

Corporate Finance
Public-Private Partnerships

Cape Peninsula University of Technology

Financing infrastructure: Public Private Partnerships in a post credit crisis environment

September 2010



%) \$

Contents

PPP structures

Financing of PPPs

Assessing the commercial viability of PPP projects & lender's due diligence

Recent market changes: the credit crisis and its impact on PPPs

% & \$

Contents

PPP structures

Financing of PPPs

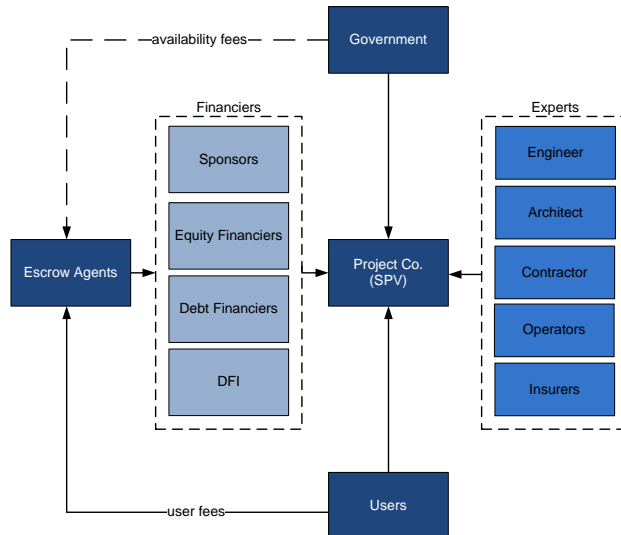
Assessing the commercial viability of PPP projects & lender's due diligence

