

Content Includes:

Preqin Special Report: Infrastructure Transaction Activity

February 2014

Outlook for Infrastructure Deal Flow in 2014

We look at fund managers' views on the outlook for the infrastructure industry in the year ahead, including capital outlay, competition, debt financing and more.

Infrastructure Deal Flow and Value

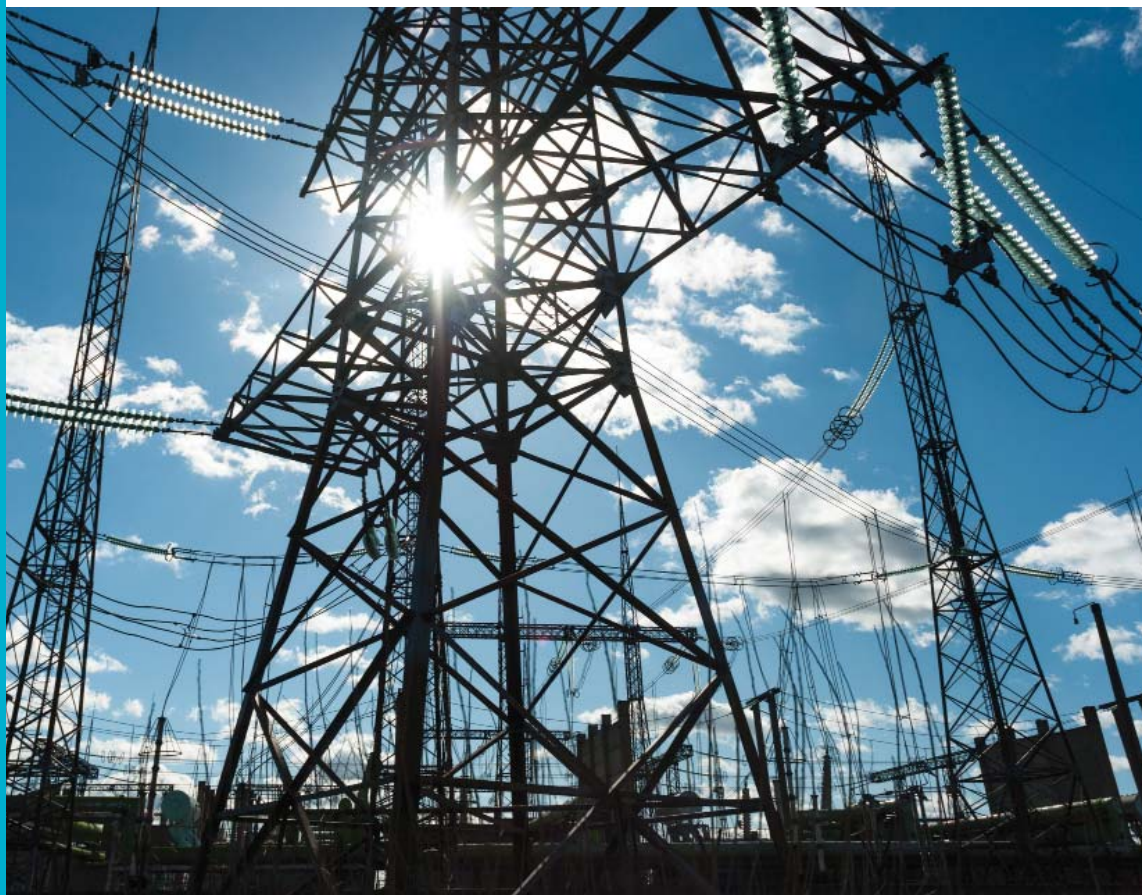
We analyze the number and aggregate value of infrastructure deals in 2013 and how this compares to previous years.

Breakdown of Infrastructure Deals

We examine infrastructure deal activity by size, region, industry and project stage.

Notable Infrastructure Deals in 2013

We look at some of the most notable infrastructure deals from 2013.





Foreword

The growing prominence of infrastructure within institutional investors' portfolios in recent years has resulted in increasing amounts of capital being invested in infrastructure assets globally. Deal flow increased significantly in 2011, with the number of deals reaching an all-time high. 2012 and 2013 also saw strong deal flow as demand for infrastructure assets remains high. A survey of infrastructure fund managers conducted by Preqin in February 2014 reveals that a large proportion of managers intend to deploy more capital in the coming 12 months than they did previously, with many expecting transaction sizes to increase.

