



**BNP Paribas presentation to**



EUROPEAN  
INTERNATIONAL  
CONTRACTORS



**BNL**  
BNP PARIBAS GROUP



**BNP PARIBAS**  
CORPORATE & INSTITUTIONAL BANKING

| The bank for a changing world

Florence, 16-17 April 2015

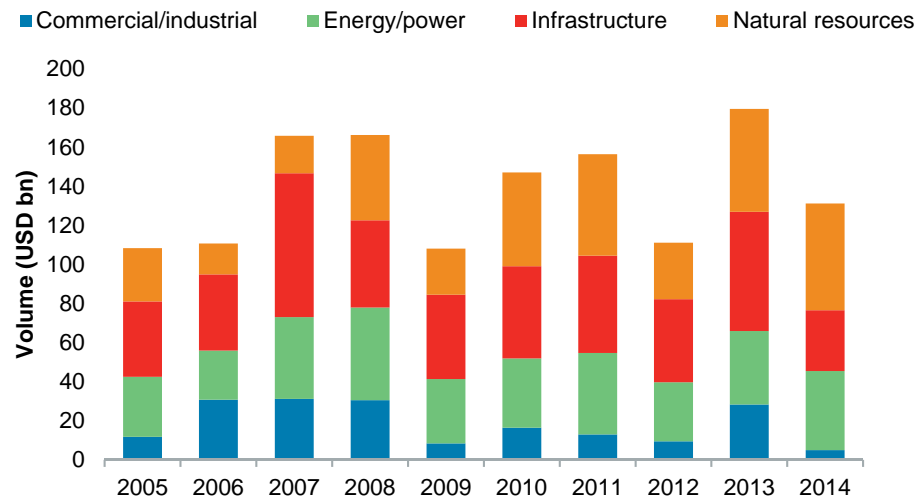
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## **Section 1: Project Finance Market Focus**



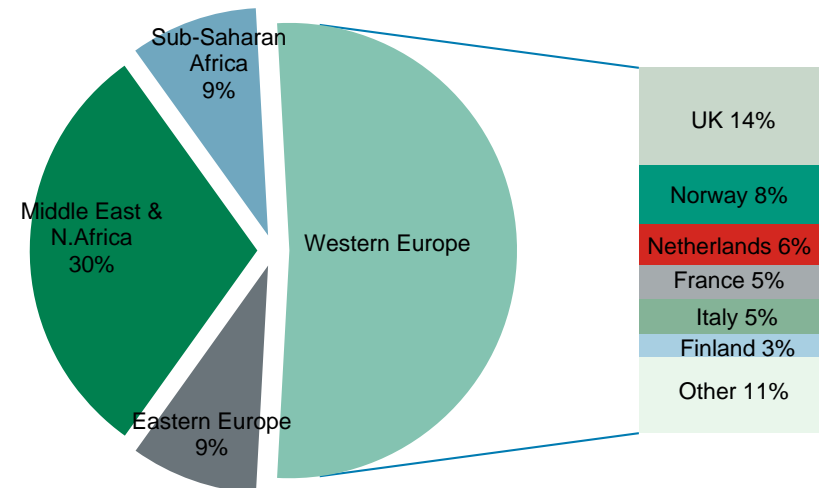
# EMEA Energy and Infrastructure Finance: Strong fundamentals over the years

## EMEA Project Finance Volume by Sector



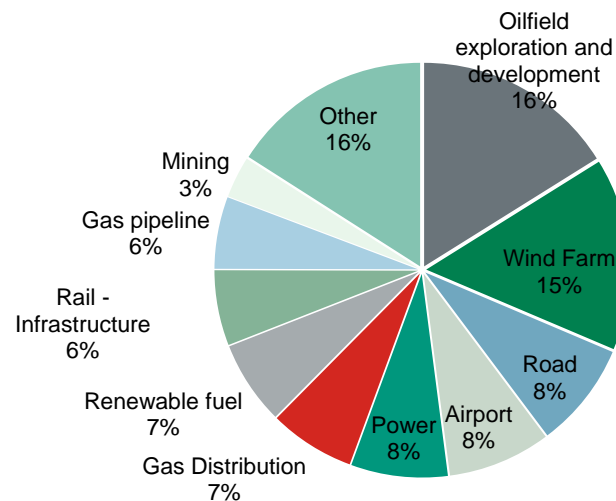
Source: Dealogic Projectware, January 2015

