April 2022

The Future Growth Loan Scheme

An independent Review by SQW on behalf of Department of Enterprise, Trade and Employment

Case Example summaries

SQW

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Date: 25/04/2022

Case Example 1

The loan recipient is an agri-tourism business based in the Mid-East, with under 10 employees. At the time of applying for the FGLS, the business had three revenue streams: agri-tourism, involving trekking, and hosting weddings and corporate events; retail (onsite and online); and breeding of livestock. Although growing "*organically and rapidly*", the business was seeking to diversify its offering, through developing holiday cottages to support further growth.

To fund this activity, the business had applied for – and gained pre-approval on – a business loan from a lender. However, by comparison, the terms offered by the FGLS were favourable. The business therefore opted to apply to the FGLS instead of drawing down the pre-approved loan. Having already received pre-approval from the lender (who was delivering FGLS), the business was able to quickly progress the FGLS application, leading to a loan (>€250k) being agreed in September 2020.

" FGLS had a very competitive interest rate and was far less onerous than a bank loan. Banks put a lot of restrictions on businesses but with FGLS there was no need to sign your life away. "

The FGLS loan was drawn down at the start of the construction phase of the holiday cottages. The finance was used to purchase raw materials, including timber and steel. Overall, the loan funded 30% of total cost. A further 20% was funded by a public sector grant, with the remaining 50% from the business itself. Despite some delays owing to Covid-19, the holiday cottages are complete, and expected to open in Spring 2022.

The holiday cottages are seen as an important step forward in the diversification of the business, and in spreading the risk from other revenue streams. The agri-tourism side of the business and the accommodation side will be complementary, but they can also function independently if needed. Moreover, the cottages mean the business is able to appeal to a wider customer base.

Without the FGLS, the activity would not have been able to proceed at the same rate or to the same scale. Although the business had pre-approval on a business loan, they would not have been able to draw this down as quickly as the FGLS funds owing to administrative issues/requirements on the business loan. Further, the business is unlikely to have raised funds to the same value as with FGLS owing to the higher interest re-payment requirements. Overall, FGLS was seen as very important in the construction of the cottages and the growth of the business.

" FGLS was very important to us – you can't do anything without the right funding. If we hadn't got it then we wouldn't be where we are now. "

The business intends to seek further long-term finance for business expansion. If further funding is made available through the FGLS or an equivalent similar scheme in the future, the business will "*be in the queue for it*", after the positive experience to date. In the absence of additional funding being made available through the FGLS or other SBCI schemes, the business will have *"no choice but to proceed with normal bank loans"*, due to the highlighted lack of alternative options in Ireland. However, to progress with bank loans was considered to be a "*less efficient*" way forward for the business owing to the anticipated restrictions and re-payments terms.

Case Example 2

The loan recipient is a dairy farm based in the South-East. The farm was established in the 1970s and the current owner took it over in 2012. Under the new ownership, the business began a period of ambitious growth: at the time in 2012, the farm had a herd of 40 cows, but the new owner considered that the farmland had the potential to support many more, and by 2020, the herd had grown to 70. However, the owner was aware that to continue to grow, investment was required to support essential infrastructure.

The farmer therefore applied to the FGLS to invest in capital equipment and facilitate continued growth. A loan (<€250k) was agreed in early 2021, and used to construct two new silage pits and a dungstead, and to purchase an effluent tank. This has had several important benefits for the business alongside enabling growth, including improved environmental sustainability.

Importantly, the new facilities also ensure that the farm remains in line with required environmental standards, as established by the Department for Agriculture, Food and the Marine. Previously, when the farm had a smaller herd, no additional waste management facilities were necessary. However, as it has grown, and continues to grow, this investment was considered essential.

“The waste is contained – there is no runoff – so the environmental impact of the farm is lower.”

Given the necessity of the new equipment to enable growth and maintain alignment with regulations, it is likely that the business would have progressed with the investment without the FGLS; finance would have been sought from a commercial bank loan or a MilkFlex loan. However, the payment structure of the MilkFlex loan did not suit the farmer, and a commercial bank loan was not seen as attractive as FGLS for several reasons.

Specifically, the business considered that a business loan would have taken longer to agree – they estimated “*two to four months longer*” to secure the funds – and been at a higher cost owing to a higher interest rate. Further, security would have been required, most likely in the form of deeds to the farm, which was unattractive. Overall, the FGLS provided the farm with sufficient funding, at competitive rates, with minimal administrative burden.

By early-2022, the farm’s herd had grown to 100 cows. The farmer is keen to continue to grow and develop the business and is likely to seek further long-term finance to do so. For example, there are plans to build an additional shed to house more animals. If more funds are made available through a similar scheme to the FGLS, the farmer will “*go for that*”.

In this case, the FGLS was seen to have worked well. However, the loan recipient believes that more could be done to ensure that agricultural businesses are aware of the scheme, ensuring that a greater number of farm businesses across the country can benefit from the FGLS (or similar equivalent schemes offering longer-term finance) in the future.

Case Example 3

The loan recipient is a hospitality business based in the Mid-West. The current owner bought the business around ten years ago, at which point it focused on hostel accommodation. In 2016, investment was made to update the offer. However, over 2017 and 2018, the business owner recognised that the market was shifting: hostel accommodation was decreasing in popularity, with Airbnb offering an alternative low-budget option for travellers. Therefore, in 2019, it was decided to pivot and develop a 'modern country house' with more up-market accommodation, including a restaurant and bar area. To fund this project, they applied to the FGLS and a loan of over €250,000 was agreed in September 2019.

