



INFRASTRUCTURE PULSE EUROPE

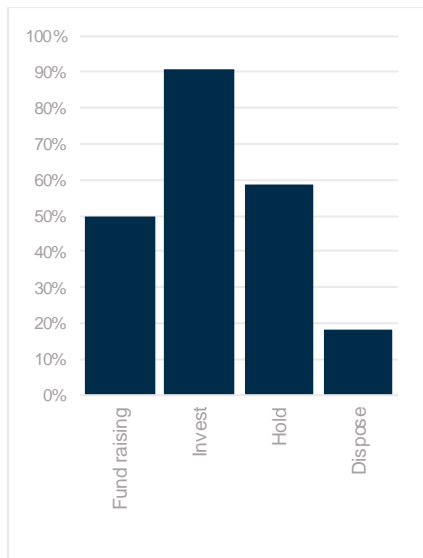
Q3 2020

KEY FINDINGS FROM Q3 2020 REPORT

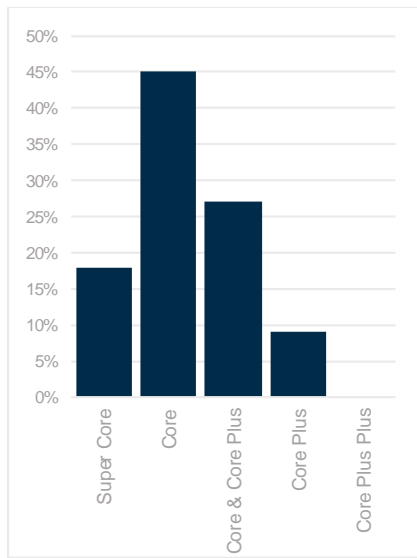
The Quarterly Infrastructure Pulse, compiled by Alvarez & Marsal in collaboration with the GIIA is a survey designed to provide a regular temperature check of sentiment in the sector and emerging trends. Against a backdrop of COVID-19, a number of interesting themes are noted in the Q3 2020 survey:

1. Whilst investor sentiment remains mixed, most respondents raising capital expressed a more positive view of the fund raising environment in Q3 compared to Q2. For those investing new capital, 80% of respondents indicated positive infra debt markets with a significant improvement noted relative to Q2.
2. Respondents indicated that the most positive regional outlook continued to be for the Nordics where positive sentiment increased compared to Q2, as local district heating opportunities attract fund attention. The UK and Ireland highlighted an improving outlook following a period of limited activity, with a number of big ticket deals expected in the near term including WPD and Wheelabrator. France and Benelux outlook also improved as the Veolia/Suez situation grabs headlines and brings potential “non-core” utility corporate disposals into the spotlight.
3. In terms of sector outlook, respondents were increasingly bullish about transactions in communications infrastructure (reflecting increased appetite for, and number of, opportunities in fibre, telco towers and datacentres) as connectivity remains critical as people work from home. Sentiment remained strong in the renewable generation, biomass and EfW sectors as evidenced by recent Nordic district heating activity, offshore wind processes and pending UK EfW/biomass deals. Predictably the most negative, and indeed increasingly negative, outlook was reserved for airport transactions. Outlook for utility transactions remained negative (water) / modest (gas/electricity) which may be indicative of pressure on allowed returns in recent / pending settlements, particularly in the UK, albeit the survey was concluded prior to the CMA’s draft determination which will improve outlook if replicated in its final determination.
4. Respondents were unequivocal that the most significant adverse impact on their portfolios of COVID-19 was in the transport space, particularly airports, with sentiment having deteriorated markedly in Q3, from an already low base in Q2, as the doomsday air travel scenarios of 6 months ago have become today’s reality. Respondents indicated an expected three to five year recovery period for airports, consistent with major airline recovery plans, and more than two years for other transport assets. Sentiment for non-transport sectors remained broadly consistent. The only sector with short-term yields noted as being positively impacted by COVID-19, with a more favourable impact noted compared to Q2, was the communications space.
5. ESG showed a positive development compared to Q2 demonstrating its increasing importance for investors, and their LP’s, and substantiating our view in our Q2 survey that COVID-19 will only accelerate the E and S agenda with a flow through to investment criteria. We are seeing an increasing number of funds requesting ESG due diligence as an option in transaction processes.

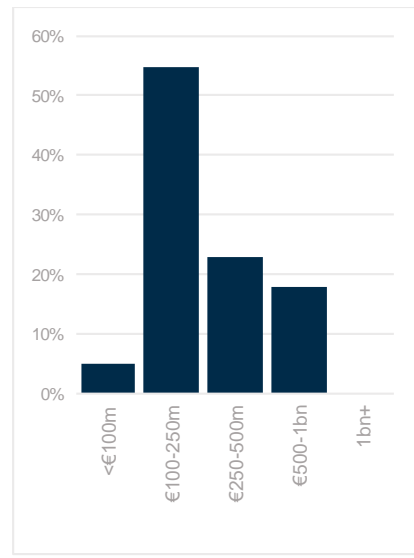
How would you describe your current focus?



