

## AIL Structured Finance celebrates its 10th anniversary

This year, AIL Structured Finance Ltd (AIL) celebrates its 10th anniversary. Founded by Urs Gerspacher, Raphael Steiner and Beat Imwinkelried, AIL started doing business in 2003 and has, since then, provided its customers with tailor-made financial advisory services.

### The achievements

AIL's strategic focus has been, and continues to be, to provide financial advisory services and equity and debt fund raising activities specifically for energy and infrastructure projects. The firm has consistently concentrated on a few selected sectors/industries, such as electricity generation (both conventional and renewable), rolling stock, water & waste treatment, steel & textile, infrastructure and oil & gas.

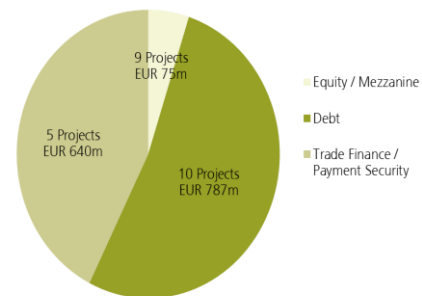
Thanks to its in-depth financial and industrial know-how and expertise AIL has been able to close transactions in the amount of more than EUR 1,5 billion since it started operations.

In particular debt arranging and trade finance/payment security transactions contributed to the success of AIL.

AIL is particularly proud that several infrastructure transactions structured, arranged and executed by AIL have obtained a number of awards from the financial industry (as shown in the table), which is a testimony to the quality and innovative nature of the financing solutions developed by AIL and to the added value provided to its customers.

Managing Partner Urs Gerspacher says: "The past 10 years have been an incredible experience; it is hard to believe that a decade has

passed since we sat down and started planning what we wanted AIL to provide to its customers. We really have to thank our clients and our network partners for the confidence they provided to us right from the beginning."



| Year | Award  | Project                                   | Description  |
|------|--|---|--|
| 2006 | Deal of the Year, Trade Finance Magazine, UK           | MAV, National Railway of Hungary, Hungary | Customized ECA backed financing  |
| 2009 | Rail Finance of the Year, Jane's Transport Finance, UK | Westbahn, Austria                         | First Swiss export finance lease with ECA coverage for a Western European railroad |
| 2010 | Deal of the Year, Trade Finance Magazine, UK           | Belarusian Railway, Belarus               | One of the largest ECA backed transactions ever in Belarus                         |

## The future

AIL is convinced that its experience, strong customer focus and independence will continue to attract clients looking for unbiased financial sales support. Faced with a shift of business towards clients based in emerging markets, with a persistently demanding international business environment and with more complex delivery structures, exporters will need to increase their focus on their risk management and financial sales support strategies. In particular small and medium sized export companies increasingly appreciate the ability to access the expertise of AIL's team of highly-skilled professionals. Exporters, who are offering tailor made financing solutions and innovative and smart delivery structures to their customers, will keep and develop a competitive advantage. The strongly committed team of AIL is looking forward to support its customers in this challenging task.

Our customer's success is AIL's success!

### **Italy / Stadler – Successful Closing, AIL Structured Finance advises Stadler Rail on the export of narrow-gauge railcars for the Italian train operator Ferrovie Appulo Lucane (FAL)**

In December 2012, AIL closed a payment security for a rolling stock transaction of the Swiss railway manufacturer Stadler Rail in Italy with the regional train operator Ferrovie Appulo Lucane (FAL). AIL acted as financial advisor to Stadler Rail.

FAL, which operates a railway network of 183 kilometers in the Southern Italian regions Apulia and Basilicata, ordered in 2012 six customized two-part narrow-gauge trainsets from Stadler Bussnang AG in addition to the already in 2011 purchased eleven trains. The delivery value of the additional six trainsets amounts to approximately EUR 26 million. The railcars will be built in Bussnang, Switzerland, and delivered at the end of 2013 and at the beginning of 2014, respectively.

AIL structured for Stadler Rail a tailor made security package supported by the Swiss Export Credit Agency SERV and mitigated the specific export risks within this transaction.

### **Financial Modelling - Pure workmanship or sophisticated expertise?**

One of the key instruments of a successful project or structured finance transaction is the construction and use of a comprehensive financial model. This is true not only for project finance transactions, but in any transaction that requires financial projections. AIL possesses both the skills and the experience to provide its clients with a custom-built solution.

A financial model is based on a series of detailed technical, commercial, macroeconomic and fiscal assumptions (with a degree of detail that is carefully to be considered at the model design stage) and which is presenting projections for the profit & loss statement, the balance sheet and the cash flow statement generally over the life of the project, or, at a minimum, over the life of the financing period. The model also allows performing a series of analyses, including ratio and sensitivity analyses.

