Manufacturers who answered the survey seem to generally be in **good health**.

- One third report average sales growth greater than 10% in the past three years, and two out of five report 1% to 10% sales growth.

That being said, more than half of the respondents claim that **access to financing** remains **difficult** for Canadian manufacturers (28% say it is “very difficult”).

Less than half (43%) **requested** financing in 2013, and a majority (59%) did so in 2012.

- Most of the respondents who said they did not request financing claim it is because they did not see any immediate needs.

Among those who requested financing, a **majority received** – at least in part – **the money sought**. In fact, nearly two thirds received funding either in full (41%) or in part (23%).

The two main **sources** of financing cited are traditional in nature: **commercial banks** (64%) and **government organizations** (52%).

- To a lesser extent, respondents mentioned leasing, personal funding and retained earnings as sources of financing for their business.

Manufacturers do have **projects** for the future. Two thirds are planning to **develop new products or services**, or to **purchase new equipment or machinery**.

However, three out of five manufacturers who completed this survey believe that **access to financing** for their planned project will be an **issue**.
When seeking financing, manufacturers perceive the following key elements as follows:

- **VERY IMPORTANT**: Amount and interest rates
- **SOMewhat IMPORTANT**: Collateral, revolving credit and company portion
- **LESS IMPORTANT**: Fees, turnaround time and amortization period
- **NOT VERY IMPORTANT**: Support provided by financial partner, documentation required and ability to reimburse before schedule

More than half of the respondents are not at all familiar with quasi-equity.

Generally speaking, the manufacturers who completed the survey are open to most of the elements that characterize equity financing, except when it comes to diluting the company:

- **OPEN**: Having a financial partner (FP) provide recommendations or advice; getting a different financial instrument than sought initially; having an FP participate in the analysis of the project;
- **MODERATELY OPEN**: Establishing funding cost based on project performance or company performance; hiring external consultants; having an FP suggest potential members of the company's advisory board or board of directors.
- **NOT OPEN**: Adding shareholders; losing majority control.

When it comes to investing, three out of five respondents consult either an external advisor such as an accountant (43%) or an internal advisor (16%). Therefore, building a good network of influencers is key to BDC Subordinate Financing's business development strategy.
SURVEY HIGHLIGHTS: Respondent profile

> 140 Canadian manufacturers, members of the BDC ViewPoints panel, completed this survey between May 21 and June 2, 2013.

> Most respondents come from businesses with 5 to 99 employees:
  - 1 to 4 employees: 34%
  - 5 to 99 employees: 59%
  - 100 employees or more: 7%

> Respondents from all four regions were represented:
  - West: 28%
  - Ontario: 39%
  - Quebec: 28%
  - Atlantic: 5%

> Half of the respondents qualify their current business life stage as being in growth or expansion.

> Respondents mainly focus on innovation, marketing, and operational efficiency when it comes to growth opportunities:
  - Product / service innovation
  - Expanding in existing / new markets
  - Streamlining operations
  - Responding to higher demand from emerging countries

> Two out of five respondents have an advisory board or a board of directors in their company.

> Almost three quarters (72%) report exporting outside of the country.
  - Those who don’t export claim it is because it is not applicable to their business model; the size of their company does not warrant it; or they don’t have the internal resources to pursue such initiatives.
Detailed results

NOTE: Only relevant statistically significant differences between sub-groups have been highlighted in this document.
How would you define access to financing for Canadian manufacturing businesses at the present time? (n=132)

- Very difficult: 28%
- Somewhat difficult: 34%
- Neither easy nor difficult: 23%
- Somewhat easy: 14%
- Very easy: 1%

Total “Difficult”: 62%
Total “Easy”: 15%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base.
Seeking financing in the past 18 months and reasons not to seek financing

Did you seek financing for your business thus far in 2013? (n=139)

- Yes: 43%
- No: 57%

Why did you not seek financing in the past 18 months? Multiple answers allowed. (n=39)

- There was no immediate need: 60%
- Cost-benefit analysis did not justify investing at that time: 17%
- Timing was not appropriate: 16%
- I was just trying to keep the company going: 16%
- I am downsizing the company: 5%
- I had difficulty in securing financing: 5%
- I am outsourcing manufacturing: 3%
- Other: 13%

Did you seek financing for your business in 2012? (n=139)

- Yes: 59%
- No: 41%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base.
Obtaining financing, how financing was used and reasons not to obtain the financing sought

Did you obtain the financing you were seeking in your most recent request? (n=99)

- Yes, in full: 41%
- Yes, in part: 23%
- No: 20%
- I don't know yet: 16%

Total “Yes”: 64%

How did you use (or are you using) the funding?

