



Q2 2022

INFRASTRUCTURE PULSE

EUROPE AND THE AMERICAS



ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™

KEY FINDINGS

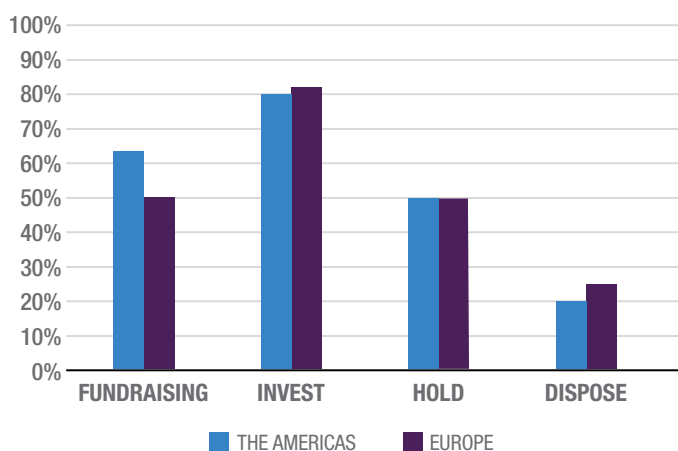
The Infrastructure Pulse, compiled by Alvarez & Marsal in collaboration with the GIIA, is a survey designed to provide a regular temperature check of sentiment in the sector and emerging trends.

As economies around the world explore their new normal post Covid-19 and learn to live with the virus, new geopolitical challenges in the form of the impact of the Russian invasion of Ukraine, a European energy crisis and inflationary pressures across the globe present both challenges and opportunities. When coupled with the vast sums of capital required to support digital transformation, energy transition and the commitment to Net Zero this makes for interesting times for Infrastructure investors. The following key themes have been noted in the Q2-22 responses:

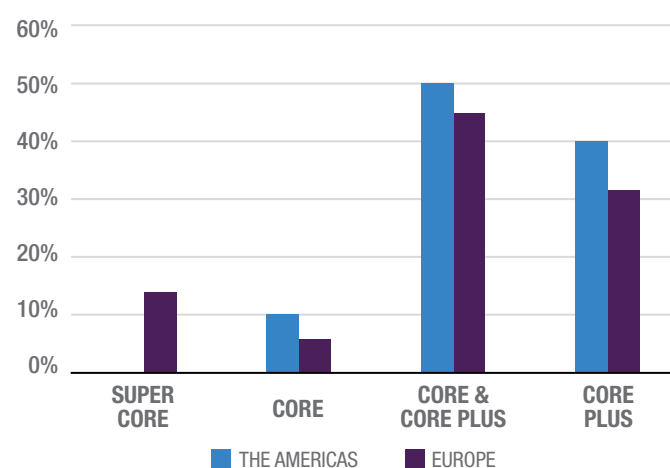
- 1. The fundraising environment continues to demonstrate resilience across both the US and Europe. Respondents continued to indicate favourable infra debt markets and many funds have actively raised larger and larger infrastructure funds. The rise of core infrastructure funds, as an additional and separate offering from their flagship infrastructure fund, has allowed sponsors to continue to meet infrastructure investors' differing desires from a risk/return perspective. In the US, respondents during the last two surveys have indicated less favourable debt markets, driven by higher interest rates in part due to expected Fed tightening.*
- 2. Funds continue to look to deploy large amounts of capital (with more than 60% looking to deploy more than \$1bn) and to realize one or more existing assets (more than 85%), supporting continuing resilience in the Infra deal cycle, despite geopolitical headwinds, albeit slightly lower than metrics recorded in Q4 2021 when unprecedented levels of deal activity were recorded.*
- 3. There is an increasingly positive outlook for, and attractiveness of, all key Western European markets with a notable increase in the UK and further strengthening in the Nordics. The UK continues to emerge from the shackles of Brexit and a period of regulatory uncertainty and has resecured its standing as the most attractive European market for infra investors, with a strong outlook and increasing local activity driven by big ticket utility, altnet fundraising and energy transition transactions including landmark deals in the EV charging space. Opportunities continue to arise in the Nordics across transport (bus, ferry, rail, containers) and renewables (including Biomass/Biogas) and healthcare.*
- 4. Whilst investors have historically presented a neutral view of sentiment towards Eastern European EU countries, predictably the war in Ukraine has driven a strong negative outlook.*
- 5. Regarding the United States, investor sentiment was sustained at the levels recorded in Q4-21, due to the more stable nature of infrastructure investments in the face of higher inflation and economic uncertainty. Meanwhile, sentiment for areas outside of the United States and Canada is positive for the first time in several years despite ongoing uncertainty. The reasons for optimism vary by region, but are primarily due to new projects with significant private capital requirements (e.g. Mexico and other LATAM countries) or asset sales expectations from governments to the private sector (e.g. Brazil).*
- 6. After several years of being out of favour, regulated water (dominated by the UK assets) has shown a notable shift in sentiment in Europe, with the UK Competition and Markets Authority decision providing more confidence for investors in assets that are inflation linked and a "safe haven" in a higher inflation environment.*
- 7. The shift away from fossil fuel related infrastructure continues with sentiment for carbon-heavy assets, particularly oil and gas, remaining negative even as European countries pivot away from Russian gas and seek to bridge the short-term energy gap. Growing ESG requirements outweigh the attractive returns that might be generated from new oil and gas infrastructure. This flows through the survey responses with a further marked increase in the importance of ESG factors to investment decisions and respondents citing climate change as the most significant ESG challenge. The pivot towards energy transition and Net Zero continues with investors seeing increasing opportunities across all sustainable subsectors from renewable generation to EV charging and batteries. What is clear is that an increasing proportion of investors are willing to accept an increased greenfield and roll out / consolidator risk and some smaller investors are also willing to take a portfolio approach to technology risk.*

