



Market Update

Review of the European PPP Market in 2015

Headlines

- 49 PPP transactions reached financial close for an aggregate value of EUR 15.6 billion
- In value terms, the market decreased by 17% compared to 2014
- The most active markets were Turkey (by value) and the UK (by number of projects)
- 12 countries closed at least one PPP project
- Transport was the largest sector in value terms, whilst the education sector recorded the highest number of deals
- Over 85% of the transactions closed were government-pay PPPs



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Data Collection and Methodology

The data used in this publication are EPEC's own aggregation of information collected from a variety of sources, in particular Dealogic ProjectWare, InfraNews, Infrastructure Journal and Inspiratia, cross-checked, where appropriate, against the EIB's own project files. The list of PPP projects forming the dataset has been reviewed, where possible, by EPEC members. Project data contained in this publication may be subject to future revisions due to the late availability of information or corrections to previously reported values. The data and the findings of this publication should therefore be treated with appropriate caution.

This publication covers:

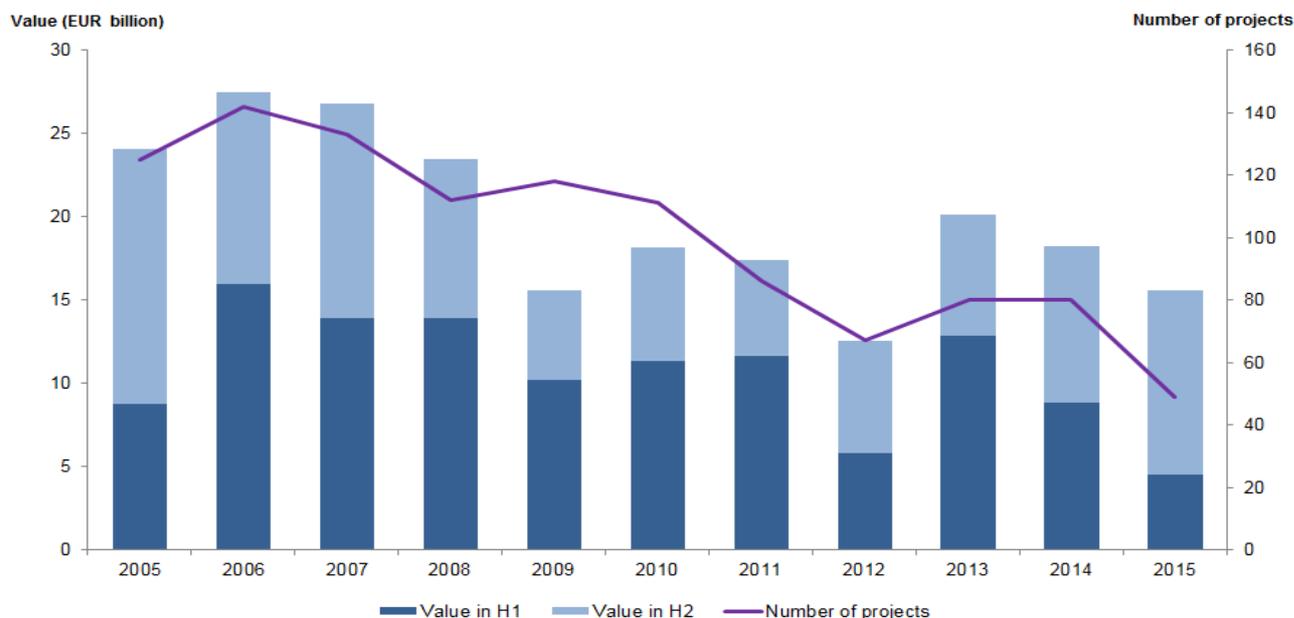
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements which feature a construction element, the provision of a public service and genuine risk sharing between the public and the private sector;
- transactions financed through 'project financing' and that reached financial close in the relevant period; and
- transactions of a value (see definition below) of at least EUR 10 million.

