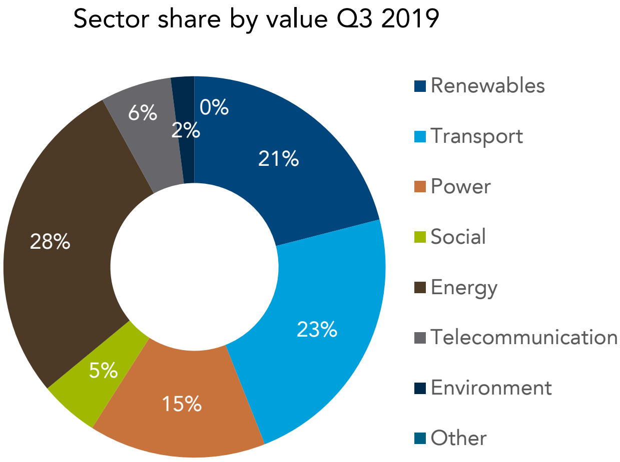
Infrastructure Debt Newsletter – Q3 2019

Global Infrastructure Q3 Overview

- In terms of deal flow and deal volume, the third quarter traditionally shows less activity than Q2, which is also the case for 2019
- Total global deal value is on the same level as 2018 with USD 414bn for 9M 2019 compared to USD 418bn for 9M 2018
- Globally, USD 216bn of the total USD 414bn have been financed by loans for 9M 2019
- Global total project finance volume fell from USD 160bn in Q2 to USD 114bn in Q3 2019. Q3 volumes in 2019 were down by -18% compared to Q3 2018
- By sector, Energy accounted for 28%, pushed by landmark transactions in the Oil&Gas market, followed by Transport with 23% and Renewables with 21%



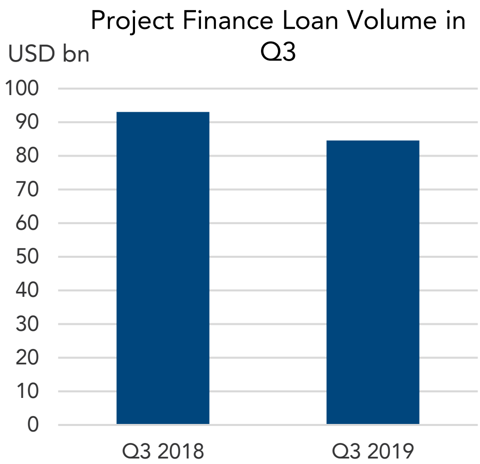


Figure 1: Sector Share and Global Project Finance Volume; Source: Inframation

Infrastructure Debt – Activity in detail

The EMEA market has been down by 13% with a deal value of USD 160bn in 9M 2019 compared to USD 184bn in 9M 2018. The EMEA market is dominated by the 3 sectors Transport, Renewables and Energy with 28%, 26% and 25% respectively. Bank loans were the main funding source of EU transactions for the period at USD 73bn. It is also clear that institutional investors' support to European deals is increasing every quarter, either through bond or loan format. Europe-wide, the number of infrastructure deals has been consistent over the past three years, with around 600 transactions recorded each year for the 9M period in 2017, 2018 and 2019. The overall value is still below last year, but this also reflects the fact that some major deals, such as BreBeMi (toll road Italy) and Barcelona Metro L9 (Spain), moved to Q4 of the year. Notable deals closed in Q3 have been the USD 5.9bn financing of Northern Marmara Motorway in Turkey as well as the USD 2.7bn financing of Saint Nazaire 480 MW offshore wind farm in France.

Prime Capital Infrastructure Debt Expertise

- Advice and support for infrastructure direct investments, portfolio strategy and sector allocation
- Management of mandates and funds with investment expertise in various jurisdictions and markets
- Access to leading European and global infrastructure finance banks for sourcing as well as direct lending activities
- Investments in Senior and Mezzanine debt

The North American market experienced an increase in the number of greenfield deals and a stable brownfield market in 3Q19 with the energy, power, renewables and transportation sectors showing the most activity. All in all, 392 transactions with a total volume of USD 117bn have been closed in the 9M 2019 compared to 340 deals and USD 107bn in 9M 2018. Leading sector was again Energy with 43% of total value, driven by the Oil&Gas sub-sector with Renewables following at 19% share.

