

“What is a Bankable Project”

International Training Course On Business
Planning 2nd Training Session

20-21 June 2013

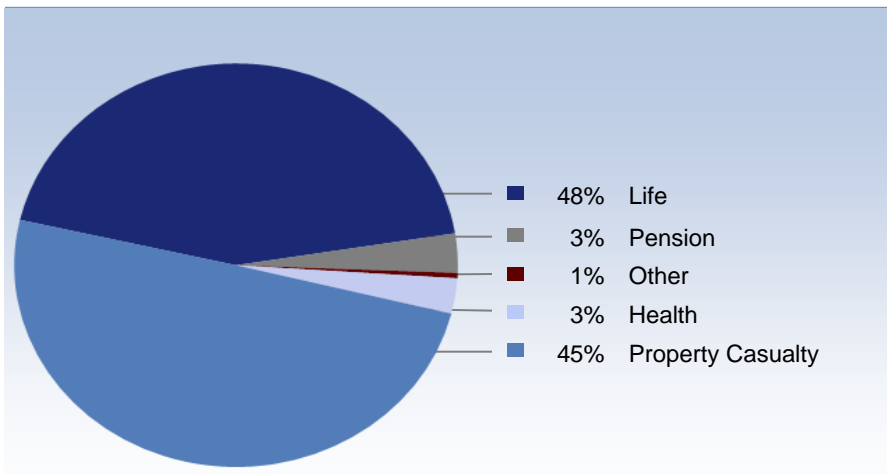


55 King William Street
London, EC4R 9AD
United Kingdom
conning.com

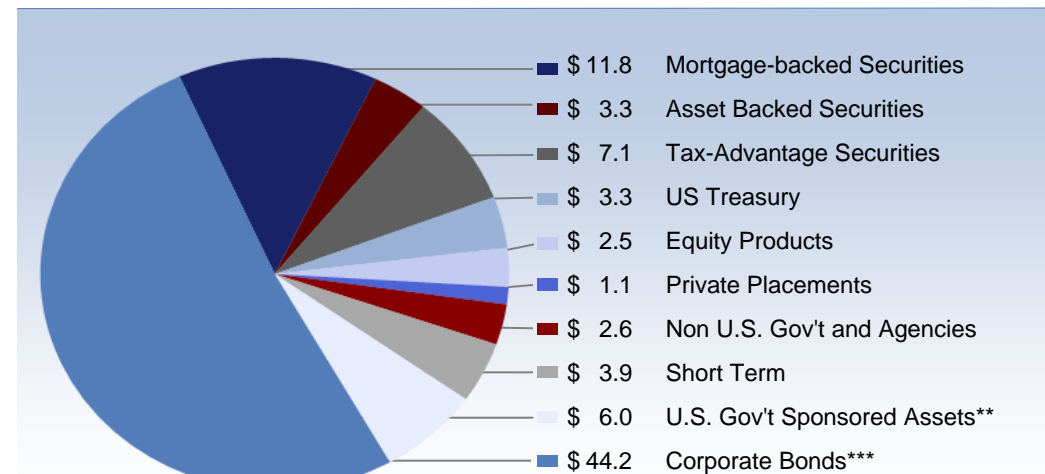
Who we are...

- ❖ Founded in 1912; insurance specialists for more than 100 years; investing insurance assets for nearly 3 decades
- ❖ Managing \$85.8 billion for 129 clients*
- ❖ 279 employees with locations in Hartford, Purchase, London, Cologne and Hong Kong
- ❖ Independently owned by Aquiline Capital Partners, Conning employees, and Cathay Financial Holdings

Assets by Client Type*



Assets by Security Class*



*As of 3/31/2013 Includes Conning Inc., Conning Asset Management Limited, Cathay Conning Asset Management Limited, and Goodwin Capital Advisers, Inc.

