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EPISODE 186:

Inside the AI Infrastructure Super Cycle with EQT Infrastructure CEO Erwin Thompson

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Robert Morier: Our guest today is Erwin Thompson. Erwin is the Chief Executive Officer of EQT Infrastructure Company, the platform known as EQIC. Erwin Thompson leads EQT's US infrastructure business. EQT's flagship infrastructure franchise, EQT Value-Add Infrastructure, has built a track record spanning more than 15 years, investing in companies that provide essential services to society across North America, Europe, and Asia Pacific. Erwin joined EQT in September of 2009 and has spent more than 15 years helping build the firm's infrastructure platform in the Americas. Before EQT, he worked on UBS Investment Bank's Americas Infrastructure and Privatization Advisory Team in New York and earlier held roles at BlackRock and Bloomberg. As a partner and one of the senior leaders of EQT's infrastructure business in the US, he has been an investment advisor to EQT Infrastructure across multiple fund generations. Erwin has been closely associated with some of EQT's most consequential digital infrastructure investments. EQT acquired data center developer EdgeConnex in 2020 and has grown the company many times over, building it into a cornerstone of a digital infrastructure and energy portfolio that now exceeds $100 billion. In 2026, EQT and EdgeConnex launched a dedicated AI infrastructure strategy, an extension of one of the most consequential bets the firm has made on the AI buildout. Erwin has become one of the industry's more visible voices on the convergence of infrastructure, power, and the AI capital expenditure boom, and on what that buildout means for long-term investors. That perspective is increasingly relevant as EQT extends access to its infrastructure strategies beyond large institutions, to private wealth through a growing family of evergreen and perpetual vehicles. Erwin earned a BS from Tufts University and an MBA from Columbia Business School. He is based in the New York area with his family. Erwin, welcome to Philadelphia. Thank you for joining us.

Erwin Thompson: Great to be here. Thanks for the time.

Robert Morier: So you have a special trip. Well, you got here early this morning on the train.

Erwin Thompson: All right, that's right.

Robert Morier: And now it's trains, planes, and automobiles?

Erwin Thompson: All of the above. All of the above. Okay.

Robert Morier: You've got a flight out tonight, so we want to be mindful of your time, but when you think about How you manage the day-to-day with the travel obligations. I'm always curious, and I don't usually start with that, but how do you handle the logistics of the day-to-day job?

Erwin Thompson: Yeah, I mean, look, I'm lucky I have a great team around me. You know, EQT, we're fortunate to have assistants working with us. And so my assistant Kelly is a huge help from that standpoint. And so she keeps me organized and what have you. It does also take a lot of coordination at home. You know, I have to mention my wife as well, you know, holding things down with my 3 children in Brooklyn and, you know, making sure that I don't have to worry about the home when I'm away at work. So that peace of mind along with the assistance at work, you know, really helps get things done.

Robert Morier: It does. Which neighborhood in Brooklyn?

Erwin Thompson: Brooklyn Heights.

Robert Morier: Okay, Brooklyn Heights. My oldest daughter's in Prospect Heights.

Erwin Thompson: Okay.

Robert Morier: So not too far, PS 9.

Erwin Thompson: Grew up in Brooklyn along the way. So, you know, like many New Yorkers, you don't get too far away from the nest. So yeah, glad to be a breed of Brooklyn.

Robert Morier: So Brooklyn, New York to Medford, Massachusetts, Tufts. How did that end up taking place for you?

Erwin Thompson: Growing up in Brooklyn, it was one, I was into sports. But, you know, never to a point where I was gonna actually play for college. And so I think when you take athlete like off the records, I think it was basically like 3 careers that one thinks about is either you're gonna be a lawyer, a doctor, or a scientist, right? And so for me, I was, you know, really interested in science and engineering. I did a bunch of programs in high school and lower school around technology enhancement programs, things of that nature. So I got locked in on engineering.

Robert Morier: Mm-hmm.

Erwin Thompson: And so what I was looking for colleges, you know, engineering programs in a liberal arts environment, 'cause I was still, wondering if that's really what I wanted to do, was what I was looking for. And Tufts was one of the schools that I got into, fortunate to get into. And it was also one that was, you know, in a large city, like similar to New York. You know, I went to a couple of places where it was smaller towns where you needed a car to get around. I come from humble beginnings. I was not going to have a car. And so I needed to make sure I could have a subway and things of that nature and, you know, have something that at least feels like New York some of the time. And Tufts was the perfect balance. You know, you do that one prospective visit and, you know, you're walking around in springtime, the flowers are blooming. You know, you have cool spots like Harvard Square, which is just down the road from Tufts University. It was like all that I needed and had a great engineering program and everything along with it. So that's what took me there.

Robert Morier: In the classroom, as you know, at Drexel University is also a big engineering program. We tend to get a lot of engineers in our finance courses, particularly around asset management. How did you How were you able to make that transition successfully?

Erwin Thompson: Yes.

Robert Morier: From, you know, being an engineer into an analyst position?

Erwin Thompson: Topsy-turvy, I think, is one way of describing it, you know.

Robert Morier: I think you just named this episode, Topsy-Turvy with EQT.

Erwin Thompson: When I started, you know, undergrad, I had no clue about, you know, financial careers. You know, like my mom did work in, you know, a large, you know, asset management company or private wealth company, I guess, at the time called US Trust. And so I had some finance adjacent, you know, knowledge, but, you know, she was more in like a special services, like corporate marketing roles. So, you know, didn't really have full exposure to, you know, all of the, all the innards of the world of finance. So, you know, went to school, focused on engineering, didn't want to go to a small city afterwards. And, you know, didn't really put two and two together that most engineering jobs at the time were sort of cost centers and in low-cost areas, right. And so I was really focusing on finding engineering opportunities in New York City where I grew up. And I was fortunate to go to Bloomberg Television doing broadcast system design and engineering work for the radio and TV station. So, you know, I would be in seats like this helping set up studios and design systems and, you know, do what it takes to get, you know, the product from the camera and mic to radio and television. So that was a part of the team I was on. But one of the benefits I had along with that working at Bloomberg was that we had the Bloomberg Terminal. like fully available to us, like completely open and open access. So in between, you know, my time working, I could go explore derivatives and options and this, that, and the third because Bloomberg had a massive education application on the terminal. And I just got bit by the financial bug. I'm also watching financial news almost 24/7 for—

Robert Morier: Hearing it all.