The loan was spent on improving the buildings to enhance the overall quality of service. A former café was redeveloped into a restaurant, and the kitchen was modernised to produce "*a higher volume of higher quality food".* The accommodation offering was also upgraded. The work carried out increased the quality, and therefore value, of the overall product offering. For example, the average expenditure is substantially higher in the restaurant than the former café.

In addition, the loan provided a valuable source of income to adapt to and mitigate the impact of Covid-19. Like many hospitality businesses, the loan recipient was directly affected by the Covid restrictions. However, the FGLS funding enabled the business to adapt to the new way of working. Using some of the money from the loan, they were able to establish an outdoor unit for takeaways and adapt the bar area to be more 'Covid-secure'. The flexibility offered by the Scheme to use the finance for different activities was essential.

“ Often when you get a loan from the bank you have to stick rigidly to the plan, show them receipts and overall provide a lot more detail – it doesn't always work like this in practice. During Covid, the FGLS was the best loan to have. ”

The FGLS also helped the business to reduce its environmental impact. Some of the finance was used to improve insulation, replace single glazed windows with double, and upgrade to a sensor-based lighting system. Moreover, now that the business has higher revenues and is becoming more profitable, it is opting to reinvest some of the profits into further improving energy efficiency.

The above improvements were carried out using both FGLS funds and internal investment alongside the loan. If the FGLS loan had not been available, the business would have applied for a non State-backed bank loan. However, this would have been more expensive and taken longer, meaning that the associated benefits would also have taken longer to achieve.

Since securing the FGLS loan, the business has also received support from the Fáilte Ireland Tourism Business Continuity Scheme. However, it is not likely to seek further long-term finance in the near future because the business owner is cautious about investing more into the site due to uncertainties around rising labour and energy costs.

Case Example 4

The loan recipient is a manufacturing company. Established in 2007, the firm started out as a distributor of products manufactured in Asia. Faced with rising costs associated with shipping and new taxes, the business decided to bring some manufacturing operations in house. In 2017, it built a small cleanroom in Ireland where products could be manufactured. After recognising the potential cost savings from this approach, the business was looking to acquire more cleanroom space to increase the range and quantity of products that could be produced locally. Therefore, in 2020 the business decided to seek external finance to fund the purchase of a new building and set up additional cleanroom space.

The business applied for both the FGLS and a non State-backed bank loan. This approach minimised the administrative burden on the business as it was able to use the same information in both applications. Moreover, the FGLS loan was agreed first, which then helped the business to secure the other bank loan. The business received an FGLS loan of over €250k in June 2020, closely followed by a non State-backed bank loan of equal value.

“The FGLS and the bank loan worked well together. The fact that the pillar banks saw we had been approved for the FGLS worked in our favour because they knew the procedure to gain approval for the scheme followed tight guidelines.”

The non State-backed loan was used alongside internal funds to purchase the building (around 70% and 30%, respectively). The FGLS funds were used to fit out this new building with a cleanroom, to the required industry specification. These investments allowed the business to double the level of manufacturing activities in Ireland – from 25% of all products to 50%. This has enabled cost savings for the business as producing the goods domestically is cheaper than shipping from Asia. These changes have also facilitated growth, with the business growing from under 10 full-time employees in 2017 to nearly 50 by early 2022.

Without the FGLS, the business would probably have been able to obtain some finance for the cleanroom elsewhere, most likely through another publicly backed scheme (e.g. from Enterprise Ireland). However, the FGLS *“offered more attractive interest rates and terms”.* Indeed, prior to accessing the FGLS the business had been able to access only some of the external finance needed for investment – largely due to higher interest rates, shorter repayment periods and a requirement for collateral. Without the FGLS, the business would therefore probably not have progressed with the project.

Looking forward, the business plans to continue growing its Irish operations. It expects to be seeking further finance in order to acquire additional premises. The type of finance required will depend on whether these premises will be purchased or rented. If the business opts for another loan, it will weigh up the terms and interest rates of different options available.

Case Example 5

The loan recipient is a diversified business based in Dublin which has a broad product and service offering working with clients across Ireland. Established four years ago, the business employed around ten people by early-2022.

Prior to Covid-19, the main focus of the business was on the design and distribution of physical products. However, during the pandemic demand for digital services increased substantially. The business therefore sought to diversify its product offering. In October 2020, the business secured an FGLS loan of up to €250k for this investment. Specifically, the FGLS loan was used to invest in digital technology, expand the premises, and also establish a new product line for its manufacturing operations. Some of the loan was also used on resourcing to support the expansion in product offering. In total, an additional five people were recruited since receiving the FGLS finance.

Overall, this investment was very important in helping the business to adapt in response to Covid-19, and continue to grow through the pandemic. The FGLS-supported investment has also helped the business to improve the sustainability of its activities. For example, the new products are manufactured plastic free, and are 100% biodegradable.

> **“We could keep everyone on and actually grow the business during the pandemic through the use of the loan.”**

If the FGLS had not been available, the business would probably have been able to access non State-backed loan finance. However, this would likely have been at a higher interest rates and with a shorter re-payment period. The affordable interest rate and extended term offered by the FGLS were also considered to be “*hugely important*”.