THE BACKGROUND

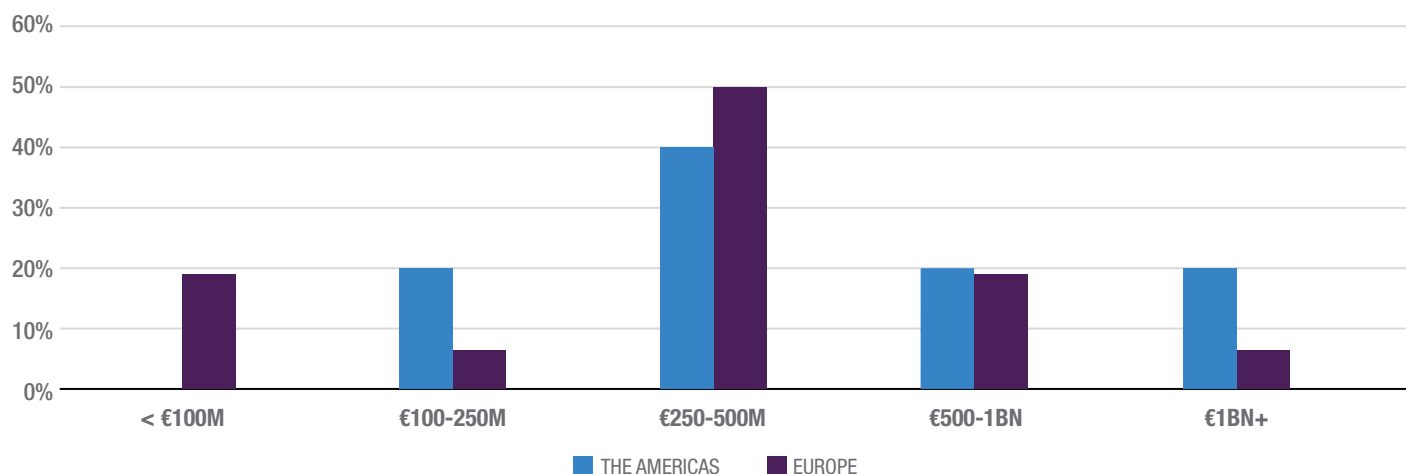
How would you describe your current primary focus?



How would you describe your investment criteria?



