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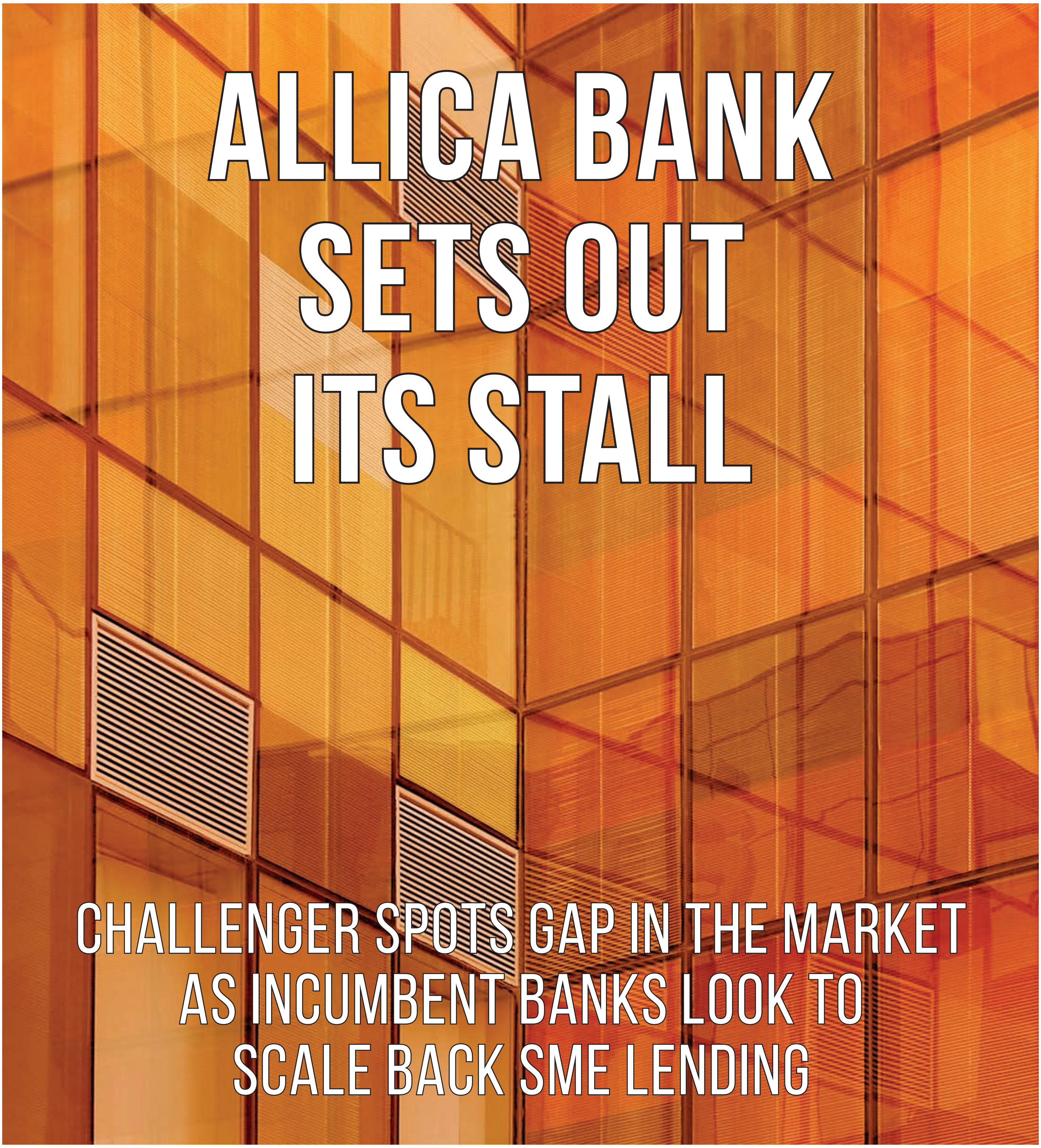

ALLICA BANK SETS OUT ITS STALL

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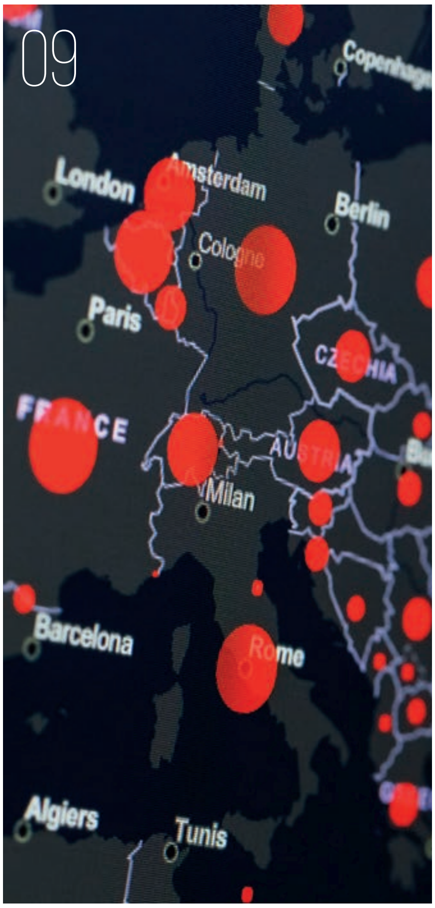

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JANUARY 2021

BANKING ON A 2021 SECOND-HALF RECOVERY

Alejandro Gonzalez, Editor

Has the new year ushered in newfound optimism after 2020's doom and gloom?

It seems central bankers around the world have come to accept that the high levels of fiscal and monetary stimulus needed during 2020 may have to be maintained during 2021, at least until economies are well on the path to recovery. The question is: when is that likely to come?

There is a wide consensus that with interest rates at historic lows, this is the time to borrow and invest.

In the US, the Biden administration has proposed a $1.9 trillion stimulus package to put its house in order, while the EU has already announced its own €750bn recovery fund, designed to also tackle climate change.

In continental Europe and the UK, both of which are experiencing a second spike of the pandemic, the European Central Bank and the Bank of England have pinned their hopes of an economic recovery on the successful rollout of the Covid-19 vaccine, which may not see concrete results for many months. Nevertheless, news that economic managers from across China, the Eurozone, the US and the UK are prepared to continue supporting their economies will come as good news to business leaders and especially business lenders who may be setting out on new ventures.

One such venture is Allica Bank, which gained its UK banking licence on the eve of the pandemic and has carried on unperturbed in its mission to fund SMEs by unveiling an ambitious asset finance proposition this month.

Our cover story is an interview with Richard Cameron who has been given the job of mapping out Allica Bank's asset finance plan over the next few years **(p 6-8)**.

Posititivity is also stressed by Carol Roberts, Time Finance's head of asset finance, who says that there is optimism to be found among brokers and SME bosses, according to recently commissioned research by her company on the general direction for the UK economy in 2021 **(p10-11)**.

We return to a familiar theme, the circular economy, with our next few features, the first of which is an introduction to the concept and its key stakeholders by BNP Paribas Leasing Solutions **(p12-13)**.

Gregory Autin – the organiser of the upcoming Hotel Development & Investment workshop/forum set for the end of May in Vienna – looks at how circular procurement of equipment adds value along the supply chain **(p14-15)**.

Hannah Wright looks at how agricultural businesses are surviving the pandemic and how asset finance funders must now consider opportunities beyond standard farm equipment and look towards the technology space and developments in fork-to-farm supply chains **(p16-17, 23)**.

Technology reseller VitrX examines the life of the theoretical physicist Stephen Hawking, to review the role that IT and innovation played in communicating his ideas **(p18-19)**.

Lastly, our country focus is on The Netherlands. Paul Golden reviews 2020 for the Dutch leasing community; it's a familiar story of government subsidy followed by demands for greater financial diversity as the key survival strategy for the future **(p20-22)**. ■

GET IN TOUCH WITH THE EDITOR AT: **ALEJANDRO.GONZALEZ@GLOBALDATA.COM**

THE MONTH IN VIEW

UK ASSET FINANCE MARKET SHRANK 10% DURING NOVEMBER LOCKDOWN, FLA FINDS

Total asset finance new business fell by 10% in November 2020 when compared with the same period in 2019, according to new figures released by the Finance & Leasing Association (FLA).

The commercial vehicle finance and business car finance sectors both registered a drop in new business in November 2020 of 1% and 5% respectively, when compared to 2019. Meanwhile, plant and machinery finance reported a 14% fall and IT equipment finance 32% over the same period.

