

Assets Around Ireland – Financing Future Growth

by Paddy Gibbons & Felim O'Donnell

As businesses continue to benefit from the reopening of the economy, AIB Finance & Leasing's Paddy Gibbons and Felim O'Donnell highlight what trends are being seen across the country, the impact of Covid-19, and what asset and professional fee finance options are available to business customers to support their recovery.

With a presence in every county, the AIB Finance & Leasing team works daily with business customers. From the smallest vehicle to the largest plant equipment, every need is catered for. Coupled with the facilities offered to assist with annual tax and insurance burdens, the team is a key part of the full business banking service AIB provides.

How did Covid-19 impact businesses and how did AIB help their customers?

We have seen first-hand the negative impact Covid-19 and Brexit on well-established businesses. Up to March 2020 the island of Ireland was fixated on Brexit, but suddenly there was a bigger, more urgent priority. In the wake of lockdown announcements, extremely worried customers were calling AIB Finance & Leasing staff, and many of these customers had to make very serious decisions about the immediate future of their business and their employees.

In a short space of time, we undertook a huge body of work to implement payment breaks for our SME customers and ensure that they were supported to weather the storm. In all, AIB implemented 66,000 payment breaks for customers right across our business.

As the economy re-opens, our staff are focussed again on serving our customers' new business needs - both on the asset finance side and working capital side - including engaging with customers in their premises and on their own terms and discussing their needs and wants to help them grow.

Thankfully resilience has been long associated with Irish businesses across all sectors. The last eighteen months have not been easy and in some sectors such as high street retail and hospitality, times continue to be difficult as even well-established businesses try to reopen in a safe manner. It has been inspiring to see the initiatives some businesses have taken as they adapted their businesses through the pandemic.

What is being seen in the Dublin market recently?

The businesses who engage with the AIB Finance & Leasing team come from a myriad of sectors. In the area covering the M50 belt up to North County Dublin for instance there is a prevalence of transport companies, many of which have actually thrived and grown throughout the pandemic. This was down to a number of different reasons, one being that non-essential retail was closed resulting in a change in how consumers shop, moving to online which requires delivery.

We have noticed as a direct consequence of this, a significant increase in demand for heavy and light commercial vehicles to service this need and this is reflected across the country. There are green shoots appearing in many other sectors as well, with businesses adapting quickly to a new future and new ways of working.

Dublin city centre and surrounding area was particularly badly hit by the direction for the country to stay at home and for non-essential businesses to close. Businesses in central Dublin, like everywhere else, went into survival

mode, looking at all their costs, looking to shed outlays where possible and restructure their businesses. Thankfully, we are seeing some signs of positivity with the re-opening of out-door and indoor dining and hospitality across the city which has seen a renewed requirement for asset finance. As mentioned earlier, for example, delivery vehicles are in high demand and funnily enough we have financed not one but two tractors in Dublin City this year! We have also seen some other sectors really thrive during the pandemic such as the dental, medical and the aesthetic beauty market, including laser treatment and non-medical cosmetic procedures which require high specification machinery.

What about the rest of the country?

There's significant activity in the market around Ireland with a generally positive outlook. Here's a selection of what we are seeing:

In Galway, agriculture has continued to thrive and customers in this sector have been keen to avail of asset finance - in particular financing of tractors. We have also seen strong demand for commercial vehicles in line with the national picture. Demand for plant and machinery has been quite buoyant due to more civil construction works. Interestingly, manufacturing has grown as a direct result of the pandemic. Shane McLoughlin in AIB Finance & Leasing has been able to support companies involved in the mass production of ventilators - both for export and domestic use - which require large specialised industrial equipment.

Our colleague in Donegal, Peter Muldoon, has seen strong demand in transport and logistics, in particular quarrying and construction. Asset finance in the county has traditionally been dominated by bus operators, largely down to the lack of a railway and less developed public transport services.

There is a mix of business in counties Wicklow, Wexford, and Carlow including agriculture, construction, quarrying, coaches and engineering to name but a few. Our colleague Susan Longmore has observed that the asset finance market is incredibly competitive, but it also provides tremendous opportunity to meet customers and build relationships with local suppliers. These counties have excellent examples of successful specialised businesses such as large grain producers, pallet manufacturers and specialised sand washing plants providing sand to Ireland's favourite sporting grounds.

Gareth Dyer who covers the midlands and northeast areas, has highlighted that agriculture continues to be the predominant sector for asset finance in the region. Tillage remains strong and we have seen increased capital expenditure from these farmers due to increased demand in recent months. We have also financed several high-end harvesters to key potato suppliers in the region. Haulage and manufacturing also remain very steady in the region.

How has the Agri sector fared?

