

Mission, Vision, Strategies



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Strategic Planning - Introduction



Definition of the Mission and Objectives of the Company

Analysis of the initial situation

Environment and competitive
scenario
(opportunities and threats)



internal resources
(strengths and weaknesses)

strategic gap

Formulating strategies

Creation of alternative strategies

Evaluation of alternative strategies

Selection of corporate strategies

Preparation of the Strategic Plan

Competitors between Mission and Competitive Strategy

Mission

Satisfying customers' needs, achieving growth targets to increase company value and providing the market with a suitable response: Astaldi has been committed to **creating ongoing progress.**



Strategy

The future is equal to growth. A growth that is set to be solid since it is based on a business model and organizational structure able to react to the effects of the crisis, and able to be proactive even in difficult situations.

Our plans include consolidation of the Group's leadership in Italy and strengthening of international positioning.

In Italy we will focus on identifying new opportunities, with a selective approach in order to maintain the margins of projects in progress. At a global level, we will aim at consolidating our role in foreign markets where already present, and especially Turkey, Canada, Russia, Peru and Chile.

Growth will take place in the name of an increasingly integrated offer, supporting the construction sector which continues to be our core business. Growth aimed at diversifying business activities and consolidating synergy and complementariness between construction and concessions.

We will continue along the path already embarked on with creation of the Corporate Project Management Department in order to incorporate into our projects a *modus operandi* (culture, values, organisation and project management models) able to accompany the complete contract life cycle with the same standard of quality.

In order to achieve our plans, financial management focused on generating cash flows and diversifying sources of financing will be needed.

We will continue to invest in all our tangible and intangible assets. We will increase our know-how. We will mould the managers of the future, supporting knowledge sharing and lifelong learning.

We will make sustainability and respect for the planet a flywheel for development.

N.B. Le informazioni riportate in questa slide e nelle 2 successive sono riprese dai rispettivi siti aziendali

Competitors between Mission and Competitive Strategy

The logo for Ferrovial, featuring the word "ferrovial" in a bold, lowercase, yellow sans-serif font on a white background.

Vision

Shaping the future through the development and operation of sustainable infrastructure and cities. Committing to the highest level of operational excellence and innovation. Creating value for society and for our customers, investors and employees.

Strategy

Ferrovial strategy translates into four pillars:

1. Profitable growth through the combination of organic growth and selective acquisitions;
2. The internationalisation, which has allowed Ferrovial to consolidate a significant presence in five stable geographies: Spain, the US, the UK, Canada and Poland;
3. Operating excellence and innovation, as a fundamental lever for the management of complex operations and in the search for differential solutions for Ferrovial's clients;
4. Financial discipline through diversification of sources of funding, together with liquidity management, has led to an improvement in the company's credit ratings and in its solvency.

The logo for Hochtief, featuring a blue square with a white stylized house icon on the left, and the word "HOCHTIEF" in a bold, uppercase, black sans-serif font on the right.

Strategy/Vision

Through our strategy, we **create added value** for our shareholders, clients, partners and the Group alike. We focus on **profitable, low-risk** services and new solutions related to our core construction portfolio, operating successfully in **promising markets** and in the **fast-growing concessions business segment**.

Our vision:

HOCHTIEF is building the future. Along with our partners, we expand horizons, link people and organizations, **create new ways to think and act**, and continually enhance the values entrusted to our care.

Competitors between Mission and Competitive Strategy



The Eiffage Charter of Values and Mission Statement forms a common and federative base for all Eiffage entities, and was first introduced throughout the Group in 1991. The Charter lists the Group's objectives in terms of customer satisfaction, fair treatment of employees, a balanced relationship with shareholders, and responsiveness to the expectations and demands of Eiffage's external partners (business partners, suppliers, subcontractors, public authorities, associations, local residents, etc.). It is distributed to every new employee, and to all staff at every level, within each of the Group's divisions.

- **Responsibility** towards employees, managers, customers and partners
- **Trust** in all employees, and trust between Group business lines and between operational and functional staff
- **Transparency**, which is a prerequisite to the values of trust and responsibility, and which underpins employees' duty to alert, as well as justifies tighter audit and control procedures and requires each employee to contribute to such procedures
- **Integrity** of managers and officers. This includes fair and respectful treatment of customers, employees, suppliers and partners; avoidance of conflicts of interest; and a commitment to keeping operating costs and business expenses within reasonable limits
- **Realistic appraisal** of the development and future prospects of Eiffage's markets
- **Determination and courage**, which are needed when business is less dynamic than usual.

Strategic Planning - Introduction



The strategies should be:

- ❖ Consistent with the mission and the internal culture
- ❖ Shared by different business actors
- ❖ At the heart of the organization
- ❖ Consistently and promptly translated into operational terms
- ❖ Integrated with the principles, guidelines and mechanisms of accountability of managers towards the various stakeholders of the company

Strategic Planning VS Risk Management



Risk Governance in balance with strategy

Cultura Risk Management



«For all the rethoric about its importance and the money invested in it, risk management is too often treated as a compliance issue»

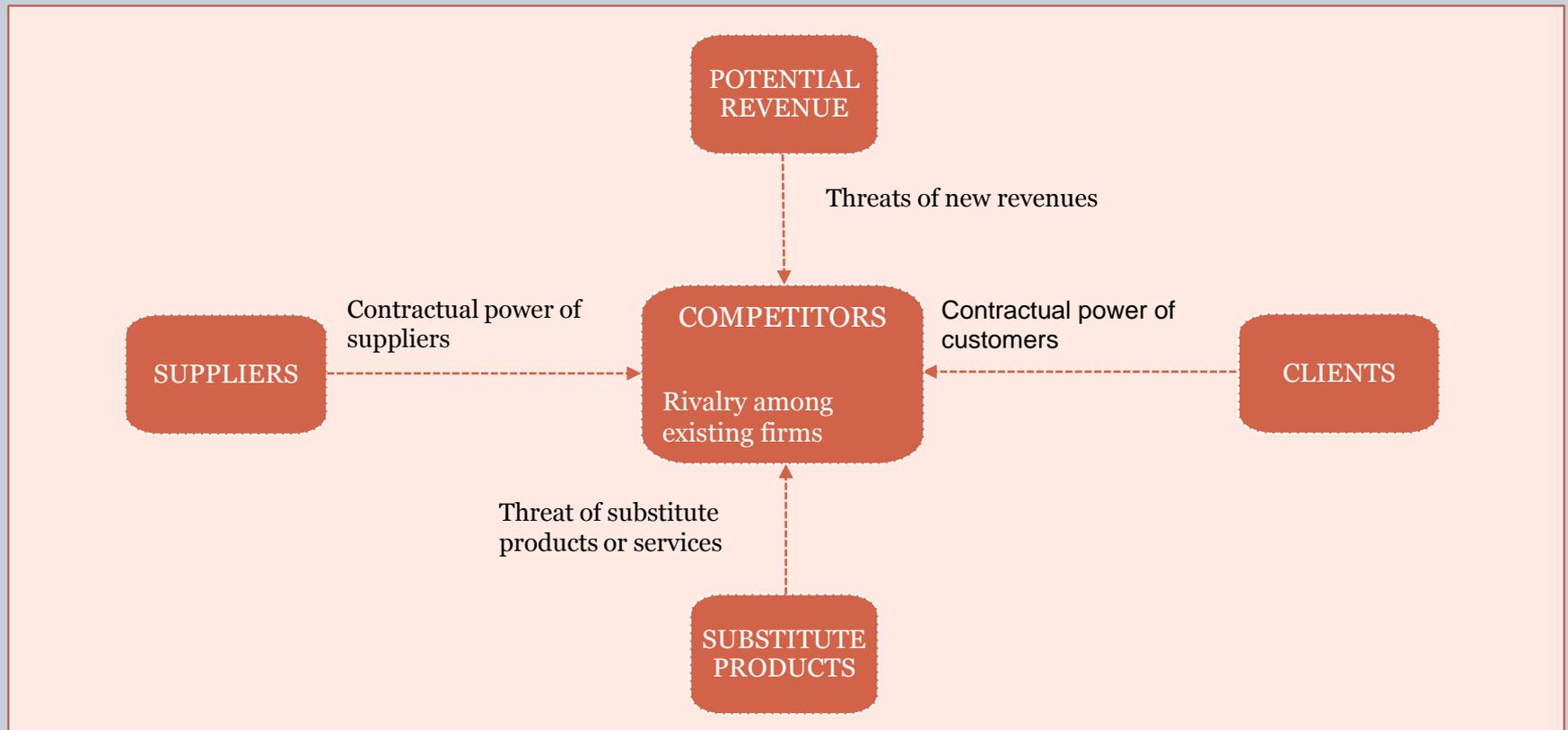
«A firm's ability to weather storms depends on how seriously executives take risk management when the sun is shining and no clouds are on the horizon»

