

Forging A Path To Recovery Through Leasing

A Whitepaper for the European
Equipment Leasing Industry



How asset finance can power SME growth in 2021 & beyond

With the full impact of the Covid pandemic on SMEs still being played out, huge uncertainties remain for businesses as they try to recover and grow in 2021 and beyond. To gauge current sentiment amongst SMEs in Europe, Acquis conducted an international survey to investigate:

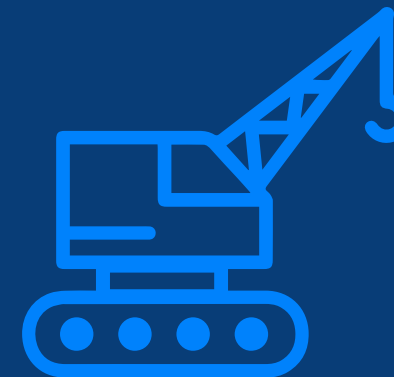
- 1** | The current and likely future impact of the pandemic on SMEs
- 2** | What plans SMEs have for the future, including how they will recover from the pandemic
- 3** | How SMEs will look to invest in new equipment to enable growth

In this whitepaper, asset finance providers will discover:

- Buyers' attitudes and access to finance during the pandemic
- What factors are important to buyers when selecting equipment finance
- When buyers will next be investing in new equipment or assets
- Where the opportunities to gain new asset finance customers lie

About the survey sample

- A confidential, self-completion online survey conducted in the native language for each country
- 500 interviews with respondents selected from an equal distribution of businesses based in the UK, the Netherlands, France, Spain and Germany
- A wide range of business types was represented across the sample, as detailed below



- Professional and business services
- Building, construction and engineering
- IT
- Hospitality
- Wholesale and retail
- Arts, leisure and entertainment
- Manufacturing and production
- Healthcare, beauty and social care
- Administrative and support services

- All had one or more types of business equipment e.g. computers, photocopiers, printers, machinery
- All respondents were decision-makers for their business equipment purchasing or leasing, typically the business owner/proprietor/partner
- The survey was live from 1st - 15th April 2021



Headline findings:

2020

The Ultimate Test Of Resilience

56%

of businesses reported that the impact of the pandemic was less severe than expected, had minimal or no impact, or had even benefited their business

66%

maintained pre-pandemic workforce numbers, 42% did so without government support

69%

did not take any government-backed loans during the pandemic

40%

were positive about their government's support during the pandemic

52%

reported the pandemic had not affected their credit rating

2021

A Year Of Hope & Optimism

96%

expect to recover to pre-Covid volumes

50+%

have already recovered or will recover in 2021

62%

are optimistic about their business's future

42%

are adding new products/ services or branching into new markets

57%

are definitely or possibly investing in new business equipment/assets in the foreseeable future

Part 1: The impact of a global pandemic on the SME



Unlike the previous crisis when financial institutions were seen as the weaker entities which needed to be supported, this time the same institutions have been part of the solution and it is clear that we have a key role in supporting the economy and our clients.



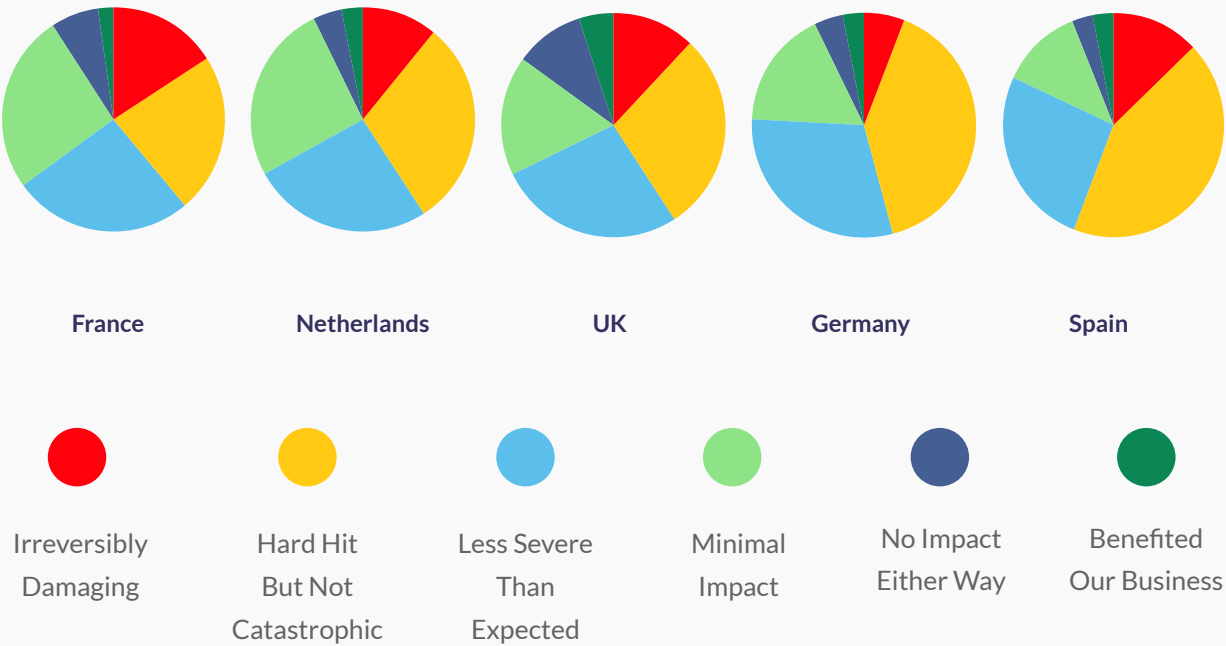
Odile de Saivre,
Deputy CEO,
Societe General Equipment Finance

And the very strong relationships that we have with our vendors and the end user have allowed us to help them continue developing their business throughout.

