

 AMA (ARC Méditerranéen des Auditores) CNCC (La Compagnie Nationale des Commissaires aux Comptes)  
OEC (Ordre des Experts-Comptables Paris Ile-de-France)

**Workshop 1 – Access to Finance**  
*Friday 8th September 2006*

**11:00 to 12:30**

Facilitator:

**Saskia Slomp, FEE Technical Director**

FEE Annual European SME/SMP Congress, Palais des Congrès, Versailles, France, 7th & 8th September 2006

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**Workshop 1 – Access to Finance**  
*Friday 8th September 2006*

Speakers:

**Jean-Noël Durvy, Head of Unit Financing SMEs, Entrepreneurs & Innovators,  
DG Enterprise, European Commission**

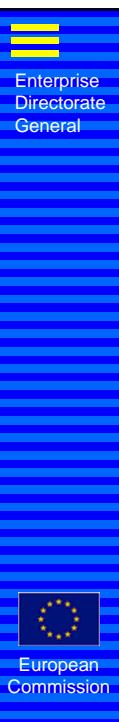
**Vincent Van Dessel, Executive Director, Euronext**

**Michel Juzio, Responsable du développement, Direction du Développement et de  
l'Evaluation, OSEO-SOFARIS, France**

**Professor Leo Verhoeven, Rapporteur Fifth Round Table**

**Richard Roberts, Chief Economist, Barclays, Member IASB SME Working Group**

FEE Annual European SME/SMP Congress, Palais des Congrès, Versailles, France, 7th & 8th September 2006



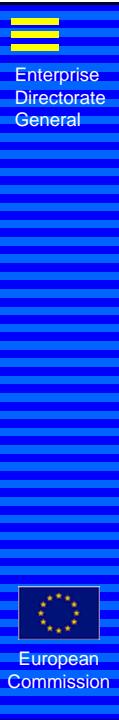
# Financing and growth of SMEs

Versailles, 8 September 2006

**Jean-Noël DURVY**

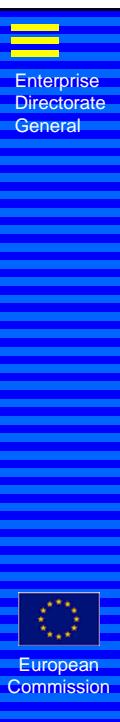
Head of the Unit

Financing SMEs, entrepreneurs & innovators



## Structure of my presentation

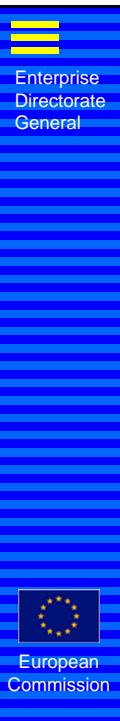
- Introduction
- The Communication :  
“Financing SME growth – Adding european value”
- Improving access to finance for SMEs & Innovation
- Some figures about CIP
- CIP financial instruments
- The roundtable between bankers and SMEs
- Our contact address to know more about our activities



## The Communication : “Financing SME growth – Adding european value”

### A framework for action in partnership with the Member States :

- \* Tripling the availability of seed and start-up equity finance
- \* A favorable regulatory environment, from pre-seed to investors exit
- \* Easier cross-border investments in venture capital
- \* More debt finance for SMEs (guarantees, hybrids, securitisation)



## Improving access to finance for SMEs and innovation

### *The Commission assumes its responsibility :*

- Over one billion for SMEs financing in the CIP
- Structural funds can allocate considerable amounts for SME financing (JEREMIE)
- The risk sharing facility will allow community lending for research investments



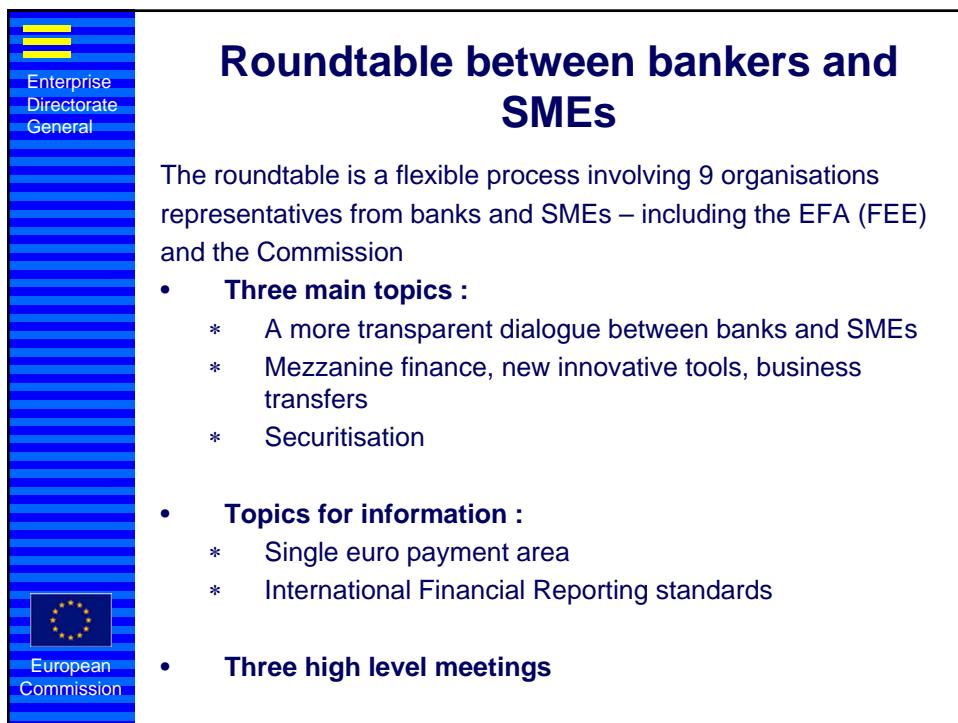
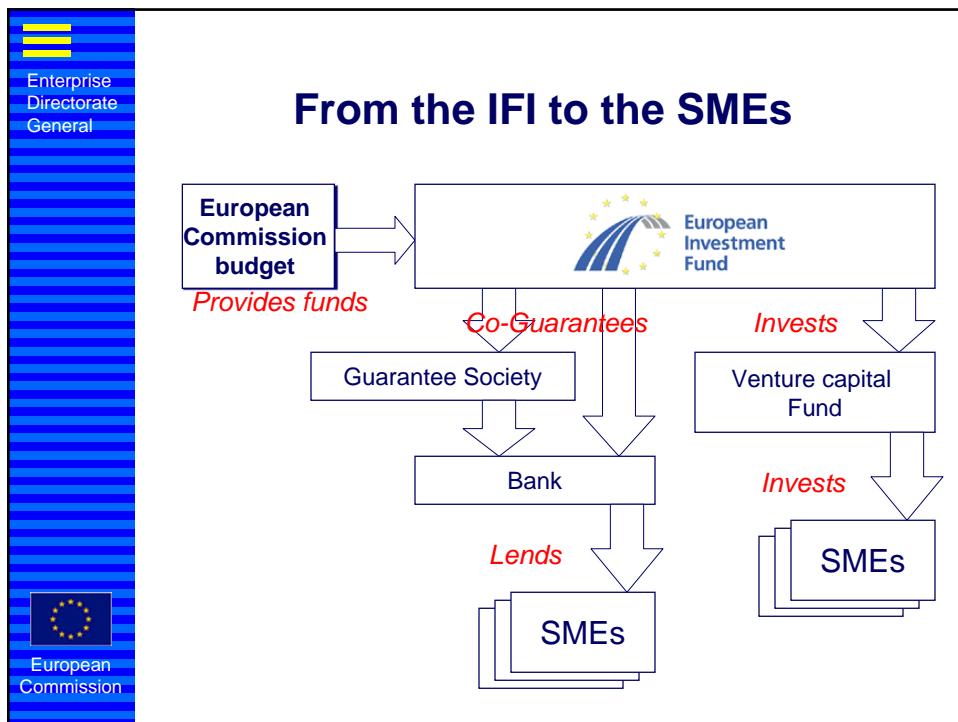
## Some figures about CIP