The strategic model of Porter



The first key determinant of the profitability of a business is the **ATTRACTIVENESS** of the sector. The competitive strategy must come from a thorough understanding of the rules of the **COMPETITION** that determine the attractiveness of the area where you want to be competitive.

The attractiveness of any sector is the result of five fundamental forces:



The basic competitive strategies



To meet the 5 fundamental competitive forces and achieve a competitive advantage, the company can choose the following three strategies:

- 1) Cost leadership** (cost levels lower): pursuing economies of scale, use of advanced technologies, low distribution costs
- 2) Differentiation:** design, customer service, long experience in the field or ability to create create technological links
- 3) Focus:** the company aims to achieve the best results in a restricted area of competition

competitive environment

large	1) Cost leadership	2) Differentiation
close	3a) Focusing on costs	3b) Focusing on differentiation
	low cost	High diff.
	Competitive advantage	

Definition of competitive strategies for the sector of large contracts

STRUCTURAL FEATURES

- ✓ MULTI-YEAR TERM
- ✓ DIMENSION
- ✓ UNPREDICTABILITY

TYPE OF WORK

- ✓ RAILWAYS
- ✓ METROPOLITAN
- ✓ HIGHWAYS
- ✓ PORTS
- ✓ AIRPORTS
- ✓ DAMS
- ✓ HYDRO
- ✓ HOSPITALS

Evolution of the competitive scenario



	IN THE PAST	TODAY (AND PERSPECTIVE)
MARKET	HOME	GLOBAL
APPLICATION (Public)	IN EXPANSION	DOWN (FISCAL RESTRICTIONS)
TECHNOLOGIES	CONSOLIDATED	PRODUCT INNOVATION AND PROCESS
COMPETITORS	NATIONAL	INTERNATIONAL
FCS	<ul style="list-style-type: none">•RELATIONS•TECHNICAL EFFICIENCY	<ul style="list-style-type: none">• PRICE• CAPACITY OF GOVERNMENT• FINANCIAL STANDING

Stages and characteristics of the business formulas - impact on the planning and control systems



<i>STAGE OF DEVELOPMENT</i>	<i>TECHNICAL OFFICE</i>	<i>ENGINEERING COMPANY</i>	<i>SPECIALIST COMPANY</i>	<i>SYSTEMS COMPANY</i>
<i>APPROACH TO THE MARKET</i>	SALE OF WORK SPECIALIST (working on behalf)	SALE IN AN INDUSTRIAL PROJECT (structure profess.)	SALE OF A PRODUCT (contractor)	SALE OF SERVICE (main-contractor)
<i>PRICING MODEL</i>	REDEMPTION COSTS	COST - PLUS	PRICE KEYS IN HAND	VALUE FOR A BUYER
<i>PRODUCTION MODEL</i>	DECENTRALIZATION OF WORK NOT SPECIFIC (subcontracting)	DECENTRALIZATION OF ACTIVITIES PEAKS (induced occasional)	DECENTRALIZATION OF ROUTINE (induced qualified)	DECENTRALIZATION OF SPECILIST ACTIVITIES (star model)
<i>SUCCESS FACTORS</i>	SATURATION AND PERFORMANCE OF HUMAN RESOURCES	FOCUS OF OFFERS AND DEVELOPMENT OF EXPERTISE	DEVELOPMENT OF EXCLUSIVE TECHNOLOGIES AND STANDARDIZATION PROJECTS	LINKS WITH OTHER COMPANIES AND CAPACITY OF GOVERNMENT OF PROG COMPL.
<i>GUIDANCE SYSTEM</i>	FACTORS PRODUCTION	PRODUCTS	RESULT AREAS OF INTERNAL	RESULT AREAS OUTSIDE
<i>MODE OF REPRESENTATION OF RESULTS</i>	CLASSES OF COST	ORDERS	PRODUCT LINES AND TECHNOLOGY (steps)	TYPE OF NEED AND CLASSES OF CUSTOMERS

Example of group company General Contractor

- TOP MANAGEMENT
- CORPORATE FUNCTION

HOLDING

SUB H
CONSTRUCTION

CONSTRUCTION DIRECT

BRANCHES

SOCIETY OF PURPOSE

JOINT VENTURE

SUB H
CONCESSIONI

*SPECIAL
PURPOSE
VEHICLE*

SUB H
TECHNOLOGIES

INSTALLATIONS

MAINTENANCE

**COMPANY
SERVICES**

- *PROCUREMENT
COMPANY*
- *CASH POOLING
COMPANY*
- *CAPTIVE
COMPANY*

The group and the allocation of economic responsibility



- ✓ Investment centers
- ✓ Profit centers
- ✓ Margin Centers
- ✓ Revenue centers
- ✓ Cost centers
- ✓ Expense centers

Economic factors critical



- In recent years, several factors have weakened, especially in the domestic market, the financial structure of companies
- Generally in the presence of restrictive fiscal policies tend to state resources were not sufficient to meet the demand of public works and infrastructure

The Government of the finance function

analysis of the “free cash flow”



