

# monitor

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## EXECUTIVE PROFILE: NEW ENTRANT

RANK:  
90

ASSETS:  
\$142.7

VOLUME:  
\$173.6

SEGMENT:  
IND

EMPLOYEES:  
90

ONLINE:  
ascentiumcapital.com



## Ascentium Capital: A New Player With a Long History, Bucking the Trend Along the Way

BY STUART P. PAPAVALASSIOU



**THOMAS DEPPING,**  
CEO, Ascentium Capital

**The *Monitor* last spoke with Tom Depping in 2009**, when he was chairman and CEO of Kingwood, TX-based Main Street Bank. Today, Depping is joined by Richard Baccaro and an impressive list of industry veterans who formed Ascentium Capital in August 2011. While some things have changed since then, much has remained in place.

In a manner of speaking, it's always been about bucking the trend for industry veteran Tom Depping. In 1994, when others were expanding their middle-market and large-ticket leasing operations, Depping and a group of entrepreneurs formed First Sierra Financial, a small-ticket equipment finance company. By 2003, Depping was one of the first to jump on the banking bandwagon as a means to secure stable funding for his equipment investments. I last spoke with him in 2009, when Depping was chairman and CEO of Kingwood, TX-based Main Street Bank. Things have changed since then and in a paradoxical sense, quite a bit has remained in place.

In August of last year, Depping turned in his bankers' blues (his suits, not his outlook for the equipment finance industry) to form a new independent equipment finance company, Ascentium Capital. "I think the banking platform served us well during the tough times of 2008 and 2009. But government regulators changed their tune somewhere in mid-2009 and began to significantly restrict what they

would let us do," Depping explains. "In short, they wanted us to be a regular bank, which we were not. We were a finance company with a bank charter, but they didn't really care about that."

And then there were the regulatory hurdles brought about by the financial crisis. Depping states pointedly, "We looked at our situation and realized management was spending way too much time with regulatory compliance. Some of the issues were just plain silly and weren't worth our time. At the same time," he notes, "the capital markets had a year or two to digest what really happened during the downturn ... and the equipment sector of the securitization market had actually performed quite well during the crash."

With a seasoned management team in place, the move away from the banking platform toward a finance company was a move that Depping best describes as "getting back to our roots." He explains, "That part was fairly easy to pull off. We now know what banks go through with all of the regulatory and compliance measures. Our goal is to be a new source of capital to the vendor market that's not a bank. Now we have more flexibility and are able to do things that make sense for our customers."

At Ascentium, this means focusing on the customer by dispensing with anything in the process that doesn't make sense from an efficiency standpoint. Depping is quick to note, "We've done a very good job at that and since our focus is the vendor market, we regard our salespeople as our customers. Typically in small-ticket leasing, they come to you with a book of business and we have to provide them with things that others don't. With our recent acquisition of American Equipment Finance (AEF), for example, those salespeople



**RICHARD BACCARO,**  
EVP Sales & Marketing,  
Ascentium Capital

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Tom Depping, CEO, Ascentium Capital

are generating at least 50% more volume than they did before they came. So I think that's proof that what we're doing here is working."

Of course, without a strong capital position, this surge in new business volume would be all for naught. But Depping assures that base is covered as well. He says, "We were able to raise \$75 million in capital rather quickly and we can go up to \$105 million, so we've got good strong capitalization. We've also got great equity partners with Luther King Capital Management, which has been with us from the very beginning. We also have Vulcan Capital, which is Paul Allen's private equity arm and as a new investor, they've been great too."

Since its launch, the company has hired no fewer than 30 salespeople and acquired not only American Equipment Finance, but most recently, FinanciaLogic, a financier of mobile route computing and direct store delivery systems. Ascentium's executive team is comprised of a long list of industry veterans and includes Richard Baccaro, EVP of Sales & Marketing; Sonny Lyles, chief risk officer; David Pederson, chief information officer; Joel Cappon, EVP and CFO and Evan Wilkoff, EVP of Capital Markets. To round out the team, Jerry Noon is SVP of Asset Management, Hernan Traversone is SVP of Credit Risk, Bryan Wheeler serves as SVP of Vendor Services and John Lee is general counsel.

Depping explains, "Much of this team has been together since the 1990s and this business operates more like First Sierra than Main Street Bank. There was a lot to be learned from being a bank and I think we've taken the best parts of that and capitalized on them. But our focus today is almost completely on building a sales organization. To date, we've built a pretty strong national sales team and I'd like to get that up to 100 sales professionals at some point next year."

