

Growth appetite unchanged for asset experts Key

We caught up with **Adam D. Warner**, President of Key Equipment Finance, on a recent trip to Europe, and spoke to him, together with **John A. Evans**, Managing Director, International Operations at the European regional head office at Ashurst Manor in Sunninghill, Berkshire

In addition to running one of the largest U.S. bank-affiliated equipment leasing companies which manages approximately \$9 billion in assets and acquires over \$3 billion in equipment annually, Warner is also vice chair of the US Equipment Leasing and Finance Association's board of directors, and serves on ELFA's executive committee.

In the boardroom there was a palpable mood of optimism, as Warner shared his satisfaction with the leasing group's second consecutive quarter of profitability, after eight straight quarters of tough business conditions. "Key now has some \$20 billion of liquidity to put to use in the asset finance markets," he said. "We are core funded through deposits

→ **Key now has some \$20 billion of excess liquidity to put to use in the asset finance markets**

and in a position of excess liquidity that will further enable KEF to strategically grow our target markets. This is a very strong position to be in, and we plan to stay that way."

What have been the lessons learnt from the great credit crunch? "We think about risk differently, now," said Warner. "We used to look at our client closely, when assessing risk, and we still do. But now we ask ourselves how many other clients do we have like that, and does that pose an extra risk." Key feels good about the way it handles the credit crunch, bearing in mind that many lessors just closed the window on their customers. "We took the client's perspective," said Warner.

"All our critically important clients stayed with us, and we didn't leave anybody in the lurch."

Of course, there had to be some hard work put into redesigning capabilities to fit the new circumstances. John Evans said, "We exited Asia Pacific because it was too expensive to scale up the business there. For us it's crucial to build our businesses for scalability, and profitability."

The European organisation was streamlined as well. Evans explained, "Key mainly operates in the U.S. and in Europe, they are our core markets, and the split of business is approximately 80:20. We redesigned our European operations so that we now serve 15 European countries from 5 physical operating locations, which are in the UK, France, Germany, Italy, and Spain."

"In the U.S. it's a real advantage to have Europe," added Warner. "Our vendors in the U.S. can utilise the various parts of our geographical spread. We like the stability of the EU, with its standardised regulations which make business easier to leverage. For us it's better to grow the UK by another 10 percent, than it is to start up in a new country."

Key Equipment Finance has always had a reputation for expertise in the assets it financed, and has good expertise of





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understanding the equipment, and setting the correct residuals on equipment it specialises in. Eighty percent of its assets are either technology (IT and software), Healthcare, or Energy related, and demand has been strong in these markets and remains strong, with healthcare driven by users demanding the latest technology, which is good because, as Key puts it, it likes the risk and it likes the collateral. Commitment to asset management starts at the top in Key, with Amy Paine, SVP of Asset Management on the board.

Part of the secret is that its experienced local Asset Management teams work closely and in partnership with its vendor partners, while still taking residual values on their own book. Vendors are clearly impressed, for example GE Healthcare

announced Key Equipment Finance as European equipment finance partner to enable customers to access GE Healthcare's latest equipment for the life sciences through flexible financing packages. "The agreement with Key Equipment Finance opens a new chapter in our way of doing business," said GE Healthcare of the agreement.

So, the mood in the boardroom had every right to be upbeat, with strong liquidity, and strong vendor relationships, Key exudes a strong sense of knowing what it's doing, and doing what it knows well, with the operational capabilities redesigned to leverage off those strengths. As Warner sums up the position, "Business is better than usual, and our growth appetite has not changed." ■