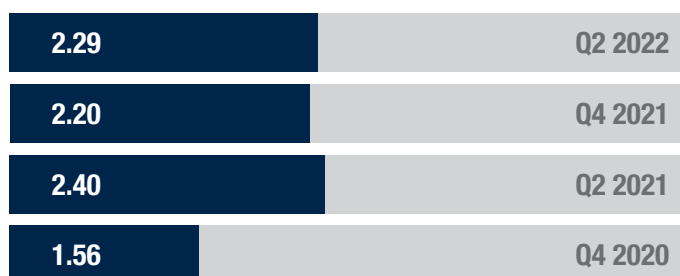
What is your target equity cheque?



FUNDRAISING AND DEPLOYING CAPITAL

If fundraising, how favourable is the current equity fundraising environment? (-5: extremely unfavourable, 0: neutral, 5: extremely favourable)

+0.09
over 6 months

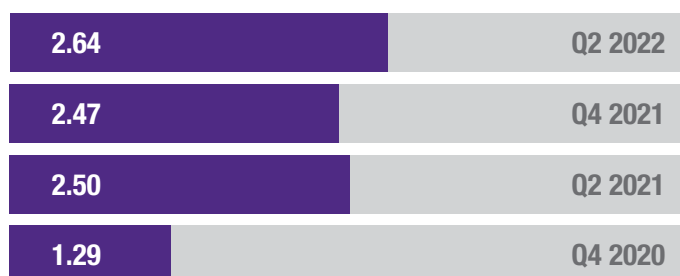


-0.11
over 12 months

THE AMERICAS

EUROPE

+0.17
over 6 months



+0.14
over 12 months

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

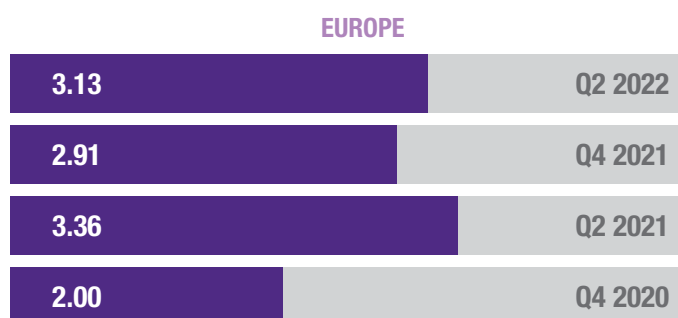
-0.44
 over 6 months