ECONOMIC AND FINANCIAL MEASURES

REVENUE

COST OF SALES

EBIT

- TAXES

+ DEPRECIATION

+ PROVISIONS

EBITDA

± Δ WORKING CAPITAL

± Δ FIXED CAPITAL

FREE CASH FLOW

economic
component

equity
component

INVESTMENTS - LOANS

OPERATING NET FIXED CAPITAL

+ OPERATING WORKING CAPITAL

OPERATING NET CAPITAL

NET ASSETS

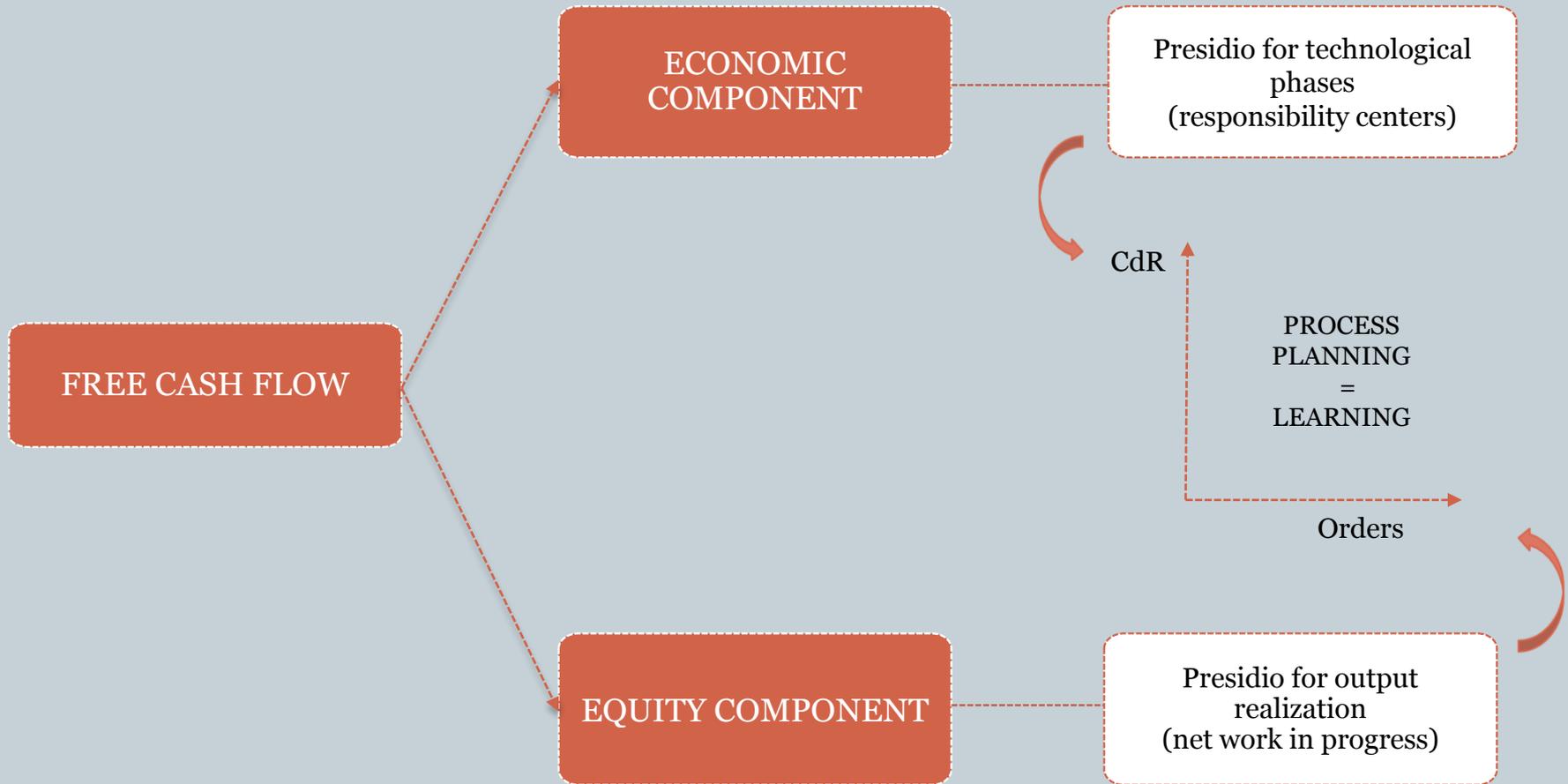
+ NET FINANCIAL POSITION (NFP)

TOTAL EQUITY AND NFP

investments

loans

The Government of the finance function analysis of the “free cash flow”



The Government's Financial Function



EFFECTIVENESS:

ability to focus on projects that can generate positive cash flows and to remunerate the capital invested

EFFICIENCY:

acquire mechanisms for planning and control to optimize the management of cash flows:

- **uses** of working capital
- **sources** of funding

Planning and control Systems (brief introduction)

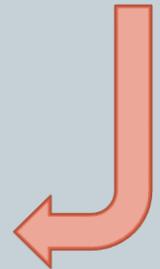
Innovation and the Government of the finance function



- **CROSS-FUNCTIONAL APPROACH:** analysis of financial indicators, balanced perspectives relating to customers, the ability to manage internal processes, the ability of the organization to grow and learn.
- **EMPHASIS ON IMPLEMENTATION:** objectives of financial exploded in a pyramid of intermediate measures and programs of action for each of the perspectives highlighted



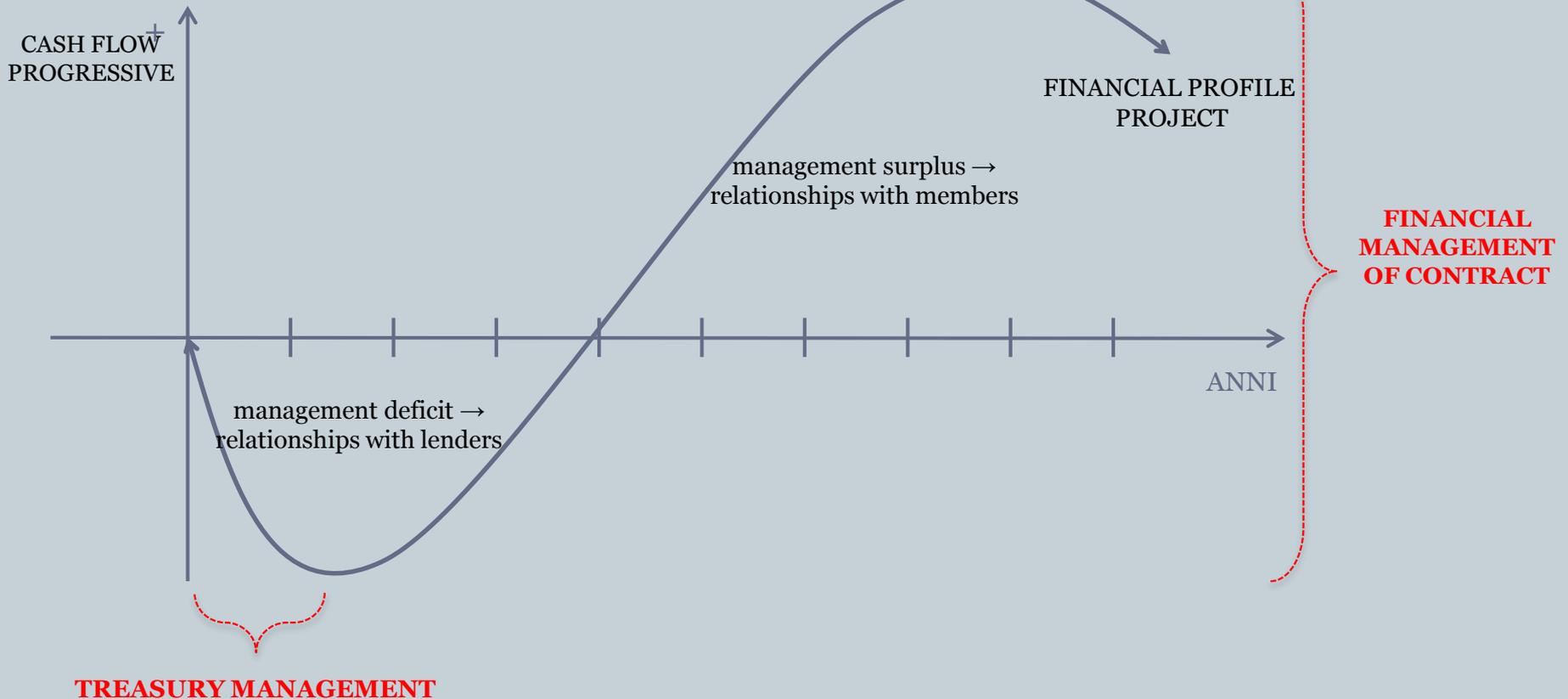
HELP TO CREATE LASTING VALUE FOR INVESTOR



