ANTIN

INFRASTRUCTURE PARTNERS

Half-Year 2024 Results Transcript

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AGENDA

Ludmilla Binet
Head of Shareholder Relations

Good morning, everyone, and thank you very much for joining the call today. I am Ludmilla Binet, Head of Shareholder Relations, and it is with great pleasure that I welcome you to our half-year 2024 conference call. As you know, this morning we issued a press release announcing our results for the first six months of the year, a copy of this release and of this slide presentation is available on the shareholder section of our website. For today's presentation, I am joined by Alain Rauscher, Chairman and Chief Executive Officer; and Patrice Schuetz, Partner and Chief Financial Officer. They will present the highlights of the period, provide an update on the business activity, and review the financial results of the first half of the year. The presentation will be followed by a Q&A session. And I will now hand over to Alain.

HIGHLIGHTS AND BUSINESS UPDATE

Alain Rauscher
Chairman & Chief Executive Officer

Thank you, Ludmilla, and good morning, everybody. It is my pleasure to welcome you on this call.

HIGHLIGHTS

Let me start by summarizing the key highlights of the first half of the year.

First, we are seeing good momentum in our investment activity, which is supported by an improving macroeconomic environment. Inflation is coming down in both geographies, and we are seeing a very tangible path towards lower interest rates as further confirmed in the United States last week by the Chairman of the Fed.

The activity is picking up and that is reflected in our numbers. The amount of money we have invested in the first half of 2024 doubled compared to the first half of last year.

We are also pleased that exit activity resumed. We signed the exit of Grand Stazioni Retail, which was the last asset of fund II. This Fund is expected to generate a top quartile performance with a final gross multiple of 2.6 times. This is a great outcome for our fund investors.

We continue to be on track to raise Fund V at its EUR10 billion target and potentially above. This would be a great success given the market conditions and it makes Flagship one of the fastest growing infrastructure strategies in the world.

As a result of this, our P&L continued to show growth across all key metrics. Patrice will later in the presentation detail this with numbers. With respect to capital return, we maintain our dividend payout ratio at about 100%. This is well supported by our strong cash position.

As a last point, we continue to see a very positive dynamic in the infrastructure market. Megatrends, such as the energy duration and digitalization of infrastructure requires significant capital investments. These are powerful trends that we believe will continue to support the growth of our business over the coming years.

ACCELERATION OF INVESTMENT ACTIVITY

Looking at our investment activity, you will note that capital deployment doubled in the first half of 2024, reaching EUR1.6 billion compared to EUR0.8 billion last year. We see good momentum and engagement across our investment team, that is reflected in our numbers.

Looking more closely at our capital deployment, we announced three investments in the first half, two in Flagship and one in NextGen. First, the investment in Portakabin, a modular building leaser headquartered in the UK and expanding into Continental Europe. For those who are familiar with this concept, it's close to what Algeco does, but with a very important activity in health and education. Secondly, there has been the launch of Proxima, the first privately owned operator of high-speed passenger trains (TGVs) in France, on lines servicing Paris to Bordeaux and Brittany. Most recently, NextGen Fund I invested in GTL leasing a lessor of hydrogen transportation and storage equipment in North America.

We are excited about these investments, and we believe they demonstrate well our differentiated positioning as a value add and growth-oriented infrastructure in the store.

As for Mid Cap I, we had announced in January an investment in the radiology group called Excellence Imagerie. This investment didn't come to a closing because certain conditions precedents were not met. Taking stock on where we stand in the deployment of each of our fund strategies, we are seeing a slight lengthening of the investment period for the current set of vintages. You'll see in the middle column that we invested Fund II to Fund IV on average in around 3 years.

We are currently trending closer to 4 years and potentially longer for Mid Cap Fund I and NextGen Fund I. We've experienced a period during which the activity was less dynamic, and we decided to remain disciplined, especially when there were diverging prices between buyers and sellers. We think that this will ultimately serve us well, and it's fully consistent with our performance-first mindset.

With respect to Mid Cap Fund I, we are about 50% committed and need 2 to 3 additional investments to reach our 75% threshold, which in a normal environment would take about a year. In principle, we expect Fund deployment period to return to 3 years to 4 years in a normal market environment.

On fundraising, flagship Fund V had EUR9.4 billion of commitments secured at the end of the semester, which represents 94% of its target size and an upsizing of 45% compared to Fund IV. We are on track to reaching our target by the end of the year and hopefully exceeding it.

FUND PERFORMANCE CONTINUES TO TRACK ON OR ABOVE PLAN

We are pleased that our funds continue to perform well and, for most of them, gross multiples increased in the first half of the year. Fund II announced the exit of Grandi Stazioni Retail in Italy, which was this fund’s last portfolio company, after the quarter ended.

Hence, the final gross money multiple that is expected is 2.6 times, which is a very solid performance. So we are very pleased about this exit for us because first Fund II is a top-quartile performer as per Preqin. Second, we achieved a performance that is very consistent with Fund I. And third, our exit activity is resuming with a performance in line with target and realizing again, a significant value uplift relative to the valuation we had in our books. We delivered those value uplifts at exit quite consistently in the past. And of course, they lend a lot of credibility to our valuations quarter after quarter.

