

Market Update

Review of the European PPP Market First half of 2013

Headlines

During the first half of 2013:

- 24 transactions reached financial close for an aggregate value of EUR 9 billion
- The European PPP market grew in value but recorded significantly fewer transactions compared to the same period last year
- Ten countries closed PPP transactions (compared to seven in H1 2012)
- The United Kingdom was the largest PPP market both in terms of value and number of deals

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This publication has been prepared to contribute to and stimulate discussions on public-private partnerships (PPPs) as well as to foster the diffusion of best practices in this area.

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Data Collection and Methodology

The data used in this publication are EPEC aggregations of information collected from a variety of sources, in particular Dealogic ProjectWare, InfraNews, Infrastructure Journal and Inspiratia, cross-checked where appropriate against the EIB's own project files. The list of PPP projects forming the dataset has been reviewed, where possible, by EPEC members. The data are inevitably incomplete. As a consequence, the findings of this publication should be treated with caution.

This publication covers:

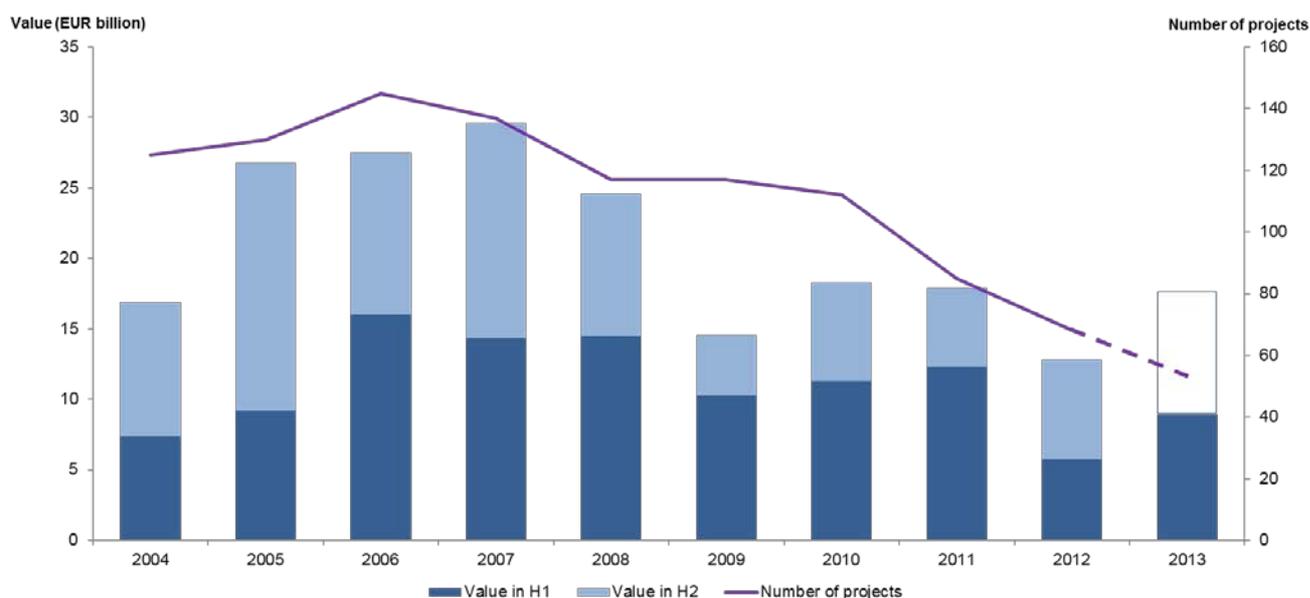
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans (Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions of a design-build-finance-operate (DBFO) nature or a design-build-finance-maintain (DBFM) nature or concession arrangements which feature a construction element, the provision of a public service and a genuine risk sharing between the public and the private sector;
- transactions financed through 'project financing' and that reached financial close in the period; and
- transactions of a value of at least EUR 10 million.

The project values quoted in this publication refer to the projects' external funding requirements at the time of financial close (i.e. the sum of debt and equity) and exclude public capital contributions. The external funding requirement of a project can be significantly different to its capital investment cost.

