INFRASTRUCTURE PULSE EUROPE

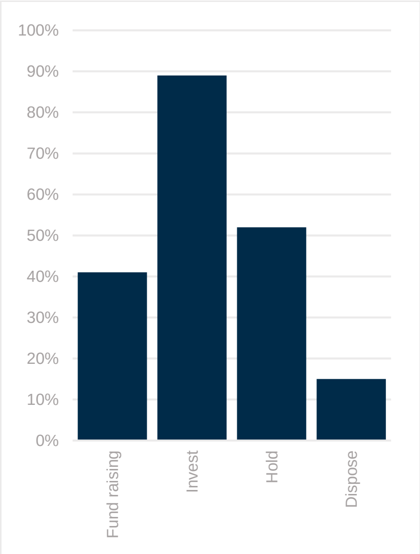
Q2 2020

KEY FINDINGS FROM Q2 2020 REPORT

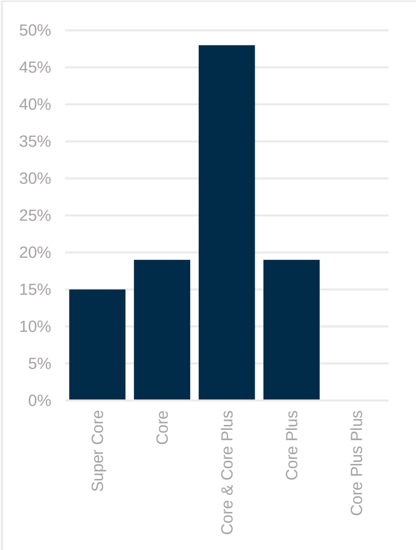
Welcome to the inaugural Quarterly Infrastructure Pulse, compiled by Alvarez & Marsal in collaboration with the GIIA. This pulse survey is designed to provide a regular temperature check of sentiment in the sector and emerging trends. Against a backdrop of Covid-19, a number of interesting themes are noted in the Q2 2020 survey:

1. Whilst investor sentiment is mixed, most respondents raising capital expressed a neutral or marginal positive view of the fund raising environment. For those investing new capital, almost three quarters of respondents indicated that infra debt markets remain favourable with the banks remaining open for funding of new infrastructure deals.
2. Respondents indicated that the most positive outlook was for the Nordics, Iberia and, perhaps most interestingly, Germany, where historical Infrastructure activity has been more limited. Negative sentiment is reserved for Greece/Cyprus (reflecting long memories of the sovereign debt crisis) and Eastern Europe (with funds unwilling to push investment boundaries in more uncertain times).
3. In terms of general outlook, respondents were most positive about the outlook for transactions in communications infrastructure (reflecting increased appetite for, and number of, recent opportunities in fibre, telco towers and datacenters) and the renewable generation, biomass and EfW sectors (building on recent activity). Predictably the most negative sentiment was reserved for airport transactions and midstream oil and gas. Airport investors are grappling with impairments with no incentive to divest unless forced to do so by liquidity issues and whilst storage portfolios are reaping the benefits of short term demand for storage, due to excess supply, longer term a recession will decrease throughput.
4. Respondents were unequivocal that the most significant adverse impact on their portfolios of Covid-19 was in the transport space, particularly airports, with most indicating an expectation that the impact would be ongoing for 3-5 years or longer, driven by a risk of a permanent change in business travel and a multi-year recovery period for leisure travel. Whilst the direct impact of Covid-19 may be less visible in renewable power and utility infrastructure, a number of respondents indicated a 1-2 year adverse impact driven by lower inflation expectations, bad debt exposure and, for renewable power, brown power forecasts. The only sector noted as being positively impacted by Covid-19 was the communications space, where connectivity has become critical as many people work from home.
5. ESG is emerging as an important consideration for investors and their LP's. Our view is that Covid-19 will only accelerate the E and S agenda with a flow through to investment criteria, indeed ESG diligence is becoming an increasing feature in fund raising and transactions.

