

# P3s for Port-Controlled Energy Cargo Facilities: An Equity Investor Perspective

- What We Look For
- Alternative Deal Structures
- Investment Criteria
- Getting to Win-Win

presented by

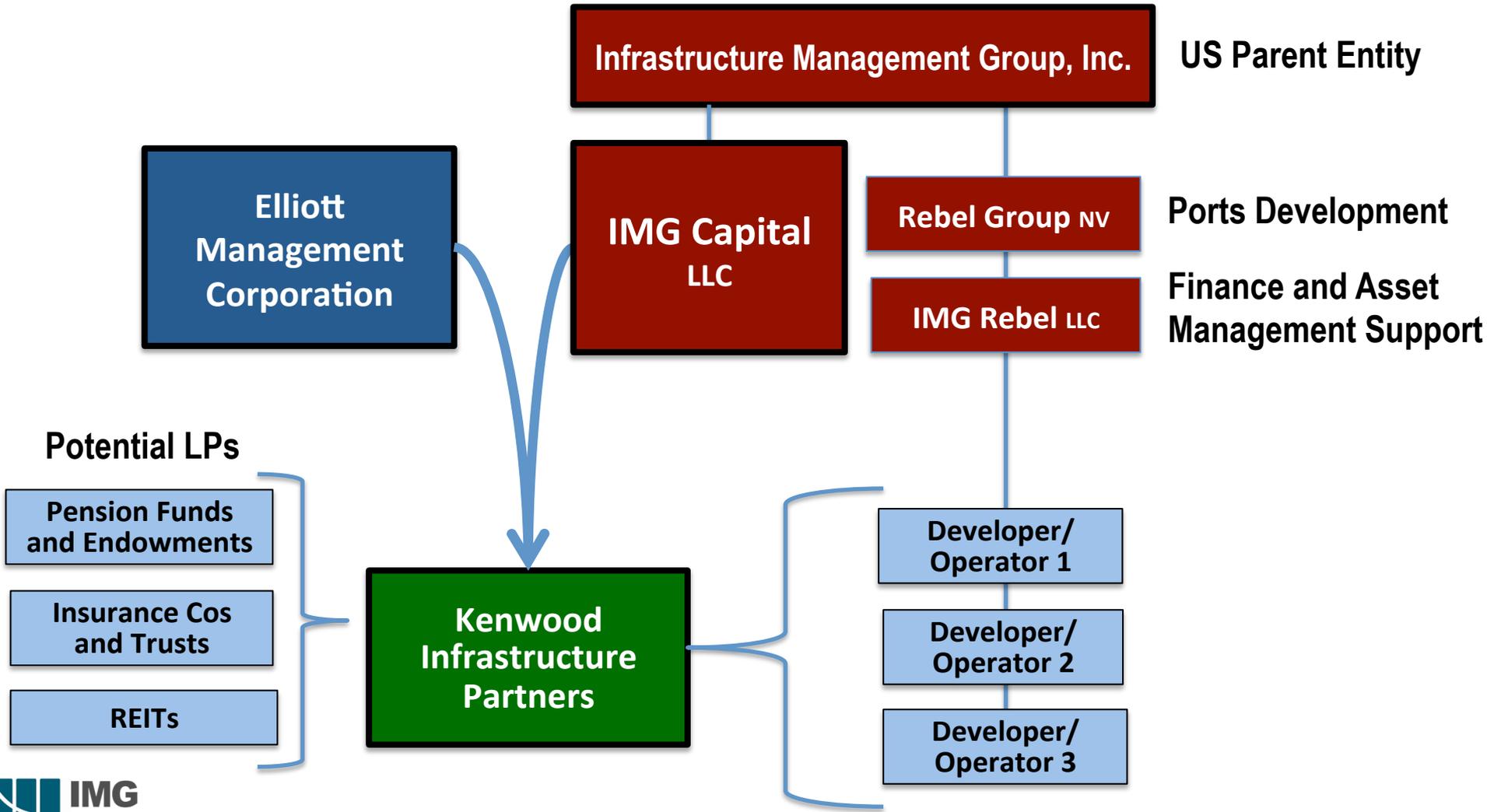
**Steve Steckler, Chairman**  
Infrastructure Management Group and IMG Capital



