

# Project finance modelling

## Training course

[kpmg.com/uk/modelling](https://kpmg.com/uk/modelling)



## Course overview

KPMG UK's Financial Modelling team has been at the forefront of financial modelling for over 20 years, providing bespoke, high quality modelling solutions to a range of clients. The model build approaches and techniques covered in this course mirror those applied by KPMG modelling staff on client engagements.

KPMG's Project Finance Modelling course follows a highly interactive format consisting of a two day instructor led demonstrations, group discussions, and both individual and team based practical exercises. Participants will be introduced to the concepts of project finance and different types of project finance models, and will explore the commercial and financing considerations around such transactions with suitable approaches for incorporating them into an integrated financial model.

At the end of the two days, participants take away a comprehensive set of materials including instructions and solutions to all of the exercises covered during the course, so that they can be repeated if required.



## Target audience and prerequisites

The course is suitable for individuals looking to refresh or improve their model building skills to an advanced level in the context of project finance transactions.

Ideally participants should have at least two years of project finance experience or one year of experience in building financial models.

Participants should also come with strong Excel skills, an understanding of basic financial and accounting concepts and be able to compile a simple set of financial statements.



## Course objectives

### The key objectives of the course are to:

- Help participants understand the main concepts of project finance including project structures, stakeholders and typical features.
- Cover all the core modelling components for the construction and operating phases of a project, supported by hands on exercises.
- Show participants how to tailor the model workings and outputs to key stakeholders requirements and mirror the agreements that are in place.
- Demonstrate how project finance models should deal with uncertainties such as timetable delays.
- Show participants how to overcome the typical circularities that may arise in project finance models.
- Improve the Excel modelling knowledge of participants, taking their skills to a more advanced level.



# Detailed course content

The following areas are covered over the two days:

## 01 What is project finance

- Key features of project finance, the main stakeholders and different project structures.
- Types and uses of project finance models.
- Comparison to corporate finance.

## 02 Recap of modelling best practices

- Overview of the model development process.
- Typical order of construction when developing a project finance model.
- Recap of integrated financial statements and the 'control account' methodology.
- Recap of leading financial modelling approaches.

## 03 Timing related calculations

- Modelling the construction and operating phases of a project using different periodicities.
- Use of flags to incorporate timing flexibility, partial periods and delay scenarios.
- Use of indexation factors.

## 04 Construction phase modelling

- Treatment and capitalisation of different asset classes.
- Deriving the funding requirement for a project, serving the requirement using different sources and drawdown orders and dealing with potential circularity issues that may arise.
- Debt sizing and modelling of financing costs including one-off and ongoing fees.
- Public funds that may be available.

## 05 Operations phase modelling

- Overview of availability payment type models.
- Modelling a cash waterfall structure in line with lender agreements.
- Non-sculpted vs. sculpted debt repayments.
- Calculation of different reserve accounts and debt ratios that may be required by lenders.
- Simplified corporation tax and deferred tax calculations (note that no tax advice will be provided during the course).
- Returns to equity investors and possible restrictions on distributions.

## 06 Outputs and optimisation

- Key outputs required by funders and sponsors and stress testing against these.
- Running optimisation procedures in models including the levers that may be available and the outputs to focus on.

## 07 Visual Basic and model testing

- Brief introduction to Visual Basic for constructing loops and creating 'copy and paste' macros to avoid circularities.
- Stress testing a financial model and tips & tricks for checking the robustness of a model's calculations.

## Contact us:



**Wayne Kennedy**

**Partner**

**Modelling**

**T: +44 (0)78 1780 5267**

**E: [wnt.kennedy@KPMG.co.uk](mailto:wnt.kennedy@KPMG.co.uk)**

For further information about the course, please contact the following:

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



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Document Classification: KPMG Public

CREATE: CRT152151C