Erwin Thompson: Yeah, hearing it for my job. And so, you know, that was one thing that got me interested. I was still exploring engineering at the time and I decided to do my master's degree at Columbia University in engineering. Happens to be catty-corner to the business school at Columbia. And so I would lunch hour, dinner, meet a bunch of business school students and find out that these guys are getting paid. I'm already interested in finances, finance. I learned that the jobs that they're doing pays multiples of what I'm making. And the math is a lot simpler than the math that I'm already doing in engineering. So that's all the math I needed to do. I was like, okay, 1 + 1 = 2 from that standpoint. And I started my path to make the cutover. And to your point around engineering being like a feeder to finance, BlackRock was actually one of the early firms really sort of leaning into quants, quote unquote, as a recruiting source into the finance industry. And so there were a few Columbia grads who went to BlackRock that were hiring in focus, and I was able to meet them and get brought into the fold there. So that was like that first foray into finance. As you know, I have had a couple more stops thereafter where I went to UBS and EQT, but that the first step in terms of understanding more of the world of finance was at BlackRock. My job was basically scrubbing bond portfolios for large corporate clients and also like the BlackRock credit portfolio. And in that process, I was learning about leveraged loans and things of that nature. And I would do some math one night and see something that was supposed to have duration and convexity didn't. And I'm like, what's going on? And you go find out XYZ private equity company bought so-and-so. And so I learned about private equity, found it to be extremely interesting, and that was what put me on that private equity path that we could talk about later.

Robert Morier: Yeah, we will. I appreciate that. How about infrastructure? So when you think about the infrastructure, was it Was it a bug or was it happenstance?

Erwin Thompson: In order to make that transition to private equity, I saw that most folks are being recruited from associate roles or analyst roles at investment banks. And what I decided to do is, okay, well, you see either industrials, M&A, healthcare, or like leveraged finance being like the 4 groups that you see being like most highly recruited. I was able to do a couple internships at UBS in the investment bank. I did energy one year, so I got exposure to energy and natural resources from that standpoint. But the second year, in my second year of business school, I was going to do leveraged finance. And I think maybe 2, 3 weeks before the summer program was going to start, Businessweek put out this big magazine and the title was, Hey Buddy, You Want to Buy a Bridge? And it was really around all of the infrastructure transactions that were taking place in the Chicago area. So you had like Chicago Skyway, parking meters were coming, Indiana Toll Road. So it was just all of this. So it just really sort of set a bug on me to do a massive deep dive in terms of all of these infrastructure projects that were being done. I just found it extremely interesting. My first time learning about it, I said, this makes a lot of sense in the world. there's basically no one focusing on this massive amount of capital need is going to be coming and it'll be early stage. And so I was like the first summer associate they had. We joined a team of 4 people. One of the guys I actually work with now at EQT, Alex Greenbaum, and we were going after this market from there. And so that's really what got me into infrastructure. And I'm so happy that I was able to get that. And Ended up working out really well for the transition to private equity as well.

Robert Morier: And now 17 years at EQT.

Erwin Thompson: Indeed. And it's like, you know, it's scary. I'm tired. Scary.

Robert Morier: Yeah. Well, it's interesting. I think nowadays it's, it's, it's challenging to stay at one place that long, you know, for lots of reasons, you know, consolidation, acquisition, career transitions. But you did. You had the bug, the happenstance. You made the bet on infrastructure. You're at this firm now for 17 years. How have you seen the asset class evolve? over that time period in the context of your career?

Erwin Thompson: I mean, the infrastructure industry has definitely gone through multiple evolutions. I think, you know, we go back, you know, probably 20, 25 years ago, you know, most of the money is being raised with the view of going to solve, you know, municipal issues around the country. Right. And I think even around the world, I mean, you did have more privatization experience or execution in the UK and Europe as well as Australia. But it was supposed to be sort of the technology that was going to fix everything in the US. And as we saw, you know, getting, you know, political offices fully aligned to get a lot of these projects off the ground, you know, was just not as easy as one might have thought. Right. And so I think you saw maybe 2 camps, maybe 80% of the market focusing on privatisations out the gate and 20%, like EQT, really focusing on existing private companies that want to, you know, bring a typical private equity toolbox focusing on growth and executing that way. I think now the market's evolved where you see it flip the other way, where 80% is focusing on operating companies, focusing on growth, and 20% on privatizations, just given the uncertainty that goes along with some of these brownfield and greenfield transactions. And so I think that's one evolution. I think how the asset class is also stratified—it used to just be infrastructure. Now you have core, core plus, value-add, opportunistic. I mean, there's so many different flavors of how you bifurcate the risk returns across the asset class. And so I think that's also been an evolution. And I think also just in the context of type of players out the gate, all were really truly middle market players. And I think we've naturally evolved just given some of the investment needs for certain parts of the market. And so I think along with that, Brings benefits of scale and size that unlock certain transactions and abilities to meet the customer needs, but also some complexity in terms of, okay, how do you, you know, stay true to your knitting in a context of like what got you your investor trust and position in the market and just evolve that in a way that allows you to, you know, again, be who you are, but at the same time, you know, take advantage of, you know, what you've become.

Robert Morier: I was thinking about that second point in the evolution, the stratification. It involves a lot of education. Because now you're presenting, you're within these 17 years, you know, you may have gone initially presenting a few strategies now, and not just strategies that you're managing, but just what the entire asset class looks like. And now it's relatively more complex. So when you're sitting across from a client for the first time and you're explaining EQT and you're explaining where you sit within that bifurcation, you know, how do you describe, what does that conversation sound like?

