



Financing outlook

Part of the SME business investment and financing outlook survey, wave VII

December 2020



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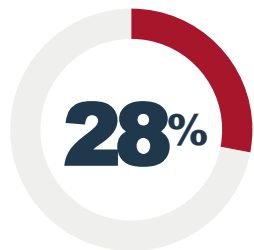


01.
Key highlights

Key highlights

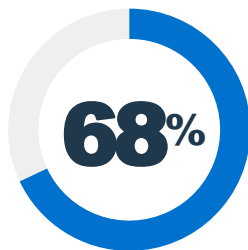


Requested financing and plans to request financing are slightly higher than the historical average. A much larger proportion now think that it will be easy to get financing.



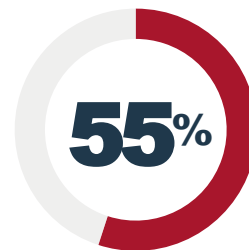
Requested financing in the past 3 months

(+2 pts vs. October)



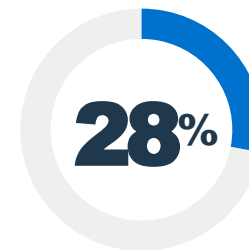
Approval loan rate, past 3 months

(-9 pts vs. Oct, significant, might be due to high % of requests still under review)



Will be easy to get financing, next 12 months

(+18 pts vs. Oct, significant)



Will request financing, next 12 months

(+3 pts vs. October)

SMEs plan to request smaller amounts of financing compared to previous waves

Average amount sought has decreased since October



\$156k

vs. \$453K in October
October amount was pulled upwards by higher amounts sought in the Prairies

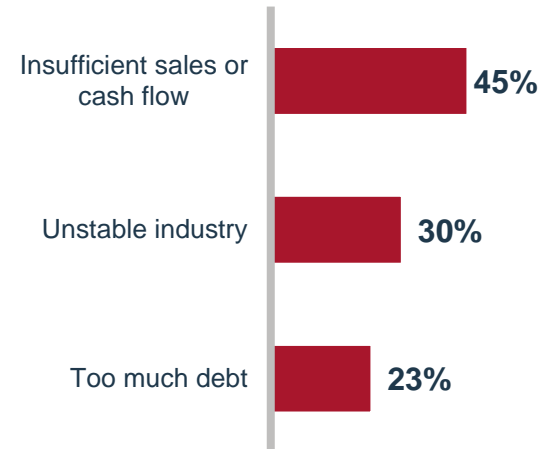
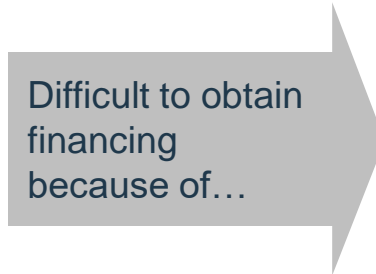
Lines of credit are the most sought after, but **trade credit** is on the rise



Those who need \$500K+ mostly do so for **growth-related projects**



Difficulty in obtaining financing is mostly attributed to insufficient sales or cash flow



Not needing money and not wanting to add more debt are the main reasons given for not requesting financing





02.

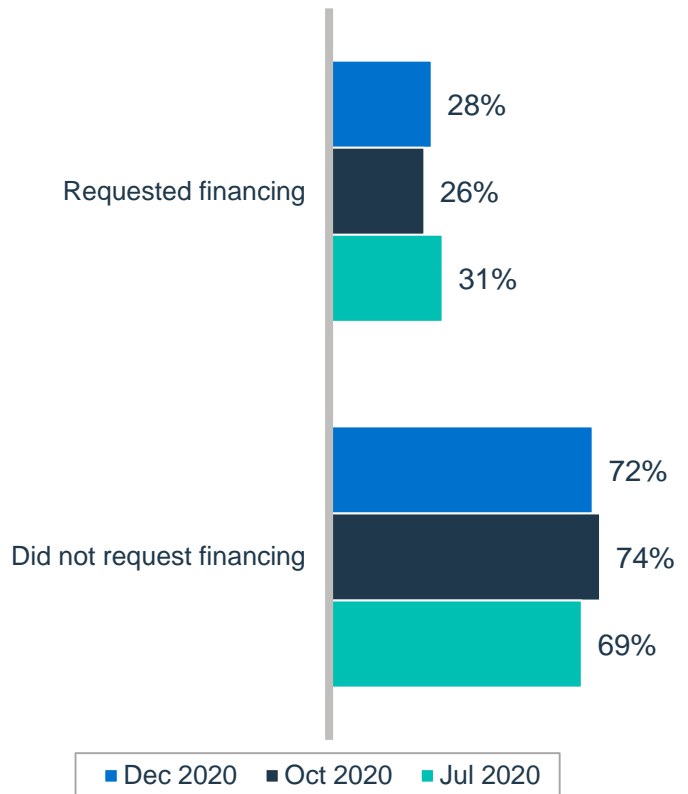
Detailed results



Just over one-quarter of SMEs requested financing to close-out 2020. Government programs may explain why the result is only slightly higher than the historical average of 26%



Q30. Over the last 3 months, has your company requested financing?



