

JESSICA

Joint European Support for Sustainable Investment in City Areas • Joint European Support for Sustainable Investment in City Areas

JESSICA NETWORKING PLATFORM

**JESSICA product development for Andalucía – Simulating
financial Models**

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Brussels, Friday 12 March 2010



Introduction – Executive Summary

- Context
- Objectives
- Method

Context

- In the Evaluation Study done by AFI, some projects (“Pilot Projects”) were identified.
- In cooperation with AFI, we built a financial Model based on these Pilot Projects.

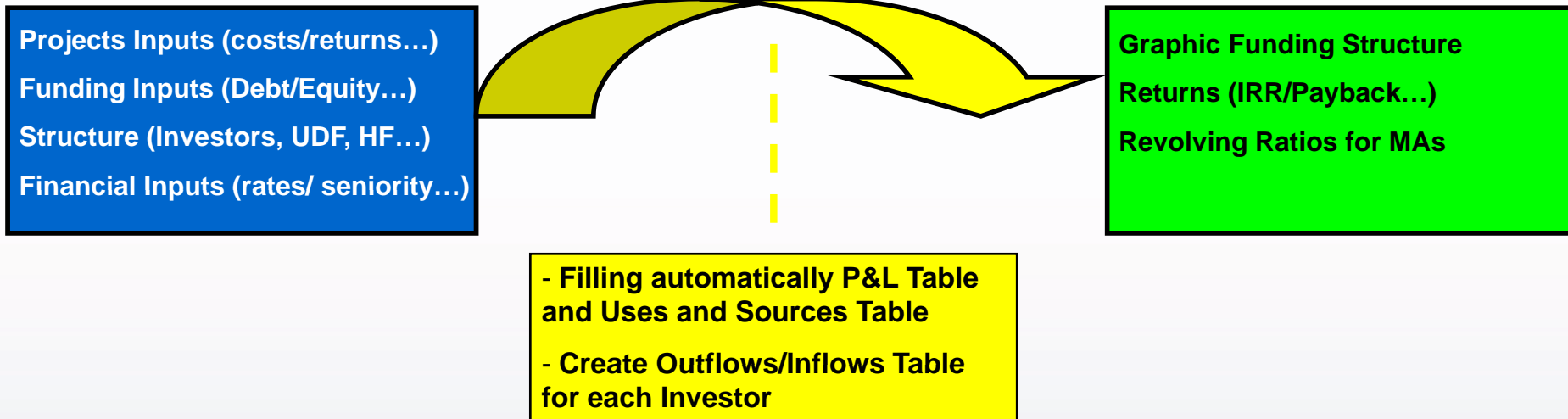
Objectives

- At some point, we needed to precise our product from a financial point of view with a quantitative approach.
- The model should enable us to answer questions made by UDF candidates related to returns, payback, management fees....

Exclusively for internal use, this model aims at giving rough estimate of the returns from a purely theoretical point of view.

Method

Financial Model (Visual Basic Macro)



We opted for a user-friendly modeling method in order build a flexible model easily adaptable.

(Portugal/ Lithuania/ Sicily/ Greece...)

Presentation

- To input the Projects studied from AFI in the Model.
- To set up the detailed financial structure from MAs to Projects.
- Simulations & Results.

Project Level

Pilot Projects identified by AFI:

- Medium-sized city project (Microbuses Eléctricos, Aparcamientos)
- Public building construction ...

There is a very detailed description of the projects in the AFI Evaluation Study Document.

In order to integrate them in the Model, we summarized the data in the “Project Inputs” worksheet.

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Investor Level

The second step is to define the funding inputs: % of Debt, % of Equity, contributions of each investor...

At this stage, we also define the rates (JESSICA Rate/ Commercial Rate) and other financial parameters such as construction margins...

Financial Structure and UDFs inputs

At this stage, we define:

- The number of UDF (3 in the Model)
- The projects financed by each UDF
- The Management Fees of the UDFs
- The Management Costs of the UDFs

HF Inputs and “Launch Simulation”

Finally, once the HF Inputs are introduced, the “Launch Simulation” button will activate the Macro and calculate the outputs related to the inputs.

Playing with the model gives the chance to figure out how each parameter can influence the results.

In the next slide, some basic conclusions coming from the model will be presented.

Iterative Model

Once all Inputs are introduced, the Macro will automatically fill year by year (iterative model) the P&L and Uses and Sources Tables.

Assumption on priorities of repayments:

- commercial debt
- JESSICA Debt
- Dividends

Simulation / Some Basic Conclusions

- Reasonable Number of Projects
- Reasonable MGT Fees
- Influence of JESSICA Rate on revolving ratio:
 - . Jessica rate = 0% → 99% revolving ratio
 - . Jessica rate = 2% → 103% revolving ratio
 - . Jessica rate = 6% → 115% revolving ratio

Other types of analysis possible playing with other parameters. It is important to keep in mind that the results are partly theoretical and come from preliminary assumptions (to be further assessed in detailed business plans).

Questions ???

Evaluation studies published:

http://www.eib.org/attachments/documents/implementation-of-jessica-in-andalucia_en.pdf

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