Half-Year 2023 Results Transcript

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Antin Infrastructure Partners – Half-year Results 2023

Patrice Schuetz: Good morning. Welcome to Antin's half-year result conference call. Earlier this morning we issued our press release and slide presentation which are available on our website. Our half-year report will be made available later today. For today's presentation, Alain Rauscher will start by sharing the highlights of the first half of 2023 and also share an update on our business activity, and I will then move on to talk about our financial results and our outlook. As always, we will conclude the call with an opportunity for you to ask questions.

With that, I will now turn over to Alain.

Alain Rauscher: Thank you Patrice. Good morning everybody. It is a pleasure to welcome everybody here to this call to talk about our solid level of activity and strong financial performance in the first half of 2023.

In the first six months of the year, we have continued to execute on our growth plan on fundraising, investments and performance. We continue to make good progress and fundraising. Flagship Fund V and NextGen Fund I are getting closer to their target size.

We announced three investments in the first half, all with a strong focus on sustainability. Our fund performance was overall stable, demonstrating the resilience of our portfolio companies, which continued to deliver healthy revenue and EBITDA growth. We are delighted to report a strong financial performance with significant top line and profit growth. You will see that our half year net income almost doubled, supported by strong operating leverage. As a last point, you will note that we have a strong balance sheet with substantial cash holdings which provides us with strategic flexibility and will support our future growth initiatives.

The first half of 2023 was marked by solid activity levels, which we can basically measure in two main areas: fundraising and investments.

Fundraising commitments for Flagship Fund V and NextGen Fund I amounted to €1.2 billion in the first half. While this is an increase versus the first half of 2022, we did note a slowdown in the pace of fundraising, which is in part due to Flagship Fund V's fundraising cycle, as we are nearing the end, and in part due to more challenging market conditions. You are all familiar with the denominator effect and allocation constraints that some front investors face and while infrastructure is less affected than other private market asset classes, it is not immune to these effects.

Flagship Fund V reached €8.5 billion in commitments at the end of the first half of 2023. So, it's €1.1 billion more compared to year-end 2023. And it corresponds, more importantly, to 85% of the fund's target size, which means that 85% of our fundraising is secured.

Fundraising for NextGen Fund I continued and has reached now €1.1 billion in commitments in the first half of 2023. We raised about €100 million compared to year-end 2023, and we are now very close to the fund's target size of €1.2 billion. We are €100 million away from that amount. As a result of the strong fundraising, we have more than €8 billion of dry powder to invest at an interesting point in the market cycle and with a strong pipeline of investment opportunities.

The first half of 2023 was testimony to that, as we made three exciting investments, all with a strong sustainability and decarbonisation angle. Flagship Fund V announced in June the launch of a voluntary cash tender offer for 100% of Opdenergy, a renewable energy platform headquartered in Spain. NextGen Fund I announced two investments in the first half of 2023. The first investment was the acquisition of PearlX, an operator and owner of fully integrated smart grid infrastructure systems in the US. The second investment was the joint venture with Enviro, backed by Michelin, to create the world's first large-scale tyre recycling group. We are extremely excited by this project. Total investments amounted to €1.1 billion in the first half of 2023, almost double the amount of capital deployed in the first half of 2022.

Consistent with our exit plan for the existing investment portfolio, no exit was announced in the first half of 2023. The exit of Lyntia Networks, which was announced in the second quarter of 2022, closed in the first quarter of 2023. And we continue to patiently explore exit opportunity, but I will come back on the importance of, I would say, passion in the next slide.

It is very easy to invest capital. Once you raise money, you have an open chequebook and if you want to make an investment, just overpay, and it's certainly not what we want to do. We pride ourselves for being, extremely patient and disciplined.

All of our investments need to meet the Antin infrastructure test, which means we look for businesses that provide essential services to the community, have high barriers to entry, recurring cash flows, inflation linkage and downside protection. Those businesses tend to perform well in all market environments and demonstrate significant resilience. And when we will look at the right part of this slide, this is really a testimony of the good investment and the prudent approach that we take.

We are very selective. As you can see, we have held about a bit more than 50 investment committees in the first half of 2023, resulting in three investments. And the three investments were proprietary investments, so they were not in auctions, with some attractive value-creation plans and a strong focus on sustainability. And this number of 50 investment committees does not take into account the many investments we have reviewed and dismissed prior to discussing them at the investment committee. All that results into a portfolio which demonstrates exceptional resilience in adverse times than the one we know today.

Our portfolio companies continued to deliver strong performance over the last 12 months despite economic uncertainty. They have increased combined revenues by 18% and have increased their EBITDA on a combined basis by 21%. This demonstrates the solidity and the robustness of the investments we do and of the portfolio companies. This is achieved by focusing on developing new CAPEX to fund organic growth, to make acquisitions and take performance improvement initiatives.

The second important point on the right side, is debt. It is common knowledge that in the market, and I think it is largely exaggerated in my view and certainly false in the case of Antin, that access to debt is difficult, if not mission impossible. Well, we managed to secure more than €12 billion of debt since 2022, and this has been used to fund the acquisitions, CAPEX, add-ons, but also to fund equity bridge facilities. So, more than €12 billion of debt raised since 2022. So for those who think in the market, okay, no one raises money, no one makes investments, no one gets access to debt, I think these numbers which we share with you illustrate that this is certainly wrong in the case of Antin.

Another important point is that 100% of debt is expiring in 2025 and beyond. And actually we don't communicate on the exact, I would say, scale, but I can assure you that the debt expiring in 2025 is only a small fraction of the total debt, which is basically extended on a large number of years. So again, no debt issues on our side doesn’t mean that debt is for free. It is not for free, it is more costly, but it is available for quality investors.

