



Infraestruturas
de Portugal
Ligamos destinos

REFORMING SOE'S **(The Industry Perspective)**

Infraestruturas de Portugal - **From Hell To Earth**

DG ECFIN
Brussels, 24 November 2015

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CEO

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1. General Overview of Portuguese SOE's Sector



1. GENERAL OVERVIEW OF PORTUGUESE SOE'S SECTOR

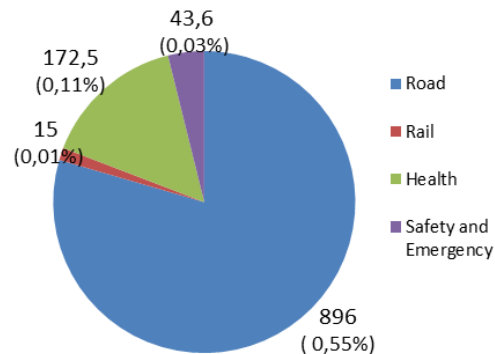
Debt situation in 2010

Deficit (% GDP)	11,2%
Public Debt (% GDP)	96,2%
SOE's Debt (% public debt)*	28%
PPP's Net Debt per year (% GDP)	0,7%

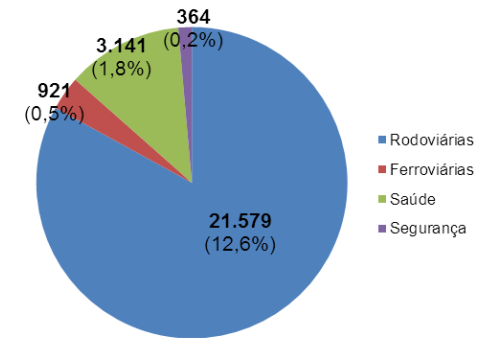
(*SOE's without health and financial enterprises)

Sources: Eurostat e DGTF(SEE)

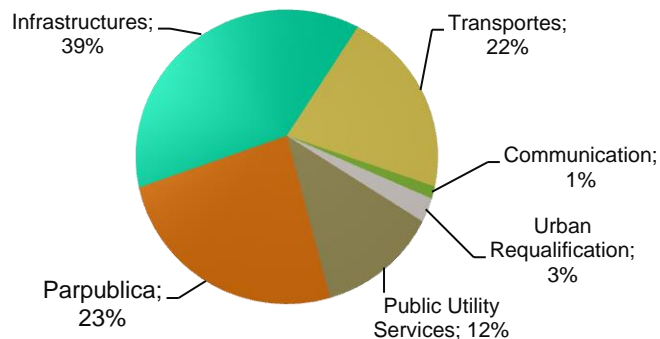
Net Charges of PPP in 2010 1127 M€ (Net Debt 0,7% GDP)



Present value of Gross Charges for PPP 2011-2051 (M€ and %GDP)



Indebtedness by sector (without Health and Financial sectors) - 2010 (% GDP)



MoU – Economic and Financial Policies (2011)

- **Suspend** new PPPs during program process
- **Renegotiate** the most significant PPPs (incl. Estradas de Portugal PPPs)
- Enhance a **annual report** on PPPs
- Reduce **operating costs** in 15%
- Accelerate the **privatization program** (including CP)
- Better **regulation** of de SOE's
- Adopt a **strategic plan** to rationalize networks and improve mobility and logistic conditions

2. Three Years of Adjustment

EP – Estradas de Portugal, S.A.

EP Profile (2012)



