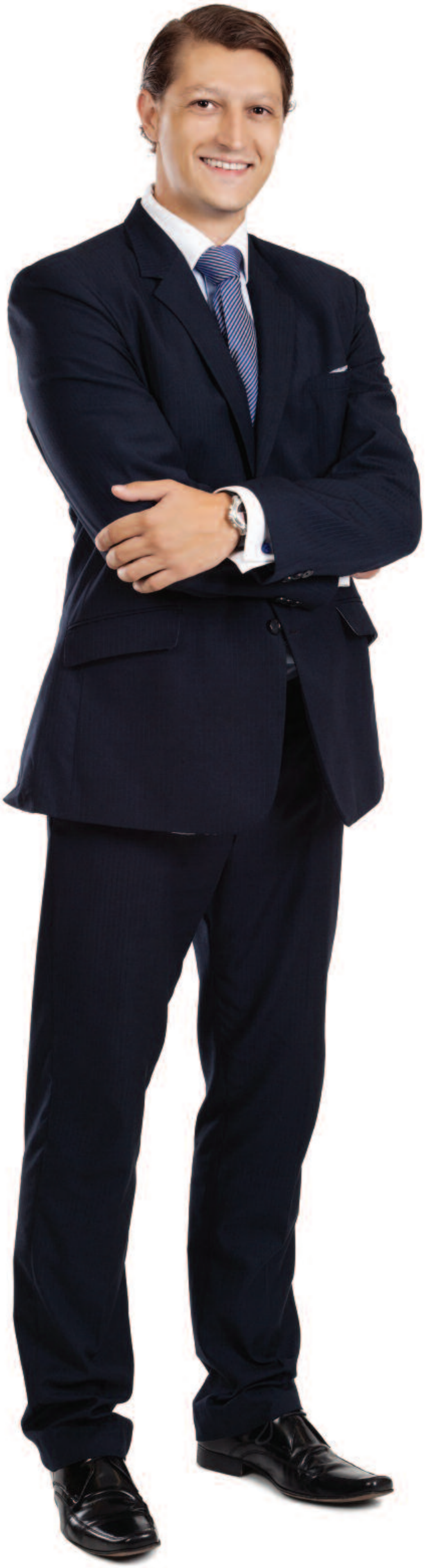

SME FINANCE

Bank Credit Contracts While Alternative Funders Emerge

A sizeable OECD report has found room for improvement in Ireland's financing landscape, writes **Robert O'Brien**

Reliant on banks, reluctant to try alternative funding options and lacking financial acumen in general – the OECD's assessment of SMEs certainly isn't rose-tinted. The analysis forms part of a report published recently that looks at SME and entrepreneurship policy in Ireland.

Overall, the report is a positive one for Ireland, with the OECD concluding that SMEs and entrepreneurs here operate in a broadly favourable business environment. Among the OECD's recommendations to improve the business climate is one calling for improved access to finance.

The OECD notes that access to bank credit has not fully recovered from the financial crisis a decade ago. On the bank side, this manifests in persisting non-performing loans. "Although NPLs have come down significantly since 2013 when they were among the highest in the eurozone area, they still remain high, especially for loans to SMEs," the OECD report states.

"The interest rate spread between loans charged to large enterprises and SMEs has widened in Ireland since 2014, in contrast to developments in most other eurozone countries. This suggests that banks consider SMEs as particularly costly and/or risky to service in Ireland."

According to the Central Bank, gross new lending by banks to all SMEs was €5.3 billion in the year to end-September 2019, a decrease of 3.5% year-on-year (table). The fall was the largest year-on-year decline since H1 2014. Property-related lending accounted for just over one-third of gross new lending at €1.7 billion.

The interest rate on new SME loan drawdowns increased by 9 basis points in Q3 2019, and now stands at 3.88%. SME interest rates varied largely between sectors. Higher than average rates were charged in the primary industries and business and administration sectors.

