



Financing UK PFI/PPP Projects through the credit crunch

2nd December 2008

Background to credit crunch

- Monolines gone and capital markets with them
- Too many deals now chasing too few banks
- Interbank lending contracts – see slide – and funding costs rise
- First impact is on low margin businesses
- Credit concerns actually provide some hope
- Bank bail out and Government intervention
- Competition for balance sheet, does Government need to priorities (sectors and projects)

Bank liquidity costs remain a concern

29 Mar 07 to 18 Nov 08 : Show all

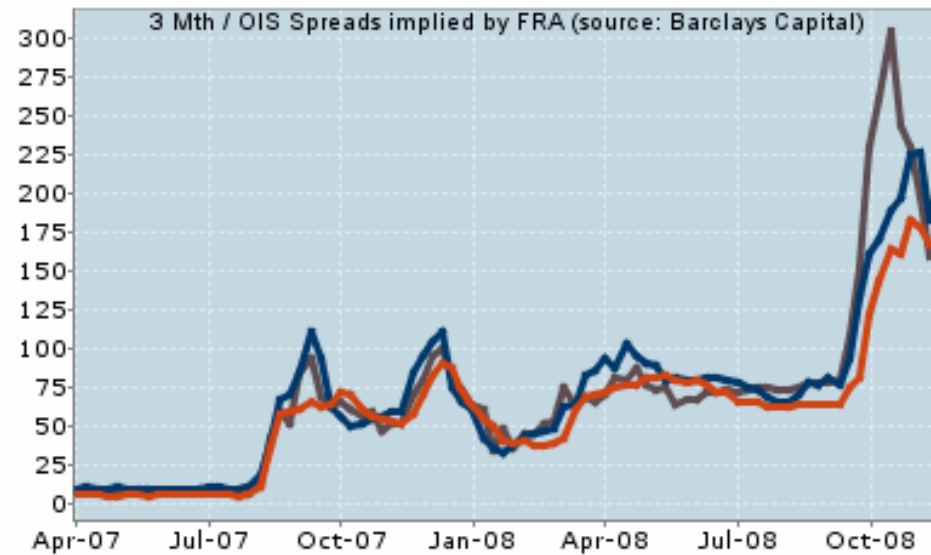
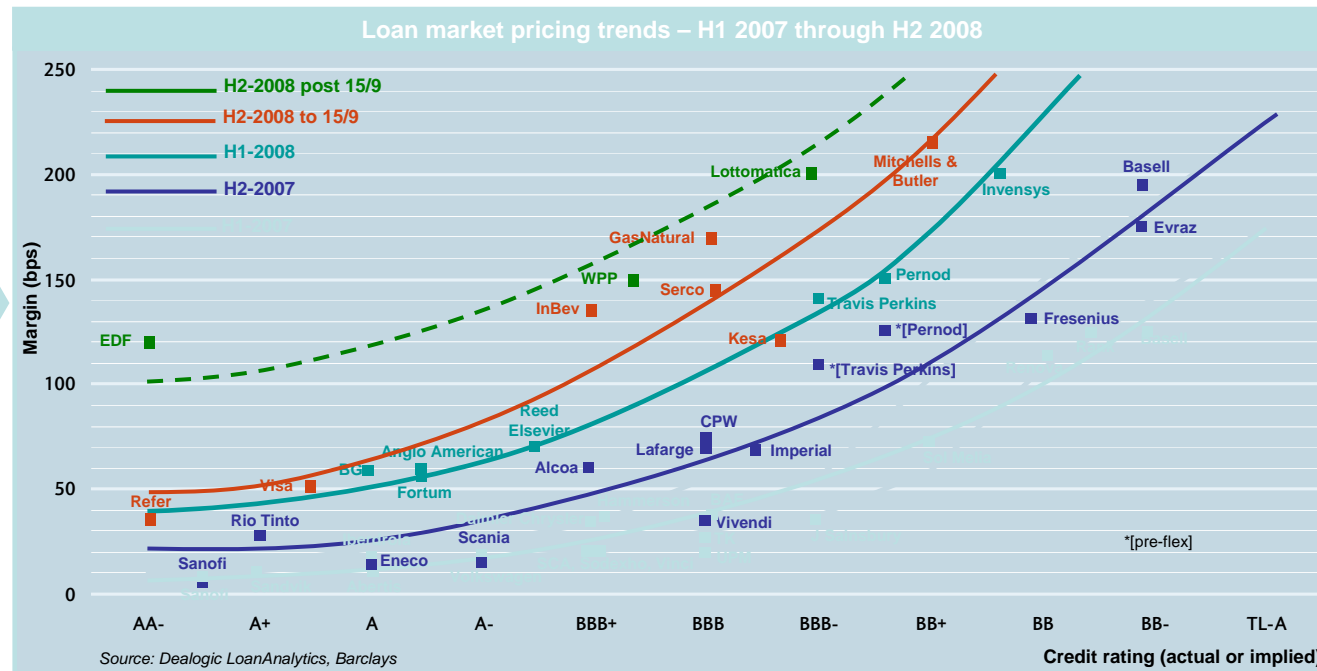


Chart1 — EUR 3M OIS Implied by FRA (L) — GBP 3M OIS Implied by FRA (L)
— USD 3M OIS Implied by FRA (L)

Pricing across the credit spectrum continues to migrate upward

Pricing across the credit spectrum has increased consistently since the onset of the credit crunch



- Price expectations continue to be revised upwards with each new deal coming to market recalibrating prior benchmarks
- Elevated primary margins supported by secondary market which continues to offer paper at a significant discount
- Investment grade refinancings and acquisition financings routinely price well into the >100bp territory

Reasons for optimism

- Assets are essential and long-term in nature
- Transparent structures and business models
- Assets have strong competitive positions
- Relatively stable, predictable demand and cash generation
- Attractive to pension funds
- 62% of deals rated by S&P retain a stable outlook
- But recovery unlikely in H1 09



What does this mean?

- Relationship banking
- Credit terms likely to tighten – ADSCR, LLCR
- More onerous bonding and PCG requirements
- Shorter tenors
- More equity
- Higher margins – but better swap rates
- Affordability Issues
- Government guarantees – on/off balance sheet

Some documentation considerations

- Insolvent banks – can you remove?, pay commitment fees?, is it hedge counterparty?
- What if insolvent bank is Agent? And / or Security Agent?
- Documentation currently silent
- Market disruption – alternative to LIBOR?
- Flex post-close for PFI?



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MOODY **Aa1**

FITCH RATINGS **AA+**



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Finance Provider 2008
– 7th year running



Best Commercial
Mortgage Provider 2008
– 2nd year running



Most Innovative
Funder 2007



Best Business Bank
2007

Team background

- A 20-strong team of experienced professionals, based in London
- Over 10 years experience of providing debt financing for PFI/PPP and project finance transactions in the UK and continental Europe
- More than 140 deals closed since the creation of our team in 1997
- Over £2.0bn of senior debt commitments currently held
- PFI work in conjunction with Healthcare to provide tailored solutions and seamless support to our clients

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HOW TO GET IN TOUCH.

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