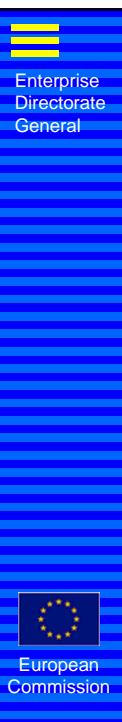
<b>Entrepreneurship and innovation</b>	<b>2166</b>
Including eco-innovation	430
<b>ICT policy</b>	<b>728</b>
<b>Intelligent energy</b>	<b>727</b>
<b>TOTAL in Mio €</b>	<b>3621</b>



## CIP financial instruments

- A total of 1129 Mio €(incl. eco-innovation : 228)
- **Equity family**
    - GIF 1 - early stage
    - GIF 2 – expansion stage
  - 2. **Guarantee family**
    - SME guarantee (debt finance, mezzanine, microcredit)
    - securitisation
  - 3. **Capacity building**
    - partnership action
    - seed capital action





## **CONTACT**

**Enterprise & Industry Directorate-General  
Financing SMEs, entrepreneurs &  
innovators  
European Commission  
B-1049 Brussels  
Fax +32 2 295 21 54**

E-mail : entr-finance-smes-entr-innov@ec.europa.eu



AMA (ARC Méditerranéen des Auditores) CNCC (La Compagnie Nationale des Commissaires aux Comptes)  
OEC (Ordre des Experts-Comptables Paris Ile-de-France)

## The EU Round Table between Bankers and SMEs

The (potential) role of accountants in improving the  
access to finance in Europe

Prof. dr. Leo Verhoef  
Eindhoven University of Technology

FEE Annual European SME/SMP Congress, Palais des Congrès, Versailles, France, 7th & 8th September 2006

## 1st Round Table

- Started in 1993
- Situation: economic recession
- Participants: SME representatives, public banks
- Focus: searching for “mines in the battle field”
- Outcome: inventory of the various problems
- Instigator: asymmetric information

## 2nd Round Table

- Started in 1995
- Situation: improving economy
- Participants: SME representatives, private banks
- Focus: searching for promising developments
- Outcome: list of various good examples
- Instigators:
  - Economic situation
  - Technological breakthroughs
  - Political pressure

## 3rd Round Table

- Started in 1998
- Situation: economic boom
- Participants: representatives of SMEs, private and public banks, accountants
- Focus: access to finance for vulnerable SME groups
- Outcome: no mass movement
- Instigators:
  - Lack of information
  - Low profitability

## 4th Round Table

- Started in 2000
- Situation: enlargement of the EU
- Participants: representatives of SMEs, public banks and mutual guarantee funds
- Focus: survey of financing situation for SMEs in the new Member States
- Outcome: restricted access to bank finance
- Instigators:
  - Limited know how and experience on both sides
  - Dual system

## 5th Round Table

- Started in 2006
- Situation: accelerating globalisation
- Participants: representatives of SMEs, public banks, mutual guarantee funds, accountants
- Focus: searching for tools to remove the persistent barriers in SME financing
- Instigators:
  - Basle II (external)
  - Policy changes (internal)
  - New products (Mezzanine Finance/Securisation)

## Thesis

Developments within the banking sector (Basle II, new products) in combination with developments within the accountancy sector (IFRS for SMEs) as well as developments within the SME sector (example Corporate Governance Code for SMEs in Belgium) will have a huge impact in the relationship between the 3 parties.

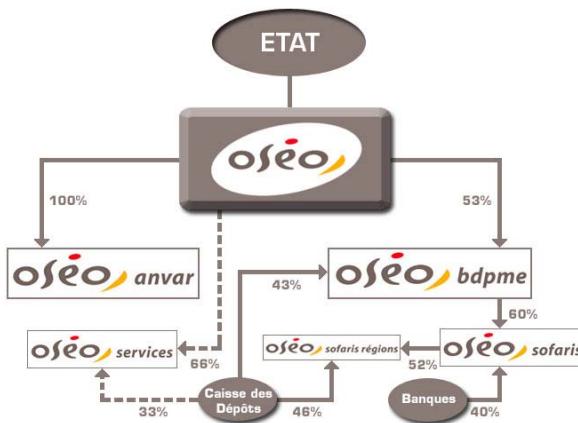
# L'appui d'OSEO aux étapes décisives du développement des PME



12/09/2006

## OSEO

Né du rapprochement de l'Anvar et de la BDPME en 2005



OSEO, au service de l'entrepreneur

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## Les quatre métiers principaux d'OSEO



### Soutien à l'innovation

accompagnement et financement des projets innovants  
à composante technologique sous forme de subventions  
et d'avances remboursables en cas de succès



### Financement des investissements et du cycle d'exploitation

aux côtés des établissements bancaires  
par des prêts et du crédit-bail



### Garantie

des financements bancaires et des interventions  
des organismes de fonds propres



