PRIME CAPITAL

Infrastructure Debt Newsletter – FY 2019

Global Infrastructure FY 2019 Overview

- In terms of deal flow and deal volume, FY 2019 was at the same level as FY 2018
- Total global deal value for FY 2019 was USD 658bn compared to USD 651bn for FY 2018. Deal number increased from 2049 deal in 2018 to 2214 deals in 2019
- Globally, USD 409bn of the total USD 658bn have been financed by debt in 2019, which corresponds to a ratio of 62% and is on the same level as 2018
- In 2019, debt subscribed via capital markets increased from 13,6% in 2018 to 18,2% in 2019
- By sector, Energy accounted for 26%, pushed by landmark transactions in the Oil&Gas market in North America, followed by Transport with 24% and Renewables with 21%

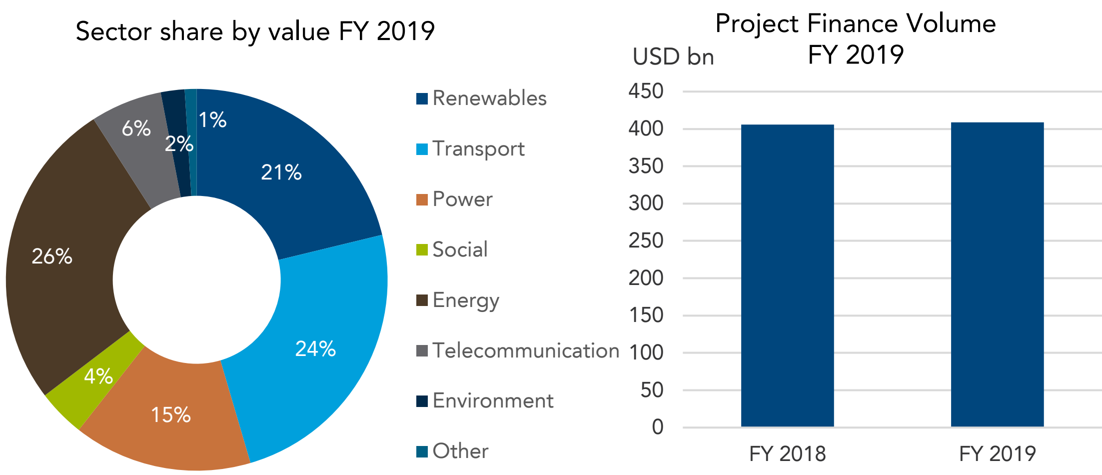

Figure 1: Sector Share and Global Project Finance Volume; Source: Inframation

Infrastructure Debt – Activity in detail

In 2019, Europe remained the largest market with a total of USD 221.81bn invested across the continent's 927 infrastructure deals. In 2018 Europe attracted USD 268.35bn of investment in its infrastructure. So while 6% more deals got closed, investment in European infrastructure actually fell by nearly 19%. In fact, the only thing which has kept Europe ahead of a rising North American infra market was the refinancing market, which rose by well over a third for European infra. In numbers, Europe's refinancing market, fueled by persistently low interest rates, increased by 35% year-on-year and has now doubled in size compared to 2016, reaching USD 88.6bn across all sectors. Especially Q4 showed increased activity, which finally pushed the level of 2019 investment's to a similar level as in 2018. Notable deals closed in Q4 have been BreBeMi (toll road Italy) and Barcelona Metro L9 (Spain) in the transport sector as well as the Exxon Asset Sales in Novemebr in Norway (total USD 10bn) and the acquisition of German Chemicals company Currenta by MIRA (total USD 3.86bn).

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 deals from 492 in 2018 to 581 in 2019. In terms of value, deal in the amount of USD 199bn have been closed in 2019 compared to USD 148bn in 2018. Especially high activity in the sector Energy, which includes the Oil and LNG sub-sector supported the North American infra deal market significantly. Ca 53% of the total volume of USD 199bn have been finance by debt with USD 80bn been provided by loans and USD 26bn by capital market issuance. While in 2018 the Energy sector made up for 31% of the total market, it reached 42% in 2019, clearly shaping the North American infra market in 2019. Whereas Transport, Power and Telecoms did not see big changes from 2018 to 2019, the Renewables market only comprises 19% in 2019 compared to 29% in 2018.

The Australasian market has seen 325 deals in 2019 with a total volume of USD 133bn and thus is up 5% for compared to USD 127bn in 2018. While on the Asian mainland Power and Renewables deals make up for ca. 50% of the market in 2018 and 2019, the Australian and New Zealand market was dominated by the transport sector (33%) and Social Infra (19%) in 2019. Notable deals in Q4 2019 have been the USD 2.5bn Sydney Metro deal as well as the Coal-Fired plants in Jharkhand and Godda in India (total USD 4bn).

Case Study: European District Heating

A district heating and cooling network is a centralized heat distribution system that conveys overheated water through the city. It is a closed circuit that provides the energy needed for heating and hot water in large urban areas, whether to industrial sites, social infrastructure, housing or tertiaries. A district cooling network can be seen as the opposite of a district heating network in terms of direction: it evacuates heat from the building to the boiler room, allowing the air conditioning of the connected buildings.

In general, centralised networks are district heating networks which provide higher efficiencies and thus more sustainable energy than localized boilers. Subsequently, prices are below all other alternative options (ca. 7% vs. collective gas boilers – condensation; 40% vs. individual heat pumps). Furthermore, customers profit from a high flexibility in contracts, comfort through uninterrupted supply and reliable service and safety standards.

In terms of energy source, natural gas is still dominant as feedstock supply for networks. However, as a result of Europe's commitment to a greener energy model and the subsidies available, the share of renewal energy in District Heating is growing. Indeed, in France for example the average rate of green energy of these heating networks is at 56% in 2017 and is expected to reach 70% by 2030 even as the volume of District Heating generation increases. In 2017, already 83% of the networks in France were supplied, in part or in full, with renewable energies. More especially, the share of biomass (at 22%) has risen sharply since 2009 (+ 19%).

European governments are supporting construction of new and green District Heating networks, such as the UK government with its new Heat Networks Investment Project. This project already made available GBP 320m from the public sector through the Department for Business, Energy and Industrial Strategy. The second part of HNIP is the private capital part. In addition to applying for some of the government's GBP 320m, the scheme developers can also apply for private sector capital – largely in the form of infrastructure funds.

With Prime Capital's access to experienced Sponsors and financing partners in the district heating market, these arising opportunities 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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