

EIX: Estates and Infrastructure Exchange

Guide to Private Placement for Investors



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What is EIX?

Estates and Infrastructure Exchange 'EIX' is to be a new, regulated investment exchange that aims to increase the flow of capital into infrastructure and development projects. As a marketplace we act as the bridge between capital and major projects.

EIX works globally with national and regional governments, transport authorities and private infrastructure and development companies to finance major infrastructure and development projects across all sectors. EIX allows professional investors to bid for stakes in multiple project bonds, diversify risk and trade those holdings on a risk-adjusted basis.

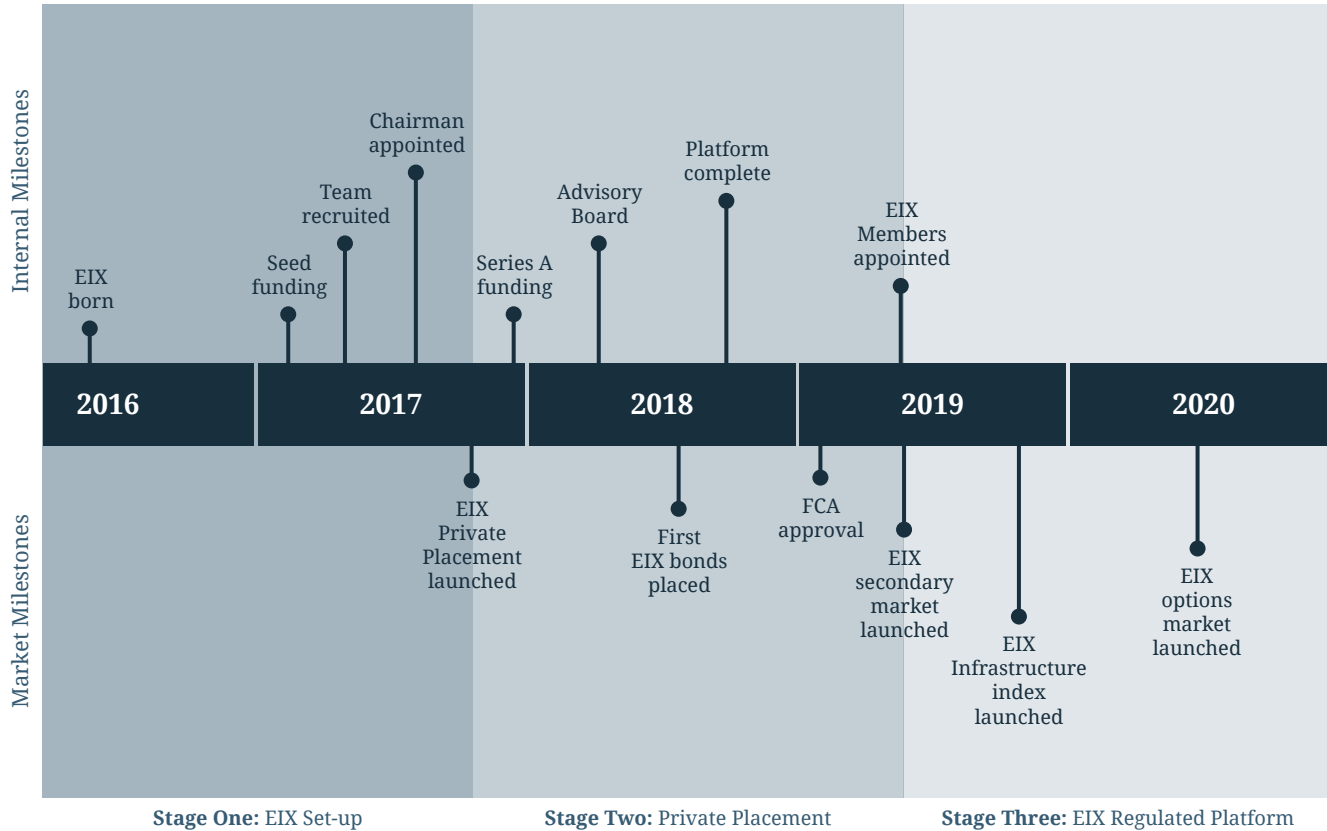
By turning highly illiquid, long-term infrastructure investments into tradable debt and equity style investments, the flow of capital into projects globally will accelerate.

