



The Financial Aspects of PPPs in Turkey

Financing Toll Road Concession – Case Study

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Metin Ar (mar@garanti.com.tr)

Scope of the Motorways and Bridges Privatization

- The toll motorways and bridges were added to the privatization program with the Privatization High Council's decision dated October 15, 2010, will be privatized as a single package through the method of Transfer of Operation Rights for a period of 25 years following the actual transfer date.
- The scope of privatization includes 1,975 km of motorways and two bridges, their connection roads, motorway service areas, maintenance-operation and toll collection units.
- The Motorways and Bridges will be privatized by the Privatization Administration of Turkey in order to better manage the toll motorway network.
- The tender process has started with the announcement of the tender in the Official Gazette on August 25, 2011.
- By this privatization, the awarded party will also have to complete an additional investment requirement of an estimated amount of US\$1.5 billion.

Financing Considerations

- The tender is expected to be awarded around US\$4.5 billion and there will be additional investment requirement for an approximate amount of US\$1.5 billion for the construction of about 200 km of additional toll roads.
- Investment requirements will include;
 - ✓ additional lane investments,
 - ✓ toll booth investments,
 - ✓ connection road investments,
 - ✓ additional maintenance units and control center investments.
- The total size of the transaction will be around US\$6.0 billion of which US\$4.2 billion will require financing.

Possible Financing of the Transaction

- Payment of the Acquisition Cost is assumed to be made by a (one time) down payment mechanism rather than term payment mechanism. The current terms and conditions of financing:
 - Acquisition Loan: US\$3,5 billion
 - Utilization: one-shot at the closing & signing of the Concession Agreement
 - Equity: Remaining Acquisition Cost shall be provided by equity at the closing & signing of the Concession Agreement
 - Tenor: up to 15 years (local banks), 5 – 9 years (international)
- 3 years ago the possible terms and conditions of financing for this Transaction were as follows:
 - Same
 - Same
 - Same
 - Same

Possible Financing of the Transaction (cont'd)

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| <ul style="list-style-type: none">▪ First repayment: 6 months or one year after the drawdown▪ Amortization: Back loaded - average maturity max. 10.5 years▪ Cash Sweep: 80% until final maturity is down to 12 years, 50% afterwards▪ Margin: LIBOR + 500 – 700 bps▪ Arrangement Fee: [2.00%] flat payable at the signing of the Loan Agreements▪ Commitment Fee: 30% of the Margin▪ Base case DSCR: 1,20 – 1,40 x | <ul style="list-style-type: none">▪ Same▪ Amortization: Back loaded - average maturity max. 8 years▪ Cash Sweep: 25% years 1-3, 50% years 4-5, 75% years 6-7▪ Margin: LIBOR + 400 bps▪ Same▪ Same▪ Same |
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Etiler Mah. Tepecik Yolu, Demirkent Sok. No:1 Etiler Beşiktaş – İstanbul / Turkey

Phone: +90 212 384 10 10 / Facsimile: +90 212 352 42 40

www.garantisecurities.com