If we look at the performance of our funds vintage by vintage, quarter after quarter, you will see that the performance that we post is de facto excellent. Fund II, which is a vintage of 2013, has been realised at 92%. There's only one investment left. And as you can see to date, the money multiple is 2.6 times. So very solid performance.

In the case of Fund III, we have realised only 38% of the portfolio, which means the value you see here does not correspond to the final performance. But what we can tell you is that to compare at the same moment of maturity of the fund, Fund III is in line or even above Fund II, which, as you can see now is nearly complete and posts very superior returns overall.

Fund III-B, only 26% of the portfolio has been realised to date. And again, we are very close to Fund III and we are very hopeful that basically the performance will be in line with Fund II and Fund III.

And in the case of Fund IV, well, no realisation whatsoever. The fund, it's a vintage of 2019. It is completely in line with, I would say, our value-creation plan, compared to other funds' vintages.

So, all our funds are performing on plan or ahead of plan. And so we are very happy for this extremely healthy performance, which underpins the robustness of our company as a listed entity.

With this, I will now hand over to Patrice, who will review our financial performance of the first half of 2023.

Patrice Schuetz: Thank you, Alain.

I will now talk about our financial performance, and I'm pleased to report that Antin achieved strong growth across all key performance metrics. AUM grew by 37% and stood at more than €30 billion. Fee-paying AUM grew by 45% and reached close to €20 billion. As a result, our revenue grew by 44%, driven entirely by management fee growth. And management fees that are long-term contracted and recurring in nature continue to account for more than 98% of our revenue today.

Underlying EBITDA grew 73%, faster than revenue, which is a reflection of the operating leverage embedded in our business model. EBITDA margins expanded from 50% to 60%, representing an improvement of ten percentage points, and underlying net income nearly doubled and reached more than €60 million in the first half of 2023. These are significant growth rates, and they're the result of our scale-up and expansion strategy. And they also reflect the significant progress we have made on fundraising for Flagship Fund V.

Let's now take a closer look at the revenue build-up. The 44% increase in revenue was driven mainly by the flagship fund and entirely by management fees. €40 million were added for the flagship strategy as a result of different effects across funds. €64 million relate to an increase for Fund V, which was offset by a decrease of €21 million from Fund IV, which moved from the investment to the post-investment period in the second half of last year, and therefore charges management fees at a lower rate and based on the invested capital at cost rather than the committed capital. In addition, there are slight declines in management fees from Funds II, III and III-B due to realisations of investments.

Management fees from Mid Cap Fund I were stable and management fees for NextGen Fund I increased by €4.5 million as we continued to raise capital for that fund.

Now, in addition, carried interest and investment income recorded a loss of €0.9 million in the first half of 2023 compared to a gain of €3 million in the prior first half. So that's a decline of €3.9 million year on year. This half-year loss is mainly driven by the J-curve effects for Fund V, which means the fund recognises costs for the due diligence of investments and fees, while the portfolio companies that we have acquired are not yet being revalued. So that's a totally normal investment income pattern in the early stages of a fund's life.

Now, I want to take a moment to talk about our carried interest. Our P&L today doesn't reflect carried interest, as almost all revenues are recurring management fee revenues. There is, however, a very significant upside associated with that carry. And as you know, we've put in place a policy at the time of the IPO to allocate 20% of all carried interest for future funds to Antin, whereas carry for funds raised prior to the IPO were allocated to our investment teams and employees. While there's a time lag between the allocation of carry and the moment it shows up in the P&L, we do expect that carry will add significant revenues and profits over time. And these revenues and profits will be in addition to our already rapidly growing management fee stream. So, we expect them to further enhance the growth profile of the Group.

Based on the capital we raised as part of the current fundraising cycle, so essentially a three-year cycle typically, the carried interest revenue opportunity is €435 million. So it's what you see at the bottom of the page. If we achieve Fund V's target size of €10 billion, that carried interest would grow to €500 million. And if we hit the €12 billion hard cap, it would expand further to €570 million. Now, again, that's our revenue opportunity attached to the capital that we raise over a three-year period and of course, we expect it to expand as we continue to raise funds in future fund cycles.

Also, I would note that these estimates assume that we achieve a gross multiple of 2 times, whereby historically the realised performance of the Antin funds was closer to 2.6 to 2.7. So obviously, we need to deliver performance for carried interest to be realised, we need to beat our 8% hurdle, but as Alain has explained on our performance page before, we have an exceptionally strong track record to deliver that.

Moving to our cost base, as you see, we continue to grow our cost base in a very controlled manner as we scale and grow the business. Total operating expenses amounted to €55.3 million in the first half of 2023. That's an increase of 15%, which is substantially lower than the 44% revenue growth, and demonstrates the operating leverage embedded in our business.

Personal expenses accounted for close to €40 million, an increase of 23.6%, which was driven by higher headcount, inflation-linked wage increases and promotions across the firm. The number of employees increased primarily in the investment team and in operations. The investment team, where we added eight individuals in Paris, London and New York, and the growth in operations, where we added 12 individuals, which was linked to the buildout of critical support functions and technology which will further support the scalability of our operating platform.

The team in New York grew from 40 to 48 employees year on year. And with respect to our hiring plans for the year, we're fully on track. We've communicated earlier in the year that we expect to add 20 to 30 employees, we've added 12. So, that guidance is very much confirmed.

With respect to other operating expenses and taxes, we recognised the decrease of 2.5%. However, if we exclude placement fees, which are periodic in nature, these costs would have increased by 8.4%.

