

ACCESS TO FINANCE

Raise finance to invest in change

Finance is the engine oil of any business, preparing to raise capital could be critical to keeping you on the road to recovery.

Our series of insights can help businesses look at the external drivers and internal enablers that will underpin their strategy and programmes, whilst working in sync to boost performance. We share insights on how to access finance

Retuning Action Areas

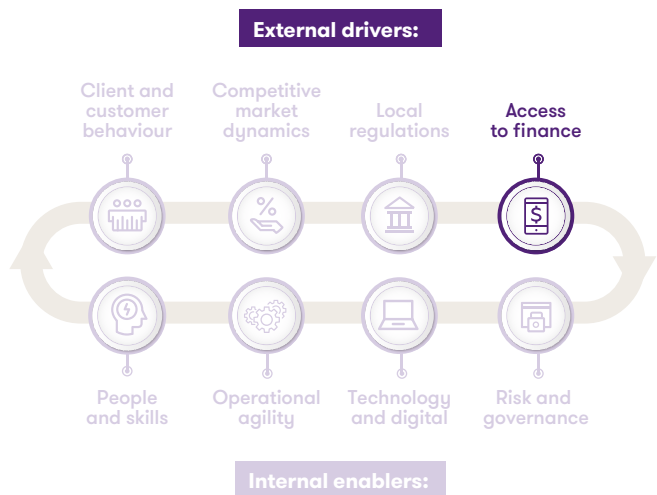
- Continually assess what future liquidity you might need
- Understand what banks are looking for
- Consider the range of alternative finance options
- Prepare balance sheets and have a good future story to tell

In the immediate aftermath of COVID-19, businesses looked to improve their cash flow management and focus on day-to-day survival, leaning heavily on government support packages. But longer-term, businesses will need greater liquidity as they move towards a post-covid era. They will need to invest in adjusting to the changes, to sustain operations and stay competitive. Raising finance to do so will be essential.

According to Grant Thornton's latest IBR data, 26.1% of mid-market businesses have spoken to or planned to talk to lenders about new credit, while 23.4% of global respondents said they'd either sought financial support from investors or are planning to seek support. Significantly, 46% of businesses identified a shortage of finance as a constraint on growth, up markedly from 37% in H2 2019.

Despite these concerns, there are pools of finance available for well-run businesses. Unlike the global financial crisis of 2008, there are many institutions currently sitting on cash.

“Businesses in KSA have managed their liquidity challenges over the last few years, especially during the pandemic by tightening controls around



customer exposure and collections, reducing cash outflows through cost reduction and permitted payment delays and building a portfolio of cash improvement actions and rigorous dynamic cash forecasting.”

Sameh Khoury
CFO of Elseif

Paul Gooley, partner and national head of corporate finance, at Grant Thornton Australia, says: “From an investors perspective, people need to put their money somewhere. Return figures in banks are negligible; the cash market is like putting money under the bed. So private equity and debt funds offer yields above inflation, there are pools of money that are looking for returns.”

Continually assess what future liquidity you might need

Governments have generally supported businesses financially throughout the crisis, however as businesses look over the horizon to a post-covid era, they are considering the investments and upgrades which will need to be made to adapt to a new operating and trading environment.

Tony Markwell, national managing partner private advisory at Grant Thornton Australia Governments have generally supported businesses financially throughout the crisis. Tony Markwell, national managing partner private advisory at Grant Thornton Australia, says: “A lot of governments have given employers money to keep people on their books and that means a lot of businesses are reasonably liquid.”

It is essential for businesses to consider their liquidity; will it be sufficient for the business to weather another economic or social storm?

Understand what banks are looking for

Banks are being supportive of their existing clients, but most are tightening new lending conditions. Across the Middle East we are witnessing the willingness of banks to provide cash flow lending disappearing, giving rise to peer-to-peer leading platforms.

That said, banks are keen to work with businesses who have a robust business plan, are trading in an emerging and fast-growing sector, have a structured management team and a clear vision which they can articulate.

“With the majority of banks in Saudi retreating from unsecured lending, there are a number of growing fintechs that are emerging to fill the space. This includes Beehive, via its partnership with GIB and Saudi Social Development Bank, as well as peer-to-peer lenders such as Lendo or Forus.

The fintech’s operating model is focused on an SME’s cash flow rather than financial statements or assets to be provided as security. The fintech also have a much faster decision making process and more flexible terms, meaning creditworthy SMEs can get fast access to working capital funds.”



Peter Tavener
CFO & COO
Beehive Fintech

Consider the range of alternative finance options

If securing bank funding is proving to be challenging, then there are several other finance options across the region. Private equity is still active, with investors looking for promising businesses who are tech-enabled and pivoting for growth. There are also credit funds, family office for high-net-worth individuals, neo banks and fintech who have raised capital and who are able to play in that alternative debt market above where traditional banks would play.

“Across the MENA region, tech-enabled businesses and those in fast emerging industries such as online training and education, telehealth, e-commerce, pharmaceuticals, food-tech and distribution and delivery, are all on the radar of private equity houses. These businesses are thriving, and alongside their private equity backers are looking for opportunities to reinvest.”



Imad Adileh
Principal
Grant Thornton Saudi Arabia

Prepare balance sheets and have a good future story to tell

Preparation is key to raising finance, but successful applicants will also have a compelling vision for growth in a new business environment.

Businesses that are working on their resilience and recovery plans are identifying the market opportunities and their accompanying investment requirement. Smart businesses are moving ahead of the pack by getting their balance sheets ready to take advantage of the situation. Having a robust story about how you are going to adapt to the new paradigms and where the demand is going to be will help you stand apart.

Finance can be a lubricant for business – it ensures all the parts run smoothly and in harmony to drive it forward. Getting the right liquidity for your business’s future is essential to ensuring to staying on track and ahead of the competition.

Speak to our team across Saudi Arabia to help you prepare your business to raise finance.

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