



Unlisted infrastructure investor update

Value Adviser Associates provides regular valuation services to a number of large investors in unlisted infrastructure and private equity investments. These investments are situated around Australia, in the UK and USA and cover the key sectors of Water, Energy, Transport and Social Infrastructure.

Value Adviser Associates provides a range of services to investors in unlisted assets – from regular ‘mark to market’ valuations to support on debt refinancing, origination, portfolio construction, cost of capital advice for regulated utilities and commercial due diligence.



We are delighted to welcome recent new clients Statewide Super and Infrastructure Capital Group – between these two clients alone we are regularly providing valuation advice with respect to more than 20 infrastructure and PE investments.



One of our Senior Corporate Advisers and Valuation Managers, Mark Gemmola, has recently returned from a site visit of UK investees, Inexus and Anglian Water, where he met with management and stakeholders as part of the regular valuation process for Colonial First State Global Asset Management and UniSuper.



above: Rutland Water Park , UK

Mark met with Inexus CFO, Darryl Corney, to learn first hand about the challenges imposed on the company by the recession in the UK which has seen the number of new home builds fall by about 30%. He was also given a tour of the Inexus “See The Light” facility, which showcases to developers the technological capabilities of a home connected to the fibre network.

This facility has proved very effective in convincing developers of the merits of building an integrated fibre network throughout the home in new housing estates. Mark visited Anglian Water with two staff from CFSGAM’s London office.

They were taken on a tour of the impressive new water treatment plant and then shown Anglian’s commitment to the environment with the construction of new wetlands adjacent to Rutland Reservoir. These new wetlands provide an alternative sanctuary for birds to live and breed when Anglian requires greater abstractions from the reservoir during times of drought. Mark also had meetings with Anglian Water Managing Director Peter Simpson and Group Finance Director Scott Longhurst.

These meetings provided insight into strategies Anglian is employing as a result of the tough regulatory allowances imposed by Ofwat in the recent determination. Mark was impressed with management's focus on outperforming the regulatory allowances and their ability to deliver on the tough new targets. Overall, both trips proved very worthwhile and will be of great benefit to Value Adviser Associates when undertaking future valuations.



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Portfolio Valuation Project Manager and Senior Corporate Adviser, Megan Raynal, oversees the development of Value Adviser Associates' systems and processes to ensure efficient and timely delivery of regular valuations to the investors in unlisted assets. Megan is also responsible for our thought leadership in the application of Environmental, Social and Governance ["ESG"] policies in the valuation of unlisted assets – including her role as Value Adviser Associates' representative as a UNPRI signatory.

As part of our research we have found that infrastructure assets are regularly affected by environmental events (e.g. fire, flood, earthquake, etc). While the effects of these events are often mitigated by contracts or insurance, we have found many examples where the investors have had to bear at least some part of the cost associated with the event. This may affect investments even more in future as there are indications that environmental risk in Australia is being re-rated by re-insurers, so insurance will become more expensive or may not be available.

We have found that while many valuers take into account the effect of environmental events after the fact, they do not consider the risk of an event before it happens. This can result in an inaccurate assessment of the risks of the investment, and therefore of the potential value outcomes.

Investing in unlisted infrastructure and private equity has become prevalent among Australian and international investors over the last decade and is now a core component of most investment portfolios due to the risk/return characteristics and duration (time horizon) of the asset class.



Having worked in this area for several years, the team is able to provide clients with great insights into the unlisted investing universe across issues as diverse as:

1. The relative risks and returns of investments in listed and unlisted assets
2. The effect of gearing/leverage on relatively low-risk assets
3. Credit spreads and debt re-financing risks
4. Trends in regulatory pricing in the UK and its impact on Australian utilities.



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When it comes to debt re-financing and benchmarking, the debt team (comprising Mark Day, Justin O'Brien, Mark Gemmola and Gareth Thompson) has been busy in recent months with assignments involving electricity distribution, port operations and telecoms.

One of the important developments emerging out of our work across the infrastructure sector is the Value Adviser Associates infrastructure map – in which every infrastructure asset located in Australian and owned by Australian investors offshore is listed by sector, location and investor. This is a powerful tool to support investors screen potential acquisition or investment opportunities in the Australian market.



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To discuss any of the Unlisted Infrastructure Investor projects in more depth please contact the relevant team member at Value Adviser Associates.

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