

Infrastructure Deal Sizes Rise 56% in Three Years, Sparking Valuation Concerns

The average size of infrastructure deals has hit a record high of \$626mn for transactions so far in 2015, as investors name valuations as their primary concern for the infrastructure market

The latest Preqin research into infrastructure investment has found that the average deal size has risen 56% between 2013 and 2015 YTD. Transactions completed in 2013 had an average size of \$401mn, compared to \$626mn for deals done so far in 2015. The number of deals taking place each year has fallen notably in three years, from 1,056 in 2013 to just 325 so far in 2015. This comes alongside news that the majority of infrastructure investors now list valuations as their primary concern for the infrastructure market. Following a recent survey by Preqin, the proportion of investors concerned about current valuations of investments has risen from 13% in H1 2014 to 56% in H2 2015.

Other Key Infrastructure Deals Facts:

- **Overall Deal Value:** Although average deal size has risen, aggregate deal value is not projected to meet 2014 levels by year-end. Estimated aggregate deal value reached \$435bn in 2014, yet the **aggregate deal value for 2015 YTD is only \$204bn.**
- **Worldwide Increase:** Average deal sizes in all geographic regions have hit record highs in 2015. In particular, **deal size is up 42% in Europe** and 13% in North America versus 2014.
- **Industry Breakdown:** Transport, telecoms and energy deals have all seen notable rises in average deal size over the past year, with the **average transport deal size for 2015 YTD reaching \$889mn**, a 32% increase compared to 2014.
- **Project Stage Breakdown:** Since 2010, greenfield and secondary stage projects have seen average deal sizes rise by approximately 70%, while **brownfield deals have increased by 148% in size.** Since 2014, the average deal size for brownfield sites has increased by 35%.
- **Other Investor Issues:** Following valuations being named as the key issue for the infrastructure market by 56% of investors at present, **43% of respondents stated deal flow was a significant issue** and 30% named performance.

For further data and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/inf/Preqin-Infrastructure-Spotlight-August-2015.pdf>

Comment:

“Average infrastructure deal sizes have reached all-time highs so far in 2015, experiencing significant increases since 2013. However, this growth has not been completely linear across the industry. Transactions in the more developed infrastructure markets of North America and Europe have seen the largest increases in average deal value. Furthermore, the appetite for the favourable characteristics of brownfield sites among investors has driven prices for these assets up at a faster rate than infrastructure at both the greenfield and secondary stages.

What worries investors is that capital committed now may not deliver the strong, stable returns to which they have become accustomed. Only time will tell whether large asset prices will have an effect on the overall performance of unlisted infrastructure funds currently investing capital.”

Andrew Moylan, Head of Real Assets Products – Preqin

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.

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.



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