

COVID-19

How we can support dealers to
obtain funding

Now, for tomorrow



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How we can support dealers to obtain funding from one of the Government's Covid-19 loan options:



Background

We have been involved in extensive discussions with both the British Business Bank and the banks who are being asked to provide the government's crisis loan funding and from this we have a clear understanding of the bank's detailed expectations and requirements plus supporting information needs which will help dealers to obtain the funding.

There are challenges which have been very significant for businesses to obtain the original CBILS and CCFF loans and there will continue to be challenges with both these and the new CLBILS loan but our specialised team of motor and funding experts can help you overcome this. For this reason we recommend that dealers who may have a need for such funding, including the new CLBILS loan (which is likely to be applicable for the majority of dealers and for which further details are yet to be provided) start to prepare the background information which the bank will require.

Approach to Funding Request

The approach which will give dealers the highest likelihood of obtaining the loans will involve preparation of the following:

- A refresh of the businesses original pre-Coronavirus business plan and forecast and updated performance reporting against this plan and forecast. This is essential to ensure that the funder is able to conclude that the existing business was viable prior to the impact of the crisis;
- A revised detailed short term cash flow forecast from the start of the disruption period including March actual and Q2 based on the revised cost base and residual incomes and for further months outlining as a minimum:

- The actions already taken to protect cash flow as a result of the disruption and the financial impact (our Dealer Coronavirus Business Continuity Planning guides and checklists can be used to confirm all appropriate actions have been taken and the financial impact recorded or forecast); and
- The key assumptions made in relation to the impact of the disruption across all areas of the business and including sensitivities for factors such as the potential period impacted by the lockdown and the estimated business growth rates following the removal of the lockdown (consideration should be given to the detailed guidance we have been providing to dealers through our Dealer Coronavirus Surgery Webinars and the Executive Summaries which we have prepared);
- Preparation of a "bank funding presentation package" which records and captures the "refreshed business plan and forecast" plus the "sensitised short term cash flow forecast" into a "bank friendly format and template" as outlined in the Business Case section at the end of this document. This format and the content within it has been prepared based on the guidance which we have received from the banks currently for the CBILS loan applications;
- Consideration of the support needed to have the highest chance of success in the bank negotiation process, including a potential "remote rehearsal".

Contact our team for help

Our team would be happy to talk to you on each of these points and discuss how we can provide you with the support to give you the best chance of success in obtaining the funding.

The Governments 3 Loan Schemes - an Update



'Coronavirus Business Interruption Loan Scheme' (CBILS)

The Coronavirus Business Interruption Loan Scheme (CBILS) is designed to assist qualifying businesses with a turnover of up to £45M during these unprecedented times.

The Scheme aims to support long-term viable businesses who may need to respond to cash-flow pressures by seeking additional finance, because of the Covid-19 outbreak.

The loan will be provided by the British Business Bank through participating providers for an initial period of six months.

The types of finance available will include:

- Term facilities
- Overdraft's
- Invoice finance facilities
- Asset finance facilities

CBILS: Key features

- Up to £5m facility: The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years.
- 80% guarantee: The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender.
- No guarantee fee for SMEs to access the scheme: No fee for smaller businesses. Lenders will pay a fee to access the scheme.
- Interest and fees paid by Government for 12 months: The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.
- Finance terms: Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years
- Security: At the discretion of the lender, the scheme is unsecured on lending for facilities of £250,000 and under. For facilities above £250,000, all collateral requirements have been removed, but businesses will still have to prove their pre-pandemic creditworthiness.

Loans in the scheme are limited to a maximum of 25% of 2019 turnover or double the annual wage bill, whichever is greater.

The borrower always remains 100% liable for the debt.

Eligibility Criteria

- Your application must be for business purposes
- You must be a UK-based SME with annual turnover of up to £45m
- Your business must generate more than 50% of its turnover from trading activity
- Your CBILS-backed facility will be used to support primarily trading in the UK
- You wish to borrow up to a maximum of £5m. (Finance terms are to six years for term loans and asset finance. For overdrafts and invoice finance facilities, terms will be up to three years)

How can I access the scheme?

CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website here; <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>

In the first instance, businesses should approach their own provider – ideally via the lender's website. They may also consider approaching other lenders if they are unable to access the finance they need.

Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

Information required to assess an application will again vary between lenders.

The Governments 3 Loan Schemes - an Update



Coronavirus Large Business Interruption Loan Scheme (C-L-BILS)

This provides a government guarantee of 80% to banks making loans of up to £25m to businesses with an annual turnover of between £45m and £500m.

A government statement said the move will offer banks “the confidence to lend to more businesses which are impacted by coronavirus but which they would not lend to without CLBILS”. Loans backed by the guarantee will be offered at commercial rates of interest, but the government will not cover interest or fees in the same way as the small business scheme.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) is there to facilitate access to finance for medium-sized and larger businesses affected by the coronavirus outbreak.

Specifically, it facilitates access to finance for businesses with a turnover above £45 million across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak.

The types of finance available will include:

- Term facilities
- Revolving Credit Facilities – RCF’s (Incl. Overdraft’s)
- Invoice finance facilities
- Asset finance facilities

CBILS: Key features

- A lender can provide up to £25 million to businesses with turnover from £45 million up to £250 million OR up to £50 million to businesses for those with a turnover of over £250 million
- Available on repayment terms from three months to three years.
- CLBILS gives the lender a government-backed partial guarantee (80%) against the outstanding balance of the facility.
- For facilities above £250,000, personal guarantees may still be required, but claims cannot exceed 20% of losses after all other recoveries have been applied.
- The Scheme will be available through a series of accredited lenders, mostly High Street Banks, which are listed on the British Business Bank website

- This scheme is to support businesses that were viable before the coronavirus outbreak but now face significant cash flow difficulties that would otherwise make their business unviable in the short term.

The borrower remains 100% liable for the debt.

Eligibility Criteria

- The company must UK-based in its business activity
- The business has an annual turnover of over more than £45 million
- You can self-certify that your business has been adversely impacted by coronavirus
- The business has not received a facility under the Bank of England’s COVID-19 Corporate Financing Facility (CCFF)
- You must also have a borrowing proposal which the lender would consider viable, if not for the coronavirus pandemic & the lender believes will enable you to trade out of any short-term to medium-term difficulty.
- The lender has the authority to decide whether to offer a company finance.

How can I access the scheme?

CBILS is available through the British Business Bank’s 40+ accredited lenders, which are listed on the British Business Bank website.

When you apply for a business loan, most lenders will ask you for the following:

- The amount you would like to borrow
- What the money is for – the lender will check that it’s for a suitable business purpose and the right type of finance for your needs
- The period over which you will make the repayments – the lender will assess whether the loan is affordable for you

You will need to provide certain evidence to show that you can afford to repay the loan. This is likely to include:

- Management accounts
- Cash flow forecast
- Business plan
- Historic accounts
- Details of assets

The above requirements will vary from lender to lender.

The Governments 3 Loan Schemes - an Update



Covid Commercial Financing Facility (CCFF)

The Bank of England (the “BOE”) will provide short-term corporate debt (commercial paper) for large and medium-sized UK businesses to facilitate credit supply and maintain liquidity. The BOE, acting directly, will purchase short term debt from companies.

How does the CCFF scheme work?

The BOE will purchase commercial paper issued by eligible companies with the following key characteristics:

- Maturity of one week to twelve months
- Minimum loan of £1 million (sterling denominated) per borrower, with a cap decided on a case by case basis.
- Commercial paper will be purchased at a spread above a reference rate, meaning it will be interest bearing. The BOE has announced it expects rates to be comparable to those available in the market during the period preceding the COVID-19 economic shock
- Debt is to be issued directly into Euroclear and/or Clearstream (settlement houses).

Whilst the commercial paper will be unsecured, parent company guarantees (in a form acceptable to the BOE) may be required where the issuer is a subsidiary of a larger group.