Moving to our earnings, the strong growth we recorded in revenue and prudent cost management led to a significant step-change in the earnings capacity of Antin. Our underlying EBITDA grew 73% and reached €82.8 million in the first half of 2023. Our underlying net income almost doubled and reached €60.7 million. So did our earnings per share. And this increase is driven by higher EBITDA from fundraising and obviously some positive net financial income which we generate on our substantial cash balance.

I'll talk a moment about our balance sheet. As you know, we operate a balance sheet-light business model, which means we require limited capital to support the scale-up and growth of our investment strategies. Typically, we co-invest 1% alongside our fund investors, although it could be slightly higher in certain situations, and in addition to that, we invest 0.2% of a fund size to fund the carried interest commitment. So put it simply, 1.2% of a fund size is what we would put down between co-invest and carry of our balance sheet.

Now, that differentiates us substantially from managers that operate a capital-heavy model and need significant capital to support their growth. We do hold €425 million in cash on our balance sheet, which we can use to support the growth of our business. A portion of this cash will be used to fund future investments in co-invest and carry, but a more significant portion of it will remain available. And those funds, we want to use to support our growth ambitions, it could be either used for the seeding of new investment strategies, or it could be used to fund acquisitions. It's a powerful balance sheet, and we intend to use it to further expand our revenue and earnings capacity in the future.

Now, on the next slide, our dividend policy is to distribute most of our cash earnings to shareholders. And given our substantial cash holdings, we don't have a need to retain cash at this point. Consistent with this policy, we're announcing an interim dividend of 32 cents per share, which is equivalent to a pay-out ratio of 94% based on the underlying net income. You will note that the interim dividend more than doubled compared to the first half of 2022, and we expect pay-out ratios to continue to be high. The ex-dividend date has been set on 14th November, and the payment date is 16th November.

Now, with respect to the outlook for 2023, we are further specifying the guidance that we had shared with you earlier in the year. In relation to fundraising, based on how the year has evolved so far, we expect to raise around €10 billion for Flagship Fund V in 2023. Now, that's the lower end of the guidance range we had communicated earlier in the year, and it reflects the conditions we see in the market. Having said that, we continue to remain confident in our ability to reach the hard cap of €12 billion in 2024. So the punchline is, it's just taking a little longer.

With respect to the EBITDA, our guidance is linked to the fundraising, and we therefore expect to reach approximately €200 million in EBITDA by year-end, which is largely in line with equity research consensus. As you know, all investors that enter Fund V are paying management fees from August 2022 onwards. So that's the concept of catch-up fees or late fees, as some call it. And as a result, any commitments we raise in 2024 rather than 2023 will just shift revenues and profits from 2023 to 2024. So there is no foregone revenue or foregone profit if the commitment is raised later. It's simply moved from one period to the other.

Now, with respect to cash distributions, we will continue to distribute a majority of our cash earnings, and we expect that annual dividends will grow over time.

With that, I will hand over to Alain to share some closing remarks.

Alain Rauscher: Thank you, Patrice.

As a conclusion and before taking your questions, there are some extremely favourable aspects about Antin. First of all, we are in the early stage of an infrastructure supercycle which requires an enormous amount of capital to be deployed. You are aware of the US initiative called the IRA, which surprisingly is called the Inflation Reduction Act, but it's mostly about funding the transition to sustainable energy. And the magnitude of the investments which are being contemplated is absolutely huge in the States and as you know, Europe is catching up also to take similar initiatives. I think having Antin positioned on both Europe and the North American market, where we can deploy up to 40% of our capital raised, I think this is an enormous boost to the potential that we may benefit from. And the two main trends are energy transition and digitalisation, which are long-term megatrends, extremely capital intensive.

As a result, infrastructure is among the fastest growing asset classes in private markets and institutional investors remain under-allocated relative to their target allocation levels. Of course, we have to overcome short-term effects such as the denominator effect – we discussed that – and current market conditions, but the medium- and long-term prospects remain highly attractive. We also are the largest pure-play infrastructure private equity firm in Europe and among the top ten globally. As a result, we are very well-positioned to continue winning market shares. We are also a top European performer in value-added infrastructure investing and our performance-driven approach is a very strong growth engine.

Important point also, we are management fee-centric, more than 90% of our revenues comes from management fees, which if you think of it, is a very strong base of income because I remind you that we basically have ten years of guaranteed revenues whenever we launch a new fund or a new strategy. We have significant carry-interest revenue potential on top. And as Patrice has mentioned, we estimate this potential as close to €500 million as we speak.

Our business model is fundamentally capital-light and highly cash flow generative, which allows us to distribute most of our cash earnings to shareholders. And finally, we have more than €400 million in cash to support the scale-up of our funds as well as future growth initiatives. It is of course evident that in the current market conditions we are working a lot on such new growth initiatives. We've learned to be patient. This is really part of our DNA. It's now time to work, to study and to explore new growth opportunities. We need to first follow our priorities, which is to finish the fundraising of Fund V and NextGen, deploy capital, and then we will basically be in a good position to announce something more substantial – in due course.

This concludes our presentation, and we are open for questions from the audience.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll now take our first question from Nicholas Herman at Citi. Your line is open. Please go ahead.

Nicholas Herman (Citi): Yes, good morning. Thank you. Thank you for the update and for taking questions. I have three questions, please. One on deal activity, one on financing, and one on growth.

On deal activity, it's good to see the recent announcement of the Opdenergy deal. Could you just talk a little bit about the deal pipeline as it stands, please, across the three strategies? And I guess also just which of mid-cap and NextGen would you expect to reach the 75% threshold of committed capital first? That's the first one, please.

On the second, on financing, I think you've talked in the past how you are, and again, how you're less constrained versus other private markets peers on financing, given appetite for lenders to finance infrastructure and real assets, I guess also mid-cap assets would also be typically less levered, too. In that kind – in that context, can you just talk about the kind of leverage and gearing you were able to obtain for the Opdenergy acquisition, please?