Our more recent vintages are also making good progress, and that's across Flagship, Mid Cap and NextGen. I would just like to flag something. When we compare performance on assets, which are completely realized, they are not directly comparable in numbers to NAV, net asset values, which are still in the portfolio.

So it's not because we see 1.9 times for Flagship Fund III in June 24 that we will not make more when we sell assets. In fact, we expect to make much, much more because only 37% of this trend has been realized. So more is to come.

ROBUST PORTFOLIO COMPANY GROWTH YEAR-ON-YEAR

The performance of our Funds is well supported by robust growth and profitability across our portfolio. Growth rates continue to be strong, with an average revenue growth of plus 12% year-on-year and an average EBITDA growth of 19% year-on-year.

Approximately 75% of our portfolio companies have improved their margins year-on-year, and we are also seeing positive trends with respect to profitability. These key metrics show that value-creation initiatives continue to deliver results, both through organic and inorganic growth initiatives.

We've been particularly active in executing our buy-and-build platform strategy with 86 add-on acquisitions made in the first half of 2024. Moreover, our financing team remains active in capital structure management. 73% of our portfolio company's debt is hedged. Often, it's at rates that were secured prior to interest rates increases.

We do not have any major refinancing needs this year and very well staggered debt maturities between 2025 up to 2030 and beyond. So no financing wall expected due to our very active capital management.

FLAGSHIP V ON TRACK TO DELIVER BEST-IN-CLASS GROWTH

The next slide compares the upsizing and growth of flagship Fund V versus the upsizing and growth of the largest infrastructure funds in the world. We have, of course, decided to anonymize this benchmark. We're not there to give bonus points or malus points to any of our peers.

At the end of the second quarter, our Flagship Fund V was 45% larger than its predecessor fund at 94% raised. Fundraising obviously continues, the fund will be at around plus 54% at its target size of EUR10 billion. As you can see, this positions our Flagship V among the fastest growing infrastructure funds in the world.

We talk here about very large wins that we have had. And I'm sure some of you will be able to put names on that. And if you need, probably Patrice can share with you some data -- public data. While it is a good accomplishment we were obviously hoping to do more when we launched fundraising in a different market context. Nevertheless, we need to take stock of where we stand. This is a very solid growth, and we are obviously focused to continue to scale up as much as we can moving forward.

INFRASTRUCTURE MEGATRENDS

Now when we talk about growth and our potential to scale over time, we need to begin by understanding the mega trends that drive our industry, the infrastructure industry. These are very long-term trends that will play out over decades.

The energy transition where we are seeing enormous investment needs: in order to achieve net zero by 2050, the world will need to invest an average of $3.5 trillion per year. That is trillions, not billions, right, trillion dollars per year. A total of $110 trillion in capital investment, where we are already an experienced investor, whether it's renewable, EV charging or, for example, smart grid solutions.

The digitalization of infrastructure has entered into a new chapter with the rise of artificial intelligence. It means we'll see more data centre capacity and more fibre build. Again, we are very experienced in those segments and have produced excellent returns.

Transport infrastructure benefits from a whole range of long-term trends whether it is supply chains that are changing due to onshoring of manufacturing and changes due to geopolitics risks or whether it's an increased focus on sustainable modes of transportation such as rail.

Then we are also seeing significant and often drastic demographic changes across our developed economies with the rapidly aging population that will put strain on our social infrastructures globally.

With governments or agencies running high budget deficits and having built up significant debt burdens, private markets investors will have an important role to play in supporting those trends. We are well-positioned to be among a small number of infrastructure investment firms that have the expertise, experience and scale to play. This means that we have significant long-term growth potential.

SIGNIFICANT LONG-TERM GROWTH POTENTIAL

I just wanted to highlight a few numbers in this slide to give you an idea of what is the long-term, I'm not suggesting for the next vintage, but the long-term growth potential for Antin. For flagship, our largest competitors are operating EUR25 billion funds. And these funds continue to grow, and I believe we'll see much larger funds when the next set of vintages are raised. You see that even at EUR10 billion plus for Flagship V, we have a huge potential to grow in this strategy.

In the Mid Cap category, we also see a capacity across Europe and North America that is greater than EUR10 billion. And evidently, as large cap funds are growing in size very drastically, there will be room for midcap funds to themselves grow in size very rapidly. The midcap market is very large, and we believe it is going to continue to be a very attractive segments of the market.

For NextGen, we feel positive and see support for a EUR5 billion plus type of fund. And we believe the opportunity set will continue to grow over time. So it's possible this will expand as we continue to develop the strategy.

Clearly, this is a level of ambition over time and not for the next vintage, but it gives a long-term direction of travel and an aspiration for Antin. In addition, we will continue to expand our strategies organically within the infrastructure ecosystem and potentially beyond if we feel there is an attractive path to do some M&A. We continue to explore options for M&A. But as I've said on prior results calls, we do so with a high bar and only when we are confident we can create meaningful value to our shareholders.

With that, I will hand over to Patrice to talk about our financial performance.

FINANCIAL PERFORMANCE

Patrice Schuetz
Partner and Chief Financial Officer

Thank you, Alain.

CONTINUED GROWTH IN 1H 2024 FOLLOWING P&L STEP UP IN PRIOR YEAR

I will start by presenting key metrics for the first half of 2024. I'm pleased to report that we continue to deliver growth across our key financials. Fee-paying AUM, revenues, EBITDA and dividends, all increased relative to the first half of 2023. You will note that growth rates are more moderate versus the prior year, and that's really linked to the advanced nature of our fundraising cycle for Flagship Fund V.

