

# **FUNDING STRATEGY HY2 2023**

**Capital Markets**

Basel, 30th June 2023

**EUROFIMA**

European Company for the Financing  
of Railroad Rolling Stock  
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4053 Basel

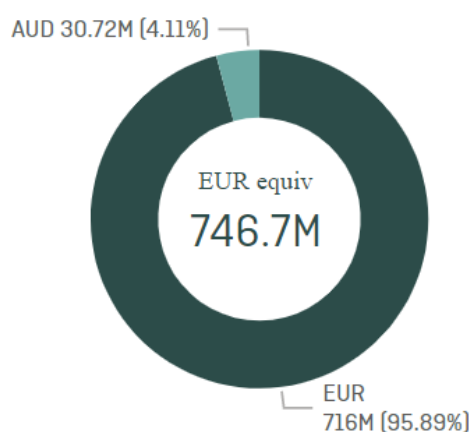
## Objective

The FUNDING STRATEGY document is produced by the Capital Markets unit with the purpose to review and guide its funding activities. The objective is to define the funding strategy for the next half year, as well as to align funding decisions to EUROFIMA's long-term funding goals. This is a summary of the internal extended version of the FUNDING STRATEGY, document which contains a market overview, a capital markets and functions activities review, as well as dedicated sections on lending and investor relations activities. The document is submitted to the Management Committee (i.e., the CEO and CFO) for approval each half year-end.

## Funding Review

### Bond funding

In H1 2023, a new 3.125% Euro-denominated line was established with a maturity of Mar-2033, this line was subsequently tapped twice to reach an outstanding volume of EUR 460m. Additional funding requirements were met via the issuance of a new AUD 48m bond due 2038 and further taps of the 0.150% Oct-2034 line – which has now reached the max volume of EUR 2bn. Total funding in EUR equivalent terms for H1 2023 amounted to ~EUR 0.75bn.



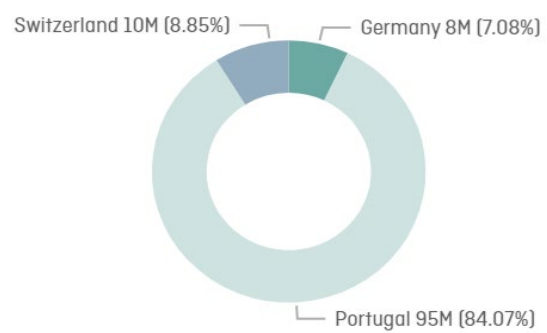
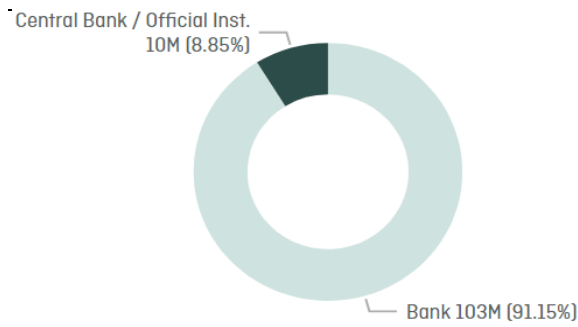
*Funding volume with bond issuances H1 2023*

In H1 2023, six bond transactions were executed with total volume of EUR 0.75bn equivalent:

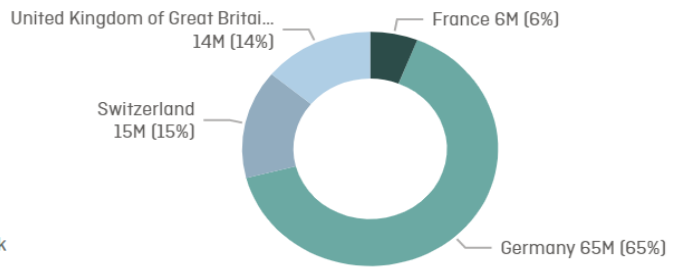
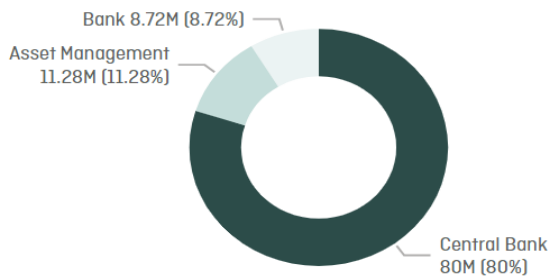
- At the end of May, a EUR 100m tap of the 2033 line was issued.
- In early May, a EUR 70m tap of the 2033 line was issued.
- In April, the EUR 2034 line was tapped by a further 113m, thus reaching max outstanding volume at EUR 2bn.
- At the end of March, a new on-the-run 10-year bond was issued; a EUR 290m 3.125% bond due Mar-2033.
- In mid-March, a tap of the EUR 2034 line by a further 143m was conducted.
- In February, a new 15-year AUD 48m (EUR 31m eq.) bond due Feb-2038 was issued.