### Services en ligne

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## Le réseau OSEO

37 implantations OSEO bdpme  
25 délégations OSEO anvar

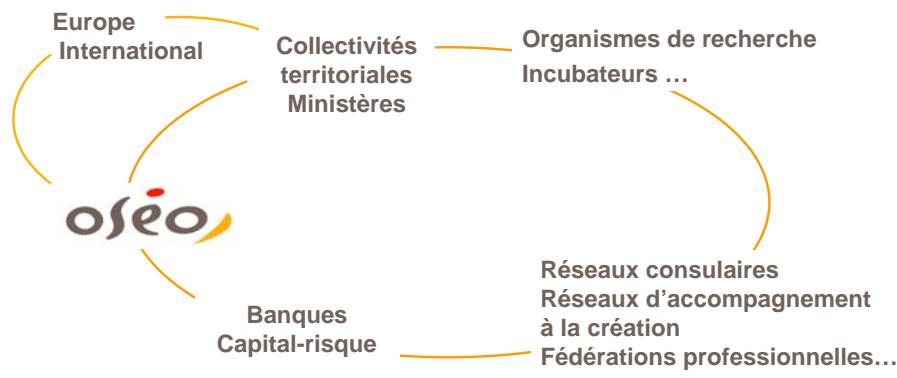


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## OSEO dans son environnement

Un travail en partenariat



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## OSEO en 2005

60 000 entreprises accompagnées

- 35 000 en création et 4 000 en transmission
- 1,5 milliard d'euros de financements à moyen et long terme
- 2 milliards d'euros d'interventions en garantie
- 5 milliards d'euros de financements à Court Terme  
(mobilisation de créances publiques)
- 3 700 aides à l'innovation

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## La spécificité des intervention d'OSEO en soutien des PME

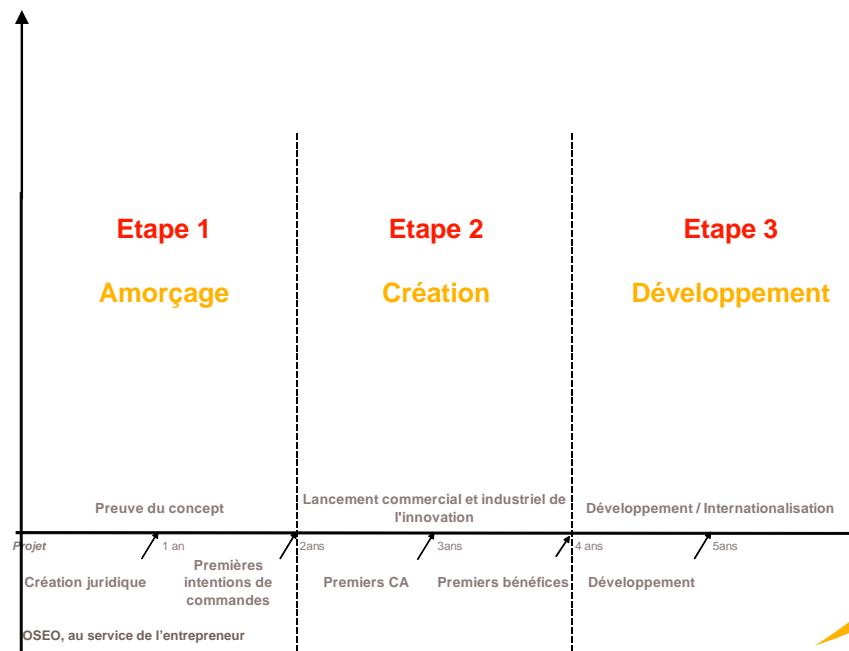
**OSEO intervient en financement là où l'on constate des carences du marché :**

- aider les entreprises à trouver des financements pour leur création
- aider les entreprises à assurer le financement de la R & D
- aider les entreprises à trouver des clients et leur procurer la trésorerie nécessaire
- assurer le financement de l'immatériel difficilement finançable par les outils financiers classiques
- renforcer les interventions en soutien du capital risque, avec la garantie des interventions en fonds propres

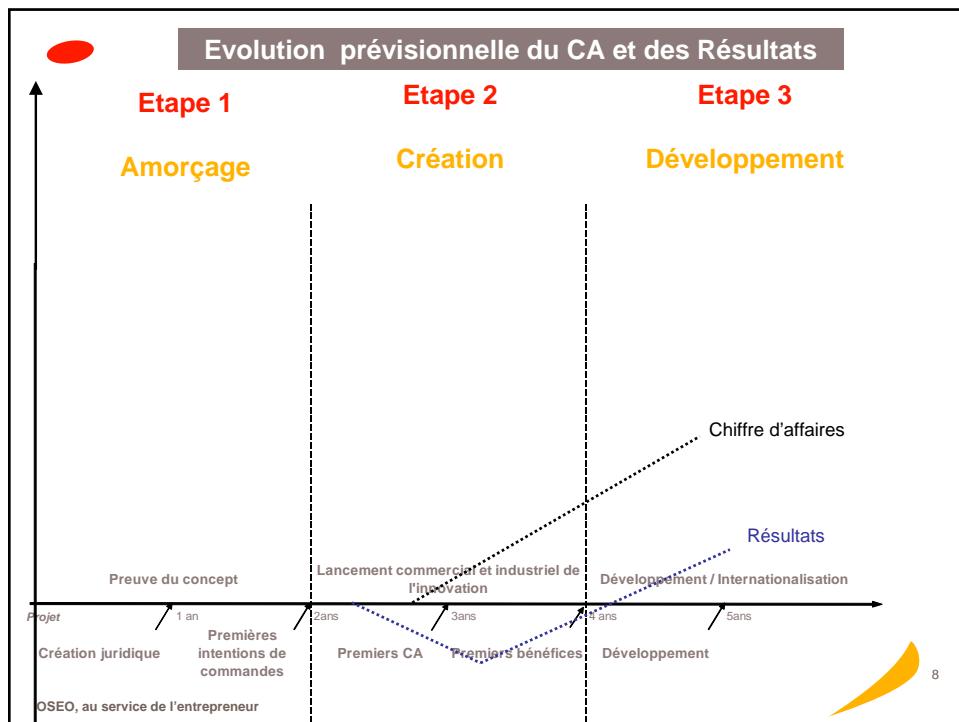
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### Les étapes de la vie d'une entreprise



7



## Le soutien d'OSEO aux jeunes entreprises

OSEO anvar, premier intervenant dans la chaîne du financement, accompagne les projets dès « l'ante création » :

- participation au financement du projet (jusqu'à 50 %) par avance à taux zéro, remboursable en cas de succès
- la qualification « entreprise innovante » ouvrant accès aux investissements par les fonds communs de placement dans l'innovation (FCPI)
- le Prêt Participatif d'Amorçage

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## Le Prêt Participatif d'Amorçage

NOUVEAU!

