

Number of Infrastructure Deals Involving Unlisted Fund Managers in 2009 at a Four-Year Low

First drop in annual deal volume since emergence of unlisted infrastructure asset class

Unlisted infrastructure fund managers across the globe completed 130 deals in 2009, the lowest annual total since 2005. This represented a drop of nearly a third from the number of deals in 2008, the first since unlisted infrastructure funds emerged as a distinct investment strategy. However, given the market conditions, infrastructure deal volume has shown resilience. Between 2008 and 2009, the annual infrastructure deal volume fell by 33%, compared to an 82% decrease in infrastructure fundraising.

This information is taken from Prequin's Infrastructure Online service, which contains details on which fund managers are bidding for, buying or selling infrastructure assets, listing all deals made by unlisted fund managers. It includes information on the type of infrastructure asset and location, data on the equity invested and the percentage stake acquired by the firm, information on the deal date, structure and duration plus names of co-investors in transactions.

Additional key facts on deal activity:

- The number of deals made by unlisted infrastructure fund managers peaked in 2008, with 194 investments made during the year, having increased each year from 2003 to 2008.
- Quarterly dealflow peaked in Q2 2008, when 68 deals were completed. Following this, the next four quarters all recorded a decline in the number of deals from the previous quarter.
- Q2 and Q3 2009 both saw 27 deals completed by unlisted infrastructure fund managers, which were then followed by a slight uptick in activity in Q4 2009, with 37 deals made in the quarter.
- The average deal size in 2009 fell to \$600mn, a 45% decrease from the \$1.1bn average in 2008.
- In 2009, one-third of infrastructure deals made by unlisted fund managers were valued at less than \$100mn. Just over half of deals were valued at between \$100mn and \$999mn, while deals valued at \$1bn or more accounted for the remaining 15%.
- Infrastructure assets in Europe were the subject of 79 of the deals made by unlisted fund managers in 2009, while there were 25 investments in assets in North America and 26 investments in assets in Asia and Rest of World.
- The core infrastructure industries of energy (55 deals in 2009), telecommunications (4), transport (30) and utilities (15) still dominate the marketplace, with the four asset types accounting for 80% of the 130 investments made during the year.

FURTHER DETAILS ARE INCLUDED ON THE FACTSHEET FOLLOWING THIS PAGE

Comment:

"The decline in the number of deals executed in 2009 can be attributed to a number of factors. At an industry level, fund managers were restricted by the severe contraction in debt availability, the lack of available assets with relatively simple deal structures, and sellers' high asset valuations. Conditions were also difficult at a fund manager level, most noticeably the intense competition resulting from a record number of fund managers operating in the asset class.

Although some believe that the worst of the crisis is over, it is still difficult to predict when we will see a major upturn in the number of deals being made by unlisted infrastructure fund managers, as the credit markets remain somewhat restrictive. Going forward, many deals will be dependent upon increasing equity ratios or, alternatively, a reduction in vendors' price aspirations."

Richard Stus, Senior Analyst - Infrastructure

About Prequin:

Prequin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests. Prequin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Prequin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

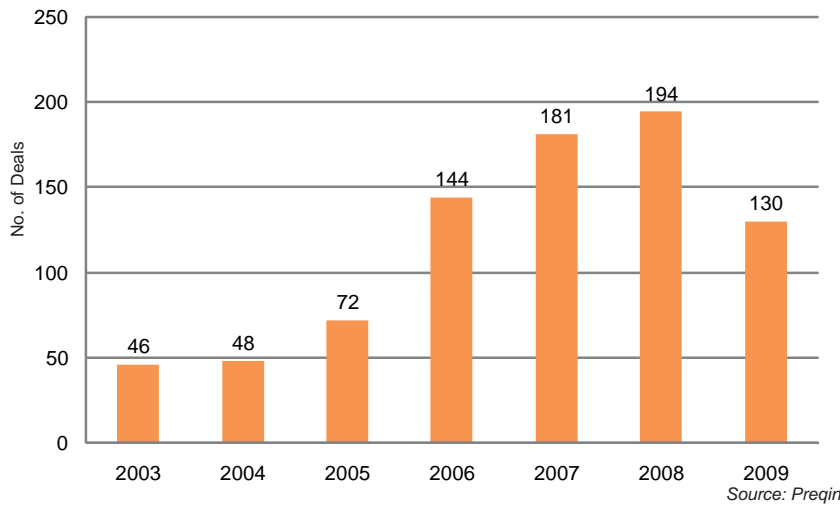
Note to Editors:

- Please note that Prequin has completely replaced Private Equity Intelligence as the official company name.
- Prequin is spelled without the letter 'U' after the 'Q'.

