



# Structuring Valuable Port PPP's

Intermodal Africa

Wednesday 28 March 2018



**Cornelder**  
de Moçambique S.A.





# Agenda

## Introduction to MTBS

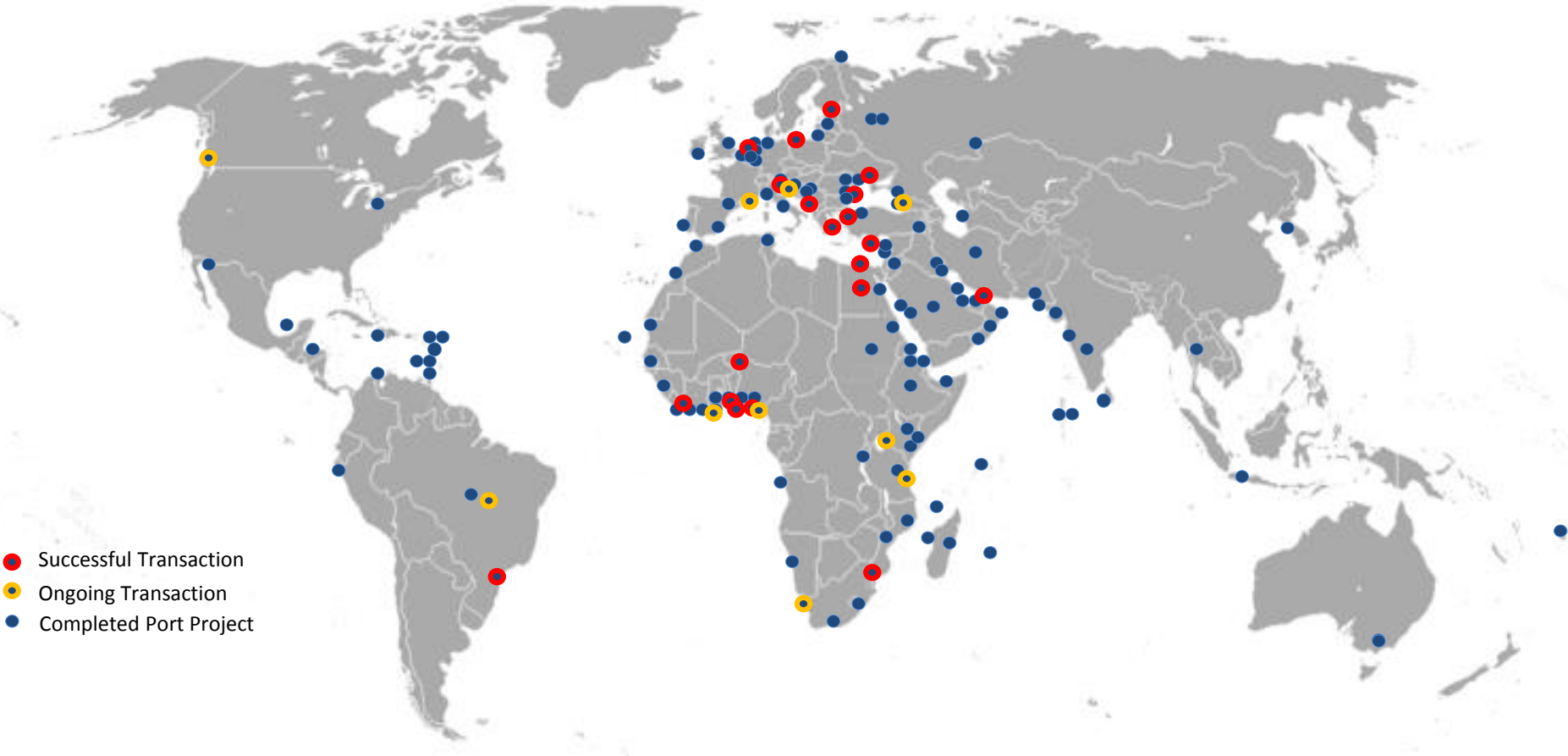
South/East African Market and Port developments

Value optimization: Lessons learned

Conclusions

# MTBS: Maritime & Transport Business Solutions

Specialised in Port PPP Projects. Global Portfolio, African Market Leader.



