

KEYNOTE INTERVIEW

Rich pickings



Fibre and data centre opportunities abound in the US, even before the pledged capital from Biden's infrastructure bill starts to flow, says senior partner and head of Antin's New York office, [Kevin Genieser](#)

Q What impact has President Biden's infrastructure plan had on the digital infrastructure space in the US?

Biden's infrastructure plan sets aside \$65 billion for broadband development across the US. We believe that is a very important commitment from the administration. The plan is to bridge the rural digital divide that was badly exposed through the covid pandemic, when significant differences in the quality of digital connections dependent on where you live became apparent.

We believe the funding could have a profound impact on the development of broadband networks across the country at some point. But, for the moment, the majority of those funds has yet to be deployed. We are still in the

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very early stages of mapping out how those funds will be awarded at state level.

Nonetheless, fibre companies are starting to position themselves to take advantage of that funding when it becomes available. In short, we have yet to see any direct effects, but there is an expectation that there will be a dramatic impact on the industry at some point down the line.

Q In that case, where do you see the most interesting fibre opportunities right now?

We are currently invested in two

US fibre assets, FirstLight Fiber and Empire Access. FirstLight Fiber focuses on the larger mobile carriers, enterprises and commercial customers; Empire focuses on fibre-to-the-home rollouts, and we see significant opportunities for growth in both camps.

Both of those businesses are based in the Northeast, but we think there are interesting opportunities right across the country. While the bigger cities have close to 100 percent fibre connection, there are many other areas that are lagging far behind. Indeed, there are many areas with less than 50 percent fibre penetration, so there is still an opportunity for multi-year build-outs both in terms of commercial and industrial customers, as well as domestic residences.

Q What impact is 5G likely to have on the fibre space?

I think 5G will just reiterate the importance of having a high-quality backbone. 5G will require significant fibre rollout to reach the required capacity and will therefore only support demand for further fibre investment.

Q Empire Access is a recent investment. How did that deal come about?

We have announced the Empire Access deal, but it is still awaiting regulatory approval and so we expect the closing to take place before the end of the year. Empire is based in Western New York and Northern Pennsylvania. It has a network of 1,280 miles of fibre, servicing over 92,000 addresses and 24,000 customers.

The company had been owned by the same family for over 75 years. We met the third-generation owner and CEO Brian Wagner and his team over breakfast one morning in early 2021. We got to know the history of the business and its plans for the future and we just hit it off. Brian is a very dynamic guy who has steered his family's business extremely well. But he also recognised that the business was expanding. There was a land grab going on in the broader fibre-to-the-home sector and additional capital was required to allow the company to take advantage of that.

Brian remains an investor in the business as well as a key board member and the current management team are going to stay on and lead Empire in the years to come. But they needed a partner to help take them to the next stage of growth and Antin is very well positioned to do that.

Q What makes Empire a good investment for Antin?

We like that Empire Access is an experienced telecoms operator with a very deep fibre network and a long history of deploying fibre-to-the-home. In fact, around 90 percent of Empire's



Q How do you approach ESG considerations within the digital infrastructure sector?

Digital infrastructure, including high-quality fibre networks, is enabling companies to carry out their essential business in a far more efficient way. That in itself has a significant environmental benefit, reducing the need for air travel in particular.

There has been a great deal of focus on power consumption, however, particularly in the data centre space, and many of our data centre businesses around the world are starting to offer a lower-carbon solution. That enables customers to make an informed decision based on a data centre's environmental approach. Certainly, we must be cognizant of our responsibility to think about overall procurement policies.

One of our portfolio companies, solar and storage business Origis Energy, for example, is developing ways to work with data centres and other large consumers of power so that they have renewable options. We are still in the early innings of the energy transition currently, but it is critical that we find solutions that work for data centres and the broader telecoms space – indeed, for the entire industrial economy.

passings today are fibre, so it is an extremely high-quality network. We saw a big opportunity to expand into adjacent markets, and at Antin we like situations where we can put initial capital to work and then invest further capital over time.

Q FirstLight Fiber, meanwhile, is a business you acquired a number of years ago. How has that company

been growing and what are its plans going forward?

We bought FirstLight back in 2018, so we have owned it for close to four years. The business has continued to grow in the way we had hoped it would, both organically and through acquisition. On the organic side, FirstLight has densified its network throughout the region. It currently spans six states from Maine down to Pennsylvania.

On the inorganic side, the company

has completed eight acquisitions in order to further expand its geographic footprint and to allow it to provide additional services to the end customer. That planned growth continued, uninterrupted, through the pandemic. The team there has done a great job managing the challenges of the past two years.

Q FirstLight also has a data centre component. How would you describe the data centre opportunity in the US today?

Data centres represent a very exciting and growing segment within digital infrastructure. We have seen a number of important evolutions in this market, including a widespread transition into the cloud. We have also seen a very important decentralisation trend, and I think there is increasing focus on Tier 2 and Tier 3 data centre markets, which is where FirstLight plays.

That is not to say that major markets like Ashburn won't continue to have a key role to play. But there will be increasing reliance on edge markets and so having high-quality data centres in those Tier 2 and 3 locations will be an attractive strategy going forward.

Q Beyond fibre and data centres, are there any other areas within digital infrastructure that you consider to be particularly interesting right now?

We continue to look at all forms of digital infrastructure. We have owned towers businesses in the past. We own five different fibre businesses around the world today, many of which have data centres within them. We also currently own a standalone data centre business. So, we really like all sectors within the digital infrastructure sphere and hope to find more investments like those we have made in the past.

Q Are there any challenges you would associate with investment in this market, and

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how can those be overcome?

It is well known that valuations in the digital space have been full in recent years, and so it is very important to pick your opportunities carefully. However, we believe those valuations are supported by a number of unprecedented secular tailwinds. In addition to hyperscale cloud demand for data centres and the shift to the edge, many parts of the US are underpenetrated with regards to fibre and there are still a lot of enterprise and fibre-to-the-home opportunities remaining.

Q Beyond price, how can investors in digital infrastructure differentiate themselves?

The way that we differentiate ourselves is to spend time getting to know companies and getting to know their management teams. Our capital is also more patient than certain other types of private equity. We can hold assets for up to 10 years, although our average is somewhere between four and eight.

We take a multi-year build-out approach and we discuss that early on with the current owners and management teams. The management teams, in particular, find that highly attractive. They know that we have capital to put to work straight away, but also that we have follow-on capital available. That type of multi-year approach plays very well when we are looking for businesses to partner with.

Q What are your concluding thoughts about what the future holds for the digital infrastructure asset class?

We are not blind to the challenges emerging in the broader economy. But we continue to believe that this sector will flourish regardless of what is going on around it. There is a significant runway for growth for both fibre companies and data centre developers. And we, at Antin, look forward to supporting those assets as they pursue those exciting opportunities. ■