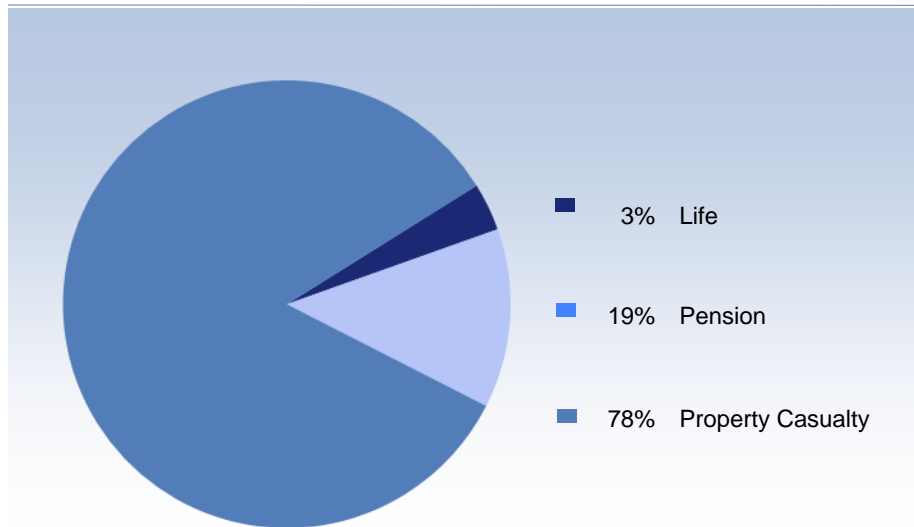
** Includes Agencies, Taxable Municipals and Government related assets

*** Includes Convertible and High Yield Securities

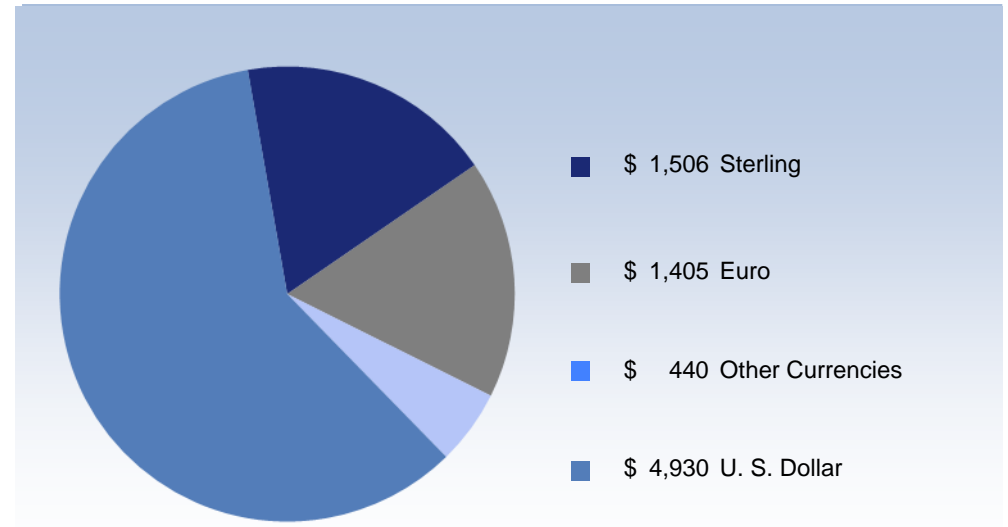
Conning - European Overview

- ◆ 14 clients – Insurance Companies, Lloyd’s Agencies & Pension Funds
- ◆ \$8.3 billion in Asset under Management for European domiciled clients of which \$6.3 billion is managed out of our London Investment centre*
- ◆ Full client service including
 - ❖ Input into ICA/ Solvency II
 - ❖ Extensive knowledge of Trust requirements, custodians, documentation etc.
 - ❖ Lloyd’s reporting – LIM/QMR

Assets by Client Type*



Assets by Currency**



*As of 3/31/13 Includes Conning Inc. and, Conning Asset Management Limited

**USD equivalent, in millions

Introduction to Conning: Platform Overview

Investment Capabilities

Publicly Traded, Investment Grade Securities

- ◆ U.S. Treasury / U.S. Agency Bonds
- ◆ Treasury Inflation-Protected Securities (TIPS)
- ◆ U.S. Corporate Bonds
- ◆ Mortgage Back Securities
- ◆ Commercial Mortgage Back Securities
- ◆ Asset Backed Securities
- ◆ Municipal Securities (Taxable and Tax-Exempt)
- ◆ Foreign Government / Provincial / Corporate Bonds

Specialty Asset Classes

- ◆ High Yield
- ◆ Private Placements
- ◆ Convertibles
- ◆ Supply Chain Finance
- ◆ Commercial Mortgage Loans