> **“We wouldn’t have been able to expand our team, offices and offering to customers without the FGLS.”**

Alongside drawing down the FGLS finance, the business also established a rolling loan facility with a bank. This was specifically intended to provide cashflows to overcome supply issues caused by Brexit in relation to the additional paperwork involved and other requirements. Whilst the rolling loan was used for a different purpose to the FGLS, the two were considered highly complementary in enabling business growth.

Going forward, the business expects to seek further long-term finance to fund further expansion. The demand for digital services has continued and the new manufacturing side of the business is also expected to expand to via the development of further new products.

Case Example 6

The loan recipient is a small textiles company based in the Border Region. The business predominantly sells to overseas markets (around 95% of its products are exports), with a particular focus on North America. The business has experienced strong organic growth since its inception around five years ago.

In its early years, the business was predominantly focused on one small part of the textiles industry. In 2018/19, the business owner identified a gap in the Irish market related to Brexit-specific opportunities; where manufacturing processes traditionally completed in the UK for Irish customers were expected to become increasingly difficult and costly after Brexit. In response to market needs, the business therefore decided to set up a small processing facility and required external finance. In late-2019, the business therefore applied to the FGLS.

The business received three loans through the FGLS to a total value of <€250k. The majority of this was spent on purchasing specialist equipment. Other loan-funded expenditure included to cover the costs of the installation of the associated utilities and power facilities for the equipment. The equipment arrived shortly after the business was able to re-open after a five-month closure due to the Covid-19 pandemic. Re-opening with the new facility and equipment meant that the business could retain the staff who had not worked during the pandemic, and hire additional employees.

The FGLS funds helped the business to achieve a full product offering. This was considered to be *"something special which is not seen anywhere else in Ireland",* and highly important for the growth and development of the business. In addition, the facility is working towards becoming 'zero waste' – a move aided by the new equipment.

"We are working towards becoming 'zero waste' because this type of business can have a lot of leftovers. The … machines are one way that we are able to minimise this."

Without the FGLS, the business would probably have progressed with the activity using a non State-backed bank loan. However, it is unlikely that activities would have been carried out to the same extent or as quickly. In addition to the FGLS finance, the business has invested internal funds alongside an EU grant. It also received some support and advice through the Local Enterprise Office.

The business has recently received another grant which will fund R&D activity over the next two years. This will be the main focus for the business over that period, after which it may seek further long-term finance.

Case Example 7

The loan recipient is a food producer and retailer, based in the Mid-West with under ten employees. Prior to applying to the FGLS, the business had been manufacturing and selling products to customers in Ireland and the UK for over a decade through B2B (i.e. retailers and distributors) and B2C (i.e. direct to customer) models. The rationale for seeking external finance was that, largely as a result of Covid-19, the business saw a rapid increase in demand from retail customers. This led to the business out-growing their existing facilities and at risk of being overburdened and unable to supply orders.

The FLGS supported expansion, with an unsecured loan being used alongside internal funds to purchase a new industrial unit. This has delivered a tenfold increase in available floor space, utilised to increase manufacturing and warehousing capacity and for a new office. Together, this has improved productivity, and enabled R&D to develop new products to begin, leading to a growing order book and the capability to pursue further opportunities.

“As demand for products and trade increased, the size of our premises became a limiting factor. We lacked the space and staff to fulfil orders.”

Since expanding into the new premises, the business has doubled its annual sales, employed four new workers and invested in new machinery and equipment using internal funds and a grant from the Local Enterprise Office. Several new long-term contracts have been signed, and the business has secured its first deals in European markets. Wider benefits include improvements to working conditions and more sustainable practices due to reduced product damage and wastage, directly enabled by being in a higher quality facility with greater storage capacity. As result of the recruitment, the owner has been able to better direct their time to managing the business, rather than working in day-to-day operations, leading to more strategic activities, including product R&D and development of customer and supplier relationships.

“Being able to move into the new premises has allowed us to unlock our growth potential, and I have since been able to focus on the strategic direction of the business with the aim of maintaining this trajectory.”

The FGLS offered several benefits. A key attraction was the quick turnaround between application and draw down, as the business faced a tight time-window to make the purchase; the unsecured nature of the loan was important here, meaning potentially extended (and costly) legal processes to confirm security were not necessary. The interest rate was also appealing, reducing costs, and enabling greater investment in R&D.

Without the FGLS loan, it is unlikely the business would have completed the purchase and the growth would not have been achieved. The speed of access to finance combined with the state-backed guarantee have been “*outstanding features*”, and despite other loans being available, these would not have met the businesses needs and circumstances. It is likely the business will have an ongoing need for finance, specifically to purchase more equipment for the full-scale manufacturing of new products in development. Given their experience of FGLS, the business would be very interested in participating in any similar schemes in the future.

Case Example 8

The loan recipient is an IT company that supplies hardware and software solutions, and consultancy services. The business was founded in the early-1990s and has around 40 employees, operating primarily in Ireland, but also in the UK, and currently expanding internationally.

The business applied to the FGLS as part of its long-term succession planning. Finance was required to enable several individuals who had worked in the business, and who were from the same family as the founder, to purchase the business from the founder. Accessing the FGLS loan finance would support a key aim of enabling the business to remain family-owned, and deliver an efficient buy-out process, which was important considering the need for management to focus on growth opportunities.

