



INFRASTRUCTURE PULSE EUROPE

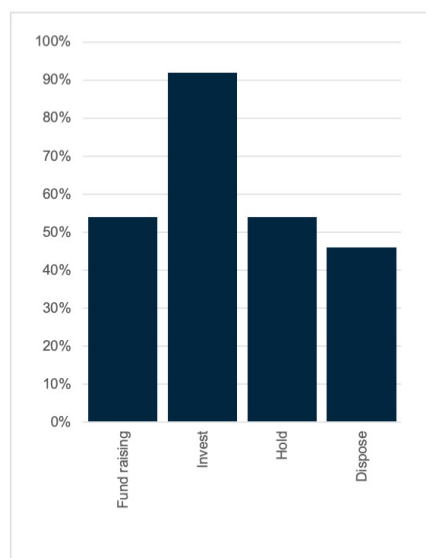
Q2 2021

KEY FINDINGS FROM Q2 2021 REPORT

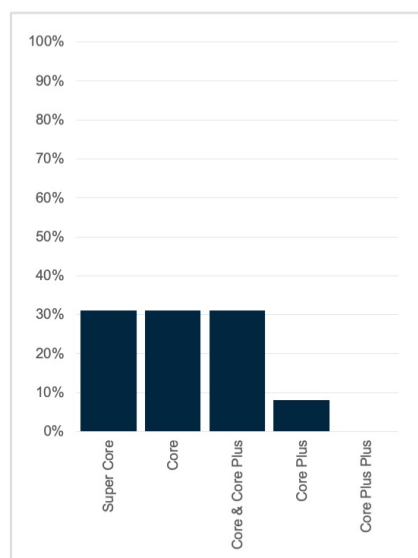
The Quarterly Infrastructure Pulse, compiled by Alvarez & Marsal in collaboration with the GIIA, is a survey designed to provide a regular temperature check of sentiment in the sector and emerging trends. Q2-21 marks the first anniversary and is a time to look back on how themes have developed since Q2-20 in a world dominated by the COVID-19 pandemic:

1. In the initial stages of the pandemic, the Q2-20 survey highlighted a fragile fund raising and infra debt environment. As the pandemic has become part of “business-as-usual” most respondents have expressed an increasingly positive view of fund-raising and for those investing new capital, all indicated increasingly favourable debt markets. More funds are looking to deploy larger amounts of capital and to realise one or more existing asset than at any time in the prior 12 months, supporting confidence in the Infra deal cycle.
2. In Q2-20 Brexit uncertainty and perceived “tough” regulatory settlements weighed heavily on UK investor confidence. Sentiment has rebounded strongly with big-ticket deals announced across smart metering, Energy from Waste (EfW) and utilities. Benelux, where investors have historically found more limited opportunities, has seen a marked increase in outlook with terminal and EfW assets likely to transact in 2021. The Nordics and Iberia have demonstrated the most resilient positive sentiment. District heating transactions have driven activity in the Nordics and investors continue to identify renewable opportunities in Iberia. While opportunities in the Nordics are less plentiful than in Q2-20 it remains an attractive geography.
3. Respondents have been consistently the most bullish about Communications infrastructure with an increased appetite for, and number of, opportunities in small and large-scale fibre roll out, ongoing major telco tower carve-outs and increasing demand for data storage. Communications is the only sector noted as benefitting from the pandemic with investors noting an increasingly positive influence on short-term yields.
4. The rise in the Sustainable Agenda has seen a continually improving outlook for renewable generation and “new” sustainable infrastructure (e.g. EV, batteries) and reduced appetite for carbon heavy assets. Respondents have indicated period on period that Environmental Social Governance (ESG) considerations have an increasing influence on investment decisions and many funds now require some degree of ESG due diligence as part of their investment process. Fewer funds are targeting midstream oil and gas which has seen increasingly negative sentiment over the last 12 months and a more select group of investors continuing to play in the sector.
5. Respondents have been unequivocal from the Q2-20 to Q2-21 survey that the most significant adverse impact on their portfolios of COVID-19 is related to their airport investments. Whilst outlook remains very challenging in the near term, there are signs of a modest easing in concerns around impact and timescale for recovery in the last year, as plans for COVID-19 passports and lifting of travel restrictions begin to unfold. Interestingly there has been a marked improvement in estimated COVID-19 recovery expectations for Seaports compared to Q2-20 with port volumes holding up better than initial expectations. Investors are expecting a quicker recovery of all non-airport transport assets now compared to their expectations in Q2-20. Transport sectors shielded from direct demand risk such as rail wagons and rolling stock have seen increasing activity levels, with the Ermewa transaction in France and stakes in UK and German anticipated to transact during 2021.

