PE Hub Europe

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NEWS & ANALYSIS

Blackstone's Juergen Pinker: LP demand for energy transition growing

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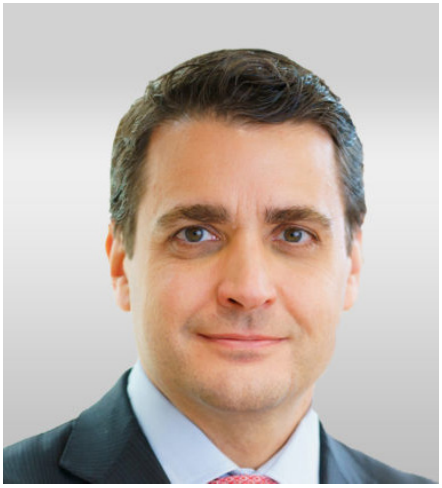

Juergen Pinker, Blackstone

Blackstone sees a "significant" increase in demand from its limited partners for investing in the energy transition, Juergen Pinker, a senior managing director in the private equity group, told PE Hub Europe in the latest of our outlook pieces for the second half of 2024.

"The capital requirements in this sector are substantial to ensure the delivery of cleaner, more affordable and more reliable energy to meet growing global needs and drive value for our investors," said Pinker.

Blackstone is an alternative asset manager with over $1 trillion in assets as of March. Based in London, Pinker focuses on the industrials sector and leads Blackstone's investment activities in the energy transition sector in Europe.

Q What are your dealmaking expectations for the second half of 2024?

Investment activity continues to accelerate across the firm. Blackstone deployed over $34 billion in the second quarter of 2024 and has committed an additional $19 billion to pending deals. We see that momentum continuing as we head into the second half of the year. Of course, we still see areas where activity levels remain low, and that is partly because owners have held onto portfolio assets for longer – but bidders remain very selective and some processes have been pulled due to high bid-ask spreads. Overall, we see increased activity and expect it to pick up further.

Q What were the highlights and challenges for dealmaking in the first half of the year?

A clear highlight was the acquisition of Sediver, signed in early June – a provider of specialised electrical insulator solutions for the high-voltage transmission grid. The company supplies a differentiated and mission-critical element of the transmission grid and has been a pioneer in this technology for over 70 years. Newly built solar and wind power generation facilities need to be connected to the grid to get power delivered safely and reliably to serve growing electricity demand. This need is driving substantial incremental investment in the transmission grid, something we are focused on at Blackstone.

In July, we signed a deal to acquire Trystar, a premier provider of electrical equipment used for backup power solutions. In August, we announced a majority investment in Westwood Professional Services, a leading engineering and design firm focused on renewables, power, real estate and public infrastructure end markets. With the signing of Westwood, Blackstone's Energy Transition Partners team has committed an estimated $1.3 billion in control-oriented equity investments that support the energy transition since June.

Q Do you see any headwinds or tailwinds from macro events in the second half of the year?

Inflation in Europe has been more persistent than initially expected but is coming down as the UK and the euro area continue to recover from the weakness that economies experienced in 2023. As central banks are expected to bring base rates down in Europe, we expect this to help consumer sentiment, as well as industrial activity. With the main economic indicators improving across the board, we are cautiously optimistic about the general direction of travel.

While economies have remained resilient, markets continue to closely monitor for external shocks, such as the ongoing geopolitical uncertainty, which may affect the health of the global economy.

Q What are the key trends shaping the energy transition?

The energy transition represents a tremendous opportunity for investors because of the sheer breadth and scale of capital needed to meet global carbon reduction goals – $4.5 trillion of capital expenditures and investment per year on average from now through 2050, requiring private and public funding. At Blackstone, our Energy Transition Partners team has been investing in the energy sector since 1997, having deployed over $22 billion of equity to date.

With corporates committing to decarbonisation goals at an accelerated rate, combined with the need for domestic cleaner energy generation, there are huge investment drivers at play. This trend is only building momentum thanks to technological advances and broader government, corporate and consumer support, and we believe that global decarbonisation needs represent a meaningful opportunity for investors like us. The private sector will be critical in driving innovation at scale.

Q Which sectors/subsectors look attractive in the second half of 2024 and why?

Themes we target within our private equity energy transition strategy include clean power generation, electric transmission, energy technology and services, energy efficiency and critical energy infrastructure.

For us, the power grid supply chain is a key focus area – as demonstrated by our December 2023 investment in Power Grid Components, a designer and manufacturer of electrical grid components, and our June 2024 investment in Sediver, a leading provider of mission-critical components for the high-voltage grid.

Another important theme for us is investing in the companies that form the foundation of clean power generation. In 2022, we invested in Enstall, a leading developer of rooftop solar mounting solutions. As the global market leader within its niche, Enstall has experienced strong organic and inorganic growth; for example with the recent acquisition of Schletter, a Germany-based manufacturer of solar mounting systems. We believe that Enstall's acquisition of Schletter is highly accretive, making the combined entity a more substantial and scaled business.

Q How has the exit market performed so far in 2024?

While markets remain volatile, the exit environment is steadily improving. We are seeing more attractive bids for assets – but it will take time, and markets are still recovering compared to the highs we witnessed a few years ago. Volatility extends hold periods, but activity will be driven by owners' requirements to de-lever and rebalance portfolios, and as the cost of capital continues to come down, we can expect to see a pick-up in realisations. ■

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