Geraldine Kilkelly, head of research and chief economist at the FLA, said: "In November, the asset finance market recorded its smallest rate of contraction in new business since the start of the pandemic. This was despite increased restrictions across the UK to deal with rising cases of Covid-19, including a second national lockdown in England."

Kilkelly continued: "The asset finance industry will continue to play a key role supporting business investment during 2021, as evidenced by almost £20bn of new finance provided to businesses since the onset of the pandemic. This support helped to fund more than 38% of UK investment in machinery, equipment and purchased software in Q3 2020."

Gross lending to SMEs in the first three quarters of 2020 was more than double the annual total for 2019, reaching £54bn.

The value of lending in the second and third quarters was £36bn higher than during the same period of 2019 – driven by continued uptake of government-backed support.

Research from the Federation of Small Businesses (FSB) revealed that a record number of small business owners are planning to close their firms over the coming 12 months, putting the UK on course to lose more than a quarter of a million businesses.

In a recent poll, the FSB surveyed 1,401 small firms for the Q4 2020 Small Business Index (SBI) at the end of December 2020. Of the firms surveyed, just under 5% say they expect to close this year. ■

PROFILE

ALLICA BANK SETS OUT ITS ASSET FINANCE STALL

Allica Bank's recently launched asset finance offering sees itself as starting up just at the right moment in time, hoping to play a significant role in the economic recovery as a funder of SMEs cut adrift by the challenger bank's bigger and more established rivals. Alejandro Gonzalez talks to Allica's new asset finance boss, Richard Cameron, about his plans

Richard Cameron, Allica Bank's head of asset finance, has either one of the most exciting new jobs in UK leasing or one of the most terrifying, I'm just not sure which.

His role is exciting because the opportunity to build an asset finance proposition from scratch for one the UK's newest banks, sourcing the latest technology and recruiting your own team, does not come up often, but it must be a bit terrifying jumping into this sector right in the midst of a pandemic and just as the UK economy faces a double-dip recession.

But talking to Cameron by video conference he betrays no signs of a man embarking on a hazardous mission. Far from it, he's upbeat and excited about getting on with the challenge, and what's more he's got plenty of top-tier UK banking experience and is armed with a four-year roadmap for getting Allica to its desired destination.

"We want to lend in excess of £100m this year," he says as he explains how SME funding has changed during the pandemic.

"What has happened over the last 12 months is that SMEs' cash reserves have run down as a result of the Covid trading environment and that's seen many businesses turn to bank facilities, such as CBILS and BBLS, to carry on trading.

"I'm fairly certain that, as the vaccine is rolled out across the UK, the addressable market, and the opportunities for ourselves and my peers in this sector, will see an oversupply of needs for what we can do," he says.

Since gaining its banking licence in September 2019 Allica's directors have moved at lightning speed to put the bank on a technological footing and has appointed key people without apparent pause during lockdown.

TERM FUNDING SCHEME

Under its banking licence, Allica is permitted to fund loans with customer deposits from savings accounts and, under the government's Term Funding Scheme, recently extended to October 2021, is able to benefit from near-zero per cent Bank of England borrowing that rewards SME lending.

The regulatory, reporting and capital requirements for banks are comprehensive too, Cameron reminds me.

At this early stage of its growth, Allica is interested in pursuing non-regulated commercial lending only, "but this may change in the future," he adds.

"Allica bank's DNA is to serve SMEs, up to circa £50m turnover per annum, with asset finance loans of up to £250,000, and the bank is funded to support customer transactions of up to £2m on property.

"This year is about stabilisation early on, then growing our portfolio, and later we will be introducing enhancements, such as increasing our maximum transaction size as the portfolio starts to build," he says.

Cameron's Allica journey began in June 2020 when the bank signalled its intention to get a slice of the UK's asset finance market – valued at £35.7bn, according to the Finance Leasing Association 2019 figures – by appointing him to lead the bank's asset finance proposition.

Cameron has nearly 30 years' experience in financial services and has held positions with the UK's top asset finance banks by value, including RBS-owned Lombard as well as spells with NatWest (RBS) and the Lloyds Banking Group.

A couple months after joining the challenger, Allica appointed a new chief executive when its CEO since April 2018, Mark Stephens, the former founding director of Aldermore, announced his retirement and resignation from executive roles.

Allica's new CEO is Richard Davies, a C-suite executive with solid fintech credentials who comes to the bank from five-year-old digital bank Revolut, where he led the group's global banking proposition, including launching its bank in Europe and developing its plans in the UK.

Cameron says one the benefits of joining a young bank is the lack of luggage – specifically legacy IT systems and processes – often associated with the more established banks, and also he adds, "we are entirely forward-focused on supporting business funding without the challenges our peers have with managing forbearance requests."

"Covid has exposed fragilities and lack of customer self-service in the asset finance market. That's something we have addressed with straight-through processing," he says.

Allica has partnered with Netsol Technologies, a US-based provider of asset finance software and IT services to develop "a paperless digital portal that allows our brokers 24/7 login access, it offers a 24-hour turnaround on credit decisions with same day payout, plus it comes with real-time updates."

As a growing business, Allica has been recruiting plenty of talent during lockdown. Currently it has around 130 staff members, of which 80 have been taken on since March 2020.

Also, the bank is not hindered with legacy management structures that can bedevil the average incumbent bank. "I matrix manage," says Cameron.

"We have five business development managers, but they run through our head of intermediaries, I have an asset finance mission squad made up of a product owner and some key people. We have three in the operations team and three underwriters, but they sit in the different functions of the bank. The whole point is not to create any internal or external silos.

"We've built a cross-functional team from the outset. Where we are today is where many big banks want to be, with some banks reverse engineering their operations to get there," he says.

Cameron says he knows of at least two UK bank asset finance providers who are resizing pools of staff and switching their focus, all of which is being achieved at some cost. "We've got none of that," he adds.

But, along with the rewards there are also risks for any young bank, particularly in a downturn. John Cronin, financials analyst, investment banking, for Goodbody, says: "Last year, in a listed-company context, if you look at niche lenders such as OneSavings, Paragon Bank and Close Brothers, they all massively outperformed their larger bank peers.

"I believe specialisation is going to present significant growth angles for lenders like Allica Bank and the market it is pursuing presents a growth opportunity, it is also one that is largely underserviced by larger banks, but no bank, including Allica Bank, can guarantee it won't meet with certain loan losses as the year progresses."

In Allica's favour, its board has concluded it has secured the commitment of further equity from its existing investors, and that management has demonstrated a credible plan to manage its regulatory capital requirements by controlling new lending volumes, according to the bank's most recent financial statement.

Against this backdrop, the stock market is powering ahead, demand for commercial lending is up and, more significantly, Allica's leadership believes it has spotted a funding gap in the market.

FLYING START

In September 2020, Allica announced it had secured an investment of £26m from its majority shareholder, Warwick Capital Partners Ltd, and is currently in talks to raise a further £100m in equity.

Allica reported it has had over £1bn of enquiries from SMEs last year. "The bank is building significant momentum in lending and deposits. Allica has secured over £100m in deposits over the last six months and is now averaging over £25m per month in committed loan offers to established SMEs," it said in a September 2020 statement.

The FTSE100 has also had a great start to the year, up about 6 per cent on where it was before the Covid-19 vaccine rollout.

David Cummings, chief investment officer, equities, for Aviva Investors, told the BBC in mid-January that the markets are confident a vaccine-led recovery is on the way.

"The market is taking the view that post Q1, economic activity will normalise and be supported by strong fiscal support, with government spending, and this will be reinforced by a Joe Biden administration in the US.

"Also, there is continuing support, monetary policy wise, and interest rates are expected to stay low. As far as the market is concerned, the pandemic is over, and investors are looking to where we will be in 9 to 12 months' time," Cummings told reporters.

In a statement, Allica says it is seeing evidence that "a significant funding gap is opening up for established SMEs who make up a quarter of the economy – those typically employing 5-100 employees with annual turnover between £1m-£25m – as mainstream lenders reduce SME lending appetite and non-bank lenders face significant funding pressures."

> "ALLICA HAS SECURED OVER £100M IN DEPOSITS OVER THE LAST 6 MONTHS AND IS NOW AVERAGING OVER £25M A MONTH IN COMMITTED LOAN OFFERS

In an interview with the *Financial Times*, Allica's chief executive said: "A lot of incumbent lenders have either withdrawn from the market because of their own issues or focused on government schemes [to help struggling businesses] — the irony is a third of the market that is not badly impacted is seeing the least supply of finance."

Cameron explains that with SME risk profiles shifting up slightly because of Covid, the big banks are unlikely to move up the risk curve to serve SMEs who no longer fit their credit criterion.