The project values quoted in this publication refer to the external financing requirements for projects at the time of financial close (i.e. the sum of debt and equity) and exclude public capital contributions. Readers should note that the external financing requirement of a project can be significantly different to its capital investment cost (the latter being difficult to obtain on a consistent basis).

1. OVERVIEW

- In 2015, the **aggregate value** of PPP transactions that reached financial close in the **European market**¹ totalled **EUR 15.6 billion**, a 17% decrease from 2014 (EUR 18.7 billion).

Figure 1: European PPP Market 2005-2015 by Value and Number of Projects



- **49 PPP transactions** reached financial close, compared to 82 deals in 2014.
- The **average transaction size increased** to EUR 319 million (EUR 229 million in 2014).
- **Five large transactions**² **closed**, compared to 11 in 2014. Their aggregate value amounted to EUR 9.6 billion, representing around 62% of the total market value. The large transactions reaching financial close in 2015 were:³
 - The third Istanbul airport (EUR 6 billion) in Turkey;
 - The Etlik-Ankara health campus (EUR 1.1 billion) in Turkey;
 - The Bilkent health campus (EUR 1.1 billion) in Turkey;
 - The Calais and Boulogne-sur-Mer port (EUR 863 million) in France; and
 - The IJmuiden sea-lock (EUR 508 million) in the Netherlands.
- Over **85%** of the transactions closed were **government-pay PPPs** (mostly based on availability payments).⁴

¹ Defined as EU-28, countries of the Western Balkans and Turkey.

² Defined as deals exceeding EUR 500 million in value.

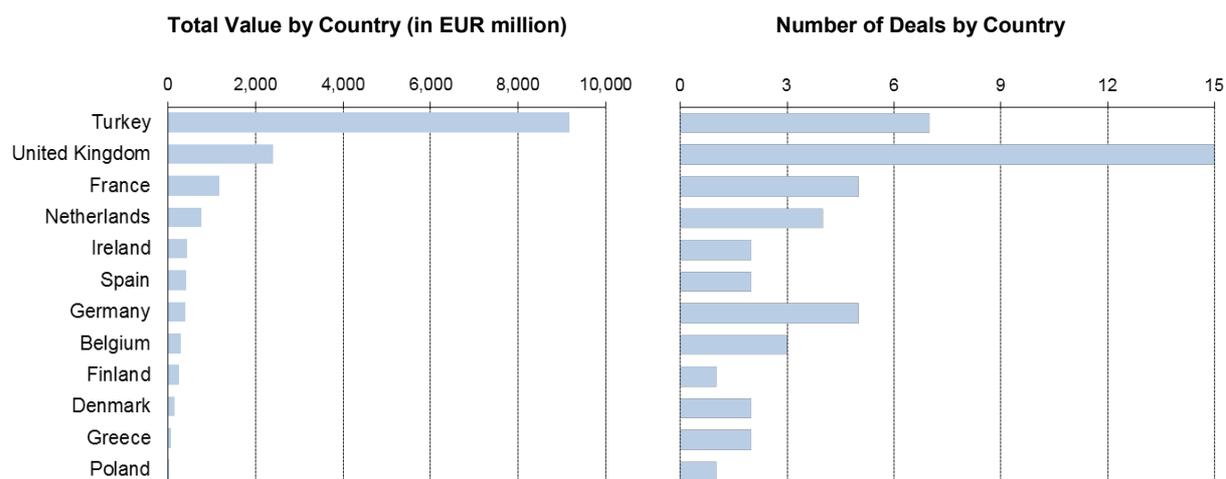
³ More detail is available in Annex 1.

⁴ PPPs under which 'government' (whether central, regional or local) pays the private partner for the services provided.

