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Former State Official Backs Protonex

MATT PILON | MARCH 12, 2013 08:43 AM

Southborough-based fuel cell manufacturer Protonex Technology Corp. has secured a \$2 million loan from a financing firm that counts former state environmental secretary Ian Bowles as a partner, it announced.

Chasing Defense Opportunities

Protonex CEO Paul Osenar said his company will use the credit facility from Windsail Capital Partners to hire additional sales and business development staff to pursue U.S. Department of Defense contracts.

"It's feet on the street," Osenar said. "We see a lot of applications for hardware within the U.S. military we just don't have the bandwidth to go and track."

Protonex has been almost entirely focused on military applications for its fuel cells for the past three years, after it abandoned the recreational vehicle and boating markets in the recession. The company went private in 2010 after four years on the Alternative Investment Market in London. A deeper sales team will allow the company to get its technology in front of more military members in demonstrations, Osenar said, which could help drive demand.

Life After Secretary

Bowles, who until 2010 was secretary of energy and environmental affairs, is one of two managing directors at Windsail, which was founded in 2011 and lists one other portfolio company on its website – energy audit firm Next Step Living – which received a total of \$5.5 million in loans in 2011 and 2012.

Osenar said his company has been largely financed by equity arrangements. A secured loan for working capital and sales expansion is a bit new, he said, though the company has a more traditional credit line with Silicon Valley Bank.

Osenar said he pitched a number of potential investors, but that uncertainty over military spending raised doubts.

"To be blunt, most of them didn't see the military in particular as a comfortable place to put their dollars," he said.

Osenar said he couldn't discuss the exact details of the deal, but said it's a hybrid of an equity and traditional loan, with Windsail receiving some warrants in addition to other terms. Chris Schuster, the company's CFO, said in a statement that the loan provides "considerable flexibility."

Lighter Electronics For Soldiers

Protonex has a number of products in development, Osenar said, but for now, the company is focused on sales of its squad power manager, which is a fuel cell that can charge multiple types of devices – from phones to radios – helping to reduce the number and variety of batteries a soldier needs to carry.

"All of those things would traditionally take their own dedicated battery," Osenar said.

Osenar calls the unit the "Swiss Army knife for power energy."

The company also develops fuel cells to power unmanned aerial and underwater vehicles.

Though Protonex is no longer public and doesn't release full financial details, Osenar disclosed that in its most recent fiscal year, the company surpassed the \$10-million mark in revenue.

"We've seen a double-digit growth percentage for each of the past two years and we expect that for the foreseeable future," he said.