More likely to have requested financing:

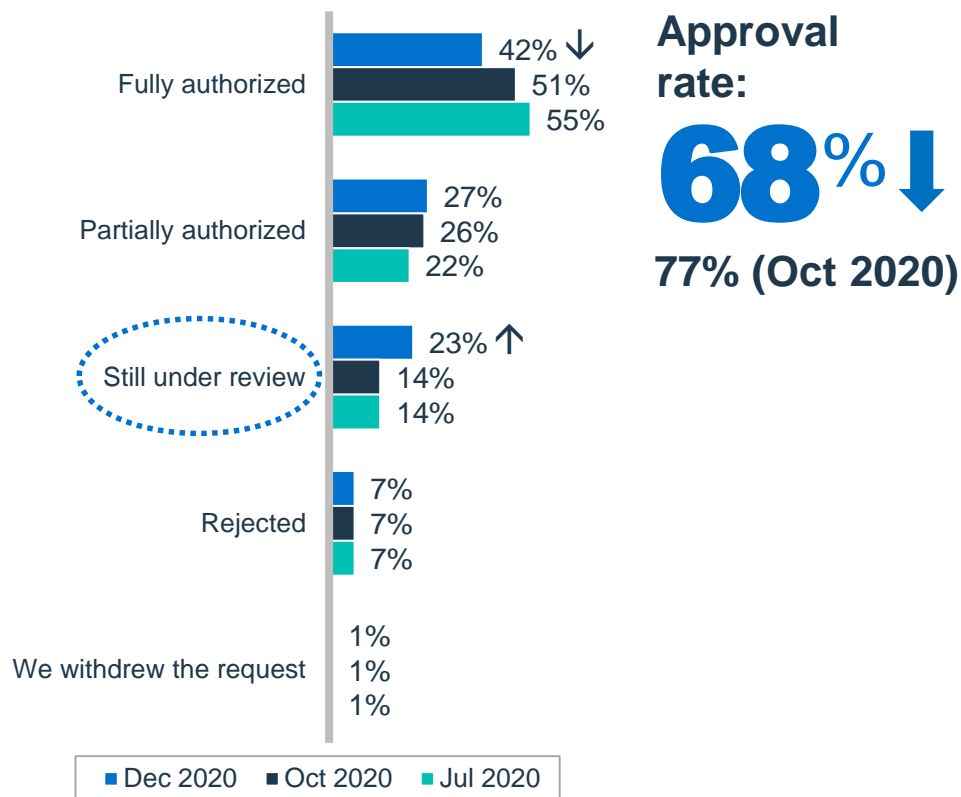
- SMEs who plan to request financing (62%)
- SMEs who plan to acquire another business (58%)
- Indigenous entrepreneurs (52%)
- Those planning to hire an external consultant (50%)
- Members of a visible minority (42%)
- SMEs in Quebec (42%)
- Exporters (41%)
- SMEs with 5 to 19 employees (37%)

Base: All qualified respondents (n Dec wave = 942). Those who did not know were excluded from the calculation base. Historical average request rate is 26% (compiled by BDC using three sources, including StatsCan).

Approval rate has decreased. However, requests still under review are up by an equal percentage, which could explain the decrease. Under that assumption, the **approval rate would not have changed**



Q31. What was the **outcome** of this financing request?



More likely to have seen their request being **authorized** (in full or in part):

- SMEs with sales of \$10M or more (98%)
- Exporters (93%)
- SMEs with 100 or more employees (93%)
- Manufacturing (87%)
- SMEs who plan to acquire another business (85%)

More likely to have seen their request being **rejected**:

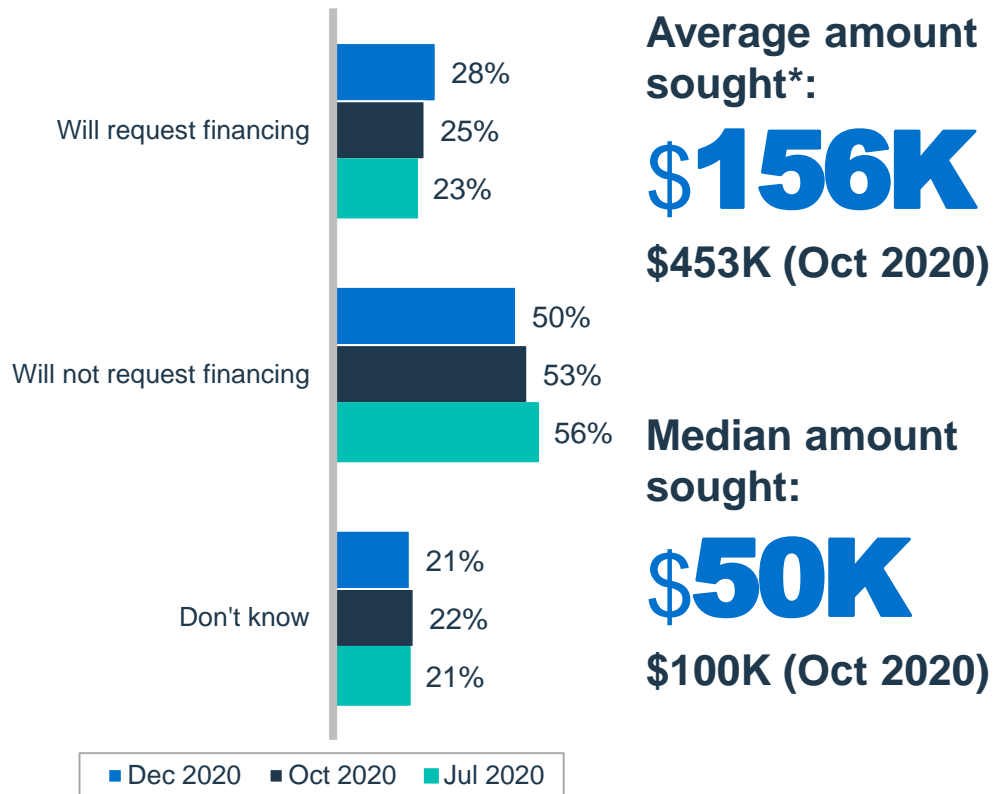
- SMEs owned by or mostly by women (26%)
- Those for whom access to financing is deemed difficult (26%)
- Arts, entertainment and recreation (26%)
- SMEs in “Other private services” (22%)

Base: Respondents who requested financing in the past 3 months (n Dec wave = 277). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between December and October 2020. Approval rate was 77% in October and July 2020. Historical approval rate is 85% (compiled by BDC using three sources, including StatsCan).

There is a **slight increase** in those who plan to request financing in the next 12 months, but on average, these requests are for **lower amounts** than in previous waves



Q32. Over the **next 12 months**, is your company planning to **request financing**?



Average amount sought*:
\$156K
\$453K (Oct 2020)

Median amount sought:
\$50K
\$100K (Oct 2020)

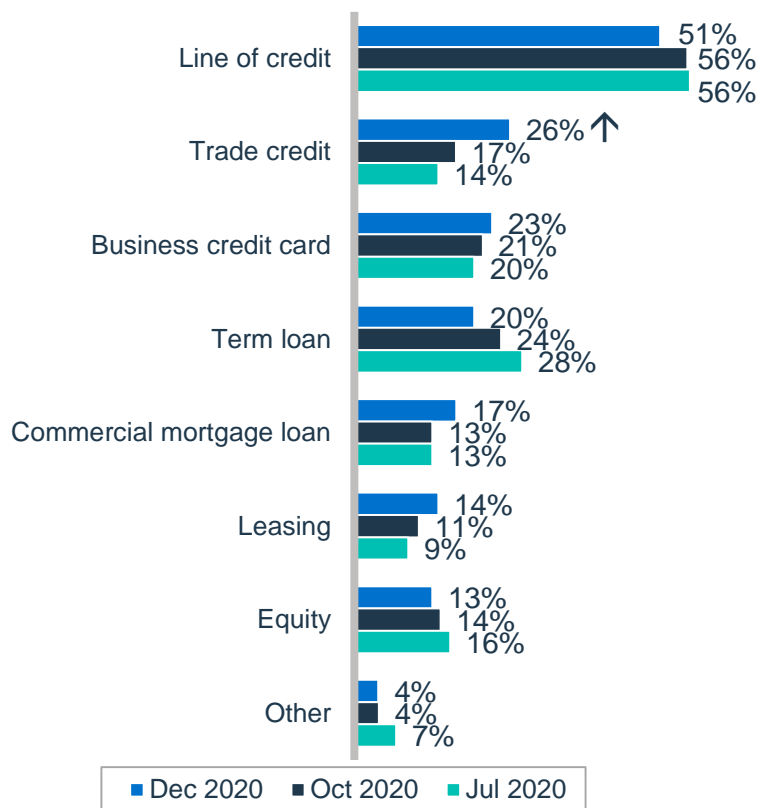
- More likely to request financing:**
- SMEs who plan to acquire another business (70%)
 - Primary sectors (66%)
 - Those planning to hire an external consultant (54%)
 - Accommodation and food services (50%)
 - Exporters (43%)
 - Members of a visible minority (42%)
- More likely not to request financing:**
- SMEs owned by or mostly by women (64%)
 - Service-oriented businesses (63%)
 - SMEs 1 to 4 employees (59%)

Base: Q32 = All qualified respondents (n Dec wave = 991). *Average amount (trimmed average) was calculated with Q34 results (n Dec wave = 229); the lowest 5% and the highest 5% were excluded from the calculation base. Those who preferred not to answer were also excluded from the calculation base at Q34.

SMEs are seeking **short-term credit facilities**: line of credit, trade credit and business credit card. Term loans are trending downwards, while commercial mortgages show a slight uptick



Q33. What **type of financing** will you request?