And then finally, on growth. It's been almost six months, I guess, since you formally announced you'd be looking to launch a new strategy. And that's part of the reason for moving to an absolute EBITDA target. I understand that is more of a 2024-25 event, but just curious, has that become a little bit more concrete to being realised? Have you progressed at all in terms of implementing or identifying people to – or hiring or otherwise? Just to be curious how that's kind of evolving? Thank you.

Alain Rauscher: Maybe I can take this question, Patrice.

Okay. Pipeline, frankly, between the three strategies it's quite comparable. In fact, the way we function is extremely well organised, to be quite frank. So we have the same investment committees, and so we review progress. We have partners meeting where we also review progress on coverage. And to be fair, as the – with all the projects, whatever the strategy, goes through the same investment committees. We have some, I would say some where we can monitor basically, if a sector is less active than another, if a strategy is less effective or not than another. And to be frank, we don't see any difference. When it comes to what makes the cut between mid-cap and the flagship strategy, it's just the size. So typically the same type of projects, but smaller projects. So, it's very, very simple. So, pipeline very robust.

Debt, as I mentioned, is available for infrastructure investors and for those in particular who pursue value-add strategies. The reason for that is quite simple. The first reason is that we have underlying protection within the contracts we have. So for instance if we sell some, say, fibre to – we basically contract with some operators to provide them with some fibre. We got some lease contracts which are indexed on inflation. So for a banker's perspective it's as good as can be. If you sell yogurt to Walmart or to Sainsbury, I mean you come to the end of the year and say look, I have 5% inflation, can I increase my price by 5%? The client will say, you know what, I was thinking of you guys to reduce by 10% because I'm under pressure myself. So, we have this huge protection which is extremely appealing to banks.

And then the second reason why as a value-added investor we are extremely bankable so to speak, in adverse times, is because by being value-added investors we provide an extra buffer to bankers. So not only do we have very strong underlying, I would say assets, but on top of that, we have a buffer which is that if we basically are facing adverse condition, we just have to work more, work harder and people know that.

So we tested the infrastructure market in very difficult conditions starting literally during the subprime crisis and the debt market was always open for business, for infrastructure investors like ourselves, when I would say the mezz market was closed for most buyers for a while. So that's an extremely important feature about that.

I cannot comment on the leverage that we put to front Opdenergy because clearly it is not public. I can just tell you that we are putting in place a leverage which is in line with the kind of leverage that we have put in place so far in our investments but I cannot comment on data because they are not public.

Third point concerning new strategies, we are extremely committed to developing new strategies beyond what we do today. If you remember we moved about from one strategy three years ago, which was flagship which has grown over time, to three today: flagship, mid-cap and NextGen, and it is certainly not over yet. So, we already made a journey to expand our offering and it's not over yet.

I think there are two main considerations to have in mind in this respect. The first one is that, first we want to be sure that we have a very solid base of people to deliver the three strategies we are embarked on before envisaging to develop new strategies. And so, we work a lot on improving our processes, training. You know, we are sort of a university, so to speak, where we have to train people to be sure that everybody, whichever strategy they work on, achieves the highest standards of excellence that we expect from people working at Antin. And this is a top priority. And as you can appreciate, I'm sure, when you are working in a fast-growing firm which recruits a lot of people, this is a big challenge and of course it's a main focus of attention for ourselves.

And I think it's going extremely well. We have taken initiatives to further improve our investment committees and also the monitoring of projects, new projects and the monitoring of progress to portfolio companies. And this goes into that direction. So, that's the first thing. We will not do anything new until we are 100% sure we have the right people completely trained and prepared to basically embark into another pillar of growth.

The second important thing is, of course, timing. We are working a lot on new strategies and this can be either making some acquisitions, it can be launching organic initiatives. It is evident that launching organic initiatives is less costly and allows for higher control over the people whom we hire.

So, we are not excluding anything. We're working a lot on those teams. But I'm sure you will appreciate that now is not the right moment to go to market, given the current market conditions for these new initiatives. So first, we take time to consolidate our setup and we are very proud to have a very high-quality team.

Nicholas Herman: Just a couple of quick follow-ups, please. I think on the deployment outlook, I guess some peers have indicated that they expect deployment to increase in the second half.

I guess presumably it would be the same for you, given you have, as you call it, a robust pipeline.

And then the second one on financing, I guess what I was trying to get at here was that your Fund V committed capital increased by six to seven percentage points. So that would be about €600-700 million. Unless I'm mistaken, I think Opdenergy enterprise value was just shy of €900 million, so it doesn't suggest particularly significant leverage. So, just any kind of comments you can make around that would be helpful. Thank you.

Alain Rauscher: I cannot really comment on Opdenergy. Maybe you have some metrics you can share , Patrice, but I'm not sure we can share a lot, can we, on Opdenergy?

Patrice Schuetz: As you know, the tender offer is still ongoing and live. So, commenting is a bit premature.

I mean, in general, on the deployment side, I would say that on Flagship Fund V, we've made two investments very much on track. If you think about an ordinary fund that would make call it nine investments over a three-year period, we would want to do, sort of, three investments a year. It's always lumpy, so you could have periods when you have several announcement in a short period of time and then periods when it's taking a bit longer, but that feels pretty much on track. And mid-cap, there are probably going to be three more investments. We're sort of one year away from hitting a one-year period for that fund. So that's very much on track as well. And NextGen, at close to 50% deployed is probably slightly ahead of plan on the deployment side, but it also had a number of announcements in a fairly short order. So all of these are on track.

