

THE NETHERLANDS: a leasing market IN FULL BLOOM

The health of the economy, a continued decline in bankruptcies and the national leasing association's plans to grow awareness of leasing are the main factors contributing to positivity in the Dutch lease market. *Paul Golden* writes

A press release issued by the IMF in February referred to the Dutch economy as having performed “very well” in recent years.

Growth for 2018 was estimated at 2.6% on the back of strong domestic demand and robust net exports, with the former supported by favourable labour market developments, expansionary fiscal policy and a booming housing market.

The unemployment rate reached a decade-low in 2018, and bank capitalisation improved, with the rate of non-performing loans among the lowest in the euro area.

In this context, the observation of Peter-Jan Bentein, secretary general of the Dutch Association of Leasing Companies (Nederlandse Vereniging van Leasemaatschappijen or NVL) that the equipment leasing market has never been in ruder health is easy to understand – especially when taking into account that new business volumes reached a record level of €7.1bn last year, an increase of 20% on 2017.

This theme is taken up by Stef Klijn, board member of the NVL and managing director – equipment and logistics solutions Benelux at BNP Paribas, who observes that the market is less driven by large corporates.



GROWTH OF VENDOR LEASE CAN BE RELATED TO THE RELUCTANCE OF SMES TO SEEK FINANCE

“Machinery used in industry, construction and agriculture markets (36%) and transport equipment (32%) remain the most important

asset classes,” he says. “These segments also show substantial growth, with agriculture up by 11%, and construction and earthmoving showing a 19% increase compared to 2017. Lease volume for light trucks increased by 46% and trailers by 14% last year, although the traditional copier market continues to decline.”

In addition, the total of 3,100 bankruptcies recorded last year was the lowest since 2001, which means that the economy – especially in the SME market – is healthy, says Bentein. “This is important, since 85% of total leasing volume is provided to SMEs. New business volumes in car leasing reached €8.2bn and helped the total leasing market to reach €15bn.”

VENDOR TREND

In terms of distribution, the Dutch Association of Leasing Companies notes a clear trend for vendors winning market share. Vendors and captives now distribute 53% of new business volume, up from 35% in 2011.



Stef Klijn, BNP Paribas

“The growth of vendor lease can be related to the reluctance of SME end users to seek finance themselves,” suggests Bentein. “Vendors clearly see that they need to provide not only the product they sell, but also the finance solution – preferably in one contract.”

USED GROWTH

On the question of the most significant developments in the market over the last 12-18 months, he notes that the trend towards private lease in car leasing is being replicated in a number of consumer goods sectors, such as solar panels.

“In the equipment lease market we see that leasing companies are looking at used equipment as a growth domain through sale-and-lease-back structures or just simply to finance used equipment,” says Bentein.

“ FROM A RISK PERSPECTIVE, THE IDEA IS THAT THE VALUE CURVES OF USED ARE AS PREDICTABLE AS THOSE OF NEW EQUIPMENT

“This has been a no-go area until now, but from a risk perspective the idea is that the value curves of used are as predictable as those of new equipment.”

His observation that many SMEs have not yet discovered leasing as a way to grow their business, and that the potential for further growth is backed up by data from the first

three months of 2019 showing that total new business volume was €1.8bn, an increase of 7.3% over the same period last year.

“We put much effort into the promotion of the leasing product since we believe that growth across the total market is good for every member of our association,” adds Bentein. “Next to that, we have developed a plan to join forces with players in the leasing market who are not leasing companies in the strict sense. Therefore we plan to change our name to Leasing Nederland, a process that will take at least a year to complete.”

Coen Aarnink, vice-president sales leasing (Nordics & Benelux) at Grenke, describes the Dutch lease sector as an AAA market with strong growth and declining defaults, even though leasing penetration is not as high as in the Nordics, for example.

“There is generic growth in IT business with the transition from capex to opex opening doors due to the increasing use of as-a-service business propositions,” he says.

“The markets where we are traditionally represented are also strong. Copier business and coffee machine business is stable, but we are showing a significant increase in market share.”

DIGITAL PROCESSING

Aarnink notes that the market is embracing the digital processing of leasing contracts, especially in direct sales and small ticket business. “We do not see any signs that the market will stop growing,” he says.

“We are experiencing an above-average growth rate and developing from a small-ticket partner to a global financing partner for SMEs and midcaps. Our role is to make financing services simple, available and easy to access to promote sustainable investments and growth.”



Coen Aarnink, Grenke

and broadening our product portfolio, and are heavily investing in digitisation with an emphasis on new ways of settling e-contracts, APIs and our new partner portal.”

INDUSTRY AND TRANSPORT

The Dutch leasing market is very healthy as a result of a strong increase in volumes, low cost of risk and an increase in the penetration rate of leasing compared to traditional means of financing such as bank loans.

That is the view of Coert Noordkamp, managing director at SGEF Benelux, who identifies the performance of the industry and transport segments as a particular highlight of the last 12 months. “We have also seen lower business origination volumes from banks and vendors compared to previous years, where captive volumes are stable and own-channel volumes are increasing,” he adds.

