ANTIN

INFRASTRUCTURE PARTNERS

Full-Year 2023 Results Transcript

07 March 2024

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 Full-Year 2023 Conference Call. Earlier this morning, we issued a press release announcing our results. A copy of this release and the slide presentation are available on our website. For today's presentation, I'm joined by Alain Rauscher, Chairman and Chief Executive Officer; Mélanie Biessy, Managing Partner and Chief Operating Officer; and Patrice Schuetz, Partner and Chief Financial Officer. They will present the highlights of the year, provide an update on the business activity, and review the financial results of 2023. The presentation will be followed by a Q&A session. Let me now hand over to Alain.

HIGHLIGHTS AND BUSINESS UPDATE

Alain Rauscher
Chairman & Chief Executive Officer

Thank you, Ludmilla, and good morning, everybody. It is a pleasure to welcome you on the call to talk about our solid level of activity and strong financial performance in 2023.

2023 HIGHLIGHTS

As you are well aware, the private market industry had a challenging 2023. We're overall very pleased with the performance we have achieved in this environment.

First, our AUM continued to grow last year to reach more than €31 billion, of which more than €20 billion were Fee-Paying. These levels were achieved as we reached significant fundraising milestones. We held a final close of our Next Generation Fund I slightly above target, and we ended the year at €9 billion commitments for Flagship Fund V, which represents more than 90% of its target size.

We remained disciplined with our capital deployment and announced four high quality investments. All of our funds continue to perform on or above plan, demonstrating the resilience of our portfolio companies and of our asset class.

Our financial performance was very strong, driven by revenue growth and controlled cost increases. Underlying EBITDA grew by 48%. Underlying net income grew by over 60%, resulting in the most profitable year in Antin's history.

As a last point, you will note that we continue to have a strong balance sheet with substantial cash holdings. Our business is highly cash flow generative, which allows us to distribute almost all of our underlying net income to shareholders, resulting in a payout ratio of close to 100%.

FUNDRAISING PROGRESS AND DISCIPLINED CAPITAL DEPLOYMENT

On Fund V, activity levels across fundraising and capital deployment were solid last year, despite volatile markets and macroeconomic and geopolitical headwinds. Fundraising advanced and we reached important milestones. Commitments raised for Flagship Fund V and NextGen Fund I amounted to €1.8 billion in 2023. While that number is lower than 2022, we are at a different point in the fundraising cycle, which makes the end-of-year comparison somewhat less relevant.

Flagship Fund V exceeded €9 billion in commitments at the end of the year, an increase of €1.6 billion compared to year-end 2022. 90% of the fund's target size is secured. This already represents a 40% upsizing from Fund IV. And, of course, fundraising continues in 2024. As for NextGen, we are proud to have successfully held the final close of Fund I slightly above target in November. All of this was achieved in difficult market conditions, as private infrastructure saw the biggest decline in global fundraising since the GFC in 2008/2009. This has obviously impacted everyone in the market, including Antin. It is mainly driven by investor liquidity constraints, as realization has slowed down across the industry over the past 12 to 18 months.

I will reference one of our investors from Fund I, which has been very loyal and reinvested the same amount vintage after vintage; for Fund V, to date at least, their allocation has been reduced nearly fivefold. It illustrates the pressure on liquidity that some of the biggest LPs may face.

While we expect to see an improvement in those conditions in 2024, we believe that the deal activity across the industry needs to pick up before we see a significant acceleration of fundraising, and we expect these improvements to be gradual.

With respect to capital deployment, we remain disciplined in a rapidly changing market environment, and this has served us well. We have made four exciting investments in 2023 for a total of €2 billion. Flagship Fund V announced two investments in 2023. First, the take private of OPDEnergy, a renewable energy platform, for which we recently received approval from the Spanish regulator to take the company private; we expect to close this transaction at the end of March.

The second acquisition made by Flagship Fund V is Consilium Safety, a specialist in infrastructure safety, which we acquired from Nordic Capital. Next Generation Fund I also announced two investments in 2023, both demonstrating our strong commitment to the energy transition and circular economy. The first investment was in PearlX, a smart grid operator in the US. The second is a tyre recycling joint venture with Enviro, a Swedish listed tech company, backed by Michelin. The construction of the first plant has now started in Uddevalla, in Sweden.

With respect to exits, we will always assess the right timing for a value-maximizing exit, and volatile or uncertain market environments are typically not conducive to that. We therefore did one exit in 2023, namely Hesley, which was well flagged. As we look forward to 2024, we expect to exit one or possibly two portfolio companies that year.

EXPANDING AND DIVERSIFYING A LOYAL FUND INVESTOR BASE

I would now like to take a moment to talk about our clients and the global build-up of our investor relations platform. Our first priority at Antin is to serve our clients well, which means focusing on delivering good investment returns and good services. These have served us well and allowed us to build long-standing client relationships over time. Many of our fund investors are invested in several fund vintages and, since we launched Mid Cap and NextGen, in multiple investment strategies. It is therefore no surprise that we raised more than 60% of Flagship Fund V from existing investors. At the same time, we also raised more than €3.4 billion from new fund investors, which is a result of having built out significantly our global investor relations platform, including the expansion of our office in New York and the launch of our offices in Singapore and Seoul. As a result, our fund investor base has been growing rapidly. The number of fund investors increased by almost 60% since our IPO in September 2021, from around 200 LPs to more than 320 LPs. This growth was also accompanied by a globalization of our investor base.