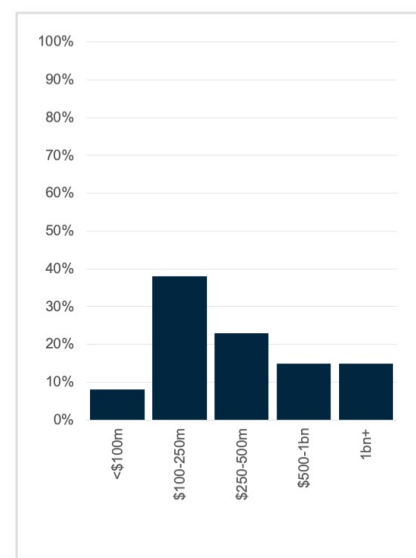
How would you describe your current focus?



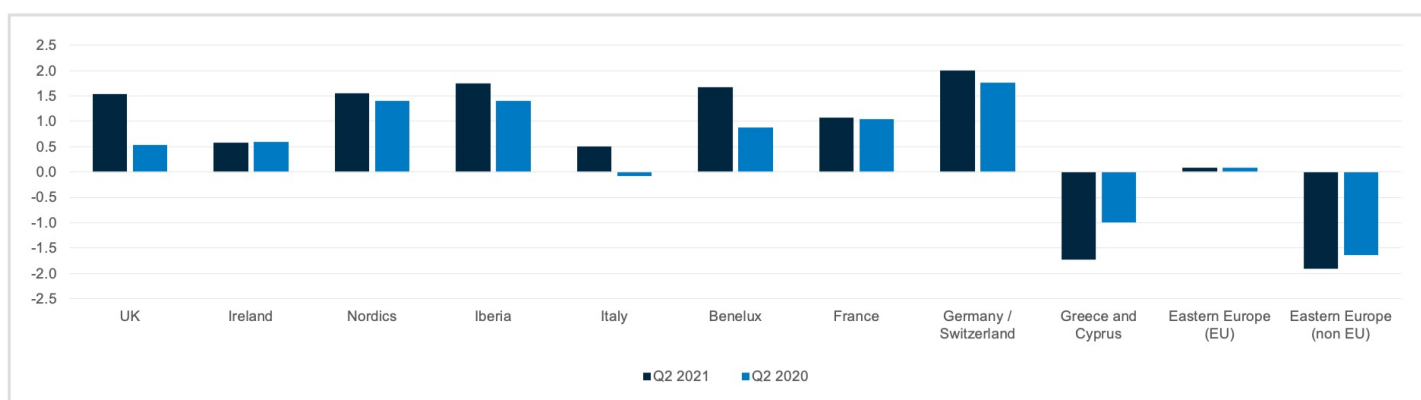
How would you describe your investment criteria?



