

Key factors of successful infrastructure financing:

The importance of IFI involvement

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European Bank
for Reconstruction and Development



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Introduction



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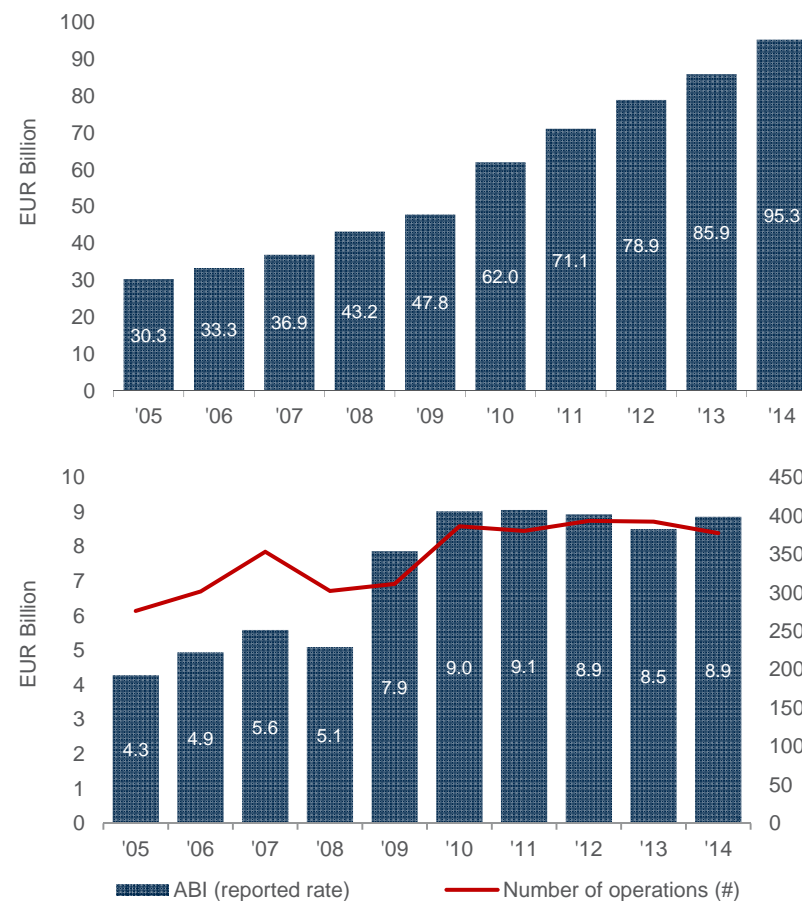
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pour la Reconstruction et le Développement

Introduction

What is EBRD?

- International financial institution, promotes transition to market economies in 35 countries from central Europe to central Asia
- In 2011, the Bank expanded its operations to include [Egypt, Morocco, Tunisia and Jordan](#) (Southern and Eastern Mediterranean – SEMED region)
- In 2014, the EBRD welcomed [Cyprus and Libya](#) as a recipient country and member respectively.
- Owned by 65* countries and two inter-governmental institutions
- Capital base of **EUR 30 billion**
- Triple-A rated multilateral development bank
- Invested nearly EUR 100 billion in more than 4,000 projects since 1991
- Results in 2014:
 - i. EUR 8.85 billion invested in 377 projects
 - ii. Private sector accounted for 70% share

Cumulative business volume of EUR 95.3 billion as at end of 2014





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Introduction

Where do we invest?



WHERE WE INVEST

Central Europe and the Baltic states

- 01 Croatia
- 02 Estonia
- 03 Hungary
- 04 Latvia
- 05 Lithuania
- 06 Poland
- 07 Slovak Republic
- 08 Slovenia

South-eastern Europe

- 09 Albania
- 10 Bosnia and Herzegovina
- 11 Bulgaria
- 12 Cyprus
- 13 FYR Macedonia
- 14 Kosovo
- 15 Montenegro
- 16 Romania
- 17 Serbia

Eastern Europe and the Caucasus

- 18 Armenia
- 19 Azerbaijan
- 20 Belarus
- 21 Georgia
- 22 Moldova
- 23 Ukraine

Central Asia

- 24 Kazakhstan
- 25 Kyrgyz Republic
- 26 Mongolia
- 27 Tajikistan
- 28 Turkmenistan
- 29 Uzbekistan