## EMEA Project Finance Volume by Nationality – FY 2014



Source: Dealogic Projectware, January 2015

## European Project Volume by Sector – FY 2014



Source: Dealogic Projectware, January 2015

## Commentary

- The EMEA Project Finance decrease in 2014 compared to 2013 mainly resulted from a shortage of closing in the following two industries: Oil & Gas (-89% for the Petrochemical and Chemical Plant and -30% for the Oil Refinery sector) and the Infrastructure one (-95% for the Telecom industry and -71% for the Road, Tunnel and Bridges sector).
- In 2014, the most important nationalities in the Project Finance market were the UK, Turkey, Norway and Saudi Arabia which accounted for 14%, 11%, 8% and 8% of the total volume, respectively.
- The major transaction in 2014 was the c. USD 8bn project for Ma'aden Waad al-Shamal Phosphate Co which aimed to develop a greenfield phosphate mine and petrochemical project in Saudi Arabia.



## **Section 2: Infrastructure Finance Trends**



- Current market conditions characterized by **strong bank liquidity across all market segments**.
- **Loans with tenors in excess of 20 years** are again widely achievable while sponsor relationship and soft mini-perm features remain key for banks to be involved.
- **2014 saw liquidity fully return to a wide range of project finance and infrastructure assets**, from corporate or leveraged infrastructure hybrids to long dated greenfield PPPs in Europe.
- Financing packages can be optimised on the back of **complementarity / competition between infrastructure debt funds and banks** with an increasing appetite from investors for Infrastructure Debt Funds:
  - Complementary structures reflecting banks' appetite for shorter term structures and institutional investors appetite for long dated debt and aversion to construction risk of certain categories of investors;
  - Competing against traditional bank solutions, institutional investors offering long-term lending ended the year significantly short of their investment targets. Most are looking at expanding the scope of their mandate;
  - Originate-to-distribute models reconciling both approaches have developed over the years and become the rule.
- In the context of a poor project pipeline as a result of **continuing austerity in the European region**, public authorities are implementing measures to foster investments in the infrastructure sector:
  - EIB can act as catalyst either through provision of liquidity (not needed at present) or through credit enhancers such as guarantee facilities, PBC....
  - Juncker plan aimed at supporting financing through de-risking mechanisms, and improving projects' procurement and pipeline visibility to increase opportunities for investors.

# The new role of Institutional Investors

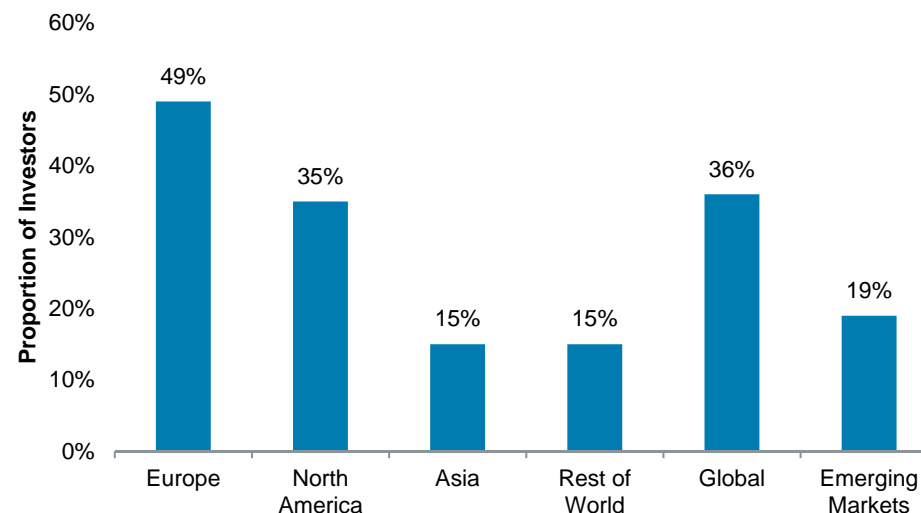
## Institutional Investors: Emerging and Fast-Growing Liquidity Pool

