

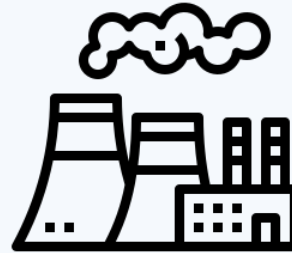
What is Project Finance?



IDEA



airport



power plant

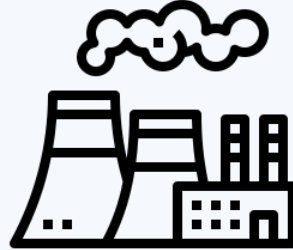


highway

investors
(project sponsors)



airport



power plant

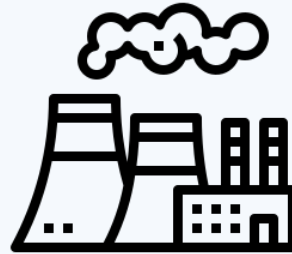


highway

infrastructure projects



airport



power plant



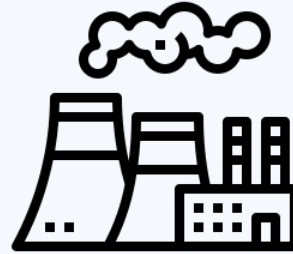
highway

are expensive to build





airport

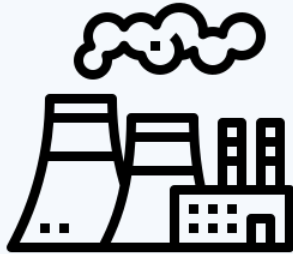


power plant



highway

PROJECT FINANCE



raising capital



Long-term debt financing of a specific project

Project's company is a Special Purpose Vehicle (SPV)

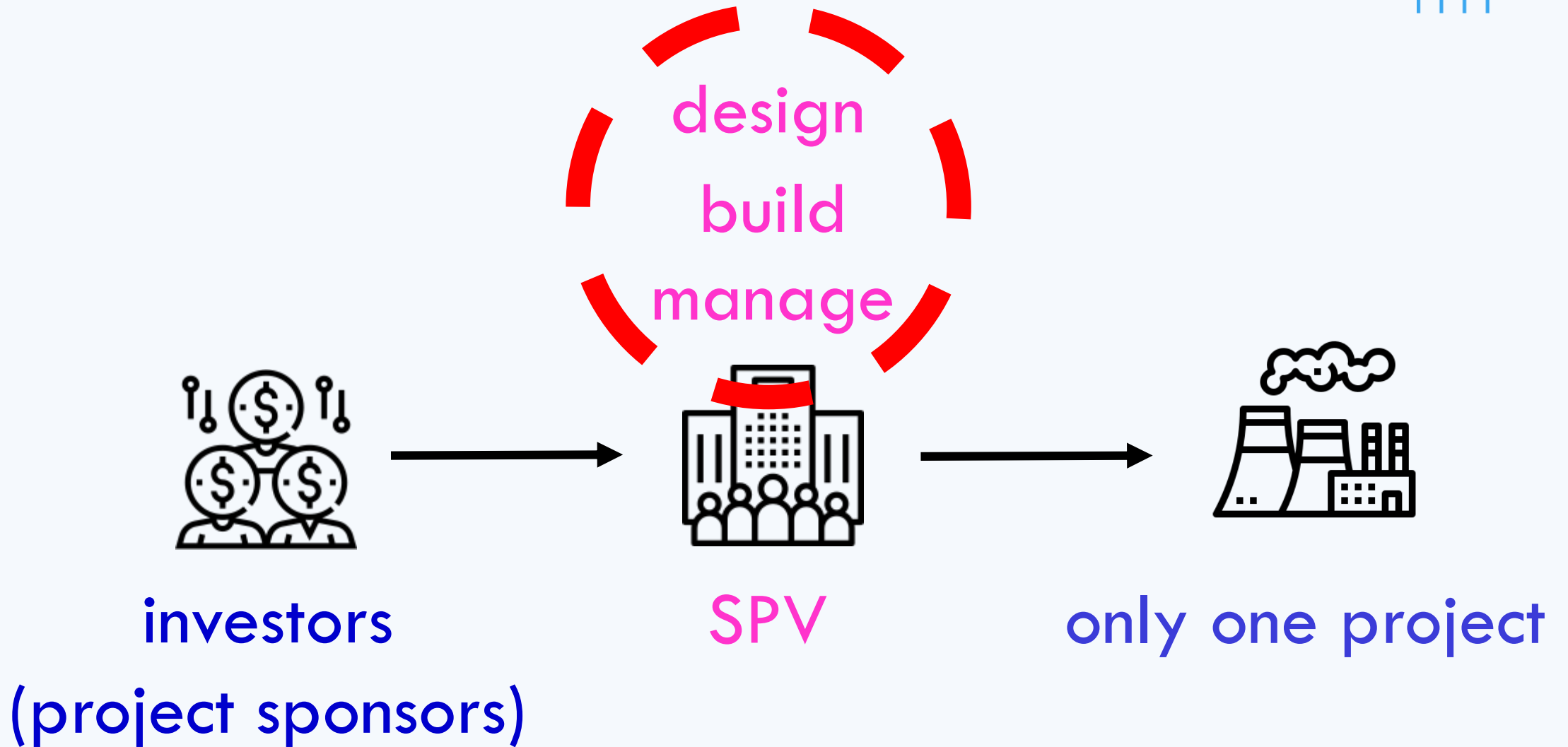
Sufficient cash flows to cover debt and dividend payments