Southern and eastern Mediterranean

- 30 Egypt
- 31 Jordan
- 32 Morocco
- 33 Tunisia

34 Greece

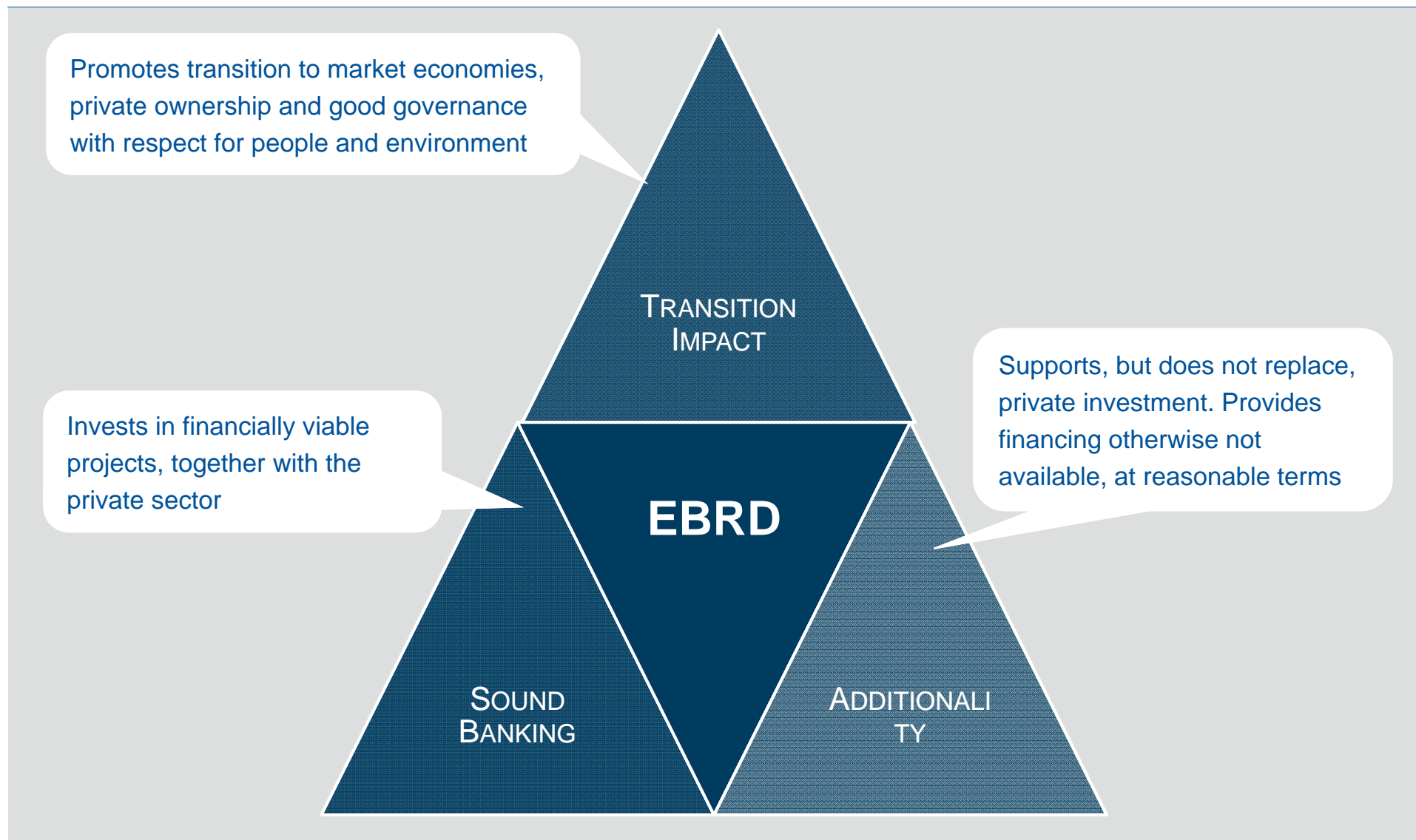
- 35 Russia**
- 36 Turkey**



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Introduction

Mission and Vision

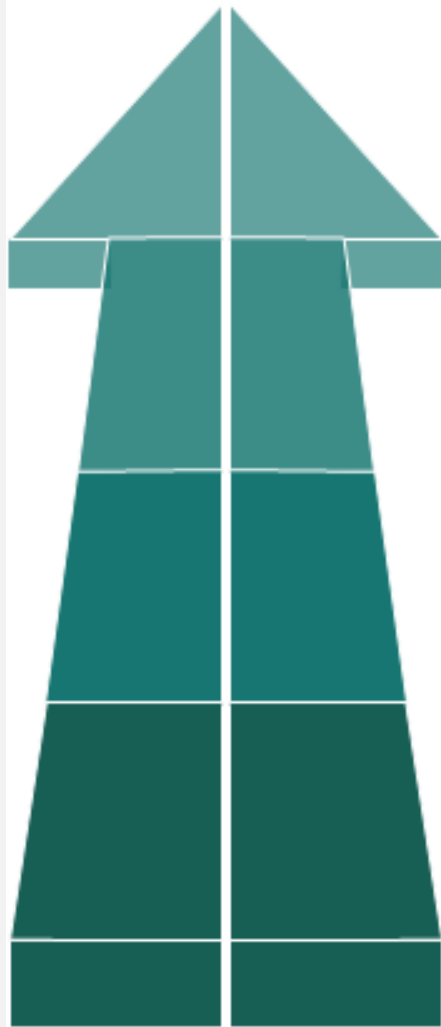




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Benefits of working with us

EBRD's Value-Added: a unique offering



- Strong, internationally recognised partner with long term perspective
- Higher risk appetite than other lenders
- Long established policy dialogue with Government and Regulators
- Unparalleled presence in the region provides mitigation of political and regulatory risks
- Preferred creditor status in all countries of operations
