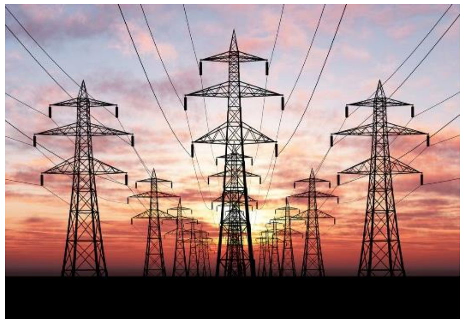
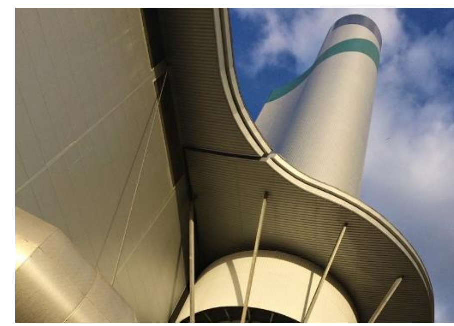
SEQUOIA INVESTMENT MANAGEMENT COMPANY LIMITED







Financing Structures for Road Infrastructure

May 2019

Executive Summary

- Transportation infrastructure is increasingly reliant on non-bank debt financing
  - Driven by regulation imposing new constraints on bank lending
  - Growing sophistication among investors
  - Growing investor appetite for yield

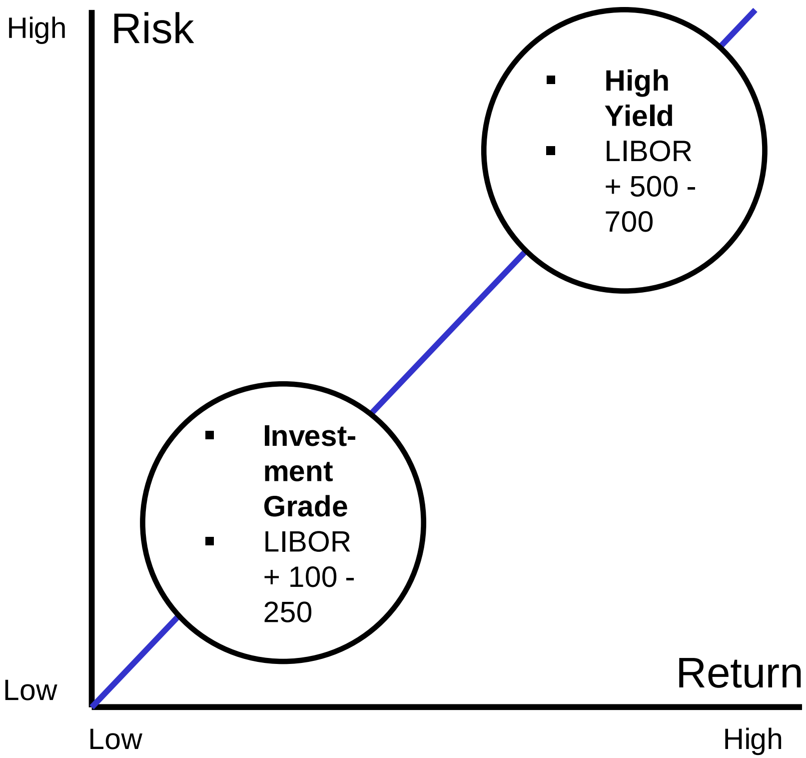
- This gives rise to infrastructure debt as an asset class in and of itself
  - Increasing specialisation of debt investors across geographies, sectors and credit risk
  - Equity sponsors have better access to the appropriate types of debt capital

- Private Debt funds offer a number of advantages:
  - Better asset-liability matching compared with banks – benefits both investors (LPs) and borrowers
  - Investor (LP) appetite for risk is better aligned with the opportunity
  - Enhanced flexibility and faster deal execution compared to most banks

- Debt capital offers tremendous flexibility. Needs of investors and borrowers can be addressed simultaneously by developing capital structures where the risk-return profiles of investors are matched with the right position in the capital stack.

Matching credit profile with capital providers

The risk-return profile continuum



Who is this for?