TOTAL ASSETS
19.009 M€

CAPITAL
912 M€

EBITDA
577 M€

RAI
54,4 M€

BRIDGES, TUNNELS AND VIADUCTS
5.202

SUB-CONCESSIONED NETWORK
1.589 km

ROAD NETWORK (DIRECT MANAGEMENT)
13.664 km

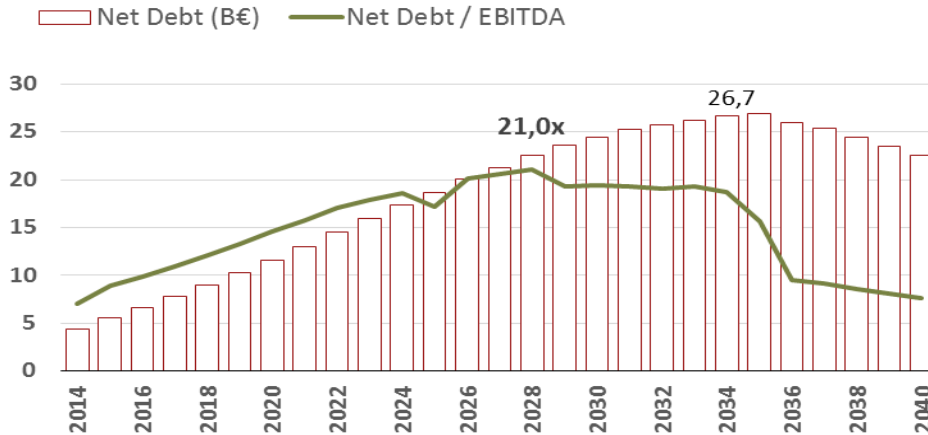
VEHICLES
22.200.000.000 km/year



ROAD FREIGHT
200.000.000 Ton/year

2. THREE YEARS OF ADJUSTMENT

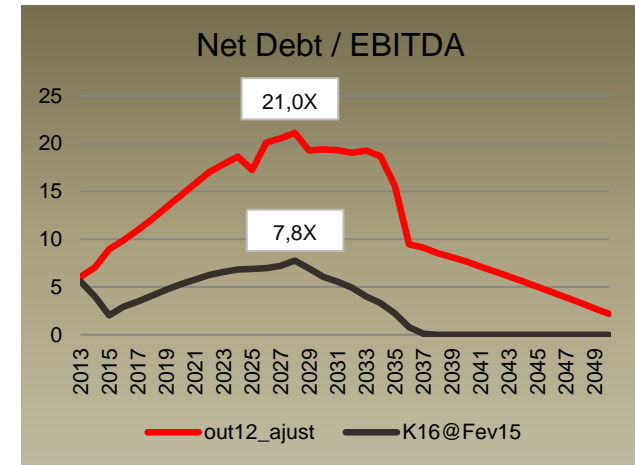
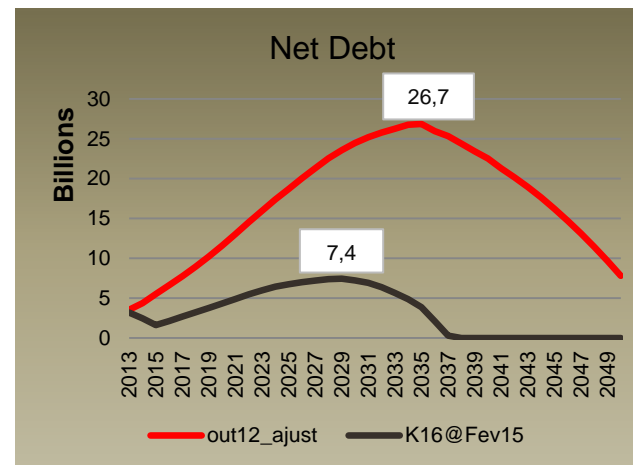
Estradas de Portugal (EP) Business Plan (2012)



In 2012, EP Business Plan was clearly demonstrative of the **unsustainability of the road network** management model ...

