

Resilience & Recovery: Beyond Doom & Gloom

by Ronan Foley

Amid the challenges and uncertainty for businesses of all sizes and sectors, AIB's Ronan Foley shares his insights into what's happening in the market, the signs of recovery that he sees in Irish SMEs and how AIB can help CPA members and their clients.

What is your current role in AIB and can you give a brief history of your career?

Currently I'm Head of Business Banking in the North East region which covers Cavan, Monaghan, Louth, Meath, Westmeath and Longford. My team comprises of three business advisor teams, a support function and a team of Agri specialists. We work closely with our colleagues throughout the AIB branch network and together we provide a full service offering for our business customers.

I initially joined AIB in 2012 having worked in the banking sector for my entire career since 1995. I took up a role as relationship manager responsible for a portfolio of customers primarily in the transport and logistics sector. Shortly after that, I became a team leader, responsible for a team of business relationship managers. This was a challenging period both in banking and throughout the wider economy as we all tried to come to terms with the recessionary times. It wasn't all doom and gloom though with many businesses successfully seizing opportunities which have stood to them subsequently.

What have you seen recently in the North East market?

There is still a lot of concern due to the continued uncertainty that the Covid-19 pandemic has brought about. There are obvious impacts to specific businesses operating in the likes of the hospitality and retail sectors who are unsure if they will be open or closed in the near future whilst also wondering what 'normality' will look like.

However, as has been proven in the past, Irish business owners are resilient! Some sectors have experienced good growth which has resulted in further investment in their business. The Agri sector continues to perform very well across most enterprises while many hauliers have undertaken investment in their fleet as well as increasing warehousing and storage capacity.

It is also interesting to see some business owners taking a step back to review their operations and at the same time develop a longer-term strategy. Many are preparing for the 'new normal' by undertaking capital expenditure that will allow them trade under some level of restrictions. The Government Credit Guarantee Scheme has proven popular with the hospitality sector by helping to finance outdoor areas while many retailers are either building or expanding their online presence. Others have supported their staff in working from home which has proven beneficial to both employee and employer.

Some of our customers are telling us that they've taken the time to review their own costs and pricing. We've always talked about the importance of managing cashflow, and that will continue to be vital for businesses, but it can hide pressures on margins too; some were providing services that had not been fully costed correctly.

Similar to AIB, many businesses are also driving forward with their own sustainability agenda. Across all sectors, business owners are investing now to improve their own carbon footprint and at the same time working to reduce their own cost base and improve margins.



In addition to the finance considerations, business networks like the local Chambers of Commerce, industry bodies and membership organisations like CPA Ireland have also come to the fore. Having groups like these to share insights and expertise and develop new business opportunities have been and will continue to be important. Similarly, state supports and advice from Local Enterprise Offices, Microfinance Ireland, Enterprise Ireland, etc. have also played a key role in helping firms weather this pandemic.

How has Brexit impacted AIB's business customers?

Not surprisingly, many businesses lost sight of Brexit in 2020 as their focus was dealing with the challenges that Covid-19 restrictions brought about. The lack of agreement between the EU and UK negotiators caused a lot of concern towards the end of the year but thankfully, the last-minute deal which came about went some way to alleviating the fears of many businesses in Ireland. Whilst the market in the North East has a close proximity to the

Northern Ireland border, the customers that felt the greatest impact were those that were trading with or through the remainder of the UK.

Although there has been an increased cost, the additional shipping routes have been a significant help to those transiting to the continent by avoiding the UK land-bridge. However, capacity has been limited which has resulted in some having to continue to send goods to market via ferry to the UK. We have seen customers endure frustration and higher costs as a result of delays at Customs checks although this appears to have eased off somewhat.

Some other feedback from our customers has been that their businesses probably have not yet felt the full impact of Brexit due to their restricted trading position since Christmas. This could put pressure on supply chains and indeed working capital requirements as the economy reopens. Similarly, those that had stockpiled in advance of 31st December 2020 will need to replenish that holding.

We have some examples of UK based businesses, mainly in Northern Ireland, establishing a base in the Republic of Ireland with some food manufacturing businesses putting in significant investment to new premises and other assets. We've helped finance some of these projects through term loans, asset finance as well as our suite of products that can assist with managing working capital requirements including invoice discounting.

I've also noticed that many businesses that were holding off on capital expenditure programmes in 2020 due to both Brexit and Covid-19 have recommenced those plans. This is particularly evident in the transport and logistics sector as fleet replenishment and expansion has become necessary both in terms of controlling costs and generating efficiencies as well as creating additional capacity to cope with business demands.

AIB's treasury offering has supported businesses by helping to bring an element of certainty to managing foreign exchange (FX).

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What supports are available to business customers who are in difficulty due to Covid-19/ Brexit?

The Covid-19 Credit Guarantee Scheme remains available through AIB catering for loan applications from €10,000 to €1 million. The scheme is available for a variety of purposes and is aimed at helping businesses adversely impacted by Covid-19. The average loan is close to €50,000 and is being availed of by businesses across all sectors. There are a range of repayment options including the ability to repay interest-only for a period at the beginning of the loan. The maximum loan term is 5.5 years.

The Payment Break process that was available in 2020 has helped many businesses and it is encouraging to see that over 90% of customers who availed of one have resumed full capital and interest repayments.

There are still customers who need support, and we are committed to working with them in order to reach sustainable solutions. It is really important that there is early engagement between the customer and/or their

advisor and the Bank to allow for an appropriate solution to be put in place.

Our primary focus is to do what is right for the customer. In order to achieve this, it is vital to understand the sustainable free cashflow that the business will generate in the future. Whilst in the past we may have been able to rely on previous trading performance, now more than ever it is important to understand the assumptions that drive the projected performance in the future. That's where we rely heavily on the advisors to the business. Over 90% of the time the answer will be yes, but sometimes difficult conversations need to be had to ensure that a feasible solution is found.

How can AIB help CPA's and their clients?

You and your clients are at the heart of what we do in AIB – our purpose is to back our customers to achieve their dreams and ambitions. We offer a broad range of financial options from day-to-day banking, cashflow solutions and loans to our treasury solutions to assist with foreign trade. We have dedicated and highly qualified financial planning managers and specialists who can help throughout the business lifecycle by offering protection, investment and retirement solutions.

We have sector specialists to provide expert insight and support for business customers, and regularly produce outlook reports that give in depth knowledge for business owners and their advisors. The weekly AIB treasury podcasts are also a great way to keep abreast of what is happening in the market.

As people who work in industry and practice and who are the trusted advisors to business owners across Ireland, when you succeed and thrive so do our communities, towns, villages, and indeed AIB.



Ronan Foley

Ronan Foley is AIB's Head of Business Banking Branch Network, North East, with over twenty-five years' experience in financial services.