



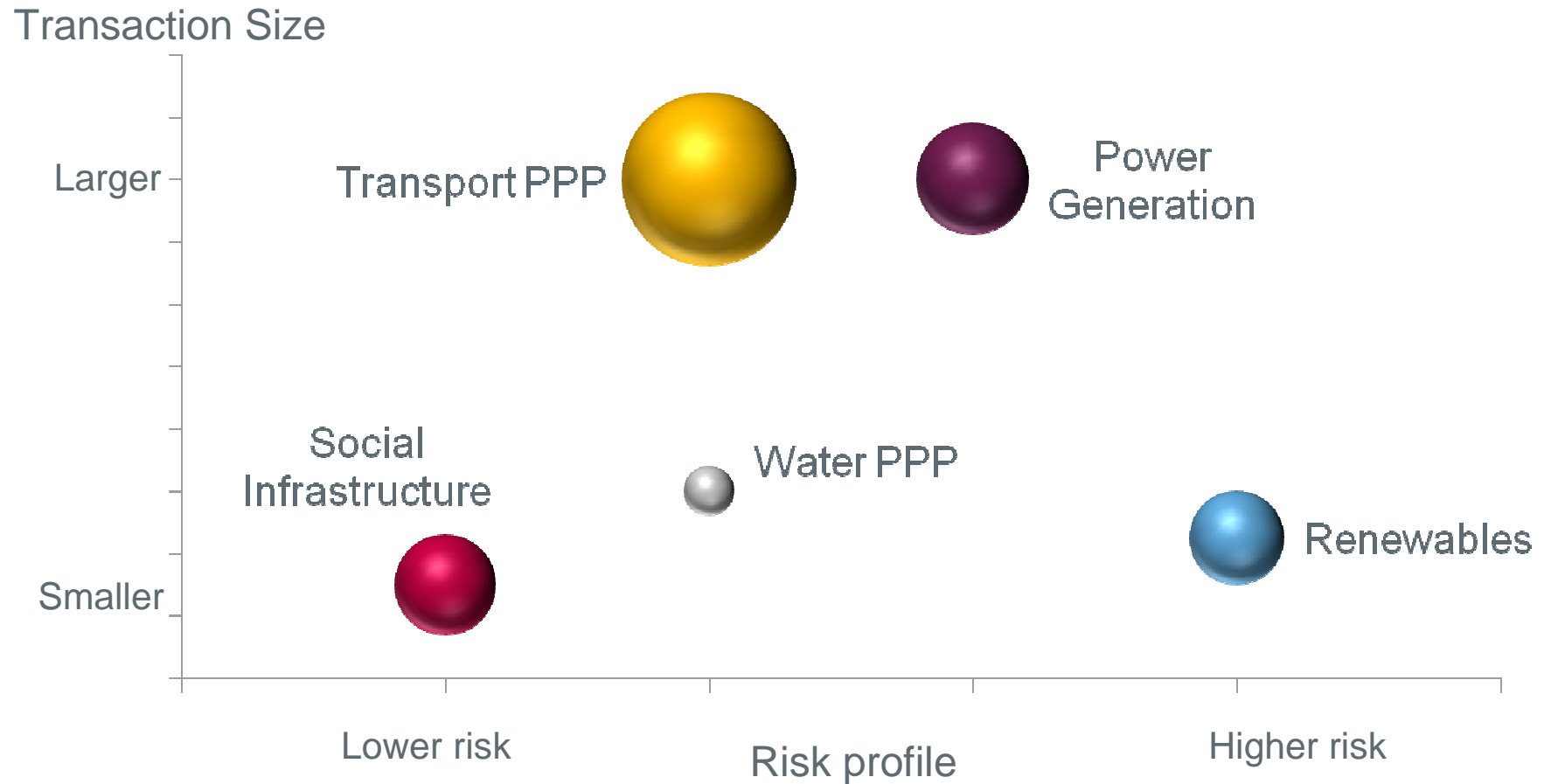
FitchRatings

Project Bonds for Infrastructure PPPs: Opportunities & Challenges

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Transport PPP – moderate credit risk / large demand



Project bonds have been slow to emerge...