More likely to request a **line of credit**:

- SMEs in Atlantic (77%)
- Wholesale trade (100%)

More likely to request **trade credit**:

- Primary sectors (76%)
- SMEs in Quebec (60%)

More likely to request a **business credit card**:

- Indigenous entrepreneurs (59%)

More likely to request **term loan**:

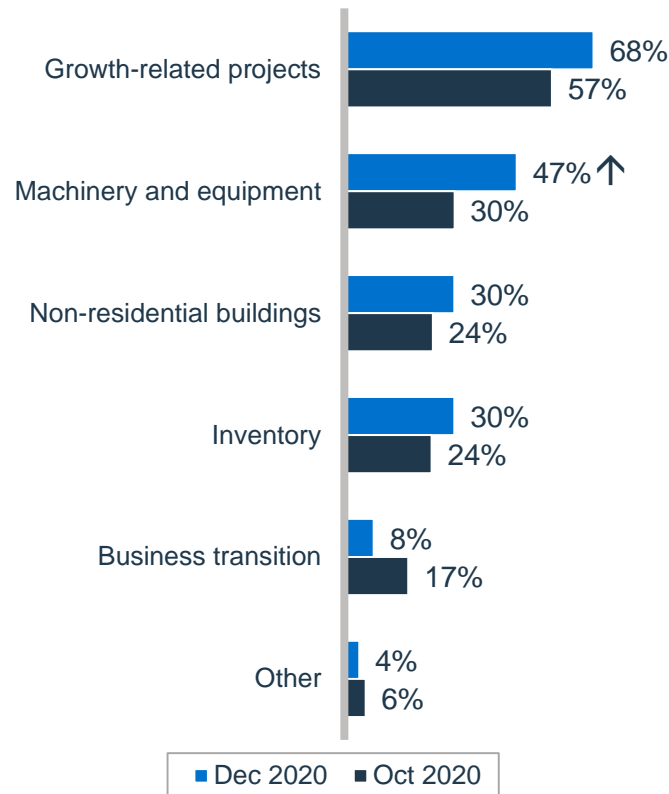
- Retail (53%)
- SMEs with sales between \$5M and \$10M (46%)
- SMEs in “Other private services” (45%)
- SMEs in B.C. and North (40%)

Base: Respondents who will request financing in the next 12 months (n Dec wave = 281). Those who did not know are not presented in the graph. Arrows indicate statistically significant differences between December and October 2020. Multiple mentions were allowed, therefore total exceeds 100%.

Among those planning to request \$500K or more in financing, two-thirds will do so **for growth-related projects** and nearly half plan to add **machinery and equipment**



Q34b. What would this financing be **used for**?

