



Bibby Financial Services:
Growing our support for businesses



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There's little doubt that this year poses another turbulent period for the UK economy. Interest rates are still stubbornly high and inflation, although declining, remains significantly above the Bank of England's target.

Plus, an impending general election means political uncertainty looks set to continue well into this year. This will have an inevitable impact on business appetite for investment or other long-term decisions as we head towards a potential change of government.

To help us stay connected with our external environment and understand its impact on the SME community, we regularly conduct research with business owners and decision makers across the UK. Our latest findings show the experience of businesses has been largely consistent over the last 6-12 months, with dominant challenges around inflation and rising costs, interest rates and customers taking longer to pay.

Spotlight on SME challenges

Unsurprisingly, inflation remains the top challenge for businesses. This applies across sectors, with 50% of respondents rating it their number one concern, but is even more pronounced in some industries, notably construction, where the figure jumps to 56%.

The rising costs of doing business have been exacerbated by bad debt and late payments, with cashflow emerging as a significant challenge for almost a third of SMEs. 30% of businesses have suffered a bad debt in the last six months, consistent with our findings last Autumn. On top of this, many are finding their customers are slower to pay, with two in three SMEs reporting longer invoice payment times compared to a year ago.

Against the current economic backdrop, it's no surprise that SMEs are requiring more external financial support, with 41% saying their need for external finance has increased. Whilst demand is increasing, almost half (46%) feel it's more difficult to access external finance than

it was 6 months ago. On top of this, factors such as interest rates are much more front of mind, with over two thirds (69%) paying more attention to interest rates now than they used to.

The year ahead

Despite continued uncertainty in their operating environment, business confidence for the future is slowly rising. 61% of SMEs expect their sales to increase over the next six months. It is a marked increase in optimism compared to our findings this time last year (54%).

Playing our part

External finance is critical to supporting UK SMEs. We were committed to playing our part last year, providing over £1.3bn of funding to businesses with a combined turnover of more than £10bn.

As a funding provider of more than 40 years standing, we are well placed to serve the market. Being family owned supports a continued flexible approach to financing businesses of a variety of sizes, sectors and stages of development. Last year we strengthened our offering with the addition of Marine Finance and this fledgling business has been making good progress. We've invested in growing the sales team, recruiting a number of individuals who have extensive experience in the industry. We're looking forward to showcasing our offer at the upcoming Seawork event in June.

I'm focused on ensuring greater integration of our Invoice Finance, Asset Finance and FX businesses to best serve businesses who need a multi layered solution. It's encouraging to see an increased flow of introductions from our intermediaries that have enabled us to build bespoke facilities across our product portfolio. The launch of our Cashflow Advance product last year has also provided greater flexibility in the level of funding support we can provide and our acquisition of Aldermore's Working Capital Finance division, which saw us welcome 140 new construction clients and a number of new colleagues cemented our pedigree in serving this sector.

I'm also delighted with the commitment shown by our colleagues to our clients and the communities in which we operate. We continue to maintain our rating of Excellent on Trustpilot and through our Donate a Day scheme, over 350 colleague days were invested in charitable working in local communities last year with ambition to increase this further in 2024.

I truly believe that we have the people, appetite and funding needed for the year ahead to drive the growth of our business, both through valued partnerships and connecting with businesses directly through our sales and marketing initiatives. The impact SMEs have on the economy cannot be overstated and we're committed to growing our support for these businesses, as we have done for the last 40 years.



Derek Ryan
UK Managing Director
Bibby Financial Services

Top 5 challenges businesses face:



Inflation (50%)



Energy costs (48%)



Interest rates (29%)



Interest rates (27%)



Customers taking longer to pay (26%)

*BFS SME Confidence Tracker study, 1,000 SMEs, Jan 2024



“Continuously improving the way in which we work with our intermediary partners is our priority”

Pedal to the metal!

In last year’s feature, we spoke of our commitment to driving growth and doing more. Doing more to enable our clients, more to boost regional economies and more to bolster our support for our valued introducer network.

BFS driving growth

Reflecting on 2023, it was a truly fantastic year for BFS as we started to deliver our ambitious growth strategy. With the support of the intermediary community, we saw a greater flow of Invoice Finance leads and a significant increase in value from our new business.

