

Market Update

Review of the European PPP Market First half of 2014

Headlines

During the first half of 2014:

- 34 transactions reached financial close for an aggregate value of EUR 9 billion
- The number of deals reaching financial close was considerably higher than in H1 2013
- The value of deals reaching financial close remained the same as in H1 2013
- 12 countries closed PPP transactions (compared to 10 in H1 2013)
- The United Kingdom remains the largest PPP market in Europe both in terms of value and number of deals

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Data Collection and Methodology

The data used in this publication are EPEC's own aggregation 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. Project data contained in this publication may be subject to future revisions due to the late availability of information or corrections to previously reported values. The data and the findings of this publication should therefore be treated with appropriate caution.

This publication covers:

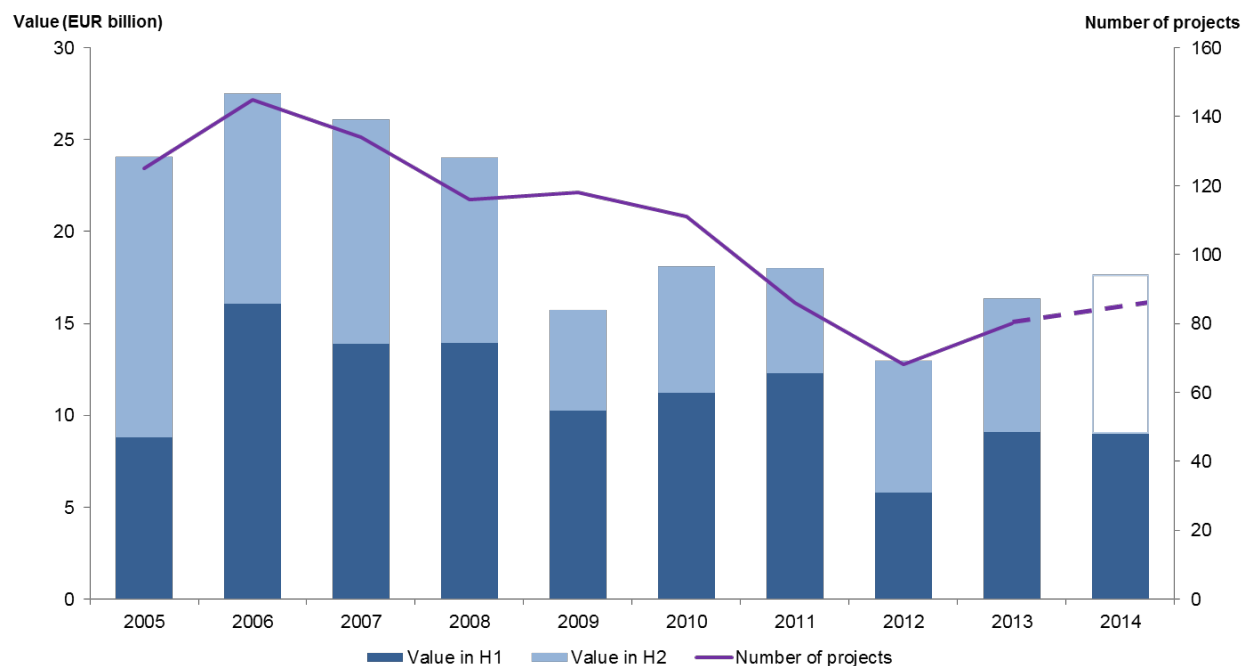
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements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

The project values quoted in this publication refer to the external funding requirements for projects at the time of financial close (i.e. the sum of debt and equity) and exclude public capital contributions. Readers should note that the external funding requirement of a project can be significantly different to its capital investment cost (the latter being difficult to obtain on a consistent basis).

1. GLOBAL VIEW

- The aggregate value of PPP transactions that reached financial close in the European market in H1 2014 totalled **EUR 9 billion**. As shown in Figure 1 below, the half-year market value is in line with that of H1 2013.

