



MACQUARIE CAPITAL  
HOW HAS THE FINANCIAL CRISIS AFFECTED THE PPP  
MARKET?

4 December 2009



MACQUARIE

Speaker:

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# Financing PPPs and PFIs

The last 18 months have seen a dramatic deterioration in appetite and terms

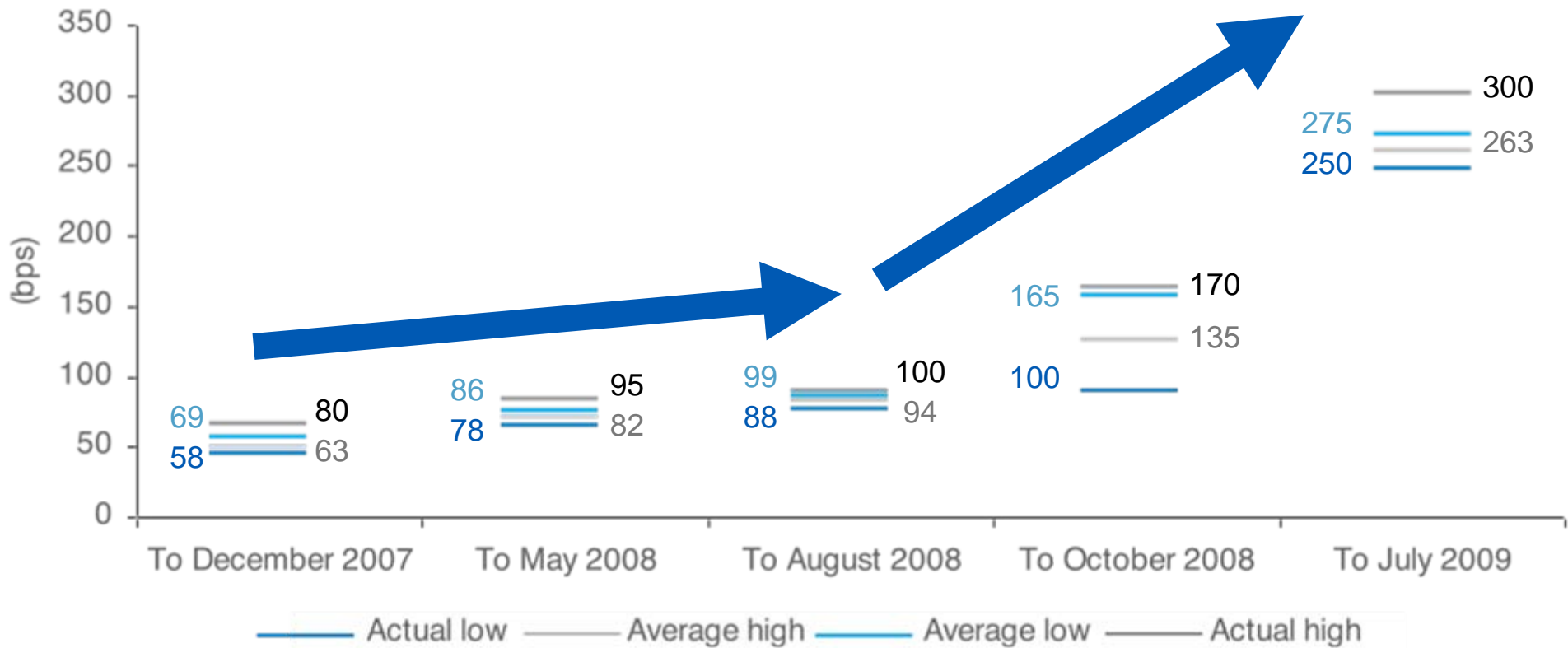
|                               | 18 months ago | 12 months ago | Today                                      |
|-------------------------------|---------------|---------------|--|
| Tenor                         | 25-30 yrs     | 20-22 yrs     | 7-10 years mini-perm<br>(27 years for M25) |
| Equity requirement            | ~10%          | ~20%          | ~25%                                       |
| Cash sweep                    | No            | Yes           | Yes  |
| DSRA/DSRF                     | DSRF          | DSRA          | DSRA                                       |
| Size of DSRA/DSRF             | 3 months      | 6 months      | 6 months                                   |
| Length of commitment          | 12 months     | 6 months      | Days / Weeks                               |
| Underwrite/Syndicate          | Yes           | Limited       | No   |
| Appetite                      | €300m         | €75m          | €50-100m                                   |
| Number of banks in the market | ~70           | ~60           | ~30  |



