

VEHICLE LEASING AND RENTAL

SECTOR INSIGHTS

FEBRUARY 2017

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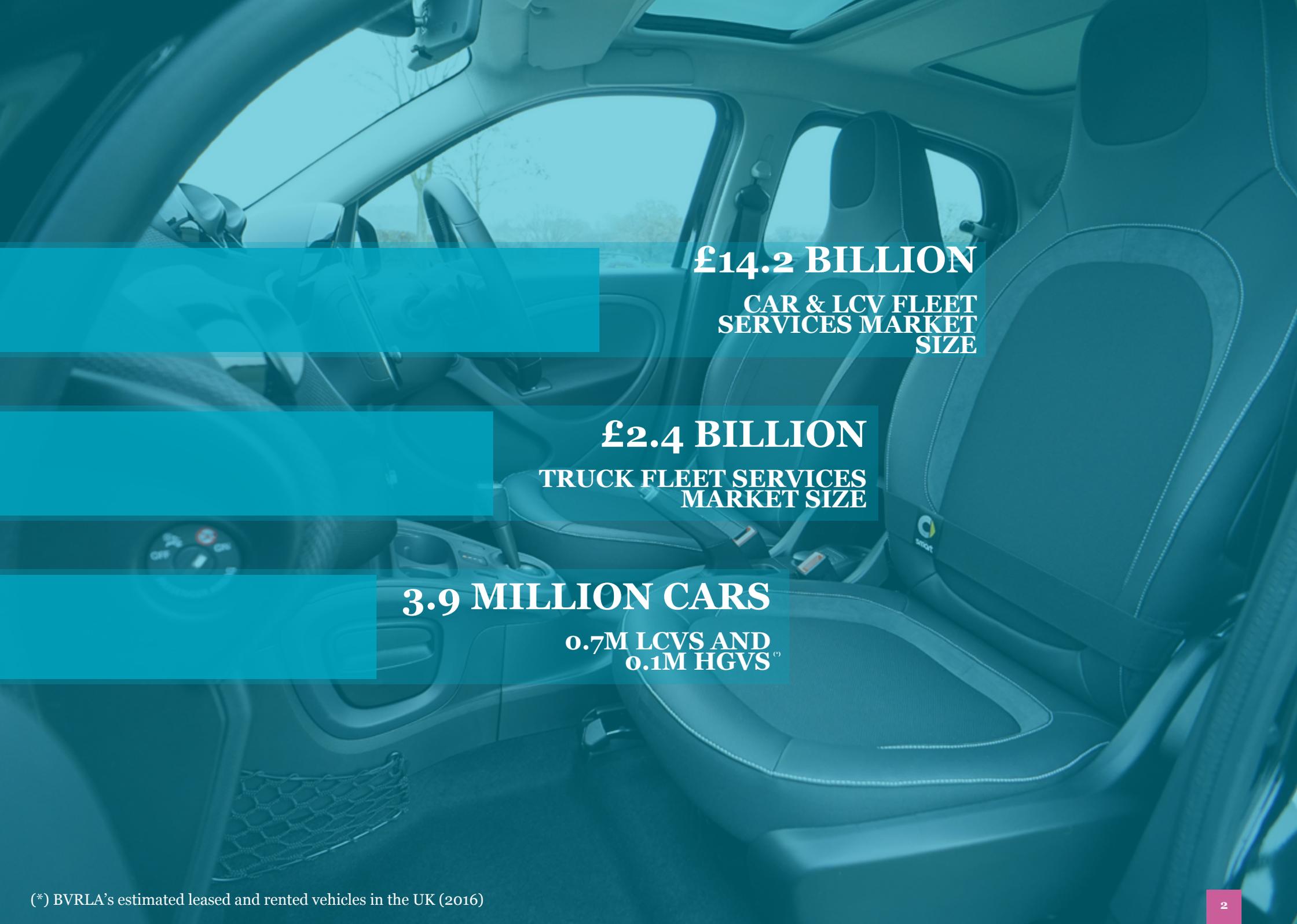
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£14.2 BILLION

**CAR & LCV FLEET
SERVICES MARKET
SIZE**

£2.4 BILLION

**TRUCK FLEET SERVICES
MARKET SIZE**

3.9 MILLION CARS

**0.7M LCVS AND
0.1M HGVS^(*)**

Positive market dynamics and access to cheap funding is resulting in increased deal activity in the leasing sector. At Smith Cooper Corporate Finance we have been in discussions with a number of the major lease operators with many of them citing M&A as being on the agenda.

MARKET DYNAMICS

The Vehicle Leasing and Rental industry has experienced accelerated growth in recent years. Since 2013 the industry has recovered out of the preceding economic difficulties and according to Ibis World's Truck and Car Rental and Leasing reports, the sector is expected to increase at an annual rate of 2.2%-2.3% per annum for the next 5 years.

At Smith Cooper Corporate Finance most of our client base has available funding for vehicles and our clients are now focusing on strategic ambitions – such as growth finance. There appear to be growth opportunities in the market particularly as during the economic downturn businesses switched to leasing vehicles, rather than purchasing assets, with this trend continuing.

Feedback we have received indicates that residual values are robust. Although, as with most of the Automotive Industry, Brexit is a major cause of concern. Predicting the exact impact of this will be difficult but most vehicle leasing businesses expect continued growth. It is more likely that profit margins will come under pressure.



M&A ASSESSMENT

The leasing sector is showing increasing signs of activity with landmark transactions such as the sale of Zenith to Bridgepoint, and Fleet Hire being sold to SG Fleet. There have been very few new market entrants – the most noticeable being the move of the large daily rental businesses into contract hire (such as Enterprise’s acquisition of Burnt Tree). At Smith Cooper we would expect more movement in this direction.

Private Equity should remain a keen investor into the sector. This has been evidenced with investments by Living Bridge, ECI, Equistone (aka Barclays Private Equity), Morgan Stanley, HG Capital etc. A continued example of this is the recent sale of Zenith by HG Capital to Bridgepoint for £750 million. Whilst the business plan will be intricate, the essence of the investment will be ‘more of the same’. If you have a successful growth platform private equity can fan the flames of expansion.

Trade consolidation also continues to be active for example, SG Fleet’s acquisition of Fleet Hire. SG Fleet UK is a small but growing element of the overseas parent. Super Group’s ambitions for UK growth must be high which is signified by a couple of reasonably sized deals in recent years.

We are also seeing regional trade consolidation with smaller players seeking to build a strong local presence by purchasing competitors. We recently advised on the sale of J.B. Langford a vehicle rental business which attracted strong levels of interest.

GET IN TOUCH

If you are interested in speaking to Smith Cooper Corporate Finance about the sector or your strategic ambitions, then please get in touch with one of our experts below:



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ABOUT SMITH COOPER

Smith Cooper is a specialist advisor to owner managed businesses. At Smith Cooper Corporate Finance, our approach is highly bespoke and personalised building trusted relationships before formulating highly flexible and innovative solutions.

Our team specialises in high-intensity deal management, typically in the £2m to £50m value range. This service is partner-led and supported by senior corporate finance personnel.

The Corporate Finance team consistently delivers the highest quality of results regularly featuring as one of the most active dealmakers and our quality has been recognised through many industry awards, most recent SME advisory team of the year at the 2016 Midlands Dealmakers awards.

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