

**GREEN GROWTH AND SUSTAINABLE DEVELOPEMNT FORUM**  
**OECD – PARIS**







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MACQUARIE CAPITAL



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# MACQUARIE CAPITAL – INFRASTRUCTURE

The Infrastructure and Utilities team within Macquarie Capital provides a full range of advisory products across the six main sectors it covers

Sectors	 <p>Utilities</p>	 <p>Power and renewable energy</p>	 <p>Aviation/ maritime</p>	 <p>Roads</p>	 <p>Rail/ bus</p>	 <p>Social</p>
Industries	<ul style="list-style-type: none"> <li>Regulated networks</li> <li>Pipelines</li> <li>Storage</li> <li>Water concessions</li> <li>Interconnectors</li> <li>Metering</li> </ul>	<ul style="list-style-type: none"> <li>Wind</li> <li>Solar</li> <li>Biomass/LFG</li> <li>Developers</li> <li>Waste</li> <li>Manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Airports</li> <li>Ports</li> <li>Maritime services</li> </ul>	<ul style="list-style-type: none"> <li>Greenfield roads</li> <li>Brownfield roads</li> <li>Conglomerates</li> <li>Car parks</li> </ul>	<ul style="list-style-type: none"> <li>Greenfield rail</li> <li>Track</li> <li>Rolling stock</li> <li>Buses</li> </ul>	<ul style="list-style-type: none"> <li>Schools</li> <li>Offices</li> <li>Hospitals</li> <li>Nursing homes</li> <li>Prisons</li> </ul>
Products	Infrastructure M&A					
ECM						
Debt and lending						
Infrastructure investor coverage						

# MACQUARIE IN THE TRANSPORT SPACE



## **Investor, manager, adviser and lender across European transportation**

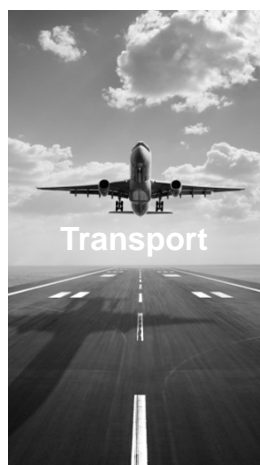
- Leading financial institution with an extensive transport infrastructure heritage.
- Manage \$30 billion+ assets across ports, airports, toll roads and rail, including:
  - APRR - the 1,850 km long, French motorway network
  - Brussels, Bristol and Copenhagen Airports
  - Brunswick Rail – Russian railcar operating lessor with 24,000+ railcars
- Lending and asset finance business with a portfolio worth more than \$US11 bn (including as a leading global aircraft lessor with 148 jet leased to 73 operators).
- Lead sponsor and financial adviser on the bid to build a new six lane, 1 kilometre long, toll bridge over the River Mersey in the United Kingdom.

# RECENT TRANSPORT INFRASTRUCTURE ACTIVITY



## Attractive equity pricing with participation of a number of newly formed direct investors and Asian trading companies

What is driving M&A in the transport and utilities sectors?



### 2005-2008

- Large quantum of leverage
- Higher valuations
- Bullish view on GDP correlated assets
- Focus on majority / controlling acquisitions

### 2008-2011 – "Crisis"

- Ensuring optimal business operations
- Deleveraging
- GDP correlated transportation not "in vogue"
- "Flight to core"

### 2012-today

- Clear market for debt with a reduction in refinancing challenges
- Good track record of performance and deleveraging
- Market "timing" is good
- Regulated utilities "over-priced"

## Examples of transport deals



	Terminal Investment Limited SA	CMA CGM	London Stansted Go discover	ZNV Aeroporios de Portugal	Newcastle International	Edinburgh Airport
Date	Apr'13	Jan'13	Jan '13	Dec '12	Oct '12	Apr'12
Acquirer	GIP	China Merchants	MAG	Vinci	AMP	GIP
Seller	MSC	CMA CGM	Heathrow Airport Holdings	State privatisation	Copenhagen Airports Group	BAA
Price achieved	17.0(?)x EBITDA	12.0x EBITDA	15.9x EBITDA	16.2x EBITDA	16.5x EBITDA	16.7x EBITDA
Price expectation	Difficult Trade	Difficult Trade	12-14x EBITDA	10-12x EBITDA	13-14x EBITDA	10-12x EBITDA