# UK PPP Loan Spreads

Loan spreads for UK PPP projects have steadily increased since 2007

Loan Spreads for UK PPP Projects with Availability Based Payment Mechanisms

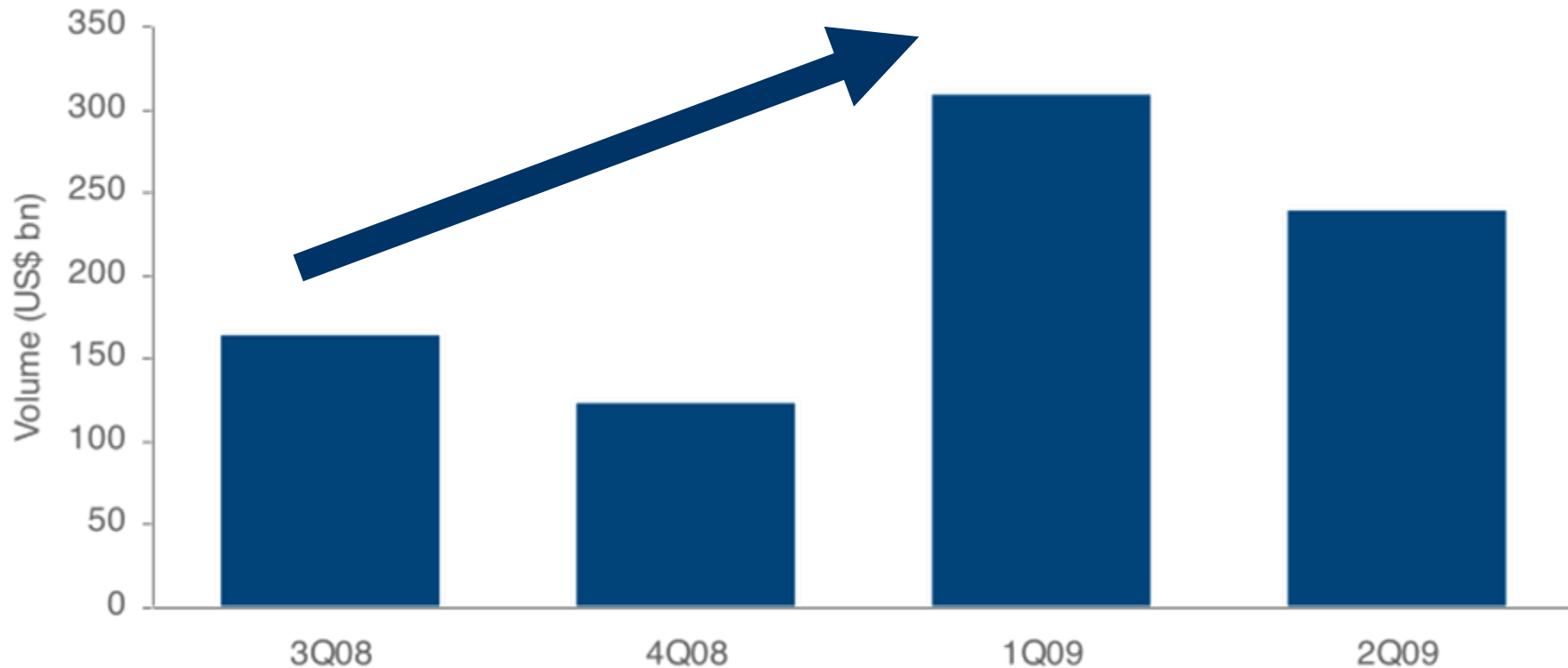




# Bond Market Update

Debt capital markets