- **Very strong appetite for infrastructure debt:**
  - Infrastructure asset class appealing due to long term visibility and low-risk profile;
  - Most funds significantly below their investment target;
  - Very few assets traded in secondary as banks tend to hold;
  - Investors seeking to adapt their investment criteria in terms of geography and structures (fixed/floating rates, limited make-whole protection, holdco structures, etc.).
- Dedicated debt teams which **focus on 'participating'** rather than 'structuring' or 'originating' due to limited resources. Most investors do not possess the resource-intensive capacity of banks and will seek intermediation (due to regulation in some cases).

## Key Structuring Elements

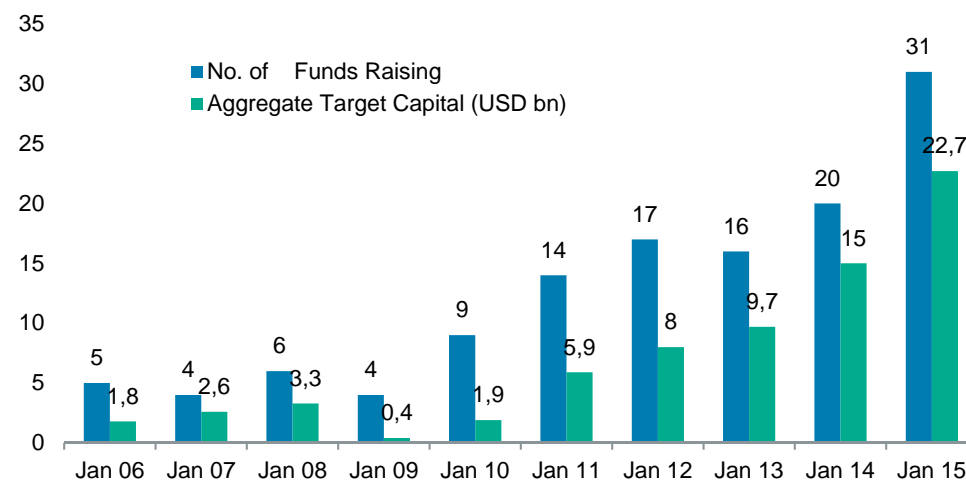
- Credit and yield are key: format is increasingly less of an issue (loan vs. bond).
- Rating: infra debt players tend to focus on **senior secured unrated IG**. As yields fall across markets, most infra investors can **now consider 'cusp-IG' or 'crossover' assets** in search of better returns.
- **Holdco debt for UK regulated assets is a well known asset class for debt funds.**
- Tenor: up to **30 years (opco) / 10 years (holdco)**.
- Interest rates: investor specific (insurance companies tend to prefer **fixed rate** with make whole protection, Australian and US asset managers prefer floating rate).
- Margins expected to be "flat": no margin step-ups or cash sweeps that would incentivise an early refinancing.
- Prepayment penalties often a must: "make-whole" provisions for fixed rate loans.

