

# Investing in Asian Infrastructure

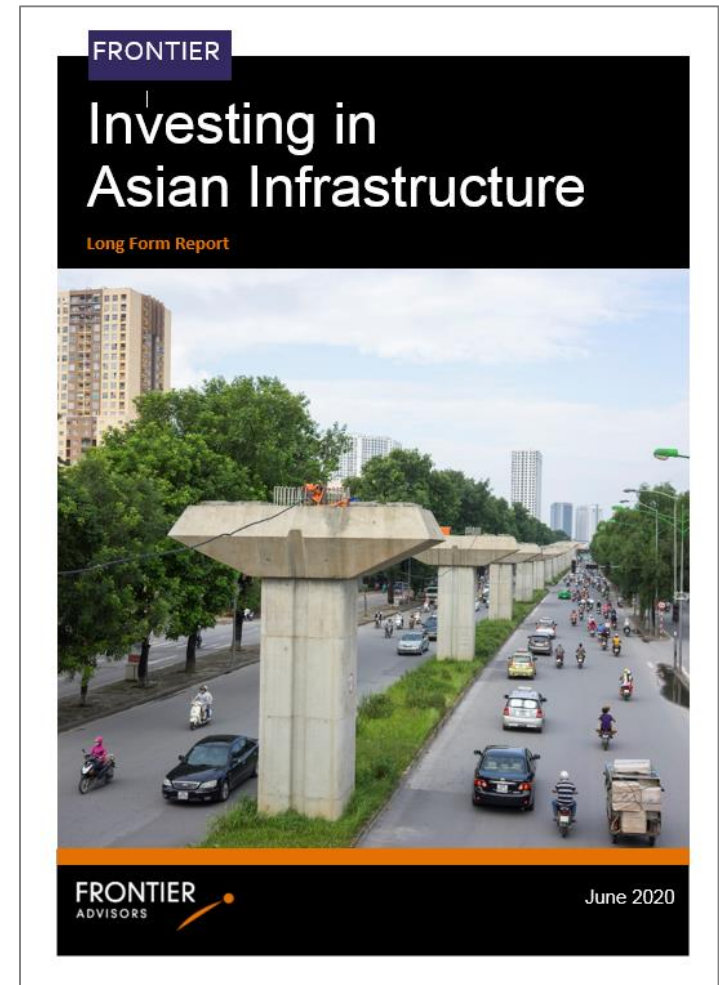
2020 Annual Conference

July 2020

# Asia Coverage

## Frontier undertook detailed investigation of the Asian infrastructure market in 2019

- Frontier has covered Asia for an extensive period of time
- Recently launched publication on Asian infrastructure:
  - ❑ Macro and socio-economic environment
  - ❑ Key investment countries
  - ❑ Infrastructure thematics
  - ❑ Granular evaluation of investment sectors by country
  - ❑ Lessons from prior and current investment waves
  - ❑ Investor landscape
  - ❑ Investment Implementation
- Report queries: [AsianInfra@frontieradvisors.com.au](mailto:AsianInfra@frontieradvisors.com.au)



# Backdrop: The Asian Century

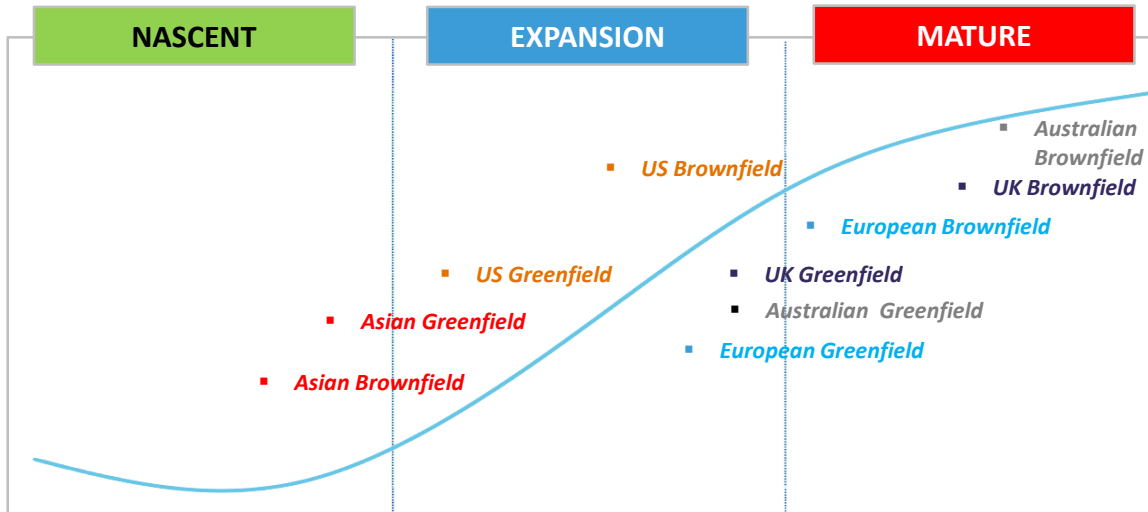
Asia is host to a number of vibrant, growth economies. Asia is projected to continue its growth trajectory into the 21st century

