

# **Acquisition of Elizabeth River Crossings**

# Disclaimer

---

The information contained in this presentation is Abertis' view has not been verified by an independent entity and the accuracy, completeness or correctness thereof should not be relied on. In this regard, the persons to whom this presentation is delivered are invited to refer to the financial information published by Abertis at [www.abertis.com](http://www.abertis.com).

This presentation is addressed to institutional or specialised investors only. The distribution of this presentation in certain other jurisdictions may be restricted by law. Consequently, persons to which this presentation or a copy thereof is distributed must inform themselves about and observe such restrictions. By receiving this presentation you agree to observe those restrictions.

Nothing herein constitutes an offer to enter into any agreement nor may be used as the basis to enter into any agreement.

# ERC Acquisition

## Transaction Summary

### The Acquisition

**Abertis and Manulife Investment Management have reached agreement to acquire 100% of the Elizabeth River Crossings concession for c.€1bn**

**Abertis will hold a stake in the range of 68%-51%**

**Financed by a combination of cash and existing committed bank facilities**

**Full consolidation of the asset**

**Closing expected to be completed expeditiously**

### The Asset

**50 years remaining term**  
58-year long tolling concession agreement signed in 2012

**Concession operating tunnels in the area of Norfolk, Virginia**  
brownfield operating since 2012 of 16km concession including the relevant access roads

**Essential, high quality asset**  
fully constructed with only maintenance capex required and providing an essential connection for over 100,000 users per day for their commutes across the Elizabeth River and an important link connecting Portsmouth and Norfolk

**Financials 2019:**  
\$95m Revenues<sup>(1)</sup>; \$60m EBITDA<sup>(1)</sup>;  
\$1,012m net debt  
BBB- rating by S&P and BBB by Fitch

**Solid regulatory framework**

### The Rationale

**Aligned with Abertis' long-term strategy**  
owning, operating and acquiring high-quality, strategic toll roads that continue to extend the Group's concession-based cash flows

**Build backlog of long term cashflow**  
extend average maturity of Abertis

**Establish a strong presence in the US,** with a view to further growth initiatives

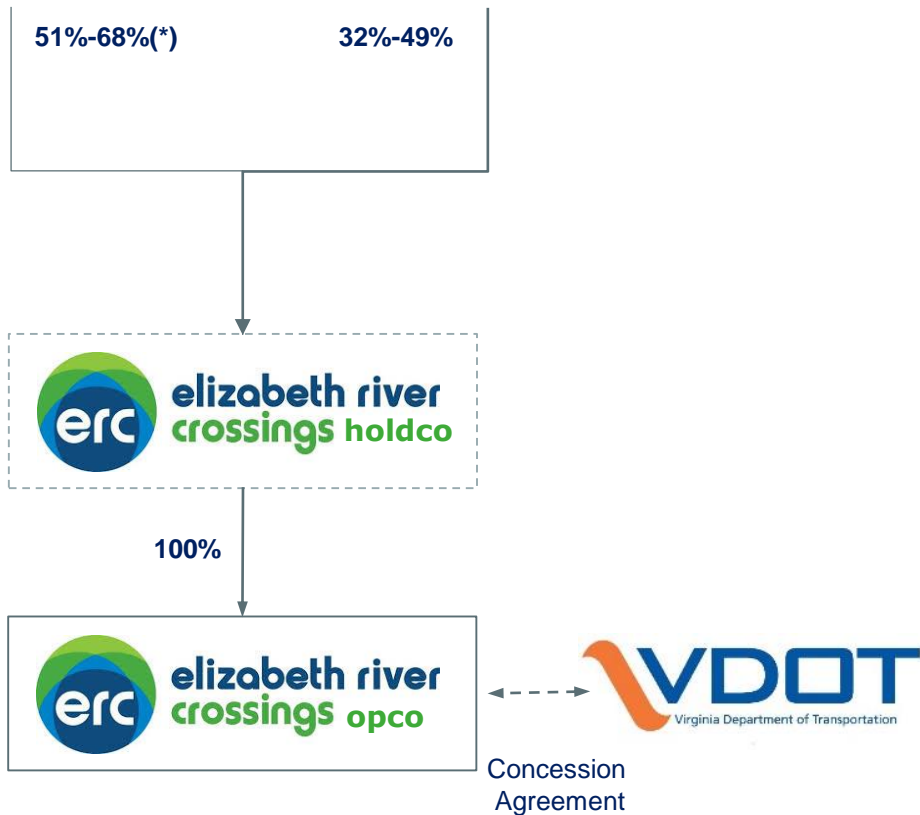
**Growth strategy**  
develop Abertis' growth platform in the United States, a key strategic region for Abertis

# ERC Acquisition

## Acquisition Structure



Manulife Investment Management<sup>(\*\*)</sup>



- Abertis is pleased to initiate a **new partnership** with Manulife Investment Management, US-based operating unit of Manulife Financial Corporation, forming a consortium in which Abertis will hold a maximum of 68%, which may be reduced to a minimum of 51%
- The **closing** of the transaction for a total equity amount of ca. €1bn is expected to be completed expeditiously, subject to the approval of the regulatory authorities and other conditions customary in this kind of deals
- Abertis will finance the acquisition with a combination of existing **committed bank facilities and cash**

Note: Simplified transaction structure for illustrative purposes.