### Public Bookbuilds and Investors Reached

Although no public benchmarks were issued in H1 2023, two of the above tap transactions involved a public bookbuild, hence the following investor and distribution statistics are outlined.



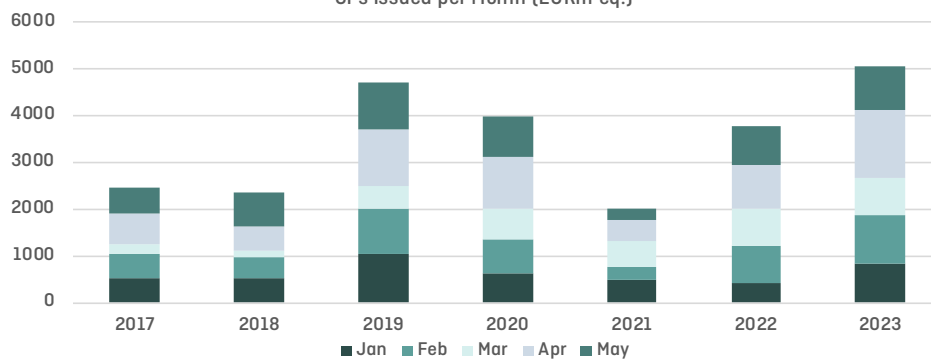
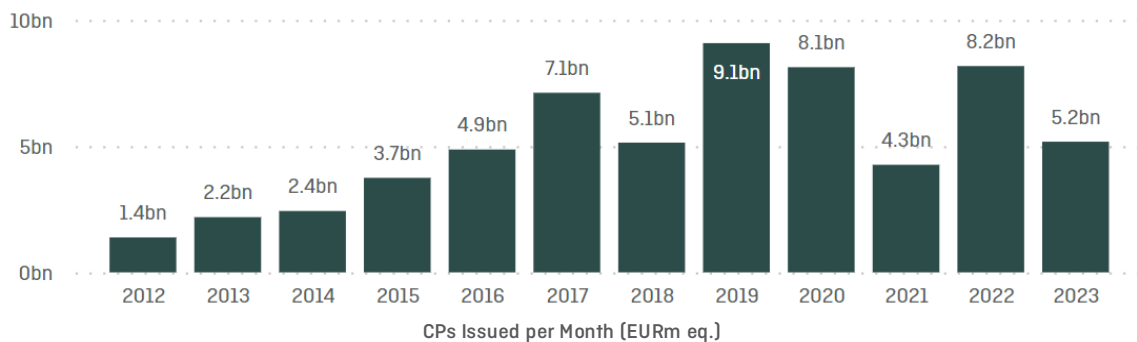
**EUR 113m tap of the 0.150% Oct-2034 bond**



**EUR 100m tap of the 3.125% Mar-2033 bond**

**Commercial paper funding**

In H1 2023, a total volume of EUR 5.1bn in Commercial Papers (CPs) was issued. In comparison to the volumes done during the same period in prior years, the CP funding done year to date marks the highest on record.



*Short-term funding volume by year and month*

### 3 Equipment financings contracts

EUROFIMA's core activity and public mission consist of supporting the development of rail transportation in Europe by providing its shareholders and other railway bodies with cost-effective financings to renew and modernize their railway equipment.

#### EFC long-term lending H1 2023

In 2023, the following six long-term financings were disbursed:

- In February, EUR 31m to HZPP
- In March, EUR 128m to SNCB
- In March, CZK 6903m (~EUR 290m eq.) to CD
- In April, CHF 111m (~EUR 113m) to SBB
- In May, EUR 70m to CD
- In June, EUR 100m to FS



*Overview EFC transaction H1 2023*

#### EFC short-term lending H1 2023

In H1 2023, short-term financings were also disbursed.

#### Loan book End of December H1 2023

Over the course of H1 2023, EUROFIMA's loan book has increased compared to end-2022 by EUR 288m, to a total volume of EUR 9.9bn. Switzerland followed by Italy, Spain and Belgium continue to be the largest borrowers.

### **Redemptions in H2 2023**

Out of a total of EUR 962m in EFC maturities in 2023, EUR 712m in redemptions were due in Q2, hence this quarter contained most of the redemptions this year. The remainder of the year will only see EUR 125m in further redemptions.