The improving confidence in the market and growing investor appetite for infrastructure investment has led to increased competition for the most desirable assets, with the majority of managers seeing greater competition than 12 months ago. This heightened competition is likely to be concentrated on core infrastructure sectors such as energy, with assets in this sector viewed as the most attractive for investment in 2014. Renewable energy also remains a key focus for many managers, with investment into this sector making up the largest proportion of infrastructure investments from 2008 to 2013.

Preqin Special Report: Infrastructure Transaction Activity provides a valuable insight into global infrastructure deals, including the latest data on infrastructure transaction activity and fund managers' views on the current market.

The data for this report is drawn from Preqin's **Infrastructure Online** service, which contains extensive information on over 7,000 infrastructure transactions. As a result of the ever-growing interest in infrastructure investment, we have recently expanded our coverage of infrastructure to provide a comprehensive service which tracks all infrastructure transactions globally. This includes detailed information on asset ownership, financial information on transactions and extensive profiles for all firms investing in infrastructure assets.

We hope you find this report useful, and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

Key Findings

\$302bn is the estimated value of infrastructure deals completed in 2013.

71% of infrastructure fund managers expect to deploy more capital in 2014 than in 2013.

47% of infrastructure deals completed since 2008 have been focused on Europe.

77% of infrastructure fund managers believe there is currently more competition for assets than 12 months ago.

79% of deals completed since 2008 have been focused on core infrastructure sectors.

54% of Europe-based infrastructure fund managers believe that the availability of debt financing is better than 12 months ago.

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Recent Infrastructure Deal Activity

Global infrastructure deal flow has grown steadily in recent years, both in terms of the number of transactions completed and aggregate deal value, despite concerns from both investors and fund managers with regards to the availability of suitable infrastructure assets. A number of notable transactions were completed in 2013, including the awarding of the \$1.5bn Goethals Bridge concession, to replace the existing bridge linking New Jersey and Staten Island in New York, to a consortium led by Macquarie Infrastructure and Real Assets (MIRA).

Annual Infrastructure Deal Flow and Value

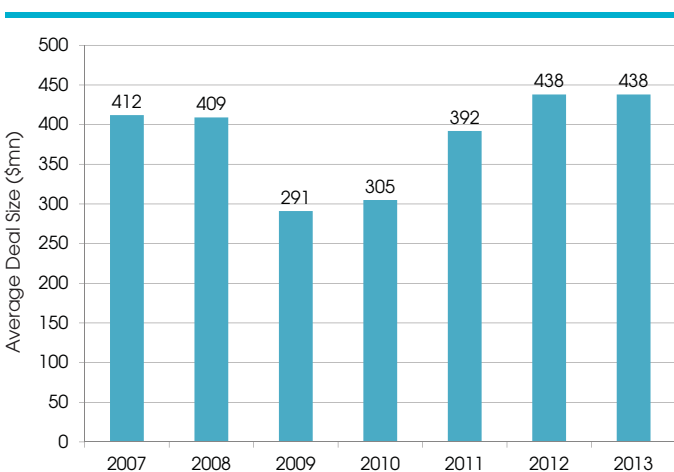
As shown in Fig. 1, just 511 deals were finalized globally during 2009, as investor appetite for infrastructure exposure dwindled and banks began to retreat from lending. However, this increased to 639 completed deals in 2010, and to a record high of 693 transactions completed in 2011, an increase of 36% in just two years. Deal flow remained strong in 2012 and 2013, with more than 680 transactions occurring in each year.

In terms of deal value, Preqin produces two figures to highlight how much capital is invested in infrastructure assets on an annual basis worldwide; a reported and an estimated aggregate deal value. The reported aggregate deal value is calculated based on the sum of all known deal sizes per year, while the estimated deal value is intended to provide an estimate of the total amount of capital invested in infrastructure assets annually, including deals where the financial value has not been disclosed. This is calculated based on the sum of all known deal sizes, with the average deal size used for transactions where a size is unknown. In 2013, \$302bn of transactions are estimated to have been completed, a small increase on the \$300bn estimated to have occurred in 2013.

