

Key Elements of Advisory Services in Port Business for a Successful Financing Process

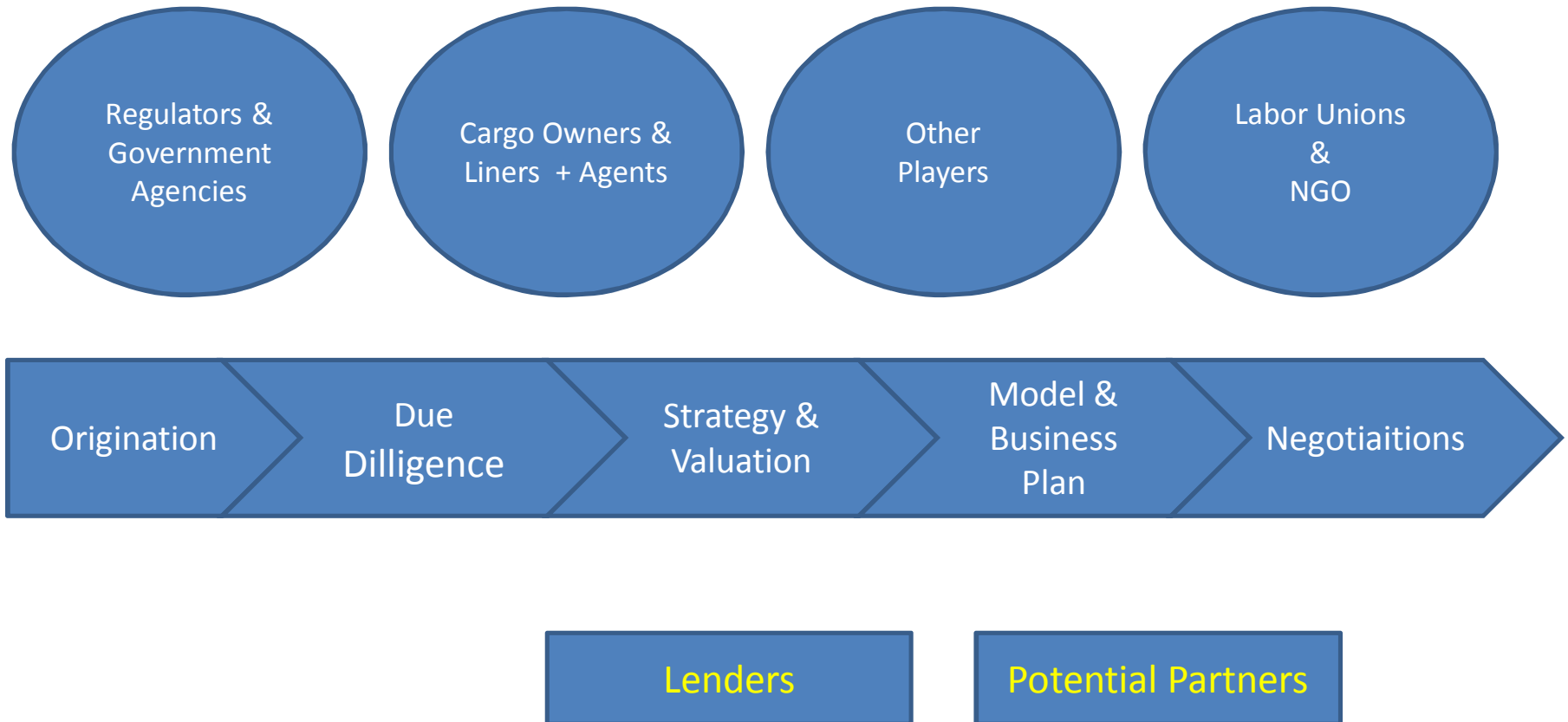
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The Process and the Advisor



Each sizeable M&A and/or privatization process is originally a project finance deal

Advisor's ROLE

- Process Management & Coordination
- Origination & Marketing
- Construction of the Strategy
- Review of legal framework
- Preparation (or Analysing) of Tender Documents & Reports & data room
- Performing Due Dilligence
- Coordination of Negotiations
- Cushion Between Parties

Advisor's Main Target

In order to create a Financeable Deal;

- Performing Acceptable Cost and Revenue Projections
- Correctly Understand Capital Expenditure Requirements
- Describing legal risks, official obligations and rights
- Analysing Human resource profile
- Definition of Competitive Mid & Long Term Strategy
- A Flexible & Comprehensive Model (working platform) to negotiate with banks
- Prepare a Realistic Business Plan

A Different Type of Entertainment: Due Dilligence

Part I - Economic and Sectoral Issues

- National Economy & Transportation Policy

Key Factors:

GDP Growth Path

Sustainable Economic Progress

National Priorities for Transportation (Land vs Sea, etc)

- Understanding Economic Potential of the Port Hinterland

Key Factors:

Capacity, Location and Progress Trend of Organized Industrial Zones

Logistic Connections with Other Regions

Export Capability and Potential of Local Players

- Diagnosis of Competition Profile

Key Factors:

Expansion Plan & Potential of Existing Competitors

Organic Links with Cargo Owners and / or Shipowners

- Other Sectoral Issues

Analysing Liners and Cargo Agents

Pricing & Regulations

New Entrants & Potential Rivals



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Part II - Operational and Technical issues

- Condition of the Infrastructure Facilities

Key Factors:

Berth & piers

Draft and Depth

Warehouses

- Condition of the Machinery System

Key Factors:

Past Maintenance Records

Replacement ...