Recent market changes: the credit crisis and its impact on PPPs

© & Ⓢ

Section 1: PPP Structure

Structure of PPPs



Section 1: PPP Structure

Advantages of PPP structure

Risk diversification

Risk mitigation

Project financing

Leverage

Credit rating

Tax benefits

Contents

PPP structures

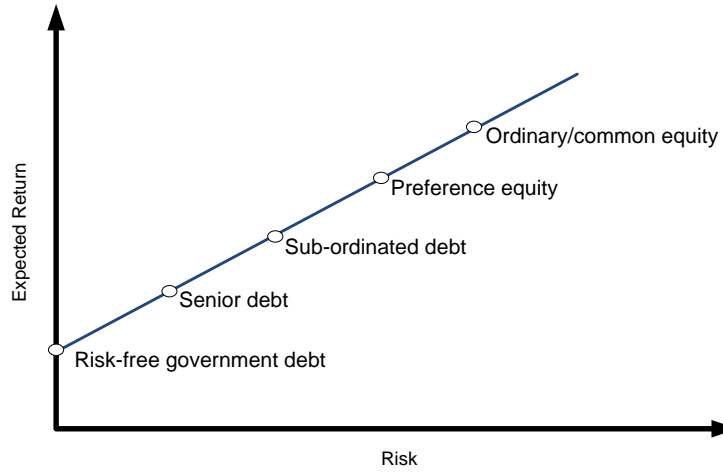
Financing of PPPs

Assessing the commercial viability of PPP projects & lender's due diligence

Recent market changes: the credit crisis and its impact on PPPs

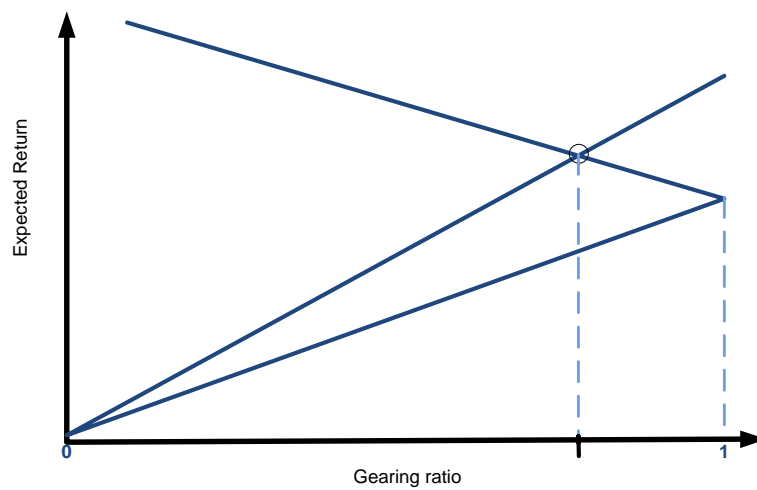
Section 2: Financing PPPs

Sources of capital



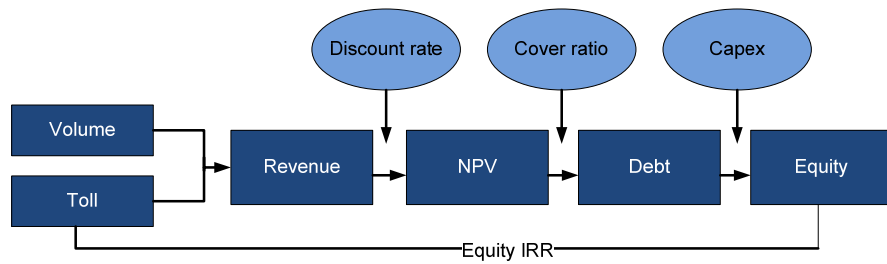
Section 2: Financing PPPs

Optimised gearing



Section 2: Financing PPPs

PPP Pricing



Contents

PPP structures

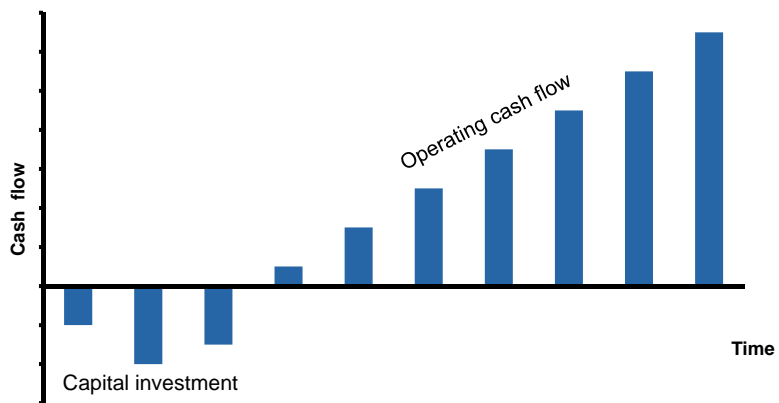
Financing of PPPs

Assessing the commercial viability of PPP projects & lender's due diligence

Recent market changes: the credit crisis and its impact on PPPs

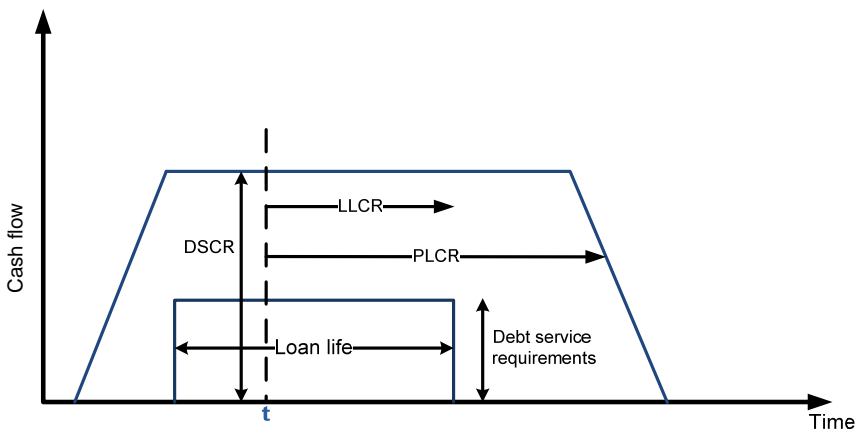
Section 3: Assessing the commercial viability of PPP projects & lender's due diligence

