JAHANI & ASSOCIATES

J&A Capital Markets Report

Battery Energy Storage Systems (BESS) Technology Capital Market Transactions

September 2024

AUTHORS

GARETH WALDECK

Gareth Waldeck is a member of the investment banking and global trade team at J&A. He is based in Abu Dhabi. He is originally from South Africa and studied Economics at Fordham University. He has served as a panelist for multiple forums such as the Diversity Dividend: Why Equality Benefits Us All, and regularly publishes in the space of cross border capital markets.

JOSHUA JAHANI

Joshua Jahani is a managing director at Jahani and Associates. He is based in the New York City office. He leads the firm's global expansion and client service activities. He has been featured in over 20 publications such as the BBC, Newsweek, International Business Times, NBC, and more about investment banking and global trade. Joshua is a lecturer at Cornell University and New York University.

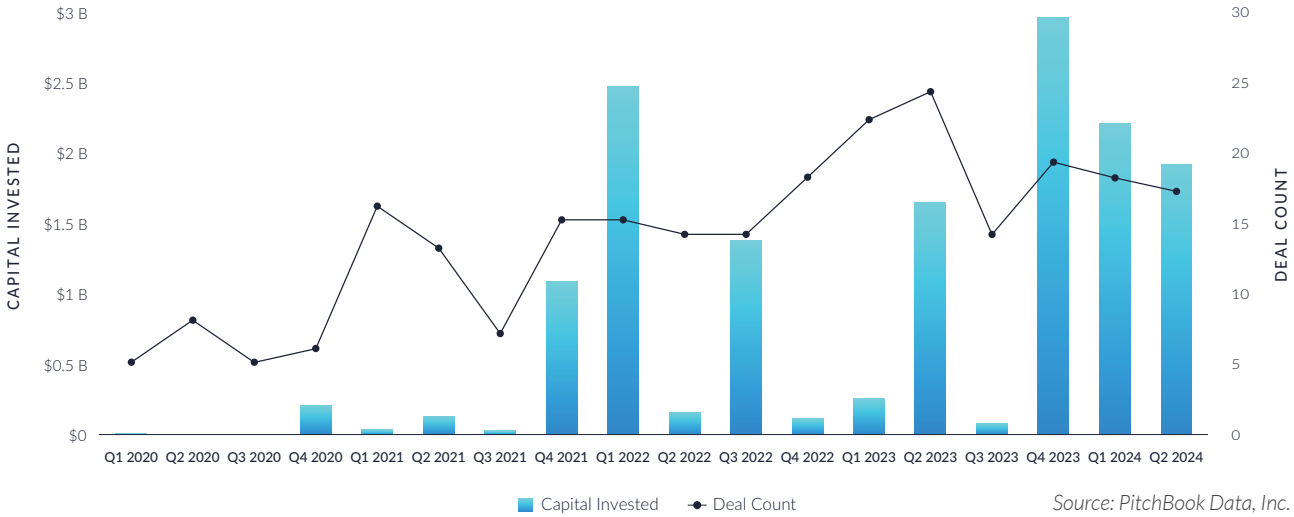
jahaniandassociates.com

Between Q1 2020 and Q2 2024, $15 billion was deployed in the battery energy storage systems (BESS) technology sector. BESS technology captures and stores energy that is later discharged when required. BESS is critical for renewable energy sources such as wind and solar power, as collection is inconsistent and depends on weather conditions. BESS technology is software that is used to monitor and control hardware systems. As renewable energy rises in prominence, BESS technology will play a critical role in ensuring the widespread adoption and usability of the energy created.

Most transactions conducted and capital invested were by US-based investors, with 40% of all capital invested. Significant capital has been invested in early stage and growth-stage companies in the sector. There has also been notable early stage M&A activity and secondary transactions in the sector, highlighting the abundance of exit opportunities.

BESS founders and shareholders should be aware of fundraising opportunities presented by US-based investors and possible exit opportunities.

