ANTIN
INFRASTRUCTURE PARTNERS

Full-Year Results 2022 Transcript

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Antin Infrastructure Partners – Full-Year Results 2022

Patrice Schuetz: Good morning. Welcome to Antin's Full Year 2022 Results Presentation. On the video call this morning, you have Alain Rauscher, Chairman and CEO; Mélanie Biessy, Senior Partner and COO. And I'm Patrice Schuetz, Partner and CFO.

We'll start by sharing an update on our business activity, and I will then move on to talk about our 2022 results and our outlook. As always, we conclude the video call with an opportunity for you to ask questions.

With that, I hand over to Alain.

Alain Rauscher: Thank you, Patrice. Good morning, everybody.

Key highlights of 2022

I'm going to share with you the five key highlights of 2022. The evolution of our assets under management, the amount of capital we have raised in 2022. The numbers of investment we have done in '22. Our investment performance fund by fund, our growth in investing in the team and members and in our platform and our financial performance and outlook.

Strong AUM growth powered by investment performance and differentiated positioning

The first point is that, in 2022, we have experienced very strong assets under management growth, which has been powered by investment performance and differentiated positioning. Infrastructure is a fast growing market. We expect that the asset class is going to grow at a CAGR of 16.6% on the period between 2021 through 2026, which is much faster than what you could expect to see in other product market segments.

The second important feature is that we have a scaled investment platform. We are the largest pure play infrastructure private equity firm in Europe and we are among the top 10 in the world globally.

The third element is that we enjoy top tier investment returns. We have achieved 2.7 times money multiple on realised assets and a 23% realised growth IRR. This allows us to experience a very strong growth in our fee-paying assets under management base of 38.4% and of 34.9% for our global assets under management.

Record level of fundraising and number of investments

We managed to raise a lot of money in 2022 and also make a very large number of investments.

2022 is by far the largest year for us for Antin's history, with €8.2 billion raised compared to 2021, where we raised €2.5 billion. You all know that 2022 was an extremely challenging year marked by the Ukrainian-Russian conflict. Nevertheless, we managed to raise 75% of our target size for the Flagship fund of €10 billion, and we managed to raise 80% of the target size for NextGen Fund I.

Second important point is that we made a record number of investments. We made eight investments, two for the Flagship strategy, three for the Mid Cap strategy, and three for the

Next Generation strategy. In terms of amount invested, we have deployed €2.7 billion of equity in new investments to be compared with €1.7 billion in 2021. All this, I remind you, in extremely challenging times.

And we also managed to make two significant exits for a combined amount of €2.2 billion in 2022, compared to €1.3 billion in 2021, one being Roadchef in the UK and the other one being the sale of Lyntia Network, which is the bulk of Lyntia in Spain.

Largest level of fundraising and number of investments

2022 was a very special year for Antin. It was a year when we raised the largest amount of capital ever. You can see how 2022 compares to 2019-2021. Beyond the numbers of €8.2 billion, it is interesting to note that we managed to basically raise €5.6 billion with existing investors and, on top of that, €2.6 billion with new investors, which basically not only reflects the solidity of our ties with existing LPs, but also our attractiveness to new investors.

We made a first close on Flagship Fund V this fall for a commitment of more than €5 billion.

Significant expansion of our fund investor base

We have expanded significantly our fund investor base. The number of investors in our funds has grown to 268 LPs at the end of 2022 from 213 at the end of 2021, an increase of 26%. This, of course, paves the way for further expansion of our asset base and amount of capital that we can raise.

We have continued to globalise our fund investor base. Two figures illustrate that. The first one is the capital raised in the Americas, mostly in the US and in Canada, has gone up 3.6 times from €0.4 billion for Flagship Fund III to €1.5 billion at the moment for Flagship Fund V. These figures are not final as we continue to raise money. In Asia also, we enjoy a very strong growth in capital raised, which has been multiplied by 5.6 from Flagship Fund III to €2.3 billion. We have very strong pools of capital coming from the Americas and from Asia.

Another important thing to note is that we have been able to capitalise on existing relationships, given our three strategies, which are Flagship, Mid Cap and NextGen. 40% of fund investors invested in multiple funds, which we think is a very important feature and very promising for the future.

Gross multiples of all funds improved in 2022

The performance of all funds improved in 2022. This is quite remarkable given the difficult market conditions, and particularly on the debt funding market. All funds are performing on plan or ahead of plan.

Flagship Fund II, which is the vintage of 2013, is now realised as of 91%. We are one year away from closing this fund. And as you can see to-date, we have made money multiple, which is cash money multiple of 2.6 times, very consistent with the performance of the previous Fund I. We have one more investment to go and we expect that this realisation will happen in the not so distant future.

On Flagship Fund III, which is a 2016 vintage, we have only realised 23% of the portfolio to-date and we have nevertheless a 1.8 time money multiple, which again I insist does not compare on a cash for cash business. It's a money multiple which is based on NAV, net asset valuations, which assumes we sell the entirety of the remaining portfolio tomorrow morning, which of course we will not do. This is a strong performance which we think is totally consistent with the one of Fund I and Fund II that you see on the slide because we will, of course, sell this portfolio gradually over a set of three to five-year period and achieve the same kind of a cash for cash money multiple.

Fund III-B, which is a 2020 vintage, follows the same path.