(\*) Acquiring consortium is controlled by Abertis holding a maximum of 68% and a minimum of 51%

(\*\*) Manulife Investment Management reached the agreement on behalf of John Hancock Life Insurance Company (U.S.A.). John Hancock is also a unit of Manulife Financial Corporation

# ERC Acquisition

## Asset Overview

### Asset overview:

- Elizabeth Rivers Crossings (“ERC”) provides an essential connection across the Elizabeth River and is an important link in the regional road network connecting **Portsmouth** and **Norfolk**, Virginia.
- The asset consists of the following:
  - Midtown Tunnel (“MTT”): two one-way tolled tubes (2 lanes each)
  - Downtown Tunnel (“DTT”): two one-way tolled tubes (2 lanes each)
  - MLK Expressway: free highway connection between MTT and DTT

### Project background:

- In 2011 the Commonwealth of Virginia and VDOT contracted ERC to build an MTT westbound tube, rehabilitate the existing MTT as well as the DTT, and extend the MLK Freeway
- Construction ended in 2017 and the asset is under concession until 2070
- ERC Opco operates **four Electronic Toll Collection tunnels** grouped into two sets of two-lane tubes, the Downtown Tunnel and the Midtown Tunnel, as well as the Martin Luther King Freeway Extension **with a duration of 50 years**, until April 2070.
- Toll regime that underpins reasonable growth from a rate escalation mechanism under the concession at up to CPI or 3.5% per annum, starting at toll levels below average for similar crossings in the US.
- Hamptons Roads region benefits from a strong government, industrial, and commercial employment base with **higher car ownership**<sup>(1)</sup> and **lower unemployment rate**<sup>(2)</sup> than the US average



# ERC Acquisition

## Asset Overview

### Key figures (2019)

Traffic	<ul style="list-style-type: none"> <li>▪ AADT<sup>(1)</sup>: 102k (31.7k MTT + 70.8 DTT)</li> <li>▪ Mix: 96% Light vehicles + 4% Heavy vehicles</li> </ul>
Revenue <sup>(4)</sup>	<ul style="list-style-type: none"> <li>▪ \$95m</li> </ul>
EBITDA <sup>(4)</sup>	<ul style="list-style-type: none"> <li>▪ \$60m (64% EBITDA margin)</li> </ul>
Gross Debt <sup>(2)</sup>	<ul style="list-style-type: none"> <li>▪ \$1,111m</li> <li>▪ (\$626m due in 2042 + \$485m due in 2047)</li> </ul>
Concession end	<ul style="list-style-type: none"> <li>▪ 2070 (50 years remaining)</li> </ul>
Toll escalation	<ul style="list-style-type: none"> <li>▪ Greater of CPI and 3.5%</li> <li>▪ Additional 2% for on-peak tolls through 2026</li> <li>▪ Starts at lower levels than comparables</li> </ul>



### Debt structure (31/12/2019)

LOAN	AMOUNT	AMORTIZATION	YIELD	S&P RATING	FITCH RATING
PAB	\$626m	2022 - 2042	5.58% <sup>(3)</sup>	BBB-	BBB
TIFIA	\$485m	2037 - 2047	3.18%	BBB-	BBB
<b>Gross Debt</b>	<b>\$1,111m</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Cash	\$99m	n/a	n/a	n/a	n/a
<b>Net debt</b>	<b>\$1,012m</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

- PAB: Private Activity Bond
- TIFIA: Transportation Infrastructure Finance and Innovation Act Loan

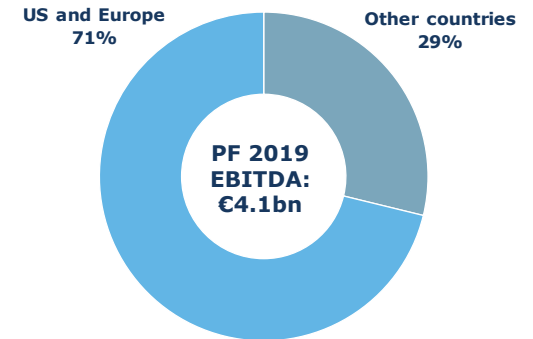
# ERC Acquisition

## Strategic Rationale Aligned with Abertis' Long-term Plans

1

### CASH FLOW REPLACEMENT AND INCREASING GEOGRAPHICAL DIVERSIFICATION

- ERC and the recent acquisition of RCO will **replace** a significant part of the **cash-flow generation** of the expiring concessions in Spain between 2019-2021
- Well-balanced and geographically **diversified** portfolio with more than **70% in Europe & North America**.



2

### INCREASE OF AVERAGE CONCESSION LIFE

- ERC is **8 years longer** than any concession in Abertis. This **increases** the weighted **average life** of the whole Abertis group by 1 year <sup>(1)</sup>.
- Well established and low complexity asset, with **stable historical traffic** and projections, **expiring in 2070**.

3

### SOUND CREDIT PROFILE

- Partnership allows for the consolidation of this prime asset with a reduced equity ticket and **minimizing impact** in **credit ratios**
- Solid **Investment Grade** profile for the asset

Note: FX Exchange EUR/USD: 1.18 as of 5th of Nov. 2020.

(1) Weighted average life excluding Aumar & Autovias (ending concession in 2019).