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US hedge fund injects another €30m into First Citizen

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Pictured above: Alan Shaffran, Head of Fixed Income for Magnetar in Europe; and Chris Hanlon, Managing Director at First Citizen Finance DAC

Gretchen Friemann

US hedge fund Magnetar Capital has pumped a further €30m into alternative lender First Citizen as the firm ramps up lending across its motor finance and commercial real estate platforms.

The cash infusion brings First Citizen's investment to about €100m. The car specialist's loan book now totals over €300m and spans property, farming and equipment finance as well as motor finance. Magnetar's decision to commit more working capital to the lender, which was spun out of Permanent TSB in 2012 as part of a €287m management buyout deal, deepens the Illinois-headquartered fund's ties to the business.

The US hedge fund is best known for its massively lucrative trades when it successfully bet against the US housing market before the Lehman's Brothers' collapse.

At First Citizen its backing includes a €28.2m equity slice, that gave it a 66.7pc stake in the business, and it also provided €42m in working capital. The latest pledge takes that figure to €72m.

According to First Citizen founder Chris Hanlon, half of the extra capital has been funnelled into the lender's expanding commercial real estate venture, which was established last year and is set to pass the €100m loan book mark by Christmas as borrowers seek out alternative offerings to the banks. Total applications for the firm's CRE product is closer to €400m. But Mr Hanlon said the company ultimately commits to a fraction of that sum as it seeks out deals linked to income generating assets in major urban centres.

The company targets the buy-to-let, industrial, retail and office sectors, with loans of between €750,000 and €7.5m.

According to Mr Hanlon the firm's expansion will continue to hinge on debt issuance, meaning securitisations will fund its growth. Last summer the firm issued an inaugural €158m bond, secured against motor loans written in the three years prior to the deal.

That deal was a key milestone for Ireland's car financing industry.

First Citizen is expected to repeat the exercise later this year, potentially with a larger portfolio. The firm also has its sights set on a securitisation of its commercial loan book over the next few years.

The remaining €15m in additional working capital from Magnetar will "fund continuing growth in our motor, agri, and equipment finance offerings," Mr Hanlon said.

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