The view from the banks is that credit demand softened through 2019 due to the Brexit factor. The latest available overview of SME finance in Ireland relates to 2018, published by the Central Bank in April 2019. CBI found that credit demand has trended down in recent years, across SME sizes. In the period April to September 2018, 20% of SMEs applied for bank

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BANK CREDIT ADVANCED TO SMEs

€m	2019	2018	2017
Property Investment & Development	1,263	1,581	982
Agriculture	724	729	785
Vehicle & Fuel Sales	230	334	422
Hotels	254	321	237
Health/Medical	171	259	110
Manufacturing	211	209	194
Retail (excl.vehicles)	208	206	237
Construction	251	184	141
Business & Admin. Services	248	160	197
Legal/Accounting	105	154	107
Other Service Activities	101	138	113
Transport (incl.air)	104	107	119
Food & Drink Manufacturing	124	104	244
Restaurants	55	58	55
Bars	83	51	86
Software	72	41	26
Other Real Estate	187	41	73
Other Accom./Catering	26	28	31
Education	26	18	27
TOTAL (incl. not listed)	**5,259**	**5,445**	**4,788**
TOTAL excl. Property	**3,526**	**3,864**	**3,806**

Loans advanced to SMEs as reported by lenders. SMEs employ under 250 people and annual turnover is under €50m. Data is for year to end September. Source: Central Bank.

Here to build business.
Strategic Banking
Corporation of Ireland

Brexit Loan Scheme

How do I apply for the scheme?

Complete the Eligibility Form at **www.sbci.gov.ie/brexit-loan-scheme** and return to the SBCI by email/post

The SBCI will assess the application and determine if you are eligible/not eligible

Eligible applicants will be provided with an Eligibility Reference Number

Provide the Eligibility Reference Number - along with your update Business Plan - to your preferred finance provider when completing the loan application form

The Brexit Loan Scheme is available through AIB, Bank of Ireland and Ulster Bank

Who can apply?

To be eligible, a business must meet the following criteria:

1. Be a viable business with up to 499 employees (SMEs and small mid-caps)
2. Be Brexit impacted
3. Meet the scheme criteria (Brexit related criteria and InnovFin criteria)

Key features of the Scheme

- €25,000 to €1,500,000 per eligible enterprise
- Maximum interest rate of 4%
- Term ranging from 1 year to 3 years
- Unsecured loans up to €500,000
- Optional interest-only repayments provided at the start of the loans

Loans can be used for

Future working capital requirements to fund innovation, change or adaptation of the business to mitigate the impact of Brexit.

For further queries on the Brexit Loan Scheme and assistance with the Eligibility Form, **please contact applications@bls.sbci.gov.ie** or **call 1800 804482**

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finance, down from 26% recorded in the previous survey. Demand for financing was most common among small firms and lowest among micro firms.

The CBI report noted that following a steady decline from 2013 to 2016, bank finance rejection rates have stabilised recently. In September 2018, the rejection rate for micro firms was 23%, much higher than for small firms (15%) and medium firms (6%).

The OECD report points out that credit applications are more often turned down in Ireland than in the EU 28 average, both for bank loans and for overdrafts or credit lines. "A higher proportion is also pending in Ireland, suggesting that the decision time is higher."

Central Bank data shows that Irish SMEs are more reliant on leasing and hire purchase for investment activities than the EU average, and less reliant on bank loans and other bank credit. Asset finance and leasing is the main source of external investment finance for medium and small firms but not among micro firms

Bank insistence on personal guarantees on loans also galls SME owners, according to the OECD. "There is strong anecdotal evidence from organisations representing SMEs that many of their members perceive demands from banks for personal guarantees as problematic and that this perception contributes to the strong reliance on self-financing," the report states.

Financial acumen among Ireland's entrepreneurs and business owners could also do with improvement, according to the OECD. It bases this contention on what it calls the disappointing take-up of current programmes in this area such as those provided by Skillnet and the local enterprise offices. Noting that initiatives such as those provided through InterTradeIreland have helped to partly address the financial skills shortfall, the OECD still maintains that more effort is needed.

Capitalflow Reports Asset Finance Growth

Capitalflow has joined the SME funding mainstream in Ireland in relatively quick time since it commenced trading in April 2016. So much so that the Strategic Banking Corporation of Ireland recently selected Capitalflow as an on-lender of €50m for low-cost financing of equipment, machinery and vehicles.

Capitalflow's ambition is to become the leading specialist SME lender in the Irish market. To date, the company has advanced over €450m in facilities, and has a team of 70 people across three offices, in Santry, Baggot Street, Dublin, and Cork.