The Asian market has been up 20% for 9M 2019 with a deal value of USD 61bn compared to USD 52bn for 9M 2018. This was the quarter in which, driven by the financial close of deals such as the USD 2.6bn Van Phong coal-fired power plant in Vietnam, the USD 1.9bn expansion of Bangalore International Airport and the USD 1.8bn development of the Jambaran-Tiun Biru natural gas field in East Java, Asia came to dominate the international market for new deals.

Case Study: Fiber Investments in Sweden

Ever-increasing growth in bandwidth demand as well as government connectivity initiatives, are driving fiber deployments and take-up by households and enterprises of all sizes. In an ever more connected economy combined with the political target of the Swedish government to guarantee 1 Gbit/s connectivity to 98% of all households and businesses by 2025, fiber investments are expected to stay at high levels.

The first driver of demand for fiber connections is the rapid increase in data generation, leading to a required technology shift from DSL to fiber in the B2C market. In the B2C market, approx. 95% of Swedish homes are expected to be passed by fiber, leading to an estimated subscriptions growth of 1.1M (~50%) by 2025, whereby 30% of

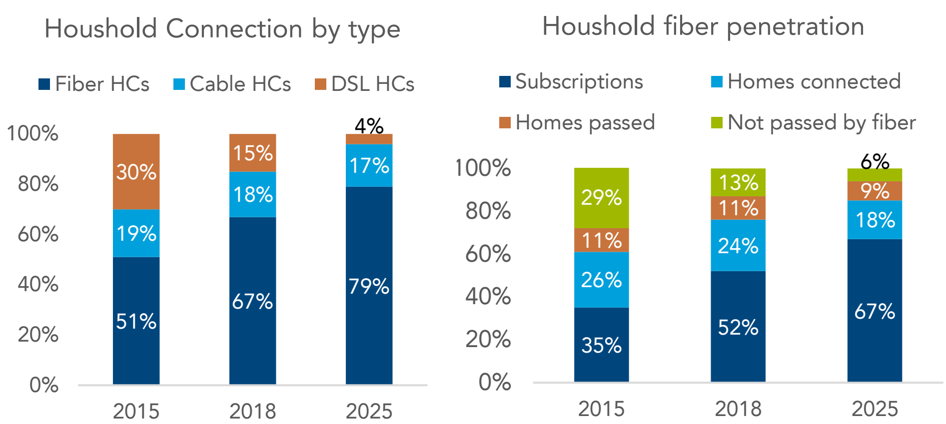


Figure 2: Drivers of B2C fiber demand; Source: PCAG Analysis

growth is to stem from further rollout of fiber and approx. 40% from increasing activation rates. Most of homes-passed growth is expected to transpire before 2021 while homes-connected and activation will continue to grow more steadily until 2025. In subscriptions, fiber will continue to take market share mostly from DSL, and less from cable, whilst the overall fixed broadband subscription base is expected to grow 2% p.a.

The second driver of demand for fiber connections is the continued growth in data and migration to cloud services, establishing the need for faster connections and more bandwidth in the B2B market, wherein large customers account for nearly 40% of the total market. In particular, the B2B market is expected to grow at 3-4% p.a. towards 2025, with rapid growth in colocation and steady growth in connectivity. Furthermore, expansions in colocation driven by increasing need for storage and computational capacity as well as data security needs and regulation play a critical role in the demand for fiber connections. Lastly, demand is driven by the size of customers, as when customer size increases, the ability to connect multiple locations increases the demand for cloud services and introduces a potential demand for extended colocation services.

This demand increase warrants investments in networks. Nevertheless, the market for fiber infrastructure is marked by high CAPEX in fixed assets and development risks, leading to a high concentration in the competitive landscape. In Sweden, the market is dominated by three large players (or municipal networks) representing approx. 83% of investments in the national fixed broadband infrastructure and covering nearly 90% of homes connected to fiber.

In line with these high CAPEX needs, the market is not easily entered for newcomers, combined with the significant construction and development risks an attractive risk/return profile can be achieved by such investments.

For 2020, two trends for investors are most significant. On the one hand, the EU's Green initiative further pushes green technologies. On the other hand, greenfield investors will focus on digital infrastructure in 2020.

With Prime Capital's access to experienced Sponsors and financing partners in the telecom market, these arising opportunities in 2020 are made investable for a broad range of institutional investors.

Further information about Prime Capital AG can be found on the web site www.primecapital-ag.com

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