

ASECAP DAYS



COSTA NAVARINO 2019

IS FUNDING AVAILABLE?

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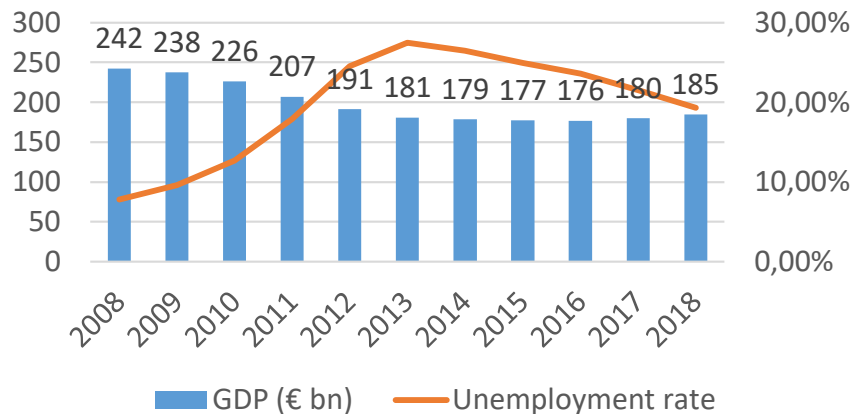
29-31 May 2019

Introduction

- ▲ Greece lost about 24% of GDP during the crisis years
- ▲ Investments as a % of GDP is one of the lowest in Europe (12.9% in 2017)
- ▲ For the Greek economy to recover significant investments are required
 - PWC has estimated that annual investments should double (from €20 bln currently to ~ €42 bln for the next five years)
- ▲ What is constraining new investments in Greece ?
 - Is it lack of funding ?
 - Are there any other limiting factors / constraints ?
- ▲ In the next few slides we aim to provide some insight on availability of
 - Equity
 - Debt (bank financing and capital markets)
 - Support from multilaterals
- ▲ We also try to position how investor friendly Greece is amongst its peers

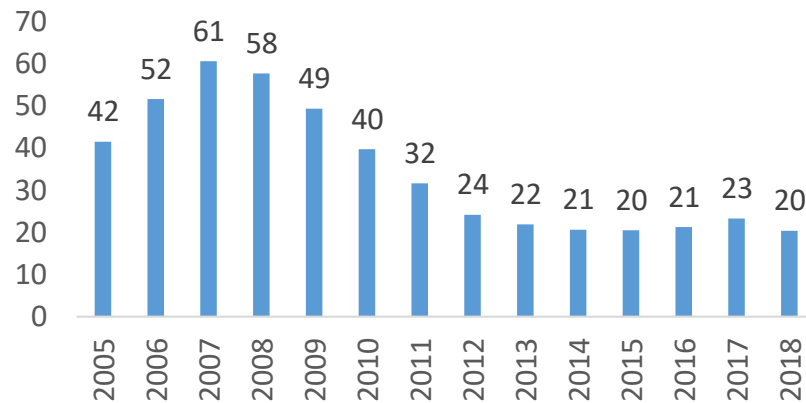
During the crisis Greece lost ~ 24% of GDP and investments dropped significantly ...

GDP and unemployment % evolution (in € bn)



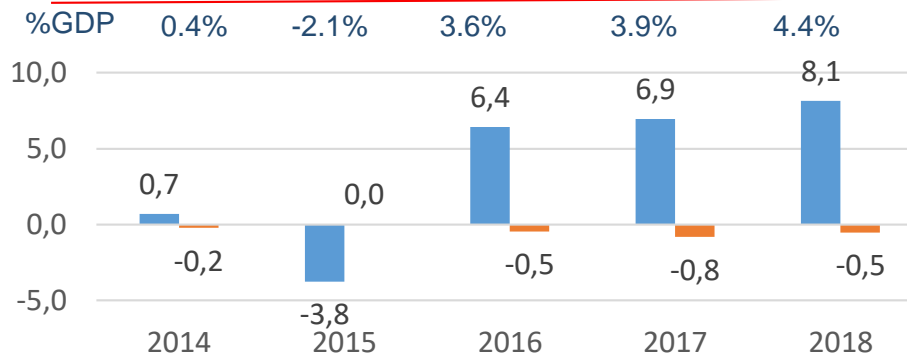
Source: Eurostat

Investment levels (in € bn)



Source: Eurostat

Budget Surplus / Cuts in Public Investments (€bn)



