



Market Update

Review of the European PPP Market

First half of 2016

Headlines

During the first half of 2016:

- 40 transactions reached financial close for an aggregate value of EUR 7.8 billion
- When compared to H1 2015, the market grew considerably (+72% in value terms)
- Nine countries closed at least one PPP transaction
- The UK closed the highest number of deals and was also the largest PPP market in terms of value
- The transport sector accounted for more than one-third of the total PPP market by value and education was the most active sector by number of transactions



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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:

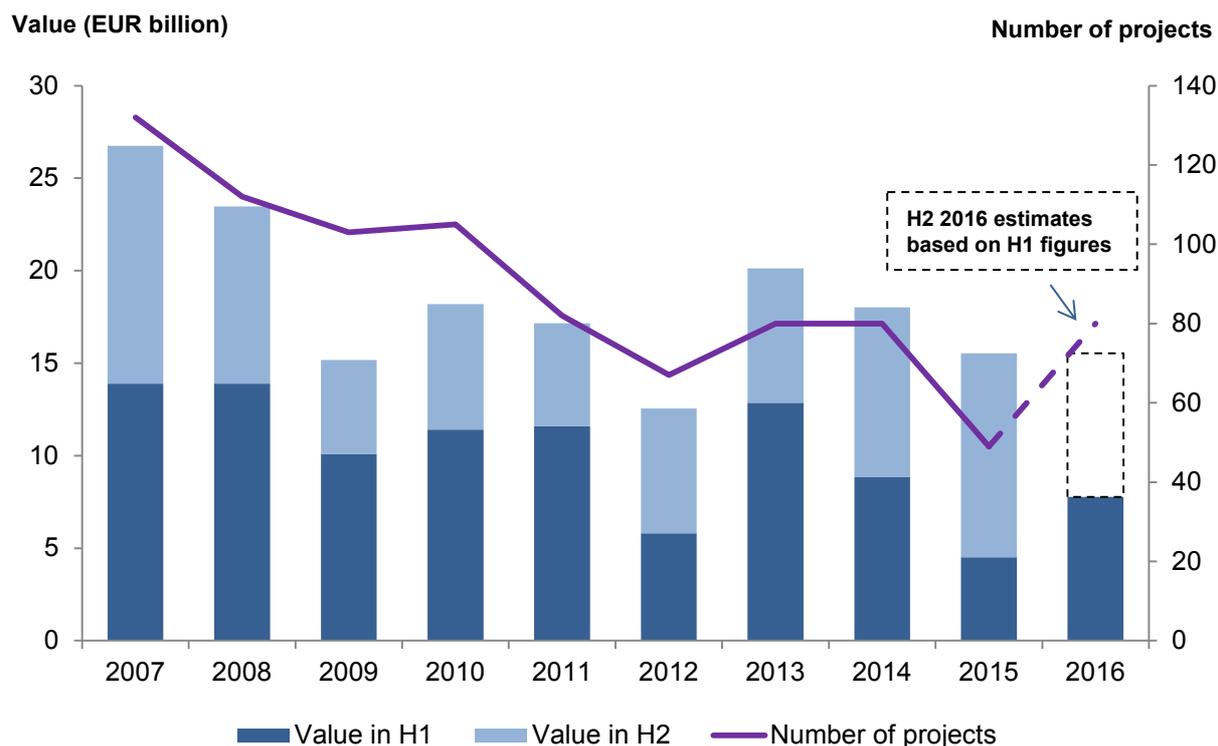
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements 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**¹ in H1 2016 totalled **EUR 7.8 billion**. As shown in Figure 1 below, the half-year market value increased by 72% compared to H1 2015.

