



# **BUSINESSES IN EXPANSION AND MANUFACTURERS: OPPORTUNITIES AND NEEDS** – BDC ViewPoints survey

Research and Market Intelligence at BDC – June 2013



# Executive summary

## METHODOLOGY

- > **140 Canadian business professionals**, members of the BDC ViewPoints panel, completed this online survey between May 28 and June 9, 2013.
- > We only asked business professionals with clients in the Manufacturing sector, or in businesses in high growth or expansion, to complete this survey.

## MAIN FINDINGS

- > Nearly two thirds of professionals define **access to financing as being difficult for manufacturers**. This ratio climbs to nearly three quarters when defining access to financing **for businesses in growth or expansion stages**.
- > **Commercial banks** and **credit unions** are the **main financing providers**, followed by personal funding and government organizations such as BDC. More than one third of respondents indicated that their clients obtained financing from private sources.
- > Professionals reported that their clients who **did not receive financing approvals** either did not **meet certain criteria**, or the **company's situation was deemed unfavourable**.
- > Nearly 90% of professionals recommended a **particular type of financing** to their clients.
  - **Term loans** and **operating line of credits** are the type of financing most often recommended.
  - The proportion of recommendations made by professionals is quite indicative of the role they play in an entrepreneur's decision-making process.
- > Three quarters of **professionals perceive a gap or insufficient access to financing** for manufacturers or for businesses in growth or expansion stages.
  - In their opinion, this is primarily due to **risk aversion**, weight put on the company's **past history** and **high requirements** on the part of the entrepreneurs.
- > Although **four out of five** professionals say they are **familiar with quasi-equity**, only one in five is very familiar with it.
- > Professionals see value for their clients in **face-to-face business support from a financial advisor, executive coaching or mentoring, new networking opportunities** and **in-person training sessions**.

# Executive summary (continued)

## MAIN FINDINGS (continued)

### Specific needs

- > Professionals identify three levels of specific needs
  1. Working capital
  2. Equipment and inventory financing
  3. Support from government

### Main challenges faced by manufacturers and businesses in growth and expansion

- > Challenges are on three levels
  1. Access to financing
  2. Competition
  3. Retaining and recruiting skilled workers

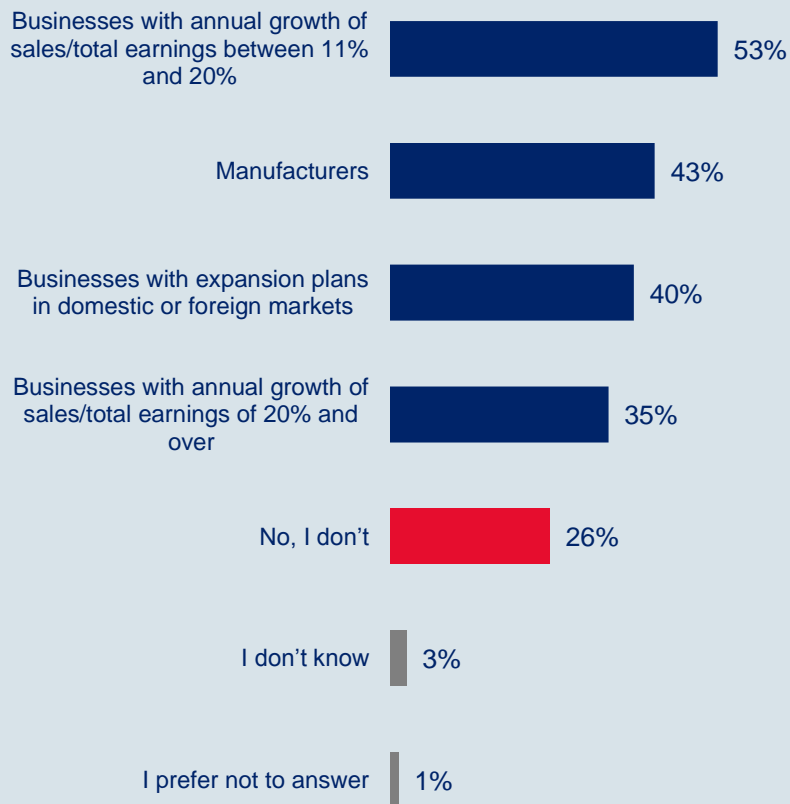
### Main opportunities for these businesses