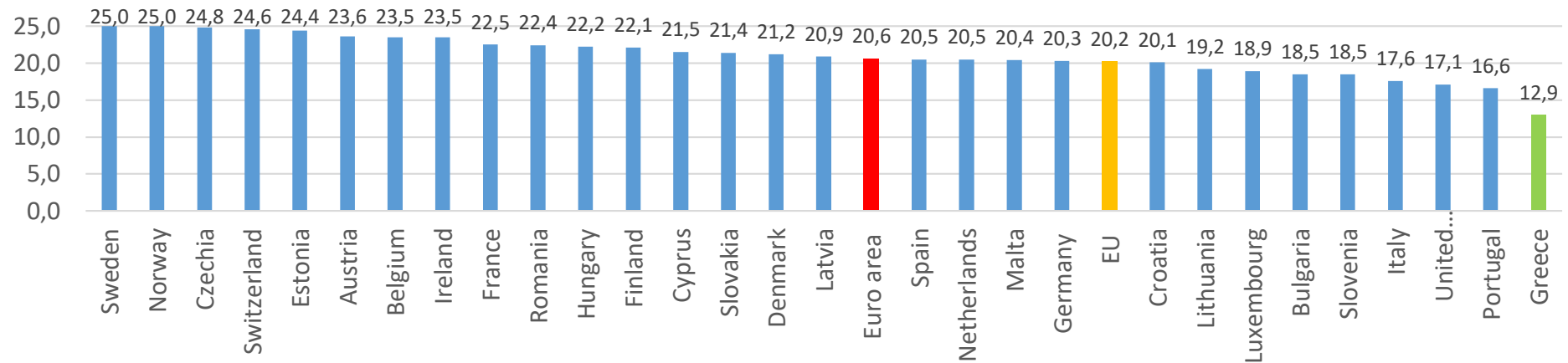
- General gov. primary balance
- Deviation of Actual vs Budgeted Public Investments Expenditure

Source: MoF, Hellenic Statistical Authority

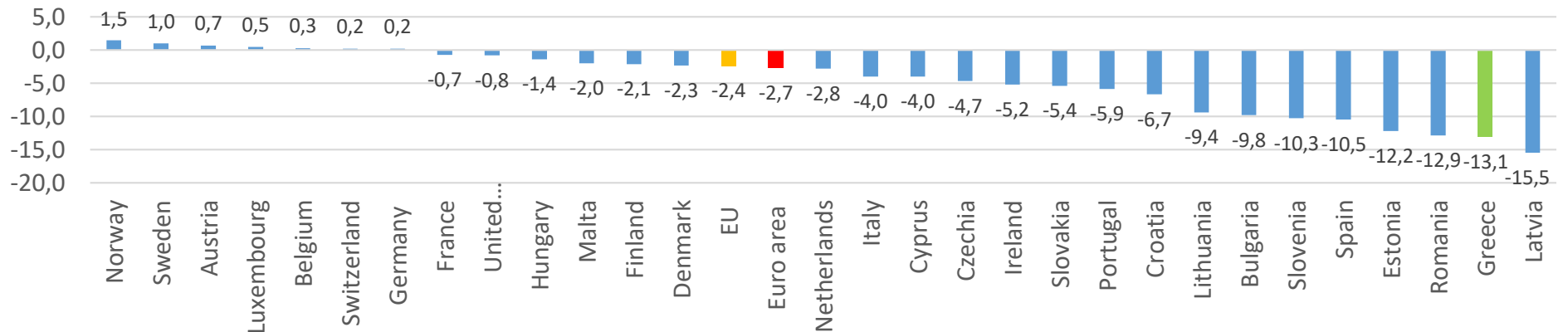
.. with one of the lowest ratios of investment to GDP (in Europe) ...

... and suffering one of the largest declines vs its peers over 2007-2017

Investment levels 2017 by EU member states (% GDP)



