



**BBGI SICAV S.A.**

**Interim Management Statement**

**15 May 2014**

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A Global  
Infrastructure  
Company

# BBGI SICAV S.A.

## Interim Management Statement

BBGI SICAV S.A. ('BBGI' or the 'Company'), the listed global infrastructure investment company, is issuing this Interim Management Statement ('IMS') in accordance with UKLA Disclosure and Transparency Rule 4.3 and the Law of 11 January 2008 on transparency requirements for issuers of securities (the Transparency Law), Article 5. Any reference to the Company or BBGI below refers also to its subsidiaries (where applicable). This statement relates to the period from 1 January 2014 to 14 May 2014.

## Highlights

- The Company has completed eight primary acquisitions as well as six follow on acquisitions with a total value of £72.8 million.
- The portfolio value has increased by £69.1 million<sup>1</sup>. Portfolio performance and cash receipts were in line with the business plan and underlying financial models.
- On 30 April 2014, the shareholders of the Company passed resolutions to amend the Company's articles, the most notable amendments being:
  - to change, with immediate effect, the Company's name to BBGI SICAV S.A.
  - to allow the Company to offer a scrip dividend alternative in cases where the share price premium is greater than five per cent. of the Net Asset Value per share.
- On 30 April 2014, the Company declared a final dividend for the year ended 31 December 2013 of 2.75 pence per share. This dividend is in addition to the interim dividend of 2.75 pence per share which was paid on 4 October 2013. This final dividend will have a scrip alternative and will be paid on 27 June 2014.
- The net effect of foreign exchange movements on NAV from 1 January to 13 May 2014 was a decrease of approximately £(3.7) million.
- The Company's shares continue to trade at a premium to 31 December 2013 Investment Basis NAV (ex dividend), and as at 13 May 2014, the premium was 11.3%.
- Total Shareholder return since listing in December 2011 to 13 May 2014 of 29.94%.
- Further broadening of BBGI's share register by a successful secondary institutional placing in April 2014 of 37,188,000 ordinary shares previously owned by Bilfinger SE.

Frank Schramm, Co-CEO of BBGI remarked "As the portfolio grows in size, the benefits of the internal management structure become more evident with the on-going charge expected to continue to decline. We continue to look for acquisition opportunities but will be disciplined in pursuing growth as the competition for acquisitions remains robust. We remain optimistic about BBGI's prospects for 2014 and believe the company remains attractive to those investors seeking access to long term, stable, inflation-linked cash flows from stable, highly-rated government counter parties"

Duncan Ball, Co-CEO of BBGI remarked "The Company has enjoyed a good start to 2014 and the portfolio continues to perform well. The 14 separate interests acquired during the period further expand the portfolio, providing greater diversification and lengthening the concession term of the portfolio. All of these stakes were acquired from co-shareholders or on a negotiated basis without having to engage in auction processes

## Acquisitions

### January

- BBGI completed the acquisition of a 33.33% interest in the Ohio River Bridge PPP project. This transaction is BBGI's first asset in the USA.

### February

- BBGI completed the acquisition of additional interests in three LIFT projects from Assura Group Limited for approximately £9 million. The interests acquired include equity and subordinated debt interests in Liverpool & Sefton Clinics, North London Estates Partnerships and Mersey Care Mental Health Hospital.

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<sup>1</sup> Existing asset value as of 31 December 2013 and new acquisitions valued at acquisition value

#### March

- BBGI signed and completed the acquisition of Bilfinger Group's equity and subordinated debt subscription obligations of approx. £20 million, representing 37.5% of equity and subordinated debt in Mersey Gateway Bridge. The subscription obligations are backed by a letter of credit using BBGI's credit facility.
- BBGI completed the acquisition of a 50% interest in the Northern Territories Secure Facility (NTSF) in Australia. NTSF is a new 1,000 bed correctional facility, located on a greenfield site near Darwin, Australia. The project is expected to become operational in H2 2014.

#### April

- BBGI completed the acquisition of a 50% equity and loan note interest in four operational PPP Projects in Germany from Hochtief PPP Solutions GmbH. The total consideration paid was €13.2 million.
- BBGI signed and completed the acquisition of an additional 6.67% equity and subordinated debt interest in two existing operational LIFT projects from Galliford Try Investments Limited. The two projects are the North London Estates Partnerships and the Liverpool and Sefton Clinics. Following this acquisition, BBGI owns more than 50% in these projects. The total consideration paid for the acquisition was approx. £2m and was financed using the Company's credit facility.

#### May

- BBGI completed the acquisition of 100% equity and subordinated debt interest in Lagan College, a long term PPP concession to build a school and partially refurbish and remodel an existing school building in Northern Ireland. Under the sale and purchase agreement BBGI has acquired from the Bilfinger Group 70% of the equity and subordinated debt in the project. Under the Graham Acquisition Agreement, BBGI has acquired the remaining 30% of the equity interest and subordinated debt in the project.

### Portfolio

BBGI's existing portfolio comprises 34 projects spread across roads, education, healthcare and justice. All the projects in BBGI's portfolio are supported by contracted, government-backed revenue streams, with inflation protection characteristics. The portfolio analysis below is an estimate based on the existing portfolio value as at 31 December 2013 adjusted for the acquisition price of those projects acquired since 31 December 2013.

