Keynote Preview

Raj Agrawal

Member & Global Head of Infrastructure, **KKR**

Raj Agrawal (Menlo Park) joined KKR in 2006 and has 20 years of experience. He is the Global Head of KKR's Infrastructure business and is Chairman of the Infrastructure Investment Committee and serves as a member of the Infrastructure Portfolio Management Committee. He currently sits on the boards of SunTap Energy I & II, Associated Partners and PEMEX Midstream. Prior to joining KKR, he was a vice president with Warburg Pincus, where he was involved in the execution and oversight of a number of investments in the energy and infrastructure sector. He holds a B.A., Honors and Distinction, Phi Beta Kappa, from Stanford University and an M.B.A., Arjay Miller Scholar, from the Stanford University Graduate School of Business.

Q: How does KKR approach investing in the infrastructure space – and how is that approach differentiated?

RA: We take a risk-based, rather than sector-based, approach to infrastructure investing. With that comes a focus on backing critical infrastructure with low volatility and strong downside protection while delivering what we call the "KKR Advantage", which is the term we use to describe the value we derive from firm-wide resources across Public Affairs, Capital Markets, Global Macro and Asset Allocation and KKR Capstone(1) to name a few. We look for complexity in sourcing, structuring and execution of transactions - where frankly, many players simply don't have the resources to unlock value. Complexity can serve as a barrier to entry for a number of participants and affords us the potential to deliver the returns we seek without taking on incremental risk.

Q: Valuations are high these days. How do you see the market and are you putting capital to work?

RA: There is no doubt that we are late cycle and valuations are frothy. We've seen many transactions recently where it may be challenging to generate adequate returns. Our approach in this environment has been to focus on complex situations where we can lean into the full capabilities and resources of our firm, whether it's our Global Macro and Asset Allocation team, our in-house Capital Markets team, or our Public Affairs team. On every transaction we've closed on, we have leaned heavily on these teams to get to the finish line. Counterparties value our "one-firm" approach as they know it leads to speed of execution and also significantly reduces execution risk during a sale process. I'll give you one example: in 2017, we acquired Q-Park for a total equity check of €1.8 billion because we were able to use our balance sheet and our Capital Markets team to backstop the full equity check.

This was an investment made out of our $3.1 billion Infrastructure Fund II so we would not have been otherwise able to transact without the full resources of KKR. Due to the size of that transaction, we were one of a few parties at the table capable of paying an attractive price. In addition, KKR Capstone helped with diligence and operational initiatives; Public Affairs worked on engagement with municipalities; and our real estate team helped think through some of the real estate nuances in the deal.

Q: Given your global infrastructure mandate, in which markets outside of the U.S. and Europe are you finding the most attractive opportunities?

RA: We are an OECD-focused investor and we see a lot of attractive investment opportunities in these primary markets. We are also seeing a lot of deal flow particularly in developed and emerging Asia. Some of these opportunities fit the risk-return profile of our flagship infrastructure fund and we have indeed invested in Asian infrastructure in the past. For those opportunities that have a different risk-return profile, we are spending a lot of time brainstorming on how to find the right pocket of capital to address what we think is an enormous opportunity.

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Q: What has been KKR's experience investing in markets outside North America and Europe?

RA: KKR started off in 1976 as a New York based boutique firm focused on private equity and has evolved into a global investment firm managing approximately $191 billion (as of June 30, 2018) across multiple asset classes, including private equity, infrastructure, real estate and credit, with strategic partnerships that manage hedge funds. We have been investing in Europe since 1996 and in Asia since 2007 – when we identified a unique investment opportunity in Asia and established our Asia private equity business, which today manages approximately $17.5B across four funds. These funds have completed 66 transactions across 10 Asian countries. We have also deployed infrastructure capital into deals with exposure to Asia – both in terms of deals solely focused on Asia (such as our investment in Bharti Infratel) as well as investments such as X-Elio which is a solar PV developer headquartered in Spain with a significant Japanese presence.

Q: How do you think about emerging/developing market risk?

RA: We take a local “boots on the ground” approach to investing and supplement that with our global firm capabilities. This approach allows us to source attractive opportunities, more easily identify and mitigate nuanced risks, and maximize value for our investors. The people we hire generally have local roots in the region and are able to separate the noise from the signal in terms of risk – whether real or perceived. This allows us to go into every investment with our eyes wide open and price risk appropriately. This approach has worked out very well for us in terms of finding attractive investment opportunities.

Note: KKR Capstone is not a subsidiary or affiliate of KKR.