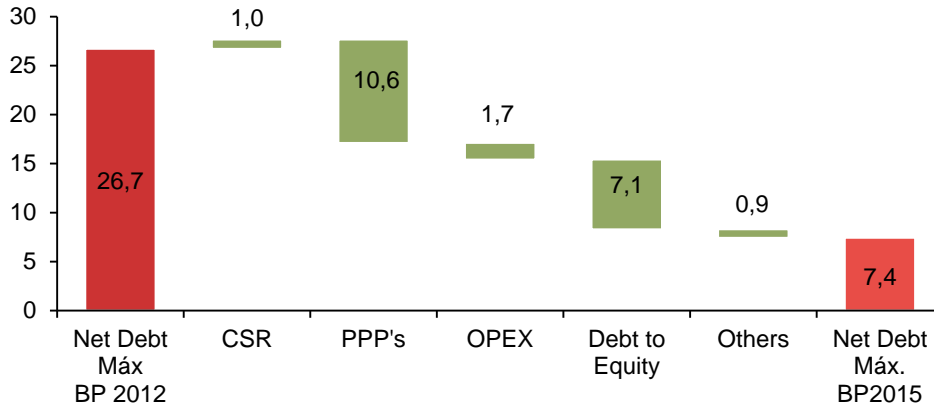
Evolution 2012/2015

... but in the **period 2013/2015** a set of measures have been implemented to put the EP in a **pre-sustainability scenario**.



2. THREE YEARS OF ADJUSTMENT

Impact of the measures implemented (B€)

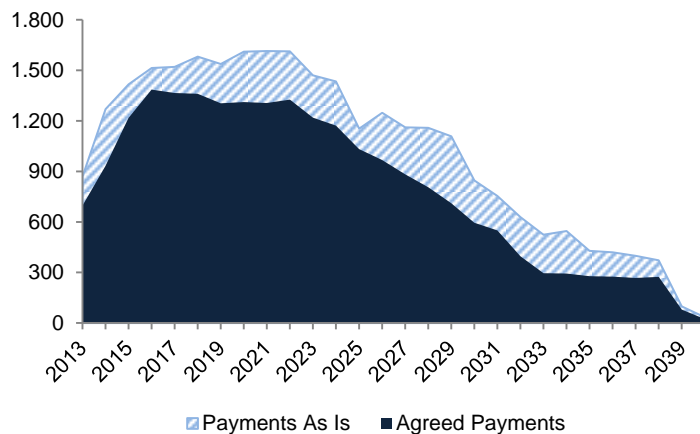


Note: 1. PPPs reduction includes capitalization of financial charges and tolls costs. 2. Debt to equity includes capitalization of financial charges

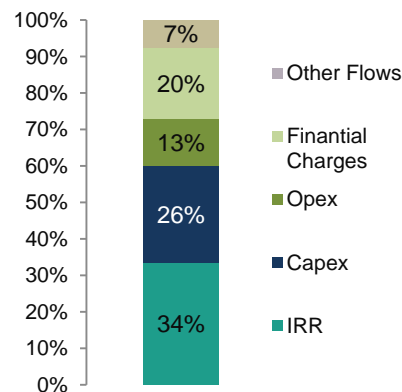
The key factors for pre-sustainability scenario were the **PPP's renegotiation** and the **debt to equity operations**.

PPP's Renegotiation

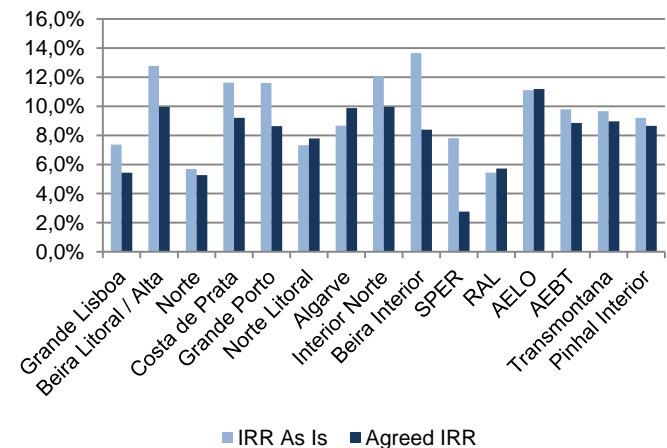
Payments Evolution (M€)



Allocation of Savings (%)



IRR Evolution (%)