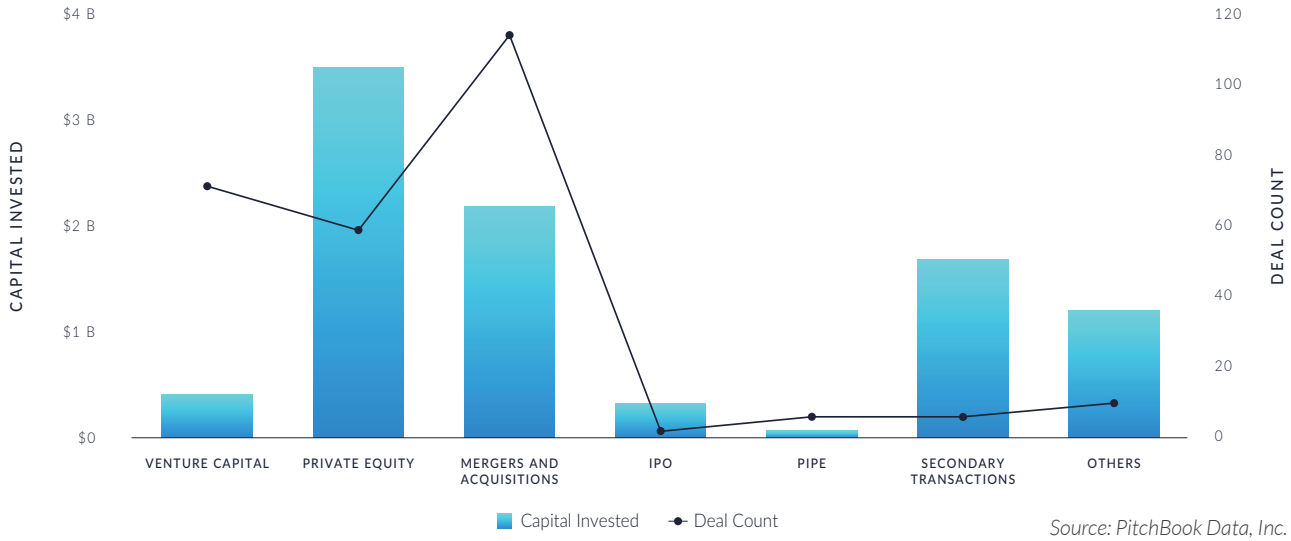
Announced Battery Energy Storage Systems Technology Capital Market Transactions (Q1 2020 – Q2 2024)



Source: PitchBook Data, Inc.

- Between Q1 2020 and Q2 2024, $15 billion was deployed across 250 transactions in the BESS sector. The average transaction value was $58 million, highlighting the volume of transactions in middle and lower-middle markets.
- The most significant deployment of capital, $2.9 billion, occurred in Q4 of 2023 across 19 transactions with large private equity transactions driving investment.
- The largest deal count occurred in Q2 2023 with 24 transactions. Deal count and capital invested in the sector have accelerated since the start of 2022. The positive trend indicates an appetite for transactions in the sector and demand for innovation in BESS technology.
- Two of the largest transactions were conducted by Plus Power. The company raised $1.8 billion in project financing in October 2023. Plus Power was acquired by OMERS Private Equity and a syndicate of other financial investors in a leveraged buyout for $1.5 billion on January 4, 2024.

Breakdown of Announced Battery Energy Storage Systems Technology Transactions by Deal Type (Q1 2020 – Q2 2024)

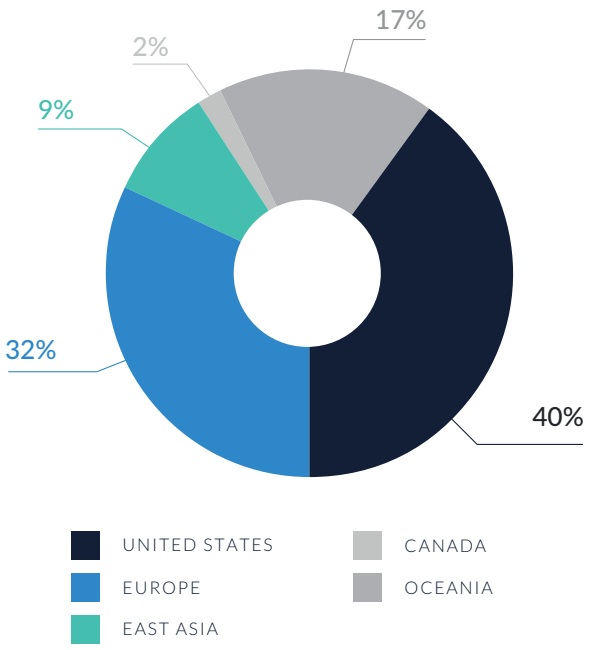


Source: PitchBook Data, Inc.