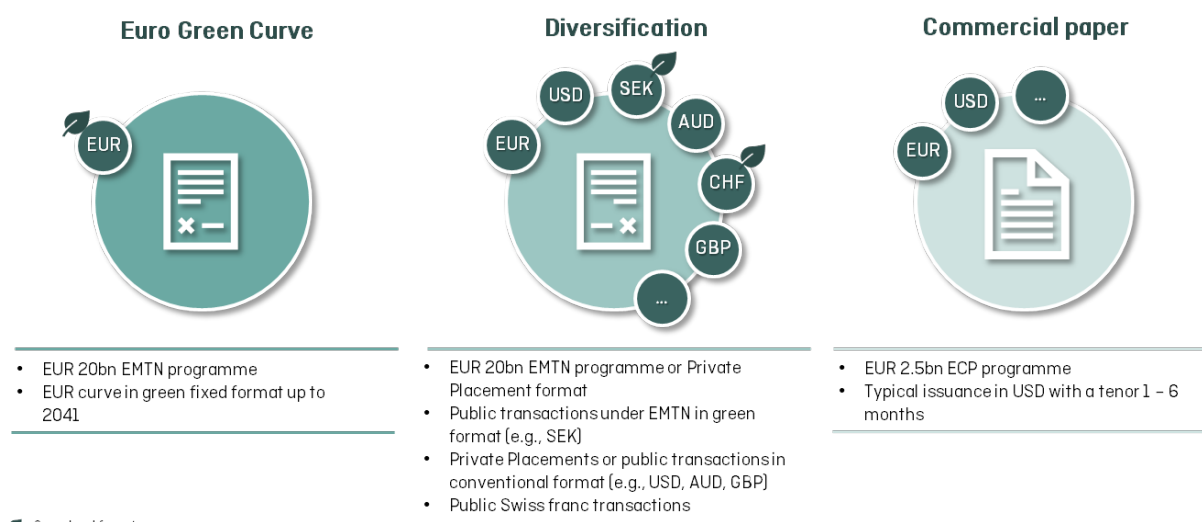
### **Budget for new financings in 2023**

Total demand for H2 2023 is estimated to ~EUR 250m

## 4 Funding Strategy

EUROFIMA’s borrowing operations serve both the core lending business and EUROFIMA’s own liquidity requirements. This is fulfilled via bond issuances and commercial paper funding in the international capital markets. The borrowing strategy applicable for 2023 is based on three pillars.

- **Euro-denominated issuances in green bond format (“Euro Green Curve”)** as the core financing instrument which serves only to finance lending activities to railways
- **Diversification** of funding activities with issuance in Euro non-green format and/or US dollar-denominated issuances to fund internal liquidity needs as well as opportunistic funding in other currencies (i.e., SEK, CHF, AUD) to fund railway demand
- Short-term funding via **Commercial Paper** for short-term EFC requests and internal liquidity needs



### *3-pillar Funding Strategy*

Priorities for issuances of bonds in 2023 will be set according to the following rules:

1. Completing the Euro green curve with new benchmarks in 15yr or 20yr if size allows.
2. Increasing the existing green Euro-lines with taps preference is to increase sub-benchmark sizes to benchmark size.
3. Issuing in non-Euro-lines (e.g. AUD, USD, SEK, CHF),
  - If pricing is not competitive in Euro,
  - If size does not fit Euro market or
  - Any other reason (e.g., maintain presence in non-core opportunistic markets or reduce derivatives exposure)