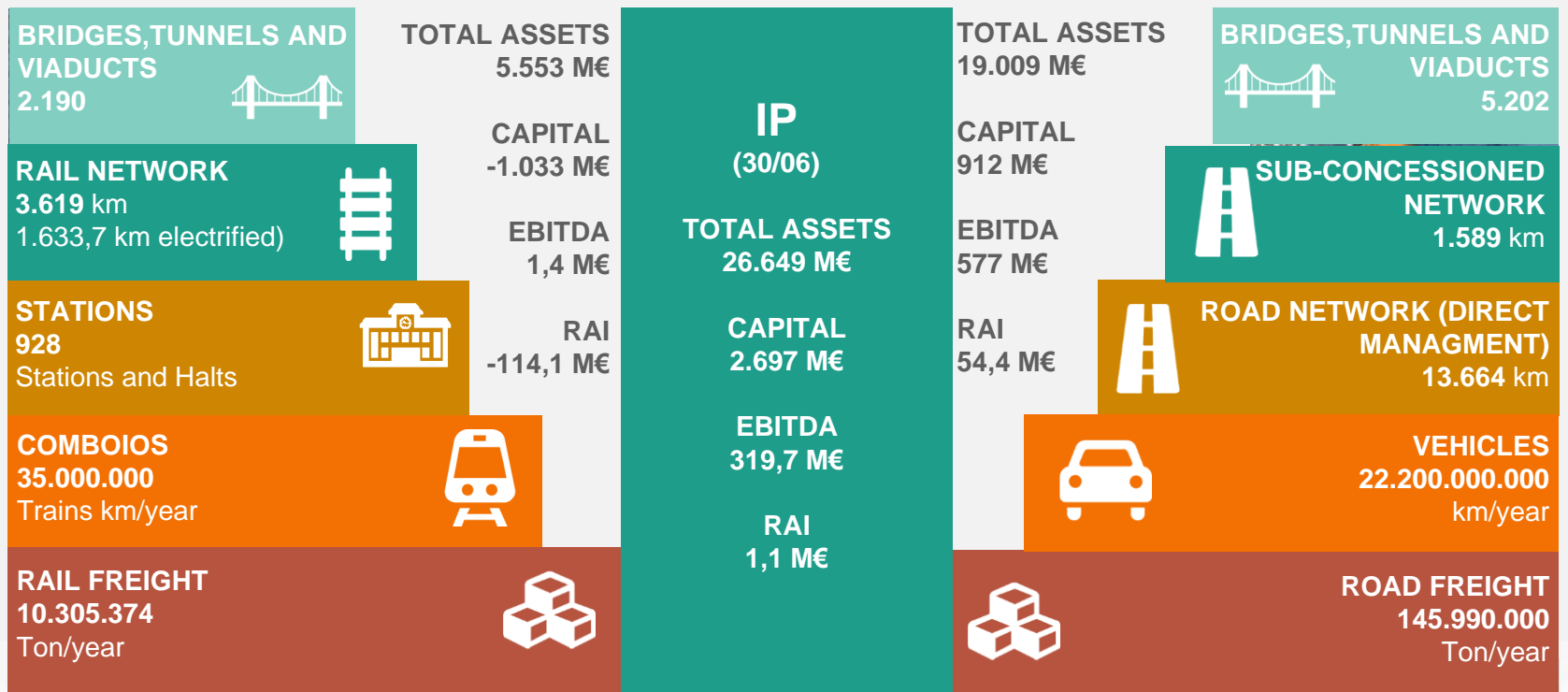


3. A New Challenge – Merger EP / REFER

IP - Infraestruturas de Portugal, S.A.

