Analysis

KEYNOTE INTERVIEW

The American dream

Neither Covid nor a tumultuous presidential election have undermined the vast infrastructure opportunity in the US, says Antin senior partner Kevin Genieser

Q What do you think it is that makes the US infrastructure market so attractive right now?
It's the sheer scale of the opportunity. By most estimates, over $2 trillion is required to restore and create the infrastructure that the United States needs, and that spans a wide range of different sectors. The US also benefits from strong financial markets, low interest rates and a high-quality workforce, so there's a very exciting, multi-year opportunity to put money to work in compelling areas.

Q How has the region, and its infrastructure, been impacted by covid compared with other areas where Antin operates?

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It's impossible to generalise. You need to look at the sub-asset classes within infrastructure. Clearly, airports have been affected dramatically. I've seen stats that show airports 95 percent down during the pandemic. But then there are other areas of social infrastructure and digital infrastructure, in particular, that have been positively impacted. As more people work from home and are educated from home, that has underscored the importance of certain sectors.

Q And how has covid impacted deal volumes and your ability to transact?
Our team didn't really miss a beat. And that's true of investors, advisers and the infrastructure industry more broadly. We've all shifted to a new virtual world. From a practical point of view, we have a team call every day to review all the opportunities out there and much of our due diligence was already done online. The pandemic has really just accelerated a pre-existing trend. As a firm, we've completed four new deals since last March.

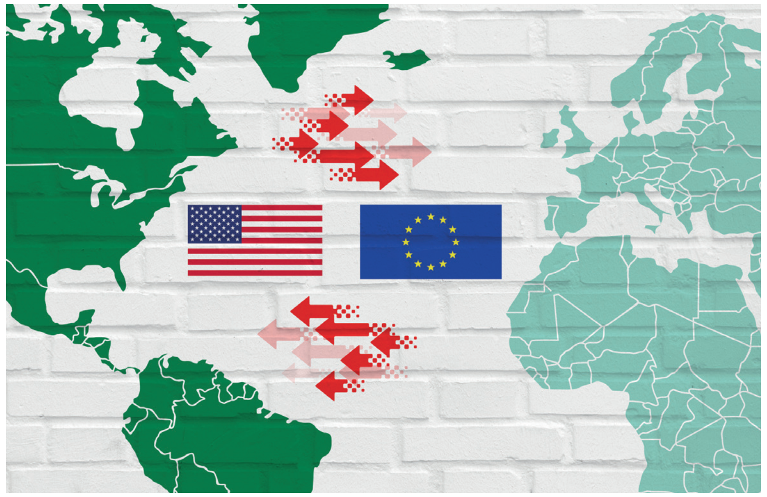
Q Has the US election, and the turbulence that accompanied it, impacted day-to-day business? What will the new administration mean for investment decision-making?
Despite everything that's happened in the political arena over the past 12 months, the financial markets have hung in there and remained supportive of new infrastructure investment. So, in that sense, our ability to operate on a day-to-day basis has not been affected. Going forward, however, I think we'll see a shift in priorities. The Biden administration is clearly focused on a number of key issues including tackling climate change. We expect to see a return to various international agreements designed to accelerate the energy transition, and that will benefit a number of infrastructure segments ranging from renewable power generation to new forms of transportation. That's the biggest shift we expect to see.

Q Is the energy transition then a key area of focus for you in 2021?
We've long focused heavily on the energy transition and will continue to do so. We're big believers in the proven forms of renewable energy but also very interested in some of the newer opportunities coming to market, including battery storage, electric vehicles and biofuels. There are a number of emerging trends that we expect to become investable themes in the next two to three years.

The digital infrastructure space will also deliver interesting investment propositions, particularly as attention on the digital divide continues to grow. If you go outside the major metropolitan areas in any state, there's still a significant under-penetration of fibre. There's a real opportunity to build out that network and expand high-speed fibre connections. We're extremely bullish about that space.

Q Digital infrastructure and renewables are two of the most competitive areas. What's your view on valuations in these sectors and can they continue to deliver the returns LPs demand?
Yes, there is a lot of investor interest in these sectors, but they're also extremely large markets. The opportunity set is huge. We're not looking for a fast turnaround. We are, however, looking for exciting platforms and great management teams that we can back to build businesses over multiple years. And so, while valuations in certain sectors may appear high, when you consider the long-term value creation opportunities, I have no doubt it will be possible to generate high-quality returns.

