

How to finance your project

A practical guideline



1. What is Project Finance?

Project finance is the long-term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of its sponsors. Usually, a project financing structure involves a number of equity investors, known as 'sponsors', a 'syndicate' of banks or other lending institutions that provide loans to the operation. They are most commonly non-recourse loans, which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modeling.[1] The financing is typically secured by all of the project assets, including the revenue-producing contracts. Project lenders are given a lien on all of these assets and are able to assume control of a project if the project company has difficulties complying with the loan terms. According to Wikipedia

2. Market

The need for remarkable projects and innovative deals worldwide over the last year has dominated the headlines. For example, the **Asian Development Bank** estimated that to develop Asia, investments in infrastructure must add up to approximately USD1.7 trillion per year by 2030 in order to maintain its growth momentum, tackle poverty and respond to the issue of climate change. For the private sector to fill the gap, it would have to increase investments from USD63 billion to as high as USD250 billion per year between 2016 and 2020.

The **McKinsey Global Institute** released, in 2016, a report assessing the worldwide demand for increased infrastructure investment. This report estimated that, although the world today invests around USD2.5 trillion a year on transportation, power, water and telecom systems, this amount is not enough. This report estimates that, from 2016 to 2030, the world must invest USD3.3 trillion a year in economic infrastructure in order to support rates of growth. The report further estimates that emerging economies will demand approximately 60% of that amount.

However, despite a high demand for a greater number of projects, the market continues to be adversely impacted by instability of commodity prices and the political stress arising from global political events.

As a result, according to data from **Thomson Reuters**, global project finance loans in 2017 added up to USD229.6 billion from 791 deals, down 14.1% year on year and recording the second year of decline. The power sector remained the most active throughout 2017 with USD122.8 billion from 546 deals and accounting for 53.5% of the market activity.

Nonetheless, **Americas** project finance loans in 2017 reached USD64.3 billion, up 15.7% year on year, posting the second highest fourth quarter volume after 2015. The power sector accounted for 64.7% of the market with 157 deals that closed in the total amount of USD41.7 billion, up 5.1% from a year ago.

EMEA (Europe, the Middle East and Africa) project finance loans totaled USD84.8 billion from 319 deals in 2017, down 44.3% year on year. The power sector posted a decrease of 84.5% in activity compared to 2016 with 219 deals adding up to USD38.2 billion.

Asia Pacific and Japan project finance loans in 2017 amounted to USD80.4 billion from 258 deals, up 35.3% when compared to 2016 figures. South Asia showed a significant increase of 146% year on year to add up to USD21.4 billion from 101 deals.

Nevertheless, as mentioned above, while the global volume of project loans declined last year, bond financing resurged in the international market. The project bond market is being driven forward by the US, which totaled USD13.6 billion in bond volume last year. Green bond issuance has also increased in China and in the first quarter of 2018, the Industrial and Commercial Bank of China – London branch (ICBC London) issued its second green bond for USD1.58 billion. The first bond issued was in the amount of USD2.1 billion in September 2017. See <https://www.climatebonds.net/2018/06/icbc-issues-record-climate-bonds-certified-gb-us158bn-tranche-worlds-biggest-bank>

The market estimates that the boost of green bond will have reached USD250 billion by the end of 2018, a growth of 60% from 2017. See <https://www.climatebonds.net/>

This result is also due to global commitments made by governments, companies and supranational organizations, which made green finance a central topic in capital market and fostered the investment agenda towards low carbon projects.

***Project Financing 2019 / P. Sorj**

3. Our experience

According to an evaluation on ca. 1'500 project financing (cash flow related) requests at IMCI Group International, our clients are approaching us under the consideration of the following ratios:

- 1/3 are related to debt financing,
- 1/3 to growth / expansion and
- 1/3 for restructuring

Said this, the client has commonly a certain scope and reason why he is requesting support, which eventually his bank is not willing to grant.

Then we have the so called “greenfield” or “start-up” segment, which usually are looking for venture capital or business angels.

I wish to focus on the first segment of existing and operating business.

4. Project Financing through IMCI - How does it works / Premises

IMCI has developed a first desk evaluation process, which normally is supported locally by one of our representatives in over 50 countries.

4.a. The application and process (engagement phase)

- + Our associate will guide the client through the application process, utilizing the TAF (Transaction Application File) structure. The file goes over a simple financing request. In fact, our associate will run a first brief evaluation and business intention. He will challenge the client if the project feasible or not. If you wish as sparring partner. We will also sign an NCNDA.