Erwin Thompson: Yeah, look, I think we have several strategies within the infrastructure business line at EQT. We have a transition infrastructure fund, we have our value-add infrastructure, and we have our active core infrastructure. The overarching, or the wrapper around everything is that we're active owners in the infrastructure market, focused on value creation and bringing the private equity toolbox. And so that's the overall wrapper. And then as you apply it to that continuum I just mentioned, you basically go from scale-up focusing on development, investing, and transition through fully mature companies in our active core. And so that's really sort of the, at the end of the day, it's all value add, just different portions of the time continuum. So call it earlier stage businesses through mature operating companies through the more older, perhaps less growth opportunities, but still attractive investment opportunities, I think is one way I describe it from a time continuum. It's hard to ignore the fact that in core and core plus, the role of regulation and the stability of market, the ability to have predefined cash yield, a stable cash yield, are inherent characteristics that create a big moat around those businesses. So I think it's easy to cordon off that market. But when you look at probably going up the risk curve a little bit in some markets like the environmental sector where you do have very scarce and important disposal assets, but you do have some flexibility year to year in terms of where your waste is going to come from, but yet you still have that underpinning of the stable, but there's some market go-get that's associated with it.

Robert Morier: Right.

Erwin Thompson: fully consistent demand regulated volume or pricing or whatever the case may be. There may be some flavor of market risk or go-get that you have to take in order to unlock that next part of the market. So breaking down the volume price dynamics is another way we talk about, okay, how do you differentiate digital infrastructure return from energy returns or energy risk from environmental services risk and things of that nature, which I think is another sort of important understanding for an investor to get their heads around, like, you know, how we think about, you know, sector allocations and portfolio allocations from that standpoint.

Robert Morier: How do you talk about fit in a portfolio? So you've got that same allocator who's sitting across from you, they're looking at infrastructure as an asset class, and then they're looking at EQT as a potential solution because it checks a lot of boxes, as you just mentioned. Where do you find the best fit is for the asset class when you think about those more you know, top-down discussions that you have with clients?

Erwin Thompson: A diversified portfolio includes a lot of things, right? And I think infrastructure has evolved over time where, you know, usually had like one big theme, you know, per fund, you know, driving a lot of the opportunity, either like the coal to natural gas or, you know, massive buildout of fiber. What is exciting now is that, you know, you have several big themes happening all at once with, you know, digital knock-on effects of energy, energy security, you know, other places in the world as well as, you know, even though sustainability may not necessarily be top of mind and forefront of the headlines, but what people do with waste streams and risk mitigation from that standpoint still is very important. So you have 3 massive themes all taking place at once. And so as an investor looking to get exposure to those themes, there are probably some good public options in the waste space, but energy and digital, I would say, you really have to look to the private markets to get real exposure to it. And so when you look at a lot of our institutional clients, you can see anywhere from 5% to 20% of their allocation towards infrastructure. But when you look at most private wealth accounts, that number is dramatically smaller. And so there is at least that role to play in terms of that 5% to 20% range in anyone's portfolio. being infrastructure. But at the same time, you're not taking that much more risk than you would a credit portfolio or real estate portfolio, but you're getting a bump on those returns, right? So it's a nice sweet spot where you're really fitting in between real estate and credit and private equity and I think being a fantastic risk reward. And again, being really on the front lines of the true mainline trends that people want to get exposure to.

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Robert Morier: How about as an inflation hedge? How has it held up?

Erwin Thompson: Yeah, it's held up well. Held up well. Yeah. And this post, you know, pandemic environment, you know, I think we've all been testing whether or not what we've been saying from an inflation standpoint has held up. And I think from EQT, you know, upwards of 90% of our portfolio has either natural hedges or actual contract terms that allow for inflation pass-throughs, and everything has worked throughout the market. I think obviously inflation also plays a little role with interest rates and things of that nature. And so things were a little bit more expensive, markets have been a bit more volatile in terms of whether or not you can actually get things you know, exited and things of that nature. But, you know, for in terms of the actual core business opportunities and what we've been able to do from a pricing standpoint, you know, that's held up well. I mean, it's one of those things where, you know, you want to make sure you take advantage of it where you can, but at the same time, you know, you don't want to be another domino that sets off, you know, large, larger effects. But our claims have held up, you know, substantially.

Robert Morier: I was going to ask you to expand on the rate environment and how it's changed the way that you've underwritten deals or, or maybe the way you think about performance or return expectations.

Erwin Thompson: We're much better environment now than we were, you know, I would say early '25 where there was a lot of uncertainty. So I think that's the good thing. I think for the most part, you know, there are natural sort of project assumptions when you get into energy in terms of, okay, like what is our, you know, real return now that you look at development return and now that you look at moving rates and things of that nature. But I'll put that to the side for a second. I think I think one of the bigger effects that we had was just the uncertainty and volatility that it created in one, underwriting new deals, because you didn't know, like, okay, was this the last headline or is there still something to come? And also just like the ability to pay for things that we were looking to exit. Right. And so just those 2 dynamics in terms of whether or not it would have knock-on effects to IPO markets or if you have knock-on effects to capital solutions that we were needing in order for our buyers to execute a transaction with us or for us to execute a transaction with someone else. I think those were the things that we were probably most concerned with in that early '25 period, but have really, call it late summer onwards, felt like a much more stable market. But coming back to things around energy and cost of return, how we think about returns on projects definitely have increased a bit. But at the same time, not to a point where it's stalled markets or caused us to not be able to execute on transactions, just given the strong demand for energy and other solutions where interest rates like that come into the underwriting assumptions.

Robert Morier: What separates real infrastructure from something that's dressed up as an infrastructure company? There is a lot of momentum, particularly towards AI infrastructure right now. So it seems like when you get that momentum, you've got a lot of players who are trying to get into it. Now, I know you're investing or focusing on more established companies, but when you think about what constitutes a company that is genuinely essential and demand-resilient business relative to someone who's acting like one?

