

F1F9

ADVANCED PROJECT FINANCE MODELLING FOR NEGOTIATIONS & ANALYSIS



PRESENTED BY OUR PARTNERS,
VAIR TRAINING

PF

WWW.F1F9.COM

F1F9 financial modelling training is trusted by the world's leading financial companies. We train our clients to build robust models that allow them to collaborate effectively and make better decisions.

Our courses are available in-house globally, and online. We run public courses in cities including New York, London, Antwerp, Mexico City, Toronto and Brisbane.

Our team of highly experienced instructors understand the problems that financial modellers face every day. We limit class sizes and use teaching assistants to make sure that everyone gets the attention they need, even in groups with different levels of experience or learning speed.

Course participants continue to learn from us long after classroom sessions have ended. They are able to revisit course material through online videos, printed course notes and additional case studies. Many use our support forums to get answers to their specific questions from our dedicated team of FAST financial modellers.

We offer specialised courses in a number of sectors, delivered by industry experts.

OUR COURSE TYPES



F1F9 is accredited by the FAST Standard Organisation Ltd to deliver FAST training courses. See: www.FAST-standard.org/training for details

*“Presented in a very entertaining
and interactive manner, which
makes it much easier to retain the
information”*

Nicolai Dillow, MD / Head of Originations Americas, NordLB

ADVANCED PROJECT FINANCE MODELLING FOR NEGOTIATIONS & ANALYSIS

A 2-day masterclass presented by Charles “Chip” Haskell of Vair Training LLC, available as a public or in-house course:

Use models that are easy to navigate without forfeiting proper deal sophistication and analysis: Examine and analyse a robust model from feasibility stages through project documentation to financial close

Work with models that can support negotiations: Learn the power of negotiating off the model instead of modelling off negotiations

Learn to use models to identify and quantify project risk: Analyse from sponsor, participant and lender viewpoints

Advance your skills in project finance: Learn to use models as highly-sophisticated financial analysis tools

ADVANCED PF MODELLING/ **WHAT KIND OF COURSE?**

Outline

"People do not sign models - they sign the contracts that those models represent."
Advanced Project Finance Modelling for Negotiations and Analysis will teach you to take your financial modelling to the next level by using the model for negotiation, structuring and analysis. This course takes an advanced view of the model by concentrating on commercial elements surrounding the model (rather than building a model as an end in itself).

Advanced Project Finance Modelling for Negotiations and Analysis is a master class that focuses on project finance and public-private partnership ("PPP") projects and their related modelling, contracting and legal issues.

The course's overriding theme is to use the financial model as a highly developed financial analysis tool that may be used to review the appropriate risk versus reward profiles in project finance. You will learn to analyse and model specific project documents including: requests for proposal, project agreements, guaranteed price contracts, lenders' direct agreements, value for money reports...and much more.

ADVANCED PF MODELLING/ **WHO IS IT FOR?**

Target Audience

Advanced Project Finance Modelling for Negotiations and Analysis is designed to meet the needs of experienced financial modellers who now need to engage in the commercial elements of project finance deals. To get the full benefit from this course we recommend that you first take either the Financial Modelling & Analysis or the FAST Financial Modelling course.

Teaching Approach

The course makes use of partially constructed models, coupled with a series of project and financing documents. You can expect to use these elements to structure an infrastructure deal from equity, debt and participant perspectives.

After reviewing some basic elements of project finance and factors that separate PPP from traditional infrastructure and project financing, you will be given a full suite of project documents and macroeconomic information that are core to infrastructure projects. Next, a step-by-step completion of a complex model for a concessionaire bid will demonstrate how to align contracts and models and shows that nothing in project finance or PPP is mutually exclusive. Once completed, course participants review the model with due-diligence in mind – usually from the perspective of government, a lender or third-party equity provider.

The final phase of the course uses sophisticated techniques to help the practitioner price the deal and negotiate off the financial model.

ADVANCED PF MODELLING/ **CLASS SESSIONS**

Part 1 - Project Finance vs. Corporate Finance

- Corporate finance is a balance sheet exercise
- Project finance is a cash flow exercise
- “Cash is king”
- The time value of money
 - “A dollar today is worth more than a dollar tomorrow”

Part 2 - The Role of the Model & Common Rules

- Reflection of the project & financing documents
- An easily manipulated model to reflect changes in the deal
- A tool to support negotiations
- Always negotiate off the model and never model off the negotiations
- Run different cases and scenarios
- Essential model layouts and rules

Part 3 - The Risk Matrix

- What is risk?
 - A statistical perspective
 - A level view of risk
 - Risk is not pejorative
- What is reward?
 - Does the reward adequately compensate the risk?
 - Beauty is in the eye of the beholder
- How do we approach risk from a modelling standpoint?
- Matching risk mitigation with documents and cash flow model new term debt: including refinancing of existing debt, refinancing switch and debt repayment scenario manager.

