



Private Sector Port Financing, Investment and Development Initiatives

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Outlook for US Port Investment

- Significant unmet needs
 - AAPA 2016-2020 Port Planned Infrastructure Investment Survey:
 - US Public Ports/Private Sector Partners expect to spend \$154 billion
 - Likely contribution of the Federal Government is approximately \$25 billion
 - Private sector opportunities to close the gap?
- President Trump proposing \$1 trillion in new investment over 10 years, including spending and tax credits to spur private investment
 - Budget proposal to Congress reportedly may include \$200 billion for infrastructure with a requirement of 5 to 1 private sector leverage
 - Members of both parties in Congress support increased infrastructure investment
- State and local governments already increasing taxes to pay for infrastructure
- New initiatives could be the catalyst that draws significant private investment
- Next year Infrastructure funds will have more than \$100 billion in “dry powder”

Evaluating Private sector Investment Opportunity – Financial Implications

- Brownfield versus Greenfield
- Debt/equity investment mix
- Life of concession (if PPP opportunity)
- Payment mechanism
 - Full concessionary right, availability payment or hybrid
- Control over user fee increases/protections against competition
- Whether project will receive federal or other subsidy
- Historic returns and outcomes
 - Projected use and modeled financials
- Required regulatory approvals
 - State
 - HSR
 - CFIUS
 - Other federal regulatory agencies (FMC)



Private Sector Investors

■ Types of investors:

- Pension Funds
- Infrastructure and PE Funds
- Sovereign wealth funds
- Strategic industry participants
- Institutional investors



■ Why is Infrastructure interesting:

- Sustainable and predictable cash flows
 - Long-term concession or
 - Availability payment
 - Significant (high cost) barriers to entry
 - Limited competition
 - Acceptable risk-adjusted returns
 - Reputational enhancement
- There is private sector money available for port and other infrastructure projects

Private Equity Sees Infrastructure Opportunities

Fund Manager	Total AUM*	Infrastructure AUM*	Infrastructure Strategy
CARLYLE	USD 162bn	USD 0.3bn	<p>2006: Launched Carlyle Infrastructure Partners (CIP) at USD 1.1bn</p> <p>2016: Launched Carlyle Global Infrastructure Opportunities I. Target size USD 2.5bn</p>
KKR	USD 138bn	USD 5.3bn	<p>2010: Launched its first KKR Global Infrastructure Fund which raised USD 1.04bn</p> <p>2017: Launched its third global infrastructure fund with a target size of USD 5bn</p>
BLACKSTONE	USD 367bn	USD 15bn+	<p>2002: Invested primarily through three private equity strategies: Blackstone Energy Partners, Blackstone Capital Partners and Blackstone Tactical Opportunities</p> <p>2017: Invested over USD 15bn in infrastructure. Launched a USD 40bn global infrastructure fund alongside the Public Investment Fund of Saudi Arabia (PIF)</p>
OAKTREE	USD 101bn	USD 2.76bn	<p>2014: Acquired Highstar Capital and assumed management of Highstar's two infrastructure funds. Invests in infrastructure equity primarily across North America and select OECD countries</p> <p>2017: Restructured Oaktree Infrastructure Fund</p>

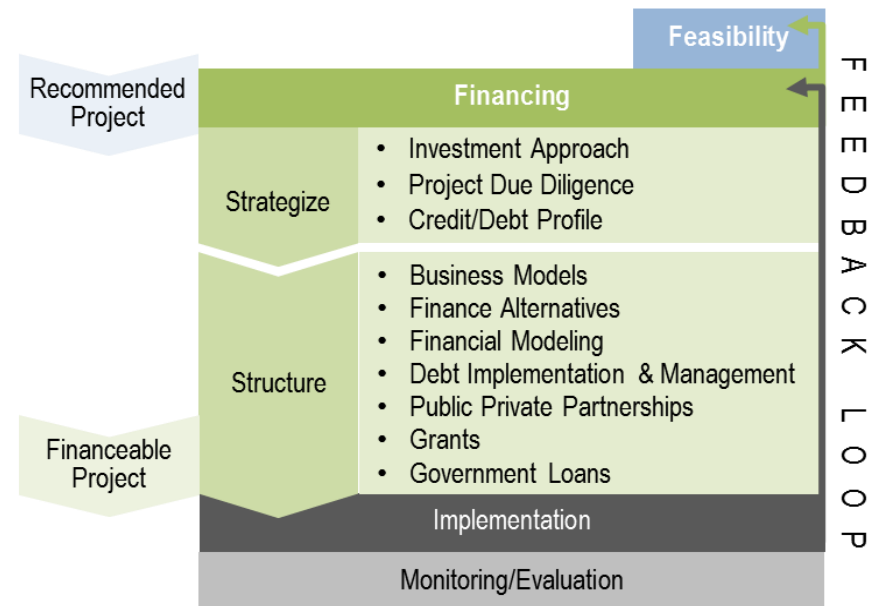
Source: www.Infra-Deals.com *accurate as of 31 March 2017

