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Media Release

Modest growth in Australasia's project finance markets

(Sydney – 21st November 2003) Australasia's project finance markets grew at a slower than forecast pace over the past 12 months with A$33 billion worth of deals being transacted, according to the latest research from East & Partners.

East's Project Finance Markets 2003 report shows that 53 deals were executed over the period, ranging from as low as $55 million to more than $3 billion. Average deal size jumped to $622.6 million in the year to October 2003 compared with $204.2 million for the corresponding period in 2002.

East's report forecasts pricing tightness to continue throughout 2004 with deal flow and value to ease by around 10 percent to $30 billion. Average transaction values are expected to remain static.

Macquarie Bank was named "stand out" lead arranger by 13.2 percent of project sponsors, followed by Barclays Capital (11.3 percent), Citigroup (9.4 percent) and ABN Amro, ANZ and Deutsche (7.5 percent).

Macquarie was key advisor on 32.1 percent of all project finance deals, followed by ABN Amro (11.3 percent) and Babcock & Brown and Barclays Capital (9.4 percent).

The top three principal investment bankers to project sponsors over the past 12 months were Macquarie (17 percent), UBS (15.1 percent) and ABN Amro (9.4 percent).

East & Partners principal analyst Paul Dowling said the volume of project finance activity grew more modestly than many industry players had forecast last year.

"Key reasons for this include a general reduction in the level of debt appetite and low capital expenditure among Top 500 corporates, as well as several significant projects that were expected to come on-stream remaining in the pipeline," Mr Dowling said.

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Of the 29 attribute factors East measures, the five areas identified by project sponsors where banks are performing best are:

- Deal Responsiveness
- Helpfulness of General Advice
- Strength Reputation in the Markets
- Knowledge of Industry & Technical Competence Displayed
- Execution and Delivery

The five areas where banks are performing the most poorly are:

- Equity Underwriting
- Execution
- Senior Debt
- Knowledge of Asset Type
- Capital Markets

“Equity underwriting has become an area of great concern to sponsors who are increasingly demanding that banks use their balance sheet and participate in deals,” Mr Dowling said.

“The issue of credit rating projects has grown over the past 12 month, particularly if there is debt distribution flowing from the projects. This adds significantly to the transaction cost and takes a great deal of time which is a major factor behind execution responsiveness being rated poorly by corporates,” he said.

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