## Regions Targeted by Infra. Investors in the Next 12 Months



Source: Preqin Infrastructure Online, January 2015

## Unlisted Infrastructure Debt Funds (Jan 06-Jan 15)



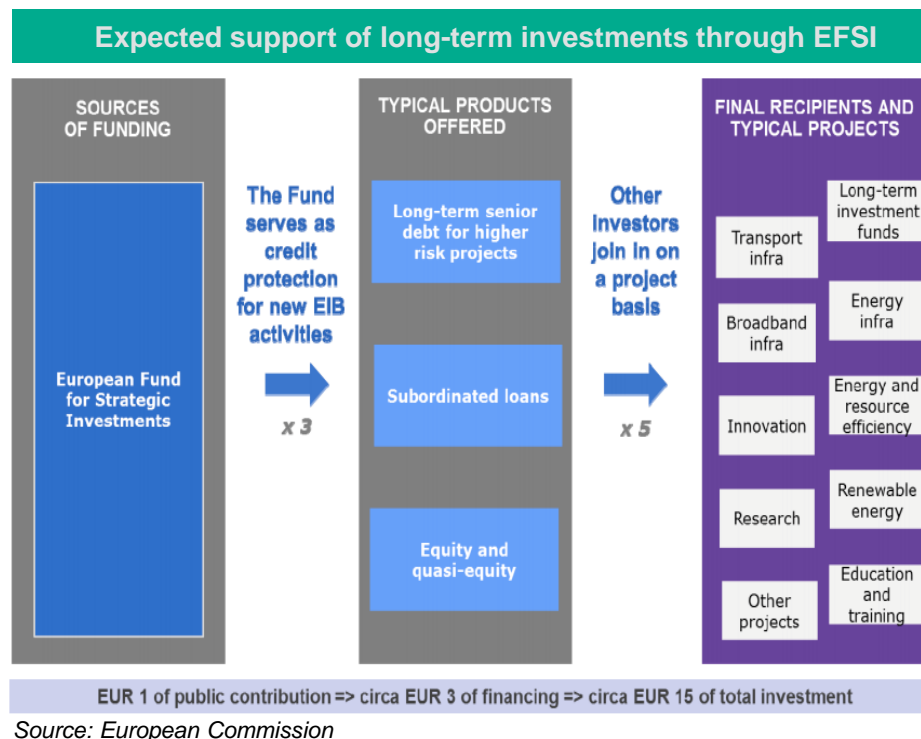
Source: Preqin Infrastructure Online, January 2015



# Focus on Juncker Plan

## The JUNCKER's Investment Plan for Europe consists in a EUR315bn program to 'kick start growth'

- The programme is built around the **European Fund for Strategic Investments (EFSI)**, Fund established within the EIB to unlock further private and public investment and comprising EUR16bn in European Union guarantees and EUR5bn from the European Investment Bank (EIB).
- The EFSI funds will serve as **credit protection** for a range of new activities to be conducted by the EIB Group (EIB and EIF).
- The Investment Plan is expected to attract up to **15 times the initial investment** which takes into account:
  - an **internal leverage** = 3X multiplier effect within the public sector between the capital and the available funding, result of the EFSI's initial risk bearing capacity;
  - an **"external" leverage** = 5X leverage resulting from external funding.
- This initiative would generate **EUR 240bn for long-term investments** and **EUR 75bn for SMEs and mid-cap firms** over the period 2015-2017.



- ▶ Pipeline of eligible projects established at national levels
- ▶ Priorities now being set both at national and European levels
- ▶ On-going discussion about the role of National Developed Banks

## **Section 3: Greenfield versus Brownfield, a financing perspective**



# Infrastructure Greenfield

## Market Overview

- PPP pipeline led by Benelux countries. Relatively small size transactions / including EIB tranche for larger projects.
- No tenor constraints. Strong bank market appetite for domestic countries / core Europe.
- Competition with long term institutional investors, offering fixed rate tranches with make-whole protection, drives margins down – below 150bp for prime availability based assets. We expect banks and institutional investors to increasingly lend side-by-side in dedicated tranches.
- Attractive refinancing opportunities in peripheral Europe (eg. Spain, Italy) where margins have fallen rapidly (from 500bp in 2011 to 275-300bp currently).