Financial cycle of projects



MULTI-YEAR DURATION OF PROJECTS → EMPHASIS ON M / L TERM



WACC - weighted average cost of capital



The weighted average cost of capital of a company is the minimum rate of return that a supplier of resources requires as compensation for their contribution of capital.

The weights of the WACC formula are related to the incidence of individual sources of financing on total capital invested in the enterprise, which depend on the ratio of debt and by the impact on equity on total capital. The financial structure has a strong influence on the calculation of the cost of capital.

The formula is as follows:

$$\text{WACC} = C_e \times E/(D+E) + C_d \times (1-t) \times D/(D+E)$$

with:

- WACC = Weighted Average Cost of Capital;
- C_e = cost of equity;
- E = equity;
- D = debt;
- C_d = cost of debt;
- T = tax rate on income tax

Wacc - Estimated Cost of Own Capital



To get the WACC is necessary to estimate the cost of equity (C_e), usually quantified by using the model of the Capital Asset Pricing Model (CAPM), establishing the existence of a linear relationship between the expected return of a security and market risk premium. The CAPM is expressed by the following relationship:

$$r_i = r_f + \beta_i \times (r_m - r_f)$$

with:

r_i = expected return of an enterprise;

r_f = return on an activity without risk;

β_i = sensitivity of the expected return of the enterprise;

$r_m - r_f$ = risk premium, or the difference between the expected return of the market and the performance of a risk-free activity

The risk expressed by the Beta coefficient of the shares of a company is affected by two elements of risk:

β_f

financial risk

- *It is bound to the particular financial structure that characterizes the society at a given time*

β_u

operational risk

- *Indicates the level of risk inherent in a particular type of activity, independently by the financial structure adopted to its financing*

Wacc - Estimated Cost of Debt



The second element of the formula of WACC is the cost of debt or the price that a company incurs to finance its activities by resorting to outside capital (bonds, bank loans etc.).

The cost of debt is equal to the yield to maturity (implicit rate of a bond brought to maturity) bonds of the company, traded on the market. Considering that a company can deduct for tax purposes the interest it pays on the debt, the cost of debt should be reduced at the tax. As a result, the cost of debt for a company becomes $C_d \times (1 - t)$.

Financial management



	UNITARY VOLUMES	FREQUENCY	ALEATORY
ACTIVE CYCLE:	High	Active percentage of completion of works (month / quarter)	- Economic factors - Foreign - country risks
PASSIVE CYCLE:			
CONTRACT / SUBCONTRACTING	medium / high	Passive percentage of completion of works (month / quarter)	condizioni “passanti” / “non passanti”
GENERAL SUPPLIERS	variables	variables	“mkt” conditions

