

United States
<PRIMARY MARKET>



17 October 2004

CAP-XX Inc.

Reason for note: [Company Profile](#)

NOTE SUMMARY:

- Increased sales by 300%
- Added Distribution and Sales channels in Europe, USA, Japan, and Asia
- Commissioned automated production lines in Sydney
- Established contract manufacturing partnership in Asia
- Introduced next generation products
- Filed numerous new patent applications

Company Overview

CAP-XX is a designer and manufacturer of supercapacitors, an emerging enabling technology for portable products. Target markets include portable wireless data terminals, automatic meter readers, digital cameras, medical devices, cell phones, and automotive among many others.

The business was started in 1996 in Sydney Australia. In 2001 CAP-XX Inc. was established in Delaware, USA as the parent company. Manufacturing and Research remain in Sydney with sales offices in USA and Taiwan.

Company Highlights

Primary Market: Portable wireless data products

Secondary Market(s): Automatic Meter Readers, Medical, and Digital Cameras

Technology Overview

Supercapacitors are power storage devices that bridge the gap between batteries and capacitors. They meet many of the emerging Internet-based power demands of mobile wireless products and notebook computers. The energy is stored on very high surface area carbon, enabling the production of light and inexpensive devices. The carbons and other materials are carefully shaped down to a nanometer to give the desired performance.

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CHART: Venture Capital OR Grant Funding To Date

Transaction Summary - Sell Side

Announced Date	Close Date	Transaction Type	Target	Buyer / Other Investors	Seller	Size (\$mm)
	1997	Grant				\$1M
	1999	Seed		various		\$1M
	2000	VC		Intel, TVP, Innovation Capital		\$6M
	2001	Grant				\$3
	2001	VC		Acer, Walden, ABN Amro, Intel		\$17
	2004	VC		Walden, ABN Amro, TVP, Innovation Capital		\$5M

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Industry Partners

Acer
 CSIRO
 Intel
 Invetech
 Macnica
 Polar Twin Advance
 Various Universities

Product List

GW1 Series
 GW2 Series
 GS1 Series
 GS2 Series
 HS Series
 HW Series

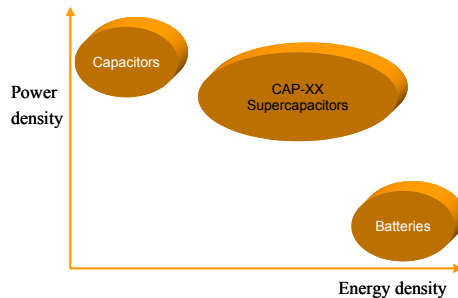
Applications

Portable Wireless Devices
 Ruggedized PDA's
 Wireless Modems
 Automatic Meter Readers
 Medical Devices
 Digital Cameras

Intellectual Property & Technology Overview

Today's portable energy solutions – batteries and fuel cells – can't easily or efficiently provide the burst power necessary for high power applications. Today's power solutions – capacitors – can't store enough energy and are bulky and expensive. Accordingly, there is a gap in capability. Supercapacitors are advanced high-powered electrical energy storage devices which in filling this gap can provide very high discharge currents (hundreds of amps) in short time periods, they can be recharged rapidly (in seconds), charged and discharged almost indefinitely, need no maintenance and in CAP-XX's case are made from relatively inexpensive, non-toxic materials.

CAP-XX supercapacitors store a charge on carbon electrodes that have been specifically shaped on the nanometer scale to minimize the resistance of the device and to massively increase their surface area. They are packaged in a thin, flexible, patented, lightweight and small footprint. It is these features that provide their chief advantage over batteries, fuel cells and competing supercapacitors (high-power discharge) and the advantage over conventional capacitors (high-energy storage).



CAP-XX has accomplished significant product development and is undertaking an on-going program of incremental improvement in all material and process aspects of the product to improve power density, product reliability and process efficiency. It is also undertaking a near-term development of high capacitance electrodes and high frequency products to meet identified market demand. Finally, CAP-XX has preliminary results and is working closely with international partners to achieve both an order of magnitude increase in energy density and a significant improvement in power density.

