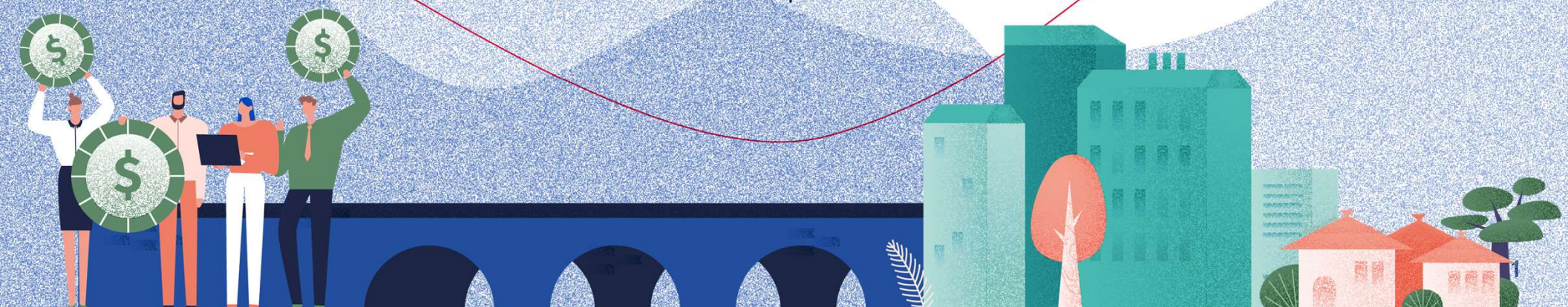


How to develop bankable and investment-ready projects: Business plan preparation

14- Sept-2021





Objectives of the Business Plan

- ❑ **Who?** Project Sponsors and Key stakeholders
- ❑ **What?** Inputs & Outputs, Project Structure
- ❑ **Why?** Why Invest? Investment period and financial returns?
- ❑ **Where?** Implications of location - regulation / local barriers & advantages
- ❑ **How?** Technology / Logistics / Operations
- ❑ **When?** Where are we now? What needs to happen to become operational?
- ❑ **What If?** Risks / Scenario Analysis

Key Contents of the Business Plan



Project Rationale

- What is the (unmet) demand that you are meeting?
- Why do customers need you for that?
- Do the Customers have ability and willingness to pay? How?
- What is the growth potential and why?
- How you manage price and margin pressure?
- What are your market barriers?
- Are there regulatory / fiscal incentives or barriers?
- Create interest for investors on financial attractiveness
- What are your competitive advantages

Investment Ask structure

- ❑ Form of Investment / Financing Ask Amount
 - Equity / Debt / Mezzanine / Convertible etc

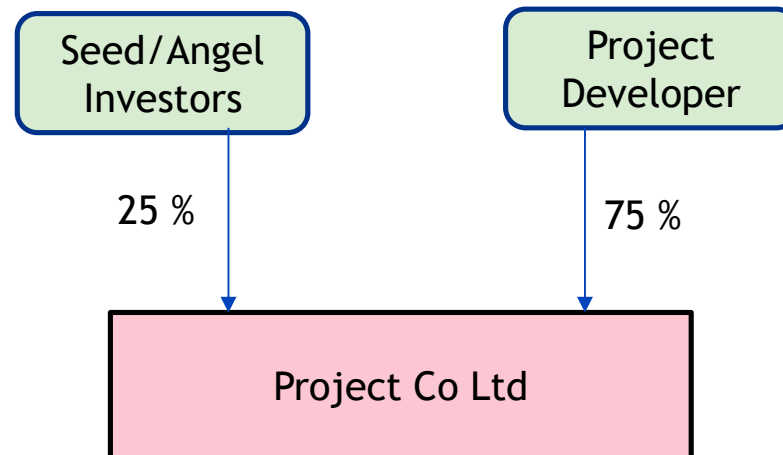
- ❑ Investment Structure
 - What is the Investment Vehicle?
 - Who is the Borrower?

