

# CAPITAL CONNECTION



ACT advisory board member Becky Worthington has launched a new business venture that helps banks by taking the pain out of property

Words: **Sally Percy** / Photos: **Charlie Best**

Becky Worthington may have started her finance career with accountancy giant PricewaterhouseCoopers, but she was always adamant that her future would not lie in working for a corporate behemoth.

“I never really thought of myself as a corporate animal,” explains the founder and CEO of Lodestone Capital, as she sits in the basement canteen beneath her offices, which is furnished student-style with table football games and low black leather sofas. “Being stuck in the back office of a FTSE 100 company was never going to sit very comfortably with me.”

Indeed, as finance professionals go, Worthington is far from the serious, strait-laced stereotype. Instead, she is bubbly and energetic – traits that she admits have helped her to stand out in her chosen vocation. “I went into a career that my personality was entirely unsuited to, but it did put me on a different level.”

Although she is not a treasurer, Worthington has a close association with the ACT because she sits on its advisory board. She also has experience of treasury from her 11-year stint as CFO of property regeneration company Quintain Estates and Development. A chartered accountant by training, Worthington finds treasury “really interesting”. As she puts it: “It’s about building relationships, understanding what other parties need, getting a group of people to work together and negotiation skills.”

It is fortunate that Worthington has a bent for treasury since her expertise in this area was put to the test in the aftermath of the global financial crisis that exploded in 2008. Worthington joined Quintain in 1998 when it had a staff of just 14 people. By 2007, it was a public listed company with a market capitalisation of over £1bn and a contender for a place in the FTSE 100. When the financial crisis hit, the company found itself, in Worthington’s words, “reasonably highly leveraged”, with gearing of 105% debt over equity and a large sum of capital tied up in its land bank.

“This meant we had to be innovative in our financial solutions to dealing with the market situation that we found ourselves in,” Worthington recalls. “In terms of accelerated learning curves, it was the time in my working life when I learned the most.” She took the lead in guiding Quintain through the rocky years of 2008 and 2009,

which included cutting costs by 30% and negotiating an increase in the company’s covenant headroom with its banks. “We created a structure where we only paid for the extra headroom if we used it. And we still had cost-effective interest rates on our facilities.” The company also recapitalised its balance sheet and raised working capital by issuing shares worth £192m gross at the end of 2009.

Despite the fact that the property sector had fallen massively out of favour with banks as a result of its role in the financial crisis, Worthington says that Quintain’s banking partners remained supportive of the company. “We had good relationships with them on a personal level and we went to them early in the process with thought-through plans that made sense.” Did the precariousness of the property business around this time make Worthington herself think about making a run for the exit? “I’ve never thought about getting out because it’s volatile,” she reflects. “At some points I’ve thought: do I need to get out to have a more rounded career and a stronger CV? But I love the property industry and I don’t want to leave it.” The solution to this career dilemma, it turns out, is that Worthington has joined the board of oven manufacturer AGA Rangemaster as a non-executive director.

Quintain is renowned for its entrepreneurial culture and all employees were encouraged to get involved in property deals, irrespective of their roles. Worthington played an instrumental part in the company’s growth, overhauling its accounting and IT systems, managing investor relations and undertaking property deals. “I executed the first forward sale of a property derivative in the market,” notes Worthington. “I went to the agent and I said: ‘This is what we want to do’, and they said: ‘There’s no market for it. I commented that as an over-the-counter trade, you just need a counterparty, you don’t need a market. The counterparty makes the market. We successfully did that and made a lot of money out of it.’” By the time she left Quintain, Worthington was in charge of its Greenwich Peninsula regeneration scheme, a residential and commercial project involving more than a million square metres of land. She loved creating an entirely new community: “For me, the fascinating thing was less the bricks and mortar, but how do you create a heart? How do you create a community in a new place?” >



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“I wanted to found a business that had a culture where people could set their own working hours and be recognised for the value they create”

By 2012, enough of Quintain’s entrepreneurial culture had rubbed off on Worthington for her to decide to start her own business, along with three other partners. She doesn’t think of herself as a risk taker, but knew that “career-wise, I needed to move on”. The overhaul of the management team within Quintain provided her with the impetus to think about what she wanted to do next, she reveals. “Typically, the sort of approaches I was getting was to be a CFO of businesses inside or outside the real estate sector. But it just filled me with dread. I didn’t want to do a role like that again. I wanted to be creative in doing deals and to use my network to make that happen. I wanted to found a business that had a culture where people could set their own working hours and be recognised for the value they create.” She came up with the name Lodestone Capital with friends at FTI Consulting. “Lodestone is a naturally occurring, magnetic rock that sailors used as compasses. I liked the whole synergy of that – knowing where you’re going, arriving safely, clear direction.”

Lodestone creates investment vehicles to buy certain kinds of property assets from banks. These assets tend to be UK-based and operational, for example, in the healthcare, hotel and student accommodation sectors. It also arranges joint venture structures, which enable banks to avoid

recognising losses associated with their property assets upfront on their balance sheets. Most of the money that is used to buy assets and invest in the joint ventures comes from yield-hungry professional investors such as hedge funds, institutional pension funds and private equity. “It didn’t take me very long to realise that there was a wall of equity out there,” says Worthington. “It’s all about the deal, whether you can access good deals at sensible prices with business plans that demonstrate the value that can be achieved. If you can do that, you will be able to fund it 10 times over. If you can’t, you will never be able to get funding in place.”

