



Overseas Infrastructure Medium and Long term Strategy

2019. 9.

1. Overview of KIND

2. Global Infrastructure Market Status and Prospects
3. Competitiveness of Korean Contents
4. Strategy for Strengthening Project Development

Background : Incorporation

Change of Market Environment

- **Acceleration in infrastructure market growth and urbanization** in developing countries
- **Increase in PPP projects** that deal with limited government's financial resources, while inducing creativity & efficiency of private sector
- **Recent trends in fellow countries** reinforcing the government supports through specialized PPP agencies. * (Japan) JOIN, (France) EGIS, (USA) USIDFC

Needs to promote Team Korea's better contribution to global projects

- **Desires to proactively meet the needs of mega-sized PPP projects** so as to restore overseas construction market share
- **Needs for capable Korean private and public corporations as well as financial agencies to enter the overseas market**
- **Needs of a government-supporting platform to lead Team Korea** at every stage of project development



Developer assisting private partners to develop new projects

Leader of Team Korea bringing the best members for the projects

Specialist implementing **Equity Investment** and providing services of **Financing Arrangement** to complete Project Financing

About KIND

Established under



Ministry of Land,
Infrastructure and Transport

Relevant Law

OVERSEAS
CONSTRUCTION
PROMOTION
ACT

Shareholders



Established in

June 2018

of Staff

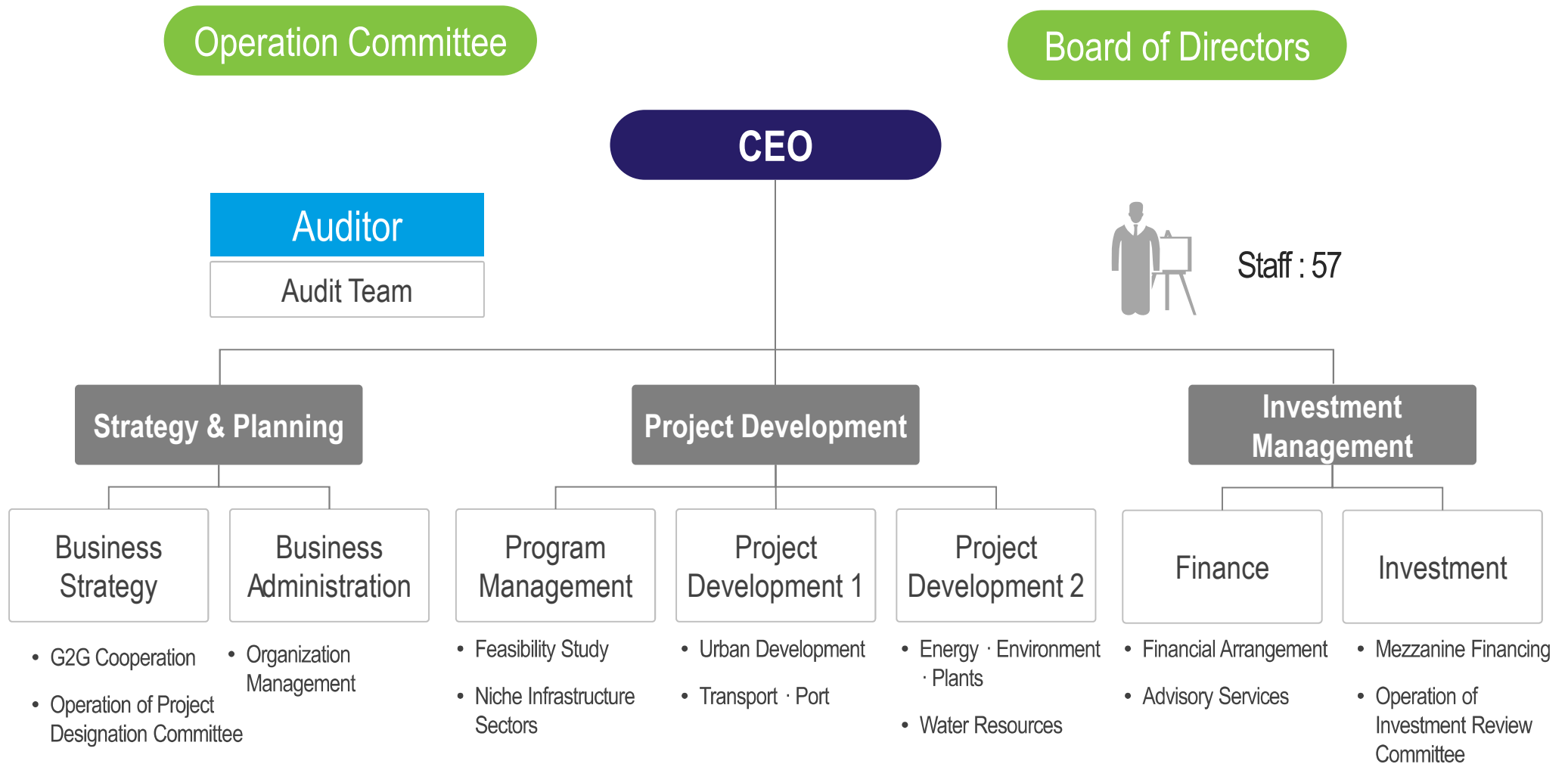
57 persons

Identity

