

Etrion Reduces Costs and Saves Time with Hedge Accounting Insight

“Until now, we were outsourcing our hedge accounting process. When we saw the demo for Hedge Accounting Insight, we knew it was the right solution. Hedge Accounting Insight gives us the control that we need, so we don’t have to rely on consultants anymore – saving us significant time and money. Plus, we no longer have to wait around for the information required to comply with hedge accounting regulations: we get what we want, when we need it, as we need it.”

— David Ramirez, External Reporting Manager



THE CUSTOMER:

Etrion Corporation (“Etrion”) is an independent solar power producer based in Geneva, Switzerland. Listed on the Toronto Stock Exchange and on the NASDAQ OMX Stockholm exchange, Etrion acquires, develops, builds, owns and operates solar power plants. The company currently owns 60 megawatts of operational, ground-based solar photovoltaic power plants in Italy.

THE ISSUE:

Etrion invests in feed-in tariff environments, creating long-term, low-risk revenue streams. Growth is driven by the development and acquisition of solar power facilities with long-term electricity sales contracts (projects are financed with non-recourse loans up to 20 years), with the ultimate goal of producing low-cost, clean energy at attractive returns. With most of its projects being leveraged up to 90%, it is critical for Etrion to hedge its interest rate risk and reduce cash flow volatility.

THE NEED:

Etrion initially hired an external consulting firm, but soon found 3 key limitations with outsourcing its hedge accounting process:

1. **High costs associated with consultants.** With the requirement of running hedge accounting reports on a quarterly basis – and the typical tight timeline of this

process – consultants quickly became an unaffordable and inefficient solution to handle Etrion’s hedge accounting process.

2. **Lack of a timely response.** While Etrion would receive the independent valuations required, the fact that information would often arrive late in the process made the application of hedge accounting a very stressful process.
3. **Minimal control over the hedge accounting process.** By relying on external consultants, Etrion felt that its internal knowledge was diminishing, leading to less control over the hedge accounting process.

When looking for an alternative solution to external consultants, Etrion found that using spreadsheets for hedge accounting would not solve the unique challenges associated with outsourcing this process: “Hedge accounting is a very specialized process and not something that you can easily handle on spreadsheets,” explains David Ramirez, External Reporting Manager, Etrion. “Running prospective and retrospective tests on spreadsheets is quite demanding. For example, spreadsheets don’t provide built-in market data – and without market data, it is challenging to calculate the value of derivatives.”

THE SOLUTION: HEDGE ACCOUNTING INSIGHT

Before long, Etrion’s advisors recommended Hedge Accounting Insight. “We learned about FINCAD through our advisors,” explains Mr. Ramirez. “We were looking for an intuitive and reliable solution that we could use in-house to handle our interest rate swap contracts and reduce cash flow volatility. We found all this in Hedge Accounting Insight.”

Mainly used by the accounting and finance department, Hedge Accounting Insight is also used by Etrion to support the project finance team when it comes to valuations, particularly when the company is considering applying a new derivative instrument.

“We were looking at two hedge accounting solutions,” says Mr. Ramirez. Hedge Accounting Insight was the clear choice: “It’s easy to use, allowing us to bring the hedge accounting process in-house. It also provides us with all the reports that we require within minutes – we no longer have to wait for our consultants to get the information that we need.” Since Hedge Accounting Insight is an affordable solution, Etrion is finally receiving all the necessary information for its hedge accounting process at a fraction of the cost that the company was paying its consultants.

“I found the demo of Hedge Accounting Insight very impressive,” says Mr. Ramirez.

Case Study *continued*

“Once we saw it, we knew that Hedge Accounting Insight would work perfectly for us.”

Saving Time

One of the challenges Etrion was experiencing when outsourcing its hedge accounting process was the lack of a timely response. With Hedge Accounting Insight’s automated calculations and intuitive user interface, Etrion can now easily schedule its calculations to run as frequently as they need, with the assurance that the reports will be available when the company requires them. “Hedge Accounting Insight is just a fantastic solution,” says Mr. Ramirez. “I get all my information on the day after quarter end, eliminating our timing issues with consultants.”

Taking Back Control

With the ability to schedule calculations at the click of a button and receive an email notification when the reports are ready to be downloaded, Etrion’s hedge accounting process can now be run entirely in-house, giving the company complete control.

“Internally, we are very pleased because we have the comfort of knowing that we’re doing things correctly,” says Mr. Ramirez. “It is also helpful to have the auditors on board early in the process.”

Complying with Hedge Accounting Standards

“Another benefit that I particularly like with Hedge Accounting Insight is that it provides our auditors with the exact information they require in terms of documentation,” continues Mr. Ramirez. “We no longer have issues with using spreadsheets, different formats or layouts – we provide our auditors with the same information in the same layout every quarter, and they can audit that information easily.”

Prompt Customer Support

When looking for an in-house solution for its hedge accounting needs, it was critical for Etrion to be able to receive prompt and thorough customer support. “The FINCAD Client Services team is excellent,” tells Mr. Ramirez. “For every question I have, I get an immediate response – which is great. When I receive very technical questions from our auditors, I share them with FINCAD’s analysts and the response that I get is exactly what we were expecting – and the auditors are also pleased with the answers.”

THE FUTURE WITH HEDGE ACCOUNTING INSIGHT

Etrion will continue to rely on Hedge Accounting Insight as its hedging program grows. Given its automation capabilities, adding hedges does not require extra time when managing its hedge accounting process – improving Etrion’s productivity and enabling them to focus instead on adding value to its business.

“We have made significant improvements regarding our processes, thanks to Hedge Accounting Insight,” says Mr. Ramirez. “We get what we want, when we need it, as we need it, and it also satisfies our audit requirements. We will definitely continue using Hedge Accounting Insight.”

“Hedge accounting is an area of great risk for auditors and we have removed that risk by using Hedge Accounting Insight.”

“Overall, I’m totally satisfied with Hedge Accounting Insight.”

“FINCAD Client Services’ performance is great - I have no complaints or issues at all.”

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