



Project Wheel – Dutch Business Transformation Through Leasing Securitisation Warehouse

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Alvarez & Marsal | Management Consulting | Professional Services

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A&M's Structured Credit Execution and Advisory team worked with LFH Lease B.V.'s ('LFH') leadership as sole advisor to deliver its inaugural warehouse securitisation of EUR 265m for growth. Combining bankruptcy remote SPV with VAT lending, this is the first warehouse securitisation of its type in the Netherlands.

Client Challenge

- Alvarez & Marsal (A&M) was retained by LFH, a rapidly growing and successful asset finance business in Holland, to advise on a securitisation financing to facilitate the company's strategic pivot from an originate to distribute ('**OTD**') model to an on-balance sheet lender. A&M was selected based on a range of factors, including a differentiated advisory and full-service securitisation-arranging offering, incorporating all elements required by the client.
- LFH had previously operated an OTD model partnering with one of the largest Dutch Banks under a forward flow agreement. Due to regulatory pressure the Dutch Bank discontinued this product resulting in immediate pressure on LFH to pivot business model.
- LFH needed a sizeable institutional debt structure in place to avoid limitations on growth given its track record in originations.
- LFH's medium-term funding position depended on identifying asset risk drivers and mitigants, as well as prospective financing counterparties who could act as aligned partners in this crucial growth stage.
- It was very important to ensure minimal operational disruption to the company's internal monitoring and risk management processes.



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A&M's Solution and Approach

- A business and portfolio assessment process was used to help drive decisions on transaction format, selection of prospective financing partners and all ramifications. By combining mezzanine and senior financing partners, the transaction format and the portfolio criteria achieved every required goal.
- The executed transaction was a private cash warehouse securitisation of financial and operating leases, including residual value, with a fully ramped size of EUR 265m.
- Senior and mezzanine investors invested in the respective note classes issued by a de novo SPV, while the equity was retained by LFH.
- The final transaction represents the culmination of a comprehensive transformation journey for a company that had never used its own balance sheet before into one with a market-leading securitisation product suite

Highly Innovative Transaction Features

- The transaction was structured with VAT funding to optimise the funding efficiency and minimise any cash drag.
- Residual value risk borne by Operating Lease assets mitigated by structural guarantees.
- An innovative solution for the first time under Dutch securitisation law dealing with operational and financial leases.
- A&M worked closely with the company's teams:
 - Ensuring adherence to requirements driven by regulation as well as best practice in the market.
 - Helping the client manage a strategic pivot in business model and manage the transaction effectively in the long term.
 - This complex and unusual transaction illustrates the benefits of an advisor who brings both wide investor contacts and deep understanding of their specific risk appetites.



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Quotes from the Client

- “This transaction represented a material pivot in our funding structure. With this facility we’re able to realize LFH’s ambitions to facilitate the Dutch SME market with a perfect leasing solution. From our perspective leasing for SME customers should be transparent, arranged easily within predictable timelines. By combining this new funding with our own developed IT System and existing internal processes, we can deliver the service LFH stands for.” **Dirk Buiting, LFH Director**
- “Barclays is pleased to contribute to LFH’s ambition to support the Dutch SME market through this innovative financing solution, which provides a great example of how securitisation enables our clients to efficiently fund their growth strategies.” **Sean White, Head of Barclays’ European Securitised Products Solutions team**
- “SCIO is excited to have been able to support LFH in this inaugural structured funding facility. We create long-term value for investors and borrowers alike by establishing partnerships and providing collateralised financing”. **Greg Branch, SCIO Capital CIO**

Quotes from A&M

- “A&M is delighted to have been able to help LFH adjust its funding structure for the ever-changing European financing environment and optimally position them for future growth. The transaction represents an important milestone for both the market and expanding the reach of a competitive player in the Dutch leasing space.” **Robert Bradbury, Head of Structured Credit**

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