ALMOST ALL REVENUE FROM LONG-TERM CONTRACTED MANAGEMENT FEES

Now looking more closely at our AUM and revenue composition. Total AUM increased by 3% to EUR31.7 billion and fee-paying AUM increased by 4.2% to EUR20.6 billion. That increase is driven primarily by additional commitments raised for flagship Fund V. Revenue increased by 6.4% to EUR146.9 million. And as in prior periods, the majority of this revenue are management fee revenue. So these revenues are long-term contracted recurring and provide a really good visibility on our P&L going forward. The effective management fee rate stood at 1.33% and was largely stable versus the first half of 2023.

REVENUE GROWTH DRIVEN BY FLAGSHIP FUND V

Now looking at the components of the 6.4% revenue increase, we can see that about EUR12 million in management fee revenues were added in relation to commitments that we raised for Fund V, an additional EUR1.3 million were added in relation to add-on investments that we made in our Fund IV. So that fund continues to invest capital in the existing portfolio companies to support the growth, and we'll continue to add management fee revenues as it does that.

These effects were offset by realizations in Fund II, Fund III-B and Fund III, which are more mature. The remaining changes are relatively small and relate to next gen catch-up fees that were recognized in the first half of 2023 and which are falling away now and slight changes in investment income and admin fees. So overall, that takes total revenues to EUR146.9 million in the first half of 2024.

CARRIED INTEREST REVENUE POTENTIAL REMAINS SUBSTANTIAL

Now this slide on carried interest talks about the potential for performance fee revenues from carry. Antin has so far, not recognized material revenue related to carried interest because for funds that were raised prior to 2020 and prior to the IPO, the carried interest was allocated to the team.

Now starting with Fund III-B and funds that were raised after that, at 20% portion of the current interest is allocated to the firm and at the funds’ target return levels, the revenue potential to Antin is approximately EUR480 million in total. And it comes entirely on top of the management fee revenues that Antin generates today.

So with respect to timing, the first fund that we anticipate generating carried interest revenue is Fund III-B. and a first portion of that fund’s carried interest could be recognized in 2025. So that's subject to performance and obviously also subject to realizations within that fund.

For Mid Cap Fund I and Fund V, it's still early. We would typically see carried interest revenue in year six or year seven of the fund's life. And so again, that's driven by value and fund performance and the pace of realizations. But overall, you can see a very substantial revenue potential that's not reflected in our P&L today.

INCREASE IN EXPENSES MAINLY DRIVEN BY HEADCOUNT EXPANSION TO SUPPORT GROWTH

Now moving to our operating expenses. Our total expenses increased by 13.7%. Personnel expenses increased by 11.1%, which is linked to headcount growth which was 10.8% and wage increases. Operating expenses increased by 16.7%. Now overall, we're focused to manage our expenses in a controlled manner as we continue to grow the business.

I think one notable point on the headcount development is that we added a significant portion of new hires in North America. So you see that the headcount in our New York office grew by 38% over the past two years. And as we continue to scale our strategies, the North America platform will deliver significant capacity for additional capital deployment and of course, more fundraising. And as you know, the US is the largest market for both deployment and fundraising. So it's important that we continue to make progress there.

CONTINUED GROWTH FOLLOWING EARNINGS STEP CHANGE IN PRIOR YEAR

Now taking all those elements and looking at our profits, with respect to our EBITDA and earnings. We achieved an EBITDA of EUR84 million, which is 1.4% above the first half of 2023. Our EBITDA margins declined slightly to 57% as we continue to expand the team and our underlying net income grew to EUR61.7 million and was up 1.5%, which resulted in earnings per share of EUR0.34.

It's clear that the earnings growth is more moderate in the first half of 2024, which follows a very substantial step change in the prior year, and that's really linked to the fundraising cycle for Flagship Fund V. So in line with what we expected.

SIGNIFICANT CASH AVAILABLE TO SUPPORT GROWTH AND FUTURE DISTRIBUTIONS

Now moving to our cash, we continue to hold significant cash balances of EUR392 million at the end of the second quarter. We have no borrowings, and we continue to generate significant cash as our business model is capital-light and highly cash flow generative.

Clearly, it's our intention to move towards an efficient capital structure and deploy this cash and generate value for our shareholders. Now, we see three ways how we can do that.

The first one is to support the expansion into new investment strategies and potentially use some of that capital to seed investment strategies and of course, to hire talent to support that growth. In addition, we could also slightly expand the co-investment portion, which we would only do within the capital light framework that we've adopted.

Two, could be to expand through opportunistic M&A, which I spoke about before, and three, our continued capital returns to shareholders.

In the first instance, that means that we're committed to continue paying an attractive dividend, and we will maintain that approach and policy as we move forward. And that's a good segway to talk about the dividends.

SIGNIFICANT CAPITAL DISTRIBUTION TO SHAREHOLDERS

Over the last 3.5 years, we have gradually increased both our dividend payout ratio and our absolute dividends per share. We distributed a total of EUR280 million to our shareholders since the IPO in September of 2021. And we're pleased to announce today another increased interim dividend at EUR0.34 per share. So that's 6% higher than the dividend announced in the first half of 2023.

