ANTIN
INFRASTRUCTURE PARTNERS

Half Year Results 2022 Transcript

14 September 2022

Antin Infrastructure Partners Half Year Results 2022

Patrice Schuetz: Good morning, and welcome to Antin's result presentation for the first half of 2022. On the video call this morning, you have Alain Rauscher, Chairman and CEO. And I'm Patrice Schuetz, Partner and Group CFO.

We'll talk about three topics this morning. First, we'll start by sharing highlights and activities of the first half of 2022. I will then move on to talk about our financial performance. And as always, we will conclude our presentation with a Q&A, where you will have the opportunity to ask questions.

With that, I leave the floor to Alain.

Highlights and business update

Alain Rauscher: Thank you, Patrice. I will start with the key highlights of the first half of 2022.

First of all, we have made significant progress in fundraising for Flagship Fund V. As you know, the fundraising started in March 2022, and it's progressing at a rapid pace. We have set a target size of €10 billion and a hard cap of €12 billion. The investment period commenced on the 2nd of August, which is when the fund starts earning management fees. We will give you more details about what comes next, but this date is very important because it's when the clock starts ticking.

NextGen fundraising is progressing gradually. We are very confident that we will meet our objectives. So far, we've secured €0.8 billion in commitments. It is taking a little bit longer given the difficult environment, but we have no worry whatsoever about its success.

We have continued to deploy capital at a steady pace, and we have been very active in also selling some assets. For NextGen, we've made three investments, two of which were announced in the first half and one afterwards. We made our last investment in Flagship Fund IV, Wildstone, and passed the 75% mark of invested capital, which triggers the stop of its investment period and allows for Flagship Fund V to be open for business. We have made our first investment in Flagship Fund V, in a company called Blue Elephant Energy. Flagship Fund IV will continue to do follow-up investments and Flagship Fund V is now fully in operation.

The investment performance has shown great resilience despite the challenging market backdrop, and all funds are performing on or ahead of plan.

The first half results are very solid, and Patrice will spend more time on that.

We have continued to invest in team and the platform to position Antin for further growth. As you are fully aware, the main driver of our growth in the long term is to invest in people and in platforms, so that we can grow our business in the strategies we have decided.

Our guidance remains unchanged, and we are pleased to announce the payment of an interim dividend in the second half of 2022.

Sustained activity in fundraising, investments and exits

Our activity has been very sustained in the first half in three main aspects: fundraising, investments, and gross exits. In terms of fundraising, we have raised €500 million for NextGen Fund I, and €600 million including some co-investment which have been secured. Since NextGen Fund I's first close in December 2021, we have secured €800 million of commitments, which is very much in line with our expectation, although as I said, it is taking a bit more time.

This does not include any fundraising for Flagship Fund V, for which we commenced the investment period on 2nd of August. We will report on a first close very shortly, in a few weeks from now. So today we cannot provide you with numbers, but I can tell you that these are very much in line with our expectation or above our expectations.

New investments. We have deployed €600 million of capital in newly acquired companies during the first half. We made two investments in Mid Cap Fund I: Lake State Railway in the US, and Empire Access also in the US, a railway business and other one working in fibre.

NextGen has made its two debut investments, with SNRG, a UK developer and operator of smart grids, and Power Dot, an electric vehicle charging platform.

After the close of the reporting period and therefore not included in those figures, we have announced three other deals: Wildstone, which I mentioned, and which marks the last investment from Fund IV. Wildstone is a business which owns outdoor advertising sites on which you can post advertising, mostly in the UK. We have made a third investment in NextGen with a company called RAW Charging, which is another business focused on recharging batteries for electric vehicles. And we have made our debut investments for Flagship Fund V, Blue Elephant, a German business focusing on renewable energy.

We have also been very active making exits. Roadchef, a motorway service business in the UK, which we have sold for an equity value of €700 million. There was no co-investment in Roadchef. We have also partially exited a company called Lyntia, which operates optic fibre networks in Spain. So, as you can see, an extremely busy six month.

Gross multiples of all funds improved in 1H 2022

The gross multiples of all our funds improved in H1 2022. The performance of our funds is based on the evolution of net asset valuations (NAVs) quarter after quarter, which you see for each of the funds that are still in operation. You can see an uplift of value consistent over time.