Erwin Thompson: For EQT, we're always focusing on businesses that are providing essential services to society and industry. The cash flows are long-term and stable. So you have to have some visibility in terms of, okay, what has it been historically? And we look at market position, we look at the inflation protection, we look at the contracted nature of those cash flows. And the defining factor is usually the growth business plan that you can define around it for EQT, right? If it's something where you're gonna sit back and just clip a coupon, it's not a great fit for us. We wanna make sure you can go and invest in new markets, invest in capacity, invest in a sales force, you know, focus on operations, things of that nature. We want like a slew of tools in the toolbox that we can bring to any job to, you know, create value in our company. So in that sort of, you know, criteria, naturally there's a lot of ways to sort of like, you know, you know, sift out like who is, who's faking it and who's actually really making it. Right. But I would say like one of the defining factors really just comes back to that cash flow point. Like, I'm okay with trends, right? I mean, we want to be investing with the trend, right? And that's what we want to do. It allows us to create angles on deals and things of that nature. But we also want to make sure that that trend is real. And so, like, I think a great example is in this, like, you know, a lot of businesses, you know, and infrastructure benefited from a COVID bump, right? And so you look at transportation logistics companies in particular where, you know, because of either supply chain issues. There was a lot of volumes being pulled forward and this and that and third, or maybe shift the mode of transportation because things were taking so long over water. Let's send it by air. And so we were looking at a lot of companies that were either trying to sell off the bump of these volume inflows. And it's one of these things where, okay, well, we're not going to pay for 6 months or a year of outsized performance, we want to see it sustain, right? And so either through your underwriting discipline, again, which comes with the years of doing the job, like you really know how to sort of see the forest for the trees from that standpoint and sort of weed things out from that standpoint. Or also find ways that you can structure around it. You can go into your creativity to say, okay, well, if you want to get credit for not take an earnout relative to that assumption. So the investment acumen that you develop over time allows you to sort of figure out whether or not it's really a trend or a short-term thing. But at the same time, really got to lean on the criteria that we use to define infrastructure. And if it's not in the long-term cash flow, then it's hard to underwrite it. And I think that really helps make it differentiate pretty easily from there.

Robert Morier: A word I don't hear enough on this show is creativity. How much of the job is creativity, is creating deals, is creating opportunity?

Erwin Thompson: That's the, that's the job in my view. That's the job in my view. I think, you know, if I were to define like some of the key things that you learn over time is like, one, how much your ability to assess people played a role. I, I completely underestimated that aspect of things going into, you know, private equity role. But also, finding ways to do a deal is the job—because it's so easy to find ways not to do something, right? But finding ways to do a deal is really—and it's just like, I think also ways that you create angle on deals, like I mentioned. There's countless examples where we have an investment in our portfolio where the fact that either within the EQT economy, which we call sort of the business of our portfolio companies working together, The fact that there is within the equity economy a revenue opportunity for our portfolio company allows us to lean into a business in a way that someone else without a platform built out like ours can. Right. So, for example, we own a company that does rooftop solar development, and we also happen to have a real estate platform that owns a bunch of square footage of warehouses. And we were able to put those 2 together and create like a massive new customer for the platform that allowed us to lean into a growth plan that probably somebody else would not be able to get around. And like similarly, we own an energy developer that was able to leverage our data center business in order to, you know, generate revenue opportunity. Right. And so, you know, being able to sort of, you know, receive, you know, confidential information memorandum and like learn about a business is, is one thing. But see, but everybody's going to get that same book.

Robert Morier: Right.

Erwin Thompson: So you, you, you wanna look at sort of the financial projections page and say, okay, well, how do I have a different view on this that puts me in a position to win that deal? Right. And that's the creativity that goes along with it. So it's either, you know, having, you know, you know, one, this, you know, the process of going through, you know, different ways to think about creating those revenue opportunities or finding the right board to team with the management team. There's like a host of different ways that it manifests itself, but it's definitely the job.

Robert Morier: If you put all of that together, What is the culture of the EQT economy?

Erwin Thompson: That's one of the reasons I went to EQT. I would say there was probably 2 things that during my banking experience at UBS that I gleaned in terms of what I wanted and where I wanted to go in the private equity industry. And it was like, one, a private equity firm that was really focused on true operations of a company as opposed to just the financial engineering. You know, a couple experiences in my time at UBS with clients where they were just focusing on the 0.00s and missing like the strategy.

Robert Morier: Yeah.

Erwin Thompson: And then 2, you know, especially working in investment banking culture, which, you know, you know the finance culture, you probably, you know, just as well as I do. It's, you know, you can get chewed up pretty, pretty easily in that one. And so looking for a place that cared about the person as an individual as opposed to just like a cog in the wheel, really two of the things. And EQT was one of the few places to actually proclaim culture and values on a webpage where most private equity firms was just like a customer login landing page as opposed to a built-out webpage. So I thought we were working with something there. And I think, as you know, we're really leaning to what we call operational advisors or industrial advisors. So bringing in operating experts to help us along the investment process. And like those 2 combinations are what took me there. But coming back to your question in terms of how I would define it, you know, one of the things we think about from EQT values is entrepreneurial, informal, transparent. I would say my 3 of my favorite, you know, values that we have at EQT. And I really think that that crystallizes the culture. We're extremely collaborative. You know, we're can-do people. You know, we're not really waiting for permission. And across the level, we're just like go-getters. We're going to do it and ask for forgiveness later type of individuals. And we've always been aligned. The interests have always been aligned across the team such that it's not like this deal team wins versus that deal team. It's like we're basically all one team. And that collaborative culture really goes a long way and that persists throughout all the business lines. Right. And so as you think about this EQT economy, Like if I'm looking at a healthcare adjacent deal or something that matches, that uses the pharmaceutical industry, I can go over to my private equity team and get their, get the benefit of their experience in that market. I can go to my real estate team to get the benefit of their experiences. I'm looking at sites for charging infrastructure, things of that nature. And it's always like an open door, open access culture just because of that. So that entrepreneurial So, informal, high collaboration, fully transparent, informal, I think, are some of the ways that I would define, you know, the culture of EQT.

Robert Morier: Role-play a little bit with me. So, yeah, I'm interviewing for a job at EQT. It's a senior position, so I'm interviewing with the CEO.

Erwin Thompson: Okay.