# MTBS's Clients in the Port & Infrastructure Sector

Comprehensive Project approach thanks to a diverse Client Base

| Authorities | GTOs | Industrials | Governments | IFIs | Banks |
|-------------|------|-------------|-------------|------|-------|
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# MTBS Closed Transactions - recent

mtbs Commercial Advisor 

**China Merchants Port Holdings**  
Buyer's Due Diligence




for the acquisition of 90% of



CMPort's first investment in Latin America



*Deal size USD 925 million*

2017

mtbs Transaction Advisor 

**Berbera Port Authority**  
Somaliland

Privatisation of Marine Services Berbera Port

**THE WORLD BANK**

Corporatisation and Concession  
Implementation Advisory Services

*deal size USD 10 million*

2017

mtbs Commercial Advisor 

**Port of Vado Ligure, Italy**

Commercial advisory to




COSCO Group & Qingdao Port International

For the acquisition of 49.9% shares in Vado  
Holding

*deal size EUR 66.1 million*

2016

mtbs Financial Advisor 

**King Abdullah Port**  
Kingdom of Saudi Arabia

Lenders' Due Diligence for




for the provision of an Islamic Bank Loan for



*Loan size USD 720 million*

2015-2016

mtbs Transaction Advisor 

**Container Terminal**  
Port of Limassol, Cyprus

Bid preparation for



**INTERORIENT** East Med Holdings S.A.

*Winning bid*

*Deal size confidential*

2015 - 2016

mtbs Commercial Advisor 

**Port of Piraeus, Greece**

Commercial advisory to




COSCO Group

For the acquisition of 67% shares in  
Piraeus Port Authority


*deal size EUR 368.5 million*

2016

mtbs Commercial Advisor 

**Kumport, Turkey**


Commercial advisory to



For the acquisition of shares in the terminal



*Deal size confidential*

2014-2015

mtbs Transaction Advisor 

**Dry Port, Niger**

Transaction Advisory Services to

for the concession of

**La Concession globale du Port Sec  
de Dosso  
et de son antenne à Niamey**

*Deal size confidential*

2014



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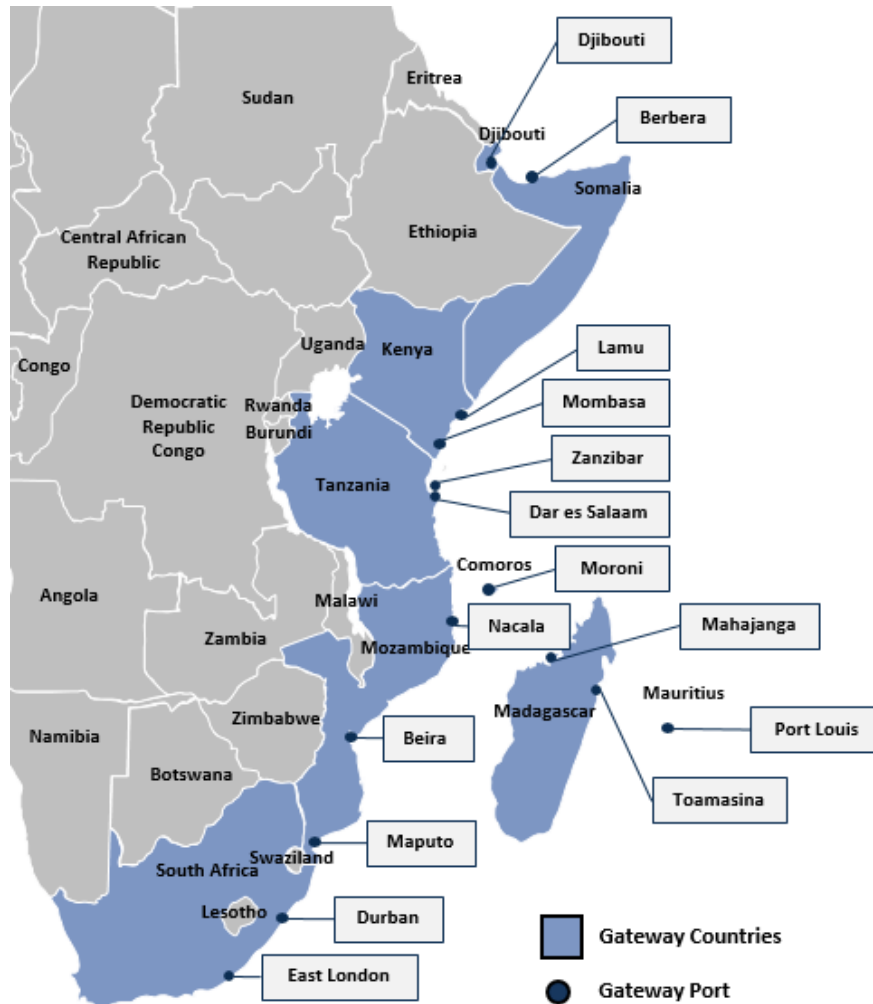
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# MTBS: Regional Port Expert