We can either see this crisis as a very brutal, negative event or see it as an evolution and a catalyst that will help us to make new developments and improve. Let's be optimistic, there's a lot to do.

How would you describe the overall impact of the pandemic on your business?

A third of all businesses surveyed, 33%, reported that their businesses had been hit hard by the pandemic with a further 12% recording irreversible damage. However, over half of all businesses surveyed reported a less severe, neutral or positive impact, indicating that the pandemic has not been as devastating as perhaps originally feared.



On a regional level, SMEs in Spain reported the biggest negative impact to their businesses, with 56% recording a damaging or hard impact, a result no doubt influenced by the fact that the tourism sector, which was brought to its knees as borders across Europe were closed to all but essential travel, makes up a considerable 12% of Spain's GDP.

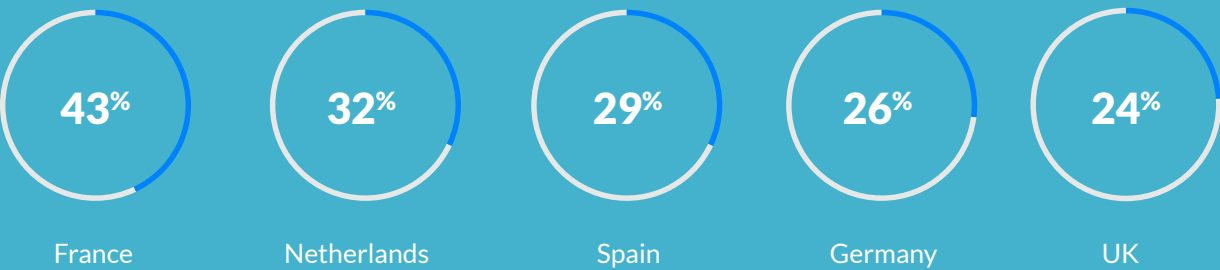
Whilst the greatest proportion of French SMEs questioned, 16%, felt their businesses had been irreversibly damaged, it's also notable that France recorded the highest number of businesses, 61%, which felt the pandemic had minimal to no impact, was less severe than expected or had benefited their business. Respondents from Germany expressed the most resilience with only 6% stating the damage caused by the pandemic was irreversible.

Uptake Of Government Loans & Support

On average three in ten businesses took some form of government-backed loan during the pandemic.

Micro and small businesses were significantly more likely to have taken government-backed loans during the pandemic. Those trading for over 10 years were less likely to take government backed loans.

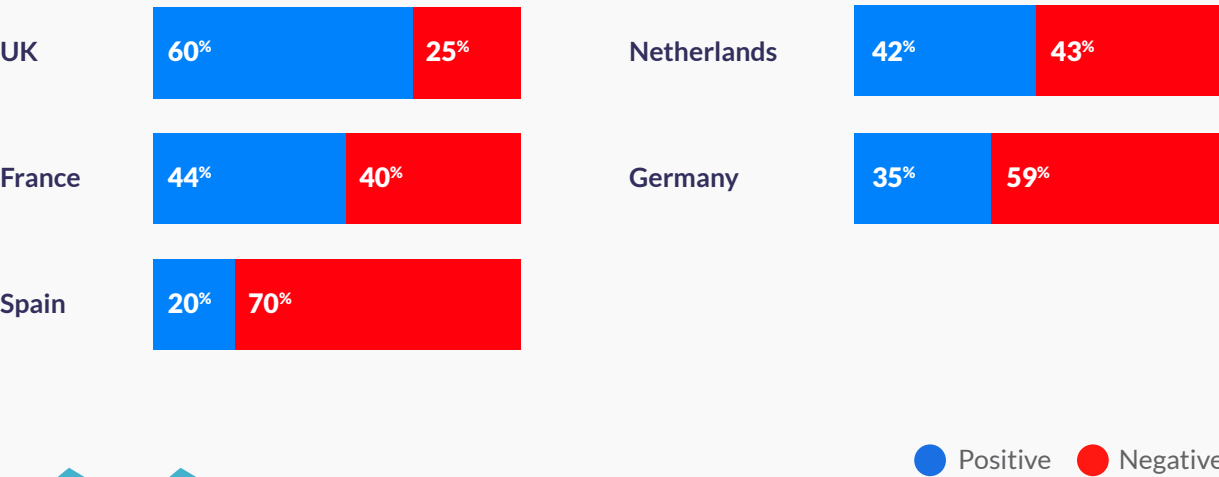
Have you taken any government backed loans during the pandemic?



How well do you think your government has supported your business through the pandemic?

Typically, only 40% were positive about their government’s support through the pandemic, with a further 12% indifferent. However, there were significant regional differences in sentiment towards governments, with a positive reaction rising to 60% in the UK and falling to just 20% in Spain.