EIX is a global exchange, based in the City of London. We work with a network of corporate finance advisors across Europe, the Middle East and Africa.

Our Strategic Advisors include Chris Phillips, Chairman of Places for People and Joe Seet, Senior Partner of Sigma Partners. Our Chairman is Ian Reeves CBE, who also serves as Chairman of GCP Infrastructure Investments Limited, a listed FTSE 250 company.

EIX's ambition is to unlock the billions of underinvested global capital and increase the flow of investment into infrastructure and regeneration projects that will help people to live easier, sustainable and more fulfilling lives around the world.

EIX Timeline



The EIX Story

The EIX story so far

2016

EIX originated when Mark Worrall and Mike Blakey set off to establish what is to be the world's first regulated exchange for infrastructure and real estate funding.

2017

Seed funding was secured from high net worth individuals. A team of six core members of staff were recruited from a cross section of industries.

Prof Ian Reeves CBE was appointed as Chairman. In September, EIX opened doors to the Private Placement market.

2018

Series A funding was secured from a large City Trust.

The first meeting of the EIX Advisory Board was held, chaired by Chris Phillips.

EIX in the future

2018

EIX places its first private bonds into the market following the first competitive auction.

Construction of the EIX technical platform is completed.

2019

EIX is granted regulatory approval by the FCA and EIX Members are appointed.

EIX exceeds its target of £2 billion of privately placed bonds into the market.

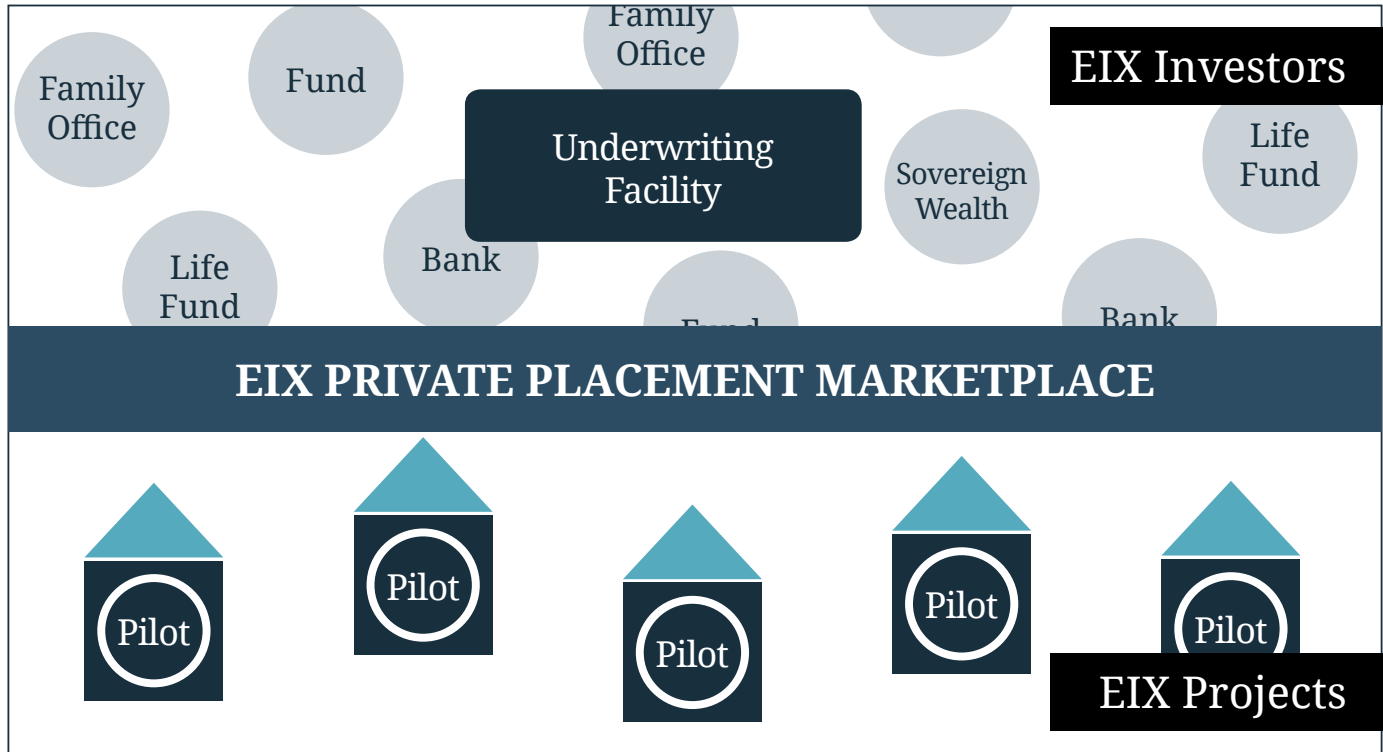
EIX launches its secondary market for infrastructure and development bonds and opens for trading.