1. GLOBAL VIEW

- The aggregate value of PPP transactions that reached financial close on the European market¹ in the first half of 2013 totalled EUR 9 billion. As shown in Figure 1, this half-year market value is noticeably higher than last year's.

Figure 1: The European PPP Market by Value and Number of Projects since 2004



- Over the first half of 2013, **24 PPP transactions** reached financial close, which is significantly less than the 41 transactions signed in H1 2012. This confirms the declining trend in deal numbers observed since 2010.
- The **average transaction size** stood at EUR 370 million, which is more than twice the value for 2012. It is the highest average deal size recorded over the last decade.
- **Four large transactions²** reached financial close in H1 2013. Their combined value accounted for more than 70% of the overall European market. These were:
 - the BreBeMi motorway (EUR 2.3 billion) in Italy;
 - the Thameslink rolling stock (EUR 1.9 billion) in the UK;
 - phase 1 of the Gebze-Izmir road (EUR 1.1 billion) in Turkey; and
 - the A1/A6 Schipol-Amsterdam-Almere motorway (EUR 1 billion) in the Netherlands.

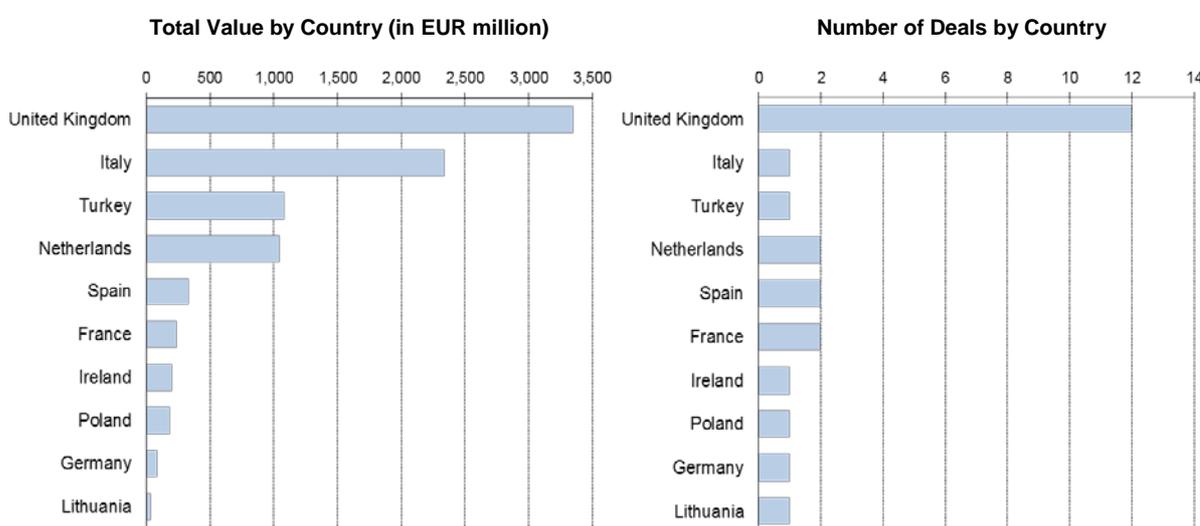
¹ Including Turkey and countries of the Western Balkans for the first time since the launch of the EPEC Market Update series.

² Defined as deals exceeding EUR 500 million in value.

2. COUNTRY BREAKDOWN

- Ten countries closed at least one PPP transaction over the period, compared to seven countries during the first half of 2012.
- As Figure 2 below shows, **the UK was the largest PPP market in value terms** (EUR 3.3 billion), followed by Italy and Turkey which each closed one very large transaction.
- With 12 deals closed in the first half of 2013, **the UK remained the most active market in terms of number of transactions**, although this is less than the number of transactions closed in H1 2012 and H1 2011 (16 and 20 respectively).
- Apart from the UK, only three countries closed more than one PPP deal: Spain, France and the Netherlands.

