

Macquarie / GIB and the August echo chamber

Angus Leslie Melville

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It's that time of year again – sailing past the mid-point of August with the echo chamber in full effect as the entirety of the (South) European infrastructure community basks itself in the very finest fleshpots that bonuses can afford.

If you're lucky, someone out there is checking his/her Blackberry (so behind the tech curve) and possibly you'll receive a hurried reply. Nobody lives long in the hope that mobiles (landlines ring in lonely solitude) will be answered across mainland Europe.

Those who hadn't thought of it prior to the Brexit vote will likely add European insistence on taking protracted summer holidays to the list of grievances that culminated in their hard-thought decisions to vote for Brexit... while our neighbours shrug with insouciance, gently oiling their glistening curves.

Not so for Macquarie having today sealed the deal on the £2.3bn acquisition of the UK's Green Investment Bank, promptly rebranding everyone's favourite renewables lender "Green Investment Group" (see what you did there).

Launched in 2012, in the teeth of the financial crisis, with £3bn of UK taxpayer cash in its back pocket – swiftly bumped to £3.8bn – the caring hand of public ownership has been ripped away by the austerity claw of the UK government and placed into the mailed fist of Macquarie.

Watching the video posted on LinkedIn to introduce GIG, one is left thinking that the more doe-eyed among the GIB refugees had better toughen up or get on their low-carbon bicycles. But that doesn't go for everyone.

It comes as no surprise to see GIB head of investment banking Ed Northam – an Australian, as chance would have it – being welcomed by Macquarie with open arms. Ed is a fairly comfortable fit as he speaks their language and, in fairness, actually has a pretty good pedigree.

Meanwhile, market rumour a few months back had it that Shaun Kingsbury (until recently GIB chief exec) was going to set up a renewables fund... because we really need another one of them. We were not convinced by that and it was interesting to note recently that he has started as an advisory board member at Envision Energy – a fascinating organisation.

For now, the question on everyone's lips is: What happens next with GIG? And beyond that: How safe a pair of hands is Macquarie for such a gentle creature?

Nice GIG if you can hold on to it...

Watching the LinkedIn video puts one in mind of haemorrhoid cream advertising. Cooling colours, confident smiles, steely eyes and the confidence to wear white trousers – should one be so minded.

As to the future, it's not really fair to start hypothesising about the coming years for GIG as a livery pony in the racing stable that is Macquarie. However, if you're going to make predictions, you might as well base that on past performance/behaviour.

That was the sound of a can of worms being opened, by the way.

Macquarie is a machine. A very impressive machine. But a machine nonetheless. It operates much like a shark (in the nicest possible sense). Essentially, it's a robot shark!

Loaded with cash from the Aussie superannuation schemes – which (like all such institutions) keeps at arms' length the feisty things that are done to turn a profit so they can look members in the eye and insist they are as pure as the driven snow – its single function is to make money.

And why not? Surely that's the primary function of all such organisations.

First of all – if the promo video is anything to go by (and it isn't) – Macquarie is looking forward to benefiting from the decades of experience that the GIB team brings to the table... and we all know what that means. Time to crack out the Grecian 2000, boys and girls.

And what is this we hear, they are taking it beyond these shores. No longer is the GIB shackled to mainland UK, it has the whole European low carbon theatre to hunt in. To be fair, the GIB has for quite some time been looking abroad – probably in anticipation of the take-over and needing to set up a pipeline (call it a gift from the UK taxpayer).

But fear not, comfort can be taken from the Green Purposes Company which has that all-important “special share” – a crucifix-like talisman to ward off all evil activity to safeguard the green mission now that it is in private hands.

Call me an old cynic, but...

You really don't see leopards changing their spots. So what does the future really hold for Macquarie?

Word on the street has it that Mac will do what it does best – extract every cent they can out of it while sweeping under the carpet the more ideological elements.

Now we all know it's an angry scab to be picking, but the M6 toll road that bypasses Birmingham is a case study on Macquarie activity – gearing up assets and taking more of a short-termist view on their involvement.

Why would it be any different with GIG? We hear already that Macquarie has sold off around 10% of GIB's book. That's not exactly a confidence builder for the team.

And there are a lot of very good assets on the GIB books. Deal-starved bankers have been trying to talk it into cracking open the books for ages now. And a lot of those deals priced in a tight market and have to be ripe for refi.

But whose fault is it that Macquarie now has this opportunity. Most folk on the street reckon the government should not have sold it, especially at a time when other countries are heading in this direction and creating their own infra banks.

As Climate Change and Industry Minister Claire Perry said today: “We led the world in setting up the Green Investment Bank and it is now being copied by others.” Well we've gone and led it again by being the first to sell one.

And what did they get from selling GIB which represents five years of toil? The £2.3bn price tag has the government walking away with a cool £186m (set-up costs removed). That's not a very good return all things considered.

But George Osborne was so desperate to reduce the deficit and it was all he had to flog.

So – who is the real villain of the piece?

Well it's the UK government, of course. Macquarie is doing what it does best.

As to timing, is it purely coincidence that they chose the mid-August echo chamber to close the deal.

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