

Infrastructure turns into an asset class

Austrian bank Kommunalkredit is expanding its business in Germany. A former Deutsche Bank manager will soon take the helm. The market potential is considered tremendous.

Frankfurt, 28 March. An annual investment volume of USD 590bn sounds exaggerated. This, however, is an estimate by the British think tank Oxford Economic and refers to the annual investment requirements for infrastructure in Europe until 2040. The total market is worth EUR 14.8trn. McKinsey's management consultants offer similar forecasts, estimating the annual global investment volume for infrastructure at EUR 3.7trn until 2035. Austrian bank Kommunalkredit wants to have a slice of this cake. The bank is majority-owned by Interritus, an investment company founded by Patrick Bettscheider. The former founder of Frankfurt-based investment bank Mainfirst is also the chairman of Kommunalkredit's supervisory board.

A year ago, the former Austrian municipal lender opened an office in Frankfurt. Furthermore, German savers have been able to invest money through the "Kommunalkredit Invest" online platform since the beginning of the year. But the bank still keeps a low profile because it has sufficient liquidity, according to CEO Alois Steinbichler. "We will ramp up our German retail deposit business when we really need the funding," he says in an interview with this newspaper. Kommunalkredit wants to play a major role in the European infrastructure market. At the end of the year, Bernd Fislage, who had been responsible for this business segment at Deutsche Bank for many years, will succeed Steinbichler as CEO. Fislage has already been named Co-CEO.

He and Steinbichler are convinced that the European infrastructure market is booming. Last year, the investment volume in Europe climbed by 26% to EUR 147bn. With a jump of 132% to EUR 18bn, growth in Germany was particularly strong. "We use a very broad definition when it comes to infrastructure: it includes not only classic infrastructure such as roads, bridges or schools, but also energy and broadband as well as telecommunications," Fislage points out.

"Last year, we achieved a breakthrough," Fislage says with some satisfaction, adding that Kommunalkredit has positioned itself as a strong player in the European infrastructure market. Now Steinbichler and Fislage want to make it to the top, meaning that they want to join the top ten in terms of revenues and efficiency.

According to Steinbichler, the bank builds bridges between developers and operators of infrastructure and institutional investors interested in long-term investment opportunities. In Fislage's opinion, they basically include three groups: big insurance companies looking for long-term investment opportunities with stable cash flows. Some of them have their own divisions focusing on infrastructure. This group also includes small insurers and pension funds which buy tranches of loans from banks. The second group consists of international asset managers that are directly in the financing deals, Fislage says.

Finally, there are also banks. Firstly, they include the big investment banks trading in infrastructure financing. This type of business is carried out by traditional investment banks such as JP Morgan or Deutsche Bank. "But regional banks also operate in this market segment, and so do specialist banks such as our bank," Fislage says.

Last year, Kommunalkredit reported a profit of EUR 18m, which was a drop of about EUR 30m compared to 2016. This decrease was due to the lower one-off positive effects from the buyback of own issues, which had contributed EUR 36m to the result in 2016. “We are on track to reach our growth targets and we exceeded our main objectives for 2017,” Fislage says, referring to the expansion of a strong network of anchor clients. He stresses that Kommunalkredit has established itself as a partner for leading European project sponsors and institutional investors. “We completed 26 projects in 13 countries with commitments worth EUR 635m and on the other hand, we placed EUR 373m from our portfolio with major international investors,” Fislage adds.

This year, Steinbichler wants to report EUR 800m in new business. He speaks of a “dynamic project pipeline”. The bank is putting special emphasis on expanding its business in the German market. In its opinion, the market has some catching-up to do because the investment volume in other countries such as Britain or France is higher. In Germany, Kommunalkredit intends to focus in particular on digital infrastructure such as broadband, on energy efficiency and geothermal energy. These niche markets are seen as attractive segments.

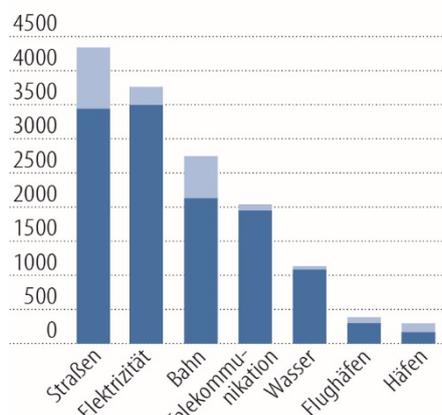
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Infrastrukturfinanzierung in Europa

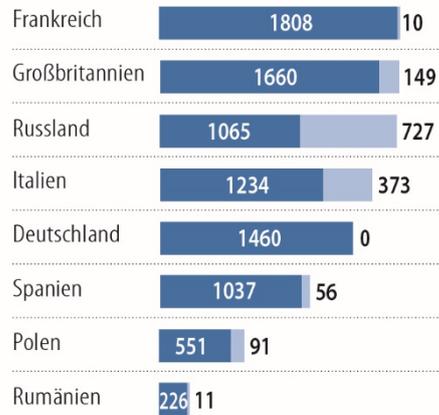
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Nach Sektoren in Milliarden Dollar (2016 bis 2040)



Quelle: Oxford Economics

Nach Ländern in Milliarden Dollar (2016 bis 2040)



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