

Ipsos MORI



# Mid-cap Finance Survey 2020

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Research conducted by  
Ipsos MORI

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# Background



# Mid-cap Finance Survey 2020

- In 2020 the British Business Bank commissioned a survey of mid-caps (businesses with a turnover of at least £45m) to complement a survey of 4,125 SMEs. A survey of mid-cap businesses was previously conducted by the British Business Bank in 2015.
- Interviews were conducted with 181 mid-caps between 27 August and 25 November 2020 using the same version of the questionnaire as SMEs, with some minor audience specific additions / edits.
- Both the mid-cap and SME finance surveys asked businesses about the impact of the current Covid-19 pandemic and any finance sought to help businesses recover. An additional survey of applicants to the Bounce Back Loan was also undertaken.
- Statistically significant changes between mid-caps and SMEs (at 95% confidence level) are identified by green arrows (higher) and red arrows (lower).
- Where figures in charts do not add to 100%, or to an associated net score, this is due to rounding of percentages, exclusion of 'don't know' or 'refused' responses, or because the questions allowed more than one response.
- Responses with less than 0.5% but greater than 0% are marked with \*.





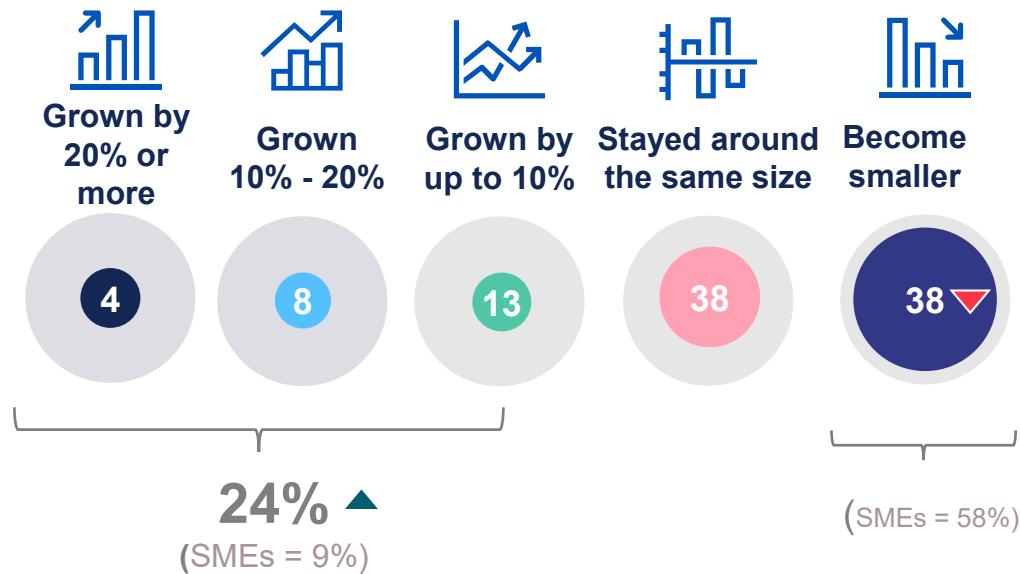
# Demand for external financial support: impact of Covid-19



# A quarter of mid-caps are in growth and one half expect to grow in the next year

24% of mid-caps report having grown in the previous year compare to just one in ten (9%) SMEs. Future is also looking more certain for mid-caps with only 15% expecting to become smaller in the coming 12 months compared to 37% of SMEs.