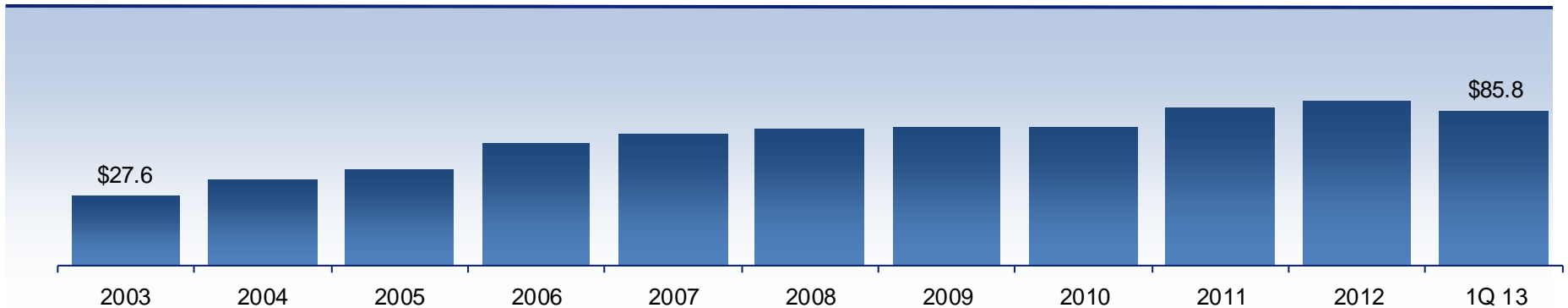
Non-USD Investment Grade Securities

- ◆ Government Bonds
- ◆ Agency Bonds
- ◆ Covered Bonds
- ◆ Inflation-linked Bonds
- ◆ Investment Grade Corporate Bonds

Equity

- ◆ High Dividend Income Equity
- ◆ Replication Strategies
- ◆ Exchange Traded Funds (ETF)

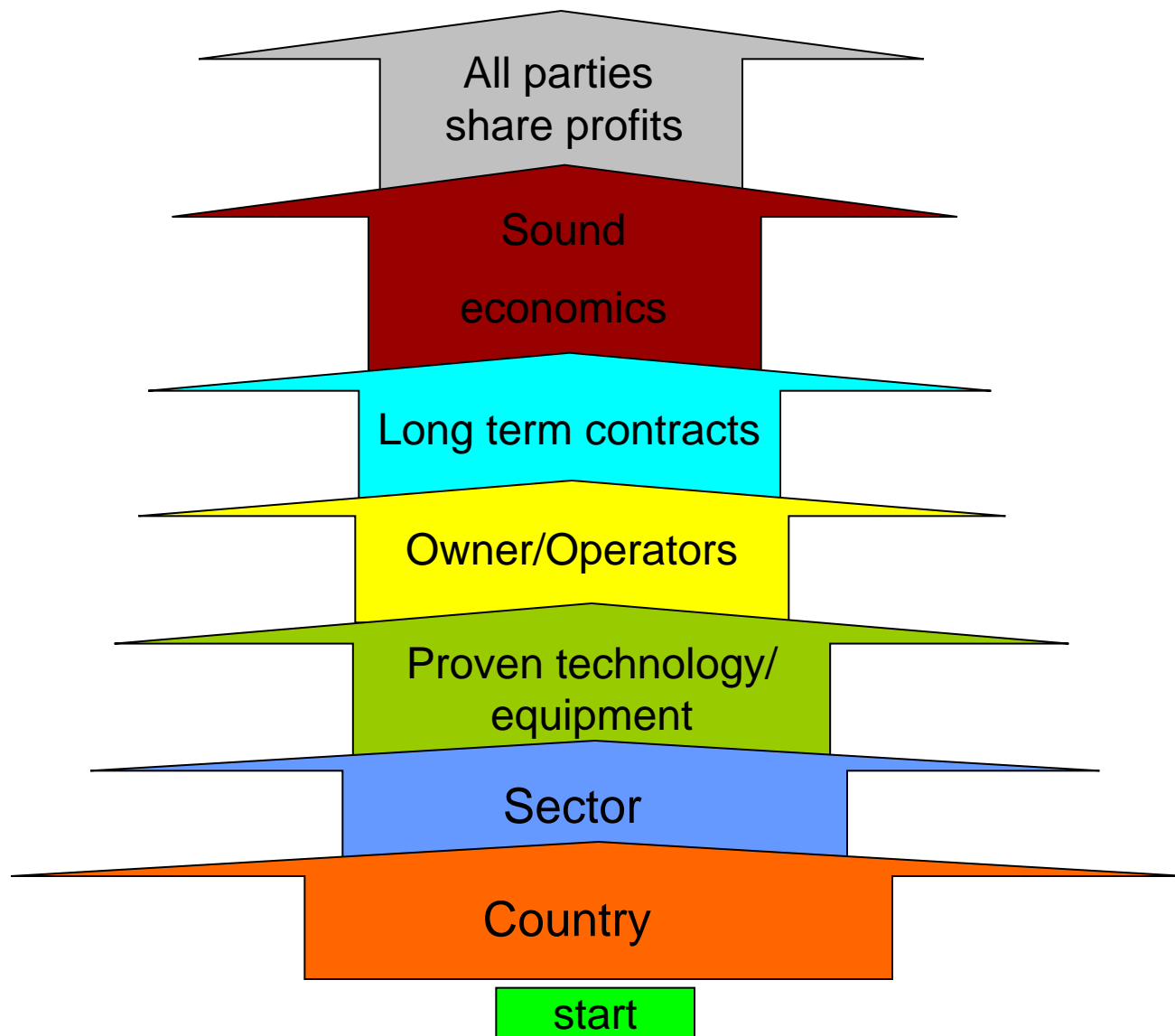
AUM Growth (USD Billions) as of March 31, 2013