EIX launches the first project-level infrastructure index.

2020

EIX launches the first project finance options exchange. This allows investors to trade in options linked to EIX bonds.

EIX Private Placement Marketplace



KEY: ● = Bond investor ▲ = Project Sponsor (Bond Issuer) ◯ = Pilot

Parties involved in EIX Private Placement marketplace

EIX privately places new bond issuances in infrastructure and development capital projects. The placement process requires the participation of several market participants. A summary of the roles of different participants in the EIX Private Placement process are set out below.

Investors

EIX investors come from all parts of the capital markets ecosystem; they range from large financial institutions including global banks and insurance companies to infrastructure and asset managers. In addition a number of sovereign wealth funds and large private family offices invest directly in infrastructure and development bonds through EIX. EIX investors take positions in initial bond offerings (IBOs).

Underwriters

EIX has a multi-billion underwriting facility. EIX's underwriters have the option of taking a cornerstone position in IBOs. The underwriter will also fill undersubscribed IBOs in order to provide certainty to both Project Sponsors and Investors.

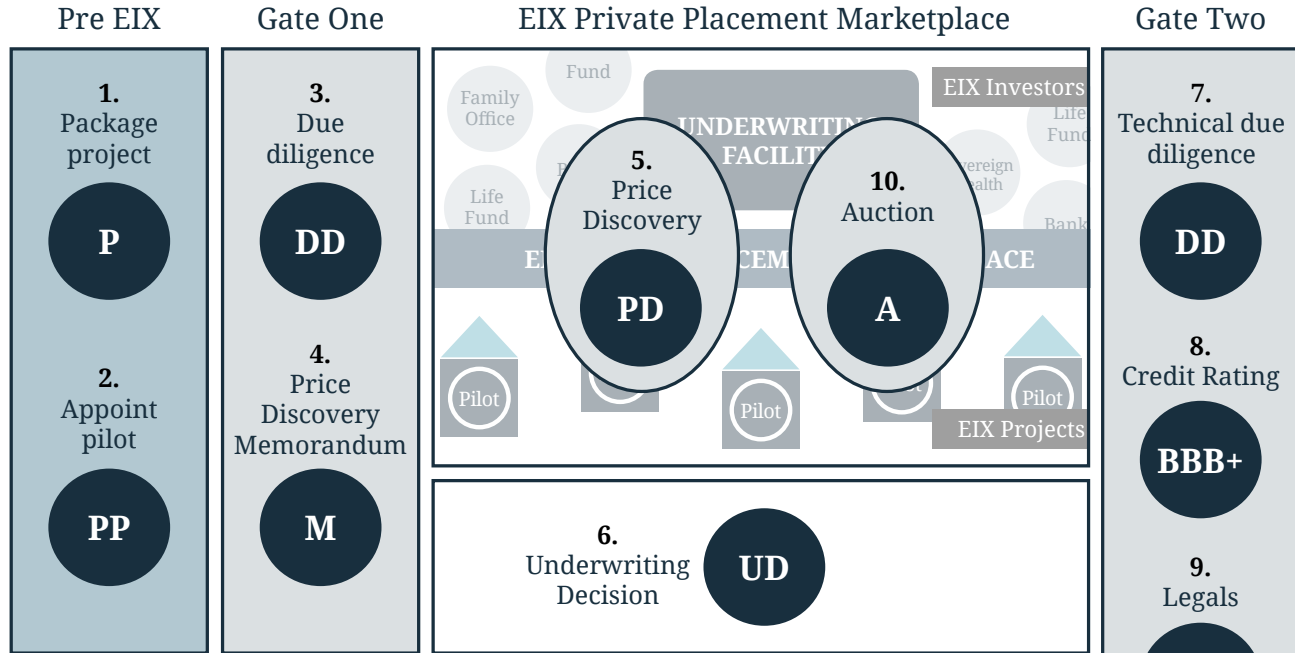
Project Sponsors

Project Sponsors are governments and companies that require capital to construct new assets or refinance existing assets. EIX works with a wide range of Project Sponsors from national and local governments globally to all ranges of private companies.

Pilots

Pilots are firms or companies that project manage the EIX Private Placement process on behalf of Project Sponsors. EIX has a Panel of approved Pilots, all of whom are authorised by the FCA, or equivalent regulatory authority, to provide corporate finance advice. Project Sponsors appoint a Pilot to guide them through the Private Placement steps as set out in the EIX Private Placement Rulebook.

EIX Private Placement Flow



- = activities carried out by the Pilot independently to EIX
- = activities carried out by the Pilot set by EIX Private Placement rulebook
- = activities carried out in the EIX Private Placement marketplace

EIX Private Placement Process