- > Opportunities reside in
  1. Exports
  2. New markets and products
  3. Innovation in technology
  
- > According to the business professionals who completed this survey, the three most important elements when a company is seeking financing are the **amount** sought, **turnaround time** and the **portion the company needs to contribute**.

# Detailed results

# Clients' profile and access to financing

**Do you act as a financial advisor for clients with the following profile? Multiple answers allowed. (n=147)**



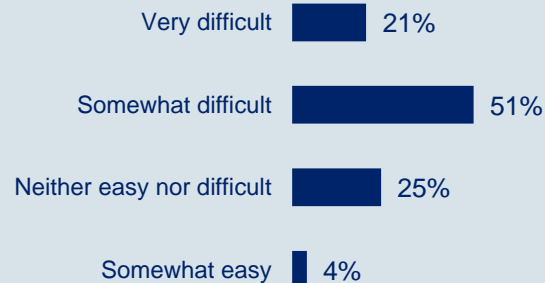
Base: All respondents.

**How would you define access to financing for Canadian manufacturing businesses at the present time? (n=61)**



Base: Respondents who act as a financial advisor for manufacturers. Those who preferred not to answer were excluded from the calculation base.

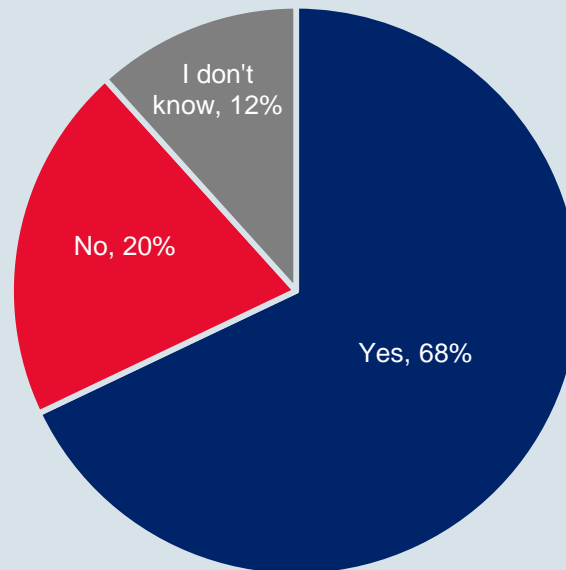
**How would you define access to financing for businesses in growth or expansion stages at the present time? (n=97)**



Base: Respondents who act as a financial advisor for businesses in growth or expansion stages. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.

# Sought financing

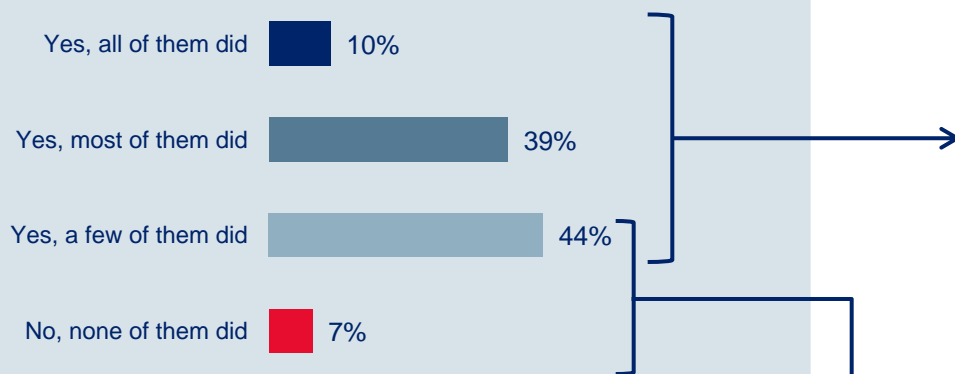
*Did any of your clients in the manufacturing industry, or in growth or expansion stages seek financing recently? (n=103)*



*Base: Respondents who act as a financial advisor for businesses.*

# Obtained financing

**Did these clients obtain the financing they were seeking? (n=70)**



Base: Respondents who said that their clients sought financing recently.

