Preparing for Financial Close (Project Finance)

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Preparing for Financial Close
(Project Finance)

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What is Project Finance?

• We define project finance as the ability to raise funds to finance an economically viable capital project.
  ✓ Debt Capital
  ✓ Equity Capital

• The providers of these funds look to the cash flow (not Income Statement):
  ✓ To service their loans (payments)
  ✓ For a return on their invested equity (dividends)

Rich Dad’s Guide To Investing

➢ Basic Rule Number Seven

➢ The most important issue here is not return ON investment. The most important issue is return OF investment. Security of capital is very important.
  By Robert T. Kiyosaki

Cash on Cash Return!!!!
COMPREHENSIVE BUSINESS PLAN

- Markets
  - Who
  - What
  - How Much

- Management
  - Board or Local Leadership
  - Operational

- Money
  - Capital
  - Cash Flow

ITEMS TO CONSIDER WHEN PLANNING A VALUE-ADDED PROJECT

1. Total cost of plant, property and equipment (PP&E)
2. All pre-production, organizational and general operating funds through the end of construction
3. Beginning working capital, (cash to cover outflow of funds so you do not overdraw your bank account)
   - Plan to have 40-60% equity

Proving the Money

- Balance Sheet
- Income Statement
- Statement of Cash Flows
- Changes in Financial Statements

What does this tell us?

- Profitability: Ability to generate earnings/savings.
- Liquidity: Measures short-term cash flow ability.
- Solvency: Indicates long-term financial health and stability.
- Efficiency/Coverage: Suggests how well things are done.
KEYS TO SUCCESS

- Leadership - local investors, partners, project manager
- Excellent management
- Sound business and marketing plan
- Excellent risk management plan and execution - solid contracts
- Well capitalized to cushion unplanned adversity
- Communication with investors: frequent, open, honest
- Remember to focus on value of your stock, not just return to products committed
- Remember you are no longer a commodity or livestock producer, but an added value processor

“Running a company is easy when you don’t know how, but very difficult when you do.”
- Price Pritchett

Where do we go from here?

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