KEYNOTE INTERVIEW

Top of the list

An IPO on Euronext has enabled Antin to fund its ambitions, which include launching two new strategies and opening new offices, in addition to securing succession plans, says senior partner and chief operating officer Melanie Biessy

Q You recently raised a dedicated mid-market fund. Why is that an attractive part of the market and why does it require a separate vehicle?

When we first started out as a firm, we began in the mid-cap space. We decided to return to that part of the market with our first dedicated mid-cap fund, which closed in June 2021 at a €2.2 billion hard-cap. We are convinced that there are significant opportunities in that mid-cap segment that are being overlooked by the larger players. That is why we launched this new vehicle. In addition, we are repeatedly hearing that investors prefer funds with focused mandates. They are not looking for funds that combine both large and small deals. They would prefer to keep the two separate.

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Q Where do you see the most interesting opportunities for that fund right now?

The sheer volume of potential mid-market deals is one of the key reasons why we established the new fund series. Those opportunities exist throughout all sectors, and we will be hunting across telecoms, transport, energy and social infrastructure. We will be targeting those deals that we had to reject as being too small for our flagship funds. There are around 100 deals currently in the pipeline and we expect to assess between 300 and 500 investment opportunities over the next three to five years. Ultimately, we will establish a balanced mid-cap portfolio covering each of our four core sectors.

Q In addition to the mid-cap fund, you also have a defined next generation infrastructure strategy. Again, why is this an interesting area?

We have spent a great deal of time and investment, researching the mega-trends that are going to shape the way we live and the infrastructure we require in the years ahead. That is important as it enables us to both identify interesting opportunities and also to avoid investing in stranded assets. The world is going to look very different in five or 10 years' time. Our next generation funds allow us to invest in that future, right now. These opportunities will be underpinned by long-term trends, including the energy transition and green mobility, and therefore the portfolio should have a very interesting profile. It will also be carbon neutral with an emphasis on impact.

Q Where specifically has your research led you in terms of exciting opportunities for this strategy? And why the decision to launch separate vehicles?

We are targeting businesses that are commercially less mature than those we invest in through the flagship and mid-market strategies. We will be pursuing businesses that are at the stage immediately preceding widespread adoption. They will be operational, but will already have been significantly de-risked. We will then seek to develop them into essential infrastructure assets over our ownership period. The team has already identified a number of sizeable and high growth next-generation subsectors supported by strong, sustainable growth drivers within the Antin target sectors of energy, transportation and telecoms.

Q Meanwhile, how is your flagship strategy evolving? And is it always obvious which fund an asset should be in?

Our debut flagship fund had a target size of €1 billion in 2008. In 2020, almost 12 years later, we closed our fourth flagship fund at €6.5 billion, so we have experienced very significant growth. It is typically obvious which fund a potential target will go into, based on maturity and the equity ticket size required. An asset going into the flagship or mid-cap fund must meet all the criteria in the Antin Infrastructure Test. They will provide essential services with high barriers to entry, generating predictable and stable cashflows. They will have resilient business models and robust downside protection.

Q Do you think infrastructure will remain attractive to investors in a higher interest rate, higher inflation environment?

Infrastructure is expected to be the fastest growing asset class in private markets, based on the relatively early stage of its development as an asset class when compared to private equity as well as macro factors including the massive infrastructure need globally and the fact that government resources are increasingly stretched. Investors are attracted to the asset class, meanwhile, because of the diversification it offers, together with relatively low correlation to wider markets. It also offers stable and attractive returns and relative protection against inflation. Combined with a wide opportunity set of potentially undermanaged and sub-optimised assets, you can see why many institutional investors view infrastructure as a real safe haven.

They will have growth opportunities and may require potential follow-on capital from Antin. They will require equity cheques in our €200 million to €700 million sweet spot and we will be able to take majority stakes. Assets going into the next generation fund will have meaningful infrastructure characteristics, and will certainly need to have revenue visibility, but they will be at an earlier stage than the flagship and mid-cap series.