The World Bank – Ports Assessment Eastern & Southern Africa



## MTBS assigned by The World Bank to prepare:

- an institutional assessment
- a strategic market analysis
- a capacity assessment

for the major ports of the region, given:

- current demand
- current trends in the industry
- the projected macro-economic environment



# Port Management Models


Allocation of responsibilities in various port management models

| Port management model              | Private participation | Regulation        | Infra-structure   | Super-structure   | Equipment         | Labour            | Nautical services |
|------------------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Public service port                | Zero                  | Public            | Public            | Public            | Public            | Public            | Public            |
| Tool port                          | Very low              | Public            | Public            | Public            | Public            | Private           | Public or private |
| Landlord + Public-private terminal | Medium                | Public            | Public            | Public Private JV | Public Private JV | Public Private JV | Public or private |
| Landlord port                      | Medium                | Public            | Public            | Private           | Private           | Private           | Public or private |
| Landlord + DBFM                    | High                  | Public            | Public & Private  | Private           | Private           | Private           | Public or private |
| PDMC                               | Very high             | Public            | Public Private JV | Private           | Private           | Private           | Private           |
| Private port (BOT)                 | Maximum               | Public or private | Private           | Private           | Private           | Private           | Private           |



# Regional Port Management Models

Large variety of port management models in the region  
& clear move towards private sector involvement



| Port management model                     | Regional Examples   |
|---|---|
| <b>Public service port</b>                | <ul style="list-style-type: none"> <li>• Dar es Salaam non-container Terminals, Tanzania</li> <li>• Mombasa Container Terminals, Kenya</li> </ul>   |
| <b>Tool port</b>                          | <ul style="list-style-type: none"> <li>• Zanzibar Port, Tanzania</li> </ul>   |
| <b>Landlord + public operator</b>         | <ul style="list-style-type: none"> <li>• Port Louis, Mauritius</li> <li>• Durban &amp; East London, South Africa</li> </ul>   |
| <b>Landlord + public-private operator</b> | <ul style="list-style-type: none"> <li>• Beira, Mozambique</li> </ul>   |
| <b>Landlord port</b>                      | <ul style="list-style-type: none"> <li>• Mombasa non-container Terminals, Kenya</li> <li>• Dar es Salaam Container Terminal, Tanzania (HPH)</li> <li>• Moroni, Comoros (Bollere)</li> <li>• Toamasina, Madagascar (ICTSI)</li> <li>• Mahajanga, Madagascar</li> </ul> |
| <b>PDMC</b>                               | <ul style="list-style-type: none"> <li>• Berbera, Somaliland (DPW)</li> <li>• Djibouti, Djibouti (DPW &amp; CMP)</li> <li>• Nacala, Mozambique</li> <li>• Maputo, Mozambique (DPW &amp; Grindrod)</li> </ul>  |