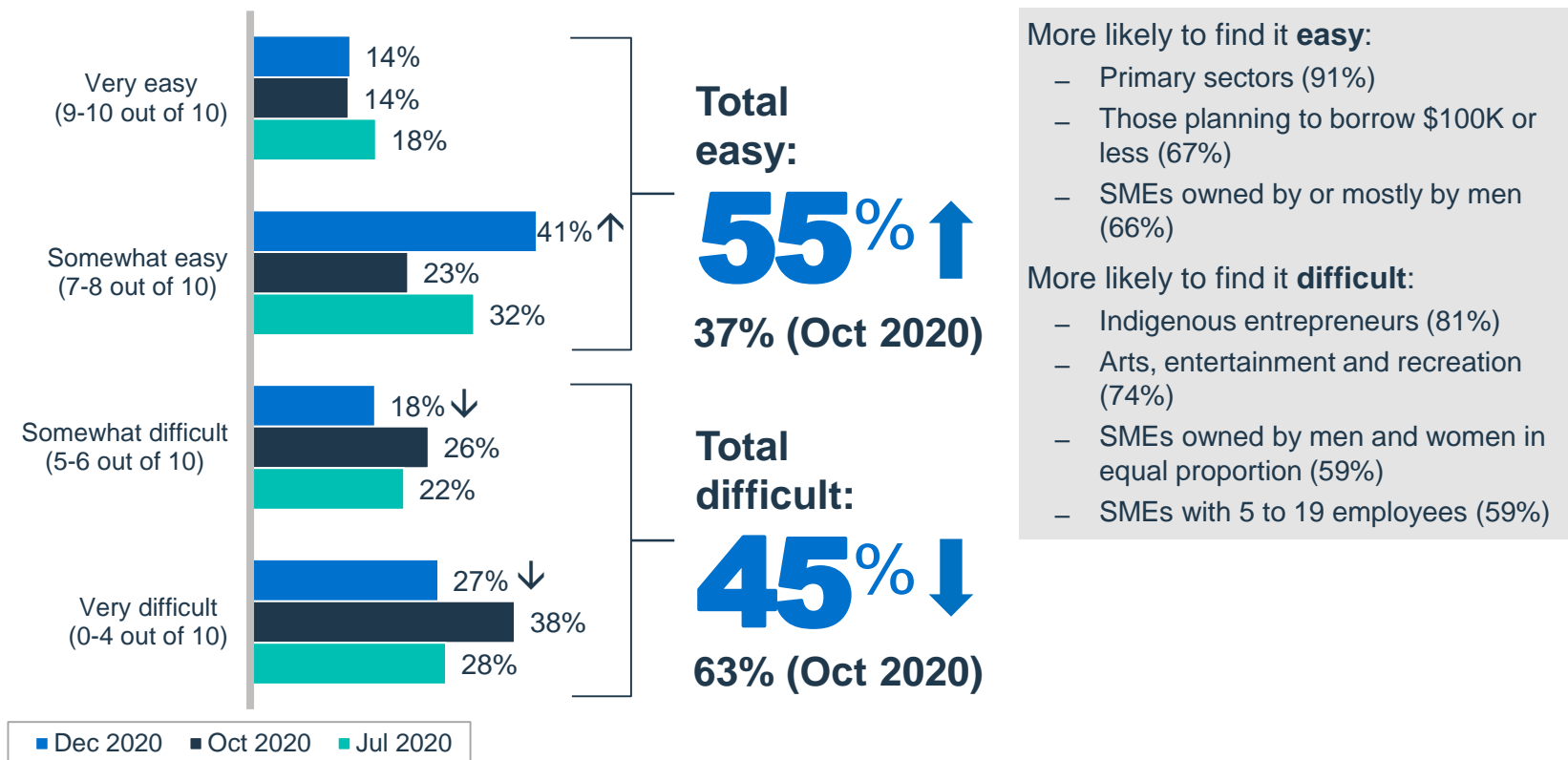


Base: Respondents who will request at least \$500K of financing in the next 12 months (n Dec wave = 65) Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in October 2020. We did not mention statistically significant differences between sub-groups because of the small sample size. Those who did not know or preferred not to answer are not presented on this slide.

Over half of those planning to request financing in the next 12 months believe that it will be **easy to obtain**. This is a significant increase from the result obtained in October



Q35. How easy will it be to **obtain this financing**?

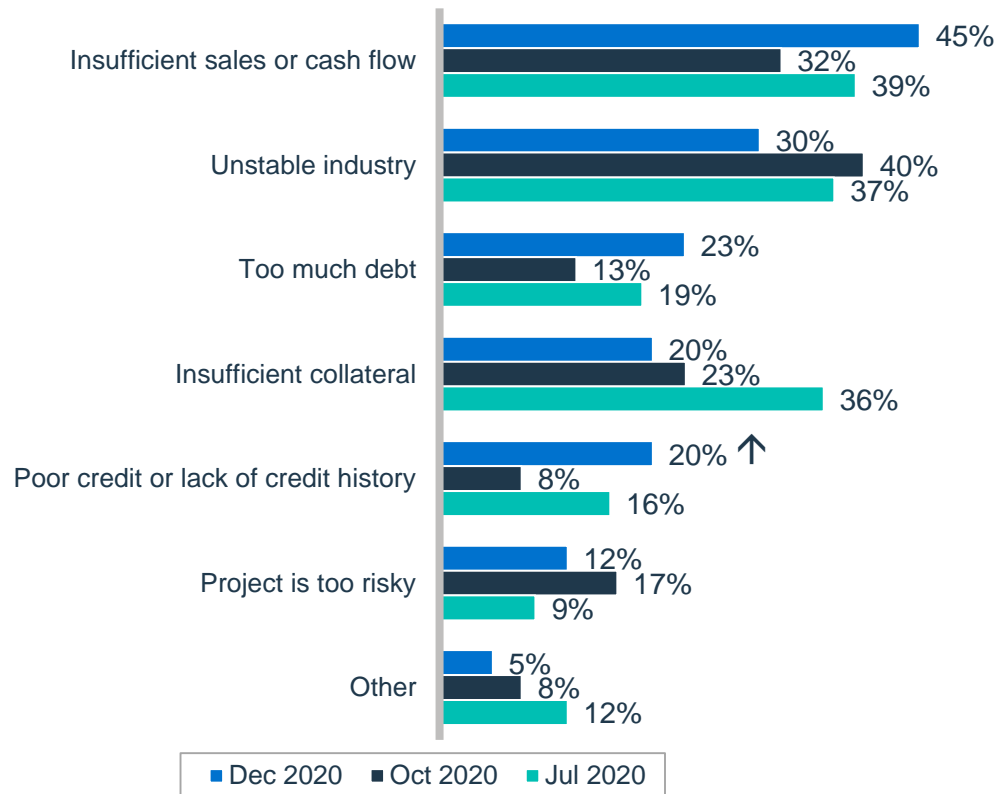


Base: Respondents who intend to request financing in the next 12 months (n Dec wave = 265). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistically significant differences between December and October 2020. In October 2020, total easy was 37% and total difficult was 63%. Statistically significant differences between sub-groups are presented in terms of "Total easy" (scores of 7-10 out of 10) and "Total difficult" (scores of 0-6 out of 10).

Insufficient sales is now the main reason to believe it will be difficult to obtain financing. **Unstable industry** slides one and **too much debt** completes the top three answers. **Poor credit** has risen significantly



Q36. What makes you believe that it will be **difficult** to obtain financing for your company?

