



# Experiences in arranging financing for infrastructure projects

CEF Transport Blending Call 2017

May 8th, 2017

- Inspira is a **financial advisory firm specializing in financial advisory services within the public sector.**
  - We offer independent expert advice in investment projects and corporate restructuring.
  - Our mission is to assist the public sector in implementing financial services more cost effectively, with better quality and on schedule
- Inspira has a **unique combination of financial sector and public sector expertise in Finland.**
- Inspira is part of the Municipality Finance Group and has **good contacts with municipalities, cities, state-owned entities and financial actors.**
- Inspira's experts have **wide range of experience** in various public sector projects and projects.
  - Inspira works annually in about 90-100 different public sector projects as a financial advisor.
- Inspira offers **expert services for both public and private customers.**
  - We serve the public sector in Finland: among others. The Finnish Transport Agency, Ministry of Transport and Communications, Ministry of Economic Affairs and Employment , Senate Properties, Cities e.g. Helsinki, Espoo and Tampere.
  - We also actively cooperate with investors and companies who want to build cooperation with the public sector e.g. Keva, Hemsö, infra and private equity funds, YIT, SRV

# Inspira helped YIT in the financial modelling of the Tripla project

## Inspira's assignment and role

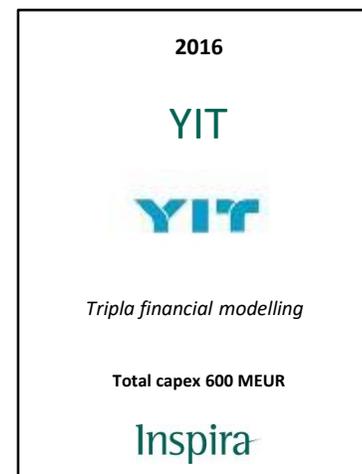
- Inspira acted as an advisor to YIT in the financial modelling of the Tripla project
- Inspira's tasks included:
  - Responding to the economic modelling of the project
  - Reporting of the model to project funders and investors
  - Assisting in the design and implementation of interest rate hedge
- The mandate began in spring 2016 and the financing agreements were signed and interest rate hedges were implemented in June 2016.



Figure: YIT

## About the Tripla project

- When the Mall of Triple is completed, it will be the largest shopping center in Finland, measured by the number of business premises. The rented space is over 85,000 square meters for about 250 operators and parking space is about 2 300 cars.
- In addition to the shopping center, YIT's Tripla will build offices, apartments and hotels.
- The total value of the shopping center and the parking facility is approximately 600 MEUR. The project company constructing and operating Tripla is owned by YIT, Etera, Onvest and Fennia.



“Typical features of a project finance project are complex financing agreements and structures and a tight schedule. The support we received from the Inspira was helping to sign the financing agreements in the timetable. We are particularly pleased with Inspira's customer focus and the ability to manage tight schedules. “