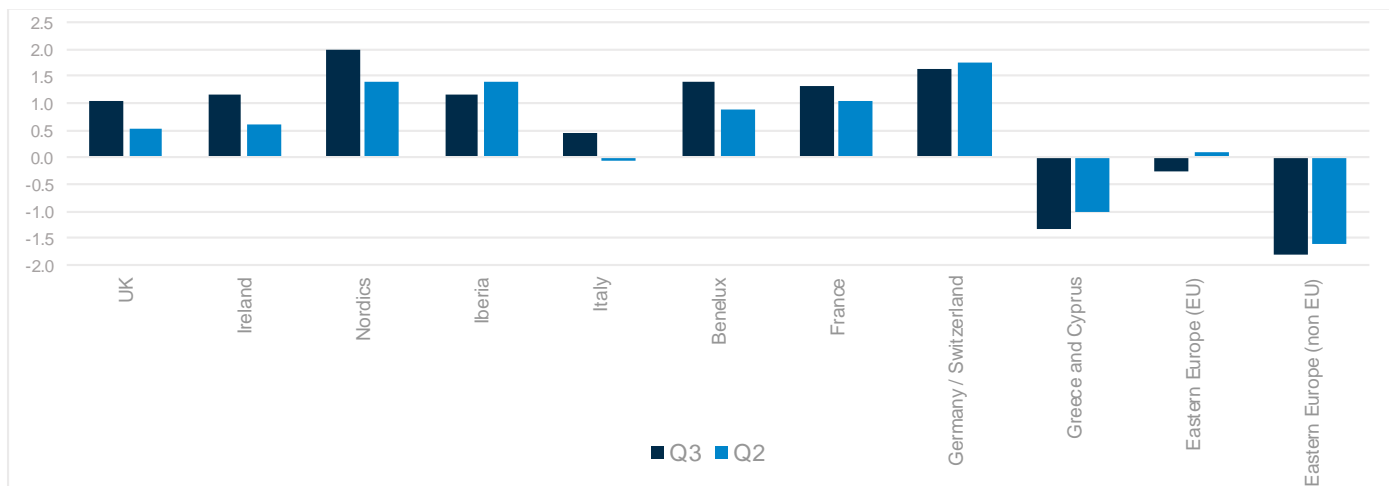
How would you describe your investment criteria?



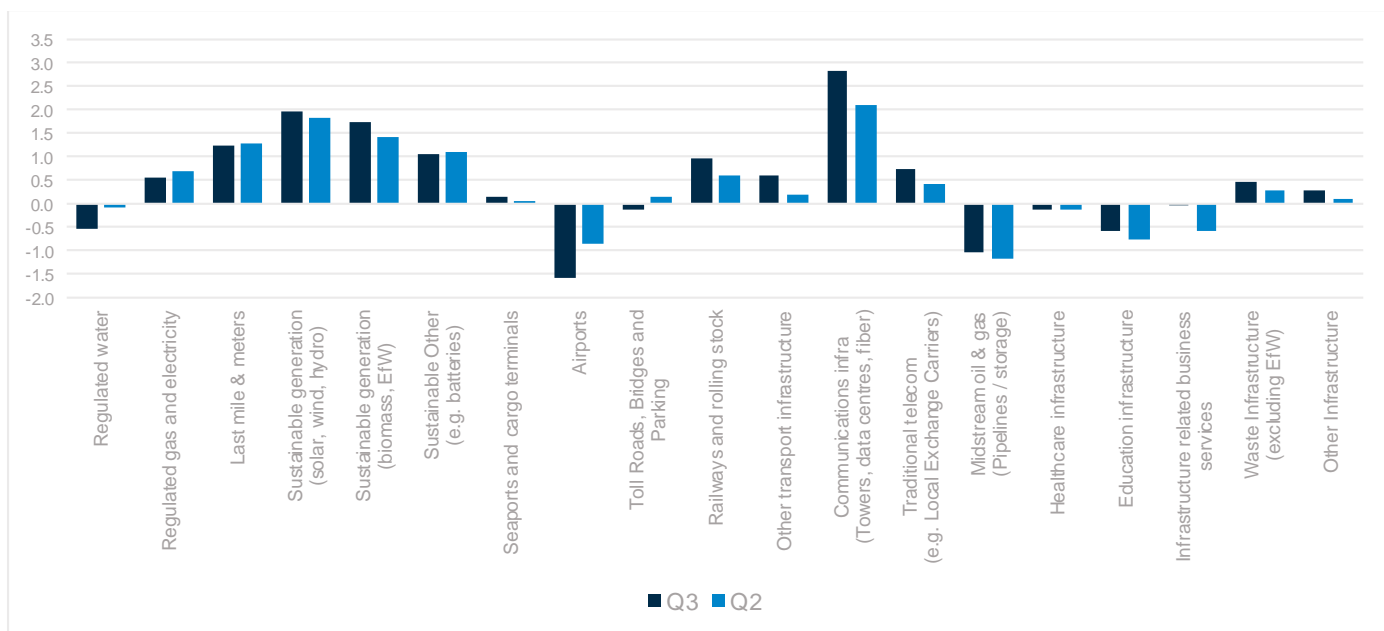
What is your target equity cheque?



