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## **MACQUARIE INFRASTRUCTURE GROUP ACQUISITION OF SR125 TOLL ROAD OPPORTUNITY IN USA**

Macquarie Infrastructure Group (MIG) today announced that it has reached agreement to acquire an 81.6% interest in the San Diego Expressway Limited Partnership (SDELP). SDELP is the owner of the concession to develop the US\$580 million SR125 toll road in San Diego, California. MIG is likely to make an equivalent offer to acquire the remaining 18.4% of SDELP which will give it 100% ownership of the project.

### **Acquisition details**

- The total equity consideration payable by MIG for the 81.6% interest is US\$54.8m (approximately A\$100m).
- Of this amount, approximately, 25% will only be payable on financial close, which is expected to occur by the end of calendar 2002.
- The total equity required from MIG to complete the project, inclusive of the US\$54.8m initial acquisition cost for the 81.6% stake, is expected to be approximately US\$155m (approximately A\$280m).
- The balance of MIG's equity for the project will not be required until the road opens to traffic, which is expected to occur in the second half of 2006
- The expected equity IRR<sup>1</sup> on MIG's investment is forecast to be between 15% and 19% based on two independent traffic models, the lower of which did not attempt to maximise revenues.
- The 81.6% interests are being acquired from the project's original sponsors, Parsons Brinckerhoff of the USA and Egis of France.

MIG will utilise cash resources raised during the March 2002 Entitlement Offer to make all payments through to, and including, financial close. The method of funding MIG's 2006 equity contribution will be determined at that time but is likely to be funded by an equity raising.

### **SR 125 Concession**

The SR 125 concession runs for a 35 year period from the date of opening. The concession, which was granted by Caltrans (State of California Department of Transportation) in 1991, has no practical restrictions<sup>2</sup> on the setting of tolls.

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<sup>1</sup> The forecast IRR is based on certain assumptions which, if not achieved, may affect the IRR.

<sup>2</sup> The Concession has a clause that limits the total return of capital (debt and equity) invested to 18.5%. MIG's analysis suggests that this rate is not achieved even under significant upside scenarios.

## SR 125 Project

State Route 125 (SR125) is a proposed four lane, 18km toll road which will provide an alternative route east of the heavily congested North/South SR805 and Interstate 5 in the San Diego region of Southern California. The toll road will run north from adjacent to the Mexican border to Route 54 in Bonita. The design of the toll road will allow it to be expanded to six lanes to meet future increases in demand. Concurrent with the construction of the toll road, two sections of untolled, government funded road will be built. They are the 'Connector', a 3.2 km connection to SR125 North, and the 'Gap', a 2 km connection to SR54, both of which will play an important role in linking the SR125 to the existing San Diego freeway network in the North.

The SR125 project has been delayed for more than a decade due to a myriad of issues including environmental permitting requirements. However, all permits and approvals necessary for the construction of the project have now been received and we believe there are no significant impediments to the commencement of construction.

Construction will be funded through a combination of senior debt, US Government concessional debt and equity. The SR125 project has been selected as an eligible project for funding from the United States' Transportation Infrastructure Finance and Innovation Act (TIFIA) program. The \$140 million TIFIA loan will be the first ever provided to a private toll road development. The 35 year loan will have a fixed rate borrowing cost equal to 30 year US Treasuries.

The SR125 will be MIG's first investment in the US. The acquisition opens up a potentially very large market for MIG as well as further increasing the geographic and risk diversity of MIG's portfolio.

The deal reaffirms the global reach MIG enjoys through its management by Macquarie Bank Group companies and clearly demonstrates the continuing potential for MIG to make further, selective, attractive investments in OECD countries.

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