Source: Conning

*As of 3/31/13 Includes Conning Inc., Conning Asset Management Limited, Cathay Conning Asset Management Limited, and Goodwin Capital Advisers, Inc.

UNECE - What is a Bankable Project?





UNECE - Where is project – country?



IF NOT, IT CANNOT BE CONSIDERED

END

continue

UNECE – Does the sector qualify?

- ❖ For example, for power projects is it renewable or clean?
- ❖ For energy efficiency, does it reduce energy consumption or shift time of use?

Types of renewable and clean projects: Wind energy, solar energy, hydro-electric, biomass, cogeneration, combined-cycle, fuel switching, geothermal, clean coal, waste-to-energy, district heating and electric, waste fuel, combined heat & power (CHP), efficiency retrofit and related projects and companies.

IF NOT, IT CANNOT BE CONSIDERED

end

continue

UNECE - What is the technology?

- ❖ Is it a known and proven technology?
- ❖ Is it used by others successfully?
- ❖ Is it built by a creditworthy firm?
- ❖ Are the supplier warranties creditworthy?

IF NOT, IT CANNOT BE CONSIDERED

end

continue

- ❖ Is the owner/operator experienced in the sector?
- ❖ Are they financially viable as an operator?

IF NOT, IT CANNOT BE CONSIDERED

end

continue

UNECE - Who are the project owners?

- ❖ Will they invest in the project?
- ❖ Do they have experience with similar project technology?
- ❖ Do they have experience in the region?
- ❖ Do they have a financial incentive to meet/improve on the base case?

IF NOT, IT CANNOT BE CONSIDERED

end

continue

◀ UNECE - Is there a cash generation source? ▶

- ❖ Is there a long term off take contract in place?
- ❖ Does the contract allocate economic and operational risks fairly?
- ❖ Is the payer creditworthy?

IF NOT, IT CANNOT BE CONSIDERED **end**

continue

A project which reaches
this stage
should be bought forward!

NOW THE ISSUE BECOMES HOW ...

- ❖ A project description is needed
- ❖ A financial model will be requested

What is a project description?

What is a financial model?