Timing will have a strong influence on perceptions of government support, with the survey taking place during the first half of April 2021 when the UK was beginning to emerge from lockdown and its vaccination programme had already reached over half the adult population.



Although government-backed loans have been essential for many small businesses to survive during the pandemic, it does create something of a paradox for the leasing market.

Some SMEs will have favoured taking these loans instead of traditional leasing products. It will be interesting to see how the demand for leasing products changes without the option for a government-backed loan. It’s also worth bearing in mind that some SMEs will have taken these loans as a safety net but not used them, creating a possible time lag for the leasing market, since they may use their loans before turning to other forms of finance.



Nick Leader,
CEO, Acquis

When do you predict your business will recover to pre-Covid levels?

96%

expect to recover to pre-Covid volumes

18%

already recovered to pre-Covid volumes

38%

expect recovery during 2021

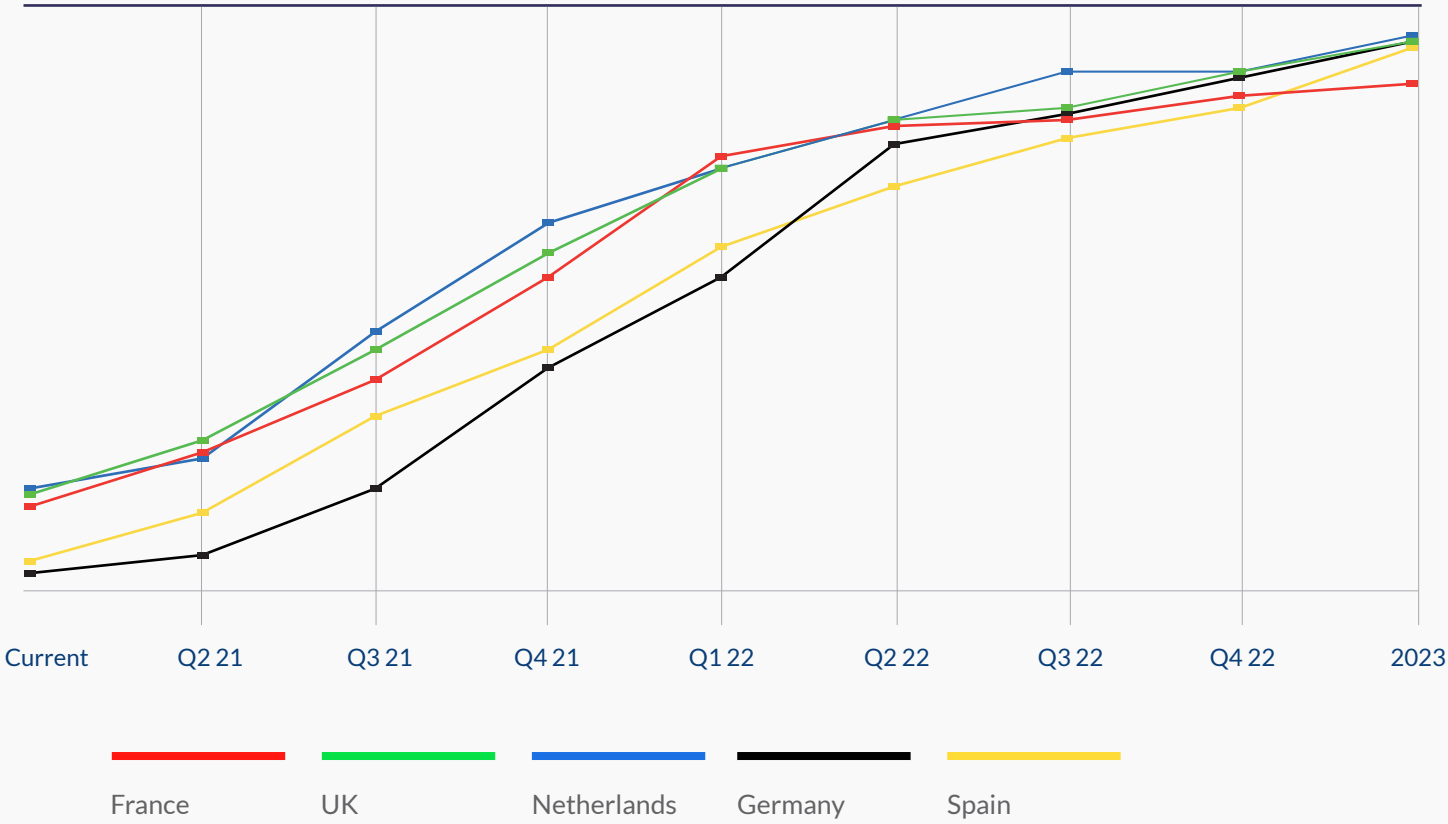
34%

expect recovery during 2022

6%

expect recovery during 2023 at the earliest

Recovery predictions vary between countries, with SMEs in Germany the most cautious, and in France the most optimistic, about how quickly business will recover to pre-covid levels. While Germany appeared to be the country least affected by irreversible damage to business, just 10% of businesses in Germany had already recovered. For the UK and the Netherlands, this figure rises to almost a quarter, 23% and 24% respectively.