Noordkamp expresses satisfaction with recent market growth in Holland, referring to a significant increase in absolute volume and – more importantly – better understanding among clients of the added value from leasing compared to other means of financing.

“Via the Dutch Leasing Association we support campaigns to make leasing more known in the domestic market and underline the added value from this type of financing,” he says. “We are also an associate member of other industry organisations in which we promote the use of leasing.”

Saskia van de Scheur, strategy and business consultant at ABN Amro Asset Based Finance, notes that new production volume in the

manufacturing and agriculture sectors has grown strongly over the past year, reflecting the favourable economic situation in the Netherlands.

“Also, we see a steep rise for lease in the ICT sector, although absolute figures are low compared to the larger sectors,” she says. “For machinery, we notice a significant increase in investments in construction machines over the past year due to the increasing demand in real estate. Within transportation, investments in smaller trucks and trailers grew above the average rate.”

Van de Scheur highlights the 7% growth in distribution share of vendors last year at the expense of captives and own channels. “This shift emphasises the importance for us to further professionalise our vendor proposition. In addition, we experience increasing regulatory pressure with respect to privacy requirements – for example, GDPR – and Know Your Client.”

Data from the Dutch Central Bureau for Statistics indicates that lease is the second-most-used solution for external finance in the Netherlands.

FUTURE FOCUS

Looking ahead, Van de Scheur says ABN Amro Asset Based Finance is increasing its focus on providing leasing solutions for equipment with a CO2-reduction capability and supporting companies that want to transform their business into a circular business model.

Jeroen van Beeck, general manager vendor



Saskia van de Scheur, ABN Amro

field to develop new financial solutions that address these market needs.

“Last year was an exceptionally strong year for the leasing market, and we expect it to stabilise and perhaps even decrease slightly in 2019 due to uncertainties around Brexit and trade wars, although the first quarter has shown growth,” says van Beeck.

He agrees that the financial services landscape has to deal with increased regulatory measures, adding that it is important for the Dutch government to find the right balance between regulation and

more driven by flow business with standard assets,” he says. “Products are progressively offered by dealers in a vendor programme of the manufacturer or by captives themselves. In some segments, such as agricultural and material handling equipment, 20% of total lease volume is already done with used equipment, which implies that leasing companies embrace the circular economy as part of their future strategy.

“They are embedded more and more in the total chain, from manufacturer to importer, dealer and lessee.”

He explains that at local level BNP Paribas Leasing Solutions, together with the Dutch Association of Leasing Companies contributes to seminars, meetings and white papers. “Individuals and organisations involved in leasing in the broadest sense of the word in the Netherlands meet and discuss themes including the circular economy, pay-per-use and blockchain technology.”

STRATEGIC TOOL

Klijn says asset management is becoming increasingly important to the business, describing it as a strategic tool due to the transformation of the market, and adding that leasing is on its way to being redefined as “use-based financing”.

“After all, the lessee is less interested in owning an asset than in its use, preferably in a flexible manner,” he explains.

“From the lessee’s point of view the underlying financing is of less importance. The aim is to better reflect the role and added value of leasing in the value chain. At the same time, the proposition of leasing companies – for example, back-office services for vendors – is also evolving.”

BNP Paribas Leasing Solutions is optimistic about future opportunities for leasing in the Netherlands, and confident that the penetration rate of leasing in the global portfolio of financial products will most likely continue to increase.

“This is because the majority of leasing companies managed to embrace new developments in time,” concludes Klijn. “New initiatives are linked to the circular economy, the need for flexibility and the changed mind set of companies wanting to use assets instead of becoming the owner.

“To a certain extent, the leasing industry has learned a great deal from successful startups in the business-to-consumer market, such as Spotify and Netflix, as well as the subscription market for mobile phones.” ■

“ LEASING HAS LEARNED A GREAT DEAL FROM SUCCESSFUL BUSINESS-TO-CONSUMER STARTUPS SUCH AS SPOTIFY AND NETFLIX

finance Benelux at De Lage Landen Leasing, refers to a normalisation of the market in sectors such as agricultural machinery, cranes and trucks where sales volumes are slightly decreasing.

“Risk costs in the Netherlands are also normalising, although we do not expect a crisis to hit anytime soon,” he adds.

A significant driver for growth is the technology sector, which is increasingly moving to a total solutions or a usage-based solution market, with prescription-based models and cloud solutions. DLL is working actively with all the major players in this

the impact of these measures on financing for SME customers and the progress of the Dutch economy.

MICRO-COMPANIES

As noted above, leasing volumes generated by SMEs account for more than 80% of total Dutch leasing volume, and within the SME segment, Klijn notes that the share of “micro-companies” is increasing. Of the total Dutch leasing volume, 43% is concluded with micro-companies, defined as businesses that have fewer than 10 employees.

“This means that the market is more and