OUTLOOK

Wrapping up on the outlook before we jump into the Q&A, our outlook for 2024 remains unchanged. We expect to complete fundraising for flagship Fund V above its EUR10 billion target. We expect underlying EBITDA in 2024 to be at or above the EUR175 million we have achieved last year, probably quite close to that level. And we expect to distribute a majority of our earnings as a dividend.

I think this concludes the presentation and I would open up for Q&A.

QUESTIONS AND ANSWERS

Nicholas Herman (Citi): Three questions, please, all on growth.

So the first question on fundraising for Fund V you've already raised EUR0.4 billion in the first half of this year and you previously indicated that fundraising would be back-ended. So just shy of the EUR0.6 billion to get to EUR10 billion. I guess maybe I am over extrapolating here, but it seems like that with a back-ended nature, you should end up ahead or even a fair bit ahead of the EUR10 billion by the year end. So just if you could just talk to that, please.

And the second question on investment cycles. Thank you for the new disclosure on deployment cycle duration. Again, going back to Fund V, you have made, I think, five investments and commit about 40% of the funds. And historically you've got estimated the next vintage when the current vintage is 75% committed. So you've taken two years to get halfway there, but I guess I would have thought that with easier financing conditions could make it easier for you to execute on your robust pipeline. So in that context, why should it take you another two years to deploy the remaining 30% to 40%. That just seems a little conservative to me.

And then the final question on growth optionality. I appreciate that the bar on M&A is high. I guess it seems that now might be an attractive time to acquire, given accelerating consolidation in the industry and with your managers able to raise capital. You flagged on slide 10, but you have growth opportunities through M&A through strategy expansion. I guess how do you think about the relative stability of using your cash between those two growth paths? Thank you.

Alain Rauscher: Maybe I can take the first question and we split the others with Patrice. On the growth of funds, for Fund V well, there are some statistics, which I think we can -- Patrice can share with you if you have some interest – which are essentially based on Preqin numbers, which show that 2024 fundraising for infrastructure continues to be very difficult. In fact, 2023 was a low number and 2024 is basically in line with 2023.

So there are some people who managed to raise funds, but it is a very difficult environment; and to give you a perspective when compared to 2022, which was the highest year, the fundraising in 2023 was down by about 40%, and we should expect this number to be more or less the same level in the 2024.

This is the reality of the market. You see big numbers of funds which are in fundraising. And you also know if you investigate a bit that many of them have only raised a small portion, usually less than 50% and for a long time. So being at 94% in June and frankly, seeing what we know, that we know we will meet our target is a big achievement.

We cannot ignore market conditions. The market is what it is. So please appreciate that.

Now if we look at the history of our industry over a long period and I've adjusted from them. You have data for 10 years. There has been a continued, I would say, continued growth in fund raisings of infrastructure funds, essentially because the market, the underlying trends, as we discussed are there. The money there to be deployed, but clearly higher interest rates and geopolitical risk, put a break on this evolution and I'm very confident it will start soon, again.

Second question is really why does Fund V take longer to deploy. That is an interesting question. When we invest, we're not sort of running, like in the Olympic games, a 100-meter final, and try to be the first to close off. We try to make good investments.

And you have to appreciate that interest rates have gone down very substantially over the last two years. So we have to be extremely careful about the price we're prepared to pay on those. And for that reason, we are very prudent on the investment that we make. So it may take a bit longer, fine, there's no problem with that. The only thing, and again, I insist on that because I know you are looking at numbers for the next quarter and other quarters, which is, of course, extremely important. But the main driver of a product market company is performance. Performance of the fund invested.

The fact that we raised EUR1 billion less for this vintage, is in my view completely irrelevant because we will raise one more in the next vintage, so you've to integrate that we as managers are focused on making good investments. And today we have seen some big pressure on interest rates. It is now loosening, but we certainly are extremely disciplined.

Concerning M&A, M&A opportunities. Yes, I mean, maybe you want to say a word about that, Patrice?

Patrice Schuetz: Yeah, of course. Nicholas, I just add one more thing on the front side before we go there. I think on Mid Cap, we would need two to three more investments and essentially two to three more investments would mean in average, it could take us about a year to get to the finalization of the investment period for that fund. But that obviously all things can go faster if we see an improvement in the deal environment.

And I think on Fund V, you're right. We've deployed 40% in two years. And if we see an improvement in the environment over the next 12-24 months, the remaining portion may be invested faster which would suggest we're maybe 3.5 years and not 4. But we're giving conservative guidance where we stand to date. And so it’s still far away to engineer a point landing on that.

On the growth, optionality and M&A, I mean, we really need to split it into two components. I think one is what can we do on the organic side. And the second thing is what can happen on M&A. On the organic side, clearly, if we see an improvement in the fundraising environment, we see optionality to seize that market opportunity and to do things, but we need to see that improvement.

And on the acquisition side, I would say it always takes two to tango and we set the bar high on what we believe would be interesting for us and what we would want to do. If we can do that, that's great. We would love to move forward. But if we don't, that's also perfectly fine.

And we will focus on continuing scaling the existing strategies and progressively add to the strategy set through organic expansion and we have absolutely have the capacity and the vision to that.

Nicholas Herman (Citi): Perfect. Thank you.

