

## PORTUGUESE INSIGHTS

## SALE OF DOURO LITORAL ROAD CONCESSION

17.11.2021

The Strategic Value Partners Fund (SVP) announced its intention to sell the Douro Litoral highway concession, seven months after the settlement of its disputes involving the concession holder AEDL - Autoestradas do Douro Litoral, S.A. (AEDL) and its former owner BRISA - Auto-Estradas de Portugal, S.A. (BRISA).

The Douro Litoral concession comprises a total of 129 km, of which 76 km with toll-Highways A43, A41, A32, with 11 km of twin viaducts, two tunnels and a new bridge over the River Douro, which serves the greater area of Oporto, the second largest city of Portugal, with high population concentration and several industrial parks. The Douro Litoral highway intersects and complements existing infrastructures, such as the North highway (A1), the Porto/Valença highway (A3) and the Porto-Amarante highway (A4).

The Douro Litoral highway was awarded to AEDL in 2007 for a period of 30 years. The construction costs amounted to €1,000 million, of which €833 million were financed by a syndicate of commercial banks.

In 2014, AEDL defaulted its payment obligations for the first time. Later, the commercial banks sold their credits of around €1,010 million to SVP and other funds for approximately €200 million, which implies a discount of 80%. Following the attempts by the new debt owners to recover part of AEDL's debt – and after the funds having proposed to cancel 60% of the debt, which BRISA refused – SVP stepped-in and took control of AEDL.

This led to several legal actions. In August 2019, SVP and BRISA settled the matter and withdrew all pending litigation. BRISA recognized SVP and other AEDL debt holders as shareholders of AEDL and the new AEDL's management appointed by SVP and accepted to make a payment of €14 million to SVP.

SVP, assisted by Rothschilds as financial advisor, is now seeking to sell its 99.9% stake in AEDL. According to local media Roadis, Ascendi, Globalvia and Brisa had been contacted to present bids. Some media reports also mentioned that the deadline for the submission of binding offers would end on 3 December 2021 and that Ascendi and Roadis would not be bidding.

This potential transaction follows other transactions that occurred in the last years involving other PPPs, such as the acquisitions of the road concessions of Transmontana, Douro Interior and Beira Interior roads by Globalvia, Auto Estradas do Oeste by Roadis, Via do Infante and Norte Litoral by DIF, and the acquisition of the Braga and Vila Franca hospitals by Aberdeen and the Azores hospital by Horizon. These transactions in the Portuguese infrastructure PPP market come after a reorganization and deleveraging process that started after the 2011 sovereign debt crisis.

The sale of Douro Litoral Road Motorway concession is an opportunity for investors to consolidate or enter in the Portuguese infrastructure market, taking over a concession which still has about 16 years' life until its expiration in 2037.

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## SOURCES

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