In about three years, from Fund IV to Fund V, capital raised from North America has more than tripled and capital raised from Asia Pacific has almost doubled. Today, more than half of Fund V has been raised in the Americas and Asia, versus 30% for Fund IV.

CONTINUED FOCUS ON ASSET MANAGEMENT AND FINANCIAL PERFORMANCE OF PORTFOLIO COMPANIES

Let me now talk about the performance of our portfolio companies, which continues to be strong in 2023. The revenue and EBITDA of our portfolio companies grew by an average of 4% and 11%, respectively. If we exclude energy companies for which revenues are more volatile due to the pass-through of energy costs, the numbers are even stronger at +14% revenue growth and +17% EBITDA growth. What these numbers demonstrate is that the inflation protection that we seek in our portfolio companies work, that the value-creation initiatives are delivering results, and that our portfolio companies continue to perform very well in challenging times.

While growth initiatives are both organic and inorganic, our portfolio companies have made more than 180 add-on acquisitions in 2023 as part of buy-and-build platform strategy. A large number of add-on acquisitions actually relate to pharmacy acquisitions for Hippocrates – about 100 – which is building one of the largest pharmacy networks in Italy.

Also, we continued to have access to financing as infrastructure debt market remained open. More than €8 billion of debt were raised or refinanced in 2023, on top of the €10 billion we have raised or refinanced in 2022. We have no debt that will mature in 2024, and debt maturities across the portfolio are well staggered over many years. We have limited near-term refinancing needs, which of course is an enormous comfort in today's markets.

BROADLY STABLE GROSS MULTIPLES IN 2023

The strong performance of our portfolio companies resulted in all of our funds remaining on plan or ahead of plan. It also demonstrates the strength of our investment framework and the resilience of the infrastructure asset class. As a reminder, our funds stand at different points in the investment cycle. While the graphs are useful to see the evolution of a particular fund over the last couple of quarters, a comparison over vintages doesn't make sense as they stand at different points in the value-creation cycle.

FLAGSHIP FUNDS III & IV PERFORMANCE CONSISTENT WITH HISTORIC GROSS MULTIPLE EVOLUTION

To put the evolution of our fund performance into perspective, please look at the chart on the left-hand side of the slide number nine.

As you can see, Fund III and Fund IV performance is developing in a similar manner as Fund I and Fund II did. In addition, we have a strong track record of delivering a value uplift at exit. About 90% of all portfolio companies were sold for a price which was higher than the carrying value price prior to exit, namely the net asset value before the exit, which demonstrates the prudence of our value assessments.

On a realized basis, this has driven performance well above our target. Our realized gross multiple stands at 2.6x versus a target of 2.0x. Our realized gross IRR stands at 22% versus a target of 15%. So, overall, we are happy with our funds' performance and confident that our more recent vintages are on a good path.

I will now hand over to Mélanie to talk about the evolution of our operating platform.

A NEW GENERATION OF MANAGING PARTNERS AS PART OF A LEADERSHIP EVOLUTION

Mélanie Biessy
Chief Operating Officer

Thank you, Alain.

2023 was an important year for Antin in the evolution of our leadership and organization. In addition to the continued growth of the team and the ongoing build-out of our platform, we welcomed a new generation of Managing Partners, all of whom have been with the firm for a long period and are significant shareholders. This is a natural evolution of the leadership and is consistent with what we've always said for many years, which is that any change to the leadership of the firm will be gradual. As such, Mark Crosbie, who co-founded Antin together with Alain, will now focus on co-chairing the investment committee, meaning overseeing the investment activity across our three strategies: Flagship, Mid Cap, and NextGen.

It was Mark's desire to step back from the executive committee after a long and distinguished career. Of course, he remains an important part of Antin in this role, and he also remains a committed shareholder and vice-chairman of the Board of Directors. At the same time, Stéphane Ifker, Angelika Schöchlin, Kevin Genieser and I were promoted to Managing Partner and the Executive Committee was expanded from three to five members.

Stéphane has been with Antin since the inception of the firm. He has led many of our most successful investments, in particular in the energy and digital infrastructure sectors, and is also the global sponsor for those sectors across the three strategies.

Angelica has been with Antin since 2010. She has led our investments in the transportation and social infrastructure sectors, and she's also the global sponsor for those sectors.

Kevin joined us in 2017 in London. He’s American and therefore relocated to New York and started building our US presence in 2018, presence which has since grown to more than 50 employees. We've done to date six investments in North America.

As you see, we're an experienced team and the promotions are also testimony to our commitment to fostering talent internally. We have a long track record of promoting people within Antin, and that is true at all levels of the organization.

NEW ADVANCES IN SUSTAINABILITY IN 2023

On sustainability. We are very much a leader in this domain and continued to make significant progress in 2023. First, climate change. This is, and it remains, at the top of our sustainability agenda. To align our climate change mitigation efforts with the objective of the Paris Agreement, we began implementing science-based carbon reduction targets at portfolio level. 12% of our capital is now invested in companies with SBTs, and we aim to reach 100% before 2040. This is not all. A significant portion of our efforts to counter climate change lies in investing in sustainable businesses. Today, a third of our capital is invested in companies actively working towards the energy transition, and another 23% of capital is invested in companies with low carbon emissions. In total, that makes more than €11 billion invested across Flagship, Mid Cap and NextGen for companies that contribute to a sustainable and greener future.