| Macro-economic Indicators     | Today                             | Future                        |
|-------------------------------|-----------------------------------|-------------------------------|
| Share of World GDP (\$)       | <b>34%</b>                        | <b>50%</b> by 2040            |
| Middle Class                  | <b>54% (2.0b)</b>                 | <b>65% (3.5b)</b> by 2030     |
| Urbanisation Rate             | <b>50%</b>                        | <b>57%</b> by 2030            |
| Mobile Subscribers            | <b>~4.2b</b>                      | <b>5.9b</b> by 2030           |
| Regional Internet Penetration | <b>55%</b>                        | <b>72%</b> by 2023            |
| Energy Consumption            | <b>36% (4.8m toe<sup>1</sup>)</b> | <b>41% (6.7m toe)</b> by 2030 |

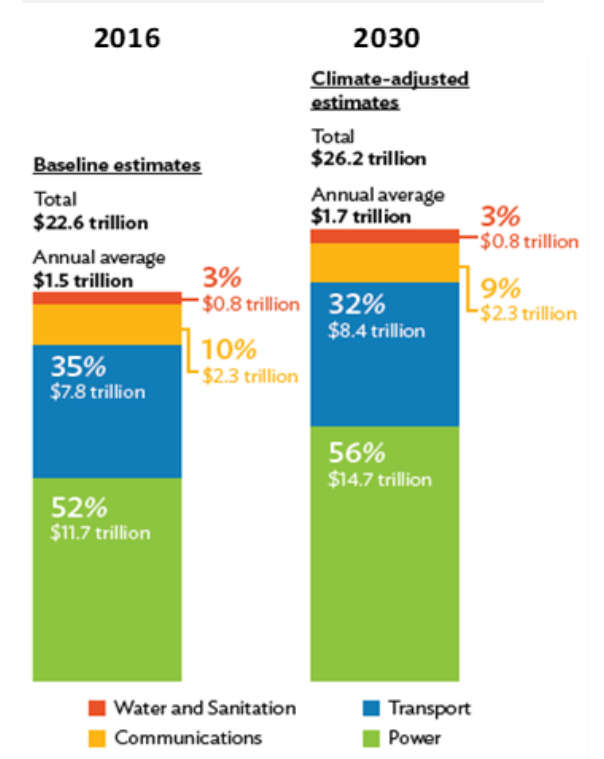
Sources: Manager data, Frontier, Internetstatsword, McKinsey, Cisco, Statista. 1. toe: tonnes of oil equivalent.

# Asian Infrastructure Needs

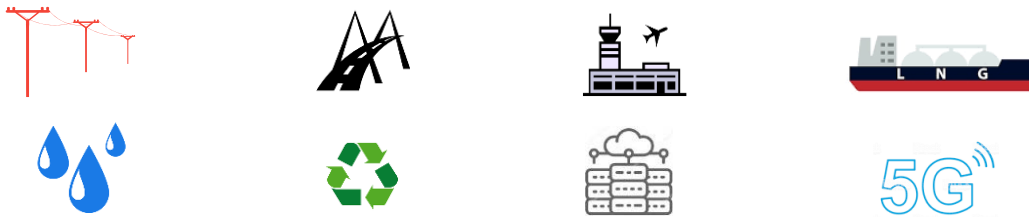
Asia is a developing region for infrastructure, needing a vast amount of capital investment



## US\$26 trillion of investments required



### Essential Infrastructure Needs



Source: Asian Development Bank, Frontier.