PPP Project developer and investor

- Infrastructure Investor
- Supporting organization (Korean Company)
- Development Finance Institution

Organization



Main Roles and Sector Focus

Project Identification

Identifying business opportunities by systematically managing and analyzing overseas information, and utilizing G2G cooperation

Project Development

Increasing project bankability based on sound project structuring thru F/S supports and transaction advice

Financial Support

Arranging loans & PPP investment funds, in addition to equity investment to alleviate private sector's financial burdens in participating in infra PJ

SECTORS

Transport and Logistics infrastructure



Urban development



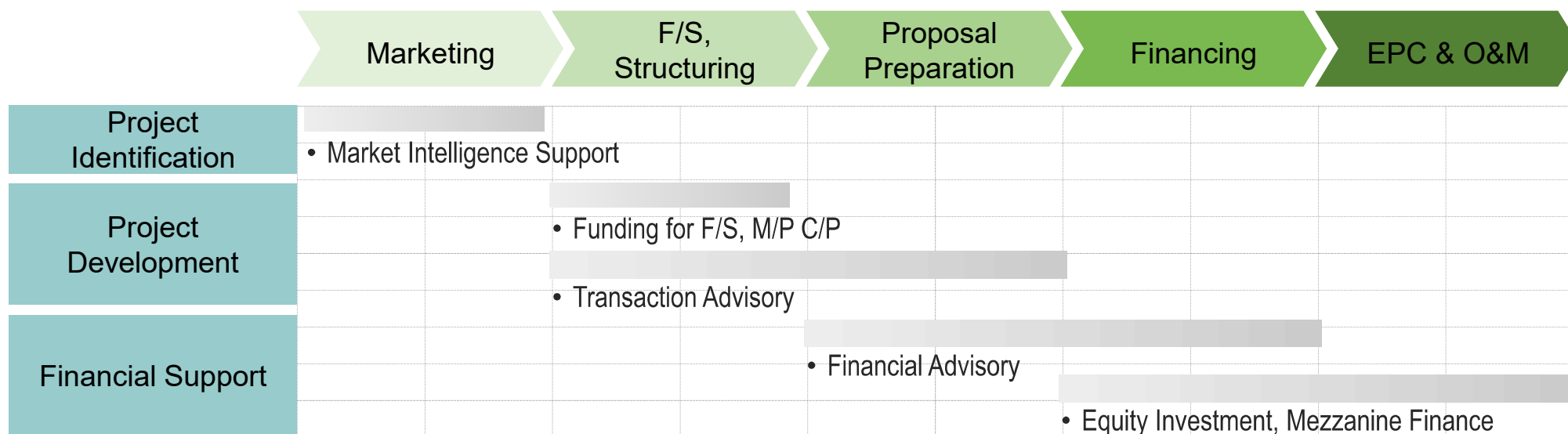
Power & Energy, Plant



Water resources and Environment



KIND Supports



How does KIND differentiate itself from others?

Feasibility study supports	<ul style="list-style-type: none"> ▪ <u>Korean companies as well as KIND's partner countries' government can apply</u> ▪ Budget: 0.2~0.5 mil. \$ per project / Up to 0.9 mil. \$ / Over 10+ projects every year
Flexible Investment policy	<ul style="list-style-type: none"> ▪ <u>Wide coverage</u>: Infrastructure + Urban development + Plants, etc. ▪ Project <u>with minimal governmental involvement</u> (e.g., BOO, urban complex development) <u>can be also considered</u> for investment
Channel between Public & Private	<ul style="list-style-type: none"> ▪ Well established relationships with Korean/global public/private sectors ▪ Largest investor to Public-Private partnership infra funds in Korea (ex. GIF, PIS)