Arnaud Giblat (BNPP): Yeah, good morning. A few questions from my side as well. Could I come back to fundraising and the sorry, the time to deploy Fund V and mid-markets? During your prepared comments, I think you said that Fund V could be 75% deployed within a year. Does that mean you could be back a fundraising and then potentially activating Fund VI by the end of 2025.

And I suppose again, you just said that mid-market should be substantially on deployed within a year as well. So is it conceivable that if we had been more in market with Fund VI and mid-market at the same time? Another question on that point is thanks for the giving the total addressable markets. How should we be thinking about uplifts on fundament plus one in those two categories?

And finally, staying on growth, I was wondering if you could talk a bit about new products. I mean, in the past you have indicated and I think during the call as well that there's potential to do more, are there any concrete plans to do our climate funds or other new types of products? Are any concrete plans emerging there. Thank you.

Patrice Schuetz: Let me maybe start on a mid-cap II and Fund VI. And then I can talk about the uplift, and I'll let Alain talk about the strategy. On fund VI, I would see this is today as more of a 2026 event, mid-2026. If you take the four-year cycle we have in the presentation, you will essentially look at mid-2026.

And then, of course, this can be faster given where we stand today, but that's sort of what I would look at. For Mid Cap II, if we run at more than four years, which is currently the base expectation, I would see a first close sometime in the second half of 2025. But again, it's driven by pace of deployment. And these are not necessarily things we control either.

Alain Rauscher: On this side to be quite frank, we -- for the sake of not being too concentrated in our investment -- we expect to make two to three new investments to complement our Mid Cap Fund I. We may well announce a deal very shortly. In that case, the deadline could be shortened. If we do make it, we'll make sure you are made aware of that and adjust possibly your timetable. But we are very confident that the capital will be deployed in a timely manner. We are just cautious.

Patrice Schuetz: Then on uplift, I would say it's too early to tell. We will define a firm target size. When we launch the fundraising for the fund and we will inform the market accordingly, but we haven't decided, but it's clear that these funds, particularly the ones that are earlier in their growth trajectory have substantial room to scale and to grow. And the more mature ones will grow at lower rates, but they will still have significant opportunity for growth.

Alain Rauscher: Here some indication of where we stood for Flagship Fund V and Mid Cap Fund which basically were in operation at the same time. So it gives you an idea where we are. Our main focus – because it's the same strategy, just the size changes – is that there should be no overlap between the two -- just to avoid any kind of conflict of interest between LP bases. That is clear. We need to have some difference.

And again, I mentioned in an earlier slide, the long-term potential for a large-cap fund, where the largest funds in the world are above EUR25 billion and will continue to grow in the future. There is a potential to obviously grow this mid-cap strategy very substantially by making larger mid-cap deals and also by making more deals. So big potential of growth for this strategy.

Patrice Schuetz: And I know you had your last question on what would be a new investment strategy.

Alain Rauscher: It's a bit too early to tell because we have spent an enormous amount of time thinking about that, although I remind you that, our main focus is to make good investments. That's what we are paid for, good investments. And to avoid bad investments. But yes, we certainly are thinking about new strategy expansion. We are clearly thinking about organic initiatives, which we alluded to in the past. Working groups have been formed to further investigate, and then we'll see whether it makes sense or not.

To be very direct with you, in a tough fundraising environment, the priority is to get the job done on our main strategy before venturing into new strategies. So the first thing is to do the job in a very good manner before envisaging some other initiatives.

We were targeting in particular, one strategy, nearly two years ago. And the market potential today is too limited because of limited investment capacities by LPs. So we just want to find the right slot. But trust us we are focused on that.

Arnaud Giblat (BNP Paribas): Okay, great. I've got a few more questions and I'll jump back in the queue. Thanks.

Sharath Kumar (DB): Good morning. Thanks for taking my questions. I have two. Firstly, operating costs because I understand that it is growing at a steeper pace but warranted. But in the context of your 2024 EBITDA guidance have been at least at 2023 level, I would imagine you would need some help from costs as well, and not just from revenue. So in this context, I would expect it to be broadly flat in the second half versus first half. Maybe can you talk about your expectations here?

Then, on carried interest income, yes, your medium-term expectations are pretty reasonable in the context of your performance track record. But just for 2025, I know that consensus expects around EUR20 million of fees. So I know all of it should probably come from Fund III-B, which I noticed currently 26% realized just in terms of accounting for you to meet the hurdle rate, approximately, how much of this needs to be realized for you to recognize in your P&L? Thank you.

Patrice Schuetz: Thank you, Sharath. With respect to your first questions on the operating cost base. The expectation is that we continue to see costs in the second half of the year increase and there are really two reasons for that. The first one is just a technical one, which is when we hire people in the first half of the year, not the full cost of those hires are reflected in the numbers. So you're going to see the full cost of those reflected in the second half.

And you're probably going to see some additional hires that will come through in the second half as well. I would say you will never see our cost move directly in line with revenue. In fact, what you see is that cost is increasing gradually as we continue to hire and integrate talent and make sure that everybody can fully perform and operate in their roles. While revenue will grow in lockstep with particular fundraising events. That can be very substantial in one period and less so less so in another. So that's completely normal.

At the same time, we're doing an over-proportional share of our hiring in North America, which will really unlock very substantial deployment and fundraising capacity in a market that is big, important and relevant. But those hires they come at a higher cost. And so that's really what you see the cost base. The cost base goes up, but this will pay off.