The graph shows aggregated data over a time-line. By the end of 2021, 68% of SMEs in the Netherlands, 63% in the UK, and 59% in France, said they would expect to be at 100% of pre-covid volumes. With Spain at 47% and German sentiment the least optimistic at just 44%. Fast forward to 2022 and at least 80% of SMEs in the survey predicted they would have returned to pre-covid levels by the end of Q2, with the exception of the Spanish market, although this is still over 70%.

In comparison to the SME predictions shown in the graph, we analyse below when the central banks of each country are predicting economic recovery to GDP. The German forecast is not as up to date as the other countries as the central bank has resisted updating its forecast since Germany went back into lockdown. The Bank of England is forecasting GDP to fully recover in Q1 2022, the Bank of France is predicting the beginning of Q3 2022, de Nederlandsche Bank predicts end of Q3, and the Bank of Spain is predicting Q4 2023.

Central Bank recovery predictions**

Germany*	Q4 2022
UK	Q1 2022
France	Q3 2022
Netherlands	Q3 2022
Spain	Q4 2023

*prediction not updated since Dec 202

To note ...

It's worth noting the survey gauges sentiment amongst SMEs at a specific point in time. At the time of the survey, Germany was in the midst of national lockdown and experiencing political uncertainty due to a general election campaign with little sign of unity amongst the parties within coalition.

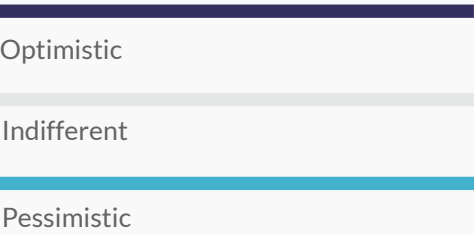
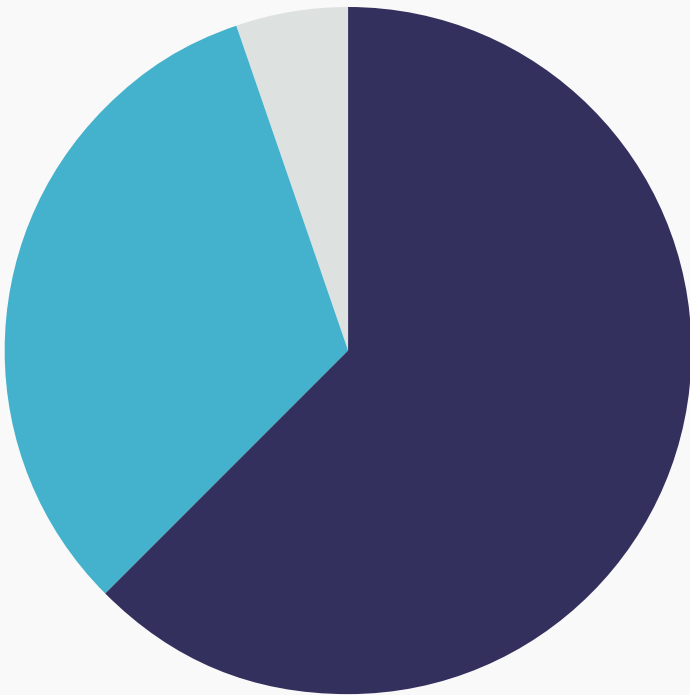
** 1.Deutsche Bundesbank, December 2020, <https://www.bundesbank.de/en/tasks/topics/coronavirus-pandemic-continuing-to-shape-german-economy-853776>
2 Bank of England, February 2021, Monetary Policy Report, <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2021/february/monetary-policy-report-february-2021.pdf>
3 Banque de France, March 2021, Macroeconomic projections, <https://publications.banque-france.fr/en/macroeconomic-projections-march-2021>
4 De Nederlandsche Bank, December 2020, Economic Developments and Outlook, https://www.dnb.nl/media/24bdgh3/evov_december_2020_uk.pdf
5 Banco de España, March 2021, Macroeconomic projections, https://www.bde.es/bde/en/areas/analisis-economico/analisis-economico/proyecciones-mac/Proyecciones_macroeconomicas.html

How are SMEs adapting to a new future?

An overriding sense of optimism

A positive finding from the survey is that, when looking to the future, the majority of businesses are feeling optimistic. In every market we surveyed the number of optimistic responses was twice the number of pessimistic responses. Even in sectors hardest hit by the pandemic, such as hospitality, the overriding number of SMEs were optimistic about the future, anticipating a strong bounce back fuelled by pent up consumer demand once society is allowed to open up once again.

How optimistic do you feel about the future of your business?



Two in five businesses are branching into new products or adding new products/services

Reflecting the entrepreneurial nature of SMEs and their agility to adapt quickly, 32% are branching into new markets and a further 9% are adding new products/services.

The UK was most likely to continue business as usual (78%) while less than half (48%) of businesses in Spain were likely to continue in the same markets and products/services. This is a likely reflection of the significantly hit Spanish tourism industry.

As a result of the pandemic, have you had to consider diversifying your business activities?