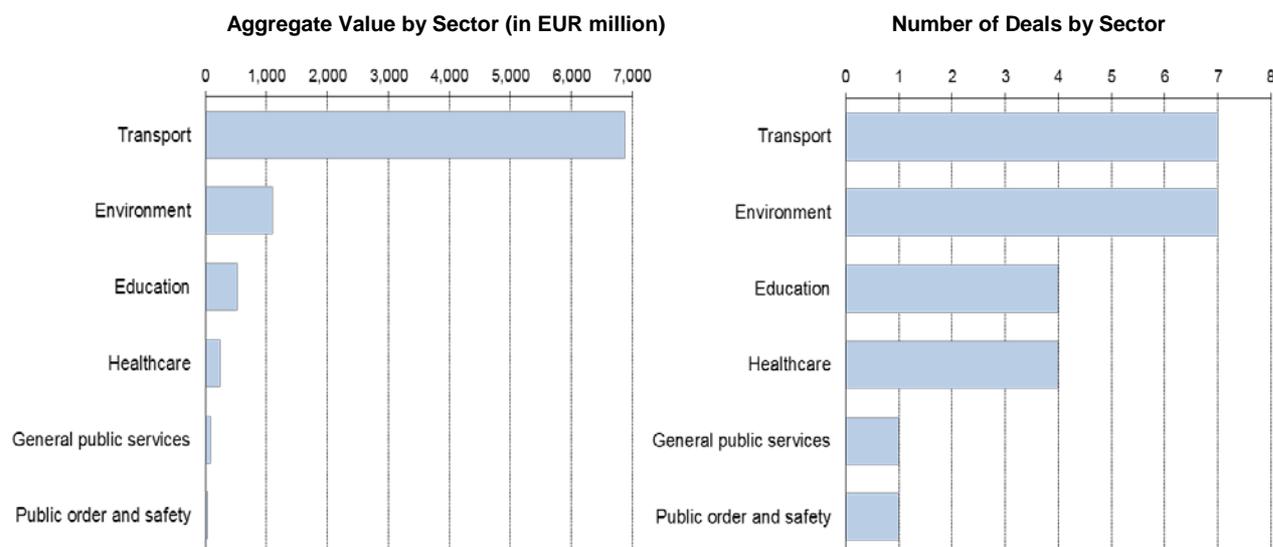
Figure 2: Country Breakdown by Value and Number of Transactions



3. SECTOR BREAKDOWN

- Figure 3 below shows that, during H1 2013, the **transport** sector accounted for over three quarters of the overall market value. Seven transport transactions (six road projects and one railway project) reached financial close for an aggregate value of EUR 6.9 billion.
- With seven deals, **environment** emerged together with transport as the most active PPP sector for the first time since the launch of the EPEC Market Updates. It was also the second largest sector in value terms (EUR 1.1 billion).
- With four transactions closed, **education** was the third most active sector. Compared to 2012, the sector recorded a decrease in value as well as in number of projects.
- In the **healthcare** sector, four hospital projects reached financial close for an aggregate value of EUR 250 million. All the deals were closed in the UK.

Figure 3: Sector Breakdown by Value and Number of Transactions



4. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in the first half of 2013:

- The **University of Hertfordshire accommodation** project (UK) involves the construction and management of over 3,000 rooms as well as associated social spaces and infrastructure works. An interesting feature of this project is that the debt financing took the form of an index-linked unwrapped private bond placement.
- The **Poznan waste** project (Poland) concerns the construction and operation of an energy-from-waste facility with a capacity of 210,000 tonnes per year. The project features an availability-based contract for 25 years from completion and attempts to combine EU structural funds with a PPP structure.³
- With a value of EUR 2.3 billion, the **BreBeMi motorway** in Italy is the largest transaction closed in the European PPP market in H1 2013. The project involves the construction a 62 km motorway between Brescia and Milan, under a 20-year real-toll concession.
- The **Gebze-Izmir road** project will connect Istanbul to Izmir, the third largest city in Turkey, under a 22-year concession from completion. It is the largest infrastructure project financed on a project finance basis in the history of the country. Phase 1 of the project has a capital cost of EUR 2.2 billion and is financed through a EUR 1.1 billion 7-year term loan.

³ An EPEC case study on this project is available at:
http://www.eib.org/epec/resources/poznan_case_study_eu_funds_in_ppps_public.pdf



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