Flagship Fund IV, which is 2019 Vintage, of course, is a more recent one. There have been no realisations, no disposals to date, but we believe that this will also be an extremely profitable vintage comparable to Fund I and Fund II.

Built-in resilience of fund performance

We have very strong built in resilience of our performance as fund manager. A few metrics for your attention. The first one is that our portfolio is well diversified across geographies and sectors. Having four sectors, digital, energy, social and transport, allows us to have some flexibility to allocate capital on the most promising and profitable projects. By geographies, you will see also that we offer some very good diversification. We deployed about 30% of our capital in the Americas, which is an important geography. For the rest, in Europe, we are very diversified across France, the UK, Italy, Iberia, and the rest of Europe.

Something very important. People often ask us about the underlying performance of our portfolio companies. Our portfolio companies are very resilient. They have experienced growth of revenues in 2022 of 27% and an EBITDA growth of 23%. We are not investing in mature businesses which don't show growth. On the contrary, they are very focused on delivering growth, profitable growth.

There are two additional factors of resilience for Antin's portfolio companies. The first one is that approximately 90% of our companies benefit from strong inflation protection. So, we do not suffer from a growing cost base because we can, through our contracts, pass through those increases to our clients.

The second thing is that we have an extremely cautious debt management policy. More than 90% of our debt expires in 2025 and beyond, which means that we can navigate higher interest rates.

So, these three elements: diversification of portfolio by countries and geographies, strong financial performance of our underlying companies and the protections we have against inflation and debt refinancing are unique features.

And now I will hand over to Mélanie, who will talk about our platform and our sustainability track record.

Mélanie Biessy: Thank you, Alain. Good morning. Indeed, because of the strong growth that we've experienced and that is in front of us as well, we continue to build out the team and invest in our platform.

Built-out of the team and operating platform

Looking at the numbers, at the end of 2022, we have 200 investment professionals at Antin. Out of the 200, 174 are impacting the P&L of the firm. The others are part of the Fund administration team. We've added 32 new employees in 2022, 23 in the first half and nine in the second half. We are pacing our hiring because we want to make sure we leave time for integration, which is extremely important to preserve our unique culture.

We've hired across all functions 11 investment professionals in total, mostly at a junior level because we want to integrate them and make them grow all the way up to partners position. It's our philosophy to hire at the associate level and to grow our talent internally.

We did also appoint two new partners for the investment team, one for the NextGen US efforts and one for Flagship/Mid Cap in Europe, and two investor relations professionals to beef up our investor relations team, which is already extremely well resourced with more than 22 people. 19 employees have been also recruited in operations, support functions to reinforce our ESG setup, technology teams, but also to reinforce our finance team. And those hires were related to the IPO that happened early in 2021.

We've also reinforced our set-up in the US. As Alain was saying, there's huge growth in the US, and therefore the employee base in New York grew by 30% to 43 employees.

We also launched technology projects to increase the efficiency of our back and mid office, which will be extremely important and will significantly enhance the scalability of our operating platform.

We've made huge progress on the ESG roadmap, and therefore have also invested in new resources for the ESG team.

2022 sustainability highlights

Let's move on to sustainability, the sustainability highlights. 2022 was another very positive year on the sustainability front. This has been marked by significant progress made in key ESG areas. We've identified five material ESG matters after having gone through a materiality assessment, and I will comment on those key areas. We've also had outstanding scores received from external rating agencies.

Let's start with climate change. This remains at the top of our sustainability agenda. And to align our climate change mitigation efforts with the objectives of the Paris Agreement, we've started working on the deployment of science-based carbon reduction targets. Those targets will be shared with you later this year.

We've also continued actively engaging with all our portfolio companies to help them decarbonise their operations. And as of end of 2022, all companies that have been with us for more than a year had measured their carbon footprint and half of them had set or were in the process of setting carbon reduction targets.

We also performed a high-level assessment of our portfolio climate risk exposure to identify our portfolio companies likely to be most at risk from climate change impacts, and that we should engage with in priority going forward to develop a climate risk response plan.

On the social front, we maintained our strong focus on diversity during recruitment and continued taking action to promote diversity, equity and inclusion in our workplace, for instance, providing DEI training to all our employees.

We are also very happy to report that our efforts paid off with the share of women in our total workforce increasing by 4%, from 42% to 46% between '21 and '22. We also reinforced our career development programme with the implementation of new employee training courses and the 360-degree performance appraisal system.

We maintained a furthermore robust employee health, safety, well-being policies which allowed us to record a very low absenteeism rate of 2% for the second consecutive year.

To deliver on our commitment to act as a good corporate citizen, we maintained our existing academic partnerships in Europe with HEC Paris and Bocconi University, but we also established new ones, one in the US with Cornell University and more recently one in the UK with the London School of Economics.

We've also supported eight charities through corporate donations, but also multiple fundraising activities across our different offices. We remain actively involved in various industry groups promoting responsible investment practices within the financial sector. It includes the UN PRI endorsed International Climate Initiative and also Invest Europe's Responsible Investment Roundtable.

In the area of ethics and governance, we maintained an effective board. Our board is comprising a majority of independent directors and we have continued building a positive, trusted working relationship with all our board members. We've held 17 board and specialized committee meetings over the year.