"Many SME customers who once sat in the cross-hairs of the tier-one banks through their credit appetite, because of the way that Covid has affected balance sheets and trading, have moved into the next cluster of funders as an addressable market," says Cameron.

In the aftermath of the 2008 global financial crisis, "when Shawbrook, Aldermore and others opened their doors to serve such customers in 2009 and 2010, these specialist lenders were able to move into this space created by the big banks," recalls Cameron.

"That's what is happening now. The tier-one banks will have viable business that sit within their portfolios but may not want to lend them any more money because these SMEs have

CBILS or cashflow products on their books.

"What that means for banks, such as us, is the need to become more projection-led when it comes to lending. You can't use backward-looking data for many businesses because the business case won't look so great, the skill is in assessing sales and revenue potential. We need to ask, is the business viable?," he says.

Cameron also has another target in his sights: "In a sense, my biggest competitor isn't Close Brothers, Hitachi, Shawbrook, Aldermore, United Trust Bank and the others, it's cash and bank facilities.

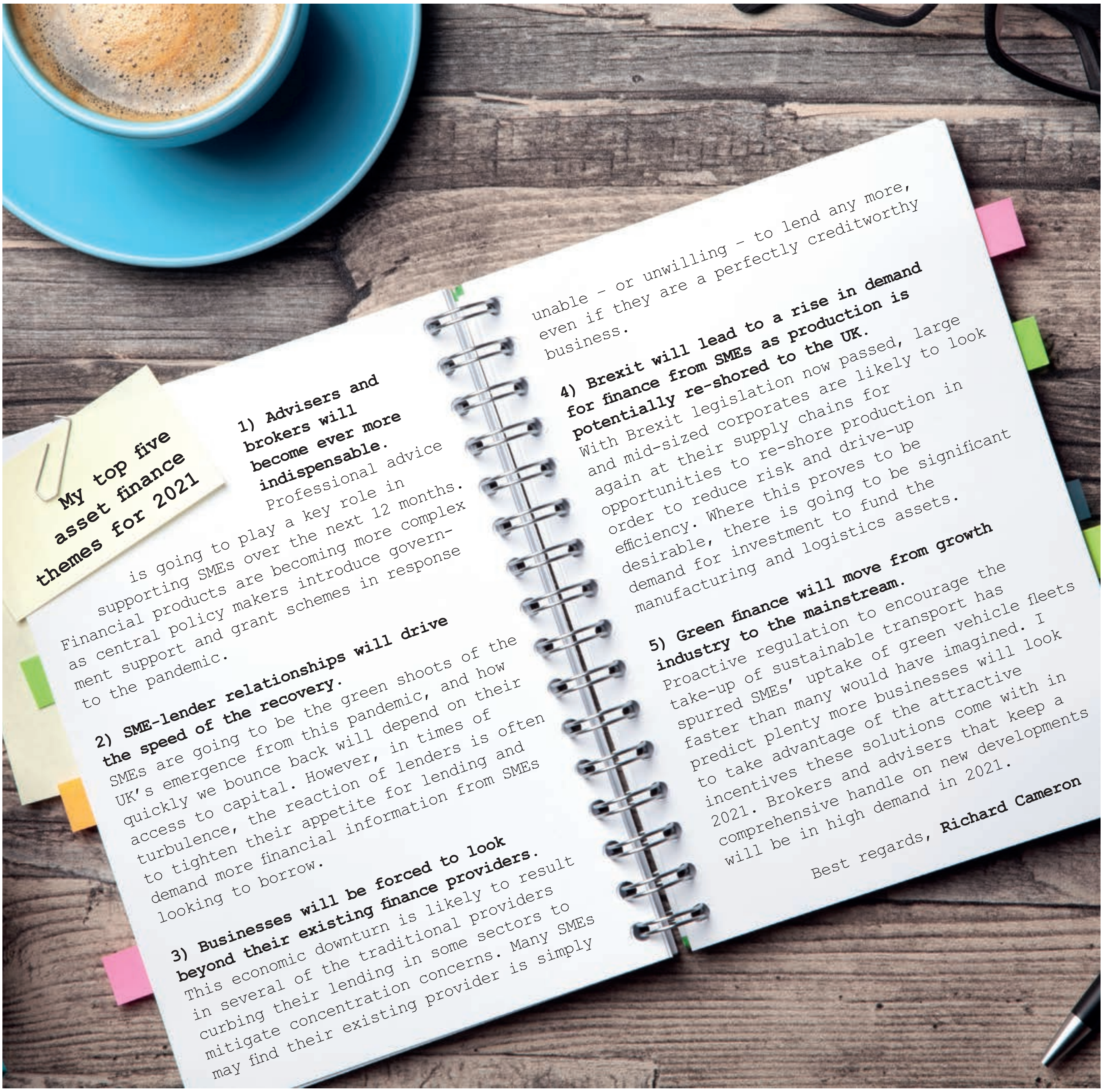
"When you look at the amount of fixed asset funding in the UK, asset finance doesn't fund more than a quarter of what's put on a company's balance sheet, this is because companies tend to use bank facilities, such as cash and property, to buy assets."

Meanwhile, Allica's chief executive says its £100m funding round, expected to conclude in early 2021, will allow the bank not just to broaden its service and product lines, but position the bank to take advantage of any M&A opportunities that may arise in the non-bank lending market.

NON-BANK DEALS

Many non-bank lenders — unable to directly borrow from the Bank of England at rates on par with the banks — have struggled with their own funding during 2020 as borrowing on the wholesale markets has risen during Covid. Also, rising default levels among their customers have put them at risk of breaking covenants on their existing funding agreements.

Cameron says conversations have already started: "We're in active discussions with two or three asset finance non-banks about how we might be able to support them, and I would be interested to talk to other funders who feel there's a mutually beneficial opportunity to help each other to potentially access Allica's balance sheet." ■



THE MONTH IN VIEW

YEAR OF PANDEMIC SEES GRENKE AG POST 28% YOY DECLINE IN NEW LEASES FOR 2020

The Grenke Group, a global provider of SME leasing, achieved new leases of €2,027.9m in the past financial year 2020, against the backdrop of the Covid-19 pandemic and damage to its share price following allegations in mid-September of accounting fraud by a UK short-seller, thus reaching 71.2% of the previous year (FY 2019: €2,849.1m).

Grenke AG has strongly rejected all accusations of wrongdoing as unfounded.

In its financial report, the company said that in Q4 of 2020, the Grenke Group generated new leases of €426.7m.

New leasing, which corresponds to the sum of the acquisition cost of all newly acquired leases, amounted to 56.3% of Q4 in 2019. The company had projected a target of approximately 60% of the previous year's quarter, which it had communicated before the second hard lockdown was announced.

Regionally, the DACH (Germany, Austria, and Switzerland) grouping experienced a 25.2% decline in new leasing in Q4 2020, which represents the least affected region during the period.

Western Europe, excluding DACH, recorded 46.5% decline in new leasing in Q4. Southern Europe was down 52.6%, a similar level to Northern/Eastern Europe which was down 51.1%.

The other leasing regions posted a 27.5% decrease in new business.

Overall, the development of new business volume in Q4 2020, compared to the previous year, was characterised by sales activities with a focus on profit margins, risk limitation and diversification as well as small-ticket contracts.

Due to further hard lockdowns during the Covid-19 pandemic and associated restrictions surrounding macroeconomic activity and public life, profit margins decreased in nominal terms in line with new business volume projections for Grenke Group Leasing for the fourth quarter of 2020.

The 'average value per leasing contract concluded' declined to €7,595 in Q4 of 2020 (Q4 2019 was €9,240). The lower average reflects the increased demand for small-ticket financing solutions from SMEs. Small tickets are leasing contracts with a volume of between €500 and €25,000.

The Grenke Group received a total of 115,260 leasing requests in the fourth quarter of 2020. Of these, 21,351 enquiries were made in the DACH region and 93,909 in international regions. At group level, 56,182 new leases were concluded from these requests, which corresponds to a conversion rate of 49%. ■

Intesa Leasing Beograd and EIB agree on €40m Covid loan

The European Investment Bank (EIB) and Intesa Leasing Beograd (ILB) have signed a €40m loan for small and medium-sized enterprises (SMEs) and mid-caps in Serbia.

The EIB is the lending arm of the European Union, the biggest multilateral financial institution in the world.

These funds will enable ILB to provide affordable lease finance to local companies under more flexible and favourable conditions, which are part of Covid-19 exceptional measures adopted by the EIB in May 2020.

