NAMA Business Plan Version Two

Introduction and Overview

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Introduction
Introduction

- NAMA – Established under NAMA Act 2009
- Operational since December 2009
- €71.2 billion, (nominal value), has been purchased by NAMA for c.€30.2bn
  - Approx. 11,000 loans
  - Approx. 850 borrowers
- Additional €16bn (nominal) yet to be purchased – AIB\BOI sub €20m – EU\IMF – directly managed by both banks under NAMA supervision
- 30 Business Plans (€27bn nominal value) reviewed by December 2010
- Business Plan Version 1 suitable for larger connections
- Business Plan Version 2 designed for smaller debtors with 20 loan facilities or less and a maximum of 300 assets
Why was Business Plan Version 2 developed
Business Plan Version 1

- Designed to facilitate complex Debtor portfolios - mostly Tranche 1 & 2
- More focus on financial rather than property information
- Very detailed data pack that required third party financial advisory support for completion
- No standardised financial model produced by Debtors which resulted in delays in Independent Business Review (IBR) process
- Generated large documents, requiring substantial time investment to complete & review by (IBR’s)
- NAMA and other stakeholders recognised that a simplified and more property focused version of the Business Plan would be required for less complex Debtors
- Hence Business Plan Version 2 developed
Reasons for Development of Business Plan Version 2

- Requirement for a simplified and more property focused Business Plan for less complex Debtors
- Increased focus on property and lending / cashflow information
- Remove onus on Debtors to perform complex financial analysis - now automatically generated from inputs
- Debtors can complete BP Version 2 themselves without 3rd party help

Key Reasons for developing Business Plan Version 2:
- Increase property focus of information provided
- Ensure parties within NAMA are able to get the information they require
- Make the Business Review process more efficient (including the IBR process)
- Reduce professional fees incurred by Debtors
- Reduce time involved in preparing the debtor business plan
- Provide NAMA with a base working file in the form of the NAMA Information Pack
- Create a standardised financial model to be utilised by NAMA and its IBRs
- Create a link between the NAMA cash flow model and the text version of the Business Plan via the various summary tables produced
NAMA Business Plan Process
Purpose of the NAMA Business Plan Process

• Opportunity for NAMA to

  – **Interact with Debtors** in a structured format over an 8-10 week period of time

  – Gain a detailed **understanding of the Debtor** and their business in a short period of time

  – Interact and evaluate the key members of the **Debtors management team**

  – Gain an understanding of the **dedication and motivation** of the Debtor and their management team

  – Gain an understanding of the **debtor’s strategy for debt repayment** and for each piece of **security held** for the various loans it has purchased

  – Interact with the Debtor on the **daily issues** that they are having to deal with
Purpose of the NAMA Business Plan Process

• Requires the Debtor to present:
  – An estimate of what they believe to be achievable and how to achieve it
  – Proposals in relation to group overhead for the implementation of their Business Plan
  – And highlight any issues that need critical attention (e.g. creditors, litigation etc)

• Allows a third Party Independent Business Reviewer (IBR) to evaluate the Debtors business plan and challenge the various assumptions and estimates included in it

• Provides NAMA with a third party evaluation on how to return the maximum amount of money to the State and a view on whether the Debtor is best placed to deliver this required outcome
Business Plan Process for Top 170 Debtor Connections

1. Debtors receive notification of purchase of loans by NAMA from their Lending Institution

2. Initial meetings with NAMA to discuss plan and working relationship
   - Introduction to NAMA Portfolio Manager and case managers
   - NAMA objectives re-iterated
   - Identification of key projects/issues
   - Discuss project plans and Business Plan process and timetable for delivery
   - Information on Rental / Income distribution / existing Group overhead

3. Preparation and Submission of Business Plan by Debtor to NAMA PM Team

4. External review of business plan by Independent Business Reviewer (IBR)
   - Reasonableness of assumptions
   - Detailed analysis of forecasts and development appraisals
   - Present external view of projected outcome

5. NAMA internal analysis and review of IBR report and Debtor Business Plan through Credit Committee/Board process

6. Decision made at NAMA Credit Committee/Board and communicated to Debtor
Debtors receive notification of purchase of loans by NAMA from their Lending Institution (PI)