We also continued rolling out our compliance programme, which has been recognised as best-in-class by most rating agencies.

To ensure the effective implementation of our responsible investment process across all our funds and portfolio companies, we offered a responsible investment training course to all our Antin investment professionals and implemented a new responsible investment protocol with the aim of defining actions that people must take throughout the investment cycle to make sure that we properly incorporate ESG risks and opportunity.

Last comment that I would like to make is on sustainability ratings. We are delighted to report that our sustainability efforts were recognised by multiple rating agencies. We've been placed within the top highest performing companies in our sector by Sustainalytics, and more recently, by Moody's and by the UN PRI, which we have been a signatory of since the early days of Antin.

On that note, I will leave the floor to Patrice to cover the financial performance.

Financial performance

Patrice Schuetz: Thank you, Mélanie. I will talk about our financial performance for 2022, and I'm pleased to report that we have made significant progress during the year.

Strong revenue growth driven by record fundraising

As Alain mentioned, we've substantially grown our assets under management by 35% and our fee-paying AUM by 38% to 19.1 billion on a fee-paying AUM basis and more than 30 billion on a total AUM basis.

It was really important to mention that 43% of these fee-paying AUM are contracted for 10 years plus options for extensions. And when you look at the average remaining life of these €19.1 billion in fee-paying AUM, we're standing at about seven years. So what this really gives you is a very predictable long-term contract, that management fee stream provides very strong visibility on our P&L for the years to come.

If we move to the right-hand side of the page, you'll see that we've grown our management fees by 22.5% and we've grown our total revenues by 18.6%, reaching a total revenue of 214 million in 2022. 98% of our total revenue are management fee revenues. And our effective management fee rate has decreased slightly from 1.38% to 1.35%. And that's really an effect of a larger number of investors coming in Fund V with sizable ticket sizes.

Strong revenue growth from continued scale-up of flagship and expansion of investment strategies

Looking at the different components of our revenue composition and the bridge from 2021 to 2022, for Flagship, we've increased revenue on a net basis by 15.4 million, 42.9 million is an increase that relates to Fund V, which is really five months of management fees on the basis of the 7.4 billion commitments that we've secured. Now it's important to note that if you were to look at those numbers on a 12-month basis, we would run at more than 100 million in revenues related to Fund V, which is already secured and contracted today. So another 60 million that's going to come through in 2023 that's already contracted. And obviously, we expect to continue to raise significant amounts of capital.

Those 42.9 million have been offset by stepdown effects related to flagship Fund IV, which moved from the investment period to the post investment period in August of '22. That means fees are being charged on the basis of invested capital rather than on the basis of the committed capital.

And then in addition to that, you've seen slight declines in management fees for Fund II and Fund III due to the realisation of investments. For Mid Cap Fund I, we've seen management fee revenues increase by 8.1 million. That's because Mid Cap Fund I has generated management fees for 12 months for the first time. And for NextGen, we've seen management fees increase by 15 million on the basis of the 1 billion in commitments that have been secured at the end of the year.

The effect on carried interest and investment income has been slightly negative relative to 2021. That's really because of two reasons. The first reason is that we've grown our valuations for Fund III at a slightly lower pace than we have grown them in 2021, which is really just a reflection of the market environment that we've seen in 2022. So still positive performance for the year, but growing at a slightly lower pace.

And the second effect is that for Flagship Fund V and for NextGen Fund I, we're seeing ordinary J-curve effects related to the majority of those funds. So essentially in the first year, we're accruing management fee expenses and costs in those funds, while no revaluation of the portfolio companies has taken place.

And the last effect is that we see small changes in our admin fees which relate to fund administration services that are provided by the group in Luxembourg.

So overall, roughly 18.5% increase to €214 million.

Increase in cost base consistent with growth of business activity

If we look at our cost base, we've increased our personnel expenses by 27.7% to 64.5 million. And as Mélanie already explained, a majority of that increase is really driven by the hiring activity and the increases in headcount, which have grown by 22.5% during the year.

The balance relates to wage increases, which we can really split into two parts. We have wage increases that relate to promotions and about 3% wage increases in 2022, which a majority of our employees have been given in connection with, inflation and sort of ordinary salary increases during the year.

Now, a note, for 2023, those salary increases will be more in the range of about 5% plus promotions coming on top. And because in 2023, we've promoted seven individuals to partners, the amounts may be slightly higher than what you've been seeing in 2022.

Moving to the right-hand side of that page, we've grown our other operating expenses by a headline number of 43.6% to €31.2 million. Now, that amount is not really reflective of how we've managed the underlying cost base because our other operating expenses are affected by a number of periodic effects that make the numbers not directly comparable to 2021. So I will walk you through those periodic effects.

The first one is that we recognised 2.7 million related to placement fees, which occur in connection with fundraisings. Meaning when we're raising a fund, we will recognise placement fees in our cost base. And in a year when we're not raising a fund, we wouldn't recognise those placement fees. 2021 had very marginal amounts, whereas 2022 recognised 2.7 million.

We've also recognised €0.7 million in temporary office rent in 2022. And on top of that, we've seen a return of business travel coming from an environment in 2021, where COVID restrictions have essentially led to abnormally low travel expenses in 2021.