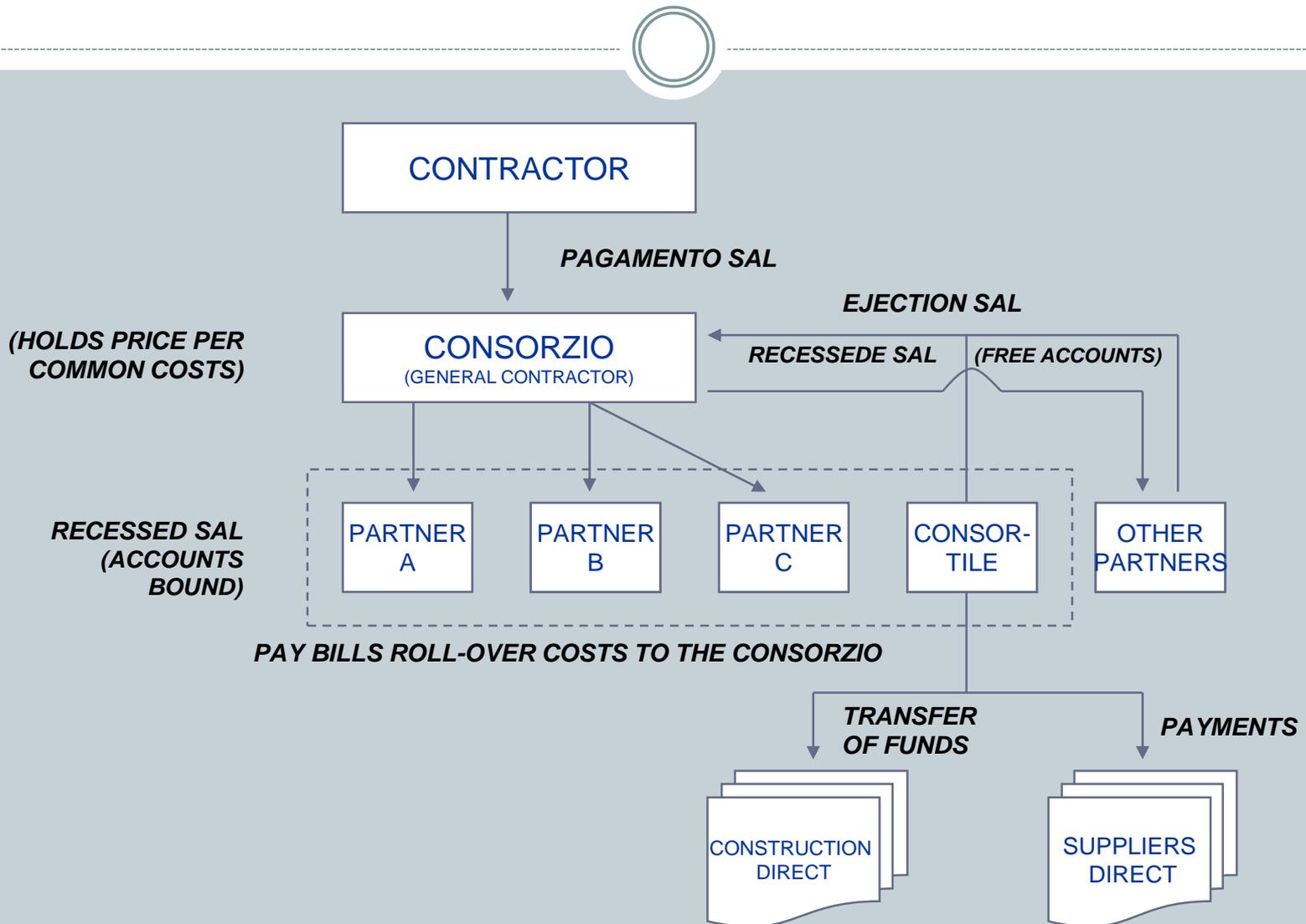


MATCHING

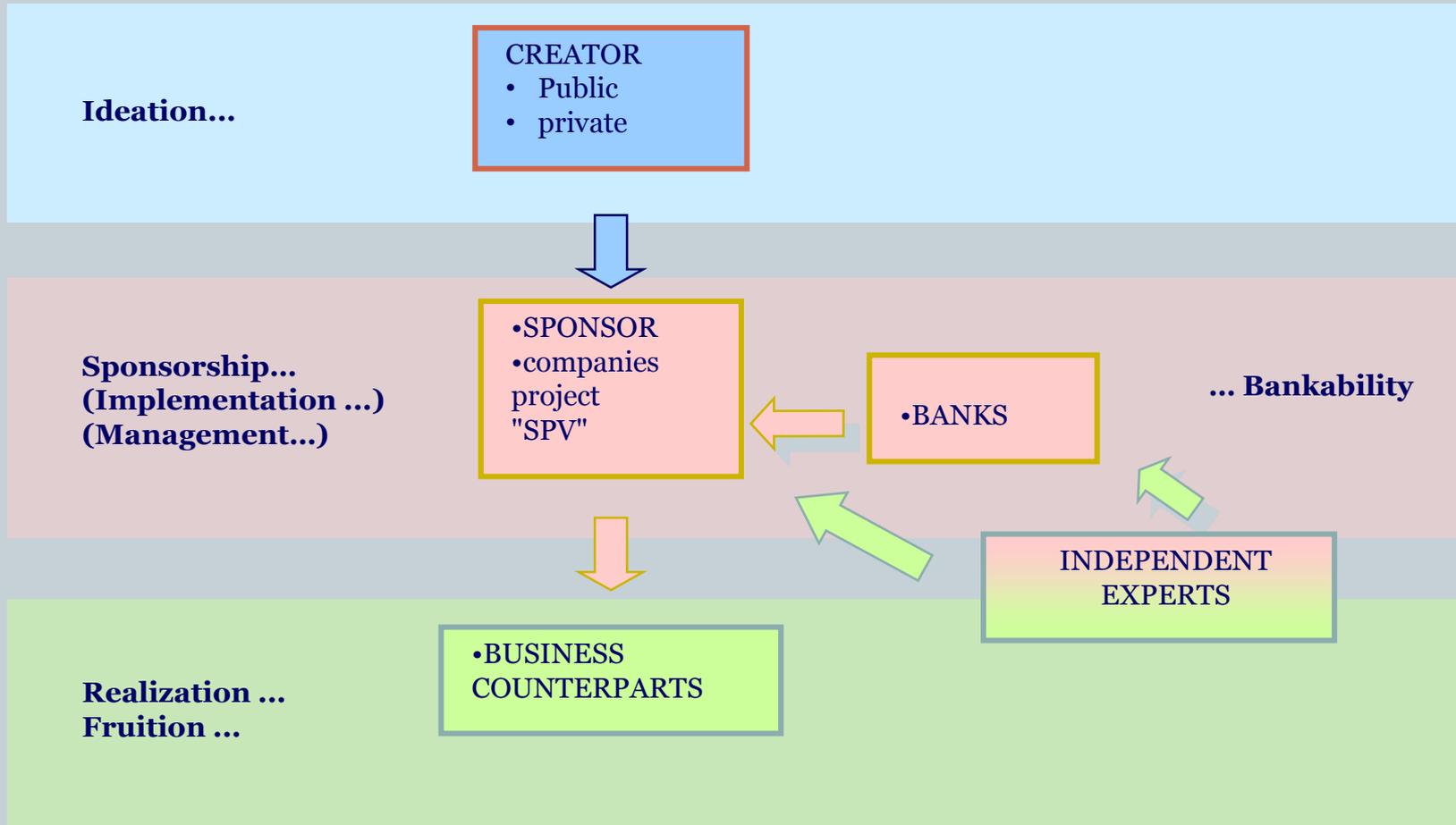


INSURANCE COVER

EPC CONTRACT – example



Project Finance – EXAMPLE



Introduction to Risk Management



The company, in its continuing work, is faced with a variety of situations characterized by uncertainty and lack of predictability. These may question the achievement, in the short term, of an appropriate balance economic and financial and, in the medium/long term, the value creation and the survival of the company.



RISK COMPANY

Pure risks

Risks which may result in only a financial loss for the company

Ex: Risks that cause material damage to the property of the company; Risks of civil responsibility

Speculative risks

Risks which may result in both profits losses both for the company

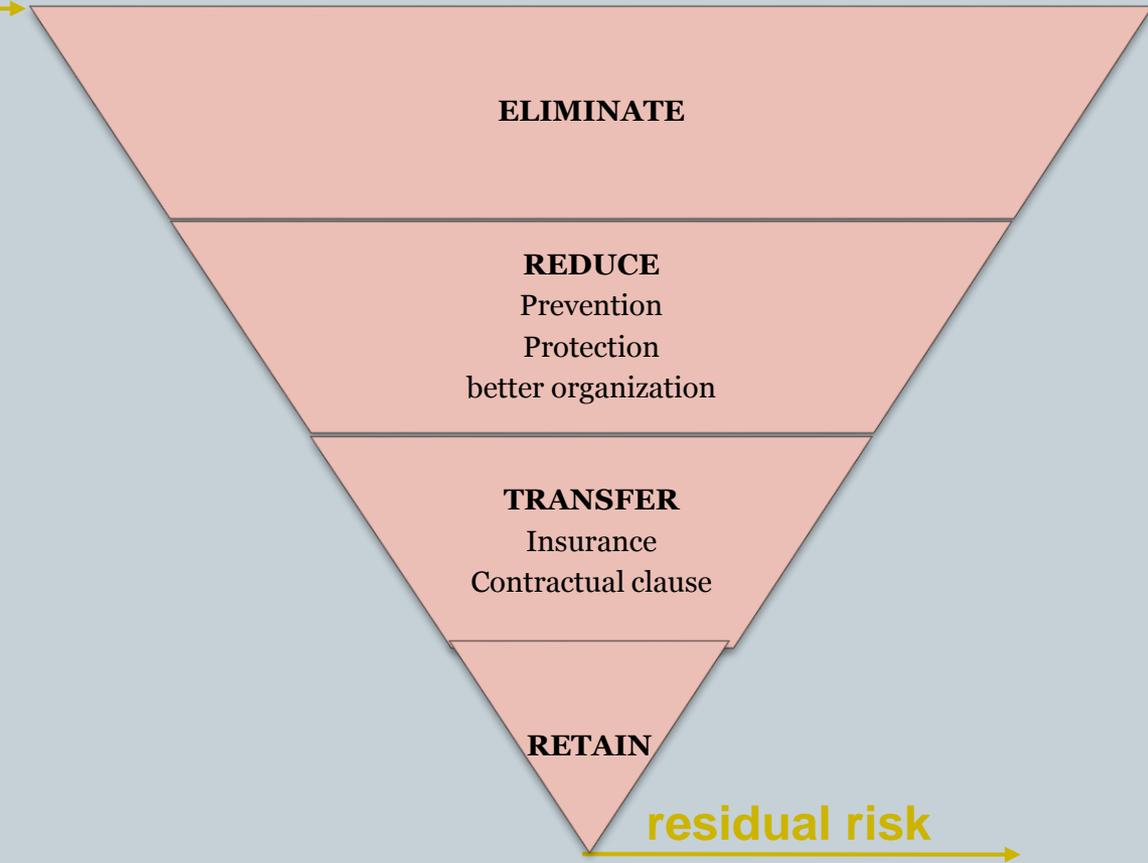
Ex: Market Risk; financial risks; risk of production; Political risks; Risks of innovation