## Recent Infrastructure Greenfield Project Financings

Date	Borrower	Sector	Amount	BNPP Role
Ongoing	D4-R7 motorway (Slovakia)	Road	EUR 1,350m	Supporting bidding consortium
Ongoing	Ijmuiden Sea Lock (Netherlands)	Sea lock	EUR 700m	Supporting bidding consortium
Ongoing	Stelplaatsen (Belgium)	Transportation	EUR 120m	MLA
Dec-14	Linea 4 Milan (Italy)	Urban Railway	EUR 887m	FA, MLA
Dec-14	Tram de Liege (Belgium)	Transportation	EUR 600m	FA, Supporting bidding consortium
Nov-14	A9 (Netherlands)	Road	EUR 500m	Supporting bidding consortium
Jul-14	ISTP2 (UAE)	Sewerage	USD 480m	Financial Advisor

## Transaction Metrics

	<b>Concessions:</b> volume/traffic risk eg. roads/airports/rail	<b>PPPs:</b> no volume risk, but availability/performance risk eg. prisons/tribunals/schools/transportation
<b>Size</b>	EUR 100,000,000 – EUR 1bn+	
<b>Facility type</b>	Mostly Term Loans, some VAT loan / EBL / WCF	
<b>Tenor</b>	10 - 20yrs	construction period (up to 5yrs) + 20-25yrs
<b>Security</b>	Legal charge over assets (incl. project contracts and bank accounts), shares of Borrower, assignment of receivables	same + "Dailly tranche" (France only), ie government guaranteed
<b>Revenue Stream</b>	Toll / Airport fees / Usage fee	Availability payment made by public authority



# Infrastructure Brownfield

## Market Overview

- Acquisition financings or refinancings for infrastructure corporates (eg. regulated utilities, airports, ports, rolling stock, roads, car parks, towers, etc.).
- Typically M&A situations, with competing bidders (eg. infra funds) forming bank syndicates to underwrite acquisition package – structured to comply with Investment Grade rating.
- Large transactions usually €1b +.
- 3 to 5-year facilities with early refinancing: public bond market (IG rated) or US / Euro PP (sub-EUR500m - unrated).
- Very strong bank market liquidity – relationship-driven – pushing terms to converge towards corporate comparables (sub-100bp margins, limited covenant package).
- Institutional investor liquidity sought for long-term take out financings (public for IG / benchmark or private for non-IG / sub-benchmark).

## Recent Infrastructure Brownfield Project Financings

Date	Borrower	Sector	Amount	BNPP Role
Ongoing	Linea 5 Milan (Italy)	Urban Railway	EUR 872m	MLA
Dec-14	Istanbul Airport (Turkey)	Airport	EUR 500m	MLAB
Nov-14	E.ON (Spain)	Distribution and Renewables	USD 1,100m	MLAB
July-14	Net4Gas	Pipeline	EUR1,250m	Financial Advisor & MLA
May-14	Vinci Park	Car Park	EUR 1,220m	Financial Advisor & MLA
Apr-14	Fortum Norway	Electricity Network	SEK 735m	MLA
Mar-14	Porterbrook	Rolling Stock	GBP 1,150m	MLA
Mar-14	Fortum Finland	Electricity Network	EUR 1,850m	Financial Advisor & MLA
Nov-13	Eversholt	Rolling Stock	GBP 600m	MLA

## Transaction Metrics

Size	EUR 250,000,000 to EUR 4bn +
Facility type	Mostly Term Loans, some WCF/Capex/RCF
Tenor	3 to 5yrs mainly Bridge to Bond
Security	Legal charge over assets, shares of Borrower, assignment of rights under acquisition documents/other receivables, cross-guarantees between Bidco/Opcos, mortgage over assets (where applicable)
Repayment Profile	Bullet in general, an amortising portion can be included in larger financings / Acquisition Facility: Cash sweeps starting in year 2-3 (50/75/100%)