Deals by Transaction Size

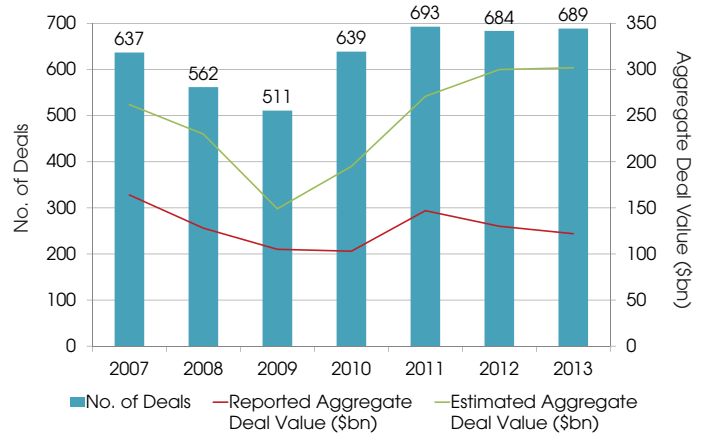
The average infrastructure deal size rose steadily between 2009 and 2012, as investor confidence returned to the asset class.

Fig. 2: Average Infrastructure Deal Size, 2007 - 2013



Source: Preqin Infrastructure Online

Fig. 1: Number and Aggregate Value of Infrastructure Deals Completed Globally, 2007 - 2013



Source: Preqin Infrastructure Online

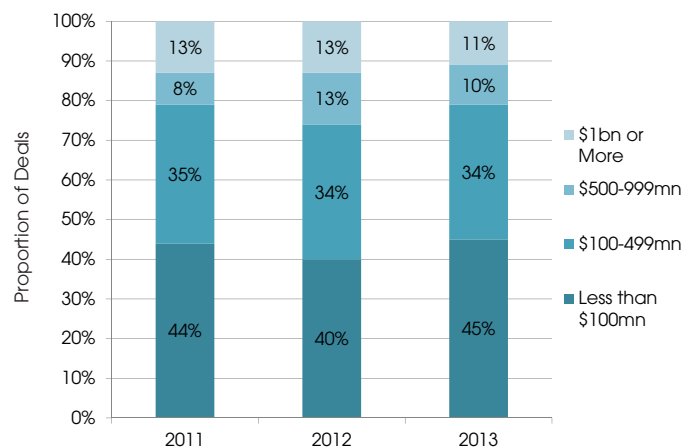
The average infrastructure deal completed in 2013 was valued at \$438mn, the same average size as in 2012, as shown in Fig. 2.

Fig. 3 provides a breakdown of infrastructure deals completed annually since 2011 by transaction value. Interestingly, the split remains relatively constant throughout the period; deals valued at less than \$500mn account for an average of 77% of the global total per year in 2011-2013, with a significant 43% valued at less than \$100mn on average. In contrast, deals valued at \$1bn or more account for 12% of total deals on average per year. This trend continued in 2013, with 79% of deals valued at less than \$500mn and 11% valued at over \$1bn.

Deal Activity by Region

European infrastructure assets have historically accounted for a higher proportion of deals completed per year than assets in any other region. Of the more than 3,700 infrastructure deals finalized

Fig. 3: Breakdown of Infrastructure Deals by Transaction Value, 2011 - 2013



Source: Preqin Infrastructure Online



since 2008, European assets have accounted for 47% of total deals on average per year, as shown in Fig. 4. This is primarily due to the relatively stable political, economic and regulatory environment in Europe, particularly in Western Europe. Europe also boasts an abundance of more mature brownfield and secondary stage infrastructure assets, which are the primary focus of most investors and fund managers currently looking to deploy capital. A significant 44% of deals were completed in European assets throughout 2013.