- Catalyst to access additional finance (every EUR 1 financed by EBRD mobilises EUR 1.6 from other sources¹)
- Flexible deal structure and product matching services
- Dedicated team with expertise in a variety of sectors and countries
- Donor-funded technical assistance available for economically viable sustainable development projects



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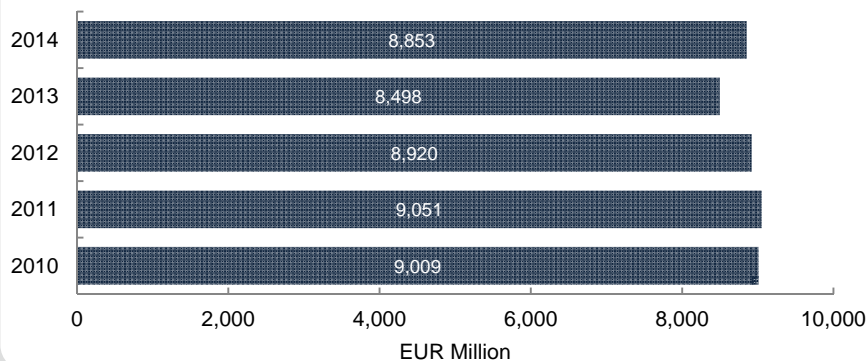
Introduction

Snapshot

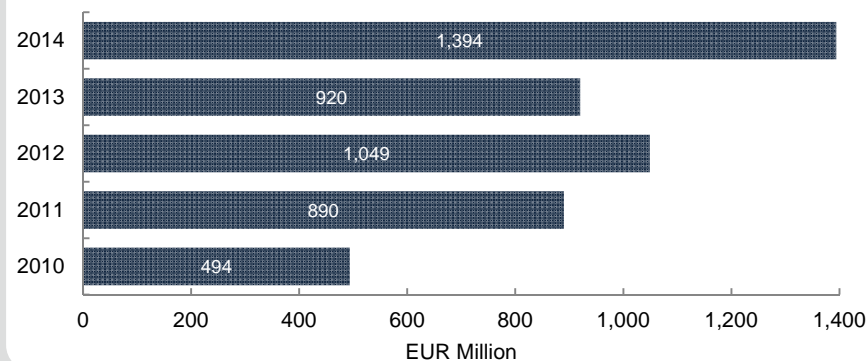
EBRD	December 2014
Number of projects to date	4,188
Net cumulative Bank investment	EUR 95,304m
Private Share of cumulative investment	79 per cent

EBRD TURKEY	December 2014
Number of projects to date	140
Net cumulative Bank investment	EUR 4,962m
Private Share of cumulative investment	95 per cent

