

MERCHANT HOUSE FINANCE

Industrial Investment Group restructures for growth

Setting out its stall for success



John Lutterloch

- Merchant House Finance.

Industrial Investment Group Ltd (IIG) has entered its 12th year of trading with a revised growth strategy directed through a new name in the leasing and asset finance industry

Through these programmes the company has owned a wide range of assets under lease contracts including Office Equipment, Production Lines, Oil & Gas Control Systems, Tugs, and Telecoms etc.

IIG will be transferring all existing agreements into MHF including IIG subsidiaries:

Ofquest Leasing Ltd
Jankel Finance Ltd
Perry Slingsby Finance Ltd
Bloodstock International Leasing Ltd
IIG Airfinance Ltd
and operating from new city offices in Queen Street, EC4.

Ofex Listing

In March 2003, IIG changed its name to St Helens Leasing Group Ltd following an agreement to market asset finance products through St Helens Capital plc ("SHC").

SHC, a leading advisor to the OFEX market, raises capital for small to medium sized companies and the concept of providing a 'one stop shop' for equity and asset finance proved successful, leading to the establishment of a new public finance company, St Helens Finance plc (SHF) in 2004.

"Having experienced the onerous levels of regulation attaching to public companies (Baltic plc was the first leasing company to get a public listing in 1981) it was certainly a challenge to raise equity for a new start business in the small ticket market and then list the shares on OFEX" confirms Lutterloch.

Although the strategy was to run IIG and SHF side by side, there were inevitable conflicts of having both a private and public company operating in the same markets from the same location. It was therefore agreed earlier this year that the two business activities should be clearly separated.

Lutterloch has been appointed Chairman & Chief Executive of MHF and has recently been joined by two new senior executives from the Asset Finance industry, Phil Betts and Vincent Bull.

The existing members of the team include Nick Smith (Print Finance), Barrie Sampson (Aircraft) and a separate strategic partnership with Neville Evans and The Evans Partnership Ltd.

IIG has taken a 51% shareholding in Merchant House Finance Ltd (MHF) and all Leasing and Asset Finance activities (excluding property) will be marketed through MHF with immediate effect. Merchant House Group plc holds the remaining 49%.

IIG was founded in 1994 by John Lutterloch and a number of private shareholders.

Lutterloch, who has spent over 30 years in the leasing industry with senior management roles at NWS, Security Pacific, Baltic plc and G E Capital, concentrated on the 'captive finance' model for IIG's early direction.

"As the trend for the world's largest banks and leasing companies was to go global, it left a number of large UK manufacturing companies below their radar screen" explained Lutterloch. "Our first programme was financing customers in the Oil and Gas sector where contracts are still quoted on \$ per day rentals. Regrettably the manufacturer went into receivership but it enabled us to learn enough about the detailed structuring and service levels required to keep the suppliers happy."

New programmes followed and as the portfolio of leased assets grew, IIG reported annual pre tax profits in excess of £1million by 1999 and the group considered an AIM listing in 2000.

IIG has programmes in the product areas of Office Furniture, Specialist Vehicles and Marine Craft as well as a diverse range of other branded finance schemes.



The MHF team L-R Phil Betts, Nick Smith, Vince Bull, Stuart Webster, Neville Evans, Peter Redmond, Barrie Sampson, John Lutterloch, James Holmes

MHF feels that the process of working in concert with other selected organisations enhances the overall group capability by offering the highest level of expertise. Negotiations are currently underway with a number of other strategic partners.

The following Asset Finance products will be offered through MHF:

Finance Lease
Operating Lease
Hire Purchase
Commercial Loans
Aircraft and Ship Financing
Invoice Discounting and Factoring.

MHF also has a number of new 'captive' programmes under discussion and confirms in excess of £30 million of new transactions currently under negotiation. Property financing will continue to be marketed through IIG.

Two Directors of Merchant House Group plc, Peter Redmond and James Holmes, have joined the board of MHF.

Merchant House Group plc was established in 2000 and is an AIM listed Corporate Finance and Investment Advisory firm. Services are focussed at small to medium-sized quoted and unquoted companies, with specialist expertise in providing corporate finance advice on:

- Fundraisings
- Mergers & Acquisitions
- Quoted Cash Shells

Lutterloch sums it up: "We have worked with Merchant House Group on a number of transactions in the past and we felt that there was a real synergy between the two businesses. The joint venture will enable us to offer our clients a 'one stop shop' for both sides of the Balance Sheet."

Merchant House Group CEO Peter Redmond added: "The creation of this new joint venture further extends the range of services we are able to offer our growing client base, and we are delighted to have IIG's expertise in leasing finance within the group."

It is understood that the directors are looking to make MHF a market leader in its sector and that the acquisition of lease portfolios is currently under consideration.

2005 proved a good year for investors in leasing companies with a number of successful trade sales and mergers.

With Merchant House Group's corporate finance expertise, do not be surprised to see MHF applying for a listing in the next couple of years.

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