

Blackstone's \$100 Billion Bridge-and-Tunnel Man

Firm taps Sean Klimczak to lead its new infrastructure business



Blackstone deal maker Sean Klimczak has been promoted to run the firm's planned \$40 billion infrastructure fund, the most ambitious new business plan in its history.

Photo: Michael Bucher/The Wall Street Journal

By Ryan Dezember

Updated May 24, 2017 8:44 a.m. ET

When [Blackstone Group](#) LP was competing for the chance to finance a natural-gas export terminal, Sean Klimczak dropped his weekend plans and raced across the country for a meeting with the energy company's CEO. He didn't have a suit in hand, but no matter, he bought one when he arrived.

Blackstone's rival for the \$1.5 billion deal was a group of smaller investment outfits. Blackstone won the deal, and [Cheniere Energy](#) Inc.'s facility was built and became the first to ship U.S. shale gas abroad. For Mr. Klimczak, one key to victory was the advantage of being able to write a big check quickly without wrangling with partners.

Now Mr. Klimczak is ascending to a position in which he should be able to write many more 10-figure checks. Blackstone has tapped the 40-year-old to lead its new infrastructure business, which is aiming to raise \$40 billion in a fund focused on building and buying U.S. public works.

Blackstone said that it expects the fund to have buying power of about \$100 billion once debt is added to the mix, and that it will have a broad mandate to invest in assets ranging from power plants and pipelines, to water systems, roads, bridges, airports and hospitals.

The firm's plans were unveiled Saturday after officials with Saudi Arabia's Public Investment Fund disclosed in Riyadh as part of President Donald Trump's visit that they [have agreed to seed the fund](#) with \$20 billion.

The Saudi commitment alone would be the largest private infrastructure fund ever raised, eclipsing the \$15.8 billion raised by Global Infrastructure Partners earlier this year. It is the most ambitious launch of a business line, by initial size, in the 32-year history of Blackstone, which is a leader in its four other segments: real estate, private equity, hedge funds and credit.

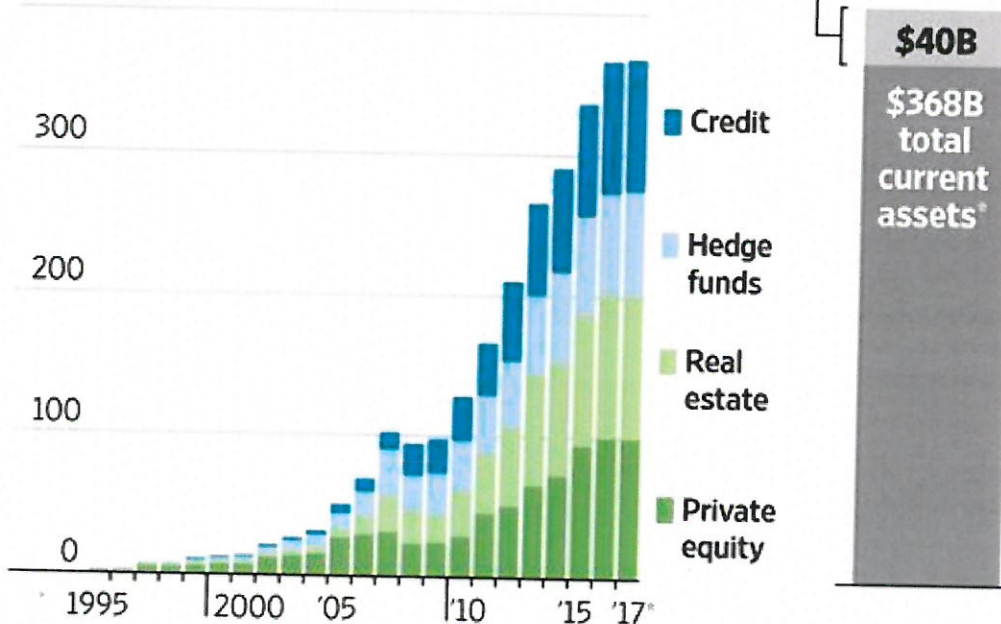
"We already have government agencies calling with infrastructure proposals that require billion-dollar-plus equity checks," Blackstone President Hamilton "Tony" James said in an interview.

Building Up

Blackstone's plans for a \$40 billion infrastructure fund would be the firm's largest expansion since its push into credit investing more than a decade ago.

Blackstone's assets under management

\$400 billion



*2017 data are through the first quarter.
Source: Securities filings

THE WALL STREET JOURNAL.

The plans have also piqued Wall Street's interest. Blackstone's shares have risen 8.7% since the announcement, [to their highest point](#) in nearly two years.

Jefferies LLC analysts estimate that once all the \$40 billion is raised, the business could annually generate \$300 million in management fees alone for Blackstone.

The new fund is what is called a permanent capital fund, meaning it has no deadlines to cash out of investments. Mr. Klimczak said he expects the ability to hold investments for potentially decades will help persuade government officials to work with the firm.

"Why is Warren Buffett welcomed in the utility sector? It is because he has long duration capital. Having the ability to tell a utility commission that you don't ever have to sell is quite powerful," he said.

Still, it is unclear how profitable the venture can be. Big infrastructure deals come with risks that are uncommon in corporate takeovers, from politicians who change their minds or are voted out

of office midproject to construction and permitting processes that can drag on for years and blow out budgets.

Also, Mr. Klimczak and other Blackstone executives now have to raise the other \$20 billion they seek. While Blackstone has shown the ability to raise huge amounts of capital, it will be competing with more than 100 other fund managers who are collectively seeking to raise more than \$100 billion for other infrastructure funds, according to industry tracker Preqin.

A native of Tampa, Fla., Mr. Klimczak was the first in his family to go to college, graduating from the University of Notre Dame. He worked a stint at [Morgan Stanley](#) as a mergers and acquisitions banker and briefly at Madison Dearborn Partners LLC, a Chicago based buyout shop, before enrolling at Harvard Business School, where he graduated first in his class in 2005.

He arrived at Blackstone later that year and started out as a generalist in the private-equity group and soon homed in on energy, particularly power and electricity transmission deals.

In that role, he has overseen construction of wind farms in Mexico and Germany, power plants in Canada and the Philippines, and [a hydropower dam on the White Nile](#) that provides roughly half of Uganda's electricity.

Mr. Klimczak began meeting with Saudi officials in April 2016 about an infrastructure fund that would never expire, allowing Blackstone to take on projects that took years to come to fruition and sometimes had lower returns than private-equity fund investors sought. Blackstone executives say that strong political support for infrastructure spending from both U.S. political parties during last year's presidential campaign made it an attractive time to launch a dedicated fund, which it had tried and failed to do a decade earlier.

Mr. Klimczak "understands the social mission that is associated with infrastructure," Mr. James said, offering the Uganda power-generating dam as an example. "When we first looked at [it] we couldn't get the numbers to work. Sean said, 'Guys, this is transformational for the country. We have to do this.' So we went back to the drawing board and figured it out."