Such a financial model is, firstly, used in the development and structuring phase, during which a project is shaped and defined. Different potential project structures can be simulated and compared, and the results analyzed for their consistence with the objectives of the project sponsors and with the capabilities offered by the financing and banking markets.

Once a preferred project structure has been defined by the project sponsor, the financial model is, secondly, modified accordingly and used in the financing phase, be it for equity and/or for debt financing. Typically a business plan is presented to financing parties with a request for financing offers. One key element of the business plan is the financial model, which allows financing parties to perform a financial analysis of the project and to prepare their financing offer, taking the project specific characteristics into account.

Thirdly, the financial model will serve in the assessment of the different financing offers received. The term sheet conditions received by the financing parties can be reflected in the model and the results compared. These conditions do not simply consist in differences in pricing (interest rates and fees). Of equal importance are conditions such as, for example, debt service and other reserve requirements, financial ratios, profit distribution covenants and cash flow ranking issues, just to name a few. These conditions require careful modeling in order to properly assess their impact on the project and the equity return to the project owners.

As shown above, the model is one of the key tools in the development and financing of a project finance transaction. It follows that the model is not static throughout the process up to financial closing. Many iterations and versions of the model need to be prepared until the "final" version is ready. This requires a certain discipline in the construction of the model, in particular during the financing phase: on one hand, the model needs to follow certain "project finance standards", but, on the other hand, must not be overburdened with excessive "automation" (e.g. in the form of macros), which, when distributed to banks, may render a financial model too intransparent to financing parties, and, ultimately, unacceptable for their review. A fine balance needs to be struck, which requires an experienced financial model builder. Furthermore, the financial model must integrate all the information about a project, including technical, tax and legal, to the extent these have an impact on the project structure and/or on its financial performance. The ability of the financial modeler to identify such key issues and to work in an interdisciplinary team, and to lead this team, is a key attribute for a financial modeler.

These are two of the reasons, why the task of setting up, running and maintaining a financial model is very often entrusted to the project's financial advisor, whose experience will ensure that the proper questions are asked, addressed and reflected in the financial model.

With its experience of more than 10 years in project and export finance transactions, the team of AIL is very well placed to assist customers to develop and project sponsors as their financial advisor to set up and run their financial projections. Numerous occasions have forged AIL's experience in situations as diverse as the development of a green- or brownfield project, the refinancing of one or more existing projects, an equity capital raising, joint-venture discussions, the assessment of a project acquisition, the submission of a bid in a competitive tender or the preparation of a business plan.

We are at your disposal and would be pleased to discuss your specific requirements with you. Please contact Raphael Steiner, Partner at AIL, at +41 43 299 62 02.

### **AIL Structured Finance appointed for the management of a leasing company**

AIL has been mandated by Estonia Train Finance Ltd to carry out all management activities in connection with a lease transaction.

In 2010, Stadler Bussnang Ltd has been selected by the Estonian national railway company Elektriraudtee AS as supplier for 20 diesel multiple units ("DMU"). Elektriraudtee AS has sought for a long term leasing solution to be proposed together with the tender for the delivery of DMUs.

AIL had been mandated by Stadler Bussnang to structure and arrange the leasing and its refinancing. The structure envisages a lease done by a company to be created for the sole purpose of this transaction. The refinancing arranged by AIL is a tailor-made solution, which had to take into consideration numerous conditions required in Elektriraudtee's tender.

For the purpose of the leasing, a new company Estonia Train Finance Ltd has been incorporated, to act as lessor to Elektriraudtee AS under a long term financial lease.

### **AIL Structured Finance representatives as key speaker at Vereon Seminar Financial Sales Support**

We are glad to announce that AIL's Managing Partner Mr. Urs Gerspacher will deliver a presentation at the new Vereon Seminar for Financial Sales Support. The seminars are scheduled for the 11./12. June 2013 in Olten. The programme is specifically designed to help sales and financial executives of export oriented companies to gain a deeper insight into the mechanics

of financial sales support. In the seminar industrial and financial experts from SERV, ABB, Stadler Rail and Credit Suisse with wide experience across the whole spectrum of financial sales support and export finance will act as speakers. For further details please feel free to contact any AIL team member or visit [www.verreon.ch/fss](http://www.verreon.ch/fss).

### **Contact**

AIL Structured Finance Ltd  
Schaffhauserstr. 418  
CH-8050 Zurich / Switzerland  
[www.ailsf.ch](http://www.ailsf.ch)

Attn: Urs Gerspacher  
Phone: +41 43 299 62 01  
Email: [urs.gerspacher@ailsf.ch](mailto:urs.gerspacher@ailsf.ch)