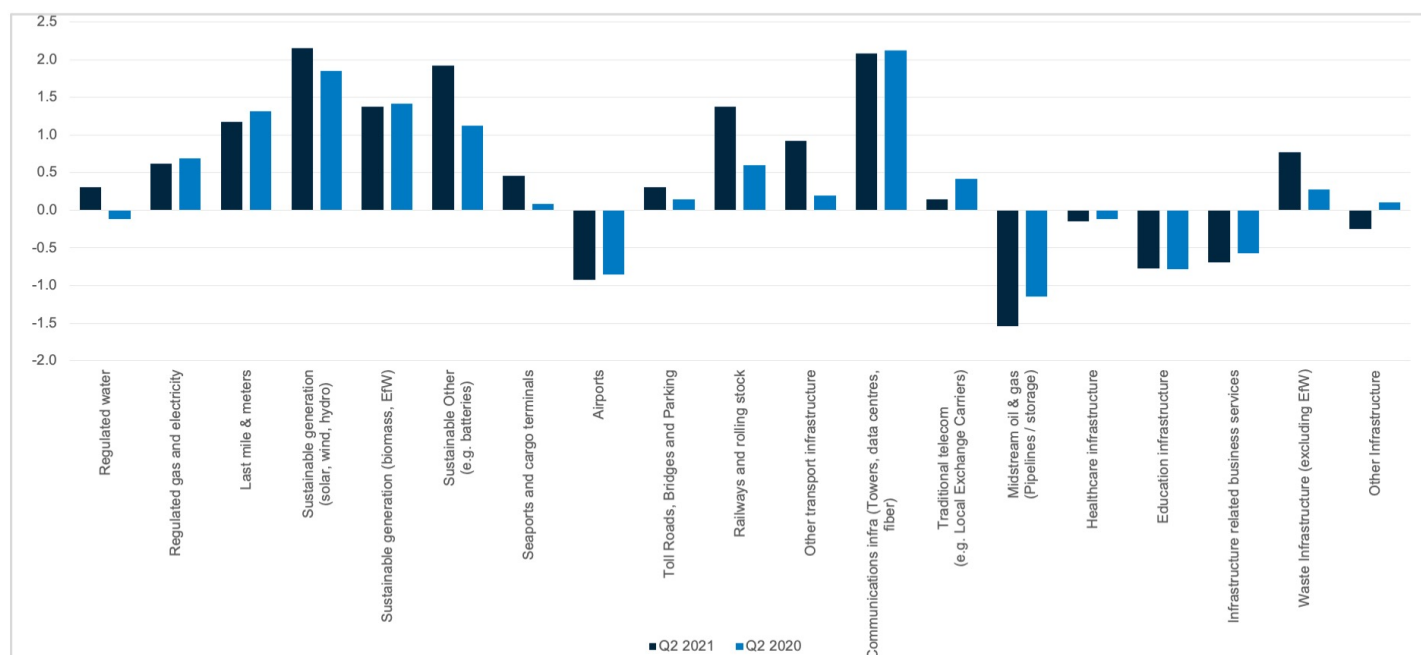
What is your target equity check?



What is your outlook for the attractiveness of, and opportunities for, your / your fund(s) Infrastructure investment in the following countries in the next quarter? (Please score using the following rating scale: -5 Extremely negative, 0 Neutral, +5 Extremely positive).



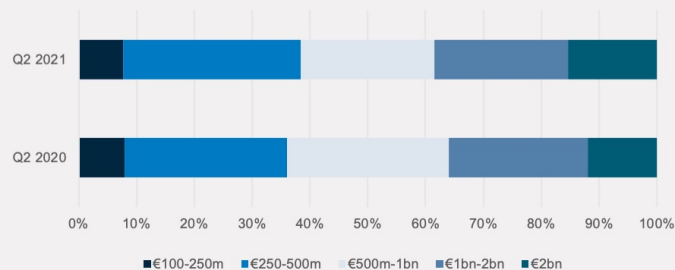
What is your / your fund(s) outlook for overall infrastructure opportunities for your fund(s) in the following sectors in the next quarter? (Minus 5: extremely negative, 0: neutral, 5: extremely positive).



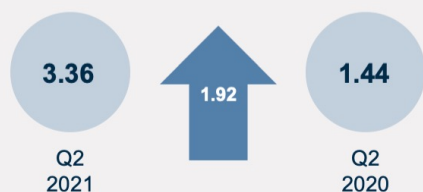
If fund raising, how favourable is the current equity fund raising environment? Please score using the following rating scale: -5 Extremely unfavourable, 0 Neutral, +5 Extremely favourable.