High Yield Lenders	▪ Mezzanine / High Yield funds (Sequoia / GSO Capital / Whitehelm) ▪ Structured Finance Desks (DB / JPM / GS) ▪ Family offices etc.
Investment Grade Lenders	▪ EIB / EBRD ▪ High Street Banks (HSBC / Barclays / Societe Generale) ▪ Insurance and Pension funds (Aviva / AXA / Allianz ▪ IG Debt Funds

Developing the capital structure

SEQUOIA INVESTMENT MANAGEMENT COMPANY LIMITED

Simple capital structure

OpCo debt (1st lien Senior Secured)

Equity

- Classic project capital structure
- All debt at the opco level, with direct pledge over all assets of the project
- Significant difference between debt yield vs equity IRR
- Requires significant owners' equity contribution
- More conservative risk-return profile

Capital structure with junior debt

OpCo debt (1st lien Senior Secured)

Junior debt (2nd lien / Mezzanine / Holdco)

Equity

- Opco debt as before, now with the addition of a further layer of debt with 2nd lien on assets and/or shares of the opco
- Offers investors the opportunity to capture a yield between opco debt and equity yields
- Less owners' equity needed
- Higher equity IRR achievable

Case study 1 – US Managed Lanes construction financing

- 22.5 miles of new Express Lanes alongside three regular lanes on an interstate in the vicinity of Washington DC
- Dynamically-tolled Express Lanes – available to solo drivers choosing to pay a toll and free to vehicles with 3+ passengers
- Sponsors: 50/50 JV between two large construction firms.

The need

- Maintain IG rating on senior debt
- Limited senior debt to $2 out of $3.5bn total capital needs
- Funding gap of $500 million created
- JV partner 1 sought $250m in new equity

Sequoia's proposition

- Support JV partner 2 with $250m holdco
- Build a syndicate of lenders, who wish to benefit from higher than IG returns on a landmark asset
- JV partner 2 keeps $250m cash available on B/S

The value add

- Provide subordinate capital to support opco debt IG rating
- Holdco debt is cheaper than equity
- JV partner 2 could place less of its own capital at risk
- Enhancement of equity returns

Case study 2 – NEOEN Renewables operating portfolio financing

- Headquartered in Paris, France and active in the solar power (60% of portfolio) and wind power (40%) sectors
- Significant presence in France, Portugal and Australia
- Entered Euronext in 2018, raising €450 million
- First French unicorn in the renewables field

The need

- Raise €40 million equity on existing portfolio to fund new asset development
- Need to achieve quick turnaround of change of control waivers from various lenders at opco level

Sequoia's proposition

- Provide a loan at the holding company level
- Free up €40 million of equity to fund new projects
- No change of control triggered at the opco level of any project

The value add

- Faster execution than equity raise
- No mandatory prepayment triggered at the opco debt level
- No equity ownership dilution
- Enhancement of equity returns

Conclusions

- Classic project capital structures – and the resulting difference between senior debt yields and equity IRRs – leave significant value on the table that can be captured by mezzanine lenders.

- Private Debt funds, such as Sequoia's infrastructure debt funds are best placed to provide junior debt capital and:
  - Enhance value to all capital providers to a project
  - Provide superior flexibility in financing terms, which reflect the nature of our capital
  - Offer an attractive risk-return asset profile to investors

- Growth of Private High Yield Debt funds goes hand in hand with:
  - Increased appetite of investors for a piece of the capital structure that sits between senior secured debt and equity, i.e. with better asset coverage than equity but higher returns than senior secured debt
  - Need of equity sponsors to add a further layer of debt in order to enhance equity IRR
  - Need of equity sponsors to carefully budget fund allocation between investment opportunities.

INTRODUCTION TO SEQUOIA INVESTMENT MANAGEMENT CO.