-0.85
 over 12 months

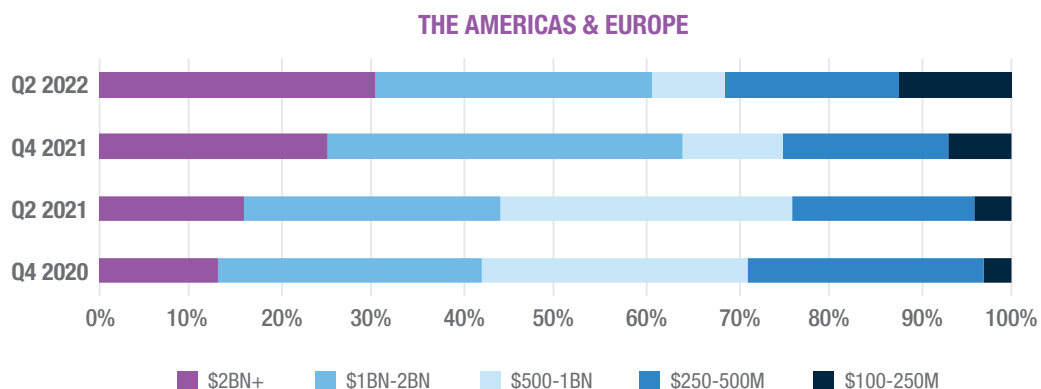
THE AMERICAS

+0.22
 over 6 months

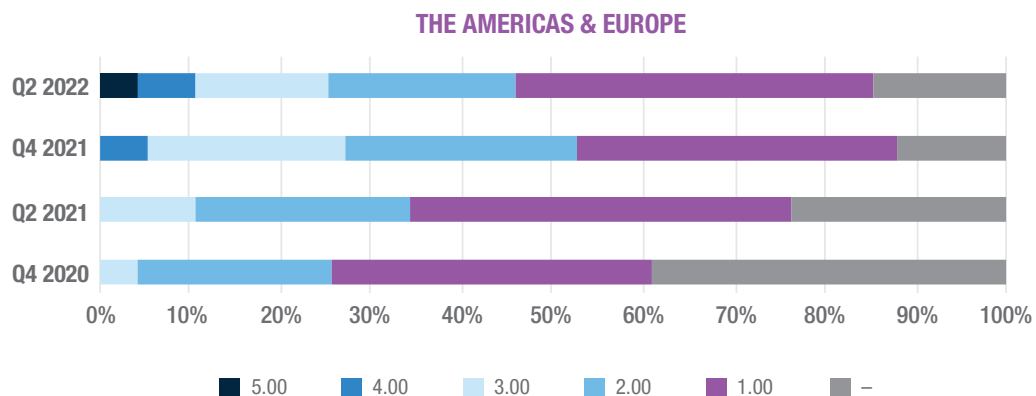


-0.23
 over 12 months

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



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



THE OUTLOOK: 2022 AND BEYOND



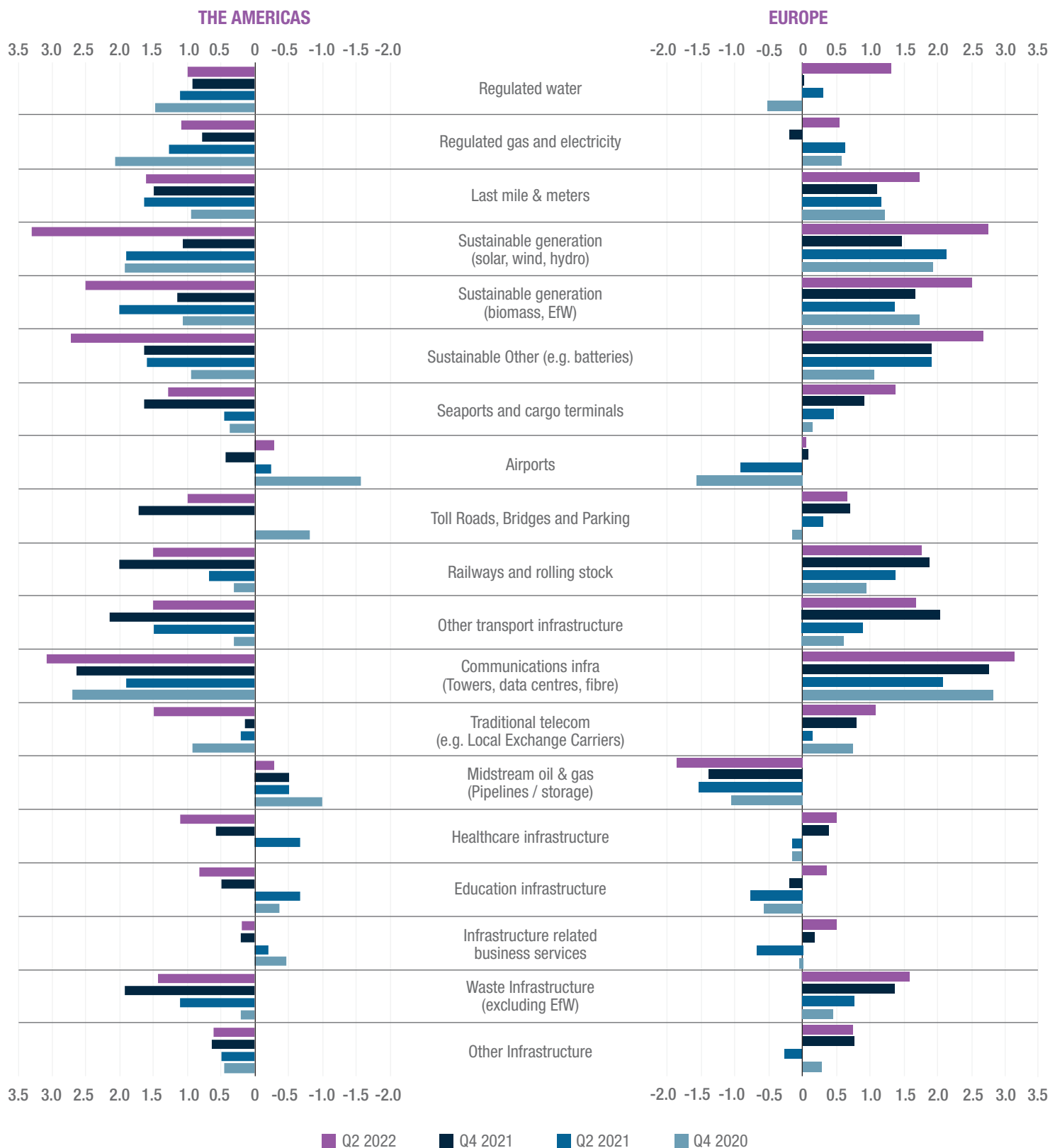
"Whilst we have flirted with pursuing some opportunities in Eastern Europe in the recent past, I'd get short shrift from the Investment committee in the current environment."

