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From left to right: Bruno Candès and Vincent Levita

PHOTOGRAPHY: ANDREW WHEELER

Keynote

Vincent Levita, Bruno Candès
InfraVia Capital Partners

Keeping the faith in Europe's mid-market

InfraVia had a busy 2018 celebrating a fourth fund close and 10 years of existence. Founder and chief executive Vincent Levita and partner Bruno Candès tell **Zak Bentley** what's next for the firm and why they will keep saying no to larger deals

The streets of Paris in July were mobbed, full of joy and delirium as its citizens celebrated a true French success story. Its band of victorious footballers had returned home from Russia with the World Cup in hand and were greeted wildly. In a quieter corner of the city, away from the party on the Champs-Élysées, one imagines a somewhat more reserved version of the celebrations taking place.

Vincent Levita and Bruno Candès, chief executive and partner respectively at InfraVia Capital Partners, were no doubt buoyed by the success of their compatriots. They, however, had their own milestone to celebrate. Final commitments were being signed off on the firm's fourth fund, bringing InfraVia European Fund IV to a €2 billion close, about two years after its third fund closed on half the size.

While the fourth vehicle maintains a European strategy, the international element was significant. Asian LPs accounted for 14 percent of the total, while non-European LPs made up 26 percent of the investor base. Investors outside Europe had previously comprised about 15 percent of InfraVia's base. Brushing aside the degree of instability in certain European markets at the moment, Levita offers a simple explanation for the growth.

"European LPs have a positive bias because of currency issues," he says. "I would say Asian and Middle Eastern LPs were last year in allocation situations where they needed to reinforce in Europe. They have invested a lot in Australia and the US, and they were aware last year they needed to be allocation positive in Europe."

There was close to $23 billion raised by Europe-focused funds last year, according to *Infrastructure Investor* data. So why choose InfraVia? And why does the group boast one of the highest LP re-up rates in the market, of close to 100 percent? It has a lot to do with "the three Ts", according to Candès.

THE THREE Ts

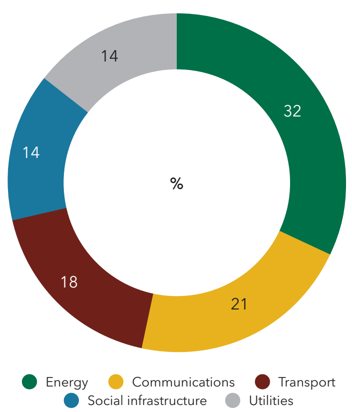
"It's about track record, transparency and trust," he begins. "For our track record, we're able to demonstrate solidity of Fund I and II, show the whole relevance of the investment strategy and that is absolutely key. Transparency is about sticking to your investment thesis, you don't drift, and you translate that into trust, where you have a very intimate relationship with your LPs that you can expand and bring to new markets. That's exactly what we've been doing over the last two years."

A sceptic might nod along with Candès' explanation but counter that every manager will preach the "three Ts". Levita, however, invites the sceptics to call their bluff.

"We do what we say, and we say what we do," he maintains. "After 10 years, our track record is not only good in terms of numbers but it's also good in terms of we have done exactly what we said. So, if you go back to Fund I LPs, you can go back to the notes and you can check that what we have done in the last 10 years is what we told them. We're quite proud of being able to say that to people who followed us in 2008.

BALANCE OF POWER

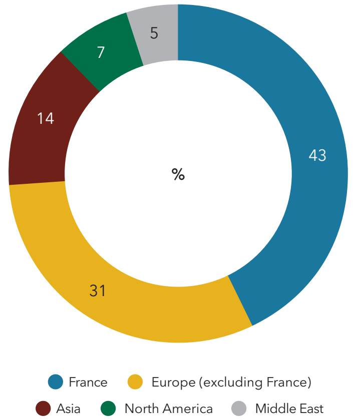
While somewhat skewed towards energy, InfraVia's portfolio is largely balanced across sectors



Source: InfraVia. Totals may not add up to 100% due to rounding

INFRAVIA INVESTORS AT A GLANCE

The proportion of French investors is slightly down from 45% in Fund III



It was quite tense, but people have been able to trust us."

Levita and Candès marked InfraVia's 10-year anniversary last year with a celebration in Paris with the rest of their now 30-strong team. While, again, the party was probably markedly more low-key than the footballers', InfraVia, too, is focusing on how to build on its success in the future.

Levita describes the decade as "the best we could have imagined". "The journey was incredible," he adds. "From investing during the financial crisis to, 10 years later, being 30 people with €4 billion under management. Now the question is what do we do for the next decade?"

While one element of the answer is continuing to deliver its current strategy, the longer term plan is somewhat more expansive, particularly in the digital infrastructure sector, where five of the group's 28 investments have taken place.