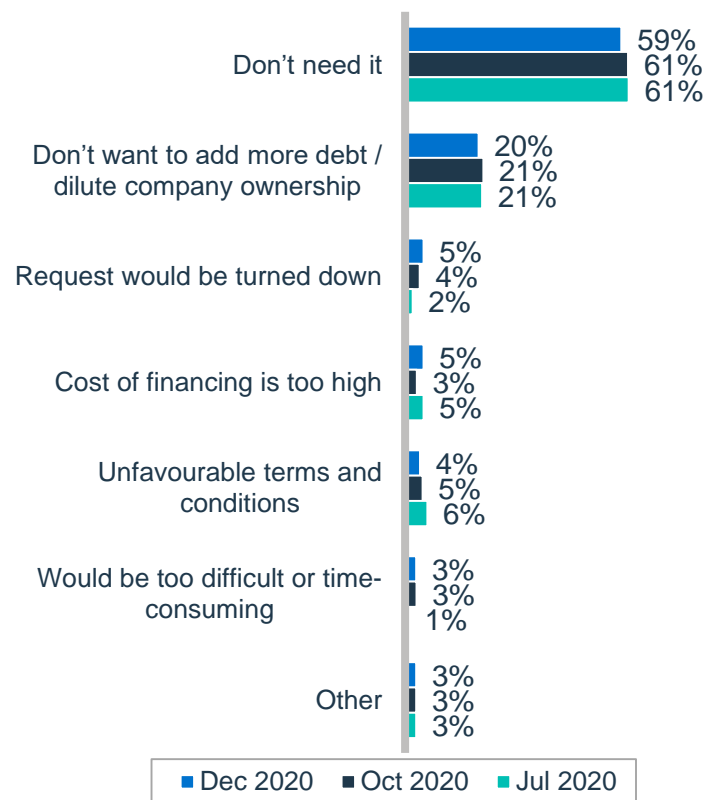


Base: Respondents who believe it will be difficult to obtain financing (n Dec wave = 62). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between December and October 2020. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups because of the small sample size.

Reasons for not requesting financing **remain stable**: entrepreneurs claim they don't need it or don't want to add more debt or dilute the company's ownership



Q37. Why do you **not intend to request financing** over the next 12 months?



More likely to say they **don't need financing**:

- SMEs with sales of \$10M and over (83%)
- SMEs offering professional, scientific, and technical services (71%)
- SMEs owned by or mostly by men (64%)

More likely to say they **don't want to add more debt**:

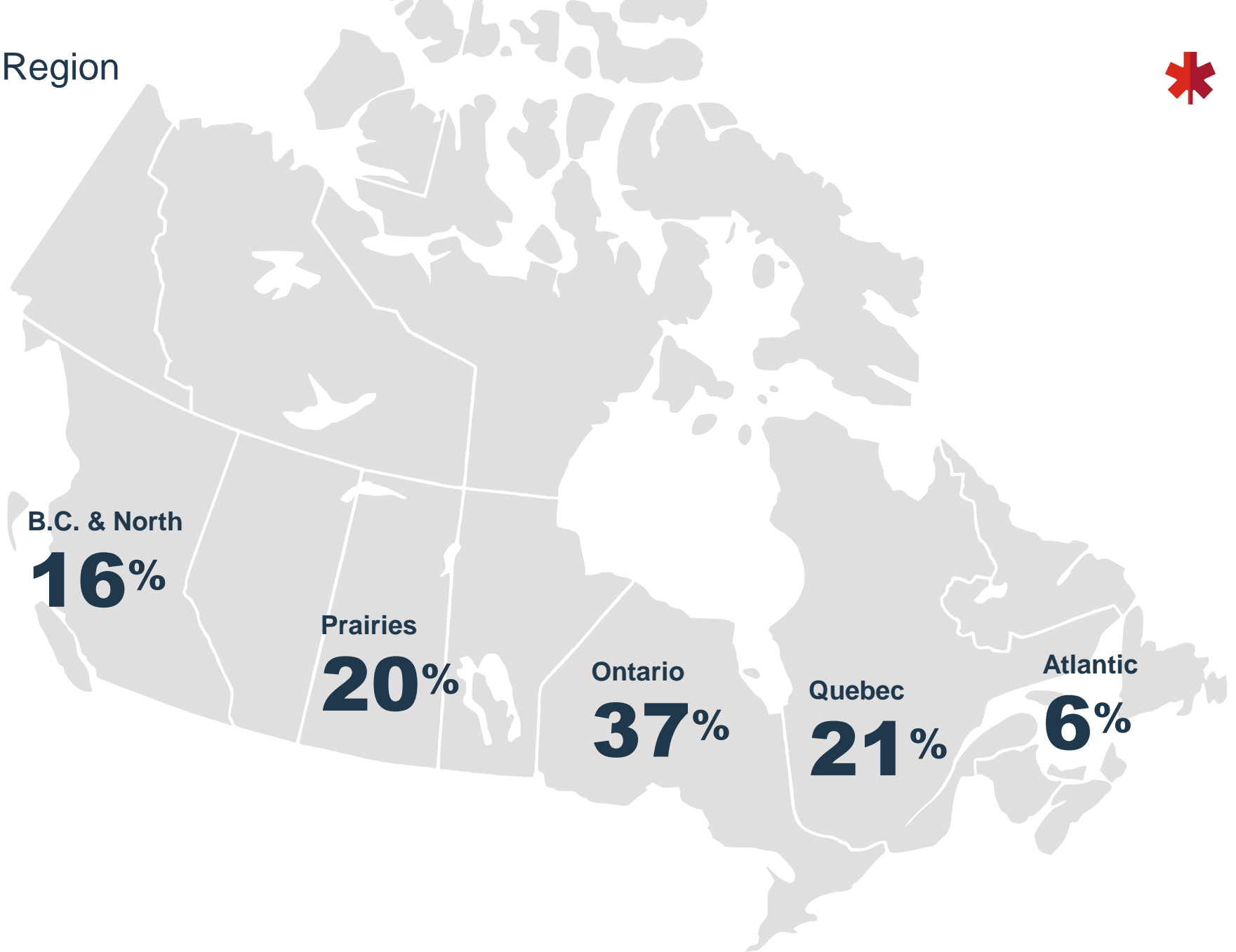
- SMEs with 5 to 19 employees (27%)