– EUROPEAN INVESTOR

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

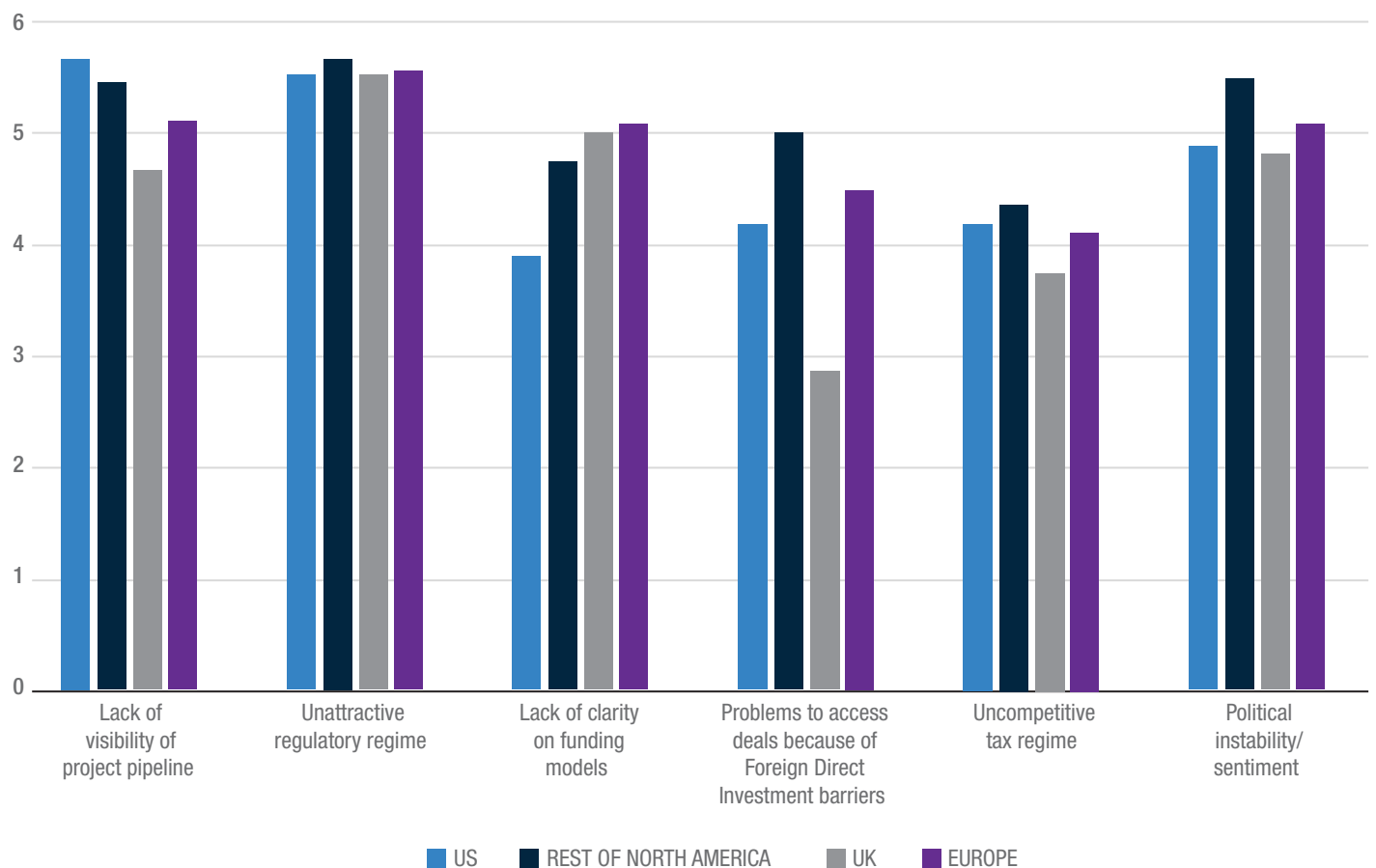


What is your / your fund(s) outlook for overall infrastructure opportunities for your fund(s) in the following sectors in the next 12 months? (-5: extremely unfavourable, 0: neutral, 5: extremely favourable)



BARRIERS TO INFRASTRUCTURE INVESTMENT

Which of the following do you view as the key barriers when looking to invest?



ESG AND THE ROAD TO NET ZERO