have experienced record issuance in 2009

## European Investment Grade Corporate Bond Market

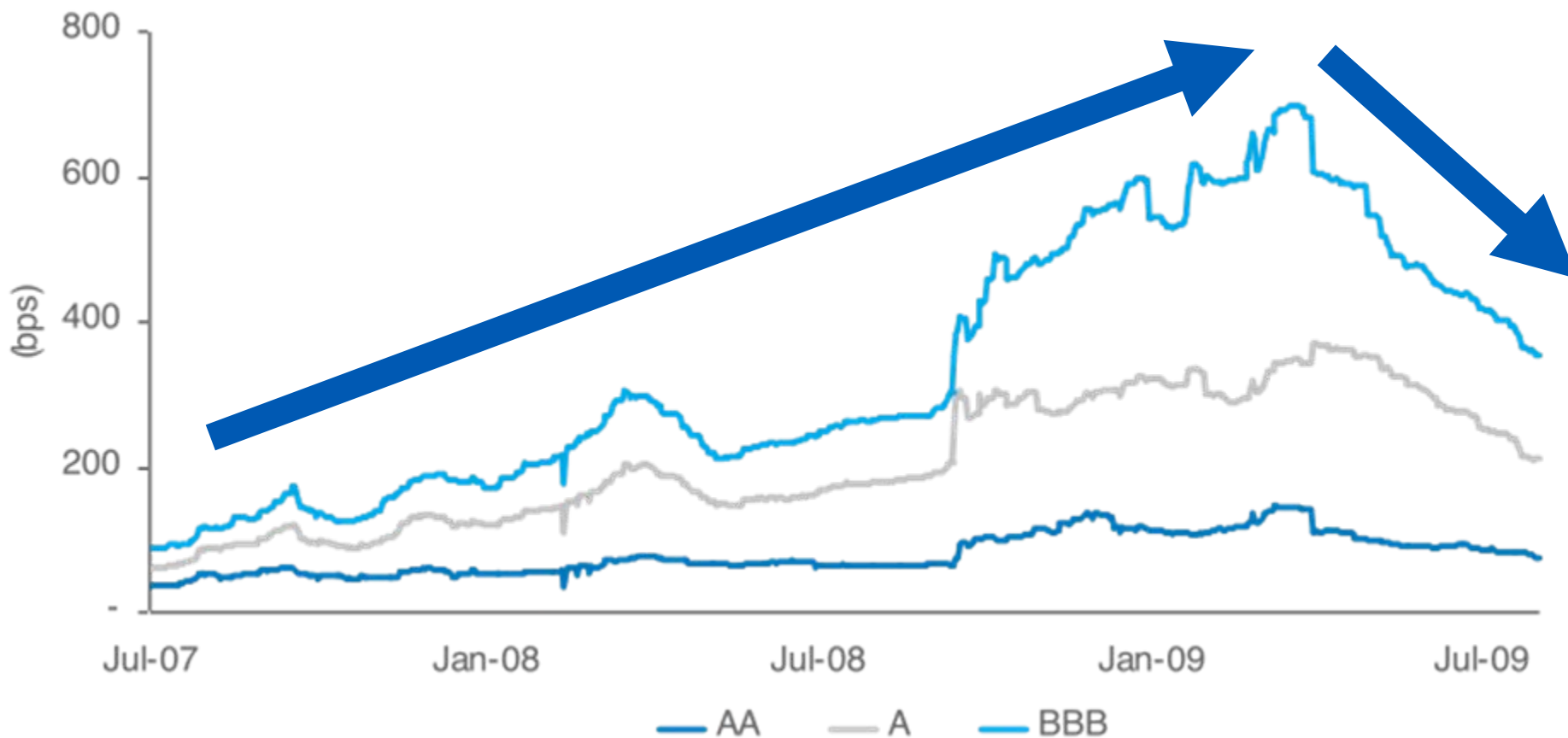




# Bond Market Update

Bond spreads, after reaching a peak in March, have tightened considerably