# Who We Are: IMG+EMC

- **Elliott Management Corporation (EMC)** is a New York-based investment firm with over \$23 billion under management
- **IMG Capital** is the investment arm of Infrastructure Management Group, Inc., which invests jointly with EMC through Kenwood Infrastructure Partners
- **Rebel Group NV**, headquartered in Rotterdam, has managed many of the largest port P3 transactions in the world
- **IMG Rebel** is the US financial advisory unit jointly owned by Infrastructure Management Group, Inc. and Rebel Group, NV. IMG has managed many of the **largest infrastructure P3 transactions in US history**. Together IMG and Rebel have assisted nearly **\$300 billion** in global project financings

# Our Investment and Value-Add Structure



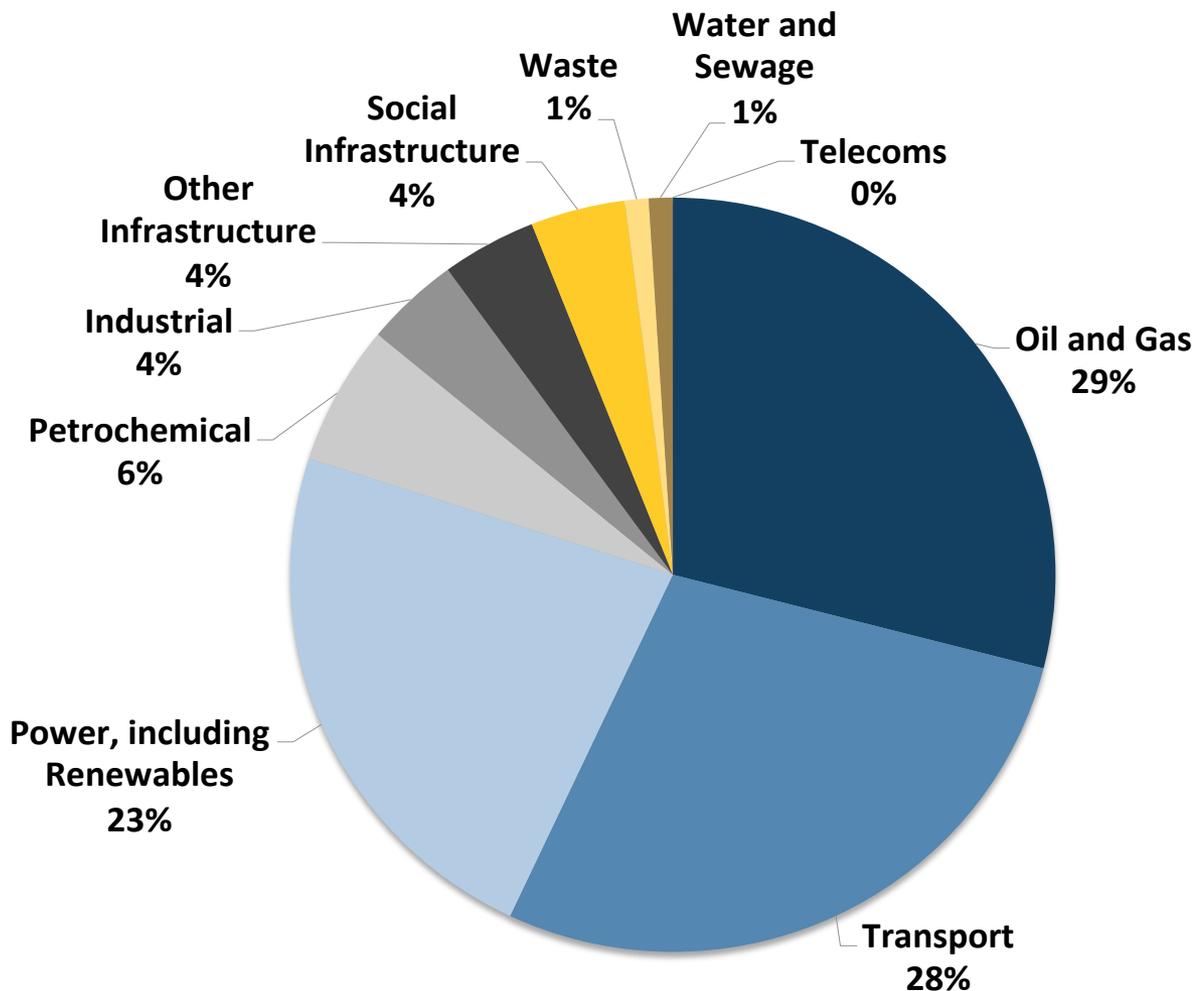
# Why We're Comfortable With P3 Investments