ADVANCED PF MODELLING/ **CLASS SESSIONS continued...**

Part 4 - Introduction of a Project for Modelling

- The project structure and the model
- Project documents are financed, not models
 - Appropriately representing document structures in the financial model
- Nominal versus real models
 - Real models underestimate real cash taxes

Part 5 - The Project Documents

- Overview of the major project documents used for the modelling exercise
- Which documents can be modelled and which cannot?
- How to translate these documents in the model

Part 6 - The Assumption Page

- Off-take contract
 - Capacity payments vs. variable-based payments
 - Concept of time-based versus unit-based contracts
 - The cornerstone contract to high-leverage project finance structuring
- Operational contract
- Construction contract
 - Fully wrapped contracts versus cost-plus contracts
- Supply/raw materials contract
 - Reserve contracts versus supply contracts
- Financial term sheets
 - Including quantitative elements of security packages
- Project taxes
 - Development and construction taxes

- Operational taxes
- Impact of depreciation on operational taxes
- General macroeconomic indicators & currencies
 - Inflation and escalation impact
 - Purchasing power parity
- Capital costs & project timing

Part 7 - Operations

- Correctly matching units
 - Crossing out appropriate units and tariffs to arrive at cash
- Fixed and variable costs
 - Matching cost drivers to revenue drivers
- Escalation factors
 - How many angels are on a pinhead?
- Operational taxes
 - Accurately assigning appropriate taxes

Part 8 - Construction

- Various draw profile & timing
 - Equity first
 - Pro-rata
 - Philosophy on timing returns and risk vis-à-vis construction draws
- Interest during construction & commitment fees
- Contract splitting for on- & off-shore costs acity payments vs. variable-based payments

ADVANCED PF MODELLING/ **CLASS SESSIONS continued...**

Part 9 - Insurance

- Construction
- Operation
- The role in the security package

Part 10 - Taxes

- Identifying and negotiating tax holidays
- Matching appropriate domestic and foreign taxes in the model

Part 11 - Depreciation

- Different modelling techniques
- The trapped cash dilemma
- Thin capitalisation issues

Part 12 - Financing(s)

- Circularity
- Debt profiles
 - Mortgage – or annuity, style
 - Level principal style
 - Sculpted debt
- Currencies
 - Matching currencies to revenue drivers
 - The foreign exchange dilemma: forecasting future spot rates

- Repayment terms (including grace periods)
- Escrow accounts/funding and/or letter of credit
- Model switches and masks
- Coverage ratios

Part 13 - The Income Statement

- Flow of information from worksheet tabs to the Income Statement

Part 14 - The Balance Sheet

- Balance checks
- Addressing working capital in the current accounts
- Flow of information from worksheet tabs to the balance sheet

Part 15 - The Statement of Cash Flows

- Flow of information from worksheet tabs to the statement of cash flows
- Waterfall of payments
- Trapped cash
- Cash accounts and distributions
- Issues related to retained earnings

Part 16 - Equity Returns

- IRR calculations
- Addressing net present value and weighted average cost of capital

ADVANCED PF MODELLING/ **CLASS SESSIONS continued...**

- Theory versus reality
- Don't give away the farm

Part 17 - Loan Values

- Calculating present value of the loan
- Calculating average loan life

Part 18 - Pricing the Deal and Scenario Analysis

- Review potential risks in the equity model and project documents
 - The equity's view
 - Lenders' view
 - The other participants' views
- Refining role of a risk matrix and reflection in the model

Part 19 - Documenting Changes to the Model

- Downside, base and upside cases
- How to use the model to price and negotiate
 - a) Tables b) Goal seeking c) Logic functions
- Analysis of liquidated damages
 - Delay in start-up
 - Shortfalls in performance
 - Calculate and analyse if they are sufficient in terms of the risk
- Summary, questions and discussions

ADVANCED PF MODELLING/ **REQUIREMENTS**

Tools & Setup

Participants should have a basic understanding of Excel and will need to bring a laptop with them, ideally one that they are familiar with. It should be loaded with Excel 2010 or later, and will need an unlocked USB port or a CD drive to receive the course materials.

“Vair courses are different because you get to roll up your sleeves and work with the model... it really makes a big change in the way you look at the analysis of projects”

Mark Frishman, **Partner, Conduit Capital**

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FIND OUT MORE ABOUT OUR **FINANCIAL MODELLING TRAINING/**

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SIEMENS

Standard Bank

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F1F9 teaches the best financial modelling courses available on the market today, training our clients to build better models themselves through courses delivered worldwide.

We also build and maintain financial models used by leading corporates, advisors, banks and funds.

Our team of over 60 modellers constantly use the techniques we teach on our courses. Financial modelling is our core business. It's what we do.

To discuss how we can meet your training needs, call **Steve Janes** on **+1 770 853 0362** or email **stephen.janes@f1f9.com**

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20-22 Bedford Row,
London WC1R 4JS

+44 20 3322 2722
www.f1f9.com