This agreement will help support job retention, recovery and development of the private sector in Serbia. Businesses in sectors hit by the pandemic such as tourism, transport, logistics, retail, manufacturing and services will be able to access lease finance sources faster and with favourable conditions to address their short-term business continuity needs and longer-term investments. Intesa Leasing is part of Intesa Sanpaolo Group and one of the major leasing operators in Serbia, with major activities in the vehicles, equipment and real estate sectors. ■

COMMENT

AFTER THE DISASTER OF 2020, SMEs ARE UPBEAT ABOUT 2021

In recently commissioned research into the strength of feeling among brokers and SME leaders about the business environment in the UK, we found reasons to be cheerful about 2021, writes *Carol Roberts*, Time Finance's head of asset finance

With so much of the world – and its businesses – in flux, this year has already delivered a number of shifts when it comes to expectations and predictions. As the nation grapples with new lockdown restrictions and the post-Brexit era, we recently undertook research to investigate current attitudes amongst brokers and business leaders. I believe the results reveal an optimistic look to 2021, despite the challenges thrown at us so early on.

Our survey revealed that 65% of business owners were feeling confident they would survive a further hit to the economy, with just 30% feeling uncertain. Comparatively, 50% of brokers stated being 'uncertain' about the likely impact this would have – perhaps unsurprising given the necessary degree of caution to advise accordingly.

How to interpret these findings? Given the injection of government funding packages for businesses last year and the continued support from alternative financiers like ourselves, never have so many businesses taken advantage of the lifelines available to them. In our industry, we widely recognise that access to funding can mean the difference between success and failure. The current climate has exposed this fact more plainly than ever before. As a result, UK business leaders are quickly realising that access to funding offers so much more than a cash injection; it instills confidence and peace of mind for the future."

Carol Roberts

LOCKDOWN 3.0

How have attitudes shifted? If our lockdown learnings have taught us anything, it's that business owners display clear signs of resilience and strength in times of uncertainty, and 2021 is no different.

After overcoming the first lockdown, 82% of business owners were feeling more equipped and better prepared for future national lockdowns, and brokers were no different. We engaged with intermediaries across the industry to gain their insight.

Based on the views of those on the ground working tirelessly to deliver solutions, the desire to drill down to identify long-term solutions has been critical. While the government and the wider nation focused on the short-term assistance to ensure as many as possible could stay afloat, brokers have simultaneously kept one eye on future sustainability, considering how support can pave the way to a brighter future.

I consulted an industry colleague Mark Millhouse, from PMD Business Finance, he says: "This time around we're seeing businesses feeling more optimistic than previously. I think it's fair to say that our industry has had a significant role to play in this by demonstrating that no matter the circumstances, our doors will remain open with us endeavouring to find a solution that will drive that business forward.

"It's certainly been an interesting and challenging year but there has undoubtedly been a resilience in the market - on all sides. With that determination to carry on and a reluctance for failure, businesses are finding new ways to move forward."

EMBRACING BREXIT

With Covid-19 taking the spotlight in global news stories, Brexit has naturally fallen under the radar. Despite this, funders and advisers have been working hard to accommodate the challenges and uncertainties posed by Brexit. With 65% of business owners stating in Q4 that they were unsure of the likely impact of Brexit of their businesses, it now seems they're pushing on and feeling less deterred.

Specialty cheese manufacturer, Blaenafon of Cheddar, is one company that remains undeterred by the Covid-19 and Brexit. Despite economic uncertainty, the cheese manufacturer, and current client of ours, remains confident for the future and is adamant that Brexit won't stand in its way. In fact, the current climate has already brought with it some unexpected opportunities, as experts predict that more people will choose British cheddar if the price of Brie shoots up as forecasted.

Owner, Susan Fiander-Woodhouse adds: "Our passion is to offer customers high-quality cheeses with a difference and this mission hasn't changed. Securing equipment meant we could accelerate our production, increase the amount of cheeses we could supply and continue focusing on development. This support was invaluable and, as we've pushed on through this challenging period, the ongoing support has been critical.

"Our business has been confronted with significant hurdles over the last 12 months – and I don't expect these to disappear any time soon – but having the right funding and team to support us goes a long way.

"I'm sure I speak for many other manufacturers as well when I say that, politics aside, we all just want to get on and continue doing business with one another. Finding solutions to overcome the consequences of Covid-19 and Brexit is in all of our interests and the market itself will figure it out – even if the politicians aren't able to."

Gaining access to the funding and then the necessary equipment ultimately ensured the cheddar manufacturer could protect its cashflow by not only managing the cost of the equipment itself, but spreading the cost over an agreed period of time. Susan adds: "Without such a fast turnaround we couldn't have adapted our existing production process nor secured our new contract with a major supermarket."

With financial support, the husband and wife duo, Gerry Woodhouse and Susan Fiander-Woodhouse, secured a specialist piece of equipment to allow the company to fulfill orders on a much larger scale. Now in full action, the £77k automatic wax-coating machine, has already supported the business land large contracts with a leading national supermarket.

TIME TO INVEST?

With positivity slowly on the up, our survey sought to establish whether this change in mood may impact on a desire to invest. The good news is that 60% of business owners report feeling that now is a good time to invest, supported by 50% of brokers thinking the same.

Naturally, we want businesses to be optimistic and willing to invest – it is our industry's job to take stock of that and find appropriate solutions. A fact which is illustrated in these results.

Some industries have been hit hard by the pandemic and will struggle to recover but this certainly is not the picture across the board. For others, opportunities have been borne out of lockdown – as well as a greater requirement and desire to innovate than ever before. For the business leaders themselves, it is their inner belief and understanding of their own industries, in their teams and in their business modelling that gives them the greatest sense of hope and optimism. Funders and advisers play a key role in championing these businesses and truly believing in their ability to make it a success.

Despite the lingering uncertainty, there are a number of reasons for the industry to now be cautiously optimistic. While businesses have been utilising the government loans and lower interest rates for some time (crucially helping many to get through these tough times and take advantage of new opportunities) this period of government support will soon come to an end. At which point, businesses will be looking for assistance from alternative sources. Since one in four businesses said they would look into alternative finance solutions, the landscape may soon shift." ■

Carol Roberts is head of asset finance at SME finance provider Time Finance

CIRCULAR ECONOMY: A PRIMER
'STRIVE TO GIVE BUSINESS EQUIPMENT A SECOND AND EVEN A THIRD LIFE'

The circular economy is a key concept behind achieving a more sustainable and socially responsible future, according to BNP Paribas Leasing Solutions

The circular economy calls for developing products and services conceived for re-use, refurbishment or recycling, making a second life or new applications possible. By recovering materials, it helps avoid the depletion of our limited natural resources, creating an economically and environmentally virtuous circle.

This marks a resolute departure from the model of the linear economy (making everything disposable) towards an ecological transition. In short, it requires us to rethink how we design, make and use things as well as how we live.

Formerly known only to thinkers and economists at the cutting edge of ecology, the circular economy has today become a common phrase promoted by official programmes and legal texts across the world.

According to the United Nations, it holds "much promise for the implementation of the 2030 Agenda" of its Sustainable Development Goals.

Many countries have passed laws, such as France's 2015 Energy Transition for Green Growth Act. For some countries, such as China and Japan, the circular economy is a national development objective.

Many discussions about the circular economy mention the 3 Rs (reduce, recycle and reuse), but other verbs could be added to this trio of strategies, such as "sort" and "refurbish". The goal is to move from the linear economy (extract, make, consume, waste) to a model that incorporates the product lifecycle and sustainable resource management.

Why has the circular economy become a public policy objective? Three major factors may explain this:

- Environment: The recognition that the planet's resources are limited and our environment has greatly deteriorated, posing a major threat to the quality of life of all living things.
- Economy: At a time when economies have become interdependent, externalised and more exposed to catastrophic risks (e.g. climate disasters and public health crises), the circular economy offers opportunities for bringing jobs back onshore, creating jobs and finding new, positive-impact sources of revenue (e.g. waste recovery and water management).
- Society: Given its *modus operandi*, the circular economy is a catalyst for change enabling us – via the sharing, usage and recycling economy – to live differently and consume in a more socially responsible and inclusive way.

> "THE GOAL IS TO MOVE FROM THE LINEAR ECONOMY (EXTRACT, MAKE, CONSUME, WASTE) TO A MODEL THAT INCORPORATES THE PRODUCT LIFECYCLE

KEY PLAYERS

Bringing about change requires participation from the key players: the government, civil society (consumers) and corporations.

The government provides a legislative framework that supports and organises the circular economy, gives it visibility and sets specific economic objectives. Many countries and regions of the world have now developed concrete road maps. For instance, France established a road map in 2018 that gave rise to the Law of 10 February 2020 relative to the fight against waste and to the circular economy.

