman, our CEO, knows the American market very well. He has also been able to attract Greg Kats to our team, one of the experts in the area of energy efficiency and green building design.

Hansen We also get a very large amount of applications. Many come from the solar industry or even from sectors that have nothing to do with us. We have the problem that very often fully over-qualified people apply. Recently, there was even the case where a CEO at a company in the renewable energy sector wanted to come work for

us as an associate. People are excited by this topic. They also know that Good Energies is not a venture capital firm that quickly wants to sell its stakes in the companies it owns just to make short-term profits.

PHOTON What is the money used for when you invest in a company?

Brenninkmeijer Mostly for expanding production.

Hansen Exactly. Mostly it is for capital expenditure. A relatively large portion is also used for prepayments for silicon supply because the raw material scarcity still takes precedence.

PHOTON Is there a minimum stake that you target?

Brenninkmeijer Not really. Our participations can range from a stake of below 5 to as much as 100 percent. At Konarka, for example, our first investment came in at \$400,000. We simply thought it was an interesting company and wanted to get our toe in the door in order to learn about the company. As you can see, during that phase back then, we could be a meaningful investor for a relatively small amount.

PHOTON Meaningful is a relative term.

Brenninkmeijer An investment is meaningful for us when we can actively participate in the company's development. There are small firms where we can be meaningful with €3 million (\$4.5 million), and there are big companies where we need €50 million (\$74.3 million) to do so. We are not a fund, we don't simply make 20 passive investments. We generally are actively engaged in those companies in which we invest.

PHOTON What does that mean exactly in practical terms?

Hansen It means that we have in many cases a decisive impact on the strategic orientation of the company. It's not necessarily about the day-to-day business, although we also have companies where we step in. At Sunfilm, for example, we have installed our own member of the executive team. Generally, though, it's about having enough shares so that we can actively influence management decisions.

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PHOTON Can you give us an example of what your role as active investor looks like?

Hansen We have companies, for example, that have a problem with their website or with translations. A Chinese company took part in a trade fair and translated its sales brochures into English. It was horrible in some cases. The slogan was »Cleaning up the world.« Our ability to help can start with something as simple as that, and it ranges as high as assisting in finding a chief financial officer, as we did at Q-Cells a while ago.

PHOTON You have stakes in companies that are competitors. Conflicts of interest are unavoidable.

Brenninkmeijer In earlier days we would ask our investment partners whether they would mind if we were to invest in a competitor, and only if they didn't would we invest. We didn't want to step on anyone's toes. The companies out there aren't all the same, though. REC, for example, primarily produces silicon and wafers, whereas Q-Cells mainly cells. The Chinese also produce modules, which the others don't do. Then we have various technologies, one thin-film, one crystalline and so on. Everything is actually very specific, even if there happens to be some overlap.

PHOTON The overlap is very big with Trina and Solarfun, if you want to put it that way. They are two companies set up the same way and you invested in them around the same time. Are you uncertain since you're betting on two horses in the same race?

Hansen Both have been very successful investments, as you can see from the numbers. Chinese companies are also special because they don't cooperate very much with one another. If they have clearly separate economic functions, like LDK and Suntech, then there isn't much of a problem. But to co-operate, like it is done here in Europe with assisting a competitor with capacity or technology teams, that is unusual in China.

PHOTON That's all well and good. But you both sit on the supervisory boards of these companies. You have insider information at the same time on all companies that – regardless of whether the overlap is large or small – either compete against each other or are in a very sensitive customer supply relationship.

Hansen It is relatively simple with the people with whom we have worked with so far. They have learned that we are able to handle confidential informa-

tion. Everyone understands that Marcel Brenninkmeijer and I do not discuss everything with each other because there are circumstances in which we're on opposite sides of the table. We have managed that for seven years now and there has never been any problem.

PHOTON There's Chinese Walls, as the US bankers say?

Brenninkmeijer Yes and it is in our own interests that we keep them up. We can discuss general subjects, such as silicon, but not internal corporate items. I personally don't know, for example, how things are going over at Nor-sun. And likewise, I don't talk with Sven Hansen about REC.

PHOTON You, Mr. Brenninkmeijer, personally sit on the REC and Q-Cells boards. That's somewhat interesting.

Brenninkmeijer I was also asked about that once in Norway. They said, »How does that work, that you are on our board and on Q-Cells'?« I answered with a question: »Have you ever heard me discuss Q-Cells issues with you?« They were silent and I said, »You see, and I talk just as much about REC when I'm at Q-Cells.«

Hansen We have exactly the same situation in China with Trina and Solarfun. Solarfun's management team once joked that they would know more about Trina from their own information sources than they hear from me. Sometimes that can be disappointing to recognize for a company. The more important point for me, though, is to convince the people to work together. REC was once the most important supplier to Q-Cells, and Q-Cells was REC's most important customer. Neither of them would be where they are today without the other. They have to understand that. The fruits of cooperation are greater than the danger of being a victim of espionage.

»We currently don't anticipate an oversupply, as many fear.«

Marcel Brenninkmeijer

board whenever we invest. We want to have a say. If it comes down to an instance where it's just about investing money, then we are not interested.

PHOTON That's how it comes to pass that, for example, you sell shares from REC to Q-Cells – from one portfolio company to another.

Brenninkmeijer Not exactly. The close cooperation that these companies had

before doesn't exist to the same extent any more because they've become more independent and self-sufficient.

Hansen The companies have to rely on more suppliers and more customers. If not, they'd run the risk of putting all their eggs in one basket, which is also a problem for our portfolio. That's also why it was easier for us to sell.

PHOTON If you have seats on several supervisory boards, are there some instances of mistrust among your colleagues? Does it sometimes get quiet all of a sudden as soon

as one of you walks into the room?

Brenninkmeijer It is extremely important for us – and this has to do with

Sven Hansen our family values and the corporate principles

of Good Energies – that everything we do is done with utmost integrity. Sometimes that certainly leads to a situation where we don't get information that we could have. But we have to accept this as part of the job. We don't make any compromises when it comes to integrity.

PHOTON In closing, a question about the future. Would you risk a forecast on how things will develop in 2008?

Hansen We think this year will be a very strong one in the industry and that things will continue to grow relatively easily, if perhaps a bit more slowly than before.

PHOTON Do you mean share prices (of public companies) or the real business?

Hansen The real business. I am speaking in terms of megawatts. The financial markets may do something entirely different with that. If there is a very strong first and second quarter – because, for example, of cell sales to Spain – then there will likely be good numbers. That results in high margins and all of the valuations will rise like crazy again. But that is not important to us. We invested in Q-Cells very early on and the value didn't come until years later. Even if we may have been lucky because we invested at the right time, one thing has to be clear: everything needs its own time. That's why the current company or portfolio values are naturally important to us, but they don't mean everything.

Brenninkmeijer That's the same reason why Cofra doesn't get nervous when, as is the case right now, a stock like Q-Cells loses almost half of its value within a few weeks. The question is always whether there has been a change in the fundamentals, and they are in tact as before. We have a very high beta when it comes to solar stocks. If you take a long-term view on the company's business, then the current stock price matters to a lesser extent. We're not gamblers.

PHOTON Thank you for the interview.

Interview by Marian Mazdra and Michael Schmela