So, if you strip out those periodic effects and also strip out the effects of business travel, we've grown our cost base by about 18.5%. And I think the important thing to note is we've managed our cost base in a prudent manner and are demonstrating good cost control on that basis.

Underlying EBITDA ~9% higher

Moving to our underlying EBITDA. We've increased EBITDA by 9.3% to 118.5 million. That's really an effect of the revenue and cost effects that I have just described. Our EBITDA margin stood at 55% with significant improvements seen during the year. We've recognised 50% margins in the first half of the year, 60% in the second half of the year. Obviously, as we continue to add commitments to Fund V and grow the revenue base, those margins are expected to improve further.

Moving to the right-hand side, we've increased our underlying net income by 7% to 79.7 million, resulting in earnings per share of $0.46 per share. So those are robust improvements in our P&L. The real step change is obviously expected to come in 2023 when we'll see the first year with Fund V reflected in the earnings capacity of the business.

Strong balance sheet providing flexibility

I'll talk about our balance sheet because we have an exceptionally strong balance sheet with 422 million in cash and cash equivalents and no financial debt. That means the cash that we're holding today accounts for almost 15% of our market cap today, providing significant value opportunity once we deploy that into earning generating business opportunities.

All of our cash holdings were held with globally systemically important banks, meaning we don't have any direct exposure to the banking sector turmoil that you're seeing. And a portion of that cash has now been invested in term deposits to essentially produce some positive earnings in 2022. You've seen some of those effects in the second half of 2022 already, but it's obviously going to be higher in 2023.

Our objective is to invest those funds over time, and we should really break that out into two parts. The first part is that we will invest alongside our fund investors through co-investments and through the investments in the carry vehicles. We have about 107 million in commitments that are undrawn for investments into the Antin funds, and about 20 million in commitments that are undrawn for the carry vehicles, meaning 126 million overall is going to be earmarked for co-investments alongside our fund investors. That still leaves us with close to €300 million to support our growth initiatives.

And for those growth initiatives, we will be looking at geographic expansion opportunities as we've done it in the US in the past; strategy expansion, as we've done it with Next-Gen; and very opportunistically, we will also consider M&A opportunities.

Most of cash earnings distributed to shareholders

In light of our very strong cash position, we've decided to dividend out a majority of our underlying earnings in 2022 or related to the earnings for 2022, we're going to pay out 92% of our earnings, which equates to a dividend payment of $0.42 per share. $0.14 per share has already been paid as an interim dividend in November of 2022, and $0.28 per share would be following in June 2023, subject to shareholder approval at the AGM. So the total dividend payment would be €73.3 million.

And I think the distribution underpins the attractiveness of our business model, which is a highly cash flow generative business model with very limited amount of capital required to support our strong growth.

Outlook

With respect to the outlook, we continue to expect long-term growth in fee-paying AUM that is well above that of the infrastructure market. Alain alluded to market growth rates of about 16%. We are confident in our ability to grow faster than those market growth rates.

Specifically with respect to flagship Fund V, we feel confident in our ability to achieve the hard cap of 12 billion. And with respect to Next-Gen Fund I, we feel confident in our ability to reach the target size.

What's less certain in today's market environment is the pace of fundraising. Whether we achieve the 12 billion in 2023 or whether some of this is going to move into 2024 is difficult to predict at this point, which is why we've also changed slightly our guidance on the EBITDA.

Our expectation for EBITDA is that we will significantly increase the underlying EBITDA in 2023 and achieve a level on an underlying basis of 200 million to 240 million. And you see the range is wide, but it's really driven by whether we achieve 10 billion of commitments for Fund V or 12 billion. At 10 billion, the EBITDA will be around 200 million. So 70% growth relative to 2022.

And at 12 billion, it would be about 240 million. So approximately a doubling of the EBITDA in 2023.

Now, just as a reminder, any commitments that we raise in 2024 instead of 2023 would be subject to catch up fees, meaning we're not foregoing any profit. We're just delaying profit from one year to the other because fees are due from the moment of first close of the fund. And technically that first close happened 2nd August 2022.

With respect to distributions, we expect to pay a majority of our cash profits as a dividend and that guidance and objective is really unchanged. We expect to pay the dividend in two instalments and we expect to see dividends that are going to grow on an annual basis in the future.

With that, I would hand over to Alain for some concluding remarks.

A decade of growth powered by performance

Alain Rauscher: Thank you, Patrice. If I sit back and look at the last decade, what I see strikingly is that its growth powered by performance. In our flagship funds, we have made 31 investments, of which 15 have been exited. And on those realised assets, we have made a 2.7 times gross money multiple and a 23% gross IRR, which also illustrates the merits and successes of our value-add strategy.

Performance translated into fee-paying AUM, which have grown at a CAGR of 33% over the last 10 years. Revenues have grown up at a CAGR of 29.2%, and underlying EBITDA has grown up at a CAGR of 38.2%. These are very strong numbers, of performance and of growth, which paves the way for further successes.

And with this, we are very happy to listen to your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question at this time, please signal by pressing star one on your telephone keypad. If you find that your question has already been answered, you may remove yourself from the queue by pressing star two. And please make sure the mute function on your phone is switched off to allow your signal to reach our equipment. And our first question comes from Nicholas Herman from Citi. Please go ahead. Your line is open.