*Antti Seppälä*  
project finance manager  
YIT Rakennus Oy

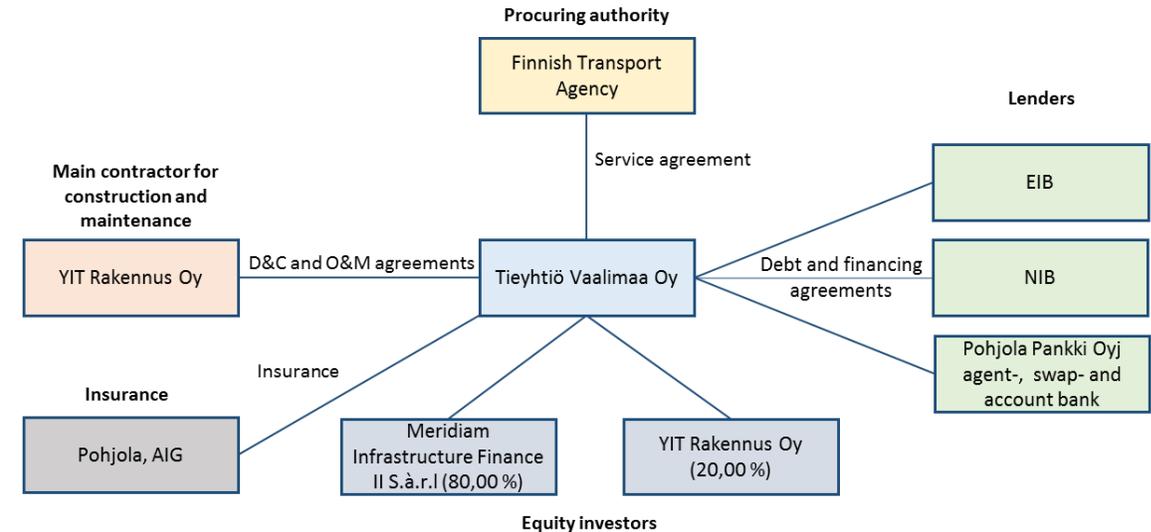
# Information memorandum: Applicant

- Description of the applicant, business and operating environment
- Applicant
  - Borrower (e.g. Tieyhtiö Vaalimaa Oy)
  - Legal form (e.g. Limited liability company, Special purpose Vehicle formed for the E18 Hamina –Vaalimaa project)
- Business
  - Existing business (e.g. Owners specialized in owning, constructing and operating road assets)
  - Planned business (e.g. construction of the E18 Hamina – Vaalimaa project)
- Operating environment
  - Customer (e.g. Finnish Transport Agency, an agency owned by the Finnish state)
  - Legal environment: regulation (e.g. Project to be procured under PPP contract model)
  - Competitors (e.g. other similar firms)



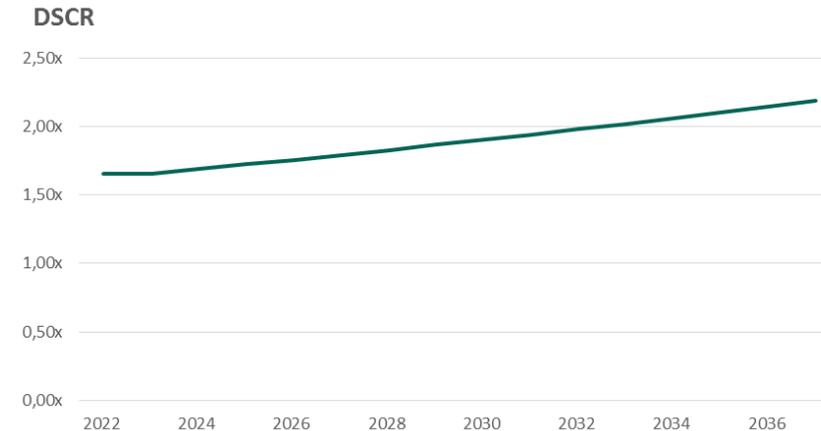
# Information memorandum: Project

- Limiting the project and its related activities to understand the project's **financial viability**
  - Project owners and other stakeholders (e.g. Equity investors, contractors, insurance, Client(s))
  - Technical Description of the Project (e.g. Destination, Location, Construction, Activity Description)
  - Project Contracts and Risk Allocation (e.g. based on PPP contract model and its appendices)
- Construction phase (e.g. description of responsibilities and contract structures)
- Operational description
  - Future Cash Flows (e.g. service payments based on tendered price)
  - Unceranties related to cash flows (e.g. service payment deductions and cost overruns)
- Possible **criteria related to lender mandate** / e.g. EFSI (e.g. Transport infrastructure, Environment and resource efficiency, etc. )