Looking at Flagship Fund II, a 2013 vintage, you see that we have now achieved money multiple of 2.6 times, an excellent performance. Now, to really appreciate the money multiples reported quarter after quarter, you have to also look at the percentage of those funds that has been realised, namely, where exits have been completed. For Flagship Fund II, 92% of investments have been realised. So, the 2.6 times money multiple is extremely solid and gives you an excellent vision of the cash realisation of the fund.

Flagship Fund III, a 2016 vintage, sees a lower multiple of 1.8 times but with only 23% the fund realised to-date. Evidently, this is not the kind of multiple that we expect to reach over the next two to three or four years.

For Fund III-B, 0% has been realised. It's a 2020 vintage. So, this 1.6 times is in fact a very high money multiple. But again, it should not be compared with fully realised or nearly fully realised funds, like Flagship Fund II.

Flagship Fund IV is a 2019 vintage, and nothing has been realised. If you ask me what my expectations of returns are, I would say that we expect to be pretty much in line with Fund I and with Fund II, which numbers you already have.

The Antin model: successfully tested through cycles

I think it's fair to say that since Antin has been in business, its model has been tested repeatedly and probably a bit too often in our taste. We tested it during the Global Financial Crisis and the Eurozone Crisis and managed to deploy Fund I and Fund II.

Brexit also was a challenge for us, because, as you know, we are a significant investor in the United Kingdom. We managed to post excellent performance in our UK investments. We acquired companies pre-Brexit and exited post Brexit. And the average, I would say, gross money multiple is of 2.7 times, so pretty much in line with the rest of our portfolio and showing no sign whatsoever of, I would say, adverse valuation.

COVID-19, evidently, has put our company under test. But on this one, I would like to reiterate the extremely important nature of our investments and strategy. 12 of our then 14 portfolio companies, have been deemed essential services by local authorities during the pandemic. It gives you an idea of the merits and the value to communities of our investments.

Concerning inflation, all portfolio companies benefit from material inflation protection, which we have put in place. In most cases, inflation is pass-through to customers, like the higher cost of energy. So, we are relatively protected against inflation compared to other businesses.

The Ukraine and Russian conflict. We are not directly exposed to it and we only suffer from limited indirect impact. We, of course, review that regularly. But so far, we have not been impacted.

In a nutshell, the Antin model works.

Consistent performance and conservative valuations

All these leads to a very consistent performance based on the conservative valuation of our portfolio companies. We have delivered 2.7 times realised gross multiple, based on disposed companies, and that applies basically on half of the portfolio companies we have invested in. It's a very material and very significant number. We also have realised a 23% Gross IRR since inception on the companies we have sold. The numbers you see here are very solid, very robust, very consistent, and are not affected by the timing of making investments or disposals.

Another very interesting feature, which is on the bottom left part of the slide, is that 80% of our investments have returned at least two times their money or more. And as you can see, 28% have indeed returned between three to four times the money and 6% above four times the money. It's a very solid performance.

Another important point on the right side of this slide is that we have a history of being very prudent quarter after quarter in valuing companies. When exited, 93% of portfolio companies have achieved a valuation uplift versus their net asset value a year before. It gives you an idea of how prudent we are in our valuation and how robust, I would say, our investments are.

Built-in resilience of portfolio companies

The resilience of portfolio companies continued to be strong over the last 12 months. We have basically seen revenue increase by 24% across Flagship throughout our portfolio companies and seen EBITDA increase by 21%. This is explained largely by the way we work.

We are very active in creating value through transformation. We grow businesses. We invest in organic or external growth. We always seek to de-risk businesses. More than 85% of our portfolio companies benefit from pass-through inflation protection. More than 70% of our portfolio companies have in place debt financing with fixed or hedged interest rates. And overall, our businesses are very resilient because they provide an essential service.

With that, I'll leave the floor to Patrice.

Financial performance – Revenue growth driven by management fees

Patrice Schuetz: Thank you, Alain. I'm pleased to walk you through our financial performance for the first half of 2022. And with that, I will start with our assets under management on the left-hand side of this page.

