Shouting at credit committees

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19/10/2018

After a lumpy year to date and a deathly-quiet August, the global infrastructure community is bracing for a rush to Christmas with many fearing that the first quarter of 2019 will be fairly sedate – particularly in Europe.

The shadow of Brexit looms over all things European – mostly UK renewables, to be fair – and sponsors are pulling out all the stops now to lock in lenders for fear that, come the new year, shutters will be slammed in their faces.

For now, there's an embarrassment of opportunity in greenfield and refi that has lenders and financial advisers burning the midnight oil… unless, of course, you work in one of those enlightened organisations where tools are downed at 5:30 prompt to ensure a healthy work/life balance.

Lots of deals looking for lots of cash. That's a pleasant problem to be facing.

But there's a price to pay. One senior source from the London infra lending community complains it has already cost him his voice from shouting at the credit committee.

This week, we published the *IJGlobal* Q3 league tables for infrastructure finance and project finance deals closed around the world (keep an eye open next week for our quarterly infra fund report).

Here follows a quick snapshot of our findings from this year's closes – debt and equity on transactions:

- infrastructure finance total so far in **2018** – $734.4 billion:
  - Q3 – $196.4 billion
  - Q2 – $300.2 billion
  - Q1 – $237.8 billion
- project finance total – $208.4 billion:
  - Q3 – $59.4 billion
  - Q2 – $100.8 billion
  - Q1 – $48.2 billion

That compares with the previous year's (full-year **2017**) closes:

- Infra finance total – $1.025 trillion:
  - Q4 – $278.9 billion
  - Q3 – $218.8 billion
  - Q2 – $250.4 billion
  - Q1 – $276.9 billion
- Project finance total – $297.4 billion:
  - Q4 – $87.7 billion
  - Q3 – $69.9 billion

- Q2 – $68.5 billion
- Q1 – $71.3 billion

Comparison of the two years (again debt and equity) – only including the first three quarters – shows:

- infrastructure finance (Q1 to Q3) total:
  - 2017 – $746.1 billion
  - 2018 – $734.4 billion
- project finance (Q1 to Q3) total:
  - 2017 – $209.7 billion
  - 2018 – $208.4 billion

All things being equal – which they rarely are – 2018 is shaping up quite nicely against 2017, and with a burst of activity expected in the final quarter, our full-year league tables will make for interesting reading.

And, while on the subject, it is worth stripping out that in the last quarter, of all global project finance debt deployed across all the infra/energy asset classes, this is who has lent it:

- bank debt – $26.58 billion
- bonds – $7.95 billion
- DFIs – $4.82 billion
- state lenders – $1.2 billion
- institutional lenders – $372 million

Might I suggest you stick that in your received wisdom pipe and smoke it!

Winter's coming

However, dark mutterings abound over the start of next year with many believing a slump is on its way… and not just because of Brexit.

After a long bull run and a quiet August, the market is braced for a fast-moving Q4. However, that is tempered by nervousness over a correction and when that arrives.

And it is this very nervousness that has sponsors seeking to lock in lenders now in anticipation of a market shift – quite beyond Brexit.

As one senior lending source says this week: "I have a feeling that we are going to have a really slow end of first quarter. Things will get done in January, but then we might as well take a holiday in February and March – until we know where we stand.

"I don't think anyone is going to try and raise money in that period of time… not that the money won't be there. If you're a corporate treasurer, you see rates going down every month – you know that you'll get a better rate next month.

"They will think that that if they lock in at 85, when they could have locked in at 80 in the spring, they'll get a slap on the wrist. However, if they wait until spring for 80, and the market blows up meaning they can't raise the money… they get fired."

To add insult to injury, the continued erosion of structures has reached the stage that one lender described 2006 as "nice" by comparison.

There are dark mutterings that those lenders who underwrote some of chunkier deals will struggle to shift them on – and the closer we get to this market correction without that being achieved, the longer they will be left holding it.

In the meantime, the work/life balance that was enjoyed in August is on hold until February when all bets are off.