Pre-EIX

Prior to raising finance with EIX, project sponsors may appoint a corporate finance advisor to structure and package the project. (1) Once a project is ready to be financed by EIX, the Project Sponsor will appoint a Pilot from EIX's Panel of approved Pilots. (2)

Gate One

The first step is to provide all project documentation in a standardised library format. In addition a detailed Due Diligence template will need to be filled out. (3) The Pilot and Project Sponsor will be required to draft a Price Discovery Memorandum. (4) This is a document that sets out the description of the project, uses for the capital, net cash flow projections and a comprehensive assessment of the project risks and is set out in the Private Placement Rulebook.

Price Discovery Process

EIX hosts a Price Discovery exercise where 3-5 EIX investors are invited to provide an indicative cost of capital for the prospective bond. (5)

Underwriting Decision

At this stage Project Sponsors choose whether to underwrite the bond issuance. (6)

Gate Two

During the second stage of Due Diligence, the Pilot and Project Sponsor will commission independent, expert third parties to review and provide opinions on different aspects of the project, including a market/sector review, commercial reviews and construction review. This independent validation is set out in the EIX Private Placement Rulebook. (7)

The Private Placement Rulebook requires all projects raising more than £100mn to secure a formal credit rating. (8) All of that material will be pulled into a Bond Prospectus to be drawn up by the Project Sponsor's chosen law firm. (9)

Auction

The Bond Prospectus is introduced onto the (10) EIX Private Placement Marketplace and a competitive auction determines the price and allocation.

EIX Bond

SENIOR DEBT

MEZZ



EQUITY

EIX Private Placement Instruments

EIX only offers one financial instrument – bonds. EIX bonds are issued for projects located in any country in the world. As the bonds are to be listed on EIX, a London-based Exchange, the Bond Prospectus and all contractual components, including recourse measures should the project default, are subject to UK law, even if the project is located in another jurisdiction with an alternative rule of law.

