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NEWS FOCUS

KEY EQUIPMENT FINANCE

Key to growth

Brendan Malkin

The UK and Ireland business of Key Equipment Finance (KEF) is planning to widen its portfolio and achieve 25 per cent growth for the next two years.

It is planning to launch finance packages to the professions sector, including law and accountancy firms, while building up its specialism in technology, aviation, transport and medical lease products.

Alun Richards, European head of vendor finance at KEF, hired Bruce Nelson from Hitachi Capital to head up the growing UK business. Nelson helped build up the leasing business, Industrial Business Finance, between 1994 and 2005 when it was sold to Hitachi. It was forced to do so, according to Nelson, because its parent, Skipton Building

Society, is a mutual – a position which did not fit well with Financial Services Authority regulations.

“I think it could be more than this. By the end of this year you will see progress in some of the new portfolios.”

Nelson expects to make a number of lateral hires while establishing the new portfolios. He hopes his expansion plans will help to grow the business by at least 25 per cent for the next two years. He said: “I think it could be more than this. By the end of this year you will see progress in some of the new portfolios.”

He added: “Some of them will develop through syndication with other

institutions. For instance, the jet sector will have exposure and credit issues, and will look for a partner where it doesn’t suit their financing criteria, so we will work alongside them. We could also participate in the transaction by putting in, say, £15m and the institutions put in £5m.”

According to Nelson’s estimates the UK and Ireland business roughly finances a quarter of KEF’s portfolio.

He made clear that while he has “freedom” to develop the business, he also has a “team approach” to the business. “My job is to bring a new British and European team along with me”, Nelson said.

Key Corp, KEF’s parent back, is providing strong backing to Nelson’s business, as well as to the 36 other countries where KEF has a presence. “Key Corp is backing

us in terms of hard currency – the backing from America is enormous. For instance it has already put £1m into a new [Oracle-owned] lease evaluation system”, he remarked.

Commenting on his favoured route to market, Nelson said his main source will be “vendor driven” although some will come from intermediaries. “We will only set up vendor finance programmes with the top manufacturers. It’s not very difficult to get a reasonable margin on a programme with a lesser-known player”, he added.

Nelson pointed out that KEF is “progressing” with developing leasing products for commercial vehicles, and that he is also looking at the possibility of investing in railway infrastructure.