



**Infraestruturas**  
de Portugal  
Ligamos destinos

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

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

DG ECFIN  
Brussels, 24 November 2015

**António Ramalho**  
CEO

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# 1. General Overview of Portuguese SOE's Sector



# 1. GENERAL OVERVIEW OF PORTUGUESE SOE'S SECTOR

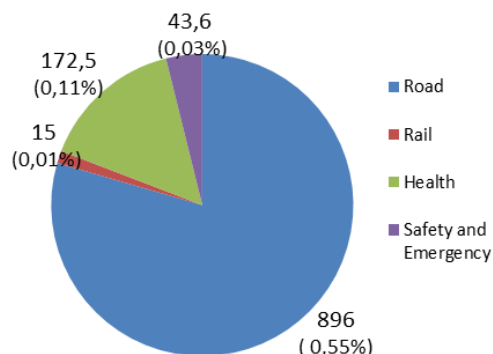
## Debt situation in 2010

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

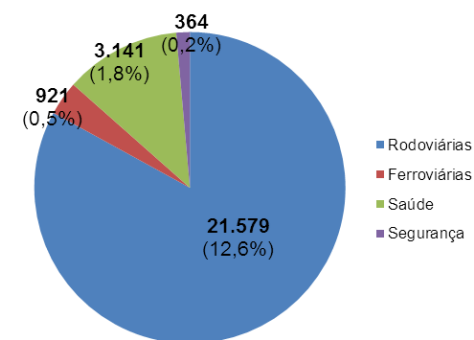
(\*SOE's without health and financial enterprises

Sources: Eurostat e DGTF(SEE)

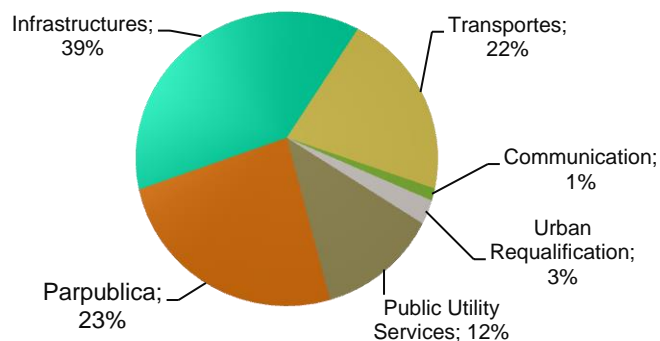
## Net Charges of PPP in 2010 1127 M€ (Net Debt 0,7% GDP)



## 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

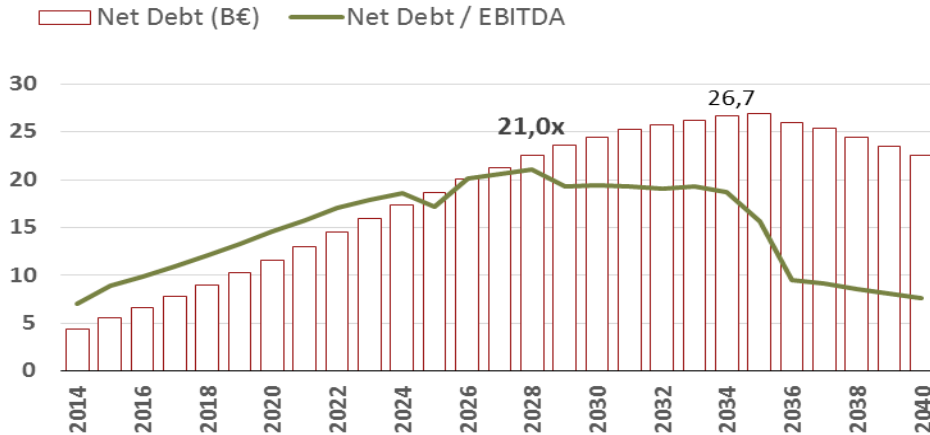
**ROAD NETWORK (DIRECT MANAGEMENT)**  
13.664 km

