

Staal Aasestrand tells Heather Greig-Smith how he plans to turn Experto Credite into a significant debt purchasing force

# Taking control

It is a challenging time to be a newcomer in debt purchase, but that isn't stopping collections agency Experto Credite. New chief executive Staal Aasestrand has plans to spend £100m in the next three years, starting the debt buying function from scratch.

While Experto is new to debt purchase, Norwegian Aasestrand is anything but. He was one of the co-founders of debt purchase giant Aktiv Kapital and ran Morgan Stanley's brief but ambitious foray into debt purchase, which ended this year.

Now he has joined forces with Experto Credite's owner Paul Thompson to move the company into debt sale. It will be the fourth time he has set up a business in this industry. Thompson had been trading as a private partnership and was considering selling. Aasestrand was looking for a partner: "Instead of starting from scratch I thought it would be a good idea to team up with someone. I'm sure we can build this small company into something big. I'm very ambitious," he says.

So, they have reorganised Experto, brought in external investors, taken the company limited and Thompson has made way for the jovial Aasestrand to take on the role of chief executive. "It's been very easy," says Aasestrand. "We had very open discussions on what I wanted to do and the way I wanted to do it. He accepted it from the first day. We are going in the same direction."

## Surrendering control

Advisers said Thompson, now chairman, shouldn't surrender control to Aasestrand. He ignored them and went with it. "He's been loyal to the idea all along," says Aasestrand, sitting in brightly painted, neat offices that are a contrast to the gloomy Reading industrial estate outside.

Thompson joins the interview at one point and the pair joke about the possibility of falling out. If there's any discomfort about relinquishing control, it doesn't show. "Experto Credite had reached a stage where we wanted to grow considerably and needed to bring on board people with the expertise and contacts in the industry," says Thompson, who was previously talking to a couple of buyers for the business. "We could have continued as we were but we recognise there's a lot of growth in debt purchase. I'd known Staal for a couple of years and we decided he was the guy for us."

Aasestrand's strength undoubtedly lies in his contacts in the industry. Most industry figures *Credit Today* spoke to know him personally and there seems little doubt he will do deals. He has relationships with many creditors and has tapped into his contacts to find investors and funding – the major barrier to entry in today's difficult market.

As well as bringing in fresh equity in the shape of three small Norwegian private companies, Aasestrand has negotiated a funding deal with an American company – rumoured in the industry to be Varde Partners, though Aasestrand will not confirm this. "We plan to invest £100m over the next three years, hopefully £20m this year," he says. "We have access to a lot of money through our shareholders."

The new structure means employees of the company hold 10 per cent, Thompson and Aasestrand have 30 per cent each and the remaining 30 per cent is shared by the Norwegian investors. The funding for buying portfolios is based on delivering agreed margins, says Aasestrand. "It gives us huge opportunities in a very good market situation. We can make money and they can make money."

Like many, he expects falling prices and lower recovery rates to set the market atmos-

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phere in the near future. "My expectation is that we will see a significant reduction in the prices sellers will achieve in the coming months and years. In 2006 and 2007 prices were extremely high – not even close to what they should be. I expect prices first to go down to normal level and then go below that again to become sellable in this market place. On some deals we'll see a 40 per cent price reduction," he says.

## Playing the waiting game

Some banks will take portfolios off the market but Aasestrand doesn't believe this will stymie debt purchase for long. "The majority of these banks know exactly what's going on and they see the advantages of selling in spite of getting a lower price because even if they keep it they would get a lower recovery," he reasons. "They would also have a much bigger balance sheet. The effect of selling is more important for the banks than it has been up to now. It's part of cash management."

He adds that the situation is different for different banks. "Some banks have to sell, some banks can easily wait and some banks just prefer to sell anyway, because their whole structure is built around debt sale."

The high point for pricing in 2006 and 2007 was coupled with accusations that some in the market were buying market share at a premium. Will Aasestrand do the same now? He says not. Experto will only buy £20m this year if the deals are right. "I'm more than happy to go into 2009 without buying anything at all if the prices aren't good."

That said, Aasestrand seems eager to get going, having been building up to the announcement of Experto's changes since he joined in May.

He will continue to develop Experto as a contingency agency, describing contingency as "risk-free income" that "keeps you on your toes" working for others. Secondly, he says the variety of portfolios is useful experience to take into the debt purchase business.

The kind of debt he is looking to buy is unsecured consumer accounts. "We will also definitely look at utilities and telecoms. I don't think it would be a big part of the business but we did discuss today looking at a British Gas commercial, rather than consumer, portfolio. Normally I wouldn't touch commercial but in this case we have very good experience."