Robert Morier: What questions are you asking me to ensure that I fit those characteristics? Because it's very qualitative. So what do you find—what questions, when you're sitting across from a candidate, tend to yield the most results in terms of success at EQT?

Erwin Thompson: Yeah. I think, you know, I asked where I think probably people do not expect is like, you know, I don't think senior positions tend to expect to talk about what feedback they're getting.

Robert Morier: Yeah.

Erwin Thompson: And so I go with that one and I sort of hear what's sort of a work in progress and there's some like, you know, points that like, okay, it makes sense for a level, doesn't make sense at some level. I think the next one I ask is about like, their, their, their focus on coaching and mentoring. Right. And so, like, tell me about a time where, you know, someone who wasn't getting there or getting the job done, you know, how did you invest in them and get them there? Right. And I think that goes a long way to say whether or not, you know, even though it's about coaching and mentoring, it tells a lot about an individual in terms of, okay, is this a team player where they're like going to help somebody else? You know, even though it's going to cost something to cost something of them? Is it going to be something where they care about somebody even though they have no vested interest in whatever they're doing? And like, that's, that's one that I think really, you know, sifts out a bit of, you know, the is this a me person or is it a team person in the organization?

Robert Morier: Well, if I were asked about my life, my whole life is a work in progress. So I can only imagine we would have a long interview.

Erwin Thompson: But it's okay. But I think it's another point about the transparency, right? Like, you know, is someone willing to make themselves vulnerable in those questions, right? Like, it's okay. Like, you know, if you, you know, you ever, you know, ask somebody a question, it's like, well, I work too hard and I, you know, I care too much. Like, okay, well, is that really—

Robert Morier: Yeah, exactly.

Erwin Thompson: Is that really the answer? Like, so it's just one of those things where, you know—

Robert Morier: And what's the solution?

Erwin Thompson: Yeah.

Robert Morier: Yeah, it's a great point. Thank you. This is where I always regret that we capped this show at an hour because we could go in so many different directions. But let's go back to AI. Let's go back to data centers and the power supercycle. You've called data centers the intersection of 2 powerful trends, digitization and infrastructure. Help us frame the scale of what's happening, because I think a lot of people listening in to this episode in particular are looking for just that. EQT has a stakehold in expertise here, and you've done a lot of investing over your years there in the firm. So take us through what's happening now.

Erwin Thompson: The scale is massive for sure. And look, I think the digital team at EQT has done a great job over the years building out. Ian Vesely and Nirash Shah and guys like that who have really taken the platform really, really far in a very short period of time. But I think there's a new shocking stat released every day. I think the one I came across yesterday is like the hyperscalers are spending, expected to spend more per annum than we're spending on, like the Department of Defense is spending on protecting our country and things of that nature, which is just like a little bit of a jarring stat, right? I think upwards of $4 or $5 trillion expected by 2030 in investments. So massive need there. And it makes sense when you think about, I'm still somehow after almost 20-plus years with a phone, adding apps to my phone and finding new ways to use it. I'm still carrying multiple devices and so are my children now carrying more devices. And now AI and the amount that I'm using Claude and other AI-related applications, They're definitely proliferating, so it makes sense, right, in terms of the need. And so, you know, what we are really focusing on is leveraging, you know, again, the size and scale and the trust that we have with our customers in order to, you know, have them contract with us and have us execute for them in a way that they wouldn't be able to do on their own, right? And so I think that really is the defining point, right? But when you look that not only in the US or Canada, but Europe and Asia, etc., the need is absolutely massive. I think we're adding upwards of 15 to 20 gigawatts per annum of data center power at least. And certain ranges of anywhere from $1 billion to $5 billion per gigawatt that it takes to build all of that. It's a massive investment opportunity that's in front of us. And so it's exciting. I think the knock-on effects for energy are real as well. As you can think about those gigawatts being added on, I think there's still a massive supply-demand imbalance between data center demand and energy coming online. And so we don't see that stopping anytime soon. So you have the supply side working on not only the data center, but also on energy as well. Right. And so firms like EQT that have massive of buildout in terms of experience with all forms of, you know, energy generation, as well as experience with data center buildout, you know, there's only a handful of folks able to, you know, meet the moment in a way that, you know, some of the large players in the market prefer.

Robert Morier: So how about grid capacity?

Erwin Thompson: I mean, it's, it's an issue. You know, I think, like I said, I think, you know, it's probably, you know, 15 of demand with like 15 or 5 of supply. Right. You know, rough numbers in the US and So, you know, from that standpoint, I think you're seeing a lot of, you know, players looking to find their own solutions.

Right. So you are seeing, you know, microgrids develop where, you know, no longer need to, you know, solely rely on, on the grids. But you're also seeing, you know, big transactions happen like one of the ones that we announced recently where we're taking a large utility, an energy developer private so we can more easily invest in some of their growth prospects in a way that they wouldn't be able to do in a public market. So it's one of those things where we have multiple ways to go after it, and I think it's just a matter of time before you start to close that gap.

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Robert Morier: What do you think about that retail growth? So the individual investor, the qualified individual investor who now has access to these strategies that are arguably more sophisticated, certainly less liquid, just generally speaking, when you think about it from your seat as CEO?

Erwin Thompson: When we're speaking to private wealth advisors, you know, I think one of the things that's top of mind is that there's a certain portfolio, part of the portfolio is always going to be stable, which are classic index and, you know, your credit that, you know, is pretty steady Eddie. but clients are always chasing like that next big thing, right? And so from a topical standpoint, I'm sure there's some SpaceX or whatever the case might be that, or ChatGPT, whatever the case may be, that folks are looking at OpenAI, that folks are trying to get access to. But I think they're also seeing, okay, well, what are some other ways to play AI, right? And so I think from that standpoint, I think I feel good about, and I stand up, really feel strongly about the quality of our product. Right. And I'm happy that they now have more channels to get access to players like EQT and others out there in the marketplace, because I do feel that infrastructure provides a nice risk reward for that. Right. And I think it's like, again, I'd rather them have access to the real trend versus what might be a fake trend publicly that's publicly available, right? So it's one of those things where, again, access solves a lot, right?