I think for your model, I would still assume that mid-cap will be coming back to market before NextGen, some point latter part of next year. And NextGen is probably more likely a 2025 initiative. And we're going to need to see how the deployment will continue and how the value creation of the underlying portfolio companies will track. But at the moment it would sort of feel somewhere around 2025.

Nicholas Herman: Very helpful. Thank you very much. Thank you both.

Operator: Thank you. And we'll now move on to our next question from Arnaud Giblat at BNP Paribas Exane. Your line is open. Please go ahead.

Arnaud Giblat (BNP Paribas Exane): Yeah, thank you. Good morning. I've got three questions please. If I can just start with the investment pipeline, so, should be – how do you think about vintage diversification? You've done a – you've always been working towards a three-year fund cycle. Is that something you feel comfortable to work towards? Is that really an important consideration, vintage diversification? And a subset of that is, I suppose, how have purchase price multiples adjusted over the past 12 months? Have they come down?

My second question is on the mid-cap Fund. So you just mentioned probably a 2024 launch. Are you still considering splitting that fund into two sleeves, a European and a US?

My third question is on the dividend. So the pay-out ratio this half is 94%. I heard your commentary that you will pay out the substantial or the majority amount of earnings. Is the majority – should we read somewhere in the 90s as the majority for going forward?

Patrice Schuetz: Look, I can start on that. On the investment pipeline and on fund diversification in particular, you know, our current base case is still that we run on a three-year fund cycle. I think it would be way premature to assume anything different than that because Fund V has just been less than a year in its investment period and it's sort of tracking pretty similarly where prior funds have been at similar periods.

But when it comes to diversification, we obviously try in every fund to have a balanced approach between the sector exposure that we take, the geographic exposure that we take, the type of risk that we take to achieve some degree of diversification in those funds. And we've done that consistently in prior vintages and we're doing it at the moment as well.

Now, with respect to multiples adjusted over time, I'd say it's very difficult to measure the types of companies we acquire on a multiple basis. Very often those are long term contracts and if I take a ten-year concession, it'll obviously price differently than a 15- or a 20-year concession, as an example. So we tend to value companies on a fundamental approach. But what has happened, certainly in this market environment, is cost of capital has gone up as interest rates increased and as a result, valuations have adjusted. Now, in many cases, what you're seeing in an inflationary environment is you're discounting higher future cash flows at a higher cost of capital. Some companies are beneficiaries of that and some are not. But if the inflation pass-through works, which in many cases in our existing portfolio works extremely well, you're sort of offsetting these two effects against each other.

And mid-cap and splitting it into a European versus a US mid-cap, it's just too early to tell. I think there are arguments that would be in favour of that, there are arguments that are against that. We will evaluate it over the coming months and my expectation is that at some part, early part of 2024, we will probably be able to give more specific guidance around that. I think what we can say today is it's not our expectation that a split would materially change the outcome of sizing for mid-cap. It's more about what we think is going to be better for fund investors and achieving the right portfolio mix. And we're going to be thinking about that over the coming months.

With respect to the dividends, the – we've always had a dividend pay-out ratio that was north of 90%. Our expectation is that as long as we have cash balances as material as the ones we have, there's no need to retain – to retain cash. So directionally, it'll be around 90% pay-out ratio at the end of the year. And there's no reason that would change imminently, unless we find a way to deploy those €425 million into something that would produce incremental revenues, would produce incremental earnings, and then we may need to retain at some point cash to support the growth. But at the moment we wouldn't see a reason to retain cash.

Arnaud Giblat: Very helpful. I'll jump back in the queue. Thank you.

Patrice Schuetz: Thank you.

Operator: Thank you. We'll take our next question from Tom Mills at Jefferies. Your line is open. Please go ahead.

Tom Mills (Jefferies): Good morning, guys. I've got a couple of questions, please. I think one thing that perhaps caught us by surprise, perhaps even you guys by surprise, is the extent to which infrastructure fundraising got caught up with the whole slowdown in PE fundraising for all the reasons that were discussed earlier in the call. I guess, given lower allocations to infrastructure relative to buyout, and most surveys saying that people still intend to increase their allocations significantly to infrastructure, do you see any scope for allocation buckets to infrastructure to decouple from buyout over time? Or do you just see that in tough fundraising environments for buyout, it's going to continue to be the case for infrastructure? Because I guess on the private credit side at least, obviously we're seeing quite strong fundraising coming through there. So I'd just be interested in your sort of longer-term thoughts there.

And then I hear your comments on dividends, Arnaud, there. What would we need to see for you to consider doing a buyback here? I recognise the liquidity situation in your shares isn't ideal, but the underperformance of your shares year to date versus sort of global alts peers feels quite extreme. Thanks very much.

Alain Rauscher: Yeah, maybe I can take the first question and Patrice can answer the second one.

The prospects of fundraising for infrastructure remain absolutely excellent. There should be no question against that. We are not seeing a beginning of a new cycle where people are going to raise smaller funds, in fact I think funds will be bigger and bigger going forward. We are just faced with timing in the financial cycles, where pension funds, institutional investors at large basically say, okay, we have now a new situation with rising rates for bonds, mediocre returns, as you know well, for equity markets in many cases, especially if you take off all the GAFFA and some guys who are driving the prices up. If you look at the bulk of the market, it's pretty drab out there and frankly everywhere. So people say, okay, where should we put our bets? And then, of course, there are issues on the real estate market, which has been heavily dependent upon cheap debt. So, plenty of issues for LPs. And it's quite normal that given the strategic uncertainties with the Ukraine conflict in particular, given very volatile energy prices but still remaining at high levels, very costly energy transition looming, basically, it is quite normal that institutional investors take time to review their options, because this is what we talk about.