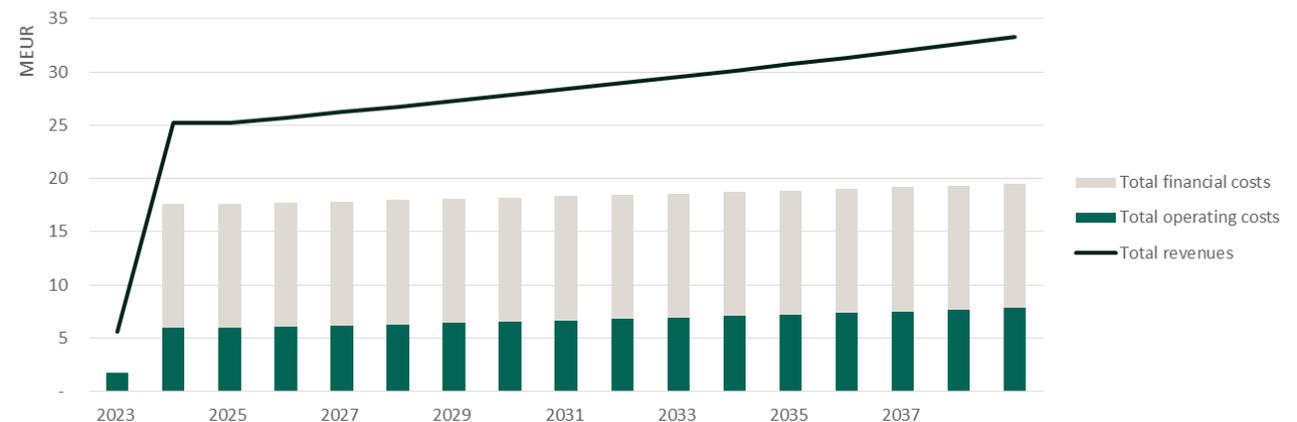


# Information memorandum: Financing need and the structure of funding

- Building a financial model in such a way that it meets the contractual terms of the planned financing (prioritization of payments, financial covenants, distribution of profits, etc.)
- Below are some typical elements that are accounted for in the project financial model
  - What kind of financing should be used based on the nature of the project and its cash flow, e.g.
    - Balance Sheet Financing
    - Project Financing (typical for PPPs)
    - Other options
  - Type and risk level of income cash flows
  - Financing during construction
  - Long Term Financing (Term Loan)
  - Working capital requirements
  - Sensitivity Analysis
    - Key figures and their sensitivity



**INCOME AND COSTS**



# Letter of support

## TRANSPORT CALL FOR PROPOSALS BLENDING CALL 2017

- **LETTER OF SUPPORT CAN BE PROVIDED BY LENDER ONCE SUFFICIENT INFORMATION OF THE PROJECT HAS BEEN PROVIDED**
- Needed information in the letter of support
  - Name(s) and function(s) of the issuer of the letter
  - Name(s) institution represented
  - Date
  - Addressee (i.e. the applicant/project promoter)
  - Identify the borrowing entity raising finance (if it is not the same as the applicant)
  - Brief project description
  - Type and level of finance that the Institution(s) could provide, and conditions
  - Stage of approvals and expected timetable and foreseen date of financial close, and conditions
  - Financial capacity and business plan of the grant applicant, grant beneficiary or borrowing entity as appropriate, and conditions
- Additional information the Institution may wish to add:
  - Description of the relationship existing between the Institution(s) and applicants/borrower/sponsors
  - Track record of the borrower on the type of transaction contemplated with a relevant geographic and sectorial focus.
  - Major milestones envisaged to closing and status on critical information still required to be finalized
  - Composition of the team established within the Institution(s) (and contact info) dedicated to the project.
  - Nature and key parameters of financing proposed, underlying principles and major assumptions, key risks identified by the Institution(s) and related mitigants, including uncertainty on cash flows.

# Effects of PPP models on public sector risk exposure

- **In the PPP model**, payments and commitment of responsibility follow the social benefits of the project
- Cost overruns can be avoided that could result in permanent weakening of cost-benefit ratio of the project
- **Possible developments**
  - Investment projects to be considered on a liability basis in addition to cost-based reviews
  - Risks are allocated between different actors if the realization of risks can be influenced by the quality of workmanship
  - Cost-effectiveness and innovation can be allowed in return for long-term responsibility for availability and costs