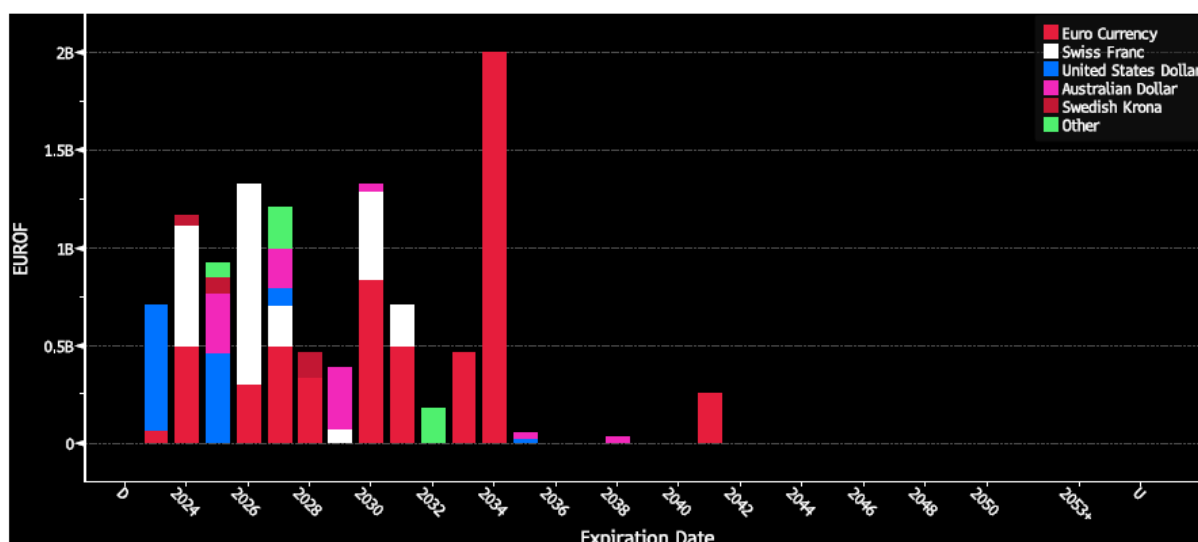
## Existing EUROFIMA EUR lines

Overview of existing Euro-denominated lines for taps including the amount outstanding. There is a cap of EUR 2bn per line based on internal policy guidelines.

R	Issuer Na...	Cpn	Maturity	Security Description	Amt Out	Mid Price	BVAL	Mid YTM	ASW Spread (Mid)	Mod Dur (Mid)†
1)	Eurofima ...	2.050	06/28/2023	EUROF 2.05 06/28/23	19.51MM	99.93		3.777	--	0.04
2)	Eurofima ...	3.250	07/28/2023	EUROF 3 3/4 07/28/23	64.99MM	99.92		3.779	--	0.12
3)	Eurofima ...	3.630	10/15/2030	EUROF Float 10/15/30	91.21MM	100.15		3.880	--	0.34
4)	Eurofima ...	0.250	02/09/2024	EUROF 0 3/4 02/09/24	568.01MM	97.75		3.750	1.520	0.64
5)	Eurofima ...	--	07/28/2026	EUROF 0 07/28/26	352.04MM	90.25		3.320	4.014	3.02
6)	Eurofima ...	1.625	07/20/2027	EUROF 1 5/8 07/20/27	509.53MM	93.79		3.250	10.429	3.81
7)	Eurofima ...	0.010	06/23/2028	EUROF 0.01 06/23/28	400.44MM	85.43		3.193	11.419	4.87
8)	Eurofima ...	0.100	05/20/2030	EUROF 0.1 05/20/30	823.18MM	81.62		3.078	9.157	6.70
9)	Eurofima ...	3.125	11/09/2031	EUROF 3 1/8 11/09/31	501.35MM	99.95		3.119	15.149	7.17
10)	Eurofima ...	3.125	03/30/2033	EUROF 3 1/8 03/30/33	501.62MM	99.82		3.136	17.326	8.27
11)	Eurofima ...	0.150	10/10/2034	EUROF 0.15 10/10/34	2.20MM	71.81		3.135	14.530	10.86
12)	Eurofima ...	0.500	04/23/2041	EUROF 0 1/2 04/23/41	300.95MM	62.80		3.283	28.823	16.32

*Outstanding EUR-denominated EUROFIMA bonds (Source: Bloomberg, 12 Jun 23)*

## Debt distribution profile



## Financing EFC

Financing strategy for respective upcoming transactions in HY2 2023 is subject to approval from the Deal Review Committee.

In addition to price-related best execution considerations for both EUROFIMA and the railway, we also observe the following considerations on funding strategy for funding in the market:

- We cannot tap bonds above EUR 2bn, bonds issued before 1<sup>st</sup> Jan 2018, and we prefer not to tap bonds far below par as it is less economical.
- We prefer to maximise individual bonds' liquidity by taking outstanding volumes >EUR 500m. Maintaining and building upon EUROFIMA's presence across the curve is also important.



- We prefer benchmark issuance and public bookbuilding, even if the volume is sub-benchmark. No benchmarks have been issued thus far in 2023, and in this situation, public bookbuilding for taps will help maximise EUROFIMA's visibility in the market. Investor work is also more important as a result this year too.
- We continue to maintain and build upon the flexibility to accommodate more complex disbursement schedules offered to shareholders.

Start	Volume (mEUR)	Preferred Execution	Alternatives
3Q	EUR 100m	Tap on the run 10Y, 3.125% Mar-2033	New bond / Private Placements / Opportunistic placement in AUD/SEK
2-3Q	EUR 60m	Tap 2033, 38, 41	EUR or AUD Private Placement
3Q	EUR 90m	Tap on the run 10Y, 3.125% Mar-2033	10Y AUD, SEK – opportunistic taps if competitive
Ongoing	CHF 150m	CP issuance continuation	-
3Q	EUR 45m	Tap 2033, 38, 41	EUR or AUD Private Placement
3Q	EUR 50m	CPs and roll, up to 1Y maturity	1 to 2-year AUD or GBP PPs, if competitive vs. EUR Eq.

*Funding strategy for upcoming transactions*