

# Preqin Research Report

## Infrastructure Deal Activity Q3 2010

Despite the positive growth in the fundraising market, infrastructure deal volume remains restricted by the contracted credit markets and inflexible asset valuations. The completion of future deals is therefore heavily reliant on an increased equity-to-debt ratio and a decrease in vendors' asset valuations.

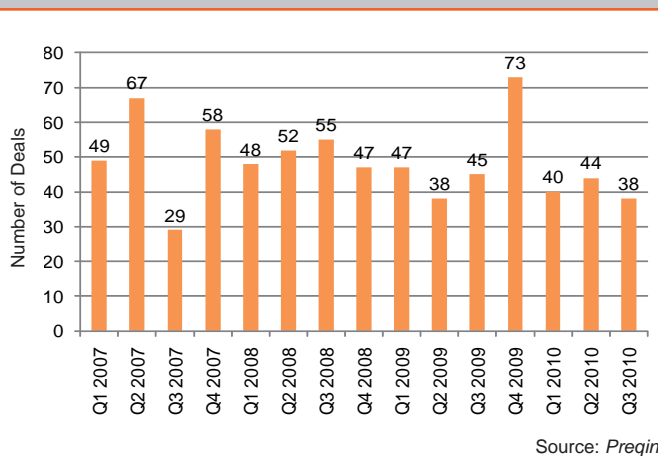
This will take time, and as a result, a significant increase in the number of deals completed by unlisted fund managers in the remainder of 2010 is unlikely.

As shown in Fig. 1, unlisted infrastructure fund managers reported 38 deals in Q3 2010, the lowest quarterly total this year, and the fewest since Q2 2009.

### Deal Activity by Region

Fig. 2 shows the geographic location of the infrastructure deals made in Q3 2010. Europe was the most prominent region, accounting for 19 of the 38 deals made during the quarter. Seven deals were completed in North America, and 10 were completed in Asian assets. Two transactions were completed in assets located in Australasia.

Fig. 1: Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers Q1 2007 - Q3 2010



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### Deal Activity by Industry

As expected, core infrastructure industries such as energy, transportation and utilities dominated Q3 2010 deal activity. As shown in Fig. 3, 15 deals were completed in the energy sector, 11 in transportation and three in utilities. Six deals were made in social infrastructure assets, along with two in waste management and one in the telecoms industry.

### Significant Deals Made in Q3 2010

A number of significant deals were completed in Q3 2010, including the purchase of an 80% stake in the Endesa Gas Network by GS Infrastructure Partners II. The deal was expected to value the stake at around €1bn, consisting of approximately €800mn in debt financing provided by a group of 10 banks including Santander, Caja Madrid and BBVA. The Endesa network includes 4,050km of gas distribution pipelines and 859km of gas transport pipelines in Spain.

In Canada, Starwood Energy Infrastructure Fund acquired the Sault Ste. Marie Solar Plant 2 (SSM2) from Pod Generating Group for a total purchase price of \$110mn, including a \$30mn equity investment. Once built, SSM2 will consist of three 10 MW AC solar photovoltaic power generation facilities in Sault Ste. Marie, Ontario.

A significant deal made in Asia was the \$304mn investment by a consortium led by Macquarie State Bank of India Infrastructure Fund for an 11% stake in Viom Networks (formerly Quippo-WTTIL). Viom is an independent telecommunications company based in India. The stake was purchased from Quippo Telecom Infrastructure in August.

Fig. 2: Number of Infrastructure Deals By Region Q3 2010

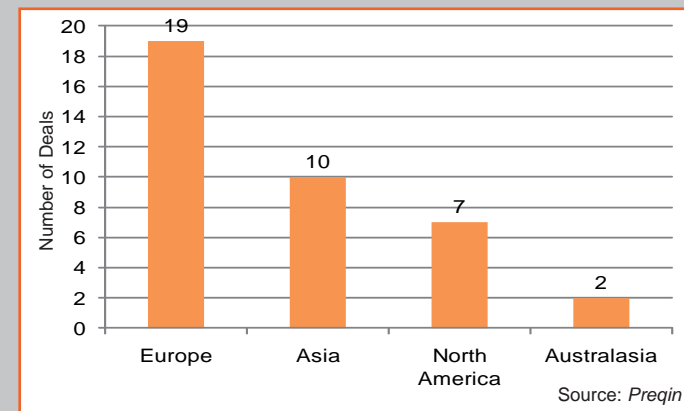
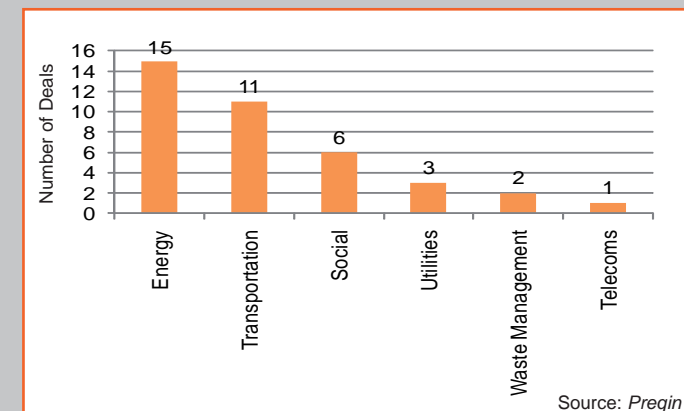


Fig. 3: Number of Infrastructure Deals By Industry Q3 2010



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