This piece of legislation aims to cut resource consumption by 30 per cent by 2030, recycle 100 per cent of plastics by 2025 and create 300,000 jobs. It is consistent with the Circular Economy Action Plan adopted by

the European Commission. As noted on the Commission's website, this new action plan indicates the path to follow towards a climate-neutral, competitive economy while ensuring that consumers have their say.

Consumers – and civil society, generally – are a major driver for implementation of the circular economy. The work of think tanks and initiatives all over the world are making it possible. The best known and most influential is the Ellen MacArthur Foundation, founded in 2010.

In fact, public awareness is on the rise for a number of reasons, such as climate imbalance, global epidemics (such as Covid-19), media coverage of Earth Overshoot Day, recurring public health scandals and the fact that pollution is everywhere.

More attention is being paid to the depletion of the earth's natural resources and decision-makers in public and private sectors alike are increasingly expected to shoulder their respective responsibilities. For instance, a poor corporate track record on environmental or


Charlotte Dennery

social issues (according to ESG criteria) can adversely affect a company's financial valuation. On the other hand, certified sustainable investment funds show more stability of performance in times of crisis. Major companies should lead the way, irrespective of their economic sector. Backed by their financial clout, they have a duty to help bring about change and meet consumer expectations.

One key lever that they have is the financing of business equipment. Leasing is key to the circular economy in the workplace, because it encourages longer use, reuse and recycling of capital goods.

Charlotte Dennery, chief executive of BNP Paribas Leasing Solutions, says: "One of our main objectives – for consumers, businesses and states alike – is to make the most of products and raw materials, minimise waste and preserve the earth's natural resources as much as possible. We've been focusing on the circular economy for several years now, striving to give business equipment a second – or even a third – life in every sector possible." ■

BNP Paribas Leasing Solutions is a European provider of asset finance with a total of €34bn in assets under management in 2019

EQUIPMENT PROCUREMENT

THE CIRCULAR ECONOMY SUPPLY CHAIN

Circular procurement of equipment adds value to all parties along the supply/value chain. In this article, Gregory Autin, a circular economy advocate, explores how the circular economy offers opportunities to manufacturers, dealers, resellers, authorised third-party refurbishment companies, service companies, and rental and leasing companies

A circular economy is an economic system based on the continual (circular) (re)use of production materials and the minimising of waste and pollution while protecting natural ecosystems and extending the effective useful life of assets. A circular economy aims to conduct sustainable economic activity, also called "circularity", for the benefit of all socio-economic stakeholders – businesses, society, and the environment.

Sustainable procurement underlies the circular economy concept. Sustainable procurement is the obtaining of materials and products used in business operations with the aim to reduce their consumption and/or the sourcing of materials and equipment to minimise the negative impact to the community, society and the environment.

A sustainable supply chain is a network between a company and its suppliers to produce and distribute a specific product or service that adopts sustainable development principles and such sustainable practices as sustainable utilities, sustainable materials and equipment, sustainable construction, and sustainable finance. For the implementation of a sustainable supply chain, companies must become aware of the environmental, social and governance (ESG) impact of their business operations and the need to adapt.

A circular procurement framework is the business model and strategy that outlines the intervention points to make the purchasing choices of companies more circular, optimise capacity utilisation, and extend the effective useful life of products and assets. A company's approach to sustainable procurement and circular supply chain management depends on the circular economy business model it adopts, its industry, sector, geography, and other factors as well as its location along the supply chain value chain.

Sustainable supply-chain management (SSCM) is the management of materials, information and capital flows, and cooperation among firms along a supply chain while considering the goals of sustainable development and applying sustainable development principles. It applies the concepts of the circular economy along all activities of companies to enhance the sustainability of their supply chains.

CIRCULAR MODELS

Circular business models have the strategic objective to extend the effective useful life of materials, products and assets and to design out waste from production and consumption. Circular business models require a specific configuration of existing and new capabilities to function optimally.

Circular business models focus on a different phase of the value chain, either the design and manufacturing phase, the use phase, or the value-recovery phase. The strategies increase stakeholder benefit along the value chain by modifying the pattern of product and material flows through the economy and optimising capacity utilisation.

Circular-design models apply reduce/recycle strategies in a product's design/production phases by focusing on the development of existing or new products and processes that optimise circularity. Traditional material inputs from virgin resources are replaced with bio-based, renewable or recovered materials and reduce demand for virgin resource extraction.

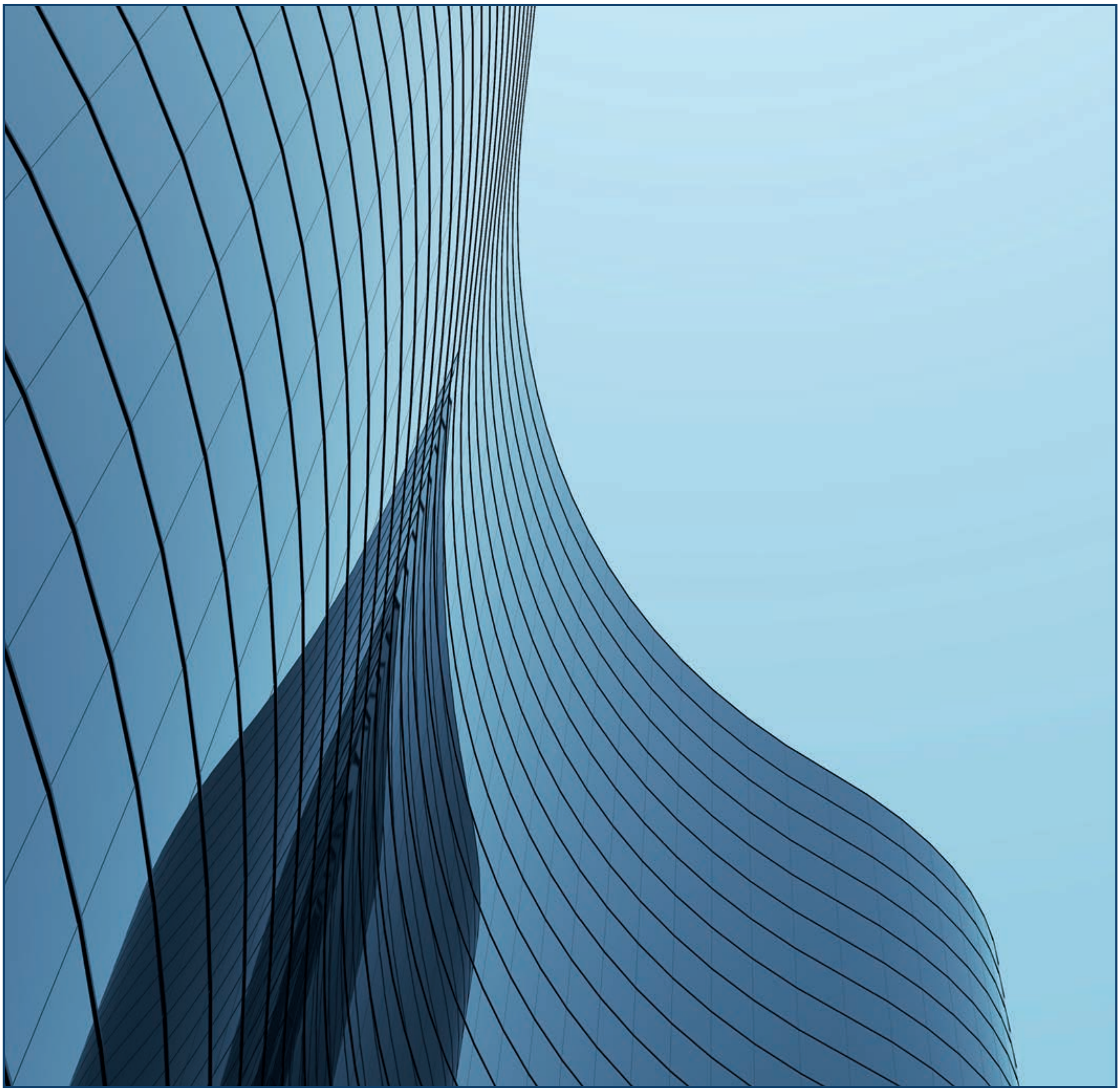
Optimal-use models apply reuse/repair/repurpose/refurbish/remanufacture strategies in a product's use phase with the aim to increase the value and use of the product during its effective useful life. The business models often build on retained ownership of a product by providing it as a service rather than selling it (e.g. service as a product or equipment leasing) and/or take responsibility for the product throughout its useful life through maintenance service and add-ons to extend the life of the product.