On the social front, we maintained a strong focus on the well-being of our employees and our ability to integrate people with diverse backgrounds and origins. We are happy to report that the share of women in our total workforce stood at 44% overall, including 25% in the investment team, significantly above the industry average. And of course, we continue to grow this further.

We've also continued to be involved in our communities and maintained existing academic partnerships with HEC Paris, Bocconi University, Cornell University and the London School of Economics, where we are supporting academic initiatives. In the area of ethics and governance, we maintained an effective board and continued rolling out our compliance program, which has been recognized as best in class by most rating agencies. To ensure the continued progress of our ESG initiative at portfolio level, we’ve successfully integrated our ESG investment program across 100% of our investments. Cumulatively, we've now secured over $5 billion in ESG-linked financing for our portfolio companies. We also continued to receive outstanding scores from rating agencies that position us well within our sector.

Finally, we are delighted to report that in addition to the awards we received in 2022 for our sustainability efforts, we were also awarded the 2023 Sustainability Prize by Private Equity magazine. I now hand over to Patrice.

FINANCIAL PERFORMANCE

Patrice Schuetz
Partner and Chief Financial Officer

Thank you, Mélanie. I will now talk about our 2023 financial results. Moving to page 13.

STRONG GROWTH ACROSS ALL KEY METRICS

As you see on this page, we delivered significant growth across all key financial metrics. Our Fee-Paying AUM increased to more than €20 billion and was up 5.8%. Revenues grew by 32%, driven entirely by higher management fees, which are long-term contracted revenues that provide significant P&L predictability. As a result of our revenue growth and controlled cost increases, we substantially grew our underlying EBITDA and our underlying net income. EBITDA was up 48%, with margins expanding by seven percentage points, and net income was up more than 60% as a result of those effects.

Now, given our strong cash flow generation and our significant cash position, we expect to distribute nearly 100% of our earnings to shareholders, proposing a full-year dividend per share of €0.71, which is close to a 70% increase in year-on-year dividends per share.

Moving to the next slide, I will talk about the components of our 32% revenue increase.

STRONG REVENUE GROWTH DRIVEN BY FLAGSHIP SCALE-UP AND NEXTGEN SUCCESS

So first, a majority of the increase comes from higher management fees related to our Flagship strategies. This includes a €91 million increase in fees related to Flagship Fund V, which benefited from a 12-month contribution to revenue in 2023 compared to a five-month contribution in 2022. In addition, we continued fundraising for Fund V, which added additional revenues. Now, this was partly offset by lower management fees on more mature Flagship strategies, which includes Fund IV, Fund II and Fund III.

As for NextGen, management fees increased as we completed fundraising for that strategy, slightly above the €1.2 billion target.

With respect to the investment income and carried interest, we were slightly negative in 2023, mainly due to the ordinary J-curve effects for Fund V and NextGen Fund I, which are early in the fund's life, we're accruing expenses for the assessment of investment opportunities while the assets in the funds haven't been substantially revalued. And finally, we've also increased our administration fees related to fund admin services provided by the Group in Luxembourg. So overall, this has increased revenues to 283 million, up 32%.

SIGNIFICANT LONG-TERM CARRIED INTEREST REVENUE POTENTIAL

Now that we looked at revenue growth in 2023, I would also like to talk about our carried interest. While carried interest is not a material component of our P&L today, the future revenue potential is very material. At the year end of 2023, the carried interest commitments of Antin could generate about €460 million in total revenue, assuming that our funds achieve a 2x gross money multiple and performed above the 8% return hurdle. So, just as a reminder, our funds delivered historically a gross multiple of 2.6x, which is substantially above the 2x gross multiple target and substantially above the assumptions that you see on this slide. Based on Fund V’s target size of €10 billion, this carried interest potential would increase to about €500 million in potential revenues.

While it will take a moment for carried interest revenues to be recognized and to build up, the most near-term potential comes from Fund III-B, where the timing of any carried interest revenue recognition will depend on the exit timing of the portfolio companies in that fund and, of course, on the continued value creation of that fund. So overall, you see, there is significant potential associated with the carried interest, which is not reflected in our P&L today.

GROWTH IN OPERATING COSTS MAINLY DRIVEN BY INCREASED HEADCOUNT AND INFLATION

Moving to the next slide, I take a moment to talk about our cost base. You see that we've increased our expenses in a controlled manner in 2023. Personnel expenses increased by 15.1% to €74.2 million. And this increase is primarily driven by headcount growth of 10.9%. The remainder is linked to wage increases, which is a combination of both promotions and inflation linked compensation adjustments. With respect to the headcount growth, we grew primarily the investment team and certain key functions and operations. This includes hires in our New York office as we continue to grow our presence in North America, and it also includes hires across functions such as technology and sustainability, where we continue to add specialized expertise.

Operating expenses, on the right-hand side of the page, increased by 6.2% to €33.2 million. The most significant share of the increase relates to higher fund administration expenses that moved from €2.8 million to €5.7 million. That is a neutral impact on Antin’s EBITDA, as we have an offsetting revenue item. It is an increase in fund admin that’s linked to the growth of the funds and also to investments we have made in the build-out of the technology, which ultimately allows us to better serve our clients and enhance the scalability of the fund administration platform.

In addition, no placement fees were expensed in 2023, compared to €2.7 million in 2022. And as you know, these are periodic expenses that occur in connection with particular fundraising events. So, if we exclude admin fees and the periodic placement fees, the operating expenses increased by about 6.9%.