Then we have to move to the carried interest. I think if you look at Fund III-B, it only holds four assets. In addition, we also hold a very small portion, very tiny portion of carry in Fund III, which is linked to employees that are at some point left the firm and small allocations that we bought back.

And in combination those two would likely deliver some revenue in 2025 provided that we have exits in those funds. In Fund III-B, that would probably mean at least one realization, one exit of those four portfolio companies in Fund III-B. That's where we stand. Well, I won't comment on the amount you mentioned because we're not guiding on the amount and it's difficult to say. But in principle, I think there should be a good path to see encouragement to start.

Sharath Kumar (DB): Thank you for that.

Hubert Lam (BofA): Hi, good morning. Thanks for taking my questions. I've got three of them. Firstly, as you reach the end of fundraising for Fund V, how should we think about the fee rate for this fund? One of your peers guided for the slower, slightly lower fees in their flagship, do you think will be necessary to give fee discounts at the close of this fund? That's the first question.

On the second one, again on costs, you talked about costs for this year, how we should think about it, but how should we think about headcount growth into next year? So you've grown headcount by about 12% to 13% per annum over the last two years. So do we still expect double digit headcount growth for 2025.

And lastly, on wealth. I know you previously said that you do not have plans to enter the wealth market. But is this still --would this be part of your strategy in the medium term to maybe create some semi-liquid funds within infrastructure? Thank you.

Alain Rauscher: Thank you, Hubert. Maybe I can take the first question and then Patrice can take the last two ones. On Fund V. To finish Fund V, no, we don't expect and we are not actually requested to provide any discount on fees, which I will remind you would apply to all of our investors because they all benefit from the clause of the most favoured nation. And no one asked.

Let's be very clear, the reason why -- the main reason why people don't invest or invest less in private markets funds these days is because of fewer returns of capital because of fewer exits. So this is really the main driver. No one is saying we are prepared to invest in Fund V if you give us a discount. This is irrelevant for investors. And Patrice going into the two others.

Patrice Schuetz: Sure. Hi, Hubert. I mean, on cost and headcount growth going forward, I think that we will continue to hire in 2025 as we grow the business, but we'll probably be at a lower percentage rate than what we've seen in 2024. And of course, we're always mindful that we pace the hiring relative to when we have fundraising events and when we see the growth come through. We're really going to have to finalize the number and it is still somewhat dynamic. But today I would expect it to be somewhat lower on a percentage basis than what you've seen this year.

On the wealth segment, we've been raising quite a substantial portion of capital indirectly and directly through those channels, whether it be feeder funds, that we set up in partnership with private banks and wealth managers, whether it be fund vehicles that are set up by banks and funds of fund that are targeting very substantially distribution into the wealth channel. And that's capital that's been indirectly and directly flowing into Fund V in big amounts.

Now clearly, there are deliberations around what could be possible with dedicated vehicles and these types of things. And we remain open to those debates. I think it would be premature to tell you we'll do something there. We haven't concluded and we remain open to it all.

Hubert Lam (BofA): Great. Thank you.

Angeliki Bairaktari (JP Morgan): Thank you for taking my questions. Just first question, please, on the Mid Cap strategy. I think last year we had spoken about potentially sort of splitting this into a European and a US strategy. And is that still something that you would maybe consider or continue with the same sort of format, investing in both geographies at the same time.

And then second question with regards to the fundraising for the Flagship fund side and more broadly, the appetite that you see for the infrastructure assets. I hear your point that fundraising has been challenging because of the lack of access. And that more broadly, I was wondering if anything has changed when it comes to LP appetite for the asset class and perhaps if you can give us some colour on how much of the EUR9.4 billion you have already raised is coming from, we reaction from existing clients and how much is coming from new clients?

And third question on exits. We haven't had any exits for the past 18 months, and it's encouraging to see that. And you now announced the exit of branches that Grandi Stazioni Retail out of Fund II. And I heard you mention that, potentially you could see some carry next year out of Fund III-B. How are you preparing for those exits? Have you seen any signs and within your teams that the pipeline is improving? Have you started processes? Could there be more than one exits next year, if conditions improved significantly.

Alain Rauscher: Thank you, Angeliki. Well, first concerning the Mid Cap Fund II allocation and organization per se, we maintain the fact that, we are focused, be it in Fund V or, in a bit, in our flagship strategy or Mid Cap strategy, on Europe and North America. It is our main focus.

For the rest, it's too early to give any indication as to where, how we will structure the Mid Cap funds to come. So we'll have to decide on the size. We have to decide also on the structure of the time, but it certainly is too early to tell.

Concerning Fund V, personally, I see no change in appetite of LPs to invest in Fund V. Again, as I said, the main driver for lower investments is essentially the fact that return capital to LPs has reduced and not just in infrastructure, but at large. And this is essentially putting some pressure on LPs who want to continue to invest and we need some written capital before reinvesting significant amounts. So that's the main driver.

No change of appetite for the asset class whatsoever. On the contrary, I think we are an extremely appealing asset class.

Patrice Schuetz: Angeliki, on the fundraising, and your question on existing versus new investors, it's really a very healthy and positive balance on two. We see on the one hand, a very significant portion of existing investors that have reinvested. In average, probably at somewhat lower upsizing or lower check sizes in some cases versus what we've seen in prior funds. And that's been linked to the liquidity constraints.