	Project Finance Bonds	Secured Covenanted Corporate Finance Bonds
Typical business features	<ul style="list-style-type: none"> • New build or refinancing of existing business • Single asset or route • Concession or long term contract 	<ul style="list-style-type: none"> • Existing business with track record • Barriers to entry • Market leading players • Exposure to market conditions
Typical debt features	<ul style="list-style-type: none"> • Ring-fenced assets; senior secured • Strong covenants: lockup tests; liquidity; debt restrictions... 	
Potential sectors	<ul style="list-style-type: none"> • Road upgrade PPP • Prisons, hospitals, social infrastructure • Energy infrastructure 	Deep Market – Regular Issuers <ul style="list-style-type: none"> • Utility networks • Road networks • Airports • Seaports
Recent bonds issued	Shallow Market <ul style="list-style-type: none"> • Castor gas storage (Spain) • Andromeda solar (Italy) • High Speed 1 (UK) 	

...multiple innovative debt options now available

Source	Credit enhancement?	Placement
<ul style="list-style-type: none">➤ Bank➤ Bond➤ Combination	<ul style="list-style-type: none">➤ Clean unenhanced➤ Subordinated liquidity➤ Funded sub-debt➤ Wrapped	<ul style="list-style-type: none">➤ Bilateral➤ Funds➤ Private / syndicate➤ Public

Castor gas storage 'BBB+' RWN

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Andromeda solar 'A-' Negative

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High Speed 1 'A-' Stable

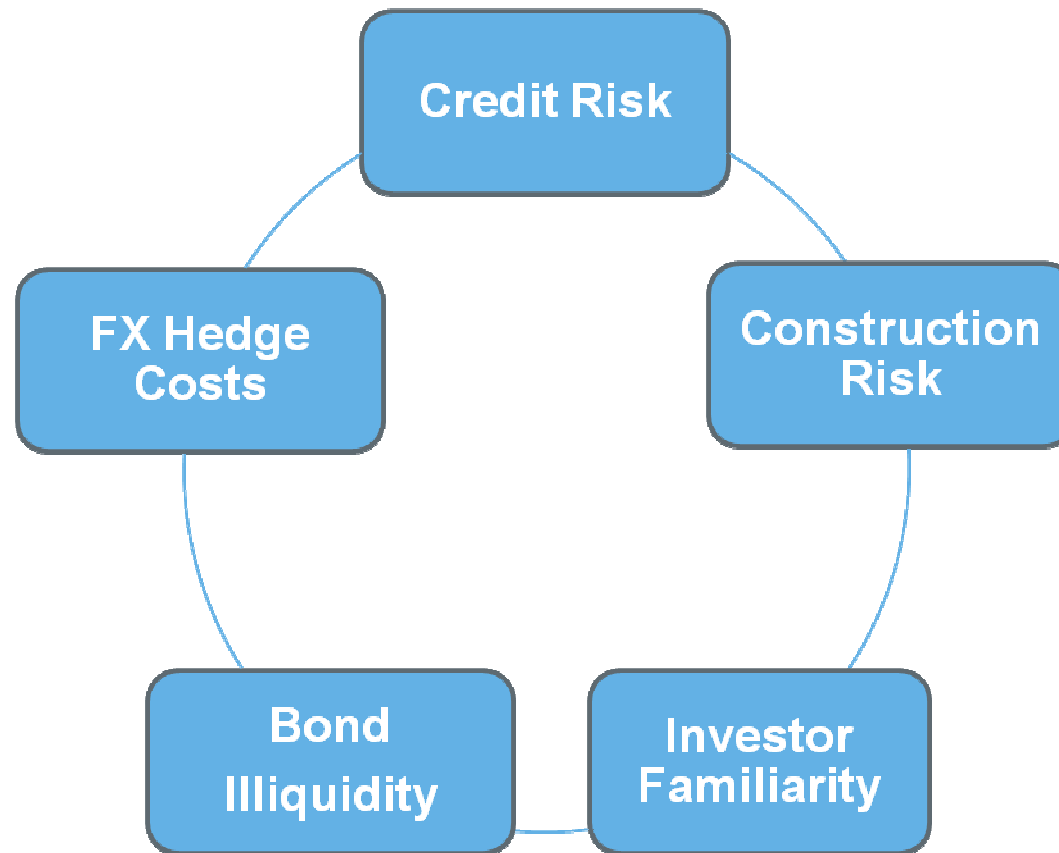
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Project can be rated above construction contractor

Road upgrade example

Factor	Assessment	Rating Implication
Complexity & scale	Stronger	Capped at 'A' category
Contractors & implementation plan	Stronger	Capped at 'A' category
Contractor replacement	Midrange	Maximum one category above contractor rating
Contract terms	Midrange	Up to two categories above contractor rating
Contractor rating / liquidity	'BB' / 30%	Liquidity sufficient to cover early stage contractor default
Contractor rating / liquidity combination	'A'	
Achievable project debt rating category for completion phase	'BBB'	Constrained by contractor replacement therefore negating full benefit of liquidity

Relative value - is coupon sufficiently attractive?





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