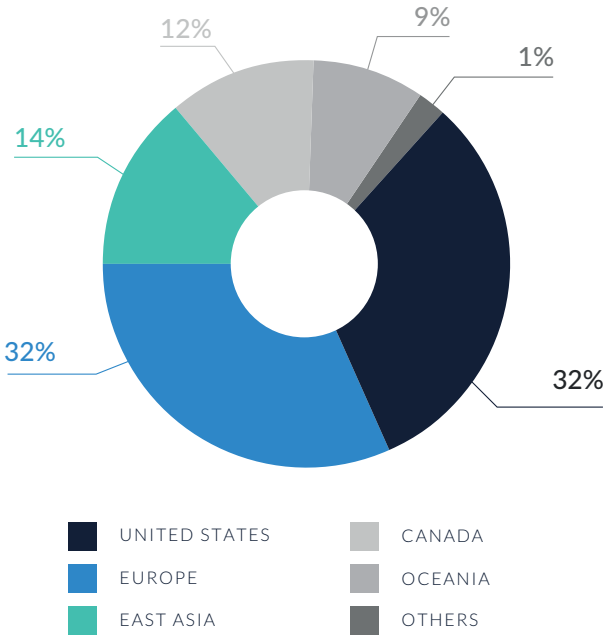
- Venture capital saw a high level of transactions accounting for 28% of deals in the sector; 72 venture capital transactions occurred in the sector in which $412 million was deployed.
- Transactions by private equity firms dominated capital invested in the BESS technology sector. Across 59 transactions, $3.5 billion was deployed. The average transaction size of $59 million indicates an appetite for deals in the middle and lower-middle markets.
- Mergers and acquisitions accounted for $2.2 billion of capital deployed in the sector across 115 transactions. The average transaction size of under $20 million shows the demand for smaller strategic acquisitions and the abundance of early stage M&A deals.
- Over $1.5 billion was invested in secondary transactions highlighting the exit opportunities available to BESS technology founders and shareholders.

Breakdown of Announced Battery Energy Storage Systems Technology by Country (Q1 2020 – Q2 2024)

CAPITAL INVESTED



DEAL COUNT



Source: PitchBook Data, Inc.

- US-based investors dominated the capital invested in the battery energy storage systems sector, with 40% of capital deployed ($5.7 billion). US-based investors conducted a significant portion, 31%, of transactions, with 78 complete and announced deals. This could be due to a variety of factors, including the demand for onshore or nearshore manufacturing facilities against the backdrop of rising geopolitical tensions and supply chain concerns. Similarly, the demand could be driven by the growth of the clean technology sector and demand for storage systems.
- European investors contributed $4.6 billion across 78 transactions with an average deal size of under $58 million. This implies an abundance of smaller transactions, indicating the early stage nature of the sector and the demand for energy storage technology.
- Investors in developed nations such as Canada, Australia, and New Zealand contributed significantly to the capital invested in the BESS technology sector. The small number of transactions in the sector shows that a small number of large transactions occurred in these regions.
- The rest of the world exhibited a noticeable spike in deal count but an exceedingly small share of capital invested. This implies a wide distribution of smaller deals across various countries that are not individually listed. These smaller markets collectively engaged in a considerable number of BESS transactions, but each deal tended to be small, reflecting diverse capital market activities.

TRANSACTION SPOTLIGHT:

AMPERECLOUD

Amperecloud

THE COMPANY

Amperecloud is the developer of a renewable energy platform designed to monitor energy parks, solar plants, wind farms, and battery energy storage systems. The company's platform offers direct marketing, park control, data logger, monitoring, tickets, master data, maintenance modules, and reporting systems, enabling businesses to make their management and direct marketing of renewable energies cost efficient and easy to apply.

The company raised $4 million of venture funding through Series A equity on July 26, 2024. Encevo led the round with Vireo Ventures, Point Nine Capital, and other undisclosed investors also participating.

TRANSACTION TYPE

SERIES A

DEAL DATE

JULY 26, 2024

ACQUIRER

ENCEVO

TRANSACTION SIZE

$4 MILLION

Capital invested in the BESS sector is dominated by US-based investors. Developed markets have similarly invested in the sector. The demand for energy storage solutions in these markets is driven by the increased adoption of renewable energy.

There is a relatively even distribution of deal count between venture capital transactions, private equity transactions, and mergers and acquisitions. This showcases significant capital market opportunities available to BESS companies at all stages of growth. However, the abundance of smaller M&A and secondary transactions highlights the exit opportunities available in the sector.

Sources: Pitchbook Data, Jahani and Associates (1), (2), National Grid, ABB, Siemens Energy.