Nicholas Herman: Yes. Good morning. Thank you for taking my questions. Three from me, please. One on fundraising, one on the EBITDA guidance and one on costs. So on fundraising, you've pushed out the expected time to completing Fund V fundraise. Why now? I guess it's been pretty clear for a while that 2023 would be a tougher year for fundraising for the industry. So just curious, what has changed?

On the EBITDA guidance, you've previously talked about hitting the 70% in '23 or '24. You've now changed that. Just to be clear, though, does the guidance change reflect the more uncertain pace of fundraising? Or is it higher cost inflation? Presumably the latter because you would get catch up fees regardless.

And as part of that, presumably you would expect to be at 70% plus margin after flagship Fund VI whenever that might be.

And then finally, just on costs, you've attributed the slower pace of hiring to a desire to preserve culture, but it does look like you've slowed the pace of growth versus prior expectations. So is this just a postponing of hiring rather than an absolute reduction in plans? What are your highest growth - priority growth areas for '23 and '24? And can you talk about hiring plans for 2023 and over the medium term, please? Thank you.

Alain Rauscher: Thank you, Nicholas. Maybe I can try to provide answers on the first two questions. On the fundraise pace, I think, first of all, you have to bear in mind that out of a €10 billion target, we have raised 7.5 billion. So 75% of that, which is a huge result.

Most of that has been basically raised in adverse conditions and typically since the beginning of the Russian-Ukrainian war. If you look at our industry at large in the private markets, you will find that very, very few people have achieved this kind of fundraising or above. We confirm the objective of raising €12 billion.

Now you may have a bit less funds raised, less management fees, and therefore less EBITDA in 2023 if we raise 10 billion and we'll be roughly around 200 million. If we were to raise 12 billion in the course of this year, we would be at €240 million of EBITDA. But the reality is that our business is long term.

You cannot just look at it on a single calendar year because what we will not raise this year, as Patrice has alluded to, we shall be caught next year - through the catch-up mechanism. And again, think of the uniqueness of the earnings that we provide you.

When we raise €1, this is for ten years. This is a unique business model. So raising €10 billion this year and two more next year or raising €12 billion this year makes no difference for the long-term valuation of our business. We are long-term investors securing 10-year revenues. So that's my first question to the first point.

On the cost side, inflation doesn't play a material role. The increase in our cost is very simply really geared to reinforcing our setup, particularly in the States, but not only. Patrice, do you want to share more data?

Patrice Schuetz: Yeah, look, there are really three effects on the EBITDA margin side. The first one is that, if fundraising is a little bit slower in 2023, that obviously has an impact on the top and the bottom line. So, we felt that in that context, the 70% looked ambitious.

If you add on top of that, the fact that we've had some inflation, even if it makes up small amounts and on top of that, some FX effects in our case, particularly on, the stronger dollar, that's added a little bit to the cost base. The combination of those three effects have sort of led us to change the guidance on the EBITDA.

Now, I expect that we will continue to have exceptionally strong margins in an industry context because nothing changes about the way we run or operate the business. It's just a number of effects that have led us to give a more specific guidance for 2023 in the context of the environment.

Alain Rauscher: There was a third question, I think.

Patrice Schuetz: Yes. On the hiring and the pace of hiring.

Mélanie Biessy: I think we'll continue hire but it will be paced based on the fundraising progress as well. You can assume that for 2023, we'll hire roughly 30 people, a bit a below than what we said for 2022. Of course, there are some recruitments that have been postponed to '23 because recruitment process is always long. It's really important to attract the right talents that really fit with our culture, but also the right number of people to make sure that we continue delivering on the high returns and high performance that we've promised to our fund investors. And we are clearly pacing the hiring based on the evolution of fundraising.

Nicholas Herman: That's very helpful. Thank you. If I could ask a quick follow up, the cost per head actually did fall in the second half. Is that a flexing compensation or is that just more just mix with a high proportion of junior staff? And if it is the latter, does that affect then kind of continue as well in addition to - I mean, I think you already did talk about the promotion effect in the 5% underlying inflation, but just is there also a mix effect as well going on too that we should need to be thinking about going forward?

Patrice Schuetz: Yeah. The different things you see that contribute to that. So the first one is it really depends on when you hire the people. Do you hire them at the beginning of a certain reporting period or at the end of a certain reporting period. That will have had an impact.

The second one is that in the second half of the year we have hired more at the junior end of the spectrum. And then the third effect is that, because of COVID in 2021 and because of the IPO in 2021, people have accumulated holidays. And in the first half of 2022, some of that was paid out. So it's sort of three effects that are contributing to what you're describing.

Nicholas Herman: Very helpful. Thank you very much.

Alain Rauscher: Thank you.

Operator: Thank you. And our next question comes from Arnaud Giblat from BNP Paribas. Please go ahead. Your line is open.

Arnaud Giblat: Good morning. I've got two questions, please. Firstly, would you mind giving us a bit of a trading update on Hesley Group in '23 has - what's the outlook there? My second question is valuations have held up well in 2022. I was wondering if you could break that down into some moving parts for us. I suppose the EBITDA growth of the underlying companies has been very positive for valuations, but how have exits and change in multiples affected valuations overall?

A sub question to that as well, 30% to EBITDA growth. Is that on an organic basis?