	Yes. We are branching out into new markets.	Yes. We are adding new products/services.	No. We will continue with the same markets & products / services
Overall:	32%	9%	61%
UK:	18%	5%	78%
France:	37%	10%	55%
Germany:	24%	6%	71%
Spain:	44%	13%	48%
Netherlands:	38%	11%	53%



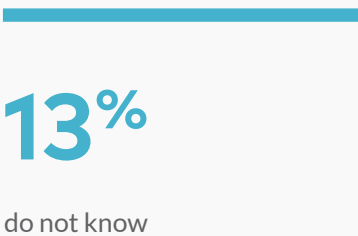
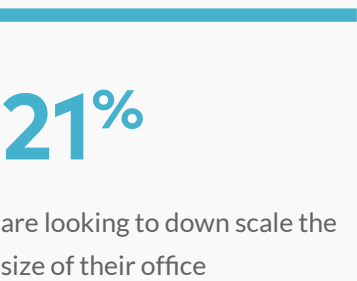
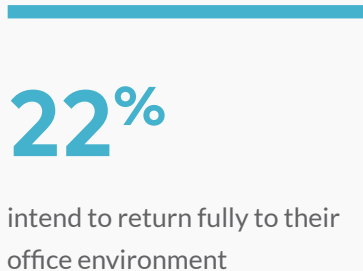
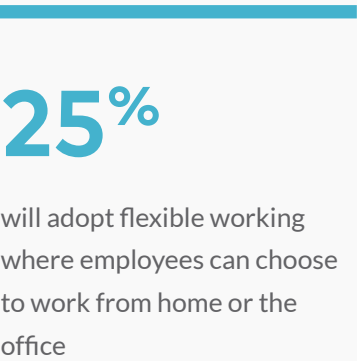
I have been so impressed with the efficiency, resilience and adaption of my colleagues to remote working



Pascal Layan,
Deputy CEO,
BNP Paribas Leasing Solutions

If your business was office based before the pandemic, how will this change going forward?

Workplace flexibility will be important
There was a real mix of future workplace strategies with the pandemic making a potentially lasting impact on the working environment. While a quarter of businesses will be fully returning to the office environment, half are either adopting flexible working (home/office) or looking to downscale the size of the office.



More than one in two businesses are investing to support growth

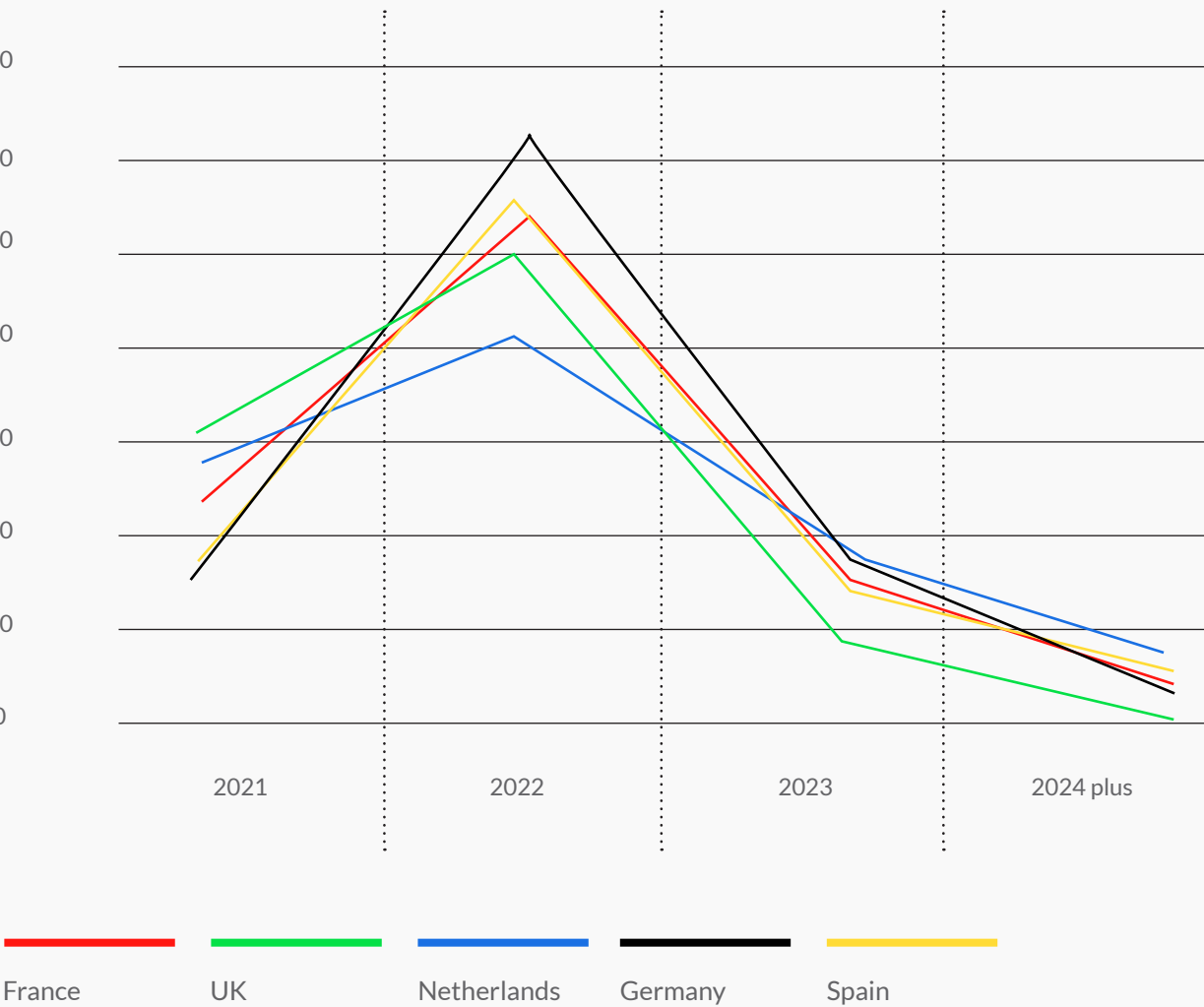


Businesses in Spain are most likely to be investing (69%), while those in the UK are least likely (48%).

