



An Roinn Airgeadais
Department of Finance

SME Credit and Funding Newsletter

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NPRF announces €850 million funding initiative for the SME sector

On 9 January 2013, the National Pensions Reserve Fund announced a series of new funding measures for the SME sector. A sum of €850 million will be made available to provide equity, credit and restructuring and recovery investment for Irish small and medium-sized businesses and mid-sized corporates.

The measures announced consist of a suite of three long-term funds targeted at the various funding needs of SMEs. The NPRF will be the cornerstone investor for each of the three funds with third-party investors providing the remainder. As announced, the three funds are:

The **SME Equity Fund**, which will focus on investing in healthy businesses seeking to grow, including those with overleveraged balance sheets. The fund, which has received commitments from other third-party investors, is operational and is managed by Carlyle Cardinal Ireland in Dublin. The total fund size is in the range €300-350 million with a NPRF commitment of €125 million.

The **SME Turnaround Fund** will invest in underperforming businesses which are at or close to the point of insolvency but have the potential for financial and operational restructuring. Typically

40% of the capital invested in the fund will be used to buy the business and 60% will be used to finance the turnaround in order to place it on a sustainable long-term footing. The fund is operational immediately and is managed by Better Capital. The London Stock Exchange-listed investment fund, BECAP12 Fund, which is managed by Better Capital, will co-invest not less than 51% of the investment into each transaction with the NPRF providing the remainder. Better Capital will establish a Dublin Office from which to source deal flow. The total fund size is €100 million with a NPRF commitment of €50 million.

The **SME Credit Fund** will lend to larger SMEs and mid-size corporates and will be managed by BlueBay Asset Management. The SME Credit Fund may also acquire and refinance loans close to maturity where existing lenders are not willing to provide new lines of credit. Lending by the fund will be at competitive market rates with loan sizes ranging from €5 million to €50 million with an estimated average size of €15 million. The fund is intended to be operational by early in the second quarter of this year. The initial fund size will be €450 million with



a NPRF commitment of €175 million to €325 million, depending on the amount of third-party funding raised.

The NPRF is also currently reviewing additional SME fund opportunities that would complement this package of measures, with a view to extending the funding to embrace the full range of SME financing needs. Find out more at:

www.nprf.ie

SMEs and students: Learning from each other

In October 2011 the Department of Finance commissioned consultants Mazars to carry out a comprehensive survey of the levels of demand for credit amongst small and medium-sized businesses. On completion of the survey, a series of seven regional meetings were hosted by the Minister for Small Business, Mr John Perry T.D. supported by the Secretary General of the

Department of Finance, Mr John Moran. The aim of these meetings was to examine further the actions which might be taken to improve access to credit for SMEs.

The first regional meeting took place in Dundalk on the 3 February 2012. One of the key findings of the Mazars survey was the need to increase the number of small and medium enterprises who prepare and maintain business and budget plans, making use of these plans as vital aids to business. Well prepared business and budget plans can add substantial weight to loan applications, increasing the probability of a successful application. During a discussion of this issue at the Dundalk meeting, it was suggested that final-year business students at the local Institute of Technology be given the opportunity to engage with local SMEs in an effort to expand and improve the business and budget planning practices of those businesses.

This suggestion led to eight member firms of Dundalk

Chamber availing of the services of business students from Dundalk Institute of Technology. The students spent one week each with the local businesses in January 2013, imparting their knowledge of the most up-to-date business planning methods.

‘Well prepared business and budget plans can add substantial weight to loan applications’

The firms were asked to report back and in all cases were extremely positive. Both students and businesses found it to be a productive experience. The students, it is hoped, benefited from practical experience while the businesses will obtain real benefits from the expertise provided by the students in the years to come.

Forfás: The Irish equity investment landscape

Forfás, the policy advisory board for enterprise, trade, science, technology and innovation, published a report on 31 January on the Irish equity landscape which is a deliverable under the Government’s Action Plan for Jobs 2012.

The report, which provides a review of the equity investment landscape in Ireland, highlights that equity investment provides an opportunity to support high growth start-ups and to provide alternatives to bank funding, particularly for indebted firms. While equity investment is only a viable option for a minority of



Participating business students from Dundalk Institute of Technology pictured at the EURES conference on cross-border taxation hosted by Dundalk Chamber of Commerce

firms, the report highlights that its use is growing. The provision and use of equity is largely guided by the market but there are actions the State can take. A wide range of initiatives is underway but there is potential for further additional actions to address the issues which concern both businesses and investors. While many entrepreneurs voice concerns over the lack of equity funding, investors cite the absence of viable projects as a key barrier to investment. The report is available at:

<http://www.forfas.ie/publications/featuredpublications/title,10258,en.php>

The Credit Review Office: assisting SMEs in securing credit

The Credit Review Office was established in 2010 as a mechanism for reviewing the decisions of the participating banks to refuse applications for credit and credit restructuring made by SMEs and farm borrowers. Under the stewardship of Mr John Trethowan, the CRO has developed a strong track record of successfully intervening with the banks where their review of a particular case disagrees with the original decision. The participating Banks, AIB and Bank of Ireland, have to date reversed or modified their decisions in line with the recommendations of the CRO. The upheld appeals have resulted in €13 million credit being made available to SMEs and farms, protecting 1,102 jobs.