"We are very much a relationship lender," says **Ronan Kelly**, Managing Director, Business Finance, "Our team of over 20 lenders reach out directly to our customers and intermediaries. Referrals from financial advisors, accountants and brokers are a main avenue for our ongoing growth and have been key in getting us where we are today."

Kelly's lending career started in 1997 with Equity Bank, followed by a variety of senior finance roles at Bank of Scotland. In 2011 Kelly helped establish Close Brothers in Ireland, and in 2016 he left to join Ronan Horgan, CEO of Capitalflow, in the establishment of a challenger SME lender focused on meeting the needs of small businesses.

According to Kelly, through 2019 there was increased demand for funding across all of Capitalflow's products. The lender's activities span invoice discounting and asset-based lending, leasing and hire purchase services, and property finance. "As a company, we are largely sector agnostic," Kelly adds. "We are always on the lookout for niche markets."

Kelly notes that Capitalflow's SME customers mention the length of time and lack of certainty around securing funding from the pillar banks. "Their perception is that the banks say they are lending to small business but the reality is much different," he says.

Ronan Kelly, Capitalflow

"The reason why customers turn to Capitalflow is down to the responsiveness of our team, and that we take the time to listen and understand their business needs.

"Many SMEs went through tough times during the recession, and as an SME ourselves we understand that this is a part of business. For businesses who have come through that and want support to grow, Capitalflow will really get behind them."

So how can borrowers maximise their chances of securing finance? "Essentially, we will look at every deal," says Kelly. "If the business is a good business, we will always endeavour to support and look beyond the balance sheet to the people behind the business. I would advise SMEs who are looking for finance for their business to contact us and we will do our utmost to help them secure what they need to help their businesses grow."

Survey continued on page 48

Bank Credit Challenge For Micro Borrowers

Brexit and global economic uncertainties combined to dampen SME demand for finance over the past year, according to **Credit Review**. The organisation was established by the government in 2010 to independently review credit refusals or withdrawals by the banks in respect of SMEs and farming businesses.

Catherine Collins, Deputy Credit Reviewer, believes that no matter what happens with Brexit, many small businesses are going to need some extra working capital to get them through the additional administrative burden and potential taxes and tariffs. "They are also going to require guarantees from their banks for shipping goods through the UK," Collins adds. "There are quite a lot of Brexit implications around banking and credit that people aren't fully aware of yet."

Collins also notes the ongoing move towards the automation of credit applications in banks, which she argues is not an ideal scenario for very small or micro businesses trying to secure bank credit.

"SME lending is more complicated than arranging something like a mortgage, and businesses are very different from each other. They tend to need what we call more of a 'high touch' service, involving plenty of interaction between the applicant and the bank, whereas mortgages can be more standardised."

"Businesses also can have complex backgrounds and trading histories, especially in recent financial times. You need the human touch to understand these business histories. With increasing automation, finding someone in the bank who is going to champion your application and see it through the process is difficult for the smaller guys."

Collins says that the bulk of clients coming to her organisation seeking assistance are micro firms employing fewer than 10 people. "We welcome all businesses but the bigger companies tend to have in-house financial expertise. The annual Department of Finance surveys show that micro enterprises typically have more difficulty sourcing bank credit than larger businesses."

Collins adds: "Banks argue that companies can increasingly fund expansion using their own finances rather than bank borrowings. However, continuous feedback from small businesses to our helpline suggest that companies feel banks are making it more difficult to secure credit, with increasing information demands, often requested piecemeal rather than upfront."

Collins' advice to business borrowers seeking bank credit is to ensure they can provide up-to-date and timely information. "We still see companies not preparing their end-of-year accounts until nine months after the year end. If you are applying for a loan, the bank will want current financial information. It makes sense to provide even headline turnover figures and whether or not you were profitable in the last year, from management accounts if certified ones are not available. Banks don't want to have to make decisions on information that is many months out of date."

ALTERNATIVE FINANCE

A variety of alternative lenders in the Irish market now provide borrowers with non-bank funding options

Irish business's historical dependence on banks to source financing was partly a matter of necessity – alternative lending sources were virtually non-existent. However, in the past decade many new niche lenders and finance providers have emerged.

Around one-third of alternative finance deals relate to property, the new lenders have also been active in trading businesses where there is fixed-asset backing, particularly in the hospitality and healthcare sectors. Some of the new players are listed below.

