

Latin America: Experiencing an equipment leasing boom

By Rafael Castillo-Triana, The Alta Group

Equipment leasing volume in Latin American countries increased by more than 50% on average in 2005, according to a report by The Alta Group Latin American Region (LAR), which provides consulting, legal and research services.

The latest *Alta LAR 100* report also highlights the second annual ranking of the top 100 leasing companies in Latin America, and new data revealing the region's fastest-growing businesses, key multinationals and growth in each country.

As in the previous report, the latest findings are based on data from regulatory agencies, central banks and voluntarily disclosed information by several individual leasing companies and national leasing associations. There are some limitations because certain data could not be obtained. But the report nonetheless represents a robust compilation of available data.

Country growth. The report shows impressive gains in leasing throughout most of Latin America in 2005. But some countries are especially worth noting.

Brazil, which has the largest leasing industry in the region, experienced tremendous growth and almost doubled in size. Argentina's leasing industry also

nearly doubled, a clear indicator that it is making a comeback following the country's economic crisis of 2002.

Table 1 is a ranking of Latin American countries with the highest leasing volumes in 2005, followed by their percentage of growth that year.

Alta believes equipment leasing has grown in Latin America because it has proven to be an effective tool to funnel capital investment into emerging economies, and because the prevailing macroeconomic conditions in Latin America have favoured the increasing demand of capital investment.

However, the industry still needs to be prepared to be sustainable and continue growing, even in periods of macroeconomic downturns. Alta's sense is that most of the large players are intending to do so, but this requires a lot of adjustments and a willingness to abide by best management practices for the leasing industry.

Top companies. The report's ranking of the top 100 leasing operations in Latin America is based on each company's reported portfolio of leased assets in 2005.

Alta developed the rankings from data published by the corresponding country leasing associations, central

banks of regulatory entities, rating agencies and in some cases from data provided by individual companies.

The 10 leading companies in the *Alta LAR 100* for 2005 are, in order:

1. Cia Itauleasing de Arrendamento Mercantil (Brazil).
2. Safra Leasing S/A Arrendamento Mercantil (Brazil).
3. Banco Santander-Santiago leasing portfolio (Chile).
4. Leasing Colombia CFC + Suleasing (Colombia).
5. Bradesco Leasing S/A Arrendamento Mercantil (Brazil).
6. Banco de Chile leasing portfolio (Chile).
7. Popular Auto (Puerto Rico).
8. Leasing de Occidente CFC (Colombia).
9. Banco IBM S/A Arrendamento Mercantil (Brazil).
10. Banco Itaú S/A Arrendamento Mercantil (Brazil).

The full report provides details on all 100 largest companies, businesses experiencing the highest growth, top multinationals operating in more than one Latin American country and notable merger and acquisition activity.

Some key findings:

- Leasing Colombia (No. 11 on the 2004 list) merged with Suleasing S.A. (No. 7 on the 2004 list) and now ranks No. 4 in the entire region.
- Dibens Leasing (45 in 2004) merged with UNIBANCO Brasil (25 in 2004) and now ranks No. 13. The merger also created the region's fastest-growing business, with a 446% increase in volume.
- European and US leasing multinationals represent more than a fifth of all reported leased assets in Latin America.
- The top multinationals operating in

Table 1: Leasing volume and growth in 2005

Country	Volume (US\$)	% growth
Brazil	10,213,311.24	+95.81
Chile	4,243,939.53	+28.11
Mexico	2,677,088.70	+54.64
Colombia	2,670,007.28	+54.05
Peru	1,460,583.79	+4.30
Puerto Rico	1,193,429.00	+40.36
Argentina	450,353.89	+97.84
Costa Rica	158,433.97	+28.68
Honduras	99,437.73	-1.09
Region's total leasing growth		+55.61