In the following will be discussed pure risks, for which, by their nature, will have to transform the risk profile in the environment in a more consistent with corporate objectives

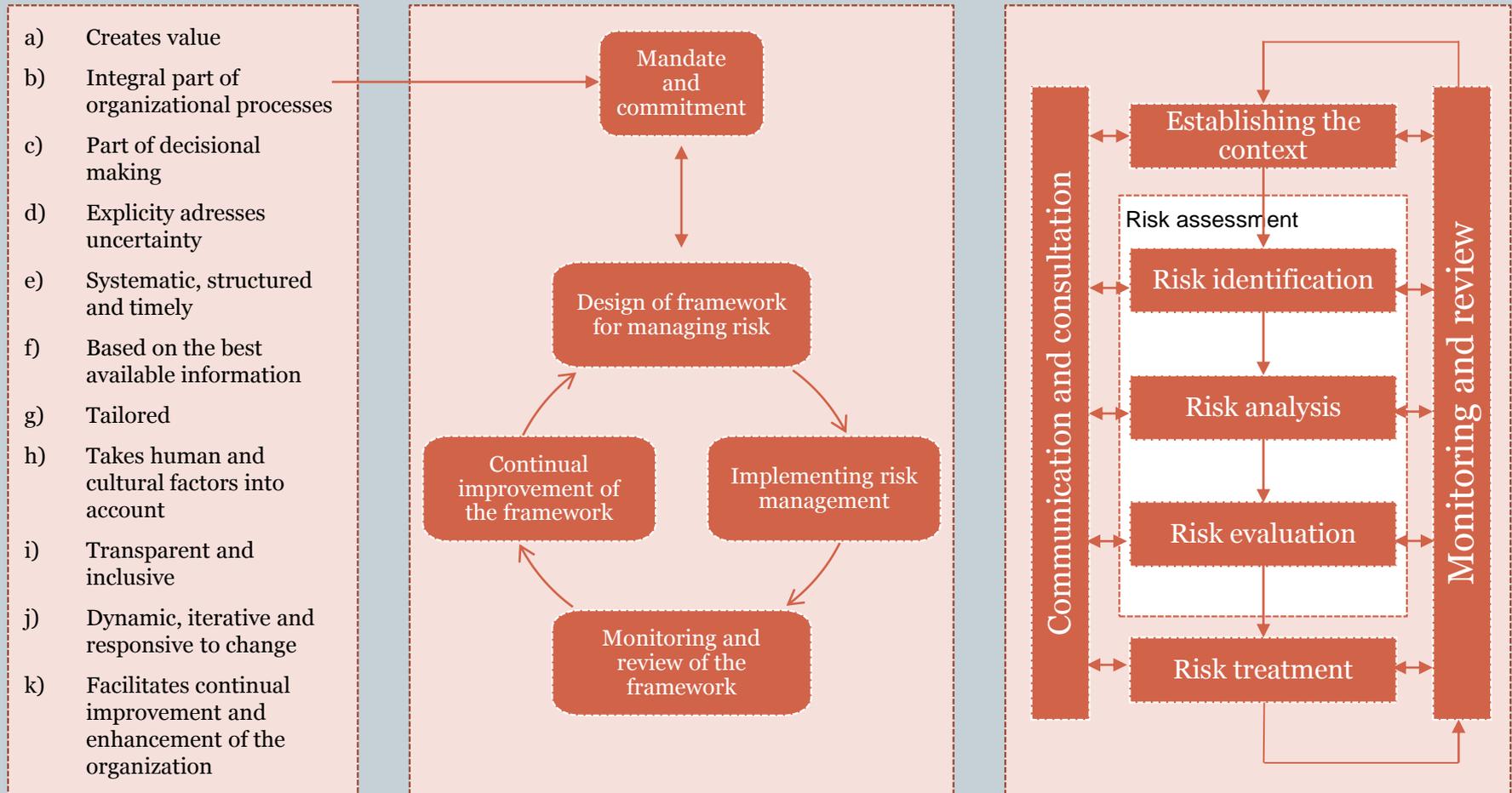
Evaluation and treatment of risk



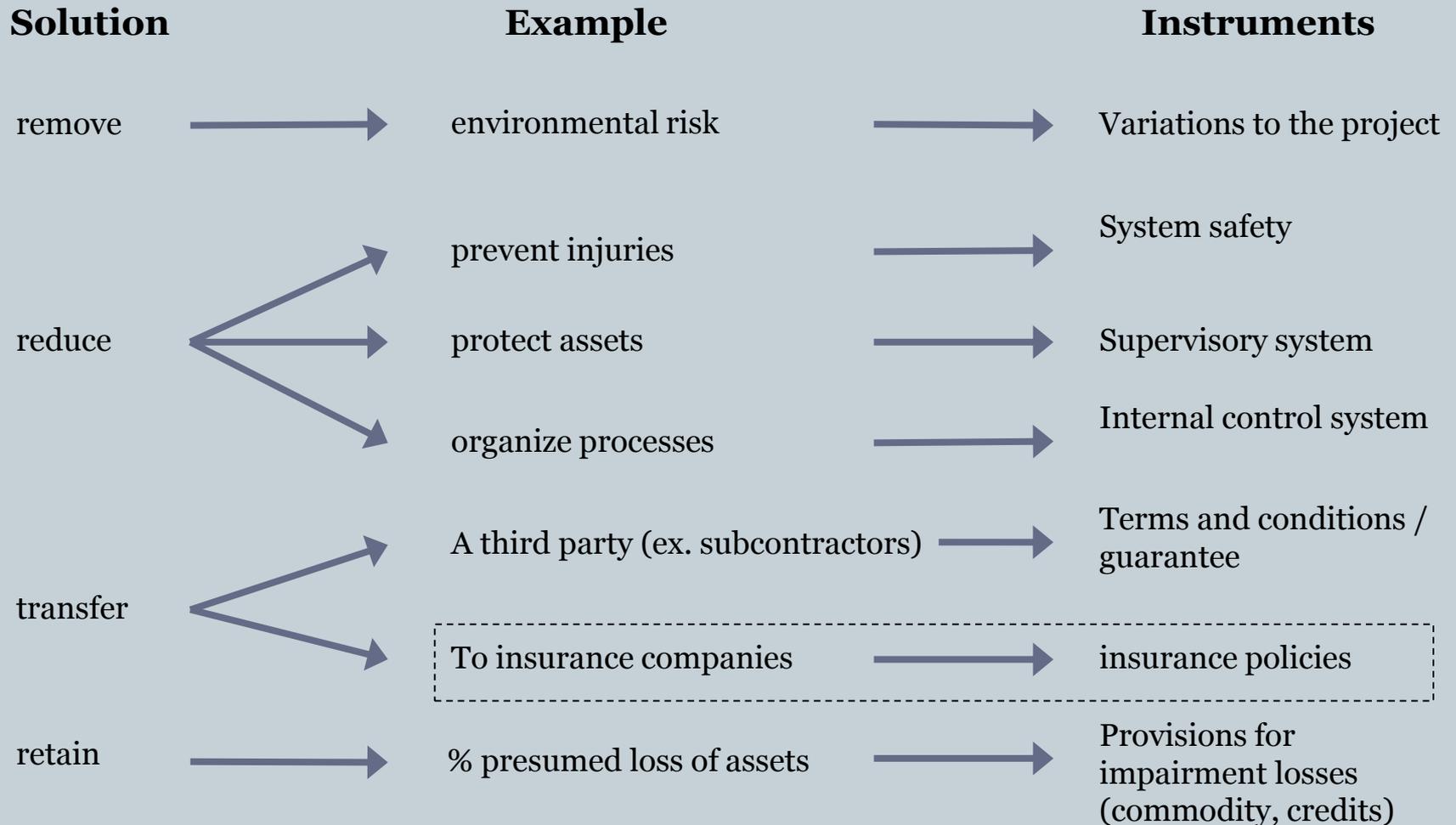
initial risk



Relationships between the risk management principles, framework and process



Risk Management in the sector of large contracts



Risk Management in the sector of large contracts



- ❑ **Elimination / reduction:** operate at the root of loss event
- ❑ **Transfer / retain:** take precautions against the probability that an loss event comes true

In case of transfer of insurance: the occurrence of an loss event, as giving the right to compensation or loss (within the maximum amounts and considering the allowances) determines however damage within the organization as a whole, with obvious costs (or underwater) of commercial, technical, organizational.

Risk Management in Project Finance



The application to a project of a specific model of operation of PF (BOO, BOT, DBFO, etc.) implicitly involves choices regarding the allocation of responsibilities and consequently the allocation of risks between the different actors involved :