DunPort Capital Management – Founded in 2017 by Pat Walsh and Ross Morrow, DunPort provides funding to SMEs generating annual revenue in excess of €5m who require debt to fund scaling of their activities. Recent activity by the company included taking on the loan funding provided to Rye River Brewing by private equity firm BlueBay. Last year DunPort provided a €2.5m 'capital solution' to accountancy software business Big Red Cloud, while in January 2020 DunPort announced that it was providing €5m in debt capital to Tigers Childcare to fund its expansion in Ireland and the UK.

Bain Capital Credit – The debt division of Bain Capital, the US private equity company. Bain entered the Irish market in 2014 with a €220m fund under the Broadhaven brand, and says it has lent c.€500m since launching here. Clients include the McGettigan hotel group.

BMS Finance – The UK SME finance specialist provides finance on a senior secured basis, with loan sizes ranging from €0.5m to €5m. BMS Finance Ireland received investment from the state through the ISIF, and its clients have included Anam Technologies, iCabbi (€1.5m) and Trilogy Technologies (€6.5m).

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New €50m Funding for Vehicles, Equipment and Machinery

Capitalflow will act as on-lender of €50m provided by the Strategic Banking Corporation of Ireland to give SMEs access to new forms of lower-cost funding

Capitalflow has announced a new €50 million fund in partnership with the Strategic Banking Corporation of Ireland (SBCI) aimed at Irish SMEs. The fund will allow Capitalflow to provide Irish SMEs with lower-cost funding for new and used equipment, machinery and vehicles funded by Leasing or Hire Purchase products. The fund will help to drive competition in the SME funding market.

Established by Ronan Horgan, Capitalflow began operating in April 2016 and has grown from its original team of three to a team of 70-strong decision makers. Capitalflow provides SMEs immediate access to a range of financial products – equipment and vehicle leasing, invoice discounting and property finance. The company has offices in Santry, Baggot Street and Cork and operates nationwide.

To date, Capitalflow has lent over €450 million in facilities to Irish SMEs across the country and aims to further increase its market share in the Irish market significantly in the next two years, across existing and new products designed to meet the needs of Irish SMEs.

According to **Ronan Horgan**, CEO of Capitalflow: "We are really excited to announce this new €50 million facility with the SBCI. It is another milestone in our journey, as it allows us to build deep, long-lasting relationships with many new Irish SMEs in partnership with a local provider that really understands the needs of Irish SMEs"

'The SBCI are looking forward to working with Capitalflow as a new on-lending partner to deliver on this €50 million loan to Irish businesses'

Speaking about the announcement, **Paschal Donohoe** TD, Minister for Finance and Public Expenditure and Reform said: "I welcome this announcement from the Strategic Banking Corporation of Ireland, of a new €50 million funding facility for Irish SMEs. It is particularly noteworthy that SBCI is doing this through a new on-lending partner, Capitalflow, as expanding the distribution of credit will help SMEs to access the funds they need at the right time to enable them to grow their businesses, increase employment and ensure they are more resilient for the future."

Ronan Horgan (left), CEO of Capitalflow, and Ronan Kelly, Managing Director, Business Finance, Capitalflow

Nick Ashmore, Chief Executive at SBCI said: "The SBCI are looking forward to working with Capitalflow as a new on-lending partner to deliver on this €50 million loan to Irish businesses. This fund will help promote competition in the SME funding market and deliver on the SBCI's objective in bringing cheaper and more accessible funds to Irish businesses."

The new products are available immediately with further details at www.sbci.gov.ie and www.capitalflow.ie

ALTERNATIVE FINANCE

US credit fund Beach Point Capital took over the BMS loan book in 2018. Beach Point Capital is among the investors who provided €7m funding to e-learning business Shaw Academy in 2019. Previously Beach Point inked credit deals with tech company Accuflow and media business Irish Studio.

Muzinich & Co. – Based in New York, this investment company secured a reported €45m in ISIF backing. In 2017, Muzinich & Co. opened a Dublin office, led by former AIB executive Howard Mahon. The focus is on companies with Ebitda of between €3m and €30m. In 2019, Muzinich provided €30m to City Bin Company.

Carlyle Cardinal Ireland – A JV between Irish company Cardinal and US giant Carlyle, CCI has been one of the main private equity players in Ireland in recent years.

