

Annette Finsterbusch of EnPower, Inc.

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24] Hello, this is Hall Martin with the Best Connect. Today, we're here with Annette Finsterbusch president and CEO of EnPower. EnPower, is focused on developing scalable engineering based innovations that unlock the full potential of lithium ion high energy density cells with their patented electrode architectures delivering 3x faster, charging 70 percent more power and longer service life. In today's best batteries, companies headquartered in Phoenix, Arizona, where powder's through testing manufacturing facility, enables rapid cycles of designing, building and testing commercially relevant power cells. Annette, thank you for joining us.

[00:00:56] Thank you for having me. Appreciate it.

[00:00:58] All right. So what was your background before investing in early stage companies? What did you do before this?

[00:01:04] Yeah, well, a lot of life before me. I started out with an academic background in both science and business, started out as a geologist. And I went to graduate school basically to be somebody in the oil field. And then I got smart and took this wonderful class by Michelle Cummins and became a climate advocate in nineteen ninety four. And I've never turned back. And most of my investing, although some has been in semiconductors, the vast majority of it has been clean technology. One.

[00:01:34] Great. So what excites you right now?

[00:01:37] Well obviously batteries, because I've chosen to be at a battery company, but I think cleantech most generally, of course, starting yesterday, we have a new era of clean tech.

[00:01:47] So it's it's pretty exciting to think of the changes that are going to come about with the Biden administration and the opportunities for companies who are developing technology to get to commercialisation path that might not have existed in the past.

[00:02:02] Ok, great. So you've been investing in the clean energy sector for a while. What's your advice for people investing in startups in this space?

[00:02:10] Well, cleantech has had its wounds in its its bruises. It's been knocked down a lot. And yeah, I mean, I guess my advice for folks who are interested to invest in the space is to be bold. I mean, we know we have these huge problems and we know that we have a very limited lifetime for solving them. I'll give you an example of how that lifetime has changed in our lifetime. In 1994, I was in a paleoclimatology class where we were modeling climate change, and at that time it looked like we easily had one hundred years in front of us before anything was inevitable. And now, just 30 years later, we realized that if we don't change our trends right now. We are already we are already on a course where some of the things we won't be able to change, we'll have to adapt instead of just not optimal. So the reality is, I think be bold, be be in here. Now, there are there are policy changes coming. There are really smart people developing the technology here and the applications are ready for new technology. Right.

[00:03:29] And then on the other side of that table, what's your advice for people running startups in this sector? What should they keep in mind before they go and launch and raise funding?

[00:03:37] Yeah, be thoughtful.

[00:03:41] You know, it's always really difficult to start a company in an environment where there is not just a well entrenched incumbent, but an incumbent that's hundreds of years old. The oil industry boyos. The eighteen hundreds. Right. And these are the behemoths. So changes slow. It always takes longer than you think it's going to take. It inevitably takes more money than you think it's going to take. And you have to remember that there is this cost pressure because there are incumbents that can satisfy most of the markets unless you're able to get costs down. So it's difficult. It's hard, but it's really worthwhile and it brings a lot more satisfaction. This is my third startup to run, and I think this is the most satisfying one just

because I feel like it's not just the excitement of being in a startup, but it's the excitement of being in a startup that's doing something really valuable and. Right.

[00:04:49] Great. Well, you mentioned a moment ago that the clean tech industry was challenging in the past. How do you see the industry evolving going forward? It does seem like there's more of a sense of urgency now than there was several years ago. But where do you see the changes happening now?

