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Academy

Project Finance Mastery

22– 24 January 2024 | Brisbane

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Course Information

Key Learning Objectives

- How to identify, quantify and structure project risks
- The advantages, disadvantages and differences between conventional and limited recourse financing
- Contrasting of projects with market risk/offtake and those with availability risk
- Managing contracts in complex, crossborder situations
- Dealing with pre-completion risks
- The complexities of accurately assessing and evaluating cashflows
- Assessing different financing approaches and their effect on Sponsor IRR
- The role of the model and its unique structure in project financings
- How sponsors can effectively evaluate a proposed investment and its financing methodology

Who Will Benefit

This course is designed for those who have had some exposure to financing in general but who could benefit from an awareness of the benefits that can be derived from the limited recourse financing approach.

This course is ideal for analytical and decision-making personnel from sponsors, contractors, financiers and government personnel. It would also suit service providers to the above, including lawyers, management+ consultants, technical consultants, and chartered accounting firms.

Course Information

About the Course

Companies engaged in capital intensive and discreet investments always have the choice to undertake the expenditure on a limited recourse basis, utilising a special purpose vehicle to hold the investment and its associated financing.

The purpose of this course is to detail:

- What advantages (as well as disadvantages) are associated with limited recourse (ie. project) financings
- What are the essential differences between conventional financing and limited recourse financing
- The identification of the different financing characteristics between sectors and why those different characteristics exist
- The manner in which contractual rights can be enforced or protected in complex, cross-border situations, often in emerging market locations
- With particular attention to the pre-completion phase of greenfield projects
- The contrasting of projects with market risk/offtake and those with availability risk
- The identification of the characteristics of different financing approaches – bank syndication, Rule 144A bonds, domestic bonds, leasing, export credit agency, credit enhancements
- The role of the model in project financings, which differs in significant ways from the role of the model in other forms of financing arrangements
- The appropriate approach of sponsors to the evaluation of the proposed investment and its financing methodology
- The case studies are an important feature of the course. They are selected to bring out particular issues and for the broad relevance they have across different sectors and geographies.

Meet Your Course Director

Richard Capps

Course Director at IFF Training

Richard has a unique blend of experience in Law, Corporate Banking, Investment Banking, Corporate Financial Management, General Management & Workout. He has gained a worldwide reputation for the quality and depth of his project finance training courses which have been developed and presented over 20 years.

"Richard's experience in the field and expertise enabled him to give real life examples to illustrate situations ."

Financial Accountant, Xstrata

Course Outline

GENERAL PROJECT FINANCE FUNDAMENTALS

Project finance, or limited recourse financing, has features which render it quite different from 'normal financings' and these differences permeate throughout the structure.

- Features of project finance:
  - Differences of project financing from corporate lending
  - Differences between infrastructure financing and other forms of project finance
  - The limitation of recourse
  - The due diligences required
  - The choice of project vehicle
  - Debt risk vs commercial risk
  - The role of contract
  - The role of security
- What is gained by structuring on a limited recourse basis

CONTRACTS AND CROSS-BORDER ENFORCEMENT

Project financings involve a spider's web of contracts. These contracts are pointless unless there is an ability to enforce rights under them. In cross-border context this is often not straightforward. Litigation is not the answer:

- The laws governing the multiplicity of contracts, conflicts
- The 'problem' with litigation
- The administration of the contract
- Expert mediation
- International arbitration

PPP AND OTHER INFRASTRUCTURE PROJECTS

Because most PPPs and BOTs have a contractually-based revenue, their structure and characteristics are quite different from other project financings:

- Infrastructure projects contrasted with industrial/ extractive industry projects
- The advantages and disadvantages of the PPP format
- Public sector procurement
- The structure of concessions
- Termination clauses, compensation, step-in rights

Case 1: *Public private partnership infrastructure project*

PRE-COMPLETION

Getting a project built and working as planned is the hardest and therefore the highest risk phase of most projects. Particular care is required in structuring the rights and obligations:

- Standard form contracts – eg. FIDIC
- Liquidated damages
- Performance bonds and retentions
- Fixed price, lump sum, liquidity
- Variation and change orders
- Turnkey EPC structures
- Completion guarantees, refinancing risk
- Technology, logistics and learning curve risks

MARKET AND OPERATING RISKS

Most projects have only one revenue source. The cash flow coming into the project needs careful structuring and due diligence:

- Offtake agreements and the errors that often occur
- Availability risk vs market risk
- Take-or-pay features
- Hidden recourse structures
- Exclusions
- Implications of market volatility
- Currency exposures
- Merchant power

Case 2: *Power project*

BOND FINANCING FOR SPECIAL PURPOSE VEHICLES (SPVS)

An increasingly important financing option, but having very distinct disadvantages as well as advantages:

- The history of bond finance of limited recourse SPVs
- Cross-border bonds – prerequisites
- Rule 144A – implications for emerging market projects
- Rating agencies – approach to different sectors
- Piercing the sovereign ceiling
- The limited window for high yield bonds
- Why use bond financing – advantages and disadvantages

Case 3: *Liquified Natural Gas (LNG) project*

EXPORT CREDIT AGENCIES (ECAS)

An explanation of how ECAs and their products work, and the pluses and minuses of getting them involved in the structure:

- Buyer credits
- Political and commercial risk cover
- Concessional finance rates
- Lines of credit
- Advantages/disadvantages of ECA involvement
- Multilateral agencies

FINANCIER PERSPECTIVE

Total dependence on a single cash flow results in structures and covenants that are not found in other financings.

- Risk – solvency risk vs volatility risk
- Free cash flow – why is it fundamental to analyse
- Cash management issues
- Liquidity – creating 'suspension' for the special purpose vehicle
- Why the financial covenants are different from conventional lending
- Cash Available for Debt Service (CADS)
- Loan life cover, project life cover, debt service cover (LLCR and ADSCR)
- Surplus cash flows, lock-up, cash sweeps
- Waterfall/cascade, reserve accounts
- Contingency reserves
- Designing structures to match cash flows
- Dealing with default
- Mortgage debentures/fixed and floating charges
- Separating risk-taking and funding

Case 4: An emerging market infrastructure project

SPONSOR PERSPECTIVE

Sponsors need to have a disciplined approach to screen projects that are likely to deliver the benchmark IRR. There are number of potential pitfalls in the analytical approach.

- The investment analysis without project finance
- The difference in approach with a limited recourse structure
- Project IRR contrasted with Equity/Sponsor IRR
- The drivers of Sponsor IRR – and implications of negotiation of the financing term sheet
- Evaluation of projects in emerging markets

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Easy Ways to Register

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Course Code	Location/ Format	Course Dates	Early Bird price valid until 05 Jan 2024		Standard price valid after 05 Jan 2024		
P24GP01BR	Brisbane	22-24 January 2024	$3,995 + $399.50 GST	**$4,394.50**	$4,195 + $419.50 GST	**$4,614.50**	**Great Savings:** When you book **4 or more** participants! **Call us** today on **+61 (2) 9080 4399** or email **training@informa.com.au** to take advantage of the discount offer.

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Speak with **Sushil Kunwar** on **+61 (2) 9080 4370** to discuss your customised learning solution, or email **training@informa.com.au**