“It was part of my long-term plan to sell the business to my family as I retired, but under the condition that they would have their own funding. Without FGLS this would not have been possible.”

As part of several years of planning, the founder had taken advice on the transfer of ownership from their accountant and bank, who recommended the FGLS shortly after the launch of the scheme. The FGLS was seen as the only source of loan finance that met the business's requirements, as it would not have been possible to raise sufficient collateral for the security needed for loans provided in the market. An FGLS loan of more than €250k was successfully secured and used fund the buy-out.

In the absence of the FGLS, the only other viable option would have been to raise finance through invoice discounting. However, it was considered unlikely that this would have raised the required level of finance, necessitating the use of personal funds. In this scenario, the transfer of ownership would have occurred incrementally over more than five years (rather than one) and caused significant displacement of effort and resource. This would likely have led to the business missing out on key growth priorities including expanding into international markets, linked to time-sensitive opportunities.

“By having a seamless take-over, we have been able to comfortably focus on expansion, and just secured a major European contract.”

A further advantage of the FGLS loan was that owing to the lack of detailed legal input required during the application related to collateral, the application process itself was very cost effective. This enabled the new and previous owners (who are now on the executive board) to allocate internal resource to key investments, including upgrading physical premises, overseas business development and recruitment.

The business is confident about future growth following the successful buy-out and a "*resurgence in demand after Covid*". Demand has grown particularly in overseas markets, with current activities seeking to capitalise further on this opportunity. The business does not anticipate seeking further finance in the short-term, with sufficient internal resource to support growth. However, recruitment of staff with the right skills was recognised as a key challenge going forward.

Case Example 9

The loan recipient is a regionally-focused construction business based in the West. Founded around fifteen years ago, the business specialises in building residential properties for individual buyers, and larger-scale developments for commercial customers. Prior to Covid-19, the business had experienced strong growth, building an established client base with repeat customers, and a reputation for quality outputs. Despite initial Covid-19 restrictions causing disruptions to supply chains and preventing on-site working, the business quickly recovered and was able to fulfil its orderbook, with a key response being implementing a strategy of stock-piling materials and making advance appointments of labour to mitigate risks of future interruptions. In the last year, the business returned to its previous growth trajectory, with new contracts secured.

As a result of the growth of the business and resilience to the pandemic, the owner saw a case to expand through investing in new and upgraded equipment to improve productivity. To fund this investment, the owner explored the business loans offered by several banks, but faced a barrier of not being able to meet security requirements without a personal guarantee. The FGLS was identified through the scheme's online marketing, with the owner realising *"it was very well suited to our needs"*.

> **"I wasn't willing to risk my family home as a personal guarantee, which ruled out a lot of options for accessing finance."**

The FGLS loan (of less than €250k) and the investments it funded have improved efficiency on-site, with new machinery enabling faster handling and movement of materials, which has accelerated the rate of project completion. A crane was also purchased, which enables the business to accept larger contracts for taller buildings, which they had previously had to reject. After successfully completing a series of new contracts, the business has become recognised in different areas of the market, leading to a succession of invitations to tender, with several further contracts secured.

> **"The application made us sit down and take an honest look at the business's goals. It forced us to re-think our approach to long-term growth in a more structured manner."**

The FGLS has also led to improved business planning. Before the loan, the owner focused on delivering contracts and *"keeping the bills paid"*, however, following the success enabled by the FGLS, a greater emphasis has been placed on strategic growth focused activities. Further as the first loan the business secured, the process of applying, drawing down and then investing was reported to have been *"really useful for changing my mindset in terms of growth"* by the owner.

The owner was confident the business would continue to grow as a result of the investments made. In the short-term, more finance would not be sought, as most upgrades and purchases that were needed have all been completed with the FGLS loan. Further, the owner would like the business to meet its annual targets for the next two years before considering further investment. However, if further finance was sought, a similar scheme to the FGLS would be valuable to the owner, notably in relation to the lack of security requirements for loans, which is likely to remain important to the business.

Case Example 10

The loan recipient is a fishing business in the South West. Through a distributor, the business sells its catch in both domestic and international markets. The company was founded in the mid-2010s, and in its early years was doing well with steady profit growth.

The owner hired an advisor in 2019 to support business planning and further growth. The advisor recommended the FGLS as a route to financing the outright purchase of the vessel used by the business (which was co-owned with another business), and the purchase of a second vessel. This move would simplify the business structure, support growth, and enable the owner to focus on expansion.

The business had approached a bank for a loan, but was rejected according to the owner because the bank indicated they would not provide funding to the fishing industry. The owner looked at alternative loans, but with the majority requiring security and having higher interest rates, these were ruled out. With FGLS providing unsecured loans with up to a ten year re-payment period, it was considered the "*only scheme that met the requirements".*

Since receiving the FGLS loan, the business has successfully completed the purchase of the first vessel, purchased another vessel, and upgraded its equipment and onshore office facilities. These investments have directly increased fishing capacity and higher profitability. This has enabled the business to recruit two more employees.

The FGLS has also enabled the company to become more sustainable, because the upgraded equipment is more fuel efficient and carries a lower risk of polluting the waters. Additionally, the two vessels have enabled the introduction of standardised fishing hours – uncommon in the fishing industry – resulting in an improvement in the crew's working conditions. This is expected to reduce staff turnover and enhance the competitiveness of the business.

"FGLS has changed the path of the company significantly, improved my commercial awareness and willingness to invest."