We increased our fee-paying AUM by 1.3% to €13.6 billion and our total AUM by 12.8% to €22.4 billion. The increase in our fee-paying AUM was really driven by about €1 billion in inflows, the majority of which came from NextGen Fund I and add-on investments in our investment strategies that are post their investment period. It was offset in part by realisations related to Flagship Fund II and Flagship Fund III. The difference between the growth rates in our fee-paying AUM and our total AUM relate primarily to the value creation that we achieved in our funds.

I'll move to the right-hand side to talk about our revenues. And the first thing you'll note is that 95% of our total revenues come from stable, long-term contracted management fee revenues. And that provides an enormous amount of predictability and resilience to our P&L.

You also see €3 million recorded in carried interest and investment income with a small portion of that relating to carried interest that we purchased back from employees that left the firm, and €1.3 million related to administrative fees and other revenues. So, in total, we increased our revenues for the first half by 14.2% to €96.1 million. And our effective management fee rate remained largely stable at around 1.4%.

Revenue bridge: new strategies driving the growth

I'll move to the detailed composition of our revenue build up. So when you look at our first half revenues in 2021, and you compare that versus our first half 2022 revenues, you'll note on the left-hand side that we had realisations of portfolio companies in Flagship Fund II and Flagship Fund III, and hence those management fee declined. On the other hand, we had very substantial increases related to the new strategies that we launched, Mid Cap and NextGen.

Mid Cap contributed a full six month of revenues to the first half of 2022, whereas it only contributed three months to the first half of 2021. And for NextGen, we've included a full six months of revenue on the basis of the €800 million of committed capital, whereas those revenue were not included in the first half of 2021 because we had the first close in December of 2021. You'll also note there is small amounts of catch up related to that fund, and slight changes in the carried interest and the admin fees, but really marginal.

Investments in the team to support future growth

I'll move to our cost base, and I'll start with our personal expenses. It's important to say that we invested significantly in the build-up of the team to support the significant growth that we expect related to the scale up of flagship Fund V. And to put that into perspective, at the €10 billion to €12 billion target size for flagship Fund V, that fund is going to upsize by 55% to 85%. Hence, it's important to build up the resources ahead of that.

In the last 12 months, we added 47 employees, 23 of those were added in the last six months, leading to an overall increase in personnel expense of 43%. That hiring really took place across the organisation. We added about 20 people in the investment function, which was across New York, Paris and London with a significant share of those employees added in New York.

We added seven employees in Investor Relations, which is really about internationalising the Investor Relations function. Three of those individuals were hired in Asia Pacific, where we launched the Singapore office in December of last year, and a significant number in the US as well. And then we also added 20 employees in support functions, of which about a quarter relates specifically to functions that we built up after the IPO and listing of the firm.

So overall, those effects led to an increase in our personnel expenses of about 43% leading to €32.3 million in personnel expenses recorded in the first half of the year.

Increase in operating cost consistent with growth, excluding periodic expenses

I'll move to our other operating expenses. And you see that we had a headline increase in other operating expenses of 55% taking that number to €15.8 million in the first half. And those costs were really affected by a number of periodic and transitory expenses that have, I would say, affected the comparability of the numbers across those two periods. In addition, there was also the effect of the return to business travel.

In the first half of this year, we recorded very significant placement fees related to Fund V and small amounts related to NextGen. So in total, that added about €1.4 million in cost, which obviously only occurs in connection with particular fundraising events.

In addition, we had about a €0.5 million increase in our expenses due to temporary office rent, because we're refurbishing our offices in New York, which we expect to be completed very soon. The lease for that temporary office rent will expire by the end of this month. And then we also had a return to business travel, which added €1.4 million to the costs in the first half of this year, with almost no cost related to travel recorded in prior period of that year.

If we exclude those effects, our cost increased by 23.7%. So certainly less than the 40% increase you see on the personal expense side, which shows that we have very prudent cost management in place, and also shows that there is operating leverage in the business. And as we go forward, we certainly expect to see continued prudent cost management and also a slowdown in hiring activity.

Lower underlying profit reflecting investments in future growth

So going to the next page to talk about our profits. What you see on this page is a result of the revenue and cost effects that I described on the prior pages. Our underlying EBITDA decreased by 6.4% to €48 million, with margins at 50% for the first half. And our underlying net income decreased by 14.4% to €30.6 million. Again, it's important to note, we include a very substantial portion of the cost related to Flagship Fund V and scaling that fund, but none of the revenues. And as that fund starts to earn management fees from 2nd August onwards, we certainly expect a very significant step change in the second half of the year as those revenues are going to flow through the P&L.

