

Case Study

Paul Nahi, CEO – Enphase Energy



January 2011

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Sunshine revolution

Paul Nahi, CEO of solar microinverter systems business Enphase Energy, discusses the phenomenal growth of the solar market

2010 was a year of remarkable growth for the solar industry with worldwide installations in amounting to 15.8 Gigawatts (GW), representing 118.7% growth from 7.2GW in 2009. Germany was the world's largest solar market, driven by excellent investment conditions, and other countries in Europe are ramping up their own plans for PV as ROI rates in Italy and France are very attractive to investors. In particular Italy saw a surge of installations in the second half of 2010, and investment conditions in 2011 and 2012 will remain better than in Germany. Indeed it is predicted that investors and German installers will move activities to Italy during these years, helping to accelerate PV market penetration*.

The US is also predicted to experience significant market growth, driven by factors such as an extension of a federal grant program for renewable energy generation projects which provides 30% of the cost of a clean power project. California has directed its three largest utilities companies to ensure enough renewable energy to make up 33% of their supplies by 2020, and NRG Energy (wholesale power generator owning two utilities) committed to invest up to \$1.55 billion for utility-scale projects by SunPower, BrightSource Energy and First Solar.

Forecasts predict that global installations in 2011 will amount to 19.3GW, denoting another period of high growth. California-based Enphase Energy is the leader in solar microinverter systems, providing devices which convert current and provide connection to energy grids and the Internet - which is crucial to any solar power system. Paul Nahi, CEO of Venture Capital backed Enphase believes that the company is ideally placed to capitalise on this exceptionally high growth market:

"We believe we've struck a chord with our customer base with our microinverter products and delivered what they've wanted for quite some time. We've executed well in terms of reliability and we've shipped more than 500,000 units.

The Cleantech industry has matured to the point where the value proposition has to be clean, obvious and crisp. It has to be a quantum leap over existing technologies, which is why our offering is so very disruptive. For our larger competitors this technology is alien, thus requiring different engineers and organisational structure. This is revolution not evolution, and it's difficult

for established inverter providers to envision the magnitude of change that's happening. The inverter companies here in the US are worried because they've seen what we've achieved, gaining 20% market share from zero in two years with volumes now tripling every year, before we've even hit the large European market. It's like the shift from mainframes to desktops and laptops. In the Residential and Commercial marketplace, microinverters will dominate; while the Utility space is different, we are also planning products for that space."

Given the growth of the solar industry sector, competition in the microinverter market is fierce. Paul believes that in order to combat this, Enphase must clearly differentiate themselves:

"Our product is a complete system - with hardware, software and the essential communication elements, plus the back-end energy management and data analysis services with a Web interface. These service and communication elements really require an intimate knowledge of the local marketplace. We have excelled at this service element and we expect this to continue as a differentiator from our emerging competition."

Analysts agree, and Enphase is regularly picked as one of the top 10 Cleantech IPO picks for 2011 as the microinverter company is one start-up in the solar sector that has managed to line up private investment, customers and manufacturing plans quickly. Since Enphase contracts with Flextronics for its production requirement, it doesn't need to raise money to build factories, and can therefore funnel its funding into achieving significant and swift revenue growth. Enphase closed a \$63 million round in June 2010, bringing the total, announced funding to \$104 million. With its momentum so far, the company is creating a new market for its products.

Paul states that international expansion is a major discussion point for the company internally. However to achieve this successfully the following points must be considered:

Policy

"Ours is a policy driven market, so this shapes our international expansion probably more than any other factor. Asia Pacific is composed of differing markets - Japan is a significant solar marketplace and is getting bigger and there is obviously gigantic potential in China and India, though the policy there, while likely to be favourable, is not yet clear. The growing energy demand, industrialisation and the real sensitivity to clean and renewable energy are drivers."

Company Growth

"A key limiting factor is the internal growth - we must balance expanding globally with not overly taxing our organisation. In order to set up in a new country, we need to build an entire

infrastructure there - customer service, activations group, sales, sales support, operations etc. Gillamor Stephens did a great job in starting us off in Italy and France with leadership positions there, and we will continue growing aggressively into Europe and Asia (through Gillamor Stephen's Asia partner, BSP.)"

Indeed, Paul believes that ensuring he builds a world-class team at the business drawing from multiple relevant industries is vital:

"My hiring criteria are track record and expertise in their discipline; the right cultural fit and ability to contribute at a corporate/strategic level. Most of all, they have to be passionate and love what they do.

For example Jeff Loebekka, our VP Sales (hired by Gillamor Stephen's Californian partner firm SPMB) joined us from the storage sector with a similar sales dynamic to our industry - two tier distribution into retail, OEM and direct sales, with a relatively high-volume, low-price product. We actively looked from someone from the disk drive industry for that role, as we believe our industry is where that business was 10 to 15 years ago, in areas such as the level of sophistication of the supply chain and maturity.

Our new Chief Marketing Officer Bill Rossi (also hired by SPMB) has a background combining storage, semiconductor, networking and most recently a software and services role at Google which made him perfect for us."

In terms of outlook for 2011, Paul believes that there will be unknown consequences from the political changes in the US. The global financial crisis is causing some governments around the world to cut back on subsidies which will make things more difficult. But these will only be temporary setbacks because of the overarching technical problems that have to be solved for a cleaner and safer planet through clean energy. The clean and renewable industries are going to be huge over the next 10 to 15 years - and we are still at the very early stages of it.

* Source - iSuppi Market Intelligence, part of iHS

For more information on Gillamor Stephens' Cleantech Practice, contact: Steve Lavelle, Founding Partner - slavelle@gillamorstephens.com

Enphase Energy is backed by Kleiner Perkins Caufield & Byers ,Third Point Management, RockPort Capital Partners, Madrone Capital Partners , PCG Asset Management, Applied Ventures and Bay Partners.

The Enphase Microinverter System is a fully integrated device that converts the DC output of a single solar module into grid-compliant AC power. This integrated system maximizes energy harvest, increases system reliability, and simplifies design, installation and management