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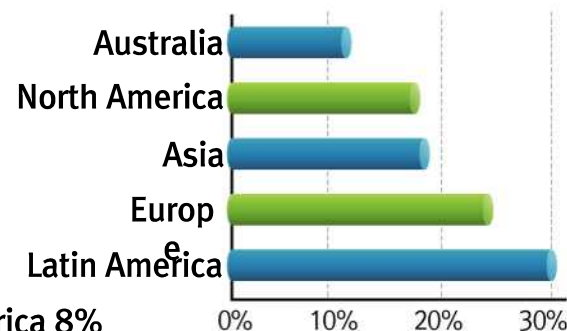
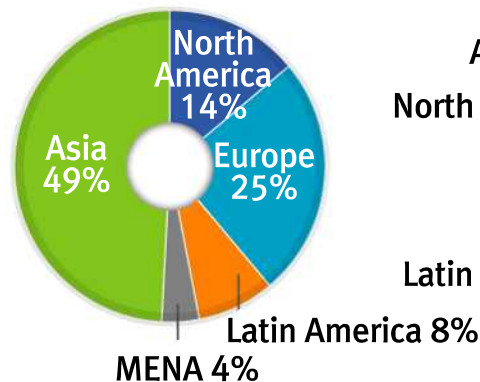
Global Infrastructure Market Status and Prospects

Investment Expansion in Latin America, Europe and Asia on Project Development

Infrastructure PPP Market Analysis

Global Infrastructure Market Size (\$9.8 trillion)

Global PPP Market Size (\$1 trillion)



✓ Latin America and Europe has the largest Market

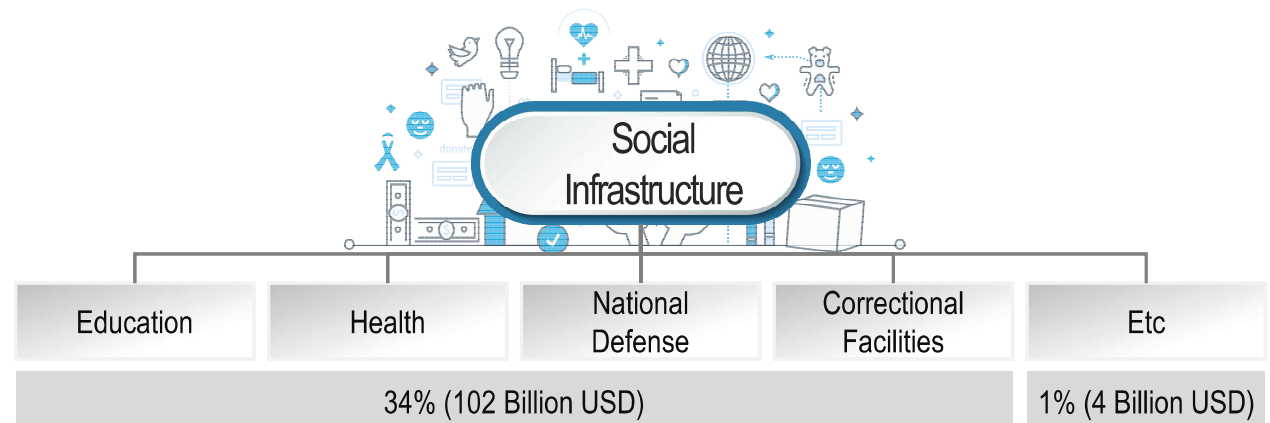
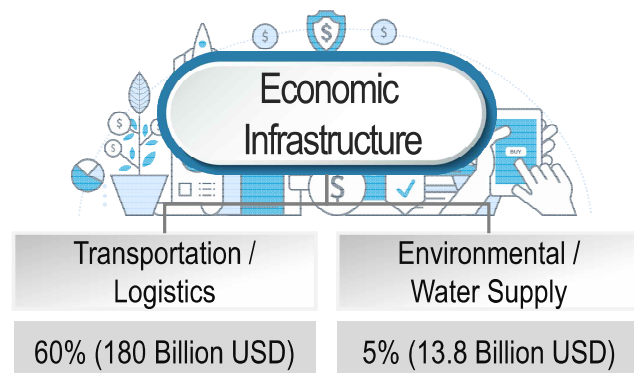
* Expected to have 1 trillion dollar market size

✓ North America is expected to be the largest market after 2020

✓ European companies are targeting PPP markets in America and

Northern Europe

Infrastructure market size by items



Source : IJ Global 2018 Infra Market Analysis (excl. Power Plants)

Other Countries' Trend Analysis

Empowerment through Global M&A and Smart Construction



United States

Decrease in projects at MENA
96 Billion USD('12) → 50 Billion ('17)

Location



Sector

Focused on
Petrochemical plant



High value addition by smart construction with
Engineering,
PMC and IT companies M&A



Japan

Constant growth since entering North American
Market
(25 Billion USD as of '17)

Location



Sector

Balanced portfolio of
Plant(42.5%) and Civil &
Architecture (35.6%)



