

## INTERNATIONAL TRENDSPOTTER

# Spanish Interest in Domestic Infrastructure Companies

BUSINESS SERVICES

CONSUMER

FINANCIAL SERVICES

FINANCIAL SPONSORS

HEALTHCARE

INDUSTRIALS & BUILDING PRODUCTS

The changing landscape of the U.S. infrastructure market has created a significant opportunity for international companies, primarily due to the demand for projects to repair the country's aging infrastructure and the rise in public-private partnerships ("PPP"). Through the Clairfield Partners network, McColl Partners maintains active dialogue with a number of foreign construction firms, many of which have expressed interest in making acquisitions of U.S.-based construction companies.

According to a 2008 study by the American Society of Civil Engineers, approximately \$1.6 trillion needs to be invested over the next five years to rebuild and repair the U.S.'s aging infrastructure. The U.S. government allocated \$80.9 billion to highway construction projects through the American Recovery and Reinvestment Act of 2009, which will drive infrastructure development in the near term. However, in the long term, a number of factors may constrain the government's ability to fund infrastructure construction projects, including (i) an increase in public-sector debt, (ii) a decrease in tax revenue, and (iii) a redistribution of government funding to other subsidized sectors. This has contributed to the emergence of new sources of financing for infrastructure development, including public-private partnerships, which use private sector funding for the construction and maintenance of public sector infrastructure.

As the PPP model has been used extensively in Europe and Australia, many well-financed global infrastructure construction companies, with experience as design-builders and infrastructure construction financiers, seek to acquire domestic construction companies and provide turnkey solutions throughout the United States. In particular, many Spanish construction companies have demonstrated a distinct interest in U.S. opportunities, as evidenced by their (i) acquisitions of U.S.-based construction companies and (ii) significant activity in recent U.S. infrastructure development projects. According to Brad Winer, a Managing Director at McColl Partners and head of the firm's Industrials and Building Products Group, "Based on our active dialogue with large international infrastructure companies, we believe the U.S. PPP model will continue to attract foreign investment, especially from Spanish construction companies as they are among the most qualified to design, finance, build, and maintain infrastructure projects in the United States."

Figure 1: Select Spanish Infrastructure Construction Companies



Actividades de Construcción y Servicios SA  
(CATS:ACS)



Fomento de Construcciones y Contratas SA  
(CATS:FCC)



Grupo Ferrovial SA  
(CATS:FER)



Obrascon Huarte Lain SA  
(CATS:OHL)



Sacyr Vallehermoso SA  
(CATS:SYV)

## SPANISH INFRASTRUCTURE CONSTRUCTION COMPANIES OVERVIEW

Over the last 20 years, Spanish construction companies have developed from small domestic companies into multinationals with a significant presence in a large number of countries. Actividades de Construcción y Servicios SA ("ACS") and Grupo Ferrovial SA ("Ferrovial"), the two largest Spanish construction companies, generated revenue of \$23.9 billion and \$20.8 billion in 2008, respectively, representing a compound annual growth rate ("CAGR") of 26.0% and 20.0%, respectively, from 1996 to 2008. During this time period, both companies, as well as their Spanish peers, aggressively diversified into other sectors, including utilities, concessions, and industrial services.

