

BNP fund taps renewed interest in infrastructure

Louise Bowman

Sunday, February 07, 2010

Record number of funds seek cash; Debt appetite returns

Antin Infrastructure Partners, the BNP Paribas-backed infrastructure fund, achieved its second closing on December 18 last year, taking the fund to half of its target size of €1 billion. BNP Paribas has invested €300 million in the fund – €150 million through BNP Paribas SA and €150 million through Cardif Insurance. Other investors put in €215 million in a fundraising that took nearly a year.

"The European market simply does not have 20 mega deals a year, so many European funds are coming back to the \$1 billion size"

Alain Rauscher, Antin



"We launched in January 2009 but to say that the fundraising environment was difficult is an understatement," says Alain Rauscher, chief executive at Antin. "We were faced with investors telling us to come back in six months once they had counted their losses."

Antin Infrastructure Partners was set up in 2008, with BNP Paribas taking a 40% stake. It focuses on infrastructure opportunities in continental Europe, although it did invest in Porterbrook, a UK rolling-stock company, in October 2008 (increasing its interest to 20% in the fourth quarter last year). The second fundraising closed in December last year, after meetings with 250 limited partners globally. "Conditions improved in the second half of last year," Rauscher explains, and 10 investors came in from Scandinavia, Germany and France.

According to San Francisco-based placement agent Probitas Partners, at the end of 2009 there were nearly 100 infrastructure funds worldwide, which are seeking roughly \$110.3 billion in investment. This is an increase from the 63 funds seeking \$94 billion the year before. But the economics of infrastructure investment have changed significantly over the past two years: scarce and

expensive debt, inflationary uncertainty and a slump in asset values have changed the rules of the game for many. There have been a number of high-profile withdrawals from the infrastructure fund business. In the US, Deutsche Bank-owned RREEF abandoned plans for a \$500 million North America Infrastructure Fund in July 2009 and in the same month ING Group pulled a planned €1 billion infrastructure fund in Europe.

"The size of the fund is very important," says Rauscher. "There have been various formats used and a trend towards super-jumbo funds. But we believe that €1 billion is a good size. We insist on strict governance rights on all our investments so for a fund this size this could involve governance over enterprise values from €500 million to €2.5 billion. The European market simply does not have 20 mega deals a year, so many European funds are coming back to this size." Natixis closed a second fundraising for its infrastructure fund in October last year, raising €500 million, and Lloyds Banking Group is said to be working on a new primary social infrastructure fund with a target size of about £800 million. Axa Private Equity is also thought to be working on a second €1 billion-sized infrastructure fund.

The improvement in appetite among equity investors towards the end of last year has been mirrored by an improvement in debt appetite as well. This time last year bank appetite for infrastructure assets was so constrained that the UK government took the unprecedented step of setting up its own infrastructure finance unit (Treasury Infrastructure Finance Unit, Tifu) to bypass the bank market altogether (see [Infrastructure: Conduit may bypass expensive bank lending](#), *Euromoney*, February 2009).

Since then, however, banks have demonstrated a renewed willingness to fund such projects – with a £956 million, 27-year loan being raised in September for the M25 motorway improvement project from a syndicate of 16 banks led by Lloyds, SMBC, WestLB, BBVA and Calyon. Despite this, the UK Treasury announced plans to create another infrastructure unit, Infrastructure UK (IUK), in December last year.

New unit

The new unit will combine Tifu, Partnerships UK and the PPP policy arm into one entity, which will be responsible for infrastructure strategy. Antin closed its fourth investment on December 16, buying 33.3% of French midstream oil storage and handling firm Pisto. It bought the stake from Macquarie Infrastructure Funds. The Lombard Odier Macquarie Infrastructure Fund retains a 36.5% interest, and two other Macquarie-managed funds hold 30.2% between them. Antin is rebalancing the fund away from transportation and towards energy in anticipation of increased forced disposals by EU energy companies.

"When we launched the fund it was not the right time to invest in energy," he says. "High oil prices meant that people were paying too much for energy assets. But we knew that pressure from the EU was going to have an impact."

The European Commission has forced energy companies to unbundle infrastructure assets, turning many from buyers to forced sellers.

\$110bln

what 100 funds are seeking, up from \$94bln 63 funds wanted the year before