It is interesting, we have a base of about 300 LPs globally, plus numerous discussions with others. And so we, have a pretty good view as to how the market thinks about deploying capital. And clearly, people are not saying we shy away from infrastructure, but we have to say, what do we do? Shall we not start to invest part of our assets into bonds because now bonds are starting to pay off well. So, it is normal that our market is reflecting and this a slowdown in fundraising is really about that.

But fundamentally, the dialogues we have with very large investors from anywhere in the world, the support and the interest to invest, continue invest and invest bigger amounts, actually, in infrastructure is there. There's no doubt. But there is a sort of a critical time when people are just sitting back, because, frankly, from a time when there was absolutely no money to be made in bonds, which has put enormous pressure on many pension funds in particular, who have to pay the pensions, and suddenly some guys can make 5%. So you have to adjust to this new deal.

So, I think that this is a temporary effect. People are taking stock of the situation, and I'm very positive, I'm very optimistic that long term, we are in a fast-growing place. And if anything the digitisation and energy transition will require enormous amounts of money that governments cannot afford to mobilise.

So that's my first thing. Concerning buyback program, Patrice, your call.

Patrice Schuetz: Yes, of course. Well, Tom, with respect to the buyback, we've obviously thought about it, and of course, from a valuation perspective, we do believe it will make a lot of sense if we were to buy back our stock, because when we count together, the fact that a majority of our earnings are fee-related, we have a very substantial carry opportunity, we have very substantial cash on our balance sheet. We don't feel that's accurately reflected in the value of our stock. Having said that, we have a 15% free float. We want to preserve the liquidity for investors, and we also believe that we can use this cash to ultimately invest in growth opportunities that will produce attractive revenues and attractive earnings. So with all of these things, we've not moved forward with a buyback. That doesn't rule out we may do it in the future, but we've decided not to do it at the moment.

Alain Rauscher: We performed our IPO at the peak of the market. If we look at the evolution of stock price compared to our peer group, and particularly in Europe, because, of course, the US market is very different with many more strategies. So if you compare to the EQT, to Partners Group, to the ICG, to the Bridgepoint of the world, you'll find that basically we are on par and actually doing better than those people in terms of share price evolution since our IPO. We went to market at the highest point in the cycle. But clearly, we are in line in evolution and in fact pretty favoured compared to them since our IPO.

But the underperformance in my view suggests that people cannot raise funds, which is untrue. We raise money and frankly having secured 85% of target of a €10 billion fund is something which frankly we are pretty proud of and not everybody can do it, but we've done it. We can raise debt, we told you, more than €12 billion of debt raised, and we can do deals.

So you see, I'm very optimistic. I think the perception of the sector at large and the risk factor associated to it in my view is excessive. I also think that if you look at the previous cycles, like 15 years ago in particular, you will observe that there was no major failure. Because, in fact, if you are investing in a company and it is faced with some difficulties to be sold, well, what people do, what people like ourselves do or by Antin, it's very simple. They keep it. They keep it one more year or two more years. And it is very rare to find some distressed sellers. Very, very rare. You may have some problems, of course, in some companies, because life is complicated, but distressed sellers, very, very rare. People just wait until better times come, and better times do come. So I'm not worried about that.

Tom Mills: Thank you both for sharing your thoughts. Very helpful.

Operator: Thank you. And we'll move on to our next question from Bruce Hamilton at Morgan Stanley. Your line is open, please go ahead.

Bruce Hamilton (Morgan Stanley): Hi there. Morning, thanks for taking my questions. I was actually going to ask some on the buybacks, so Tom beat me to it. Maybe just on the guidance, can I just confirm, so on this sort of around €200 million, I think before you said €200-240 million. So, I assume I shouldn't read that as meaning it's going to be below €200 million? You didn't say €200 million-plus. So just to check, there's nothing kind of negative to read in that.

Secondly, on your – just to confirm that your sort of problem social assets, Hesley and the other one, those are pretty much written down to zero. It's already in the Fund III performances, so we shouldn't worry. And just checking if there are any other assets that are requiring some sort of remedial work, particularly on the kind of social infrastructure side?

And then finally, how are you sort of evolving your distribution, given the challenges with, say, pension funds in the US? Are you finding you're doing more in Middle East and Asia or because infrastructure is different and people are early stage, does that not really apply? And so it's just a question of getting, you know, the same, your traditional LPs just over the hump of what higher rates mean and then things improve? Just interested in how your distribution is evolving. Thanks.

Patrice Schuetz: So maybe I can start on the guidance.

Alain Rauscher: Sure.

Patrice Schuetz: Look, the €200 million EBITDA is really linked to the €10 billion fundraising. So it's not a change from what we had said before. It's just the lower end of the range and the ticker is just not to make it a point landing, but our expectation is we'll be at about €200 million.

Alain Rauscher: Concerning problem investments and you mentioned Hesley. Well, first, Hesley has been fully written down. That's the first point. So there is nothing to be expected negatively. Are there any other problematic assets? Frankly, no, there is none. We are faced with, of course, different situations where we say this should be growing faster – or this should be growing less quickly than people want to because we have to face with this kind of balance constantly. Some people want to grow much more and require more capital, so we have to make the balance. But there is no other problematic asset.

Concerning the distribution of our LP base. It's about the maturity of interest of LPs region by region for infrastructure investing. It is true that probably US pension funds in particular have been late in looking at this market. And actually it is particularly true and striking for our US colleagues who also have an investor base which is predominantly non-US, which is quite special. If you are a buyer fund in the States, you would have a predominant US investor LP base, not in infrastructure, even if you are Europe-based or wherever in the States. So that's a nuance.

So, but with the IRA initiative in particular, which is an absolutely game-changer in America, clearly, you see more and more LPs in the States who are interesting to catch up, and actually we raised some money with such LPs recently because they have a growing interest for that. But, you know, it is true that the US pension funds have been late to come to the infrastructure asset class, but they are coming now and big time.

