

THE LAST WORD

INCUS CAPITAL

Doing away with the formalities



Andrew Newton is managing partner at Madrid-headquartered asset-based lender Incus Capital. Incus recently closed its third fund on €500m in a 'one and done' fundraising that involved going to investors and sizing the fund based on the resulting conversations. Newton talks about this process, the strategy and opportunity

Q Tell us a little about the unconventional approach to raising the new fund.

We didn't do a fundraising as such. We spoke to existing investors and other LPs we had had conversations with in previous years and we measured the demand. We set the level of the fund based on demand and what our investors wanted us to do.

They expressed some concern that other funds had been raising too much. We went with what people were willing to support without a formal fundraising and without using a placement agent. It had the pleasing side effect that the deal team were not interrupted from their day jobs.

Q How long did it take before you had the right level of commitments - and did anything surprise you about the process?

It was probably six months or so. There were not a lot of surprises, but what we

are seeing is that the investor base is much more knowledgeable about private credit. It's an entirely different conversation from a few years ago. Investors have private debt programmes and they are set up to fully analyse the opportunities, so private credit is a core strategy now rather than the unloved child.

Q How would you describe the strategy?

Asset-based lending is very well established in the US, Canada and the UK, but continental European platforms operating on a very localised level are somewhat unique. We have a clear idea of what assets we are comfortable with. We usually compete with US-based funds that have to go to the US for approval. We are on the ground and can move quickly. If an LP is sophisticated enough to look beyond the big US- or UK-based shops then there are not really many platforms to speak to.

The ticket size is typically €10 million-€100 million, so we're in the mid-cap range. We focus on assets we know and places where we understand the legal systems. We provide capital for transitional events such as acquisitions and

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buy-and-build programmes, situations where what we offer is the most intelligent finance to use. Target sectors include real estate, infrastructure and leasing.

Q Could you explain the connection to OTPP?

We have a longstanding relationship with Ontario Teachers' Pension Plan, which has been very supportive and will commit to larger ticket sizes when required. It's a natural fit – they wanted a strong regional player in Europe and they were unlikely to set up the platform themselves. They are one of the most sophisticated global investors and they don't want to just buy secondaries in the market from Toronto.

Q How do you see the opportunity set in the years ahead?

We think there has been a structural adjustment in continental Europe where there is not sufficient capital (for this opportunity set) and we think that's going to be a very long-term phenomenon. There is real demand in the local economies and traditional bank capital is no longer there. We want to be a structurally important player across Europe. We have seen a lot of other people try to set up in our jurisdictions. They are mostly larger shops from London and New York and we don't find it that hard to compete against them in our market segment. ■

WHAT DO YOU THINK?
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