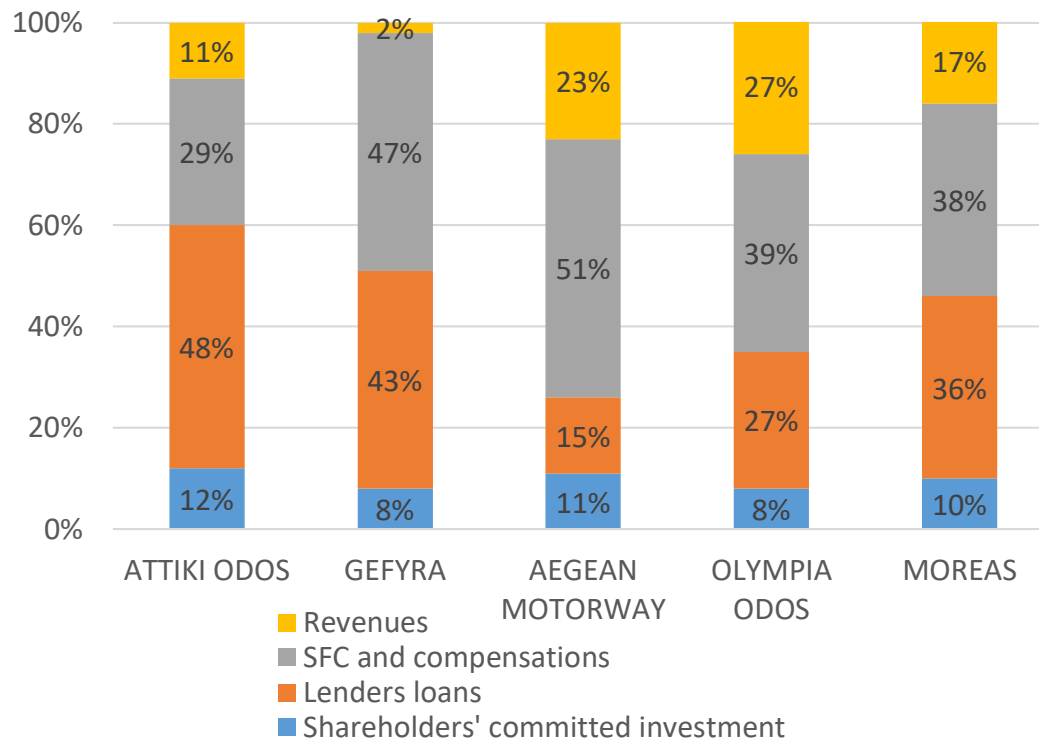
Change in investment to GDP ratio in EU member states, 2007-2017 (%)



Is lack of funding in Greece to blame for the drop in investments ?

... how were projects traditionally funded ?

Sources of funding of concessions projects



▲ Funding is usually achieved through a combination of

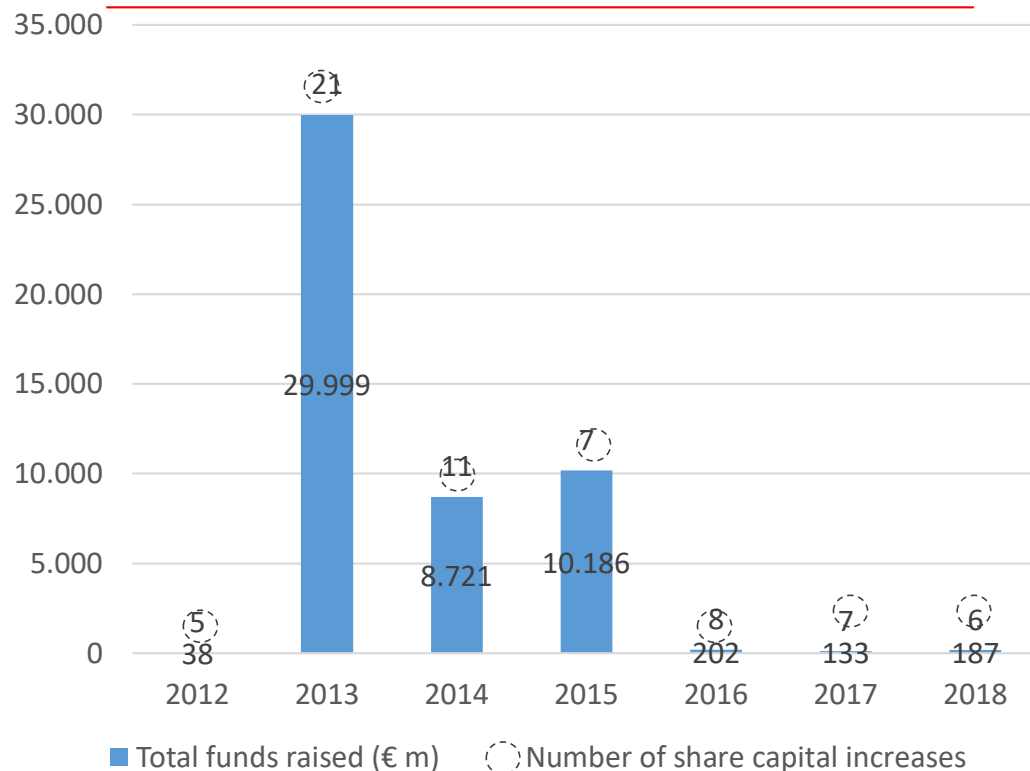
- Equity (typically around 10%)
- Debt from project finance lenders
- State Financial Contribution (“SFC”) to support project attractiveness for the private sector
 - The proportion of SFC increased following the restructuring of projects in 2013-2015 due to the significant drop in traffic volume
- Toll revenues during construction period