MATERIAL INCREASE IN PROFITABILITY

Now, as a result of our strong revenue growth and control-cost increases, we significantly increased our earnings. Our underlying EBITDA increased by 48.2% to more than 175 million. Our margin expanded by seven percentage points, and our underlying net income increased by 60% to 128 million, resulting in an underlying earnings per share after dilution of €0.73 per share, compared to €0.44 per share in 2022.

NEARLY ALL NET INCOME DISTRIBUTED TO SHAREHOLDERS

Now, given our strong cash generation and significant cash holdings, we continue to distribute most of our earnings to shareholders. We still hold more than €420 million in cash. We don't have a need to retain further cash at this point, which means we're paying out nearly all of our 2023 underlying net income as a dividend. We propose at the AGM a full-year dividend distribution of €0.71 per share. That's a 69% increase from last year. €0.32 per share has been paid already as an interim dividend in November 2023, and the remaining 39 cents per share will be distributed in June 2023. Now that's subject to shareholder approval. In total, this will result in a full-year dividend distribution of 127 million. The ex-dividend date is the 17th of June and the payment date is the 19th of June. So shortly after our AGM.

I'll now take a moment to talk about our outlook, and I'm sure you're all focused on that.

OUTLOOK

I'll start on the left-hand side with the growth. It has always been our objective to grow faster than the private infrastructure market overall. That's what we delivered over the past 15 years, and that's what we expect to deliver in the future. With respect to Flagship Fund V, the target and hard cap remain unchanged at €10 and €12 billion. However, based on what we're seeing in the market today, fund investor liquidity constraints are still there and to some extent, allocation constraints too. So, our expectation is that Fund V will exceed its €10 billion target and will be significantly larger than its predecessor, Fund IV. Of course, we're aligning our outlook with the current market dynamics. We'll continue to work hard to deliver an outcome that's as strong as possible. And that's our focus.

With respect to the EBITDA, the outcome for 2024 is very much dependent on the fundraising outcome for Flagship Fund V. These two things are closely linked. It is our expectation to deliver an EBITDA in 2024 that is either at or above the prior year level.

With respect to the dividends, it is our objective to continue to distribute a majority of our cash earnings as a dividend, and our intention to continue to grow our dividends per share going forward.

I will now hand back to Alain for some closing remarks.

KEY TAKEAWAYS

Alain Rauscher
Chairman & Chief Executive Officer

Thank you, Patrice. To conclude this presentation, I would like to reiterate that we delivered a strong financial performance in 2023 with significant growth in operating leverage. We increased the revenue by 32%, EBITDA by 48% and net income by more than 60%. For shareholders, it resulted in a significant increase in distribution, dividends growing by 69% year on year, and the payout ratio being now close to 100%, delivering a more than 5% yield at today's price.

Our business is highly cash flow generative and cash light by design. With more than €420 million in cash, we do not need to retain earnings.

Fundraising conditions were difficult in 2023, with fund investors facing tough liquidity constraints. Nevertheless, important milestones were reached, with NextGen closing at target and Fund V nearing its target size. Consistent with our “Performance First” mindset, we remained disciplined with our capital deployment. We made four investments in 2023 and have a strong pipeline of investment opportunities ahead of us. Our robust fund performance demonstrates the resilience of our portfolio companies, mobile infrastructure way of investing, and of the infrastructure asset class at large.

Looking forward, we believe the medium-term prospects for infrastructure at Antin are better than ever. The development of digitalization, energy transition, greener transportation will require massive amounts of capital and public money will not be enough. We have a key role to play to support these megatrends as an experienced owner of private companies in these sectors, by doing what we do best, which is seeing potential and delivering value.

I would now like to open up to questions that Mélanie, Patrice and I will be delighted to answer.

QUESTIONS AND ANSWERS

Nicholas Herman (Citi): Yes. Good morning. Thank you for the presentation and for taking my questions. I have three questions, please. One on fundraising, one on M&A, and one on new strategies. Just on fundraising, you talk about exceeding the €10 billion target. It also seems like reaching the €12 billion hard cap is no longer the base case. If that is correct, can you talk about what has changed since 2023 and why you no longer expect to hit the hard cap?

Question two, can you just talk about how the hiring of the team for your new strategy has evolved since we last spoke in August? I think in the past, you said that you wanted to wait for the right environment before launching a new strategy. Markets seem a little bit more constructive. We kind of have a better line of sight to growth for the industry. Do you have a better line of sight for the environment that's needed in order to launch that new strategy?

And then finally, we have seen consolidation clearly accelerating with LPs consolidating their relationships and also some material developments in private wealth channels for private equity and infrastructure solutions. I guess the question is, do these developments change for you the relative merits of partnering with other managers operating other asset classes? And that can be, I guess, bigger or smaller managers, in order to accelerate your growth by appealing to a broader number of LPs. And I guess potentially even better targeting the private wealth channel. Thank you.

Alain Rauscher: Thank you, Nicholas. I will answer question one and probably three, and Mélanie will answer question two. Concerning the fundraising, I think we have to basically be realistic about the market situation. I mentioned earlier an example where we had a very loyal and long-standing investor who was so cash constrained that he had to divide by five his commitment. So we have to take note of this reality. Because when Patrice mentioned that our clients are very constrained for liquidity, it is a real fact. And it is really the result of two things. The first one, which is that there are hardly any distributions, completed very few selloffs of assets, and therefore return of capital to LPs, which limits, of course, their ability to continue investing for the same amount. And the second thing is that for the first time in many years, the bonds start to give risk-free returns that are decent and rather appealing. So quite naturally, we are faced with these two trends among our clients which means that we have to take note of that.