Robert Morier: It does. Yeah. I'm curious about your underwriting process when you think about your due diligence on a company, because infrastructure as an asset class, as we talked about, has evolved. So it's gone from looking at some of these companies as effectively utility companies, Right? You've got a toll road that collects a fee, an airport, you know, that collects same, a gate fee as well. So much more of a utility company in a lot of ways, even though there were, let's say, commercial aspects, you know, to the mall that was being built within the airport. How do you think about your underwriting process today? So if you had to kind of constitute what captures the due diligence process for EQT in a way that allows you to identify some of these more successful companies, You know, when we talk about deals, I mean, you know, there's always gonna be a deal team vying for, you know, talking about growth, this, that, and the third.

Erwin Thompson: But I think the EQT angle is, is the angle is what we also sort of key in on a lot. You know, either, you know, do we have a portfolio company that puts us in a, you know, defined position where we can, you know, win because we have synergies or something like that straightforward? Or, you know, do we have, you know, outside a better relationship than the next person with respect to knowing that CEO or whoever that plays the key stakeholder might be. Are they a family where they really care about the brand that they're associating themselves with on a go-forward basis? So there's multiple ways that we sort of crystallize the angle. But if you say, okay, we focus on that and then sort of take a step deeper, it goes back to, okay, how do we kick the tires with respect to the essentiality, quote unquote, of the business, the cash flows, et cetera? But that growth business plan, I think, is one where it really makes or breaks whether or not we run at something. You know, if it's like one of these things where, you know, it's just about riding the market and the business has been optimized enough already, it's like, hey guys, this is going to be a cost of capital shootout and we're not interested. As opposed to one where, you know, maybe they're inside 25 of the 50, you know, metros and there's ability to go, you know, expand the footprint that way and we could lean in to growth in the way that somebody else couldn't. Or, you know, maybe there is a massive digital transition that needs to take place in the business and we're willing to lean into something like that. So there's usually, you know, we have this thing called the House of Value Creation at EQT where there's a number of like revenue opportunities, cash flow opportunities, operational improvement opportunities, digital, you name it. We go through, I think the list is actually probably like 144 things that we like, that we look at and assess for developing a value creation plan.

Robert Morier: Wow.

Erwin Thompson: and ultimately focus on, call it the top 5 things that are going to be something that you base the base case on. And then we have a host of other things that we keep in the pocket for potential upsides. Or if one of those things in the base case doesn't work out, you can move one of those things up from the upside case into the base case underwriting and focus on that. So I got the high level. Again, it's those crystal clear infrastructure characteristics that we really make sure is present. But what really ends up defining whether or not we run at something is, okay, well, how excited of a growth story or improved value creation story can we create? Because if it's just a simple, straightforward, anybody can do it, then it tends not to be something we get super excited about unless we have some particular angle.

Robert Morier: So much of value creation is upside analysis, and you've talked about the base case, but downside diligence. So when you think about stress testing demands, contracts, Everything that goes into underwriting these deals. I'm going to ask you in 2 ways. Are you an optimist, a realist, or a cynic when it comes to underwriting these deals? And then how do you apply that to the data?

Erwin Thompson: I mean, yeah, equity investors are always optimists, right? Always, right?

Robert Morier: But you've got a credit background.

Erwin Thompson: Yeah.

Robert Morier: So you might have a—

Erwin Thompson: I wasn't there long enough.

Robert Morier: Okay.

Erwin Thompson: So a little realist, but not enough cynicism. Just long enough to not completely convert. Gotcha. But I think we're always optimists. But I think it's also the benefit of diversity of thought and things that we focus on in terms of the team. And so when you look across the committees and also in terms of who we hire, we're not trying to hire everybody to be the same. Right. So we do sort of have that levity from that standpoint. But the downside analysis probably doesn't get the shine that it should, but it's definitely part of the discussion. And it's not one where we're just shocking the curve 10%, 20%, where we are constructing real downside scenarios. And that is something that does get a lot of investor committee time and attention. Doesn't really bode well for a great podcast topic per se, but trust me, it's there. It's there. Here's the people who listen for it. We go through, depending on the business, it's okay, well, depending on the deal and the business, okay, well, is it Are the contract terms, as you said, as ironclad as we think they are? If it's a partnership, are our partnership terms exactly what we need to make sure we're going to not end up in stalemates? Is it one where if it's an add-on case where we want to go roll up a market, how plentiful are the opportunities? Are we betting on just one or is it like 20? How do you get comfortable around 20 add-ons, things of that nature? But it's We're constructing sort of maybe not draconian, you know, scenarios, but like real downside situations. Okay, like how does the capital perform in those scenarios? And so that's definitely a part of the analysis as well. And, you know, albeit again, may not necessarily be the first thing I talked about here, it's definitely a base case with upside and downside analysis.

Robert Morier: No, that makes a lot of sense. I appreciate it. It's good to hear. I think particularly for our audience is that, you know, most of the allocators that come in are, we're all thinking about the upside. So starting with that conversation sometimes in itself is a good exercise.

Erwin Thompson: Part of the downside is the fact that you have multiple things that can create upside, right? You know, like, again, if you're, you know, if you have sales and operation initiatives that are like crystal clear and part of the base case, but you have a cash flow improvement that may require some financial, you know, system transition in the background or some investment in procurement or whatever the case may be as an upside. If something isn't right on your sales and operation execution, you can fold in that initiative into the base case as something that helps to mitigate what may not pan out. And so having upside is also helpful for making sure that you don't end up in that downside. It's not only to outside return, it's to also create some defense on the base case return that you're targeting.

Robert Morier: And you're obviously developing these companies over several years. And not to jump too far ahead, but I am curious, is knowing when to exit. So, you know, these are long-term, you know, strategic investments, but there still needs to be some type of exit plan, particularly for your clients. I'm sure ironically that's probably one of the first things they're asking is what does the end look like, you know, as it relates to performance? But—

Erwin Thompson: Yeah, knowing when to sell is always the tough part. I mean, like what we've said is like, you know, we go into a business with a defined plan and, you know, once we're done executing, where it's time to move on, right?