### Cible

PME innovantes de moins de 5 ans

Les entreprises qui bénéficient d'un soutien à un projet de R&D (ADI, Création Développement Concours, aides Régions) d'OSEO anvar

### Finalité

Créer des conditions favorables à une intervention ultérieure d'un fonds d'amorçage ou plus généralement d'une société de capital-risque ou d'un industriel, sans retarder le projet

Financement relais d'anticipation, assimilable à des quasi-fonds propres

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## Le Prêt Participatif d'Amorçage

NOUVEAU!

### Dépenses éligibles

Toutes dépenses liées au programme d'innovation

### Modalités de financement

Montant : 50 à 75 k€ porté à 150 k€ dans le cas d'un engagement en garantie de la Région

Montant plafonné aux apports en fonds propres au jour de l'attribution

Il ne peut excéder le montant de l'aide OSEO anvar

Durée : 8 ans, dont différé d'amortissement en capital de 3ans

### Garanties

Pas de garantie demandée à l'entreprise ou à l'entrepreneur

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## Le Contrat de Développement Innovation

NOUVEAU!

### Cible

PME de plus de 3 ans ayant une démarche innovante pour la phase de lancement industriel et commercial d'un produit, le développement d'une technologie innovante, la modernisation de son outil de production, la conquête de nouveaux marchés, la commercialisation de ses produits et/ou services

### Finalité

- finance les investissements immatériels et les besoins en fonds de roulement
- facilite le cofinancement bancaire

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## Le Contrat de Développement Innovation

NOUVEAU!

### Dépenses éligibles

Frais de recrutement et de formation, prospection et négociation des premières commandes, opération de communication, coûts de mise aux normes, frais d'implantation à l'étranger, matériels, progiciels, équipements à faible valeur de revente, besoins en fonds de roulement...

### Modalités de financement

- montant de 40 à 400 K€, durée 6 ans, différé d'amortissement du capital d'un an
- le CDI est jumelé à un concours bancaire d'un montant au moins équivalent

### Garanties

Pas de garantie demandée de la part de l'entreprise ou de l'entrepreneur

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## Mobilisation du Crédit Impôt Recherche

### Bénéficiaires

Entreprises ayant un excédent de crédit d'impôt recherche (CIR)

### Finalité

Permettre à l'entreprise qui ne peut ni l'imputer, ni se le faire rembourser, de mobiliser cette créance fiscale et de bénéficier ainsi d'une trésorerie immédiatement disponible

### Conditions

Contrôle ou expertise du CIR par un expert agréé par la Direction Régionale à la Recherche et à la Technologie

### Modalités d'intervention

Financement à partir de 30 000 € correspondant à 80 % du CIR

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<sup>15</sup>

## Fonds de Garantie Innovation

### Cible

PME ayant un projet innovant de

- conception et développement de produits ou services nouveaux (R & D, industrialisation, commercialisation),
- introduction d'une technologie ou technique nouvelle (fabrication, commercialisation, gestion...)

### Finalité

Faciliter l'accès aux financements bancaires grâce à la prise en charge de 60 % du risque par OSEO sofaris

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## Fonds de Garantie Innovation

### Dépenses éligibles

- investissements immatériels ou à faible valeur de gage (frais de recrutement et de formation, prospection, marketing, communication, coûts de mise aux normes, frais d'implantation à l'étranger, matériels, progiciels, équipements à faible valeur de revente,...)

- l'augmentation du besoin en fonds de roulement généré par le projet innovant

- tous types d'investissement pour les jeunes entreprises soutenues par OSEO anvar ou un organisme de capital risque

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## Relations PME grands comptes

**HOUVEAU!**

### Pacte Pme

#### Mise en relation des Pme innovantes avec les grands comptes

- aide à la prospection et à la mise en relation (y.c. européenne)
- soutien dans les relations contractuelles

### Mobilisation de créances

Offrir des avances de trésorerie aux entreprises titulaires de marchés de contrats avec les grands comptes pour faire face aux délais de paiement

### Garanties pour les donneurs d'ordre

Favoriser l'accès aux premiers marchés de jeunes entreprises innovantes en permettant aux grands donneurs d'ordre de bénéficier d'une garantie à hauteur des indemnités contractuelles prévues en cas d'inexécution du marché

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## Garantie de caution sur marché des projets innovants

**HOUVEAU!**

### Bénéficiaires

PME innovante recherchant une caution bancaire pour accéder à l'un de ses premiers marchés, ou à un contrat qui représente une rupture significative (en termes de taille ou de marché servi) avec son activité antérieure

### Finalité

Faciliter l'émission, par les banques, de cautions sur marchés d'ordre et pour compte de PME, au bénéfice de leurs clients

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# Garantie de caution sur marché des projets innovants

NOUVEAU !

## Cautions éligibles

Garanties à première demande (GAPD) ou Cautions sur marché (de restitution d'acompte, de bonne fin, ...)

## Modalités de financement

Partage de risque avec les banques à hauteur de 80% dans la limite de 300 000 euros

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## Les réponses spécifiques d'OSEO

### Etape 1

#### Amorçage

- Apports créateur
- Business angels
- Aide à l'Innovation
- Garantie Prêts d'Honneur
- Concours Jeune Entreprise Innovante

### Etape 2

#### Création

- Crédits Court Terme
- Prêt Création d'Entreprise
- Garantie des concours bancaires à la création (crédits et crédit-bail)
- Cautions sur projets innovants
- Contrat de Développement Création
- Garantie Capital Risque

### Etape 3

#### Développement

- Contrat de Développement Innovation
- Aide à l'export et à l'implantation à l'étranger « FASEP »
- Garantie sur financements et engagements par signature à l'international
- Garantie Capital Développement

Chiffre d'affaires

Preuve du concept

Création juridique

1 an Premières intentions de commandes

OSEO, au service de l'entrepreneur

Lancement commercial et industriel de l'innovation

2ans Premiers CA

3ans Premiers bénéfices

Résultats

Développement / Internationalisation

4ans Développement

5ans

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## Les challenges d'OSEO

### Garder « l'esprit d'une PME » au service des PME

- proximité (décisions prises localement)
- réactivité (« temps des entreprises »)
- qualité (évaluation de la performance)

