

# Owner-for-hire in emerging markets



Securing international finance for projects in emerging markets can be a tortuous process. PRI Project Development was founded seven years ago to implement international projects by adding 'instant capacity' to its Client's Team. *Victor Politis*, PRI's President, explained to John Muir how the Company acts as an 'Owner-for-Hire'.

**Q: Mr. Politis, The name of your company is PRI Project Development. What do the initials PRI stand for?**

When the former Soviet Union, a major command economy, came to an end, I was sure that companies in Emerging Economies would have to turn to the International Capital Markets for financing. Their Governments would not be able to provide guarantees and financing would have to be obtained on the basis of the merit of the business case. PRI stands for Private (non-Government guaranteed) Resources (International Know-how and Financing) for Industry.

**Q: PRI is a relatively young company. How do people in so many countries know about you?**

PRI was founded in early 1995. This makes us just a little younger than the new economies that started to look for money in Capital Markets in 1992. You and I met in Brussels at the EMRC conference. In the same way, we meet project owners from around the world at the events where we present our methodology and success stories. However, word of mouth is our main source of business.



**Q: Has the Internet been important for your business?**

Definitely. Our site [www.pri.com](http://www.pri.com) is in English, Russian, Turkish, and Chinese. We receive inquiries from all over the world, but more importantly the internet has revolutionized communications with clients, banks, and investors.

**Q: You told me that PRI is not a consulting firm. What are you and what do you do differently?**

PRI is not a consulting company. We do not give our clients off-the-shelf advice and reports that tell them what they have to do. We do whatever needs to be done on their behalf and we stay with the project until the objectives are achieved. We are actually a Project Developer and an "Owner-for-Hire". We act as if we were the Owner in the areas where the actual Owner and his team have no previous experience. PRI adds capacity almost instantly to its Client's Team. Everything we do takes into account the criteria of International Banks, Investors and Partners. We get to know our Client's business so well that we can speak as if we were them.

**Q: During the last decade, only a small percentage of projects in Emerging Markets have obtained International**

## **Financing. Why do you think that is?**

Most projects are presented to potential investors while they are still in the "idea" stage. In order to get the attention of decision makers, owners must convert ideas into fully developed projects and show how the various risks will be addressed. This includes writing the full Information Memorandum that answers most of the questions and concerns about the various aspects of the proposed transaction.



### **Q: Pretend that I am a Company or Project Owner. How do I know if you are the right people for me?**

First, I would ask you to ask yourself some questions. Depending on the answers, you will know if you need PRI's expertise. At the same time you will know whether you need to enlarge your team or if you have a good chance to achieve your objective with your own in-house team.

### **Q: Give me some of your questions.**

Have you ever obtained International financing for a complex project?

Do you have the time and resources to dedicate to the search of financing?

Do you know which banks and investors should be interested in your project and why?

Do you know how to locate investors outside your country?

Do you know the psychology and requirements of these Investors?

How well do you know you global competition?

Can you anticipate the obstacles that you are likely to encounter during your search for financing?

Can you show the structure of when and how the financing will be repaid?

Can you negotiate the Best Possible Deal for yourself by yourself?

Do you feel that an experienced team would make a big difference?

### **Q: Other than obtaining financing, do you do anything else for your clients?**

In order to achieve the objectives of our projects, we get involved in activities ranging from developing strategy to debt restructuring, to negotiating partnerships and identifying customers for their products.



**Q: How do you get paid for what you do?**

Before we get paid, we evaluate our chance to succeed. We see if there is a demand for the products or services that will be offered by our potential client. If we are confident that we can deliver results, we are paid to do the required work and receive a Success Fee when the financing is obtained.

**Q: How many projects has PRI implemented successfully and in which industries?**

The total value of the projects is in the billions of dollars. Some of the sectors are Timber Processing, Food Processing, Agribusiness, Textiles, Retail Banking, IT & Telecom, Automotive Industry, Electronics, Real Estate, Transportation, Mining, and Oil & Gas.

**Q: How do you manage complex projects so far away from New York?**

We always have local teams responsible for on-site project management. We also have physical offices in Moscow and Istanbul that cover a large region.