So far, Worthington has enjoyed running her own business and says it predominantly consists of positives, although there is “one quite material negative”. The positives are being able to drive the business in the direction she wants without having to deal with politics, the lack of admin and bringing together a team that is inspired by the same objectives. She has also been delighted by the widespread support Lodestone has enjoyed. “The English culture is that people want to back start-ups,” she reflects. “And I’ve got a long track record with a number of people, so that’s very helpful.” The biggest negative, she admits, is the absence of a pay cheque at the end of the month. “But hopefully that won’t stay a negative for very long and the corollary is that all the profits we make will be for us.”

While all parts of the property market grew aggressively between 2000 and 2008, it has been a tale of two sectors over the past three years, according to Worthington. The London residential market has bounced back from the downturn, largely thanks to strong interest from overseas buyers. Property companies with good assets, such as thriving shopping centres and sought-after offices in desirable locations, are also doing well. But the bottom end of the market – for example, inferior quality regional offices and poorer high streets – continues to suffer. “In retail and office space, some space is just obsolete and it will never re-let,” observes Worthington. “To call it an asset is a misnomer; it’s actually a liability.” She adds: “It’s no longer a game for anybody. This is very much a game for experts.”

As for the banks, Worthington says they are still lending to the property sector, but predominantly against investment-grade covenants or blue-chip assets. “Some parts of the market are very fundable, but in others there is virtually no liquidity.” She notes that although banks do have an increased appetite to lend, they are nevertheless restricted by the tightened capital requirements of Basel III. “You can’t improve the capital on the balance sheet and lend more,” Worthington points out. “Fundamentally, banks are being asked to do two opposing things, so what they are tending to do at the moment is muddle through in the middle. As we see more deleveraging in the banking system, and more loans where forbearance is no longer required, we’ll see a gradual pick-up in new lending.”



By virtue of her position, Worthington is a member of that elite group of people known as female CEOs. So, inevitably, she has views on whether quotas should be used as a means to increase the number of women on FTSE 100 boards. “The problem with quotas is that they really smack of tokenism,” she points out, but adds: “People want the best board possible for that business and it’s very unlikely that the best board for a business will be eight Caucasian men in their 50s who have the same backgrounds. Diversity has a value and it’s a value that a lot of people recognise today.”

She argues that companies need to be more proactive about developing and retaining women, but believes that overall UK business is heading in the right direction. “Targets without quotas is a good place to be right now,” she says. “We should push on that to encourage increased representation



of diversity within the boardroom. Having said that, nobody has a right to a board job. You have to fight for it. Fundamentally, it doesn’t matter whether you’re female or male, or what your colour or ethnic origin is, it’s going to be hard work.”

Despite not setting out to become a CFO, Worthington is deeply appreciative of the solid grounding that her financial background has provided. “I never had a desire to have a career in finance, because I always thought it would be very dull,” she admits. “I was in part very wrong and in small part right. Being a trainee accountant, ticking the boxes in audit, I did find very dull. But I’ve found a career in finance to be absolutely fascinating.” She is also glad that she’s mostly managed to steer clear of working for large organisations. “With a small business you get immediate exposure to the guys at the top, you’re round the table when key decisions are made and you know so much more. It’s a more interesting way of being involved in businesses.”

Sally Percy is editor of *The Treasurer*

## BECKY’S TOP TIPS FOR SUCCESS:

◆  
**“Tenaciousness is crucial to a successful finance career. It’s a combination of hard work, a desire to see the business or the project succeed and a willingness to be pushed beyond your comfort zone. Only by being pushed beyond your comfort zone will you develop your next level of skill.”**

◆  
**“For me, the real value of the ACT has been in networking. Having said that, if you are working in the treasury space, I think its education programme is very valuable.”**

◆  
**“My favourite gadget is my iPhone. Now that I don’t have a PA, my most useful app is a city planner that helps me to find my way between meetings.”**

◆  
**“The secret to my career success is being pretty driven and self-motivated. I continually look for new opportunities and challenges, and find impressive people to learn from.”**

◆  
**“Clients ask hundreds of difficult questions. They’re mainly all very good questions and I learn most from the questions I am asked. They force me to think about things I should have thought about, but haven’t.”**

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## BECKY’S CURRICULUM VITAE

October 2012 to present  
 CEO, Lodestone Capital

May 2012 to October 2012  
 Deputy chief executive,  
 Quintain Estates and Development

2001-2012  
 CFO, Quintain Estates and Development

1998-2001  
 Group accountant, Quintain Estates and Development

1997-1998  
 Financial controller, Britton Group

1994-1997  
 Trained as a chartered accountant,  
 PricewaterhouseCoopers

Qualifications  
 FCA

Other roles  
 Member of the ACT’s advisory board;  
 director of the British Property Federation