

News Release

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LPM Outsourcing Ramps Up Run-Out Service Following Insolvency Increase

Previous run-off for KPMG delivered 100% of debt book value

LPM Outsourcing, the specialists in back office administration for the leasing and asset finance sectors (previously Lease Portfolio Management), has bolstered its run-out portfolio services following increased levels of interest from hedge funds, insolvency practitioners and private equity houses.

With 20 years experience managing run-out portfolios, LPM Outsourcing has considerably augmented its management teams in order to offer an increased level of services in response to the gloomy economic outlook and the record levels of insolvencies anticipated within the financial sector. By acting as a partner to the new portfolio funder, LPM Outsourcing is able to take immediate control of the portfolio to secure the best possible cash flow and returns for creditors.

Recent reports within the media have highlighted the interest among hedge funds and private equity houses in particular who have identified the investment potential of distressed debt portfolios. However to take advantage of this unique scenario, speed is critical and would-be purchasers must identify a way to preserve the payment streams from customers with as little discontinuity as possible.

LPM Outsourcing was proven for its high reliability and effectiveness during the early 90s recession by enabling the appointed administrative receiver, KPMG, to realise the full £47m book value from a portfolio run-off for Dominion, an insolvent finance company with a highly distressed portfolio of 4,700 customer agreements. In the case of Dominion, LPM Outsourcing's performance was considerably better than the original collection estimate based on recouping 60p in the pound. The outstanding return for the banks was achieved after fees had been paid during run out phase.

"Given the unique financial climate we are facing, with experienced management, distressed debt portfolios can be very attractive both for the Insolvency Practitioner and investment buyers," says Philip Davies, Managing Director of LPM Outsourcing. "For the private equity house there are obvious financial gains from buying a valuable portfolio at well below market value, but for the Insolvency Practitioner, they can take advantage of specialist service providers such as ourselves to realise excellent creditor recoveries. The key as always is finding a partner able to move swiftly and this is where we excel."

No service provider in the UK has more experience than LPM Outsourcing. During the previous recession of the 1990s, LPM Outsourcing's current team were appointed to manage the run outs of Euro Commercial Leasing, Sketchley Vending, British Equipment Leasing, TEFCO (owned by National Home Loans), Atlantic Medical, I B & L, Gauntlet and Consolidated Microvision.

LPM Outsourcing's tips for potential investors of distressed debt portfolios

1. Be aware of possible problems – these can include unenforceable documentation, fraud, bad debts.
2. Identify a specialist outsourcing partner who has experience of run-outs and can move quickly to eliminate cash flow interruption.
3. Consider TUPE implications of existing portfolio employees and factor this into investment return projections.
4. Work with a partner able to relocate data collection to their own premises within a 2 month timeframe.
5. There is a considerable risk with consumer car portfolios from voluntary terminations.

Advice for Insolvency Practitioners

1. Can the failed finance company's portfolio be sold at a fair price?
2. Would a work-out provide a better recovery for creditors than a sale?
3. Do you have the internal resource and experience to effectively work the portfolio out?

In many cases, running out the portfolio work is the most viable solution.

Notes to Editors

About LPM Outsourcing

LPM Outsourcing was formed in 1988 to offer a complete back office administration service to organisations that offer installment finance and equipment leasing and finance. LPM Outsourcing has over £1 billion of receivables currently under management from its clients which include Cisco Capital, SYSCAP, the Strategic Rail Authority and Triple Point LLP.

LPM Outsourcing is a division of Five Arrows Leasing Group and a member of the NM Rothschild banking group.

Visit www.lpmoutsourcing.co.uk for more information and client case studies.

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