**Why did some of your clients not obtain the financing they were seeking?**

**Main reasons**

- Not able to meet the Bank criteria (e.g. guarantees)
- Company situation (size, life stage, revenues, past history, ratios, level of risk, etc.)

Base: Respondents who said that a few or all their clients did not obtain the financing they were seeking.

**From which source(s) did your clients obtain financing?**

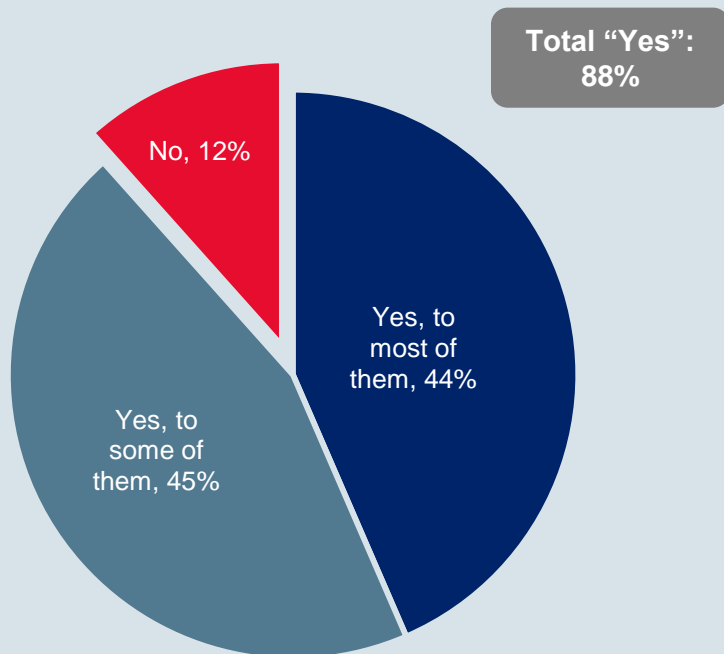
Multiple answers allowed. (n=65)



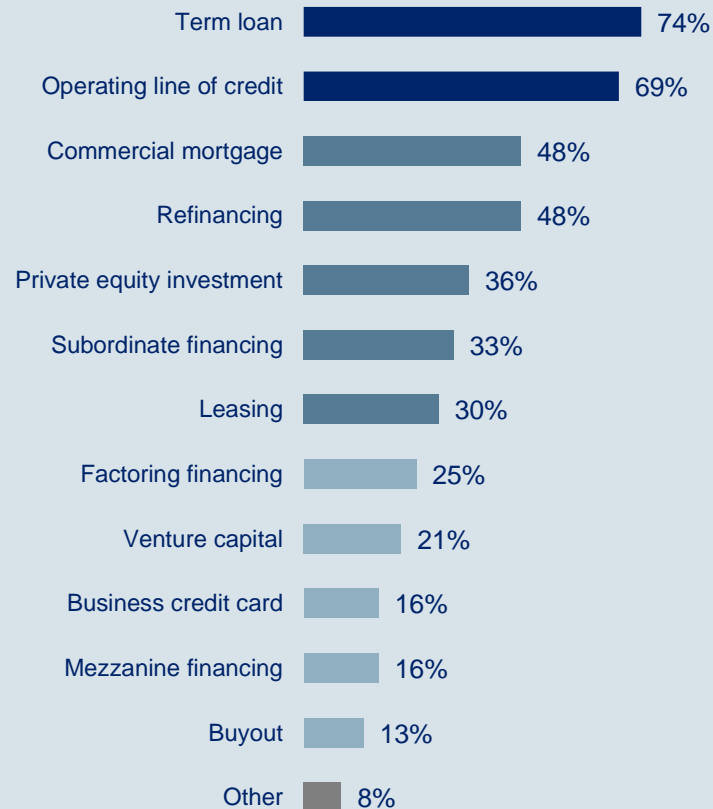
Base: Respondents who said that their clients obtained the financing they were seeking.