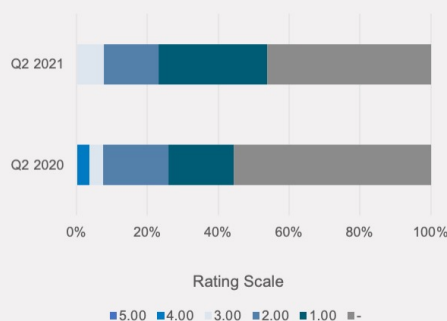
If deploying capital how much equity do you anticipate deploying in the next 12 months:



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).



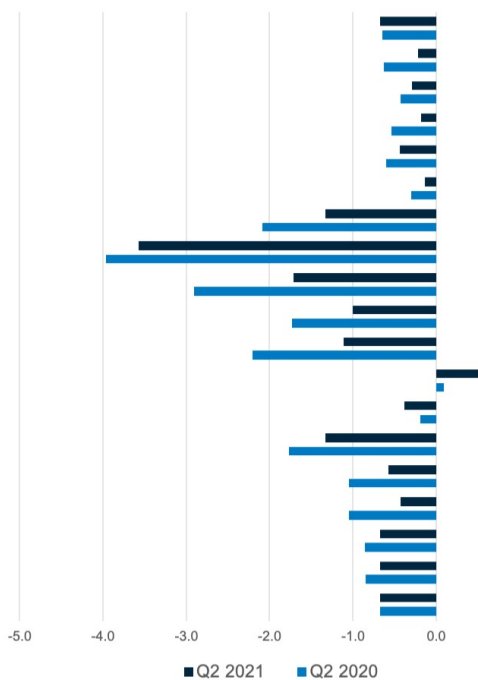
How many assets do you anticipate divesting in the next 12 months?



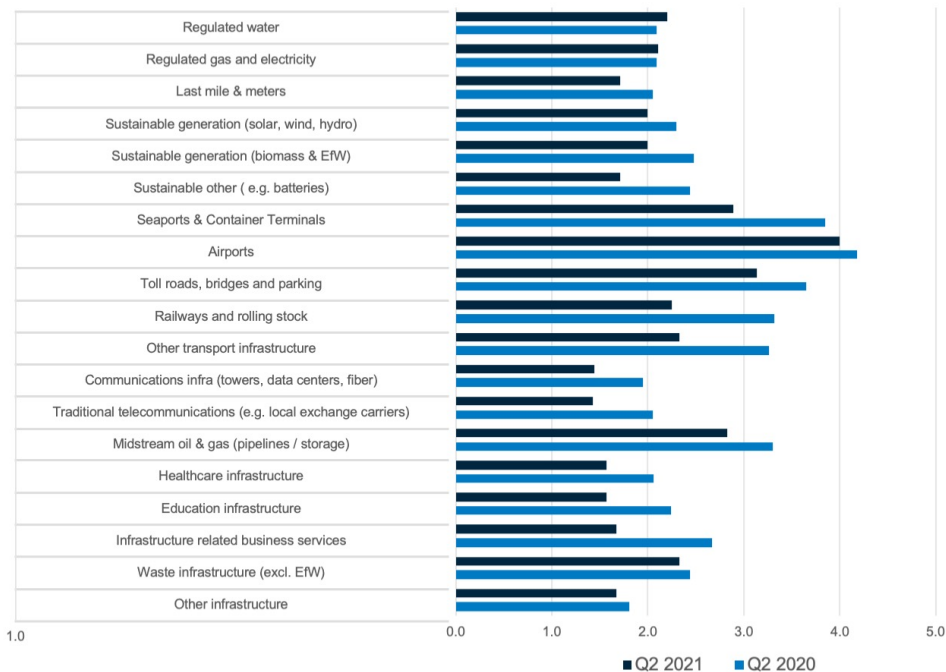
How important is ESG to you (or your LP's) and how strongly does it influence your investment decisions? (0 not considered, 5 Balance of factors, 10 Primary factor).



What is the anticipated impact of COVID-19 on your short term yield to investors from the following asset classes in your portfolio? Please score using the following rating scale: -5 Extremely negative, 0 Neutral, +5 Extremely positive.



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: anticipate ongoing negative impact).



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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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