- ◆ A detailed written description, including the following
 - ❖ The country and location of the project
 - ❖ The sector and how the project fits into the sector
 - ❖ The technology used by the project
 - ❖ Description of the owner/operators
 - ❖ Track record of the operators
 - ❖ Description of the long-term cash generating contracts

- ◆ Summary of the project economics
 - ❖ Revenue
 - Contracted revenues
 - Tax incentives
 - Potential incremental revenue
 - ❖ Expenses
 - Operations and maintenance
 - Management & employees
 - Parts, overhaul / replacement account
 - Fuel
 - Taxes
 - Rent/Lease
 - Cost of Financing

- ◆ Senior Debt:
 - ❖ Has fixed repayment amounts
 - ❖ Has fixed repayment dates
 - ❖ Has a fixed term

- ◆ Mezzanine Debt:
 - ❖ Has unknown repayment amounts
 - ❖ Has a fixed term
 - ❖ Has minimum repayment amounts

- ◆ Equity:
 - ❖ Has unknown dividend payments
 - ❖ Has an unknown term
 - ❖ Has unknown residual value

- ◆ What is self amortisation?
 - ❖ Self amortisation is the single most important factor which allows for the financing of a project to happen, as it defines the base case while it allows for up-side events like an IPO* or trade sale

* IPO = Initial Public Offering of shares in a company

The project generates cash sufficient to repay its debts and provides as acceptable return to equity without a sale or other exceptional event or improvement in contractual terms.

- ◆ It allows a project to happen
- ◆ It grants flexibility to the debt financing
- ◆ It meets investor needs i.e. long-term but worthwhile returns
- ◆ It is not expensive; market rates ensure competitors don't step in
- ◆ It has advantages over equity finance, which can be expensive

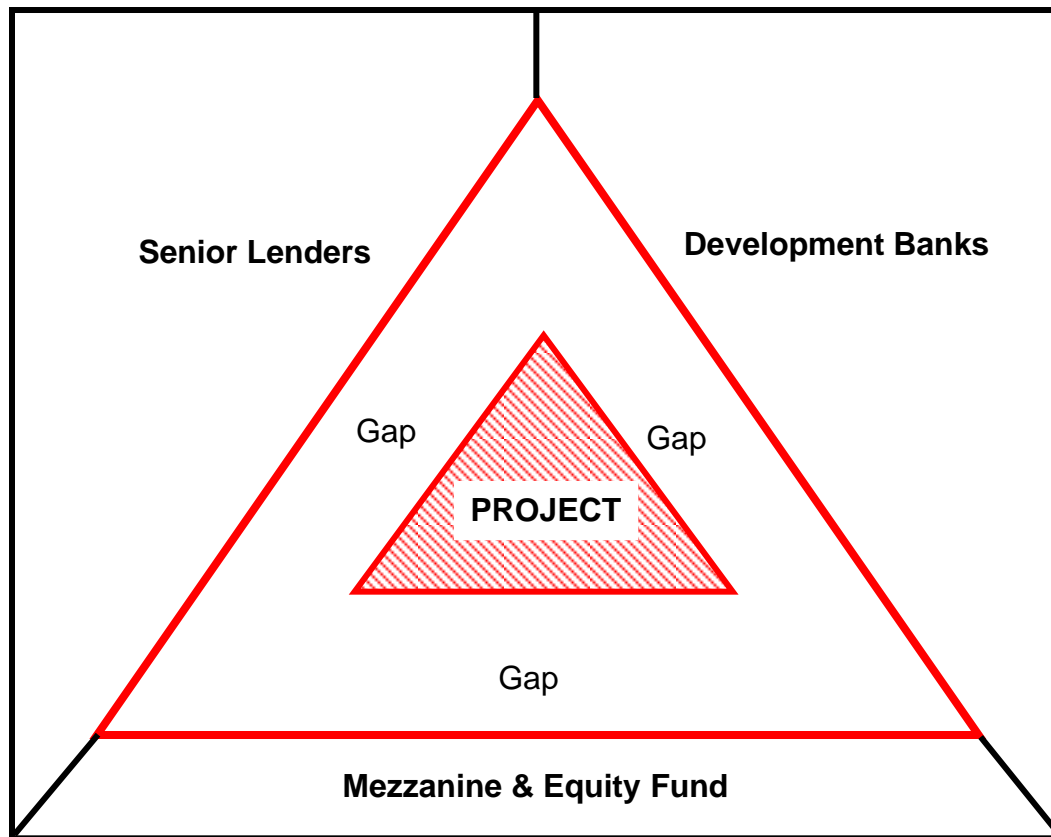
$$NPV = \sum_{t=0}^N \frac{C_t}{(1+r)^t} = 0$$

$$-IN + \frac{C_1}{(1+IRR)^1} + \frac{C_2}{(1+IRR)^2} + \frac{C_t}{(1+IRR)^t} = 0$$

$$EUR7m + \frac{C_1}{(1+17\%)^1} + \frac{C_2}{(1+17\%)^2} + \frac{C_t}{(1+17\%)^t} = 0$$