Debt is secured by the assets of the project company (SPV)

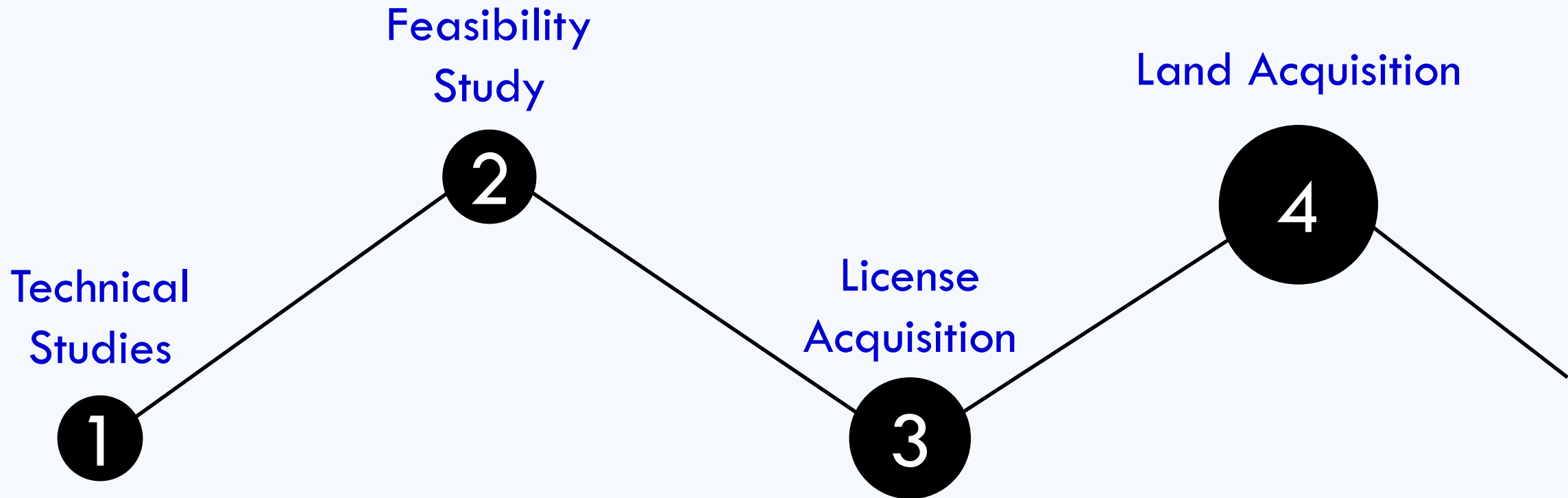
Project has a finite life

what is SPV?

