



DOZEN-PLUS SUITORS CIRCLING FRENCH AIRPORTS

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Bidders are queuing up for the privatization of France's Nice Cote d'Azur and Lyon-Saint-Exupéry [airports](#), four sources familiar with the matter said, hoping to land growing returns on the back of rising air traffic.

The sale of France's 60 percent stakes in two of the country's busiest airports offers investors relatively stable assets in a sector that increased passenger numbers by more than 5 percent last year to 3.21 billion, according to data from the World Bank.

Competition between rival hubs and the airlines they serve means that Nice, as the bigger and more developed of the two airports, is the more attractive proposition, sources said, citing its higher earnings and more popular routes.

The airport on the French Riviera is a trophy asset with a total value of at least EUR1.5 billion (US\$1.67 billion), they said, while Lyon could be worth about EUR900 million.

Prospective buyers, therefore, are likely to have to part with at least EUR900 million and EUR540

million respectively for the majority stakes on offer.

Among the interested parties identified by the sources are Australian investment group Macquarie, London City Airport backer Global Infrastructure Partners (GIP) and Industry Funds Management, which already has minority stakes in Vienna and Manchester airports.

Rome airport operator Atlantia, meanwhile, told Reuters it is interested in Nice.

Spanish infrastructure group Ferrovial and airport operator AENA, as well as Singapore Airport and Malaysia Airport, are also in the running, the sources said.

All the potential buyers cited by the sources either declined to comment or did not respond immediately to requests for comment.

Sector Expertise

But for all the talk of an imminent feeding frenzy, two of the sources said the field will be limited by the French government insisting that any lead bidder must have expertise in the sector.

The French agency that looks after state shareholdings did not respond immediately to a request for comment.

Two further interested parties that would meet this requirement by virtue of previous airport investments are Canadian pension funds Ontario Teachers and Canadian Pension Plan (CPP), the sources said. Both funds declined to comment.

Sovereign wealth funds including the Abu Dhabi Investment Authority (ADIA), Singapore's GIC and Kuwaiti pension fund Wren House are also waiting in the wings, with Nice their preferred target, two of the sources added.

Representatives of Wren House and GIC were not immediately available to comment and ADIA declined to comment.

French infrastructure fund Cube and Geneva Airport have previously declared interest in Lyon, though the latter could face resistance.

Local business leaders acknowledge that Lyon's proximity to Geneva could bring cost savings but have expressed concern that a deal would result in the Swiss airport keeping the high-quality business routes while its French rival is left with the bulk of the low-margin traffic.

Earnings Multiples

Sector bankers said that Nice and Lyon airports could be worth between 15 and 20 times annual core earnings (EBITDA) of about EUR100 million and EUR60 million respectively.

The price paid for a minority stake in Toulouse Blagnac airport last year equated to an earnings multiple of between 17 and 18, industry sources said.

A further guide on price will come from GIP's sale of London City Airport, which could close by the end of the year at an estimated 28 times earnings for a potential 2 billion pound (US\$3.05 billion) deal.

The lower multiple expected for the French airports is partly because of a likely cap on the amount of debt bidders can put on the asset to meet the price, as implemented in the Toulouse sale,

bankers said. Lyon also requires more capital expenditure.

French infrastructure builder Vinci, which lost out to a Chinese-led consortium in the Toulouse auction, is planning a joint bid with state holding company Caisse des Depots et Consignations and insurer Predica for both Nice and Lyon, two sources said. All three companies declined to comment.

Aéroports de Paris, another to have been pipped in the Toulouse sale, has also said it could now turn its attention to Nice.

Bankers said that Chinese buyers could also come in to the reckoning for Lyon as it is the smaller of the two.

The remaining shares in each airport are 25 percent owned by their respective local chambers of commerce, with 15 percent split between local government authorities.

Bankers are currently pitching to the government to advise on the sale, which is likely to launch this year and close early in 2016, the sources said.

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