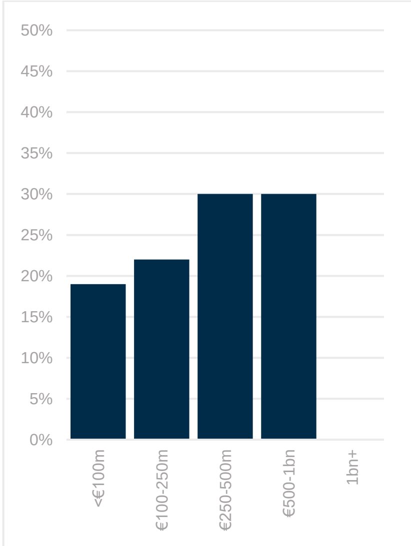
How would you describe your current focus?



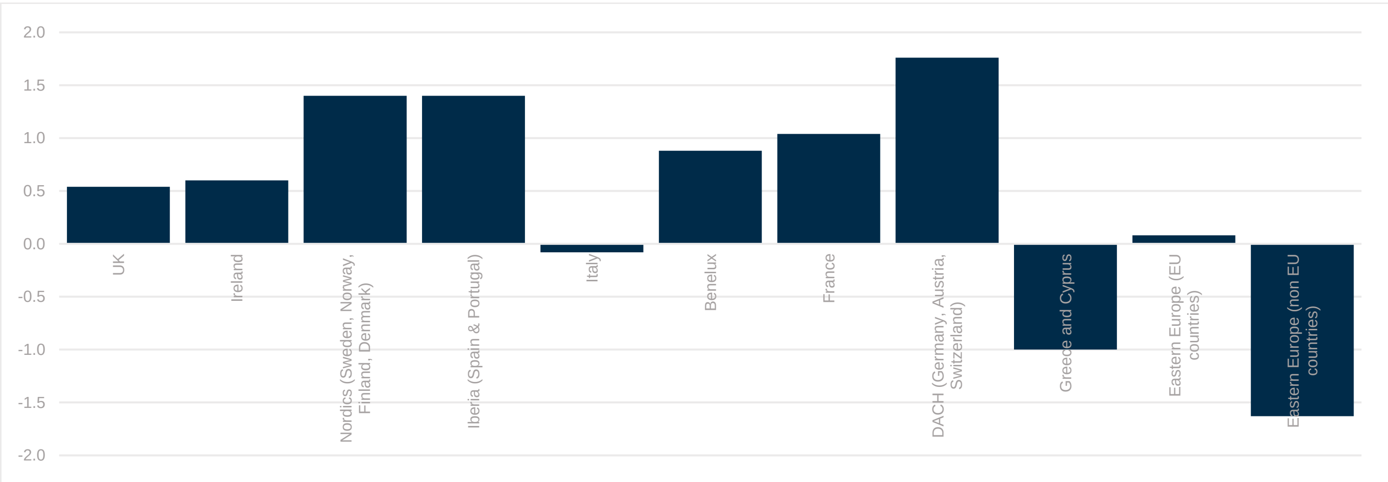
How would you describe your investment criteria?