CAP-XX has a very strong intellectual property portfolio, including patents, that will continue to underpin rapid business growth. The strong current intellectual property position provides the foundation to maintain and grow existing markets while new intellectual property development activities are expected to provide opportunities to enter emerging markets.

CAP-XX's proactive approach to intellectual property creation and management has resulted in products that have a clear and sustainable performance edge over competitors. For example, CAP-XX supercapacitors have higher power (less impedance) and more energy (higher capacitance) than an equivalent sized device manufactured by a competitor. This particular competitive advantage has been recognized by the US patent office when it granted US 6,631,072. This translates into CAP-XX's ability to gain large parts of the market space, preventing competitors from entering.

The patent strategy involves the management and continued growth of around 20 patent families. CAP-XX has been granted numerous US patents and around 50 patent applications are still pending in the various national jurisdictions. Some of the patents include:

Title	Description	Granted Patents
An energy storage device	Cylindrical device, manufacturing	US 6,275,372
A flexible charge storage	Flexible packaging (multi-layer)	US 6,552,895
A charge storage device	Consolidation of product and process	US 6,631,072
A charge storage device	Folded electrodes	US 6,740,447
Power supply	Battery run time	US 2004/0095098
Power supply	Hot swap	US 2003/0169022
Laminate package for an energy storage device	Packaging	US 2004/0081778
Energy storage device	Device construction and method of manufacture	US 2004/0052014
Connection between a conductive substrate and laminate	Device construction and method of manufacture	US 2004/0076877

Customers

Many well known companies are customers but secrecy agreements preclude CAP-XX from disclosing details

Market Overview

CAP-XX designs and manufactures the world's most advanced supercapacitors—high power storage devices that enable the development of new power solutions for next-generation electronic devices. The global market for supercapacitors is estimated to be worth over US \$270 million by 2006, US \$650 million by 2008, and near US \$1.8 billion by 2012. Over the next three, the company will continue to grow rapidly become one of the dominant players in the global supercapacitor market and achieve more than US \$50 million in annual revenue.

CAP-XX's focus is on sales in wireless cellular modems, ruggedized PDAs (Personal Digital Assistant) and converged handheld devices. CAP-XX is also expanding sales into long life battery products and the digital still camera markets. CAP-XX is presently focusing on these sales opportunities because this is where: customer interest is strongest; the value proposition most compelling for using supercapacitors and CAP-XX in particular; the product cycles, pricing, market size, market growth most attractive; and demand fits with CAP-XX's production capabilities. CAP-XX's sales strategy has been, and still is, to pursue a beachhead approach in high-growth, high margin markets. CAP-XX does this by initially targeting a key customer. This customer is used to secure a strong competitive advantage, develop an excellent reputation for product and service in the market, and grow market share in that market.

Once it has achieved a strong position in these markets, CAP-XX will widen its focus to include other markets in which it has already received significant enquiries from major industry players, such as cell phones, medical devices, toys, automotive and uninterruptible power supply (UPS) markets. CAP-XX is cultivating strategic partnerships in and for each of the future markets as the opportunities arise and without losing focus on the immediate sales opportunities.

CAP-XX will achieve these sales results through a combination of its existing sales teams based in the USA and Taiwan, assisted by manufacturing representatives, stocking representatives, and traditional electronic distributors. CAP-XX has appointed distributors in Japan, North America, Europe and Asia. This sales effort will be supported by CAP-XX's experienced in-house Applications Engineering team and CAP-XX's strong patent portfolio.

Product development capability will be retained in-house to enable the near-term and future growth phases, particularly in improved materials, which is a key area of CAP-XX's intellectual property. This will be achieved by using CAP-XX's in-house R&D group which is regarded as the best in the world. This group will be assisted by its strong partnerships with the CSIRO, Australian and International Universities, and International R&D groups.

The Manufacturing strategy is simultaneously to optimize output at its Sydney facilities and add additional supercapacitor assembly capacity by entering into, as soon as possible, an outsourcing arrangement with an offshore manufacturer for CAP-XX branded product. The Sydney site will also continue to be used to validate new and improved products, processes and technologies and to complement offshore production volumes. CAP-XX will obtain significant cost savings by adding production to an offshore location.

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