First of all, 12 billion has never been our target. 12 billion has always been our hard cap and continues to be our hard cap, by the way. But we think it is preferable to focus on the 10 billion. And frankly, there might be more; we will see in due course if there is any, I would say, a release of tension on interest rates. And as you probably know, the Fed is expecting to reduce, according to some analysts, interest rates in America by thresholds of 25 bps; four thresholds of 25 basis over the next year or 18 months, we don't know. But if it were to happen, evidently it would have a material impact on fundraising, because there would be some selloffs.

We still have, in some cases, some discrepancy between ask price and demand price. In other words, between sellers and buyers. I think the gap is nearing, to be quite frank, as debt financing can become again more abundant.

Now, we may have good surprises, but I think we don't want to overpromise to you. Maybe, Mélanie, you want to talk about hiring strategy.

Mélanie Biessy: Sure. Our hiring strategy is definitely interlinked with the needs that we have with the existing strategies that we are deploying, but also with the plan that we could potentially deploy organically for the next chapter of the growth of the firm. On that front, our approach has always been to anticipate needs. It has always been to make sure that first, we recruit from the most junior level to integrate our people, grow them, allow them to add visibility and to grow within the firm up to the highest level possible. And making sure that we control the quality of the people that we recruit and then their development, their evolution within the firm. And this has always been the case since the early days of the firm and will continue to be the case; hence, this level of recruitment that allows us to get the best talent possible and leave them time to develop and to grow. Having also in mind that we always have to have a buffer to make sure that we can cope with departures because it happens also in the firm, even if our retention rate is very high, and also thinking about growth prospects. And on that, indeed, if you look at what could be done organically, we've given a lot of thoughts on new strategies within the infra spectrum or adjacent to the infra spectrum which could complement what we are currently deploying. And we have identified some opportunities for development. We've worked deeper on them and therefore, try to kind of anticipate the needs in terms of resources to potentially, at some point when the time to market will be appropriate, being able to potentially launch an organic strategy. So, we have all the tools in our hands. We continue recruiting and reinforcing the team as and when needed to be able, at some stage, be able to launch this new organic strategy.

Nicholas Herman (Citi): But, sorry, if I could just follow up on that quickly. So, you worked more on the strategy, but it sounds like, if I understand correctly, you're still not ready to provide a better, more granular take to the market on kind of what that new strategy will be, and a time frame, is that fair?

Patrice Schuetz: I think that's correct. For your modelling purpose also, I wouldn't bake in anything for 2024. We're going to have to see an improvement in the fundraising environment before we do anything. And I think for recruitment purposes for your model, I would work on a basis of somewhere around 20 to 30 people being hired for 2024.

Nicholas Herman (Citi): That's very clear. Thank you.

Alain Rauscher: We are clearly ready to launch an identified new strategy. But of course, we will wait. We will first continue to recruit the right people to have the initial setup that is sufficient, and then we wait for the right time to go to market, which is not now, as you can appreciate.

The first question you asked, Nicholas, concerning the consolidation of the industry. Would it help to raise more money – if I understand what you said – by joining forces? Weare holding numerous discussions with our peers and people in adjacent strategies in the right markets literally globally, as the industry is questioning about models. We've also discussed and turned down some of the companies which have merged or been acquired by some of our peers. But I would just like to say one thing, the question you asked is spot on. Does it help to raise more money, to be merged, to be combined with another entity which does, for instance, real estate, which does credit, or which does buyout? I think the answer is not straightforward at all, because we talk to different investors, different teams of the same investors. So, are there some benefits? Maybe there is some benefit. It is very difficult to quantify and to be quite frank, I think it is not the answer to today's overwhelming liquidity constraints that we see in the market. I think if today you merge with whoever, you will not raise one more dollar or one more euro from investors, because the reason why people don't invest more is because they are constrained in liquidity. But evidently, we are looking at all opportunities, all combinations which may arise. It's part of our job. But I would not bet on any. I don't think it would make any sense to include anything until we really tell you about something real.

Nicholas Herman (Citi): That's very interesting. Thank you very much. I appreciate it.

Alain Rauscher: Thank you.

Bruce Hamilton (Morgan Stanley): Hi there. Good morning. Thanks for the presentation and slides. I've got three questions. One, I'm afraid to follow up on the sort of the fundraise guidance. I guess, obviously, one of your competitors hosted a Capital Markets Day yesterday. Speaking to some of the senior infrastructure there, they gave a much more sort of positive take on the fundraising environment so far this year versus last year, driven by, I think, obviously the denominator effect having reversed and maybe some early signs of improved liquidity. I just wondered whether you're just being very conservative or whether you're seeing an impact from the Hesley acquisition, because I think new clients are obviously asking about that. And so, is this kind of perhaps slightly idiosyncratic to you? Point one.

Secondly, on the uplift to carrying value, you said 90% of exits are at an uplift. What's the average uplift you're achieving?

And then finally on carry, I guess looking at that slide, which is helpful at the potential carry if you hit your targets, a lot of that looks to be sort of beyond 2026, I guess would be the case outside of Fund III-B. Is that the way to think about it? Or how quickly could that start to impact? Thank you.