The loan has also helped the business to progress towards digitisation, including through automating their accounts as part of upgrading the office (resulting in management efficiencies). As a result of applying to the FGLS, the business owner also reported benefits in relation to improved confidence and ability to grow the business due to the planning, negotiation and stakeholder engagement that was required.

The business reported that without the FGLS, it is unlikely that these benefits would have been achieved at the same pace and scale, with the activity likely to have occurred up to five years later following incremental payments using a combination of smaller loans and internal funds.

The business has no concrete plans to seek further finance yet, but expects to do so at some point in the future. This will most likely be to help it expand into distribution as a further route to market.

Case Example 11

The recipient is a construction trades business in the Mid-East which primarily services the commercial property market in its region. The business in its current form dates back to 2015 when a previous enterprise was re-purposed following shareholder investment from a new partner to help support ambitions to expand.

Before the FGLS loan, the business had been reluctant to invest in growth. However, after year-on-year growth in sales (including throughout Covid-19 with additional demand from the health and social care industry), the owners took part in a growth focused business support course through a Local Enterprise Office. This motivated the business to adopt a new growth strategy, which involved seeking external finance.

> **“Before the FGLS we had been apprehensive about overspending our cash reserves on growth activities, and with a full order book, we struggled to give time to new ventures.”**

When exploring available sources of finance, the FGLS was recommended by their bank. The scheme was seen as the “*best option*” due to its quick application process and the lack of security required. A loan of less than €250k was approved and drawn down.

Combined with the business’ own funds, the FGLS loan finance was used to upgrade facilities (including a new workshop and an expanded warehouse) and purchase new equipment. This has led to a number of benefits, ultimately enabling the business to develop new revenue streams. For example, the new workshop allows the business to do some off-site manufacturing alongside on-site construction, which is less labour-intensive, more efficient and more profitable. As a result, sales have increased, and the business has recruited two new employees to facilitate growth.

Part of the growth strategy involved the launch of a new product, and so a portion of the FGLS loan was spent on commercialisation and marketing activities. The product has been patented and is the only product of its type that is manufactured and distributed in Ireland. By early-2022, the new product was stocked by several retailers and was generating an additional revenue stream.

> **“The FGLS loan has been instrumental to the growth of the business and has given us the financial confidence to drive forward our plans.”**

Although it is likely that the business would have been successful in applying for non State-backed lending, the FGLS has accelerated the process by up to six months, leading to faster implementation and benefits. Further, the lower interest rates of the FGLS loan have enabled cost savings, which, in turn, have allowed the business to allocate more internal funds to follow-on investments. The owner reported that the loan has enabled them to be more focused on managerial activities, which is further enabling ongoing strategic planning.

The business is still seeking to grow but not expecting to require any more external finance in the short term. The business hopes that the new revenue streams will provide a sustained increase in turnover, leading to higher profits and further follow-on investment.

Case Example 12

The loan recipient is a fishing business based in the South East. The business was founded in 2018 following the owner's many years of experience working as a sole trader. After the first two years of trading, the owner began searching for loans to support business expansion. There was a specific need to upgrade equipment on its fishing vessel as the quantity of catch was limited by existing carrying capacity and navigational devices, and the productivity of workers was restricted by the extent of manual handling required. The owner was confident that with these investments the business would unlock further potential, leading to sustained growth.

The business considered that existing loans in the market were not well-tailored to the needs of the fishing industry. Specifically, the stringent security requirements and maximum tenure periods of up to seven years were viewed as sub-optimal for long-term investments. The business owner was unable to offer security because their home was already used for another business loan. The owner heard about the FGLS from another fishing business. With the relatively low interest rates, no need for collateral, and up to ten-year repayment period, the Scheme's terms were *"perfect"* for the business, so it applied and was approved for a loan of less than €250k.

After struggling to access suitable finance elsewhere, receiving the FGLS loan was "*a significant step forward"* for the business. The loan has been invested in new navigational devices which allow the fishing vessel to accurately survey the seafloor and better identify locations to place nets and pots. This, in turn, has enabled fishing in a wider range of waters, resulting in larger catches and longer times spent at sea. Investments have also been made in hauling machines and pot collectors. Both of these streamline operational processes and improve productivity by freeing up workers' time. Additionally, the owner upgraded safety equipment, which further improves working conditions.

The direct impact of the investments has been a sustained increase in productivity and the volume of catch, leading to increased sales, revenue and profitability. The business is now able to better plan its activities year-round, enabling regular use of three new self-employed contractors, and the transfer of one previously self-employed worker onto a permanent contract. Environmental benefits were also reported: with the vessel now able to reach more remote waters, the business can be more selective and targeted over its catch, and is less likely to over-fish.

“Growth support for fishing businesses can be hard to find but we have been delighted to have accessed the FGLS and would look for a similar scheme again.”

These investments, representing the first growth-focused activity for the business, have also led to wider benefits in terms of improving the owner's ability to plan for the long-term and confidence to access growth support. Without the FGLS, it is unlikely the owner would have secured finance elsewhere.

In the future, the business would be interested in securing further finance to invest in mitigating against climate change, specifically by increasing the vessel's resilience to storms.

