

Use and Reuse It:

How Cox is Investing in Circular Economies



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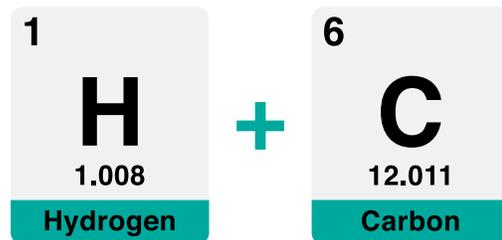
Experts estimate that more than 80% of plastics are landfill-bound^{1,2}, which means only a small amount of the world's plastic is recycled. A company called Nexus Circular, in strategic partnership with the Cox Enterprises Cleantech team, is working to change that. And if Nexus Circular is successful, all the plastic currently above ground is the only plastic the planet will need because it can be used over and over again, according to Eric Hartz, president and co-founder of Nexus Circular.



Nexus Circular is committed to building a circular economy around how we use and reuse plastic, to avoid it piling up in landfills or drilling to source the fossil fuels needed to manufacture it. What exactly is the circular economy? To put it in simple terms, it means finding a way to use and reuse resources by creating a circular and sustainable loop to help solve a massive global issue: used plastics in the environment.



Digging into the science, Hartz explained that plastics are a long-chain hydrocarbon, which means they're made up of hydrogen and carbon. Other hydrocarbons include gasoline, kerosene and propane, among others. Nexus Circular dips into the vast pool of landfill-bound plastics and breaks them down to their original form, which is the oil and gas that's extracted from the ground. Nexus Circular then produces a circular liquid that can be made into virgin-quality, recycled plastics. Nexus has been operating a commercial-scale plant since 2018.



Nexus Circular and Cox

The Nexus Circular technology — and the potential scale of environmental benefits — is what attracted the Cox Enterprises Cleantech team to invest in Nexus Circular in the early days of the company as the first outside investor. Will Thorburn is the senior director of cleantech strategy and investments at Cox Enterprises, and part of his job is to seek out companies and investment opportunities that align with the organization's interests and values around sustainability and cleantech.

“When it comes to circularity, there's a segment of the DNA in the family that owns [Cox Enterprises] that's deeply committed to sustainability and conservation. For us, it's not trendy, we've been doing it for decades,” said Thorburn.

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Cox Enterprises Chairman Emeritus Jim Kennedy



“The genesis was Jim Kennedy starting Cox Conserves, and the work that led to the launch of Cox Conserves in the 90s and 2000s. That’s how [the company] got more deliberate with sustainability as an area of focus; we realized that by doing the right thing, something that has always been a company value, we could also create a business model advantage.”

Launched in 2007 by Chairman Emeritus Jim Kennedy, Cox Conserves is Cox’s national sustainability program. With goals to send zero waste to landfill by 2024 and to be carbon and water neutral by 2034, Cox has invested more than \$100 million in sustainability and conservation projects across the business.

“As we think about the next natural growth area in sustainability, we’re thinking about waste circularity,” said Thorburn. “In the simplest terms, there’s way too much trash in the world so I’m trying to think about technologies that can help us convert these waste streams into something that can be sold, creates value and keeps waste in the economy, instead of putting it back into the ground.”

The alignment between Cox’s environmental values and Nexus Circular’s offering led these two companies into a strategic investment partnership that is a model for other large companies looking to invest in cleantech startups and small businesses.

The Strategy Behind the Strategy

The kind of strategic investment partnership between Cox Enterprises and Nexus Circular can be advantageous compared to more traditional sources of venture capital. Thorburn explains that, especially in the cleantech space, developing advanced and novel technology like that of Nexus Circular takes a long time. And time is something that venture capital firms and traditional investors may not have; it’s not the way their businesses are structured.

“Typical venture funds have a five- or seven-year window to return capital to their investors,” said Thorburn. “In reality it might take 10, 12 or 15 years. And venture firms aren’t set up that way.”