Finance Ireland – Established by Billy Kane in 2002, Finance Ireland specialises in motor finance, asset finance and leasing, commercial mortgages and agri-finance. The company's backers include Pimco and ISIF and a flotation is being mooted.

Five Arrows Direct Lending – Established in 2016 by Rothschild Merchant Banking, this fund operates out of Luxembourg. Five Arrows was involved in funding insurance broker Arachas.

Profunder – LeBruin, the Dublin corporate finance and debt advisory provider, launched this online lending platform in 2017. Specialising in providing loans of between €1m and €3m, with terms of between 12 and 36 months, and an interest rate of c.7%. Recent loan activity has centred on hotel and pub acquisitions, residential investments and retail developments.

Castlehaven Finance – This property sector lender was established in 2014 and was backed by Pollen Street Capital, who own Capitalflow (see page 46). Castlehaven says it has provided c.130 loans totalling €700m, spread mainly across developments in Dublin, Limerick, Cork and Galway.

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LEO Assistance For Small Enterprises

David Connolly (left) with Chris Lynch, founder of DwellDown

Another strong year for job creation was recorded by **Local Enterprise Office Dublin City** in 2019, with client companies increasing employment by over 280 jobs. **David Connolly**, LEO Dublin City Business Advisor, notes that there was an increase in demand for supports to enable companies explore international expansion, as well as for support to help protect them against Brexit challenges.

"LEO typically caters for small companies from tech, food and craft with turnover of less than €2m and up to 10 employees," says Connolly. "The tech sector saw the largest growth but we've also noted a growth in businesses focused on the circular economy and diversity."

Among LEO Dublin City's new supports is GradStart, which helps Irish companies scale and grow their businesses through the introduction of graduate talent. "This programme supports companies to employ up to three graduates on a rolling basis for a two-year contract duration for each graduate," Connolly explains.

"Over the 24-month placement, financial support of €30,000 or 50% of individual graduate salary costs (whichever is the lesser) is provided. Salary support is based on a full-time position. A graduate's working week must be in line with a company's standard working hours for full-time employees. LEO clients can make an application via *gradhub.ie*."

Other new supports include the Agile Innovation Fund, which enables LEO clients access up to 50% in support for product, process or service development projects with a total cost of up to €300,000. "With fast-track approval, the funding can be used to tailor or improve products, services and processes for international markets."

Connolly says that LEO Dublin City has a wide range of supports to help small enterprises negotiate the challenges of Brexit. "Our most popular supports have included the Prepare Your Business for Customs workshops, where participants can increase their understanding of import/export procedures, tariffs, how to classify goods etc. Our next course takes place on March 3.

"Also popular are our mentoring supports. Through our one-to-one mentoring programme, we help clients to develop a strategy to navigate their business through the changing business environment. Once-off bespoke advice from an experienced advisor is also offered to provide strategic advice on identifying new markets, protecting your business against any risks, pricing, cashflow, tariffs etc."

For entrepreneurs who haven't yet contacted their local LEO, Connolly urges them to tap the wealth of supports they offer. "Our experienced team can offer personalised advice on the most appropriate supports to you and your business. Through our subsidised training/management development programmes, entrepreneurs can develop the skillsets necessary to start and grow their business."

Local Enterprise Week takes place from March 2 to 7 at various locations in Dublin City, with more than 20 events planned. See localenterprise.ie/dublincity.

Credit Review provides an independent appeals process for bank credit refusals

Credit Review has a simple mission: to assist SMEs and farms that are viable or potentially viable to get access to the bank finance they need for their businesses. It provides an independent appeals process, reviewing credit/loan refusals by the banks. Businesses that have been refused credit, or had existing facilities such as overdrafts reduced or withdrawn, can apply to us for an independent review of their credit application.

When an SME or farm applies to Credit Review, an experienced lending specialist (the reviewer) is assigned to work with the borrower to understand their business and to address any shortcomings in how the business or farm has presented themselves to the bank. The Credit Review team includes a panel of expert professionals across Ireland, with frontline SME and farming finance experience.

Catherine Collins, Deputy Head, Credit Review

Credit Experts

Credit Reviewers are credit experts who know and understand the banking sector and how it works. Many of the Credit Review expert panel have extensive banking experience at senior lender level, and all are now independent of the banking sector. Credit Review works with participating banks (currently AIB, BOI, PTSB and Ulster Bank) to ensure the business owners it represents get credit to grow and develop their businesses.

