Early Warning System

IFC-37919

Lionbridge Loan

Quick Facts

Countries	China
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2016-05-16
Borrower	Lionbridge Financing Leasing (China) Co., Ltd.
Sectors	Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 19.89 million
Loan Amount (USD)	$ 19.89 million

Project Description

According to IFC website, the project is to provide a three year up to US$20 million USD loan to Lionbridge Financial Leasing (China) Co., Ltd., a MOFCOM licensed financial leasing company, to support its long term funding to extend affordable financial services to the underserved MSMEs in China.

Established in 2012, Lionbridge is led by a group of leasing experts with extensive industry experience, and provides direct leasing, sale-lease-back, and extended operational services to SMEs, micro-enterprises and individuals in four major sectors including truck leasing, medical devices, agriculture equipment, and manufacturing equipment. By the end of 2015, the outstanding leasing receivables of Lionbridge reached RMB5.5 billion (US$840 million equivalent), among which 38% was truck/logistic leasing, and 34% was medical device leasing.

According to the management account of the financial statement as of end 2015, the total asset of Lionbridge was RMB6.15 billion, and the total equity was RMB1.59 million. In 2015, the Company generated RMB88.6 net profit, translating to ROAA and ROAE of 1.8% and 6.5% respectively.

Expected Development Impact
1. Promoting financial inclusion: Despite MSMEs being the primary source of growth and employment, MSMEs typically cannot get sufficient affordable financing because of subscale operation and lack of real property (e.g. land, plant), which commercial banks require as collaterals. Leasing has become the most important funding source for MSMEs as it is based on moveable assets, e.g. trucks, machines, equipment, in Lionbridge's case. In the past, MSMEs could only rely on guarantee companies to get access to short term bank loans, which exposed them to volatility of funding, risk of sustainable operation given the mismatch in the tenure of funding and the life of operation machine/ equipment, as well as a bottleneck in expansion. The proposed project will effectively help Lionbridge Leasing diversify funding sources, improve funding stability and utilization, reach out to more MSMEs and expand credit to them. It is expected that Lionbridge will reach additional 20,000 MSMEs by 2020.
2. Promoting healthy development of the financial leasing sector: the financial leasing industry in China is nascent and for a number of financial leasing companies, the transactions are related to shadow banking. On the contrary, Lionbridge was able to serve the underserved segment with a true leasing model, where the leases are repaid by the cash flow generated by the leasing asset. The success of Lionbridge will set a good example for the whole industry and help establish the right culture and mindset for the industry players, MSME clients, regulatory parties and investors, thus promote the long-run development of leasing sector in China.
3. Job creation: the integrated logistics service will enable Lionbridge to recruit truck drivers to deliver the transportation services with Lionbridge's trucks under financial lease model. Lionbridge has over 1,000 trucks now and targets to expand to 30,000 trucks in 3-5 years, which will create at least 30,000 jobs in the future.
4. Promoting healthcare services in frontier regions: traditionally, HD services is not sufficient especially in the frontier region, where basic medical service has not fully covered yet. Lionbridge's HD center model will largely make HD services available at an affordable price to the rural population, improving the patients' life quality.

Investment Description

- International Finance Corporation (IFC)

Lionbridge was initially founded by China City Construction Company, a state-owned enterprise with main business engaged in city development and construction. Bain Capital acquired the Company in 2014 and is now the controlling shareholder holding 81% stake in Lionbridge. The remaining stake of 19% is held by the management team. Bain Capital was founded in 1984, and is one of the world's leading private equity and alternative asset management company with AUM of approximately US$75 billion. Bain Capital's investment in China mainly focused on the following sectors including consumer products, healthcare, TMT, and financial institutions & services. Before its acquisition of Lionbridge, it also buyout Gymboree, a domestic retailer focusing on apparel and accessories for newborns to 12-years-olds, in 2010.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Lionbridge Financing Leasing (China) Co., Ltd. (Financial Intermediary)

Private Actors Description

Lionbridge Financing Leasing (China) Co., Ltd. was initially founded by China City Construction Company, a state-owned enterprise with main business engaged in city development and construction. Bain Capital acquired the Company in 2014 and is now the controlling shareholder holding 81% stake in Lionbridge. The remaining stake of 19% is held by the management team. Bain Capital was founded in 1984, and is one of the world’s leading private equity and alternative asset management company with AUM of approximately US$75 billion. Bain Capital’s investment in China mainly focused on the following sectors including consumer products, healthcare, TMT, and financial institutions & services. Before its acquisition of Lionbridge, it also buyout Gymboree, a domestic retailer focusing on apparel and accessories for newborns to 12-years-olds, in 2010.

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/