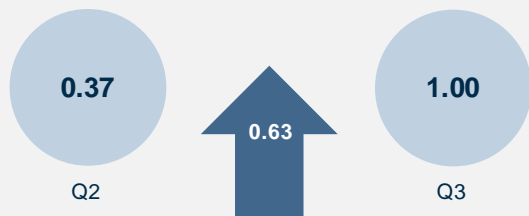
What is your outlook for the attractiveness of, and opportunities for, your fund(s) Infrastructure investment in the following countries in the next quarter? (Minus 5: extremely negative, 0: neutral, 5: extremely positive).



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).

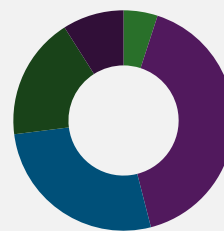


If fund raising how favourable is the current equity fund raising environment? (Minus 5: extremely unfavourable, 0: neutral, 5: extremely favourable, n/a if not fund raising).



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

- <€100m
- €100m-250m
- €250-500m
- €500m-1bn
- €1bn-2bn
- 2bn+
- n/a

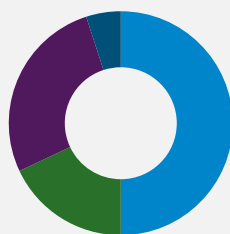


If deploying capital, how favourable do you consider the infra debt markets for current deals to be? (Minus 5: extremely unfavourable, 0: neutral, 5: extremely favourable).



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

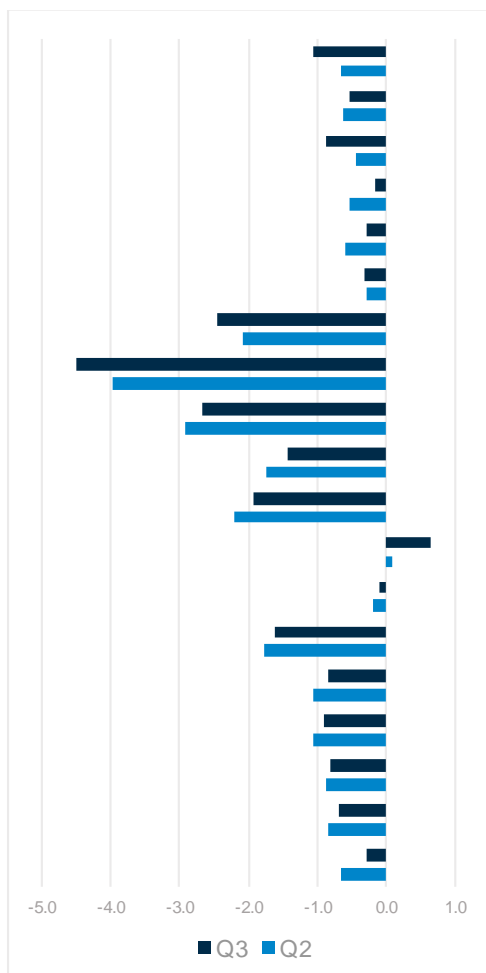
- 0
- 1
- 2
- 3
- 4
- 5



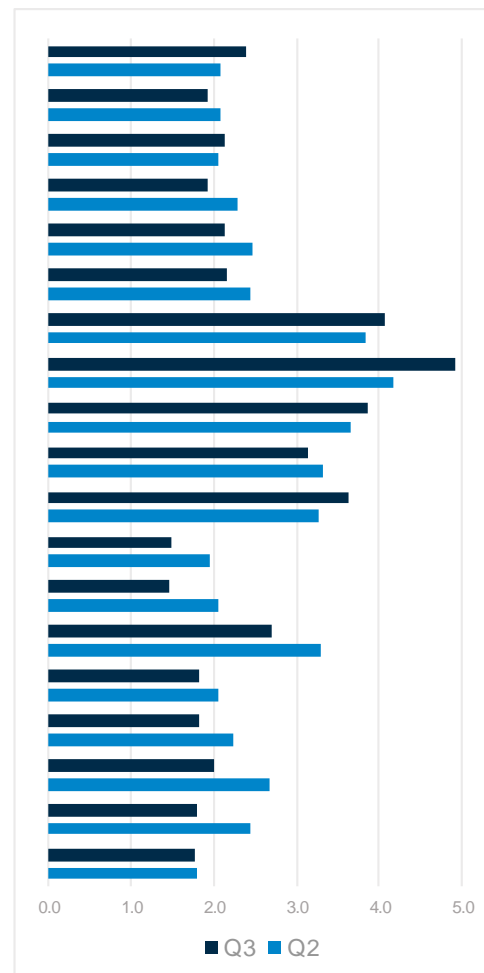
How important is ESG to your LP's and how strongly does it influence your investment decisions? (0: not considered, 5: one of a balance of factors, 10: the primary factor).



What is the anticipated impact of Covid-19 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.

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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.

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