2. COUNTRY BREAKDOWN

- As Figure 2 shows, **Turkey was the largest PPP market in Europe in terms of value** with a total of EUR 9.2 billion (EUR 3.5 billion in 2014) and **the second-largest in terms of number of projects**, with seven deals closed (three in 2014).

Figure 2: Country Breakdown by Value and Number of Transactions in 2015

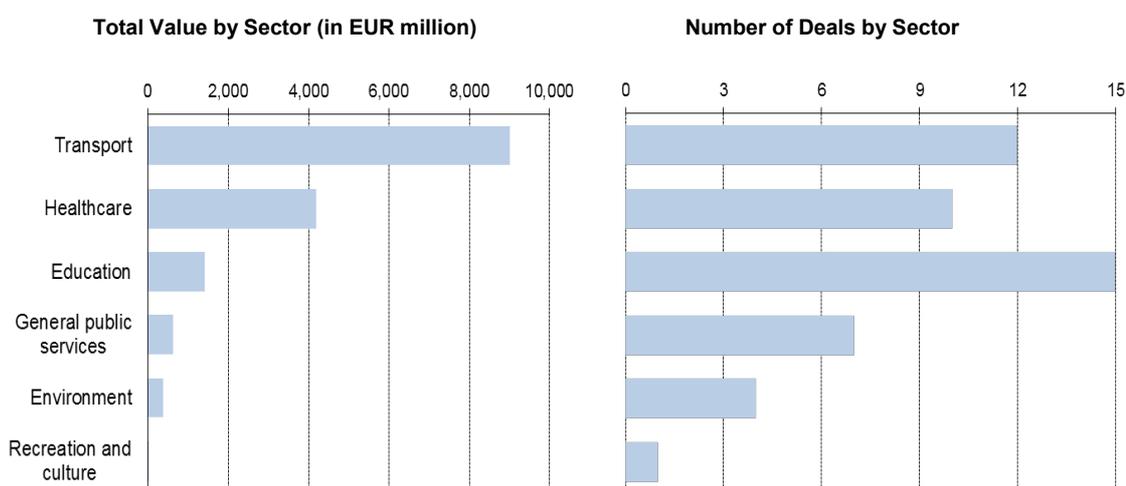


- The **UK remained the most active market by number of projects**, with a total of 15 transactions closed (compared to 24 in 2014). The UK was also the second-largest market with a total deal value of EUR 2.4 billion (EUR 6.6 billion in 2014).
- **France was the third largest PPP market** in Europe (EUR 1.2 billion) with one large transaction (the Calais and Boulogne-sur-Mer port) accounting for most of the French PPP market.
- With regard to the number of transactions closed, the UK and Turkey were followed by **Germany** and **France** (five deals each) and **the Netherlands** (four deals).
- Ten countries closed at least two deals (compared to 11 countries in 2014) and **12 countries closed at least one PPP transaction** (13 in 2014). Notably, **Finland** closed a PPP deal for the first time since 2011 (the Hamina-Vaalimaa E18 motorway).

3. SECTOR BREAKDOWN

- As shown in Figure 3, in 2015 the **transport sector** remained by far the largest in value terms. With more than EUR 9 billion worth of transactions, transport represented around 60% of the total market value. However, the number of deals closed in the sector decreased significantly (12 compared to 23 in 2014).
- The **education sector** emerged as the most active sector in terms of number of deals with 15 projects closed (compared to 14 in 2014).
- 2015 confirmed the upward trend observed for the **healthcare sector** over the last few years. Even though the number of projects that reached financial close decreased to 10 (15 in 2014), the aggregate value doubled in comparison to the previous year and reached EUR 4.2 billion (EUR 2.2 billion in 2014). This is mostly due to two very large projects in Turkey: the Etlik-Ankara health campus and the Bilkent health campus.
- In **general public services**, such as government facilities or administration buildings, the number of transactions that reached financial close in 2015 was in line with the previous year (seven deals closed). The total value of transactions decreased slightly (EUR 612 million in 2015 compared to EUR 661 million in 2014). The largest transaction was the Irish Town Courts bundle, with a total value of EUR 160 million.
- The **environment sector** contracted significantly in terms of the number of closed deals (from 13 in 2013, seven in 2014 to two in 2015). It also recorded a steep decline in value terms.