## Morgan Stanley

The feeling you get is that, following his experiences at Morgan Stanley and Aktiv, Aasestrand won't be buying small. "It's the same job buying a small portfolio as buying a big one. When you have limited resources in terms of pricing analysis and a financier you need to get involved then you don't look at small portfolios."

While Aasestrand is positive about his Morgan Stanley experience and says it stopped



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debt purchase as part of the wider structured product group closure, he's also clear where it went wrong. Three people outsourcing everything just didn't work. They invested approximately £50m, of which the biggest portfolio was 115,000 HSBC accounts with a face value of £360m. "Unfortunately we were too dependent on advice from our external advisor. They gave us totally wrong advice and we were stupid enough to follow it," admits Aasestrand.

"Without the capacity for handling it ourselves it took us too long to wrap up the recovery so we lost close to a year. We learnt a lot. The portfolio wasn't too bad but we handled it wrongly. The idea of having a very small team and outsourcing everything [doesn't work] – you need to have a certain level of capacity in the organisation to do this kind of business, if not you depend too much on external advisors."

He's also unconvinced that investment banks should be in the debt buying business. "Investment banks are basically trading. This is 'buy to hold' – the point is to keep it on your books and make the money over time." The plan at Morgan Stanley was to sell off a big chunk of the portfolio on the fledgling secondary market but it never got that far.

Aasestrand describes the secondary market as a "garage sale" at the moment – where it's happening at all. He says in future it should become part of the initial buying and segmenting strategy instead of a clean up of unwanted accounts. "Banks will see that this is a way for them to achieve a better price."

Questions hang over the analytical capabilities and processes at Experto, particularly as

Aasestrand fully admits there is no tracing or litigating function in-house and all of it will be outsourced for the foreseeable future. However, his experience in sourcing deals, establishing a relationship with investors and pricing portfolios are the key skills Experto is relying on. Others may need to fill in the gaps. "I need people round me to take care of the details because I never manage to remember what I did yesterday," he jokes.

Acquisitions are also a possibility. Aasestrand confirms he has the money and the mandate to buy companies if the right thing comes along.

### European perspective

When it comes to portfolios, the plan is to stick with UK acquisitions, unless the right European opportunity presents itself. At Morgan Stanley, Aasestrand bought in Greece and Spain, for example. "Over the last year everyone has tried to become pan-European. Pan-European in itself shouldn't be a goal," he says.

He points to countries such as Spain, Italy and Greece as offering potential, as well as Turkey and Russia. In Greece banks are eager to sell, which he says makes it an interesting prospect, however no-one has been brave enough to take on the difficult Italian market as yet. "Turkey has probably the biggest potential in Europe today. There are also people going into Russia – it's going to be huge as well," predicts Aasestrand.

Market conditions will partly dictate whether Experto gets the deals it is looking for this year. Aasestrand has clearly learnt lessons from his time at Morgan Stanley, now he has to put them into practice. **CT**

## Staale Aasestrand: the CV

**Mid 1980s** – Worked in debt collection

**1987** – Bought Norwegian DCA Vest Inkasso from a local bank

**1995** – Bought first debt portfolio

**1996** – Bought first portfolio outside Norway, from GE in Sweden

**1996** – Teamed up with Aktiv Inkasso and merged – creating Aktiv Kapital

**1997** – Bought first UK portfolio for Olympia (acquired by Aktiv in 1995)

**2006** – Left Aktiv Kapital for Morgan Stanley to build up European debt purchase as part of a team of three. Bought large HSBC portfolio as well as debt from Spain and Greece

**2008** – Credit crunch leads to closure of Morgan Stanley structured product group in UK and US

**2008** – Joins Experto Credite as chief executive and investor

## Vital Statistics

### Where do you live?

My family lives in Norway so I go home every weekend. It's a small town called Aleseund on the north-west coast. It's a beautiful place. I have my wife and two kids up there – 15 year old twins. My brother and I started in the industry together in 1995. He's still head of debt purchase at Aktiv Kapital.

### Do you have any hobbies?

Family, cars and TV. Really, the only interest I have next to the job is my family. I don't have time to do anything else. I read books constantly for entertainment though – probably 50 or 60 a year.

### Do you have a mentor?

There have been a lot of people I learned from and who have meant a lot to me but the one person I have learnt most from is a guy called Tor Olav Troim – he's the chairman of Aktiv Kapital now and is a real dealmaker, a very powerful man.