Main uses:
- Purchase or improve equipment (e.g. software, hardware, machinery)
- Inventory
- Cash flow
- Line of credit
- New building or building improvement

Why you did not obtain the financing you were seeking?

Main reasons:
- Company situation (e.g. size, number of sales, ratios, capital, level of risk)
- Not enough personal guarantees
- Entrepreneur did not agree with the terms (was not satisfied)

Base: Respondents who obtained the financing they were seeking.

Base: Respondents who did not obtain the financing they were seeking.
Sources of funding and consulting an advisor before looking for a financing source

**From which source(s) did you obtain your financing?**
*Multiple answers allowed. (n=66)*

- Commercial bank or credit union: 64%
- Government organizations (e.g., BDC, EDC, FCC): 52%
- Leasing: 21%
- Own personal funding: 18%
- Company operating capital (retained earnings): 14%
- Government programs (federal, provincial or municipal): 12%
- Love money (private investors including owner, friends and family): 10%
- Suppliers: 7%
- Private sources (e.g., venture capital, private equity, subordinate financing): 3%
- Angel investors: 2%
- Other: 1%

*Base: Respondents who obtained the financing they were seeking.*

**Did you consult with a business advisor (e.g., accountant, lawyer, business valuation expert, financial advisor) before contacting that/those source(s)?**
*Multiple answers allowed. (n=66)*

- Yes, I consulted with an external advisor: 43%
- Yes, I consulted with an internal advisor: 16%
- No: 45%

*Base: Respondents who obtained the financing they were seeking.*
Financing needs, challenges and growth opportunities specific to manufacturers

In your opinion, do manufacturers have specific financing needs (amount or type of financing sought, financing sources, consulting and advice, etc.)?

Main specific needs:
- Equipment financing
- Long-term payment schedule
- Support for exporting
- Working capital
- Investment and support from government
- Consulting services

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

Main challenges:
- Local and international competition (e.g. China, India)
- High Canadian dollar
- Cost of labour (e.g. higher wages in Canada)
- Retaining and recruiting skilled workers
- High taxation
- Governmental regulations
- Innovation/technology
- Cost of fuel/gas

Where do growth opportunities for Canadian manufacturers mainly lie in the next few years? Multiple answers allowed. (n=131)

- Increasing product and service innovation: 63%
- Expanding offering in existing markets: 45%
- Expanding offering in new markets: 43%
- Streamlining operations: 41%
- Responding to higher demand from emerging countries: 26%
- Expanding production outside Canada: 24%
- Reshoring back to Canada (relocating to Canada activities performed elsewhere): 23%
- Relocating production outside Canada: 15%
- Reshoring back to North America (relocating to the U.S. or Mexico): 15%
- Expanding design/R&D outside Canada: 8%
- Relocating design/R&D outside Canada: 4%
- Other: 7%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base.
Elements perceived as important when seeking financing

**Generally speaking, how important are each of the following elements to you when you are seeking financing for your business?**

<table>
<thead>
<tr>
<th>Element</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Less / unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing amount sought (n=140)</td>
<td>70%</td>
<td>26%</td>
<td>5%</td>
</tr>
<tr>
<td>Interest rate or yield to be paid (n=140)</td>
<td>65%</td>
<td>27%</td>
<td>7%</td>
</tr>
<tr>
<td>Collateral required (guarantees) (n=140)</td>
<td>59%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Availability of revolving credit (n=135)</td>
<td>58%</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>Portion my company needs to contribute (n=138)</td>
<td>53%</td>
<td>34%</td>
<td>13%</td>
</tr>
<tr>
<td>Fees/costs charged (n=140)</td>
<td>48%</td>
<td>38%</td>
<td>15%</td>
</tr>
<tr>
<td>Turnaround time (n=140)</td>
<td>47%</td>
<td>42%</td>
<td>11%</td>
</tr>
<tr>
<td>Business support from the financial partner (n=138)</td>
<td>41%</td>
<td>33%</td>
<td>26%</td>
</tr>
<tr>
<td>Amortization conditions (loan duration) (n=140)</td>
<td>41%</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td>Documentation required (n=140)</td>
<td>33%</td>
<td>44%</td>
<td>23%</td>
</tr>
<tr>
<td>Possibility of reimbursement before scheduled date (n=139)</td>
<td>28%</td>
<td>40%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Base: All respondents. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.

