LIEBHERR

LIEBHERR AUSTRALIA case study two - informal

Liebherr Australia P/L is a wholly owned subsidiary of Liebherr - International AG, a private family owned Swiss based manufacturing and engineering business generating annual revenues of €9.00 Billion from mining and construction equipment; cranes; aircraft parts and white goods.

In Australia the business generates annual revenues exceeding A$500 million (2015) primarily within the mining and civil construction sector, competing locally against Caterpillar; Komatsu; Hitachi; Terex; Volvo, Joy who all operate global captive finance companies to support their domestic product sales here.

Australian Structured Finance has maintained an informal Vendor Finance arrangement with Liebherr since the 1990's, having completed a number of significant facilities supporting equipment sales both domestically and in SE Asia, including the first worldwide commercial sale of Liebherr's R9800 (800 tonne) hydraulic excavator in 2009 on a Rental basis.

Cockatoo Coal Limited | BARALABA Coal Projects

Requirement: $34.00 million
7 year Operating Lease

Cockatoo Coal (http://www.cockatoocoal.com.au/) was a mid-tier, ASX Listed, 1mtpa coal producer looking to develop a new 3.5mtpa mine in the Bowen Basin, Queensland.

In late 2013, the Company approached a number of equipment vendors together with its own financiers and Banks to provide funding for a new open cut mining fleet to commence development of its Baralaba North mine – initially at 1mtpa and growing to 3.5mtpa subject to Queensland Government approvals and project funding.

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2 Barrack Street
Sydney NSW 2000

02 9299 4711
02 9299 4780

Liebherr Australia in turn approached ASF to provide a competitive long term (7 year) operating lease "Vendor" solution to support their offering on a new $13.70 million R996 (600 tonne) hydraulic excavator without credit recourse to the manufacturer.

ISSUES:

- The transaction was extremely challenging in light of the 2013-14 collapse in coal prices/ cyclical downturn impacting the resources sector and more conservative lending practices being applied to the Coal sector in particular;
- Aggressive supplier pricing had arisen from a significant local inventory of large ticket mining equipment held by all competing machinery vendors;
- Cockatoo Coal was in the middle of an on- market acquisition of another ASX Listed mine; was negotiating a new Project Finance facility with ANZ its senior Bank who were also in the market seeking to sell down participation in their committed debt facilities;
- Cockatoo Coal sought to match a 600 tonne excavator with five Caterpillar 793D mine trucks on a long term operating lease. It was critical for them to secure off-balance sheet funding for the entire fleet package in order to proceed - not just the Liebherr excavator;
- Most competing equipment vendor financiers were prepared to consider funding alternatives for their own product - not a package including competitor equipment and none would consider a seven-year funding term in the prevailing climate;
- Liebherr sought to avoid any credit recourse on the transaction at all;
- The transaction was extremely time sensitive, with mining activities to commence by 1 April 2014.

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SOLUTION:

- **ASF were able to support Liebherr by providing an extremely competitive "stand alone" 7 year Operating Lease facility for $34 Million to include both the Liebherr excavator and Caterpillar trucks (the clients preferred combination) through a single"non-bank" funding source;**

- **ASF secured attractive credit terms and underwrote the residual value risk on both asset classes (excavator and trucks) with an external investor;**

- **The transaction was completed within the client's time-frame;**

- **Liebherr were able to book a "clean sale" and the transaction represented the first new R996 excavator sold into the Australian market in 2014**

EVENTUAL OUTCOME :

- ASF maintained a close working relationship with the client who subsequently experienced a difficult trading period as commodity prices continued to fall

- Following the financial demise of the client in November 2015; the equipment finance debt obligation, repossession and asset disposal in 2016 was non-recourse to Liebherr who had no credit risk or equipment remarketing obligations on their equipment.

Because ASF/ Vendor Finance are able to access Bank and non-Bank Underwriters as well as Residual Value investors on large ticket funding requirements, we seek to minimise the need for Equipment Vendors to take direct risk on the facilities structured on their behalf.

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