The following testimonial is taken from the CRO quarterly review for Q4 2012. Many more such endorsements, attesting to the quality and effectiveness of the Office's services, are contained in

previous quarterly reports available at: www.creditreview.ie

Peter Allman, M.D. of Brunswick Press Ltd.

"When the service far exceeds your expectations, you have to put pen to paper and say thanks.

Brunswick is a small printing company, who have suffered the downfall like many others. Our sales collapsed by about 65% in 2008/9. We were going to put the company into liquidation, but on advice we cut our costs and sought the patience of our creditors, most of whom have now happily been paid, staff numbers fell from about 66 to 12, we are now up to 22 full time staff employed.

Some months ago our bank advised us that they were withdrawing our invoice discount facilities; we had been with them from mid 2004. If this had happened it was the end of the company which has been in business since 1734. We had heard about the "Credit Review Office" and wondered if they could help us? And they did, after we filled in their form and paid their small fee. After that they were a breath of fresh air... I have never found any organisation so helpful, either public or private. They wasted no time whatsoever in dealing with our problem, and I am glad to say they got the bank to reverse their decision, and continue "Invoice Discounting" with the original amount.

I cannot speak highly enough of my dealing with the Credit Review Office. I was so grateful for the quality of their help and service I received, I wrote to the Taoiseach, and Ministers Noonan and Bruton advising them of the fact."

Microfinance Ireland: supporting additional lending to microenterprises

Microfinance Ireland (MFI) is funded by the Department of Jobs, Enterprise and Innovation to support additional lending to microenterprises. MFI provide loans to new and existing micro enterprises (<10 employees) with commercially viable proposals that do not meet the conventional risk criteria applied by banks i.e. have already been refused credit by banks. Loans are for a maximum of €25,000 and can be for start-up costs, expansion costs and working capital. All business sectors are eligible to apply. MFI operates in partnership with the local County and City Enterprise Boards who provide assistance with loan applications and business planning. MFI is also supported by the European Investment Fund, under Progress Microfinance, managed by the European Investment Fund on behalf of the European Investment Bank.

MFI has got off to a strong start with 140 applications having been received or in the pipeline to date. For further information see www.microfinanceireland.ie or www.enterpriseboards.ie

Bank of Ireland credit clinics for small and micro businesses

Bank of Ireland is running a series of free credit clinics, conducted by local business bankers, which are designed to help early stage businesses prepare their lending applications. During the sessions, customers will have the opportunity to learn about the lending process, the financial fundamentals of cash

flow analysis and working capital cycles. These free clinics will take place throughout the country over the coming months. Customers can register to attend at:

<http://allaboutbusiness.ie/enterprise-programme/register-sme-clinic>

[Article courtesy of Bank of Ireland]

Supporting business women in Ireland with 'Business Women Can'

Research tells us that every year more women in Ireland take the step of starting their own business. Women are also taking up senior roles in established small and medium enterprises. Nevertheless women are still very much under represented when it comes to enterprise, with only 18% of all established business entrepreneurs being female.



Pictured at the launch are David Thomas and Ellvena Graham, Ulster Bank with Ron Immink and Fionán Murray, smallbusinesscan.com, Jacqueline McGonigle, whatsonni.com and Susan Phelan, The Vocal Chord

Ulster Bank has stated that it aims to be the bank that supports female entrepreneurship and female business leaders in Ireland. In October 2012, in furtherance of this objective, the bank launched Business Women Can (BWC) in conjunction with smallbusinesscan.com.

Business Women Can reaches out to and supports women in business, both in commercial and not-for-profit organisations. Ulster Bank believes that women naturally support each other in their personal and professional lives and this initiative aims to harness that support in a formal way.

Ulster Bank has appointed seventeen Internal Ambassadors across the island of Ireland to become champions of the BWC initiative. Each one of these Ambassadors will partner with an external Ambassador and together will be able to offer relevant insights and supports to women running and leading businesses in Ireland. These external Ambassadors have been identified by smallbusinesscan.com and directly from the business community. This collaboration brings the bank closer to understanding the real issues and concerns for female led businesses. The initiative is also providing bespoke training to Ambassadors which will in turn position them to provide a sharper and more focused support to women led businesses. In addition, the initiative will link in with local organisations to understand the existing supports that are available in this space and how BWC can work alongside such organisations. This is the start of the BWC journey but even at this early stage Ulster Bank has had a fantastic response from men and women alike. This year, for the first time, the bank has added the 'Best women led business' category to the Ulster Bank Business Achievers Awards and it is already leading the pack out of seven other categories in terms of nominations.

[Article courtesy of Ulster Bank]

Irish Yogurts announces AIB funded expansion

Irish Yogurts Limited, Clonakilty, Co. Cork has announced the construction of a new production facility in Clonakilty, The Company manufactures award-winning yogurts for the Irish and European markets and currently employs 135 people. The new production facility, which is being financed by AIB Business Banking, will double Irish Yogurts' current production capacity.

Diarmuid O'Sullivan, Managing Director, said that this is a project which the company had been considering for some time. "I was pleasantly surprised by the appetite within AIB to support our business. Our request was dealt with in a prompt and professional manner and we were very impressed by the innovative approach AIB brought to our funding needs".

[Article courtesy of AIB]

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