Base: Respondents who will not request financing in the next 12 months (n Dec wave = 635). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistically significant differences between December and October 2020. Multiple mentions were allowed, therefore total exceeds 100%.



03. **Respondent profile**

Region

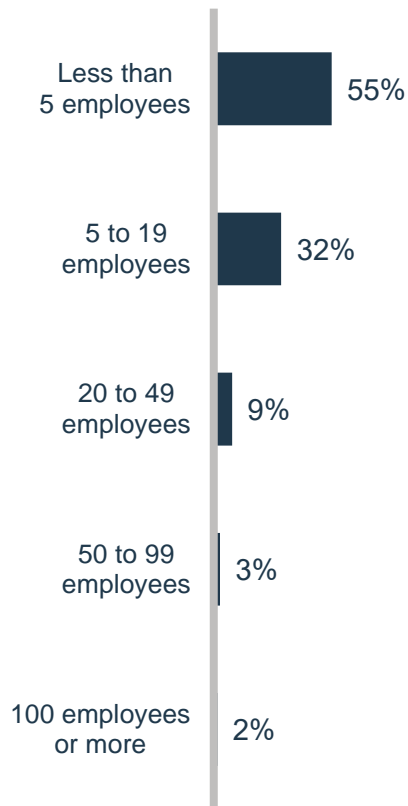


Base: All respondents (n=1,001).

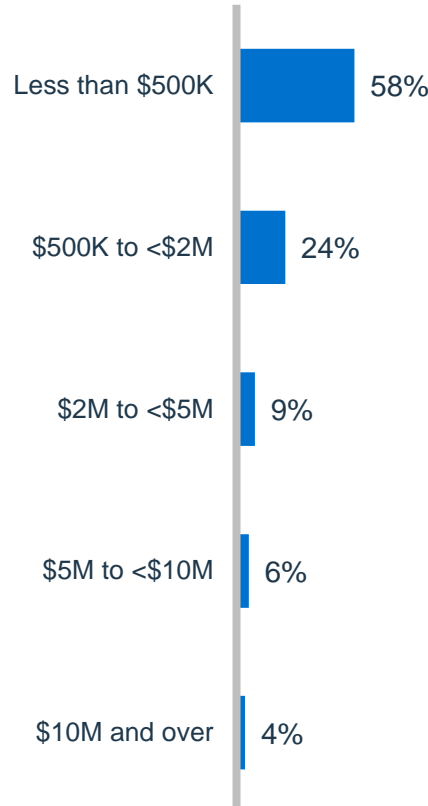
Number of employees, annual sales and BDC segment



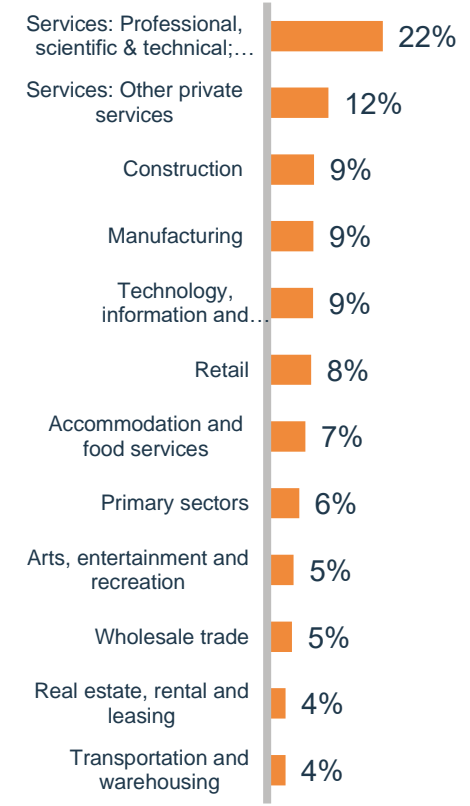
Number of employees



Annual sales



Sector of activity



Base: All respondents (n=877-1,001). For the annual sales, those who didn't know were excluded from the calculation. For the sectors, only those mentioned by 3%+ are presented.