And my last question is on deployment. What's the outlook given, probably a tougher macro environment? Have purchased price multiples adjusted to levels that are attractive? What's the outlook there for putting money to work? Thank you.

Mélanie Biessy: Okay, maybe I'll comment on the Hesley situation. As you all know the situation, investigations are ongoing, and no conclusion has been really presented to Antin. As far as I can say, there have been no charge retained against Antin or Hesley on allegations that have been made relating to events that have occurred in some of the Hesley residences.

Hesley has been acquired in 2018. It's part of the social sector, totally part of our mandate. It's a Fund III asset. And clearly, when we decided to invest in that sector, it was really because it was providing essential services to communities in a sector that suffered underinvestment.

We've chosen Hesley because it was extremely well rated by the regulator. And our intention was really to build out care capacity. We've invested a lot of money to improve the quality of care and to build up this care capacity. And then, well, we had to take immediate actions as soon as we heard about those allegations in some of those residences.

So clearly today, the trading is low. It's not the best of performer, as you can imagine in this portfolio. But we continue being involved. We are shocked by what we learned because any misconduct is unacceptable and totally at odds with our high standards of care and compassion. But we continue being a controlling shareholder of this firm and will make everything we can to sustain the trading and to make sure that residents get the proper level of care they deserve.

In terms of relative value, Hesley and Kisimul represent 1% of our Fund III portfolio.

Alain Rauscher: I would just like to compliment on that. We had, four years ago, a comparable incident at Kisimul. We immediately took action on the individuals who were involved by ensuring they were no longer in contact with patients.

After more than two years, there was no charge retained whatsoever against the company or us. So, it gives you an idea that there is a disconnect between the allegations and actual things which may have been committed. So that's the first thing.

The second thing I would like to say is that we are a very ethical firm, and we take this activity very much at heart. We will always have a compass, which is to ensure that all measures, whatever measure we implement, is going to be in the best interest of the patients going forward.

Patrice Schuetz: Just to tackle some of the other questions, Arnaud, on the underlying company valuations of the portfolio companies. First of all, a majority of our portfolio companies, as Alain had alluded, had exceptionally strong performance. 90% of all portfolio companies increased revenue and increased EBITDA over the last 12 months.

But as you know, we go through our quarterly process of doing valuations. And in each of those quarterly processes, we assess updated business plans for the businesses. And when we feel that we need to make adjustments to the valuation, we will do so. And you've seen some of those adjustments come through in the second half of the year. They reflect updates to the business plan. It's in this case a very small number of portfolio companies that are affected. But we would always do that when we feel it's appropriate to do so. And across the portfolio, it's obviously keeping up extremely, extremely well.

And just to comment on the growth rates, they include organic and inorganic activity. It's sometimes not that easy to separate because we're investing in the build out of infrastructure and then we see EBITDA being generated once the growth has been realised and comes through. And that can happen in an organic way or it can happen in an inorganic way, but obviously always with value creation in mind. Alain, I don't know if you wanted to comment on the exits - outlook on exits as well.

Alain Rauscher: Yes, it's something also very important.

We are not in a situation where we have to make sales tomorrow morning. We shall not make any sale tomorrow morning. It's as simple as that.

If we think about the number of exits we expect to make in 2023, I think it can be close to zero, maybe one, maybe two, if we got a very good offer for an asset and probably it will be the same for 2024.

I mentioned about the long term refinancings that we have put in place systematically since actually Antin was formed. We think it's one of the elements of our strong performance. We are never in a situation where we are forced to sale and we have time ahead of ourselves. So you have to appreciate that there might be some times when, say, the energy market is under pressure, and therefore we cannot maximise value. Fine, we will wait. Maybe times when transport market is under pressure. There's no problem. We shall wait. We are under no pressure to make disposals now.

Arnaud Giblat: That's what I understood but I was actually asking on the outlook for investments.

Alain Rauscher: For investments, it's very simple. We are looking at plenty of things. As we told you, we made eight investments last year. It gives you an idea of our ability to navigate through those difficult times. I'm very confident that if we find some good investments in the coming months, we will do so.

The debt market is available for infrastructure investors. It's simple as that. We have been tested at the acid test, so to speak, during the Great Financial Crisis. And our asset class and ourselves as a manager always got available financing, debt financing in the worst possible time because we probably are the last man standing and we benefit from - because of our very moderate risk profile - we benefit from whatever debt potential remains available in very difficult times.

So I'm very hopeful. We will just factor the cost of it and that's it. Our financing and refinancing team is a key part of our success because clearly we are very able to be very agile and benefit from better terms whenever they are available.

So no negative impact on our ability to land new deals in 2023 and onwards.

Operator: Thank you. We will now move to our next question from Arnaud Palliez from CIC Market Solutions. Please go ahead.

Arnaud Palliez: Yes, Hello. I have one remaining question regarding - so what we can expect from the outlook you gather from the - on exits and investments? This is that probably the level of dry powder of cash available will remain the same in 2023. So I would like to know if it's the view you share. And also what is today the - your cash management policy was there, for instance, some cash deposits made by US portfolio companies SVB or signature. So - and do you expect of course a higher remuneration of your cash this year.

Alain Rauscher: Okay, Arnaud. Thank you. I will let Patrice answer the second question. On the dry powder, we clearly have quite a lot of dry powder because we are fundraising for our fifth vintage flagship fund.