# Expected new Port PPP project S/E Africa

Selection of expected/ongoing PPP Port Projects in the region

## Djibouti:

- International Container Terminal (CMP)
- Djibouti LNG Port (POLY-GCL)

## Somaliland:

- Port of Berbera Expansion (DPW)

## Kenya:

- Lamu Greenfield Port (ongoing, construction by CCCC)
- Kipevu Oil Terminal Mombasa (ongoing)

## Tanzania:

- Bagamoyo Greenfield Port (CMP)
- Zanzibar Maruhubi Port (CHEC)

## Mozambique:

- Palma / Pemba Greenfield Port (ongoing)
- Macuse Deep Water Port (Thai Moçambique Logistica)
- Nacala Rehabilitation Project (Portos do Norte)
- Beira Port Expansion (Cornelder de Moçambique)
- Coal Terminal Beira (Essar)
- Container Terminal Expansion Maputo (DPW)

## Madagascar

- Tamatave Deep Water Port (CHEC)

## Mauritius

- Port Louis Island Terminal (ongoing)



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# Value Optimisation: Tailored PPP & Competitive Tender

Use of standard PPPs & tender procedures not a guarantee for success

**Three critical issues need to be addressed, in order to ensure Value Optimisation of the project:**

**1. No one-size-fits-all**

Each PPP Contract is a unique arrangement, tailored to the risk management capabilities of the Grantor and the Concessionaire

**2. Project Bankability**

A feasible PPP project is not always bankable!

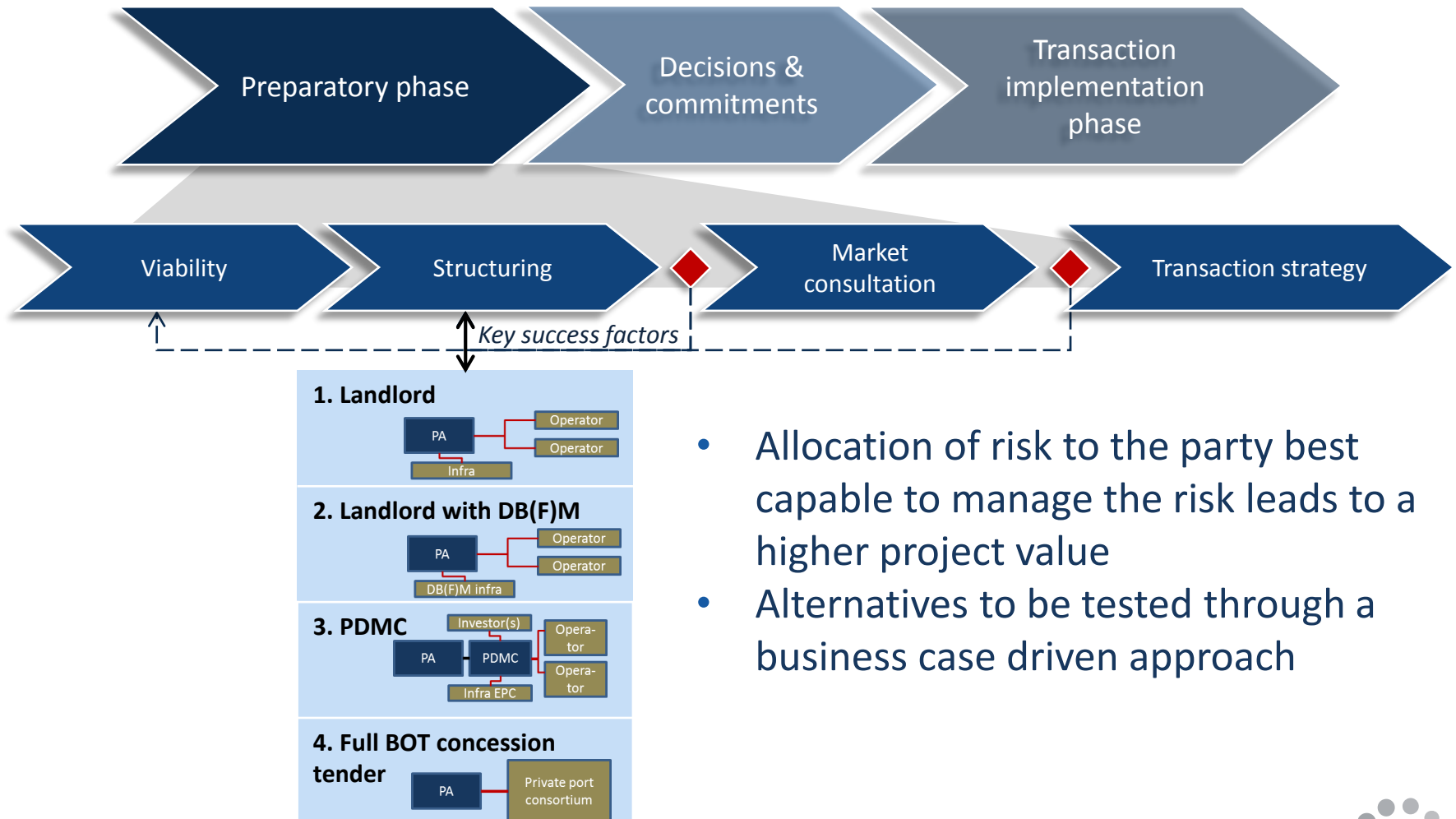
Early awareness and value engineering is required