### Trouver de nouveaux circuits de distribution et améliorer les anciens

- travail en réseau
- site internet [www.oseo.fr](http://www.oseo.fr)
- communication (nouveaux produits)

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## De la création à la transmission : le soutien d'OSEO aux PME

Merci de votre attention

[www.oseo.fr](http://www.oseo.fr)

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**Financing small caps  
through a listing  
on a  
non regulated market:**

**the Free Market  
&  
Alternext**

**September 2006**



## **Advantages of a listing for an SME**

### **Finance growth:**

- Banks may be reluctant to lend money (Basle II requirements,...)
- easy way to raise equity

### **Visibility & confidence:**

- Banks are more willing to lend to listed companies
- Clients are more confident
- Suppliers are more confident
- Stock Option Plan can be set up for employees
- “Free” follow up by the press

### **Liquidity**

- (minority) (family) shareholders
- Own “money” for take overs

## Why a non regulated market ?

- Regulation is adapted to the means of the companies
- Proportionate to the size of the companies
- Not submitted to the changing european regulation
- Free Market : very free
- Alternext : close to regulated market

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## Euronext : Choice of the market

Amsterdam      Brussels      Lisbon      Paris

Eurolist by Euronext (First, Second + New Market)

Regulated markets

Alternext

Alternext

Free Market

Alternext

Marché Libre

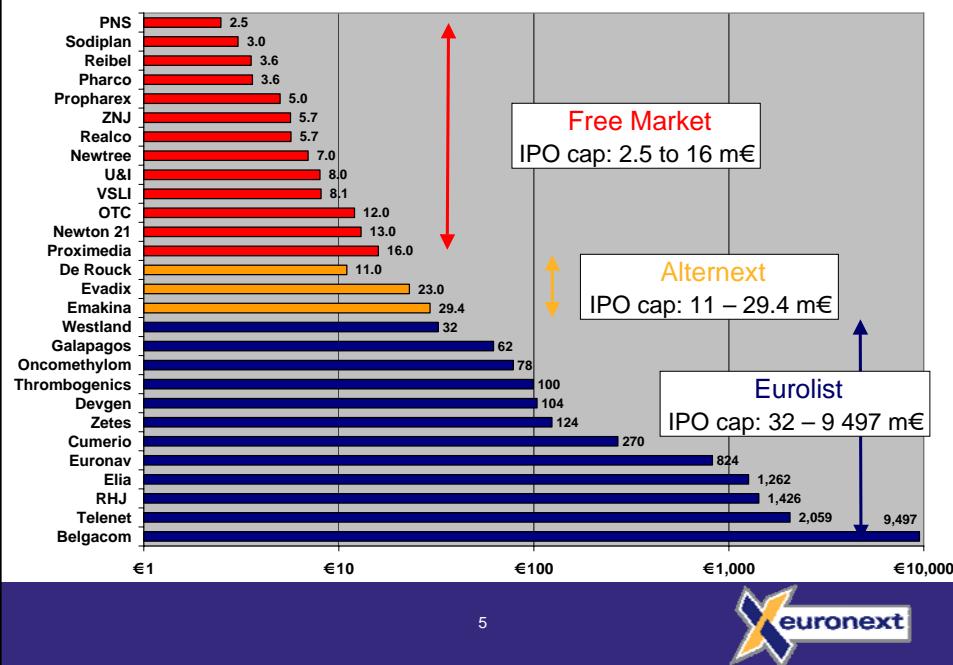
Mercado Estruturado

Non regulated markets

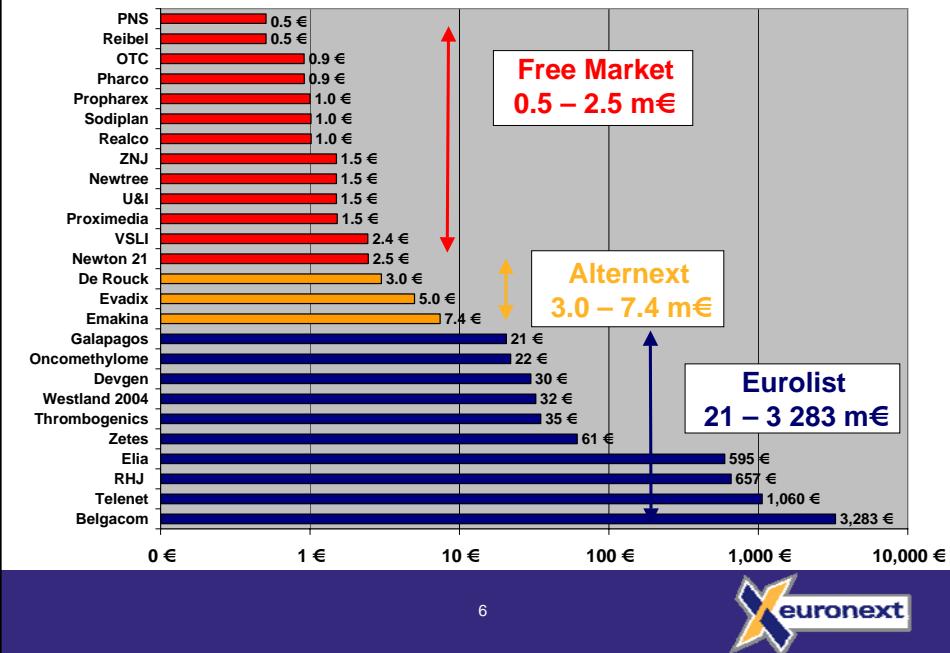
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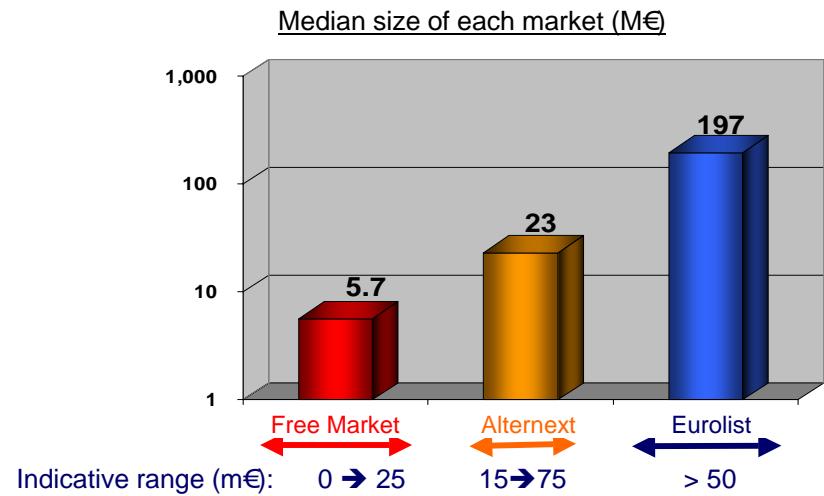
## IPOs in Brussels in 2004-06: Issuers by market cap



