Bauska Bypass PPP project financial aspects

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Recap

- Design Build Finance Maintain
- PPP contract is structured to comply with off-balance (Eurostat opinion)
- Availability based payment (no adjustment for demand, no revenues from direct users or third parties)
- Availability payment commence upon issuance of availability certificate
- Fixed availability term (subject to supervening events)

Financing aspects

POTENTIAL FINANCING STRUCTURE

- Gearing – 90%/10%
- Senior debt financing to match duration of the PPP contract
- Equity/subordinated debt – at least 10%
- Sr debt, commercial banks, other financing – up to 90%
- Hedged interest rate risk
- Attraction of possible financing sources (EIB, NIB, EBRD, commercial banks or other reputable financial institution) is the responsibility of private parties
- Financial plan has to be reflected in the financial model for initial offer submission

Financial model requirements (1/2)

KEY ELEMENTS

- Finance Plan (explaining financial structure, financing sources/availability, including preliminary term sheets)
- Financial model developed based on requirements defined in procurement documentation
- Elaborate user manual

Financial model minimal technical requirements:

1. **Inputs**: assumptions for CAPEX, OPEX, funding (Sr, subordinated debt, equity, etc.), insurance costs, applicable taxes and indexation;
2. **Outputs:** Gross availability payment (GAP), Summary template, Balance sheet, Profit and Loss statement (P&L), statement of Cash Flows.
3. **Accounts**: DSRA and MMRA, etc.
4. **Ratios:** DSCR, LLCR, etc.

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Financial model requirements (2/2)

KEY ELEMENTS

- Supporting documentation substantiating calculations and assumptions and descriptions should be comprehensive and detailed enough so that any competent finance analyst can evaluate the logic and correctness of used assumptions without any additional information
- Substantiation of financial capacity, investments and costs, revenue (other than the availability payment)
- Funding terms and conditions (borrowed and own capital), planned structure of capital
- Construction costs, Maintenance costs, Admin and management costs, Risk management costs, Interest, Private Entity and Private Partner etc.
- Financial Model has to be prepared for the entire term of the PPP Agreement
- Financial Model must include evaluation of all expenses relating to liabilities assumed and taxes payable by the Private Entity

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Availability payment

GENERAL PRINCIPLES

- **Paid quarterly and only during availability phase. Fixed at the time final bid is submitted (certain exceptions exist)**;
- **Consists of indexed and non-indexed components**;
- **Indexed: certain opex, such as** maintenance cost;
- **Non-indexed:** annual payment related to construction cost (construction costs, debt financing cost, equity/subordinated debt CF's).

Gross availability Payment adjustments:

- Unavailability deductions (proportional to availability);
- Under-performance deductions.

Availability payment cont.

NAP = GAP - AA – PD

GAP – Gross availability payment

NAP – net availability payment

PD – Performance deductions

AA – Availability adjustment

AA = Σ LRs

LR = Σ (clock hour x AV)

LR – Lane rentals

AV – availability value

Several road types will be introduced

PD= Σ IPD

AA: Clearly defined for each road type and non-availability class

IPD: Exhaustive list of Individual performance categories (and/or segments) linked to daily and periodic maintenance works.

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