Global Finance Sources for Hemispheric Port Development
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Frequently asked questions on private source of funding

• How do we tap private capital for our project?
  – Confusion over the different types and flavors of private capital
  – Uncertainty over the criteria used by private capital for participating

• Why aren’t we getting a response from the private equity markets to this offering?
  – Project seems like a win-win, but little or no response
  – Are we asking or expecting too much?
The usual port funding players

Larger role envisioned for private funding, but appetite will vary by project

<table>
<thead>
<tr>
<th>Private equity</th>
<th>Infrastructure funds, e.g., Macquarie, GS, MS, GIP, Alinda</th>
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<tbody>
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<td>Strategic operators</td>
<td>Hutchison, APMT, SSA and others</td>
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<td>Federal &amp; municipal</td>
<td>Rated debt, grants</td>
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<td>Multilateral institutions</td>
<td>IADB, IFC – equity &amp; debt participation</td>
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First, a few questions about the project
A few simple ways to winnow down the field of options

Market profile
• Location, location, location
• OECD or emerging market?
• Well-defined (discrete boundaries or commodities) or ambiguous?
• Monopoly or highly competitive

Project size
• Private capital comes in all sizes
• Debt required (rated or unrated)?
• Equity requirement?
• Length of concession and tenor debt

Governance & execution risks
• Greenfield or brownfield?
• Government policies well defined?
• Level playing field for participants?
• Governance: role to be played by public after transaction: control position, regulatory, other?
## Market risk profile
- Prefer OECD market exposure
- Monopoly or oligopoly market scenarios
- Require clear government policy direction
- **Dislike** emerging market and greenfield risk

## Preferred types of assets
- Want **“day-1”** cash flowing assets
- Dislike greenfield – **cannot value or manage greenfield risks**
- Heavily constrained by the type of investors in their fund
- Want long-term assets but usually look to exit in 5-7 years

## Ticket sizes
- Size of the PE fund **will dictate the size equity check it can write**
- Smaller funds will **need to club** with others to write larger checks
- Availability of leverage will impact size
  - Less leverage = lower multiple

## Return targets & expectations
- Inflation-adjusted returns sought
- Moderate return levels expected
- OECD markets typically provide **lower returns**, but **stable policy** and **rule-based environment is attractive**

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Willingness to tackle **complex projects** and risks is usually **limited**
## Strategic operator recap
Operators investing where returns are higher, but balance sheets vary widely

### Market risk profile
- Tackle both OECD & emerging markets
- Gravitate toward high growth markets
- Need clear government policies, well defined areas of responsibility
- Avoid uneven investment playing fields

### Preferred types of assets
- Brownfield and greenfield
- Long-term concessions or leases

### Ticket sizes
- Ability to pay dictated by **balance sheet and credit-worthiness (of company and project)**
- Some operators have **credit ratings**, but **many do not** – this will affect debt and partnering equation
- Smaller operators may be **unable to access capital markets directly**

### Return targets & expectations
- Moderate returns expected over mid to long-term
- Gravitating to **emerging markets** where **margins & returns are higher**
- US market is highly competitive, low barriers to entry, lower margin, **lower return**

Strategics are familiar with sector risks; **better able to evaluate & manage** greenfield risks
Overlap of capital and roles
Private and public capital overlap, but each has its own preferences

- Green & hairy
- Brown & well-defined

- Execution risk
  - Greater private participation
  - Greater public participation

- Market Characteristics
  - Emerging & high growth
  - Mature or low growth

- Return Requirements
  - High
  - Low

- Brownfield assets
- Greenfield
- Brown & well-defined
- Green & hairy

- OECD markets
- Emerging markets

- Brownfield assets
- Greenfield

- Private equity
- Strategics
- Federal/muni
- Multilateral
Key takeaways

• **Know your project**
  – Project profile (market demand, cost, governance) will drive funding and financing requirements and they types of equity availability
  – Ambiguity on any of these elements will shrink the field of interested players

• **Private equity**
  – Still largely locked into “low risk” OECD markets
  – PE *willingness to tackle complex projects* and risks is usually *limited*

• **Strategic operators**
  – Investing where returns are higher (often in emerging markets), but ability to pay varies widely
  – Better able to evaluate sector and project risk

• **Public stakeholders**
  – Better definition of roles, responsibilities, market demand, and support for project help private capital evaluate risk