Accessing Private Capital

- Is the project right for private investment
 - Sound economic and developmental basis
 - Rigorous cost/ benefit analysis
 - Positive economic internal rate of return
 - Political consensus
 - Appropriately balanced environmental and development needs
 - Supports local government's development needs
- Need for exit mechanism changing
- Due Diligence
- Long-term cash flow
- Project scale (bigger is better)
- Transparency

Port Planning & Investment Toolkit (PPIT)

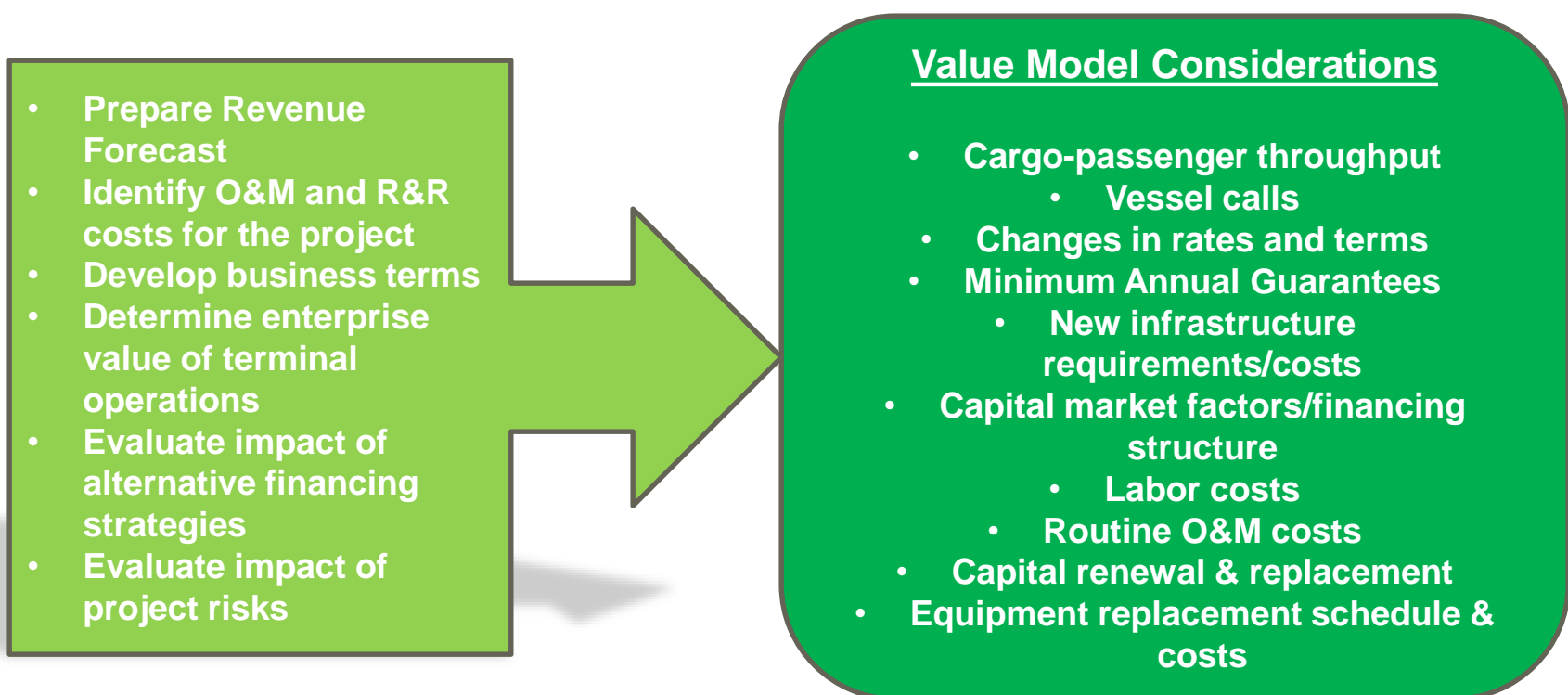
- Planning ✓
- Feasibility ✓
- *Finance Module* helps project leaders navigate a wide range of transaction structures and capital investment decisions, including the costs/benefits of pursuing private sector financing
- Takes into account the fragmented nature of the industry
- Used for any number of capital investment activities including, but not limited to:
 - Asset-Backed and Lease Financing
 - Weighing Traditional vs. Alternative Financing
 - Project Finance Structuring
 - Evaluation and Implementation of Public-Private Partnerships
 - Procuring Government Loans and Grants



