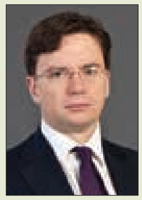
Ardian

Ardian poised to build on its European infrastructure business in the Americas

CONTRIBUTORS

Mark Voccola
Co-Head, U.S. Infrastructure

Mark Voccola joined Ardian Infrastructure in the United States in August 2018. Previously, Voccola was a partner in Ares EIF within the Ares Private Equity Group, where he was responsible for appraising investment opportunities and monitoring portfolio companies. Prior to joining Ares in 2015, he was a partner at Energy Investors Funds (EIF).



Stefano Mion
Co-Head, U.S. Infrastructure

Before joining Ardian in 2007, Stefano Mion worked at Merrill Lynch in the European Leveraged Finance Team in London. Prior to that, he was with UBS Investment Bank in Milan in the Corporate Finance Team, and also at J.P. Morgan in London.

Recently, **Chase McWhorter,** Institutional Real Estate, Inc.'s managing director, *Institutional Investing in Infrastructure,* spoke with **Mark Voccola** and **Stefano Mion,** co-heads of Ardian's U.S. infrastructure. Following is an excerpt of that conversation.

Ardian is a well-known infrastructure player in Europe, and your footprint in the Americas is growing. To set the stage, could you begin with an overview of Ardian and the team?

Mark Voccola: Ardian is the largest alternative asset manager in Europe, with $96 billion under management. We are a majority-employee-owned firm with 15 offices around the world and 650 employees. The firm was founded in 1996 as a mid-market buyout GP, acquiring majority stakes in Pan-European businesses. In 2005, Ardian launched its infrastructure equity business to make direct investments in essential assets, partnering with industrial companies. We have a long track record in the infrastructure space, having successfully raised six funds, including the largest ever European-focused infrastructure fund, which closed in March 2019. Ardian's infrastructure team focuses on control or co-control opportunities and is truly global in nature with 40 investment professionals working from Paris (HQ), London, Madrid, Milan, Frankfurt, Luxembourg, New York and now Santiago, Chile. We have been active in the space for a long time, and we use the experience, knowledge, and relationships we've developed over the past two decades in that network to source and structure our transactions. Beyond Ardian's infrastructure activity, the firm has four additional alternative strategies: buyout, fund of funds, real estate and private debt.

And what about in the Americas?

Voccola: We expanded the focus of the group and the team two years ago and moved into the Americas. Currently, in the Americas we have a six-person team, split between New York and Santiago. Stefano and I are the co-heads of the team here in New York — Stefano has been with Ardian 12 years, and I joined a little more than a year ago. Between us, we have experience in roads, airports, renewables, power, utilities, electric transmission and midstream deals. Stefano brings the DNA from the European team, and I was brought on to complement with more of the local knowledge of the markets here.

Ardian closed its first infrastructure fund dedicated to the United States and other OECD American countries in May 2018, but your track record for infrastructure goes back much further. To what extent has Ardian's infrastructure track record in Europe shaped your approach here in the Americas?

Stefano Mion: When we launched the U.S.-dollar fund for this region, we wanted to replicate the same strategy and growth that we had in Europe, focusing on essential infrastructure assets, working with a number of either management teams or industrial companies — mostly European infrastructure companies with whom we had worked in the past. Today, we are bringing the same type of risk-return appetite, and we try to assess investments in the same way as we have done for the last 14 years. Our approach is to focus on long-term relationships with stakeholders, regulators and communities. We are not focused on the short-term IRR, rather a partnership with industrial players or management teams. We believe that we have adopted the same risk-return assessment that we have applied in Europe — and it is working.

Local knowledge has always been important to us, which is why we have offices and team members spread out across Europe and across all the markets where we want to do business. But we operate as a single team, we have a number of transversal functions that we utilize on both sides of the ocean, and the approach to risk assessment is the same.

What types of investments have you targeted with your first American-focused fund?

Voccola: We are looking for the same types of deals that the team is looking for in Europe — essential, mid-market infrastructure assets. For us, that means primarily renewables, conventional gas-fired power, midstream assets, transportation and telecom. Geographically, we invest in OECD countries in the Americas — Canada, United States, Mexico, Chile and, soon, Colombia. That is where we are focused right now, and we are looking for direct-control investments. We are primarily the No. 1 or No. 2 shareholder in an equity group. Our job in the Americas is to source, analyze, structure and execute transactions in these markets and sectors, with the goal of building a balanced, diversified portfolio for our limited partners.