- + Through an existing Business Plan and SWOT, the IMCI associate will help the client to assess the first phase of the project feasibility.
- + At IMCI we finance projects up from 3%-10%. As our approach is related to equity participation through an SPV, our lending party (in most cases private placement investors) will appreciate if the client brings some “skin” to the table. We also accept Bank Guarantees or Sovereign Guarantees.
- + Important questions as how to pay back the loan, or has the entity the right structure, the management the right skills and the needed minimum contribution will soon be identified and answered.
- + If the associate submits the full set of the application, along with the Business Plan, the POF, and other marginal documents, usually IMCI will be able to answer within 72 hours if the project is feasible or not.
- + If positive, we will hold a meeting with the client, giving him the opportunity to pitch his project and IMCI to get the best view of it. During this meeting, very often, IMCI will try to modelling a solution also related to a long-term development of the company, optimizing of the risk in aspects of finance/taxes and commercial activity. Upon verbal agreement, IMCI will then present a project chart to one of the selected investment party.
- + IMCI will only engage further, if we have received green light from our lending party to proceed. At that moment, the client will receive a proforma engagement agreement / MOU. It shows the financial solution, framework, the terms and timelines.
- + This leads usually to a second or third meeting at board level. In certain cases, we offer the client to join IMCI under a direct Joint Venture and Swiss Jurisdiction.
- + Upon agreement finally, the so called final engagement agreement / MOU will be signed between the client and IMCI and the execution phase starts. At this point, the funds for the project are reserved by the lending party and IMCI has maximum 40 days to deliver the full set of application and report.

4.b. Execution phase:

This is a very important phase which starts with the locally and physically pre-Due Diligence.

This operation will be run by a team of 2-4 professionals, supporting adhoc by technicians or specialists in their own field, as requested and necessary.

As following a **standard framework**, which will be adjusted with the client and lending party

A. Management Auditing

1. Discussion with Board of Directors, CEO, CFO, Sales/Marketing Officer, Operations Officer

- Main objective is to know better the key people, their capabilities, experience, their roles in the project
- Management Audit
- Staff

B. Corporate / Legal Auditing

2. Verification of all relevant documents

- BPL, Financial Plan, Operations, Sales and Marketing Plan
- Contracts with clients, municipalities, providers, suppliers
- Licenses, permits, guarantees, patents
- Technical offer, proforma invoice of the technical supplier
- CV's of the Board of Directors, and Officers
- Federal Criminal Extract of all Officers
- Insurances police, insurance coverage
- Shareholder agreement
- Company Articles
- Mercantile Register Extract

3. Financials

- Meeting with Bank account director
- Meeting with auditor
- Verification that the transaction costs are available and free to be paid
- D&B, credit, payment reputation check on group or companies related to your company
- Acid test on the Financial Statements
- Debt, taxes, on the Officers and related group/companies linked to your company
- CPA's, auditing report, of the group or company linked to your company

4. Client / Marketing

- Marketing and Sales Plan
- Market overview
- Client Portfolio
- Social Responsibility

C. Technical Auditing

3. Technical Evaluation

- Feasibility Study around the project
- Visiting of the main technical suppliers
- Timeline for delivery of the technology, Guarantees, Maintenance

The audit can be extended to the key divisions or locations of your group.

5. The financials

- + Upon engagement, the client will need to block on his own account the necessary and agreed contribution and forward IMCI a related POF and bank letter.
- + IMCI will request a compensation for the preDD. This payment is upon agreement and will be paid back through the SPV, once the financial agreement is materialized.

- + The contribution will contain the transaction costs and will be released to the funding party, only once the irrevocable financial agreement with the lending party is signed.
- + Depending on the loan size (minimum is 10 Mio US\$, maximum >+1 B US\$), the loan can be materialized within 60 days for smaller amounts and up to 150-160 days for larger investments (over 100 Mio US\$).
- + IMCI will receive from the SPV the so called success or handling fee, once the funds are materialized.
- + The client will / can request the reimbursement of these costs through the loan and SPV.

6. The SPV

- + It is our policy that the funding will be run and operated through a SPV. Mostly in Europe. The SPV will be own and run by the lending party. The client will be a director. Depending on the contribution, its stake will be determined.
- + In certain cases, IMCI and the client will form a side Swiss Joint Venture for maximizing the investment and further development of the project.

7. The Risks

- + The client will never pay anything in “advance”. Nor to the IMCI associate, IMCI as company or the lending party or any other third party.
- + The client will pay for the service and performance requested and only with “something” in his hands.
- + The client will only release his contribution stake for the funding, upon signing off the irrevocable financial agreement with one of our regulated financial institutes.
- + The client will have the chance to get back the contribution and transaction costs, once the loan is materialized.
- + The client will seat on the SPV as director and potential co-owner of the SPV.
- + The lending party selected by IMCI is a fully regulated financial institute.