Source: Company information

Availability of Equity investment

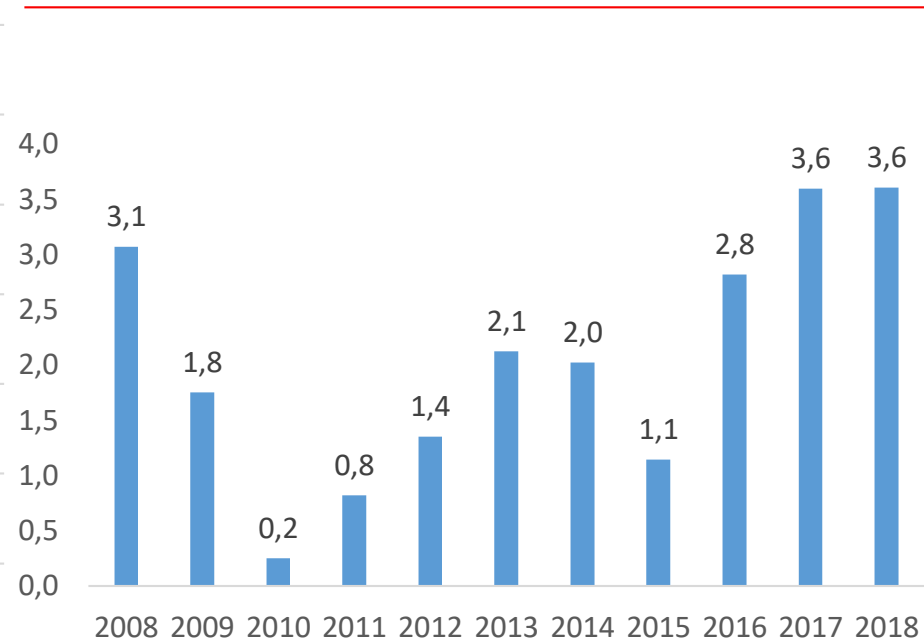
... Equity has been raised both on the ASE (i.e. bank recapitalisations) and through FDIs

Share capital increase by listed companies (€ mln)



Source: Hellenic Capital Market Commission

Net FDI Inflows (in € bln)

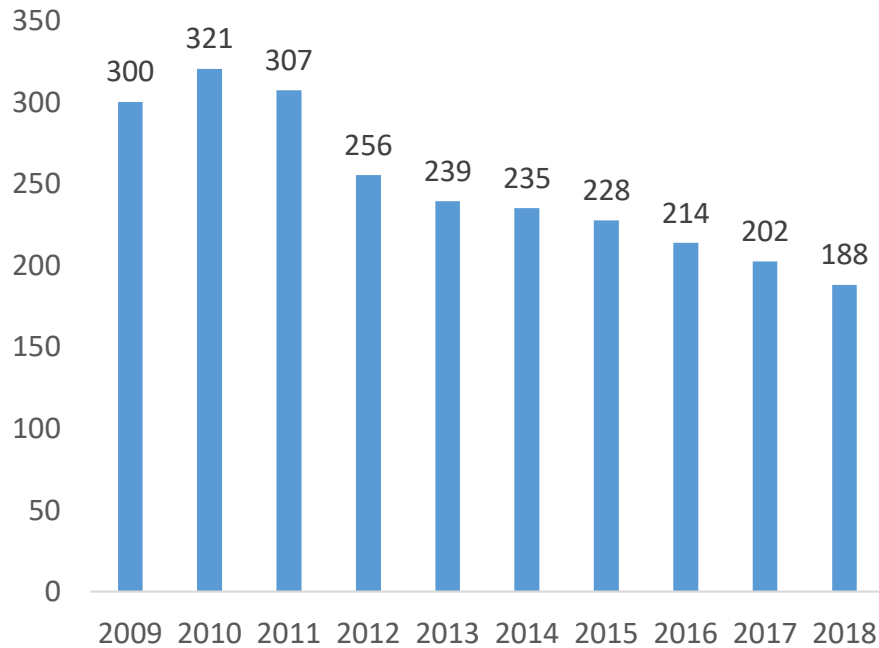


Source: Bank of Greece, 2017-2018 Provisional Data

Availability of Bank Financing ...