Source: Exhibit 3-1 Project Definition: Financing Process – Port Planning & Investment Toolkit

Due Diligence

Approach

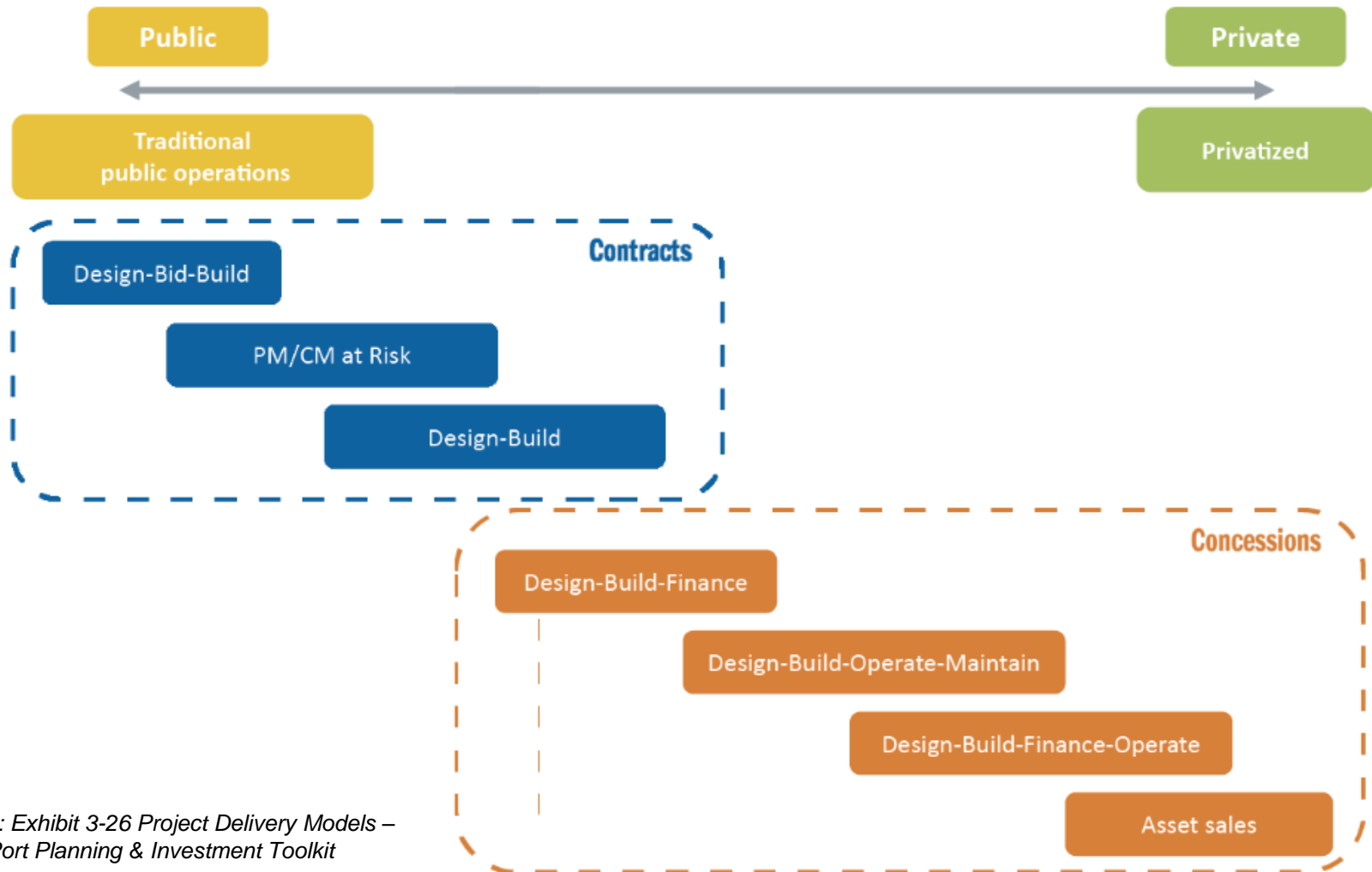
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- Prepare Revenue Forecast
 - Identify O&M and R&R costs for the project
 - Develop business terms
 - Determine enterprise value of terminal operations
 - Evaluate impact of alternative financing strategies
 - Evaluate impact of project risks