Strong balance sheet providing flexibility

I want to spend a moment to talk about our balance sheet. We have an exceptionally strong balance sheet with 70% of our total assets, €392 million, consisting of cash and cash equivalents. Just to put that into perspective relative to our market value, that's about 8% of our market value in cash and cash equivalents. And obviously, we will want to put that capital to work in a productive manner.

The first thing that we will do is invest in our funds, and we committed to co-invest 1% alongside our fund investors, and to also invest in the carry vehicles that will entitle Antin to 20% of the carried interest going forward. But even after those investments, there will still be significant cash resources available to support the continued growth of the business. And that will be by launching strategies organically, and also by selectively reflecting on M&A.

Medium-term objectives confirmed

As for the medium-term guidance, as Alain mentioned earlier, we confirm the guidance. We expect that we will be in a position to deliver growth that will be materially above that of the private infrastructure market. And we also expect that we will have very significant short-term growth related to Flagship Fund V, for which we've set a target size of €10 billion and a hard cap of €12 billion. Medium term underlying EBITDA margins are expected to be at or above 70%. And we also expect to pay out a majority of our cash profits in dividends. And we expect that those dividends will gradually grow over time.

With that, we announce for the second half of this year, an interim dividend at €0.14 per share. And that dividend will be paid in mid-November.

Thank you for your attention. I will open the floor for Q&A.

Questions and Answers

Operator: Thank you. If you would like to ask a question, please press star one on your telephone keypad now. The first question comes from the line of Bruce Hamilton calling from Morgan Stanley. Please go ahead.

Bruce Hamilton (Morgan Stanley): Thank you. Thanks very much for the slide. I've got three, hopefully quite quick ones. Firstly, on the uplift on exit. You said 93% of your exits have been above the holding value one year prior to selling? Can you give us a sense of the kind of percentage uplift? Is it sort of 20%, 30% or is it more than that?

Secondly, on the management fees. I mean, I think you've indicated fee margins were stable. Management fees did come in a bit light versus us and Street estimates. I'm assuming that's more to do with phasing. But I just wonder anything on sort of discussion with clients per the new funds and any sort of tweaks to fee structures that would be of interest.

And then finally, in terms of the kind of new product priorities. Could you give us a sense of where you're sort of most interested? I think you've talked about sort of core infrastructure as a possible area in the past. Could you give us some sense of what strikes you as most interesting? Thank you.

Alain Rauscher: Okay. Thank you, Bruce. Regarding management fees, clearly, the answer is a very short answer, in fact. We don't have discussions with our clients about management fees as long of course as we continue to perform as well as we do. And to be fair, if we started performing very poorly, it will not be a matter of paying a reduced management fee, but most likely investor will start to move away from us and invest in other strategies or other managers.

So no, we don't expect any particular pressure on management fees as long of course as we are able to maintain our performance.

Concerning new products, we are reviewing our options, but as you fully appreciate, we already have launched three different strategies within infrastructure. There are evidently talks to look at a way to basically invest in some so-called core type of strategies. No decision has been taken whatsoever. We are reviewing if we are going to do it or not, when and in which form, should it be through a fund dedicated to making several investments or should it be on a sort of an ad hoc basis. We are reflecting on it.

Beyond that, we are doing our job trying to assess if there are any other strategies, outside infrastructure, which may be of interest. But again, we have not decided anything at this stage.

And maybe you can talk, Patrice, about the first point.

Patrice Schuetz: Yes, Bruce. We're not disclosing precise percentages, but what we can say is that the uplift has been significant and material. You mentioned 20%. It's been somewhat above 20% in average, but it has also narrowed down over time as we've became better in valuing those assets over time.

Alain Rauscher: The challenge for us is that when we make intrinsic valuations quarter after quarter, those valuations are subject to auditors on one side, and on top of that, to an appraisal firm – American appraisal firm called Duff & Phelps.

So, we have two pairs of eyes of people who challenge basically our NAVs quarter after quarter to give some comfort to our investors. The one thing we don't want to see is our clients being upset because we post a high NAV before making a sale and then we report a sell say 20% or 30% below the most recent NAVs.