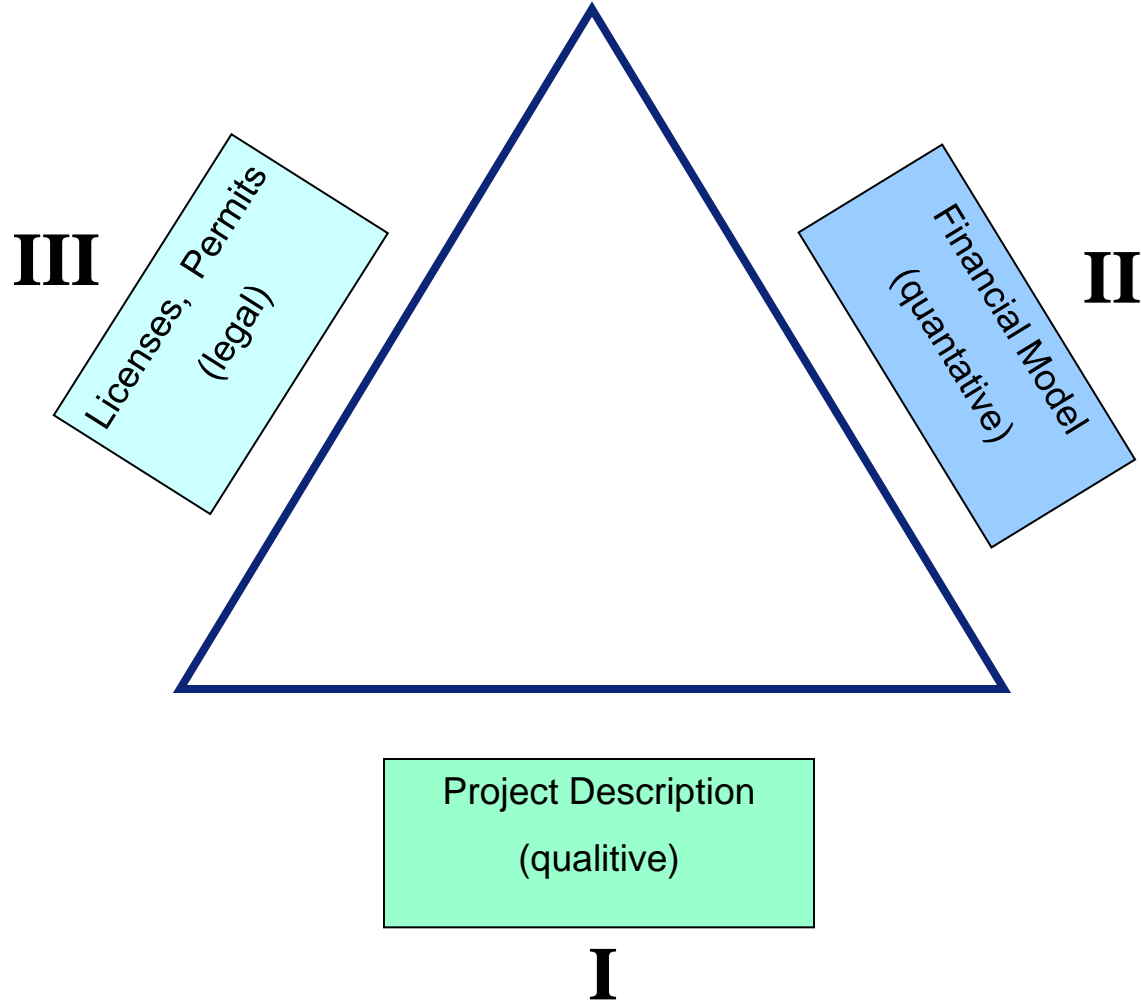
Where C is the post-debt servicing free cash flow.

UNECE – Who produces the project document ?