1. **We've been on both sides of the table**: as direct investor, as the investor's advisor, and the government agent in negotiating P3 deals
2. **We have conducted P3 due diligence on our own account**, as well as and on behalf of investors, lenders and owners
3. **We've seen P3s die at every step in the process**, so we've learned how to get the deals done and how to make them last
4. **We've learned how to work with each constituency**, from regulators, the media and environmentalists, to organized labor, elected officials and the public
5. We believe there is such a thing as **profit in the public interest**, and we can prove that it exists

# What We Typically Look For

1. **Low-profile projects sized \$30 - \$200 million or higher**, with clear need, supportive agency management and stable political environment
2. **Quality developer/operator** in need of equity capital, or agency in need of a specific new asset or upgrade
3. **Fee title or long-term P3 land lease**, in place or readily available
4. **Investment entry point** between early and middle of development cycle
5. **Real estate-like cash flows** with tenants and/or users with long-term put/pay or take/pay agreements
6. **Opportunities to add significant value** through technology, asset management and/or operational enhancements

# Why Ports and Energy Cargo Stand Out



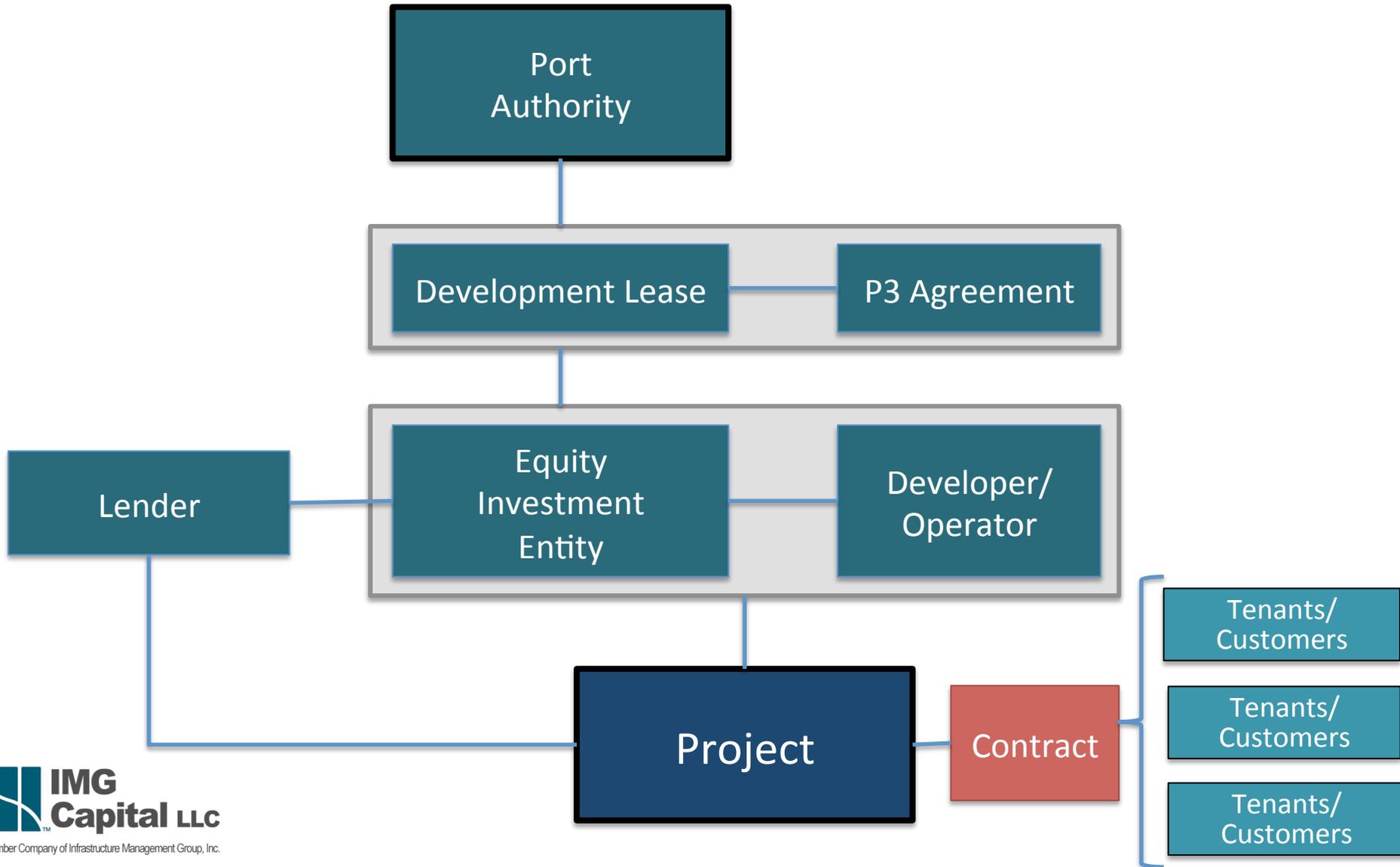
## Why We Like Ports and Port Energy Projects (2)

1. **We're know them:** Rebel, based in Rotterdam with offices in every world region, has managed many of the largest port P3 projects in the world
2. Port agencies are demonstrably among the **most stable and reliable** public partners among all infrastructure modes. **Often with unusual powers.**
3. **Long-term** take/pay and/or put/pay contracts on energy cargo
4. Private partners in the arena have generally **good finances and credit**
5. While the global energy/chemical market is increasingly dynamic, the development agreements typically offer **modest market risk**, or risk that can be shouldered by buyer, shipper or supplier
6. There are usually multiple **opportunities for value added** via design, technology, management or volume growth

# How We Drive the “V-f-M” Decision

- Target assets for which the **port cannot or does not want to** shoulder the market, operating, repair, replacement and technology risk
- Target assets that are **peripheral to the port’s core** landlord business
- **Add new value to the port:** risk transfer(!), faster development, design innovation, firm-fixed construction pricing, tenant management, operational innovations and superior asset management can *demonstrably overcome a 100% tax-exempt debt financing alternative*
- **Ask us how much value we are providing** to you and the community, NOT how much money we might make (or lose)