# Recommended particular types of financing

Did you recommend a particular type of financing to these clients? (n=69)



What type of financing did you recommend to these clients?  
Multiple answers allowed. (n=61)



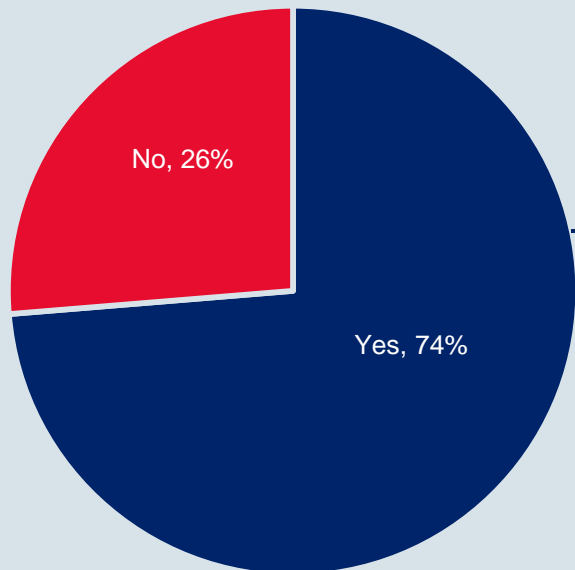
Base: Respondents who said that their clients obtained the financing they were seeking. Those who preferred not to answer were excluded from the calculation base. \* Due to rounding, the sum of the results may not equal 100%.

Base: Respondents who recommended a particular type of financing to their clients.



# Insufficient access to financing

*From your perspective, is there a gap in or insufficient access to financing for Canadian manufacturers, or for businesses in growth or expansion stages? (n=99)*



*What makes you think there is a gap in or insufficient access to financing? Where would that gap be?*

## Main reasons

- Banks are too risk averse, too conservative.
- It is hard to get financing for specific needs (e.g. inventory financing).
- The past history of the company is too important (e.g. banks refer to past financial statements to determine the future growth of the company).
- It is hard to get financing for start-up and small businesses.
- Requirements/guarantees are too high.

*Base: Respondents who act as a financial advisor for businesses. Those who preferred not to answer were excluded from the calculation base.*

# Financing needs, challenges and growth opportunities

*Do manufacturers have specific financing needs (e.g. amount or type of financing sought, financing sources, consulting and advice)?*

## **Main specific needs**

- Working capital / operating financing
- Equipment and inventory financing
- Support from government

*What challenges will the Canadian manufacturing sector mainly be facing in the next years?*

## **Main challenges**

- Access to financing
- International competition
- Retaining and recruiting skilled workers

*What will be their main growth opportunities?*

## **Main growth opportunities**

- Exports
- New markets and products
- Innovation in technology

*Base: Respondents who act as a financial advisor for manufacturers.*

*Do businesses in growth or expansion stages have specific financing needs (e.g. amount or type of financing sought, financing sources, consulting and advice)?*

## **Main specific needs**

- Operating financing / working capital
- Financing based on projected results (not on the past history)

*What challenges will the Canadian businesses in growth or expansion stages mainly be facing in the next years?*