Eligibility Criteria

The BOE and the Treasury have cast the eligibility criteria for CCFF purposely wide deeming that companies operating in multiple sectors which are “genuine UK businesses” and which “make a material contribution to the UK economy” may apply (this includes UK subsidiaries of overseas parents).

The BOE has stated that businesses with a large customer base, significant employment, or a number of operating sites in the UK will be considered. Nonbank financial companies which make a material contribution to corporate financing in the UK may also qualify, subject to BOE approval.

The following are explicitly EXCLUDED from being able to apply: leveraged investment vehicles, companies within groups that are predominantly banks, investment banks or building societies.

CCFF has been designed to target fundamentally strong businesses that are experiencing severe disruption to cashflows, but which can demonstrate they were in sound financial health prior to the impact of Covid-19. The BOE states that the clearest way of being able to demonstrate “sound financial health” is to have an existing investment-grade short term rating of A3/P3/F3/R3 or above, or a long-term rating of BBB-/Baa3/BBB- from at least one of the credit ratings agencies: Standard & Poor’s, Moody’s, Fitch and DBRS Morningstar as at 1 March 2020.

The BOE makes clear that eligible businesses do not need to have previously issued commercial paper.

How to apply

Companies interested in applying will be required to liaise with one of the 12-banks assessed by UK Finance as being able to issue commercial paper to the CCFF. Eligible companies will be required to submit market-standard documentation for the issue of commercial paper as specified by the International Capital Market Association (ICMA) – the BOE has committed to accepting some simplified versions of documentation based on the ICMA standards.

Considering COVID-19 Government Funding

MHA Macintyre Hudson already got some experience of supporting successful CBILS / CCFF applications across the team, so we know what is required on a more granular level by the banks to support the all these forms of government lending. The banks are dealing with a high volume of enquiries at the moment as you’d expect, so where preparatory work and thinking has been done in advance, we are finding applications for funding are being treated more seriously and with more efficiency.

If you would like to discuss any of the schemes, or to have assistance to consider an application please contact us.

Template Business Case for Presentation to Funder



1. Overview : showing dating of incorporation, registration number, trading address, group structure, shareholding structure, year end date, number of employees, SIC Code, Directors, active security pledged (ie look at Mortgages section on Market IQ and list mortgage description, lender name, date of registration [ignore that which is satisfied]). All of this can be taken from MarketIQ. Include length of banking relationship.
2. Background to the business
3. Run through of sales channels : what is sold, how is it invoiced, when do customers pay, run through of customers, who contributes over 10% of total sales (ie where does the concentration sit), are sales subject to any contracts or underlying framework agreements
4. key costs and suppliers : how many staff, can we see an employee chart showing salary details, start date and position, who are key suppliers and what do they provide (and where from), are supply contracts in place, what concentration exists, can suppliers be changed easily in normal circumstances
5. overview of balance sheet as per latest accounts date (management accounts) detailing what assets the business trades with and what debt is in place (detailed schedule will be needed showing debt provider, amount, term, pricing, security pledged).
6. Finance Request: amount requested and term requested, detail behind method of calculation (ie assessed using analysis of actual and projected financial performance prior to COVID19 and post COVID19 under a range of scenarios which include varying lengths of lockdown which disrupt customer demand and the business supply chain (including labour and materials). Add high level financials on annual basis for both pre and post COVID19 (with commentary to denote trends and assumptions used in forecasts) and the next 12 months under COVID19 scenario. Include a section which denotes other sources of finance used, eg VAT deferral include across x period, HMRC time to pay arrangements, any current and expected employee furlough plans which map out number of employees to be furloughed and cost saving. Also worth listing critical expenditure which cannot be negotiated (eg IT infrastructure costs). At the bottom of the section on the funding request include annual sales (up to 25%) for 2019 (or last stat accounts) and annual wage bill (up to 2 times) for same period (used to check CBILS request versus defined thresholds).
7. Management action plan: summary of action taken already and to be taken to trade through current lock down and longer term implications.
8. Disclaimer and management sign off (ie confirmation of accuracy of information shared and forecast assumptions from management including a signature, with the usual TW disclaimer used on FDD assignments).

Contact us



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