[00:05:04] For sure? I mean, the changes that are happening, I've got to start with the electrification of vehicles, right? Tesla is now 17 years old, which is hard to imagine. But 17 years ago, Elon Musk had this idea and the roadster came out and we all looked at it and looked really cool. But I'm not sure that we expected one drive past us every five minutes by this time. And I think they hit five hundred thousand cars in twenty twenty, which is pretty phenomenal. So the electrification of vehicles is a big piece. It's going to take the battery industry from what is right now about 30 billion dollars a year to what John Deere expects to be close to five hundred billion dollars. So this is a gargantuan market happening. But you also have to be aware that batteries, like many of the technologies in cleantech, are very application specific. So I used to be an investor in the Solid-State Lighting Space, another energy efficiency play, and people would come in and tell me about the three billion dollars worth of light fixtures, holes in the ceiling that they were going to fill. But what they failed to mention was that each one of them takes very specific specialization. So that market was much smaller when we got into real applications. So I think I think that battery is solid-state, lighting continues to evolve. And those things that are driving that evolution are interesting. Other features like autonomy. Right. Like the lot for for lighting. So there are other features and benefits that consumers want to have. So not everybody's wearing Birkenstocks and eating granola bars. Many people are driving an electric car because it's basically a computer on wheels. Right. So we have to think of you have to think as this industry evolves, what is necessary for clean energy to be successful and then how is that going to be adopted by the customer and the consumer? And that's ultimately the folks that we have to convince to to make the trade right.

[00:07:27] And so what's your investment thesis for this sector at this time?

[00:07:31] Well, my personal investment thesis is pretty focused on the company. And then obviously. But if I were an investor in a fund right now and I were looking at, for example, the battery space, I think I'd be diversifying my options because right now there is an extraordinary amount of money going into technologies that are pretty far away from the market at least a decade out. And they still have some massive, massive. Technology manages to overcome. So while it is very interesting to put some cash down on the table to put a chip down on those future technologies because they will inevitably get here, there are a lot of things that are near-term, which are really interesting place to make. And some of them are opportunities in the battery packs, in battery management systems, in fast charge, in charging infrastructure. There are lots of areas to play which are happening right now, and the winners will be defined in the next five years, not starting in the next 10.

[00:08:42] Great. We'll talk about a company that fits that thesis and maybe your company, for example.

[00:08:48] My company actually does the thesis. Not surprisingly, the reason I joined my company and power is the company is really solving the trade off between energy and power right now in a cell. There's a great Duracell commercial right now. They make a lot of funny ones about the use of batteries for energy applications and the use of batteries for power applications. But they're very clearly taking a negative feature and a problem with a battery, and they're trying to turn it into a feature or benefit for a customer. The reality is batteries are ubiquitous. They will be certainly. And they need to plug into anything. Right. So we need to be able to go long distances but still be able to have power as well. And so that's what my company is focused on. And when you focus there, you need to effect fast charge two out of three folks who are in the market buying a new vehicle and they're asked about whether they're going to buy an electric vehicle. They say that they would like to, but there are two things really standing in their way. The first is still cost. And I think that's more perception these days because there's only about 18 percent difference in the cost of an electric vehicle and an engine. But the second one is the ability to fast charge because 60 percent of people in this nation actually don't live in a single family home where they can have charging the structure on their own property rights. So as soon as we go to high density housing, it's like, OK, I'm going to go into the Whole Foods and pick up chicken and veggies. I need to be able to plug in and get charged up so that I can go pick that lobbyist piano lessons. Inevitably, people want to have

that ability to rap and charge. And that's not the case these days. It's still not the case and it's a major concern.

[00:10:59] So what are the challenges in this space for the startup? What do you see your startups struggling with most or even in your own company there?

[00:11:06] Yeah, I think in my company, when something is growing from a 30 billion dollar market to a certainly more than one hundred billion dollar market, talent talent is really hard. We are constantly searching for great people who have some kind of combination of startup experience and big company experience, who have the sort of, of course, the academic background. Right. But who also have that sort of fire in the belly and the vision of what we're trying to accomplish. It's pretty tough. So right now it's very hard to be a startup because, you know, you have Panasonic and Tesla and LG Chem and and the talent is getting sucked out by those who can afford it. And frankly, we've recently looked at some we've done some benchmarking on salaries over the last 10 years. And the space is just. What we what we thought anecdotally was happening, it just bears out so definitively when you look at the numbers. So that's been a challenge. I would also say investors have been burned in this space. I invested in several companies in the space. Fortunately, they all exited and exited well. But there have been a lot of companies that have shut down. There have been a lot of companies that didn't return capital to investors. So dealing with the consequences of that, going out as an entrepreneur and raising money in an environment where there are still people who have a bad t shirt or are still limping along, they want to make an investment. But there is an incredible sense of caution and I can understand that. But again, there will be winners here, so there is really no reason not to step in.

