KEYNOTE INTERVIEW

The secret sauce

Value-accretive growth and de-risking are critical to positioning assets at exit and delivering returns in a challenging market, says Antin Infrastructure Partners' Mélanie Biessy

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Q Why is infrastructure a good bet for investors in the current environment and how are you seeing that reflected in fundraising?

I believe that the infrastructure asset class is one of the best places to be in the current environment. Strong infrastructure investments can provide important inflation protection and help insulate investors from macro shocks, and there are compelling growth opportunities when you think of the megatrends shaping society today – from energy transition to the need for faster connection speeds at home and at work. These are all longstanding themes for Antin and it's clear that more and more investors are recognising their importance.

Despite – or perhaps even because of – this uncertain environment, we see investors making commitments to top infrastructure GPs and Antin has been fortunate to see strong demand from both existing and new investors.

Q How would you describe the level of dealflow currently in the market?

We have not seen any slowdown in dealflow – but the key for us is quality, not quantity. Especially in environments like today, with potential recessionary conditions looming on the horizon in many countries, being realistic and staying disciplined is key. Patience and prudence are as important as ever – we are willing to wait for sellers to fully recognise today's reality.

That said, we continue to see attractive select opportunities and last year was no exception. 2022 was our most active year ever, with eight new investments across our flagship, mid-cap and next generation strategies. Seven of these eight were proprietary. New deals are just one part of the story – we also completed over 100 add-on acquisitions in 2022, with approximately 97 percent of these proprietary in nature.

Q What sectors are you most excited about in the current market?

Our dealflow continues to be well-diversified across sectors. We focus quite heavily on digital but also see a lot of investment opportunities in the energy sector – especially energy transition. So

I would say that digital and the energy transition are at the top of the list. But we are still seeing a lot of interesting investments in transportation and social infrastructure also.

All of this is driven by longstanding mega-trends that are only increasing in importance. Bold initiatives like the Inflation Reduction Act in the US and the need for energy independence efforts in Europe have added further momentum.

Q Can you explain the NextGen strategy?

This is a new, growth-orientated strategy where we are investing in the infrastructure of tomorrow. Unlike some other strategies, we are focused on proven technologies and proven business models. A major part of NextGen's focus is on investments that help deliver decarbonised and energy efficient solutions across sectors, including the decarbonisation of transport and buildings to meet the net-zero targets set by many governments. In this sense, it is differentiated from single sector strategies that focus solely on energy or exclusively on digital.

The team has already completed four investments including smart grid systems (SNRG in the UK and PearlX in the US) and two EV charging platforms (Power Dot in continental Europe and Raw Charging in the UK). It is a strategy that we hope will define what the future of infrastructure can look like and expand its positive impact on society.

Q While you have established a separate team, do you see value in collaboration between the NextGen and flagship teams?

Absolutely. This team dedicates 100 percent of its time and energy on the next generation strategy but is also totally integrated in our operational and investment platform. NextGen gets the benefit of expertise elsewhere in the firm – such as our in-house performance improvement team – and the investment committee combines our flagship investment committee and the NextGen partners.

What is interesting to witness on a daily basis is the amount of knowledge transfer across our strategies, as insights from our NextGen team can also help inform our mid-cap and flagship teams of secular changes and disruption occurring in the market that will help shape the future of infrastructure.

Q You mentioned that you primarily focus on bilateral transactions. But what are you seeing with regards to valuations in the market more generally?

Valuations remain rich, especially for quality assets. Despite the current volatile macroeconomic environment, good businesses with embedded

A greener future

Antin kicked off its new flagship fund with an investment in Blue Elephant Energy, a solar-focused European renewable energy platform based in Germany.

Blue Elephant Energy fits squarely between two major European priorities: the longstanding goal to transition the region to renewable sources of energy as well as the more recent and pressing need to increase European energy independence. Blue Elephant Energy's plans to rapidly grow and expand its platform should help advance both strategic objectives.

Recognising how essential renewable energy is to meeting Europe's current and future energy demand, Antin was attracted to Blue Elephant's established portfolio of circa 1.3GW of operating and contracted capacity. The company's strong development pipeline and close relationships with co-development partners were positive factors as well. Antin's investment was made on a proprietary basis.

Antin also saw Blue Elephant's ability to continue to make positive environmental contributions. In 2021 the company saved 506,000 tons of CO_2 and provided clean energy to 359,000 households.

growth, inflation protection and decorrelation from GDP have not seen any material reduction in prices.

We think many sellers have not yet lowered their purchase price expectations. So right now, we think that staying disciplined and selective, as well as avoiding broad auctions, are ways that we can mitigate valuation risk. Our focus on growth-oriented opportunities also opens up avenues that are not always available in more core-oriented strategies. We cannot eradicate the high valuations that persist in the infrastructure industry, but we can try to neutralise them. And, of course, these same dynamics can all work in our favour when we look to exit.

Q Why do you think that the value-add space is the place to be in this environment and what are some of the value creation levers that you look to deploy?

Successful core investing can become very difficult in an era of high valuations and high interest rates. We like where we sit as value-add investors. The capacity to add value is critical and is key to our strategy and our success.

It starts with buying the right businesses – platforms and assets that are supported by mega-trends and need capital and development to help scale the business. That means that we invest significantly in everything from people to technology and also accretive M&A. We believe the asset management phase is absolutely crucial. We also spend a tremendous amount of time and energy to find proprietary insights and perspectives – with the goal of being one step ahead of the market.

Q How are Antin Infrastructure Partners and your investors thinking about ESG today?

Environmental and social responsibility, and promoting strong governance, have always been a focus for Antin. This has been part of our DNA for years, even before the ESG acronym became prevalent. We were one of, if not the first, infrastructure managers to sign the UN PRI back in 2009. ESG is integral to our decision-making on acquisition and in the development of assets in our portfolio. We believe our investors feel the same way. Antin's recent independent positive sustainability ratings from Moody's and Sustainalytics confirm these capabilities.

Different GPs approach ESG in different ways, but our approach has always been business and investment-focused. In short, we want to ensure the long-term success of our investments, and environmental, social and governance considerations are three of many tools we can use to do this.

"ESG has been part of our DNA for years"

"We are investing in the infrastructure of tomorrow"

Q Taking all of this into account, what do you believe the future holds for the asset class in 2023 and how optimistic are you about what is to come?

We are very optimistic, but we know that both GPs and LPs need to remain disciplined and realistic. The advantages of the asset class have always been clear, in terms of inflation resilience, a lack of correlation to GDP, and the stability and resilience that can come from essential, long-lived businesses.

What has changed is that the past few years have put all these attributes to the test and investors now better understand these positive attributes. Infrastructure has also now become a central actor in sustainability initiatives and the acceleration toward a fully digital world. This has added another layer to the desirability of the asset class from an investor's point of view. The future looks bright. ■

Mélanie Biessy is senior partner and chief operating officer at Antin Infrastructure Partners