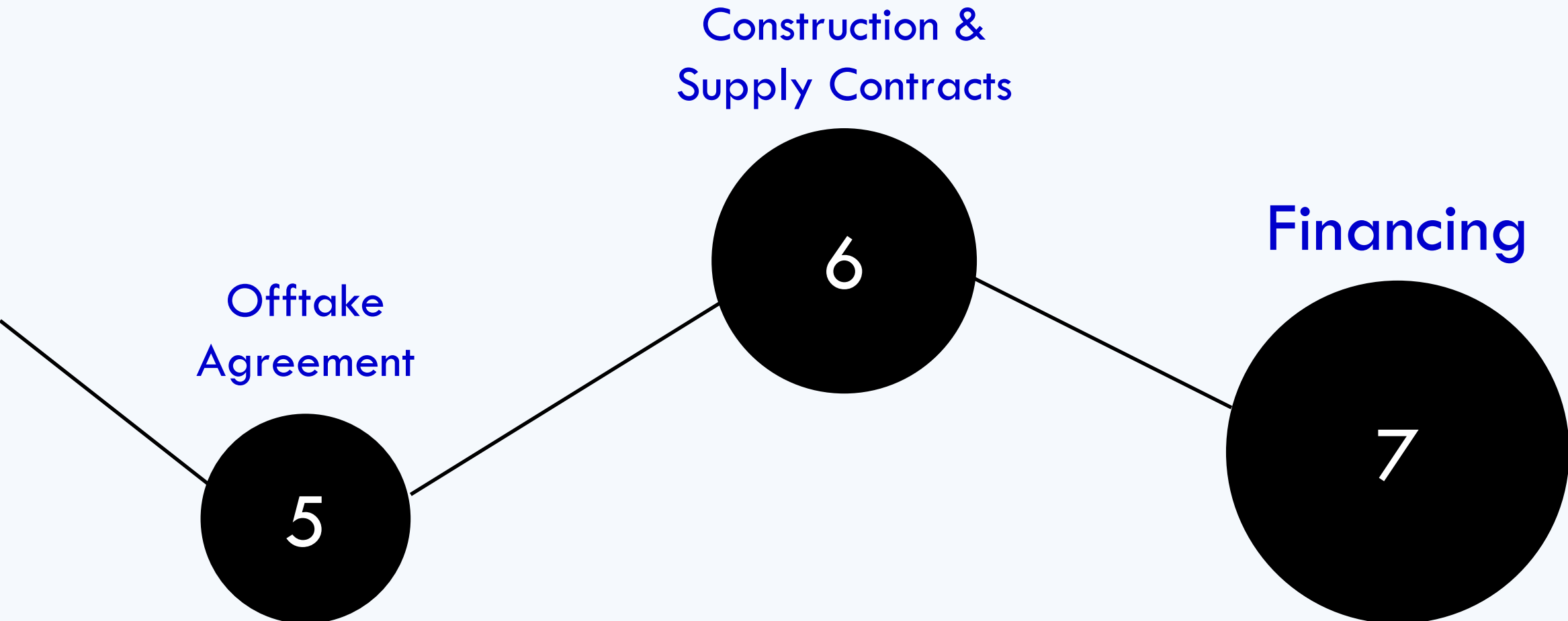
A Special Purpose Vehicle - is a legal entity (usually a limited liability company of some type) created to fulfill narrow, specific or temporary objectives