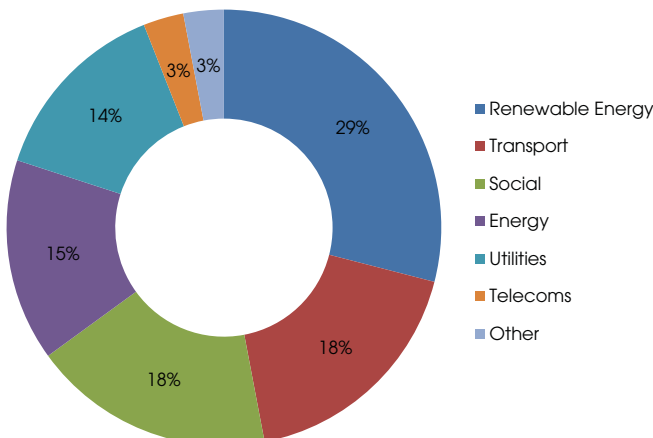
The prominence of North American infrastructure assets has grown in recent years, with North America-based assets accounting for 17% of deals completed in 2009, rising to 32% of those made in 2013. Asia is also a significant market, with Asian assets accounting for 11% of total deals on average per year since 2008. Nine percent of the 521 deals completed in 2013 were made in Asia-based infrastructure opportunities. Australasia continues to be a prominent infrastructure market, accounting for a further 9% of deals completed in 2013, while other markets such as Latin America, the Middle East and Africa constituted 6% of global deal flow in the year.

Deal Activity by Industry

Core infrastructure industries such as energy (including renewable energy), transportation, utilities and telecommunications remain the most significant sectors in terms of deal flow. As illustrated in Fig. 5, these core infrastructure sectors account for a considerable 79% of total deals completed since 2008. Renewable energy is a particular area of interest, with 29% of all deals finalized in this sector between 2008 and 2013, mainly relating to wind and solar power. In 2013, core infrastructure sectors accounted for 79% of total deals made globally.

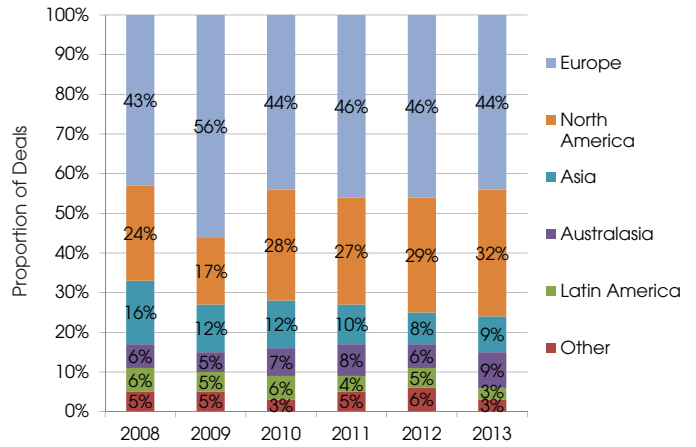
Social infrastructure is also a mainstay of the global infrastructure deals market, particularly the education and healthcare sectors. The vast majority of these deals are structured through the PPP/PFI/P3 model on either the primary or secondary level. A significant 18% of infrastructure deals completed since 2008 have been made in social assets, ranging from education and healthcare to prisons, street lighting and public leisure facilities.

Fig. 5: Breakdown of Infrastructure Deals by Industry, 2008 - 2013



Source: Preqin Infrastructure Online

Fig. 4: Breakdown of Infrastructure Deals by Region, 2008 - 2013



Source: Preqin Infrastructure Online

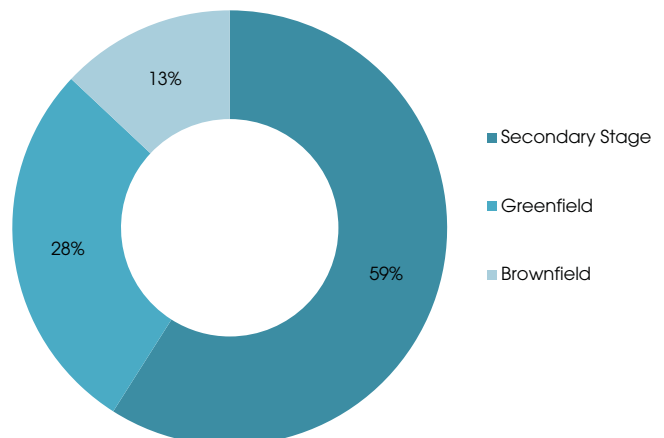
Deal Activity by Project Stage

The majority of infrastructure investors and fund managers are now primarily focused on more mature and established infrastructure assets, and are less willing to take on the construction risk associated with greenfield projects. This is shown in Fig. 6, with a significant 72% of deals completed since 2008 made in either brownfield or secondary stage infrastructure assets. In contrast, just 28% of deals completed since 2008 were made in developmental greenfield projects. This trend continued in 2013, with 76% of total deals made in already established infrastructure assets.