The portfolio currently has the following estimated sector, geographical and project status split:

- sector split: 41.1% Roads, 16.8% Justice, 20.3% Health, 18.8% Education and 3.0% other assets
- geographical split: 34.7% UK, 31.9% Canada, 18.4% Australia, 10.5% Continental Europe and 4.5% USA
- status split: 82.2% operational, 9.9% early stage construction, 7.9% late stage construction<sup>2</sup>

### Asset Performance

The existing portfolio of projects continues to perform well with no notable exceptions. Cash flows from the projects in the period have been in line with the project budgets and management's expectations.

In light of the growing portfolio and the increased exposure to assets under construction the Company has expanded its asset management team. The Company has hired Volker Ellenberg as a second Director of Asset Management with effect from 1 April 2014. Volker Ellenberg has more than 13 years' experience in PPP/PFI projects in the areas of asset management and development.

### Valuation of the Portfolio

The Company reports its NAV semi-annually when it publishes results for the half and full year periods ending in June and December. The Company in its Interim Management Statement also provides guidance in terms of the impact of foreign exchange movements in the period on the NAV.

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<sup>2</sup> Construction scheduled to complete in 2014

Over the period from 1 January 2014 to 13 May 2014 there has been an appreciation in the value of the GBP against the CAD, EUR and USD and a depreciation against AUD and NOK. The overall impact on the NAV is a decline of approximately £(3.7) million.

## **Hedging**

The Company seeks to provide protection to the level of GBP dividends that the Company aims to pay on the ordinary shares, in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure.

In April 2014 BBGI entered into a number of forward contracts in accordance with the Company's hedging policy on assets acquired since 1 December 2013. Hedges for assets acquired prior to that date are expected to be renewed in Q3 2014.

## **Dividends**

On 30 April 2014, shareholders approved a final dividend of 2.75 pence per share for the year ended 31 December 2013. The dividend will be paid on 27 June 2014. A scrip alternative will be offered to shareholders. Previously the Company could not offer a scrip alternative when the Company's shares were trading at a premium to NAV in excess of 5%. Shareholders voted in favour of removing this 5% limitation at the EGM on 30 April 2014.

The payment of this final dividend is consistent with the Company's target dividend payment of at least 5.5% p.a. by reference to the Company's issue price in its IPO of £1.00 per share, as set out in BBGI's Prospectus published in December 2011.

## **Balance Sheet**

As at 13 May 2014 the Company has approximately £64.5 million of cash available for acquisitions, debt servicing, working capital and the payment of distributions. Approximately £34 million of this available cash is reserved for the completion of previously announced acquisitions, and £11.7 million is reserved for the payment of the 2013 final dividend. The remaining cash represents approximately 4.2% of the net assets of the Company at 31 December 2013.

## **Debt Facility**

The Company has in place a £35 million corporate debt facility from RBS, NAB and KfW. The facility will expire in July 2015. The credit facility can be used to finance acquisitions, to provide guarantees to support future subscription obligations and for working capital purposes. As at 13 May 2014, £11.9 million was available to be drawn down. Of the balance, approximately £2 million was drawn down to fund the acquisition in the LIFT projects noted above and approximately £21.1 million relates to letter of credit obligations, principally in relation to Mersey Gateway Bridge.

The Management Board is currently in discussions with its relationship banks regarding an increase and extension of the Company's £35 million revolving debt facility to approximately £75 million to £80 million with a corresponding extension of the final maturity beyond the current maturity of 2015. Negotiation of detailed terms is expected to be concluded by Q3 2014.

## **Name Change**

After carrying out a rebranding exercise, the Management Board recommended renaming the Company as BBGI SICAV S.A. A resolution to this effect was put to the shareholders and passed at the EGM on 30 April 2014. The stock exchange ticker for the Company continues to be BBGI.

## **Compliance**

- FATCA: BBGI is in the process of preparing to become compliant with FATCA and the respective Intergovernmental Agreements (IGAs). On 2 May 2014 the Company completed, on schedule, (i) the FATCA

initial entity classification exercise and (ii) initial registration with the IRS. BBGI will continue to work with its advisors in order to ensure a smooth transition.

- EMIR: Under the EMIR requirements, counterparties that enter into derivative transactions are required from 12 February 2014 to report all transactions to a central repository. BBGI completed the on-boarding process with its trade derivative counterparties in the period to date and is compliant with the regulation.
- AIFMD: BBGI is at an advanced stage of completing an AIFM application. The Company expects to file its application with the CSSF in May.

## **Outlook**

The Supervisory Board and Management Board are pleased to report that the portfolio of assets continues to perform well, and are confident of the Company's ability to deliver predictable dividends to shareholders.

Management have noticed increased competitive tension in a reasonably active PPP/PFI secondary market. There is currently more investment capital searching for appropriate assets than there is supply, putting pressure on prices. BBGI are currently reviewing a number of secondary market opportunities, and have recently been invited to bid for equity interests in 30 assets. BBGI will continue to follow a path of disciplined growth, will be selective and surgical in its approach and may buy assets on an opportunistic basis.

## **Note**

### **Cautionary statement:**

This IMS aims to give an indication of material events and transactions that have taken place during the period from 1 Jan 2014 to 14 May 2014 and their impact on the financial position of the Company. These indications reflect BBGI's current views. They are subject to a number of risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments within the portfolio of BBGI.

This IMS contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and BBGI's actions to differ materially from those expressed or implied in the forward-looking statements.

This IMS has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules and the Law of 11 January 2008 on transparency requirements for issuers of securities (the Transparency Law), Article 5 and this IMS should not be relied on by any other party or for any other purpose.