Table 2: The Alta LAR 100 – 2005

Position 2004	Position 2005	Company	US\$(000)	Country
1	1	Cia Itauleasing de Arrendamiento Mercantil	3,469,024.40	Brazil
3	2	Safra Leasing S/A Arrendamiento Mercantil	1,797,980.16	Brazil
2	3	Banco Santander-Santiago	1,286,959.73	Chile
7	4	Leasing Colombia CFC + Suleasing	1,052,209.02	Colombia
6	5	Bradesco Leasing S/A Arrendamiento Mercantil	900,270.69	Brazil
5	6	Banco de Chile	884,266.91	Chile
4	7	Popular Auto	792,418.00	Puerto Rico
12	8	Leasing de Occidente CFC	529,073.88	Colombia
8	9	Banco IBM S/A Arrendamiento Mercantil	445,140.04	Brazil
NA	10	Banco Itaú S/A Arrendamiento Mercantil	418,728.50	Brazil
10	11	Corpbanca – Chile	408,152.35	Chile
9	12	Banco Credito e Inversiones BCI – Chile	384,581.88	Chile
45	13	Dibens Leasing S/A Arrendamiento Mercantil/Unibanco Leasing S/A	373,592.51	Brazil
24	14	ABN Amro Arrendamiento Mercantil S/A	354,522.42	Brazil
22	15	Banco Credito del Peru	335,326.73	Peru
17	16	Leasing de Credito CFC	333,039.90	Colombia
23	17	BB Leasing S/A Arrendamiento Mercantil	313,050.24	Brazil
14	18	Caterpillar Arrendadora Financiera	296,547.41	Mexico
16	19	First Leasing	282,287.00	Puerto Rico
28	20	BBVA – Banco Continental – Peru	274,828.62	Peru
57	21	Banco Finasa S/A – Carteira Arrendamiento Mercantil	266,283.63	Brazil
15	22	Banco BBVA – Chile	260,958.92	Chile
18	23	Arrendadora Banorte	259,538.38	Mexico
19	24	BankBoston Leasing S/A Arrendamiento Mercantil	252,805.67	Brazil
20	25	Banco Estado – Chile	241,539.48	Chile
13	26	Credileasing – Peru	240,135.24	Peru
21	27	GE Capital Leasing	229,906.96	Mexico
37	28	HSBC Bank Brasil S/A Arrendamiento Mercantil	209,570.20	Brazil
NA	29	BBVA Bancomer Mexico	207,787.66	Mexico
31	30	HP Financial Services Arrendamiento Mercantil S/A	190,209.33	Brazil
27	31	Arrendadora Banamex	188,561.24	Mexico
40	32	DaimlerChrysler DC Leasing Arrendamiento Mercantil S/A	180,633.31	Brazil
32	33	Leasing del Valle CFC	177,418.40	Colombia
26	34	Banco Security – Chile	175,889.02	Chile
30	35	Banco Bice – Chile	174,716.62	Chile
35	36	Banco del Desarrollo(+Sudameris) – Chile	166,379.56	Chile
38	37	Arrendadora Financiera Navistar	161,623.42	Mexico
29	38	Sudameris Arrendamiento Mercantil S/A	156,180.39	Brazil
33	39	Arrendadora Comercial America	156,018.53	Mexico
36	40	PACCAR Arrendadora Financiera	151,354.37	Mexico
60	41	Panamericano Arrendamiento Mercantil S/A	136,041.79	Brazil
34	42	CIT – The Capita Corporation de Mex.	133,830.76	Mexico
43	43	Leasing Bolivar CFC	123,635.33	Colombia
48	44	Alfa Arrendamiento Mercantil S/A	122,924.82	Brazil
53	45	Arrendadora Afirme	108,786.36	Mexico
58	46	Bank Boston – Chile	108,305.95	Chile
47	47	Volkswagen Leasing S/A Arrendamiento Mercantil	102,908.92	Brazil
41	48	Interbank – Peru	102,494.90	Peru
46	49	Arrendadora John Deere	98,649.11	Mexico
54	50	Cit – Brasil Arrendamiento Mercantil	94,547.14	Brazil
51	51	Santander Brasil Arrendamiento Mercantil S/A	93,244.86	Brazil
65	52	Citibank – Peru	86,378.32	Peru
59	53	Santander Banespa Cia. de Arrendamiento Mercantil	86,303.30	Brazil
49	54	Banco Wiese Sudameris – Peru	85,993.00	Peru
39	55	Wiese Sudameris Leasing – Peru	85,187.99	Peru
42	56	Banco HNS – Chile	84,620.77	Chile
44	57	Arrendadora Banobras	82,573.94	Mexico
NA	58	CSI Leasing Mexico S.R.L. de C.V.	75,729.07	Mexico
50	59	America Leasing – Peru	72,044.59	Peru
55	60	Xerox Corp PR	69,928.00	Puerto Rico
64	61	Arrendadora Banregio	69,046.47	Mexico
62	62	Leasing Bancoldex CFC	66,110.83	Colombia
NA	63	Surenting	65,541.30	Colombia
61	64	Banco Sudamericano – Peru	65,349.75	Peru
71	65	Banco de Galicia y B.A.	63,052.77	Argentina
79	66	Finandina CFC	57,977.54	Colombia
72	67	Value Arrendadora	57,077.70	Mexico
85	68	Banco Rio de la Plata	56,782.65	Argentina
NA	69	CIT – Arrendadora Capita Corporation	55,381.00	Mexico
NA	70	Caterpillar Financial S/A Conglomerado Financiero	54,674.13	Brazil
82	71	HSBC Bank Argentina	48,847.96	Argentina
69	72	Leasing Popular CFC	48,559.38	Colombia
83	73	Leasing Bogota CFC	47,206.69	Colombia
68	74	Arrendadora Atlas	46,660.49	Mexico
70	75	Credi Q-Honduras	44,230.16	Honduras
66	76	Arrendadora Interfin, S.A.	44,019.21	Costa Rica
88	77	BBVA Banco Frances	41,421.50	Argentina
77	78	Banco Interamericano de Fin. – Peru	41,410.96	Peru
76	79	Arrendadora Valmex	39,756.26	Mexico