## **Main challenges**

- Access to financing
- Retaining and recruiting skilled workers

*What will be their main growth opportunities?*

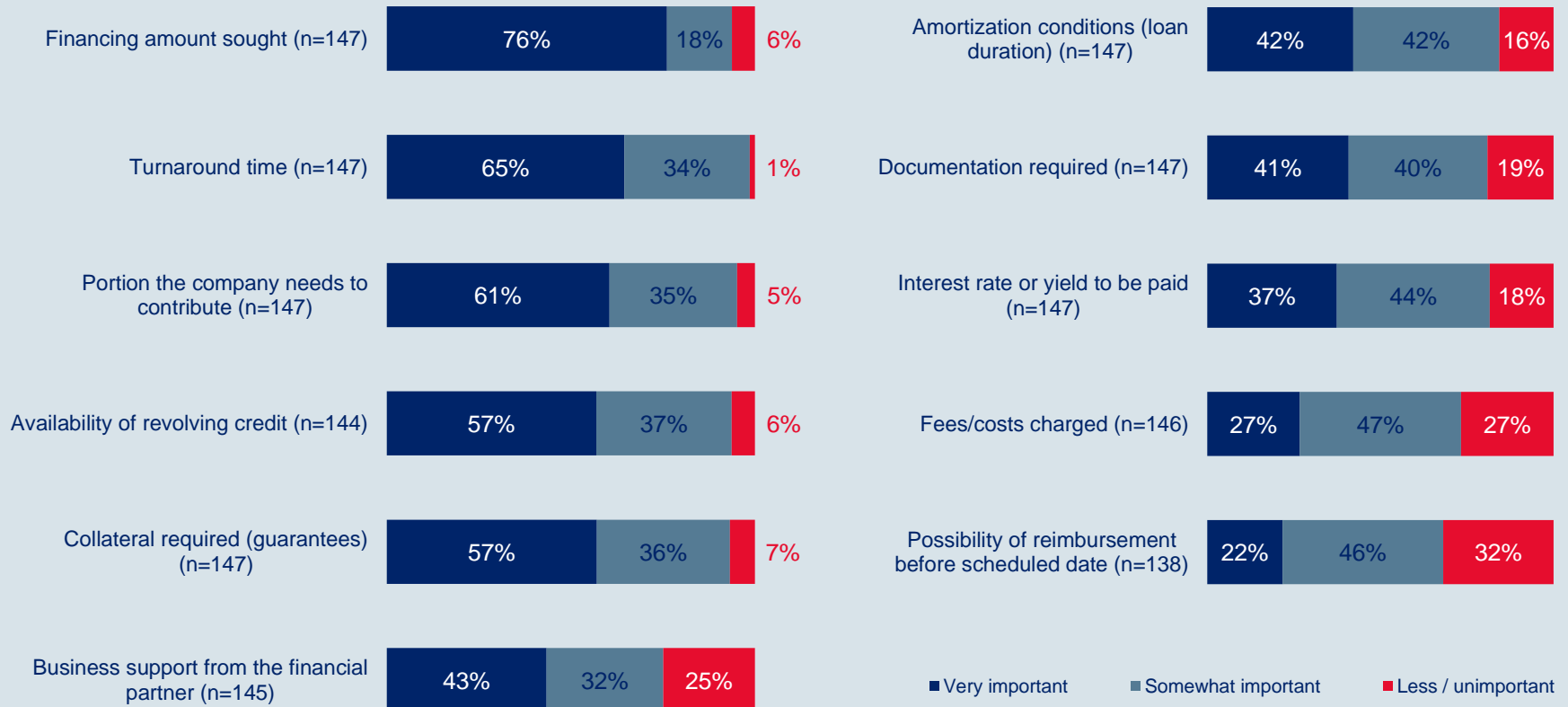
## **Main growth opportunities**

- Exports
- Innovation in technology

*Base: Respondents who act as a financial advisor for businesses in growth or expansion stages.*