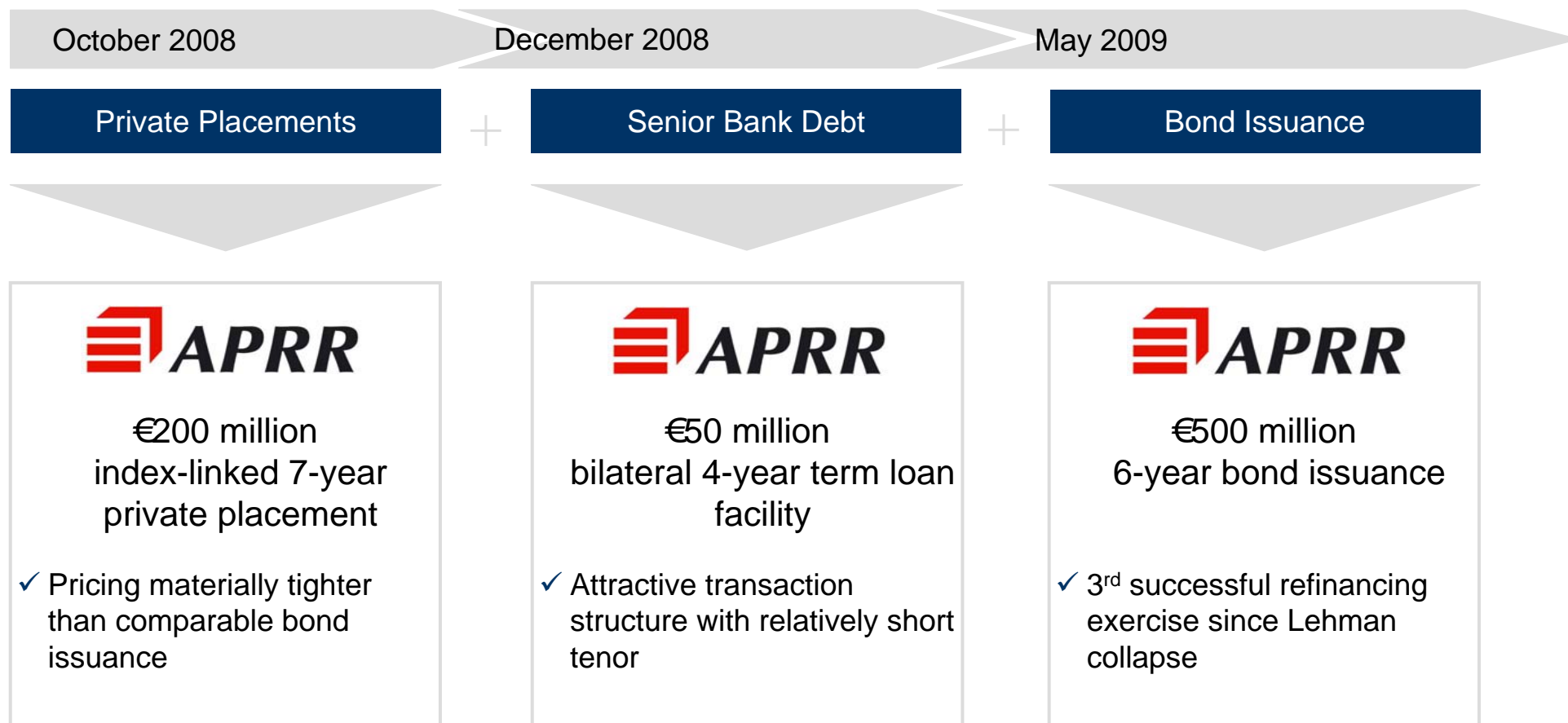
Investment Grade Corporate Bond Spreads





# Autoroutes Paris Rhine Rhone (“APRR”) Diversified Access to Debt Markets

APRR (BBB- rated) accessed various investor bases over the past 9 months to meet ongoing capital requirements