## IPOs in Brussels in 2004-06: money raised



## Brussels: Size of constituents of each market



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## Basic requirements

Segment	description	track record	free float
Eurolist	large, mid & small caps	3 years	25% or 5 million €
Alternext	mid & small caps	2 years & listing sponsor	2,5 million € or 5 million € if private placement
Free Market	micro caps	no	no minimum

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## Ongoing obligations

<b>Accounting</b>	<b>Eurolist</b>	<b>Alternext</b>	<b>Free Mkt</b>
Audited annual accounts	Yes	Yes	No
Non audited half-year accounts	Yes	Yes	No
IFRS accounting	Yes	No	No
<b>Disclosures</b>			
Publication of accounts in newspapers	Yes	No	No
Publication of price sensitive information	Yes	Yes	No
Supervision of information by CBFA	Yes	Yes	No
Transparency declaration	5 %	25/50/75/95%	No
Corporate governance code	Yes	No	No
Declaration of management transactions	Yes	Yes	No
<b>Investors' protection</b>			
Take-over bid regulation	Yes	Yes	Yes
Squeeze-out regulation	Yes	Yes	Yes
Insider trading laws	Yes	Yes	Yes

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## Documentation for Alternext

- 1°) Duly signed application form sent by the issuer (see model) including:
  - ) a copy of the updated statutes;
  - ) a sample of prospectus;
  - ) a copy of the financial statements as required by the rules of Alternext (unless they are included in the prospectus).
- 2°) Notarial deed or document with the decision of the board or the general meeting of shareholders deciding the capital increase
- 3°) A letter from the Paying Agent stating he will pay the dividends at no cost for the investors.
- 4°) A letter from a recognized Listing Sponsor stating it will sponsor the issuer
- 5°) A written statement of the issuer saying it will provide Euronext with all needed information relating to corporate actions (dividend payments, capital increases, stock splits,...)



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## The Listing Sponsor

- a long-term financial partner that:
  - helps the company in the preparation of the listing on Alternext
  - guides it throughout its life on the market.
- It assists the company in meeting its market transparency requirements and fulfilling its other obligations.



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## Conditions for becoming a Listing Sponsor

- A listing sponsor is a company acting as an investment services provider, **audit firm**, **legal counsel** or **corporate finance** specialist.
- Candidate listing sponsors must make a **contractual commitment** to Euronext and meet all the following criteria:
  - at least **2 years' experience** advising companies in equity finance
  - successful **completion of equity-related transactions** involving the preparation of information documents
  - suitably **qualified staff**



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## Two ways to access the market

- Listing with a public offer
- Direct listing without public offer



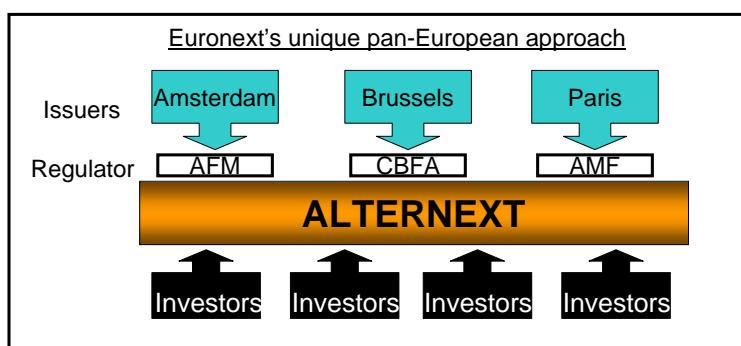
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### Option 1: listing with a public offer

Minimum free float: 2.5 m€

Prospectus has to be approved by home-country regulator of issuer.



➔ Usual method



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## Option 2: direct listing without public offer

Issuer must have made a **private placement** with qualified investors:

- within 2 years before IPO,
- placing at least **5 m€** with at least 5 non-related investors

Issuer must publish an **offering memorandum**, which is not reviewed by the supervisor.

→ New method made possible by the Prospectus Directive

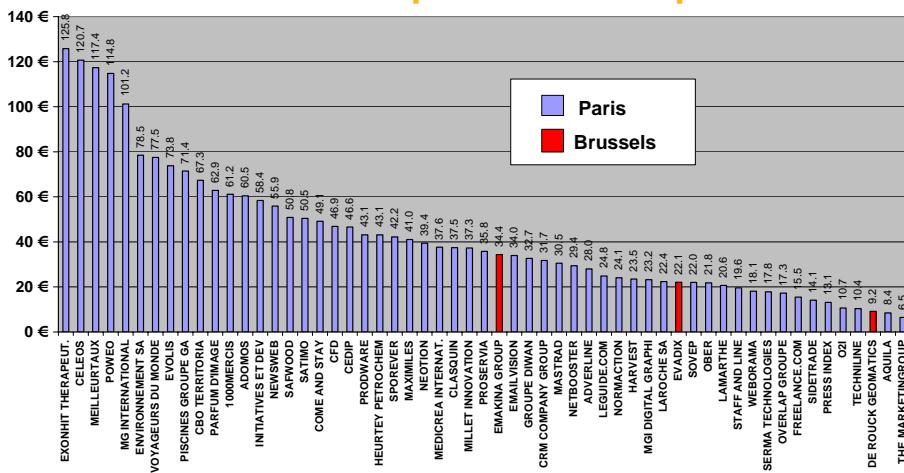
- Easy way to a listing (no prospectus!)
- Issuer gets the visibility of a listed company
- Provides investors with a continuous market valuation
- Creation of a specific trading group accessible **only to** qualified investors



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### Alternext: market cap of listed companies