**3. Assess market interest in an early stage**

Requirements of potential co-investors should be assessed prior to the start of a transaction

# Value Optimisation: Tailored PPP & Competitive Tender

Tailoring of the optimal PPP structure is an important step in transaction preparation

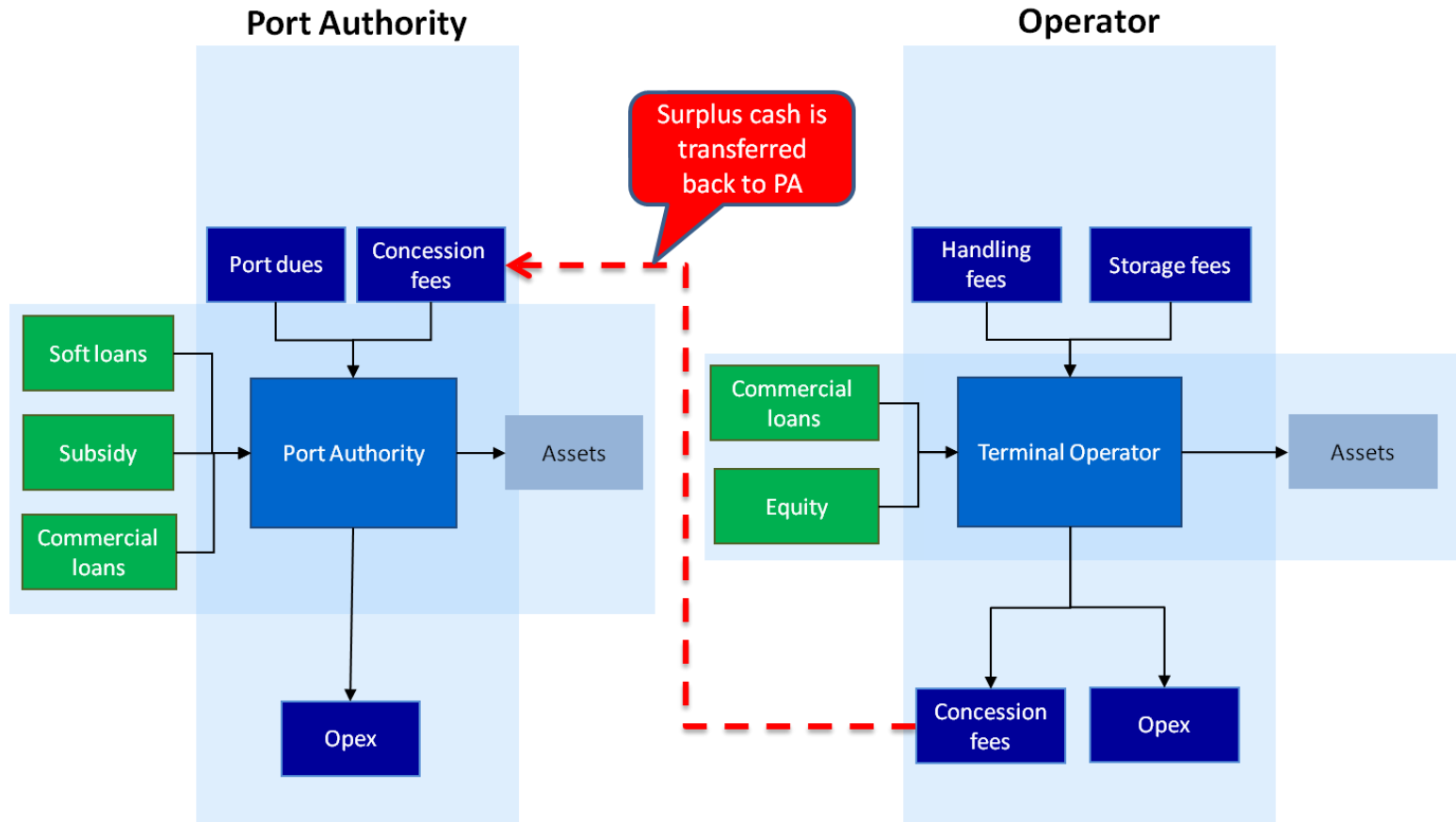


- Allocation of risk to the party best capable to manage the risk leads to a higher project value
- Alternatives to be tested through a business case driven approach

# Value Optimisation: Tailored PPP & Competitive Tender

Tailoring of the optimal PPP structure is an important step in transaction preparation