Case Example 13

The loan recipient is an equipment manufacturer and supplier. It is family-run business based in Dublin, with around 25 employees. At the time of applying for the FGLS, the business had recognised the need to invest and improve their manufacturing processes. Specifically, their process was very labour intensive meaning that the demand for products had outstripped their ability to supply; a digital solution was required. Their existing manufacturing process was also inefficient, and produced large amounts of waste.

To fund this investment, the business secured support from Enterprise Ireland (the Sustaining Enterprise Fund), alongside an FGLS loan of €250k+ in early-2021. The business also invested their own internal finance in the project.

“Because I've been researching it for three years beforehand … I knew we were going to do it. I just had two huge barriers: one was how we were going to fund it and [two] how we were going to get the time to do it.”

Alongside the SEF and internal finance, the FGLS loan enabled the business to invest in scanning and 3D digital printing equipment, and new premises including a cleanroom for the 3D printer; this was designed specifically to withstand the weight of the 3D printer, and enable it to operate at its maximum efficiency (within a clean environment). The FGLS also funded the recruitment of several new employees to operate the equipment.

This investment has led directly to a reduction in the product production time, and production capacity has increased dramatically. Further, owing to the enhanced precision and functionality of the manufacturing process using the 3D printer, the business has benefited from requiring fewer meetings with customers to ensure product accuracy, and secured enhanced level of data.

The loan has also enabled improvements to environmental sustainability as the 3D printer is more efficient, reducing the need for the use of certain manufacturing processes/materials, and has reduced the waste generated significantly. The investment has also increased employment directly within the business, in addition to generating intellectual property and potential patent opportunities in the future.

Without the FGLS, the activity would have been able to proceed. However, it would have been delayed. Further, given the higher interest rate that would be offered by a bank on a non State-backed loan, to ensure that the activity was affordable over the longer-term, the business considered that they would have been able to raise a lower level of finance, perhaps around three quarters of the value that was required, which would have impacted on the project and outcomes realised. The business would also have had to make re-payments over a shorter time period if an existing loan product in the market had been secured.

The business is likely to seek further finance in the future, and has already identified a potential source of funding to support this expansion.

Case Example 14

The loan recipient is a food manufacturer and retailer family-owned business based in the West, with around 40 employees. At the time of applying to the FGLS, the business had two main revenue streams: producing items for wholesale, and direct retail sales to consumers. The rationale for seeking external finance was principally to fund the purchase of new storage equipment for manufactured products, which was required owing to recruitment shortages. The business also required a new vehicle to help transport products to local shops.

To fund this activity, the business applied to the FGLS only, which had been recommended by their existing bank as the most suitable option for the planned activities, including given the unsecured nature of the loan. The business indicated they had a reasonable relationship with the bank, who was also a lender on the scheme which encouraged them to progress the loan application. The businesses secured a FGLS loan of <€250k in early-2020.

“Not having to give personal guarantees was a huge draw. I always thought that giving personal guarantees for a loan was something that could be prohibitive.”

The FGLS loan was used to purchase storage equipment for an existing production facility, specifically freezer equipment to store freshly manufactured products. The loan was also used to purchase a van, and new manufacturing equipment to support an expanded product line. The investment in the storage equipment allowed the manufactured products to stay fresh (and therefore sellable) for an extended period. This was important as it meant that items did not need to be sold on the same day as production, which was formerly the case and had proved challenging owing to a lack of skilled staff and recruitment challenges. The investment was seen as crucial to maintaining the viability of the business given the staff shortages experienced. The loan also enabled the business to become more sustainable as they were producing less food waste.

The investment was made against the backdrop of Covid-19, which had a mixed impact. Although the businesses own retail outlet had to close at points, wholesale demand was maintained, and the business developed its website, opening an ’online store’ as a further route to market. Covid-19 has led to delays in the commissioning of the manufacturing equipment, which is yet to support product diversification. The business was also supported by Bord Bia to help respond to Covid-19, however, the FGLS loan was seen as very important to their sustainability and future growth prospects.

Without the FGLS, the activity would not have progressed at the same rate or to the same scale. Although the business may have been able to secure a non State-backed loan, this would have taken longer, been at a lower level, and would have been on worse terms compared to the FGLS loan. The business is likely to seek further long-term finance for business expansion; the business is a strong advocate for the FGLS given its positive experience to date.

“I would be a strong supporter of it [FGLS]. It has certainly helped us – we knew it was available at a reasonable rate it would give anyone the incentive to go ahead and invest. It should be continued.”

Case Example 15

The loan recipient is a dairy cattle family-run farm based in the South East. At the time of applying to the FGLS, the business owner was single-handedly rearing a herd of around 100 cows, and had 'basic' facilities which necessitated high levels of manual labour.

Investment was needed to improve the farm's facilities for two key reasons: to reduce the amount of manual labour needed which was reliant on the business owner only; and to maintain and improve animal health, ensuring that the calves bred grew to healthy adult cows, which is essential for the long-term viability of the business.

To fund this activity, the business applied to the FGLS and secured a loan of <€250k in late-2020. This was used, alongside some internal investment, to invest in the construction of a small building for the purpose of rearing calves. The loan was also used to purchase machinery that would be housed in the new building to feed the calves, and monitor their consumption to help manage their growth and health. This was already reported to have led to improved health for the animals, and reduced the level of manual labour needed in the rearing of the calves by the farmer, supporting improved efficiency and productivity.

“[The machinery] lessens the workload as I manually carried buckets and now the machine will feed 50-60 calves in the same building. It makes life easier.”