So that's why we try to be prudent in our valuations. And that's why also our valuation has been very solid and very robust.

Bruce Hamilton: Great. Thank you very much.

Patrice Schuetz: Do we have other questions?

Alain Rauscher: Any other question? No?

Operator: So sorry, apologies. I've just lost my connection and am back now. There is some questions indeed. The next question comes from the line of Arnaud Giblat calling from BNP Paribas. Please go ahead.

Arnaud Giblat (Exane BNP Paribas): Yeah. Good morning. I've got a few questions, please. Firstly, following slightly up on Bruce's question. I'm wondering if you could comment a bit about the valuation multiples at which you're holding your portfolios. How those have evolved over the last six months. I mean, looking at the growth, you're posting on EBITDA, it would imply that there hasn't been much of a change in valuation multiples. And if that's the case, is that just a case where you have indeed taken a prudent approach and hadn't marked up aggressively your portfolios in 2021? So that's my first question.

Second question is on the Mid Cap Fund, 36% deployed? Looks like you're on pace to deploy fully that fund in two, two-and-a-half years. Is that a fair assumption? Is the pipeline looking healthy there to continue at pace?

Third question is on financing conditions in general, and the ability to utilise deals. I mean, in private equity, there is generally a talk about a challenge in getting financing to do multi-billion deals. I'm wondering more generally how financing conditions might have changed for prospective acquisitions you might be looking at?

And finally, a fourth question. Could you talk about other costs? What sort of run rate operating expenses should we be looking at for H2 '22 and beyond?

Alain Rauscher: Very good. Okay. I'll take the first two question and I will leave Patrice provide answers on the last – on the second two questions.

On valuations multiples of our portfolio. When we value our portfolio companies, we don't just look at the short term. We do long-term valuations. Typically, the businesses we invest in are businesses which we invest into for the long term. We typically would hold those investments for four or five, six years, on average, before selling them.

But the base of the valuations of those businesses is not public market multiples, which we frankly do not even consider. It's not a benchmark. What people buying our portfolio companies are looking for are features of resilience, stability of earnings, with potential to grow them further. And this is much better captured by private markets than by public markets because people make long-term valuations. They know what we have done, and they know what remains to be done. If they agree with the strategy or have an even more ambitious strategy, they can pay a very high price. That's how we value our businesses.

So, they are not dependent upon prevailing public market conditions at all. It's based on intrinsic valuations.

The second point concerning Mid Cap. You are right, we have deploying Mid Cap Fund I very quickly. We are not rushing to deploy capital, but there was clearly a hole, I would say, in the tennis racket so to speak. It is true that many deals come rapidly, very good transactions, by the way. And so we deploy capital very fast.

Can we expect to come back to market rather sooner than expected, than later? I would think yes, to be clear. I cannot give you, of course, a date, because evidently, we only focus on making good investments. There is no time pressure whatsoever for us. What we want to do at the end of the day is making good investments. But certainly, we expect to deploy this fund quicker than in – and significantly quicker than the initial statutory five-year period.

So yes, it will be deployed very quickly. I don't want to quote the time, but you quoted some figures yourself. But yes, we think we will deploy capital fast.

Patrice Schuetz: As per the cost base, Arnaud, it's reasonable to expect that we will have placement fees and travel expenses in the second half that will be in a similar magnitude than in the first half. You're going to see temporary office rent fall away in the fourth quarter as we're going to move into our new offices, refurbished offices in New York.

And then obviously, as we look towards 2023, we would only have placement fees, material placement fees, in 2023 if we were to raise Mid Cap earlier than the three-year cycle that we would typically envisage, or if we were to have a new strategy. So, you can see there's going to be some shifts in the expense space related to that.

Alain Rauscher: There's another point on financing conditions.

Patrice Schuetz: Yes, on financing conditions, it's important to know that infrastructure debt financing has really been in a somewhat different place than LBO debt financing. We've been in the privileged position to have access to debt markets throughout the first half of the year. We see that in periods of volatility, when market conditions are more challenging, banks tend to like infrastructure assets, because of the resilience they have and because of the essential service they provide.

So, this hasn't really been an issue in any way. And it hasn't pulled us back from doing transactions. And it hasn't also pulled back any of the buyers of our assets to successfully acquire assets that we've been selling.