The better the PPP structure, the more value there is to divide



# Value Optimisation: Tailored PPP & Competitive Tender

Bankability: early awareness is critical

## Feasibility does not always imply Bankability

### Exemplary, non-Bankable Project:

#### Healthy Return:

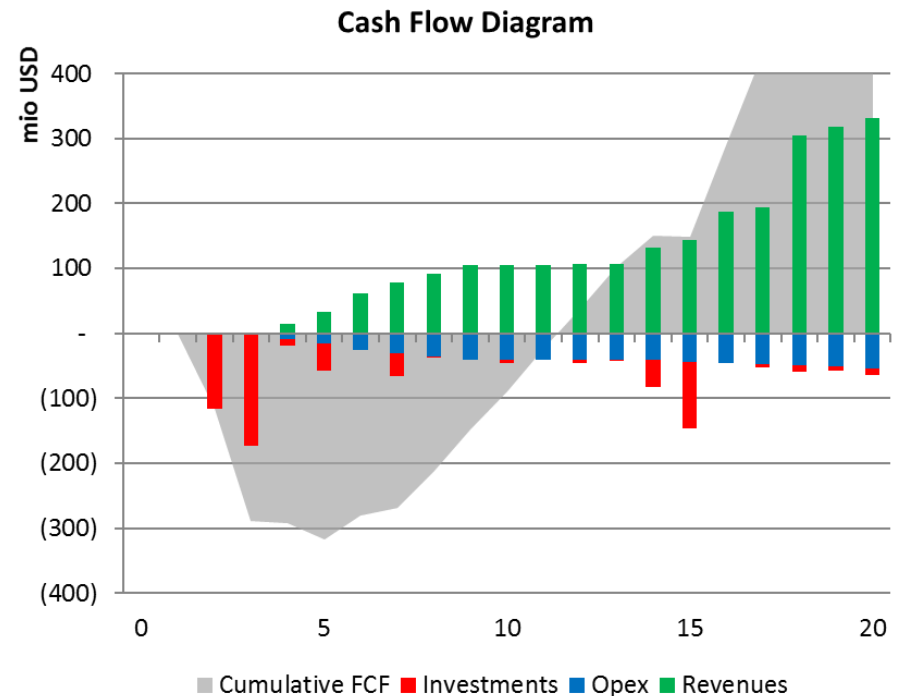
- IRR at 19%
- Project NPV of 300m USD

#### However:

- First positive cash flow: year 6
- Pay-back period: >10 years

#### Project not Bankable:

- Loans often have a tenor of <15 years
- Lenders often require a DSCR of > 1.3





# Value Optimisation: Tailored PPP & Competitive Tender

Bankability: early awareness is critical

## Critical Questions for Bankability need to be asked in each phase:

### Strategy Phase:

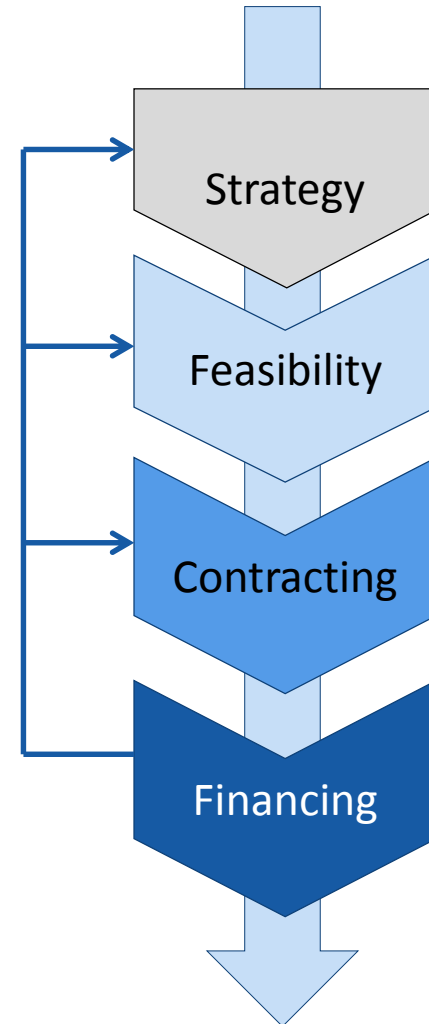
- Demand/Supply development: tailored to the market?
- Long-term development plan: sufficiently flexible?

### Feasibility Phase:

- Robustness of the business case: impact of sensitivities on DSCR?
- Cash flows in first years of operations: sufficient for Debt Service?
- Value engineering: optimal scope and phasing

### Contracting Phase:

- What are the remaining risks for the Project? Can they be mitigated?
- What about Termination/Compensation Clauses?