Q Are there any other challenges you would associate with investment in US infrastructure and how do you overcome those?
While the federal government and the new administration are extremely important to the country's infrastructure programme, it's vital to remember that a great deal of policy is determined at a local level. So, it's important to understand the approach that individual



Importing ideas

Antin brought its relationships and experiences in Europe to the US market when the firm acquired 13 district heating/cooling systems across 10 American cities from Veolia.

The company supplies a wide range of customers, including commercial premises, government, universities, hospitals, hotels and manufacturing facilities, but Kevin Genieser believes there is plenty of opportunity remaining.

"The networks are still underdeveloped," he says. "One in every four buildings passed may be tied on to the network but we have the chance to tie in all the other buildings as well. There are huge opportunities to sign long-term contacts and to be more energy-efficient.

"We're very pleased with how the investment has progressed and believe there will be opportunities to put more capital to work, to bring in new customers and to improve the carbon footprint of a number of major cities around the US. We're bullish about where this market is heading over the next few years."

Antin's European district heating experience includes France's Idex, which the firm backed in 2018. Idex operates 41 district heating and cooling networks including the Paris La Défense network, 13 energy-from-waste facilities and a large portfolio of energy services contracts.

states are taking and what the most attractive opportunities within those states are likely to be. Part of the reason we opened our New York office is that we're big believers in boots on the ground. A local presence is needed to understand the dynamics of each market.

Q US infrastructure managers historically have been heavily sector-focused. How have LPs responded to a more generalist approach?

Investor interest has remained very high. The pandemic and political uncertainty have both underscored the asset class's resilience.

And while you're right to say the US has historically been dominated by funds focused on specific sectors, I think there's been renewed appetite for diversification as a result of what has happened over the past year.

We invest across a wide range of different sectors and different regions, and covid has shown that to be a beneficial approach.

Q Antin is a diversified manager, as you say. But are there sectors you're looking to stay clear of?

We have a pretty strong mandate not to invest in traditional fossil fuels, coal in particular. We also stay away from sectors such as prisons. What we do look for is underlying macro growth. We seek to identify sectors benefitting from macro tailwinds and then find the right opportunities within those markets.

Q Are there advantages to having European roots when operating in the US market?

There have been a number of situations where we've been able to identify business models that have worked for us in Europe and replicate that in North America. A great example is our investment in a US district heating and cooling business that we acquired from Veolia. We had already completed similar deals in Europe, and that proved incredibly helpful to identifying opportunities on this side of the Atlantic.

Q Does that European heritage also inform your approach to ESG, and is that a differentiator in a US market that continues to lag in this respect?

Having European roots does mean we've always been heavily focused on ESG issues. ESG has always been an important part of our due diligence on new investments and we've always reported on the ESG performance of portfolio companies. We have a dedicated ESG officer and, broadly speaking, Antin is now setting the pace in the US. Certainly, LPs are very focused on a firm's ESG credentials and I fully expect the North American infrastructure market to continue improving its ESG approach.

"Over $2 trillion is required to restore and create the infrastructure that the United States needs"

Q #MeToo and Black Lives Matter both had their origins in the US. Have these movements facilitated a change of attitude towards diversity in the industry?

They are two extremely important issues. From Antin's perspective, we have a no-tolerance policy on any form of discrimination, but there's more work to be done when it comes to improving the industry's track record on diversity. Two of our five senior partners are women and our COO and CFO are both women too. In fact, women make up around 40 percent of our workforce. We've long been aware of the importance of diversity and tried to build our teams to be commensurate with that. However, there are always more improvements to be made.

Q What do you believe the future holds for the US infra market?

The future looks very bright. We've some tough times ahead in the short term. It's going to be a long, dark winter and that could potentially extend into the spring. But hopefully the vaccine rollout will be successful and society will slowly be able to return to normal.

However, some of the changes we've experienced as a result of the pandemic will be permanent. People will go back to in-person meetings but the efficiency savings that have been achieved by doing things virtually mean that a lot of that is here to stay. And the infrastructure investment that we will see will reflect that.

In general, though, I believe the opportunity set here in the US is, and will continue to be, vast and we're excited to see what the future brings. ■