- Calculation of Capacity (a dynamic process)

Key Factors:

Storage Area

- Manouevring Area

- Availability of the Supportive Services

Key Factors:

Tugs and Pilots

- Qualification of the Human Resources

- Military Issues

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Part III - Legal issues

- Lack of Single Unit Legal infrastructure for Port Business
Key factors:
A Highly Fractal Structure; Ports Law #618, Coast Law #3621, Cabotage Law...
- Cabotage Law and limitations
Key factors:
Limited Foreign Ownership, (Function based allowance for foreigners)
- Lack of Port Authority
Key Factor:
A Buffer or Connection Point between Port, Regulators and Clients will be usefull,
Relations with Municipality & Local cargo owners may become more efficient
- Potential effects of Upcoming EU Regulations
Key Factor:
Potential new obligations are on the way
- Step in Right
Key Factor
Lenders may have limited version of step in rights in concession deals

A Different Type of Entertainment: Due Dilligence

Part III - Legal issues (Cont'd)

- Multistep and joyfull process for approval
 - 1) Preliminary approval of National RealEstate Authority
 - 2) Apply to Governor with Zoning Plan proposal
 - 3) Governor transmits Zoning Plan to Ministry of Public Works and Settlement
 - 4) Evaluation process of Ministry of Public Works and Settlement
 - 5) Demanding Comments from Related Third parties by MPWS
 - 6) Approval of MPWS
 - 7) Investor provides Following Documents to DLH
Technical plan & projects, Test Results, Ecological Effects Report, geological survey reports, approvals, etc..



Alternatives of Finance

- Internal Fund Generation Capacity
High EBITDA margin but volatility in Revenues
- Project Finance
Generally for large volume investment and acquisitions
- Corporate Lending
Maintenance and medium size capital expenditures
- Financial Partnership
Should be discussed in deal basis
- BOT : The Key Element for Short term
A more plain vanilla process for tender approval
- PPP : The key Element for Long term
Lack of local experience in all parties











Technical Risks for Business Plan

- Design & Construction Risks
- Environmental Risks
Unexpected Impacts of the Project on social and environmental environment
- Revenue Risks
Competitors, Alternative way of Transportation, Macroeconomic issues
- Financial Risks
Market Liquidity, Country Risk, Low internal fund generation
- Regulatory Risks
Predictability
- Operational Risk
Comfort with regard to experience of project owners, Know How,
- Modelling Issues
Availability and cost of input materials and energy sources
Satisfactorily technical study and Developer's Feasibility Plan

What We Have Learned from TCDD Ports

- Successful modelling performance in revenue projection starts in the land side, regional economic development potential is key determinant...
- Superiority of railway connection is an indisputable issue,
- Containerisation will shape the future cash flow and profit margins
- In order to have a lucrative and sustainable level of EBITDA margin, technological improvements should be followed and launched into system in a continuous form
- Before analysing of financial statement and footnotes, operational records, sectoral statistics and relevant technical materials;
check, read and understand all the legal documents and have an idea regarding future obligations, operational limitations and rights
- The major competitor of any given port is its own service quality
Always know your price to service quality multiple
- Port is a business of good, sustainable and efficient relationships
- *Never forget ; positive contribution of stakeholders (municipality, NGO's, Government Offices, etc) are highly correlated with reliability of the Business Plan*

Selected Credentials

<p>May 2008</p>  <p>Privatization of Port of Bandırma 175 million USD Dollar</p> <p>TSKB</p> <p>Advisory to PA</p>	<p>2008</p>  <p>Privatization of Port of Mersin 755 million USD Dollar</p> <p>TSKB</p> <p>Advisory to PA</p>	<p>May 2008</p>  <p>Privatization of Port of Samsun 125.2 million USD Dollar</p> <p>TSKB</p> <p>Advisory to PA</p>	<p>September 2007</p>  <p>Privatization of Port of Derince 195,25 million USD Dollar</p> <p>TSKB</p> <p>Advisory to PA</p>	<p>May 2007</p>  <p>Privatization of Port of Izmir 1,275 billion USD Dollar</p> <p>TSKB</p> <p>Advisory to PA</p>
<p>March 2007</p>  <p>Gübretaş A.Ş. Sariseki Facilities</p> <p>TSKB</p> <p>Sell-side Advisory</p>	<p>July 2006</p>  <p>Ortadoğu Antalya Port US\$80 million</p> <p>TSKB</p> <p>Buy-side Advisor</p>	<p>May 2006</p>  <p>Limaş Ports</p> <p>TSKB</p> <p>Advisor to Maersk Sealine</p>	<p>August 2005</p>  <p>Royal Caribbean Cruises, Global Investment Hold., Sasso Hold. Rouse TriPart Misc., IC Ambel Turizm Yat. A.Ş. & Limak İnşaat</p> <p>TSKB</p> <p>Buy-side Advisory</p>	<p>2003</p>  <p>Marmaris Netsel Marina Valuation Consultancy</p> <p>TSKB</p> <p>Advisor to Netsel</p>



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