

An entrepreneur's windfall

By Richard Blackwell

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When John Douglas created wind farm developer Ventus Energy Inc. in 2003, raising money for projects felt like “crawling up Bay Street on my belly,” he said.

But four years later the wind business is hot, and Mr. Douglas is cashing in, as Ventus is being acquired by Suez SA, a French energy and gas giant that wants to get a wind power foothold in North America.

The deal will see Suez's Houston-based arm, Suez Energy North America Inc., pay about \$124-million in cash for all the shares of privately held Ventus.

Mr. Douglas, a former investment banker at Canaccord Capital and Sprott Securities, founded the company with \$21,000 of capital in 2003, and operated out of his house for the first two years.

Initially, the idea was to find potential wind power sites, then sell them to other developers who would take the projects to fruition. But Mr. Douglas was able to attract financing from several venture capital funds, and the company developed and build its own projects.

Two of its wind farms are up and running in Prince Edward Island, and it has a large portfolio of projects under construction or in the planning stages in Ontario, Quebec, Nova Scotia, New Brunswick and Newfoundland.

Despite the relative ease of raising money compared with a few years ago, it is still extremely time consuming, Mr. Douglas said. Add to that the headaches of getting the attention of turbine makers, and it was time to sell to a big company with clout in the energy business.

“The days of the small, independently owned wind developers are coming to an end,” he said.

While Suez is a massive energy player around the world, and it has some European wind power in its portfolio, this is its first foray into the business in North America.

For Mr. Douglas, the attraction is the Suez balance sheet, which can be used to generate capital at a much lower cost than if Ventus stayed independent.

“They've committed to finance our projects so we don't have to go around grovelling any more for project finance,” he said.

Ventus's new parent, whose roots go back to the construction of the Suez canal, generates about €44.3-billion (\$63.5-billion) in annual revenue from electricity and gas operations, water treatment plants and waste management services.

In Canada, its only current facility is a natural gas electricity plant in Windsor, Ont. Another Canadian connection: Montreal business mogul Paul Desmarais Jr. is a shareholder and serves on the board of directors.

Suez approached Ventus, Mr. Douglas said, and its offer was better than other takeover proposals that were presented to the company. "They are looking at us as being their platform [for] North American wind development."

The bulk of Ventus's purchase price will go to the institutional investors who own more than half of the company – including Swiss-based green energy giant Good Energies Inc., New York-based BlackRock Inc. and Toronto-based VentureLink LP.

John Varghese, managing partner at VentureLink, said three of his firm's labour-sponsored funds were early backers of Ventus, and they'll get about a 50-per-cent return on their investment.

Company managers still hold a minority stake and they'll also get a big payout when the Suez deal closes. But Mr. Douglas says he intends to stay put and run the operation under the new owners. "I'll stick around until they kick me out."

Ventus's two operating wind farms in PEI generate only about 29 megawatts of power, although the company's goal is to have as much as 1,000 MW built or under construction by the end of 2009.

In all of Canada about 1,600 MW of electricity is currently generated from wind, enough to power about 500,000 homes.

Ventus isn't the only Canadian wind company that has thrown in its lot with a bigger owner. In the past year, Vector Wind Energy Inc. and GW Power Corp. were acquired by Canadian Hydro Developers Inc.; and Gale Force Energy Ltd. was bought by Irish-based multinational wind power firm Airtricity Inc.

Foreign firms have also been getting involved in the Canadian wind scene through joint ventures and minority stakes in domestic companies. Spanish wind giant Acciona SA is a partner with Suncor Energy Inc. and Enbridge Inc. in several wind projects, while Toronto wind developer SkyPower Corp. is now partly owned by Germany's HSH Nordbank AG and the private equity arm of New York investment bank Lehman Brothers.

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