Now we need to continue to monitor it and see how the market is evolving, but it's not an issue or a concern as of today.

Alain Rauscher: Maybe one thing I would like to add is that prior to 2025, only one portfolio company will need some refinancing. All others basically have been secured until that date. And this portfolio company will most likely be exited by then. So, we don't expect I would say difficulties concerning fundraising and indeed financing.

And it's, again, one of the very strong features that of the Antin investment proposition, which is that we invest in very robust, resilient companies with essential services to communities. And they are as good a risk as can be when the times get tough.

Arnaud Giblat: That's very helpful. Thank you.

Alain Rauscher: Thank you.

Operator: The next question comes from the line of Andrew Coombs calling from Citi. Please go ahead.

Andrew Coombs (Citi): Good morning. I think most of my questions have been asked, but if I can just follow up on personnel expense. When you look at the hiring that you've done, clearly, it was front loaded ahead of the Fund V launch. So anything you can say on hiring ambitions, headcount numbers, and your expectation from here in the coming 12 months would be appreciated.

And then my second question attached to that will be the one we previously spoke. I remember at the time of the full year results, you said that there were these ambitious hiring plans. There's a lot of it will be junior staff. When you look at the personnel expense per employee, slightly difficult to do, given averaging effect on the headcount. We only have the end period numbers, but it doesn't like it's gone up rather than down. So presumably there are pay increases that have gone through for staff as well during that period. And are there more – anymore planned in the future would therefore be my question. Thank you.

Alain Rauscher: Very clearly.

Patrice Schuetz: So Andrew, when you look at the first half numbers, I see you see slight effects of salary increases. So we've increased compensation for employees that have been with the firm for more than one year by 3% early in the year. So the effects that you're describing, they're primarily related to certain employees having been hired earlier, earlier in the half year and some a little bit later.

What you said is certainly right, the vast majority of hiring in the first half was related to junior positions and support positions. There was one important strategic partner hire, which we've done in the US related to NextGen. But other than that, it was more on the junior end.

Now, as we look towards the end of the year, we said early in the year we're going to hire or we expect to hire 30 to 40 FTEs, and we expect to be very much within that range. So the second half will slow down quite a bit relative to the first half. And then going into 2023, we really need to see how deployment on Mid Cap is going to look and how quickly we expect to come back to market. But the expectation is that we'll also see materially slower hiring into 2023.

Alain Rauscher: Concerning hirings, it's very simple for us. We evidently are conscious of, I would say, cost, and it is evidently something which we look at very clearly. But when we make hires, it is not to meet immediate needs but to anticipate future needs relating to future fund launches. That's why if you take a photography of our needs, we've been continuing to grow our business, not so much to meet today's requirements, but to meet next year and the years afters requirements.

So that's why it is always difficult I know to explain that because it's not like some people – some businesses are short of staff. I mean, take for instance clinics. In many cases, I've seen some employees leaving after COVID because it was so difficult to operate in this field. If you're a clinic operator, you need to recruit people just because they are short of people. We're not short of people at all. We just anticipate our need and train new joiners to our standards so that when we launch new funds, bigger funds, or new strategies, or a new Mid Cap fund sooner rather than later, we have enough resources to get going. That's how we function.

But I reassure you, we are very conscious of cost. And, of course, we regularly review the hires which are needed, quarter after quarter.

Andrew Coombs: I guess my follow up would be on the reiteration of the 70% EBITDA margin target you talk about in the medium term. Is that something you credibly think you can achieve, just with the Fund V launch, or do you think you'd need to see the second vintage of the Mid Cap fund to achieve that?

Patrice Schuetz: So we see the 70% target as a 2023 to 2024 target. There are obviously other effects that will play into this. There may be topics around realisation of carried interest related to Fund III-B, which will, at some point, flow through the P&L. There will be questions around inflation and currency effects.

You also note we had currency effect in the first half of this year related to the appreciation of the US dollar. But certainly, the 70% target is a target that we feel very confident about, because it's a level of margin that we had already achieved in 2020. So it's just a question of whether it's going to be ‘23 or ‘24. But we're very confident about that number.

Andrew Coombs: Thank you.

Operator: The next question comes from the line of Philip Middleton calling from Bank of America. Please, go ahead.