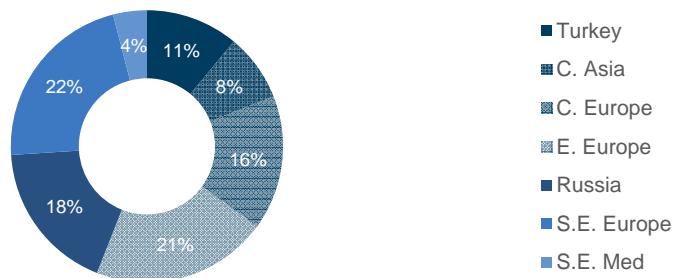
THE BANK'S INVESTMENT



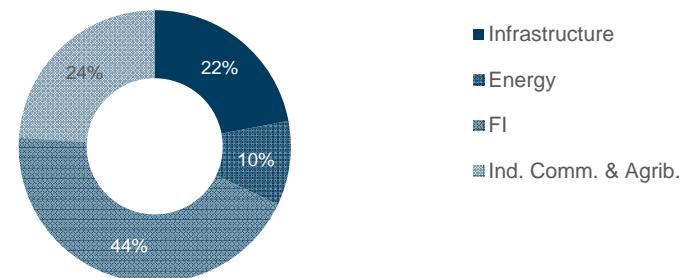
THE BANK'S INVESTMENT IN TURKEY



EBRD PORTFOLIO COMPOSITION



EBRD TURKEY PORTFOLIO COMPOSITION



Transport



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Transport

Transport at a glance

- EUR 12.5 billion invested
- Total project value: EUR 47.5 billion
- 255 projects
- 30 of the EBRD's countries of operation

Transport Team is part of EBRD Infrastructure Business Group with over 30 banking and sector professionals. Headquartered in London, with dedicated sector coverage bankers in local EBRD resident offices.

Dedicated in-team specialists to support project needs including procurement, sustainable strategies and monitoring.

EBRD offers banking services (debt and equity) to clients across every transport mode: railways, maritime, aviation and roads.

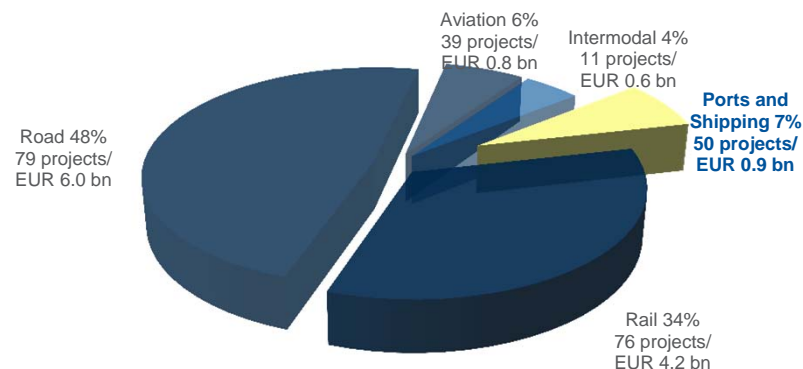


Mersin International Port, Turkey
Port Deal of the Year (MEA)

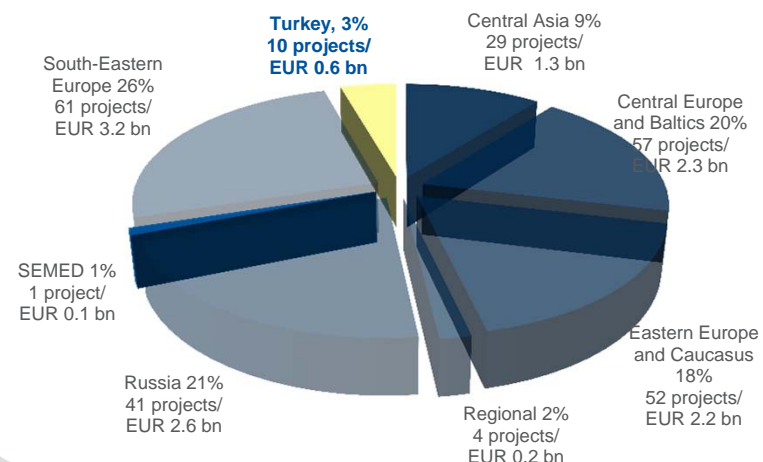


DCT Gdansk, Poland
Port Deal of the Year (Europe)