Capital stack

Senior debt is always included in EIX bonds. Typically the senior debt in EIX bonds is structured to ensure sufficient security for noteholders and that assets to be placed in the SPV are valued independently and fairly.

Some EIX bonds may contain **Subordinated debt**. Often the subordinated debt will be unsecured, but will be structured to minimise risk.

In some instance, EIX will raise **Project equity**, but usually only as part of a full capital stack.

Terms

EIX offers bond terms from five to seventy plus years. Shorter bond terms are usually associated with the construction phase of a new infrastructure or development project. EIX bonds are designated in Sterling, Euros and USD. Bond repayments are structured as straight amortisation or bullet payments.

Bond Size

EIX bonds range in size from £25mn to several billion. The minimum commitment size varies by project.

Investment Grade

Not all EIX bonds will have a formal credit rating from a credit agency, as for smaller issuance sizes the cost of obtaining a credit rating may be prohibitive. EIX works with third party providers of shadow credit ratings to provide indicative ratings in these cases. These will allow investors to determine whether the bond is likely to be classified as investment grade.

Green bonds

EIX are fully aligned with the Green Bond Principles and work with the Climate Bonds Initiative and their recommended Second Opinion Providers. EIX gives investors the ability to capitalise on the financial and ethical benefits of the rapidly growing Green Bonds market.



**REGENERATION
AND
DEVELOPMENT**

TRANSPORT

ENERGY

**CAPITAL RELEASE
AND REFINANCE**

EIX Private Placement case studies

Outlined below are some of the projects that we are currently supporting.

Regeneration and development

- Finance to enable speculative office and commercial developments in major regeneration sites owned by development companies.
- Finance for road extensions and transport links to open up major housing development sites for local government agencies.
- Finance for infrastructure to prevent flooding and environmental impacts to safeguard and expand CBDs and residential neighbourhoods (in partnership with World Bank City Resilience Programme).
- Finance to construct mixed portfolios of PRS housing to be owned and operated by Local Authority Housing Companies and Housing Associations.
- Finance to help local governments and developers assemble land for regeneration and development.
- Finance to build revenue-generating new municipal buildings.

Energy

- Finance to build a new biomass power generating plant.
- Refinance of a solar windfarm in a developing country.
- Finance to construct a new district heating system.
- Finance to build a new tyres to energy facility that also produces recovered carbon black.

Transport

- Finance to build a new private rail line connecting two economic hubs.
- Finance to build the first stage of a new major port in Europe.
- Finance to expand an existing major port and provide new assembly facilities.

Capital release

- Long term leasehold on government owned land to release capital.

**BENEFITS TO
INVESTORS**

DEAL FLOW

STAKES &
DIVERSIFICATION

SECONDARY
MARKET

**BENEFITS TO
PROJECT SPONSORS**

SPEED

TRANSPARENCY

PRICE

Benefits of EIX Private Placement

EIX's ambition is to create an efficient market for infrastructure and development finance that helps accelerate the flow of capital into catalytic capital projects around the world.

For Investors:

Deal Flow

The creation of a single Private Placement process allows EIX investors to source a steady flow of infrastructure and development deals directly. This reduces the time and cost of finding deals.

Stakes and diversification

EIX's bonds are structured to enable investors to take slices of bonds. This allows investors to build a portfolio of EIX Private Placement stakes across different asset types and geographies.

Secondary market

The launch of EIX's secondary market in 2019 will provide investors with an exit and thus turns an illiquid asset class into a liquid one. This will help investors to take stakes in projects with greater risk as they know there will be a way of trading out at fair price.

For Project Sponsors:

Speed

The creation of a single, streamlined Private Placement process and rulebook for Project Sponsors to follow means that projects can take as little as three to six months to finance.

Transparency

The Price Discovery Process and Auction provides a transparent record of competitive prices. This is helpful for politicians and officials as the process is auditable, regulated and public.

Price

The introduction of competition into the funding process (through the Auction) creates a marketplace where potential investors bid against each other, putting downward pressure on the price quoted. This allows projects to be financed at lower rates.



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