- ❑ Capital Structure
 - Equity - Debt ratio
 - What is your skin in the game?
 - Use of Funds
 - How has the project / business been funded to-date?
 - Source & Application of Funds (Opening Pro-Forma Balance Sheet)

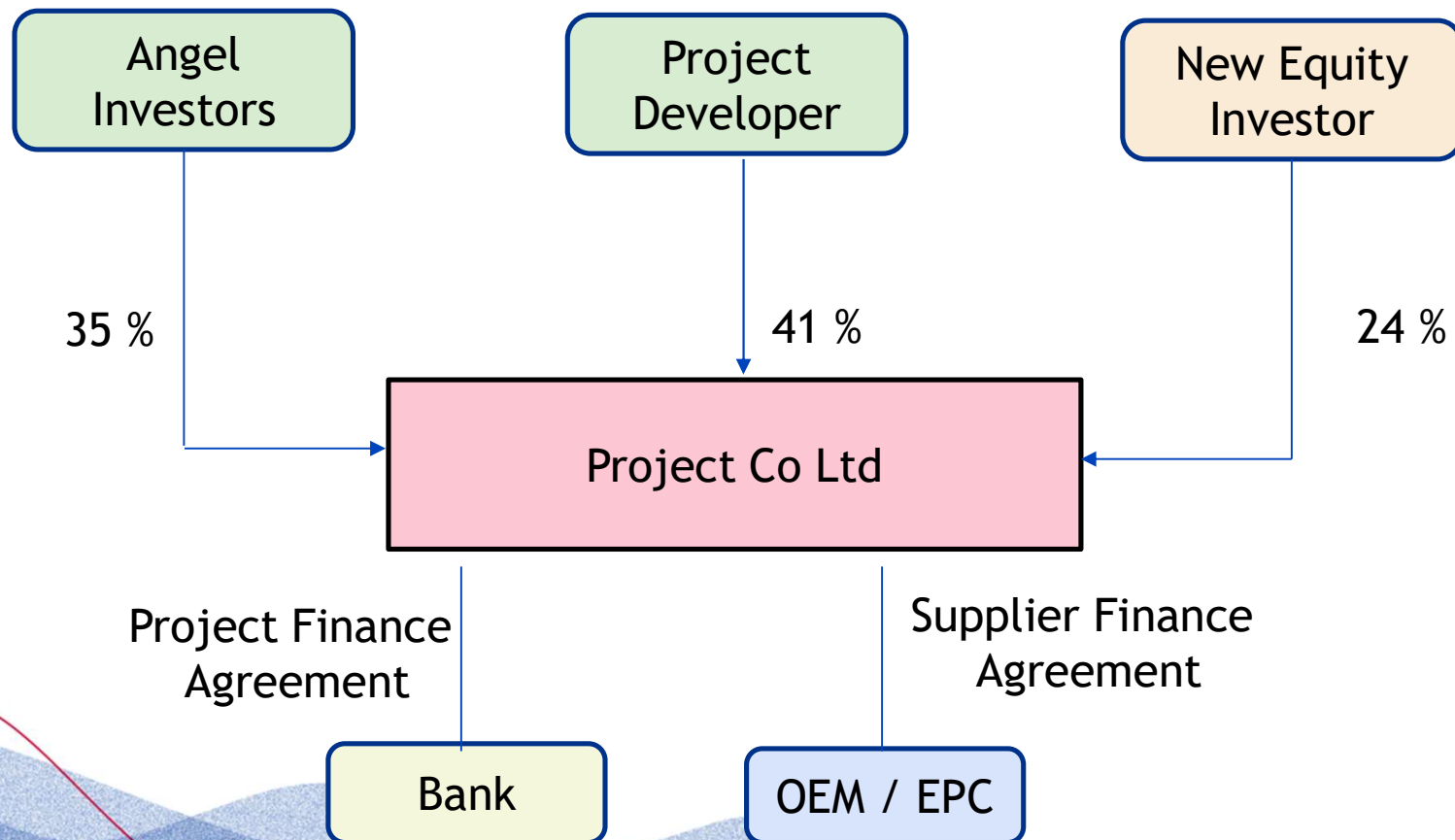
- ❑ Valuation - what % participation is being offered?