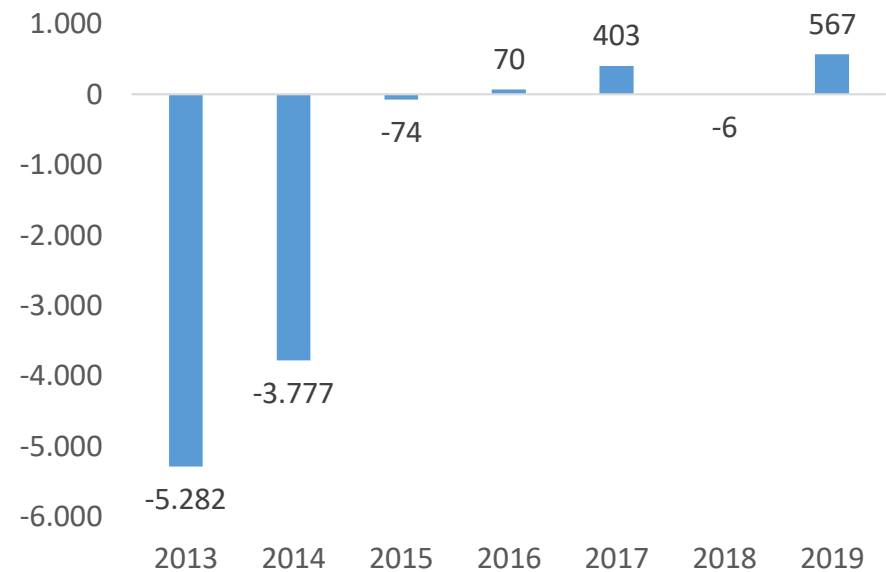
... despite the shrinking of their Asset base (NPLs), Greek Banks are still providing financing for good (bankable) projects ...

Greek Banks Total Loan book (in € bln)



Source: Bank of Greece

Corporate Lending Annual Net Flows * (€ mln)



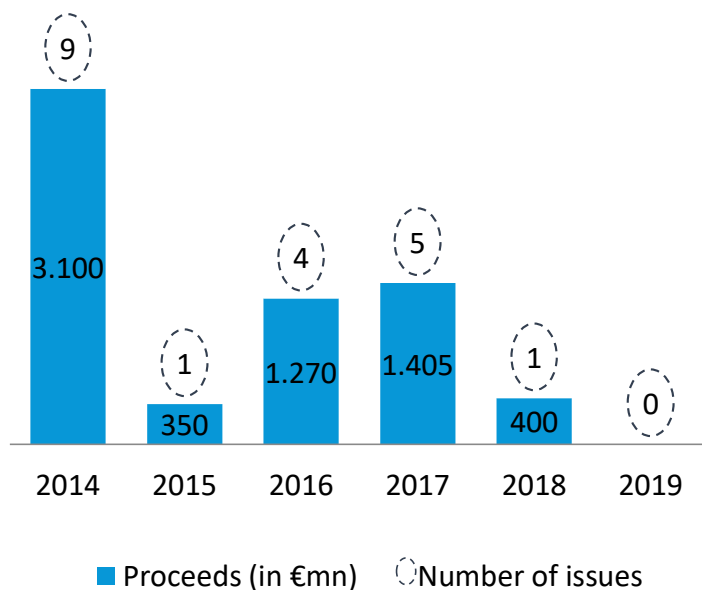
Source: Bank of Greece, Euroxx Research

* Adjusted for write-offs

The international Debt Capital Markets are available for strong corporates

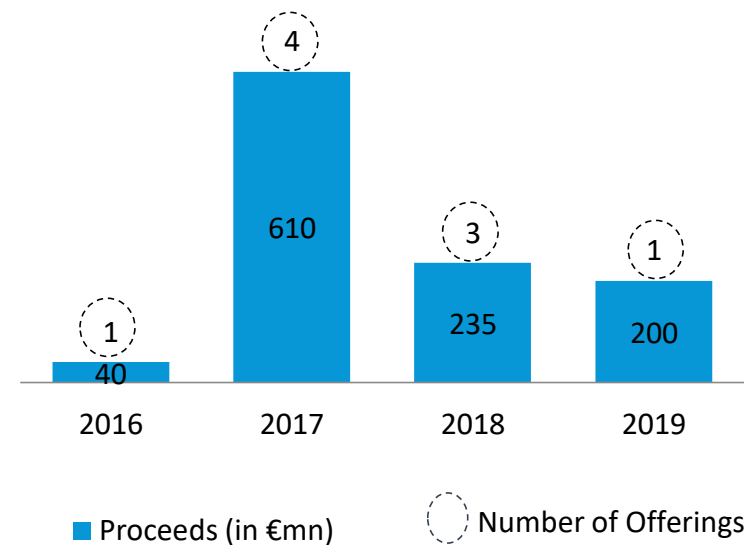
... and the domestic corporate bond market is also developing ...