Notable Deals

Fig. 7 provides a list of 10 notable deals completed in 2013. In April 2013, a consortium led by IFM Investors, including Abu Dhabi Investment Authority and a number of Australian superannuation schemes, acquired Port Botany and Port Kembla in Australia for AUD 5.1bn. The consortium invested \$3.3bn in the form of equity and secured \$1.8bn in debt financing. IFM was also active in the

Fig. 6: Breakdown of Infrastructure Deals by Project Stage, 2008 - 2013



Source: Preqin Infrastructure Online



UK infrastructure market through its £1.5bn purchase of London Stansted Airport alongside Manchester Airports Group (MAG) in January. As part of the deal, IFM became a 35.5% shareholder in MAG.

Fig. 7: 10 Notable Infrastructure Deals Completed in 2013

Asset	Location	Industry	Investor(s)	Deal Size (mn)	Stake (%)	Date
London Stansted Airport	UK	Airports	Manchester Airports Group, IFM Investors	1,500 GBP	100	Jan-13
Net4Gas	Czech Republic	Natural Resources Pipelines	Allianz Capital Partners, OMERS	1,600 EUR	100	Mar-13
Port Botany & Port Kembla	Australia	Sea Ports	Abu Dhabi Investment Authority, Australiansuper, HESTA, HOSTPLUS, Construction and Building Industries Superannuation Fund, IFM Investors, Qsuper	5,070 AUD	100	Apr-13
Goethals Bridge	US	Bridges	Kiewit Corporation, Macquarie Infrastructure and Real Assets (MIRA), Massman Construction, Parsons, Weeks Marine	1,500 USD	100	Apr-13
Aela Energía	Chile	Renewable Energy	Actis, Mainstream Renewable Power, Marubeni Corporation	1,400 USD	100	Jul-13
Hospital de Vigo	Spain	Hospitals	Acciona, AXIS Participaciones, Concessia, Dalkia	320 EUR	100	Jul-13
Powerco	New Zealand	Power Distribution	AMP Capital Investors	525 NZD	42	Jul-13
Northern Luzon UPC Asia Corporation	Philippines	Wind Power	Avala Corporation, Macquarie Infrastructure and Real Assets (MIRA), UPC Renewables China	543 USD	100	Jul-13
Magnolia	US	Natural Resources Refineries	Liquified Natural Gas, Stonepeak Infrastructure Partners	2,200 USD	100	Jul-13
Seoul Subway Line 9, Section 1	South Korea	Railroads	Hanwha Life Insurance, Kyobo Life Insurance, Shinhan Financial	682 USD	49.53	Oct-13

Source: Preqin Infrastructure Online

Looking to Track Infrastructure Deal Activity?

Access details on which firms are bidding for, buying or selling infrastructure assets around the world on Preqin's **Infrastructure Online** service, which features comprehensive coverage of all infrastructure deals made globally.

View detailed information on more than 7,000 transactions, including information on the type of infrastructure asset and location, buyers and sellers, data on the equity invested and the percentage stake acquired, plus information on the deal date, structure and duration, as well as debt providers, and legal and financial advisors. Access extensive firm profiles with contact information for key decision makers.

For more information, or to arrange a demonstration, please visit:

www.preqin.com/infrastructure



Outlook for Infrastructure Deal Flow in 2014

Infrastructure deal flow is a key issue in the market today. As a result of strong investor appetite for infrastructure, many investors and fund managers are concerned about increased asset valuations and growing competition for the most desirable pre-established assets, and how this will impact future returns. In addition, the general lack of a clear asset pipeline for greenfield developments is also causing concern.

