

ACRP Insight Event

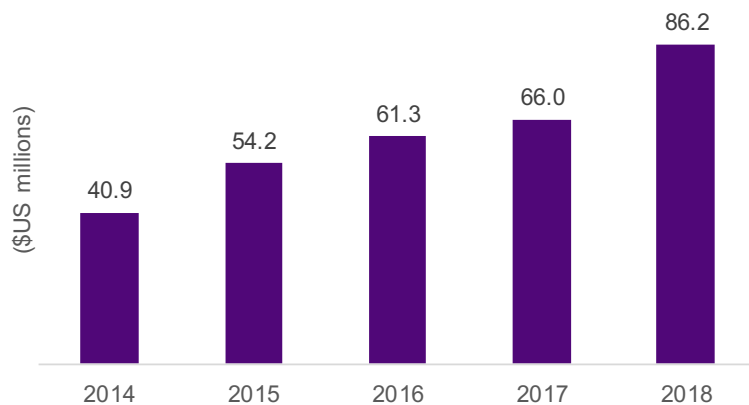
A Forum on P3s: What Are the Lessons Learned?

July 10, 2019

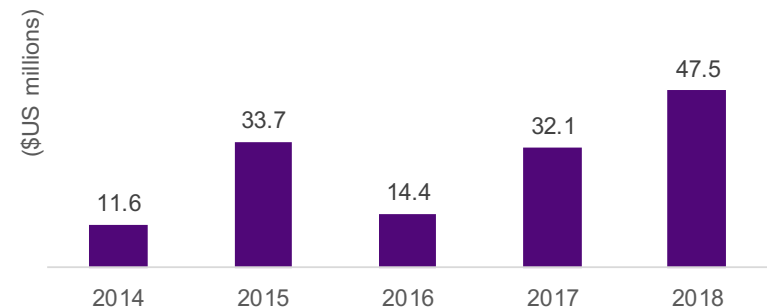


- Significant capital chasing infrastructure opportunities globally
 - More than \$150 billion raised globally in 2017 & 2018 alone⁽¹⁾
- Diversity among investors creates appetite for deals of all types and sizes
- North American airports are some of the most sought after investment opportunities in the world
 - Nearly all investors and operators are underweight on this sector

Global Infrastructure Fundraising⁽¹⁾



U.S.-based Infrastructure Fundraising⁽¹⁾



(1) Source: Inframation

- Airport owner and key stakeholder buy-in and support is crucial for success, especially from the view of potential private partners
 - Understand key issues for airlines, airport tenants, local residents, etc.
 - Host public forums to explain P3s and the transaction under consideration
- Private partners will be attentive to local processes, even prior to a definitive decision
 - Industry days can provide the opportunity for an exchange of ideas and productive dialogue between the public and private sectors prior to a formal process
 - Only launch a marketing process once all of the stakeholder work, structuring considerations, and process preparation have been completed
- Marketing can take different forms, each bespoke for the specific process
 - Focus on partners that are expected to address key stakeholder issues or go wide?
- Utilize the RFQ phase to identify and shortlist those parties who will be good partners for the airport community

- Value to the airport owner(s) does not necessarily mean the largest payment from the private partner
 - Level of operational oversight and addressing key stakeholder issues may outweigh financial proceeds
- AIPP and other enabling regulation generally provide significant flexibility to address these key points
- Private partners, meanwhile, will look to two key areas to drive value:
 - Allocation of risk to the partner best placed to address it
 - Long-term alignment of interest

- Each bidder in the RFP stage of a transaction will develop a detailed financial model for the full term of the lease and run a discounted cash flow analysis
- With assistance from third party advisors, bidders will develop forecasts for each aspect of the airport's operations
 - Passengers, aeronautical and commercial revenue, operating expense, capital expenditures, and any requirements within the lease and airline agreements
- Models will include financing structures, fully committed if required, as well as each bidder's unique tax structure
- Projected cash flows to investors will be discounted at a cost of equity determined to be appropriate for the transaction
 - Cost of equity will reflect the level of risk inherent in the operation of the asset as well as in the forecasts utilized

Clay McCoy

Biography



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Clay McCoy is a Director in the Infrastructure, Power & Renewables Group at PJ SOLOMON. He advises on buy- and sell-side mergers and acquisitions, public-private partnerships, project and leveraged financings, and capital raises for private equity, pension and infrastructure funds, corporate clients and municipalities.

Focusing on transportation infrastructure, he has advised on several US airport public-private partnership transactions and processes including those at the Luis Muñoz Marín International Airport in San Juan, Westchester County Airport, and JetBlue's project for Terminals 6 and 7 at JFK International Airport.

Clay holds a BA in economics & commerce and psychology from Hampden-Sydney College, a MS in accountancy from Wake Forest University and is a Certified Public Accountant.

Select Transaction Experience

Airports:

- JetBlue JFK T6&7 Redevelopment (2018)
- Westchester County Airport Privatization (2017)
- Luis Muñoz Marín (LMM) Airport Sale (2017)
- Billy Bishop Toronto City Airport Terminal Sale (2015)

Other Infrastructure Sectors:

- Ports America Refinancing (2018)
- Dulles Greenway 50% Acquisition (2017)
- Chicago Skyway Acquisition (2016)
- NYK Terminals Acquisition (2015)

Academic Credentials

- M.S. Accountancy, Wake Forest University
- B.A., Economics & Commerce and Psychology, Hampden-Sydney College
- Certified Public Accountant