Figure 3: Sector Breakdown by Value and Number of Transactions in 2015



4. FINANCING⁵

- **Out of the total of 49 transactions, 20** (23 in 2014) involved the provision of debt by institutional investors (e.g. insurance companies, pension funds) through a variety of financing models. Overall, institutional investors lent **around EUR 1.2 billion** (EUR 2.8 billion in 2014) to European PPPs at **very long maturities** (on average 25 years, with a maximum of 31 years).
- Eight countries closed transactions involving institutional investor debt: **the UK, Belgium, Denmark, France, Ireland, Finland, Turkey and the Netherlands** (compared to six countries in 2014).
- The role of **the EU, national governments and public financial institutions** (domestic or supranational) remained important in 2015, for example:
 - A project for the digital recording of court proceedings in Greece involved significant EU funding;
 - The EIB financed 11 projects for a lending volume of EUR 1.2 billion;⁶ and
 - Other international financial institutions, such as the European Bank for Reconstruction and Development, have been involved in the financing of large transactions (e.g. the Etlik-Ankara health campus in Turkey).
- The **average tenor of commercial bank senior debt**⁷ remained stable at around **22 years** in 2015. In the data sample, the longest commercial bank debt tenor was 31 years. Among these loans, 60% had a tenor **exceeding 25 years** (compared to 40% in 2014). Annex 2 shows that significant country differences in commercial bank loan tenors remained. The **longest tenors** were observed in **the UK, Belgium, the Netherlands and France**.
- EPEC's partial data sample indicates that in 2015 average commercial bank loan margins decreased significantly. Margins stood at around **145 basis points** (bps) during the construction phase (268 bps in 2014) and around **161 bps** (275 bps in 2014) post-construction. The lowest and highest margins recorded stood at 120 bps and 300 bps respectively (140 bps and 510 bps in 2014).

⁵ As the availability and quality of data on financing terms is limited in places, the information provided in this section should be treated with caution.

⁶ Regular updates of the list of PPPs financed by the European Investment Bank are available at: www.eib.org/epec/library/index_old.htm#Market_Updates

⁷ Non-weighted average calculated on projects for which the maturity data was available.