**VEHICLES**  
22.200.000.000  
km/year

**ROAD FREIGHT**  
200.000.000  
Ton/year

## 2. THREE YEARS OF ADJUSTMENT

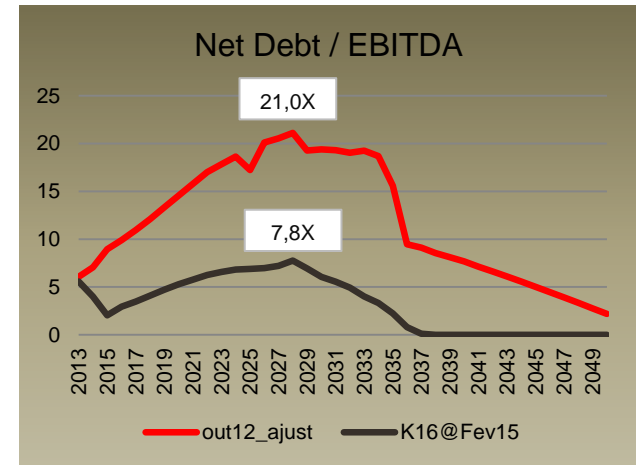
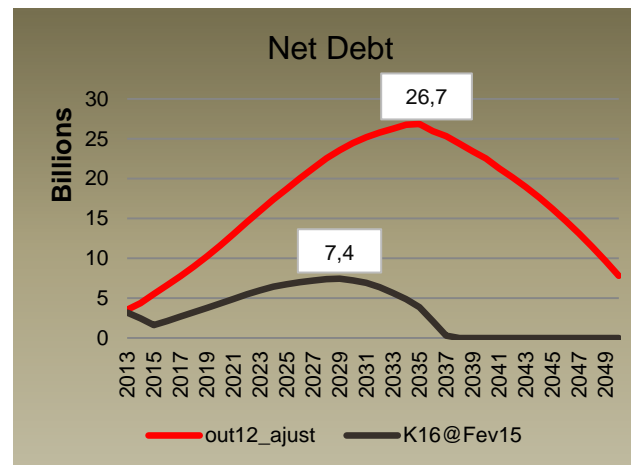
### Estradas de Portugal (EP) Business Plan (2012)



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

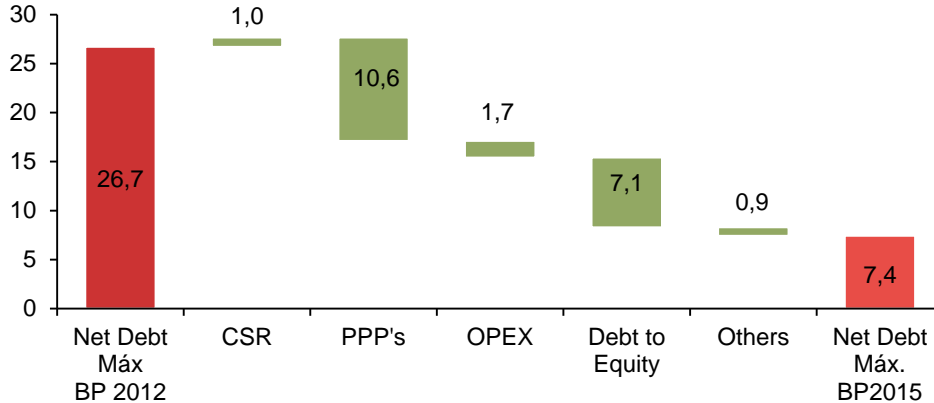
### Evolution 2012/2015

... 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€)