# SUPPLY OF INFRASTRUCTURE CAPITAL REMAINS STRONG



## Traditional infrastructure funds are increasingly being joined by listed funds and “direct” investors in pursuit of yielding assets

### Unlisted market

- Infrastructure funds have **US\$24 billion** of dry powder to invest in Europe
- Macquarie estimates total available infra & renewables allocations may exceed **US\$100 billion** from direct investors
  - Pension funds
  - Sovereign wealth funds
  - Insurance Companies

### Selection of Direct Investors



### Listed market

- **£1.1 billion** has been raised through renewable energy IPOs in the UK in the last 9 months
- Target yields have consistently been in the 6-7% range
- Provided interest rates remain low, listed market should be growing source of capital for infrastructure assets

Fund	Energy & Geography	Raise	Yield	IPO Date
infinis	Wind, LFG, Hydro (UK)	£230m	7%	Nov-13
Foresight	Solar (UK)	£150m	6%	Oct-13
Bluefield Solar	Solar (UK)	£130m	7%	Jul-13
THE RENEWABLES INFRASTRUCTURE GROUP	Wind & Solar (UK, EU)	£350m	6%	Jul-13
GREENCOAT UK WIND	Wind (UK)	£260m	6%	Mar-13
<b>Total</b>		<b>£1,120 m</b>		

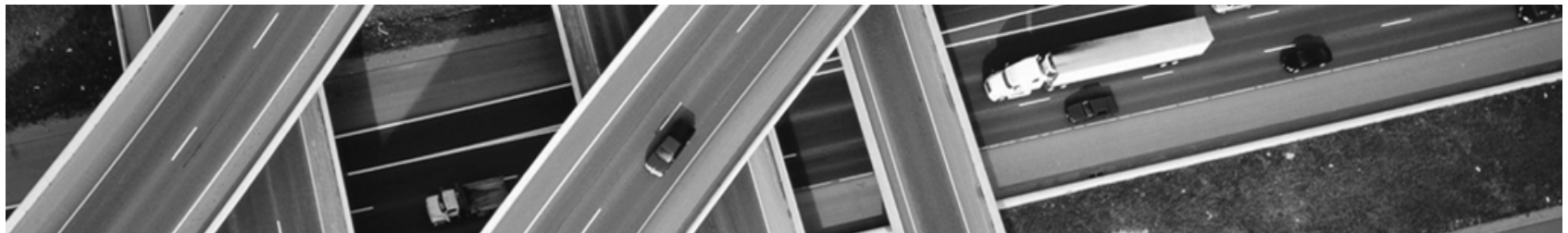
# CASE STUDY: GLOBALVIA

## The transaction

- Global Via Infrastructures raised a €400mm convertible loan raising with PGGM and OP Trust
- Convertible was raised to satisfy GVI's requirement for further capital and to grow existing portfolio of assets on a global basis
- Macquarie ran a process of meeting potential investors and structuring a bespoke product to meet all parties objectives

## Market observations

- ✓ Transactions in certain jurisdictions are difficult and therefore must be tailored to reflect all parties concerns
- ✓ Original planned transaction can evolve dramatically over the course of discussions between parties
- ✓ Needs patience and careful balancing between parties
- ✓ Strength of management team is key to a successful investment in certain geographies
- ✓ Investors very interested in “platform acquisitions”



# ARE THERE POTENTIAL LIMITATIONS TO INVESTMENT IN THE INFRASTRUCTURE SPACE?



## **Certain matters can be binary for investors**

- Regulatory transparency – concerns over regulatory changes
- Sovereign risk – the north/south European divide
- Finding the right partners – experience, know-how, co-operation
- Governance – is it required for large capital deployment?
- Greenfield projects – the role of government

**... and “ ‘green’ greenfield ” projects face deepening investor scrutiny**

# KEY EMERGING TRENDS



Infrastructure is here to stay as a standalone sector



A number of new funds currently being raised, but direct and listed investors are here to stay and likely to become more powerful players in the space



Direct investors can be “useful” and “align” with Governments and Corporates



Given the “pre-defined” investment metrics of most investors, preparation and forming consortiums early for bids is paramount



Debt funding transactions for core infrastructure has not been an obstacle to M&A or greenfield activity



There are clear geographic hotspots and no-go zones, however, value players starting to consider alternative markets



“Sustainable” and “green” transport infrastructure projects will be assessed on the same basis but with heightened scrutiny of political support and risks



THANK YOU



## CONTACT DETAILS

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