[00:13:07] I remember the last great push in clean tech was in the 2010s and I heard from more than a few investors. The biggest challenge was the technology did not deliver. And I think that's the question I hear a lot from investors today on this next go around, so to speak, is will the technology deliver this time because it didn't last time? What would your response to that be now?

[00:13:28] I mean, I, I completely agree. I mean, I emphatically agree. My company has actually recently published a white paper, in fact, to create complete transparency. What's what's

difficult for investors to maybe get to the nitty gritty of because most investors are generalists across the space. So even if you're in cleantech, you're doing some solar, some lighting, some fuel cells, some wind, some you know, there's a lot to know. And in batteries, as I mentioned earlier, batteries are very specific to the application. They are tiny, tiny, little multi component systems. And so really understanding how that battery performs, there can be very easily a lot of smoke and mirrors from the marketing folks who can give you specs that you need to ask questions about. Is this on at the cell level? Is this at the pack level? It's just a place where you have to do your diligence and really to understand the space or to to invest with those who do. I would also encourage investors to look for folks who've built teams who have industry experience. I mean, it's important for people to have failed.

[00:14:50] That's a good point. Well, you mentioned a moment ago different applications of battery technology. And if you had to pick one, that was a really good opportunity for investors to pursue. What would you call out?

[00:15:00] Yeah, there's sort of two sides of this for me, of course, the electrification of mode of applications just has to be front and center. The space is so big, it's growing so fast. It has come to this point where if you look at the adoption rates, it really looks like we're at the pivotal moment where we're really at the at the inflection point. So the next 10 years will be all about electrification of vehicles and mode of transportation. On the other hand, I I'm also really interested in a lot of the applications which are emerging there. Still motive, but they're not something that we necessarily know well today. And that is, for example, air taxis, those anything that has to get off the ground before it's a motive application. So I think those are really interesting.

[00:15:59] I think all of these service models for autonomous vehicles that will be either delivering packages or delivering people or, you know, common routes.

[00:16:10] I think these are really interesting applications as well. Great.

[00:16:15] For the last few minutes that we have here, what else should we cover that we have it?

[00:16:18] Well.

[00:16:20] I think we've covered quite a lot. I guess if I had to say. One last thing about investing in the clean tech space today, one of the problems that will be solved, I think, in the next several years, in the next 10 years for sure, is the fact that we really don't have in the battery industry advanced battery technology capability in the US. We don't we don't have manufacturing plants in the US. Most of the batteries used in the defense application in this country come from Asia, are sourced from Asia, and most of the manufacturing capacity is there. Europe is definitely on the rise, with three hundred billion dollars worth of infrastructure investment currently underway globally. Very little of that as in the US. And that's a problem that we're going to have to solve and it's going to take investors to come in and work with us. I've spent a lot of time speaking to people in government organizations. They realize the problem. They understand the problem even when folks come in to build batteries. Here are Asian companies, Panasonic, LG Chem, et cetera. Right. There is sort of very little in terms of US domestic manufacturing by US domestic manufacturers. And I think that's another thing for investors to think about. How can we build this ecosystem in this industry, starting with the companies that you fund?

[00:17:58] Well, it seems like we have Tesla, but then as they think about it, I can only think of one. Is that is that really the case? Is only one really strong battery maker here.

[00:18:05] Well, and realized that Tesla is only just now getting into the business of batteries, right? I mean, I've been in the car business and working with Panasonic and others to develop batteries. Now they're moving to the battery business with the acquisition of Maxwell. But there's a picture mainly focused on DOD applications and there are a few. But there they're definitely small and very, very focused, generally speaking. But I think it really is that we are going to have to think about how we can build a really volume capacity.

[00:18:40] Great. So how best for listeners to get back in touch with you?

[00:18:43] Oh, that's easy. You can always email me at Annett A double in E double T and power inc.com.

[00:18:51] Great. But we'll put that in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

[00:18:57] Absolutely. Thank you so much for having me. I really appreciate it. Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

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