In the foreseeable future, will you be investing in new business equipment or assets to support business growth?

	Yes. Definitely.	Yes. Possibly.	No.	Don't know.
Overall:	17%	40%	27%	16%
UK:	12%	36%	34%	18%
France:	19%	33%	29%	19%
Germany:	12%	48%	16%	15%
Spain:	21%	48%	16%	15%
Netherlands:	21%	42%	18%	19%

When is the next time you will be likely to be investing in new equipment or assets?



Computer hardware, computer software, automotive/garage equipment, building/construction equipment/plant, and vehicles were the most likely types of future new business equipment/assets that SMEs will be investing in.

How do you expect to fund your next investment in new equipment or assets?



This crisis is very different to the one we faced in 2008. This time the banking industry is not part of the problem but part of the solution, and its clear that supporting SMEs through the cycle is our responsibility. In doing this and receiving good feedback from our customers, our teams feel very positive about the role they have had during this crisis in supporting our customers.



Pascal Layan,
Deputy CEO,
BNP Paribas Leasing Solutions

Part 2: Finance & the pandemic: what matters, & where are the growth opportunities?

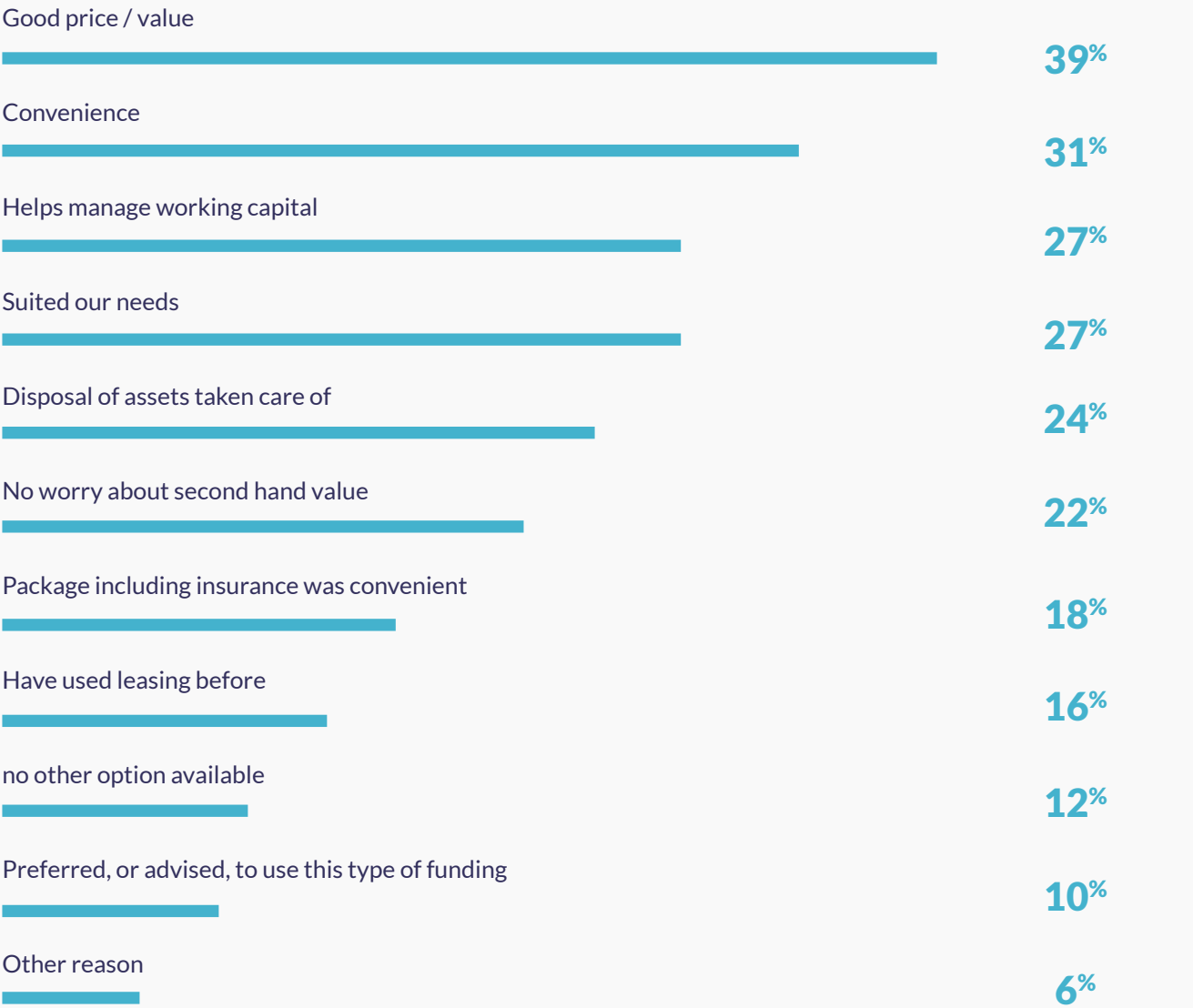
What factors are important to you when selecting equipment finance?