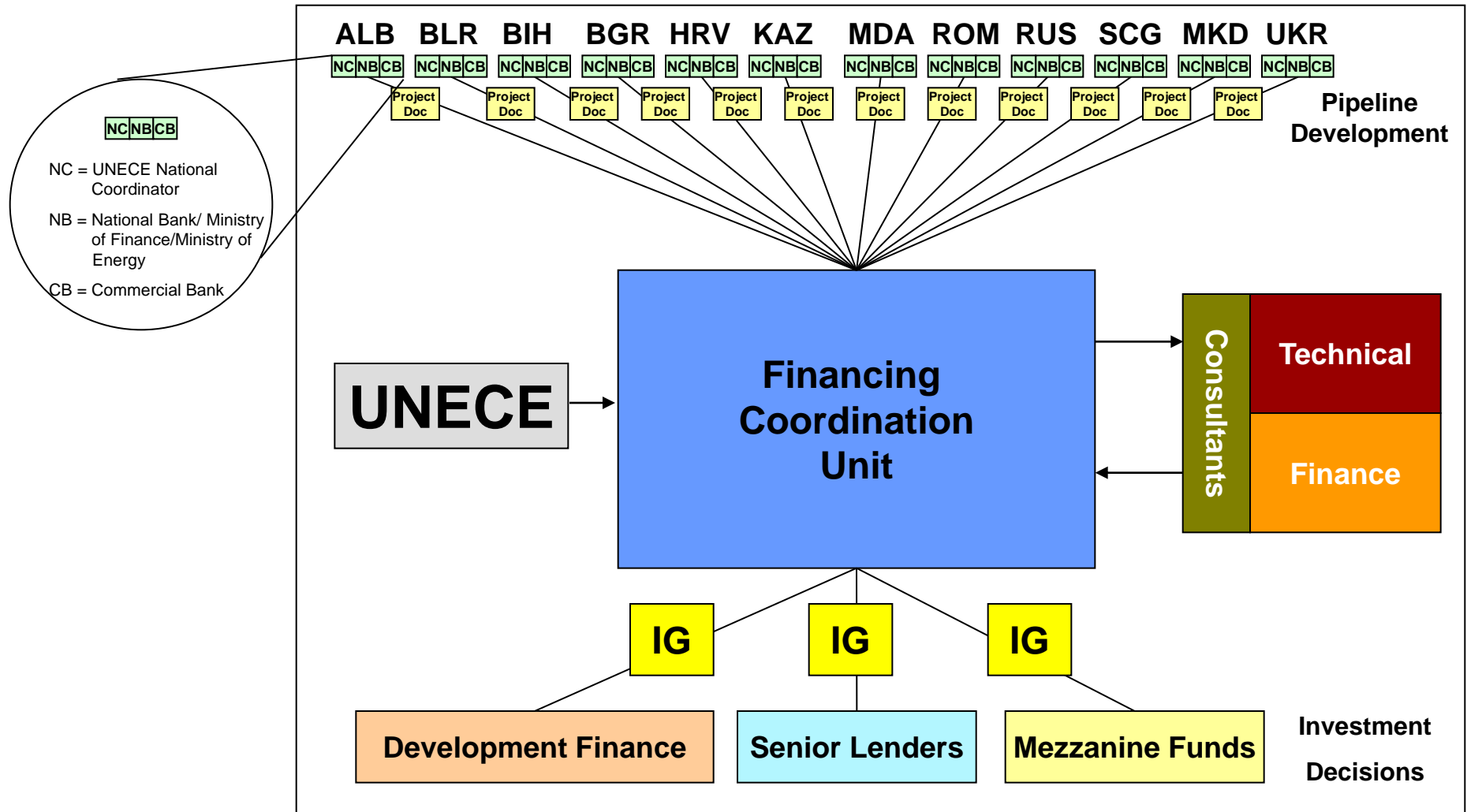
- ◆ Project document development support is key to promote bankable projects
- ◆ Targeted training could be used to maximum effect here

UNECE – Who coordinates which comes first ?