Philip Middleton (Bank of America): Yeah. Good morning. I just wondered, could you say a little bit about how you see the dealer environment at the moment? Because you could believe that current environment is forcing down prices. On the other hand, you could believe – and this seems to be the line you've been taking, actually, your speciality is actually very in tune with where things are at the moment. And so pricing really isn't changing much. And that tends to mean deal volumes aren't changing much, too. So what are you seeing about pricing and deal volumes at the moment?

Alain Rauscher: Thanks, Philip. Basically, what we're seeing is, to be quite frank, an extremely busy environment in the four sectors in which we deploy capital. It can be demonstrated by the number of transactions we have done recently, and also the number of exits which we have done, which also illustrate that there is a big appetite in the market, an appetite for high quality assets.

Pricing, we don't see any reduction of prices, as you rightly put it. It's totally true. In fact, pricing has to be assessed on the basis of what we buy. We don't buy flat businesses or businesses with very low growth. We buy businesses which begin to transform and grow very significantly. We talked about value add and value add is not just about trying to cut cost. It's because personally I think that cost cutting is not a strategy. It's something you want to do to keep the house tidy.

But you really grow a business and grow value by investing big time in various manners. You invest in teams, you invest in people, you invest in organic growth, making organic investments, you invest in companies. We deploy into new markets. That's how we basically help create some value in our portfolio companies.

When you are doing that, you are largely immune from any kind of adverse market situations. Volumes are unchanged in terms of transactions; pricings are mostly unchanged for the reasons I mentioned. And one of the strong, I would say, benefits which are not always understood by shareholders, is that infrastructure is probably the last asset class, which will be funded by debt when everything else is shut down.

And we experienced that repeatedly over the last 15 years, starting with the GFC. So that's a huge bonanza for our infrastructure-focused strategy. We see that some buyout firms with buyout financings, which may be at present be more difficult to secure than, say, six months or a year ago.

It is not our case. We basically still enjoy some very good financing terms and access to financing.

Philip Middleton: Okay, thanks. That's very helpful.

Alain Rauscher: Thank you, Philip.

Operator: We have another question coming from Arnaud Giblat calling From BNP Paribas. Please go ahead.

Arnaud Giblat: Thanks for taking my follow up. I just had two quick ones. I think in the past, you kind of alluded to Asia being a target for you. What sort of investments have you made there? And maybe could you elaborate a bit about the risks associated to growing into Asia?

And secondly, I'm just wondering if you could share your views around the current energy situation, and what that might do to the capital dynamics in infrastructure? I'd assume that energy transition is going to probably absorb a lot of competing capital in infrastructure? How does it affect the dynamics in terms of – the competing dynamics for deals in general in the infrastructure space? Thank you.

Alain Rauscher: Thank you, Arnaud. On Asia, well, we have opened some offices, but mostly for investor relations purposes today, because we have a very big base of investors in that part of the world. So, to be closer to them and to their needs, we have opened an office and we are growing this office.

Shall we, at some stage, take the extra step of investing in Asia? This has not been decided today. And we certainly will review that in the next few quarters or few years. But it is not today decided. It's not on the agenda.

Concerning the energy situation, I think we are in a situation where you have two main trends. The first one is the energy transition trend, which is inevitable and will continue. And we invest in that theme through our various strategies. We are very confident that this will be a big trend, a main trend going forward.

We see many countries who were embarked into this energy transition and who are now backpedalling to adjust to the Russian-Ukrainian situation. An obvious example, of course, is that of Germany, which is reopening coal mines. And other countries basically are following, should be it the US, the UK who are investing massively into, I would say, fossil energies.

I don't think it has a material impact on what we want to do, which is focusing on energy transition. But clearly, we see an enormous development for fossil energy, which some people have buried a bit, probably a bit too quickly. And now it's coming back and it's becoming urgent to get access to gas, to gasoline. People are doing whatever it takes to avoid, I would say, energy or electricity cuts this winter. And to do that, you need to have access to other, I would say, more polluting type of energy resources.

Arnaud Giblat: Thank you.

Operator: We currently have no questions, so I will hand you back to your host to conclude today's conference. Thank you.

Alain Rauscher: Well, thank you all for your attention and looking forward to seeing you at the next quarter results. Thank you. Have a good day.

Patrice Schuetz: Thank you.

Operator: Thank you for joining today's call. You might now disconnect.