- ❑ Exit / Repayment

Pre-Investment Structure



Investment Structure



Source & Application of Funds



Source of Funds	USD	%	Use of Funds	USD	%
Equity			Project Development		
Project Developer (Cash)	350,000	4%	Soft Costs	50,000	
Project Developer (Contribution)	50,000	1%	Technical Study	50,000	
Angel Investor	350,000	4%	Bankable Feasibility Study	75,000	
			Legal Costs	50,000	
New Equity Investor	2,250,000	23%	Travel Costs	50,000	
			Consultancy Costs	25,000	
Total Equity	3,000,000	30%	Salaries	102,500	
			Total Project Development Costs	402,500	4%
Senior Debt Financing			Capex		
Project Finance Loan	7,000,000	70%	Technology Licence	1,500,000	
			EPC Contract	5,500,000	
			Construction of Infrastructure	1,000,000	
			Total Capex	8,000,000	80%
			Contingency Reserve	500,000	5%
			Financing Costs		
			Financing Fees	367,500	
			Rolled Up Interest	630,000	
			Legal Fees	100,000	
			Total Financing Costs	1,097,500	11%
Total Sources of Funds	10,000,000	100%	Total Uses of Funds	10,000,000	100%

Exit Strategy

- ❑ Equity Investors will expect a viable exit strategy to realize the value of their investment within an acceptable timeframe
 - Selling the stake to other (strategic) investors in the sector
 - Selling Back to the Developers
 - Earn out & self liquidating schemes
 - Capital Markets - Green Bonds & Securitizations
 - IPOs (but not yet common in the CE & climate space and limited to some more sophisticated markets)
 - Running the project as a long term cash annuity (but will not be attractive to PE or venture funds)

- ❑ The Exit strategy for a lender is the capital and interest repayment plan

Business Model

- ❑ Business models can be broadly categorized as follows:
 - ❑ Ownership models, which focus on financing and risk mitigation concerns;
 - ❑ Service models, which focus on providing specified services and highlight different methods of operation and maintenance.
- ❑ Who are the counterparties and how reliable / credit worthy are they?
- ❑ What are the revenues and how do they flow? How robust?
- ❑ What are the contractual & commercial arrangements?
- ❑ Pricing Strategy
 - ❑ Guaranteed savings (Consumer financed)
 - ❑ Pay as you save (ESCO financed)
- ❑ How will you sustain & grow?
- ❑ Regulatory Environment & Incentives
- ❑ Use & Diagram