Alain Rauscher: Thank you. Bruce, I will take the first point and Patrice will answer the next two points. You refer to a Capital Day, which happened yesterday. I want to contend that we obviously have been following very closely what has been said there, and clearly the tone was more bullish than the one we presented to you today. What we don't want to do is to overpromise when we're not certain to deliver. When it comes to fundraising, we have been raising a lot of money over the last 15, 16 years. And to be frank, up to last year, we had a very efficient way of putting probability ratios on categories of clients, or future clients, who may invest and how much and with which probability in the forthcoming fundraising. And it has proven to be extremely reliable. We had frankly, I wouldn't say 100%, but say 99 or 98% capability to assess how much LPs would finally give up.

We are today in a world where there are plenty of uncertainties, geopolitical uncertainties, which translates into de facto financial and fundraising uncertainties. So, for the first time, we may, of course, take a prudent stance. And we are very optimistic on the fact that we can deliver very good returns for our investors, which, to be quite frank, is what matters most for our clients. And I think they understand that. But we have to be, in my view, realistic about these financial constraints.

People continue to invest in Antin. The same people continue. More people – I mentioned 120 new people compared to the previous number of investors of 200. So 320 people. All the new people continue to invest or start investing in Antin, but lower numbers because of liquidity constraints. But again, we take a very prudent approach. We may have good surprises. But we certainly cannot bet on them. Now I'll pass over to Patrice for the next two points.

Patrice Schuetz: Bruce, on the exit, in average, it's been a double-digit percentage in the past, the uplift. I'll leave it at that. We try to be realistic in valuations, prudently realistic is certainly the right way to put it. But historically we've had a double-digit percentage uplift up on exit.

And with respect to your third question on the carried interest, I think the next fund that's going to produce carried interest revenue or should be producing carried interest revenue is Fund III-B. And Fund III-B is an annex fund. It holds four assets. And because it holds four assets, the timing of carried interest realization is highly dependent on when we start to monetize those portfolio companies. We've partially sold one of them, lyntia, which means we sort of have three and a half remaining, so to speak. And I think that could come as early as 2025, but it'll really depend on when we sell. Then, for the other funds, Mid Cap which we raised in 2021, we will probably be a little bit out; it could be 2026, it could be 2027. We're going to have to see how the value creation of the funds develops and how realizations for the fund develop. But you're right, the ramp-up will be gradual and it won't be immediate.

Bruce Hamilton (Morgan Stanley): Very helpful. Thank you.

Greg Simpson (BNP Paribas): Good morning. Three questions on my side, too. The first one is a lot of larger private equity, private market firms have been talking up infrastructure. We've seen some deals like BlackRock GIP. Can you talk through if you're seeing any changes in the kind of competitive backdrop for deployment? Is it becoming harder to buy the assets you want? More auctions, higher pricing and so on.

Second question is on the mid-market strategy – 47% committed, but can I check where that would be with the January deal? And what is your latest thinking about the timing and structure of Fund II? And then thirdly, on the cost side, can I just check what you're budgeting for 2024 guidance? I think you said 20 to 30 for hiring. What about the kind of other cost growth? Is this 7% you saw last year a good guide? Thank you.

Alain Rauscher: Thank you. The GIP BlackRock combination evidently has been the most important combination affecting our industry. What is the consequence for the sector, for the industry? What is the consequence for Antin going forward and for competitive structuring? I think we are faced with a market which is in fact, very much segmented. You have, I would say, the mega large funds. And among those ones you have people like BlackRock, you have KKR; Blackstone also has embarked now on this strategy. You have some people who are large caps like us, around €10bn to €12bn. You have several –not many, actually –a few of them who are there or trying to get there. Please note that some of our peers who try to be in this kind of space are not even 50% raised to date. And I can assure you, it's not an easy thing to raise another €5bn at present.

And then you have some smaller, I would say, smaller players or more niche players, in the region of €3bn - €4bn or €2bn - €4bn. What is the impact of the GIP BlackRock combination? Frankly, I don't think it is meaningful for Antin. It is certainly a very important deal for BlackRock. And you know that Larry Fink, BlackRock's CEO, is a vibrant advocate of climate change policies and making sure that he uses all the power he has to try and influence companies in which BlackRock is a shareholder – which is virtually every company in the world – to implement best practice when it comes to climate change.

Evidently, the GIP platform combined with the previous First Reserve platform, which was acquired by BlackRock about ten years ago, if I recollect correctly, is going to be one tool to achieve that, but it's only one player and the market in infrastructure in private markets is extremely diverse. So I do not anticipate any change in competition from this acquisition, this or other acquisitions.

Will there be merits? Maybe. Although historically, you cannot really expect BlackRock to be a big provider of infrastructure, of capital to an affiliated fund manager. If you look at the amount of money which has been invested in the previous First Reserve, you can have an answer to this. So it's not like BlackRock is going to contribute $50bn or $100bn – billion dollars, not million – to the new GIP-First Reserve set-up. So it will not be, in my view, a major change, but it certainly is very important for BlackRock to continue to pursue this ambitious climate change strategy.

I leave it to Patrice to answer the next two questions.

Patrice Schuetz: To follow up on the Mid Cap fund, we're about 55% invested including the latest announced transaction. This really depends on the pace of deployment, but our base case is that we would move to Mid Cap Fund II in early part of 2025. When I say that, we probably have two more transactions, at least, in Mid Cap Fund I. And that will really drive the pace of it.