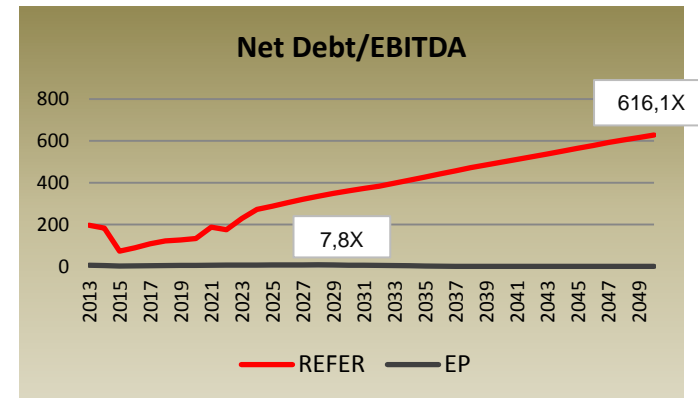
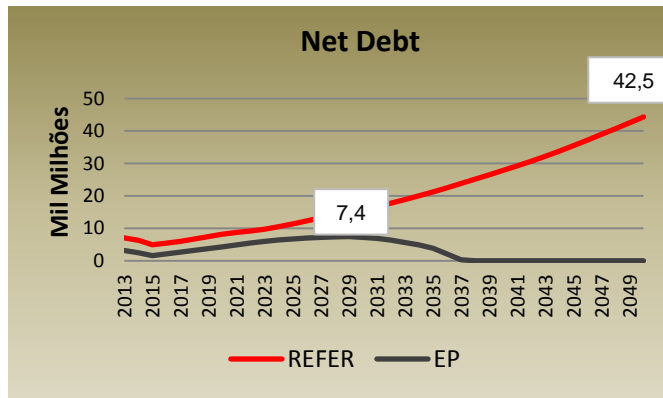
REFER Profile (2014)

EP Profile (2014)

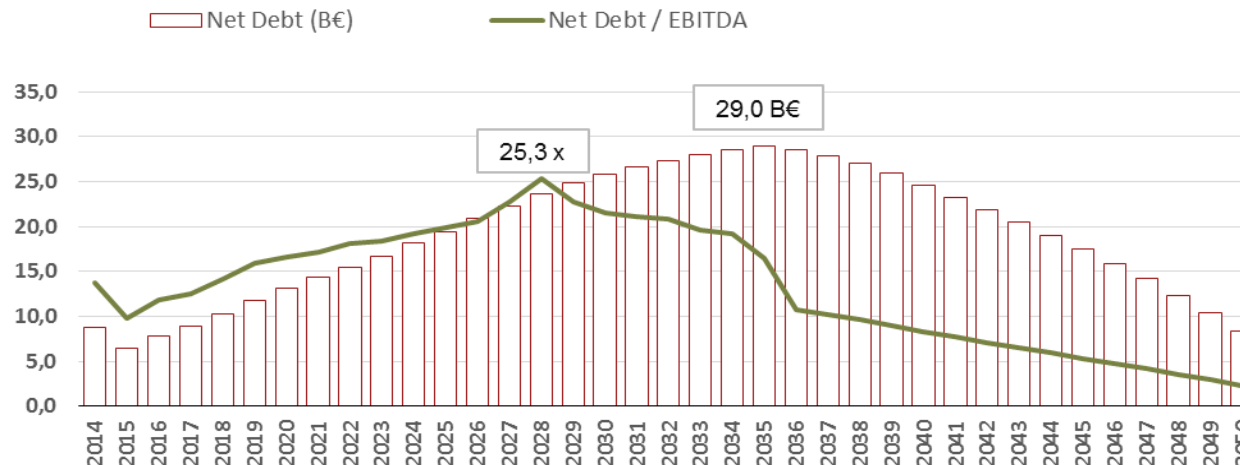


3. A NEW CHALLENGE – MERGER EP / REFER

If the EP Business Plan chart a solid path in sustainability direction, the **merger with REFER** (manager of the Portuguese railway infrastructure), company with **chronic operating deficit, strong investment needs** and **higher debt to 6 B €** implies a new beginning ...



... reflected in the increase in the **peak debt for 29 B € (2035)** and NetDebt / EBITDA to 25x.



We have identified **three major challenges** resulting from the merger:



Sustainability

Increased revenue

- Mobility and accessibility services
- Asset monetization

Advance revenue

- CSI
- User fee

Cost Reduction

- operational efficiency
- operational synergies
- economies of scale

A single concession contract



The Investment Challenge

Priority to existing assets

- Efficient asset management
- Network segmentation

Proximity investments

- Last mile
- Missing links

Structuring projects

- Integrated network planning
- Modernization of the rail network;
- Port hinterland