PROJECT DEVELOPMENT



PROJECT DEVELOPMENT



FINANCING

debt financing



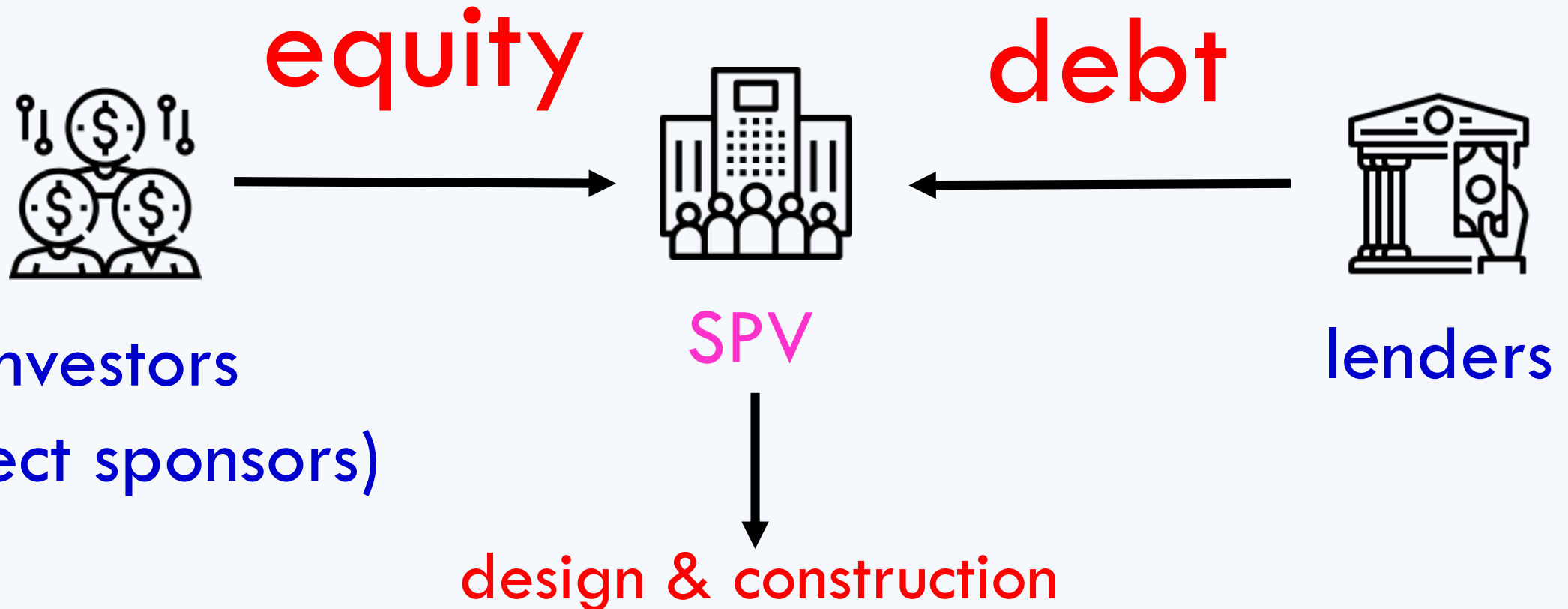
investors

(project sponsors)