Figure 1: The European PPP Market by Value and Number of Projects since 2007



- Over H1 2016, **40 PPP transactions** reached financial close, significantly more than the 27 transactions signed in H1 2015.
- The **average transaction size** for the first half of 2016 stood at EUR 194 million, a 9% increase compared to H1 2015 and in line with the average transaction size recorded over the last 10 years (EUR 200 million).
- **Four large transactions**² reached financial close in H1 2016: three motorway PPPs (the A355 in France, the A94 in Germany and the D4/R7 in Slovakia) and the Military Flying Training System Phase II in the UK. These transactions accounted for 45% of the overall European market value in H1 2016.

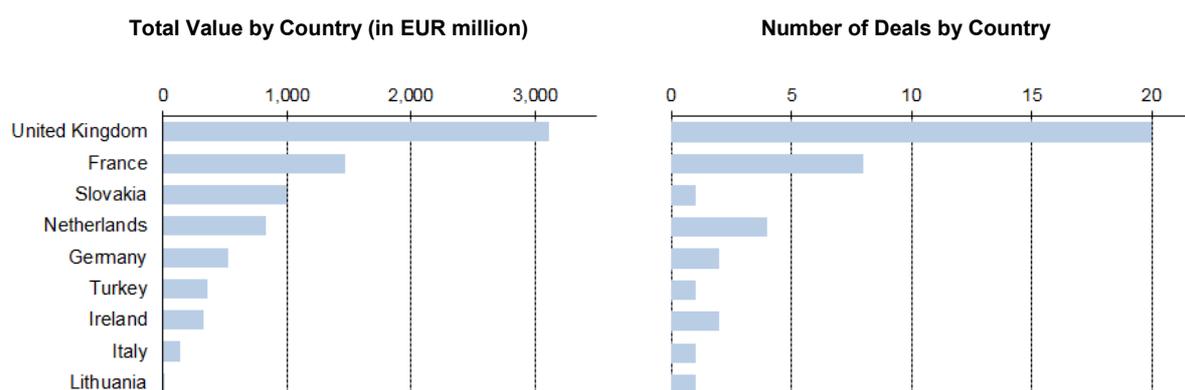
¹ Defined as EU-28, countries of the Western Balkans and Turkey.

² Defined as a deal exceeding EUR 500 million in value.

2. COUNTRY BREAKDOWN

- **Nine countries** closed at least one PPP transaction over the first six months of the year, the same as in H1 2015.
- As Figure 2 below shows, **the UK regained its status of largest PPP market in value terms** (EUR 3.1 billion), followed by **France** and **Slovakia**.
- With 20 deals closed in H1 2016, **the UK was also the most active market by number of transactions**. This is significantly more than the number of deals closed in the country over the last three H1 periods.
- In terms of deal numbers, the UK was followed by **France** (eight deals) and **the Netherlands** (four deals).
- **Slovakia** returned to the PPP market in H1 2016 (its previous PPP transaction closed in 2009).

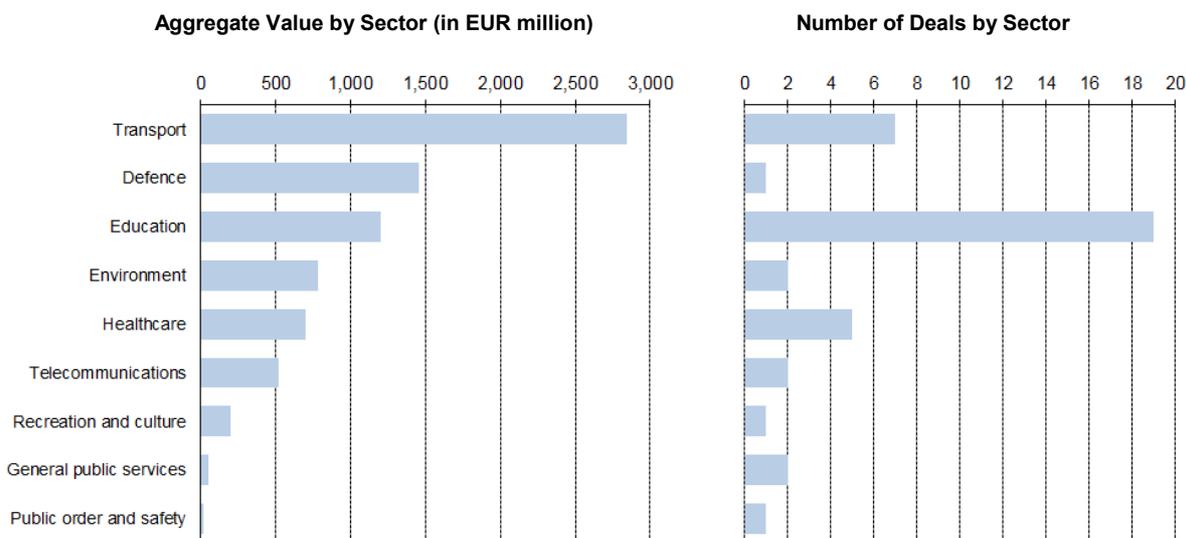
Figure 2: Country Breakdown by Value and Number of Transactions