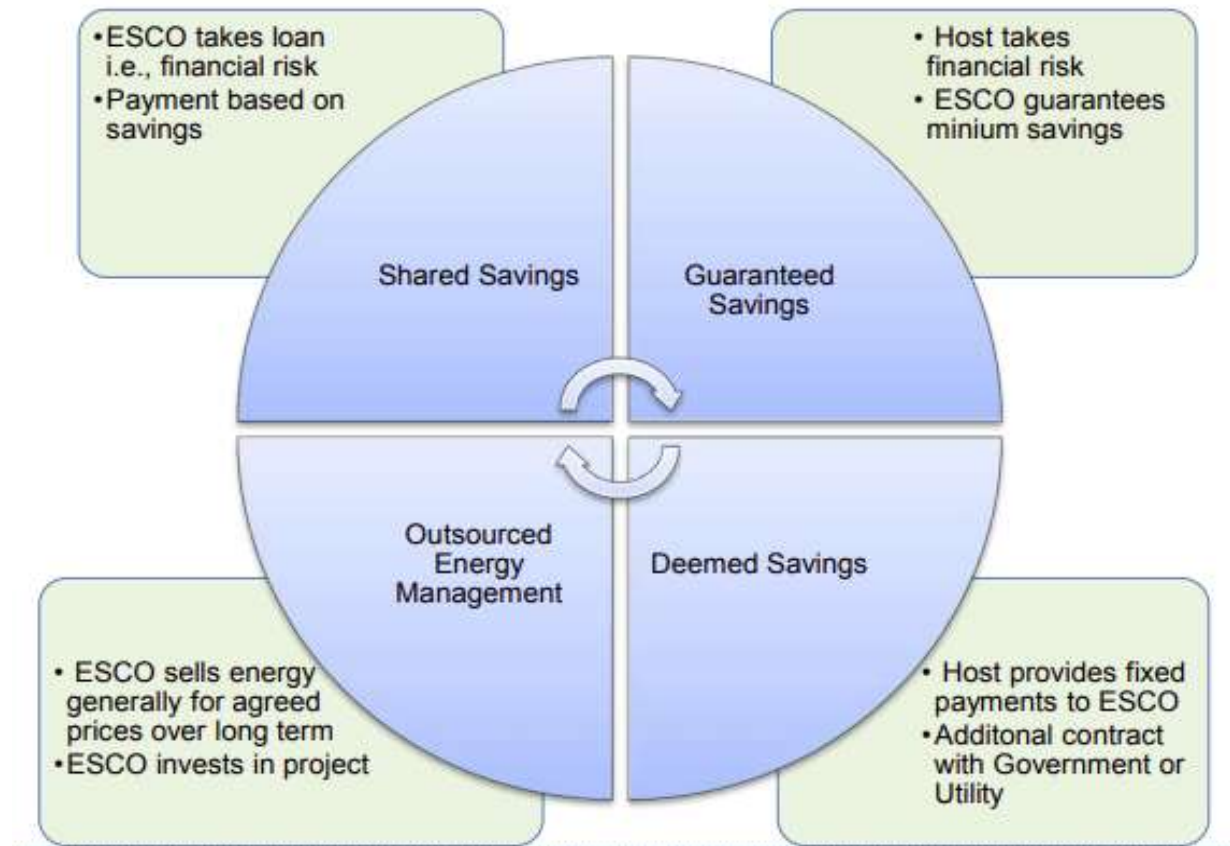
Investors scanner on business model

- What is the value add of the project?
 - Project Rationale (Why?) - target market?
 - Target addressable market and customer segment ?
 - For how much? - Size of Market & Returns

- Reasons to invest in the Project?
 - Captive Market?
 - First Entrant (early mover advantage)?
 - Growth Potential?
 - Long term, stable cash flows / revenue streams?

- Uniqueness to the project
 - Delivery Method or Service
 - Technology
 - Organisation
 - Location

Suitable Business models



Developer's Capability & Management

- Demonstrate the Execution Capability of Senior Management
 - CVs / Biographies / Experience & Track Records

- What is the creditworthiness of the Investment Vehicle?
 - If it is a going-concern provide audited financial statements (P&L / BS)

- Show Delivery Capability of Partners & Contractors
 - Financial Summaries / Credit Ratings
 - Delivered Projects & relevant Experience

- Show that you have the balance of skills to deliver the project / business plan
 - Identify gaps and explain how you will fill them
 - Identify any Training needs

- Avoid generic Org-charts & Diagrams



Implementation Plan Timeline

- ❑ What has already been achieved and what remains to be done?
 - ❑ Identify the key project milestones on a timeline
 - ❑ (key documents / approvals / licenses / selection of EPC / energy Performance Contract/ start of operations etc)

- ❑ Who does what with what resources and when?

- ❑ What are the internal conditionality's and dependencies?

- ❑ Use a diagram

- ❑ Be realistic in planning



Operations & Logistics

- ❑ How the project will be operated on a day to day basis and by whom?
 - ❑ Identify the key components of the value chain
 - ❑ Describe key procedures - are SOPs in place?

