



THINCATS



2018:  
ANNUAL REVIEW



# INVESTMENTS BEARING FRUIT



**I'm delighted with the progress that ThinCats has made over the last 12 months in our mission to help more UK SMEs access the finance they need to grow.**

Despite an uncertain economic backdrop, undoubtedly made worse by the ongoing Brexit saga, the investments that we made in 2016 and 2017, and again in 2018, have transformed our ability to serve business advisers and their clients. This is reflected in the value of SME funding that we have provided with £112m in 2018, more than double the 2017 figure.

Our commitment to helping advisers deliver an excellent service to their clients is based on a number of themes covered in more detail elsewhere in this report. In essence, however, I believe we are becoming an increasingly attractive funding option due to:

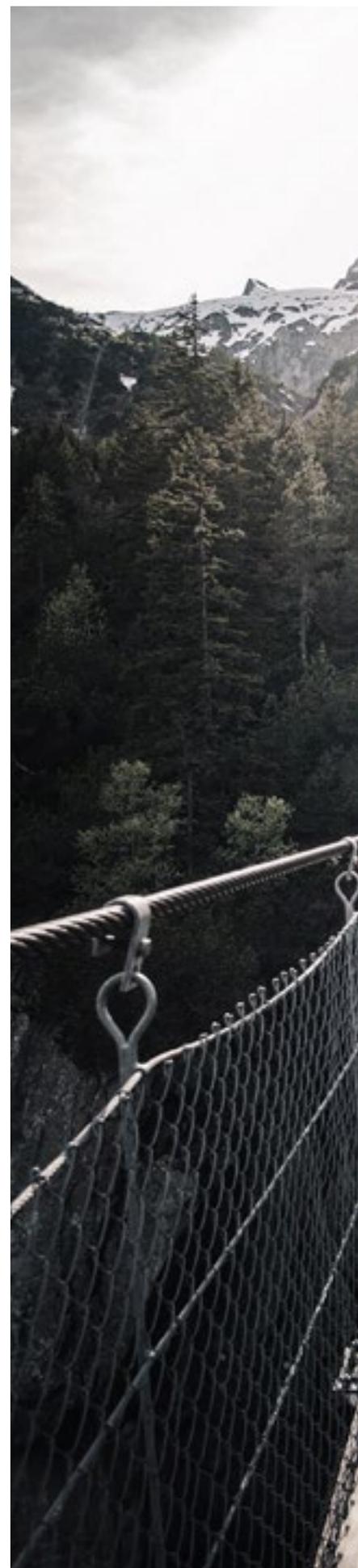
- Our flexible, bespoke approach
- Access to experienced credit and business development teams right across the UK
- Certainty of funding that comes from having almost £1 billion of funding capital to deploy

For example, in the last 15 months four institutional investors with significant pension scheme assets have committed £700m to fund UK businesses through ThinCats. Our systems, controls and credit process have been subject to thorough due diligence which is very satisfying. More importantly, though, it means we can now fund a wide range of opportunities across the full credit risk spectrum from £250k up to £10m.

Our ambition for 2019 is to do more of the same; more investment in people and technology to simplify the funding application, credit assessment and drawdown process, and more investment in educating businesses and advisers on the benefits of alternative finance. For example, recent research from the FIBA showed 46% of small businesses that applied for finance to their banks were declined and, of these, half chose to look no further for funding believing there were no other avenues to explore!

I hope you enjoy this report and wish you a successful 2019.

**John Mould, CEO**





## 2018 HIGHLIGHTS

Qualified deals pipeline grown by

**400%**

worth more than

**£150m**

More than

**£700m**

of institutional capital secured

**25%**

employment growth

Record year more than doubling  
SME funding in 2017

**£112m**

# A GROWING TEAM OF THINCATS

**Whilst technology and data are key elements of the ThinCats proposition, the most important component for delivering a bespoke funding solution to advisers and their clients is our people. In 2018 we have been hiring experienced staff across a number of areas:**



“Our focus for 2018 has been to hire people in areas that make the process of using ThinCats as straightforward as possible. From putting experienced business development and credit heads into the regions to increasing our transactional support capacity, we recognise the importance of delivering sector leading levels of service to business advisers and their clients. In 2019 we plan to invest more in technology to further enhance our offering.” Damon Walford, CDO



## Credit

Engaging as early as possible in potential deals is very important to us, which is why we have established a team of regional credit heads during 2018. Based in the North West, the Midlands and London these experienced credit experts are on hand to meet advisers and borrowers early in the funding application process to quickly understand the funding requirement and identify possible solutions. We have also expanded our London based main credit team to handle the increase in deal volumes that we are funding.