Bruce Hamilton: Thank you. Very helpful.

Operator: Thank you. If you find that your questions have been answered, you may remove yourself from the queue by pressing star two. Thank you. And we'll now move on to our next question from Arnaud Palliez at CIC Market Solutions. Your line is open. Please go ahead.

Arnaud Palliez (CIC Market Solutions): Yes, hello, good morning and thank you for taking my questions. I have three, if I may. The first one is on the exit pipeline. The fact that in H1 there was no exit, is it one explanation for the slowdown in fundraising? The fact that LPs, they don't get some money back and therefore they cannot move to the next fund? That's my first question. And maybe still on exit, what do you have in the pipeline? I'm thinking especially about Fund II, on which there is one remaining asset before being able to close down the fund. So, I would like to know if there is a chance to see this last asset being sold in the coming months.

The second question is about the US market, on which you have invested significantly. So, I would like to know if you are happy with the ongoing development in the US, if you are confident in your ability to take a place on this market?

And my last question is on Center Parcs. I've seen some different press articles mentioning that you are among the bidders for these assets. So, I would like to know if you can comment or confirm that you have some interest in Center Parcs.

Alain Rauscher: Okay. Maybe I can start. And Patrice, feel free to complement.

Patrice Schuetz: Sure.

Alain Rauscher: On the exit timetable, we need to be patient – when we think of selling, we sell in the right conditions to maximize the price which we perceive that we can expect to make from a good investment.

You mentioned the last investment in Fund II, which is Grandi Stazioni Retail (GSR). Now, this asset, which is a very high-quality asset, has been affected by COVID. They are catching up. It's being renewed. We have continued to invest in the train stations, particularly in Rome and Milan, and we have also extended the life of the concession by eight years. So, in due course, but I can make no precision really on the timetable.

For the rest, as I said, timetable is really in our hands. So, we are not under any kind of pressure to exit an asset rather sooner than later. We are not. We just try to think about any asset and say, okay, have we done all the work we wanted to do? Will the next stage be better done by someone who will have, say, a five- or six- or seven-year horizon, than by us in the next two years? So, we ask those questions constantly and decide when is the right moment to dispose. But again, it is assessed on a case by case basis.

From a, I would say financial impact perspective for the stake of Antin, evidently, if we hold an asset a bit longer, you have a bit more management fees. But it's not what drives us. What drives us is the kind of return we can make on this exit. And this applies to all our portfolio companies. Some may be sold rapidly because we have created value very fast. Some may take longer because of market conditions. I mentioned the lockdown impact on one asset, for instance. So, we advise on a case by case basis.

US market? US market is very interesting because we are extremely pleased to be present in the States. And we approached it in a way which, frankly, is typical of Antin, which is we devised four main sectors, which you know, which is digital, social-medical, energy-environment and transportation. And we systematically tried to look at opportunities in those four segments.

Now, what is interesting is that the US infrastructure market has been dominated by people looking for mostly energy and actually mostly fossil energy deals. We come with four sectors which are not necessarily mainstream. When we do some district heating deal in the States, people obviously look at this and say, what are those guys doing? Because they were not thinking of doing such a deal. So, I think it's a great market. And also we come with a differentiated approach, which frankly makes our job extremely fascinating and really very, very interesting and I think we will make some very good money out there.

The third topic you mentioned is Center Parcs. Frankly, I cannot comment on anything in the press for this.

Arnaud Palliez: Okay, thank you.

Operator: Thank you. We'll now move on to our next question from Angeliki at JP Morgan. Your line is open. Please go ahead.

Angeliki Bairaktari (JP Morgan): Good morning. It's Angeliki Bairaktari from JP Morgan. Thank you for taking my questions. Just a few follow-ups on my end, please. So, first of all, on the guidance for Fund V, you now expect to reach the hard cap next year. I think the previous guidance was that the hard cap would be reached late 2023 or early 2024. Does the new guidance mean that this fund could actually be open until the end of 2024, to give you a bit more time?

Then on the mid-cap Fund II, I understand that you mentioned that this could be launched next year. Shall we take this as fundraising being launched next year, which may mean that the activation in terms of management fees being recognised in the P&L could come a bit later? Like, for example, is there any risk that we may start seeing management fees out of mid-cap Fund II only in the beginning of 2025?

And then how should we think about growth over the next five years beyond the existing three fund strategies that you currently have? And would you perhaps consider expanding into any other asset classes outside of the value-add infrastructure that you currently have? Thank you.

Patrice Schuetz: So maybe I start with question one and two, and Alain will take the third one. So look, on the guidance, the €12 billion for early 2024, 2024, I think it's unchanged. The reality is, you know, it's the pace of fundraising is somewhat predictable sort of six months out, because you know exactly who's doing due diligence, when they plan to take a case to the investment committee, and anything beyond six months, the predictability of timing becomes more complex. So, I say 2024 but in reality, our expectation is it's sort of in the earlier parts of 2024 and when we get closer to the year-end, we can be more specific on that.

On mid-cap II, our expectation is, first of all, it's kind of driven by the pace of deployment, which means we really need to do investments, three investments before we would be having a first close and activation of Fund II. My expectation today would be that's going to be in 2024, and it would also mean we would be earning fees in the course of 2024. Whether it's going to be third quarter of the year, a bit earlier, a bit later, I think that's just premature to say, but directionally, it'll be some point mid-2024 or around that.

Maybe, Alain, on the growth in other asset classes and overall growth?

