

# KEY

## unlocks Europe

A major global player, Key Equipment Finance is opening offices across Europe as it strives to become a dominant force in the big ticket finance leasing arena

### Curriculum Vitae



**Alun Richards**, European managing director, Key Equipment Finance leads global development and support of vendor equipment financing programmes in the company's 15-country European region.

**Richards joined** Key Equipment Finance in 2003, with more than 20 years of experience in sales, management and vendor equipment financing. Previously, he was general manager of pan-European programmes for General Electric European Equipment Finance.

**Richards graduated** from Sussex University and attended the London Business School.

**F**or someone responsible for business in 15 countries across Europe and an equipment portfolio of £304.9million, Alun Richards is a remarkably quiet and relaxed man. Perhaps his 20 years with General Electric have left him a quietly rounded finance professional.

When we caught up with him recently in London, within the grand portals of the Institute of Directors in Pall Mall, Richards was in the middle of a whirlwind tour of European offices. He is leading his company's drive into Continental Europe, forging alliances with banks and other finance players across Europe's capitals and making third-party agreements with the leaders in equipment finance.

Richards is remarkably open about the company's exposure to bad debt. "We reserve less than 1.0 per cent of our turnover for bad debt. That's pretty good for a company turning over as much as we are. I suppose, because we run such large chunks of finance lending, that we tend to be very, very careful on whom we lend to. And we sometimes come onto the scene via an intermediary, so we take our time to check out potential customers and have a good intelligence network."

Cross-border fraud issues are an area where exposure could be worrying? "Not really," says

Richards. "I'd agree that cross-border fraud is always a problem but we have really first-class local knowledge. Okay, sale and lease-back deals are always more likely to be vulnerable, especially where an intermediary might be involved. There's also the problem of local law and interpretation by lawyers and courts. But we generally don't suffer big losses."

Coming back to the UK scene, Richards is very keen on Key Equipment Finance belonging to and contributing to trade organisations such as the Finance and Leasing Association. "We make a point of being active members of the FLA. And we do the same in every country in which we operate. It's very important to take part and be a part of the country you are doing business in. So much of our business, and avoidance of problems, can be gained by supporting trade organisations. We are always happy to collaborate in sharing information with competitors to the common good. I see this as sensible corporate responsibility. We are part of a community and we want to be leaders."

In the USA, Paul Larkins, President and chief executive officer at Key Equipment Finance, currently serves as chairman of the board of directors for the Equipment Leasing Association. So what's good for the US is certainly translated into Europe.

On regulation, Richards is very clear: "It's a one-way journey for creditors. We just have to accept that there will be more regulation. As an industry, I think we have the highest standards but it's a feature of modern society that governments feel driven to regulate more and more. We just have to get on with it. I do believe the Finance and Leasing Association in the UK does a pretty good job, lobbying on behalf of the industry. That's why we must support them as much as possible."

Comparing the situation in the UK and USA, Richards reflects on Chapter 11 protection for ailing companies. "It must always be better to seek a way to preserve a company and keep it in business if at all possible, rather than shut it down. But the situation can vary enormously from country to country. Until we have totally harmonised regulation in the European Union, we must have expert knowledge in every country. I'm not sure if the UK will follow the US route into a quasi-Chapter 11 - our culture is quite different. We'll have to wait and see if Company Voluntary Arrangements (CVAs) really do start happening in the UK. We are certainly a long way, in my view, from a Chapter 11 situation here in the UK. But do remember that the receiver or administrators have very different powers, from country to country."



## We reserve less than 1% of our turnover for bad debt

### About Key Equipment Finance

Established in 1973, Key Equipment Finance provides business-to-business equipment financing solutions to a broad range of organisations including equipment manufacturers, distributors and value-added resellers.

Headquartered outside Boulder, Colorado, Key Equipment Finance globally manages a US\$12 billion equipment portfolio (Europe: US\$575 million = £ 304.9million) originations of approximately US\$5 billion (Europe US\$305 million = £161.8 million).

The company's average annual growth rate over the past ten years (1994-2004) is 64 per cent. In Europe, Key Equipment Finance has a year-on-year growth rate of more than 50 per cent over the past two financial years.

In Europe, KEF has offices in: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom.

Operating in 26 countries and employing 1,100 people worldwide of which 130 are located in Europe, the company has been in the equipment financing business for more than 30 years.





## Better to concentrate on one area and make certain that we get it right - Mike Deacon, Bibby Asset Finance

### Bibby Asset plays safe in UK

Mike Deacon, Managing Director, Bibby Asset Finance Ltd (pictured below) explains that his company prefers to concentrate on the UK rather than the European market. "We feel that for a company of our size there is plenty of scope within the UK market. It seems better to concentrate on one area, and make certain that one gets it right, rather than risk diversification across too broad a front."

Deacon emphasises that Continental Europe is really only an option for the extremely large corporate players who have the resources to handle the diverse legislative and banking structures that exist across the continent. He has heard of Key Equipment Finance. "They're huge. I imagine Continental Europe would be a very natural operating environment for them."

### Venture Finance strength

Peter Brinsley, International Manager of Venture Finance plc, knows full well the potential for problems with cross-border trading, and the opportunities the enlargement of the EU has brought to fraudsters.

"We have seen the VAT Carousel fraud increasing quite a lot in recent times. We always have to be very vigilant for that potential crime. One of the problem areas could be, for instance, when a piece of equipment is manufactured in, and I say this only by way of example, Turkey, and maybe the purchaser is in Russia, where the invoice is raised, but the final destination of the goods might be, say, Poland. Now, if you don't have a

local agency/office in each of those countries, you could fall foul of fraudsters."

Peter is confident that Venture Finance have such a strong network, through their membership of the IFN Group and their trade membership of the International Factors Group, that they are unlikely to be duped. Though reluctant to give a precise figure on Venture Finance's provision for bad debt due to illegal activities, Peter is happy to admit that the number is a single digit, though perhaps not as low as Key Equipment Finance's less than one per cent.

"The point about potential for single digit bad debt write off, and bear in mind this is not a comment on Venture Finance's financing of exports, is in the sense that our bad debt on export is very very low because of the IFN Group of companies (which we are part of) and the network of partners we have through the IFG (International Factors Group). We really

believe in our membership of IFG and we know that, when we speak to a fellow member, they are seriously professional people, who have established their business reputation and we can trust their views."

On the improving sophistication of the regulatory and finance/banking environment in Eastern Europe, Peter is confident that newer members of the EU are working hard to bring themselves up to the level already prevalent in the established EU Member States. "I think we are probably looking at a 5-10 year catch-up period. But it may be that countries such as Poland will beat that timetable."

### Workshop for fraudsters

During our research, we came across several interesting anecdotal stories about European fraudsters. We particularly liked the story of the one-day workshop which was held recently in a top London hotel. The event was widely advertised as a legitimate educational event.

In fact, the day turned out to be a one-day workshop on how to succeed at cross-border fraud in Europe!