5. NOTEWORTHY TRANSACTIONS

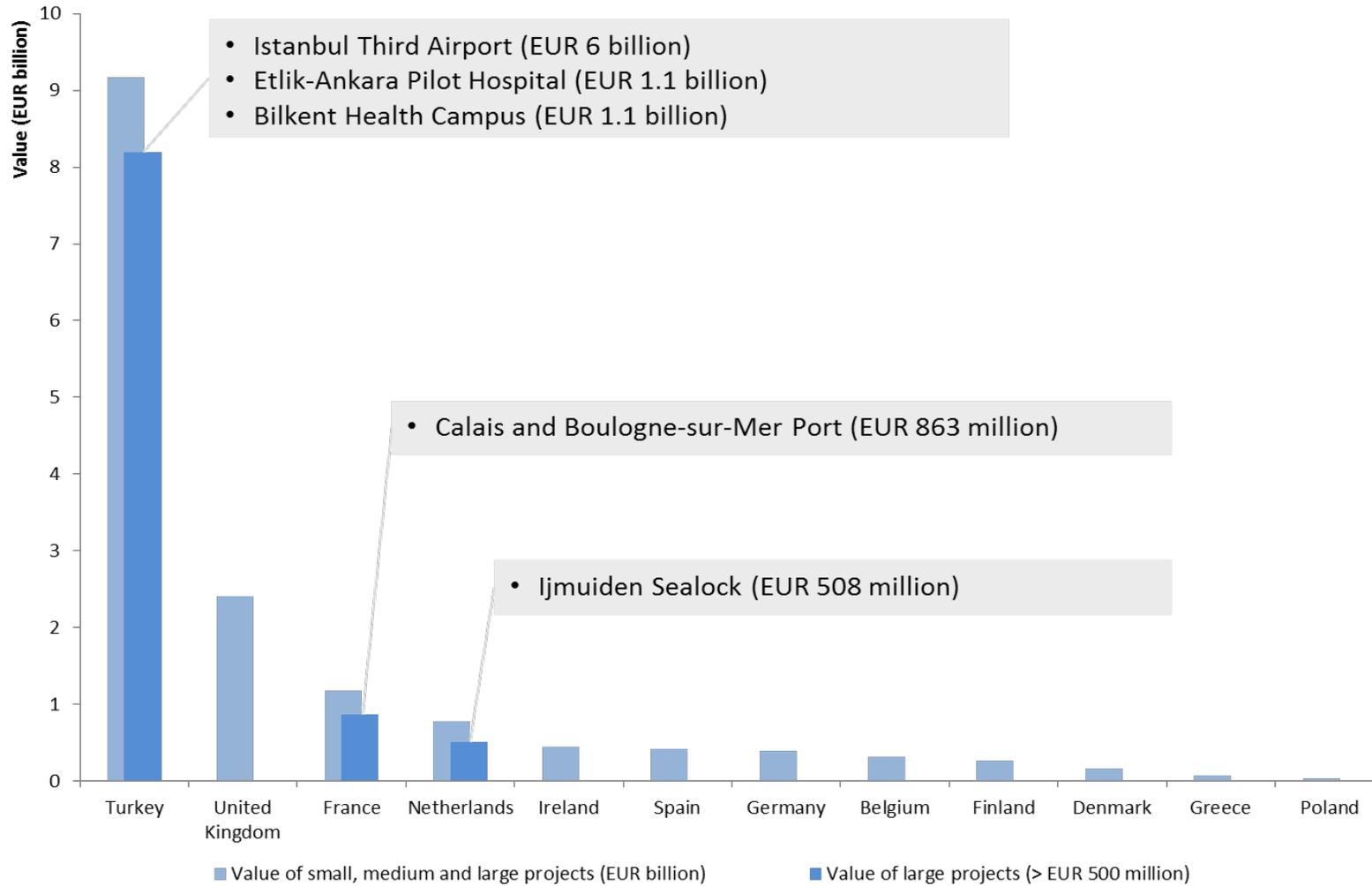
The following noteworthy PPP projects reached financial close in 2015:⁸

- The **third Istanbul airport** (EUR 6 billion) in Turkey is the largest PPP project closed in Europe since 2002. It is financed by commercial and public lenders, and features a debt assumption guarantee by government in case of termination for default of the private partner.
- The UK reached financial close on **three** primary and secondary school PPP bundles as part of its **Priority Schools Building Programme**. The programme is co-financed by the EIB.
- The **Limmel lock** and **Ijmuiden sea-lock** projects reached financial close in the Netherlands as part of its PPP programme in lock infrastructure. The Limmel lock is designed to accommodate larger barges and provide better access to the existing canal network, while the Ijmuiden sea-lock will increase the sea cargo capacity for the port of Amsterdam. The projects received support from the EU through the TEN-T programme.
- The **Slagelse hospital** (EUR 70 million) in Denmark was entirely financed by a group of pension funds. The project involves financing, construction, operation and maintenance of a local new maternity unit and wards.