As touched on above, we have observed a steady to good year for agriculture which has been evident all around the country, but particularly in Munster and Leinster with very high demand for newer machinery through our asset finance offering. There is a competitive asset finance market, and AIB Finance & Leasing's biggest advantage in this area is our competitiveness on rate - particularly in the second-hand market - credit turnaround and excellent customer service. We look to tailor the repayment schedule to the borrowers' specific circumstances as we are more than aware that Agri businesses/farms usually do not function along the lines of conventional business models applicable to other sectors. An example of this would be peak milk month payments (May to October), mirroring

the highest cashflow months for our agricultural customers.

Is the same true for the hospitality sector?

The hospitality sector has a very strong presence in central Dublin with many pubs, restaurants and hotels having ongoing insurance bills. We have continued providing support to these customers with our Insurance Premium Finance product where we spread the cost over eleven months. This is reflected right across the country. Overall, AIB has played a vital role supporting businesses during this unprecedented time, including participating in the Government Credit Guarantee Scheme term loan, which is competitively priced.

Are there any other trends right now?

We are increasingly seeing the sustainability agenda come to the fore, with business customers having increased awareness about the impact their assets can have on the environment. We have seen examples of fleet hire companies moving to a

more sustainable model and invest in electric vehicles as an asset choice. Businesses are increasingly researching and investing in efficiencies and sustainability within their own operating models. We expect this type of approach to become even more prevalent in the market in the coming months and years, and this is a development that AIB is proud to support.

What are the more unusual assets you have financed?

In the very recent past AIB Finance & Leasing has financed such varied assets such as sushi making machines, industrial knitting & embroidery machines, parking meters, helicopters, mezzanine floors, and pub and restaurant vending machines.

Is there anything you can't finance?

Thankfully, we can finance most assets, but there are some occasional exceptions. There will always be things that cannot be covered by our product offering in AIB Finance & Leasing, and the same applies to most other banks and finance houses.



Some of the items that cannot be financed include VAT payments, Revenue arrears, Capital Gains Tax liabilities on working capital finance. On the asset side, we cannot finance items like the purchase of software, some marine and aviation items, some very specialised assets where their value would be very difficult to establish, and also any delivery, work or commissioning costs incurred in the procurement of larger type assets. Similarly, we do not provide finance for gaming and gambling machines or equipment.

What does this mean in practice?

The team finance a broad range of assets from standard trucks, vans, cars, and equipment to the non-standard such as modular homes, road gritting vehicles - and even Unimog railroad vehicles used for train track maintenance and customised to the specific rail size in Ireland and the UK.

We always take great care to consider customers' capital expenditure requirements. As well as providing asset finance solutions in the form of

Leasing and Hire Purchase for business customers procuring assets, we also provide professional fee finance ('Prompt Pay') and 'Insurance Premium Finance'.

Like all SMEs, the business customers we serve have a variety of insurance bills such as motor, fire, burglary, professional liability insurance and large annual bills such as preliminary tax, pension contributions, property rates, audit fees, licencing fees and many more.

All need to be paid and can be quite costly. Our aim is to help customers make these working capital expenses a little more manageable by letting them spread the costs over a six-to-eleven-month term, thereby freeing up cashflow to be used on a day-to-day basis.

The Prompt Pay product, in particular, has proven to be attractive to a wide range of customers, including accountants, due to its flexibility. Some very recent examples have seen AIB Finance & Leasing support our customers in the financing of annual license fees (including cloud licences) and media advertising fees.

What is the application process and what do businesses need to provide?

In AIB Finance & Leasing, we try to make the application process as seamless as possible - for both existing and new AIB customers. To progress a standard business application for asset finance, we generally ask for the last set of audited/trading accounts which CPA members can help with, certification or proof of tax clearance, and for non-AIB banked customers, the last six months of business bank account statements.

We recently began our digital transformation and as part of this, AIB Finance & Leasing has adopted the nCino platform, which is currently a world leader in cloud banking. By adapting nCino's Customer Engagement Solution and Partner Portal functionality, we have been able to streamline our operations and enhance visibility, providing an improved customer experience. This is the first step in a longer-term growth strategy to provide

an enhanced digital experience to our full range of customers.

Who should CPA members contact if they or their clients are interested in finding out more?

Our strength in AIB Finance & Leasing is definitely the experience and expertise our dedicated staff have to offer, coupled with a presence in every county in the country. Our phone numbers and contact details are available to you or your customers to progress any of your and their needs.

Our aim is to make your customer journey with AIB an enjoyable experience, one you would recommend to others and also have no hesitation in using again. To contact your local AIB Finance & Leasing representative, you can call 0818 47 47 47. You can also request a call back or find out more information via <http://www.aib.ie/assetfinance>, or you might prefer to talk to your local AIB branch or relationship manager.



Paddy Gibbons
AIB Finance & Leasing Asset Finance Consultants



Felim O'Donnell
AIB Finance & Leasing Asset Finance Consultants