Strategic Priorities

- Ports
- Rail Investment



The Return on assets



IP is the Portuguese company with higher value in assets

4. IP BUSINESS PLAN



4.1 STRATEGIC VISION

Five strategic guidelines focusing on the defined goals have been established

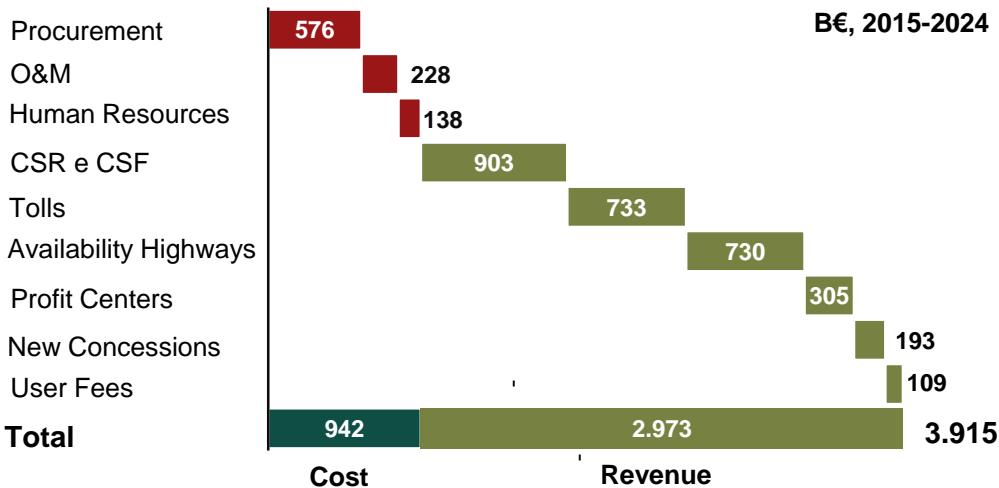


4.2 COST, REVENUE AND INVESTMENT LEVERAGES

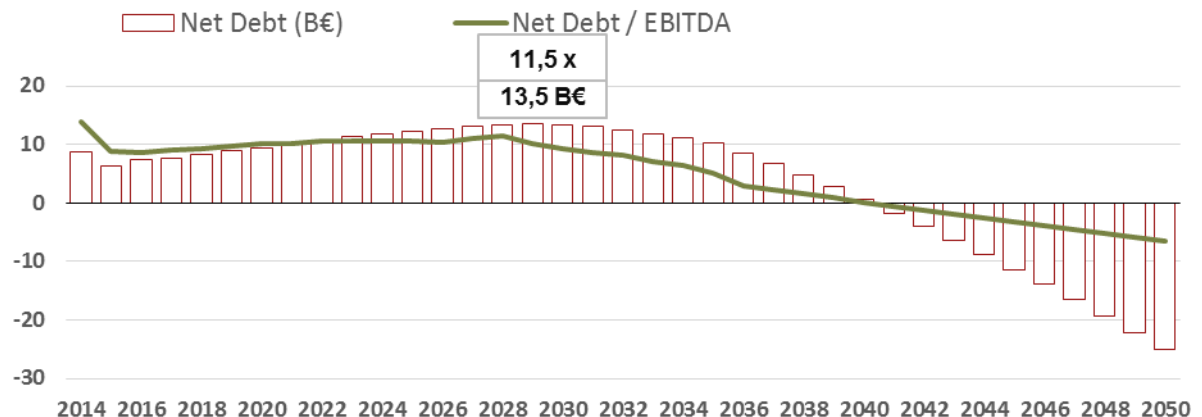
The IP business plan projects an **profit of 3.900 M€** over the next ten years with revenue and costs.

In the business plan are still considered:

- **Equity Debt Conversion** of the remaining historical supplies, including financial charges, up to 2021, **totaling 3,200 M €**;
- The implementation and financing of the Strategic Plan of Transport and Infrastructure (**PETI3+**), in the value of **2.800 M€**;
- The execution of **railway investments to the value of 11 B€** ceased to be foreseen for the period **2023-2050**.



The Cost, Revenue and Investment leverages foreseen in the Strategic Plan, in addition to the Debt from Equity conversion enable a **decrease in peak debt to 13.5 B€ (2029)**, and in **Net Debt / Ebitda to 11.5x (2028)**



4.3 AUTONOMY AND VALORIZATION SCENARIOS

The **financial sustainability challenge of IP** over the oncoming years calls for autonomy and valorization measures ...

