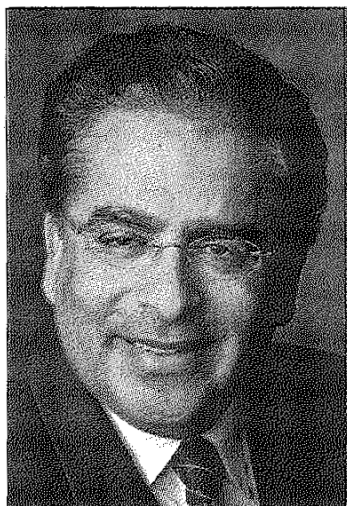
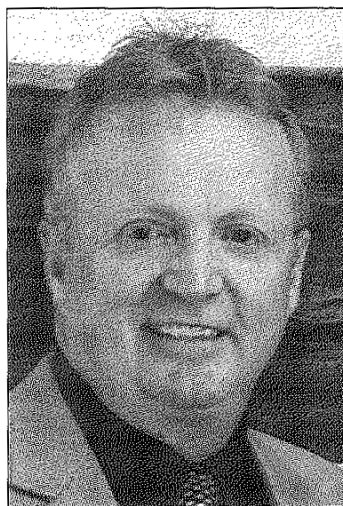


Pellet power

Pinnacle sale reflects international demand for B.C. biofuel



Al Kanji, financial adviser, KPMG: "it is one of the biggest deals in British Columbia since the great recession of 2008"



Doug Beckman, Pinnacle board member: hired to help turn the company into a global player in the renewable-energy sector



Leroy Reitsma, president and CEO of Pinnacle Renewable Energy Group: \$200 million sales volume

By Frank O'Brien

"Why am I getting this award?" asks Leroy Reitsma, president and CEO of Pinnacle Renewable Energy Group when told of winning the ACG Vancouver and Business in Vancouver Deal-maker Award for 2011. "It should be Al Kanji."

Kanji, who Reitsma calls "simply amazing" is the KPMG financial adviser who worked with Pinnacle through a 19-month sales campaign as the Prince George-based biomass company sought an investor to take the firm to the next level.

The campaign ended spectacularly in May 2011, when ONCAP, the mid-market investment arm of Toronto-based Onex Corporation, purchased the majority of Pinnacle shares in a nine-figure deal.

"ONCAP means not only money but smart money," said Reitsma, who refused to divulge a sales price rumoured to be close to \$300 million.

The infusion of capital not only expands Pinnacle's already impressive global reach but also assures jobs and investment across northern British Columbia where the mountain pine beetle has destroyed forests five times the size of Vancouver Island.

Pinnacle won the ACG award as it was recognized as one of the most successful transactions in 2011 with an enterprise value of \$20 million

or more. "The Dealmakers Award recognized the entrepreneurial skill and diligence necessary to build a company's value and complete a highly successful transaction," according to ACG.

Pinnacle, a private company founded by the Swaan family of Quesnel, has been in operation for more than 20 years and is the longest established pellet producer in Western Canada. The company operates six pellet plants in an arc from Prince George to the southern Cariboo region with a production capacity of more than one million tonnes. The bulk of the pellets, all sourced from wood waste, is shipped to Asia and Europe as biomass fuel.

Previously, every B.C. sawmill simply dumped waste sawdust and other wood in "beehive burners" and burned it away.

"We have replaced at least 15 of the old burners already," said Reitsma, who was first introduced to Pinnacle when he worked as a superintendent for Canfor Corp. and turned its Houston's mill burner to a Pinnacle source point.

As a forestry professional, Reitsma had watched in horror as the mountain pine beetle infestation devastated the northern forests. In Pinnacle he recognized how to do something about it. "There was an opportunity to not only make use of the wood wasted in beehive burners but also to create a pathway

for the sawmills to be successful by having a market for what is going to be growing level of non-merchantable logs."

Reitsma estimates that B.C.'s pine-damaged wood alone represents at least a 25-year supply of fuel for Pinnacle pellet production. Pinnacle, he said, does not cut down any trees – all of their bio-fuel material is wood that would have gone to waste. In 2007, Reitsma began full time with Pinnacle.

Pioneer technology

According to Kanji, this was the second-stage rocket in Pinnacle's ascension as the Swaan family hired forestry executives Doug Beckman, now a Pinnacle board member, and Reitsma to turn the company into a global player in the renewable-energy sector.

The third stage was in 2008, when B.C. sawmills began facing long downtimes as the global recession hit home. The sawmills did not have the capital to separate sawdust, bark and other wood waste to make it a biofuel.

"Pinnacle pioneered technology that allowed it to accept wood waste in any form. This was really a key to our success," Reitsma said. "We take in branches, sawdust, bark, shavings – it doesn't matter as long as it's wood."

Suddenly, suffering sawmills had a proven, profitable and assured market for what had been an

expensive junk.

"We really function as a carburetor for the sawmill industry," Reitsma jokes. Pinnacle buys the waste and hires contractors to haul the fibre to its plants, which helps spread the biofuel income right across northern B.C.

It requires about four tonnes of wood pellets to heat an average house for a season, which makes the pellets competitive for those burning oil. But it is not off-the-grid Canadians who are Pinnacle's primary market. That is found in Korea, Japan, and northern Europe where wood pellets are an accepted carbon-neutral replacement for coal or oil, and which represent 95% of Pinnacle's consumers. China is poised to become Pinnacle's next big customer, Reitsma said.

Today, Pinnacle exports using break-bulk ships out of the Port of Vancouver. "We are loading from 45,000 tonnes to 50,000 tonnes per shipment," Reitsma said. This year Pinnacle crested one million metric tonnes of exports and the company expects to ship 1.2 million tonnes in 2012.

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president and CEO,
Pinnacle Renewable Energy Group

The European spot price for fuel pellets is currently pegged at from CAN\$190 to CAN\$200 per tonne, delivered to Antwerp. This adds up to an annual Pinnacle sales volume in excess of \$200 million.

While neither Pinnacle nor KPMG will divulge the price paid by ONCAP, Kanji said, "It is one of the biggest deals in British Columbia since the great recession of 2008."

Pinnacle had drawn a number of suitors to its tender call, but Reitsma said ONCAP was the obviously superior bid. "Al Kanji did a fantastic job," Reitsma said. "He was truly instrumental in making this whole deal work." ■

news@biv.com