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

+0.8

THE AMERICAS

7.5

Q2 2022

6.7

Q4 2021

EUROPE

+1.0

8.0

Q2 2022

7.0

Q4 2021

Where do you see the greatest ESG challenge in the next one to two years? (1: least challenging, 5: most challenging)

THE AMERICAS

2.10

2.20

3.00

3.70

4.00

EUROPE

2.25

2.69

2.69

3.50

3.88

Ethical compliance

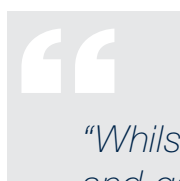
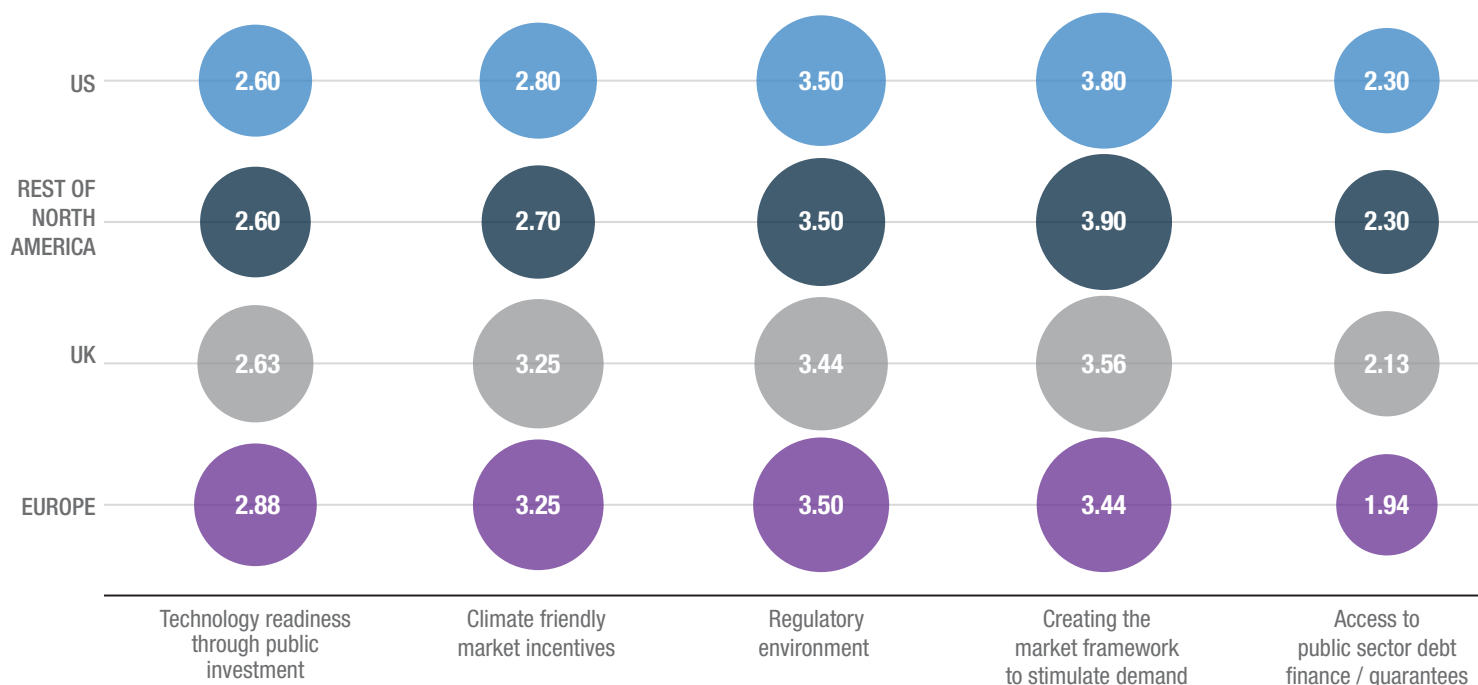
Safety