Turnaround time is particularly important for businesses with no advisory board.
Familiarity and perception of quasi-equity financing

**How familiar are you with quasi-equity?**

- Very familiar: 11%
- Somewhat familiar: 21%
- Somewhat unfamiliar: 15%
- Not familiar at all: 53%

**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 specific cases
- Higher risk capital

**Negative aspects:**
- Too expensive
- High interest rates
- Terms are not clear
- Process is complex and long

*We find a greater proportion of respondents who are not at all familiar with quasi-equity among those who did not seek financing in the past 18 months.*
### Being open to certain conditions when securing financing

**To secure the financing your company needs for a given project, how open are you to the following aspects of the deal?**

<table>
<thead>
<tr>
<th>Condition</th>
<th>Very open</th>
<th>Somewhat open</th>
<th>Not open</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having a financial partner provide recommendations or advice <em>(n=138)</em></td>
<td>43%</td>
<td>50%</td>
<td>7%</td>
</tr>
<tr>
<td>Getting a different financial instrument than I sought initially <em>(n=136)</em></td>
<td>42%</td>
<td>53%</td>
<td>5%</td>
</tr>
<tr>
<td>Having a financial partner participate in the analysis of my project <em>(n=138)</em></td>
<td>32%</td>
<td>54%</td>
<td>14%</td>
</tr>
<tr>
<td>Establishing funding cost based on project performance <em>(n=130)</em></td>
<td>26%</td>
<td>57%</td>
<td>18%</td>
</tr>
<tr>
<td>Establishing funding cost based on company performance <em>(n=133)</em></td>
<td>25%</td>
<td>59%</td>
<td>17%</td>
</tr>
</tbody>
</table>

More often, those who sought financing in the past 18 months are very open to establishing funding cost based on company performance.

**Base:** All respondents. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.
Being open to certain conditions when securing financing (continued)

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Very open</th>
<th>Somewhat open</th>
<th>Not open</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring external consultants (n=136)</td>
<td>16%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Having a financial partner suggest potential members of my advisory board or board of directors (n=135)</td>
<td>14%</td>
<td>55%</td>
<td>31%</td>
</tr>
<tr>
<td>Adding shareholders (n=137)</td>
<td>0%</td>
<td>27%</td>
<td>63%</td>
</tr>
<tr>
<td>Losing majority control (n=138)</td>
<td>13%</td>
<td>83%</td>
<td></td>
</tr>
</tbody>
</table>

- Those who are familiar with quasi-equity and sought financing in the past 18 months are more open to having a partner suggest potential members of the Board.
- Those who are familiar with quasi-equity are more open to adding shareholders to the company.
- More frequently, respondents who are not familiar with quasi-equity are not open at all to losing majority control.

Base: All respondents. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.
Planned initiatives and accessing financing for these initiatives

**Does your company plan to pursue any of the following initiatives in the next 24 months? Multiple answers allowed. (n=140)**

- Development of new products and/or services: 69%
- Purchase of new equipment or machinery: 64%
- Production optimization: 47%
- Research and development investment: 45%
- Further expansion of the company within Canada: 36%
- Business refinancing, or addition/improvement of working capital: 33%
- Further expansion of the company outside Canada: 26%
- Acquisition of another company or line of business (merger or acquisition): 20%
- Shareholder buyout: 18%
- Purchase of a new facility: 15%
- Business transfer (change of ownership): 13%
- Partial equity takeout: 7%
- Other: 2%
- None: 3%

**Is access to financing an issue for any of the planned initiatives you have previously identified for your company? (n=135)**

- Very much an issue: 29%
- Somewhat of an issue: 32%
- Not really an issue: 26%
- Not an issue at all: 10%
- I don’t know: 4%

*Due to rounding, the sum of the results may not equal 100%.*

**What makes you believe that access to financing is or will be an issue?**

**Main reasons access to financing is or will be an issue**

- Company situation (e.g. size, profitability, number of sales, debt/equity ratio, level of risk)
- Guarantees/terms
- Experience/past experience with banks
- Cost of financing
- Amount of documentation required/long process

More frequently, respondents who are familiar with quasi-equity are planning further expansion of the company outside Canada.
Having an active advisory board and board of directors in the business

**Does your company currently have an active advisory board or board of directors?** (n=132)

- We have a board of directors: 28%
- We have an active advisory board: 8%
- We have both an active advisory board and a board of directors: 3%
- We don’t have an active advisory board or a board of directors, but we are looking into it: 27%
- We don’t have an active advisory board or a board of directors, nor do we want one: 34%