The cash flow model



Section 3: Assessing the commercial viability of PPP projects & lender's due diligence

Debt service coverage



Section 3: Assessing the commercial viability of PPP projects & lender's due diligence

Example of coverage ratios

	Natural Resources	Toll road user pays	Power	Accommodation
DSCR min	1.25	1.25	1.25	1.20
LLCR min	1.75	1.50	1.35	1.30
PLCR min	2.00	1.80	1.50	1.40

Contents

PPP structures

Financing of PPPs

Assessing the commercial viability of PPP projects & lender's due diligence

Recent market changes: the credit crisis and its impact on PPPs

Section 4: Recent market changes: the credit crisis and its impact on PPPs

Barriers to private sector involvement

Weak capital market

Unfriendly policy & regulatory environment

Poor enforcement mechanisms

High transaction costs

Red tape and inefficiencies

- Delay etc.

Size

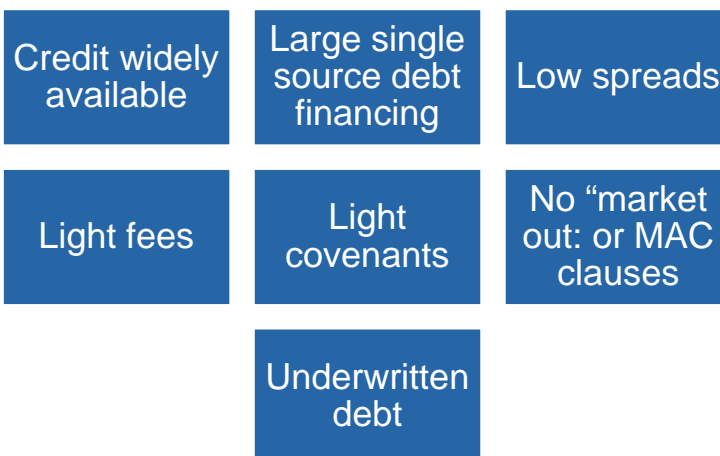
- Too small or too big

Poor public sector track record in negotiation with private sector

Lack of transparency in bidding procedures.

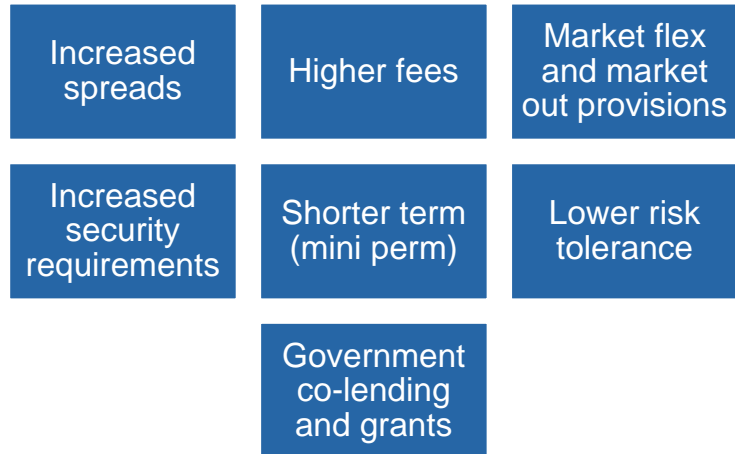
Section 4: Recent market changes: the credit crisis and its impact on PPPs

Pre credit crunch financing



Section 4: Recent market changes: the credit crisis and its impact on PPPs

Post credit crisis



Financing infrastructure Public-Private Partnerships in a post credit crisis environment
PricewaterhouseCoopers

September 2010
Slide 17

Conclusion

In general there exists an underlying belief and confidence both globally and domestically that PPP will continue to prove itself as a valuable alternative to conventional procurement of public infrastructure, and that infrastructure investment in Canada will emerge as a very desirable asset class, quite possibly stronger than before.

© 2010 PricewaterhouseCoopers Inc. All rights reserved. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. PricewaterhouseCoopers Inc is an authorised financial services provider.

%

)

\$