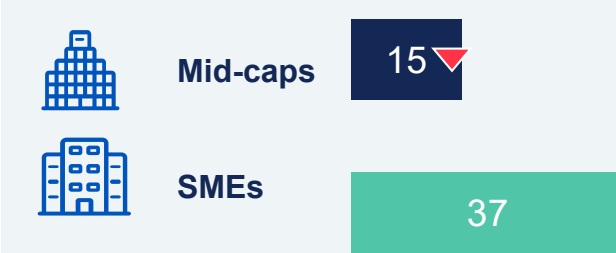
Growth of business turnover or in the number of employees in past 12 months (%)



Over the next 12 months:

**52%** of mid-caps expect to grow in the next 12 months, more than double the proportion of SMEs (21%).

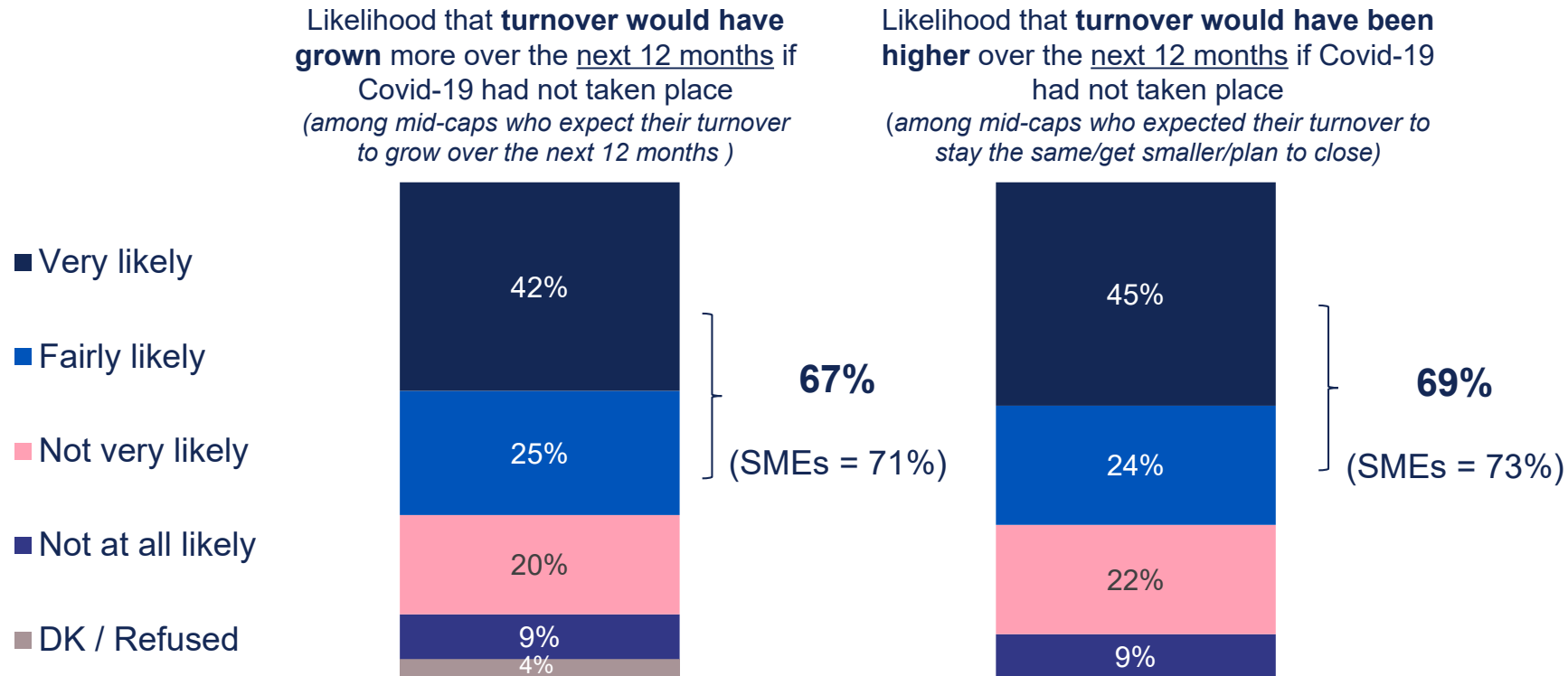
Expect the business to become smaller or close over the next 12 months (%)\*:



▲ Sig higher than SMEs  
▼ Sig lower than SMEs

Base = All mid-caps in business 2+ years (n=181); all mid-caps (n=181), all SMEs in business 2+ years (n=4,048), all SMEs (n=4,125), B4. All mid-caps (n=181), all SMEs (n=4,125), B6. \*14% expect to become smaller, 1% plan to close.