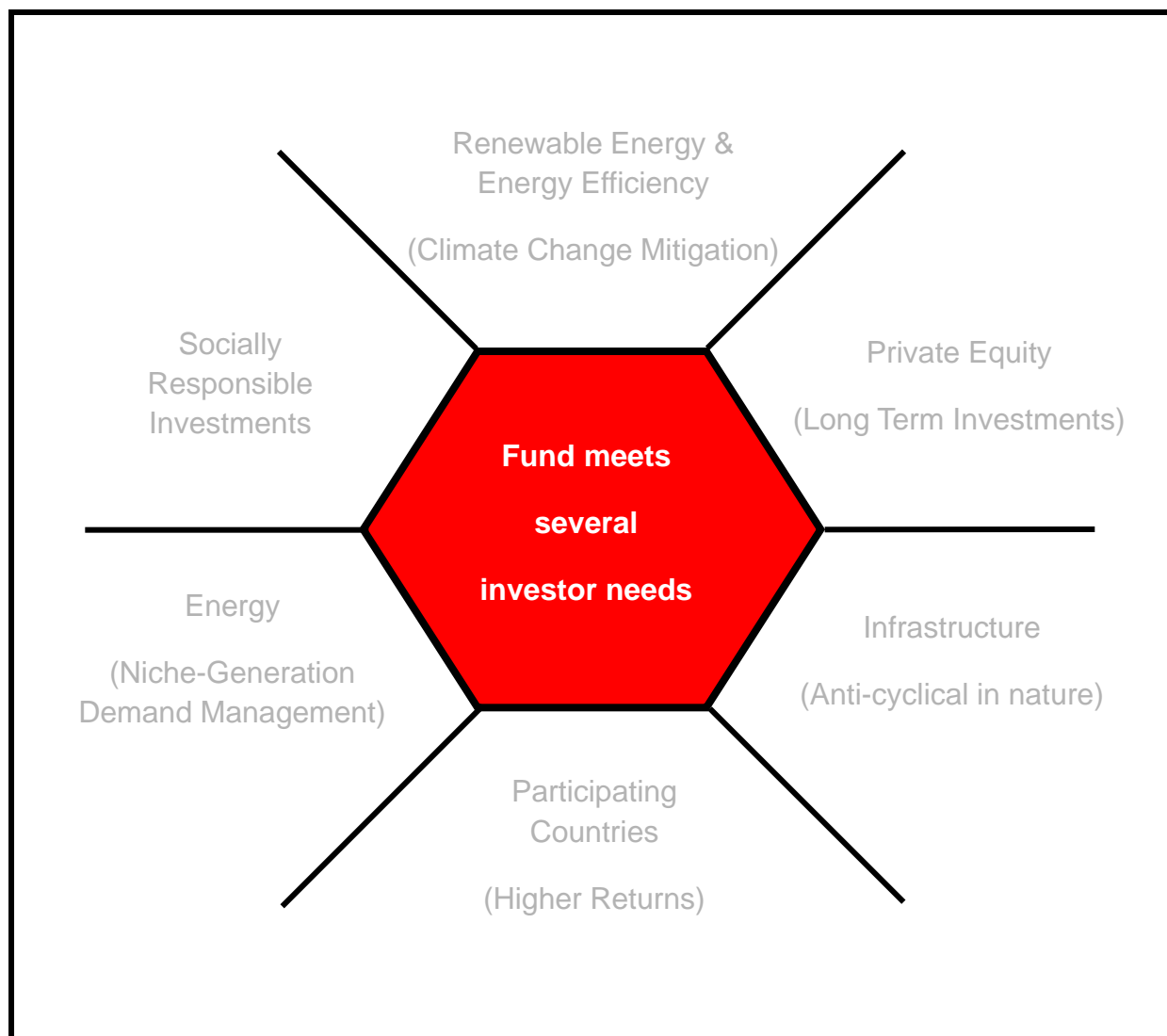


- Feasibility Studies

UNECE – The UNECE Solution



- Project Doc = Project Document
- IG = Investment Guidelines



- ◆ National economies benefit from greater supply efficient i.e. lower cost
- ◆ Society benefits from good resource allocation, more from less
- ◆ Efficient regulatory structures permit more projects to be built
- ◆ Efficient financial structures encourage asset transfers to the most efficient operators

www.feei.info

<http://www.unece.org/energyefficiency.html>

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FCA Firm Reference Number: 189316

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Registered Office : 55 King William Street, London, EC4R 9AD

Markus van der Burg
Alternative Investments

Tel: + 44 20 7337 1931
Fax: + 44 20 7337 1941

E-mail: Markus.vanderBurg@conning.com

Conning Asset Management Limited
55 King William Street
LONDON EC4R 9AD
United Kingdom