PORTFOLIO BY SECTOR



PORTFOLIO BY REGION



Instruments for infrastructure financing



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Instruments for infrastructure financing

Extensive offer of tailored Instruments for infrastructure financing

DEBT

DEBT INSTRUMENTS

- Loans to the private sector (up to 35% syndicating the rest), including SME
- Debt co-financing, working with commercial banks and IFIs
- Project finance loans (incl. PPP)
- Hard/local currency. Fixed/floating rates
- Syndication under preferred creditor status

DEBT FUNDAMENTALS

Project finance:

A-loan (maximum 25-35% of project costs), Mid and long-term tenures

Limited recourse to Sponsor

Existing company:

Senior loan & mezzanine financing

Secured by local assets

Limited options for local currency financing

EQUITY

EQUITY INSTRUMENTS

- Investing with majority sponsor to reduce equity burden and add partnership value. No more than 25%
- Common or preferred stock
- Privatisation and initial public offering (IPO)
- Mezzanine equity
- Infrastructure funds
- PPP

EQUITY FUNDAMENTALS

Majority shareholding + management control

Full equity participation:

EBRD has a put option (of project entity shares) to the Sponsor

Sponsor has a call option

Project finance:

EBRD equity is possible (small percentage of loan amount)

PROJECT ENTITY

EBRD brings in additional financial capital and technical assistance (Technical Cooperation) to economically viable projects.



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Instruments for infrastructure financing

The Bank's debt financing

FLEXIBLE LOAN FACILITY

project finance, corporate loan, bond (corporate, project, revenue)

- senior, subordinated, mezzanine, convertible debt
- tranching disbursements, if required
- minimum amount of EUR 5 million (may be lower in selective cases)
- fixed or floating rate
- denominated in major foreign or some local currencies
- long-term maturities, up to 15 years (or more depending on CFs)
- project-specific grace periods where necessary
- sculpted repayment schedules can also be considered

PROJECT STRUCTURE

total debt package usually up to 2/3rd of the total investment cost on project finance basis, including EBRD financing of up to 1/3rd of the total investment cost.

CO-FINANCING

EBRD can partner with other banks, as part of a club or parallel lender and can mobilise other co-lenders including commercial banks (under a B-loan structure if needed), government agencies, bilateral financial institutions, export credit agencies, other IFIs

PRICING

market-based, depending project and country risk

OTHER TERMS

inter alia insurance, security, environment & social, procurement

REPAYMENT

equal, semi-annual or quarterly instalments unless sculpted



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Instruments for infrastructure financing

The Bank's equity financing

EQUITY AND QUASI-EQUITY INSTRUMENTS:

- ordinary shares, listed or unlisted
- subordinated and convertible loans
- income notes
- redeemable preference shares
- private placement of share issues by public or privately owned enterprises
- equity funds

CO-INVESTMENT EQUITY FACILITY:

- unified structure and key terms for all countries agreed upfront
- template documents agreed upfront and signed in each case for each project
- pre-agreed exit strategy (put option)

Amount: minority stake (typically around 20%)

Pricing and exit: pure equity or portage

Pre-agreed exit strategy (put option):

multiple-based exit valuation adjusted for the final structure (equity/portage), e.g. IRR expectation on pure equity in the range of 15-25%

Case studies



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Case Studies

The Bank invests in a broad range of Transport projects



Road

Road rehabilitation and construction of new highways, secondary and rural roads, by-passes, maintenance equipment and contracting, toll-motorway construction and operation



Rail

Rehabilitation, maintenance and construction of rail infrastructure (track, signaling, power supply, civil structures), rolling stock, maintenance and ancillary facilities



Ports & Shipping

Rehabilitation and construction of port infrastructure (berths, quays, land access), superstructure (warehouses, gantries), inland waterways, and vessels (acquisition and retrofitting)



Logistics & Intermodal

Construction of intermodal terminals & logistic centres, fleet and equipment, support to intermodal operators



Aviation

Rehabilitation and construction of airport infrastructure and terminals for passenger & cargo, airline finance, air navigation services (ANS)