There are plenty of opportunities available in the market, but I would say that many of our largest peers - I will not mention names, but you can easily trace them are in fundraising mode. So having already secured 7.5 billion for Flagship Fund V, we certainly have an edge because we have money already ready to be deployed.

On the cash management policy and exposure to banks?

Patrice Schuetz: On cash management, we need to separate two things: what's happening at the listed company level and what's happening at the portfolio company level. At the listed company level where we hold 422 million in cash, we've decided that we will allocate a majority of the cash that we don't need to serve our day to day liquidity into term deposits. We've done that because we did not want to take interest rate risk and revaluation risk related to fixed income instruments in an environment, where rates were moving rapidly. And I think in retrospect that was the right decision.

Most of those deposits are now yielding anywhere between 2.5% to 3%. And probably when they roll over, they're going to reprice again. They're still very short-term term deposits, sort of three months for a majority of those term deposits. And they're held with different banks in a diversified manner and with very sizable banks that have strong credit ratings.

So no exposure to SVB, no exposure to Signature Bank, and no exposure that would concern us in any way.

At the portfolio company level, we tend to hold quite small cash balances in the businesses, essentially just the cash that the business needs to operate on a day to day basis. So in essence, this is not so relevant. But what we've done across the portfolio is evaluate our bank counterparty relationships and ensure that none of the portfolio companies is holding cash balances with small regional banks that we believe could be a concern in the current market environment.

And across the portfolio, there's been, obviously no exposure to SVB or Signature Bank or any other bank that would be a concern to us.

Arnaud Palliez: Okay. Thank you. If I may, I have a second question regarding the free share plan. The non cash cost of this plan is - was significant last year. So I would like to know if you can remind us the characteristics of this plan and what we can expect for 2023 and for the years after.

Patrice Schuetz: Yes. The free share plan was essentially a one-off plan that was put in place in the context with the IPO. And the objective was to grant access to the share capital to partners that owned either no shares or very small amounts of shares at the time of the IPO. The total amount of the free share plan equated to 180 million on the basis of the IPO price of €24 per share.

The way it's being recognised in the P&L is that over the two-year vesting period of the plan, we are recognising the 180 million in a linear manner as a personnel expense. That's a non-cash expense because essentially what it is, is just approximately 4% dilution in share capital that will occur once that plan vests, which is in September of 2023.

But on top of that, you have social charges. Social charges differ from country to country. There are about give or take 15% in the UK, about 20% in France. And I think around 1.4%, 1.5% in the US, if I recall correctly. And those social charges will come on top of the 180 million. They're a cash expense. And we have hedged those social charges because they are based on the plan's value at the time of vesting, meaning we took share price risk related to those social charges and we have hedged those.

So what you see in the P&L is three effects. It's recognition of the 180 million over the vesting period in a linear manner. It's recognition that the social charges revalued at each reporting period to where the share price stands. And then an offsetting hedge on the social charges.

But with respect to my outlook for the free share plan post vesting in September of 2023, it's going to vanish. You're not going to see any effect in the P&L in 2024.

Arnaud Palliez: Okay. Very clear. Thank you.

Operator: Our next question comes from Angeliki Bairaktari from JP Morgan. Please go ahead.

Angeliki Bairaktari: Good morning. Thanks for taking my questions. Can I please ask if you are able to provide an update on where do we stand year-to-date in 2023 with regards to fundraising in the flagship Fund V and also in NextGen I? And considering that the fundraising for Fund V is now slightly delayed potentially, does that mean that we should expect the launch of the next vintage Fund VI to be in 2026 at the earliest?

And then with regards to the EBITDA margin, is it fair to assume that we should expect the margin to converge towards 70% after the Fund V is completed, so towards 2025, 2026? Or is there a sort of any other reason for structurally higher costs versus what we sort of previously had been expected?

And one last question on OpticalTel. On this deals that you mentioned today in your press release and that you have terminated. I was just wondering if there is any risk of sort of costs incurred by Antin as a result of that termination? Thank you.

Alain Rauscher: Maybe I can start with the first two questions, Angeliki. First of all, I'm very sorry, we cannot give you an update on the fundraising on the flagship fund since the beginning of 2023, because we are going to announce basically a figure in one month from now. The only thing I can tell you is that we continue raising money.

The second thing is that we are not telling you that only 10 billion will be raised this year. There is a possibility that, in fact, we raise more or we raise 12 billion during the course of this year. But again, out of caution in this very difficult market, uncertain market, and you can see that some of our peers are basically failing to raise funds or are delaying the fundraising of some funds. We wanted to give you some guidance out of caution. But again, it doesn't mean that you have to assume it will be - we'll raise 10 billion instead of 12 billion this year.

Patrice Schuetz: Just with respect to the EBITDA margin and the convergence towards 70%, I can't really comment on it that far out because we can't withdraw the 70% target and then reconfirm it. But I think there is a reason as to why we've moved from a percentage guidance to an absolute euro guidance.

I'm going to give you an example for that. It's very obvious that we are reflecting very actively on eventually launching a new strategy. And while 2023 is not going to be the year for that and the environment for that. At some point in the future, it's our intention to do that. And if we do that organically, you may be seeing year one having a negative EBITDA impact because we're investing. You may be seeing year two having a very strong positive EBITDA impact and year three being even more positive.

