

KEYNOTE INTERVIEW

Tapping into technology



InfraVia Capital Partners' Guillaume Santamaria and Bruno Candès explain how investing directly in growth-stage tech companies will unlock new opportunities for infrastructure fund managers and LPs

Q What is driving the need to increase the digitalisation of infrastructure?

Bruno Candès: Like in most sectors, digital tools and big data can help reduce costs, improve efficiency and enable infrastructure assets to optimise performance or capacity. Take private hospitals, for example – a sector where we are working on digital transformations right now. Our goal there is to develop a unified healthcare information system in order to have one single source of data for clinical, administrative and financial information, thereby enabling frictionless interaction across the entire patient journey. This encompasses developing a strong digital backbone from electronic health records and enterprise resource planning platforms that are able to interact

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with other highly specialised digital healthcare solutions. At the 'front of house', it's more about developing a digital ecosystem, which is essentially a mobile-first platform, leveraging data acquired on this digital backbone and then using it to enhance customer experience and loyalty, and to promote patient retention. It includes changing the way we engage with patients and clinicians, but also insurers and stakeholders at large. This is even more relevant in a post-covid 19 environment.

Then there is the additional opportunity to use technologies such as artificial intelligence for the diagnosis of diseases like cancer and to facilitate

care protocols, and therefore improve quality of care. We are also going to get very good at enabling patients to monitor chronic diseases in near real-time, whether from mobile devices, wearables or other remote monitoring technologies.

Q Can you explain how InfraVia is transforming to take advantage of technology and the digitalisation trend?

BC: We identified the digitalisation of the economy as a key growth trend a while back, which is why we have been an early investor in digital infrastructure including data centres, towers and networks. Now we are going one step further with our growth equity strategy fund. After a great deal of research, we realised there was a relatively untapped

Analysis

opportunity to target growth-stage companies providing technology solutions that can be relevant to supporting infrastructure companies through their digital journey. We tested the idea with existing clients and the feedback was excellent, so we recruited Guillaume and the team to bring the fund to market. We have reached a first close of the fund at €270 million, so we're very much in business.

Q How big is the potential tech investment market in Europe?

GS: Europe's growth equity market is relatively new. It really started about five years ago. In that time, it's grown from between 80 and 100 transactions per year to between 500 and 600 in 2019, and from a couple of hundred million euros invested to €20 billion of late-stage tech investment. Taking into account the venture capital market, about €30 billion has been invested in tech in Europe in 2019, up 40 percent from one year earlier. The quality of technology companies is also improving rapidly. European funders and entrepreneurs used to aspire to be the best in Europe. Now they're looking to compete in Asia and the US to achieve global leadership. We believe this space is highly attractive, particularly when it comes to B2B, because the value proposition for European corporates that are willing to digitalise is huge.

Q Is LP appetite for European late-stage venture also improving?

GS: Absolutely. Institutional investors understand there is value within this field and are increasingly willing to back GPs managing tech funds in Europe. It started with renewed appetite for early-stage venture and is now moving towards late-stage and growth equity. Although the region still lags the US and Asia in terms of the amount invested, it is catching up both in terms of quality of assets and quantity of capital available for those opportunities.

Keeping an eye on risk

Bruno Candès and Guillaume Santamaria highlight the challenges and threats that technology and digitalisation present to infrastructure owners



BC: Speaking as an infrastructure owner, the biggest risk is taking a new technology and pushing it on to your existing processes and organisations. It's critical to think about this as an organisational and process transformation that is accelerated and augmented by technology, and not the other way around. The biggest danger is thinking that by putting software here and there you can suddenly become highly efficient. But, if you do not fundamentally reinvent and reengineer your processes, then you risk everything falling apart.

GS: Infrastructure owners should not be obsessed with digitalising everything within their company. That will only lead to disappointment and, in some cases, big problems. The risk of digitalising everything is that the different systems don't communicate; and if that happens, transformation will not be a success. It will also open the door to new threats, particularly in terms of cybersecurity. So, infrastructure owners should only adopt digital solutions when they are proven and robust. There may be more nascent solutions that are good enough for less critical assets, but the infrastructure industry must wait for the right moment to implement the right technology from the right vendors. Lastly, technology alone doesn't generate value; it needs to be widely adopted and accepted by the workforce, not only at the top management level. That requires a clear and shared transformation plan which integrates education and training programmes to make the most of digitalisation promises.

Q What types of companies are you looking for?

GS: We are targeting companies that have already proven their ability to bring a reliable product to market, which is providing return on investment for their customers.

Companies need to show they can use the capital we provide in a highly efficient way. We are not focusing on

funding innovation. We are focusing on funding commercial rollout, so we'll typically get involved in series B or series C funding rounds, investing in companies with between €8 million and €20 million of recurring revenues and between 100 and 300 employees. It's not about backing start-ups, but providing capital to scale-ups to accelerate growth.

Q And what's your strategy for value creation and ultimately exit?

GS: The first area where value can be added is business development. Companies want us to be able to plug them into the large account ecosystem. Second, we provide access to additional capital. Of course, we may well back a business through several rounds, but we can also introduce them to new financial sponsors to ensure they can keep growing. Third, we can help them identify and attract the right talent, bringing people with the right profile and background from around the world to strengthen their teams. Lastly, we help them prepare for exit. That can be a very challenging exercise and it is one that entrepreneurs are often unfamiliar with. They know it's the end goal and they know it's very important for both them and us. Preparation, in that regard, is the key to success.

Q What synergies exist between the growth fund and InfraVia's main infrastructure business?

BC: There are clear advantages in having our teams sitting side by side. The growth team can help drive the digital agenda of infrastructure assets – we are essentially in-housing all the digital expertise and experience required to support portfolio companies on their digital journeys. Infrastructure management teams are aware we can rapidly access digital solutions and, in turn, we can bring our whole infrastructure ecosystem to technology companies. We have already seen tremendous benefit. It's been really energising.

GS: It's also been terrific to be able to talk to people who could become customers for our portfolio companies in the growth fund. For instance, I've been able to talk to oncologists in InfraVia's hospitals about a potential investee company providing software to aid diagnosis. If this hospital is interested, it suggests other hospitals may also

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be interested. If it isn't, it suggests we may be looking at a software that will not be widely adopted. It's important to talk to potential clients, and having them within the InfraVia ecosystem is an effective and fast way of doing this.

Q Which emerging technologies will be the most transformative for infrastructure in the years to come?

GS: Software, artificial intelligence and the internet of things are completely changing the landscape of infrastructure – everything from airports, ports and roads, to solar farms and social infrastructure, such as education and healthcare. These technologies are absolutely pervasive within infrastructure today and will continue to play an increasingly important role. IoT is going to be extremely important as it bridges the physical and digital world, generating data from the field that will allow infrastructure owners to take more granular and real-time data-driven decisions.

BC: In this new economy, there is tremendous value in the data, so you have to follow the data! As Guillaume explained, this starts with IoT technologies that are going to be transformative. To facilitate IoT, 5G is, of course, needed – 4G was designed to connect millions of mobile devices, but 5G is designed to connect hundreds of billions of objects. That is where the data comes from. Then you can add edge computing and edge data centres, and the fibre that runs between them.

Finally, there is the computing capabilities, software and AI that can extract value from the data. Data itself is of no use. It is the algorithm that can extrapolate meaning from the data in order to drive efficiencies or improve the client experience that is valuable. In that sense, these technologies will be essential to driving the digital transformation of infrastructure in the years to come ■