Greek Issuance in the International Debt capital Markets (in € mln)



Source: NBG Securities

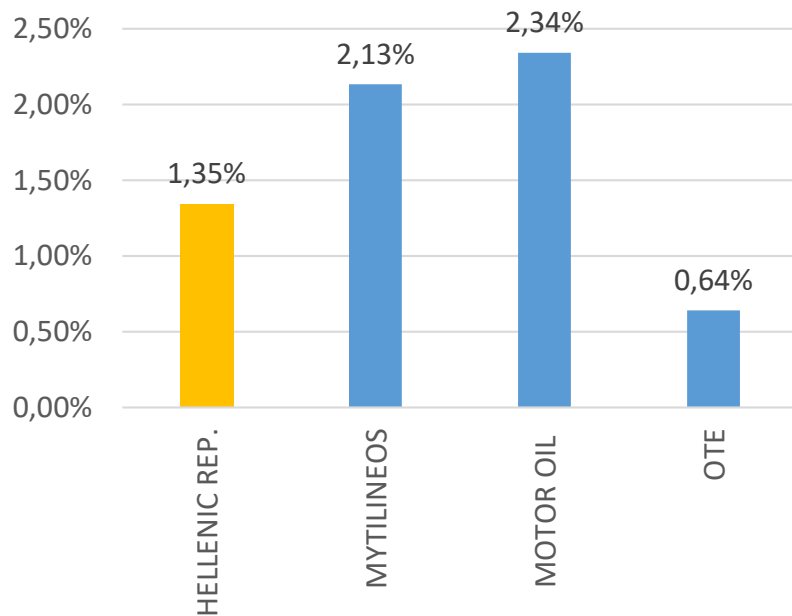
Domestic Bond Issuance (in € mln)



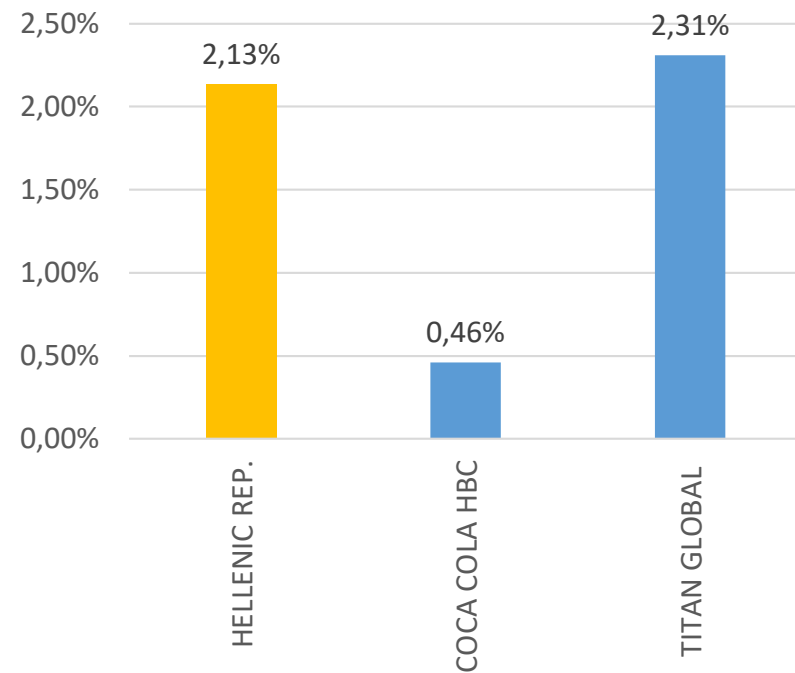
Source: NBG Securities

... with some Greek corporates trading at a lower yields to the Republic ...

Current Trading Yields (maturity 2022)



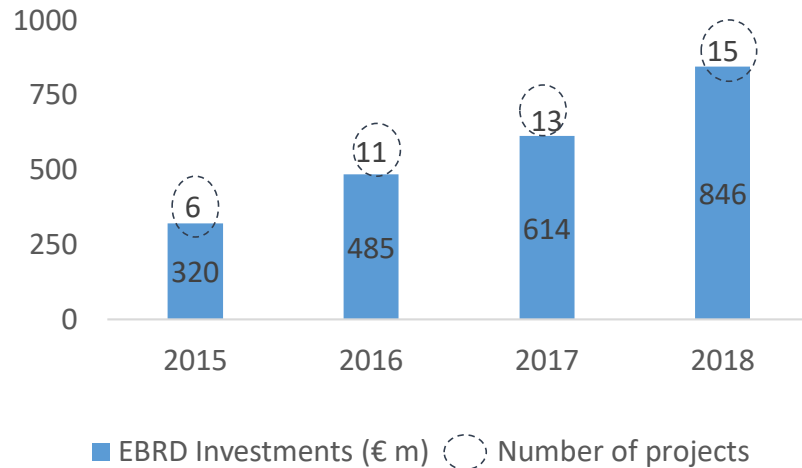
Current Trading Yields (maturity 2024)