How is your approach to managing these infrastructure assets in the Americas different from those of competitors in the industry?

Mion: We are trying to bring the same approach to the Americas that we had in Europe. We believe diversification allows us to spread risk and diversification in sectors, industries and countries, with which revenue models we try to create diversification for our investors. We are selective in our portfolio construction, meaning that we stick to essential infrastructure assets. We focus on assets that have a visible downside protection and, on top of that, assets from which we can extract the maximum value through investments. We partner either with strong management teams or investment partners, and we believe in the alignment of interest with our stakeholders.

Are there any transactions you can point to as emblematic of your investment philosophy?

Voccola: One to point out is our investment in Skyline Renewables. Skyline hits a number of the tenets Stefano mentioned. Our goal — and the management team's goal — is to build a leading, North American clean-energy platform. This partnership was zero megawatts when we started and now is managing more than 800 megawatts of operating wind assets across the United States, with the goal of building that out over the coming years to three or four gigawatts. We partnered with a group here called Transatlantic Power Holdings, led by Martin Mugica, who has a decade of experience in the renewables space. Martin was the CEO of Iberdrola's North American Renewables business, which he built in to a leading renewables platform company with five gigawatts of operating assets. Now, he is leading Skyline to do that again, and we are their financial partner in these deals. By partnering with this experienced industrial partner, we picked up 10 years of U.S. renewables experience. Having experienced partners on the ground every day in this market gives us a competitive advantage, as we deploy capital in the green-energy space in the United States.

How do you see the rapid technological development affecting the infrastructure space?

Mion: For us, investing in infrastructure means investing in sustainable infrastructure over the long term. We do have a closed-end fund, but even there, the value of the exit is going to depend on the long-term value of the asset. The sustainability of the infrastructure is also linked to innovation and the environmental issues that we are all seeing in the world. We have spent a considerable amount of time, both within our team, but also with the biggest management teams with whom we work, focusing on two major points.

First, how is the world changing due to all the technological innovations that we are seeing, and how do these technological innovations impact the infrastructures that we own? This involves everything from how users use the infrastructure because of the new technologies or ways we can optimize both the revenue line and the cost line because of new technologies.

On the other side, we focus on how to use all the new data that is now increasingly available to ensure the sustainability of the infrastructure over the long term. In terms of sustainability, the environmental impact of the infrastructure is very important. You also need to understand where your regulator is going to put its focus in wanting the manager of the infrastructure to invest. If your regulator, at some point, decides that all airports need to have hybrid vehicles on the grounds of the airport, or if the regulator becomes focused on carbon-emission reduction, you need to be ready to address these issues. These are things you can be ready for because of the volume of new data that is now available due to technological innovation.

Zeroing in on your airport example, you have a big footprint in airports. Will that continue to be an area of interest for you in the United States?

Mion: Yes, we were owners of London Luton Airport in the United Kingdom, and we are shareholders in a portfolio of airports in Italy. We believe that the airport space in the United States will open up for private investors. We see a path toward private ownership that is not disruptive for the stakeholders, and we actually see it as a great value driver for local authorities, given that local authorities can still effectively maintain the long-term ownership of the asset, giving the management to private entities and freeing up meaningful capital for their communities. And you can work with the local authorities to improve the local communities in a way that is beneficial for all, without changing the face of the asset for the users — whether it is the passenger or the airline. We know that regulators are working to facilitate this process, and we know it has been a sector that everybody has been talking about for a number of years, but from an infrastructure point of view, it is ready for investment.

CORPORATE OVERVIEW

Ardian is a world-leading private investment house with assets of $96 billion managed or advised in Europe, North America, Asia and South America. The company is majority-owned by its employees. It keeps entrepreneurship at its heart and focuses on delivering excellent investment performance to its global investor base. Through its commitment to shared outcomes for all stakeholders, Ardian's activities fuel individual, corporate and economic growth around the world.

Holding close its core values of excellence, lo alty and entrepreneurship, Ardian maintains a truly global network, with more than 640 employees working from 15 offices across Europe (Frankfurt, Jersey, London, Luxembourg, Madrid, Milan, Paris and Zurich); the Americas (New York, San Francisco and Santiago); and Asia (Beijing, Singapore, Tokyo and Seoul). It manages funds on behalf of more than 1,000 clients through five pillars of investment expertise: Fund of Funds, Direct Funds, Infrastructure, Real Estate and Private Debt.

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