Initial meetings with PI Case Manager to discuss BP and working relationship
  • Introduction to new loan management structure by PI Manager
  • NAMA objectives re-iterated
  • Identification of key projects/issues
  • Discuss project plans and Business Plan process and timetable for delivery
  • Information on Rental / Income distribution / existing Group overhead

Preparation and Submission of Business Plan by Debtor to PI Case Manager

Review of business plan by NAMA and PI Team
  • Reasonableness of assumptions
  • Detailed analysis of forecasts and development appraisals
  • Present view of projected outcome

Decision made at NAMA and communicated to Debtor
Required Debtor Business Plan Objectives in line with NAMA Business Plan 30th June 2010

• Debt Reduction
  – Achieve significant debt reduction (to an appropriate level) within a period of 3-4 years. In line with NAMA Board policy

• Cash Sweep
  – Unless secured by non-NAMA banks, all available cash-flow (including full sales proceeds, net of costs approved by NAMA) should be remitted in full to NAMA by way of cash sweep in advance of overhead payments

• Working Capital
  – In the short term, overheads and agreed costs should be agreed in advance with NAMA and will be funded by way of agreed working capital facilities

• Development Funding
  – NAMA has limited resources to fund development expenditure

• Income Generation
  – In all cases, up to the point of asset disposal, cash generation from each asset should be maximised
Differences between Business Plan Version 1 and 2
What’s Different?

• Overall objectives are the same as with Business Plan Version One and the NAMA Board objectives

• Increased prominence is given to:
  – Sworn Statement of Affairs of the Debtor(s)
  – Non-NAMA Lenders, their security and the repayment of these facilities
  – Group cost requirements in the short term and what these relate to
  – Unencumbered assets and how the Debtor(s) intends to use these to support debt reduction / group overhead

• Decreased prominence is given to:
  – Historic financial information (note the ‘Statement of Affairs’ requires the disclosure of historic transfers)
  – Market Analysis section with the report, however this may still be of use for trading assets
What’s Different? (contd.)

• Certain assumptions have been imposed on the Debtors by NAMA
• A separate Datapack is not required alongside the NAMA Cashflow Model
• Requires 10 year projections as a minimum unlike the 3 years previously required
• Model release by Debtor Advisors (Hold Harmless) issues no longer applicable
• Similar levels of information is required for Non-NAMA lending as NAMA
Business Plan Version Two Overall Structure

NAMA Information Pack

- Inputs
  - Facility Information
  - Property Information
  - Entity
  - Group

NAMA Cashflow Model

- Calculations
- Outputs
  - Facility Level
  - Entity Level
  - Group Level
    - 10 Year Cash Flow, P&L and Balance Sheet
    - Debt Repayment Profile
    - Executive Summary Tables
    - Debt Free Asset Statements

Sensitivity Analysis

NAMA Functionality

NAMA Acquisition Value Analysis
Features of Business Plan Version Two

• Link between Model and Business Plan document

• Standardised Template for Debtors to complete – single point of input
  – Tables for inclusion in the Executive Summary of the NAMA Business Plan text document are automatically generated by the NAMA Cashflow Model

• Full Connection View:
  – NAMA/Non NAMA Debt
  – Encumbered and Unencumbered Assets
  – Other Income/Assets/Liabilities

• 10 Year Model Projection

• Increased focus on cashflow as well as profit & loss

• Focus on debt reduction in line with NAMA guidance

• Standardised cashflow assumptions

• Result in quicker IBR turnaround by NAMA
Conclusion
Conclusion
Benefits of Business Plan Version Two

• For Borrowers:
  – Greater guidance from NAMA on information requirements and debt reduction;
  – Reduces both the financial and time burden in producing the Business Plan pack;
  – Consistent approach for the instance where more than one Business Plan is required;
  – Requests information in a format readily available and understandable to Debtor; and
  – Automatic production of output tables required for plan.

• For NAMA and Independent Business Reviewers:
  – Provides information in a common format making plans comparable;
  – Common format will make reviews more efficient as reviewers do not need to become accustomed with a new model each time (or build new models);
  – Allows the ability to perform extensive sensitivity analysis on the Business Plan
  – Information pack a working tool for NAMA; and
  – Streamlines the IBR process.

*Getting Debtors and NAMA working together towards debt reduction quicker and more cost effectively – understanding each others objectives.*