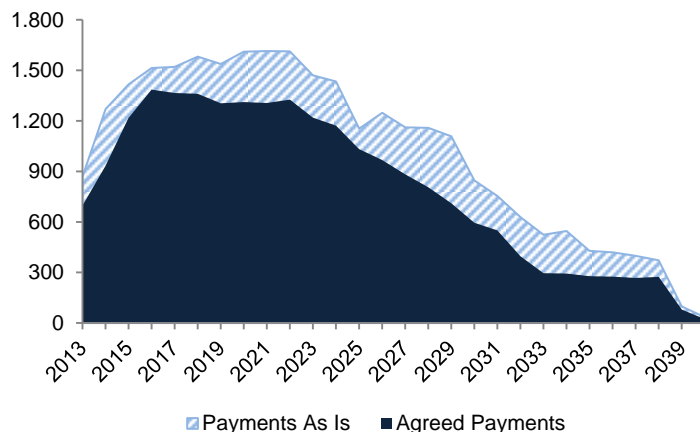


Note: 1. PPPs reduction includes capitalization of financial charges and tolls costs. 2. Debt to equity includes capitalization of financial charges

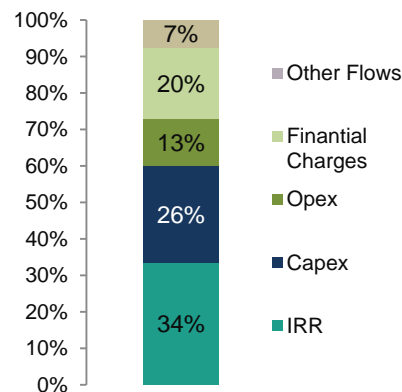
The key factors for pre-sustainability scenario were the **PPP's renegotiation** and the **debt to equity operations**.

### PPP's Renegotiation

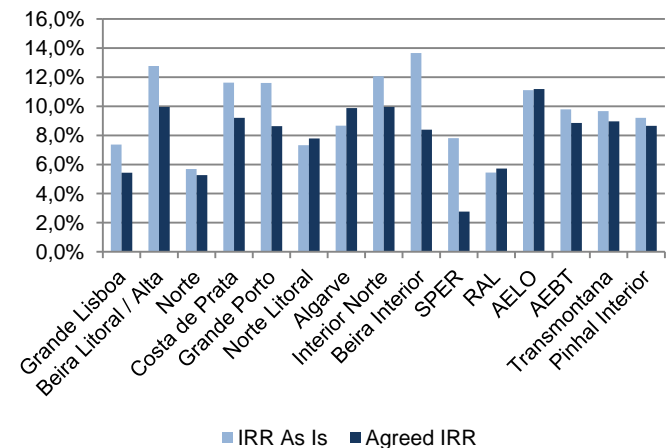
### Payments Evolution (M€)