Entering other market by Localization
JV with local Company



Europe

Constantly growing after global crisis.
250 Billion USD ('17)

Location



Sector

Maintaining the sales from
overseas businesses in 70%
range



Synergy through Dominating European
PPP projects Global M&A

Other Countries' Trend Analysis

JOIN : Establishing a platform connecting the public to the private
USIDFC : Expansion of OPIC, offering various financial solutions



JPN **JOIN**

Aiming for winning projects
Worth 30 trillion JPY by '20
Founded(October '14)

- ✓ 21 projects investment (April `19)
- ✓ Capital Increase:
21 Billion JPY → 46 Billion JPY (March `18)
* 40 Billion JPY from Japanese gov't,
6 Billion JPY from private



USIDFC **USA**

Establish to curb the huge market
presence of China
(second half of '19)

- ✓ Extensive financial support
*Equity, Debt and Guarantee
- ✓ Expected Investment for first five years :
60 Billion

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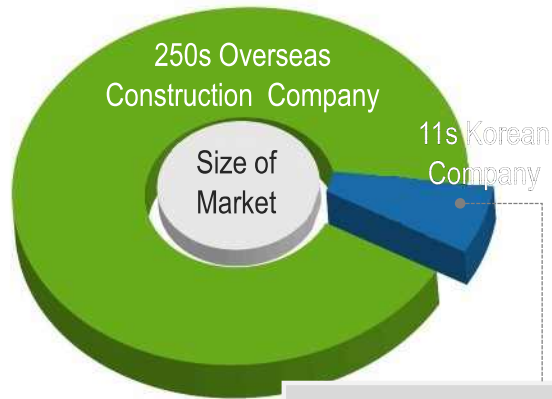
4. Strategy for Strengthening Project Development

Evaluation on Overseas Construction Performance

300 billion USD earnings, 2.9% on 2008 to 5.3% on 2017 (World rank 6th)

Business Size(2017 base)

Order Size(2018 Base)



Share Overseas revenue 2017
5.3% (World 5th → 6th)

Area

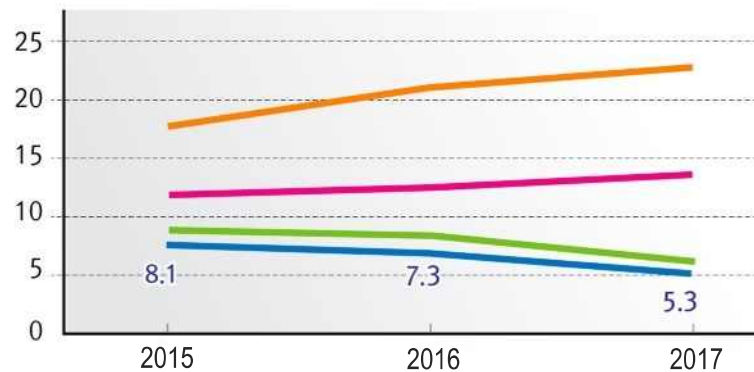
- MENA : 47.3 Billion USD ('10) → 9.2 Billion USD ('18)
- ASIA : 14.5 Billion USD ('10) → 16.2 Billion USD ('18)

Type

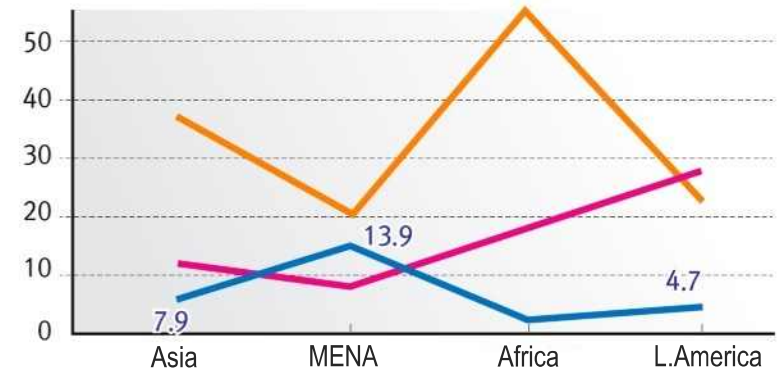
- Industrial Equipment (Plant) : 5.73 Billion USD ('10) → 1.84 Billion USD ('18)

PPP

- Average 1.5 Billion USD : 3.0% of Total Amount of Contract awarded
- Contract amount per Project : 2.3 Billion USD



World Market Share(%)



Market Share by Area(%)

Evaluation on Overseas Construction Performance

Decrease in overseas EPC contract due to the drop in oil prices & other players' competitive pricing

Average 60 Billion USD
Overseas Construction ('10~ '14)