The good news here is that because investors face liquidity constraints on Flagship Fund V, and they do want to invest with us, we see a lot of investors that are essentially eyeing Mid Cap II already. And so, this is a product that is very sought after and has a very unique place in the marketplace. So we feel there is going to be good momentum for Mid Cap based on where we stand today.

As it relates to cost – your third question. I think we're going to see a somewhat higher increase in personnel expense in 2024 than what we saw in 2023. And it's a combination of different things. First, we have an expectation that we're going to hire somewhere around 20 to 30 employees in 2024. A lot of this hiring will be in the US, where average compensation cost is somewhat higher. Probably from a mix perspective, also somewhat more senior hires in certain cases versus what we did in 2023. And then we have inflation-linked wage increases that we've put through earlier this year. And also, some promotions that have led to wage increases, which we've put through earlier this year. So, all in all, my expectation is that personnel expense is going to grow a little bit faster. On other operating expense, I think it's just going to be similar trajectory as we've seen in the past.

Greg Simpson (BNP Paribas): Very helpful. Thank you.

Arnaud Palliez (CIC Market Solutions): Yes. Good morning. Thank you for taking my questions. The first one is regarding the environment for investment activity and exit activity. Can you give us some colour about what are your expectations for 2024? Do you expect some recovery? Especially on the exit side, are you confident in your ability to exit more assets this year? So that's the first question.

The second one is on your EBITDA guidance. Do we have also to consider that you are rather cautious when giving this guidance? Is it taking into account the fact that personnel costs are going to increase a bit more than last year? So, I would like to understand what your assumptions on this EBITDA guidance are. That's the second question.

Alain Rauscher: Thank you very much. I will maybe answer the first one and Patrice will give you some answers to the second one. I think the environment for investments actually is pretty good. And as we told you, we have made four investments last year, so we have not stayed idle waiting till the fig falls from the tree. We basically went out and we made acquisitions. We were able to evidently fund those acquisitions with debt. We mentioned this €8 billion of debt that we have utilized both in refinancing and financing of new projects. So the market is open, and we remain open.

I think what is important for 2024 and 2025 is that there is still a gap between seller expectation and buyer expectation and what we see. I think it's very consistent with what some of our peers indicated to the market, probably to you yesterday or a few days before: that the gap is now narrowing. And it is something which we observe. Deals get done; we have done four and we expect, as we said, that most likely we will sell one to two transactions to companies in 2024. That's our estimate.

So we are optimistic that the gap is narrowing. But you see, to have a material impact on fundraising and to ease liquidity constraints, it has to be an industry thing, not just one-off investment. It has to be something which we see, we've observed in a very consistent manner both in infrastructure, actually, and in the private equity industry. But we see a narrowing of the gap, and we are confident that 2024 will be the year of a rebound of activity for both seller and acquisitions.

On guidance. Are we cautious, Patrice?

Patrice Schuetz: Look, I think the guidance reflects that there can be a wide range of outcomes depending on where we end fundraising for Flagship Fund V. Just to give you a sensitivity around that, if we raise 500 million more or less for Flagship Fund V, it would produce about 17 million in revenues or EBITDA because there is no cost associated to that incremental revenue. And so, of course, if we raise 500 million or 1 billion more, the results on the EBITDA will be very different. And I think what our guidance reflects is a cautious guidance. That's why we say at or above. Obviously, we hope to be above, but we will be cautious in how we guide. So that guidance reflects that, and it reflects the cost increases as well that I have mentioned before.

Greg Simpson (BNP Paribas): Okay. Thank you.

Ludmilla Binet: We've also received questions from the webcast, so I'm going to read them to you all. So we've got a question about the 2024 EBITDA guidance. And the question is, “What are the key assumptions behind the guidance in terms of target for Fund V and cost base?” I think Patrice you just answered that question.

Then we also received another question, which is about the launch of a new Mid Cap strategy. I think, Patrice, you also answered that question, providing a bit of colour on the timing of the next Mid Cap fund.

And we also received a set of questions from Geoffroy Michalet from Oddo. The first question is on Fund V again. And the question is, “Why are you not extending a bit the fundraising period to get to the 12 billion?” The second question from Geoffroy is, “How do you see M&A activity on infrastructure in 2024? When you say “gradual”, can you be a bit more precise? Can you give a range of capital amounts you could reasonably think to invest?” Third question, “How was your reflection of use on the cash on balance sheet? Has your thinking evolved? Capital structure is currently not optimal.”

Alain Rauscher: Okay. So 2024 guidance assumption, I think you answered it.

Patrice Schuetz: Maybe I can take the ones on the timing. On Fund V, we can't really comment too much on how the timeline will evolve in detail, but I think our overall expectation is that at the end, we will complete fundraising somewhere in sort of the second half of the year. My best guess would be around 3Q, but to be seen. And with respect to the capital deployment and the fact that it is gradual, this is not something that we can really predict. We do investments when we find an investment that really meets all of our criteria, both return criteria, but also the Antin Infrastructure Tests. And you will find moments in time when we have multiple investments that happen within a very short period of time. And you'll find periods when we have a longer stretch without any investment. So we're not going to predict that. But we will always do the right thing in making sure we stick very truthful to our investment mandate, very diligent in how we secure returns and the Antin Infrastructure Test. And when it leads to lots of investments in a short period of time, that's great. And if it takes time, it will take time.