# A Transition Has Begun

2008

Margins rising

Banks rebuilding balance sheets, almost no liquidity

Bond markets only open to strong investment grade credits

Limited alternative liquidity

2009

Margins stabilising

P&L is now a factor – PPP deals offer attractive risk/return profile

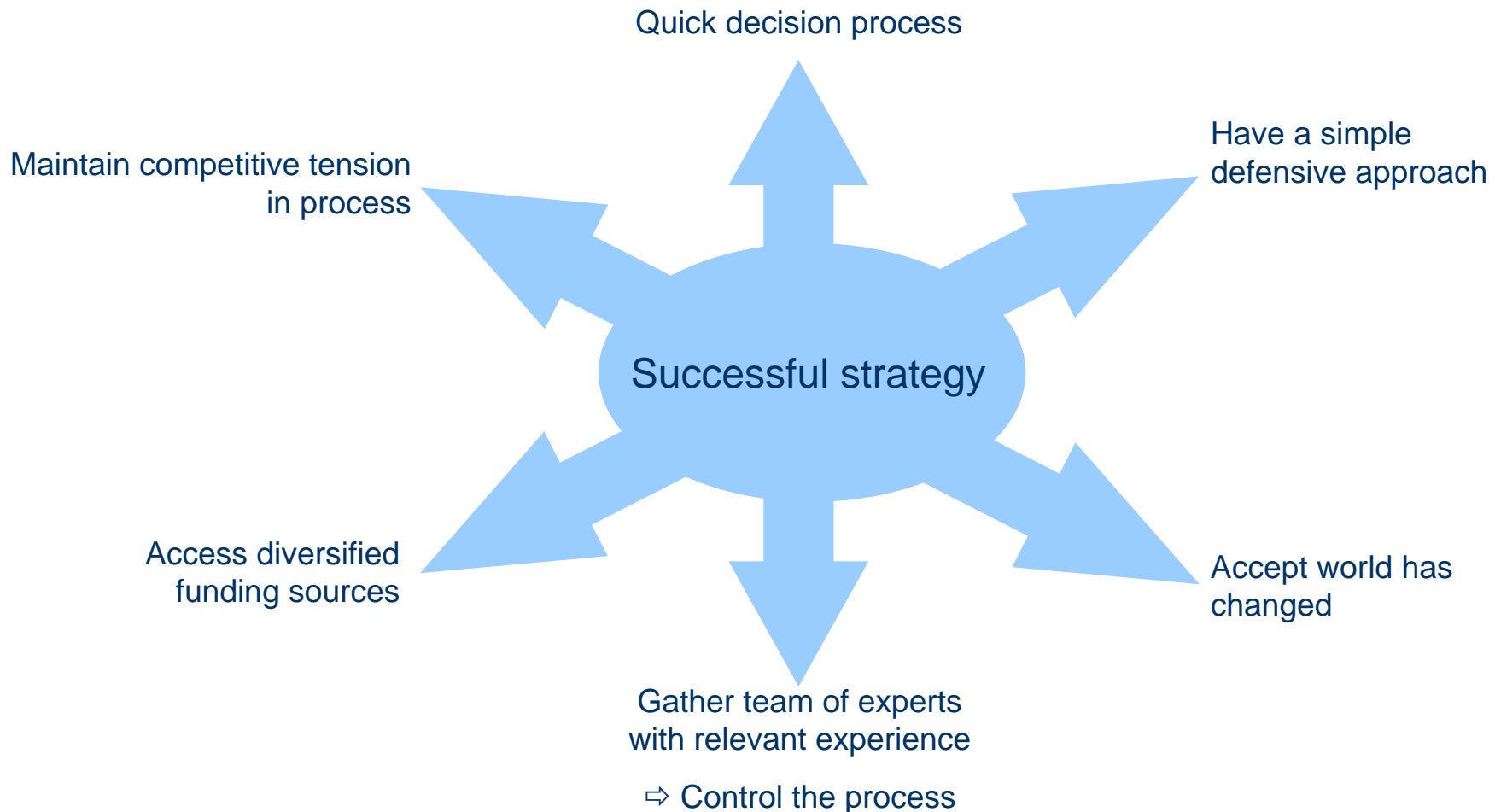
Record levels of issuance, high yield market reopened in March