Shrink to 34 Billion USD in
Overseas Construction ('15 ~ '18)

Aggressively won
the contract with
price competitiveness

Stable Financial condition of Oil Producing Countries

High Oil Price

Decline in Domestic Construction Market

Acceleration period of overseas construction

Huge losses from low-cost orders

Rival country's
Low-cost
policies

Increase in Domestic Projects

Boom in Domestic Construction

Oil price Shock

Decrease in the orders from Oil Producing Countries

Increase in risk-averse tendencies

Suggestion

Engineering

Reinforce high value-added
engineering

↳ Importance of Engineering
(USA 42.1%, Korea 1.9%)

PPP

Increase in PPP projects

↳ Average 3.2% during '11 ~ '14

Project
Diversification

Diversified Projects

↳ Plants → Civil Engineering,
Smart City, Social Infrastructure
↳ Asia, MENA → Europe and
Latin America

Competitiveness of Korean Contents

Expanding overseas PPP projects through active Risk Taking

1 Project Development Competitiveness

- Construction Firm** Lack of PPP project experience, prefers EPC contract
- Engineering Firm** Need to Empower High-value PMC Capacity
- SOE** Conservative approach due to limited experiences and government regulations

2 Financial Competitiveness

- Government Agency** Conservative Risk Management
- Commercial Financial Institution** Prefers developed Market with short-term investment
- Policy Funds** Prefers renewable energy market on developed countries



STRENGTHS

Stable Financial Status(Conglomerate)
Cumulated EPC, O&M experiences(Infra SOE)
Various policy-related financial resources



Increased Infrastructure Demands
Increase in PPP projects
Active Government Support

OPPORTUNITIES



WEAKNESSES

Lack of overseas deal experiences
Delay in response to market changes
Lack of claim and project management skills



Cost competition with rival countries
Frequent Changes in Order Trends
Growing technical competitiveness of local contents

THREATS



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4. **Strategy for Strengthening Project Development**

Strategy for Strengthening Project Development

Program development through Convergence

1 Financial Convergence

Mixed Finance

Composite model of ODA and PPP



Co-development

Free Cost (FS) + Cost (Public Infra) + Development finance (Semi Public Infra) + PPP (Commerce Infra)

- ✓ Deal Pipeline Sharing from the planning stage
- ✓ Priority support of ODA funds for PPP-linked projects

2 Project Convergence

Composite Project Development

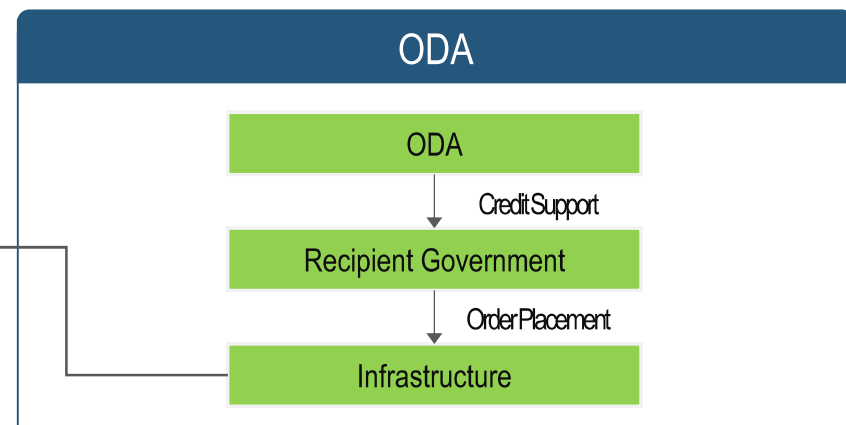
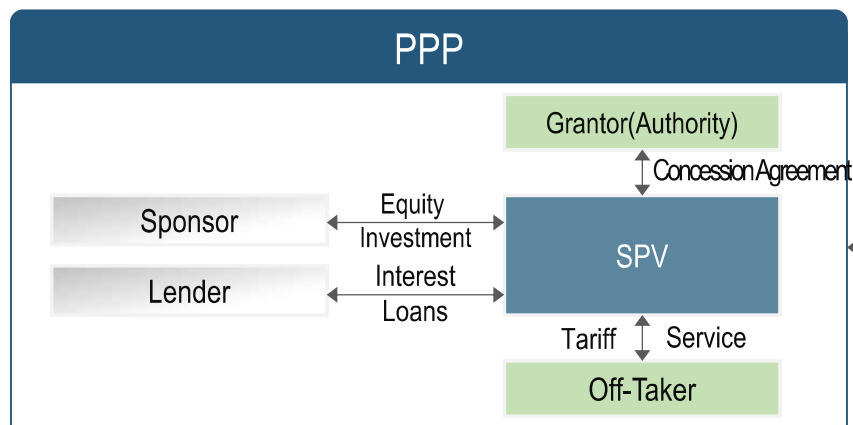
Infrastructure (railway, road) + Commercial Facilities (complex terminal) Package Development