### Allocation of Savings (%)



### IRR Evolution (%)

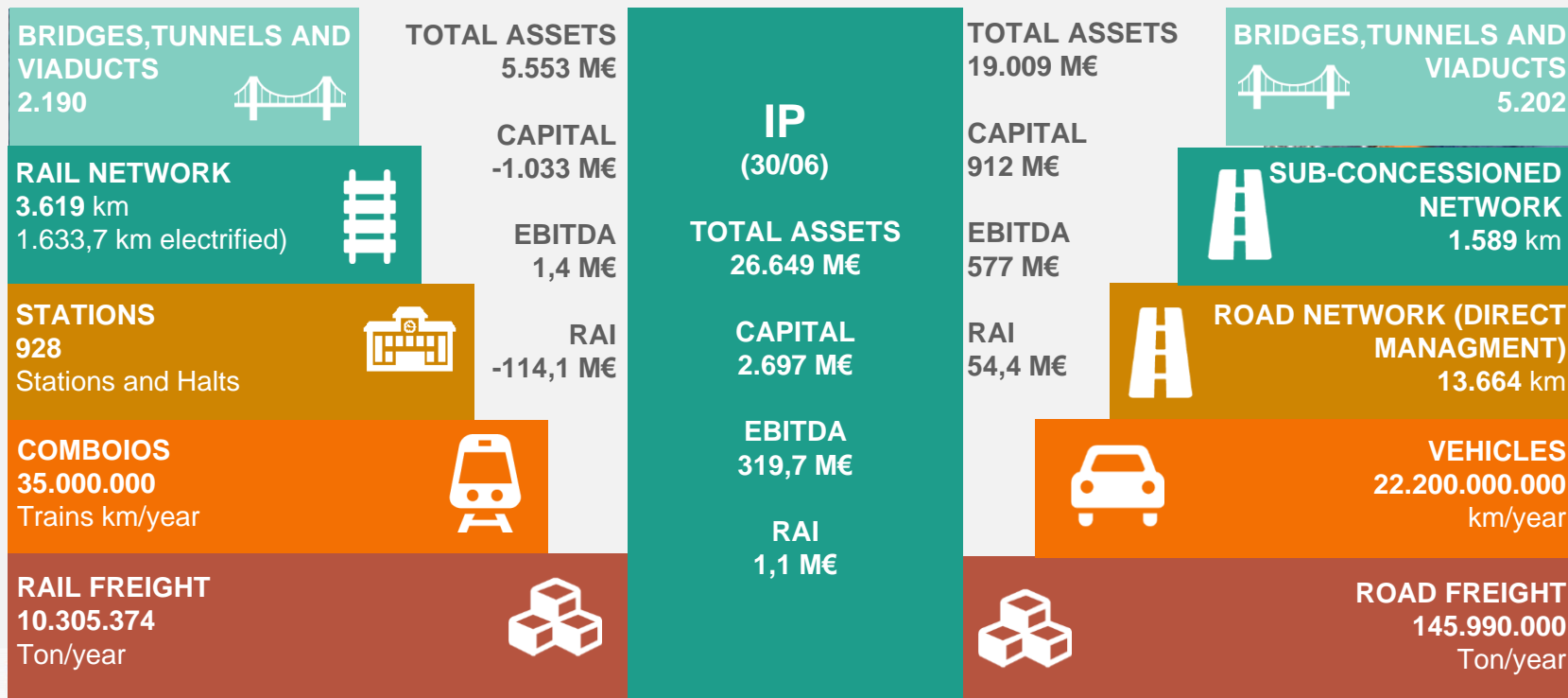


# 3. A New Challenge – Merger EP / REFER

IP - Infraestruturas de Portugal, S.A.

REFER Profile (2014)

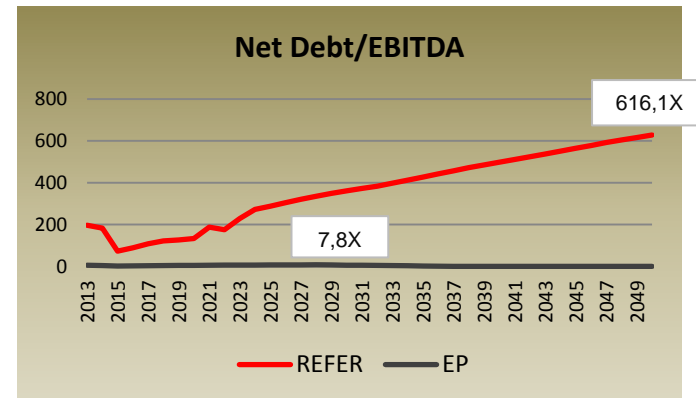
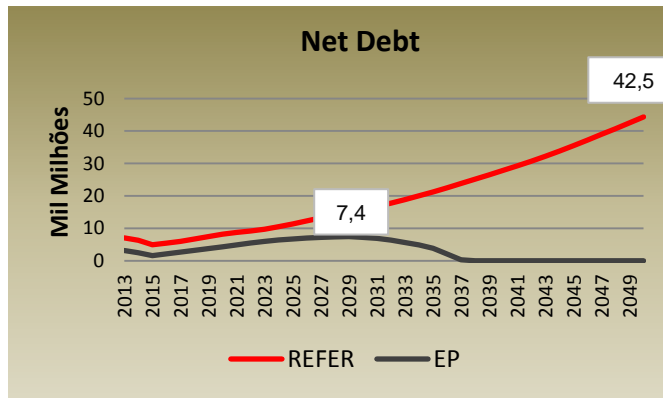
EP Profile (2014)