Competitive pricing was the most frequently considered factor when selecting equipment finance, however less than half of respondents, 43%, cited it as important when choosing finance, indicating other factors also play their part, with online accessibility and convenience cited as the second and third most important considerations.



Why did you choose leasing in the past to acquire new equipment or assets?

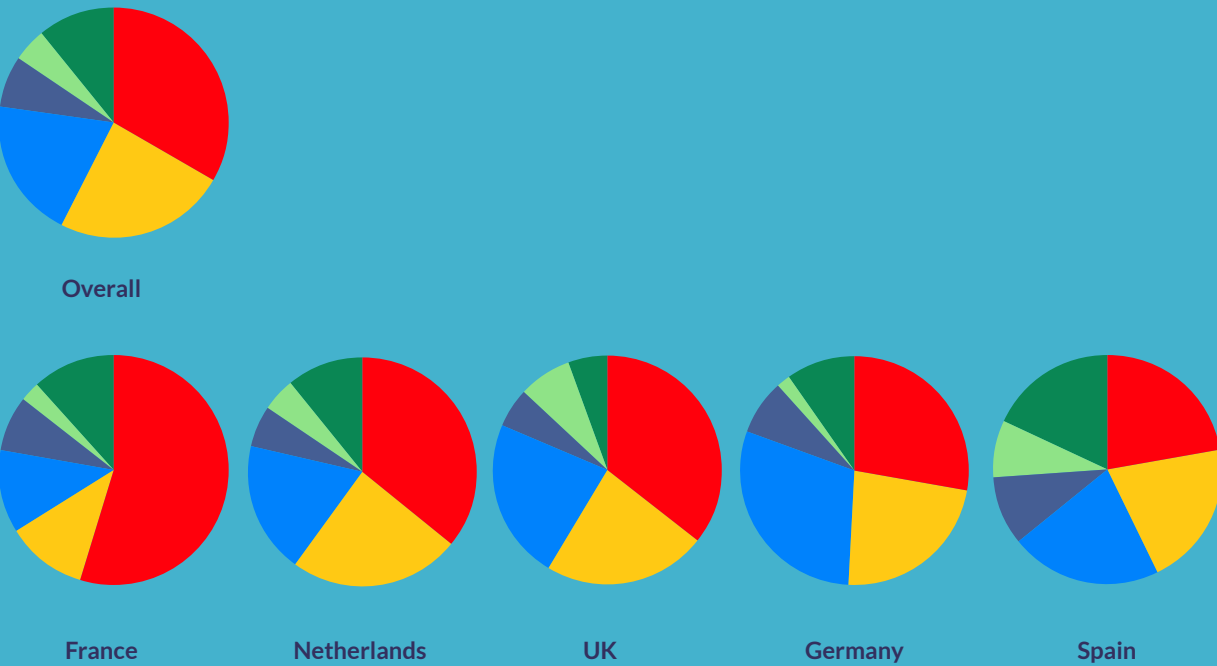
For those SMEs who had opted for leasing in the past, price and convenience factors were also cited as important, but factors specific to leasing also featured highly in confirming their choice, such as helping to manage working capital, disposal of the asset is taken care of, and it removes concerns about second-hand value.



How have you sourced equipment finance in the past?



Has the pandemic changed how you will access business finance in the future?



Leased equipment/asset insurance take-up

In choosing leasing in the past to acquire new equipment or assets, did you take the insurance offered by the lessor?

	Yes. Convenient/provided reassurance	No. Used our own/other business insurance	No. Insurance was not offered	Don't know.
Overall:	43%	37%	16%	4%
UK:	43%	29%	29%	0%
France:	57%	29%	29%	0%
Germany:	39%	39%	11%	11%
Spain:	63%	36%	0%	0%
Netherlands:	22%	44%	33%	0%



While the responses for leased equipment/asset insurance take-up are as we anticipated, it is still interesting to analyse the big swings between the countries.

Spain is a more insured nation with a greater expectation that insurance is provided with the finance contract. It's unsurprising, therefore, there were no instances of insurance not being offered in Spain and that nearly two-thirds (63%) took the insurance offered by the lessor.



Nick Leader,
CEO, Acquis

Attitudes & access to finance in a pandemic

13%

believe access to finance will be a key challenge for their business in the year ahead

20%

have seen a negative impact on their credit rating

Has the pandemic affected the credit rating of your business?



Positive impact



Do not know



Negative impact



No impact

Medium-sized enterprises were most likely to report a positive impact on their credit rating.

There may be a perception that the pandemic will make it hard to access finance. But this is not a financial crisis and there are certainly opportunities for providers of asset finance to reassure new and old customers alike that they are ready to lend.



James Rudolf,
CCO, Acquis

One fifth of businesses may be facing fewer and more expensive options to access finance as a result of their credit rating, which may hamper growth plans.

All of these reasons for not using leasing have the potential to be fairly easily overcome with appropriate educational and marketing communications.