So 60% in total comes from existing LPs, but on top of that, we've also raised a very substantial portion of capital from new investors. And that's very important because many of those new investors they come into the fund as is a first time investment and I guess the lowest check size or a smaller check size that they would be doing with a very established relationships, and it gives us an opportunity as we come back with the next fund to substantially upsize some of those investors, particularly in the sovereign wealth funds base or in certain segments of the pension funds base where investors can really deploy very big amounts of capital. And so we're actually really pleased with the mix of existing versus new investors.

And in total, just to give you some additional numbers. So in total, we have 88 existing investors that have come back into Fund V and about 108 new investors on total numbers under their close to 200 investors now in Fund V.

Now moving to your question on exit and GSR. The first thing I'd like to reiterate or mention again on GSR is we're really pleased that we could exit this business first at a good valuation with them. Our target return thresholds leading to a really great outcome for Fund II and yet again, a very substantial value uplift for that asset on exit, which is something that we've done consistently and gives us a lot of credibility to those valuations.

As we look forward to the next year, I think we could see one exit, we could do two exits, of course, when we look at our portfolio, we will always look at what assets have essentially implemented their value-creation plan and are right for an exit. And where do we see significant additional potential if we continue to manage those assets for another one year or two years.

And certainly we see assets that and that could be ready for an exit. But then we need to see whether the market environment is the right one to do this. In the end, we want to make sure we can maximize value to our fund investors and those actions we believe will produce some good outcomes next year.

Arnaud Giblat (BNP Paribas): Thanks for taking the follow-up. I had just two quick ones. You say that in the presentation that EBITDA has grown by about 19% in your portfolio companies on average, I mean, obviously, you've had a limited exits and over the past year, valuations have already thought. So my interpretation is a valuation multiples of about 19%. And I suppose you could do the same sort of analysis the year before that. So is an interpretation, right?

And are you comfortable with the valuation multiples you're holding portfolio companies or assets, i.e., if EBITDA continues to grow at that pace, should we expect from here and that valuations are going to grow at a minus EBITDA in portfolio companies?

And the second question is thanks for the sizing of carry. I just wondering, I mean, in that calculation of carry, I suppose you look at the gross profit minus the cost minus management fees. And yes, you missed a certain level deployments. So my question is, what is the management fee cost deducted from the carry, and the level of deployment you assume? Thank you.

Alain Rauscher: Thanks, Arnaud, maybe I can take the first question. Yes, we are a value-add investor, and therefore we pay enormous attention to growing the profitability of the portfolio companies we will invest into. I don't think there is a mechanical connection that we see between the EBITDA growth and the value we can expect to derive. But certainly we will focus on growing the profit base of our companies. Just to put some perspective, we see the valuations that we produce every quarter on our portfolio companies as the base of trust with our LPs, which basically are people who allow us to do our job.

So we tend to be prudent in our valuations. And this actually translates into an uplift where we make some exits, which is a very substantial uplift compared to our internal valuations. So we tend to be very prudent. And then of course, when we make an exit, we tried to get the best in the interest of our LPs. So yes, I mean, we our focus is to continue to grow companies.

Clearly, when we come to a point when EBITDA growth is going to be strong -- and there are times it is going to be reduced. This is a time for us to really think about selling. And the reason for that is not because the companies have no growth potential but just because we think it is preferable that some new investor with fresh capital and capex can basically develop the company further.

So yes, EBITDA growth is the driver of value creation for our different companies. And we are we are very prudent actually in the valuations we produce.

Patrice Schuetz: Yes. And look on the carried interest numbers, I mean, basically the assumption is that those funds would produce a gross multiple of about two times money. And then obviously there are deductions for fees, management fees, reductions for expenses that the fund has for due diligence of investments.

And then we take an assumption that we typically don't invest 100% of that capital, but somewhere around, between 85% to 90% and usually sort of close to 88%, 89% historically. And that's how we come to those carried interest numbers. Of course, historically, these funds have delivered 2.6 times money for Fund II to 2.7 for Fund I. So this just takes the simplified assumption that they deliver it at two times growth.

Arnaud Giblat (BNP Paribas): Great. Thanks.

Alain Rauscher: I assure you that we try to beat that. That's what we do for a living.

Ludmilla Binet: We have also received questions on the webcast, I'm going to read them. And that one is actually a good continuation on the discussion we are having. So Alexandre Gérard from CIC is asking, given a higher competition in the infrastructure field, a tighter financing conditions, do you believe that realizing a 2.6 times gross multiple is reachable for your other vintages? And can you remind us of what your target is?

Alain Rauscher: Well, okay. Well, first of all, I'll tell you we just discussed about it. It's essentially that our target is two times money multiple. And so that's a status from Fund I onwards. The question I ask: is there increased competition? I'm not sure I would say increased. We have, of course, we're in a very competitive market, but we've been so now since inception. So we did for the investments which have been disposed that reflected this competition situation. Is there more competition? I don't think so. I really don't think so.

I think we have competition, but it's not like there are 10 funds in France fighting for every asset in the world, or assets in Europe and North America. It doesn't work this way. Fundamentally, as investors, we need to develop some skill sets and we need to develop some knowledge of some of the markets.

