

Focus on Refinance

EDITION 2

JULY 2016

FEATURES



Refinancing Options

Given the increased activity in the refinance market, read our overview including some recent case studies.



ThinkBusiness.ie
Supporting Every Step

To support SMEs at every stage of their growth, read about ThinkBusiness.ie, a free reference site which provides articles and templates for developing a business. The case study here features Glenilen Farm in West Cork.



Sectors Team

Our sector offering differentiates us from competitors in the market, read about our new appointment and find contact details for all sectors.



Welcome to the July edition of our Business Banking newsletter.

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The economy has continued to perform strongly with increases in retail sales, manufacturing output and consumer confidence all contributing to growth. Consumers are spending and jobs are being created, which has helped bring the unemployment rate down to 7.8%, its lowest level in 7 years. There has been a significant increase in the demand for lending from businesses across all sectors as they move to secure their future growth.

This year we have seen a significant increase in the amount of activity in the Refinance market and in this edition we highlight some insights and interesting case studies of deals we have completed.

We also profile the ThinkBusiness.ie website, a free reference site which many of you or your clients may be familiar with. ThinkBusiness.ie provides resources to SMEs at all stages of their lifecycle providing downloadable templates and

case studies to help businesses develop their plans, from sales and marketing to cash-flow planners and business plans.

Finally, I am pleased to introduce our new Head of Motor, Seán McBrien, who joins the Bank having worked across the motor industry in a number of senior roles, most recently as Dealer Principal in Finglas Ford – Joe Duffy Motor Group. We are committed to offering the best advice and service to our customers and our sector team now covers Agriculture, Health and Life Sciences, Hospitality, Manufacturing, Motor, Property, Retail Convenience, Renewable Energy and Technology.

Following feedback, we have included topics which are of interest to your businesses and we are always keen to hear your views, suggestions and anything we can do to support you and your clients. Please contact me directly at Michael.lauhoff@boi.com.

Refinance



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Through a combination of exiting Banks and loan book sales the refinance market has been extremely active over the last number of years.

International investors have been the main acquirers to date, with Deutsche Bank, Apollo, Cerberus, Lone Star, CarVal and Goldman Sachs being the most prominent.

At this point in the deleverage cycle, 2016 will see the last of the larger granular loan book sales. The focus from loan book acquirers is now firmly on deleveraging, and we expect to see this accelerate towards the year-end.

Bank of Ireland has a long track record in the refinance market having been actively involved (prior to loan book sales) in the refinancing of individual transactions from exiting Banks and is currently supporting customers refinancing positions from all of the private equity houses.

The Bank believes that private equity is clear as to where value lies and are not inclined to settle for less, except in

special circumstances. Lack of proactivity and engagement with private equity by debt holders / advisors can lead to tight deadlines on settlements and outcomes, resulting in more expensive non-bank funding as the only option available to borrowers.

Senior debt has a very significant role to play in assisting borrowers with refinance positions and is typically the cheapest funding available.

Often the least costly solution can be to maximise senior debt in conjunction with borrower / 3rd party equity.

The Bank is keen to assist borrowers with their refinancing and if appropriate will look at mezzanine finance and other funding options when considering refinances.

Borrowers and their advisors need to engage as early as possible to understand what level of senior or other debt may be possible on a transaction, which in turn informs the negotiating position with private equity and highlights what other funding element is required in the capital stack.

If you have any refinance proposals you would like to discuss, please contact me directly.

Refinance Case Studies



Case 1

Residential and Commercial Property

Background

- ▶ Good quality assets require long term funding
- ▶ Non-core assets to be disposed
- ▶ 3rd party equity introduced

Facilities Provided

- ▶ Term loan/5-year term/25-year amortisation profile. Bridging term loan/Loan-to-value c.50%/12 months to allow non-core assets be disposed

Key Financial Metrics

- ▶ Interest cover c.1.8x
- ▶ Loan-to-value c.53%

Security

- ▶ Floating debenture/First legal charge/PLG limited to shareholding in SPV



Case 2

Long-established SME operating in wholesale sector

Background

- ▶ Significant property exposure
- ▶ Core assets to be acquired by operating Company with non-core assets to be disposed

