

# Preqin Research Report Infrastructure Deals

February 2010



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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.

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. 1, 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. 2 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. 3 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%.

Fig. 1:

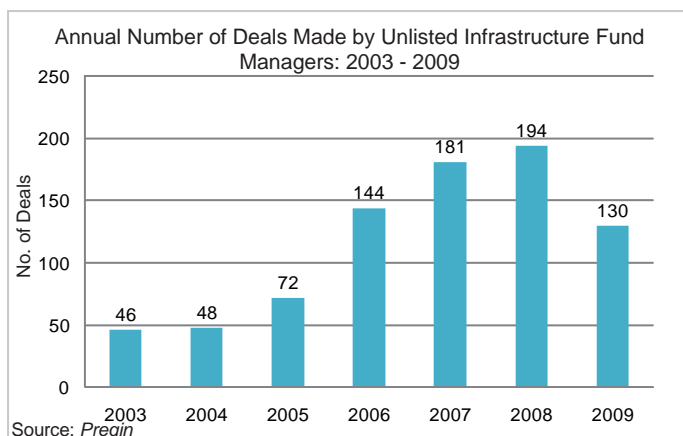
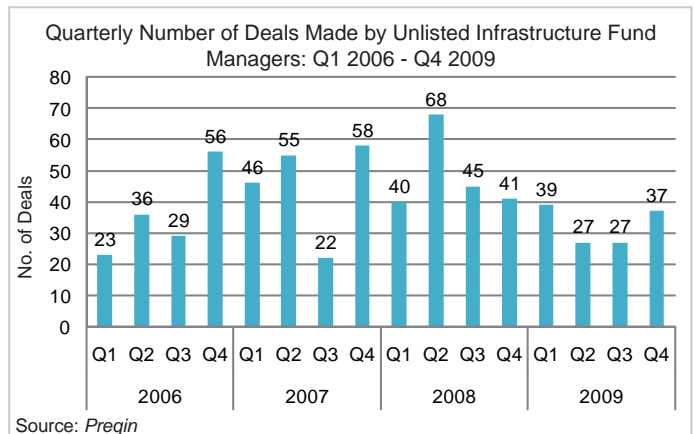


Fig. 2:



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Fig. 3:

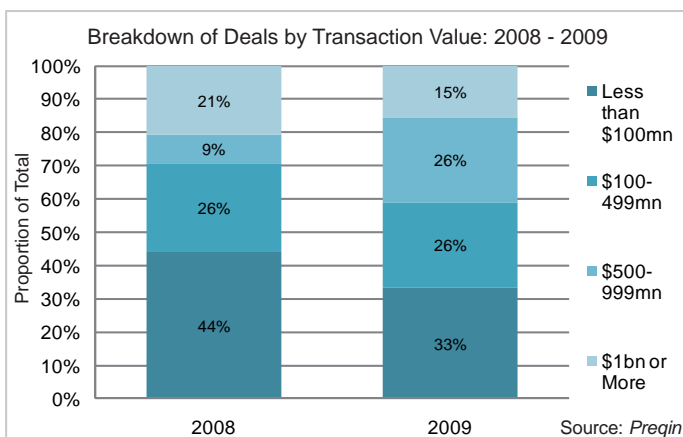
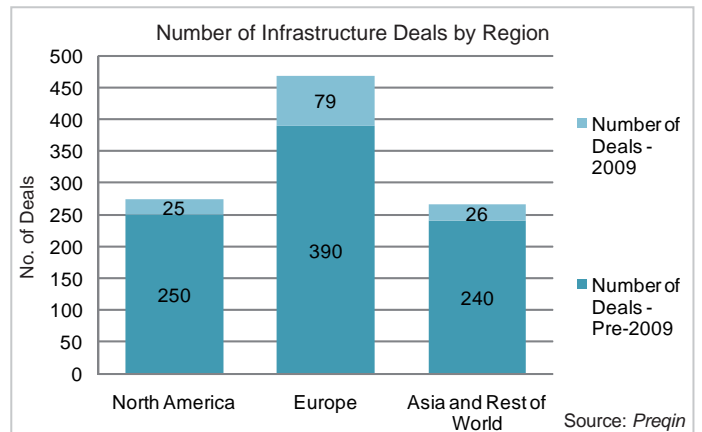