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Table 2: The Alta LAR 100–2005 (continued)

Position 2004	Position 2005	Company	US\$(000)	Country
74	80	Arrendadora Agil	39,708.56	Mexico
NA	81	Progreso – Chile	38,928.31	Chile
NA	82	Arrendadora Financiera Imbursa	35,144.97	Mexico
86	83	Banco Macro Bansud	34,694.26	Argentina
94	84	IXE Arrendadora	34,182.97	Mexico
52	85	Citibank Leasing S/A Arrendamento Mercantil	31,448.37	Brazil
113	86	GMAC Colombia	30,934.54	Colombia
NA	87	Banco Popular (Republica Dominicana)	30,814.99	RD
136	88	Banco COMAFI	30,085.09	Argentina
67	89	Banco Financiero – Peru	29,729.23	Peru
132	90	Inversora Pichincha	28,291.57	Colombia
NA	91	Banco Volvo S/A Arrendamento Mercantil	27,905.13	Brazil
92	92	Arrendadora Financiera MIFEL	27,457.01	Mexico
81	93	BAC San José Leasing, S.A.	25,616.52	Costa Rica
108	94	Sufinanciamiento CFC	24,799.21	Colombia
129	95	Bank Boston NA	23,041.23	Argentina
142	96	Banco Supervielle	22,415.90	Argentina
101	97	Toyota Leasing do Brasil S/A Arrendamento Mercantil	22,344.87	Brazil
NA	98	CIT Global Vendor Services S.A.	22,132.75	Colombia
111	99	Financiera Internacional CFC	21,839.51	Colombia
103	100	Arrendadora Ve por Mas	21,167.73	Mexico

the region are headed by: (1) Santander, in Chile, Brazil and Argentina; (2) BBVA, in Chile, Brazil and Argentina; (3) IBM, in Brazil and Puerto Rico, though data were unavailable for IBM's holdings in Colombia, Mexico and Central America.

- There is a lot of movement with market entries and exits. For example, Fleet BankBoston, under the recent control of Bank of America, divested its leased assets during 2005 (selling its Mexican lease portfolio to CSI Latina, Inc.) and in 2006 (through the sale of its Brazil and Uruguay portfolios to the Brazilian Banco Itau). Expect more deals for 2006–2007.
- The formidable growth of the Brazilian leasing industry has been fuelled by the outstanding performance of car leasing offerings, though leasing of information technology equipment has also contributed to such growth.
- In Argentina, control of the leasing industry returned to domestic groups following the massive exit of multinationals from the marketplace, created by the Argentine Government's handling of the post-crisis period. There is considerable growth of the leasing industry, in particular where banks are players, while independent leasing companies have been successful in growing, funded by placing their debt papers in the capital markets.

Consolidation concerns. While 2005 was a positive year overall for leasing industries in Latin American countries, the report also revealed consolidation trends

that may be cause for concern.

A total of 196 companies reported information by the end of 2005 compared with 204 companies in 2004. Though lack of reporting accounted for some of this decrease, the main cause was the disappearance of some companies due to mergers and acquisitions.

Alta is particularly concerned about the consolidation of leasing portfolios in the banks in Chile, which needs to maintain a competitive and dynamic environment for leasing businesses.

Alta believes Latin America as a whole must learn from the experiences of the leasing industries in Venezuela and Ecuador, which virtually disappeared as a result of the consolidation of companies and the emergence of universal banking.

This is not a conviction of universal banking as a killer of leasing industries. As a matter of fact, healthy leasing industries coexist in universal banking environments in Mexico and Brazil, due mainly to the fact that such countries favoured competition in the industry. This never happened in Venezuela or Ecuador.

But, in general terms, consolidation is negative if it is not accompanied by the advent of new players into the marketplace – which seems to be the case for most of Latin America's consolidation activity in 2005.

For more information:

The complete *Alta LAR 100* report for 2005 can be downloaded free of charge, in both English and Spanish, from the group's website, www.thealtagroup.com.

Alta also plans to offer an in-depth database to accompany the report, for a fee.

The Alta Group is a global consultancy serving equipment leasing and finance companies, investment professionals, manufacturers, banks and government organisations.

Its services include: strategic consulting and planning; captive finance and vendor programme development; market intelligence and competitive benchmarking; professional development, training and education; market entry analysis and services; portfolio development and management; merger, acquisition, restructuring and disposal services; litigation support; mediation and dispute resolution; and operations review and analysis.

Founded in 1992, the group supports clients in North America; Latin America; Western, Central and Eastern Europe; Australia and China.

For more information, visit www.thealtagroup.com, or email rcastillotriana@thealtagroup.com

This article was prepared by Rafael Castillo-Triana, Principal to The Alta Group Latin American Region, 1920 Lakeshore Drive, Fort Lauderdale, Florida 33326, US. Tel: +1 954 816 4446, Fax: +1 954 389 3610, Email: rcastillotriana@thealtagroup.com, Website: www.thealtagroup.com