Q Will the mid-market fund act as a pipeline for the flagship strategy?

That isn't the way that we are thinking about this. The mid-market fund will build up a portfolio of assets that will be sold to infrastructure players once they have been scaled and transformed, certainly, but we envisage those sales to be arms length transactions to third-party investors.

Q What are some of the recent deals from across all of those strategies that you are most proud of?

We have completed two significant social infrastructure exits including German laboratory group Amedes, which was sold to a consortium that includes Canada's Omers Infrastructure, Goldman Sachs Asset Management and Axa Investment Managers. Amedes operates laboratories at 90 sites across Germany, Belgium and Austria, treating around 450,000 patients a year. We also sold private health group Almaviva Santé, which now comprises 30 clinics across France.

Meanwhile, we made our inaugural investments from the new mid-cap fund, backing Pulsant, a UK data centre platform, with a focus on colocation, private cloud infrastructure and network connectivity, and European Rail Rent, an asset manager for rail freight cars. The plan is to invest in an efficient and modern wagon fleet, thereby making a meaningful contribution to Europe's decarbonisation efforts. Finally, we recently invested in Origis Energy in the US out of our fourth flagship fund. Origis has a track record of development success across 130 solar and storage projects. We are providing the capital and resources as the company builds out its contracted pipeline.

Q Are there any particular challenges that you feel the infrastructure industry is facing right now?

We see lots of challenges, but those challenges actually provide tailwinds for our activities. There is a global recognition that social and economic infrastructure is underinvested and underdeveloped. It is estimated that $94 trillion of investment is required if we are to meet sustainable development goals by 2040. Based on current investment trends, that implies a $15 trillion investment gap, which translates into huge opportunities for us as an infrastructure manager.

Q The other big milestone for Antin in 2021, of course, was the IPO. Why did you decide to go down that route?

The prime motivation for the IPO was to raise capital to fund our growth plans to further our long-term success. Beyond this, continuity beyond the founders has been a concern for us for years. In order to ensure that a second and third generation of partners can take over the reins, we needed to find a succession solution that provided access to capital for more junior team members, whilst further strengthening our collective alignment of interest and re-enforcing our ability to attract and retain talent at all levels.

The funds raised have primarily been used to scale up the business including the opening of new offices such as the one in Singapore, and the launch of the mid-market and next generation infrastructure strategies. It also creates optionality for M&A, so we see significant opportunities ahead and attractive ways to deploy capital in a value enhancing manner.

"Infrastructure is expected to be the fastest growing asset class in private markets"

Q How would you describe the IPO experience?

It was certainly a very intense period, but we are happy with the results. We were significantly oversubscribed, and our IPO was the largest listing on Euronext in 2021. First and foremost, though, the success of the IPO is a recognition of the track record we have built up over the years, with a 24 percent gross IRR and a 2.7 times gross money multiple, through 14 exits to date.

We are well positioned in an asset class that is growing faster than the overall private markets, expanding at a compound growth rate of 15.5 percent between 2010 and 2020.

"The sheer volume of potential mid-market deals is one of the key reasons why we established the new fund series"

Q What do you think the future holds for the asset class?

Social and economic infrastructure globally is profoundly underinvested. We need to add more capacity to existing networks and there is an incredible opportunity for infrastructure managers to play an important role in closing the infrastructure investment gap that I spoke of.

There are significant opportunities in developed markets, to improve existing infrastructure through the refurbishment of roads, airports and hospitals, for example, whilst accelerating next generation infrastructure into areas such as 5G and clean energy.

Meanwhile, there are also great opportunities in emerging markets, including the traditional and digital infrastructure needed to support increased urbanisation. As a result, private infrastructure assets under management are expected to double by 2025, growing faster than all other private markets asset class. So, in short, the future looks bright. ■