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21
3
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Hilton-Baird Financial Solutions

SME Trends Index

Introduction

Representing an estimated 99% of all UK businesses, the nation's 4.7 million Small and Medium Sized Enterprises have long been seen as the engine room of the British economy and a valuable litmus test of the country's financial wellbeing.

Employing more than one in six of us and turning over around £105 billion per annum, unsurprisingly, SMEs' collective voice has tremendous clout politically and can be a major force for good socially. But gauging business sentiment is a notoriously complex science.

As the UK's largest independent commercial finance broker, Hilton-Baird Financial Solutions works closely with SMEs to assist with the funding needs of this influential group. Given our regular interaction with an estimated 180,000 SMEs, we felt an insight into the challenges faced by SMEs and their thoughts on related matters would assist in our ability to help their voices be heard and so the Hilton-Baird SME Trends Index was born.

Launched in April 2010, the Hilton-Baird trends index aims to highlight the key issues affecting UK business community. A core of the report will then be repeated at six-monthly intervals together with a selection of new questions to produce a bi-annual temperature check of UK business mood which I trust you'll find both insightful and useful going forward.

Evette Orams
Managing Director
Hilton-Baird Financial Solutions

21
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60
13
5
49
£



Background on Research

Hilton-Baird's research was undertaken among 500 SMEs – ie a representative sample of the UK's businesses – across a wide variety of business sectors. The research was conducted in-house during February / March 2010 with a view to taking the temperature of UK business in a directly post-recessional world.

“2010 must see the route to recovery. Small businesses deserve a big vote of confidence and the sector in turn will return the compliment with jobs, guaranteeing a sustainable recovery. 2010 may be a general election year, but for small firms it will be business as usual as they strive to complete the route from recession and back into recovery.”

—January 2010, Federation of Small Businesses

Key Research Findings

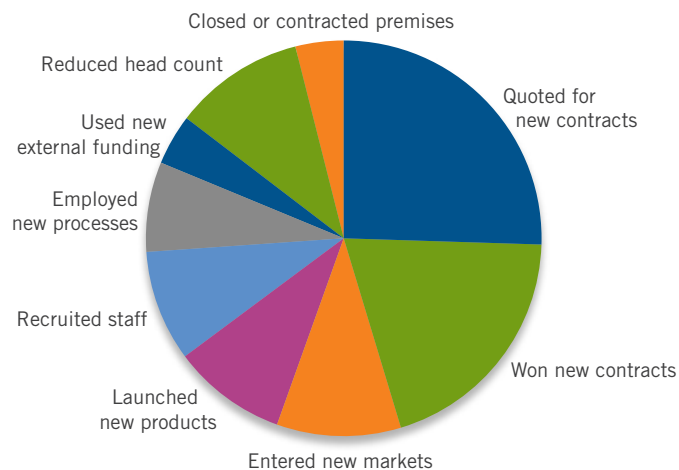
Harvesting the Green Shoots of Recovery

The recession meant 2009 was one of the most difficult trading periods in living memory for UK business owners. Quarter on quarter, corporate insolvencies rose to record levels, jobless figures soared and many businesses were faced with some very tough decisions.

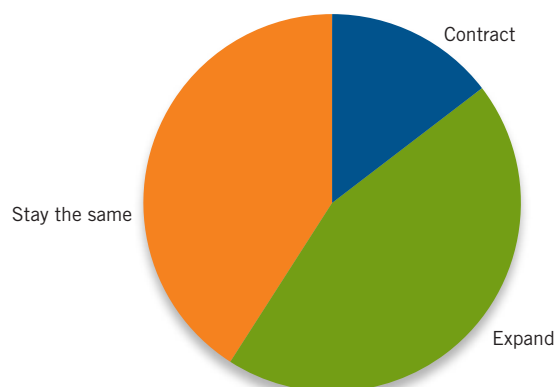
Set in this historical context, the findings of Hilton-Baird's first SME Trends Index make encouraging reading. Findings from the first SME Trends Index suggests that almost half of all UK SMEs (44%) are growing increasingly bullish about the health of the UK economy and their own business' growth prospects.

It's not all theory. The study of over 500 SMEs even indicated that businesses are already making the most of any "green shoots" as they appear. 30% of SMEs questioned – which when applied to the entire SME community would equate to 1.41 million businesses nationwide – claim to have entered new markets over the past six months and 75% have quoted for new contracts. The sample also reveals that recruitment is back on the agenda for 27% and 28% have launched new products.

Have you undertaken any new activities in the last 6 months?



Over the next 6 months, I believe my business is going to...

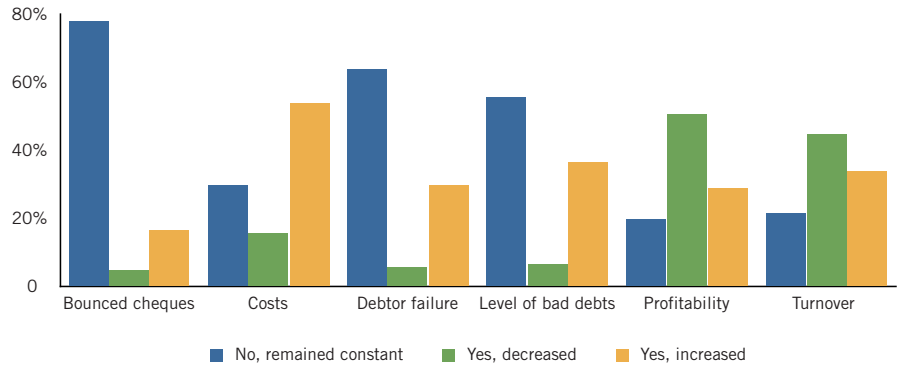


Business Concerns

However, the picture is not entirely rosy. Hilton-Baird's study also suggests that concerns about access to funding remain a real issue for some businesses. Only 12% have secured new external funding over the past six months which could dent long-term growth prospects if left unchecked. Significantly, SME optimism was particularly evident among businesses using invoice finance – which provides flexible funding against a business' sales ledger. Here, more than half (55%) of businesses stated that they thought the next six months would see their business expand.