# Important elements when companies are seeking financing

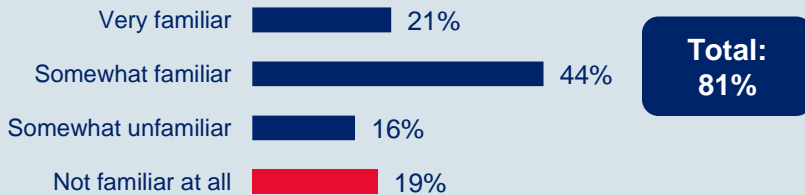
*In your opinion, how important are each of the following elements when companies are seeking financing for a business?*



# Quasi-equity

## How familiar are you with quasi-equity? (n=147)

Quasi-equity financing is also referred to as subordinate, mezzanine or debenture financing. It is a type of hybrid financing, falling between an equity investment and traditional financing. It takes the form of a loan not based on the value of assets or on a guarantee. Quasi-equity financing includes features such as very flexible or patient principal payment terms, or a risk premium (e.g. a requirement that the financing organization share in the company's success).



Base: All respondents.

## What do you think of quasi-equity financing? Are there aspects of it that you like or dislike?

### Positive aspects

- Good type of financing/alternative for certain cases
- Risk sharing

### Negative aspects

- Too expensive
- High interest rate

Base: Respondents who said they were familiar with quasi-equity.

## Have you ever recommended quasi-equity financing to any of your clients? (n=116)

Yes 54%

No 44%

I don't remember 2%

Base: Respondents who said they were familiar with quasi-equity. Those who preferred not to answer were excluded from the calculation base.