3. SECTOR BREAKDOWN

- As Figure 3 below shows, during H1 2016 **transport** was the largest PPP sector in value terms. Seven transport transactions reached financial close for an aggregate value of EUR 2.8 billion (a 147% increase over H1 2015).
- **Education** was the most active sector by number of deals (as in H1 2015) and the third largest in value terms. 19 deals closed (nine in H1 2015) accounting for EUR 1.2 billion (a 31% increase over H1 2015).
- With only one transaction closed for a value of EUR 1.5 billion, **defence** was the second largest sector by value, while **healthcare** was the second most active sector by number of deals (five in H1 2016, compared to six in H1 2015).

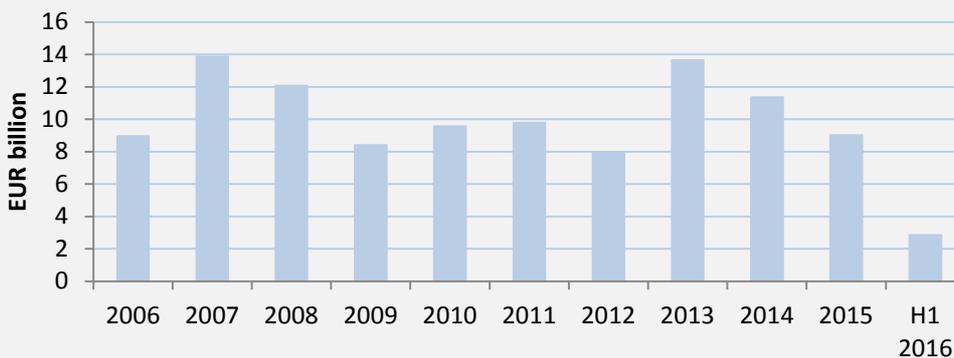
Figure 3: Sector Breakdown by Value and Number of Transactions



Box 1 – The Transport Sector

- In H1 2016, **transport** regained its status of largest sector in the European PPP market with a market share of 37%. The average value of closed deals (EUR 407 million) was 18% below the average recorded over the last ten full years (EUR 496 million).

Figure 4: Transport PPP projects by value per year since 2006



- Overall, seven **transport** transactions closed in the sector in five countries (**France, Germany, Ireland, the Netherlands and Slovakia**).

4. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in H1 2016:

- The **Military Flying Training Phase II** (UK) was the largest transaction closed in the European PPP market during H1 2016. The project consists of providing both ground-based and flying training equipment to the UK Ministry of Defence. It constitutes the second phase of the Military Flying Training System PFI, which reached financial close in 2008; and
- The **D4/R7** motorway (Slovakia) involves the design, construction, financing, operation and maintenance of the southern part of the Bratislava ring road and part of the southern expressway network, which links the western and eastern parts of Slovakia. The project, based on availability payments, was the first EIB transaction in Slovakia benefitting from the support of the EU budget guarantee under the European Fund for Strategic Investments (EFSI).



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