Moreover, when the study drills deeper, there's little sign that recovery is having a positive impact on top business concerns such as overheads, late payment, bad debt and debtor failure. 54% of business owners questioned in the survey said costs had increased over the past six months whereas over one in three businesses reported an increase in their level of bad debt (37%) and 30% said they had witnessed an increase in debtor failure over the same period – an extremely damaging trend which, without credit insurance cover, could threaten the business' livelihood.

Business concerns: over the last six months, have you seen a shift in?



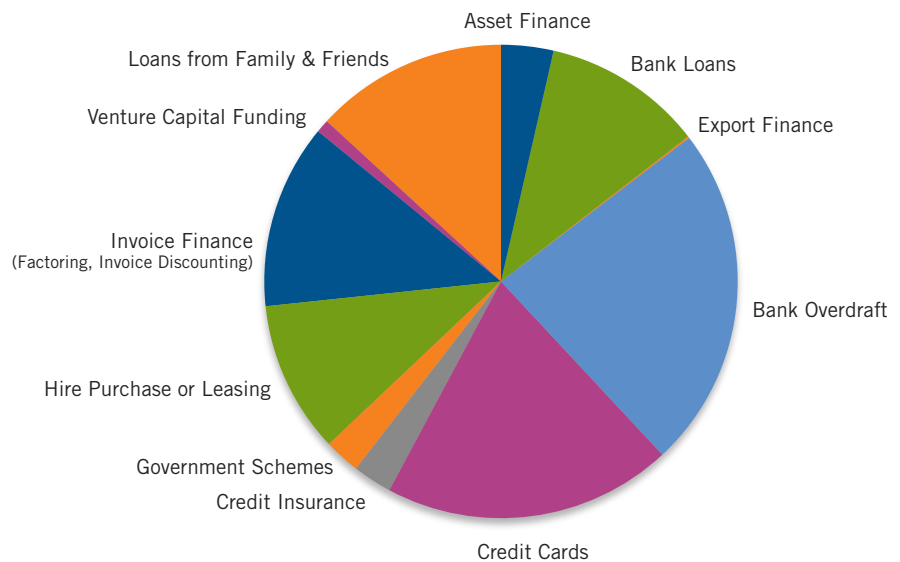
—March 2010, CBI

Businesses Place their Trust on Plastic

Another potentially alarming trend identified in the report is businesses' increasing reliance on unconventional routes to finance. While bank overdraft finance remains the SMEs' preferred method of securing credit with 41% of the sample saying they'd used this method over the past six months, 35% of the sample admit to using credit cards as a means of meeting their working capital needs. Loans from friends and family were also high on the list of fundraising methods (23%).

It's inevitable that, faced with a shortfall of business finance, SMEs will be obliged to look elsewhere for funding. As the situation has been slow to resolve, this has forced more and more SME owner managers to pursue risky short-term strategies to secure cash flow and, in the process, put themselves and those closest to them under intense pressure. Hopefully such risky business practice will die out as the recovery takes hold but, until then, SMEs are encouraged to consider using techniques such as invoice finance - that allows companies to access cash quickly and easily against their sales ledger - as an alternative route to securing funding.

Routes to finance in the last 6 months



"During the early days of recovery, access to adequate funding can still prove challenging, whilst the knock on effects have meant that late payment and bad debt are potentially more of an issue for SMEs now than in the depths of the recession. Therefore, we would urge all businesses to develop a post-recession plan to help them to navigate their way around potential pitfalls and position their business for success to come."



—Evette Orams, Hilton-Baird Financial Solutions



About Hilton-Baird Financial Solutions

As the UK's leading independent commercial finance broker, Hilton-Baird Financial Solutions specialises in identifying the exact funding needs of businesses and matching them with suitable funding providers in the UK and overseas.

Over the years, Hilton-Baird's independent status has enabled the company to foster strong relationships with in excess of 70 dedicated lenders ranging from major banking groups through to smaller boutique funders. This objective approach and market expertise delivers real benefits for clients, enabling the right business solution to be sourced and ensuring that Hilton-Baird always delivers positive and innovative financial solutions allied to exact business requirements.

Established in 1997, Hilton-Baird Financial Solutions has helped in excess of 3,000 businesses during its thirteen year history. It is part of the Hilton-Baird Group, one of the UK's leading independent business finance groups, consisting of a team of 50 professionals with expertise in all aspects of commercial fundraising and risk management across a wide range of industries and sectors.

The emphasis Hilton-Baird places on delivery of a tailored and personal service for all clients is central to its business proposition and has played a large role in the company's growing success. As an affiliate of the Asset Based Finance Association (ABFA) and a member of the National Association of Commercial Finance Brokers (NACFB), the company maintains the highest service standards at all times. Hilton-Baird also recognises that its people are its true strength and is fully committed to supporting them, creating a vibrant working environment with a team that is dedicated to delivering beyond expectations.

Hilton-Baird defied 2009's challenging trading environment to turn in record breaking results for its clients and secure the Asset Based Finance Broker Award for the second consecutive year. Despite the shifts imposed by the economical climate, the depth of information and quality of leads passed from Hilton-Baird to its panel of lenders have kept funding flowing.

To find out more about Hilton-Baird contact:

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