

Market Update

Review of the European PPP Market First half of 2015

Headlines

During the first half of 2015:

- 24 transactions reached financial close for an aggregate value of EUR 4.3 billion
- When compared to H1 2014, the market was considerably smaller
- Nine countries closed PPP transactions (compared to 12 in H1 2014)
- The United Kingdom closed the highest number of deals whilst Turkey was the largest PPP market in terms of value
- The weight of the traditionally-strong transport PPP sector decreased considerably both in terms of value and number of deals

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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:

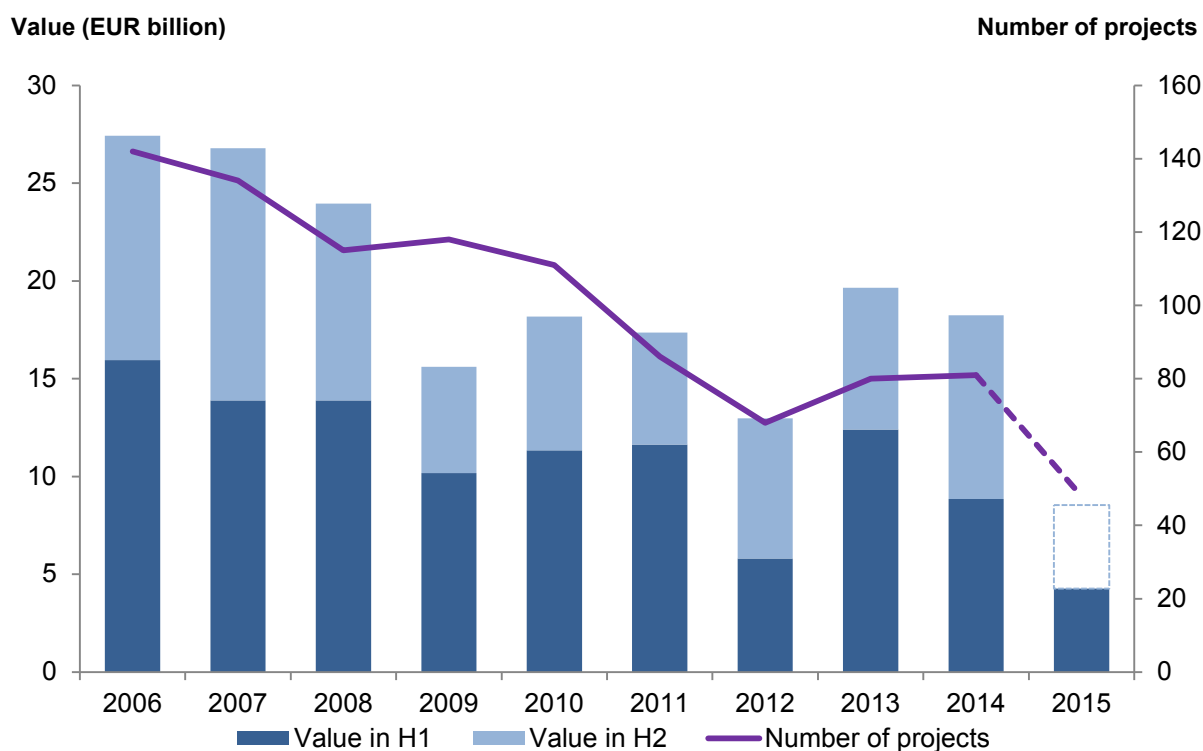
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements 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 of at least EUR 10 million.

The project values quoted in this publication refer to the external funding 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 funding requirement of a project can be significantly different to its capital investment cost (the latter being difficult to obtain on a consistent basis).

1. GLOBAL VIEW

- The aggregate value of PPP transactions that reached financial close in the European market in H1 2015 totalled **EUR 4.3 billion**. As shown in Figure 1 below, the half-year market value was half that achieved in H1 2014.

Figure 1: The European PPP Market by Value and Number of Projects since 2006



- Over H1 2015, **24 PPP transactions** reached financial close, significantly fewer than the 34 transactions signed in H1 2014.
- The **average transaction size** stood at EUR 178 million, a 33% decrease over H1 2014 (EUR 264 million) and slightly lower than the average transaction size recorded over the last 10 years (EUR 189 million).
- **Only one large transaction¹** reached financial close in H1 2015 (the Bilkent Health Campus in Turkey for a value of EUR 1.1 billion). This transaction accounted for 25% of the overall European market value.

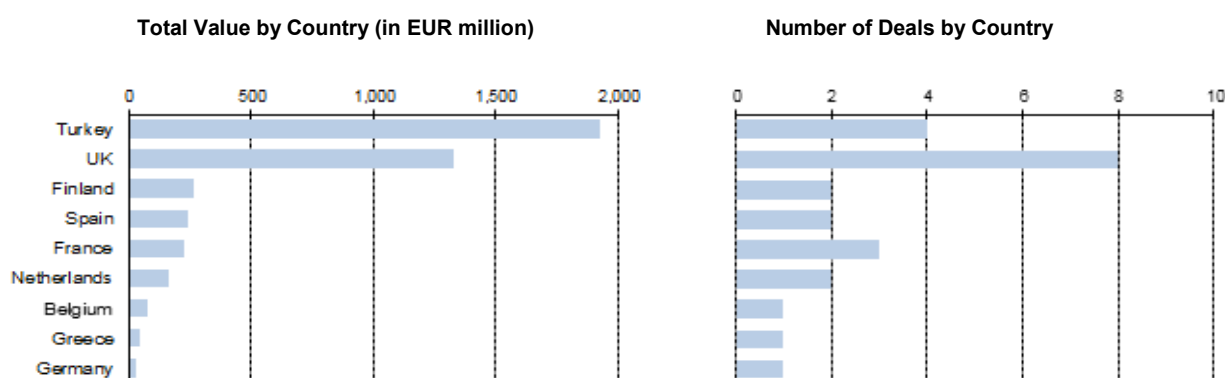
2. COUNTRY BREAKDOWN

- **Nine countries** closed at least one PPP transaction over the first six months of the year, compared to 12 countries in H1 2014.