Business Plan

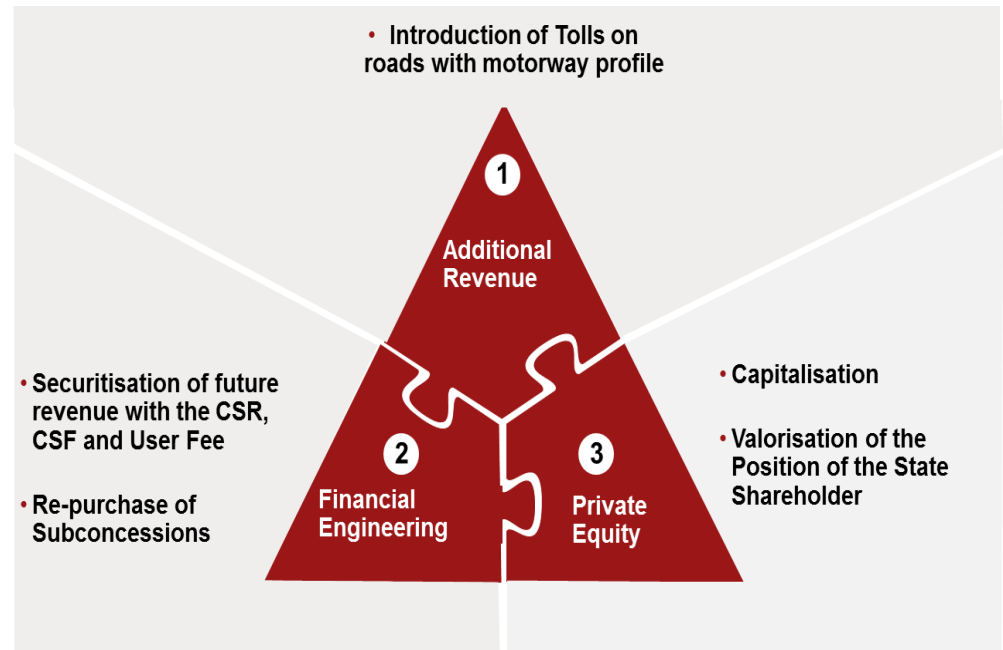
Strong debt accumulation over the next 15 years, despite the release of positive operating cash-flows, owing to historical under-funding and new Capex requirements



Key challenges

- Mitigation of high debt levels
- Resolution of funding restrictions (market access)
- Financial valorization of the company

... which may be structured at **three different levels**.



4.3 AUTONOMY AND VALORIZATION SCENARIOS

Introduction of Tolls in new sections with motorway profile

New sections with tolls	Main assumptions	Impact
IC22, IC16, A43, A44, A28, EN14, IC2, A33, A20 e IC17	Estimated 35% traffic loss Loss of the part corresponding to the availability of a toll-free motorway network	Allows for a decrease in peak debt (2028) by 2.1 x EBITDA and 1.500 million euros; Allows for an increase in Enterprise Value by 2.112 million euros

Securitization of Future Gains

Description	Main assumptions	Impact
Early upfront cash payment of future revenue of a recurring and earmarking nature: <ol style="list-style-type: none"> 1 CSF/IC 2 Usage charges (railway) 3 CSR (with State guarantee, eg. 10%) 	Starting year: 2017 Grace period: 10 years Percentage of securitized future revenue: 75% Discount rate: 5% CSR guaranteed by the State: 10% Cost of CSR guarantee by the State: 1% Number of instalments received: 5 (1st five years)	Allows for a decrease in peak debt Allows for a decrease in peak debt (2028) by 3.7x EBITDA and 4.6 thousand million euros. (2028) by 2.1 x EBITDA and 1.500 million euros; Allows for an increase in Enterprise Value by 2.112 million euros

