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SUPER DUG Conference & Expo Editorial Coverage

Quantum's VanLoh: Finding Value Means Not Following the Crowd

Wil VanLoh, founder and CEO of Quantum Capital Group, speaks with Deon Daugherty, editor-in-chief of Oil and Gas Investor, at Hart Energy's SUPER DUG 2026. (Adam Stepanski/Hart Energy)

By
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Key Takeaways

- Quantum sees less competition for $1 billion-plus energy deals as public E&Ps consolidate and major private capital providers retreat from upstream
- VanLoh says discipline, hedging and a willingness to sit out overheated markets have helped Quantum remain a major oil and gas investor.
- Quantum targets at least roughly 20% returns on equity and consider selling when an investment can no longer compound at that rate.

When it comes to deciding when the market is ready for investment, Quantum Capital Group doesn't use a playbook. It seeks out differentiated risk-adjusted returns by connecting the dots across commercial, technical, subsurface and digital information.

"It is a lot of art versus science," Quantum Capital Group Founder and CEO Wil VanLoh said Sept. 16 during Hart Energy's SUPER DUG Conference & Expo.

The energy-focused investor has managed more than $35 billion in capital since it was founded in 1998. Its investments span upstream, midstream, power and renewable sectors with capital structures ranging from private equity and joint ventures to senior debt and infrastructure.

"We clearly invest across everything," VanLoh said.

But it doesn't follow the crowd.

Instead, Quantum looks for where capital is being properly valued—and where potential returns justify the risk. That requires looking beyond the financials.

"If you're doing what everybody else is doing, you're going to generate, at best, the average," VanLoh said.

The firm sees opportunity in deals and infrastructure but says discipline, including knowing when not to invest and when to sell, is key to generating returns.

Quantum finds opportunity in bigger deals

Quantum tends to favor the larger transactions with competition from public companies than the $1 billion-plus deals seen as less attractive than in past years.

Many public E&Ps have consolidated, and several other large institutional investors—KKR, Apollo, Blackstone and others—have either exited the space or scaled back upstream investment, VanLoh said. Plus, public shareholders are prioritizing dividends and buybacks over "growth for growth's sake."

“Given our size and scale, we do tend to look at a lot of large deals, but look, we make a lot of really good buys in the small deal market too,” VanLoh said. He added, “We probably tend to favor a little bit the larger deals, but we look at everything.”

Among the areas Quantum has been actively investing in is infrastructure. Its infrastructure fund, Quantum Infrastructure Partners, targets energy among other areas.

VanLoh called infrastructure a “massive asset class” that includes midstream, power and other elements that enable upstream or create power. He sees capital flowing into Permian gas takeaway capacity, LNG exports, power and elsewhere.

“I think we’re in an infrastructure super cycle and there is a lot of mature assets obviously,” VanLoh said.

In the Permian, long-term contracts can help derisk infrastructure investments. Assets backed by 10- to 15-year contracts can provide the base rate of return infrastructure investors are seeking, he said.

Wil VanLoh (right), founder and CEO, Quantum Capital Group, speaks with Deon Daugherty, editor-in-chief of Oil and Gas Investor, during an exclusive interview at Hart Energy's SUPER DUG 2026. (Adam Stepanski/Hart Energy)

However, overbuild is not far from thoughts.

“Ultimately, all basins will hit a terminal decline,” VanLoh said when questioned on having hydrocarbons to fill those pipelines. He added, “We’re also a big believer in technology, and that technology will continue to unlock.”

Discipline keeps Quantum in oil, gas

That does not mean it won’t ever stop investing in the sector.

VanLoh recalled a time after the 2008-2009 downturn when it went about 2½ years without making an investment because the advent of shale changed the underwriting risk and Quantum didn’t understand it well enough back then.

Times have changed. VanLoh said the firm has an edge from having insights on the possibilities in different basins. “Those insights from our upstream investments give us a lot of thoughts about what infrastructure assets we might want to own or not want to own.”

That clear understanding of energy and commodity cycles coupled with discipline provides a competitive advantage.

“If you’re going to go buy a bunch of cash flow when prices are high or at any level of prices, you might want to think about locking in your cash flow to get your money back,” he said.

With hedging, he added, many people outsmart themselves. Quantum never tries to play the commodity market, he said.

“We always said we’re a price taker and whatever price we’re going to run through our acquisition is what we’re going to go hedge at,” VanLoh said. “We also didn’t use a lot of debt.”

Using debt while remaining unhedged can create a “pretty dangerous cocktail” when commodity prices fall, VanLoh said, drastically increasing leverage. So is knowing when to sit out because there is already too much capital in the space.

"We're not going to put capital [to] work because there's uninformed or ill-informed investors in the space that are making stupid decisions," he said. "At some point that'll take them out of the space, and we just need to be disciplined to get through that period of time."

Oil price volatility continues to complicate today's deals, creating what he described as bid-ask tension and a "weird market" in the last six or seven months. With the 12-month strip having $30 backwardation in it today, he asked, "How do you underwrite?"

New capital brings new competition

Still, new sources of capital and competition continue to enter the market, particularly in the Haynesville where Asian buyers have acquired assets. Gulf Coast gas is where there is real competition, according to VanLoh.
"They can afford to pay for it because they've got a different value proposition," he said of Asian buyers. "They're liquifying, shipping, regassing and selling into a market that today is in the high teens, low 20s. So there's some real dollars to pick up there."

Asian buyers aren't the only newer source of capital competing for oil and gas assets. Quantum is not a fan of asset-backed securitization (ABS) as a financing strategy. VanLoh said the deals are being rated by "second-rate agencies" and argued that some of the insurance companies investing in them don't understand the risk they are taking.

But he had a couple of positives.

ABS can work for assets with high proved developed producing reserves, but if significant development remains, VanLoh prefers a combination of private equity, potentially preferred equity or bank debt.

Another positive is the belief by many that ABS buyers tend to overpay. "We love to sell to them. ... It's awesome."

Knowing when it's time to exit

When the time comes to sell a portfolio company, whether it's to an ABS buyer or another class of buyers, Quantum looks for assets that are attractive enough to displace inventory in a public company's portfolio, are free cash flow positive and have enough development inventory for the buyer. The pool of potential buyers shrinks if too much inventory has been exhausted.

Quantum targets at least a 20% return on equity.

"If we can't keep compounding at that rate, it's probably time to sell it," VanLoh said.

Earlier this year, the firm agreed to sell about 90% of Cogentrix Energy's natural gas generation assets to Vistra Corp. for about $4.7 billion. At the time, Cogentrix provided about 5.5 gigawatts of capacity with facilities located throughout PJM, ISO New England and ERCOT.
"We got, quite frankly, very fortunate on market timing there," VanLoh said, noting the power markets got "wonky" after the deal was signed.

Quantum views itself as a partner to its portfolio companies, not just a provider of capital, he said, noting the firm aims to help entrepreneurs make more money and build bigger companies faster with less risk.

VanLoh likened its exit strategy to a parent sending his or her 18-year-old off to college. "You always begin with the end in mind," he said.