## **Section 4: BNPP Paribas integrated offer & selected Case Studies**



# BNP Paribas – an integrated offer

- **BNP Paribas can support a company in all its future needs thanks to its integrated offer of services**
  - Energy, Infrastructure Project Finance
    - 125 dedicated professionals with Eur 13.8b worldwide commitment on 360 projects
  - Export Finance
    - 45 professionals experienced with 28 ECAs
  - Global Trade Solutions (GTS)
    - 55 professionals in EMEA
  - Corporate Finance
  - Market-based solutions (e.g. Project Bonds)

## Project Finance



**European Bank of the Year**



**Power Financial Advisor of the Year 2014**



**Best Arranger of Western European loans**

## Export Finance



**Trade Finance Awards for Excellence 2014**  
Best Export Finance Arranger



**TFR Excellence award 2014**  
Best Trade Bank in Western Europe



**# 1 Global MLA for ECA-backed transactions 2007 – 2010**

## Global Trade Solutions



**Deal of the Year 2014**  
Highly Commended with Prysmian



**Deal of the Year 2014**  
Winner with BP Aromatics



**First Trade Finance Bank for European Large Corporates in 2014**

## 2014 Global Financial Advisors

Rank	MLAs	USDm	%
1	<b>BNP Paribas</b>	<b>31,987</b>	<b>10.54</b>
2	HSBC	24,721	8.14
3	Ernst & Young	24,029	7.92
4	Macquarie	17,854	5.88
5	RBS	15,899	5.24
6	PwC	15,141	4.99
7	Sumitomo Mitsui	13,820	4.55
8	National Australia Bank	10,673	2.87
9	State Bank of India	8,149	2.83
10	KPMG	8,060	2.68

Source: Infrastructure Journal

## 2014 EMEA Mandated Lead Arrangers

Rank	MLAs	USDm	%
1	<b>BNP Paribas</b>	<b>5,063</b>	<b>5.3</b>
2	SMBC	4,696	4.9
3	Mitsubishi UFJ	3,670	3.9
4	ING	3,615	3.8
5	Credit Agricole	3,591	3.8
6	HSBC	3,268	3.4
7	SG	3,174	3.3
8	KfW IPEX-Bank	2,704	2.8
9	Natixis	2,582	2.7
10	Deutsche Bank	1,944	2.0

Source: PFI 2015 League Tables



# BNPP Group experience – €585m Milan M5 Refinancing

## The Project

- Design, construction and operation of a new driverless underground light rail, developed along the North-West axis from Bignami to San Siro stadium.
- Official opening targeted on April 29th, 2015 (first stretch already operating since Feb. '13).
- Total Capex ca €1.6bn, with 50% provided by Public Grants.
- Pure PPP project with no market risk under a 30y concession period granted by the Milan Municipality (rated BBB, BBB+).
- Shareholders: consortium leader Astaldi (38.7%), Finmeccanica Group (through Ansaldo STS and AnsaldoBreda), ATM (operator of the existing Milan underground network), Alstom Ferroviaria.



## Refinancing Highlights

- 21Y refinancing structured by a pool of 9 MLAs.
- Highly complex and innovative structure, including:
  - € 150m Floating Rate Institutional Tranche provided by 5 institutional investors; unwrapped, unrated and fully secured bond (ranking *pari passu* with bank debt);
  - € 435m bank facilities, of which € 100m provided by Cassa Depositi e Prestiti;
  - Tailor-made Hedging Structure, based on Novation of original swaps, in addition to two specific swap tranches and an Interest Floor.