The reviewer contacts the borrower to discuss the case and assesses the business, looking at its track record and its future potential, plans and projections, management and markets, and existing debt, as well as the reason for the new credit application.

The bank is also asked to provide detailed information on how they view the business and why they have refused to lend. The reviewer then forms an opinion as to whether the business is viable and will make enough cash to pay back the loan. The aim is always to achieve successful outcomes for the business owners, which the banks can also accept.

Simple Process

Borrowers who have used the service report that the process is simple and easy to use. The reviewers are approachable and take a genuine interest in doing their best to help the business achieve its objectives. In one out of every two cases that come to us, we are able to suggest a credit solution that works for both the business and the bank. Where we cannot support a credit application, we will try to signpost SMEs towards other supports that can help them to grow and develop their businesses.

Expert Assistance

In addition to reviews and appeals, Credit Review is available to help all SMEs and Farms on their credit matters by providing accessible, easy-to-understand and affordable expert assistance and information. This includes a number of useful information sheets available on its website, *creditreview.ie*, in the 'Publications' section, covering topical issues such as:

- If you are seeking finance, what to expect and how to prepare
- What happens if your business loan has been sold on to an investment or hedge fund
- What you owe and what can be demanded of you
- The risks of funding capital projects from internally generated business funds (self-funding)
- Non-performing loans and exposures – what farms and SMEs need to know.

With all Credit Review information notes, the aim is to help you to understand how you can ensure your business or farm has access to credit when it needs it. In addition, Credit Review also operates a helpline service, providing useful information and assistance over the phone to SMEs and farmers.

Contact CreditReview.ie and talk to one of our professional reviewers so that you are fully informed on the credit management issues relevant to your business.

Phone 1850 211 789, or email info@creditreview.ie.

Credit Review

ALTERNATIVE FINANCE

In August 2019, Avenue Capital Group from New York took on the Pollen Street Capital interest and says it plans to lend €500m annually through Castlehaven for the next four years.

Beacon Capital – Established in 2015, the company finances residential and commercial property. Beacon provides loans from €1m to developers and investors, sourcing funds from multiple capital sources. To date, it has sourced c.€100m of loans for clients, with two-thirds coming from private money sources, 20% from alternative lenders and 15% from mainstream lenders.

Lotus Investment Group – Established in 2013, Lotus provides finance to property investors and developers in amounts from €500,000 to €10m. Since launching, the company says it has provided 260 loans, totalling c. €360m for residential developments. Lotus typically provides up to 70% LTV of the site or property purchase, and a further 70% of the cost of construction or refurbishment.

Earlsfort Capital Partners – Founded by former Anglo Irish Bank executives Fergal Feeney and Paul Brophy in 2014, Earlsfort Capital Partners provides commercial real estate debt capital. Since launching, the company says it has completed 45 transactions, providing funding of c. €750m.

With funding from Garrison Investment Group in New York, Earlsfort's typical loan size is between €10m and €20m, with 70-80% LTV. Notable clients include iNua Hospitality Group. Earlsfort provided Inua with €58m in 2018 for the purchase and refinance of seven hotels around Ireland.

Flender – Established in 2016, Flender offers loans of up to €300,000 to businesses with terms of up to three years and interest rates from 6.45%. Flender operates on a peer-to-peer basis, so small investors can sign up to provide funding to businesses accessing Flender's financial products. Flender says it funded c.€13m in SME loans in 2019 and its founders hope to have provided €100m in total lending by the end of 2020.

SMEs Lack Knowledge Of Finance Options

One in three businesses in Ireland have tried and failed to raise finance at least once, according to research among 100 founders conducted by **Smith & Williamson**. The firm believes the failure rate is associated with a lack of knowledge about external finance.

According to S&W, three out of four founders are not confident about securing peer-to-peer lending, and two-thirds are unsure how the process with angel investors works, and do not know how to approach venture capital investors.

Eight out of ten of the SME founders surveyed said they understand the process of raising money from a bank, and a majority see debt as a way of retaining control.

Compared with the UK, Irish businesses are three times as likely to have used bank debt as UK businesses, and UK firms are eight times more likely to have turned to crowdfunding as their Irish peers.