Governments and EIB stepping up, institutional investors re-entering market



# How to Ensure a Successful Fundraising Strategy?

Correctly positioning transactions is key in current market conditions



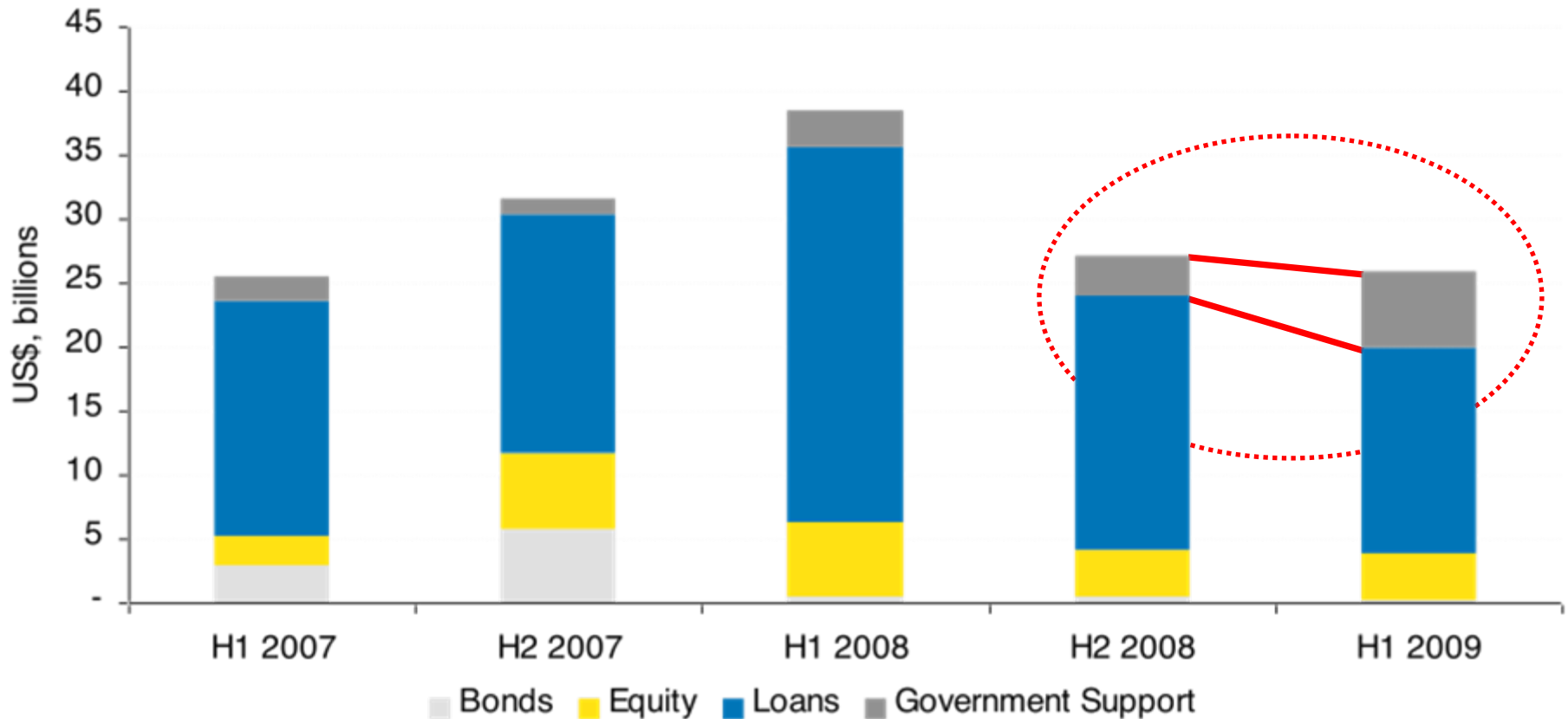




# Global PPP Market: Funding Sources

Government backing and multilateral funding have become increasingly important

Sources of Funding for Global PPP Transactions





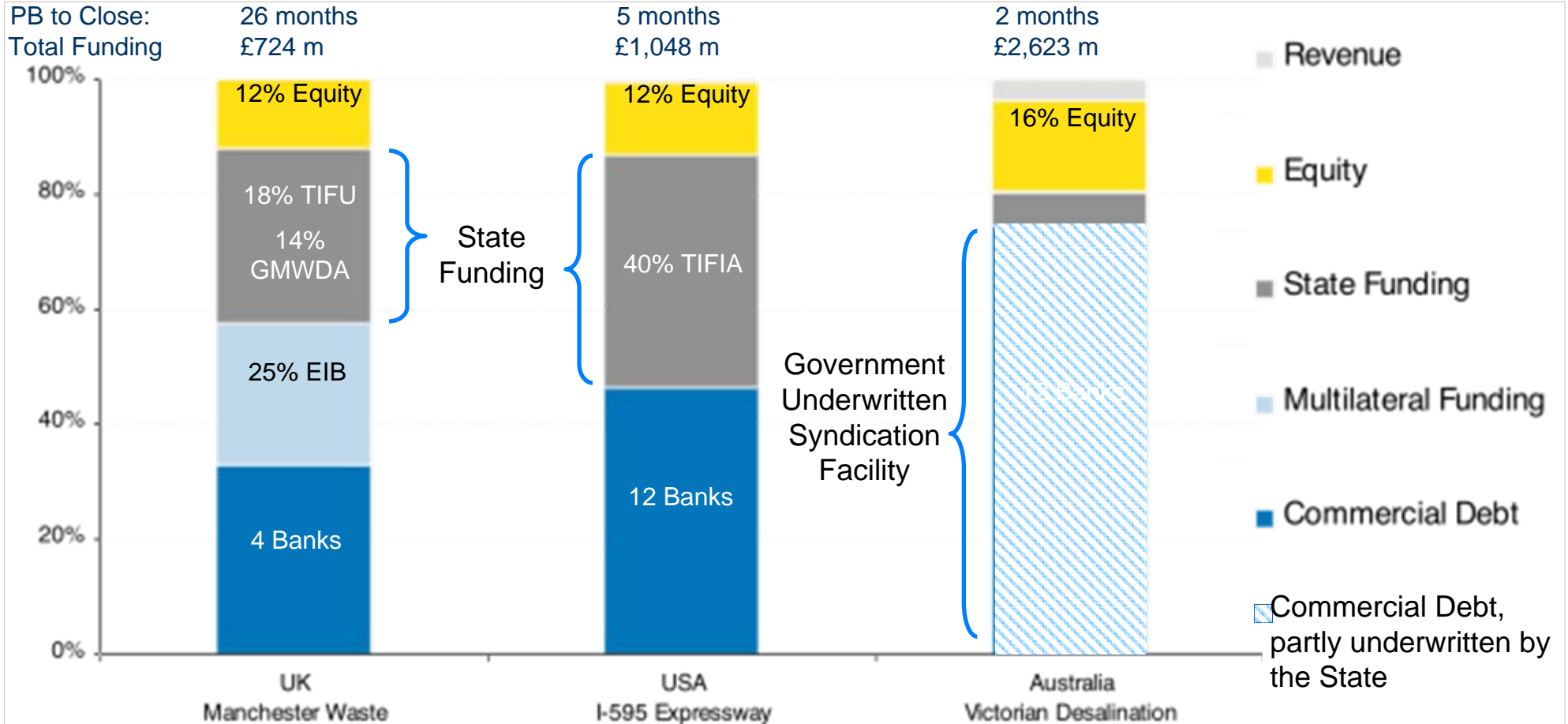
# Policy Responses

Government and procuring authorities have responded to difficult conditions in the PPP market

| Government Policy Responses                     | Country   | Project Example                 |
|---|---|---------------------------------|
| Full debt guarantee                             | France, Portugal, Korea   | TGV Sud Europe Atlantique PPP   |
| Construction debt guarantee                     | Réunion (France)  | Réunion Tram-Train PPP          |
| Margin risk share                               | US, Korea   | I-595 PPP Highway               |
| Syndication facility guarantee                  | Australia   | Victorian Desalination PPP      |
| Refinance guarantee                             | Belgium   | Brabo Tramway PPP               |
| Direct lending pari-passu with commercial banks | UK, Canada (Germany, France and Italy are considering similar approaches) | Manchester Waste Management PFI |
| Procuring Authority Responses                   |   |                                 |
| Accept lower financing commitments in bids      | Australia, USA, Ireland   | Victorian Desalination PPP      |