Alain Rauscher: Maybe just to finish on that, on what you just said on the mid-cap activation in mid-2024, once we make the first close, the clock starts to tick. And it means that what we will raise in the first, let’s say, following six months will be booked for half a year. But what we will raise after that, basically, there will be a catch-up impact, which means that what we don't have from the first day of, say, 1st July 2024, so to speak, as an example, we will get it basically next year as a catch-up effect on top of the normal fees.

We are in this long-term business where we secure long-term revenues for a ten-year period, and what we don't get on the first day of the close, we will get basically in the next quarter, next half, etc., or next year.

Concerning the growth, we are certainly considering and very actively considering other sources of growth in adjacent strategies. So, we certainly are not people who tomorrow will say, look, we're launching a big credit business because, frankly, we are not a credit people. Now maybe we will acquire a firm like that and I'm not making any recommendation, but it's not something that we would feel comfortable launching organically. But organic initiatives are something that we are working on very seriously. We have some very clear ideas actually, of new growth. But I cannot share that at this stage with you. It's premature.

And again, timing to market is important. You see that fundraising is difficult even for people like ourselves, but frankly it's fine. We will raise our money. I'm totally convinced about that. If you want to launch a new strategy, you certainly want to be sure to do it at the right time to make it a big success. But we are working very seriously on that.

Angeliki Bairaktari: Thank you very much.

Patrice Schuetz: Just to add on specific growth rates, maybe. You know, historically we've upsized each fund by about 80% every time we came back to market. So that really implies organic growth between 20% and 25%, and of course that's top line growth and there was operating leverage in the business on top of that.

Now, what we said is that we expect to grow faster than the infrastructure market or the private infrastructure market where projections of Preqin are somewhere around 16-17% annual growth. So, I think that gives you a perspective that somewhere between the growth that the market expects and what we've delivered in the past is certainly attainable, but the structure of the growth is obviously going to change. Historically, it was all about upscaling flagship. In the future it'll be about scaling the existing strategies, but also strategy expansion.

Angeliki Bairaktari: Thank you.

Operator: Thank you. We'll now move on to our next question from Geoffroy Michalet at ODDO BHF. Your line is open. Please go ahead.

Geoffroy Michalet (ODDO BHF): Hi, gentlemen, thank you for taking my question. Two for me. Well, first one, thank you for the very interesting slide 11 on carried interest, which I believe is one of the name of the game in this industry, for investors at least. My question is don't you think that it would make sense for the coming vintage to allocate more than 20% of carry interest to the listed company, to Antin, that could maybe be a boost for your share price and perspective for investor return?

Second question is different, is on NextGen. You don't mention the hard cap again of €1.5 billion for NextGen Fund, whereas we are only at €0.1 billion of the target size. Is it an objective that you forego or is it still in your mind? Thank you.

Alain Rauscher: Well, considering the first question on carried interest potential, could we allocate more to the GP opportunity? Well, first of all, we have taken a commitment to allocate 20%. So it's a commitment vis-a-vis our shareholders but also a commitment vis-a-vis our teams because it means that the pot for the team is 80% instead of 100% before IPO. So it's a firm commitment.

We have a contribution of carry to the GP, which is 20%, some have 35%, some have more. But you see if you look at the evolution of stock prices of people who are very diverse, you know, carrying interest allocations to the GP, you see no major difference overall between people. So it's not because you would give 5% more carry to the GP that you would beef up your stock price. I don't think it's the case.

The reality is that it's extremely difficult for analysts to value carry because the only way for you to do it would be to basically go through our funds vintage by vintage, quarter after quarter and do exactly what we do and share with our LPs. But it's a very, very tedious type of work and you would have to do the same for not just us but our peers. And we understand that it's not the route you want to take.

So valuing carry for you, it's about how much have we delivered historically, how much are we considering to basically produce, say for Fund II, for instance, for Fund III, for III-B, etc. And so that you can take a view about the likelihood that for the coming funds, carry will be worth something and how much will it be worth. So, I don't think it would make a difference to allocate more carry to move the stock price.

Maybe you'll take the second question, Patrice?

Patrice Schuetz: Yeah, of course. And look, just one addition on the carried interest. It's also about how you slice and dice the pie, right? Because what we see some of our peers do is they allocate a larger share of the carry to the management company, but then they pay out a lot of that carry in the form of cash bonuses.

With respect to the hard cap for NextGen. Look, NextGen will finish fundraising at the end of the year. If we reach more than the €1.2 billion target size, that's great. But we would probably stop fundraising it wherever it'll stand at the end of the year. And at that point, I would say the hard cap is still a far way to go, but the target is very attainable.

Geoffroy Michalet: Okay, thank you very much. That's it for me.

Alain Rauscher: And again, you have to bear in mind that raising, say, €1.2 billion instead of €1.4 billion or €1.5 billion is just one or two deals away. That's what it means. So, in fact, we will come back to market maybe one deal or two deals before, if you see what I mean. And so, we will get more for the next funds and we will come back to market quicker to raise a bigger Fund II for NextGen. So it's exactly what we've experienced in Fund I, we raised €1.1 billion, and the second one was €2 billion, and then it was €3 billion, and then it was €6.5 billion, and then €10 billion, or €12 billion, hopefully very soon. So you see, it's no hard feeling. We are in a very long-term business.

Geoffroy Michalet: Thank you very much.

Operator: Thank you. There are no further questions in queue, so I will hand you back to your host to conclude today's conference. Thank you.

Alain Rauscher: All right, well, I think we had an interesting meeting, and we, of course, are very open and happy to talk to you with more questions if you have that after, if you have some. But thank you for this meeting.

Patrice Schuetz: Thank you.

Operator: Thank you. Ladies and gentlemen, this concludes today's call. Thank you for your participation. Continue to stay safe. You may now disconnect.

[END OF TRANSCRIPT]