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Fig. A:
Annual Number of Deals Made by Unlisted Infrastructure Fund Managers: 2003 - 2009



Data from the new deals module in Preqin's Infrastructure Online Database shows only 130 transactions involving unlisted infrastructure fund managers were finalised in 2009, the lowest annual total since 2005. As shown in Fig. A, the number of deals completed by infrastructure fund managers grew year on year between 2003 and 2008. After peaking in 2008, with 194 investments in the year, there was a significant decrease in the number of deals, with only 130 transactions finalised in 2009. The decrease represented the first drop in annual deal volume since the emergence of the unlisted infrastructure asset class, and is indicative of the difficult conditions that fund managers endured in 2009.

Dealflow by Quarter

Analysis of infrastructure quarterly dealflow highlights the decline in activity in recent quarters. Fig. B shows that there was a significant decline between Q2 2008, when dealflow reached its peak, and Q2 2009, when dealflow hit its lowest level since 2007.

The number of deals in Q2 2009 fell to 27, down from the 39 made in Q1 2009. However, there have since been signs of the beginning of a reversal in this trend, with 37 deals completed in Q4 2009.

Dealflow by Transaction Size

In 2009, the crisis in the debt markets had a direct effect on the leverage

available for infrastructure deals, and the average deal size dropped to \$600mn, a 45% decrease on the \$1.1bn average in 2008.

Deal sizes vary greatly throughout the infrastructure industry, ranging from as small as a few million dollars to deals worth billions of dollars. Fig. C shows a breakdown by deal size of all infrastructure deals involving unlisted infrastructure fund managers completed in 2008 and 2009. In 2009, one-third of infrastructure deals were valued at less than \$100mn. Just over half of all deals were valued at \$100-999mn, while deals valued at \$1bn or more accounted for the remaining 15%.

Dealflow by Region

In 2009, European infrastructure assets were the subject of 79 deals, which represents 61% of the 130 deals made. Infrastructure assets based in North America and Asia and Rest of World were the subject of 25 and 26 deals respectively.

From Fig. D it is apparent that regional trends in dealflow during 2009 emulate the geographic distribution of deals made by infrastructure funds in recent years. The figures suggest that whilst many investors were frustrated by a lack of viable infrastructure asset investments in developed regions, few were willing to venture into the greenfield-orientated markets of emerging economies.

Fig. B: Quarterly Number of Deals Made by Unlisted Infrastructure Fund Managers: Q1 2006 - Q4 2009

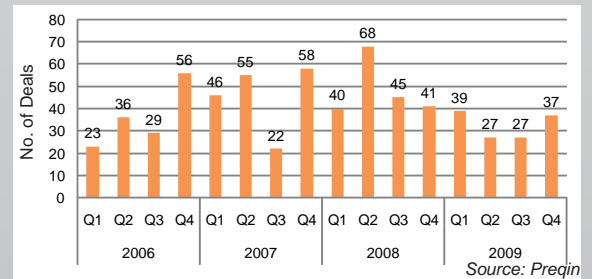


Fig. C:
Breakdown of Deals by Transaction Value: 2008 - 2009

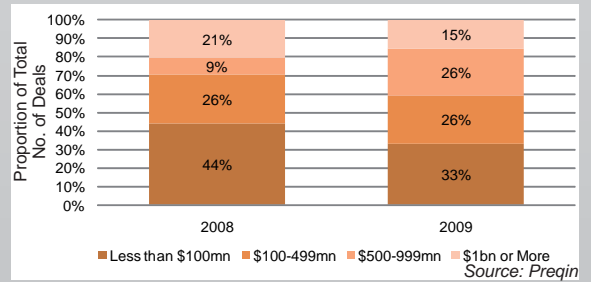
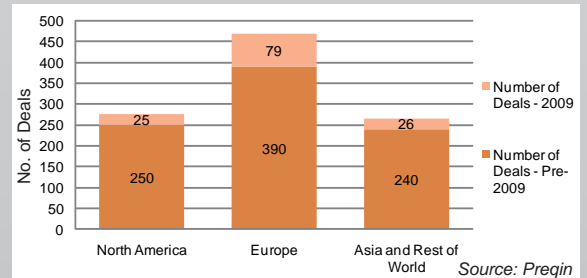