Value Model Considerations

- Cargo-passenger throughput
 - Vessel calls
- Changes in rates and terms
- Minimum Annual Guarantees
 - New infrastructure requirements/costs
- Capital market factors/financing structure
 - Labor costs
 - Routine O&M costs
- Capital renewal & replacement
- Equipment replacement schedule & costs

*Source: Exhibit 3-3 Due Diligence Approach –
Port Planning & Investment Toolkit*

Project Delivery Models



Source: Exhibit 3-26 Project Delivery Models –
Port Planning & Investment Toolkit

Public Private Partnerships (P3s)

■ The US is still an “emerging market”

- Currently only 33 states (plus DC and Puerto Rico) have adopted enabling legislation
- More common in the international market
- Moodys (March 2016)
 - Slowly developing
 - Dwarfed by municipal infrastructure market
 - Projects are generally on time

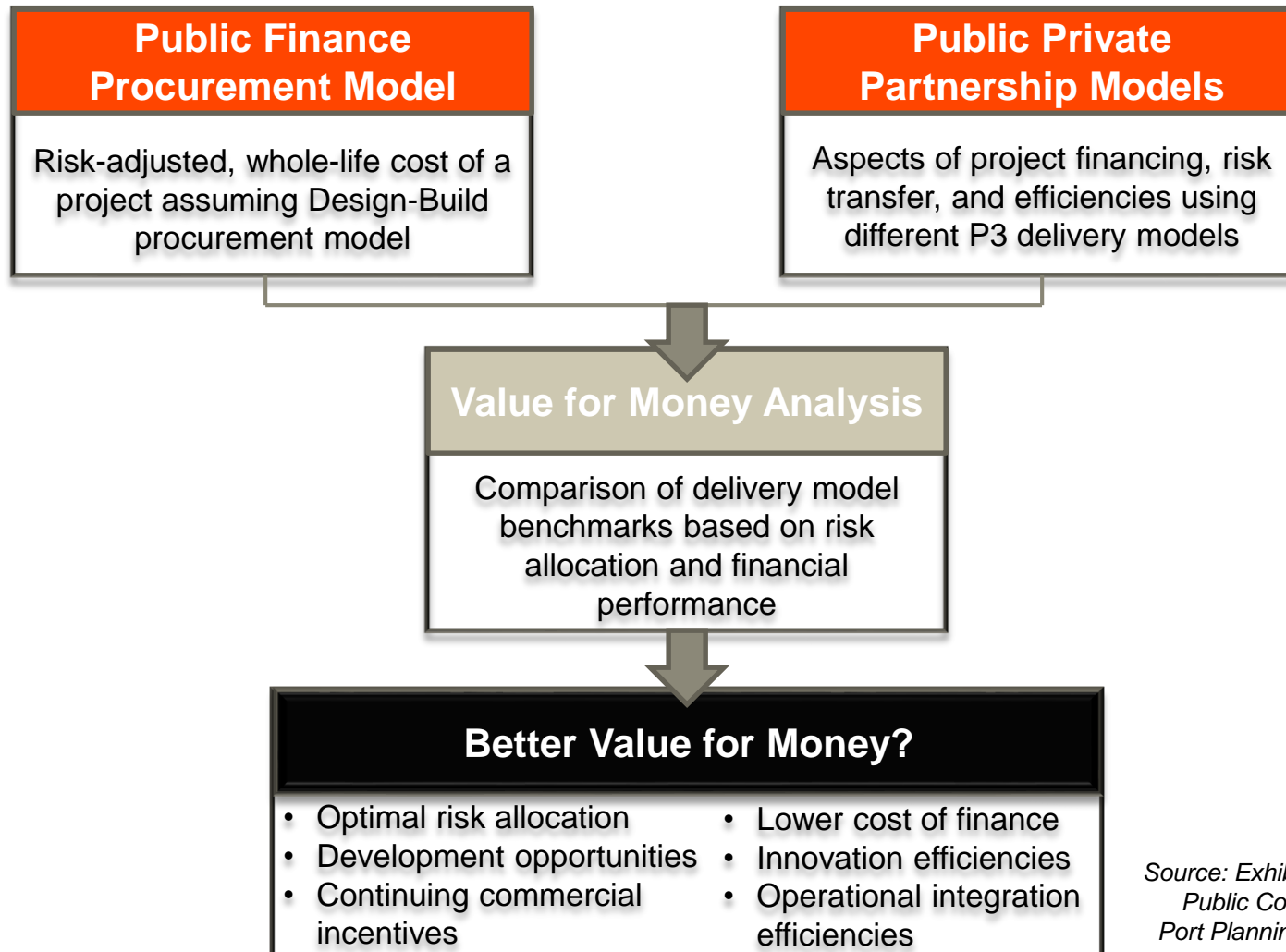
■ Structure

- Availability Payment
- Concession (demand risk)
- Hybrid

■ Availability Payment P3

- Life cycle cost control
- Risk transferred to private sector
- Improved delivery time and design quality

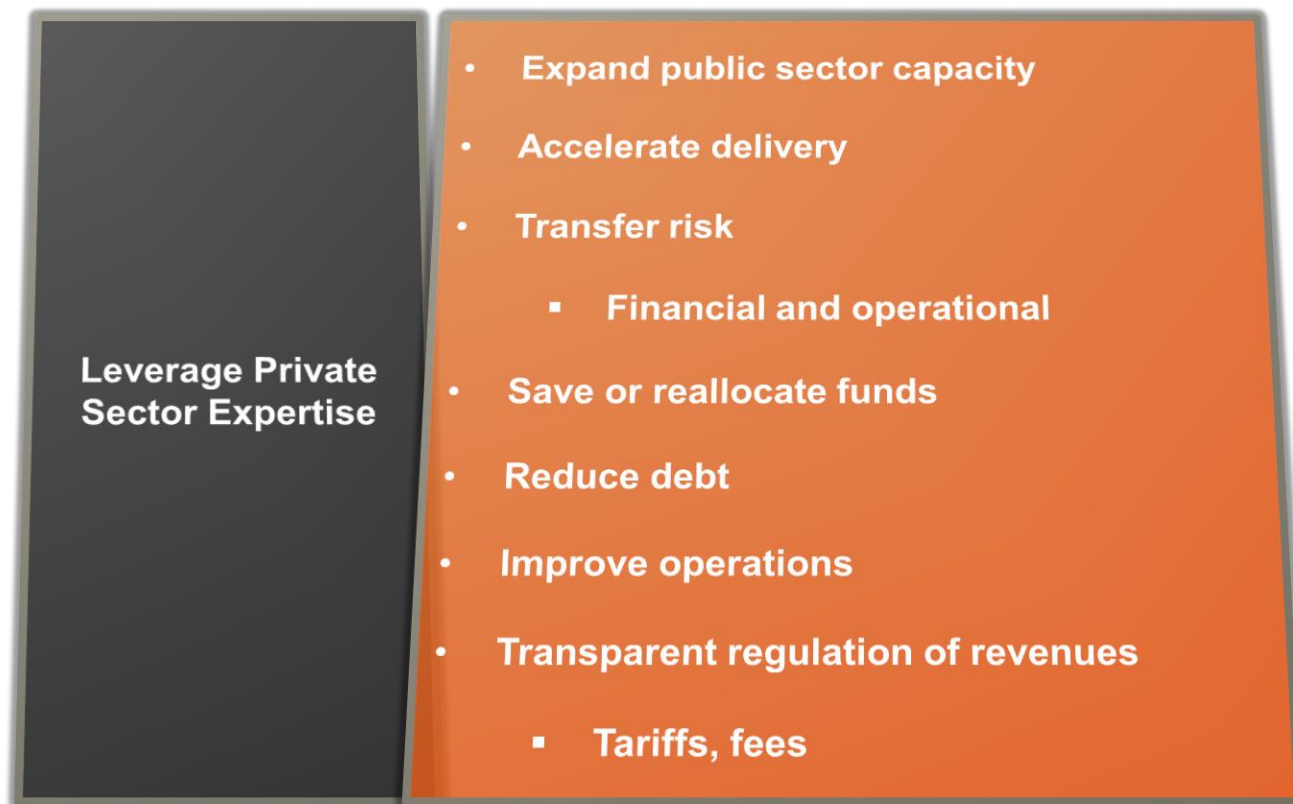
Value for Money



Source: Exhibit 3-10 Value for Money
Public Comparator Approach—
Port Planning & Investment Toolkit

