

Tried and tested

Environmental investing need not be rocket science, Nino Tronchetti Provera of Italian private equity firm Ambienta tells [Mark Nicholls](#)

Nino Tronchetti Provera is clear – he’s not reinventing the wheel. “I did a thesis on environmental business in 1992,” says the CEO of Ambienta, which manages one of Europe’s largest dedicated environmental technology private equity funds. “The thesis now is exactly the same. It hasn’t changed.”

That thesis is that the human race is consuming too many of the Earth’s natural resources, and is producing too much pollution. “This is a disaster,” says Tronchetti Provera, who is marketing a follow-on to the €217 million (\$284 million) Ambienta I fund. “But whoever has a technology, process or product that helps us utilise natural resources more carefully, or ... control, manage and reduce pollution, they have a business,” he says.

The challenge for Tronchetti Provera and his team lies in digging out those opportunities. “The environmental ‘sector’ isn’t a sector, it’s a theme,” he maintains. “It covers every aspect of human economic activity, and is hidden in thousands and thousands of companies ... Our job is to find them, invest and help them go global.”

Whether what Ambienta does is simple or otherwise – and Tronchetti Provera insists that it is engaged in “plain vanilla, growth capital private equity” – he was able to convince investors to back his first fund at possibly the most difficult time for fund raising in living memory.

Ambienta I closed in October 2009, with institutional investors contributing 70% with the remainder from entrepreneurs, companies and family offices. Around 90% of investors are based in Italy, he says, including bank Intesa Sanpaolo, which invested €40 million. International investors included UK private equity firm Doughty Hanson and a fund managed by Australia’s Macquarie Bank.

As to how he was able to raise more than €200 million with a first-time team at such a difficult juncture, he says Ambienta offered “a track record of entrepreneurship and an understanding of Germany’s Mittelstand and the Italian SME [small and medium-sized enterprise] market. And we were able to persuade investors that we are able to put together a disciplined deal.”

Tronchetti Provera’s Rolodex certainly helped. Prior to founding Ambienta in late 2007, he spent five years at Telecom Italia, running its Finsiel IT systems integrator business, and as general manager of Olivetti. He also spent time at consultancy McKinsey in the ‘90s, as well as founding in 1997 a clean technology company, Cam Technology, which was acquired by Pirelli in 2005.

The breadth of the environmental technology theme is amply illustrated by the portfolio held by Ambienta I, which is more than 80% committed. Its investments include UK-based Found Ocean, which supplies grouting services to the offshore wind and oil and gas sectors, Amplio Filtration Group, which provides water treatment and filtration systems, and MBA Polymers, a California-based producer of recycled plastics.

It also holds Ravelli, one of Italy’s largest producers of pellet-fed boilers for residential heating, and Tower Light, which produces energy-efficient mobile lighting towers. Ambienta’s latest deal is the buy-out of Tattile, an Italian company in the so-called ‘smart vision’ sector. It produces automated electronic systems to inspect industrial process-



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es, thus reducing defects and waste, and traffic management systems that can help enforce speed limits, thus reducing pollution.

“We always invest in niche businesses where entrepreneurs can go global,” Tronchetti Provera says. He maintains that companies in Europe – with its density of population and relative scarcity of resources – are leading the way in environmental technologies. “This is a continent that’s been in training for this job for the last 50 years.”

One environmental sector in which Ambienta is underweight is renewables. “Renewables were a lot of fun until 2008,” before which time highly-g geared investments generated high returns for investors, Tronchetti Provera says. After the financial crisis, however, “the business is no longer scalable. To grow, you need more equity,” he adds.

For private equity investors, the proof of the pudding is in the exit. And, in common with many funds in the sector, Ambienta has yet to make any large disposals – although Tronchetti Provera notes that it is a little early to be contemplating selling out of most of its investments, given they were predominantly made in the last two years.

Nonetheless, he says that all but one of Ambienta’s investments are cash flow positive. “Most of our companies are receiving visits from [potential] trade buyers, but we’ll only exit when people give us their true value – given their growth, it would be stupid to rush for exits.”

And he’s claiming a good initial response from investors with a view to potentially raising around €300 million into Ambienta II, which will do “more of the same”, although in slightly larger deals. “To go global, scale matters,” he says.

Europe’s parlous economic outlook is both a hindrance and a help, he adds. “To say to a non-European investor that it’s a good time to invest in Europe, it’s a tough sell. But there’s a big opportunity – the multiples are much lower.”

Again, the approach is tried and tested: “The best way to make money is to buy cheap.”

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