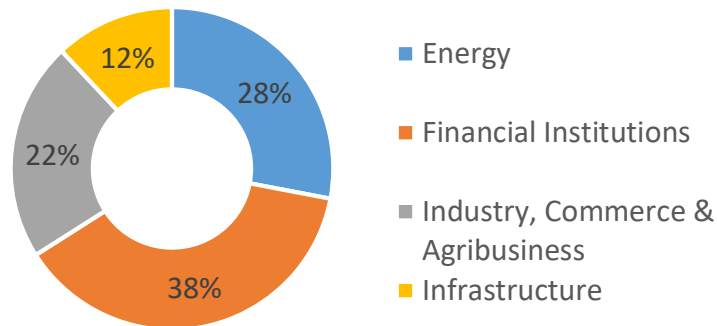
Source: NBG Securities as of 27/5/2019

... the multilaterals are also active in Greece ...

EBRD Investments in Greece (in € mln)

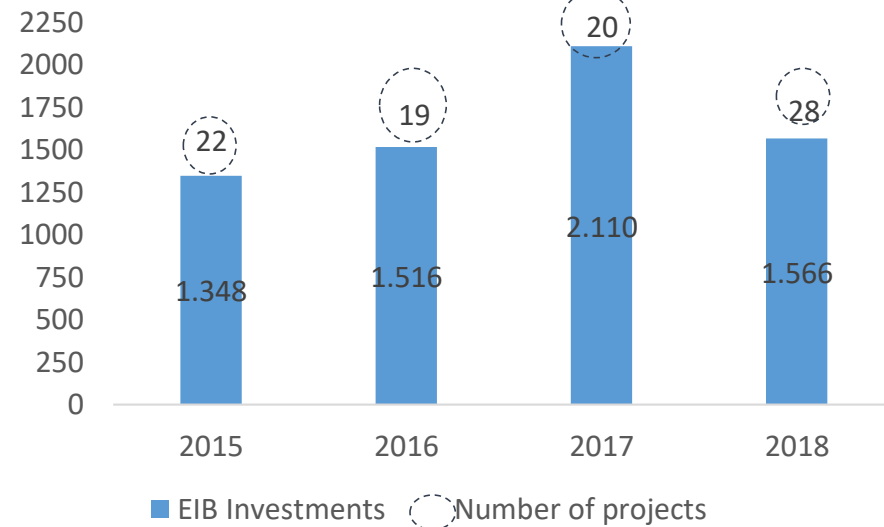


Current Portfolio composition

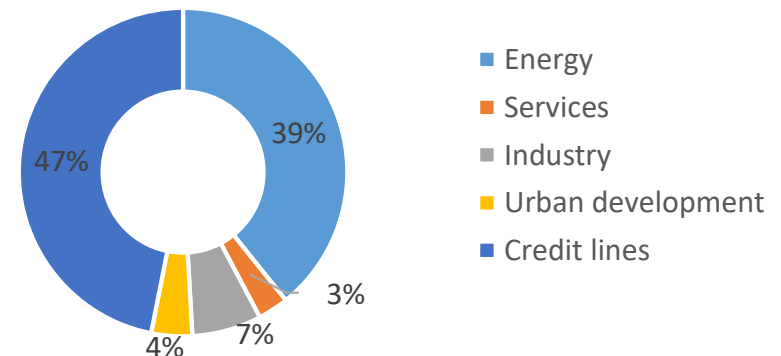


Source: EBRD

EIB Investments in Greece (in € mln)