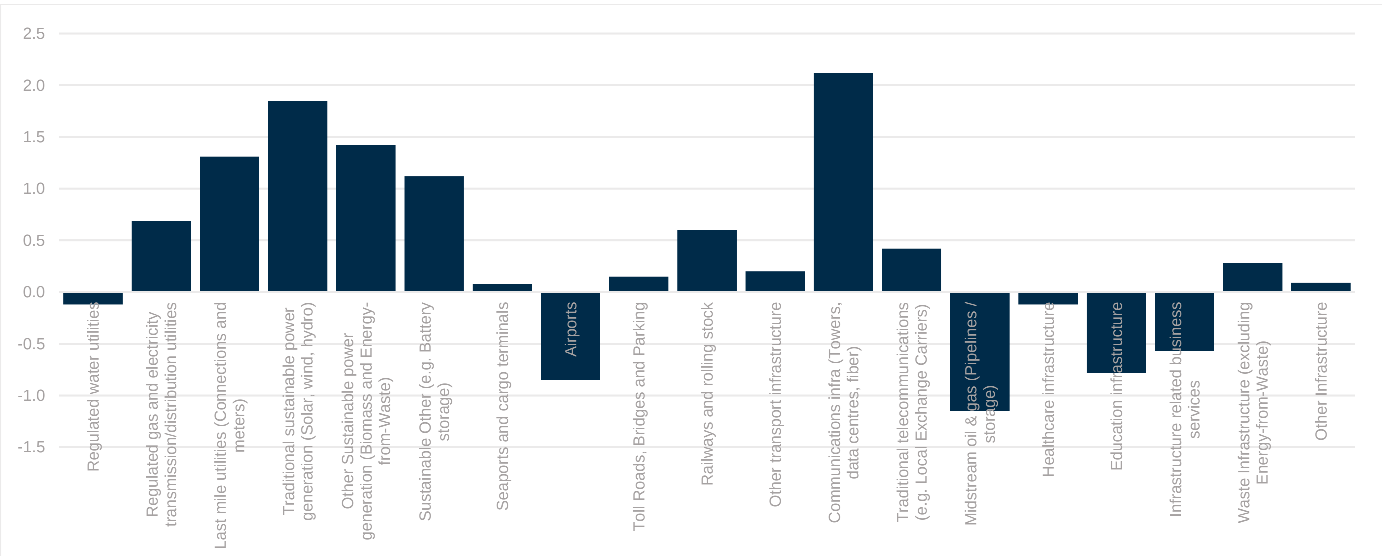
What is your target equity cheque?



What is your outlook for the attractiveness of, and opportunities for, your fund(s) Infrastructure investment in the following countries in the next quarter? (Minus 5: extremely negative, 0: neutral, 5: extremely positive).

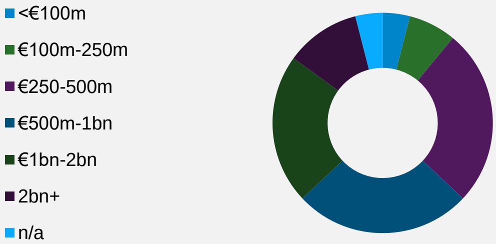


What is your outlook for overall infrastructure opportunities for your fund(s) in the following sectors in the next quarter? (Minus 5: extremely negative, 0: neutral, 5: extremely positive).



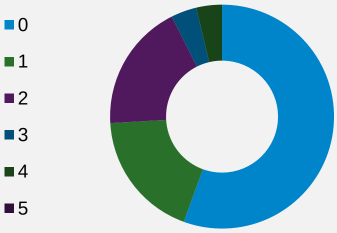
If fund raising how favourable is the current equity fund raising environment? (Minus 5: extremely unfavourable, 0: neutral, 5: extremely favourable, n/a if not fund raising).

If deploying capital how much equity do you anticipate deploying in the next 12 months?