*Base: All respondents. Those who preferred not to answer were excluded from the calculation base.*
**Elements perceived as beneficial to a business**

*In your opinion, how beneficial are the following elements to your business—or how beneficial would they be to your business?*

<table>
<thead>
<tr>
<th>Element</th>
<th>Very beneficial</th>
<th>Somewhat beneficial</th>
<th>Less/not beneficial</th>
</tr>
</thead>
<tbody>
<tr>
<td>New networking opportunities (n=138)</td>
<td>36%</td>
<td>51%</td>
<td>13%</td>
</tr>
<tr>
<td>Executive coaching or mentoring (n=137)</td>
<td>32%</td>
<td>41%</td>
<td>22%</td>
</tr>
<tr>
<td>Advisory board (n=128)</td>
<td>23%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Face-to-face business support from a financial advisor (n=134)</td>
<td>22%</td>
<td>52%</td>
<td>19%</td>
</tr>
<tr>
<td>In-person training sessions (n=138)</td>
<td>21%</td>
<td>55%</td>
<td>24%</td>
</tr>
<tr>
<td>Board of directors (n=133)</td>
<td>18%</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Online business support from a financial advisor (n=133)</td>
<td>12%</td>
<td>44%</td>
<td>34%</td>
</tr>
<tr>
<td>Online training sessions and webinars (n=136)</td>
<td>11%</td>
<td>58%</td>
<td>27%</td>
</tr>
</tbody>
</table>

*Base: All respondents. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.*
Sales from outside Canada and reasons not to export products or services

**What proportion of your total sales comes from outside Canada? (n=135)**

<table>
<thead>
<tr>
<th>Percentage Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>28%</td>
</tr>
<tr>
<td>1% to 10%</td>
<td>26%</td>
</tr>
<tr>
<td>11% to 25%</td>
<td>8%</td>
</tr>
<tr>
<td>26% to 50%</td>
<td>12%</td>
</tr>
<tr>
<td>51% to 75%</td>
<td>11%</td>
</tr>
<tr>
<td>76% to 99%</td>
<td>11%</td>
</tr>
<tr>
<td>All from outside Canada</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Total “1% to 50%”: 45%**

**Total “Over 50%”: 26%**

*On average, those who are more familiar with equity and businesses with an advisory board or board of directors also have a greater proportion of their total sales coming from outside Canada.*

**Could you explain why your company does not currently export any of its products or services outside Canada? Multiple answers allowed. (n=35)**

- Not applicable to our business model: 33%
- The size of our company does not warrant it: 29%
- We don’t have the internal resources to pursue such initiatives: 28%
- We have not found the external resources to help us start these kinds of initiatives: 18%
- Too complicated: 15%
- We haven’t found a financial partner to start these kinds of initiatives: 14%
- We are happy with our current market; we don’t want to change anything: 2%
- Other (miscellaneous): 34%
- I don’t know: 5%

*Base: Respondents who don’t have sales coming from outside Canada. Sample size is small; please interpret with caution.*
Business profile
BUSINESS PROFILE:
Region and number of employees

Base: All respondents. Note that results have been weighted by region and business size to be representative of the Canadian Manufacturing SME population.
BUSINESS PROFILE:
Type of manufacturer and business life stage

*Due to rounding, the sum of the results may not equal 100%.

**What does your company manufacture? (n=136)**

- Miscellaneous: 23%
- Fabricated metal products: 16%
- Plastics and rubber products: 9%
- Machinery: 8%
- Transportation equipment: 7%
- Furniture and related products: 7%
- Non-metallic mineral products: 6%
- Printing and related support activities: 5%
- Wood products: 5%
- Food: 4%
- Textile product mills: 2%
- Electrical equipment, appliances and components: 2%
- Computer and electronic products: 2%
- Chemical products: 2%
- Textile mills: 2%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base.

**How would you define the current life stage of your business? (n=140)**

- Start-up: 7%
- Growth: 25%
- Expansion: 25%
- Mature: 19%
- Decline: 14%
- Exit: 8%
- Preferred not to answer: 4%

Base: All respondents.
BUSINESS PROFILE: Annual growth in the past three years

In the past three years, what has been the annual growth of sales or total earnings of your company? (n=137)

- Negative growth: 12%
- No growth (0%): 17%
- Between 1% and 10%: 38%
- Between 11% and 20%: 14%
- More than 20%: 20%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base. Due to rounding, the sum of the results may not equal 100%.