Without the FGLS, the activity may have been progressed with finance secured via a non State-backed loan from a bank. However, this would have taken longer, and the finance would have been more expensive when compared to the FGLS loan given a higher interest rate and shorter re-payment period. Importantly, for the business the main concern with regards to obtaining finance was not related to securing *some* finance from a bank – as they were confident that a bank would lend to them given their previous experience of successfully securing finance – but the *terms and cost* of the finance i.e. whether the business can afford the terms and conditions. The FGLS product was very attractive and appropriate to the business in this context.

Looking forward, the business is likely to be handed down in the next few years to a family member of the current owner (as the owner is approaching the age of retirement). This new individual has existing alternative employment, and will therefore be looking to automate the farming process further in order to manage both priorities. The investment made by the FGLS to date will continue to be important in this process. However, further long-term finance may also be needed to support further investment in the farm's equipment and facilities, which will also focus on enhancing environmental sustainability. In this context, the business is a strong advocate for the FGLS and lending of this type after the positive experience to date.

“I really appreciate getting it [the FGLS loan] and being able to draw down from it – it is so easy to do. It has made a difference between doing the work that I did and wasn't able to.”

Case Example 16

The loan recipient is a food retailer based in the Border Region with approximately 100 employees. At the time of applying for the FGLS, the business was planning to fully renovate and refurbish its stores; store refurbishments are usually required every five to seven years. To fund this activity, the business had envisaged primarily using retained profits.

However, the business decided to explore the options for accessing external finance following advice from their bank, who had identified the FGLS as a potential option. The relatively low and fixed interest rate of the loan finance available from the FGLS made the scheme attractive to the business, and it decided to make an application. A further consideration for seeking external finance at this point was to allow the business to retain internal funds for other investments, and to help mitigate the risks associated with the uncertainty associated with the Covid-19 pandemic. In March 2021, the business was approved for a loan of over €250k.

“We came across the FGLS loan at a time when we were planning investment and it seemed like a good fit so we went for it. …we were about the do the work – it made sense to tie down some funds.”

The loan finance from the FGLS has been used to date to purchase new, more energy efficient equipment for prioritised stores (e.g. fridges, freezers and lightbulbs), and a new electronic system which will reduce the need for manual labour in operations across the wider group of stores the business is part of. The remainder of the loan will be used on refurbishment of other stores. The FGLS-supported activities to date have enabled the business to grow and retain customers, and also contributed to its aim to become more environmentally sustainable.

Alongside the FGLS, the business decided to use some internal finance to invest in related activities, specifically improvements to fabric of buildings (e.g. plastering, painting and some construction work) and to make changes to internal layout, which were necessary owing to legislation impacting on the retail sector.

Without the FGLS, the business would have progressed with the activity using its retained profits. However, this would have resulted in a lower level of funds available for both the related and planned future investment.

As the business is still in the process of delivering the activity supported by the FGLS loan, it is not actively looking for further long-term finance. However, it may do so in the future to support its growth aspirations, in particular related to pursuing suitable opportunities to purchase additional stores.

Case Example 17

The loan recipient is a manufacturing business based in Dublin, with under five employees at the time they approached the scheme. Before applying for the FGLS, the business was in its early stages of growth and was looking to expand. The rationale for seeking external finance was for business expansion; for over a year they had been seeking to acquire a complementary business undertaking similar activities to support growth.

The business applied solely to the FGLS for finance; no other funding was sought, although other options were considered, specifically a non State-backed loan from a bank. Further, two lenders were approached for the FGLS loan, with a loan of €250k+ agreed in March 2021 with the second lender approached.

Key features of the FGLS scheme that were important and attractive to the business included the interest rate offered, the re-payment period and the scale of finance that was available alongside these factors.

“My company would not have got finance apart from this [FGLS loan].”

The FGLS loan enabled the business to complete the acquisition. This has led to significant growth, owing to the synergies between the two companies. Growth has been realised by the development of new products and services, which has led to securing new clients, and increased sales. The loan from FGLS also enabled the development and supported the implementation of a new business plan/strategy.

Without the FGLS, the business believes that no finance would have been secured, and the activity that has enabled business growth would not have been able to proceed at all. The business' existing banking provider was planning to exit the Irish market meaning they would not be able to offer a non State-backed loan. Further, while the business did consider and approach other banks informally, they reported that banks were not willing to offer loans to businesses with whom they were not currently working, owing potentially to the Covid-19 pandemic.

As noted, the business approached two FGLS lenders, and the business did have very different experiences. The first lender approached "*did not seem interested in providing the loan*" according to the business, and after nine months of waiting for a response to the application, the business therefore approached a second lender. This second lender was reported to be very proactive, and the process from application to loan approval was completed within six weeks.

“One bank was much more proactive, and the other bank made you feel like they were doing you a favour.”

The business is likely to seek further long-term finance in the future for business expansion. This will involve the acquisition of new premises and machinery to support the scale-up of manufacturing capabilities. The business noted that its ability to undertake this business expansion will be limited by the level of finance that will be available to them at the time, which is currently uncertain.

Case Example 18

The loan recipient is an IT consultancy business with over 30 employees based in Dublin. The business has two strategies for business growth: organic growth through sales of existing goods and services, and growth through acquisition of other companies. At the time of applying to the FGLS, the business was experiencing modest growth which resulted in limited resources for investment in expansion.