Figure 1: The European PPP Market by Value and Number of Projects since 2005



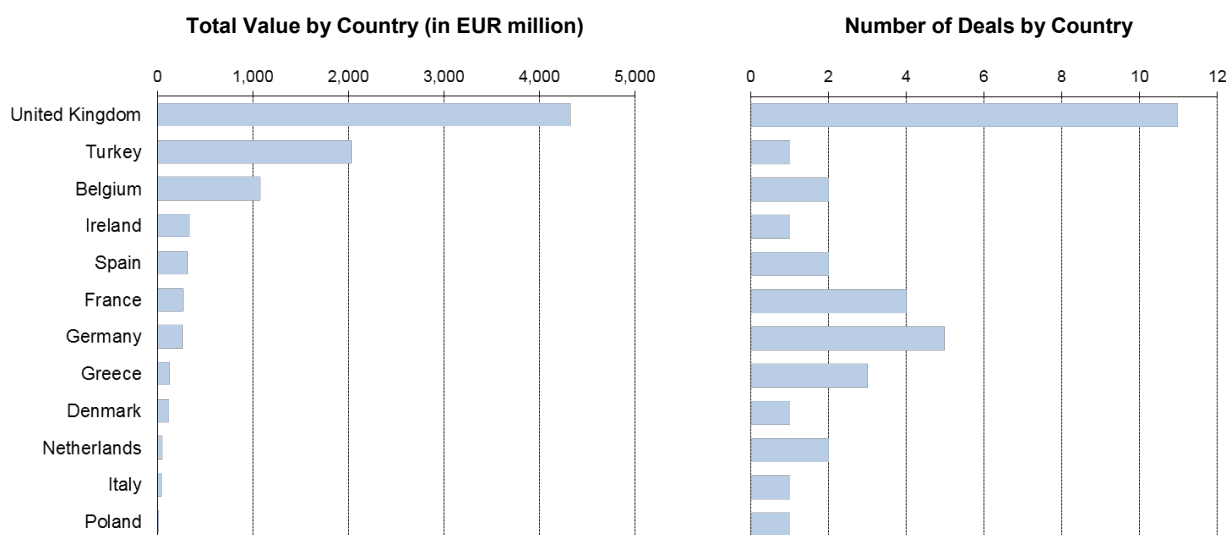
- Over H1 2014, **34 PPP transactions** reached financial close, significantly more than the 24 transactions signed in H1 2013. The number of deals being closed in Europe has grown steadily since 2012.
- The **average transaction size** stood at EUR 264 million, a 25% decrease over H1 2013 (EUR 370 million). It is however considerably higher than the average transaction size over the last 10 years (EUR 191 million).
- **Four large transactions¹** reached financial close in H1 2014. Their combined value accounted for more than 80% of the overall European market. These were:
 - the Intercity Express Programme II (EUR 2.6 billion) in the UK;
 - the Northern Marmara motorway (EUR 2 billion) in Turkey;
 - the A11 Bruges-Zeebrugge motorway (EUR 1.1 billion) in Belgium; and
 - the Mersey Gateway bridge (EUR 700 million) in the UK.

¹ Defined as deals exceeding EUR 500 million in value.

2. COUNTRY BREAKDOWN

- **12 countries** closed at least one PPP transaction over the first six months of the year, compared to 10 countries in H1 2013.
- As Figure 2 below shows, **the UK was the largest PPP market in value terms** (EUR 4.3 billion), an increase of around one-third from H1 2013.
- The UK was followed by Turkey and Belgium which each closed one large transaction.
- With 11 deals closed in H1 2014, **the UK was also the most active market by number of transactions**. This is however less than in the three previous H1 periods (12, 16 and 20 respectively).
- In terms of deal numbers, the UK was followed by **Germany (5), France (4)** and **Greece (3)**. Greece returned to PPPs in H1 2014 following a five-year absence.

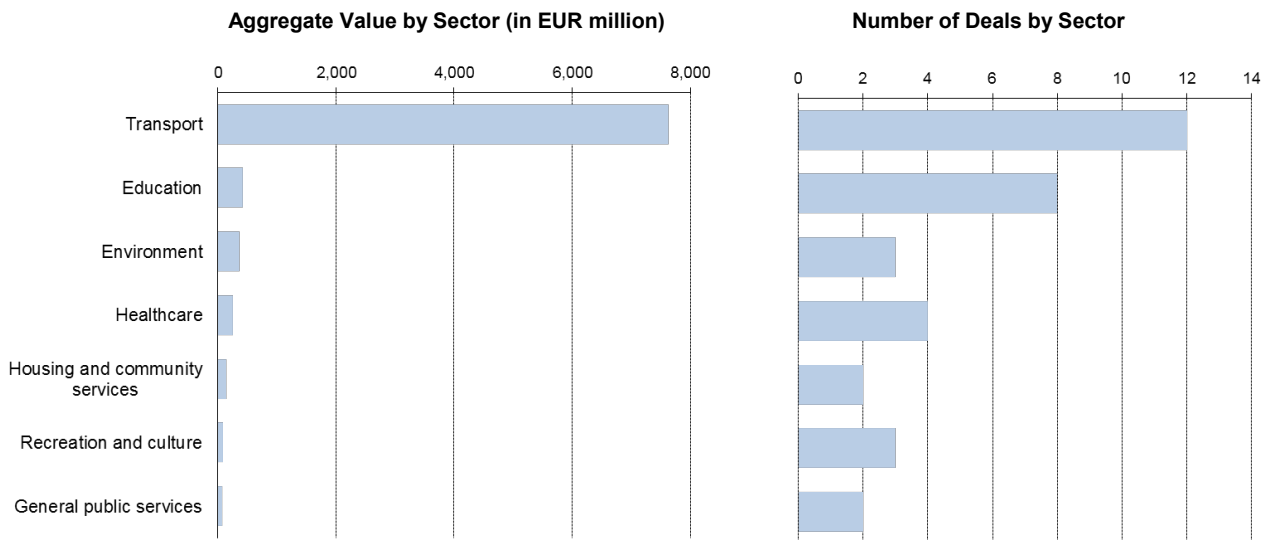
Figure 2: Country Breakdown by Value and Number of Transactions