Paul Wyse, Smith & Williamson

Paul Wyse, managing director of Smith & Williamson Dublin, commented: "SMEs must look at alternative ways to meet their financing needs. Doing research, knowing your financing options and how you can work with funders and investors, will put businesses in a stronger position.

"Ambition and innovation are little use without a concise business plan in place and a great management team to execute it. The businesses that have these in place are far more likely to succeed in fundraising."

Prepare Now For Brexit

Brexit hasn't gone away. The UK formally leaves the European Union on January 31, though there's no immediate change to trading conditions due to the transition arrangement to 31 December 2020. This time next year, failing another delay, things will have changed, and that has the banks worried.

The banking representative body, **Banking & Payments Federation Ireland**, is urging SMEs to prepare for a Brexit impact. **Marian McCarville**, the federation's Head of Funding & Resolution, advises: "It is important for SMEs to engage with their bank to ensure that they can arrange for any funding or guarantees needed to avoid undue disruption to business."

From next year, importing goods from the UK will attract import taxes which are payable before the release of goods. From a cashflow perspective this may not be attractive to SMEs but there is the option to apply to Revenue for a deferred payment facility. However, Revenue will require a financial guarantee to be provided by a bank.

"Arranging a comprehensive guarantee or a deferred payment facility can take a bit of time," says McCarville. "So it is important to engage early with Revenue to discuss putting these facilities in place, and then discuss the guarantee with the bank."

Sterling v. euro currency volatility isn't dependent on the UK's final exit from the EU, and is already high on the agenda of SMEs with UK trade. Brexit may also result in additional supply chain costs, affecting working capital. Having a buffer in place may be advisable, and there are a wide range of working capital options available, including invoice finance, available from bank and non-bank lenders.

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We Help Startups and Small Businesses to Plan, Start and Grow

Oifig Fiontair Áitiúil
Local Enterprise Office

By promoting entrepreneurship, providing tangible supports and services and advising business, the **Local Enterprise Office (LEO) Dublin City** helps to create 400 sustainable jobs annually and drive prosperity in the city. The LEO provides information, advice and practical, high-quality supports to help businesses plan, start and grow.

In terms of supports, startups and small business can avail of training, mentoring, financial supports, networking and awards. The businesses the LEO typically works with have fewer than 10 staff and an annual turnover of less than €2m. The services and supports are relevant, timely and accessible at each stage of business development.

Now in its sixth year, the LEO provides services to approximately 3,000 small businesses in Dublin City annually. Almost 2,000 small businesses avail of affordable and accessible training options, while a further 1,000 have found solutions to business challenges through mentoring programmes. Last year, approximately €1.4m in direct funding was provided to support micro enterprises.

In need of support to move their business forward, **Gym+Coffee** got in touch to find out more on the supports available. According to co-founder Diarmuid McSweeney: “LEO Dublin City were really helpful. They outlined all the supports they could offer us and told us how they could help. We applied for a Business Priming Grant, which enabled us to take on our first staff member and freed us up to expand further.”

In addition to grant funding, there are a number of awards that businesses can apply for, such as Ireland’s Best Young Entrepreneur, National Enterprise Awards and Women in Business Network Awards, with prizes ranging from €500 to €50,000.

Mary MacSweeney, Deputy Head of Local Enterprise Office Dublin City, with clients Diarmuid McSweeney and Karl Swaine of Gym Plus Coffee

FINANCE – GRANTS AND LOANS

Feasibility Grant For research and development, prototype production and test marketing. Helpful in terms of product and channel diversification. Average grant allocation is €8,000.

Business Startup Grant (Priming) For businesses trading less than 18 months, to assist with salary supports.

Business Expansion Grant For businesses trading greater than 18 months, to assist with salary supports. The average grant for this and the business startup grant if successfully awarded is €35,000.

Trading Online Grant Boost your online sales and reach new markets. This scheme is a matched-funding opportunity, with up to €2,500 available.

Technical Assistance for Micro-Exporters (TAME) Explore and develop new export market opportunities, such as participation in international trade fairs and development of export-related marketing materials and websites. With a focus on helping companies to diversify, this scheme is a matched-funding opportunity, with up to €2,500 available.