4.3 AUTONOMY AND VALORIZATION SCENARIOS

Re-purchase of Sub Concessions

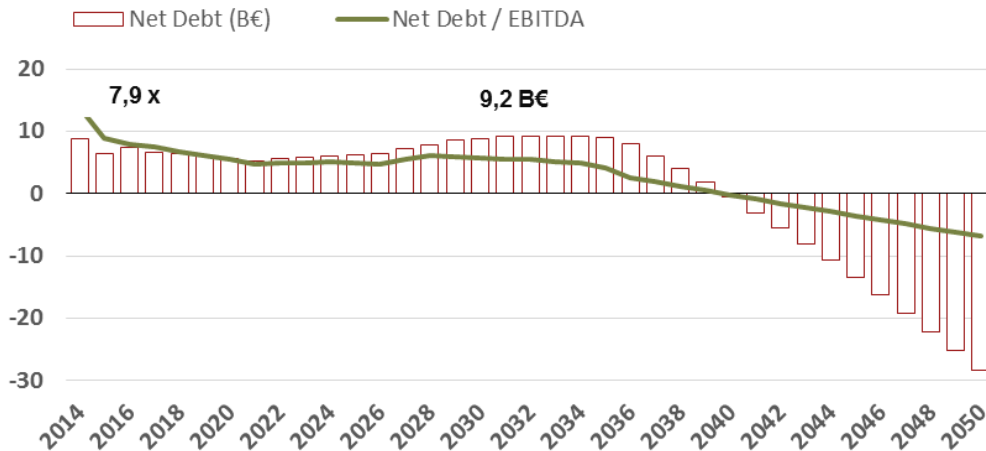
Description	Main assumptions	Impact
<p>Issue of debt and/or injection of capital for early redemption of the Douro Interior, Litoral Oeste, Baixo Alentejo and Algarve Litoral subconcessions, aimed at savings related to O&M and debt costs</p>	<p>Haircut on Equity:</p> <ul style="list-style-type: none">Douro Interior: 25%Litoral Oeste: 25%Baixo Alentejo: 50%Algarve Litoral: 50% <p>Year of operation: 2016</p>	<p>Purchase price of 190 M€ and assumed debt of 1.522 M€.</p> <p>Allows for an increase of 2.070 million euros of the Enterprise Value with a low impact on peak debt (+ 200 million euros in 2029).</p>

4.4 NEW CONCESSION CONTRACT - MAIN OBJECTIVES

- » **Provide Integrated Accessibility**
Providing road and rail infrastructure throughout the national territory, enabling social and economic development and territorial cohesion
- » **Promote Mobility Efficient**
Encouraging modal shift in segments and routes over which the railroad is uneconomical and environmentally efficient
- » **Promoting Economy and Exports**
By improving the competitiveness of freight transport, focusing on intermodality, accessibility to ports and international connections
- » **Guarantee integrated development**
Managing and executing the investment necessary for rational development of road and rail networks, providing them with conditions to meet the overall goals
- » **Achieve Financial Sustainability**
Ensuring adequate remuneration to the management and development of infrastructure, supplies and fair and balanced funding streams and promoting efficiency
- » **Strengthening Management Capacity**
Providing greater predictability, stability and control of the financial equation and creating conditions for the securitization of revenue
- » **Share Risks and Benefits**
Maximizing the value added to the state economy, users and taxpayers and aligning incentives to pursue the general objectives

4. IP BUSINESS PLAN

These measures and the implementation of the new remuneration system linked to the concession agreement will lower the **peak estimate of debt to 9.2 B € (2032)**, and the **NetDebt / Ebitda to 7,9x (2016)**



Enterprise Value: 19.770 M€
Equity Value: 13.657 M€
(31/12/2015)

Capital Invested by State
(2013/2021)
10.092 M€

We believe the maximum leverage level will increase, due to company's scope.

Operational Results improved immediately.

IP results until the **3rd quarter** show a clear **improvement** over the results EP / REFER in the same period 2014

Year	EBITDA
2014	384
2015	482,4

Year	RAI (M€)
2014	-64
2015	12,2



Infraestruturas
de Portugal
Ligamos destinos

Rodovia e Ferrovia
Juntos encurtamos distâncias.

Viva a mobilidade.



thank you

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