

BVI deal kick-starts Merchant House's new marine finance business

Brian Rogerson

Merchant House Finance (MHF) has completed its first sizeable marine transactions.

The deal involved the funding of a San Lorenzo super yacht costing €4.6m (£3.2m) and required a complex structure through an offshore trust, with the vessel registered in the British Virgin Islands.

A further deal, for Scotland's Majestic Lines, has also been completed that involved financing the refurbishment of a cargo vessel into a five-star hotel ship operating along the Ayrshire coast.

Both deals have come about as a result of the appointment of Peter Curtis as managing director of MHF's marine business. They are also typical of the company's aim to offer a one-stop shop for equity and debt products in the small caps market.

Also, since MHF was formed, as a joint venture between Industrial Investment Group and Merchant House Group plc in 2006, its first full year of trading is on line to deliver new business targets as planned, according to John Lutterloch, chairman and chief executive of MHF.

He said: "Although our team was highly proficient at marketing traditional asset

finance and leasing products, we all had to learn the key components for raising equity in both the private and public sector markets. This has proved successful and has led to MHF introducing in excess of £150m of corporate finance opportunities to other group companies during 2007."

The company has recently announced a partnership with The Practice Loan Company plc, which makes unsecured loans to professional practitioners such as barristers, solicitors and accountants. MHF has run the Solicitors Work in Progress Scheme for the past 12 months through, typically, loans in excess of £500,000 which are made to fund a wide range of projects for the legal profession.

Prior to its recent joint venture, MHG, which was listed on AIM in 2000, had already made a name for itself raising capital for emerging businesses, often reversing them into cash shells, either on AIM or the smaller Plus Markets (formerly OFEX).

"However," Lutterloch added, "in a number of cases, leasing and asset finance can form part of a client's fundraising needs and therefore less dilution of the owner's stake."

Lutterloch has recently joined the board of Merchant Wealth Management as part of the company's programme of offering



■ John Lutterloch, chairman & chief executive of Merchant House Finance

funding "from development capital to exit strategy to wealth management". "It is a natural extension of our services," he said, "when you consider that we are financing corporate jets, super yachts and race horses'.

Lutterloch acknowledges 2008 might prove a tough year for the company, but believes MHF is not a particularly good barometer of the economy. "We deal in such a wide spectrum of lending and markets that, although many lenders are certainly tightening their lending criteria, we are very hopeful of maintaining the levels of business we achieved during 2007," he said.

He hopes the company will write more of its own book during 2008 and aims to raise more operating capital.