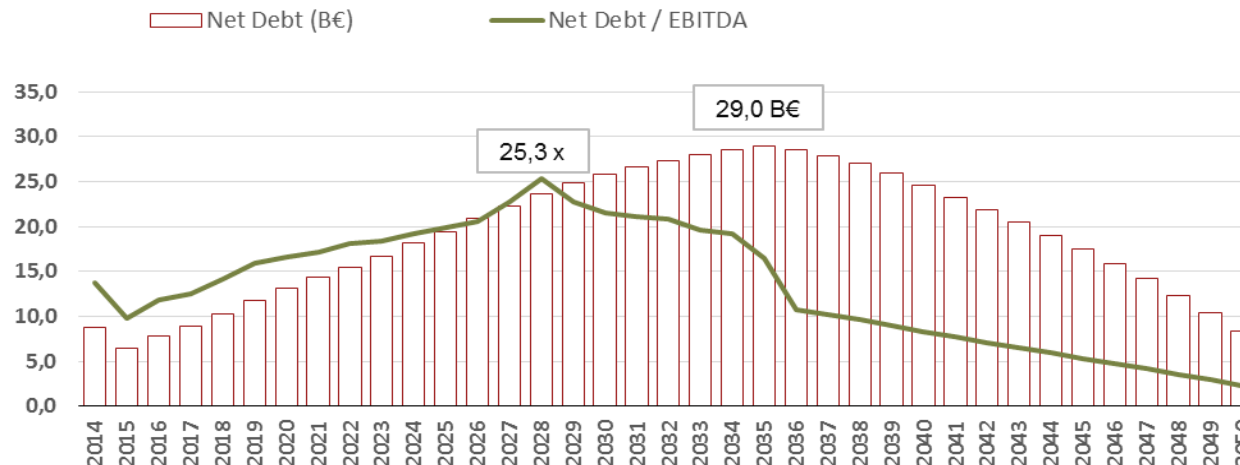


### 3. A NEW CHALLENGE – MERGER EP / REFER

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

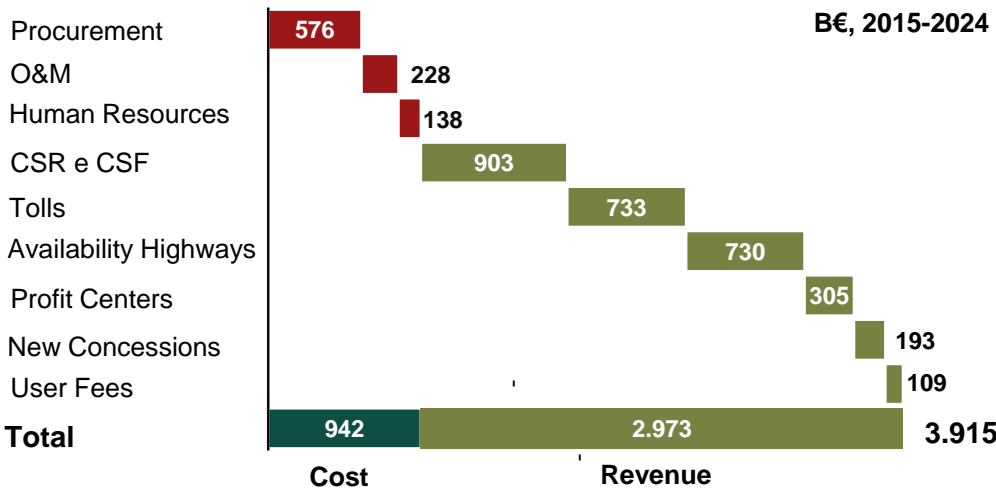


## 4.2 COST, REVENUE AND INVESTMENT LEVERAGES

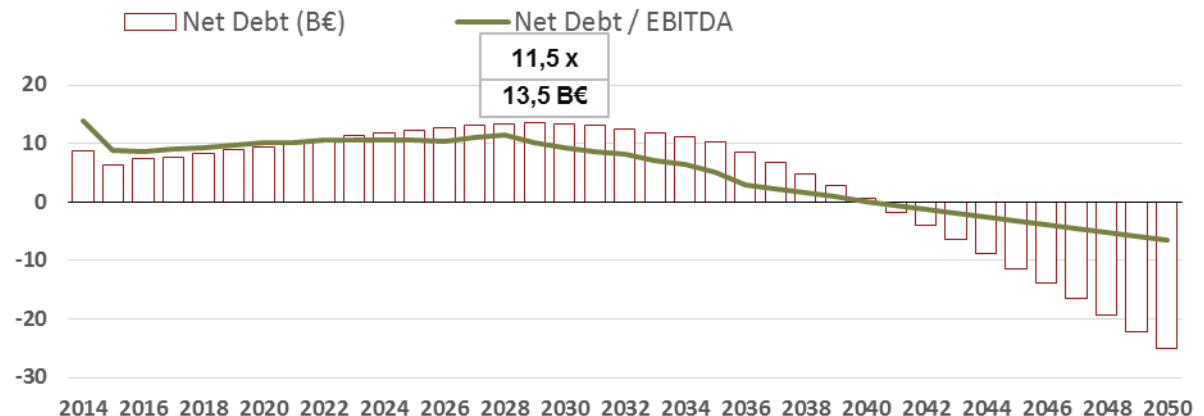
The IP business plan projects an **profit of 3.900 M€** over the next ten years with revenue and costs.

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 ...