- ❑ What are the commercial arrangements of the key operational contracts / logistical arrangements?
 - ❑ Energy savings agreements
 - ❑ Sales Contracts
 - ❑ Operating Licenses & Approvals
 - ❑ Where are the bottlenecks

- ❑ Where are the sustainability safeguards & reserves?

Operations & Logistics (cont..)

- How are Revenues collected?
 - What are the contractual arrangements?
 - How reliable are the payments?
 - What are the implications for the Cash flow?

- What is the cost structure of the business / project?
 - How are costs controlled?

- What are unit costs and margins? Where is the breakeven point?

- How is quality controlled and assurance?

Market Analysis

- ❑ PFAN Research has demonstrated that developers who demonstrate a deep understanding of their markets / industry sectors have a better chance of success

- ❑ Identify your market
 - ❑ What are the market drivers and dynamics?
 - ❑ What is the regulatory environment?
 - ❑ What is the Total Addressable Market and what is your targeted share?

- ❑ Who is the competition?
 - ❑ How do you compare and what are your competitive advantages?
 - ❑ What are the technology threats?
 - ❑ How can you create and sustain barriers to entry? How might these barriers be disrupted?

- ❑ Consider using a SWOT / Porters 5 Forces Analysis
 - ❑ This is not a substitute for a risk analysis



Financial Model & Analysis

- ❑ Encode the Business Plan in a Financial Model
 - ❑ Provide the original Excel File and don't hide the formulae
 - ❑ Don't provide PDFs or word documents
 - ❑ Provide P&L, BS and Cash flow Sheets
 - ❑ Provide cash flows for both Equity & Debt Providers as appropriate as well as overall Project Cash flows

- ❑ Provide a summary of the assumptions in the model and in the BP document
 - ❑ Make sure the assumptions correlate to the statements in the BP

- ❑ Introduce the Financial Model in the BP document and explain how it is constructed and how it can be navigated so that users can easily understand and use it

Risk Analysis Scenario Analysis

- Create a risk catalogue for your project / business
 - How likely is each risk to occur?
 - What is the effect of each risk occurrence?
 - How can you mitigate each risk?

- Focus on the key risks that will seriously impact your project / put you out of business
 - These will probably correlate to your critical success factors

- Model the effects of the key risks in downside scenarios
 - What are the thresholds of tolerance - ie before you go out of business?
 - How long can the business withstand a risk occurrence?
 - Do not model general economic downturns (unless this is the major risk)

Key risks and mitigations

- Operational phase risks
 - Performance risk
 - Changes in host's facility and operations
- Technical risks
- Performance contract - Measurement and Verification
- Intellectual property protection
- Key persons risks
- Financial risks like-credit risks, interest rate risks
- Competition
- Underlying sector risks
- Regulatory changes

Development & Social Impact

- ❑ What are the Environmental Impacts?
 - ❑ Summary of EIA (if available)
 - ❑ Don't "greenwash" real environmental impacts

- ❑ Quantify CO2 e reduction / mitigation potential

- ❑ What are the Climate Adaptation Benefits?
 - ❑ Increased Climate Resilience / Decreased Climate Vulnerability
 - ❑ Quantify if possible

- ❑ Quantify and describe other SDG Impacts
 - ❑ Job Creation / Poverty Reduction
 - ❑ Health / Education / Youth Development
 - ❑ Gender

Conclusion & Recommendation

- ❑ Summaries project / business highlights
- ❑ Be factual and realistic
 - ❑ Use relevant diagrams, charts & pictures
 - ❑ Quantify where ever possible / avoid exaggeration
- ❑ Be clear, concise & direct
 - ❑ Avoid soundbites / hyperbole / buzz phrases / jingoism
 - ❑ Use simple straightforward language
- ❑ Underline principal benefits & returns
- ❑ Target your audience
- ❑ Emphasize reason to invest and recommend the investment



Thank you

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