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CATCHING UP WITH RAVI PUROHIT: THREE DEALS IN THREE WEEKS

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Ravi Purohit, a Houston partner at Latham & Watkins, has been busy in the waning months of 2022, working on three major infrastructure deals in as many weeks.

First, he advised American Triple I as part of JFK Millennium Partners' $4.2 billion deal to develop the new terminal 6 at JFK Airport. Next, he counseled ConocoPhillips on its strategic partnership with Sempra for the Port Arthur LNG project. And finally, he aided OpticalTel on its investment by Antin Infrastructure Partners (see below).

The Corporate Deal Tracker caught up with Purohit to see what's up with all the activity. Edited excerpts from the interview follow.

Tell us about these three infrastructure deals and what they say about dealmaking in this space right now.

I have been fortunate to work on three marquee infrastructure transactions that involve quite different assets but share common attractive investment characteristics. The three transactions involved different infrastructure verticals (transportation, energy and digital infrastructure), which have continued to be very active this year despite the economic headwinds and debt financing challenges. These deals and other similar transactions throughout the year demonstrate a continued desire by investors to deploy capital into infrastructure assets that provide essential services, have certain barriers to entry, are supported by contracted cash flow with creditworthy counterparties, have been financially resilient through COVID and post-COVID economic turmoil and are able to withstand higher inflation either through price adjustment mechanics or an ability to pass through increased costs.

How did you land the JFK airport deal? (please forgive the pun)

I have known for several years and previously worked with a few of the principals at American Triple I, including with respect to evaluating, investing in and operating a variety of airport assets (e.g., Heathrow Airport). The client was looking for a one-stop legal partner that could help them raise money from investors, assist in diligence of the asset, negotiate terms with the Port Authority of NY/NJ and finalize shareholder arrangements with their consortium partners. There are very few law firms that have that breadth of legal expertise under one roof, and we were able to bring Latham's fund formation, infrastructure, private capital, corporate and finance teams together to work through a complex and difficult situation resulting in a landmark transaction for our client and their partners.

How did you win the ConocoPhillips-Sempra business?

Latham has one of the best LNG focused energy infrastructure legal practices. My partners and I have been involved in almost every major LNG project in the U.S. and around the world. That depth of experience allows us to understand the diligence required to develop and acquire these assets as well as the current market and relevant terms of the underlying contracts (LNG sale purchase agreements) better than any other law firm. For clients such as ConocoPhillips, this experience allows us to provide sage commercial advice beyond just legal considerations and assemble teams that not only negotiate the equity documentation but also provide peerless counsel on the LNG offtake arrangements. That ability to form a multidisciplinary team that operates in a seamless manner is a key differentiator in my view for many clients.

What does the deal say about the energy business right now?

LNG was a relatively peripheral infrastructure asset several years ago with export and import facilities located primarily where the demand and supply existed geographically together. However, with recent macroeconomic conditions and political situations over the past few years, we are seeing immense demand for LNG projects around the globe regardless of the scope of supply. The European and Asian markets remain hungry for the product and are increasingly willing to sign long term take-or-pay contracts, which can help provide the foundation for attractive project financing to develop a LNG project or expand existing LNG facilities. The combination of cheaper financing, long term contracts with credit worthy counterparties and attractive contracted cash flows is an enticing proposition for any investor and, in particular, energy investors, so I would expect LNG activity and deal flow to thrive over the next few years.

What are you seeing in energy overall?

We are still seeing a lot of deal activity across the energy spectrum from oil/gas to solar to wind to hydrogen/ammonia projects. As a colleague recently noted, for the first time in our life, we are trying to address both energy security and energy transition, thereby resulting in a myriad of activity in the sector. For example, there is consolidation in the oil/gas sector along with opportunities for these companies and other firms to deploy capital in alternative energy assets. It is a great time to be active in the space.

Finally, how did you come to represent OpticalTel?

We were introduced to the OpticalTel team by another client who recommended us to assist in the sale of the broadband fiber company. OpticalTel understood the unique characteristics of the underlying asset class and appreciated our extensive experience with digital infrastructure and associated regulatory considerations, intimate knowledge of the market terms for similar transactions as well as our laser focus on providing practical legal advice. We worked seamlessly with the management team throughout the process, were glad to help them sign the transaction with Antin and are looking forward to closing the transaction in early 2023.

What does that deal say about telecom?

The OpticalTel deal demonstrates the continued high demand for digital infrastructure assets with institutional investors. These assets provide essential services and benefit from the increased use of data by customers, such as high speed internet in homes and buildings, contracted cash flow, ability to pass through costs and general stickiness of customers provided they are receiving quality service. There is a lot of tailwind in the macroeconomic outlook for these types of digital infrastructure assets. We have seen that these assets are also capable of obtaining financing, even in today's difficult environment, which makes them even more ripe targets for investors looking to deploy capital in the short term.

So what's your outlook for infrastructure M&A deals?

I fully expect to see continued high level of activity for infrastructure M&A deals going forward. A recent report said there is over $300 billion of dry powder held by infrastructure funds as of Q3 2022. That massive amount doesn't include capital held by pension funds, sovereign wealth funds and family offices that may be, and in many cases, allocated to infrastructure or partly focused on the industry. That money needs to be deployed, in most cases, over a certain period of time, and investors are getting creative with financing deals – be it with all equity consideration, potential future back leverage at a later date or by utilizing private debt capital providers.

Infrastructure assets have proven their financial resilience over the past few years, provide essential services with contracted cash flows, and often have some inflation adjustment mechanisms that may prove to be even more attractive in the year(s) ahead. Given that performance and investment characteristics, I expect that quality infrastructure assets will continue to attract a lot of attention and robust deal activity even if there is a potential slowdown in M&A and private equity activity for other assets in 2023.

Finally, if we see any stabilization or reduction in interest rates in 2023 or 2024, along with an open IPO market, you could see deal activity for infrastructure assets significantly rise again to very lofty and potentially unprecedented levels. It's a very exciting moment to be a part of the infrastructure industry and I strongly believe the future for investing in these assets is very bright irrespective of the economic conditions that lie ahead.

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