



## Media Release

### **Cash flow lending market set to reach A\$100 billion**

(10 November 2005 – Australia) The market for business lending products that are not secured against bricks and mortar is growing rapidly and will be worth more than A\$100 billion by mid 2006, according to East & Partners.

The first release of East's Working Capital & Receivables Funding Report reveals the uptake of cash flow financing products such as leasing, factoring & discounting, and overdrafts grew 22 percent over the past year and will continue growing at close to 30 percent in coming years.

This segment of the overall lending market is worth A\$83 billion currently, up from A\$68 billion in 2004, and East forecasts the market will grow to A\$106 billion by the end of 2006.

Much of the growth is being driven by businesses responding to a proliferation of second tier financial services companies offering innovative working capital financing.

These financial services firms have themselves responded to long held appetite among SMEs and middle market businesses for debt funding solutions that protect the family home.

Businesses are also sourcing debt via the rapidly expanding broker channel where they are able to secure more flexible collateral arrangements even at a higher price.

"SMEs and middle market companies are asking for working capital funding solutions based on the actual state and potential of their business itself rather than on bricks and mortar securities," East & Partners principal analyst Paul Dowling said.

"When residential property was booming, SMEs and middle market companies were happy to extract the equity from their homes to fund the growth of their businesses but now they're again seeking more flexibility and innovation from their lenders," he said.

"It's been tougher for banks to provide non asset based financing because they've been constrained by regulatory issues and their own credit policies but they're starting to focus on this market and more aggressively incorporate cash flow financing solutions into their transaction services propositions," he said.

Large players in this space already include National Australia Bank, St George Bank and Westpac.

***Total Working Capital & Liquidity Financing Market***

|                 | <b>A\$ Billion</b> | <b>Percent<br/>Change PA</b> |
|-----------------|--------------------|------------------------------|
| 2002            | 51.0               | —                            |
| 2003            | 57.0               | 11.8                         |
| 2004            | 68.1               | 19.5                         |
| 2005            | 83.1               | 22.0                         |
| 2006 (forecast) | 106.2              | 27.8                         |

Source: East & Partners Working Capital & Receivables Funding Program – September 2005

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