GLOBAL REACH. GLOBAL SCALE.

SEABURY PFRA MARITIME

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Emerging Trends in Port Financing

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About Seabury Maritime PFRA

Seabury Maritime PFRA's singular solution unites its core competencies:

Maritime-centric Investment Banking and Industry Advisory

Investment Banking

OFFERING SENSIBLE TRANSACTION ADVISORY SUPPORT

We are focused on providing best-in-class service and execution excellence on complex transactions to assist our clients in achieving growth

We are a provider of capital-raising services to allow our clients to reach their strategic goals

Industry Advisory

PROVIDING GLOBAL CONSULTANCY SERVICES

We have a thorough understanding of the underlying competitive economics that drive decision-making

We find strategic value across operating boundaries that translate to sustained competitive advantage

Global Presence

Core Competency

Industry Expertise

KNOWLEDGE. ASSOCIATION. RELATIONSHIPS. TRUST. RESULTS. INDEPENDENCE.

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The SMPFRA Client Base

With its global footprint, SMPFRA offers a **focused, custom-based service offering to a global industry** undergoing rapid transition

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Investment Banking | Industry Advisory

PRIVATE EQUITY	PORT AUTHORITIES	INDUSTRY TECHNOLOGY PROVIDERS
INVESTMENT BANKERS	TERMINAL OPERATORS	INFRASTRUCTURE DEVELOPERS
INFRASTRUCTURE INVESTORS	OCEAN CARRIERS	CONSULTING FIRMS
HOME OFFICES	3PL SERVICE PROVIDERS	ENGINEERING FIRMS
INDUSTRIAL REAL ESTATE	OTHER INDUSTRY SERVICE PROVIDERS	LEGAL FIRMS
GOVERNMENT AGENCIES	LABOR / MANAGEMENT	INDUSTRY ENTREPRENEURS

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P3 General Overview

- P3s are contractual arrangements between a public agency and a private sector entity for the delivery and financing of public infrastructure projects
- Typically, a P3 structure brings private sector investment and best practices in development, finance, design, engineering, construction, operations, maintenance, safety and sustainability to deliver cost-efficient assets to local government
- The situation frequently occurs where the state and local officials are hesitant to engage in traditional or tax – exempt debt financing for a project which can be either expensive or scarce
- A P3 solution can be constructive in this regard as the structure shifts the burden of financing, building, operating and maintaining the project
- There are different approaches to effecting a P3, but effectively, it appeals to long term operators and investors over a 30-50 year concession period where the economics make sense from a return perspective
- Returns are generated typically from availability payments from users to the developer who operates and maintains the asset
- In return, the developer promises to finance, operate and maintain the asset through risk transfer from the public entity to the P3 developer
- The asset traditionally reverts to the public sector at the end of the concession and must be returned in good condition

Benefits to the Public Authority

- Get unfunded or underfunded projects completed in a timely fashion
- Encourages efficiency and innovation
- Eliminates O&M legacy costs
- Transfers asset from a tax free non-profit to the tax rolls
- Creates jobs, taxes and economic output for the locale
- Requires performance-based accountability on the part of the private operator
- Asset reversion in good condition is a critical component

P3 Misconceptions

- **P3s are quick cash raising vehicles--** Actually, P3s are complex and take time to develop and execute on
- **Environmental standards are inapplicable and local zoning/planning overlooked--** If anything, there is increased scrutiny on applicable clearances, permitting and licensing
- **There is no political influence or control--** On the contrary, the state or public entity may set limits on investment and operational parameters
- **Union opposition due to "privatization"--** In fact, P3s are noted for job creation as the project expands the capability of the port
- **Unfamiliar media--** Education is necessary to create an atmosphere of cooperation between public stakeholders/users and the operating entity
- **Perception of foreign firms owning/operating US assets--** The ownership of the asset typically stays with the public authority or state. For a foreign-owned operator, such as Gulftainer, the Company has the incentive to perform to the best of its ability and has an excellent record of operation and maintenance in the US (Canaveral)

The Role of the Financial Markets

- The traditional private equity strategy has fallen out of favor in the port space
  - Private equity return requirements are often too high to make attractive capital investments
- Infrastructure-focused funds still positive on the space
  - Common for dedicated infrastructure investors to have in-house or adjacent operating capability
  - Prepared to engage with commercial operating partners, if applicable
  - Willing to accept lesser returns
  - Able to deploy new technologies to boost operating margins and cater to evolving liner needs
- In a P3 process, the state entity needs to carefully consider its new partner, and that their investment goals are aligned with each other
- The state must be prepared for the possibility of a change of control of the P3 partner
- Investors looking for investments that match social responsibility goals
  - Increased emphasis on environmental, social and corporate governance initiatives

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Different Approaches to Structuring P3 Solicitation

When Structuring a P3, We Recommend the RFQ Over the RFP

Request for Proposals

- Typically more time consuming and expensive
- Less flexibility
  - More rigid transaction structure
  - Involves a smaller pool of stakeholders
  - Not as iterative (highest price wins)

Request for Qualifications

- Allows for an efficient, iterative process
  - Fluidity in possible transaction structure
  - More stakeholders able to participate
- Allows respondents to match requirements and can be revised, customized, with bespoke solutions
- Allows for cooperation and incorporation of labor into the eventual enterprise
- Allows for platform to be created which delivers
  - Right capital elements
  - Correct operator component
  - Desired business mix

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How Can This Alternative Be Executed

With time and past global experience, SMPFRA has developed a successful methodology