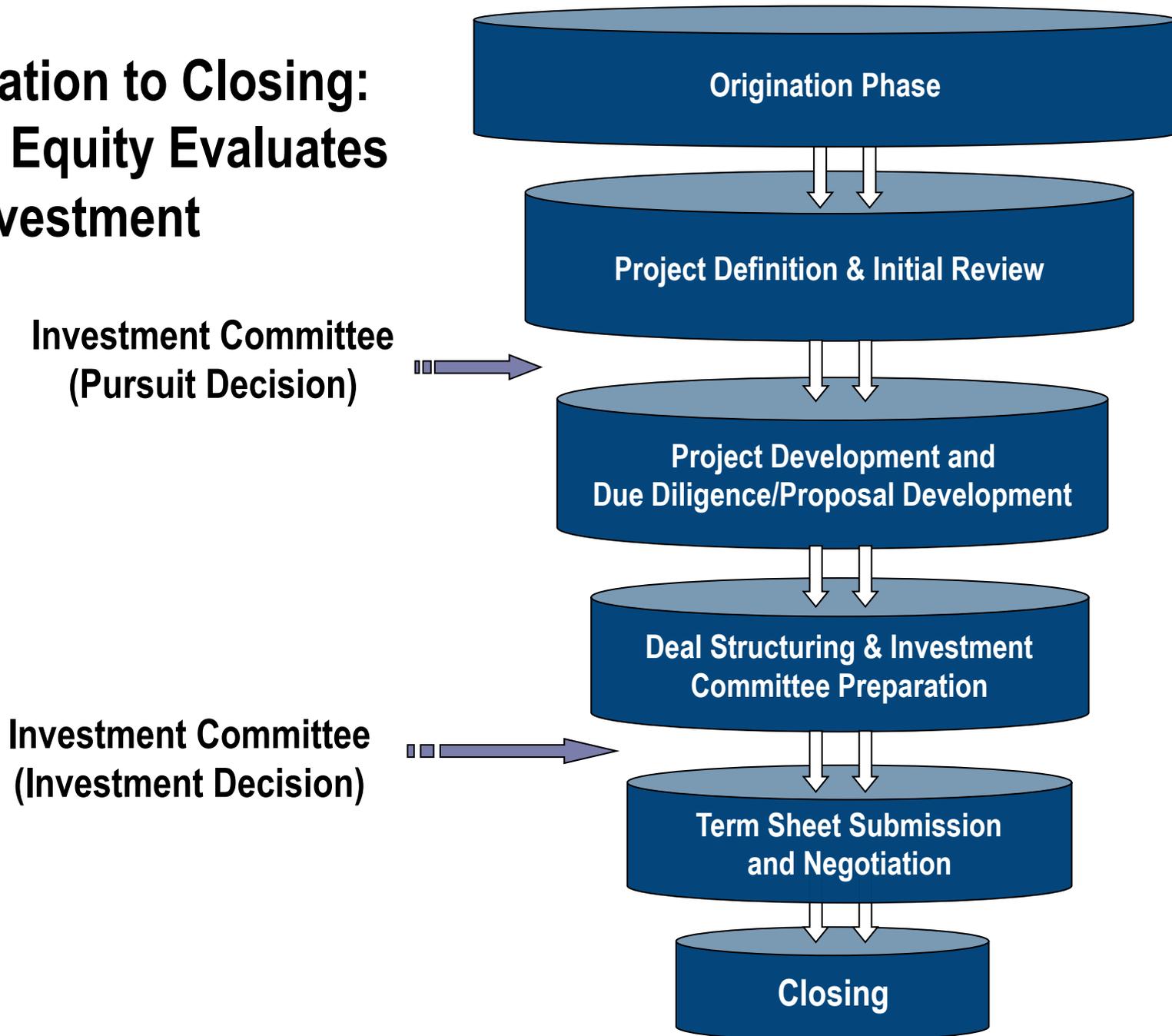
# A Basic P3 Structure



# Preferred Project Types (though we can't get everything)

- **Storage, transfer and blending** (crude, petroleum distillates, LNG, natural gas products, petrochemical, biofuels)
- Projects that can **include production/processing** in addition to storage and transfer (on-site or nearby)
- Projects that **do not rely upon subsidies** from US or foreign governments
- Projects that do not rely heavily upon possibly-temporary **regulatory relief, tax abatements** or other government incentives
- Projects where the assets, land or support infrastructure (for which we are responsible) has a related **alternative use**