Robert Morier: Mm-hmm.

Erwin Thompson: I think, you know, we're more return on capital investors. We're not providing yield. And so from that standpoint, we're looking to take as much cash flow out of the business and reinvest it in growth as possible. You know, I think historically it's been one of those things like when we've run out of reinvestment opportunities, it's time to sell, right? You know, 'cause now the business is stabilized. I think another way I like to crystallize it, it's like, you know, you wanna make sure that, you know, what you're selling has an equity story for someone else, right? You don't want to, you know, especially if you're selling to, you know, similar sponsor who will ultimately exit as well, you want to make sure that the life of the growth, you know, spectrum, you know, persists for time, right? Because you don't want that to have a weighting effect with respect to, you know, value that you're able to get, right? So I think also sort of looking at the horizon and say, okay, does this equity story have an equity story in a sense, right? And it's another way of saying, okay, say, when might it be time? But I think you also have these scenarios now more and more around, especially with respect to digital and energy, where the growth projections are such that you could easily go into the mid-2030s and still be scratching the surface of some of the demands. And so I think that's probably going to be where the when to exit question gets really tested. And so I think it's still very early innings in terms of how that call's going to be made. But I don't think it's going to be any surprise if you see more long-term hold solutions, continuation vehicles, and things of that nature coming to market around both energy and digital investments, just given how strong their growth projections are. But outside of those 2, environmental sector, transportation, logistics, I think I think, you know, again, when you sort of have run through your course of value creation execution and you get to a point where you think you'd rather be pulling money out of the business because, you know, the return time, the time for return is beyond your hold period and things of that nature, you know, I think that's a lot more straightforward. But the, you know, the longer-term vehicles that are now more prevalent in market, I think, is going to probably be used a little bit more than we've seen in the past. As you think about some digital and energy.

Robert Morier: We touched on the vehicles for strategy. So you can access infrastructure through closed-end funds, evergreen vehicles, co-invests, the secondary market. How do you help allocators think about which structure fits the goal?

Erwin Thompson: You know, in some respect, it's a decision that's made on their own, right? I mean, you know, depending on the investor, you know, they only have certain access. You know, if you're an accredited investor, you know, you know, XY available, or if you're institutional, you have, you know, you know, another maybe the full suite available. And then it's just about how much complexity do they want to manage from there, right? Obviously with the drawdown or closed-end fund, a little bit more complexity in terms of timing of when things are going to get drawn and things of that nature. So I think folks who just want to set it and forget it, I think tend to lean towards the evergreen, to those who have the infrastructure built out to be able to manage multiple drawdown solutions or even a more diversified portfolio. they'll lean to the closed-end fund. I think what's most important at EQT is that we're providing the same institutional quality investments across the board, right? So it's not like we have a separate team sourcing investments for evergreen products and a separate team sourcing investments for closed-end products. We have one team, 155+ people sitting around 13 offices around the world globally working to source deals within digital energy, environmental and transportation logistics for all of our clients. And as a deal gets over the line, closed-end investors along with our evergreen investors are participating in that same deal as opposed to there being separate cordoned-off ones. Right. So we make that part simple. So it's really just in terms of the investor deciding, okay, how much, what they have available to, given how big they are, and also what complexity they can manage from, you know, drawdown or, you know, a more set-it-and-forget-it evergreen solution.

Robert Morier: We've established that this AI-driven CapEx boom is very real. Are you concerned about too much capital chasing the same assets? And how do you stay disciplined on price in that kind of environment?

Erwin Thompson: We're humble, so I don't want to be, you know, come across as, you know, being too overconfident here. But there is a benefit of size that comes along with unlocking a certain set of opportunities that others can't get access to. And so I think that's one point. I think too, we were the first infrastructure investor in data centers, right? And so we were early out the gate. And so we have a platform that we've been investing in, and we also have other platforms in fiber and other portions of the digital industry that we're not necessarily worried about the rising prices and the acquisition of new deals because we're just focusing on the original deal that we had and investing through there, which we got a terrific multiple. So very accretive from that standpoint. And so what's really, I would think the onus is on us in terms of maintaining that position and really maintaining a position of trust with the large players in the market. Right. The large hyperscalers aren't going to choose to contract with just anyone. Right. And so we want to make sure that we continue to make the decision very easy for them to contract long term with us as opposed to doing it on their own. Right. And so that means making sure our development timelines are well in advance of how they can execute on their own, making sure that we can source land and power in a way and in places where they can't. And so we have real rights to win. In those marketplaces. So I think that's really going to be what we are focusing on, is maintaining that license to operate in that market. There's going to be other portions of the market where you see perhaps more tech risks being taken, where folks are betting on technology and leasing that out, or maybe building spec equipment or data centers where if you build it, they will come. It's not where we're focusing. We're really focusing on that long-term contract. And so So I think there may be some stubbed toes out there along the way, but I think the way we go about our contracting and the type part of the market that we're focusing on, that's the discipline part that along with our size also opens up opportunities that others don't have access to.

Robert Morier: Yeah.

Erwin Thompson: That I think will help us to create a moat and create some downside defensibility in a very very hot market, so to say. I will also say though, I think we're only scratching the surface. And I think again, I think probably more undershooting the need here than perhaps overshooting it. Because again, I think we have a bunch of initiatives around AI at EQT and we're only like 10-15% of the way there, right? In terms of use cases, like where it's barely taken out to our portfolio companies. And so I think if you sort of elevate that view, I think there's a lot more demand that will be coming. So I think even if there is some technology improvement that allows some rack efficiency or things of that nature, I still think that the demand curve in terms of compute and things of that nature has more probability of increasing than decreasing. So we really look at this as a sustained trend as opposed to to something that runs its course in 3 to 5 years. Yeah, absolutely.

Robert Morier: All of that demand will require infrastructure, obviously. And with AI data centers, you touched very briefly in the beginning about municipal pushback. So when you think about how communities are reacting to the proliferation of AI data centers in their local areas, how do you think about that contextually from an investment perspective? What does What does that look like in terms of an input and just your own thoughts?

