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I Squared Plans Up to $15 Billion Push Into Japan Infrastructure

By Takako Taniguchi

(Bloomberg) -- I Squared Capital Advisors plans to expand its investment operations in Japan, deploying $10 billion to $15 billion over the near term, as the US infrastructure investor seeks opportunities from the nation's push into artificial intelligence and clean energy.

The Miami-based firm has more than $6 billion of potential deals in its Japan pipeline, co-founder and Chief Investment Officer Gautam Bhandari said in an interview in Tokyo on Friday. It's particularly focused on energy transition projects, as well as data centers, fiber networks, logistics facilities, recycling and waste management.



Gautam Bhandari in Tokyo on Oct. 16.

"We now feel there is enough transaction volume and enough attractive opportunities in Japan," Bhandari said.

The expansion plans come as Prime Minister Sanae Takaichi aims to mobilize hundreds of trillions of yen of public and private investment in strategic industries including AI and semiconductors through 2040. Those projects will require new power generation, grids, data centers and communications networks, creating opportunities for global infrastructure investors.

"All of that requires infrastructure and energy," said Bhandari, referring to the more than ¥370 trillion ($2.3 trillion) of investment targeted by the government. "When you look at the government's intention to grow the economy, I think we can be very helpful."

I Squared, which manages about $60 billion, opened its Tokyo office on Oct. 15, its ninth location outside of the US that already includes offices in London, Singapore and Sydney. The firm has invested in Japan for more than

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a decade but is now establishing a larger local presence to pursue deals. It is planning to increase the number of staff based in Tokyo to as many as 15 over the next two to three years, from two currently, through transfers and new hires.

For large-scale deals, I Squared may consider companies with enterprise values of as much as $10 billion and equity investments of $3 billion to $4 billion, Bhandari said. It will consider joint ventures as well as business divestitures as investment targets. On the small end, I Squared sees opportunities in recycling companies whose owners lack successors, for example. The firm could help those companies expand overseas and eventually grow into businesses worth as much as $2 billion, Bhandari said.

In the renewable energy space, I Squared aims to acquire assets in Japan through its Asia-based unit Hexa Renewables, such as solar power generators from trading house Marubeni Corp. It is also looking to develop large-scale battery storage projects with PowerX Inc.

Japan's power sector could offer another inlet for global infrastructure capital. Tokyo Electric Power Co. said in a restructuring plan released in January that it would consider accepting outside capital. Foreign funds have been reported as potential bidders. While Bhandari declined to comment on individual transactions, the firm has experience investing in regulated power and utility businesses, including electricity distribution infrastructure in the UK and Ireland's Energia Group.

I Squared doesn't break out its invested capital by individual country or region. According to its website, it has deployed more than $9 billion across Asia-Pacific since completing its first regional investment in 2014.

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