## Are you aware of firms or organizations offering quasi-equity financing? (n=50)

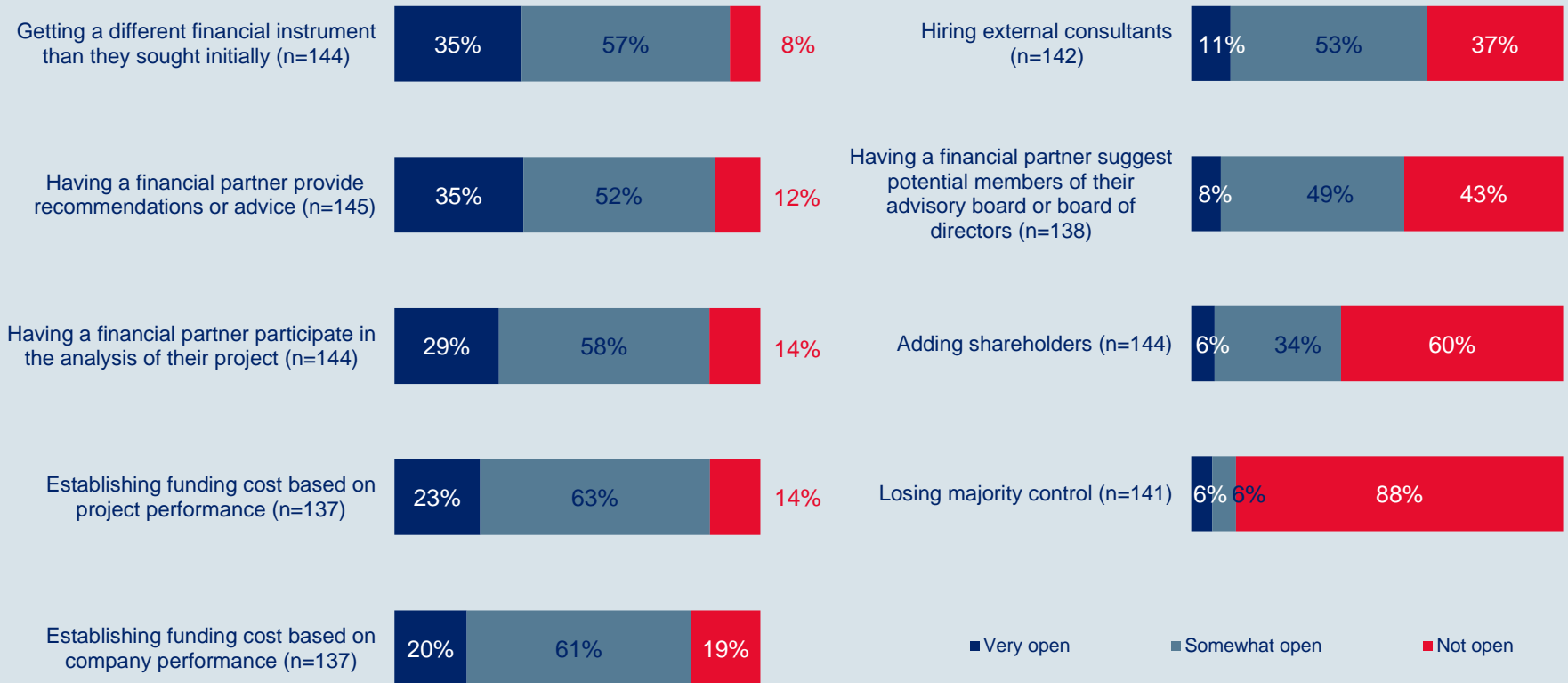
Yes 42%

No 58%

Base: Respondents who did not recommend quasi-equity to any of their clients. Those who preferred not to answer were excluded from the calculation base.

