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Quantum Energy Collects \$5.6 Billion for Its Latest Fund

By Luis Garcia

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Quantum Energy Partners has amassed nearly \$5.6 billion for a new fund, a record for the private-equity firm as it rapidly pours more money into the oil patch.



The Houston-based energy investor in July closed Quantum Energy Partners VII LP and its affiliate vehicles with \$5.575 billion in capital commitments, above its \$5.4 billion hard cap, said Wil VanLoh, Quantum's founder and chief executive. The total amount raised includes a \$750 million co-investment pool as well as commitments from the general partners, he said.

The firm so far has committed around 60% of the fund's capital—with about 30% called down from investors—across roughly a dozen deals in various sectors of the energy industry, including upstream and midstream oil and gas, oil-field services and renewable energy, according to Mr. VanLoh.

Through its seventh fund, Quantum is finding acquisition targets in the noncore assets publicly traded oil-and-gas companies are selling to concentrate on their most lucrative fields.

Middle Fork Energy Partners LLC, an upstream company backed by Quantum, last month acquired natural gas and oil assets from publicly traded QEP Resources Inc. in Utah's Uinta Basin, according to a news release. The \$155 million deal was part of QEP's plan to focus exclusively on the Permian Basin of West Texas and southern New Mexico.

"We see a lot of opportunities created by the publics not being super active," Mr. VanLoh said. "A lot of public companies are still selling assets in order to try to become single- or dual-basin focused."

The pullback by public companies also means Quantum's portfolio companies will have to drill more wells in their fields, and hold them longer as a result, because public producers today are less willing to buy assets that don't come with substantial cash flow, Mr. VanLoh said.

Quantum and other private-equity firms are, in fact, opting to hold on to assets longer in the more popular shale plays, where it is becoming more difficult to find new deals at attractive prices.

Quantum portfolio company FourPoint Energy LLC, for example, recently formed a joint venture with Double Eagle Energy Holdings III LLC, backed by Apollo Global Management LLC, in the Permian Basin with the aim of developing their combined assets further.

“If we can reinvest our cash flow back into an asset [at higher returns],” Mr. VanLoh said, “that’s a good use for our capital. That’s another reason why private-equity firms aren’t that fussed about holding things longer.”

Quantum also is seeking to capitalize on the recovery of the oil field-services sector. The firm in January acquired Premium Oilfield Technologies LLC, a supplier of mud-pump parts and other products used in the drilling of oil-and-gas wells.

More recently, Quantum established renewable-energy company ConnectGen LLC and hired an executive to lead the firm’s investment efforts in the space.

Despite its deals in different sectors, Quantum still expects to deploy between 70% and 75% of its latest fund in the upstream space, Mr. VanLoh said.

“Public companies are very constrained in their ability to access public capital markets,” he said. “Anytime that’s the case, there’s a lot of good opportunities for private capital.”

Quantum began to raise its seventh fund last year and held a \$2.6 billion first close in May 2017, WSJ Pro Private Equity previously reported. Houston Municipal Employees Pension System, Nebraska Investment Council and Employees Retirement System of Texas are among the institutions that committed capital to the fund, according to public documents.

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