We supported SMEs at both ends of the turnover spectrum. With experienced and focused teams now in place across the commercial and corporate space, we have the capability to offer funding lines ranging from £50k up to £20m. This enables us to structure transactions to support a range of business requirements, including funding for growth and expansion as well as meeting day to day working capital needs. In addition to supporting businesses of varying sizes, we also helped businesses across multiple sectors. Last year alone we funded SMEs covering more than 160 industries, including the construction and recruitment sectors, where we offer specialist solutions.

We strongly believe that people are key to our success and we’re passionate about

growing new talent in the industry. Last year we welcomed a number of key hires across our sales and client management teams, as well as a new cohort of graduates as part of our Sales Academy Programme. Onboarding this top industry talent aligns with our growth strategy and gives us coverage and expertise across the whole of the UK. This has enabled us to further strengthen our local presence as well as our relationships with our intermediary network.

Innovation across our product portfolio was front of mind to ensure we offer a range of options for our clients and intermediary partners. Last summer we launched our new cashflow top up solution, Cashflow Advance. Combined with a client’s Invoice Finance facility, Cashflow Advance provides up to 100% of their approved sales ledger. It supports periods of sustained growth or seasonal changes, as well as more specific business activities like M&As, restructure and turnaround. Whilst we initially created Cashflow Advance for clients with a turnover of £5m and above, we later made it available for clients with a turnover of £750k+ after seeing a real appetite for the product.

Continuously improving the way in which we work with our intermediary partners has always been our priority, and it was great to see 60% of our new business last year coming from their introductions. We were also delighted to be awarded Factoring and Invoice Discounter of the Year at the NACFB Commercial Lender awards. Being recognised by the broker community in this way is a huge honour and

we’re determined to build on this sentiment this year by bolstering our support further.

We’re committed to delivering a market-leading client experience and as such we continuously review and measure this. Last year we saw our Trustpilot rating increase to 4.9 and achieved our highest ever recorded Net Promoter Score, both of which we have since maintained. This is testament to our teams who go over and above to deliver for our clients and introducer partners and we look forward to building on this more this year.

Accelerating forward

Talking to business owners and partners, I feel a sense of optimism.

By using our full product toolkit and working closely with our Asset Finance and FX teams to structure tailored facilities, we’re determined to unlock even more value for our introducers and their clients. We are well placed to serve the market needs and opportunities, and we’re excited to build on our successes from 2023 and further grow our support for businesses.



Stephen Hand
UK Sales Director
Bibby Financial Services



Bibby Asset Finance: A new era

Last year saw us drive an ambitious transformation and growth programme within Bibby Asset Finance. We saw a 40% growth in our new business lending volumes compared to 2022 and, alongside this, our portfolio has increased by over 75% since 2021.

Improving our experience for partners and clients is key and we've been undergoing significant investment in our technology and systems to enhance the way we support them. We recently announced our new partnership with Alfa Financial Software which saw us transition across to Alfa Start as our main contract management system. Once fully embedded, the platform will

reduce manual processing, allowing our teams to spend more time delivering real value for our clients, brokers, vendors and business partners.

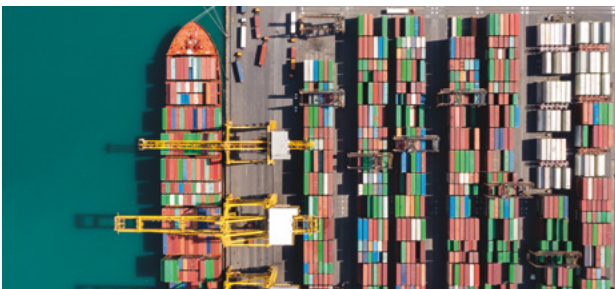
Growing our team has also been a major focus. We welcomed some experienced industry talent to our sales team in 2023, giving us coverage across the UK, as well as developed a dedicated support team to help bolster our relationship management efforts.

Our broad product offering across a diverse range of assets and industry sectors allows us to offer a compelling service to our brokers and clients. We have the ability to work with clients across a range of assets, with a soft asset proposition available to complement our hard asset offering.

After a really positive year for Bibby Asset Finance, we are excited to build on this momentum and do even more to enable UK SMEs to have the confidence to invest in new plant, equipment and vehicles through 2024 and beyond.



Sean Neville
Managing Director
Bibby Asset Finance



Supporting international trade

In December 2023, we surveyed 500 UK businesses that import and/or export goods and services overseas. The research was six years on from the publication of our inaugural Trading Places report, and now we can see a shifting picture.