# Value Optimisation: Tailored PPP & Competitive Tender

Assess Market Interest in an early stage

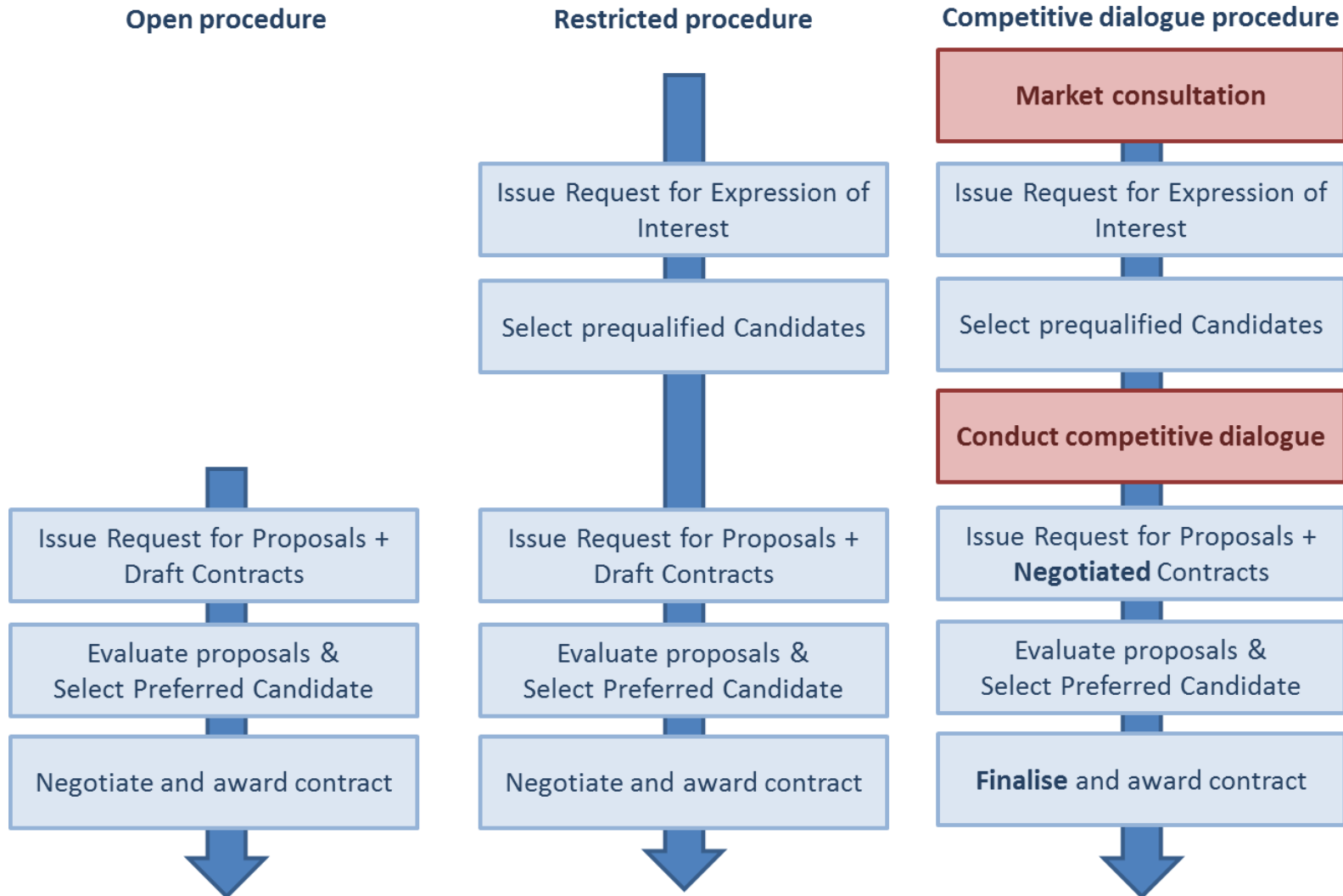
## Market Consultations provide helpful insights:

- What do Investors think of demand potential?
- Anticipated operational configuration / capacity requirement?
- Anticipated risk allocation and upfront investment?
- What is the Investors' overall risk perception of the Project?

**Early assessment of the Investors' views allows for a timely inclusion of relevant factors in the PPP Contract**

# Value Optimisation: Tailored PPP & Competitive Tender

Market consultation and competitive tendering lead to optimal value creation





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# Structuring Valuable Port PPP's

## Conclusions

The region shows a **great variety in Port PPP structures** applied.

Several **new Port PPP's to be structured** in the near future.

For each Port PPP the most valuable structure is to be developed through a **business case driven approach**.

**Early awareness of the Bankability** of the project is important.

**Early market consultation and competitive tendering** lead to optimal value creation.

**PORT & TERMINAL CONCESSIONS COURSE**

# SANDTON

## SOUTH AFRICA

Structuring the Port PPP | Designing the Tender Process | Drafting the  
Concession Agreement | Managing the Concession Agreement in Practice

**24 -25 April 2018**



**BOOK YOUR PLACE NOW**



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[www.portfinanceinternational.com](http://www.portfinanceinternational.com)

# Thank you

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