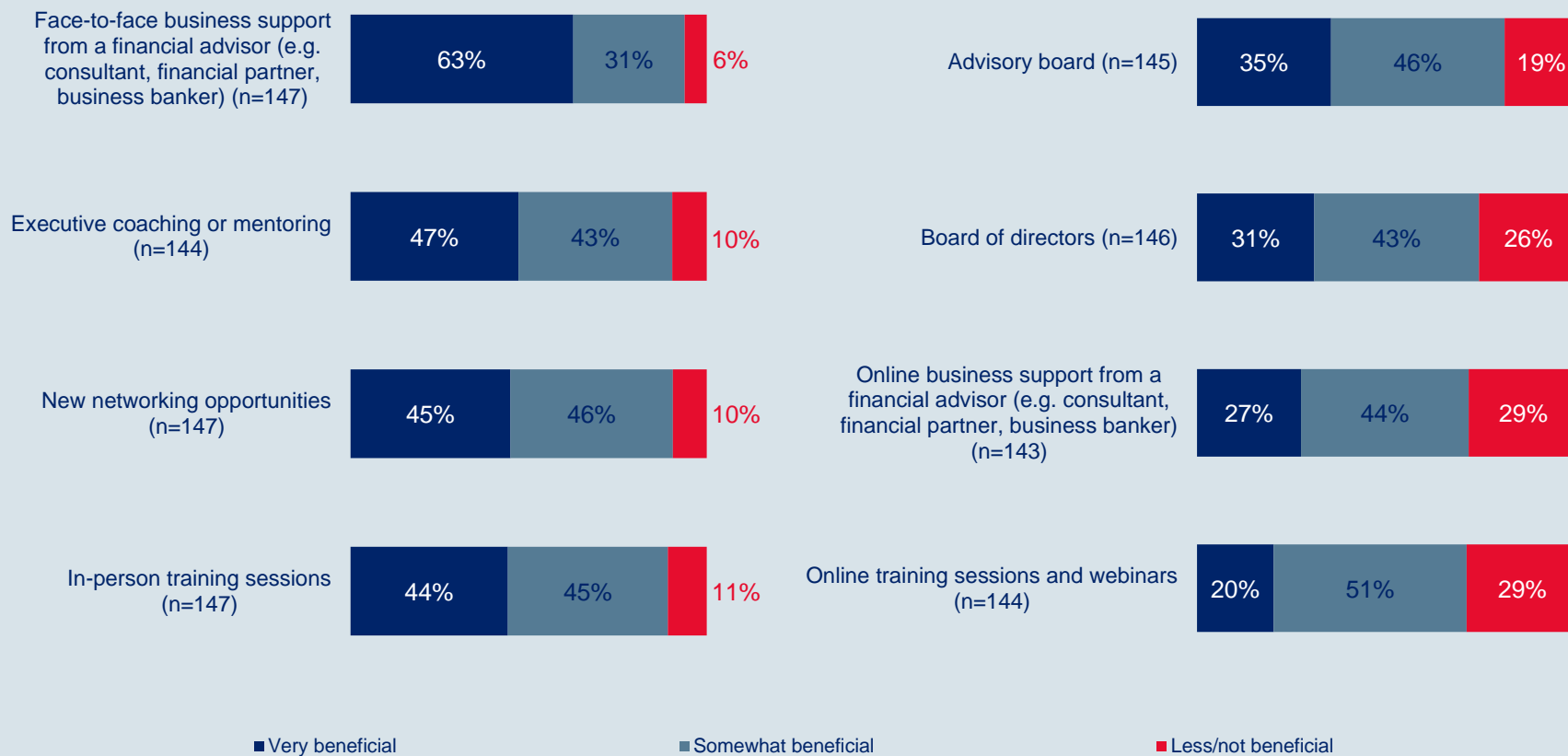
# Opening regarding different aspects

To secure the financing their company needs for a given project, in general, how open are your clients to the following aspects of the deal?



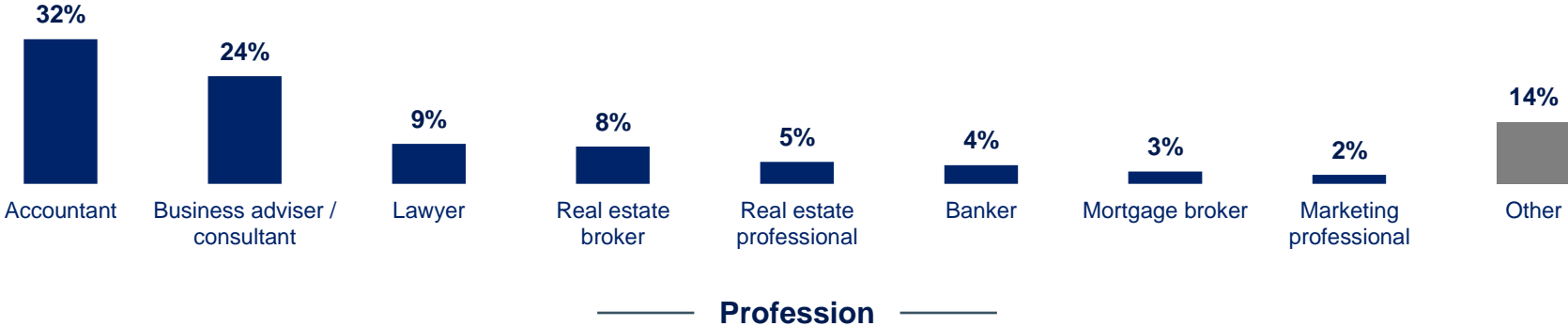
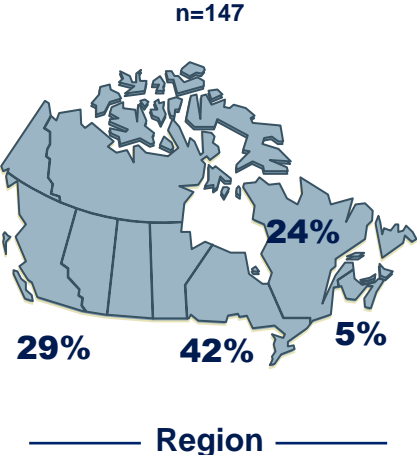
# Beneficial elements to a business

*In your opinion, how beneficial are the following elements to a business?*



# **Respondent profile**

# Respondent profile



Base: All respondents.  
 Responses under 2% are not shown. They are tabulated under "Other".  
 Due to rounding, the sum of the results may not equal 100%.



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