

Q&A

Reimagining infrastructure

Real Deals catches up with MML Infrastructure's co-managing partners Andrew Honan and Sharand Maharaj to discuss how private equity expertise supports the GP's infrastructure strategy



MML's infrastructure strategy received a boost in November 2023 with Sharand Maharaj joining the firm to co-lead MML Infrastructure alongside Andrew Honan. The two were previously colleagues at Macquarie.

Here, the co-managing partners talk to Real Deals about how they aim to bring a data-driven approach to assessing infrastructure resilience, with a growth toolkit developed from years of experience across a range of sectors.

Can you outline your personal and professional backgrounds?

Andrew Honan: Following a diverse upbringing in Canada, Ireland and Saudi Arabia, I started my career in London. I was at Credit Suisse for four years, then at BNP Paribas, before becoming one of the first employees of GSO Capital in Europe. After three years, I moved to Macquarie as a founding member of the principal investment team, which we grew into a leading global investor. I then founded Macquarie's West Coast office in San Francisco (and served on the US management committee for Macquarie), before deciding to come back to Europe and do something more entrepreneurial. In that context, working with the MML team was the obvious platform to join.

Sharand Maharaj: I grew up in South Africa and have been a finance and data enthusiast since childhood, starting to trade on the stock market at 13. I was fortunate to go to Oxford as a Rhodes Scholar, where I studied everything that could help me in business and investing. My professional journey began when I was selected as a Goldman Sachs global leader. I then worked in equity trading at Deutsche Bank and in strategy consulting at McKinsey. Then I was a founding member and managing director at Macquarie Private Equity for 13 years. I wanted to take our successful investment approach to a fund environment, which led me to reunite with Andrew and co-lead MML Infrastructure.

What have been the greatest successes in your careers?

Honan: My career highlight is the business Sharand and I helped develop at Macquarie, where we built a phenomenal team and developed a unique, data-driven approach to investing, resulting in more than \$50bn (€45.6bn) in investments across various assets.

Maharaj: I am proud of our track record: Andrew and I have achieved an average return of more than 30% on equity, with an exceptionally low loss rate. Our successes at Macquarie, marked by substantial growth and exceptional returns, are not just numbers; they are testaments to our vision of transformative investments.



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Sharand Maharaj

How are you building your team?

Honan: We have built great teams before – it is a part of the job we love. Our team here at MML is designed to be fully capable and independent in terms of dealmaking, but able to utilise MML's existing support functions, including a total pool of over 40 investment professionals, to accelerate the investment process. The dedicated MML Infrastructure team is currently a group of six, with the aim to grow to 10-12 in total.

What is your investment strategy?

Maharaj: Our strategy targets the European midmarket in distributed infrastructure, blending private equity expertise to enhance these businesses. We focus on companies valued between €100m and €500m, exemplified by our initial deals of about €300m each. Distributed infrastructure, characterised by many small assets, contrasts traditional large asset models. These businesses provide essential services and stable cashflows. Our private equity methods encompass asset growth, operational professionalisation and M&A. In particular, strategically expanding the platform's asset base, leveraging the power of compound growth.

Honan: Investing in distributed infrastructure is very important to us – an area where we can apply our unique approach to deliver assets fulfilling a clear societal need. Society is adding to large, centralised infrastructure with multiple hubs serving needs close to end demand. For example, electrification requires heat pumps domestically, or people with chronic conditions need to receive treatment closer to home. The issue with distributed infrastructure businesses is that each small asset cannot have its own management team in the way that, say, Heathrow Airport does. This is where the private equity skillset comes in: a management team separate from the assets, and the systematic data-driven approach required to manage and grow pools of smaller assets.

I would also like to mention how we are benefiting society as investors. Our key investment areas are focused on megatrends such as decarbonisation, healthcare access and the circular economy. We are also backing digitalisation, which has the potential to improve society's overall wellbeing. Some investors' decisions are primarily influenced by ESG considerations, with a comparatively lesser focus on financial returns. In contrast, our focus on areas where future assets are needed means we have a natural alignment. We try to find investments where both aspects marry, as they did with our investment in Regard Partnership, a business providing homes for people with learning disabilities. Because there was a real need for these homes, we made money for investors and solved an unmet need for healthcare.

How is your strategy different to traditional infrastructure and private equity strategies?

Honan: Investing in distributed infrastructure allows us to use data-based and statistical approaches. If you have a single large asset, you only have one sample of historical behaviour, so you have to analyse contracts or read political tea leaves to come to a view on what will happen next.

Maharaj: Contrary to the typical private equity focus on immediate cashflow, we emphasise long-term potential through asset growth. For instance, investing in a fibre provider might initially show negative cashflow due to capital expenditure, making traditional leveraged approaches less effective. However, after rollout completion, these investments can yield substantial long-term cashflow.

Which megatrends are most influencing your investment decisions?

Honan: We are investing around megatrends, focusing on what people will want in 10 to 15 years. Our main focus areas include decarbonisation, digitalisation, access to healthcare and education, and the circular economy.

Maharaj: These megatrends, which are central to our investment strategy, all share a common theme of societal benefit. We find that doing the right thing morally is the right thing to do from a business perspective. Aligning with ESG principles is crucial for securing returns, as societal support is required for growing the asset base and ensuring favourable exits.

What investments have you made so far? How do these fit into your strategy?

Honan: Our investment in GPS, a French company supplying reusable steel boxes, exemplifies our ESG-focused strategy. These boxes, substituting for disposable wooden ones, cut carbon emissions by about 70%. The company's extensive global client network ensures most boxes are continuously utilised, maximising revenue and yielding strong returns.

Premier Modular, another of our businesses, provides good quality reusable modular buildings, which are used where it is not justifiable to build a bricks-and-mortar building. A unit can also be reused, becoming an operating theatre, classroom or office during its lifetime. The business has not sent any waste to landfills in a decade. At the same time, the business is also fulfilling a business need, catering to current economic and social volatility – for example, pupil numbers at some UK schools have dropped 10% in the wake of Covid. As with all our investments, it provides flexibility to address changing needs, rather than relying on one decision about how society is going to function for decades.

How has the MML approach to infrastructure investment been received?

Maharaj: The reception to our MML Infrastructure investment approach has been incredibly positive. Sophisticated market participants like Capital Constellation and Wafra recognised our potential early on.

I think our success is due to our differentiated strategy. In short, we can make private equity returns while taking infrastructure-style risks in the process and fulfilling clear societal needs.

Our approach is novel, and as evidenced by our really strong deployment to date, it resonates with both the deal market and our investor base. ●

About MML Infrastructure

MML Infrastructure combines private equity growth orientation with infrastructure resilience. Concentrating on untapped distributed infrastructure opportunities, MML's strategy blends developing areas of the infrastructure market with the societal impact of growth.

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Why MML?

Honan: Firstly, we see a huge opportunity in the midmarket, especially in Europe where multiple national borders shape infrastructure. Secondly, MML's risk ethos. Thanks to a strong partnership capital culture, the firm has a very low loss rate, always focusing on downside protection alongside delivering top-quartile returns.

Maharaj: Joining the team at MML made sense to me. The firm has four offices globally, all operating in the midmarket, which is immensely helpful for dealflow. We also leverage MML's robust support framework, which encompasses finance, ESG, compliance and investor relations, all staffed by exceptional teams.