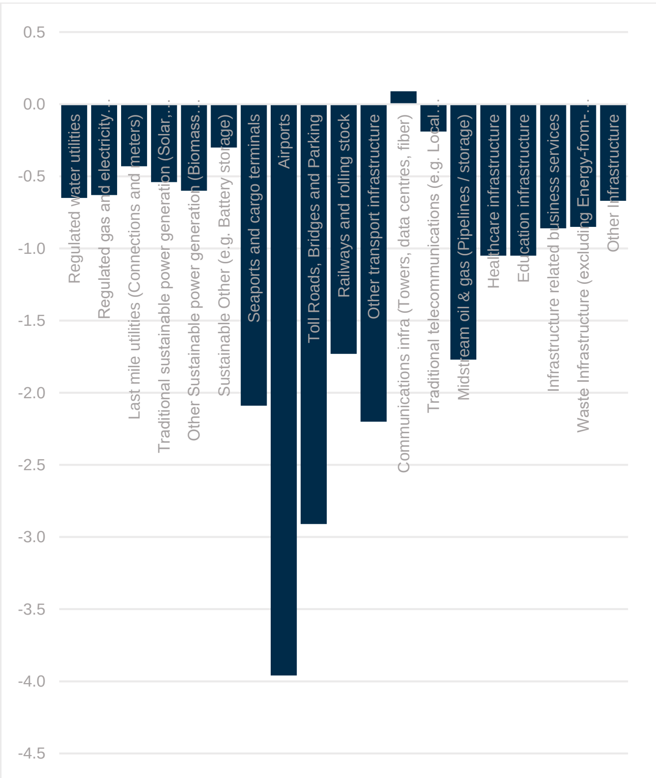
If deploying capital, how favourable do you consider the infra debt markets for current deals to be? (Minus 5: extremely unfavourable, 0: neutral, 5: extremely favourable).

How many assets do you anticipate divesting in the next 12 months?

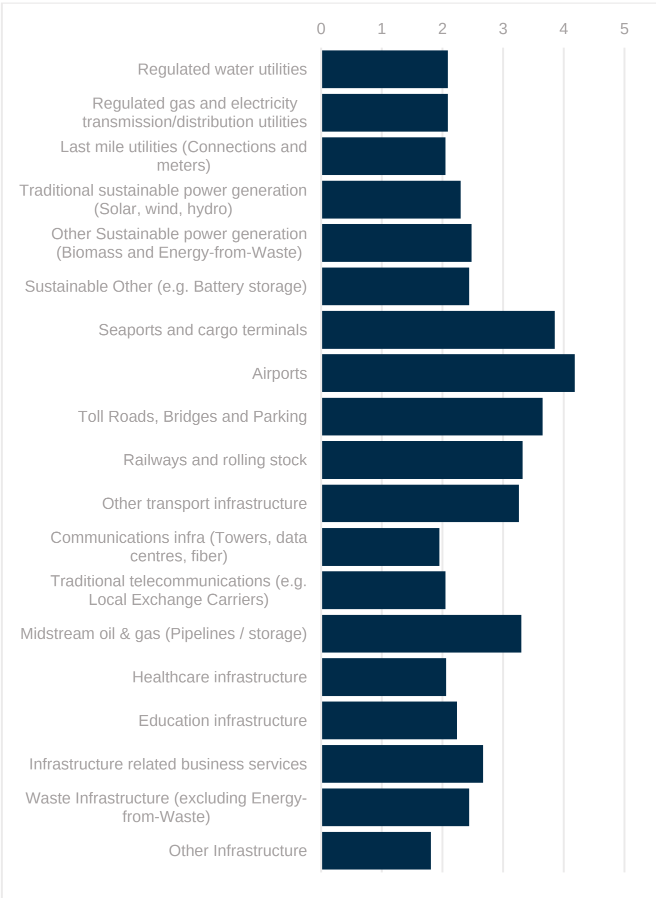


How important is ESG to your LP's and how strongly does it influence your investment decisions? (0: not considered, 5: one of a balance of factors, 10: the primary factor).

What is the anticipated impact of Covid19 on your short term yield to investors from the following asset classes in your portfolio? (Minus 5: extremely negative impact, 0: no notable impact, 5: extremely positive impact).



What is the anticipated timeline for your portfolio yields to return to pre Covid 19 levels for the following sectors: (1: Already no ongoing impact, 2: < 6 months, 3: <12 months, 4: < 2 years, 5: 3-5 years or longer).



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ABOUT GLOBAL INFRASTRUCTURE INVESTOR ASSOCIATION

Global Infrastructure Investor Association (GIIA) is the membership body for the world's leading institutional investors. On their behalf, we work with governments and other stakeholders to promote the role of private investment in providing infrastructure that improves national, regional and local economies. Collectively, GIIA members have more than $780bn in infrastructure assets under management across 55 countries.
giia.net

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