DEALS OF THE **YEAR** 2012
Awards

UK treasury team of the year (market cap below £2bn) category winner
MOTABILITY OPERATIONS

IN TOP GEAR

A SMALL TREASURY TEAM THAT DIDN'T EXIST A FEW YEARS AGO PUT ITS FOOT ON THE ACCELERATOR TO DELIVER TRANSFORMATIONAL CHANGE AND REFINANCING

Motability head of treasury David Mead: "It's an unsung organisation"
Motability Operations Group plc

> This year's small treasury team award goes to an organisation that didn't even have a treasury team four years ago. The more you know about Motability Operations, the more that will surprise you – and the more its achievements will impress.

Motability Operations is owned by the four main UK banks, but is a not-for-profit organisation, separate from the registered charity called Motability. But, obviously, they are very closely connected: Motability Operations has a contract with the charity to run the Motability Scheme, through which disabled people can waive part of their state disability benefit to acquire a car for themselves or a parent or carer (there is a separate, much smaller scheme for powered wheelchairs and scooters). It is, in a sense, the delivery vehicle for the charity.

So it is Motability Operations that buys, finances and maintains the fleet – at last count more than 613,000 cars. And, with revenue in excess of £5bn and £3bn of leased assets, it's surprising that it has such a low profile – and such a new treasury. "It's an unsung organisation," says David Mead, who joined Motability Operations as head of treasury in 2007.

> Historically, the organisation was a partnership between the four major UK banks. The assets were effectively funded on a partnership structure by way of leases from the banks themselves, so the cars were sitting on the banks' own balance sheets. The separate unit, Motability Operations Ltd, was simply an administration business, but it didn't own the assets. Mead, who knew about Motability in his previous role at HSBC, says that the operation had become so large that the banks and Motability both realised the partnership

structure "really wasn't fit for purpose any more. It needed to be set up as a stand-alone independent organisation with its own corporate structure."

> Mead's role was to transfer the assets to the new organisation (without crystallising a tax liability), manage the relationship with the banks through the change process and establish a treasury operation from scratch. The transfer took place in 2008 and, from 2009 onwards, Motability Operations has been shifting its funding to the capital markets, where it has raised some £3bn over the past three years. It has also been putting in place treasury technology, systems and people of the quality that you would expect to find in a FTSE 100 company.

It's been a journey to build what is now a "steady state, typical treasury function", says Mead, who has just three other people in his team. But while 2012 marks the culmination of that journey, it hasn't stopped driving forward. In fact, Motability Operations completed a £2bn refinancing of its bank facilities, which would have been one of the biggest such deals in the UK in 2012.

The Motability Operations treasury team, from left to right: Jason Carpenter, David Mead, Dominic Hart and Denice Boudry

It did the same with its International Swaps and Derivatives Association agreements. These were perhaps fit for purpose back in 2008, but were probably executed quickly amidst the turmoil of the reorganisation that was taking place then, Mead concedes. "We needed to look at them again and rewrite them to give us more flexibility, making them more 'industry standard' and boilerplate."

And, as if that wasn't enough, last year Motability issued a dual-tranche bond of £300m (20 years) and €550m (seven years), the latter being fully hedged back into sterling.

From nothing, Motability's treasury team has come a long way in just a few years – and it's still in top gear.

What the judges said
"This is the right year to recognise Motability's journey. A small team has taken on two or three big things at the same time and done them well."