Facilities Provided

- ▶ Term loan/5-year term/7-year amortisation profile. Invoice discounting

Key Financial Metrics

- ▶ Debt Service Cover c.1.5x
- ▶ Loan-to-value >100%

Security

- ▶ Floating debenture/First legal charge/PLGs/Life cover



Case 3

Retail and Office Property

Background

- ▶ Personal equity introduced with additional equity coming from asset sales to related party

Facilities Provided

- ▶ Term loan/5-year term/Cash sweep

Key Financial Metrics

- ▶ Interest cover c.3x
- ▶ Loan-to-value c.70%

Security

- ▶ First legal charge/Charge over leases



ThinkBusiness.ie supporting every step

Supporting Every Step

ThinkBusiness.ie is a free reference website aimed at SME businesses at all stages of growth. The site provides businesses with information on how to develop their business, overcome challenges and identify and maximise opportunities in their market.

The site offers articles, templates, guides and case studies for businesses at all stages of their lifecycle, so whether they are starting, running or growing they will be able to source templates or planners to help them on their journey.

ThinkBusiness.ie aims to fill the knowledge gap on any questions SMEs may have, while encouraging entrepreneurship in the Irish market. We publish information to assist businesses with any challenges they may face as they are developing their business.

Access is open to all, from start-ups, entrepreneurs and established SMEs and there are no restrictions to access any of the site's content.

To stay up-to-date with new information coming online you can follow ThinkBusiness.ie on Twitter, LinkedIn or Facebook and you can also sign up to receive our free newsletter by registering your email address at ThinkBusiness.ie



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Business Plan Template

www.thinkbusiness.ie/articles/business-plan-template/



Sales Tracker Template

www.thinkbusiness.ie/articles/sales-tracker-template/



Marketing Plan Template

www.thinkbusiness.ie/articles/marketing-plan-template



Cash-flow Template for Businesses

<https://www.thinkbusiness.ie/articles/how-to-create-an-invoice/>

ThinkBusiness Case Study - Glenilen Farm

“The big challenge for a company like ours is being able to scale up from the kitchen table without compromising on quality. We’ve managed to do that.”

A farmer to the core, Alan Kingston started his food business, Glenilen Farm, when his wife Valerie began using milk from the family farm in Drimoleague, West Cork, to make cheesecakes for local farmers' markets in 1997. They started out as sole traders and, by 2006, had registered as a limited company. By 2015, the business had a turnover in excess of €4m and employed 32 full-time and 6 part-time staff.

Its range of dairy-based products, including cheesecakes, yoghurts and butter, are sold throughout Ireland and the UK.

Glenilen Farm faced their biggest challenge when they first entered the UK market. The business was due to go into 70 stores but the order was increased to 900, production at this level was just not sustainable and they lost the listing. Alan explains how things have changed, “it’s easier [now] because the big multiples will take you on in a small way,



Alan Kingston, Glenilen Farm

and walk you up through the volumes.”

When asked about his attitude to risk, Alan says “don’t be afraid to try. If you don’t try, how can you ever succeed? There has to be a little risk in building a business, just as there is risk in farming. It’s part of it.”

When asked for advice for others in business, Alan explained, “learn to delegate. Take on good people and then trust them to do a good job. Very many small businesses find it hard to attract good people. We took on really good people before we could really afford them, and now we couldn’t afford to be without them.”

Head of Motor Sector Appointed



Seán McBrien

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The Bank of Ireland Sectors Team currently covers a range of sectors including Agriculture, Health and Life Sciences, Hospitality, Manufacturing, Property, Renewable Energy, Retail Convenience and Technology. We are pleased to announce the appointment of a new Head of Motor, Seán McBrien, who joined us in June.

Seán brings over 20 years of motor industry experience, including strategic development and the financial and daily management of motor dealer groups. He has extensive experience in

corporate reporting, developing and analysing business KPIs and implementing processes including dealer management systems. Most recently Seán worked as a Financial and Management Consultant to the sector. His previous roles include Dealer Principal at Finglas Ford – Joe Duffy Motor Group, Finance Director at Clonee Motor Group and Financial Controller at Mercedes Benz (UK) Retail.

Seán holds a BA in Accounting and Finance from Dublin Business School and is a Management Accountant (CIMA).

Meet our Sector Specialists:



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