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Press Release **22nd May 2014**

Infrastructure Industry Witnesses Leverage Boom

Infrastructure deals completed in 2013 were financed by 77% debt on average, the highest figure ever recorded, as debt funds raised a record $8.1bn over the year

Infrastructure deals in 2013 were, on average, financed by the highest level of debt ever recorded, new research from Preqin shows. While the level of deal activity for infrastructure assets has remained fairly steady over recent years, the amount of debt financing for these deals has been increasing, with estimated aggregate leverage in 2013 amounting to a record $256bn compared to $220bn in 2012.

Additionally, a surge in non-traditional sources of infrastructure debt has resulted in a considerable increase in fundraising for unlisted infrastructure debt/mezzanine funds, with a record $8.1bn raised by funds closed in 2013, compared to $3.8bn raised in 2012.

Other Key Facts:

- In a recent Preqin survey, 47% of infrastructure fund managers said that the availability of debt financing for infrastructure assets was better than 12 months ago, with just 3% saying it was worse.
- 763 infrastructure deals took place in 2013 with an estimated aggregate value of $333bn, compared to 778 transactions in 2012 that had an aggregate value of $338bn.
- The average leverage ratio of 77% of deal value for transactions in 2013 is up from an average of 65% in 2012, and 16 percentage points above the average of 61% for deals that took place in 2010.
- There are signs that traditional lenders have largely returned to the market; 77% of fund managers expect banks to be the primary source of debt financing for the infrastructure asset class in 2014
- A number of notable deals with significant levels of debt financing have been finalized over the past six months, including John Laing and Skanska's $2.3bn acquisition of the I-4 Ultimate Project, a Florida-based toll road development, which included $2.2bn (96%) in transactional debt.
- Several sizeable infrastructure debt funds have closed in the last 12 months, including the $6bn EIG Energy Fund XVI (the largest debt fund ever raised) and the $805mn Energy Capital Partners Mezzanine Opportunities Fund.

For more information and analysis, please see
https://www.preqin.com/docs/newsletters/inf/Preqin_Infrastructure_Spotlight_May_2014.pdf

Comment:
"The importance of infrastructure debt is evident, with debt finance representing an average of 68% of all capital invested in infrastructure assets over the last seven years, equating to almost $1.4tn. Investors are also becoming more aware of the benefits of investing in infrastructure debt, resulting in a record amount of capital invested in debt-focused funds last year.

Preqin's recent transaction data reflects the improving availability of financing for firms making infrastructure deals. Although the majority of debt financing is likely to continue originating from banks, lending from alternative sources is also likely to increase as institutional investors and fund managers look to the lower-risk, more predictable long-term yields provided by infrastructure debt."

Andrew Moylan, Head of Real Assets Products

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

New York: One Grand Central Place, 60 E 42nd Street, Suite 630, New York NY 10165 Tel: +1 212 350 0100
London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888
Singapore: One Finlayson Green, #11-02, Singapore 049246 Tel: +65 6305 2200
San Francisco: 580 California Street, Suite 1638, San Francisco, CA 94104 Tel: +1 415 635 3580
Web: www.preqin.com / info@preqin.com

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

For more information, please contact: Andrew Moylan on +44 (0)20 7397 9430 or amoylan@preqin.com
For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or press@preqin.com