Sequoia Investment Management Company

SEQUOIA INVESTMENT MANAGEMENT COMPANY LIMITED

Sequoia profile (www.seqimco.com)

Founded	2009
Location	London
AUM	£1.2 billion
Professional staff	14 full time employees (4 partners, 9 credit analysts and 1 support)
Regulation	Approved by FCA for *inter alia* portfolio management. EU pass-ported. MiFID II compliant

Sequoia as a Lender

- Seasoned infrastructure, asset management and capital markets professionals
- Top infrastructure origination experience. **In the global markets every day arranging assets**
- Strong investment management track record of **more than 100 investments**
- Flexibility on key terms including tenor, ability to PIK, call protection and borrower tier
- Speed and certainty of execution: the four partners own 100% of Sequoia

Sequoia Partners

Randall Sandstrom
CEO and CIO

Dolf Kohnhorst
Chief Risk Officer

Steve Cook
Co-Portfolio Manager

Greg Taylor
Co-Portfolio Manager

Investment Advisor to two funds

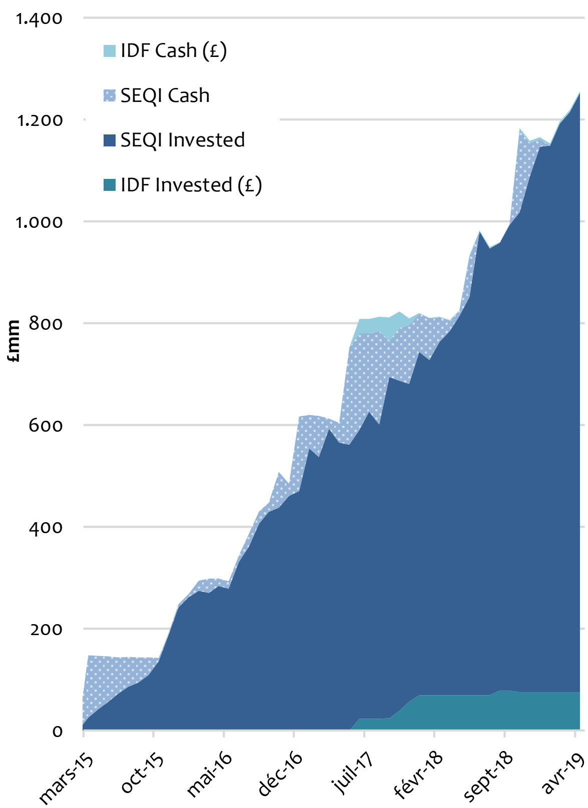
Sequoia Economic Infrastructure Income Fund "SEQI" (1)	Sequoia Infrastructure Debt Fund "IDF" (2)
£1.2 billion market cap IPO March 2015 Seventh fundraise October 2018	1st close July 13 2017. 2nd close July 12 2018. Fundraising through December 2019 €1 bn maximum size

(1) Listed on the Main Market All-Share Index of the London Stock Exchange. Ticker symbol SEQI, and website www.seqifund.com. Market cap as at 30 April 2019.
(2) Website: www.sequoiaidf.com

Sequoia lending and origination track record

Sequoia has originated or acquired more than 100 infrastructure debt investments in 15 jurisdictions.[1]

Sequoia's Capital Deployment Experience



38 Sub-sectors, including:
Rail, toll road, airports
Aircraft, rolling stock, shipping
Elec. distribution and supply, pipelines, waste and water
Electricity generation, power purchase agreements
Solar and wind
Alternative fuel, PFI, renewables equipment
Broadband, cable, data centres, satellites, towers
Elderly care, student accommodation

50+ assets in 11 European countries

45+ US and Canadian assets

5+ Australian & New Zealand assets

(1) This includes assets that have been sold or have pre-paid as of 30 April 2019.

What we are looking for

Credit Quality	AA / AAA	A	BBB	BB	B	CCC
UK						
Northern Europe						
Spain and Italy						
Greece and Portugal						
US, Canada						
Australia, NZ						
EM						

Key	
Strong appetite	
Some appetite	
No interest	

Status	Interest type	Term	Rating	Performance
Operational	Fixed	1-2 year bridge loans	Unrated	Performing
In construction	Floating	Up to 30 years	Rated	Stressed
	Index-linked	Over 30 years		Distressed

Our transportation experience

Transportation investments including

6 roads, 2 rail projects, 2 airport, 3 maritime services, 2 aircraft, 1 port, 1 tunnel and 2 motorway services

A'LIÉNOR
A65
AUTOROUTE DE GASCOGNE

A249

orlyval

WARNOW TUNNEL

DULLES GREENWAY

EURO TUNNEL

NAVIERA ARMAS

WELCOMEBREAK

adani

Heathrow

ALL ABOARD FLORIDA

Scandlines