



**New York University
Stern School of Business**

FINC-GB.3186 – Project Finance and Infrastructure Investment

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Rationale

This course will provide students with an understanding of the fast changing dynamics around project and infrastructure finance. For many years, project finance has been the core technique for financing infrastructure and other large-scale projects worldwide. Carefully engineered financings have allowed an efficient allocation of the project risks between sponsors and investors, typically under the umbrella of government or multilateral finance programs. More recently, private capital has taken the lead. The syndicated project finance business has given space to direct equity investments and hybrid secured financings. Specialized funds have flourished using the private equity model to buy the infrastructure asset and leverage it up to increase the return on capital. This course will also provide students with an exposure to the current debate on how the credit crunch has tempered the pace of such investments and how the recent infrastructure spending plans initiated by governments around the world need a significant private capital participation in order to have a meaningful chance of being implemented.

Course Objectives

The first part of the course will provide the necessary theoretical and conceptual tools for financial analysis and decision-making in relation to project and infrastructure finance. The course is designed to introduce students to project feasibility, evaluation, financial analysis and structuring, use of various sources of funds and markets, and contractual documentation. The second part will focus on the global need for infrastructure investments (accelerated by the recent stimulus policies) and the increased role played by private capital in the form of private equity, insurance companies, pension funds and sovereign wealth funds. Students will appreciate how international investors now consider infrastructure as an asset class per se. The course will make large use of real case studies, including greenfield and brownfield projects in energy, renewable power, transportation, and water. Area of focus will be the US, the UK and emerging markets. Student will learn the cogent analyses of why some deals have succeeded while others have failed. At least one session will be devoted to derivatives, swaps and financial modelling as these techniques apply to project finance analysis. The course will be very useful to students interested in a financial career in the sector, or in a bank/ government institution involved in project and infrastructure financing, or for portfolio managers that will inevitably consider an exposure to this asset class.

Course Method

The course aims at providing students with the technical and strategic skills required to analyze and evaluate infrastructure projects. The case studies provide an opportunity to apply the project finance principles and valuation methods to real-life projects. The course will be taught in the form of lectures together with case studies intended for class discussion.

As in any case-based course, the method of analysis and the questions posed are far more important than the final answers. Consequently, the lessons and insights drawn from these cases are largely a function of the effort and care students invest into being fully acquainted with the readings and cases for each session. Classes will include discussion of readings, case analysis and group presentations.

Instructor

Tommaso Albanese is an Adjunct Professor in Finance at Stern. He is currently Vice Chairman of Global Capital Markets EMEA at UBS Investment Bank and former Co-Head of Global Capital Markets in Europe at Morgan Stanley & Co. He has also taught at the Cass Business School in London.

Text and Cases

The textbook for the course is: John D. Finnerty, *Project Financing: Asset Based Financial Engineering*, (Wiley Finance, 2007) ("JF"). The additional readings and assigned cases will be provided on Blackboard during the course. Class notes will be distributed in advance of each session.