

Skanska Infrastructure Development: Creating value beyond construction

# Creating a new market leading infrastructure business

Skanska, the third biggest construction company in the world, had established a number of build operate transfer (BOT) and public private partnership projects (PPP/P3) in the UK and internationally, primarily to ensure the related construction contracts.

These new platform-style PPP businesses (the Uber and AirBnB models of their day) required Skanska to win highly complex and competitive bids, make new investments, procure project financings, manage different risks and enter into decades-long service commitments.

# The opportunity

Skanska recognised that actively managed infrastructure investments, once "de-risked", would likely be worth more to investors in a rapidly evolving secondary market.

The number, scale and potential value realisation from such development and investment assets could potentially change the future direction of Skanska.

# The approach

Skanska established Skanska Infrastructure Division (SID) as one of four Skanska Divisions and tasked SID with pulling the projects, people and pipeline together to create a new groupwide business with global capabilities.

With a strong track record and extensive experience in all aspects of innovative infrastructure development, Graham Olver was brought in to lead SID's governance, commercial, and operations functions. Together with the finance director, he set out to demonstrate the value of active asset investment management.

Graham travelled extensively to harness diverse capabilities across the Group and support collaborative, cross-region "tiger teams" for the critical stages including bidding, risk pricing, financial closing, construction oversight, dispute resolution, stakeholder diplomacy, life-cycle optimisation, transition to operations and service delivery.

A "freedom in a framework" risk-based governance and decision-making process was co-created. This balanced disciplined entrepreneurialism with operational excellence, creating confidence in a well-managed business, rather than a collection of individual projects.

Partnering values and equitable, shared value creation became SID's hallmarks. This high-performing culture and new look and feel positioned the division at the cutting edge of new infrastructure.

## The result

SID became an exciting division within Skanska with its own identity and sense of purpose, solving high-octane commercial, operational, geographic and technical challenges.

Under Graham's leadership, the division was able to compete successfully against the world's leading and most aggressive financial institutions.

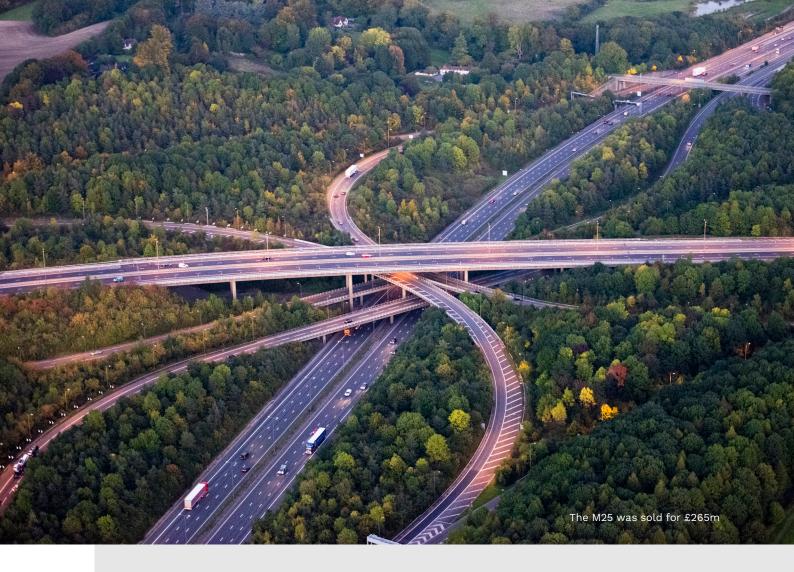
New partnerships were formed with leading players including 3i, Deutsche Bank, Merrill Lynch, Cintra and Macquarie.

**Proof of Value:** as well as independent valuation, the team sold a number of assets in excess of their predicted value. By optimising assets through the life-cycle to the point of maximum value, the division's portfolio achieved a return on capital exceeding 15x construction margin and grew the portfolio value to the equivalent of some 25% of Skanska's market valuation.

The Executive worked with advisors to create a number of strategic options in the shadow of the 2007/8 financial markets crisis including the establishment of a joint venture/listed infrastructure fund, individual asset auctions (at the optimal moment in their asset and services life-cycle) and multiple variants.







### Value realisation from strategy:

- the M25 was sold for £265m
- Autopista Central resulted in a profit of \$730m
- St. Bartholomew's and the Royal London Hospitals were transferred to Skanska pension funds for £80m
- other port, road, power, hospitals and schools were sold at a premium into the highly competitive secondary market.

"Graham's diverse knowledge and international experience is extraordinary. His ability to communicate clearly and with genuine humour and warmth is unique."

Simon Hipperson, ex-President of Skanska Infrastructure Development.



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