Structure: Public-Private Partnerships

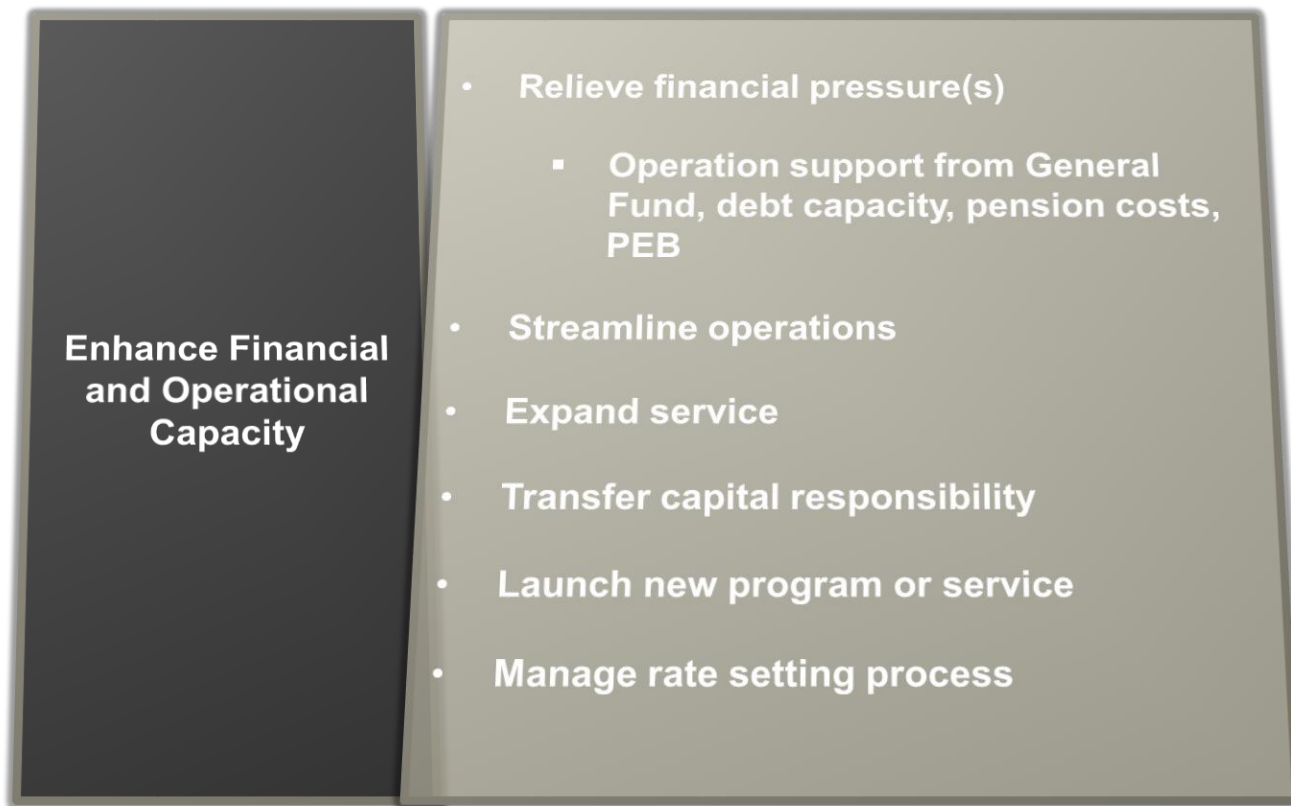
Why Consider P3s?



*Source: Exhibit 3-25 P3 Key Objectives –
Port Planning & Investment Toolkit*

Structure: Public-Private Partnerships

How P3 Approach Can Contribute to Project Delivery



*Source: Exhibit 3-25 P3 Key Objectives –
Port Planning & Investment Toolkit*

Structure: Public-Private Partnerships

The Value of P3s



*Source: Exhibit 3-25 P3 Key Objectives –
Port Planning & Investment Toolkit*

Structuring Your Project

■ Public Policy

- Understand local and federal regulatory environment
- Closely monitor federal infrastructure proposals
- Party in power changes; structure deal that is a good value proposition

■ Actively engage stakeholders

■ Legal considerations

- Authorization
- Appropriation risk
- Default and Termination
- Develop efficient DD process for investors

■ Financial modeling

■ Transaction structure

- Develop options
- Well-developed transaction documents

■ Transparent tender process and evaluation criteria

■ Regulatory Considerations

Thank You!



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