But it may be still below a margin of 70% because we're launching a new strategy that hasn't scaled yet. So essentially, as we've been thinking about the future, delivering absolute EBITDA growth because we're launching new initiatives, is, in our view, going to be great for shareholders but may not necessarily come at a 70% margin. So we need to recalibrate when we get closer to the date.

But absent of that, it's clear that flagship mid cap is a hugely scaled strategy that produces extremely attractive margins and that's not going to change. So it's just about business mix and what else we're going to do.

Mélanie Biessy: On OpticalTel maybe, and for the benefit of all, OpticalTel is an investment that has been made in the US, signed for the benefit of the mid cap Fund I and it has been signed end of the year 2022 with a closing that had to occur once condition precedents were satisfied.

And during this phase between signing and closing, some breach has been made on fundamental representations made by the seller at the time that were relating to the company and the group ownership. So very fundamental breaches.

The seller had a cure period to cure and remedy those breaches, which it didn't do. And therefore, we had no other choice because we liked the business very much, but we had no other choice than to terminate the merger agreement with the seller, which the seller didn't take well because he filed a claim against Antin. We counter filed a couple of weeks ago.

To comment, Angeliki, on your specific question, there is no material impact on the financial position or profitability of Antin. This is something that happens, but it's at fund level and we do not anticipate any impact at all on the Antin business.

Angeliki Bairaktari: Thank you very much. If I may just follow up on the sort of new strategy that you indicated. Would you like to give us some colour as to the regards of the direction of what you're thinking? I know there's nothing immediately in the pipeline, but it would be interesting to hear your thoughts with regards to would that be a geographical expansion of fund or some sort of other vertical that you're thinking of launching within the infrastructure space? Thank you.

Alain Rauscher: Maybe I can take that. I think, as you said it rightly, Angeliki, there is nothing I would say imminent but we've been working a lot and we are working a lot on those things, evidently.

If you look what we've done in the last two years, we moved from one strategy to three, which gives you an idea of our ambitions and our ability to raise new strategies. We have done that essentially organically. And we think that the organic route is probably the best one, the safest one in terms of making sure we recruit the right people for the right strategies.

So my guess would be that we will continue mostly the organic route. And NextGen infra is a typical example of that. We recruited a team which is made of new hires and Antin all-timers to be sure that our culture is well shared by all. And it is extremely successful. So we will do more.

In terms of where are opportunities of new strategies within infrastructure space. I don't want to comment on that now and we are certainly reviewing some. There are also some, I would say, opportunities outside of the, strictly speaking, infrastructure arena in, I would say PE strategies or real estate strategies. But clearly, we think that we are in a people's industry and ensuring that we have the right people on board is of paramount importance as opposed to making a financial deal where you end up buying an asset and you find that half or a third of the people are not right and you have to replace them. And then you paid a lot of money for, frankly, not much.

So organic route is favoured for us. But don't worry, Angeliki, we are very ambitious people. I will come back in due course with some good announcements and performance, I hope.

Angeliki Bairaktari: Thank you.

Operator: And we will now take our last question in the queue from Tom Mills from Jefferies. Please go ahead. Your line is open.

Tom Mills: Hi. Maybe I could just follow up on maybe Arnaud's question I think it was, just on deployment opportunities. I mean, it feels like there's quite a lot more money chasing assets in the space now. There's been a lot of money raised in the last six, 12 months globally. Could you - I mean, I kind of note comments made by certain listed companies, particularly in like the telco and the telco tower space, like Cellnex, saying that that market is now closed to M&A, given cost of financing, limited availability of assets. Are you seeing - I kind of know that you're saying that there's plenty of opportunities, but are you seeing any pockets of difficulty in certain areas that you're looking at? Thanks.

Alain Rauscher: I mean, I think, first of all, you say there's plenty of money to be deployed. Yes, you are right. But one thing which we integrate in our thinking when we devise a new fund strategy or a new vintage is to be in a spot where we are not faced with, I would say, excessive competition. I will quote you to two reasons for that.

The first one is we have some of our peers who now are raising €20 billion or dollars plus funds. Evidently, if we were to raise - if we are, and this is our objective to raise 12 billion, you can see we are in a different space. And in that space, to be quite frank, it's not a very packed space. So we are pretty confident that we'll find deals which are differentiated without having to compete head on head with, say, 3 or 4, I would say peers. That's the first element of my answer.

And we observe that. We have followed this discipline of sizing the funds to - on the ground of our competitive environment and our ability to deploy capital.

The second answer I would like to provide to you is our mid-cap strategy. Clearly, mid cap strategy has been - we've been raising money very successfully and I'm sure it will be a big success when we go back to market. I think we deployed about 40% to-date. So it's been deployed very fast. And we are in a space which has been pretty much abandoned because everybody has been so much focused on growing super large cap funds but the mid cap space has been largely abandoned.

And you may have a macro view about plenty of capital to be invested, plenty of dry powder in the infra space. In reality, if you look segment by segment, you see there is plenty of opportunities with moderate competition. So, we are very, very confident we can deploy capital profitably.

Tom Mills: Thanks very much.

Mélanie Biessy: I think it was the last question.

Operator: There are no further questions. Thanks for your time.

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

[END OF TRANSCRIPT]