The Growing Trend of Alternative Infrastructure
Fitch's Approach to Ratings

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Global Infrastructure & Project Finance
Fitch Covers the World

- Over 1,000 Analysts around the globe
- Offices in 38 Cities worldwide
- Ratings coverage in >150 Countries

Global Ratings Coverage
(number of ratings by sector)

- U.S. Public Finance
  - 23,674
- International Public Finance
  - 766
- Infrastructure & Project Finance
  - 500+
- Sovereigns & Supranationals
  - 169

Corporates
- Financial Institutions
- Structured Finance

Notes:
- Number of transactions
- German Landesbanks are included

Underlying data includes long-term and short-term ratings; National and International Scale ratings and Public and Private Monitored Ratings.
## Fitch Global Infrastructure Group Coverage

<table>
<thead>
<tr>
<th>Sector</th>
<th>Subsectors</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>Tollroads, Airports, Seaports, Transit &amp; Rail, Parking</td>
<td>320</td>
</tr>
<tr>
<td>Energy &amp; Industrials</td>
<td>Oil &amp; Gas, Power, Transmission, Renewables, Chemicals &amp; Mining</td>
<td>166</td>
</tr>
<tr>
<td>Other Utilities, Public Infra, WBS</td>
<td>Solid Waste, Water/Wastewater, Telecom</td>
<td>32</td>
</tr>
<tr>
<td>Sports &amp; Entertainment</td>
<td>Stadiums, Arenas, Leagues, Teams</td>
<td>32</td>
</tr>
<tr>
<td>Social Infrastructure</td>
<td>Healthcare, Education, Housing, Government Buildings</td>
<td>8</td>
</tr>
</tbody>
</table>

### Subsector Distribution

- Transportation: 57%
- Energy & Industrials: 30%
- Sports & Entertainment: 6%
- Other Utilities & Public Infra: 5%
- WBS: 3%
- Social Infrastructure: 3%

- 70 analytical professionals
- Over 500 credits covered
- Analytical expertise across the spectrum

* Includes only public ratings; reflects total number of ratings across all liens

Source: Fitch Ratings

### Regional Distribution

- North America: 51%
- Latin America: 19%
- EMEA: 25%
- APAC: 5%

- NAMA: 30%
- LATAM: 19%
- EMEA: 25%
- APAC: 6%

<table>
<thead>
<tr>
<th>Region</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>285</td>
</tr>
<tr>
<td>Latin America</td>
<td>138</td>
</tr>
<tr>
<td>EMEA</td>
<td>109</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>26</td>
</tr>
</tbody>
</table>
Fitch Ratings Global Coverage of Transportation\(^a\) and Outlook

- Protectionism and trade disputes raise uncertainty
- Global trade resilient, however growth is slowing
- Consolidation of shipping lines could reduce port pricing power
- Port overcapacity may become a lingering problem
- New construction continues in APAC
- Healthy economic trends in US will drive moderate growth in near term
- EMEA traffic growth to slow - may have reached peak in Italy. Rising inflation supports revenues
- Technological disruption not expected in 2019

\(^a\) Only includes senior lien ratings

Source: Fitch Ratings
Infrastructure Market Trends – Alternative Infrastructure Assets
EMEA Infrastructure Market Trends

Increase in Investor Allocation to Infrastructure
• More capital is dedicated to Infrastructure Assets
• Infrastructure Equity Funds continue to grow
• Debt Funds dedicated to Infrastructure have emerged

Limited Greenfield activity in Developed Economies
• Leads to a competitive landscape as scarcity of traditional assets
• Has led to increase in M&A activity

Pre-Crisis - Non-core infrastructure re-emerging
• Not everything can be considered – “Infrastructure” or “Infrastructure Like”
• Some assets do not provide an essential service or have barriers to entry

Fitch Ratings Define Alternative Infrastructure Assets
• Outline what we can consider Infrastructure
• Be clear about how we would rate such assets
How Fitch Rates Alternative Infrastructure Assets

Alternative Infrastructure Assets

- We consider alternative infrastructure assets (A-I-A) as activities with different characteristics or risks from the generally accepted definitions of infrastructure as assets and facilities that provide essential economic services for society.

Rating Under The Fitch Master Criteria for Infrastructure and Project Finance

- Assets that do not fit under our Sector Criteria (Airports, Toll Roads, Ports, Renewables, Thermal and Availability Payment Based) we may be able to rate under our Master Criteria.

Key Rating Drivers Taken From Our Master and Relevant Sector Criteria:

- Assets will need to be able to be assessed under our Master and Sector Criteria Key Rating Drivers: Revenue Risk (volume and price), infrastructure renewal and development, operating risk, cost risk, supply risk and debt structure. Other KRDs may also be relevant such as construction risk or counterparty risk.

Financial Metrics Used

- Coverage or leverage metrics provide an assessment of the financial profile of A-I-A transactions. These, in conjunction with the volatility of the cash flows expressed through the KRD against the transaction’s debt quantum, provide a view on credit quality. Credit metrics in sector-specific criteria which share similar characteristics provide a guide to relative risk positioning.