lenders

FINANCIAL CLOSE



FINANCING



lenders rely on SPV's cash flows only



lenders



SPV

If something goes wrong



lenders



SPV

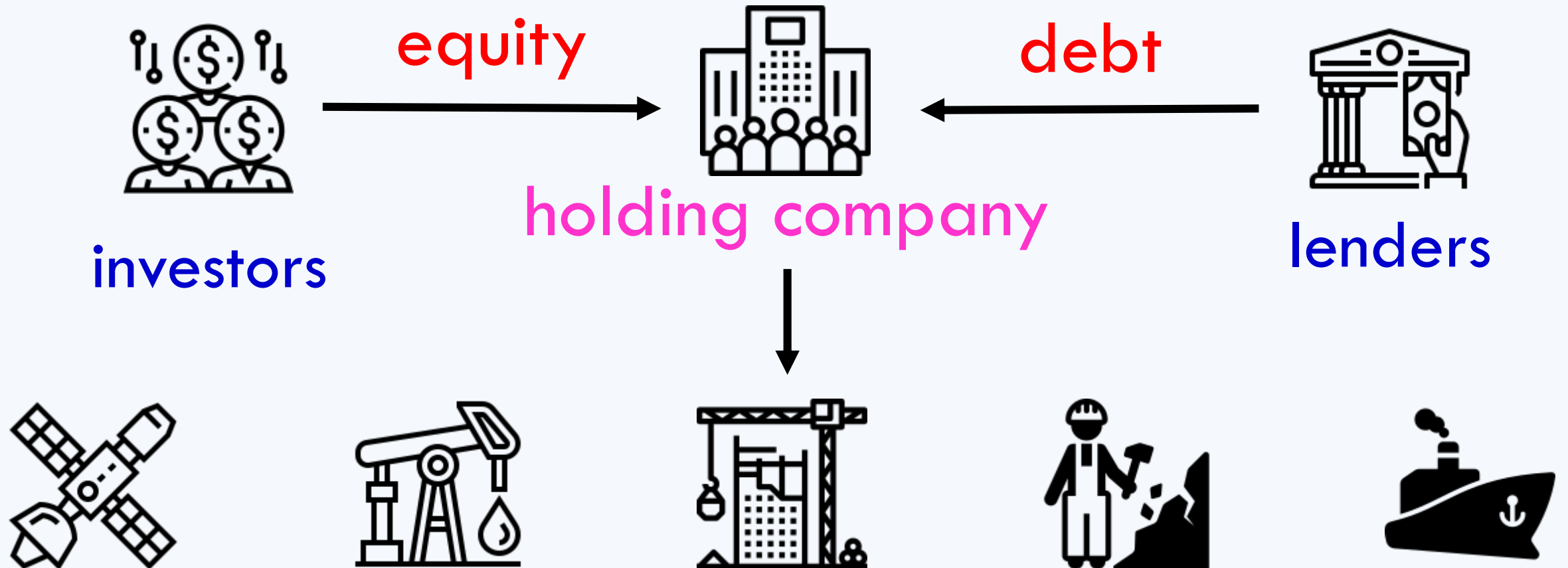
lenders cannot go after the investors



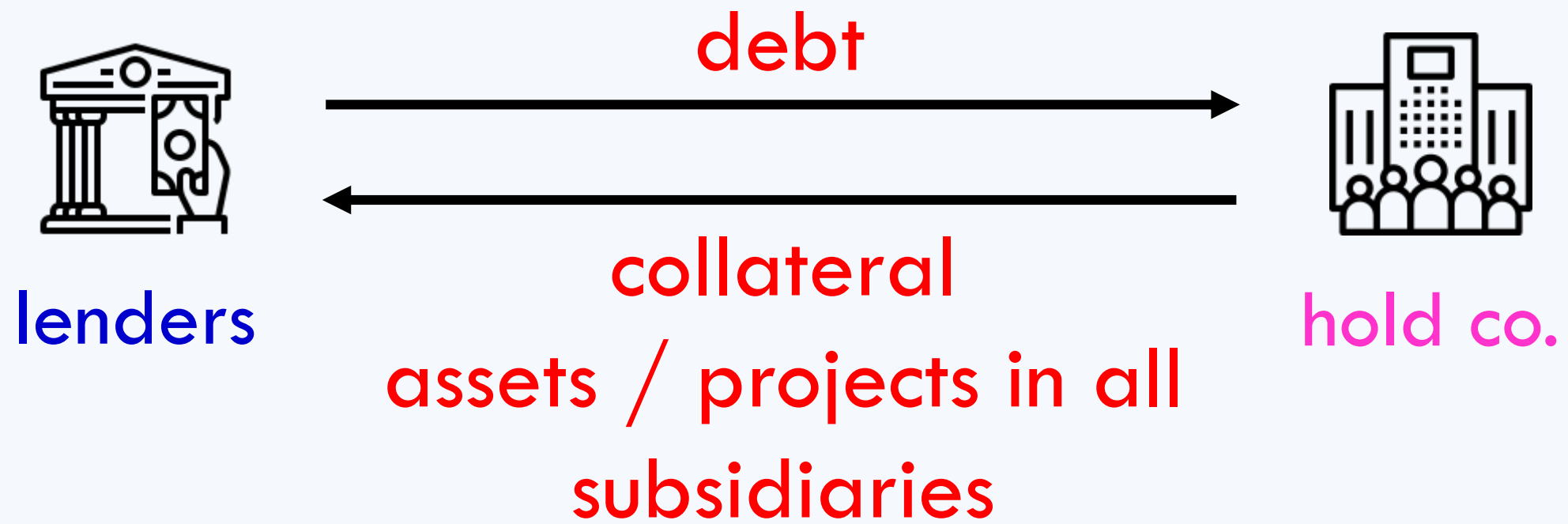
Hence project finance is called:

NON-RECOURSE FINANCE

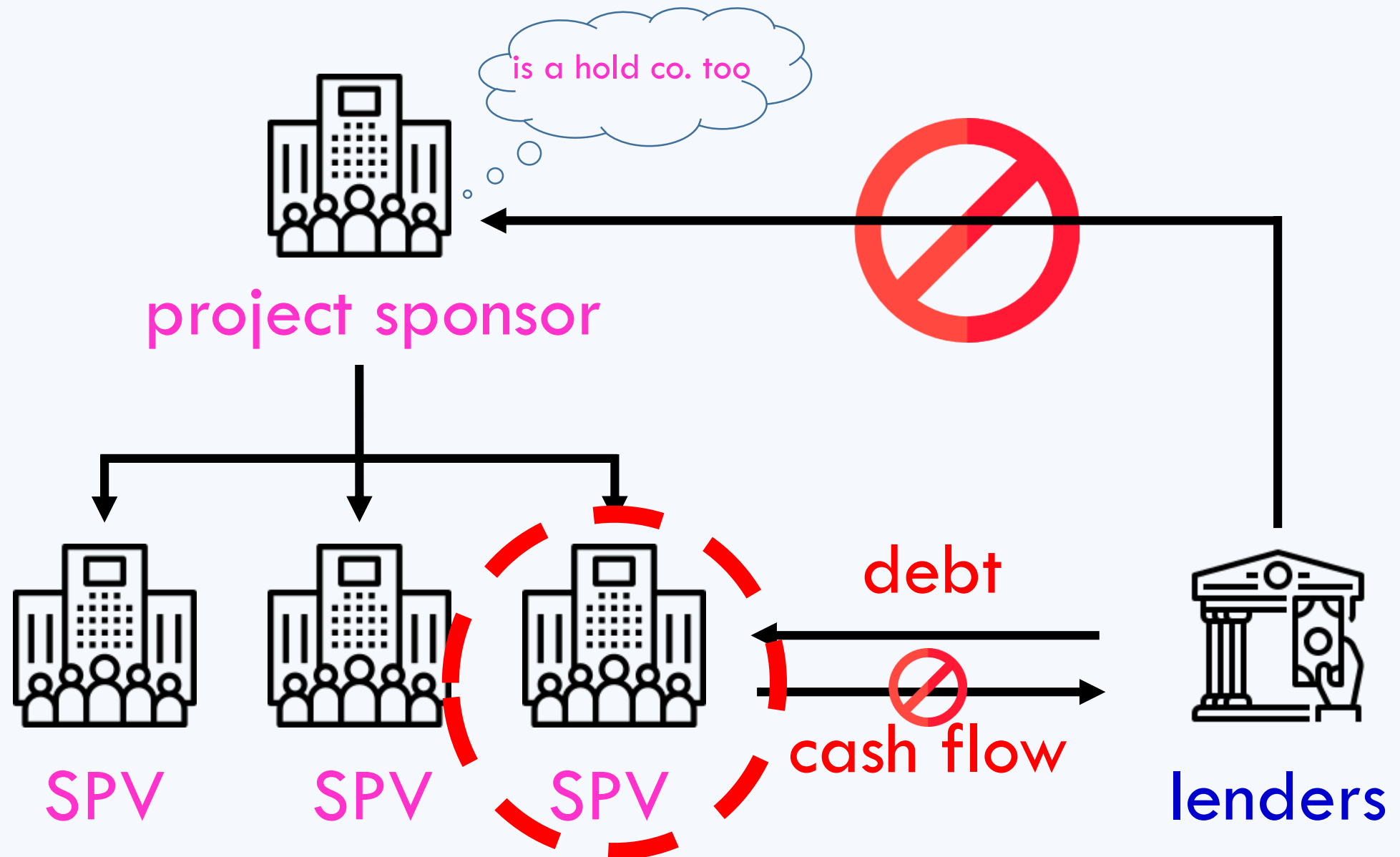
corporate finance



corporate finance



Project Finance



project finance definition

Project finance - is financing of a long-term infrastructure or industrial project using a non-recourse financial structure, which relies only on the project's cash flows for debt repayment, with the project's assets held as a collateral.

why project finance?

enhances equity return

small equity commitment compared to project cost

limited losses & reduced taxes

structured risk allocation