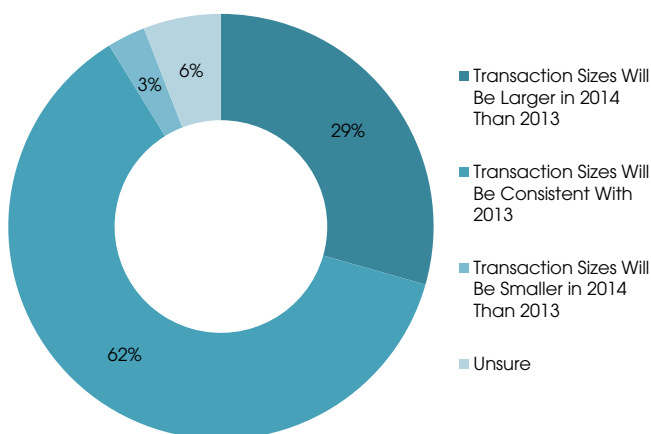
In light of these issues, Preqin conducted a survey of 34 infrastructure fund managers to establish their views on the current infrastructure deals market, including the amount of capital they plan to deploy in the asset class in 2014, the level of competition they are seeing and the availability of debt financing.

Capital Outlay and Transaction Sizes

As of February 2014, infrastructure fund managers have a record \$98bn in dry powder available to invest globally, and the outlook for infrastructure deal flow in 2014 is particularly positive, with 71% of managers surveyed expecting to deploy more capital than in 2013. A notable 44% plan to invest significantly more capital in infrastructure assets, with 27% looking to invest slightly more capital, as shown in Fig. 8. Only 15% of managers expect to deploy significantly or slightly less capital in 2014 than in 2013, indicating the overall confidence that managers have in the availability of attractive opportunities in the coming year.

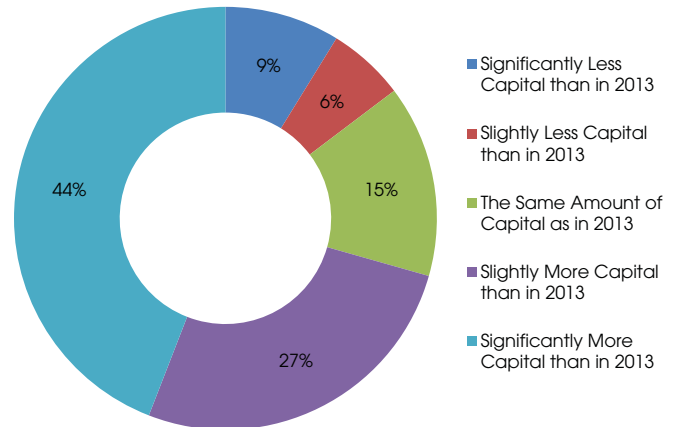
In terms of their expectations for infrastructure transaction sizes in 2014, 29% of fund managers believe that market conditions will mean that transaction sizes will increase, as shown in Fig. 9, demonstrating that competition within the asset class could drive up prices. The majority (62%) of infrastructure fund managers believe that transaction sizes over the next year will be consistent with 2013, with only 3% believing that transaction sizes will decrease.

Fig. 9: Infrastructure Fund Managers' Views on How Transaction Sizes Will Be Impacted by Market Conditions in 2014



Source: Preqin Fund Manager Survey, February 2014

Fig. 8: Amount of Capital Infrastructure Fund Managers Expect to Deploy in Infrastructure in 2014