→ 57 listed companies as of 24/08/2006 → Total market cap: 2.4 bn €

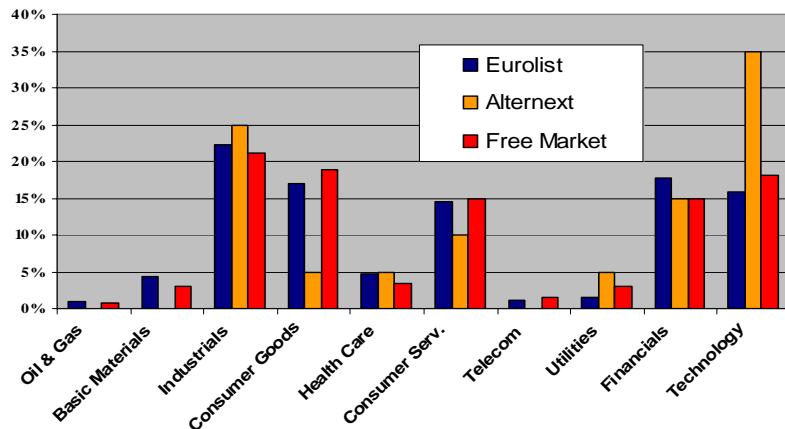
→ Average market cap: 36 m€



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## Euronext: Analysis by sector



- ➔ Eurolist and Free Market are quite similar
- ➔ Alternext issuers are mainly Technology (35%) and Industrial Cies (25%)

Situation May 2006

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## Process for joining the Free Market

- Appoint a financial advisor and/or a sponsor: it has to be a member of Euronext Brussels (see list below)
- Prepare a prospectus (description of activities and of the offered securities, annual accounts of 2 previous years, ...) and get approval from the CBFA
- Introduce an official demand to Euronext Brussels with
  - A draft of the prospectus to be approved by the CBFA
  - The articles of association of the Issuer
  - A statement from the Issuer with the engagement to provide Euronext with all relevant information relating to the rights attached to the shares to be traded on the Free Market
  - A letter of intent from a sponsor.
  - A paying agent agreement with a financial institution affiliated with CIK (the depositary agent of Euronext Brussels).

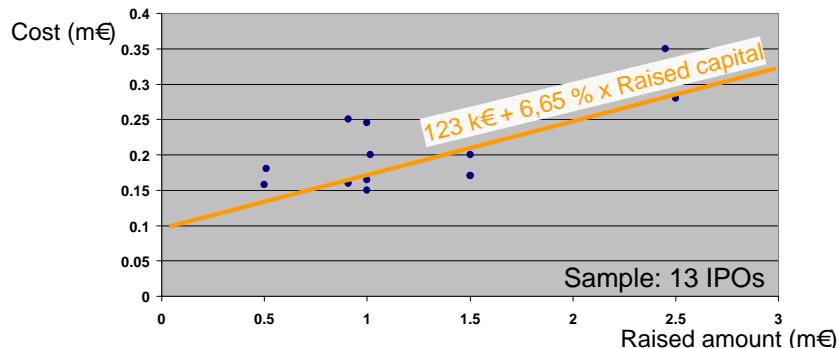
- ➔ The whole process takes usually between 3 and 6 months....

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## Free Market Brussels: statistical analysis of admission costs

The IPO prospectus mention the estimated total cost of IPO on the Free Market. We have computed the regression analysis on the available data.



- Range: 150 → 350 k€ of total fees for operations 0.5 → 2.5 m€
- In %: 11,2 % to 35 % of raised amounts
- Regression: Total costs =  $123 \text{ k€} + 6,65 \% \times \text{Raised capital}$

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## Liquidity of the Free Market

Issuer	# trades (4 months 2006)	Monthly turnover 2006	Free Float velocity
Propharex	356	235.186 €	89%
Proximedia	187	130.864 €	100%
Reibel	550	420.700 €	250%
Newtree	344	153.765 €	101%
VSLI	938	567.048 €	149%
ZNJ	156	59.673 €	65%
Newton 21	101	77.774 €	34%
Sodiplan	311	193.125 €	153%
<b>Moyenne</b>	<b>368</b>	<b>229.767 €</b>	<b>118%</b>

### Average trade size

Compartment A	19.203,29 €
Compartment B	9.123,84 €
Compartment C	4.134,43 €
Regulated Market	17.117,08 €
Free Market	624,37 €

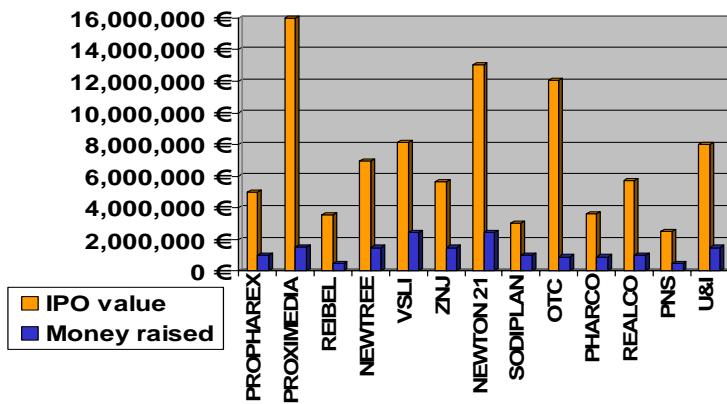
Reference: 4 m 2006

- ➔ Volumes are much lower than on regulated market
- ➔ However, liquidity is acceptable for retail investors (FF velocity of BEL 20 = 92 %)

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## IPO operations on the Free Market of Brussels



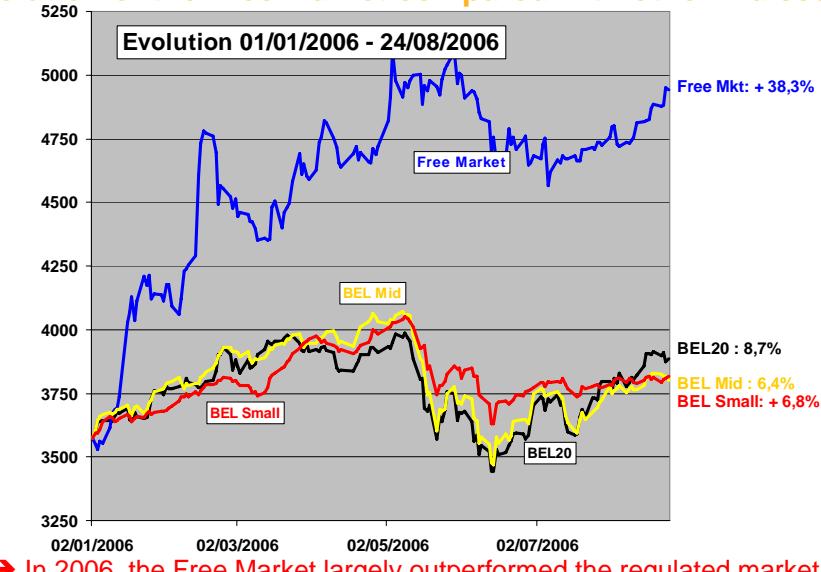
- ➔ Market cap: between 3 and 16 m€ (average: 7.2 m€)
- ➔ Money raised: between 0.5 and 2.5 m€ (average: 1.3 m€)
- ➔ Total money raised: 16.8 m€