Fig. 4:



## 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. 4 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.

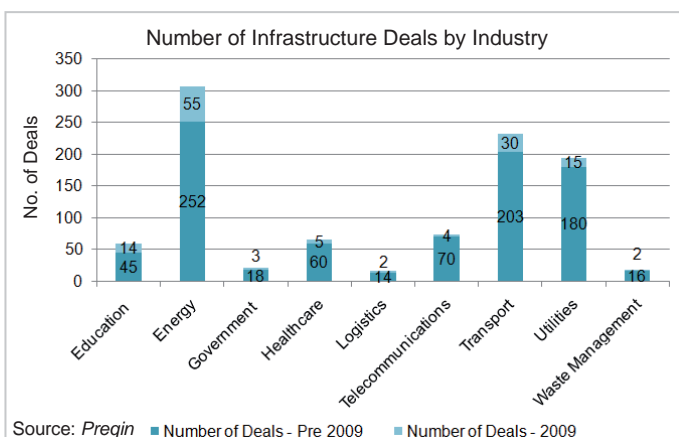
## Dealflow by Industry

Deals in the core infrastructure industries of energy, telecommunications, transport and utilities still dominate the marketplace. Fig. 5 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.

## Looking Ahead

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.

Fig. 5:



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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.

*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.*

To find out more about Infrastructure Online, or to register for a demo, please visit:

[www.preqin.com/infrastructure](http://www.preqin.com/infrastructure)

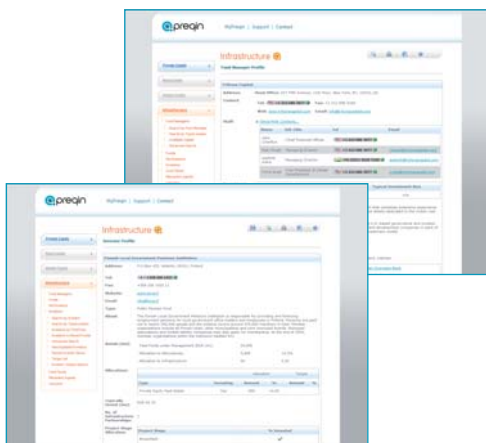
Fig. 6:

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

# Preqin Product: Infrastructure Online - Deals Data

Included as part of Preqin Infrastructure Online, Deals Data utilises multiple sources to provide the most accurate available information on the portfolio of infrastructure assets acquired by individual infrastructure funds:



- Details on which funds are bidding for, buying or selling infrastructure assets.
- Information on the type of infrastructure asset and location.
- Data on the equity invested and the percentage stake acquired by the fund.
- Lists information on the deal date, structure and duration.
- Names of the fund's co-investors in the transaction.

***Infrastructure Online is available by annual subscription from only  
\$1,750 / £1,050 / €1,150***

***For more information and to arrange a demo please visit:  
[www.preqin.com/infrastructure](http://www.preqin.com/infrastructure)***

# About Preqin

Preqin infrastructure provides information products and services to infrastructure firms, fund of funds, investors, placement agents, law firms, investment banks and advisors across six main areas:

- Fund Performance
- Fundraising
- Investor Profiles
- Fund Terms
- Fund Manager Profiles
- Deals

Our customers can access this market intelligence in four different ways:

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- Online database services
- Consulting and research support
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Our services and products are the most comprehensive resource available to infrastructure professionals today, and are relied upon by the majority of leading infrastructure firms and many other professionals from around the world. Whether you're a fund manager, investor, placement agent, lawyer, or investment consultant this is a vital information service for you.

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