

Financial/Commercial Checks in Asset Selection

Full Description

The following commercial and financial reviews should be considered to determine if an asset has the potential to be recycled.

The key factors to consider are:

- Historical cashflows: the asset should be supported by positive historical cash flows.
- Revenue generating potential: the asset should, over the remaining life assessed based on the demand forecast, tariff setting and the impact of government policies, be able to generate positive cashflow for the private sector party.
- Sustainability of debt serviceability: the revenue generated by the asset, depending on leverage used to finance its investment, should be able to service debt obligations.
- Capital generation: ability to generate sufficient funds from an upfront fee, periodic payments by the private partner, shared profits or dividends, or other revenue sharing modalities.

Useful Links

[PPP Reference Guide 3.0 \(Full version\)](#)

[Assessing Commercial Viability](#)

Related Content

[Guidelines for Implementing Asset Recycling Transactions \(Download PDF version\) - Now Available!](#)

Page Specific Disclaimer

The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions To find more, visit the Guidelines to Implementing Asset Recycling Transactions [Section Overview](#) and [Content Outline](#), or [Download the Full Report](#).