The business therefore set out to seek external finance to enable investment in growth. The business had received offers from private investors but it was reluctant to release equity. The business also applied for and was offered several bank loans from existing products in the market, but these were considered to be on unattractive terms, costly and for a smaller amount than preferred by the business. By contrast, the loan finance available through the FGLS was attractive due to its affordability, the ability to apply for loans for as much as €3 million, and the loan terms of up to 10 years. In May 2021, the business was approved for an FGLS loan of over €250k.

> **“The FGLS loan and buying the company brought us to a point where we could go back to private equity and banking to get an even bigger loan and some investment.”**

In combination with retained earnings, the FGLS loan enabled the business to purchase a UK company to widen its portfolio of goods and services (in addition to improving its existing offering) and introduce improved processes which has resulted in better quality and larger scale outputs.

In early-2022, the business was in the process of progressing other acquisition opportunities in Europe. The initial acquisition using the FGLS was considered to have enabled this to happen, by placing the business into a stronger position financially, meaning it was able to approach private equity and banks for further investment to fund the on-going expansion.

> **“The FGLS loan scheme was absolutely critical. We wouldn’t have been able to do any of this without that loan.”**

Without the FGLS, the business would still have aimed to proceed with the initial acquisition, but this would have been through different means. Historically, the business had experienced issues with obtaining suitable finance due to its limited track record and credit history. Therefore, if the FGLS loan had not been available, the business believes that it would have taken them longer to find alternative funding, and this would likely to have been on worse terms and for a smaller amount.

Going forward, the business is likely to seek further long-term finance for continued business expansion through acquisition.

Case Example 19

The loan recipient is an IT business based in the Mid-East. At the time of applying for the FGLS, the business wanted to accelerate its growth and additional funding was needed to support this objective. The business was at a stage where securing external funding was crucial for investing in further growth. However, it was unable to secure external finance owing to its limited track record and lack of credit history, and lack of collateral or assets to use as security, whilst seeking *long-term* finance.

The business became aware of the FGLS through an external consultant that signposted them to the scheme. Reflecting their previous challenges in seeking external finance, the business was attracted to the FGLS scheme particularly owing to the unsecured nature of loans, the potential re-payment period of up to 10 years, the loan size which was seen to be appropriate to the business, and the relatively low interest rate on offer. Following the application process, in December 2020, the business was approved for an FGLS loan of less than €250k.

“The FGLS was a great opportunity to raise significant funds with a great interest rate and over the longer term so payments are more affordable.”

Alongside the finance provided directly by the FGLS, securing the loan was also reported to have helped add ‘credibility’ to the business. This enabled them to provide the necessary match funding for a grant to fund the remainder of the planned investment.

The FGLS loan was used to part-fund the recruitment of additional software developers, which resulted in automation of systems and processes which has accelerated product development and, in turn, attracted new clients. The loan also helped the business to hire additional sales staff and adapt its processes to support remote working throughout the Covid-19 pandemic. Overall, the loan has enabled the business to improve its processes and develop additional functionality in its software.

Without the FGLS loan finance, the business would not have been able to progress with these activities because it believes that it would not have been able to secure other affordable debt funding from banks or other financial institutions.

“The availability of the loan allowed us to do additional development which accelerated our capability to grow.”

Going forward, the business is likely to seek additional long-term finance in a few years for further business expansion. This will be used to hire further developers and support the expansion of the business into new markets.

Case Example 20

The loan recipient is a digital services agency which provides a variety of web-based services. Based in Dublin, the business focuses on clients in Ireland, although it has some clients in the UK and Europe. It is a reasonably mature business, having been established over 20 years ago.

In the years prior to the Covid-19 pandemic, the business was "*growing organically*". However, the arrival of Covid resulted in a loss of 30-40% of trade, as companies scaled back their operations to reduce costs during an uncertain time. The business was faced with two options: to downsize, or to pivot and try to grow in other areas. It chose the latter, with a view to *"focus the business on areas of the economy which were still vibrant"*.

To facilitate this shift, the business needed to invest in existing and new buildings and facilities. This required external finance, so the business approached a bank seeking a loan. It was advised by the bank it met the criteria for the FGLS, the terms of which were seen as more attractive to the business than a non State-backed loan product. The business secured an FGLS loan of under €250k in November 2020.

❝ We were faced with a decision to downsize the business in a conservative fashion, or to try to trade our way out of the mess with a growth mindset. ❞

The loan allowed the business to purchase and fit out new physical premises. This included adapting the work space to be more suitable to a hybrid work model, for example through the creation of new meeting room facilities. New facilities were also needed in order to develop the new strands of business activity. Overall, the loan enabled the business to "*invest proactively in the growth and repositioning of the business*" during a highly uncertain economic period.

Without FGLS, the business would have continued down the path of securing a non State-backed loan to carry out the activities described. However, this would have been more costly and would not have offered the same degree of flexibility in the use of the finance, which was regarded as highly important during the pandemic. This was the first time the business had used external finance, having previously not needed it.

The business is likely to seek further finance in the future as it recognised the benefits from securing an FGLS loan. In fact, if the FGLS was made available again, this would be the business' preferred finance option due to the high degree of flexibility and favourable terms.

❝ We would be interested in engaging in future finance opportunities, as this was the first time that we have borrowed money as a business and we can now see the power of finance, if it is carefully planned to generate growth opportunities.❞

SQW

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