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KEY EQUIPMENT FINANCE

Achieving organic growth in Europe

Alun Richards talks to Jan Szmigin about KEF's business approach

Elsewhere in this edition of *LeasingWorld* (page 32), Paul Larkins, president and CEO of Key Equipment Finance, says of Alun Richards, European managing director, KEF, "Since Alun arrived, as well as growing the business, there has been a sea change in terms of aggressiveness and client focus." Not a bad public endorsement from the boss!

"The preferred growth strategy is organic."

Europe is important to Richards, with an enviable representation in Western Europe and the Nordics, he feels that KEF has finally "turned the corner" there and points to their recent entry into Leaseurope's *Top 50 Lessors* listing. Even though Eastern Europe is a step too far for the present, Richards keeps a close watch on its development, and will be attending as Finance & Leasing Association representative at Leaseurope's CEE conference in Warsaw in April. The preferred growth strategy is organic, and although smaller acquisitions are not out of the question, a large acquisition probably is – due to the amount of management time it could deflect from the day to day business.

KEF's in-house systems have always been known for being comprehensive and leading edge, a necessity when inte-



grating multi-region operations. Richards points proudly to KEF's continuing achievements in this area, specifically the first "live" implementation in the UK of Oracle's Lease Management System. Having started his career in IT before entering leasing, Richards is well aware of the significance of moving to "asset level" data processing in order to stay in front in value-added leasing services.

Leasing technology assets is still central and critical to KEF's business performance. As an object lesson in how to prosper despite the IT market's dips and troughs in recent years, KEF has consciously recognised and sold its multiple capabilities. Whereas five years ago it

serviced tied vendor programmes with the full marketing collation service and financial product mix, today it is prepared to offer as much or as little of the full service that the vendor requires.

KEF can be a wholesale partner or a retail partner, and is prepared to unbundle or repackage its processes if necessary to fit a client's needs. A prime example of repackaging its expertise is when offering partnership services to banks that offer leasing but do not have the ability to offer residual-based technology leases themselves. Recently KEF has partnered on this basis with UBS in Switzerland and Elcon in Norway, and plans to continue to develop further partnerships. This is known to be a successful strategy in this sector for players that have the expertise but are not so large that conflicts of interest could occur between the partners' client bases.

"At least three new Asset classes have appeared on the grid in addition to IT – Transportation, Medical and Production."

Despite the many opportunities in the IT markets, KEF has been assessing other asset classes over the past two years with a view to finding good areas of fit with

its capabilities. The approach has been measured and analytical, using five key criteria for the selection process:

1. The asset area has an existing finance culture.
2. Assets have a longer life than IT assets.
3. Assets have a realisable value.
4. \$100,000 or more typical deal value.
5. Has multiple routes to market i.e. direct, vendor, dealer, etc.

At least three new Asset classes have appeared on the grid in addition to IT, *viz.* Transportation, Medical and Production equipment, and exploratory deals have been written in each asset class, including a rail and an aircraft deal. US-owned lessors are sometimes

accused of inflexible credit underwriting criteria but this is not the case in KEF says Richards, who feels that KEF's credit capabilities are as good or better than industry norms. He feels that KEF takes a "whole transaction" view, and probably asks more questions than other lessors but, as a result, is better placed to truly understand the deal and therefore do it if it's "doable".

"The business approach at KEF is highly strategic."

The business approach at KEF is highly strategic, the company asks where

does it want to go, and how does it get there. Richards encapsulates a combination of strategic thinking, leadership and people management skills. An hour's discussion of his current analysis of the leasing market and the strategic options it presents is wide-ranging and deeply detailed. Harking back to his pre-leasing days as an IT recruitment consultant he says he was attracted to leasing initially because it was a services business, offered great variety and independent lessors were a hotbed of innovation. He says he also appreciated the prevailing high salaries in the leasing industry, which were useful given his personal passion for fast cars and yachts.