"We will continue doing mid-cap value-add strategies in Europe, but we will also be adding new expertise and propositions to our product," Levita explains. "Something that we have planned is around the digital infrastructure trend, where we need to build something. We think we've been in that space probably before others, so we've got some knowledge and skills in our network that should allow us to do something."

Could this also involve broadening its horizons geographically?

"We still believe in expanding across Europe and we can do that from Paris," Levita answers. "Of course, if we expand beyond Europe, we will have to expand beyond Paris. So that's certainly on the agenda for the next decade. Is it on the agenda for 2019? No. We have to find the right moment."

Before such plans materialise, InfraVia will focus on capitalising on the nearer term trends in Europe, where it sees the evolution of the "old economy, existing economy and new economy", according to Levita.

"With motorways and car parking, I wouldn't say 'never', but it's fair to say the car industry is changing," he argues, adding that InfraVia has started to invest in smart meters and charging stations to modernise its portfolio. "Ports and airports are based on globalisation, which is part of the existing economy. We are still looking at oil and gas very carefully, but we have made some good investments in oil storage."

Education is also on the agenda, ranging from pre-care investments to private schools.

"That's something which we have to look at," Candès says. "It's basically the same trend as we have done with social care in the past, but the regulatory framework is more complicated, and we need to be comfortable with that."

IS THE MID-MARKET PRICY?

InfraVia, of course, has been in the education business over the years with its LPs, guiding them as it sought to gain an early-mover advantage in certain sectors. The duo is frank about the work that had to be done before presenting some of its opportunities to investors.

"We have done a lot of homework and research in digital infrastructure and we found there was an infrastructure thesis within the data centre investment opportunity," Candès explains. "We've researched that internally, then we've explained to clients as part of the reporting and the fundraising. We did the same with oil storage, holding discussions five or six years ago. When we invested in Alkion [oil and chemical terminals] in 2016, it was no surprise. It had been well identified and discussed."

InfraVia's first data centre deal came through its second fund in 2014, when it invested in Etix Everywhere, a data centre builder and operator which had only been formed two years prior. Levita and Candès stress that the asset is similar to an energy play – connectivity and resiliency, punctuated by reliable service agreements.

"Our LPs told us in 2014, 'Ok, we are half-convinced with the first investment, we believe you so let's see'," Levita adds. "We've been able to show that the thesis was strong with the first investment, so when we came back in 2016 [with New Generation Data in the UK], it was a much easier time. We can now show them the improvement of the asset itself."

Candès adds that the same demographic trends that drove InfraVia to data centres are partially behind its investments in care homes and private hospitals. Ireland's Mater Private hospital was the first deal for Fund IV. However, he concedes that the "people aspect" provides the sector with a different operational complexity.

> "As always with infrastructure, the devil is in the detail"
> **Levita**

A DECADE OF GROWTH

Fund IV, closed last year, is InfraVia's largest vehicle to date

Source: *Infrastructure Investor*

"We think the entire infrastructure thesis is a drift from public services being delivered by the private sector," Levita says. "We've done this in Ireland because we thought the Irish government was extremely clear on the fact that they need more care homes and they are not able to deliver enough. I will not say that's the same for every country. As always with infrastructure, the devil is in the detail."

The most common questions asked by LPs during InfraVia's last fundraise focused on whether the market in which it operates had become too expensive and how it would characterise its investment proposal, according to Levita. These questions are becoming common among fellow mid-market managers, with investors wary the management of larger funds could lead to an element of strategy drift. However, Levita maintains that this discipline is relatively simple to keep to.

"The mid-market is buoyant because there are more transactions and they are less coveted by the larger players," he says. "There are more opportunities and we know how to identify them. It is easy with more money to be attracted by the bigger deals, but you have to resist. We are old enough."

Levita points again to his firm's track record.

"We've got a very strong resilience in our investments so we do keep our discipline on protecting capital, protecting the downside and delivering a minimum return which is extremely resilient, and you can see we have not lost any money," he insists. "We have not even had investments which perform below 6 or 7 percent."

The pair also stress that their platform-building approach helps maintain this discipline through incremental additions to each investment.

"We've got our Reden Solar platform [bought in 2017] and we have already doubled its size and we're on our way to tripling it," adds Levita. "But every transaction is mid-cap, or even small-cap."

As with Fund III, the firm is targeting between eight and 10 deals for the latest vintage and last year added 10 new investment staff to the team to help with this. Levita and Candès say they hire from a deliberate mix of project finance, investment banking and strategic backgrounds, providing the three mixes of experiences they need to source and manage deals. And with another record-breaking infrastructure year set to take place, the InfraVia leaders are unconcerned by the wall of capital set to arrive from both the larger players and those falling in the middle to upper market range.

"In the current market, our value proposition is still different from others," Levita declares. "This means we don't need to demonstrate that the other guys are not good. The other guys are good, but what we do is different." ■