⁸ For the first half of 2015, see:
www.eib.org/epec/resources/publications/epec_market_update_2015_h1_en

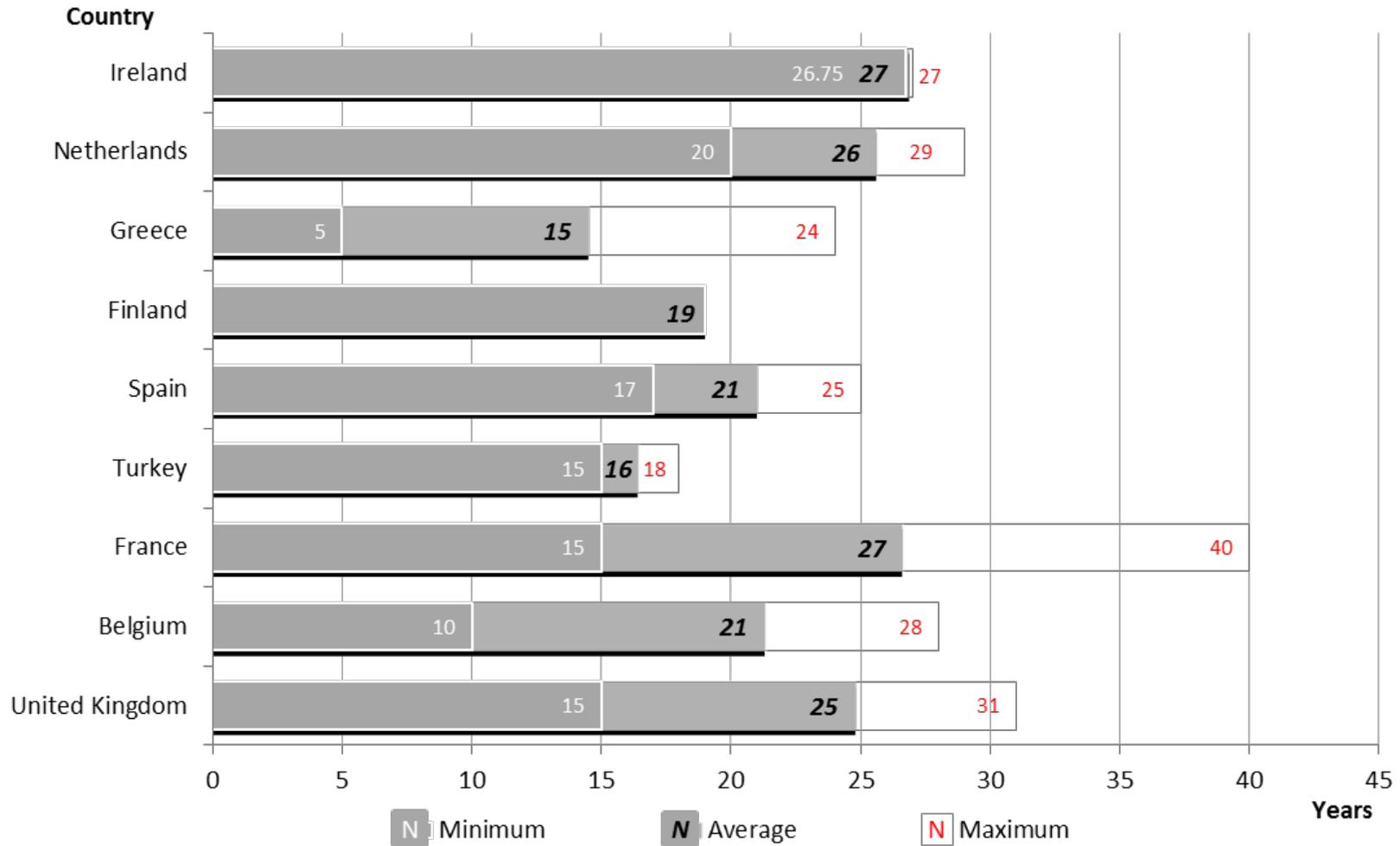
Annex 1

Location of large projects in 2015 (> EUR 500 million)



Annex 2

Loan maturities of senior commercial bank debt by country in 2015





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