Peer Analysis

- Our rating rationale highlights how we position A-I-A issuers relative to peers, comparing specific aspects of the risk and financial profiles of transactions.
Criteria Approach

Core Infrastructure Criteria

Alternative Infrastructure Assets – Key Rating Drivers

- Revenue Risk - Volume
- Revenue Risk - Price
- Supply Risk
- Operation/Cost Risk
- Infrastructure Development and Renewal Risk
- Debt Structure
- Construction Risk
- Counterparty Risk
- Financial Profile
- Peers

https://www.fitchratings.com/site/criteria/infrastructure.html
EMEA Transport – Alternative Infrastructure Assets
Ferries: Scandlines ApS (BBB/Stable)

- “Floating bridges” with high barriers to entry within a captive regional market
- The opening of the FBFL serves as major deterrent to any new competition
- The company owns its ports and efficiently operates its ferries, benefits from a strong debt structure and solid credit metrics
- The average projected FCF DSCR of the senior debt under the Fitch rating case is 1.9x
- The higher operational risk equates to one notch below the ‘BBB+’ rating guidance for small toll-road networks with similar metrics

### Key Rating Driver

<table>
<thead>
<tr>
<th>Key Rating Driver</th>
<th>Assessment</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation Risk</td>
<td>Midrange</td>
<td>Strong operator, cost volatility mitigated</td>
</tr>
<tr>
<td>Revenue Risk – Volume</td>
<td>Midrange</td>
<td>Some traffic volatility</td>
</tr>
<tr>
<td>Revenue Risk – Price</td>
<td>Midrange</td>
<td>Flexible pricing framework</td>
</tr>
<tr>
<td>Infrastructure and Renewal Risk</td>
<td>Midrange</td>
<td>Well-maintained fleet</td>
</tr>
<tr>
<td>Debt Structure</td>
<td>Stronger</td>
<td>Fully amortising, covenanted debt</td>
</tr>
</tbody>
</table>

### Credit Metrics

<table>
<thead>
<tr>
<th>Class</th>
<th>Amounta (EURm)</th>
<th>Maturity</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Facility</td>
<td>375</td>
<td>2023</td>
<td>Floating: E+150bp</td>
</tr>
<tr>
<td>USPP Notes</td>
<td>292</td>
<td>2028</td>
<td>Fixed: 255bp</td>
</tr>
<tr>
<td>PEPP Notes</td>
<td>195</td>
<td>2028</td>
<td>Fixed: 255bp</td>
</tr>
<tr>
<td>USPP Notes</td>
<td>120</td>
<td>2031</td>
<td>Fixed: 176bp</td>
</tr>
<tr>
<td>PEPP Notes</td>
<td>186</td>
<td>2031</td>
<td>Fixed: 176bp</td>
</tr>
</tbody>
</table>

*a At closing
Source: Fitch Ratings
Motorway Service Stations: Roadster Finance DAC (BBB–/Stable)

- Financing vehicle of Tank & Rast (T&R).
- T&R operates 90% of the motorway service area (MSA) concessions on the German motorway network, with none expiring before 2036.
- Traffic drives T&R’s fuel, retail, gastronomy revenues, although T&R is more exposed to discretionary spending than a pure toll road operator.
- T&R exhibited stable cash-flow generation and resilience during the 2008-09 economic downturn.
- Creditor-protective features embedded in the debt structure.
- The creditor-protective structure ensures a quick deleveraging profile from the 5-year average net debt/EBITDA of 5.5x.

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<thead>
<tr>
<th>Key Rating Driver</th>
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<th>Comment</th>
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<tbody>
<tr>
<td>Operation Risk</td>
<td>Stronger</td>
<td>Low cost and supply Risks</td>
</tr>
<tr>
<td>Revenue Risk – Volume</td>
<td>Midrange</td>
<td>Moderate but resilient traffic growth</td>
</tr>
<tr>
<td>Revenue Risk – Price</td>
<td>Midrange</td>
<td>Fixed and variable leases</td>
</tr>
<tr>
<td>Infrastructure and Renewal Risk</td>
<td>Stronger</td>
<td>Discretionary capex</td>
</tr>
<tr>
<td>Debt Structure</td>
<td>Midrange</td>
<td>Mix of bullet and amortising debt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class</th>
<th>Amount (EURm)</th>
<th>Maturity</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>USPP</td>
<td>50</td>
<td>2036</td>
<td>Fixed: 286bps</td>
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<tr>
<td>USPP</td>
<td>282</td>
<td>2036</td>
<td>Fixed: 276bps</td>
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<tr>
<td>USPP</td>
<td>225</td>
<td>2032</td>
<td>Fixed: 229bps</td>
</tr>
<tr>
<td>Bank Debt</td>
<td>263</td>
<td>2022</td>
<td>Floating: L+138bp</td>
</tr>
<tr>
<td>Public Bond</td>
<td>300</td>
<td>2024ᵃ</td>
<td>Fixed: 162.5bps</td>
</tr>
<tr>
<td>Public Bond</td>
<td>300</td>
<td>2027ᵃ</td>
<td>Fixed: 237.5bps</td>
</tr>
</tbody>
</table>

ᵃ Expected
Conclusion
Assets Which Could Be Alternative Infrastructure Assets

The following is not an exhaustive list:

- **Transport**
  - Single Fleet and Dedicated Rolling Stock
  - Dedicated Ferry Services

- **Energy**
  - Renewable Storage Facilities
  - EV Charging Facilities
  - District Heating
  - Dedicated Vessels for Key Products (E.G. LNG)

- **Other Infrastructure**
  - Single Dedicated Fibre Optic Cables
  - Data Centres
  - Telecom Towers
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