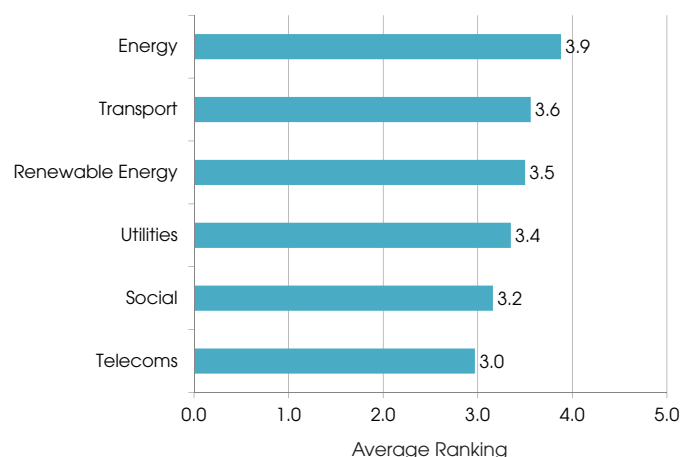


Source: Preqin Fund Manager Survey, February 2014

Key Sectors for Investment

When managers were asked which sectors are the most attractive in the current market (1 being the least attractive, 5 the most), energy is the most sought-after sector, receiving an average ranking of 3.9 from fund managers surveyed, as shown in Fig. 10. Although energy deals accounted for only 15% of transactions completed from 2008 to 2013, this may increase in the coming year if this strong appetite fuels greater investment in this sector. Transport and utilities are also viewed as particularly attractive sectors for infrastructure investment, with managers ranking these as 3.6 and 3.4 on average respectively. Social infrastructure and telecoms received lower rankings of 3.2 and 3.0 on average respectively.

Fig. 10: Infrastructure Fund Managers' Views on How Attractive Different Infrastructure Sectors Are in 2014 (1 - Not Attractive; 5 - Very Attractive)



Source: Preqin Fund Manager Survey, February 2014



Competition and Debt Financing

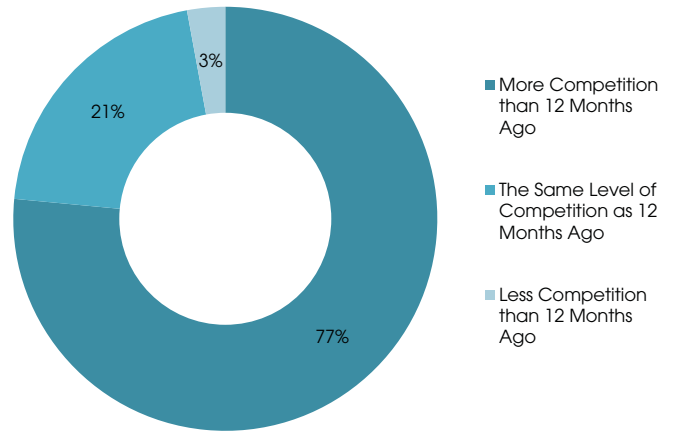
The increased investment activity planned by infrastructure fund managers will mean competition for these firms will intensify. With many GPs seeking to increase the amount of capital they invest in infrastructure in 2014, more institutional investors looking to invest directly and a wide range of other strategic and trade investors targeting infrastructure investments, demand for certain assets, in particular those in 'core' infrastructure industries such as energy, transportation and utilities, is likely to be high.

As such, the vast majority (77%) of managers surveyed believe that there is currently more competition for infrastructure assets than there was 12 months ago, demonstrating managers' concerns with regard to sourcing suitable assets for investment, as shown in Fig. 11. Fund managers based in Europe were more likely to note an increased level of competition for infrastructure assets, with 85% stating that there is more competition than 12 months ago, while 75% of US-based fund managers stated this.

The availability of debt financing has been a key concern for fund managers and investors in recent years when making infrastructure investments, with many lenders having retreated from the market following 2008 and remaining cautious since. However, there are positive signs in this regard, with 47% of managers surveyed believing that the availability of debt finance is currently better than 12 months ago, and the same percentage believing that debt is available at the same level as a year ago, as shown in Fig. 12. When this is broken down regionally, there are significant variations, with 54% of Europe-based fund managers believing that debt availability is better than 12 months ago, compared to only 13% of US-based fund managers. European lenders in particular have been cautious in recent years regarding the provision of debt finance, although the optimism among fund managers suggests that many lenders are now returning to the market.

This is further demonstrated in Fig. 13, which reveals that 77% of managers believe that the primary source of debt financing in 2014 is likely to be banks. Nine percent of fund managers expect the primary source to be institutional investors, and only 6% believe

Fig. 11: Infrastructure Fund Managers' Views on Whether There Is More Competition for Infrastructure Assets than 12 Months Ago



Source: Preqin Fund Manager Survey, February 2014

that unlisted infrastructure debt funds will be the main source of debt financing in the coming year. Although infrastructure debt funds have been growing in prominence in recent years, these are likely to account for only a small proportion of debt in the year ahead, with traditional lenders remaining the key providers.