Smart City

Introducing Korean ICT System at the beginning → Providing assorted Urban development planning and operation

G2G Collaboration

Guaranteed Land acquisition and compensation required



Strategy for Strengthening Project Development

1

Project Development Competitiveness

Improving Construction Companies Competitiveness

- ✓ Forming Competitive Consortium Support
(Construction Company + KIND + International leading companies)
- ✓ Financial Support
(Political finance institution + KIND + Political fund + MDB)

Improving global network and marketing strategy

- ✓ Search and provide high quality project information
(Overseas Construction Industry Information System)
- ✓ Joint project development with G2G, MDB, and International organization



2

Financial Competitiveness

Expansion of Financial Linkage

- ✓ Link KIND's project development and investment functions with ECA finance and policy funds (PIS, GIF, etc.)

Customized Financial Model

- ✓ Provide customized financing by arrangement of local financing and issuance of bonds



3

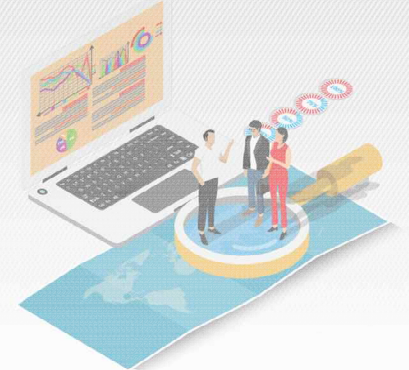
Investment Risk Management

Before Investment

- ✓ Investment Risk Measurement and set up the Assessment system

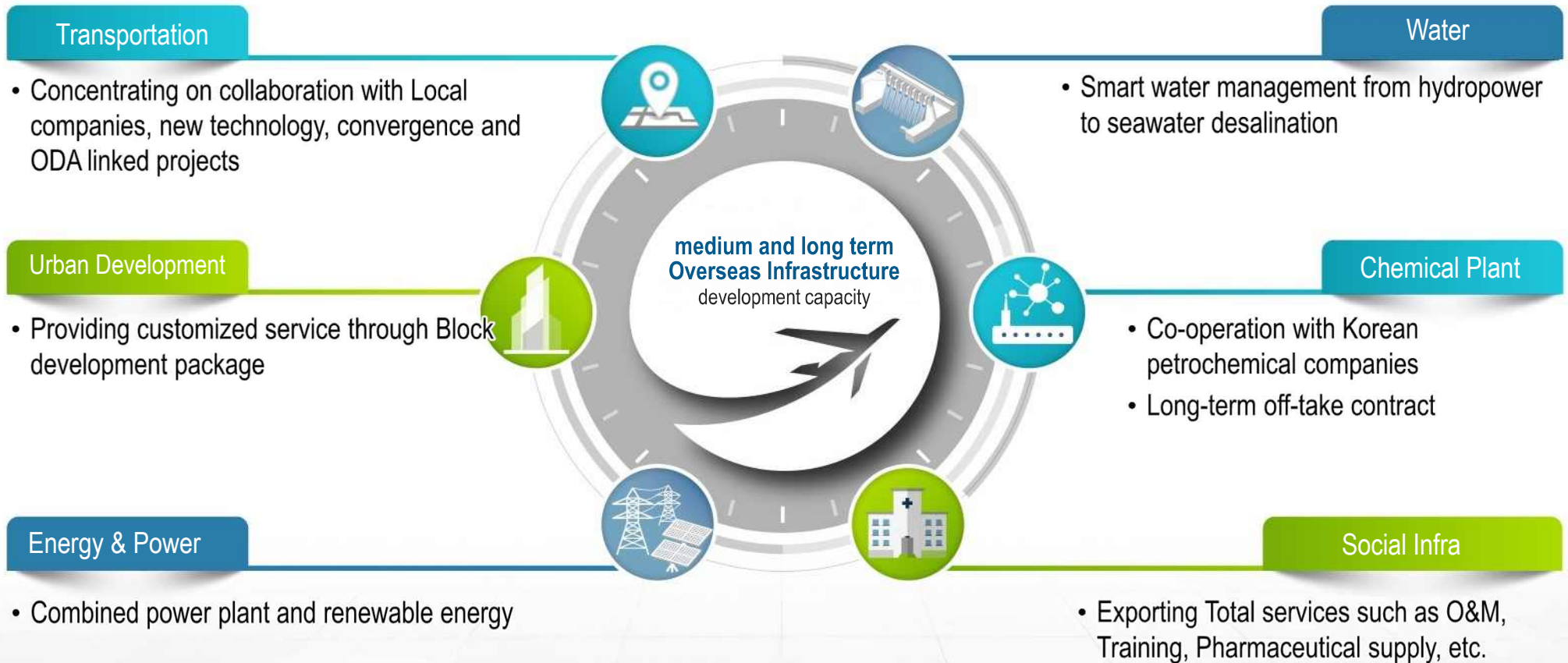
After Investment

- ✓ Risk Management through asset valuation, loss management and exit strategy



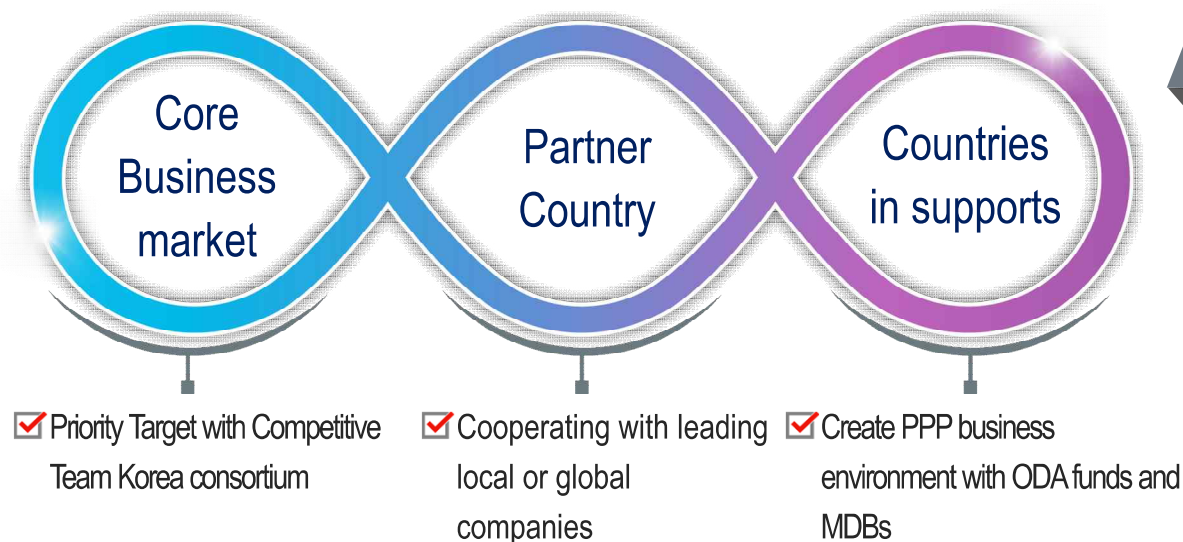
Strategy for Strengthening Project Development