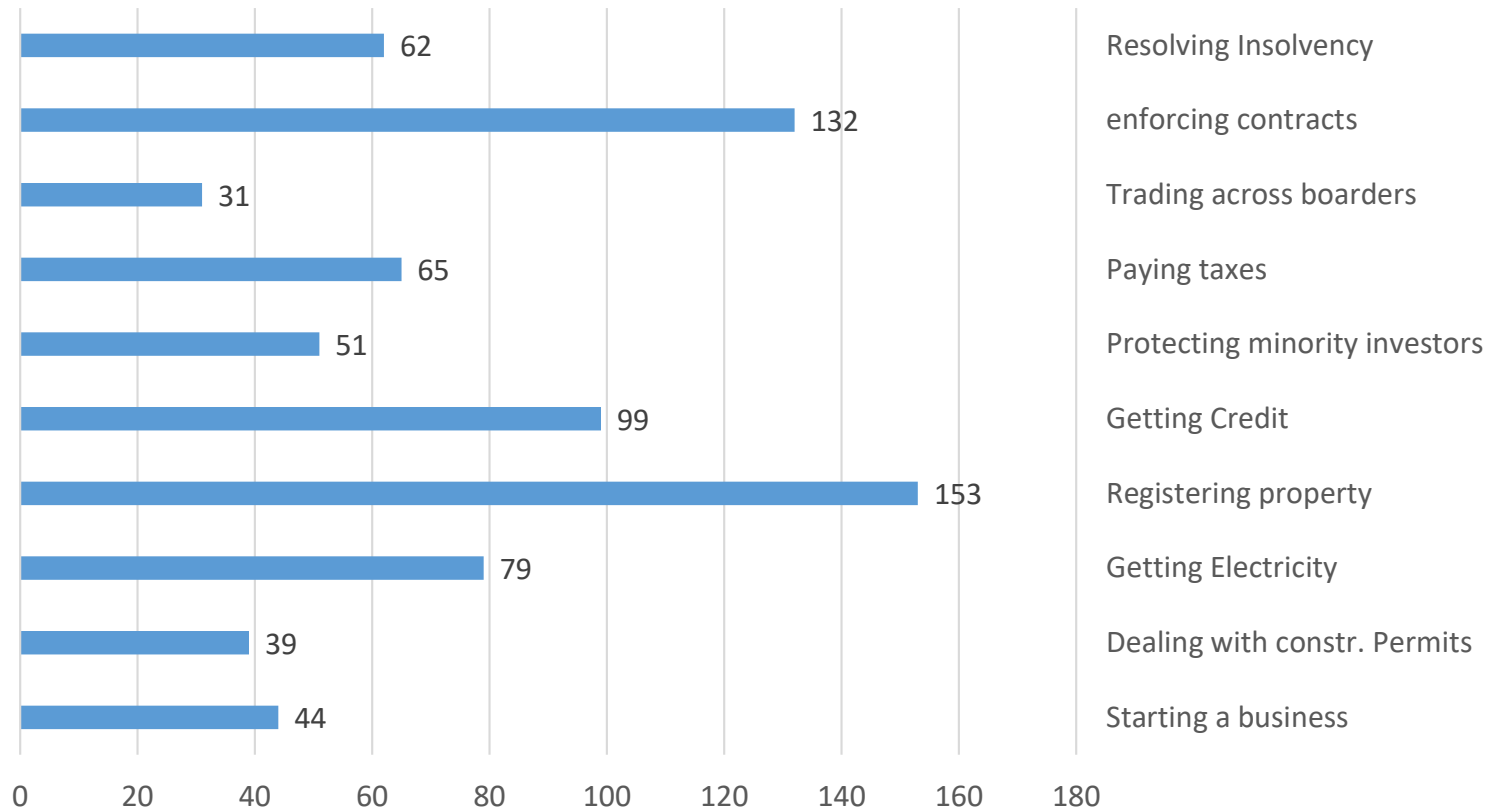
2018 Investment by sector



Source: EIB

Other factors negatively impacting investment decisions ...

Greece Ranking: Doing Business, World Bank



Source: The World Bank Doing business database

Summary

- ▲ Investments in Greece were low but have dropped even further (only 12.9% of GDP)
 - PWC has estimated that investments should double (to ~ € 40 bln a year) for the next five years to drive GDP growth to 3-4%
- ▲ Public Investment Program & EU funding should be blended with private capital in well structured concessions & PPP schemes to trigger investments
- ▲ Although funding in Greece has been a challenge it is available (although maybe at a premium)
 - Equity Investment flows are increasing
 - Greek Banks despite their challenges have an appetite to finance good “bankable” projects
 - The Multilaterals are active
 - The capital markets could also provide funding to strong corporates and potentially for mature / operating projects (project bonds)
- ▲ There are other limiting factors that negatively impact investments
 - Long development cycle / Maturity of projects (i.e. concessions)
 - Lack or fluctuation of political commitment (i.e. Waste PPPs)
 - Imbalanced risk allocation in contracts
 - Enforcing contracts / dispute resolution mechanism
 - Registering property