8. Our Financial Strategies

IMCI Group International is offering a wide range of funding sources up from €10 Mio., and +Bio. developing the appropriate financial strategies for our clients as:

Debt Refinancing
Short Term & Long Term Loans. From US \$ 10 Million to US \$ 1 Billion +
Floating of Bonds
PIPEs (Private Investments in Public Companies)
Recapitalizations
Equity buy out
Project Financing
Private Equity Funds

Provide Passive & Active Equity From US \$ 10 Million to US \$ > Billion +
Debt & Working Capital Instruments for expanding business
Bank Guarantees (BG) Stand by Letter of Credit (SBLC) & Letter of credit (LC)
M&A operations

9. Our Financial Services

Projects and deal assessments, Company valuation and Market study
Strategic analysis and proposals
Business plan elaboration according to the highest standards required by the most rigorous investors.
Teaser or executive summary of the business to be presented to investors
Risk assessment using the most modern tools like Montecarlo Simulation.
Start up advisors and management, Turnaround advisors and management
Due diligence
Board / Management Sparring and Coaching
MBO's and LBO's advisors

10. Our company

IMCI Group International Ltd. is a London based advisory group, with Swiss roots going back to **1998** and as the funder and global CEO, Mr. Nelson M Peña, started his career as interim manager and strategic advisor. In **2004** he founded the company in Switzerland as **IMC** as a single proprietorship firm and in 2010 he launched the group as **IMC Intl.**, initially as a network organization of high level professionals, with 16 associates in 10 countries and five business lines. Over the time **IMCI Group International** has become a fast growing and a truly international business advisory group in **M&A/Corporate Finance**. Further it does support clients and investors in **restructuring and expansion** activities. **IMCI Group** has kept its consulting soul in aspects of restructuring and expansion support. Additionally through **IMCI Coaching & Advisory**, we offer a 360 degree solution in HRM, Interim Management, Succession Management, Business Coaching and Trainings.

Through our company **IMCI Investment Services Ltd.**, the group is offering Bank Guarantees, Project Funding, Trade/leverage Trade and Bond Programs, as other side capital services. This combination of investment banking and corporate consulting state of art has made of **IMCI Group** a very successful firm and unique in its market positioning.

Since **2010** we have incorporated high level Private Equity Professionals, Investment Bankers and Asset Managers with a proven track industrial record. Together, **the team has closed more than 250 investment deals with a value of over 15 Bio. €, in all over the word. Combined with ca 600 advisory assignments.** Through **IMCI Group** Consultancy we do restructure and develop the business of our clients, supporting them to be more profitable and sustainable growing. For firms looking for expanding their business into other regions or globally, or to enter new markets in general, we are able to propose international task forces of experienced interim managers, advisors with an executive management and project management profiles. This eventually in cooperation with our corporate finance services.

We hold since **2013** two TV shows at the **Swiss Financial TV – Dukascopy TV** in Geneva.

In 2016 IMCI GROUP was short listed for nomination as “Best International M&A Advisory Partner – Global 2016” by Capital Finance International www.cfi.com...

IMCI GROUP is represented in all five continents and in over 50 countries and led by an international board.

The International leadership is based in Switzerland.

Author:

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CEO & President of IMCI Group International Ltd.

Sr Executive Management Consultant

Managing Director Financial Services

making the difference

Director TEAM

1982-1998	F. Wischi Fils La Chaux-de-Fonds, (commercial clerk) Allianz Insurance Biel-Bienne (assistant to the General Agent, UBS Zurich (Portfolio Manager) Adecco Switzerland (Director), PSA Finance Peugeot – Citroën, Switzerland (Country Sales and Marketing Director)
1998 > 2010	Executive Interim Manager / CEO roles Robeag Holding, GE Money Bank, Rabo Bank/De Lage Landen Tech Finance, Swiss Post, TNT, GLS, Securicard, Eurotax – Publigroup, United Internet, Car4you, SIZ Group/Visana, Swiss Healthcare Distribution AG. Specialized in Strategy, Leadership, Project Financing, M&A Post-Integrations, Restructuring, Change Management and Expansion.
2004-current	Founder and CEO of IMCI+ Group International Ltd. Head Financial Services, Head Global Development, Executive Management Advisor / Business Coach. Developed the company to a worldwide network of senior Professionals with a presence in over 50 countries. Served over 40 clients as executive business coach and treated hundreds of investment applications through our financial services.
Qualifications	EMBA, Business School Lausanne MSc. Federal Diploma Marketing Management MSc. Federal Diploma Sales Management Diploma Financial Controlling, Controlling Academy Gauting/Munich Professor/Lecturer Berne Business School, Presenter / Moderator Swiss Financial TV, Geneva Short listed for nomination as Best International M&A Advisory Partner – Global 2016 & 2018 by Capital Finance International www.cfi.com NLP Practitioner, Coach and Master
Languages	German, Swiss German, French, Italian, Spanish, English



Nelson M Peña y Gorrin,
CEO, Chairman
Swiss / Spanish Citizen

IMCI+ GROUP INTERNATIONAL

making the difference

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