# From Origination to Closing: How Private Equity Evaluates A Port P3 Investment

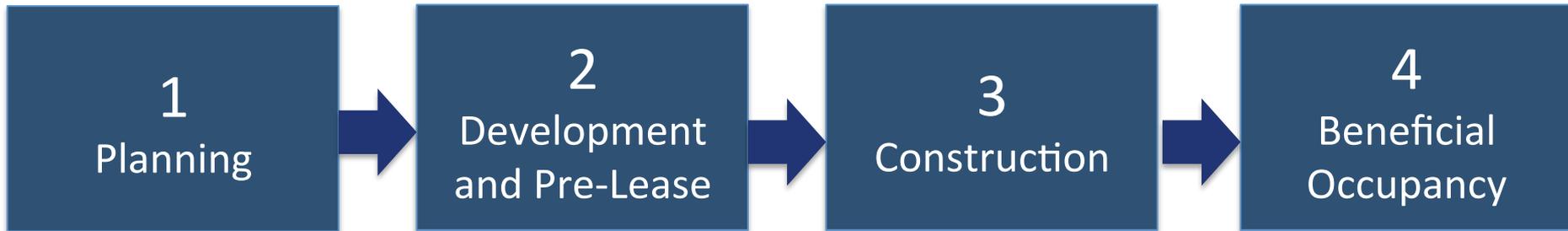


# Investment Criteria (in approximate ranked order)

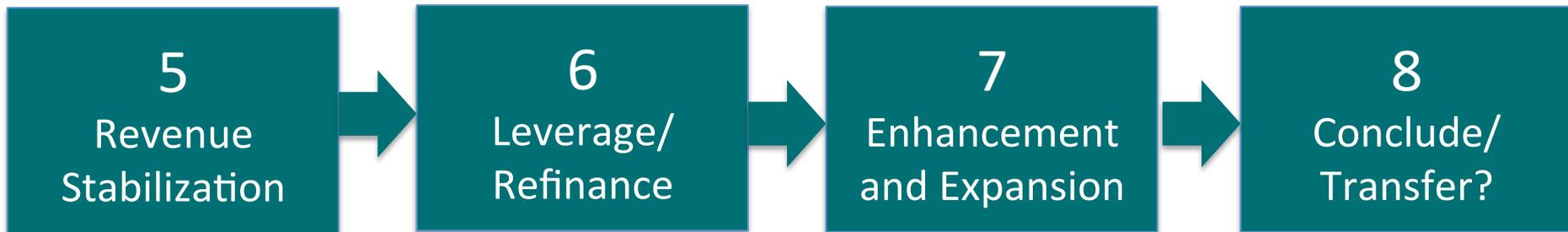
1. **Un-leveraged** rate of return on investment
2. **Leverage** percentage and likely cost of debt (debt service coverage under downside scenarios)
3. **Stability and predictability** of cash flows (this matters more than cost)
4. **Certainty** of construction and operating costs
5. **Market risk**, political risk, regulatory risk, “late kill” and other risks
6. Opportunities for **value add** (and impact on IRR of that value)
7. Potential attractiveness of project **post-stabilization** to other funds and institutional investors with lower risk appetites

