

QIF Quarterly Newsletter – July 2024

Henry Ford famously said, “*when everything seems to be going against you, remember that the airplane takes off against the wind, not with it.*” We have witnessed a sea change in sentiment over the past year as the political world, the investment world, and the technology world have come to realize that the energy transition will not happen smoothly or as quickly as desired. We shouldn’t be surprised that it is not a simple trajectory of up and to the right, but a volatile rollercoaster ride with periods of euphoria and depression. History suggests that the pendulum will swing both directions and all those involved need to play the long game. Hydrocarbons are not going away for a long time. Internal combustion engines won’t disappear by 2030. Construction with steel and cement still rules. Humans like to eat beef. Generative AI won’t cure all ills (and will likely require lots of fossil-based power). But, progress continues across all fronts, sometimes more quickly and visibly, while at other times the media paints a picture of it going in reverse.

Our view is that it is important to stay the course and support portfolio companies that have demonstrated strong product-market fit and capable managerial practices. Valuations vacillate. They always do. Over the past five years, many developing technology-based companies focused on climate and energy transition were beneficiaries of “aggressive valuations” (cheap equity) – management teams and early investors should be thrilled to have enjoyed the aberration. It was an aberration, not the norm. We are coming back to “normal”. That is a good, healthy development with more reasonable expectations around timelines to build a positive cash-flowing business and to instill discipline around burn rates. This is easier for asset-lite businesses and those where “growth at all costs” never became their North Star.

Having sufficient runway to capture the next bit of momentum, when the pendulum starts to swing back towards goodness, should become the goal. No one knows when that will be, but early indicators may come from lower equity capital costs (i.e., interest rates turn down), visible examples of relevant companies successfully demonstrating that they have made good money for investors by building durable businesses (e.g., successful IPOs or M&A), or euphoria around new technologies. Higher oil or natural gas prices may also be a catalyst. In the meantime, finance your portfolio companies well and don’t get caught up in the near-term valuation as it is not that important to overall success or overall rates of return across the lifetime of the investment. Businesses only go bankrupt for one reason: they run out of money.

During Q2 2024 our portfolio companies Seismos and Heirloom Carbon raised incremental equity at values above prior rounds. These are very different businesses, but each found a universe of interested equity investors who welcomed the opportunity to join the family. We have not made any new investments this year preferring to keep the filter extremely tight and maintaining patience as sobriety comes back to the market.

Below is a reminder of our existing portfolio and what each company does. Each had nice accomplishments reflecting ongoing growth and excitement for what they are doing, but in all cases, the work proved hard with management reporting stumbling blocks and challenges as well as some tailwinds. We welcome your thoughts and advice.



Jeffrey Harris



Rob Meister



Tran Ly



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QIF Portfolio Updates

Atmosic™

[Atmosic](#) is re-architecting wireless connectivity solutions especially around WiFi and Bluetooth to radically reduce IoT dependence on batteries. Initial applications include TV remote controls, wearables, glucose monitor sensors, keyboards, etc.

BeZero

[BeZero](#) combines risk analytics, software and science to provide independent and transparent coverage and ratings of carbon offset credits in a historically opaque market. BeZero has introduced ex-ante carbon ratings for project developers to further increase carbon credit quality transparency to accelerate funding for carbon projects. Its ratings are accessible through various media including Bloomberg.



[Carbon Direct](#) provides end-to-end carbon management services to large corporations for seamless carbon footprinting, reduction strategies, and procurement of high-quality carbon credits. Carbon Direct's software platform provides organizations with the information and resources to deliver on their climate commitments. The new platform provides auditable carbon footprints, actionable strategies for emission reductions, and high-quality carbon removal portfolios.



[ChargePoint](#) (NYSE: CHPT) designs, develops and markets networked EV charging system infrastructure connected through cloud-based services. CHPT ended its 2024 fiscal year on January 31, 2024, with \$507 million in revenue, up 8% from the prior year. Subscription revenue was \$120 million, representing 41% Y-o-Y growth¹. ChargePoint continues to extend its technology and market leadership position across North America and Europe, while improving gross margins and capturing better operating leverage. The company reaffirmed its goal to achieve positive adjusted EBITDA by end of its 2025 fiscal year.



[DatagratiON](#) delivers enterprise software for upstream operators to integrate data from disparate systems into one platform. The company continues to grow its ARR as more oil/gas operators realize the economic benefits of its software.



[Dragos](#) provides cybersecurity threat analysis, detection, and prevention software for physical assets primarily for utilities, oil & gas, and manufacturing companies in the U.S. and select other countries. The company continues its rapid growth across the multiple geographies and expanding vertical markets that it serves.



[Heirloom](#) continues to scale its direct air capture technology using limestone to absorb CO₂ and then storing it underground or into materials such as concrete. Heirloom's first commercial direct air capture facility with capacity for 1,000 tons of CO₂/year operates in California, a 17,000-ton facility is under development in Louisiana for production in 2026, and a 100,000 ton facility, also in Louisiana, for 2027.

¹ Data source: ChargePoint filings.

ORENNIA

[Orennia](#) provides market-leading data and analytics to private equity firms, investment banks, utilities, corporations allowing them to make informed decisions across renewables, clean fuels and decarbonization investments. The company recently launched a new generation of its AI-enabled data platform and continues to grow nicely supporting developers and financiers of renewable power plants.

POWERFACTORS

[Power Factors](#) is the largest provider of asset management software for owners and operators of wind, solar and battery storage systems globally and continues to expand its business benefitting from the significant worldwide investment in new facilities. The company continues to grow nicely behind an upgraded product offering and broadened product line stemming from its recent acquisitions. The company welcomed its new CEO, Julieann Esper Rainville, in March.

PROJECT CANARY

[Project Canary](#) offers low-cost, continuous, real-time methane emissions monitoring with a certification process for oil & gas and other emitters to measure ESG performance. The company continues to set the standard for high fidelity measurement and rigorous data analysis based on hard science.

RECURVE

[Recurve](#) provides a software and online marketplace platform, called FLEXmarket, that enables demand flexibility from behind-the-meter to help manage the grid and reduce electricity prices. The company has made great strides in automating its technology. Recurve welcomed its new CEO, Zach Robin, in May.

Risilience®

[Risilience](#) provides an analytics platform and services to help large companies quantify potential climate risk impact and identify mitigation actions, track progress on their net-zero strategies, and comply with increasing climate-related reporting requirements. The company recently launched a new Nature platform, adding to its broader climate and sustainability intelligence product suite for large multinationals customers, especially around consumer-packaged goods, investment firms, and international retailers.

seismos

[Seismos](#) uses advanced acoustics technology to help oil and gas operators better characterize well stimulations and improve economics. The company's solution for pipelines continues to scale nicely. In June, the company closed a new financing led by Edison Partners.

workrise™

[Workrise](#) offers a digital platform for contingent skilled workers in oil and gas and renewables industries and is the leading workforce management solution for the skilled trades. The company has expanded its offering to support upstream company procurement of other value-added services and products.

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