

## Fiera Infrastructure

# Fiber Infrastructure

*Critical infrastructure that is still benefiting from the pandemic's acceleration of demand*

**Chase McWhorter**, Institutional Real Estate, Inc.'s managing director, real estate and infrastructure, recently spoke with **Jamie Crotin**, managing director at Fiera Infrastructure, about the firm's investment strategy in the digital infrastructure sector. The following is an excerpt of that conversation.

*Tell us about Fiera Infrastructure's investments in digital infrastructure.*

In the United States, our primary investment in the digital sector is Conterra Ultra Broadband, which is focused on providing fiber-based services in several regions in the United States to the enterprise, wireless-carrier, wholesale and education segments. The enterprise segment largely consists of businesses and both healthcare and government institutions. The wireless-carrier segment connects macro cell towers with fiber. Wholesale provides services to other connectivity providers, and the education segment provides fiber connectivity to schools – kindergarten through grade 12 – and libraries, under a U.S. program run by the Federal Communications Commission called the E-Rate program.

In Europe, we own two digital businesses. One is Madrid-based IslaLink and the other is INALAN, based in Greece. IslaLink owns submarine fiber that connects Valencia, Spain, to the island of Majorca. The service provides both dark and lit fiber and capacity services. We also have a fiber ring around Majorca, and we provide colocation services. IslaLink is also in construction of a new submarine cable to provide connectivity between Greece and Italy. With the second company, INALAN, we are building a fiber network in Greece to address the unserved and underserved residential and enterprise segments.

*How have you seen the digital infrastructure industry change since you started investing in it?*

Our focus has thus far been on fiber infrastructure. We have looked at data centers and towers but have yet to make an investment. From a fiber perspective, the key change we have seen is an acceleration in the demand for bandwidth and the increasing view of the criticality of access to connectivity. It truly has become a key part of infrastructure.

One other change we have seen is the increase in the number of new entrants and new sources of private capital, likely driven by the available attractive investment opportunities and the recently announced government support programs to address the availability and affordability of broadband, primarily in unserved and underserved markets.

The last thing I might mention is there has been an increasing focus on addressing the large opportunity to provide fiber to the residential segment, given the movement to work-from-home and focus on facilitating distance learning. Fiber has become critical in the home, and companies are going after the residential segment.

*Where do you see key opportunities in digital infrastructure?*

From a fiber perspective, especially for Conterra, we continue to see a huge opportunity to provide fiber to the commercial segment, specifically in the smaller underserved and less competitive markets. We also are seeing growing opportunities to provide services in the residential segment, leveraging our existing network in the smaller, underserved U.S. markets that we participate in, but also through greenfield builds, which is the case with INALAN and our Greece-focused residential strategy.

We also are seeing opportunities to expand the products we offer customers. It is not just a plain internet offering anymore – there are opportunities to increase customer penetration by using the internet as a jump-off point to provide other services, such as VoIP and other value-added services, as people move more into the digital sphere. A lot of times, consumers are buying their digital services from multiple providers, but having a one-stop shop is a significant opportunity.

I mentioned there are a lot of new entrants and new capital sources coming into the space, but the industry is changing rapidly, and some of those new entrants are not as well capitalized. Consequently, we see a potential opportunity in the years to come for acquisitions of some of those smaller players.

*How did COVID-19 and the shutdowns affect the digital infrastructure companies in which Fiera has invested?*

It turned out to be a pretty good story for us. We saw the resiliency of this sector and how critical it became during the pandemic. We also benefited from some of the U.S. government programs that were implemented to support distance learning. Increasing demand and criticality of high-speed bandwidth has demonstrated how important digital infrastructure is as a part of the general infrastructure space.

*How has the current economic environment affected the digital infrastructure companies in which Fiera has invested?*

Certainly, we have seen digital infrastructure becoming a hot sector, which has resulted in driving up the costs of some of the key inputs, less from a general inflation perspective and more from new entrants to the marketplace going after the

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same supplies, such as fiber and electronics. We saw this happening early on and we prepared for it by stockpiling key supplies.

Some of the smaller new entrants that built their business plans more recently, and probably acquired assets at relatively aggressive values, with the higher interest rate environment and the higher cost for building networks, might not realize the economics they thought they would. Again, that may provide an interesting opportunity for us down the road.

Finally, from a European standpoint, we have seen increasing demand for our connectivity solutions in this environment. Connectivity and communications have become even more critical as we have seen the economic and general situation in Europe become more volatile.

*Are you seeing an impact from inflation?*

Inflation has a different impact in the data center and tower segments, but for fiber, there are a number of economies of scale. By generating economies of scale, you can manage some of that inflation pressure. Conterra has been leveraging scale economies by densifying our networks to lower the cost per customer and by implementing new products to increase our overall revenue per customer. That is not to say we haven't been affected by inflation just like everybody else, but we have definitely done a lot of work focusing on activities that increase productivity and efficiency, including through software and systems.

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#### CONTRIBUTOR



**Jamie Crotnin**  
**Managing Director**  
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At Fiera, Jamie Crotnin heads the development and execution of new investment opportunities across the infrastructure sector. He was previously at RBC Capital Markets in the Mergers and Acquisitions Group. Earlier in his career, he worked in investment banking at JP Morgan and Fieldstone Private Capital Group and in principal investing at Claridge and NB Capital Partners.



#### CORPORATE OVERVIEW

**Fiera Infrastructure** is a leading global mid-market direct infrastructure investor operating across all subsectors of the infrastructure asset class. Led by a team of highly experienced and specialized professionals, the firm leverages strong global relationships, with a local presence in Toronto, London and New York. Its rigorous approach to investment and asset management aligns with its long-term approach. Fiera Infrastructure has assets under management and commitments of C\$3.7 billion as of June 30, 2022. Fiera Infrastructure has invested in more than 50 infrastructure assets across utilities, telecommunications, transportation, renewables and PPPs.

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