

## **New study by EDHEC Infrastructure Institute-Singapore shows infrastructure firms have a unique, low volatility, high dividend payout profile**

**14 April 2016** - EDHEC Infrastructure Institute-Singapore (EDHECinfra), in partnership with the Long-Term Infrastructure Investors Association (LTIIA) has released a new paper entitled “Revenue and Dividend Payouts in Privately-Held Infrastructure Investments” today, drawn from the EDHEC-Meridiam/Campbell Lutyens Research Chair<sup>1</sup> on private infrastructure equity investments.

In this paper, the authors conduct the first large scale empirical analysis of the characteristics of revenue and profits in private infrastructure firms and test two important ideas: whether infrastructure firms correspond to a different business model than other firms active in the economy, and whether they exhibit different equity payout behaviour.

The results show that infrastructure firms are indeed unique and exhibit lower revenue volatility, higher payouts, with considerably less correlation with the business cycle. The findings also reveal that the existence of “infrastructure business models” (“contracted”, “regulated” and “merchant”) each with its own unique cash flow dynamics, are more alike amongst themselves than compared with the rest of the corporate universe.

The paper uses a new and unique set of hand-collected data including the cash flows of more than 330 UK infrastructure firms going back 15 years. EDHECinfra Director, Dr Frédéric Blanc-Brude said the results from this study have implications for investment management and prudential regulation.

“The significant difference of revenue volatility between infrastructure and non-infrastructure firms, strongly suggest that infrastructure firms are in a league of their own when it comes to both their business model and their dividend payout behaviour,” Dr Blanc-Brude said.

Chairman of LTIIA and Chief Executive Officer of Meridiam Infrastructure, Mr Thierry Déau said, “The paper provides much needed evidence on the risk profile of infrastructure and its unique features as an asset class. Not only can this research benefit investors in their portfolio decisions, it can also help build a deeper alignment between infrastructure investors and regulators,”

The next steps with this research include using these findings to calibrate cash flow models to develop fully-fledged infrastructure investment benchmarks which are the next planned output of the new EDHEC-LTIIA Research Chair.

A copy of “Revenue and Dividend Payouts in Privately-Held Infrastructure Investments” can be downloaded via: [http://edhec.infrastructure.institute/wp-content/uploads/publications/blanc-brude\\_2016a.pdf](http://edhec.infrastructure.institute/wp-content/uploads/publications/blanc-brude_2016a.pdf)

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<sup>1</sup> The EDHEC-Meridiam/Campbell Lutyens chair (2013-2015) was extended for an additional three years in February 2016 with the support of the LTIIA. The new chair with LTIIA will focus on benchmarks for private infrastructure equity until Year 2019.

### **About EDHEC Infrastructure Institute – Singapore (EDHECinfra)**

EDHECinfra was launched on 24 February 2016 by the EDHEC Business School to address the profound knowledge gap faced by infrastructure investors, by collecting and standardising private investment and cash flow data and running state-of-the-art asset pricing and risk models to create the performance benchmarks that are needed for asset allocation, prudential regulation and the design of new infrastructure investment solutions. EDHECinfra currently has the world's largest dedicated database of infrastructure investment cash flows, covering more than 15 years of data and hundreds of projects across the globe. EDHECinfra is headquartered in Singapore and has a team of 10 researchers. Please visit EDHECinfra's website at [edhec.infrastructure.institute](http://edhec.infrastructure.institute).

### **About Long-Term Infrastructure Investors Association**

Founded in 2014, LTIIA gathers investors that collectively manage in excess of 5 trillion dollars of assets and that include some of the most active investors globally in the field of long term investment in infrastructure. The Association's three key priorities at the core of its action: (i) proactive engagement with public stakeholders to support attractive investment frameworks, (ii) development of financial performance benchmarks, and (iii) definition and sharing of best practices in relation to Environmental, Social and Governance issues. Please visit LTIIA's website at [www.ltiiia.org](http://www.ltiiia.org).

### **About Meridiam**

Founded in 2005, Meridiam is an independent investment firm specialised in the development, financing, and management of long-term public infrastructure projects. With offices in Paris, New York, Toronto, Dakar and Istanbul, Meridiam is a leading investor in public infrastructure. Currently managing EUR3.5 billion (USD3.8 billion) of assets, the firm has to date invested in 46 projects. Meridiam is one of the first investors and asset managers to receive ISO 9001 certification for its responsible investment process and is a founding member of the Long Term Infrastructure Investors Association (LTIIA). Please visit Meridiam's website at [www.meridiam.com](http://www.meridiam.com).

### **About Campbell Lutyens**

Campbell Lutyens is an independent advisory firm founded in 1988 focused on fund placement and secondary advisory. In its fund placement practice, it focuses on raising capital globally from limited partners and providing specialist advice to general partners. In its secondary advisory practice, it advises limited partners and general partners on providing liquidity solutions through the sale or restructuring of portfolios of fund or direct investments. The firm has offices in London, New York and Hong Kong and comprises a team of over 90 international executives, advisors and staff with global and broad-ranging expertise in the private equity, infrastructure and private debt sectors. Please visit Campbell Lutyens's website at [www.campbell-lutyens.com](http://www.campbell-lutyens.com).