

NEWS IN BRIEF

SSP

Increased price competition for specialized finance

A report by Standard & Poor's shows its Specialized Finance Index, which includes equipment leasing, declined 3.6 per cent, versus a 6.6 per cent gain for the S&P 1500. It reported companies in the index as showing improved fundamentals, based on economic growth and declining loan losses. However, an increased supply of capital for large mezzanine and commercial real estate investments will result in increased price competition, putting pressure on fees and net portfolio yields, it reported. IT also reported increases in compensation expenses tempering earnings growth. It added that it expects many group companies to grow profits in 2006 despite the flattening trend of the yield curve.

DOMESTIC

Minister says households should use leasing for energy equipment

The UK government has said it wants companies to offer financial incentives to help house holders buy their own energy generation equipment. Companies could offer the incentives through long-term leasing arrangements, credit, loans, green mortgages, or as an energy service contract with the cost included in a customer's energy bills, said climate change and environment minister, Ian Pearson. He told the UK Business Council for Sustainable Energy Conference in London that such schemes would help to overcome the high up-front cost of household wind turbines and solar panels.

IT

Private & Commercial selects Transition system

Private & Commercial Finance Group's (P&CFG) Business Finance Division has adopted Transition Computing's web-based proposal system. Robert Murray, P&CFG's Business Finance managing director, said the new system. eQuote, will reduce the time taken to transfer information to the contract management system. He said; "It enables us to offer a faster, more effective and more user-friendly service to our brokers." First reported at www.Leasinglife.com

LEASEUROPE

There may be trouble ahead

Brian Rogerson

The outlook for European lessors is rosy, continuing, as it is, to be driven by global growth principally from China. Nevertheless, Wim Boonstra, chief economist at Rabobank Nederland told delegates at the Leaseurope/Eumfinas Joint Annual Conference in October that there were a few ominous clouds on the economic horizon. These include structural weakness of the US dollar, future oil supply and the shift in economic and political power from western countries to emerging countries.

Russell Davies

Looming black hole In the Li.S there is evidence that inflation is growing. Tighter fiscal policy there has triggered a correction in the housing market and, overall, consumption is showing signs of slowing as borne-equity withdrawal stops. "Moreover," Boonstra said, "current account deficits have undermined the US's international investment position. From being the world's major credit nation the US is becoming the 'black hole' of the world economy." Boonstra believes that with the eroding of the US's international

investment position, a return to surpluses in the country's current account is not very probable. "The outlook for the dollar, therefore, is rather gloomy."

The warning of oil prices

"Furthermore", Boonsira stressed, "the most important question is not whether or not global oil stocks will last for the next four or six decades. Long before oil supplies are exhausted the real question will be whether producers are prepared to supply the western world with sufficient supplies of oil."

Leasing Life monthly news from UK SME leasing companies, pages 10-12

FLOTATION

Newly formed Merchant House AIMs high

John Lutterloch is aiming high with his new asset finance venture, Merchant House Finance. He is looking for a listing on AIM, the public market for smaller, growing businesses by 2009.

A veteran of the asset finance-industry with over 30 years experience, Lutterloch established Merchant House Finance earlier this year becoming its chairman and chief executive - by buying a 51% stake through his company, Industrial Investment Group (IIG). The remaining shares in this joint venture are held by AIM - listed Merchant House Group Plc, a corporate finance advisory company that raises equity. "Leasing companies need capital", he said "and you'll never get enough by going down the private investor road so a public listing is one of the routes people are now considering." Two leasing companies were recently listed on AIM and a third



John Lutterloch

is preparing itself. Lutterloch himself has experience of taking a company to market - he co-founded St Helen's Finance and floated it on Ofex, Europe's independent public market for small and medium-sized businesses, back in 2004.

When that transaction took place, it had been his ultimate intention to join up IIG, then called St Helen's Leasing Group, with the newly public company, but it was eventually decided that the two companies should maintain their independence. As a result,

they went their separate ways. Merchant House Finance is already well established, a nine-man team is in place, including Phil Betts and Vince Bull from PB Corporate Finance, and there is about £120m of new business currently in the pipeline. Under the terms of the joint venture agreement, all of IIG's leasing businesses have been sold into Merchant House Finance, with IIG becoming a holding company and property financier.

To achieve his aim, Lutterloch is looking to grow the business substantially, primarily through the establishment and management of captive finance companies — he has experience of these from his time as managing director of GE Capital and through IIG — and by offering general asset finance and brokerage. "Through our relationship with our sister company we can now offer both sides of the balance sheet, offering equity up to £10m and financing assets between £50,000 and £20m," he said.

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