Newsletter – July 2023

Further senior debt financing secured by European Loc Pool (ELP) to fund ever-growing locomotive portfolio

Swiss based Rolling Stock Leasing company ELP (www.europeanlocpool.com) provides full-service leasing of modern and innovative locomotives for rail operators and logistics companies across Europe. ELP's focus lies in six-axle hybrid locomotives with up to 2.8MW diesel, 9MW electric and 500kN traction, which can be operated both on electrified and non-electrified lines.

Closing of additional long-term debt financing

ELP has successfully closed and further increased the existing long-term syndicated credit facility by EUR 223 million to EUR 703 million for the purchase and refinancing of additional Stadler Rail EuroDual and Euro9000 locomotives in order to expand the locomotive portfolio to more than 150 vehicles in total. UBS Switzerland acted again as lead arranger for the syndicate of Swiss banks.

Euro9000

Constant substantial increase of ELP's lease portfolio

Since its establishment as a leasing provider for locomotives in 2018 and due to its constant substantial portfolio growth as a result of its ongoing success, this marks the fourth credit facility increase for the successful leasing company.


EuroDual

AIL's role

As with the previous three financing rounds in 2020 and 2022, AIL acted as financial advisor to ELP for the increase of the existing long-term credit facility. AIL advised and supported ELP in structuring the additional financing (including assisting in the revision of ELP's business plan and its underlying financial planning) through to negotiating and completing the relevant loan documentation.

Willem Goosen, CEO of ELP: "We are very happy with the additional financial room to expand our ever- and fast-growing portfolio and are grateful to be able to rely on a financing partner that is determined to help us on our constant path of growth and success. We are determined and remain convinced to position ELP as one of the leading full-service leasing providers for locomotives in Europe."

We as AIL are very proud to be a part of this success story and we are looking forward to supporting ELP in its further growth plans.

Newsletter – July 2023

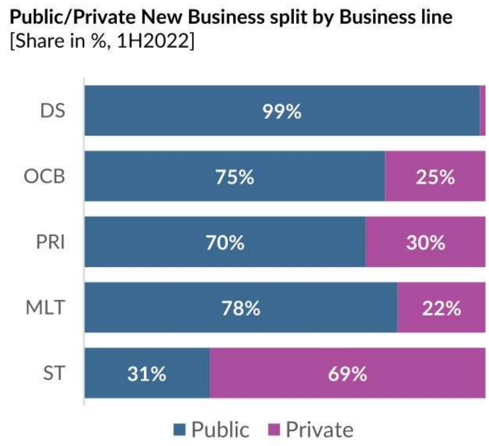
Recent trade and export insurance developments

The world has been undergoing major changes in the last few years, especially on the geopolitical level, which have heavily impacted international trade. The recovery from the Covid-19 pandemic, the ongoing Ukraine conflict and the rising prices for energy as a result of that as well as increasing inflation rates are just a few prominent examples of the reasons. These changes have had an impact on the risk perception of all actors active in the international trade. It thus makes sense to have a closer look at the figures from the Berne Union and the impact the recent developments have had on its members.

The Berne Union (www.berneunion.org) is the global export credit and investment insurance industry's leading organization and consists of 82 member companies, including the government-owned Swiss Export Risk Insurance SERV. The insurance solutions provided by the member companies support exporters, investors and financial institutions to mitigate their commercial and political risks in relation to export transactions.

Comparison of public and private insurance sector

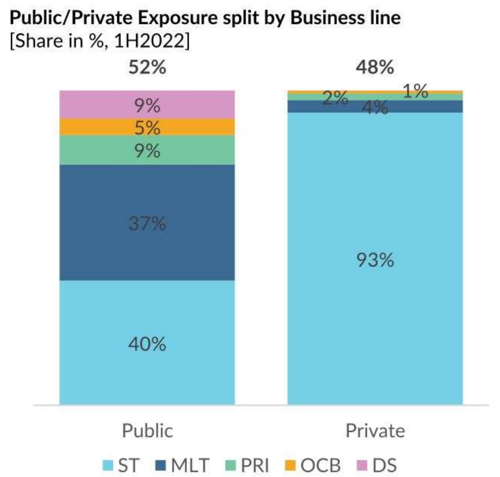
A comparison between the public and private insurance sector in relation to trade and export transactions currently shows a clear picture. The market positioning of public credit insurers such as Export Credit Agencies ("ECAs") is predominantly to be found with transactions for goods that are typically financed on a mid- and long-term ("MLT") basis, which in Berne Union members' terms means a duration of more than 24 months. The following chart visualizes this in a very clear way.



Legend
ST: Short Term MLT: Medium/Long Term
PRI: Political Risk Insurance
OCB: Other Cross Border Support
DS: Domestic Support

Source: www.berneunion.org; Berne Union Yearbook 2022, 19.12.2022

The business share of public insurers in the first half of 2022 in the MLT sector amounted to 78%, whereas the short-term sector ("ST") shows exactly the opposite scenario, where public insurers only held a share of 31% compared to private insurers.



Source: www.berneunion.org; Berne Union Yearbook 2022, 19.12.2022

Newsletter – July 2023

This shows that private insurers are mainly active in the short-term sector. This is further substantiated by the chart shown above, which depicts the risk exposure of the different insurance categories compared side-by-side between public and private risk insurers. It can be seen that private insurers almost exclusively insure short-term risks, as 93% of their total exposure comes from short-term export transactions.

Effect of recent geopolitical developments on insurers' attitude towards risk

The recent geopolitical developments such as the Ukraine conflict have had a significant impact on the risk assessment of companies involved in the international trade. According to the latest quarterly business surveys of the Berne Union, requests for insurance cover have been increasing across all sectors throughout 2022 and into 2023. On the insurers' side however, risk appetite has been adjusted due to macroeconomic pressures and the changing geopolitical risk environment.

What is more interesting is the fact that the attitude towards the risk environment has started to diverge between public and private insurers. According to Berne Union's recent business survey (published in June 2023), private insurers appear to be become more cautious, while the public providers on the other hand have been broadening their risk appetite including maintaining cover for jurisdictions that the private market may deem too risky. This ultimately increases the importance of public insurers even further.

Reform of OECD Arrangement on Officially Supported Export Credits

In the current market environment public credit insurers are becoming more important than ever. It is therefore perhaps not a coincidence that the OECD recently announced a fundamental reform package to the Arrangement on Officially Supported Export Credits which is set to come into force on July 15th, 2023.

The most significant changes to the current version include among others longer possible repayment periods of up to 22 years (up from 15 and 18 years) for ECA-covered credit facilities in relation with climate change mitigation projects as well as a general extension of the maximum available repayment tenor to 15 years irrespective of the country category. The maximum repayment tenor for rolling stock projects consisting of fully electrical vehicles and associated infrastructure is also being increased from 14 to 22 years and to 20 years for bi-modal vehicles.

This ultimately increases the impact and attractiveness of public insurers on the market compared to private ones even further, in particular for cover in relation to medium and long-term commercial and political risks.

Please refer to the OECD website (www.oecd.org/trade/topics/export-credits) for further detailed information about the reform of the OECD Arrangement.

Contact

AIL Structured Finance AG
Schaffhauserstr. 418
CH-8050 Zurich / Switzerland
www.ailsf.ch

Andres Heusser
CEO
+41 43 299 62 11
andres.heusser@ailsf.ch