Value-recovery models apply recycle/recover strategies that focus on the recovery and recycling of products and materials after use into new products or useful resources, thereby reducing wastage and conserving resources. It involves reverse logistics, where the product is returned to the manufacturer or distributor for servicing, refurbishment or recycling.

For all business models, circular support involves the management and coordination of circular value networks, resource flows, incentives and other supporting activities in a circular network. It includes the development or deployment of technologies that facilitate the operation of circular business models.

OPPORTUNITIES

The circular economy offers numerous opportunities for companies to reduce their exposure to linear risks, mitigate supply uncertainty and price volatility, reduce costs, and exploit new market and business opportunities. New technologies facilitate the development and introduction of new business models that generate new revenue streams based on reuse, remanufacturing,



sharing or leasing. Companies that cannot reuse or recycle their own goods, by-products or waste can offer these to organisations that can. This approach creates symbiotic circular relationships while allowing the companies to generate new revenue streams and avoid waste management costs.

Repair and refurbishment schemes enable new service-based business models and strengthen the customer relationship while increasing the effective useful life and revenues from a given asset. Product service systems (PSS), such as full-service leasing and metered services, provide the asset owners control over the products while incentivising circular design, optimising use, and making the repair and asset reuse easier.

Circular models can host cost-effective collection and return systems for goods, materials and other resources as well as asset-sharing schemes (e.g. car sharing) and systems for product or component reuse (e.g. automotive parts). Communities facilitate the closing of circular loops through the refurbishing, remanufacture, recycle, or otherwise reuse of products within their neighbourhood and economic base.

The transition to a circular economy can be challenging, especially for those companies with structures, strategies, operations, and supply chains that are rooted in the traditional linear economy. The transition from a linear to a circular economy requires the transformation of production processes, investments and the modification of processes, feedstock, equipment and output as well as staff re-training and cooperation within the value chain.

Two of the main obstacles to transition are the lack of standardisation in ESG criteria and economic incentives or economic disincentives. Both call for government action and policy instruments to encourage transformation to a circular economy. ■

The Hotel Development & Investment workshop/forum 31 May-1 June in Vienna (www.events.autin.com) will explore the use of equipment leasing as an ideal means of sustainable ESG-compliant financing in the circular economy

AGRICULTURE

Will finance deliver on a farm to fork future?

Agricultural businesses incurred significant operational and financial disruption from Covid-19, but having weathered the pandemic, the sector still needs to manage business challenges that should keep finance providers busy for some time. This report by Hannah Wright

The Covid-19 virus – first identified in a farmers' wet market in Wuhan, China, in January 2020 – may have started as just a health crisis, but government efforts to bring the virus under control ushered in economic shocks that had immediate consequences for the agricultural sector.

According to the Department for Environment, Food & Rural Affairs, the UK imports 47 per cent of its food, including 84 per cent of its fresh fruit, and independent observers say the UK relies heavily on a just-in-time supply chain and is not well prepared to withstand shocks.

Indeed, according to Jon Hercman, head of agriculture at UK-based Haydock Finance, the pandemic has "wreaked havoc" on supply and demand across the agricultural sector.

Lockdown restrictions, forced closures, social distancing and limitations on travel all had a major impact on agricultural sector supply chains, from labour to distribution.

Hercman explains: "In meat processing plants, recurring Covid-19 outbreaks led to an inability to operate at normal capacity. This was then met by increased demand from supermarkets, a result of panic buying. The closure of the hospitality sector then represented a major reduction in demand due to widespread closures. Each of these factors had a tremendous impact on the farmers we lend to. For Haydock, it made it more difficult to assess the financial viability of a business due to constant fluctuation in prices. If we're looking at assessing a beef business that needs a loan, their profitability is very dependent on the price of beef."

> "FARM TO FORK IS AN EXTENSION OF THE OTHER CHANGES IN SOCIETAL EXPECTATIONS, WHICH HAVE RESULTED FROM COVID-19

However, over a year later there is a consensus across the industry that, in fact, they have weathered the storm quite well. In fact, the agri-food sector has ultimately survived the economic storm of the pandemic, largely confirming its anti-cyclical characteristics.

As families around the world were forced to stay at home, Hercman highlights how such restrictions have benefitted the sector: "Due to individuals wanting to shop locally, we are seeing more requests for funding for diversification amongst farmers, particularly for on-site farm shops. These have always been popular, but there has been a considerable shift in consumer trends. Individuals want to buy more local, more traceable, and more sustainable."

DIVERSIFICATION

According to a research paper *Diversified Farms Facing the Covid-19 Pandemic: First Signals*

Source: European Commission

from Italian Case Studies, farm diversification represents the development of income-earning activities beyond the range of conventional crop and livestock enterprises typically associated with agriculture.

Faced with empty supermarket shelves, and the closure of restaurants, consumers turned to local farm shops. In this sense, the pandemic has both improved short food supply chains and changed eating habits, simultaneously reinforcing sustainability.

Despite a recent increase in applications for diversification funding at Haydock, for some farmers, the diversified element of their business represented a major loss. Hercman explains: "Two-thirds of farmers have an income stream from diversification and that's has also been a major loss within the sector".

This is reinforced by the Italian case studies report, produced by Professors Luigi Mastronardi, Aurora Cavallo and Luca Romagnoli, which investigated the consequences of the health emergency on diversified farms, their reactions, and their agricultural and rural policy needs in order to overcome the crisis. Respondents to a survey, as part of the report, said that their core farming business experienced no particular effects, while there were significant effects on the distribution of products and on so-called related activities, such as agritourism, leisure, and restaurants. Drilling down into the detail, it appeared the pandemic rendered farmers as winners or losers depending on how diverse their businesses were.

Hercman points out: "Fortunately, we have an agricultural specialist credit-underwriter who understands the cyclicality that you see in agriculture. Whilst Covid-19 had an impact on commodity prices, it's no different to the impact we see every year due to poor weather conditions. Our team understands all the pressures that agricultural businesses regularly face. Consequently, we can apply the circumstance we have seen in Covid-19 to the individual cases."

LABOUR SHORTAGES

In 2019, the digital revolution in agriculture was well underway. Advanced technologies such as sensors, artificial intelligence, and robotics were increasingly being promoted to increase food production efficiency while minimising resource use. Agricultural digitalisation raised considerable criticism regarding the implications for diverse agricultural labourers and rural spaces. However, the pandemic has highlighted the fragility of the seasonal workforce. According to the Farm to Fork Strategy – which forms part of the EU's European Green Deal, an ambitious 25-year plan to lead the world in climate change – travel restrictions placed on individuals, alongside the closure of the Schengen Area, has posed a great risk to the agricultural sector which relies on seasonal workers.

Hercman comments: "The more reliant the business is on human-labour, the greater the impact. The fruit and vegetable sector in particular has had trouble bringing in seasonal labour onto farms.

"The UK Government launched a scheme called Pick for Britain which attempted to supplement the shortage in seasonal labour that comes from abroad. Unfortunately, the labour probably wasn't up to the same standard as the EU seasonal workforce. Covid-19 has highlighted the issues with seasonal labour. This, in turn, has accelerated the rate at which technology is being deployed to overcome the issue."

CONSUMER MINDSET

Across the rest of Europe, Andreas Richling, international programme manager at Societe General Equipment Finance, believes that the impact of Covid-19 was relatively niche. Richling explained: "There were certain cases

Continued on page 23

The world-renown cosmologist Stephen Hawking relied significantly on IT to communicate, allowing him to continue his life's work despite living with a muscle wasting disease that severely limited his ability to speak or move. Technology reseller VitrX examines the technological developments that helped Hawking during his lifetime

Stephen Hawking

INFORMATION TECHNOLOGY

How IT gave Stephen Hawking a voice

Stephen Hawking – who died aged 76 on 14 March 2018 – was one of the world's most respected and best-known scientists of his generation, but he may not have been so widely known had technology not played the crucial role it did in giving him a voice to reach people.

During his 50-year career, he sought to explain the origins of the universe, the mystery of black holes and the prospect of time travel. He also suffered from motor neurone disease, which he developed when he was 21 and spent most of his life confined to his wheelchair.

Hawking's incredible mind probed the very limits of human understanding both in the vastness of space and in the sub-molecular world of quantum theory, which he claimed could predict what happens at the beginning and end of time.

MY BRIEF HISTORY

In his 2013 memoir *My Brief History*, Hawking explained how "very unfair" it felt when he first learned of his disease and how he often asked: "why should this happen to me?"