Growth opportunities for the asset finance market

Explore the opportunity to acquire new business...



have not previously used leasing to acquire new equipment or assets because they don't like leasing/hire purchase or preferred/were advised to use other funding.



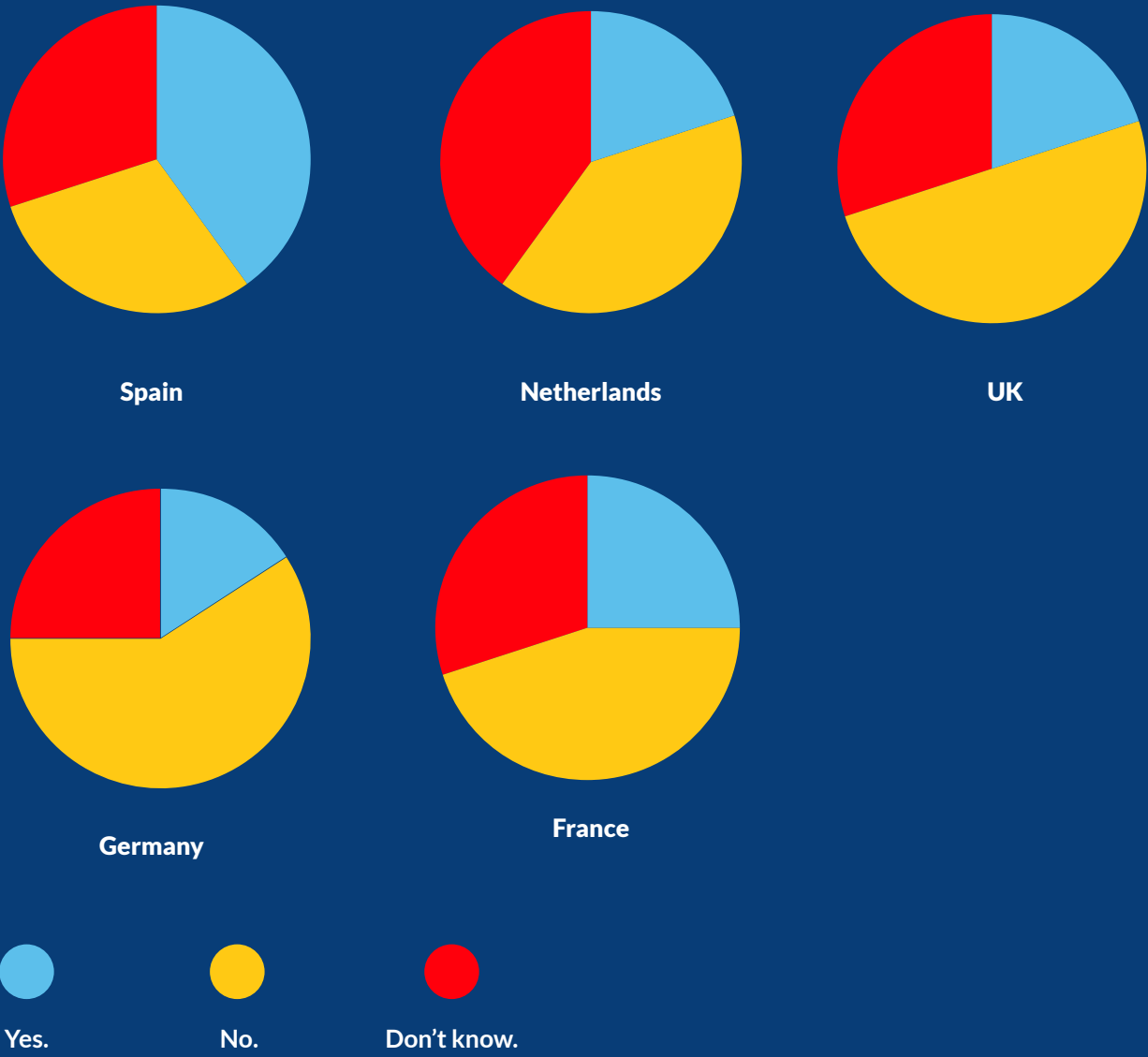
have not previously used leasing to acquire new equipment or assets because they don't know how to access it/are not aware of products/don't know/other.



believe other forms of finance are easier to arrange.

...and unlock market potential

In the future, will you consider using subscription products e.g pay per use, in place of traditional finance products?



Subscription products, like pay per use, provide another opportunity for asset finance companies to increase revenue. By setting the lessee's payment profile according to usage, pay per use provides more choice and the opportunity for competitive differentiation.

While pay per use is still an up and coming model, 25% of businesses would consider using subscription products in place of traditional finance products; a figure too high to overlook.

Would you be happy for your business equipment usage to be monitored over the internet by your vendor?



It's also notable that 40% would be happy for their business equipment usage to be monitored over the internet by their vendor, although more than half these businesses would expect more competitive finance in return.

Acquis is an international provider of fully outsourced insurance management programmes for leased equipment. Acquis partners with some of the largest leasing and asset finance companies across Europe.

Acquis is renowned for its business intelligence in the leasing industry. The company publishes a quarterly Index, which shares trends that Acquis is witnessing in equipment leasing volumes. The Acquis Index is built on data from more than 10 years of experience in providing insurance programmes for equipment leasing companies.

For further information on how Acquis insurance programmes can help reduce portfolio risk and increase revenue contact:

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