Diversity, equity and inclusion

Cybersecurity

Climate change

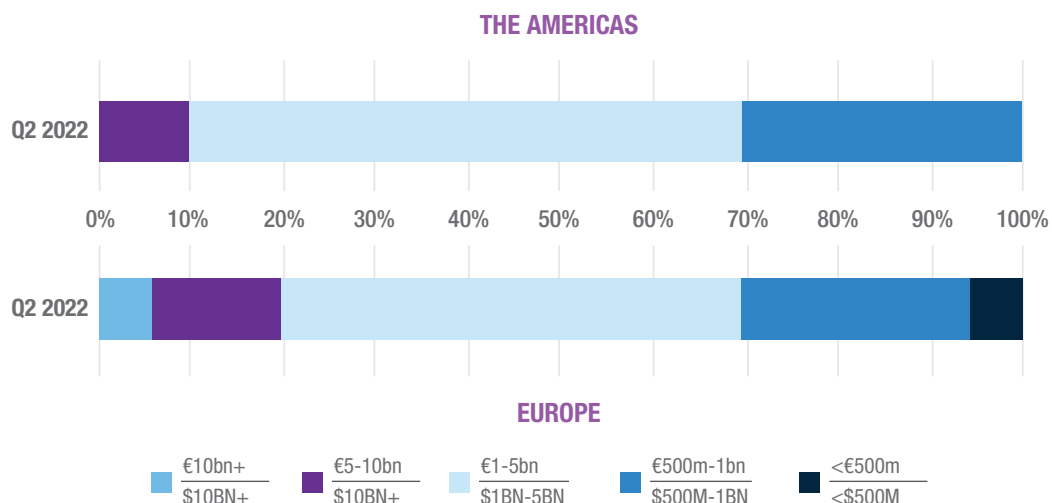
Which of the following do you think governments should be most focused on in order to encourage greater investment in clean energy/transport/digital at present? (1: least focus, 5: most focus)



"Whilst there are undoubtedly opportunities to generate strong returns in oil and gas, our LPs are increasingly assessing assets with an ESG lens, and we will not gain any kudos from them for pursuing such assets."

– EUROPEAN INVESTOR

How much investment do you expect to make in existing or new infrastructure assets over the next 5 years to achieve zero carbon emissions in your portfolio?





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 \$1tn in infrastructure assets under management across 66 countries.

www.giia.net



ABOUT ALVAREZ & MARSAL GLOBAL INFRASTRUCTURE INVESTORS GROUP

A&M's Global Infrastructure Investors Group helps infrastructure funds, corporates, private equity, sovereign wealth funds, and family offices with comprehensive infrastructure support to deliver strategic and practical bottom lines for maximizing the utilization and value of assets. From inception of fund structuring to deal execution, portfolio optimization, through project delivery and asset disposal, our unrivalled team of transaction experts is dedicated to providing an integrated breadth of service and senior leadership across the entire infrastructure investment lifecycle.

Our deep-rooted projects expertise, combined with reputable due diligence capabilities and operational excellence, are unparalleled within the transaction services market. We offer guidance on clients' most critical project challenges and drive performance in all areas of infrastructure investments, including acquisition and vendor due diligence, risk mitigation, capital efficiency, project execution, financial modelling and cost rationalization. With a global network of more than 3,000 private equity and capital projects professionals across the U.S., Europe, Latin America and Asia, our robust team is comprised of transaction advisory specialists, tax and accounting experts, engineers, former industry operators and C-suite executives, all armed with next-level infrastructure insights to guide you in your next deal.

www.alvarezandmarsal.com

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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 6,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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