# Regional Infrastructure Investment Initiatives

**Numerous Asian state governments have announced ambitious infrastructure development programs**

|             |   |
|-------------|---|
| CHINA       | <ul style="list-style-type: none"><li>• <b>US\$1.1 trillion</b> investments planned for 2020 in rail, transport, 5G</li><li>• <b>US\$2.0 trillion</b> over 5 years in digital infrastructure – data centres, 5G, electricity grids, rail, EV networks</li></ul> |
| INDIA       | <ul style="list-style-type: none"><li>• <b>US\$1.4 trillion</b> investment plan over five years to 2024</li><li>• Investment policies for roads, airports, shipping, rail, water, housing, gas &amp; electricity networks</li></ul>                             |
| INDONESIA   | <ul style="list-style-type: none"><li>• <b>US\$412 billion</b> investment plan over five years to 2024</li><li>• Investor-friendly policies for new airports, roads, renewables, power plants</li></ul>   |
| PHILIPPINES | <ul style="list-style-type: none"><li>• <b>US\$180 billion</b> ‘Build, Build, Build’ infrastructure program</li><li>• Investor-friendly policies – 75 flagship projects – roads, bridges, airports, rail, seaports</li></ul>                                    |

Source: NDRC, Bloomberg, Nikkei, Frontier. Note: program sizes announced prior to Covid-19.

# Investment Challenges

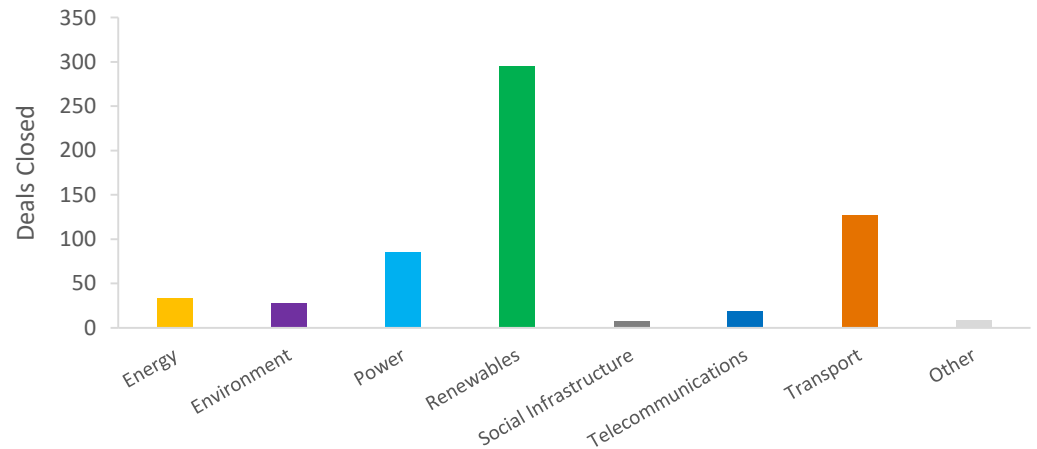
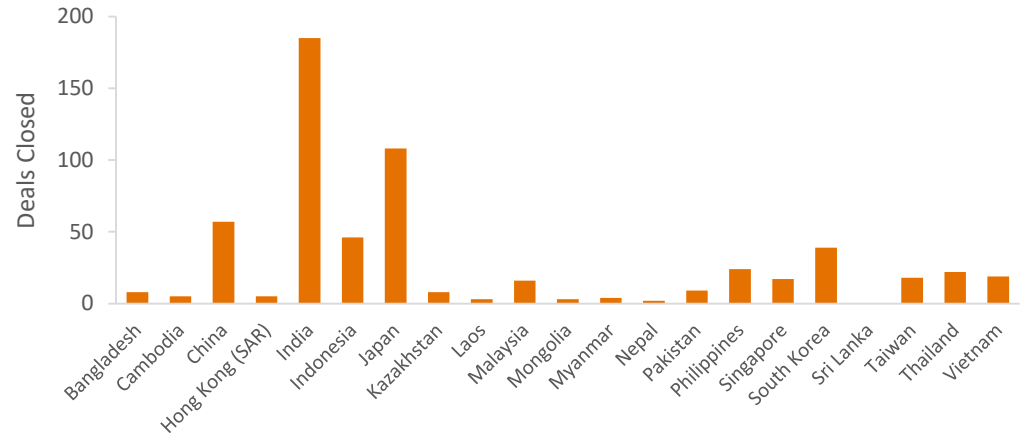
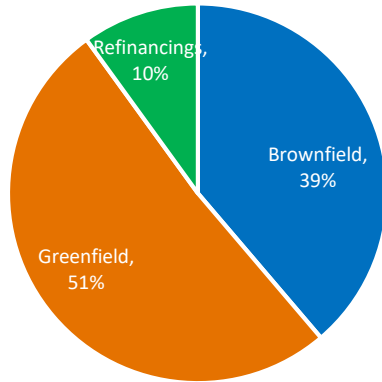
## Investing in Asian infrastructure is not without its challenges

Common challenges include:

- Government/political stability
- Ease of doing business (rule of law, rules & regulations)
- Relationships
- Currency risk
- Virgin capital markets
- Does an infrastructure ecosystem exist?
- Finding the right skills
- Deal sourcing

# Infrastructure Deals Analysis

Asian infrastructure investment activity is growing, with greenfield and renewable investments prominent. Regional heavyweights (China, India, Japan) feature heavily in deals closed



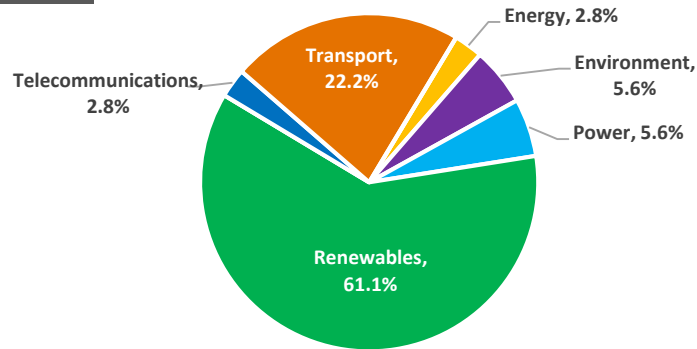
- Over 600 completed deals in the region<sup>1</sup>
- Average brownfield deal size: ~US\$420 million
- Average greenfield deal size: ~US\$492 million
- Median deal size: ~USD141 / US\$162 million

Source: Inframation News. 1. For three years from July 2017 to June 2020.

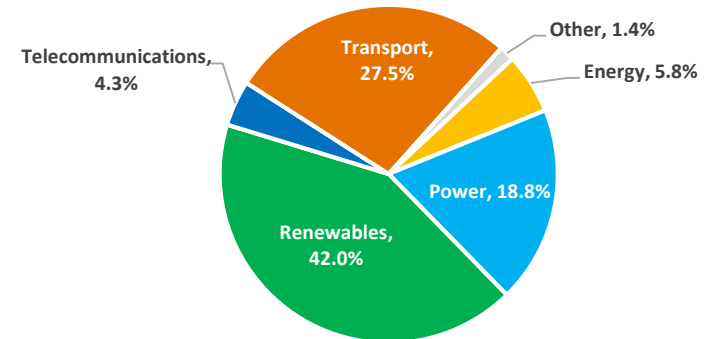
# Brownfield Deals Completed in Asia

Over the last three years, Asia has experienced tremendous growth in renewable energy and transport infrastructure. Power and energy are also prevalent themes in developing Asia

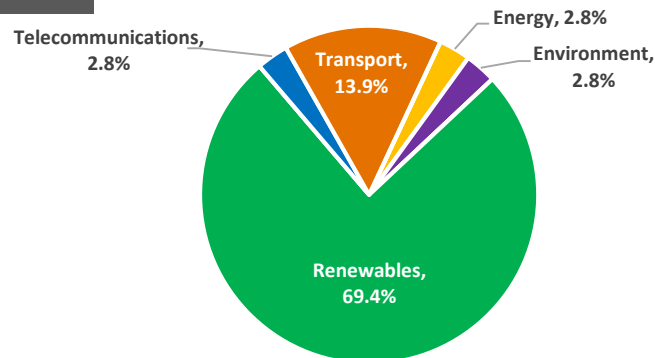
## CHINA



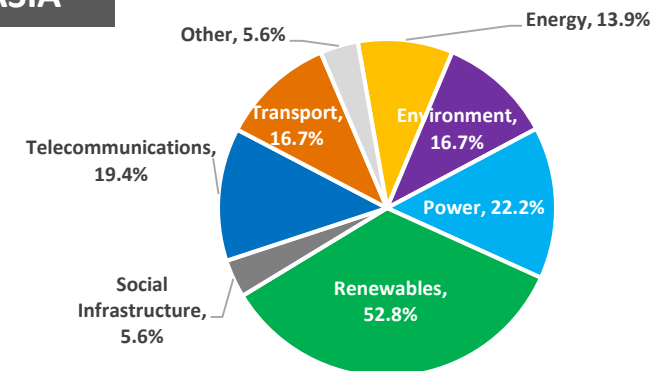
## INDIA



## JAPAN



## S.E. ASIA



Source: Inframation News.



**Frontier Advisors**

Level 16, 222 Exhibition Street

Melbourne, Victoria 3000

Tel: +61 3 8648 4300

**[www.frontieradvisors.com.au](http://www.frontieradvisors.com.au)**

**[@frontier\\_adv](#)**