# State Support to Fund Major Projects



Large and complex deal reached close despite under capacity in commercial debt markets

75:25 margin risk sharing - bond financed bid to close as 12 bank club within 5 months

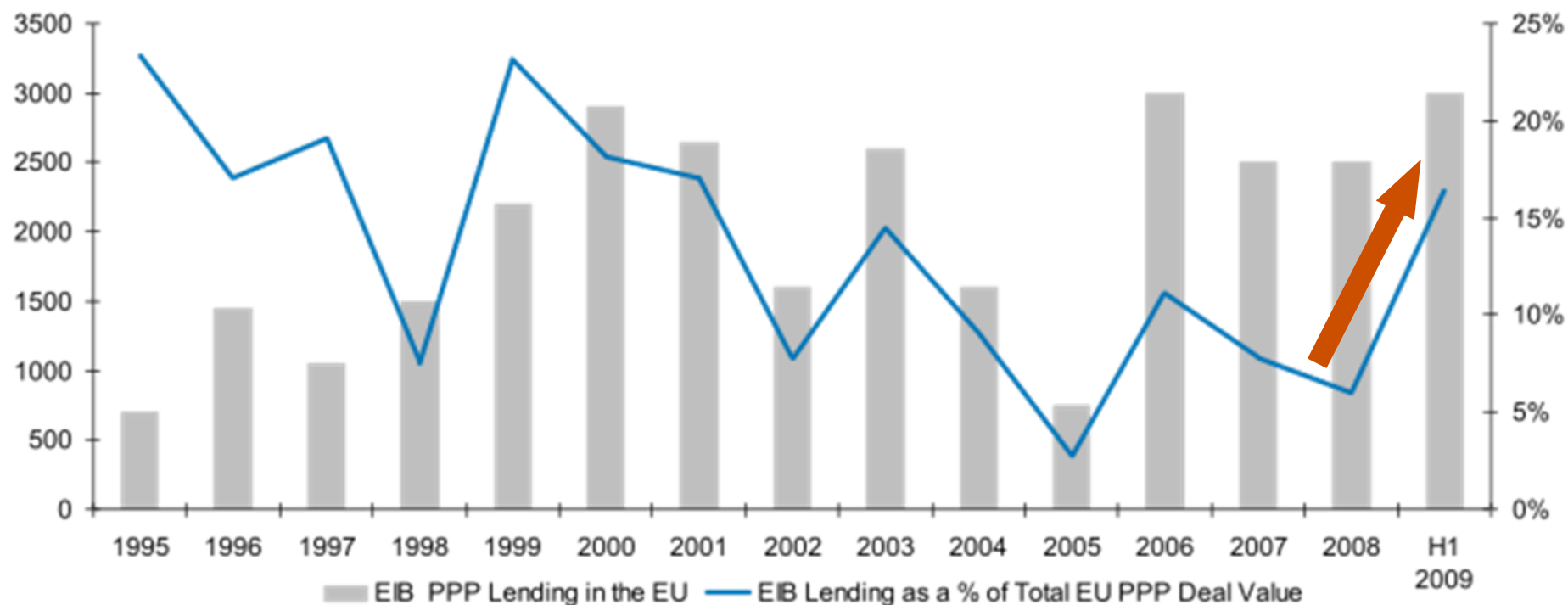
State underwrite allows large complex transactions to quickly reach close with bid bank group and syndication of state tranche post close



# European Investment Bank (EIB)

EIB has funded increased proportion of PPP deals in 2009

EIB Lending to PPPs in the EU (€m)



The EIB will generally fund up to 50% of a project

Source: EIB, Infrastructure Journal, Macquarie estimates



# Accessing Alternative Capital for PPP

Need to look further than pure bank and government support

