

Simply Asset Finance

LGB Capital Markets arranged a £20 million secured medium term note (MTN) programme for Simply Asset Finance, the specialist asset finance provider backed by Cabot Square Capital.

Simply Asset Finance is a specialist UK asset finance provider. It offers finance products as a secured lender to SMEs to fund the purchase of business-critical equipment and to free up working capital. The group was established in April 2017 by a team of asset finance specialists in response to the need for innovation and disruption in the sector. It is a portfolio company of Cabot Square Capital, a leading private equity investor in UK specialist lending businesses.

VERSATILITY OF STRUCTURING KEY ATTRACTION FOR SIMPLY

Being an established, top 50 UK asset finance company, Simply has substantial senior funding lines from a number of banks and institutional capital providers – most notably the largest ENABLE Funding programme with the British Business Bank. With senior funding supported by significant backing from the company's main shareholder, Cabot, in addition to the low risk profile of Simply's book, LGB saw strong rationale for an MTN Programme structurally subordinated to senior funders but in priority of shareholder funds providing a substantial first-loss buffer. While second-ranking MTN Programmes are more commonplace for operating businesses, this structure was a first for a financial services client and demonstrates the versatility of LGB Capital Markets' approach.

The MTN Programme contributes towards book growth by partially funding the advance rate shortfall on senior funding, reduces the blended cost of capital for the company whilst offering an attractive risk-adjusted return to LGB's network of investors.

STRONG INVESTOR APPETITE DESPITE COVID BACKDROP

The MTN Programme was established on 19 March 2020 and, despite the Covid-19 backdrop and impending UK lockdown, a first note issuance of £4 million was successfully completed on the same day. This demonstrated the strength of the investment proposition – particularly the quality of Simply's management team and shareholders – but also how critical diversification of funding is during uncertain times.

Simply has now issued three separate series of notes since establishment of the Programme, the most recent being a £10 million reverse enquiry in September 2020 from a substantial family office. The family office undertook extensive due diligence on Simply – supported by the due diligence exercise completed by LGB earlier in the year – and will benefit from LGB's ongoing quarterly monitoring of the performance of the business and Programme.

DIVERSIFICATION OF FUNDING CRITICAL TO SUCCESS

Bank retrenchment in the SME sector is well known during times of economic uncertainty, and proposals for bilateral facilities with lenders can quickly fall away because of an economic shock, as recently seen with the Covid-19 pandemic. LGB's strong and longstanding relationships with its diverse and growing investor base were key to executing a successful bookbuilding process and closing, and the diversification of funding – and therefore spreading of the investment decision – provided considerable comfort to Simply's management team.

Simply

KEY FACTS

£20m

LGB Capital Markets arranged a £20 million secured MTN Programme for Simply

£10m

A £10m reverse enquiry was completed in September 2020 under the MTN Programme

£350m

Simply has provided more than £350m of asset finance to over 2,000 UK SMEs

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LGB Capital Markets completed the issue within 5 weeks of signing Terms of Engagement

"The LGB & Co. team provided a responsive, quick and knowledgeable service. Coupled with a deep and broad investor base, this allowed us to complete our inaugural transaction on time and budget. I very much look forward to working with them in the future."

Stefan Wolvaardt, Chief Financial Officer
of Simply Asset Finance