- The definition of an appropriate architecture contract is the starting point so that they are adequately defined the legal relationship established between the different players and, therefore, the risks are allocated between them.
- The same is necessary to analyze all the risks with regard to the various construction phases that may have consequences on time / cost of delaying achievement of expected cash flows and assume the resulting corrective solutions.

Risk Management in Project Finance

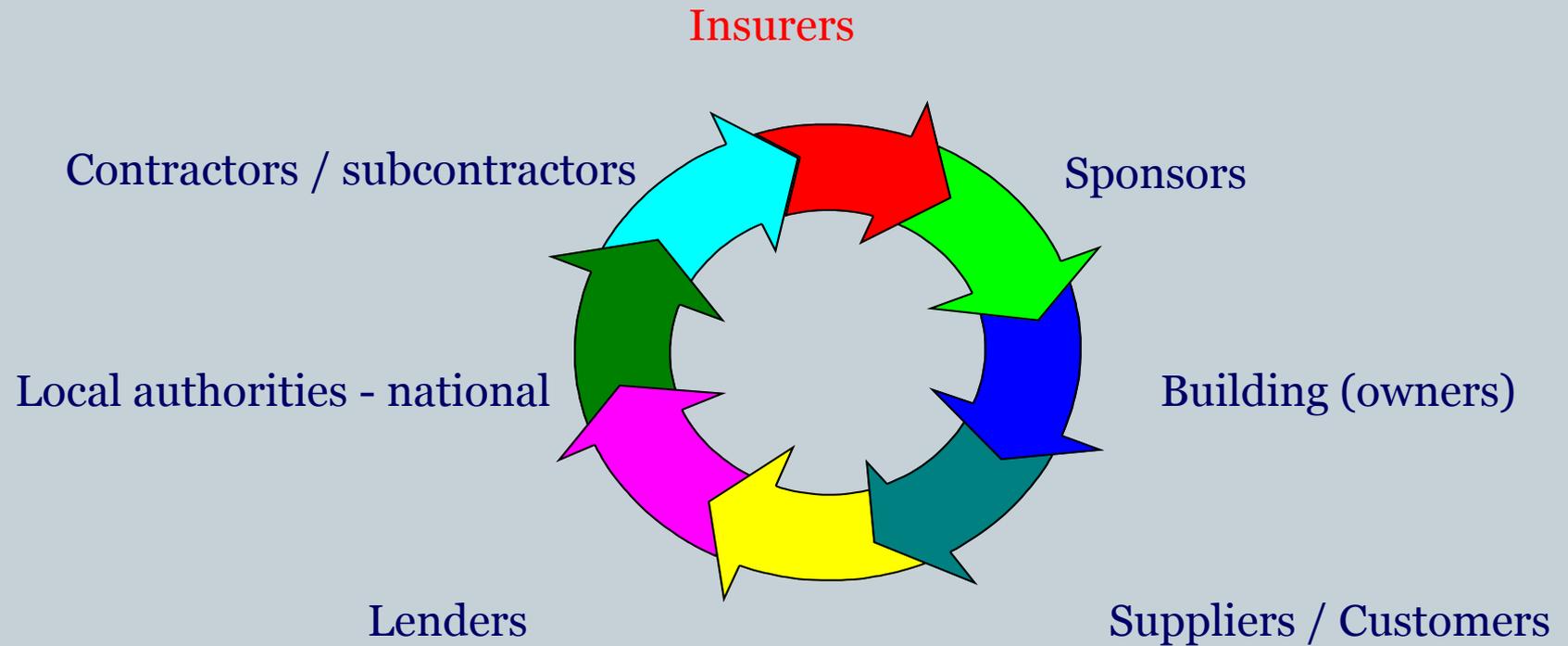
Project Risks and Security Package



- ❖ The key success of an operation of PF is realized through a coordinated and harmonized contracts that makes up the "Security Package". SP is defined more precisely the set of all the "rules of behavior" made up of commitments and guarantees specifically related to the project. SP has the primary function to mitigate or share risks related to the project among all participants.
- ❖ A well structured SP allows, in case of contingencies, to ensure the continuity of the initiative, with potential employment in their own control by the lenders

Risk Management in Project Finance

The players and the risk allocation



Risk Management



What are the risks to be allocated?