And just on the last one, the use of cash. I think Alain and Mélanie spoke about M&A and growth. And again, there is no timeline, no particular timeline on that.

Ludmilla Binet: There was a final question on the exposure on energy companies: capital deployed, valuation trends. And I think there it's hard to comment precisely on performance per sector. It's not something that we disclose to the market. But no reason for concern. They are doing really well too. The comment regarding the growth on revenue and EBITDA was more to reflect the fact that some of those companies benefit from very strong pass-through impact on energy costs. And so, as energy costs were really high in 2022, these companies reported higher sales. And as those energy costs normalized in 2023, they saw a decrease in revenue. So that's why we identified that sector when we analysed the revenue and EBITDA trends.

These are all the questions that we received on the webcast.

Nicholas Herman (Citi): I just have one last question, if I could please. Could you please quantify the financing maturities in ’25 and ’26? I know that a lot of it is, as you pointed out, there's very little in ’24 and then it's very staggered over ’25 onwards. But if you could please quantify the financial maturities in ’25 and ’26, that would be very helpful.

Patrice Schuetz: Nicholas, I don't have the absolute numbers in my head, but if you look at the number of companies, we have about 30, give or take 30 portfolio companies, I think it's even a bit more than that at the moment, and you're going to see maturities staggered out very well over a number of years, and usually every year we sort of see four to five companies that are doing a refinancing. So it's extremely well staggered out.

Alain Rauscher: I think there is no refinancing expected in 2024 – so, this year. And the refinancing will be staggered over the following five years, 2026 to 2030.

Nicholas Herman (Citi): But I guess the question, the point is— Okay, that's understood. And in terms of kind of, would it be reasonable, therefore, to assume that could potentially be some minor drag on your returns, albeit, as I said, minor?

Patrice Schuetz: No, we typically tend to hedge the interest rate risk. And so, it's more about getting the refinancings done.

Nicholas Herman (Citi): Got it. Very helpful. Thank you.

Ludmilla Binet: We received a few additional questions from the webcast, so I'm going to again read them to you. We have a question from Javier de la Cruz from Bestinver. “What are your assumptions on carried interest for your 2024 EBITDA guidance? Perhaps Patrice.

Patrice Schuetz: Yes, the 2024 guidance doesn't reflect any carried interest revenue. In fact, it's more likely that for Fund V, we will still be in the J-curve and record a slightly negative investment income. Again, I think that's a cautious guidance.

Alain Rauscher: I think, again, if you compare the contribution of carry to our EBITDA, you have to bear in mind that when we went public in September 2021, there was no carry contributed from past funds. So we started from scratch, from zero. So it is no surprise that a couple of years later, we are still basically in a phase where the new carry relating to investments in performance shares is still extremely minor and negligible. However, Patrice has indicated a long-term potential which gives you an idea of the amount of carry which can be gained from the funds which generate carry as of 20% for Antin going forward since IPO.

So you cannot compare our performance fees to the ones, I would say, computed by, say, Blackstone or by EQT or by Partners, because clearly, we are at different stages of valuing the carry, which is extremely early stage in our case, where value is nearly negligible.

Ludmilla Binet: We’ve got a couple of additional questions from JP Morgan. First question is, “Consensus is for 2024 at €228 million. The guidance today implies an EBITDA that could be at €176 million or higher. Do you see consensus expectations as attainable? What is the probability of reaching the €12 billion hard cap? And finally, why did personnel costs decline in the second half of 2023 versus the first half of 2023? What level of personnel cost growth shall we expect for 2024?" So Patrice, you already sort of gave an answer on the last question, but perhaps on the other two.

Patrice Schuetz: Look, on the guidance, the guidance reflects, I think, around 11.5 billion raised for Flagship Fund V, I think. Our guidance today is based on what we're seeing in the market, is that we will be north of ten. And so, there is a gap to where consensus projections are today and how we would judge the situation at the moment. Of course, there's a lot of upsides to the 10 billion, but we're going to have to see how that will develop.

As for the personnel expense, yes, I think we covered it. I think we're going to see an increase relative to 2023, and probably the percentage increase in 2024 will be somewhat higher than the percentage increase we saw in this year.

Ludmilla Binet: Perhaps a final question again from the webcast. We got a question on private wealth and the use of feeder funds. And the question is, "Can you give some details on how that is going? And if you see yourself growing that aspect of fundraising further in following funds."

Alain Rauscher: We, evidently, are working on this theme, which, as you know, is an important theme in the industry. What I can tell you is that, well, two things. The first one is that we expect to have to raise about 10%. I think we already have raised more or less than 10% of retail. That's basically an assessment to be validated, but it's an assessment. Secondly, I think that the situation in the States is very different from the one that you see in Europe where access to retail investors is very important. Why? Because in the States you have some pension plan schemes which allow, in a very efficient manner, to tap capital to be deployed into private markets, which is not the case in Europe, where the systems are very, very different, and you have to go into extremely different constituencies. And therefore, the market is less promising. So we are looking, of course, at what we can do. And we actually are engaged with quite a number of people, private banks, and also family offices, but it's minor compared to what is achieved in the States for very structural reasons.

Ludmilla Binet: With that, I think we've answered all the questions from the webcast and also from the conference call.

Alain Rauscher: Okay. So thank you very much for your attention and have a good day.