## Business Development

Following new hires in the Midlands, Yorkshire and the North West we now have a full complement of 12 Regional Business Development Directors who are keen to engage with their business finance communities.



## Transaction support

Based in our Ashby office in Leicestershire, this team focuses on supporting deals through the credit process, reviewing and registering the security being offered, co-ordinating the legal process and preparing the necessary documents prior to drawdown. We have more than doubled this team in 2018.

# 2018 - A RECORD YEAR

We are pleased to announce that we had a record year for lending in 2018, more than doubling our 2017 figures to £112 million. In total we have lent more than £350 million to UK SMEs.

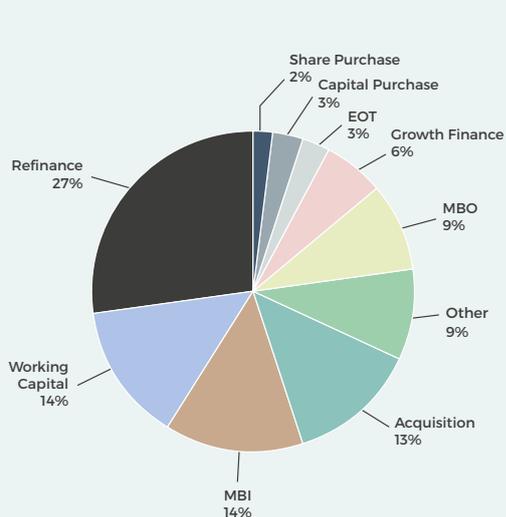
Total lent to SMEs  
**£112m**

Largest deal  
**£10m**

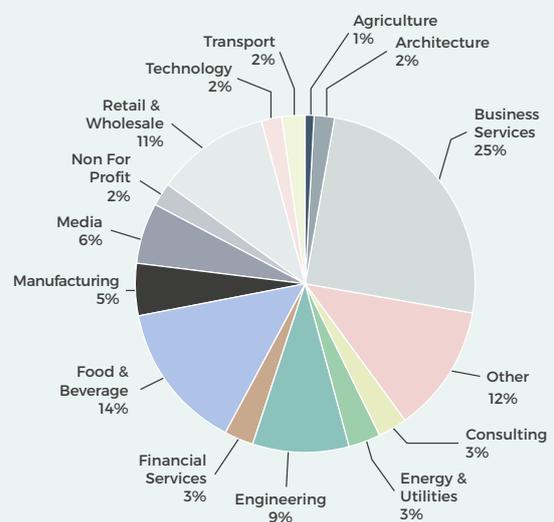
Average deal size  
**£1.75m**

Number of deals  
**64**

## 2018 Lending by loan purpose



## 2018 Lending by industry sector



# AWARD-WINNING DATA MODELLING

**In 2018 we brought together our data models under the PRISM (Propensity and Risk Model) brand. The models enable us to identify the likelihood of a business requiring funding and price risk in a way that we believe better reflects a business's true potential.**

The data models:

620 thousand  
companies over 11 years

6million+  
financial accounts

More than  
200 different variables

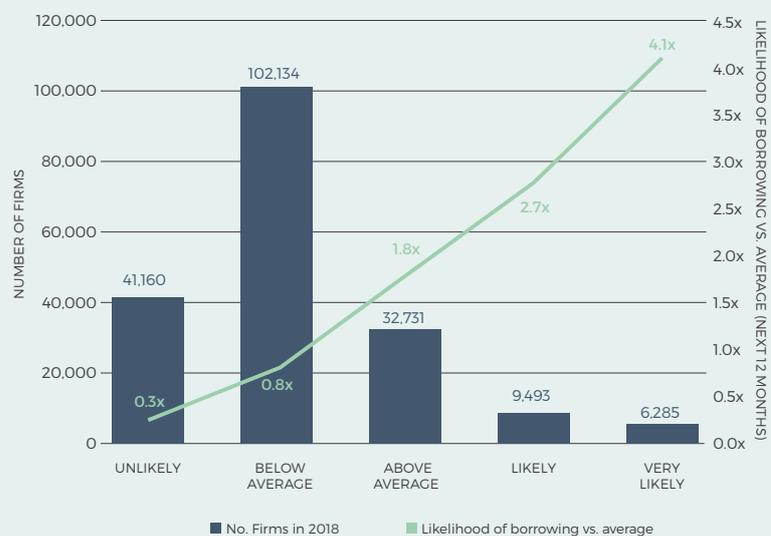
*Because the volume of data underlying the models is so vast, we have a dedicated team of specialist SME data analysts to manage and develop each model.*

**prism**  
RISK

Used to give early indication of our credit appetite and pricing of a potential business loan. The model combines market and company financial data with proprietary non-financial data to provide a credit grade from 1 star (weak) to 5 stars (strong). The model also provides a security grade for each loan taking into account balance sheet assets and certainty of future cashflows.

