Q&A

Old hands; new strategy

Stocked with industry veterans, **David Scaysbrook** and **Rory Quinlan** talk us through Quinbrook Infrastructure Partners' value-add low carbon energy strategy

> We specialise in the management of late stage development, taking on some elements of construction risk and then driving operational efficiencies" Scaysbrook

Q In one sentence, what do you have planned for Quinbrook?

DS: A specialist investment manager that is the partner of choice for a select number of institutional investors seeking innovative investment strategies in low carbon infrastructure assets from a 'hands on', operationally focused team offering both cash yield and capital gain potential.

RQ: What we do is de-risk the assets we've been involved with and effectively lower the cost of capital and cost of equity for other potential investors.

Q Why did you decide to create your own company?

DS: We aren't strangers to creating our own company and building global investment platforms. Quinbrook is the fourth venture that I have founded in the low carbon and renewables sector since the mid-1990s. Rory was the chief financial officer of one of these ventures – Novera Energy – which was listed on the London Stock Exchange and sold to Terra Firma in 2009. He and I also co-founded the clean energy business at Capital Dynamics, in 2010, which raised and invested over $1 billion, supported by a team we led in the US, UK and Australia.

RQ: In forming Quinbrook, we felt that there was a significant gap in the market for an independent and specialist manager focused entirely on capturing opportunities in low carbon energy. We wanted an independent platform allowing us to provide investment solutions for institutional investors who are increasingly differentiating their strategies and capital allocations to infrastructure. They are increasingly wanting specialist expertise – not generalist managers – and that's what we offer.

Q What is Quinbrook's strategy going to be?

DS: Our strategy hasn't altered much from what it has always been. We focus on compelling gas and select renewables projects where we can use our skills to aim for more attractive investment returns than what may be commonly available in the market. We specialise in the management of late stage development, taking on some elements of construction risk and then driving operational efficiencies once an asset is under our day-to-day management. Somewhat uniquely, our strategy combines our new-build capability with a parallel focus on the acquisition of distressed and underperforming assets.

RQ: We have managed this successfully in multiple transactions over many years and have consistently delivered profitable turnarounds and successful remediations. We think the markets that we are focused on will increasingly offer strong dealflow in each of these dual tracks and our ability to tackle both simultaneously is not only core to our strategy, but is also key to our ability to deliver target returns.

Q What geographies will you be focusing on?

DS: We are going to continue to focus on those countries we have invested in previously, where we have established relationships, and where we know the regulatory and market structures; the US, UK and Australia. Each of these markets is undergoing very similar but fundamental change from a regulatory perspective, as well as from the impacts of technological innovation. There is an emphasis in all three markets on new gas-fired generation to replace older coal plants and the rapidly growing penetration of onshore wind and solar projects are accelerating the advent of battery storage.

Q How difficult was it to build a team of experts?

DS: Building out the Quinbrook team was in many respects a repeat of the team building process we went through with the establishment of the Capital Dynamics clean energy business. Over the decades, we have built an extensive industry network and we were able to leverage this in the search for the required team members at all levels of experience. Rory and I have brought over seven executives who were former members of the Capital Dynamics team, so finding the right chemistry and fit was the overwhelming priority when adding new team members to the group.

RQ: It goes without saying that their analytical capabilities need to be first rate and they must have a genuine and acute sense of fiduciary responsibility.

Q With returns compressing across the board, how do you plan to add value?

DS: Without question, the times we live in are seeing return compression across the board. For a value-add investor like ourselves, this manifests itself by having to process more opportunities than before to find the deals that suit our risk/return profile. Moreover, it requires us to directly manage the assets wherever possible and to disintermediate third parties, to deliver maximum value.

For example, Quinbrook recently took over the operation and management of our biomass portfolio from a third party operator. We directly engaged more than 60 people in a new dedicated operations management team, reducing costs and increasing the investment's bottom line.

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>
> **Quinlan**

Q How important is the US market for you?

DS: The US is the most attractive market for us, mainly due to its sheer scale and fragmented nature. With all the stock of assets that have been built up and the amount of leverage that's being used, we see a significant amount of distressed dealflow coming into the market.

Q Has your hiring reflected the importance of the US market?

RQ: That's why we chose Jeff Hunter. He's a distressed and restructuring specialist and he's an operations portfolio manager as well. We also wanted someone to lead the investment side of things and deal structuring in the US, so Shawn Cumberland was a logical pick. He is someone we've know for a long, long time.

We've effectively brought on IPP veterans for the US market. Their networks are actually very extensive. I'm very excited to be working with both Shawn and Jeff given what they can add to our story.

Q What are some of the main trends you are seeing in the low-carbon space?

RQ: There are a few. First, being able to focus both on gas and proven renewables in the same strategy is key because gas is cheap right now in a lot of markets and it is an important facilitator of penetration of more renewables in the market. Not everybody agrees with that, but we believe in it.

And the second thing, we see a lot of people overpaying for assets that are going to go bang. That means the valuations that have been paid for some assets are leaving zero room for bad news. The world just doesn't work like that. It is critical that institutional investors profit from their investments in low carbon infrastructure, so that they remain active in the sector; it is worrying that they may decide to avoid the sector owing to some overzealous investing.

DS: Importantly, we are also excited about the significant shift towards distributed energy and the innovative ways in which we can create infrastructure type investment solutions, from the rapid deployment of solar, gas and battery storage as an integrated set of long term assets. Having been in this market for over 30 years, we are witnessing the beginnings of a fundamental transition in our energy markets and a growing investor conscience to match. Now that is exciting. ■