3. SECTOR BREAKDOWN

- Figure 3 below shows that during H1 2014 the **transport** sector accounted for around 85% of the overall market value. Twelve transport transactions reached financial close for an aggregate value of EUR 7.6 billion (a 22% increase from H1 2013). Transport accounts for one-third of the number of PPP deals closed on the European market.
- With seven deals, **education** was the second biggest PPP sector both in value terms (EUR 400 million) and number of transactions (8). The number of deals closed decreased considerably in comparison to H1 2013, when education was the most active sector.
- With four transactions closed, **healthcare** was the third most active sector by number of deals.

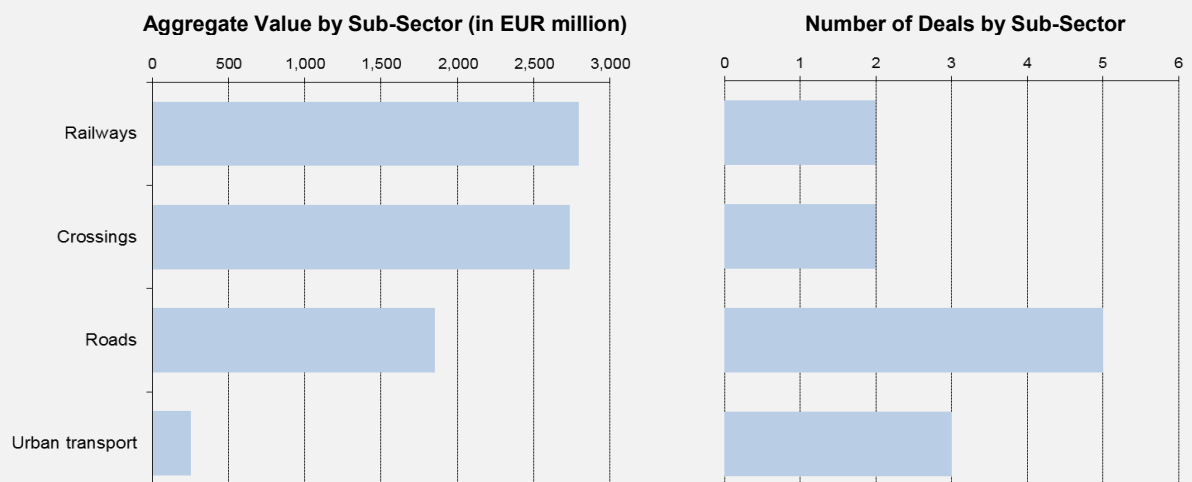
Figure 3: Sector Breakdown by Value and Number of Transactions



Box 1 – Transport Sub-sectors

- As in recent years, with five projects closed, the **roads** sub-sector was the most active transport sub-sector. In H1 2014, the value of road deals reached EUR 1.9 billion. This is significantly less than for H1 2013 (EUR 5 billion) as the deals which reached financial close were of a smaller size on average.
- **Rail and crossings** were the most significant sub-sectors in value terms (around EUR 2.7 billion each), mainly as a result of large transactions closed in the UK (see sections 1 and 4).
- Three transactions closed in the **urban transport** sub-sector in H1 2014 (compared to none in H1 2013), although the individual deal size is well below the sector average.

Figure 4: Sub-Sector Breakdown for Transport by Value and Number of Transactions



4. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in H1 2014:

- The **A11 Bruges-Zeebrugge motorway** project (Belgium) is part of the Trans-European Transport Network. It is the first greenfield project to reach financial close with the support of the Project Bond Credit Enhancement scheme of the EIB and the European Commission.
- The **Intercity Express Programme II** (United Kingdom) will supply rolling stock for the East Coast Main Line from London to Scotland. With a value of EUR 2.6 billion, it is the largest transaction closed in the European PPP market during the first half of 2014. The project follows the implementation of the first phase (EUR 3.2 billion), which involved the supply of new trains to the Great Western Main Line route.
- The **Attica Schools (Greece)** projects (in two bundles) have been the first PPP deals to reach financial close in the country since 2009. The EUR 110 million projects entail the construction and maintenance of 24 school buildings. Both bundles feature, for the first time in a PPP structure, the blending of EIB lending with financing from the EU's JESSICA initiative.²
- The **Central Scotland Motorway M8** (United Kingdom) project will see the upgrade of a number of sections of the road network between Glasgow and Edinburgh. It is partly financed through a EUR 210 million bond issue placed with an insurance company.

² See <http://www.eib.org/products/jessica/>



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