



BOREALIS
INFRASTRUCTURE

What Makes Infrastructure Exits Different

Presentation to the Private Equity Symposium

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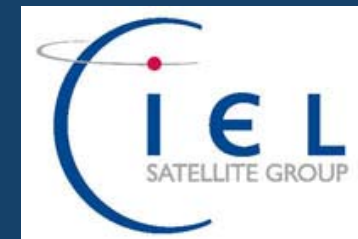
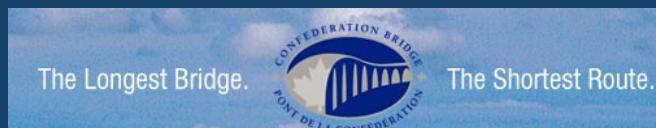
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- One of Canada's largest pension plans
- 370,000 members
- 100,000 pensioners
- 44 different unions
- 900 employers
- C\$50 billion in net assets
- Recent governance and management changes
- Investment entities – Borealis Infrastructure, Oxford Properties, OMERS Capital Partners, Public Markets



Borealis Infrastructure

- OMERS investment entity
- Wholly responsible for OMERS infrastructure strategy
- Pioneered infrastructure investing in Canada in 1998
- 50 staff including 25 investment professionals
- Oversees a global portfolio infrastructure assets with an equity value of over C\$5 billion



Exit Option Differences

- **Relatively New Asset Class – Limited trading of infrastructure assets to date**
- **Nature of investments will likely favour certain exit options**
 - Long-term stable cash flows
 - Single asset / location
 - Limited life concession agreements
 - Type of initial transaction (i.e., privatization, public-private partnership or privately initiated)
 - Politically imposed restrictions (eg. sale of P&O's US ports to Dubai Ports World)
- **Existing market liquidity favours sale to private buyers**
- **Elimination of income trust tax advantages**

Bidders / Buyers

- Pension plans / Institutional investors (eg. insurance companies and endowment funds)
- Infrastructure Funds sponsored by major financial institutions, investment banks and traditional private equity players (\$150 billion in new funds created over the past 24 months)
- Sovereign Funds

Political Implications

- Depends on the type of the initial transaction (i.e., privatization, public-private partnership or private transaction)
- Depends on the nature of asset (the more “essential” the asset or service, the greater the degree of potential intervention)
- Some governments have responded (eg., impose a minimum hold period / change in control provisions, share in gains generated on the exit, approval rights)

Rate of Return Expectation

- **Recent transactions**
- **General Guidelines**
 - **Mature Regulated Asset – real return of 6.0 – 8.0%**
 - **Growth Asset – real return of 9.0 – 11.0%**
- **Market becoming more efficient**
 - **Increased investor sophistication**
 - **Increased market liquidity**
 - **Amount of capital competing for infrastructure assets**