Business revenue growth, bankability status and sector of activity



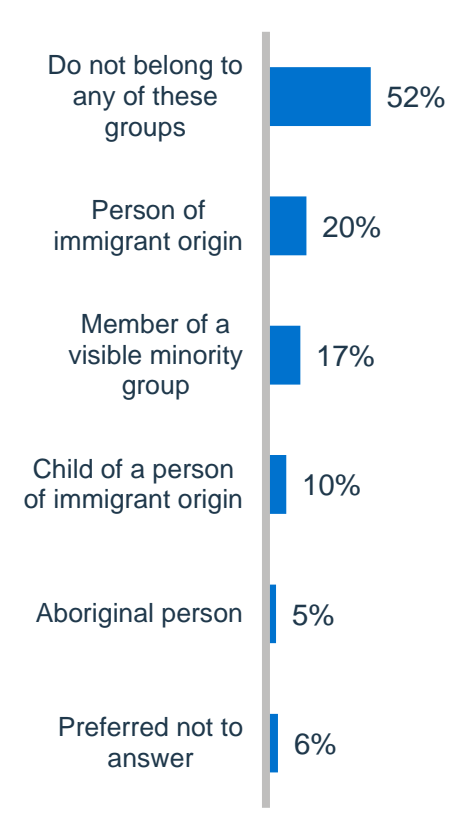
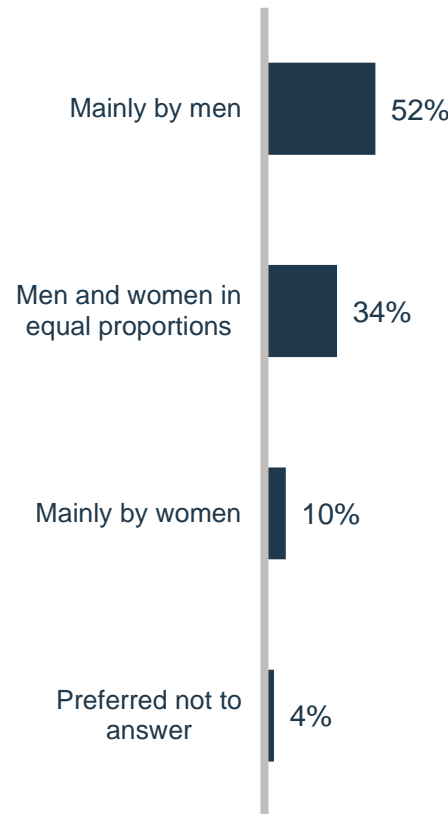
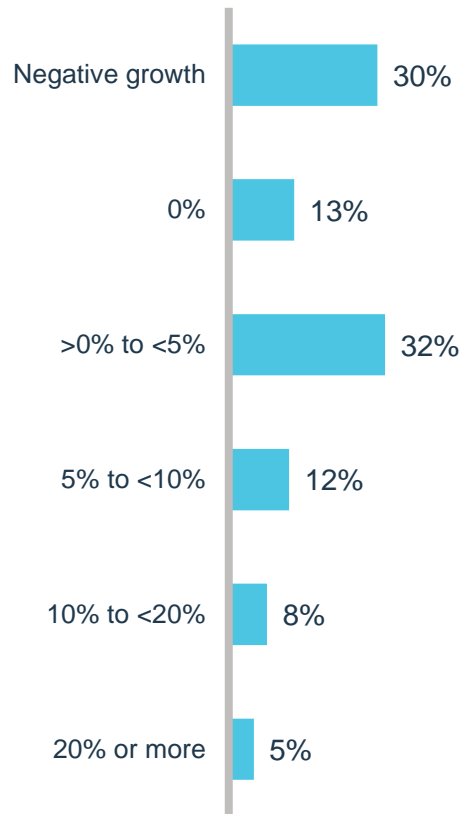
Revenue growth



Gender ownership



Diversity groups



Base: For revenue growth = Respondents for which company existed last year (n=882).
 For gender ownership, those who preferred not to answer were excluded from the calculation base (n=952). Diversity groups (all respondents n=1,001).



04. Methodology



Methodology

Survey methodology

Online tracking survey.

Respondent profile

Business owners and business decision-makers from the AskingCanadians (Delvinia) panel.

Survey dates

December 3 to 15, 2020.

Margin of error

For a probability sample of 1,001 respondents, the maximum margin of error is ± 3.1 percentage points, 19 times out of 20. However, as this survey is based on a non-probability sample, this information is provided for reference only.

Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.

Note: Unless otherwise mentioned, calculation bases exclude respondents who preferred not to answer the question. Other appropriate exclusions are detailed on the different slides.



Thank you.

Research and Market Intelligence

For more info, please contact us at:

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