Note: Not including Neuhaus, transferred from the regulated market

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## Evolution of the Free Market compared with other indices



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## Analysis of market data: 166 observations between 01/01/2006 and 24/08/2006

Correlation	BEL20	BEL Mid	BEL Small	Free Market
BEL20	100%	93%	69%	<b>17%</b>
BEL Mid		100%	80%	21%
BEL Small			100%	64%
Free Market				100%

The Free Market is NOT very much correlated with the BEL20.  
 → Diversification tool for investors.

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## IPO market has been supported by: 2°) Strong performance of newly-listed companies

Eurolist Brussels – all IPOs 2004-2006

Issuers	IPO Date	Evolution IPO->31/08/06
Belgacom	Mar-04	12.5%
Westland 2004	Jun-04	10.5%
Euronav	Dec-04	38.2%
RHJ	Mar-05	-23.5%
Cumerio	Apr-05	57.2%
Galapagos	May-05	18.9%
Devgen	Jun-05	117.2%
Elia	Jun-05	11.8%
Telenet	Oct-05	-19.5%
Zetes	Nov-05	6.8%
Oncomethylome	Jun-06	0.0%
Thrombogenics	Jul-06	33.3%

Free Market Brussels – all IPOs

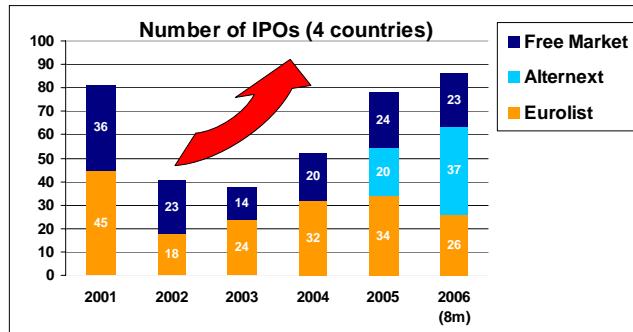
Issuers	IPO Date	Evolution IPO->29/08/06
Propharex	Nov-04	78.3%
Proximedia	Jul-05	-6.3%
Reibel	Nov-05	401.6%
Newtree	Dec-05	37.8%
VSLI	Dec-05	67.3%
ZNJ	Dec-05	-70.8%
Newton 21	Dec-05	17.6%
Sodiplan	Jan-06	13.5%
Neuhaus	Mar-06	9.1%
OTC	May-06	41.1%
Pharco	May-06	1.7%
Realco	Jun-06	8.4%
PNS	Aug-06	40.4%
U&I	Aug-06	0.0%

→ For most issuers, recent prices are (largely) above IPO price

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## More and more companies go public on Euronext



- **2005: Euronext is # 1 in Europe by capital offered (# 3 in the world)**  
EUR 17.2 bn raised (+ 83% YoY)  
EUR 105 bn of additional market capitalization (+ 96% YoY)  
➔ A record level of IPOs since 2001: 78
- **2006 : Favorable trend continues: 86 IPO in the first 8 months**

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AMA (ARC Méditerranéen des Auditores) CNCC (La Compagnie Nationale des Commissaires aux Comptes)  
OEC (Ordre des experts-comptables Paris Ile-de-France)

## Workshop 1: Access to Finance

### Overview of UK Market Developments in Bank Finance for SMEs

Dr Richard Roberts  
SME Market Analysis Director  
Barclays UK Banking

September 2006

FEE Annual European SME/SMP Congress, Palais des Congrès, Versailles, France, 7th & 8th September 2006

## The UK SME Market

- Just over 4m firms in the UK
- About 85% have a business bank account
- But many are small – only 4 out of 10 are registered for VAT (threshold c £55k)
- Amongst those with a business account
  - About 20% have a loan (median £88k)
  - About 50% have an overdraft facility (when used, median £21k)
  - Market size – stock £75 bn, 700,000 applications pa

## Longer Term Developments

### Bolton Report (1969)

- 26% had recently sought bank finance
- 50% of applications were successful
- Loans sought and received were typically c £35k (£390k at current prices)
- Credit was rationed by institutional controls ....and
- Margins typically 4 pt over base – and....
- 20% of offers were at least base + 8pt (hence more than 16%)

### UKSMEF (2004)

- 33% had recently sought bank finance;
- 80% plus applications were successful
- Loans sought and received were typically £75k
- Bank lending controls abolished 1970s and 1980s
- Margins typically 2 pt over base – and...
- Only 5% of offers were at least base + 5pt (hence more than 9.75%)

## Favourable International Comparisons

### ACCA's study – Banks SMEs and Accountants:An International Perspective

- Application success rates (in full or part)
  - UK - 98% (Business Issue ranking 5.7 out of 10)
  - US - 96% (Business Issue ranking 6.0)
  - Sp - 96% (Business issue ranking 6.7)
  - Hkg - 85% (Business Issue ranking 6.3)
  - Ger - 84% (Business Issue ranking 6.1)
- Comparing the UKSMEF survey (2004) with the latest US FRB survey, suggests “discouragement” rates in the UK the same (or slightly lower than) the USA. Discouragement from term loan rejection impacted on less than 0.1% of the SME population (about 3,600 firms)

## Where do we go from here?

- Hopefully, no complacency....banking a key element in the success story of the UK economy over recent decades
- Three things have been important in recent years – and will continue to be very important in next few years
  - Move to behaviour scoring with limited historical financial information for smaller business customer applicants. We have already seen this as a key part of the wider “credit envelope” for SMEs over the last decade or so
  - Greater use of risk adjusted pricing – for both regulatory and business development purposes.
  - Greater attention to “harder to reach” groups – socially excluded, non status starts. This may well evolve to include others as well – e.g. young entrepreneurs with student debt. It will require new partnerships to evolve as well – e.g with CDFIs