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Five Point's Resource-Management Strategy Pays Off

IPOs for the private-equity firm's WaterBridge and LandBridge companies have taken off. A third sibling, PowerBridge, might be headed in the same direction.

By LUIS GARCIA

Five Point Infrastructure took both property manager LandBridge and water-services company WaterBridge Infrastructure public with successful IPOs about 15 months apart, a rare feat for a private-equity firm focused on oil and gas. And the firm has been developing a third, complementary business that it might take public, too.

The secret of the two offerings? Investors saw both companies not just as providers of services to the oil-and-gas industry, but as managers of critical resources at a time infrastructure developers find it increasingly difficult to secure land, water and power for new projects, industry lawyers and analysts say.

LandBridge's share price has more than doubled since the Houston-based company's initial public offering in late June 2024, which raised about $246.5 million. WaterBridge had climbed 23% by Thursday since its September IPO at $20 a share raised $634 million.

Five Point, also based in Houston, has formed a third venture that would benefit from connections to both LandBridge and WaterBridge, with a commitment of as much as $1 billion earlier this year to form PowerBridge, a provider of sites suitable for data-center development. Five Point also expects the LandBridge and WaterBridge IPOs to give a boost to any future PowerBridge offering,

WaterBridge floated its shares on the New York Stock Exchange last month.

said David Capobianco, Five Point's managing partner and chief executive.

Five Point set up LandBridge in 2021 and it now manages roughly 277,000 acres across the Delaware Basin, a shale-oil rich subregion of the broader Permian Basin, which straddles parts of West Texas and southeastern New Mexico. The company leases plots to oil-and-gas producers while offering sites to other types of businesses such as waste managers, data-center operators and renewable-energy developers.

"LandBridge's IPO showed that public markets were paying attention to this broader play of land management, in addition to serving oil-and-gas needs," said Jeffrey Whittle, a partner at law firm Womble Bond Dickinson who leads its global energy and natural resource industry practices.

Five Point built on the success of the LandBridge offering to take WaterBridge public as investors saw similarities between the two businesses, Whittle said. WaterBridge's IPO was the largest by an energy-industry issuer since 2019, according to law firm Gibson Dunn.

WaterBridge manages about 2,500 miles of pipelines and 197 facilities capable of handling roughly 189 million gallons of water daily, helping energy companies dispose of the high volumes of wastewater they produce as a byproduct of oil-and-gas extraction through hydraulic fracturing. A large chunk of WaterBridge assets sit on LandBridge property.

Five Point, which created WaterBridge in 2016, retained a significant stake in the company, as it did in the LandBridge IPO. Five Point has benefited from the rise in the shares of both.

"LandBridge laid the groundwork for WaterBridge," Whittle said of the IPOs.

Five Point is one of a growing number of private-equity firms backing businesses dedicated to providing infrastructure developers and manufacturers with the resources they need to build new assets. Such strategies appeal to investors as demand for land, water and electricity surges, particularly from data centers running artificial-intelligence systems, fund managers said.

With PowerBridge, the firm plans to use LandBridge property for some development sites and water handled by WaterBridge to cool data center servers. The arrangements illustrate how intertwined the businesses of the Five Point-backed offspring are.

"If WaterBridge wins, LandBridge wins as well, as royalties and other fees related to operations and volumes on its land will be paid," Leo Nelissen, an analyst at investment-research provider Seeking Alpha, said in a report.

LandBridge supplies WaterBridge with vast tracts where it can build water-disposal wells that take advantage of porous underground rock formations that feature so-called pore space. LandBridge holds properties with plenty of unused pore space that it can offer to energy companies with excess wastewater, said Capobianco, Five Point's CEO.

He pointed to a 10-year agreement that oil-and-gas producer Devon Energy, a WaterBridge customer, separately signed with LandBridge in August to secure enough capacity to store 300,000 barrels of water daily, starting in 2027. Water produced from oil wells typically contains pollutants and can't be channeled to streams and lakes.

"Energy companies are no longer able to manage all the water they produce, making them reliant on LandBridge's surface acreage and pore space," said Capobianco.

A prolonged period of low oil prices is always a threat to energy-services providers, Whittle said. But Five Point-backed companies' handling of increasingly scarce resources somewhat disengages each of them from commodity price fluctuations, he said.

"PowerBridge, LandBridge and WaterBridge are in a market niche where the big issue is, How do you get power, how do you manage the land and how do you get water out there," Whittle said. "I think it's a very creative niche."