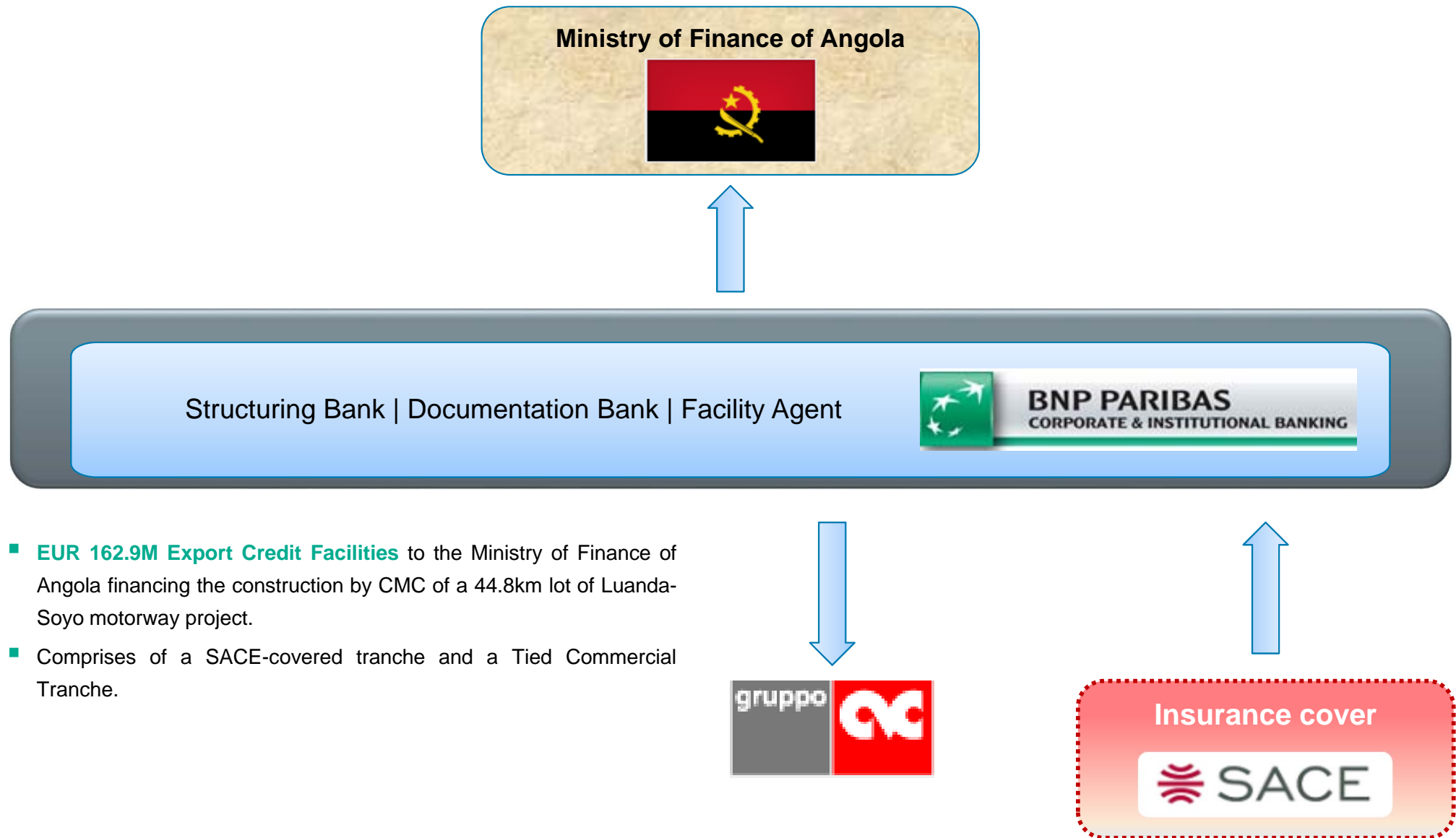
## The role of BNPP Group

- *Mandated Lead Arranger,*
- *Hedging Bank;*
- *Joint Bookrunner of Institutional Tranche;*
- *Representative of Noteholders;*
- *Calculation Agent, Payment Agent, Depositary Bank for Institutional Tranche.*

**Key role in a strategic infrastructure project**



# SACE-covered Export Credit Facility – Ministry of Finance of Angola (November 2014)



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