

Conduit earns 2x on Mexican gas pipeline exit

The Latin America-focused private equity firm's \$90m sale of the gas infrastructure facilities represents the second investment realisation from its Latin Power III fund.

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Latin America-focused infrastructure investor Conduit Capital Partners has completed the sale of a natural gas compression plant and pipeline in Mexico to power generator InterGen for \$89.2 million.

Conduit will earn approximately a 2x multiple on its original investment, Marc Frishman, a partner at Conduit, told InfrastructureInvestor.



Gas pipelines: good returns for Conduit

"There's a lot of opportunities now and we would like to use some of that return capital to make additional investments," Frishman said. The rest will be distributed to LPs by the end of the month, he added.

The firm invested \$31 million toward the development and operation of Libramiento natural gas compression facility and an associated 65 kilometer natural gas pipeline in Northern Mexico in 2005.

It worked with minority partners Green Energy and Infraestructura Para Energia to build and operate the facility, which is located adjacent to InterGen's Compresion Bajio gas compression plant.

Libramiento has a 20-year, dollar-denominated offtake arrangement with Mexico's state-owned petroleum company Pemex, which Frishman said "was the key to the whole transaction".

"The big incentive was having Pemex as the offtaker. By having a long-term contract, we could feel comfortable investing our equity," Frishman said.

Conduit decided to sell Libramiento after InterGen, which was strategically interested in the facility, made them an attractive offer, Frishman said.

InterGen financed the purchase of Libramiento with a combination of InterGen equity and limited-recourse debt. Besides its equity and that of its minority partners, Conduit constructed the facility with the help of financing from German bank NORD/LB.

The sale was Conduit's first gas pipeline transaction and its second investment realisation from its Latin Power III fund, which closed on \$392 million in July 2006. In December 2007, the firm sold Jamaica Energy Partners (JEP), a diesel-fired power generator in Jamaica, for \$92.5 million.

The fund is now 57% committed, with another 18% of the fund allocated to projects in development.

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