Microfinance Ireland (MFI) Loans Clients can access unsecured loans from €2,000 to €25,000 at a preferential interest rate via LEO. We also assist you in completing the application.

The Competitive Fund Cumulatively worth €2.5m. LEOs compete for this fund on behalf of our client companies.

The Agile Innovation Fund Supports product, service and process innovation to build competitive advantage. The key benefit of this support is that companies can access up to 50% in support towards innovation projects, with a total cost of up to €300,000.

ACCESS TO FUNDING

“Timely access to funding is vital at every stage of business development,” says **Mary MacSweeney**, Deputy Head of LEO Dublin City. “Our feasibility grant enables businesses to move from concept to viability, supporting prototype development and patent costs. Our Startup and Business Expansion grants help businesses to secure necessary staffing. MFI loans can also be accessed at a preferential rate through LEO.”

Local Enterprise Week takes place from 2-7 March 2020, with events to support you in planning, starting or growing your business. The full schedule of events taking place will be available on *localenterprise.ie/dublincity* over the coming weeks.

For information on these and all our supports visit *www.localenterprise.ie/dublincity*

In partnership with

Close Brothers Spotted Market Gap For Growth Finance

Close Brothers plc is a FTSE 250 listed banking group, with operating income of £816m in the year to July 2019 and a year-end net worth of £1.4bn. In Ireland, Close Brothers operates on an all-island basis in a number of sectors, including the provision of funding to SME businesses through its Close Brothers Commercial Finance division.

Ciaran McAreavey, managing director of **Close Brothers Commercial Finance** in Ireland, is an accountant who started his career with Ulster Bank. When the crash hit, he transferred to Dublin and headed up the recovery function at IBRC. McAreavey joined Close Brothers in 2015 to lead their SME lending business in Ireland.

Ciaran McAreavey, Close Brothers Commercial Finance

What persuaded you to join Close Brothers?

When I looked at the quality of the Close Brothers business, brand and reputation in the UK market and the sectors it was in, I thought there was a great opportunity for it in the Irish market. Close Brothers had a strong balance sheet and was able to establish and grow its footprint in Ireland at a time when SMEs were struggling to source finance for growth.

How did Close Brothers fare in Ireland during the crash?

While Close Brothers was establishing its business in Ireland and growing it from 2007 to the end of the recession, our bad debt record was exceptionally good. Most SMEs weren't over-borrowing; they were manufacturing things, employing people, exporting product, and that's our core customer base. Times were tough but our customers cut their cloth accordingly, and there were relatively few business failures in our space.

How has your business been growing in recent years?

We have grown every year since inception. We had full geographic coverage by 2015, and we now employ 65 people through offices in Belfast, Dublin, Cork and Galway. So if there's a customer in west Cork who wants to speak to us, we have a person on the ground who can go and meet them. We have matured in terms of our size in the market, and our brand recognition improves year on year.

Which Close Brothers products have been the growth drivers?

We specialise in sustainable, flexible funding, including invoice finance, asset finance and asset based lending (ABL). Our asset finance solutions include hire purchase, refinancing and finance leases. They give SMEs an alternative approach to improving cashflow when capital is tied up in assets, such as machinery, vehicles and plant. We lend money against the value of the asset, and lease it back over an agreed period, with fixed monthly payments. We can also finance the purchase of new or second-hand equipment and spread the cost of paying for that over periods up to five to seven years.

Our ABL facilities blend invoice finance with funds released against other balance sheet asset classes. ABL is an excellent funding tool for businesses that want to refinance existing banking facilities, fund an MBO or acquisition, or simply for when they need to access higher levels of finance for growth.

What's the turnover sweet spot in terms of the typical Close Brothers customer?

We deal with a very wide range of customers with turnovers ranging from below €250,000 to above €200m. While the financial services market is increasingly seeking to leverage their online and telephone platforms to interact with customers, we firmly believe that people do business with people. Our approach is to take somebody who is an experienced business lender and put them on the ground to go and meet SME business owners.

Our customer might have a project in mind, such as a factory expansion. They are not funding experts, so they don't necessarily know the best way to fund their project. One of our staff will visit them, talk through their plans and try and come up with the best package structured for them, to help them fund their idea. And then it's over to them to decide if that's something that would work for them. We aim to build long-term relationships with our customers and support them consistently through all stages of the economic cycle. BP