Detailed Strategy Per Each Sector



Target Country Categorization

Country Categorization



[Note] PPP project Requirements

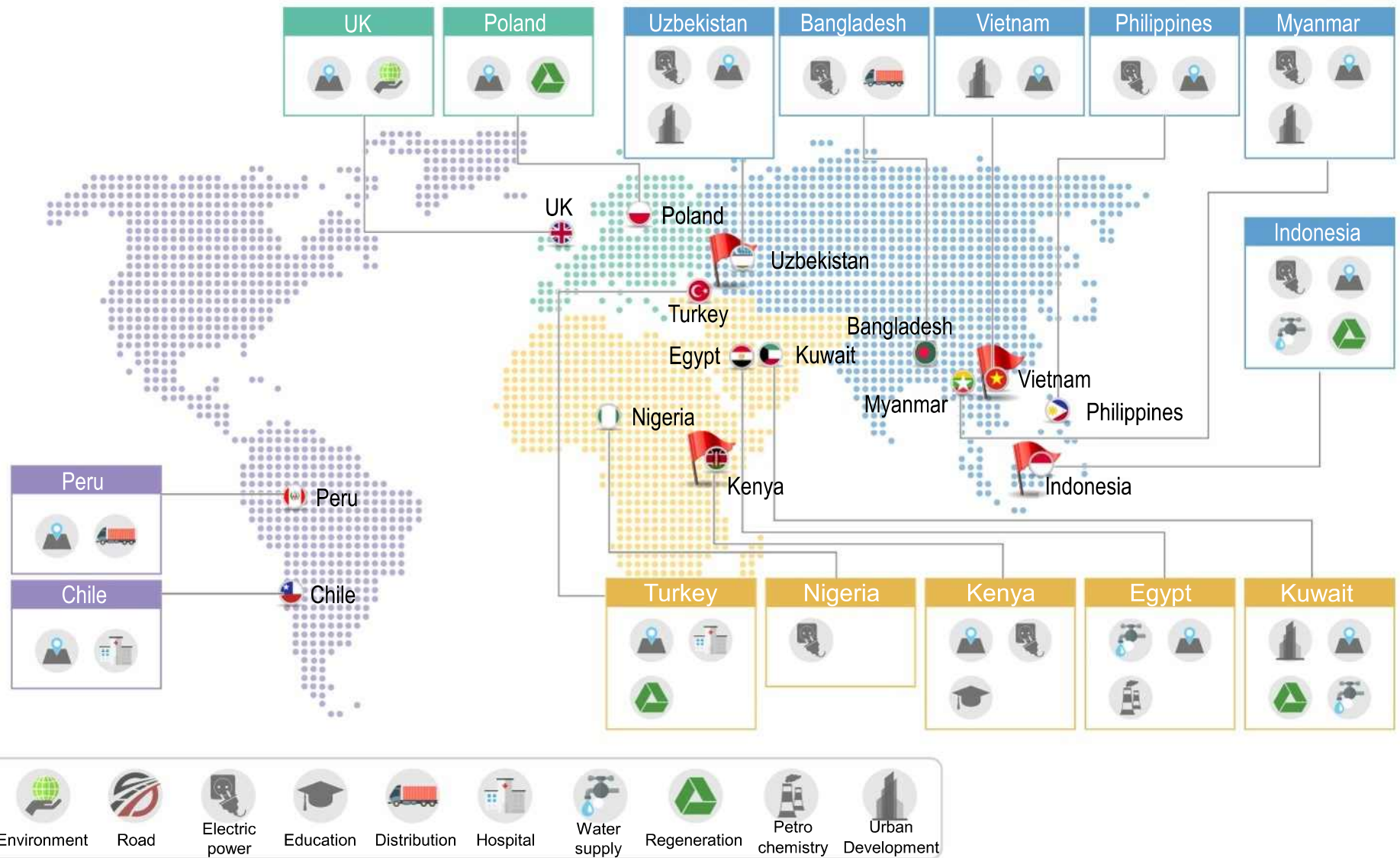


Countries Selected

Area	Core Business Market	Partner Country	Countries in supports
Asia / Pacific	Bangladesh, Vietnam, Indonesia, Philippines	Malaysia, India, Thailand, China, Australia	Nepal, Laos, Myanmar, Uzbekistan, Kazakhstan, Cambodia
MENA	Egypt, Kuwait, Turkey, UAE	Saudi Arabia, Oman, Morocco, Qatar	Algeria, Iraq
America	Colombia, Chile, Peru	Mexico, the United States, Brazil, Uruguay, Costa Rica, Canada	Nicaragua, Panama
Sub-Saharan Africa	Nigeria, Kenya	South Africa, Mozambique	Ghana, Uganda, Tanzania
Europe	UK, Russia	Ukraine, Czech Republic, Poland	Belarus, Georgia
Sum	15	20	15

Priority area of Overseas core countries

 Priority area of overseas core countries



Priority area of Overseas core countries

Country	Market Strategy	Market Priority Area
Bangladesh	Exclusive Contract through PPP Joint Platform	Energy and Logistics
Vietnam	Partnership with Local core companies	Urban Development and Transportation
Indonesia	Cooperation and Localization through Partnership with National Banks	Energy, Water Supply, Transportation, WTE
Philippines	Joint Ventures with New Developers(SM, MDC etc)	Energy and Transportation
Egypt	Transportation and Solar Energy	Reconstruction and Petrochemical Industries
Kuwait	Cooperation with international players who have market experience (e.g. Alstom)	Urban Development, Seawater Desalination
Turkey	Team Korea on Social Infrastructure	Transportation, Renewable Energy, Hospital
Colombia	ICT related project with local 4G telecommunication companies	Transportation and Urban Development
Chile	Focus on Renewable Energy with Government subsidies	Transportation and Hospital
Peru	Making G2G contract and unsolicited projects from private sectors	Transportation and logistics
Nigeria	Reconstructing existing facilities with ICT related technologies	Energy and Electricity
Kenya	Mixed financing with ODA to increase bankability	Road, Energy and Education
UK	Cooperation with the Developers who have market experience	Transportation and Environmental
Uzbekistan	G2G projects followed by KSP projects	Urban development, Energy and Transportation
Poland	Collaborating with local Government Owned Agencies	Transportation and Renewable energy
Myanmar	Limited projects pool with MDBs. Join with ODA mixed finance	Energy, Transportation and Urban development



Thank You