Fig. D:
Number of Infrastructure Deals by Region



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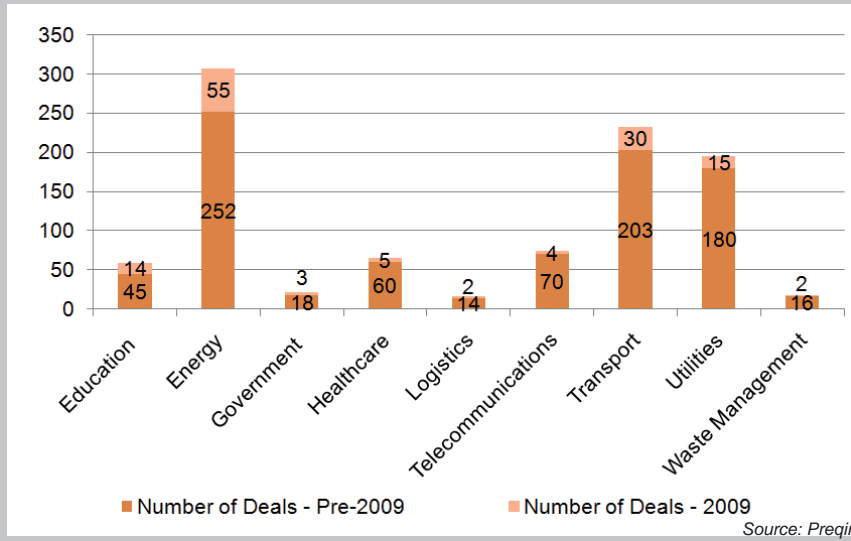
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Fig. E:
Number of Deals by Industry



Dealflow by Industry

Deals in the core infrastructure industries of energy, telecommunications, transport and utilities still dominate the marketplace. Fig. E shows that in 2009, there were a total of 104 deals made by infrastructure fund managers in these four industries, which equates to 80% of the 130 investments made during the year. Although core infrastructure accounts for the majority of investments made in 2009, deals in other economic industries and in social infrastructure were also being struck. The majority of these transactions were made by infrastructure funds investing in the sectors as part of a generalist investment strategy, but there was also activity from specialist funds, such as Equitix Fund I, a vehicle targeting social infrastructure PFI/PPP opportunities in the UK. In July 2009, the fund invested in Derbyshire BSF, a UK school PPP project.

The information and data contained within this report was taken from Preqin's infrastructure deals module, which is available as part of a premium subscription to Infrastructure Online.

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Fig. F:
Significant Deals in 2009

Asset	Transaction Date	Industry	Country	Project Stage	Investors
A2 Motorway Segment II	Jun-09	Toll Roads	Poland	Greenfield	Kulczyk Investments, KWM Investment, Meridiam Infrastructure Fund, Strabag SE
Astoria Energy II	Jul-09	Power Plants	US	Greenfield	GDF SUEZ Energy North America, JEMB Realty, SNC-Lavalin, United States Power Fund III
D1 Motorway	Apr-09	Toll Roads	Slovakia	Greenfield	Bouygues Travaux Publics, Doprastav, Intertoll, Meridiam Infrastructure Fund, Unidentified Investor/s, Vahostav
Enel Rete Gas	Sep-09	Natural Resources Pipelines	Italy	Secondary Stage	AXA Infrastructure Partners, Fondi Italiani Per Le Infrastrutture
Gas Natural	Dec-09	Natural Resources Pipelines	Spain	Secondary Stage	Galp Energia, Morgan Stanley Infrastructure Partners
Gatwick Airport	Oct-09	Airports	UK	Secondary Stage	Global Infrastructure Partners
Itinere Infraestructuras	Jun-09	Toll Roads	Spain	Secondary Stage	Abertis, Autostrade S.p.A.
La Réunion Tram-Train Project	Aug-09	Railroads	Réunion	Greenfield	AXA Infrastructure Partners, Banque Française Commerciale Océan Indien, Bombardier, Bouygues Construction, Colas, Crédit Agricole de la Réunion, Demathieu & Bard, Meridiam Infrastructure Fund, RES Développement Océan Indien, Société Générale Corporate & Investment Banking, Veolia Transport
New LBJ Project	Feb-09	Toll Roads	US	Greenfield	Cintra, Meridiam Infrastructure Fund
RIGS Haynesville Partnership	Mar-09	Natural Resources Pipelines	US	Brownfield	Alinda Infrastructure Fund II, GE Energy Financial Services, Regency Energy Partners

Source: Preqin

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