Brexit continues to pose challenges and SMEs have also had to cope with a series of significant issues since we exited. Those who safely navigated their way through the pandemic were left to contend with significant supply chain disruption and yo-yoing consumer demand as a result. As businesses were recovering from the pandemic, further challenges emerged. A global cost-of-doing-business crisis and tightening monetary policy caused interest rates to reach a 15-year high. Global instability, notably the war in Ukraine and more recently the conflict in the Middle East, drove significant currency fluctuations, presenting a major challenge.

Despite difficult trading conditions globally, SMEs remain cautiously optimistic, focusing on opportunities ahead. Half of those who export, and a similar proportion of importers (45%), believe sales volumes will increase over the next six months. Further still, 52% of exporters are actively seeking partners in new markets.

Four years on from the implementation of the Brexit withdrawal agreement, SMEs still grapple with the impacts. Brexit was cited as the second most significant challenge in a list of issues making the trading environment more difficult. And, almost two-thirds say it has negatively impacted their business and 44% want to see the UK government negotiate revised terms with the EU.

Alongside increasing costs in the UK, it's clear that currency volatility is taking its toll on profitability for businesses trading internationally. Almost 60% of businesses we asked said they'd been negatively impacted by currency fluctuations in the last year, with £80k on average lost to exchange rate volatility.

For SMEs trading internationally, protecting their business against market volatility and managing exchange rate risk has never been more important. Ensuring overseas transactions are cost efficient will help to offset rising costs and is vital to the profitability of their business.

This is where Bibby Foreign Exchange can help. We're well placed to help mitigate the risk associated with currency volatility, and can lock in a rate for a future date as well as support with immediate trading needs. We're committed to supporting UK SMEs and our specialist team are on hand to offer support and market knowledge to SMEs when they need it most.



Michael McGowan
Managing Director
Bibby Foreign Exchange

Businesses we've supported through intermediary transactions

A large percentage of our business comes to us through our valued partners.

If you're interested in becoming a partner, call 0808 159 6490

Sector:

Construction

Funding provided:

£6 million

Type of funding:

Asset Based Funding



We supported Esh Construction with their ambitious investment and growth plans. Andy Radcliffe, Esh Group Chief Executive, commented, "Securing the right funding partner was vital to us achieving the next stage of our growth ambitions. Flexibility, a deep understanding of our industry, and recognition of our solid financial footing were essential components of our selection process, and this is what we have found in BFS."

Sector:

Telecommunications

Funding provided:

Multi-million funding line

Type of funding:

Confidential Invoice Discounting



Our funding enabled Comparison Technologies to facilitate a Management Buy-Out. Peter Callander, Chief Financial Officer at Comparison Technologies, commented, "As we enter a new era of the business, it was crucial that we partnered with a funder that recognised our specific business needs and our vision for the future. The team at BFS have exceeded our expectations, and I am excited about what is ahead with BFS at our side."

Sector:

Wholesale

Funding provided:

£1 million plus £250,000 Cashflow Advance

Type of funding:

Invoice Finance with Cashflow Advance



We funded the acquisition of a Midlands-based cash and carry business, using a combination of a £1m Invoice Finance facility alongside a £250k advance through our Cashflow Advance solution. The two year loan with a six month repayment holiday, alongside the Invoice Finance facility, enabled our client to purchase 100% of the business shares.

Sector:

Construction

Funding provided:

£500,000

Type of funding:

Construction Finance



We funded a specialist electrical and mechanical engineering business with a £500k Confidential Construction Finance facility to support working capital and growth aspirations. Our client chose to work with us because of our specialist knowledge and experience within the sector, and our ability to fund various types of contracts for a variety of end customers.

Sector:

Recruitment

Funding provided:

£14 million

Type of funding:

Confidential Invoice Discounting



We supported a Midlands-based recruitment company with a £14m Confidential Invoice Discounting facility. Our funding helped secure the jobs of 1,200 staff and temporary workers, as well as ensuring that the business has long-term working capital and supports their growth and development aspirations.

Sector:

Security services

Funding provided:

£50,000

Type of funding:

Forward Finance



We supported a business providing manned security services to one of London's finest restaurants with a £50k Forward Finance funding line. This provided the client with a cost effective solution to help them comfortably manage cashflow whilst continuing to grow the business.



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