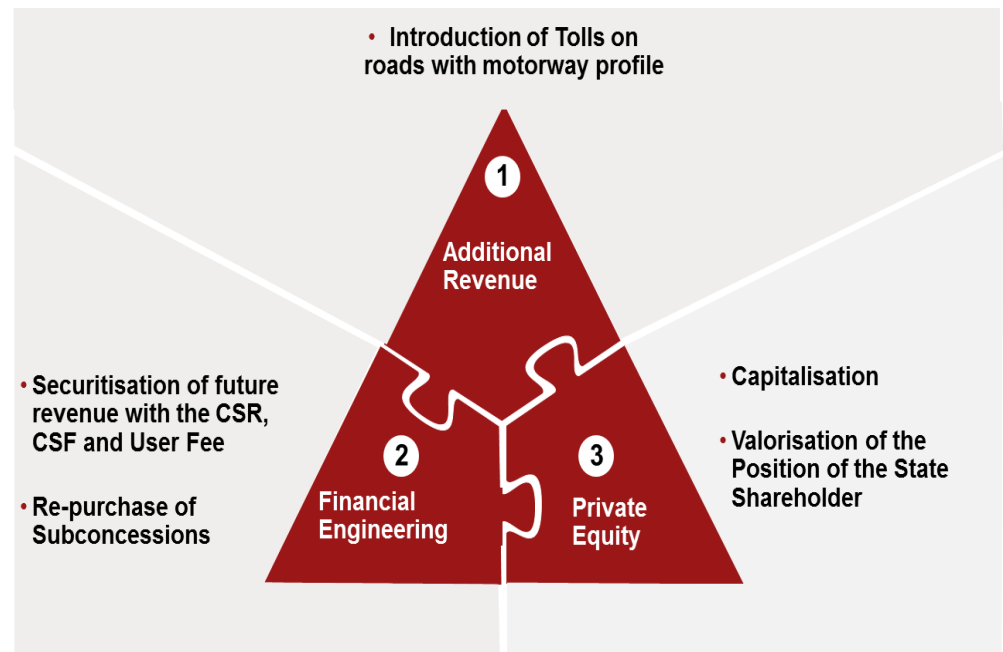
### Business Plan

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

### Securitization of Future Gains

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

### 4.3 AUTONOMY AND VALORIZATION SCENARIOS

#### Re-purchase of Sub Concessions

Description	Main assumptions	Impact
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>Haircut on Equity:</p> <ul style="list-style-type: none"><li>Douro Interior: 25%</li><li>Litoral Oeste: 25%</li><li>Baixo Alentejo: 50%</li><li>Algarve Litoral: 50%</li></ul> <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>