**prism**  
PROSPECT

Identifies the likelihood of a business to have a funding need over the next 12 months. The model segments businesses into five propensity categories from very likely to unlikely.



# INSTITUTIONAL APPETITE EVER INCREASING

**As the alternative lending sector has matured, more and more institutional investors have sought to allocate assets to business loans, which offer attractive risk-adjusted returns compared to other types of fixed income investments.**

The most recent report from the Cambridge Centre for Alternative Finance showed that Institutional funding of the overall business lending sector grew from 25% in 2015 to 40% in 2017.

## INSTITUTIONAL FUNDING PROGRAMMES

During the last 15 months ThinCats has agreed two major funding programmes worth £700m with four institutional investors.

The first, announced in October 2017, brought a £200m combined commitment from ESO Capital and Waterfall Asset Management. This was followed in autumn 2018 with a second programme involving Insight Investment for £300m and BAE Systems Pensions for £200m.



A £6bn credit fund headquartered in New York that invests in a number of business loan platforms



A £500m specialist credit manager who also holds equity in ThinCats.



A leading global asset manager responsible for more than £600bn of investments on behalf of pension funds, corporates, local authorities and other institutional and individual clients



With over 100,000 members this is one of the UK's largest pension schemes with assets of more than £13bn and holds equity in ThinCats



**Combining our institutional funding programmes with £100m of funding from investors on the ThinCats retail investor platform, means we have £800m of capital ready to deploy to fund UK SMEs. The scale of this capital brings three key benefits for advisers and their clients:**

- **Certainty of funding** – All ThinCats loans are underwritten by institutional funders meaning that once a loan is approved the funding is readily available for quick drawdown
- **Diverse sources of funding** – Having a mix of retail and institutional investors with different investment objectives and risk parameters allows us to fund businesses across a wide range of SMEs
- **Long-term outlook** – Our funding capital comes from investors that have long-term investment horizons typically funding pension scheme liabilities. As providers of patient capital they are less concerned about short-term returns enabling us to consider funding opportunities that may not suit other lenders



“We are delighted to have secured £700m of institutional funding in little over a year. This level of funding validates our ambition to provide better funding solutions to UK SMEs and our investment in the processes and people to deliver that ambition. Looking forward into 2019 we will continue to diversify our pool of investors generally and to support new product launches.” Ravi Anand, Managing Director

# CUSTOMERS AT THE CORE

**Today's entrepreneurial businesses want the freedom to seize opportunities, to realise their potential, maximise productivity, grow revenues and expand into new areas. Here are a few examples:**

## ABOKADO

**Abokado is London's leading healthy grab-and-go chain**, well known across the city for its fresh sushi, salads, bagel breakfasts and award-winning coffee.



£3m,

Refinance & Working capital / London

“ThinCats is a real wake up call to the High Street lenders. Their streamlined process makes the traditional banks look very outdated and not fit for purpose. There are some very profitable, growing businesses in the hospitality and food and beverage space and it has become clear that banks need to evolve faster and change their appetite to risk for this sector or miss out on the excellent opportunities that are otherwise being captured by alternative finance companies such as ThinCats.”

Mark Lilley, Founder and CEO Abokado

## HYDRAM

**Hydrum is a leading supplier of sheet metal components,** assemblies and light fabrications to customers throughout the UK.



“The acquisition of Hydrum provides a strong platform for expansion into the UK and wider European market. ThinCats worked hard to understand both businesses and showed total commitment to conclude this transaction at pace”

Don Nystrom, President of Dynamic Group

## CLEAVE FARM

**The 2,700-acre farm,** which employs 18 people, harnesses cutting edge biogas technology that is on track towards achieving net zero carbon emissions within three years.



“The team at ThinCats was proactive and extremely diligent. They understood the nature and complexity of our operations and meticulously structured the right deal for the business. They delivered on the promises they had made, and the facility has provided us with the ideal platform to grow and invest”

Winston Reed, Owner



## GET IN TOUCH

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