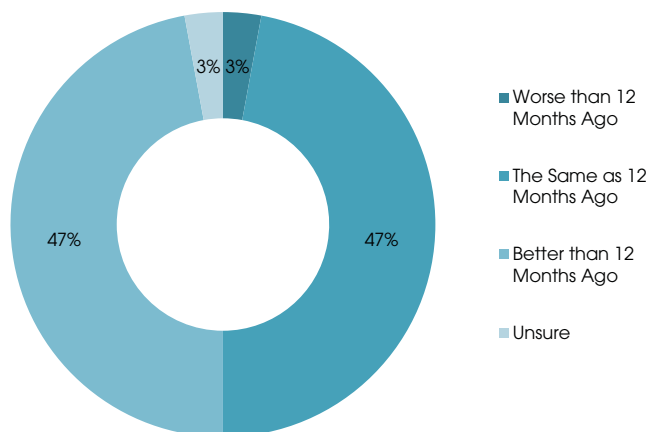
In-Depth Infrastructure Fund Manager Data

Preqin's **Infrastructure Online** features detailed profiles of over 400 active infrastructure fund managers, including transactions and bids made, project stage, geographic and strategy preferences, fundraising statistics, key contact details and more.

For more information, please visit:

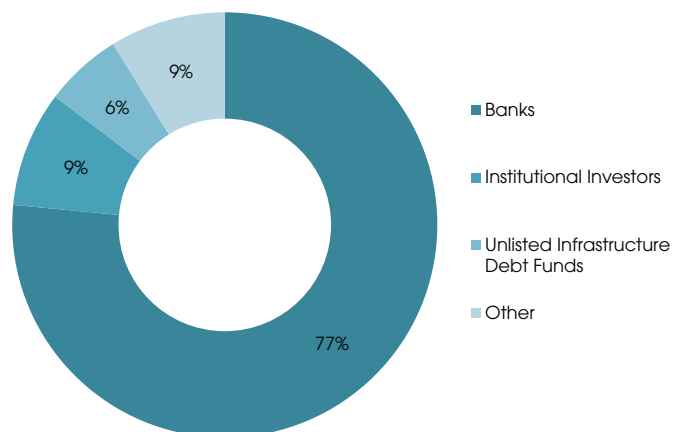
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Fig. 12: Infrastructure Fund Managers' Views on the Availability of Debt Financing for Infrastructure Assets



Source: Preqin Fund Manager Survey, February 2014

Fig. 13: Infrastructure Fund Managers' Views on What They Expect to Be the Primary Source of Debt Financing for Infrastructure in 2014



Source: Preqin Fund Manager Survey, February 2014

Preqin Special Report: Infrastructure Transaction Activity

February 2014

Preqin: Global Data and Intelligence

With global coverage and detailed information on all aspects of the infrastructure asset class, Preqin's industry-leading Infrastructure Online service keeps you up to date on all the latest developments in the infrastructure universe.

Examine infrastructure investment trends

Search detailed information on over 7,000 infrastructure transactions and bids historically, including buyers and sellers, equity invested, debt provided and the percentage stake acquired. Identify key geographical regions and sectors that are attracting infrastructure investment.

Track infrastructure assets

Analyze ownership information, and past transaction history for more than 3,900 infrastructure assets across the globe, including asset location, project stage and industry.

Find firms investing in infrastructure

Search for firms actively targeting infrastructure projects and assets, with detailed profiles on fund managers, institutional investors and trade buyers from around the world, including background, key contacts and past deal activity.

Identify service providers

Track over 750 debt providers, law firms, financial advisors and other service providers working on infrastructure transactions. View service providers working on specific deals.

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Find the most relevant investors, with access to detailed profiles for over 2,100 institutional investors actively investing in unlisted infrastructure, including insurance companies, pension funds, family offices, foundations, wealth managers, endowments, banks and more.

Benchmark performance

Identify which fund managers have the best track records with performance benchmarks for infrastructure funds and view performance details for over 150 individual named funds.

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