For instance, we're one of the few movers to invest into fibre markets. And many people didn't make the intellectual investment of getting their hands on it. And many have caught up. But clearly, when we invested in the sector, there was no one.

When we invested in smart grids, it was not like we were fighting against many people. It's not the case at all because people were not already focused on this kind of investment, telecom towers in store, et cetera. So we tried to identify some things which are important and tried to work on them as methodologically and as thoughtfully as possible. And it means that, there are segments of the market within which we have some particular expertise and we can move very fast.

A quick example of which we discussed with you I think a year ago, which was the motorway service areas business with Roadchef that we sold in the UK. Clearly, we had invested like three years or four years before making the deal in the sector, and we could move very fast and make very good returns. And that's all the time. Of course, there are segments in which we have not made the investment -- intellectual investment to get to know it very, very well.

So everybody is doing the same. We try to have strong points and you prepare to move very fast and put all capital to work that is needed to make good returns. That's a thesis. So increased competition to be fair. I don't see it. Competition, yes, but not increased competition.

Ludmilla Binet: We've also received questions from Geoffroy from Oddo, and he asked a number of questions, some of them we've answered previously. So I'll ask the questions that haven't been answered. So what happened in Flagship Fund IV? There was a markdown in the second quarter versus the first quarter. What happened was it one asset, was it several assets? How can we explain that?

Second question on GSR, exit uplift, we answered that. And one question on the dividend, that portfolio companies sometimes distribute. Did that happen for GSR and if so, is this dividend regular or exceptional? How should we think about that? And final question is on the EBITDA of next year. Are we going to give some indication on run rate given consensus, expects a flattish EBITDA.

Patrice Schuetz: Okay. Let me maybe start with Flagship Fund IV. I mean, look, every quarter, we go through the process of doing a portfolio review committee, which means every investment team values their investments. These firm evaluations are heavily debated. They are validated by an independent party as well. And that then reflects the value of the assets and the multiple evolution of the funds and so it's always a variety of things.

And of course, when we feel that a particular business needs to be marked up or mark down based on its performance, we mark it up and we mark it down and we do that every quarter. So you're never going to see things only go up over time. So that's kind of natural evolution of things.

As for the dividend within the portfolio companies, typically, we tend to invest in companies that require very substantial capital investment to support the growth and the build-out of infrastructure. So usually in the early years of an investment those investments will not be distributing dividends to the LPs. We continue to inject a lot of capital in them to support the build out infrastructure and the growth.

Then obviously in the later parts of an investment before we exit that investment there be distributions. And when there are distributions, that's good because we're always happy when we can return capital to fund investors.

As for the last questions on EBITDA for next year, I think it's too early for us to give a particular profit guidance. We will do that, of course, when we announce our year-end results. As you know, the two main aspects that will drive the P&L and are not for certain today for the P&L in 2025 is the amount of carried interest that will be recognized and, number two, the timing of Mid Cap activation. And so by the time we will share guidance with you, we will hopefully have more clarity on both of those two aspects. But in principle, those are probably the two main elements to keep in mind.

Alain Rauscher: Maybe on write-ups and write-downs, I can give you some -- so just a brief colour because I think the question you ask is very, very valid. It's all about our -- I would say our approach to investing. When you have to make a decision on net asset value quarter after quarter, I think fundamentally you are faced with two options. The first one is to say, okay, we are going to value this company in the context of today without making assumption that things are going to further improve.

As an example, for instance, we are faced with some of our investment with high interest rates. We could very well say interest rates are going down, and therefore, we're going to make exit assumptions with very favourable terms. I would say interest rates going forward or multiples going forward.

So what we do is we do not do that. We do not do that. So we always tend to be very prudent in our assumptions and not expect that things will improve, although we may take a view. And frankly, if you ask me today, I'm quite confident that the interest rates will ease and therefore will provide for better terms when we exit or we refinance. But we do not take that into account out of prudence, out of precaution. But some people do and it may create some impression in the market. But for the same assets, same market, same performance, there are some value gap. We don't do that.

Are we too prudent? Maybe, because I mean, when we realize assets, we observe a very strong value uplift, which pleases us and LPs, but clearly, we are -- we take this very prudent approach. And again, we have this debate internally. We have a portfolio review committee, which is formed of all these new committee members where we review evaluations one-by-one. We have a debate and of course, we have a debate with auditors and with Kroll, who is our independent appraiser about that. But clearly, we are very prudent.

Ludmilla Binet: Here is the final question from the list of questions received in writing. It is about the free float. Can we expect something proactive to increase the free float?

Patrice Schuetz: Yeah, look, just as a reminder, so close to 85% of the shares today are held by the partners of Antin, which in a way, ensures very significant alignment of interest with the public shareholders. And we've put in place lockup structures at the time of the IPO, whereby 25% is released in September of 2024, another 25% in September of 2025 and the remainder in September of 2026.

I'd like to make clear that any decision to sell shares lies entirely with the Partners and not Antin. So it's important to note that the Partners are committed and that any share sale would be coordinated and would happen only in an orderly manner.

Having said that the Partners have met and have informed the company that they do not intend to sell shares at this point. And obviously, that can change. And as I said, it's an individual decision, but they've informed us that they do not intend to sell shares at this point.

Ludmilla Binet: I think we've answered all of the questions.

Alain Rauscher: Thank you very much. Have a good day.

Patrice Schuetz: Thank you.