However, with the passage of time and the advent of new technology, he went from being concern that his potential would never be realised to – in the space of 50 years – feeling satisfied with his life and his many achievements.

In 1986, aged 44, Hawking was left unable to speak following a life-saving operation to treat pneumonia. For a while, he used a spelling card to communicate, patiently indicating letters and forming words by raising his eyebrows. Although this gave Hawking the ability to communicate, the process was slow. During this time, he spoke through a computer synthesiser on the arm of his wheelchair.

A chance encounter with Gordon Moore, the co-founder of Intel, at a conference in 1997, led to a relationship that would see Intel provide Hawking with customised PCs and technical support, and also replacing his computer every two years or so.

Martin King, a physicist who had been working with Hawking on a new communication system, contacted a California-based company called Words Plus, whose computer programme Equalizer allowed the user to select words and commands on a computer using a hand clicker.

Words Plus chief executive Walter Woltosz had created an earlier version of the programme to her help his mother-in-law who also suffered from motor neurone disease.

Equalizer first ran on an Apple II computer linked to a speech synthesizer made by a company called Speech Plus. This system was then adapted by David Mason, the engineer husband of one of Hawking's nurses, to a portable system that could be mounted on one of the arms of a wheelchair. With this new system, Hawking was able to communicate at a rate of 15 words per minute.

However, the nerve that allowed him to move his thumbs kept degrading. By 2008, Hawking's hand was too weak to use the clicker. His graduate assistant at the time then devised a switching device called the 'cheek switch'. Attached to his glasses, it could detect, via a low infrared beam, when Hawking tensed his cheek muscle.

Thanks to this device, Hawking has achieved the feat of writing emails, browsing the internet, writing books and speaking using only one muscle. Although this system worked, it was still slow.

It was a breakthrough in predictive keyboard technology that allowed improved speed, specifically SwiftKey Integrated, a system that could learn from Hawking and predict the characters and words he planned to type next based on historical patterns, with this data funnelled through to his speech synthesiser.

SwiftKey tapped Hawking's historical works to help it more accurately predict his next words in this bespoke version of the software.

As you might expect, Hawking's communications journey involved multiple pieces of equipment, such as:

- Lenovo Yoga 260, by Lenovo and Intel.
- Intel Core i7-6600U core processing unit.
- 512GB solid-state drive, storage device.
- Windows 10, software by Microsoft.
- Assistive Context-Aware Toolkit (ACAT) interface software by Intel.

Speech synthesisers:

- Speech Plus, the manufacturer, incorporated in 1988.
- Synthesiser model – CallText 5010.
- Speaker and amplifier provided by Sound Research.

Not forgetting the Permobil F3 wheelchair provided by Sweden-based company Permobil.

Clearly, technology played no small part in enabling Hawking to express himself and it hopefully provided him the drive to continue with his work.

GOD & SCIENCE

In his final and posthumous book *Brief Answers to the Big Questions*, he wrote, "there is no God" and "no one directs the universe." He had disputed the existence of God for many years before his death.

He wrote, "The question is: Is the way the universe began chosen by God for reasons we can't understand, or was it determined by a law of science? I believe the second."

Hawking believed that "spontaneous creation" was the reason for existence, writing "it is not necessary to invoke God to light the blue touch paper and set the universe going."

The life of Stephen Hawking offers one of the most striking examples of mind over matter. How one man's physical disability could not suppress his intellectual gifts, but was allowed to flourish thanks to innovation and collaboration in the IT sector. ■

VitrX is a reseller for all major IT vendors such as Apple, Adobe, Lenovo, IBM, Dell, HP, HPE, Microsoft and Cisco

THE NETHERLANDS

Dutch courage: facing up to the pandemic

With state support ensuring that relatively few businesses have gone to the wall since the start of the pandemic, leasing companies in the Netherlands hope to persuade more enterprises to diversify their sources of finance in 2021. *Paul Golden* reports

Rotterdam skyline

Last year began with considerable promise for the Dutch leasing sector with lessors posting €2bn in new business for the first quarter, a record for the first three months of any year.

This came after the sector posted a total of €7.7bn in new business for 2019 and the market looked set for another good year.

However, as the effects of the pandemic began to be felt across the globe, business began to fall back and as result 2020 did not live up to early expectations.

"In the second quarter the market took advantage of the lag time in the decision making of investments in equipment and the closing of leasing contracts, but nevertheless recorded a decline in production of 20%," observes Peter-Jan Bentein, secretary general of the Dutch Association of Leasing Companies (De Nederlandse Vereniging van Leasemaatschappijen – NVL). For the first half of last year the market totalled €3.6bn, exactly the same volume as in the first six months of 2019.

However, third quarter volume dropped to €1.3bn and with volumes for the final quarter of the year yet to be confirmed the NVL is not sure if the full year total will reach €6bn.

GOVERNMENT SUPPORT

Bentein explains that immediately after the first lockdown was imposed the Dutch government and especially the ministry of finance and the ministry of economic affairs decided to deploy a number of supporting measures for companies, such as immediate delay of tax payments and subsidies to cover fixed costs. The banks granted payment holidays for six months with regard to long term loans, which was supported by measures of the European Banking Authority and the ECB.

"The leasing companies followed the same approach to a large extent," he says. "Payment holidays were granted for three or six months and instalments for the capital part were suspended, while the interest component was still to be paid according to the normal payment scheme.

"Some leasing companies decided to extend the leasing contract, while others kept the same tenor and added the arrears to the leasing instalment once the regular payment would be resumed."

According to Bentein, lessors were creative in finding generic and specific solutions to help their customers. Leasing companies reinforced their risk departments with specialists in bad debt, although the number of 'bad' leases remained relatively low.

"Also we saw that no lessor was considering repossessing assets – which would not have been very wise because those assets were not in demand anyway," he adds.

As the government injected tens of billions of euro into the economy, companies were mostly capable of continuing to pay their dues or to agree extended payment schemes, evidenced by the number of bankruptcies recorded last year being the lowest on record.

"Of course, we expect that the real economic effects of the pandemic will only become visible once the economy resumes," says Bentein. "It is clear that companies have been spending working capital to cover essential costs and meet payment obligations. This working capital will be needed to pick up growth, but it is spent and no longer available so companies will rely on bank credits to cover these liquidity needs."

NEW TRENDS

The NVL has identified a number of trends that have been accelerated by the unique market conditions:

Vendors and suppliers are taking a bigger part in the distribution of new leases – in order to be able to sell their product they need to offer a finance solution alongside the product

The online proposition of leases via bank websites (including apps) is limited but growing for simple and standardised leases

New players are offering sale & leaseback proposals to improve the liquidity position of creditworthy companies in search of cash

Intermediaries in the leasing market are becoming much more professional and playing an essential role in the distribution of leases

"In the current environment we see that bank-owned leasing companies are tending towards a more standardised approach where financial leases are preferred over operational leases that would require more asset insight and may bring residual risk positions that the bank would rather avoid," says Bentein. "This approach makes sense, but is not appropriate in all cases."

In the vendor lease environment the NVL notes that larger vendors or suppliers who would bring substantial volumes of assets are


Peter-Jan Bentein

preferred over smaller vendors, especially those that are offering managed services to their customers. Leasing companies are reluctant to take performance risks, especially in cases where the asset value is relatively limited.

"With regard to the energy transition (for example, solar panel installations) there are some legal constraints such as accession rights of the assets to the benefit of the owner of the building," he says. "Although it is possible to overcome these issues, the market is not yet considered mature, which means that not every leasing company is entering into this business."

Bentein accepts that the outlook for the Dutch leasing market in 2021 depends on when and how strongly the economy picks up. However, he says there are a number of reasons why the industry should be optimistic.

"Companies will need to invest, driven by new technology, customer demand and/or sustainability goals," he says. "When it comes to investing in equipment, leasing is best positioned."

A second factor is that banks will be looking at balance sheets which for many companies will be strongly affected by the pandemic. Leasing companies also look at balance sheets, but are more interested in turnover and payment capacity to be generated by the new asset.

"Finally, companies – and especially SMEs – have seen that dependency on a single financial partner is not a healthy situation," he concludes. "For this reason they will look to diversify the sources of finance they use. Leasing will have a place in the financing mix of companies when it comes to investment in equipment."

The impact of the coronavirus crisis on corporate investment in the Netherlands has been significant with the market decline particularly visible from the third quarter onwards as investment in business assets (especially large investments) were postponed, says Catherine Meyers, general manager DLL Benelux.

"The Dutch government requested employees to work from home as much as possible and immediately after this request, almost all our employees switched completely to remote working," she says. "Customers who found themselves in financial distress due to the pandemic were helped with a temporary postponement of payment and possible restructuring of their lease contract."