**Q: Can you give an example of a current complex project?**

During the EMRC conference in Brussels, I presented one of our Russian projects. The Project involves establishing the first state of the art Integrated Linen Production Facility in Russia about 300 km south of Moscow. Once completed, the Project will produce export-quality linen yarn and fabric for western Apparel and Home Textile markets.

The Owner has already invested about \$15 million and needs approximately \$50 million to turn the Project into a business. The financing will include equity, equipment financing, and working capital.

**Q: When the Client hired you, what were you supposed to achieve?**

Our Client is a Russian Private Investment Group. They hired PRI to develop and implement the different components of the Project:

- Secure a Strong Strategic Partner that can contribute valuable know-how and marketing channels
- Obtain Equity Financing
- Obtain Equipment Financing
- Obtain Working Capital for the future operations of the Company.



**Q: Can you give me an idea of what the PRI team did?**

We identified and hired a prominent International Textiles Expert, who joined our Project Team from the very beginning. He has helped to identify Market Demand and Develop Relationship with Key Customers in Western Europe and the US. In order to ensure consistent high quality at every stage of the production cycle, a top Agronomist came on board to monitor the Growing and Harvesting Quality.

After we learned the history of the Project in great detail, we prepared the Information Memorandum according to International Standards. The information was tailored to the specific expectations and needs of the target audience, particularly Strategic Partners, Equity Investors, and Sources of Debt Financing. The various parties have different profiles and concerns:

- Strategic Partners A viable Business Opportunity with high prospect of profitability
- Entry to a New Market
- Low-Cost Manufacturing Opportunity

Financial Investors

- High return on Investment
- Feasible Exit Strategy

Banks

- Ability to Repay Debt and Carry Finance Charges on the basis of Revenues

Customers

- Quality Products at Good Price
- Reliable Source of Supply

Suppliers

- Ability to Pay

(For Equipment or Raw Materials)

In parallel, we created a viable Financing Structure in order to generate interest among Investors and Lenders. We prepared comprehensive financial projections to demonstrate that the Project will generate sufficient cash flow to service debt.



**Q: Can you be more specific about the information you prepared about the Project?**

PRI have prepared several documents, including:

An Executive Summary that gives brief information about the Project in order to test the initial interest from potential investors and customers.

As more information and feedback from potential investors were collected, PRI wrote the Information Memorandum, a Comprehensive Book about the Project, in order to provide Potential Strategic Partners, Financial Investors, and International Banks detailed information on each and every aspect of the Project. Issues covered in the Information Memorandum include:

- Uses of Funds
- Target Markets and Rationale
- Management and Organizational Structure
- Marketing and Sales Strategy
- Manufacturing Process and Equipment
- Unique Advantages of the Project
- Financial Projections and Valuation.

In parallel, an International Team of Textile Marketing Experts created a set of Marketing Documents in order to differentiate the Product and engage Future Customers. The marketing package includes a Product Brochure, Logo and Brand Name and focuses on demonstrating the Quality of the Products and Creating an Upscale Image to capture Customer attention. Potential equity investors were also targeted with this set of documentation.

**Q: What results have you achieved to date?**

A Major Western European Group has agreed to become a Strategic Partner. The Group has also agreed to contribute production know-how and access to the markets. We have indicative demand from Customers in Western Europe and the US. An International Investment Fund has agreed to provide Equity Financing. Several domestic and international banks expressed their willingness to provide Equipment Finance & Working Capital.

**Q: Mr. Politis, why is PRI's methodology successful?**

The PRI Team loves to succeed in difficult Projects where others have failed. The Client invests in our knowledge and experience therefore is motivated to work closely with us until we succeed. Our methodology is logical and has succeeded under very difficult circumstances because we:

- Understand the Needs of the Project
- Bring together the Right Project Team
- Develop Quality Information According to International Standards
- Market the Project only to the Right Audience
- Answer the Questions Before They are Asked
- Create Competition among Sources of Financing
- Negotiate with the sources of financing to obtain the Best Terms and Conditions for the Client
- Stay with the Project until the objectives are met.

Thank you very much, Mr. Politis. It was a pleasure to learn about your business.