¹ Defined as a deal exceeding EUR 500 million in value.

- As Figure 2 below shows, **Turkey was, for the first time, the largest PPP market in value terms** (EUR 1.9 billion), followed by the UK and Finland.
- With eight deals closed in H1 2015, **the UK was the most active market by number of transactions**. This is however less than the number of deals closed in the country over the last three H1 periods (11, 12 and 16 in 2014, 2013 and 2012 respectively).
- In terms of deal numbers, the UK was followed by **Turkey (4)** and **France (3)**. **Finland** returned to PPPs in H1 2015 (its previous PPP transaction closed in 2011).

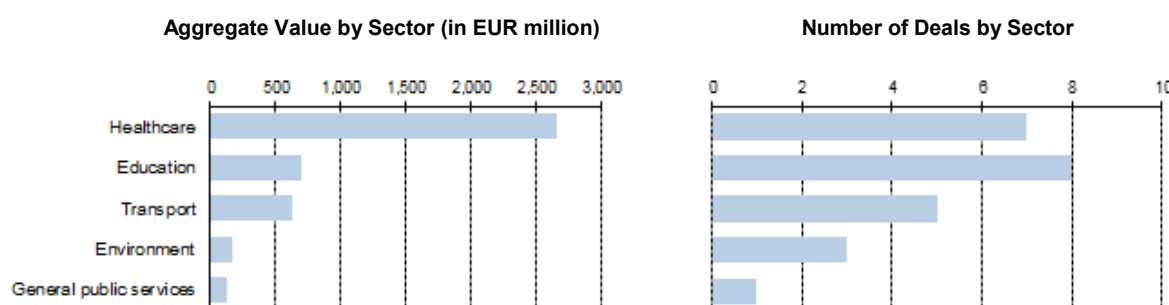
Figure 2: Country Breakdown by Value and Number of Transactions



3. SECTOR BREAKDOWN

- As Figure 3 below shows, during H1 2015 **healthcare** was the largest PPP sector in value terms. Seven healthcare transactions reached financial close for an aggregate value of EUR 2.6 billion (a 16-fold increase over H1 2014).
- **Education** was the most active sector by number of deals and the second largest in value terms. Eight deals closed (in line with H1 2014) accounting for EUR 695 million (a 74% increase over H1 2014).
- With five transactions closed (12 in H1 2014) for an aggregate value of EUR 631 million (EUR 7.6 billion in H1 2014), **transport** was the third sector by number of deals and value.

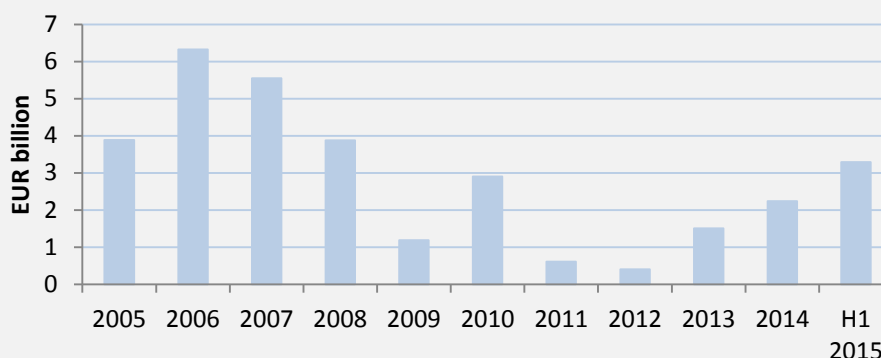
Figure 3: Sector Breakdown by Value and Number of Transactions



Box 1 – The Healthcare Sector

- In H1 2015 **healthcare** was the largest sector in the European PPP market with a market share of 62%. The value of closed deals was more than double the average recorded over the last five full years.

Figure 4: Healthcare Values by Year in the Period 2005-H1 2015



- Overall, seven **hospital** transactions closed in the sector in two countries (**Turkey and the UK**).

4. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in H1 2015:

- The **Bilkent Health Campus** (Turkey) was the largest transaction closed in the European PPP market during H1 2015 and one of the largest ever closed in the healthcare sector (EUR 1.1 billion). The project consists of the construction and operation of a health campus in the Ankara area, which includes a number of general and specialised hospitals and associated facilities, as well as the new main administrative centre for the Ministry of Health.
- The **Western Macedonia Waste** project (Greece) was the first waste PPP project in Greece that blends EIB lending with financing from the EU's JESSICA initiative. The project involves the design, construction, financing, maintenance, facility management and operation of an integrated waste management system to deal with around 120,000 tonnes of municipal waste a year.
- The **Limmel Lock** (The Netherlands) was the first project of the Dutch lock PPP programme to achieve financial close. The EUR 35 million project will enable access to the Juliana Canal, a major shipping route between Limmel and Maasbracht in the south of the Netherlands and accommodate larger barges.
- The **Hamina-Vaalimaa E18** motorway section (Finland) was the most important PPP transport project to close in the Nordic countries since 2011. The DBFOM project involves construction of a 32km long motorway between Hamina and Vaalimaa, upgrading of existing access roads and construction of a parking area for trucks.



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