Aside from coronavirus, Meyers says the industry needs to respond to changing customer needs transitioning from asset ownership to asset usage. "Payment models should be more usage based. Although this is a global trend, the level of need differs from sector to sector," she adds.

> "AGRICULTURAL, TECH AND HEALTHCARE WERE LESS NEGATIVELY IMPACTED BY COVID THAN THE OFFICE EQUIPMENT AND FITNESS SECTORS

In terms of specific sectors of the market that are particularly strong or weak, Meyers notes that the agricultural, technology and healthcare sectors in the Netherlands have been less negatively impacted by the pandemic than the office equipment and fitness sectors, while investments in passenger transport have been postponed or cancelled.

"Many companies are postponing investments, but we are expecting a recovery during 2021," she says. "The leasing sector is reasonably positive about this year compared to the second half of 2020 and as soon as the economy starts to recover, growth is also expected for the leasing industry. Based on experiences from previous crisis years, we might expect new investments being financed to secure or build a buffer."

"Additionally, we see that companies now increasingly want to invest in technology to

Niek van Wieringen

be fully prepared for when the market picks up again. If they do not invest now, it can negatively impact their future business."

Niek van Wieringen, head of industry finance at SGEF Netherlands observes that over recent years growth has been observed in almost all segments and origination channels; banking channel, vendor origination, intermediaries and captive leasing companies.

He accepts that leasing companies are awaiting insight into the financial health of their clients once the moratoriums and governmental support come to an end.

"Our experience is positive since payments have been reinstated after the first lockdown in March and a very limited number of issues were identified after activating these payment batches," says van Wieringen.

At the start of the coronavirus crisis, SGEF worldwide launched its 'stronger together' programme, which has been extended until March 2021. This programme aims to support international and local vendors, dealers, partners and end customers with flexible financing to encourage additional equipment sales.

More than €1bn of new investment is available to support the sales and investment plans of customers and partners looking to invest in the equipment they need to stimulate the restart of their business. The programme includes flexible payments with lower monthly payments for the first three to six months.

According to van Wieringen, more suppliers and manufacturers are interested in launching a vendor lease model supported by companies like SGEF.

"The growth in this segment is strong compared to the banking channel and we have noticed increased interest from manufacturers as well as from end users in a 'as a service' solution," he says. "We have also been observing a trend that utilisation rather than ownership of an asset is of interest, preferably including services such as insurance, maintenance, end of lease options (for example, extension scenarios) and the integration of consumables."

"In this trend, SGEF is establishing a partnership with the manufacturer which contains transparent agreements where performance risks of the offered solution remain with the manufacturer and SGEF is taking the credit risk/debtors risk in the transaction," he adds.

In the segments his company is active in, the agricultural area appears to have been largely unaffected by the pandemic. The offset printing sector was already challenged given over-capacity and digitisation, while within the construction sector topics such as CO2 emissions still have a negative impact on growth.

"When it comes to the transport sector it strongly depends on the type of end customer business as to whether clients are more or less impacted," says van Wieringen. "In the technology sector business remains quite stable and as referenced above there is a growing interest from manufacturers in vendor finance programmes."

INVESTMENT APPETITE

When asked for his outlook for the Dutch leasing market in 2021, he notes that leasing in the Netherlands is becoming more popular at the expense of traditional forms of finance.

"The market appreciates the advantages of asset finance, which is confirmed by the increasing numbers," says van Wieringen.

RANKED 19TH IN THE WORLD

According to the White Clarke Global Leasing Report 2020, which ranks countries by leasing volume, The Netherlands was ranked 19th (compared to neighbours Germany 4th, Belgium 21st and the UK 2nd).

Citing figures for 2018, White Clarke Group reported that total new leasing business in The Netherlands was US$8.71bn (with growth up 19.67% on the previous year). White Clarke sourced its figures from Leaseurope.

Source: White Clarke Global Leasing Report 2020

Catherine Meyers

"This will be a challenging year, but our contacts in the domestic market show there is investment appetite, albeit that it will depend on how quickly the economy recovers after the pandemic."

The avalanche of postponement applications was well processed by predominantly mature Dutch players says Stef Klijn, managing director equipment & logistics solutions, Benelux at BNP Paribas, adding that more attention had to be paid to contracts with integrated elements such as insurance, services and residual values.

"It goes without saying this exercise was complex and time consuming and required a lot of expertise and commitment of our staff," he says. "During the second wave most companies were no longer taken by surprise and continued to closely monitor their liquidity position. In some cases, customisation was still necessary but the number of new moratoriums has been relatively limited."

While new business volumes for 2020 will show a decrease compared to 2019, Klijn suggests it is notable that leasing companies affiliated with a manufacturer still score remarkably well.

"It seems that manufacturers – via captive or vendor financing programmes – continue to support the sale and therefore production of their assets through their leasing activities," he says. "New production generated via bank branches on the other hand has seemed to suffer."

Looking ahead, Klijn reckons lease activity normally generated via bank branches might come under pressure this year as banks may have alternative interest-driven products available. "Also, cash rich clients may prefer to buy instead of having to pay interest over their current account," he adds. "We foresee modest growth in the range of 5-10% compared to 2020." ■

COVID-19'S IMPACT ON AGRICULTURE

Continued from page 17

of outbreaks in meat processing plants which blocked production, such as in a pork facility in Germany. For potato farmers, they faced a drop in demand from restaurants who previously relied on them for their French fry supply. Otherwise, there was no major impact from Covid-19. Nothing that affected every corner of this decentralised industry."

"What was significant," Richling continued "was the shift in consumer mindset, and the process of digitalisation within agriculture. It is this digitalisation that will help to facilitate the changes consumers want to see in the industry." Richling explained: "The pandemic and subsequent restrictions raised several questions amongst consumers on how we produce our food: questions concerning animal health, meat production, shipping distances, pesticide use and the environmental impact of crops."

SOCIAL EXPECTATIONS

Referring to the *Farm to Fork* report, Richling believes that farmers are now expected to become greener, more environmentally friendly, and more transparent over animal welfare. "Farm to Fork is an extension of the other changes in societal expectations, which have resulted from Covid-19. Another example of this is growing demand for greener cities. This is what Covid-19 has done for the industry, it has changed the mindset of consumers."

According to the report, the Covid-19 pandemic has underlined the importance of a robust and resilient food system that functions in all circumstances. "It has made us acutely aware of the interrelations between our health, ecosystems, supply chains, consumption patterns and planetary boundaries. The Farm to Fork Strategy offers a comprehensive approach to how Europeans value food sustainability. It is an opportunity to improve lifestyles, health, and the environment."

Through the integration of new technologies, farmers can respond to the tremendous changes in consumer trends.

Andreas Richling

Jon Hercman

Astrid Michael, farm sales manager at Hitachi Capital Business Finance, reinforces the importance of technology if firms are to stay relevant: "We are seeing farmers utilising technology more and more to assist with farming demands; vertical farming, hydroponics, robotic milking systems and GPS for tractors are just some of the technology related advancements that are becoming more mainstream.

"Technology and its ability to increase output across both dairy and arable will eventually become imperative as food production demand increases."

Beyond responding to consumer trends, the technological transformation will help agricultural firms to increase preparedness for future shocks. Investment in data systems at the local, national, and global levels will enable the real time sharing of information to increase confidence in supply during crises.

However, these advancements will not "be without challenges" warns Michael.

"The impact of the Brexit deal along with any subsequent trade deals with the rest of the world remain to be seen, but any business, be it farm or not, that puts a focus on evolving with the times and utilising whatever advances in technology are available to them can likely look to see an enhancement in profit margins. Introducing technological efficiencies now will be beneficial for future proofing businesses."

Concerning the role of the asset finance industry, Michael concludes: "It is vital the industry continues to offer funding for a broad range of assets required for farming practices, enabling British farmers to invest in their business and keep up with demand and competition. This will enable farmers to spread the cost of new business purchases and fund larger projects without tying up capital or disrupting cashflow.

"As the requirements for new agricultural tech increase, asset finance funders need to diversify their thinking away from the standard farm equipment that has been the backbone of funding opportunities for many years. Extending our reach into the technology space and supporting the future if farming is a key strategic goal for us."

Whilst our farmers may be a "resilient and resourceful bunch" says Michael, the pandemic has undoubtedly revealed several vulnerabilities and chokepoints within supply chains and the food production system. Asset finance can be expected to play a crucial role in facilitating the investments and adaptations necessary to boost agricultural resilience for when the next crisis hits. ■