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Case Study

Asyaport, Turkey



CLIENT: Asya Port

EBRD FINANCE: USD 92 million

TYPE OF FINANCE: Senior Loan



TOTAL PROJECT COST: USD 391 million

YEAR: 2013



PROJECT DESCRIPTION: Financing the construction and operation of the deep sea container terminal, located in Barbaros, Tekirdag

IMPACT:

- Promoting growth in containerisation and development of logistics services in Turkey and the Black Sea region and drive development of transshipment activities in the region.
- Fostering greater competition in the domestic Turkish port sector and will reduce existing bottlenecks and improve the quality of port services in the Bosphorus.
- Promoting commercial behaviour in the sector in general and the adoption of the highest technical and management standards.





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Case Study

Turkey's First Infrastructure Bond – Mersin International Port



CLIENT: Mersin International Port
EBRD FINANCE: USD 79.5 million / EUR 61.2 million

TYPE OF FINANCE: Eurobond



TOTAL PROJECT COST: USD 737 million / EUR 690 million

YEAR: 2013

PROJECT DESCRIPTION:

- Financing part of the capital investment programme for the capacity expansion of Mersin Port and optimisation of the Company's long debt financing



IMPACT:

- Demonstrating new ways of financing infrastructure through participation in the debut bond issue by an infrastructure company
- Contributing to improvement in the quality and variety of port services, expansion of the product offering by the Company, and encouraging further development of regional port hubs as well as increased transshipment
- Strengthening competitive position of Mersin port with respect to its main competitors in the Eastern Mediterranean



Industry Recognition 2013
Port Deal of the Year (MEA)





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Case Study

ER Deniz, Turkey



CLIENT: ER Denizcilik

EBRD FINANCE: USD 37.6 million

TYPE OF FINANCE: Senior loan



TOTAL PROJECT COST: USD 78.5 million

YEAR: 2012

PROJECT DESCRIPTION: Post-delivery financing of two supramax vessels and one handysize vessel as part of the Company's fleet renewal programme



IMPACT:

- Improvement of energy efficiency and monitoring of greenhouse gas emissions in shipping operations
- Demonstration effect of corporate governance improvement in the sector through maintaining its fleet operations in compliance with the IMO regulations, implementing annual IFRS audits of the Group operations on a combined basis, and obtaining the necessary environmental and safety certifications



The project supports ER Group's efforts to renew its existing fleet with more energy efficient vessels. The operation also supports the introduction of the Green House Gas accounting and monitoring system by the group as well as improvements in its corporate governance.





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Case Study

Globalports, Russian Federation



CLIENT: Globalports
EBRD FINANCE: USD 70.0 million (2.98% stake)
TYPE OF FINANCE: Equity (IPO on the London Stock Exchange)



TOTAL PROJECT COST: USD 588.0 million

YEAR: 2009

PROJECT DESCRIPTION: Capital investments for replacing older equipment with more environmentally friendly and energy efficient versions



IMPACT:

- Expansion to eliminate bottlenecks in the sector and make terminal services accessible to more customers
- Role of the private terminals in the network
- Demonstration effect of energy efficiency investments, corporate governance strategies and new ways of financing activities



Globalports will bring significant demonstration effects of energy efficient investment plans and energy management in the sector, in addition to expanding capacity of the system.



globalports™





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Case Study

Transshipment Hub, Lithuania



CLIENT: LK AB Klaipėdos Smeltė, a subsidiary of Terminal Investment Ltd (Mediterranean Shipping Company Group)

EBRD FINANCE: EUR 32.5 million

TYPE OF FINANCE: Senior loan



TOTAL PROJECT COST: EUR 65 million

YEAR: 2012



PROJECT DESCRIPTION: The expansion of the container handling operations at Klaipėda Port will transform the terminal into a transshipment hub, reducing transport costs and enabling regional trade to expand further

IMPACT:

- Support for competitive private sector activity in the port sector in the Baltics, including new transshipment activities and increase of container handling capacity
- Reduction of transport costs and increased efficiency in the movement of goods. New transport routes are expected to save more than 50 ton CO2 p.a.
- Introduction of new products and technologies for the operation of the new terminal with the highest standards of energy efficiency



The transformation of Klaipėda into a major regional transshipment hub will reduce transport costs, facilitate trade and help to reduce carbon emissions.



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