

Financing digital print

Katie Dowse of independent leasing broker KD Finance has some pointers for print companies looking to gain finance for digital print equipment investments.



Digital Print can be misunderstood by banks, particularly when it comes to funding for what is sometimes seen as an expensive copier. In the days of financing

they would get their money back. But digital print is the growing market, so almost all lenders take on digital equipment now. Some more cautiously than others though.



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litho equipment, the large press or a solid piece of finishing equipment, a seven year or more HP agreement was the norm and was secured against an asset that had a good resale value that the funders understood. They could have been financing a truck - in that they were comfortable with the lend and that

ing, and reward the customer with competitive rates. They will deal with the customer directly, via a supplier, and sometimes via a broker. To be in this group your business needs to be in good shape; a well-run bank account, in credit or within overdraft arrangements, clear searches on directors, accounts

We all hear that the economy is improving, we are growing and there is a more positive outlook in business. However, Creditsafe has recently published some interesting statistics and figures that certainly will not be ignored by the banking industry

- 9216 UK and Irish companies have entered insolvency in the first three months of 2014
- There was a 17% increase in insolvencies when compared to the same time period in 2013.

So how do the banks look at funding for what are essentially unsecured assets, and what can you do to help that process? Finance houses, and we shall call them this as opposed to banks, come in three groups, and so do customers really. I shall explain:

- **Tier 1** – big, well-known names such as, Lombard, HSBC, and Siemens, who look for good quality business, balance sheet underwrit-

ing, and the balance sheet to be at least two to three times the value of what you are looking to borrow.

- **Tier 2** – independent finance houses such as Arkle. Business introduced only via a broker in most cases. Looking for SME business, businesses whose balance sheets are not so strong. Underwriting is more about ability to pay, support from the business in the form of guarantees or other assets, and the right reasons behind the deal for acquiring the equipment. If you are in this group of companies there are still certain prerequisites: once again, clear searches on directors, a well-run bank account, but the balance sheet may be negative, or the company newly established, or perhaps you are settling another agreement within a new deal and the figures are not attractive to tier 1 finance houses.

- **Tier 3** – funders who provide higher rate finance for those businesses who may have adverse factors against them or the individuals involved, a County Court Judgement perhaps. Once again, in many cases this is broker-introduced funding. If you are in this group I would always recommend using a broker and the most important thing to get the best deal you can is honesty. Your broker will work hard for you and the only way this can be done is by giving them all the facts so they can make a decision on where to place the business. Whether you are looking to buy a new digital press or invest in software and IT, make sure that you are in the best position financially that you can be; that the financial information you provide is current, the equipment deal is right for you, and that perhaps you use the services of a broker. Suppliers often work with brokers to help them secure funding for their customers. A specialist asset finance broker can open a whole new world of finance houses that the printer cannot access directly. ■

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