As business risks, the risks of the project are:

✓ Identified

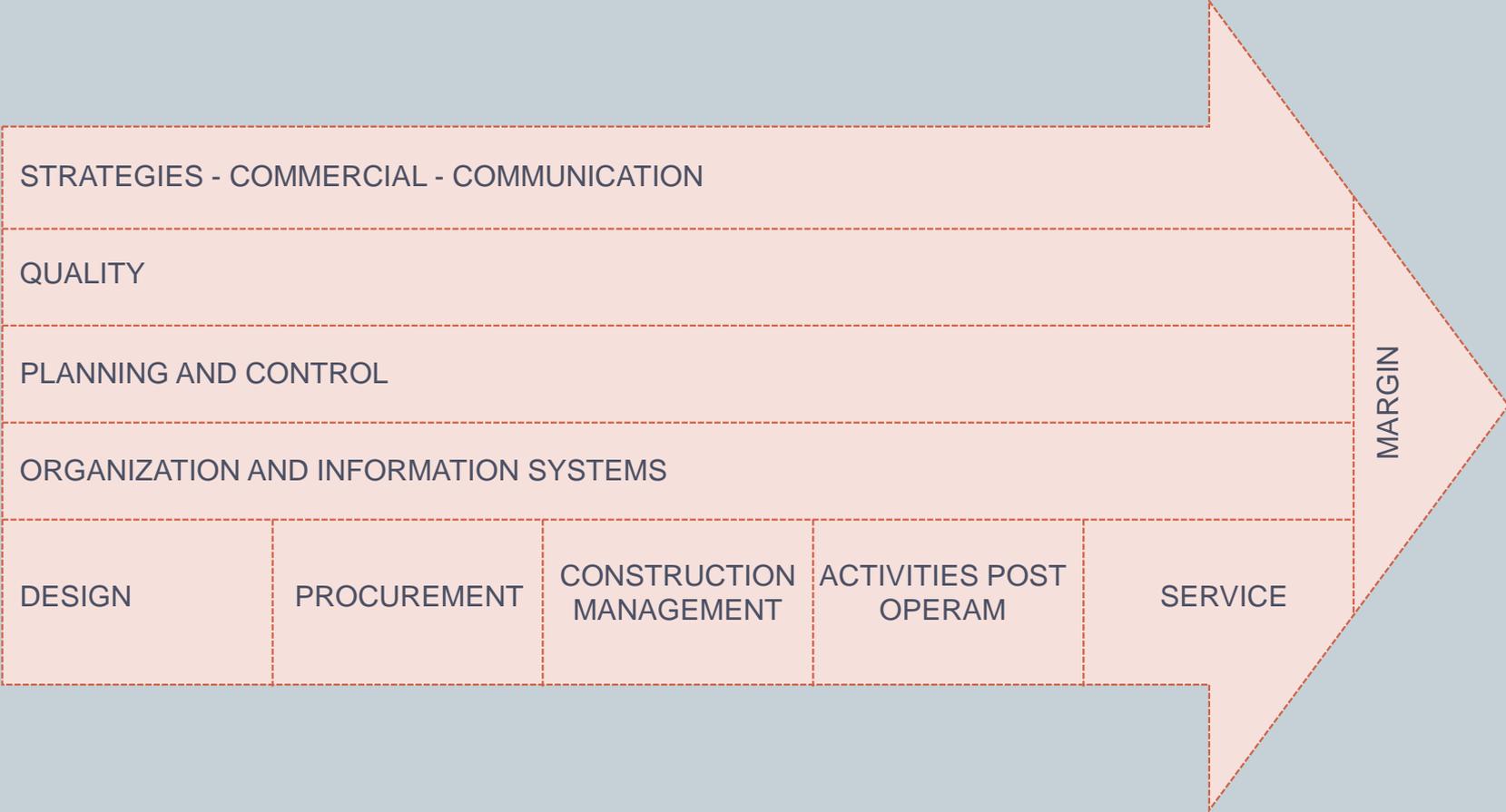
✓ Analyzed

✓ Rated



- With detailed classifications:
 - completion risk pre / post completion
 - with reference to the different stages of the life cycle of the project
- With appropriate methodological tools:
 - risk assessment matrix (project) by measuring probability / impact on the cash flow of the contract

Value Chain



The life cycle of projects (PROJECT FINANCE)



✓ **DESIGN**

✓ **CONSTRUCTION**

✓ **TESTING**

✓ **MANAGEMENT**

PRECOMPLETION RISKS

POST COMPLETION RISKS

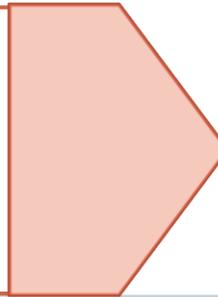
Design



CRITICAL ISSUES

HIGHER COSTS

DELAYS



ACTION

ADVISOR

CIVIL LIABILITY DESIGNERS

Construction



CRITICAL ISSUES

ENVIRONMENTAL

BUREAUCRACIES

FINANCIAL

TECHNOLOGICAL

ORGANIZATIONAL

CATASTROPHIC

ACTION

ADVISOR

PROJECT MANAGEMENT –
CONTROL

COMMITMENT CONTRACT
BUILDER

COVERAGE OF EXCEPTIONAL
EVENTS

Testing

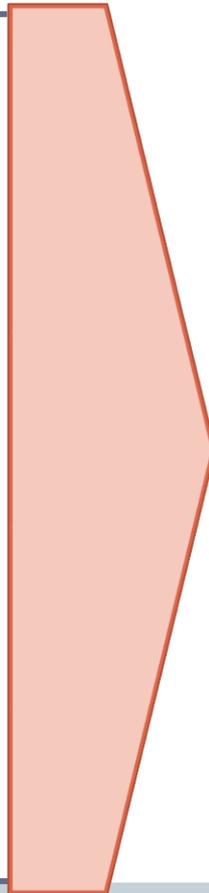


CRITICAL ISSUES

UNUSED OF THE WORK (partial
or total)

HIGHER COSTS

DELAYS



ACTION

FINANCIAL SECURITY OF ADVISORS

WARRANTY OF RECOVERY VS
PROMOTERS

WARRANTY OF RECOVERY VS THIRD

INTERVENTION OF EXTERNAL
ADVISERS

COMMITMENT CONTRACT BUILDER

PERFORMANCE BOND

INTERVENTION IN THE SUPPLY
CONTRACTS

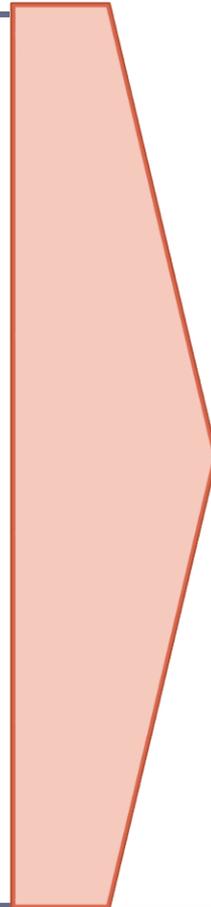
Management



CRITICAL ISSUES

HIGHER COSTS

DELAYS



ACTION

FINDING EX ANTE OF THE MANAGEMENT
DEFINITION OF OPERATING STRUCTURE
COMMITMENT TO PROVIDE EXPERT
CONTRACTS WITH EXPERTS CONSULTANTS
MAINTENANCE CONTRACTS (LONG TERM)
SUPPLY CONTRACTS (LONG TERM)
MAINTENANCE BOND
STAND-BY ARRANGEMENT OF FACILITIES
COVERAGE OF EXCEPTIONAL EVENTS