The other challenge is that a startup might initially think they need \$10 million, but they really need two or three times that, then a few million more in year four, and even more in year 11. Venture funds, Thorburn explained, often wind up trading these assets. And for the companies, they can sometimes hit a wall where they struggle to find the right long-term capital partner(s).

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“At Cox, we understand that it’s going to take a while and that’s okay,” Thorburn said. “We’re a generational business. We understand there’s some risk, but ultimately the opportunity is one worthy of pursuing because of the broader environmental — and business — impact if the bet pays off.

Cox is uniquely suited in the cleantech space to partner with small and startup companies that are at their commercial demonstration phase, primarily because of its passion alignment but also because it is a company that is willing and able to provide incremental capital to these companies as they develop their technology, assuming they’re hitting performance milestones.

“Working with the Cox team has been great. They appreciate that for an innovative technology to succeed, it must work, be profitable, and most importantly scale. Then you need to ensure the team can execute – from the beginning Cox has been and remains a critical part of our team,” said Hartz.

The Playbook for Success

For larger companies looking to invest or partner with cleantech companies ready to scale, and for the startups themselves, there are some lessons to learn from the Cox Enterprises and Nexus Circular partnership.

1

Timing is critical

According to Thorburn, one of the keys is stepping in at the right time. A large company, like Cox Enterprises, is typically interested in investing once a pilot has been proven, but before the company is commercially viable. Cox was also the first outside investor in Nexus Circular, which helped establish a strong relationship initially.

2

Align on values and strategy

Another consideration is finding a partner that aligns from a values and strategy perspective. For Nexus Circular, Cox was a natural fit, checking the box on the commitment to and focus on both sustainability and the technology. “The [Cox] team has always had a focus on the technology, knowing that it has to be economic and scalable to have real impact,” said Hartz. “They have a shared vision and they’re a partner at the table. Frankly, they’ve also shown a lot of patience. Innovation is hard — you trip, you dust yourself off, get up ... it takes time.”

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“Technology like this takes time and we’ve been focused on getting the technology to the marketplace,” said Thorburn, emphasizing the importance of investors and startups aligning on where to focus resources and efforts. “Sometimes investors want to focus on public relations or marketing — or getting to market right away. It’s a different strategy, but it all just goes back to finding the right partner.”

3

Be Transparent

Hartz also knows that aside from the shared vision and focus on a circular solution to waste, a partnership like this needs trust. “We always felt we can be transparent and open because Cox will always do the right thing,” he said. Hartz added that startups and small companies in cleantech should lean on their investment partners and ask questions. “Nobody is a mind reader and the company can only give what it knows needs attention. You can’t expect a business partner to help you if you aren’t being transparent with them,” he said.

What’s Next for Circularity and Cleantech

With more companies focusing on their environmental impacts, new environmental regulations and enhanced consumer awareness, cleantech and circular economy companies like Nexus Circular are becoming more mainstream and viable businesses. And ultimately, as Thorburn and Hartz know, these companies need to be profitable to make an impact on the environmental challenges they aim to solve.

“Recycling doesn’t work unless all parties in the value chain make money,” said Hartz. And as more companies focus on ESG, there’s growing pressure to be more aware of environmental practices. “The new generation coming up cares more about the environment. The trends are pointing that way.”

And there are many more companies in the cleantech space than there were a few years ago, according to Thorburn. “It’s not hard to sell the waste story to investors or consumers,” he said. “Everyone’s seen the pictures of the plastic heaps in the Pacific Ocean ... and I think the world is actually demanding clean technology. There’s a pull for cleantech solutions now that didn’t exist 10 or 15 years ago and I think we’ll see that continue [to grow].”

And as for circular economies, using and reusing resources and advanced recycling is one major piece of the puzzle to help reduce waste and preserve the Earth’s remaining and finite resources, all with the goal to build a better future for the next generation.

Sources:

¹Study: Production, use, and fate of all plastics ever made www.science.org.

²Study: The Real Truth About the U.S. Plastic Recycling Rate: 2021 U.S. Facts and Figures