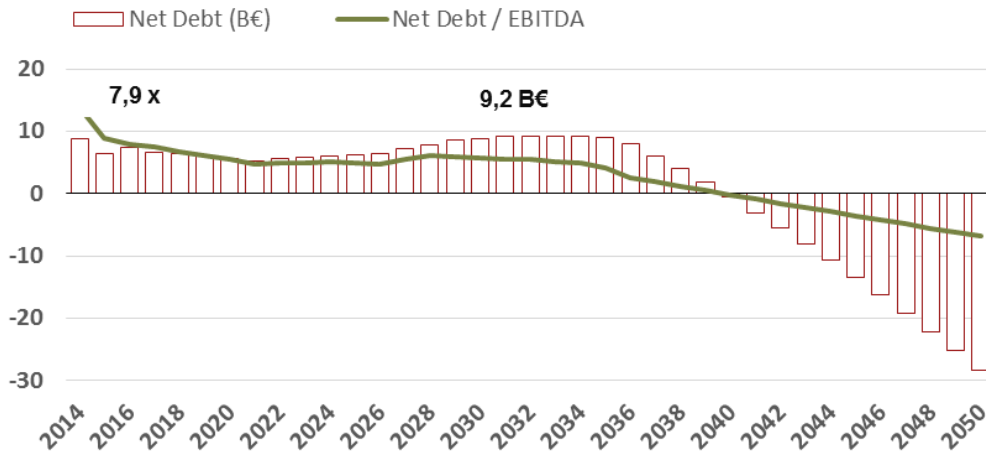


### 4.4 NEW CONCESSION CONTRACT - MAIN OBJECTIVES

- » **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)**



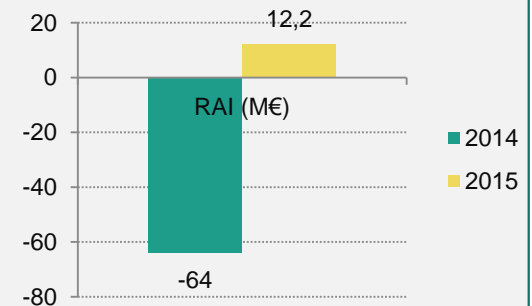
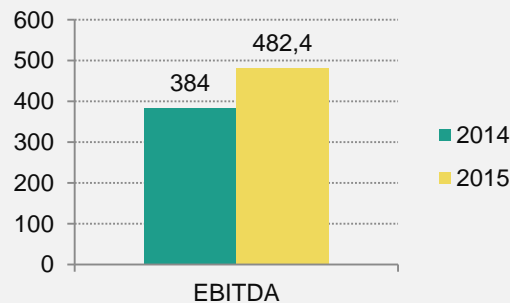
Enterprise Value: 19.770 M€  
Equity Value: 13.657 M€  
(31/12/2015)

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





**Infraestruturas**  
de Portugal  
Ligamos destinos

**Rodovia e Ferrovia**  
Juntos encurtamos distâncias.

**Viva a mobilidade.**



**thank you**

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