Erwin Thompson: Yeah, well, so look, I, you know, transparently, I'm not on the ground with a lot of these decisions, but in terms of some of the updates we get from the team, like, I think historically it probably was not necessarily like number 1, 2, or 3 on a list of concern, but it definitely is now. Right. And I think that's not only from our standpoint, but also from our client standpoint. Right. And I think the, you know, you can't share every conversation, but I do know that, you know, the customer realize that and they want to make sure that it's fair and they're not weighing on creating weights for the community to bear. They want to make sure that they take responsibility for that. And it's all education. I mean, this thing is all moving at such a light speed that sometimes you don't realize what effects it might have until it's already happened. And so I do think you're going to see a lot more improvements in terms of ensuring that customers are really footing the full bill and it's not showing up in utility rates and of the communities and things of that nature. And so again, is it perfect right now? I'm sure it's not, but I do know that there's earnest attempts to correct any sort of issues that might be already existing and ensure that it's not an issue going forward. All that being said, there's also aspects of it where I think if you're an American, you don't want data centers choosing to go someplace else, right? Because I think that creates a lot of opportunity in the communities. And you think that same mindset could be set in Europe and Asia, et cetera. So there's going to be a lot of, I think, community wrestling in terms of like, okay, what are the pros and cons of ensuring that you have these businesses operating here? Because again, there's knock-on effects for jobs and things of that nature that I think in the balance will, I think, need to play out. So I think, again, not necessarily the clean I don't know the business backdrop right now, but I do know the intent is there. And so, you know, making sure that we're not just talking about things from a dollars and cents standpoint, but also in terms of community—it's been an evolution of the discussion.

Robert Morier: And also, too, you touched on environment and sustainability. So when you think about that as part of the process as well, how are you thinking about the sustainability attributes of some of these companies and how are you working with them just to ensure maybe even relieve some concerns.

Erwin Thompson: Yeah. And I think that education is a big part of it too, right? I mean, I think water in particular, I think is one. And in terms of like the use of energy and try to use renewable energy and things of nature as much as possible, you know, again, I think, you know, a lot of advent has been made in the context of, okay, you know, making sure you're not wasting water, you know, fully circular solutions, advanced cooling, things of that nature that But, you know, again, that sort of improvement curve has been dramatic over the years. And I think educating the marketplace in terms of what that looks like, I think is something that was probably taken for granted historically that now I think we gotta be a bit more front-footed with so that, you know, folks understand the true impact, right? But again, it's not one to be ignored. How do you see AI affecting or impacting value creation inside Yeah, we have small pilots of AI opportunities where, for example, we have, you know, own a large school bus company where there's AI cameras that can tell home base whether or not a driver is using a seatbelt or not, or if they're, you know, paying attention to the road or looking at their phone. And so from a safety standpoint, you know, it's having impacts. We have asset businesses or waste companies that are now using AI cameras to acknowledge issues in the waste streams like, oh wait, there's a propane canister where it shouldn't be. Let's get that before it goes into the incinerator, that kind of thing. And so you see safety and CapEx and improvement opportunities. I think there's still a host of further opportunities in terms of perhaps some of the more—I don't want to call it mundane, but some of the more regular tasks around finance and operations and things like that, or sales operations. that I think we're still about to get to. But it's exciting to see just the impact that these small pilots can have on these companies. And I think we're really looking forward to see where we've gone. We have upwards of 50 people at EQT helping us thinking about AI implementation across the portfolio companies. It's one where it does require a lot of time and energy to get teams, get their heads around it and things of that nature. So again, early innings here, But do think there's massive upside that, that's good. It's going to be available to us across the portfolio.

Robert Morier: I appreciate that, Erwin. Thank you so much. I have just a couple last questions for you. You've got 3 children, as you mentioned before. What do you hope they study?

Erwin Thompson: That's a great question, man. I don't know. So we had a massive AI summit for our partner group.

Robert Morier: I thought you were gonna say at the—over the kitchen table. Like, we had a massive AI summit at the kitchen table.

Erwin Thompson: Well, AI is discussed at the kitchen table more than I could admit, but we had a massive AI summit. We had a couple of guys come in and speak and one took the position that AI is going to replace everything and so go be passionate, focus on sports and performances or things of that nature. The other was like, it's not going to be that bad and do computer science and so you can help manage the system, so to say. So I think I've taken the computer science route.

Robert Morier: Yeah.

Erwin Thompson: And so that's probably one thing, or at least be some computer science literate. But I've also been, you know, the type of person that grew up being told to, you know, follow your dreams and follow your heart. It got me to where I got. You never know what happens on your journey. So, you know—my oldest daughter, sorry, our older children, Everly and Elle, are both into the performing arts. So, you know, I would love for them to explore that if that's where their heart goes. We just had a son. son last year who's going to be fully in this AI world. So I have no clue what I'm going to tell him at some time. But the two, some combination of performing arts and computer science would probably be the guidance.

Robert Morier: How about yourself outside of this day-to-day? What do you like to do other than follow World Cup soccer?

Erwin Thompson: Yeah, I would say I'm an avid golfer. Yeah, I love the game. I'm not sure it loves me as much as I love it, but avid golfer.

Robert Morier: I don't know many people it loves Well, so that's absolutely fine.

Erwin Thompson: But golf is where I spend my free time.

Robert Morier: Well, I appreciate you spending some of your free time to be with us here at the Dakota Live! podcast. We wish you nothing but continued success with EQT in your own career and of course with your family as well. So thank you for spending time with us.

Erwin Thompson: Appreciate it. This was great. Thanks for the time.

Robert Morier: I want to thank Erwin Thompson again for joining us here at Dakota Live! in Philadelphia in our studios. If you'd like to learn more about Erwin and EQT, please visit their website at www.eqtgroup.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We are also available on YouTube if you prefer to watch while you listen. And if for more content, please visit us at dakota.com. Erwin, thank you again for being here. And to our audience, thank you for investing your time with Dakota Live!