# How We Participate in Each Project Phase

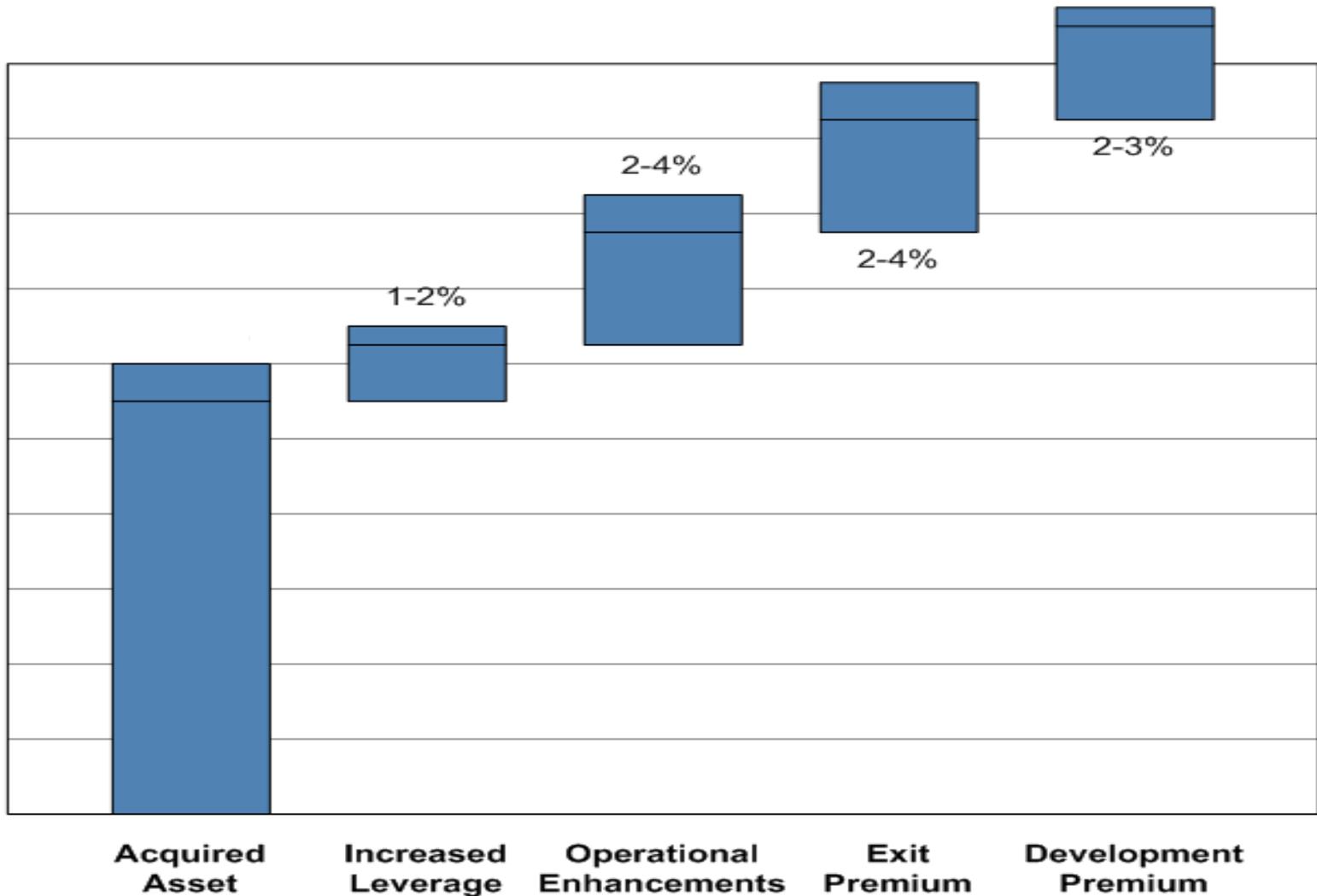
## Development Phase



## Operational Phase



# The Port Investor Value Equation for ROI



# Conclusions

1. Port facilities -- especially port-controlled energy cargo infrastructure projects – if properly structured, can be **very attractive investments** for equity funds
2. Reaching equity fund IRR targets requires **an investment entry point *before* revenue stabilization** (i.e., *some* development risk) and some value-add avenues
3. Port staff and their patrons need to **know what equity needs** in order to identify what can and can't be done as a P3 and how to structure the opportunity
4. Large equity entities really **care strongly** about developer/operator quality and value added; they ensure that a quality operator will always be in place
5. A sophisticated, experienced P3 investor can be **a great partner for helping sell** your project to your mayor, legislators, unions and -- most of all -- ***the public!***