Baccaro's role at Ascentium is his second venture with Depping. He first met Depping while the former was at Independent Capital, a company he had co-founded in 1991 with his brother Len. That firm was later acquired by First Sierra in 1998. "I first met Tom at the UAEL conference back in 1997. He discussed what he was putting together under the First Sierra platform. We came to a similar conclusion ... there was a significant opportunity to build a platform with the capital, the underwriting staff and the technology to really go after the small- and medium-sized equipment finance marketplace. That's a disparate industry and no one had more than 1% or 2% of the market share. We thought we could take advantage of that."

Baccaro continues, "This time around, the opportunity to join Tom's team came about by the disruption in the marketplace at the money supply level. This brought about inconsistencies with banks and the inability for many independents to get funding to execute on their marketing and sales strategies."

With these new realities, Baccaro and the AEF team came to a crossroads: one option was to go about the business of borrowing money and building up AEF's back room and underwriting capabilities. The other was finding a partner with those critical elements already in place. It was around that time that Depping asked Baccaro and his team to join in the re-launch a new independent — Ascentium Capital.

He adds, "We saw a lot of opportunities with manufacturers, dealers and distributors throughout the country as well as some underserved markets that would appeal to us but not to the larger bank leasing companies. It was also an opportunity to work with a management team that really knows the business. In the end, all that was lacking was the sales platform ... that's why I decided to take the challenge and grow this business in essence from zero."

With regard to building the business, Depping notes, "These days, we have a goal of \$15 million a month. We topped that in May and so far, June looks like a great month too. On the technology side, we've revamped our front end, added to our back end with some cool online capabilities that give our customers a very good experience. Pretty soon, we're coming out with a vendor CRM that I think is going to be very popular with our vendor customers."

As an independent, Depping notes the importance of diversified funding. "We started out with a \$250 million warehouse line from UBS. They have been a great

partner but prudence says in today's environment that you must have diversity. As a result, we've already obtained credit approval and will bring in another one or two large money-center banks into that facility this summer. As additional diversity, we've also added a separate facility, so we really have four banks right now. You've got to have that as an independent ... if you don't, you can get into serious trouble. Many have learned that lesson the hard way."

With a seasoned management team at the helm, business volume on track, solid funding in place and a growing sales force covering the nation, he expects the U.S. will experience a slow growth trajectory in the 2% range for the foreseeable future. He says, "As far as the industry goes, we'll see low demand for a while. At Ascentium, we're seeing a lot of replacement equipment to finance versus new initiatives ... but that's just fine with us. We're set up to process that business quickly and efficiently."

Beyond equipment demand, he anticipates another trend to emerge — the shift toward the independent segment. "We saw some of this coming when we were a bank and I think this dynamic is becoming more and more prevalent. Today, the

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Richard Baccaro, *EVP Sales & Marketing*, Ascentium Capital

regulators are very interested in how you pay your people and they are trying to control that as much as they can. They don't favor paying people for profit and as a consequence, I think you might see movement toward the independent segment for a while. I think that will be good for the industry."

Baccaro agrees. "I think these are interesting times and it has come full circle with the pendulum swinging from independents to banks and perhaps now back toward the independents to get out in front again and come into the market with some new capital and new ideas. It's like 'We're Back in the Saddle Again' [just as Aerosmith wrote in 1977] and I strongly believe that this team can get back to the \$500 million a year mark in short order. I'd say that demand is our biggest challenge. It's what we talk most about here when we look into the future. This business has a very high barrier-to-entry for new entrants into the market so Ascentium Capital has the opportunity to innovate and attract talented sales professionals based on our growth plans."

For Depping, Baccaro and the rest of the Ascentium team, the small-ticket sector is humming along. "In general the small-ticket people are doing pretty well ... the margins are good and while we're not seeing a lot of new business growth and initiatives, we've got plenty of business and that's just fine with me. I think the other sectors will have to wait for more growth because the demand for larger-ticket items does seem to be there right now."

Be it bank or independent, Depping admits he and his team have proven to be rebels of sorts through the years. As for the challenges, Depping prefers to invent them rather than avoid them. He says, "It's always fun and challenging ... that's what keeps things interesting. Our goal today is to dominate the vendor small-ticket space over a period of time. We can't do it tomorrow, but we're on our way." m

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