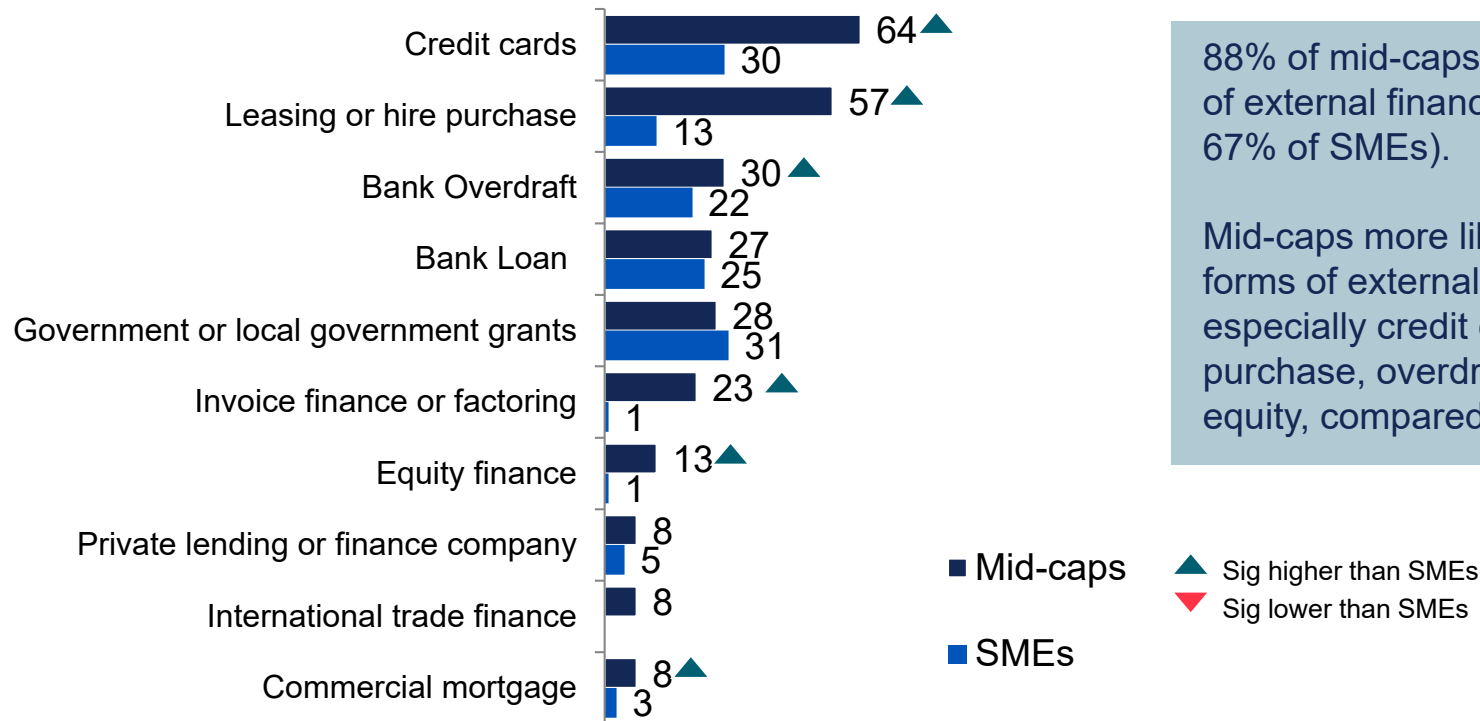
# Around seven in ten mid-cap businesses said their turnover would have been higher or grown more if it wasn't for Covid-19



Base = All mid-caps who expected their turnover to stay the same, get smaller or plan to close/sell their business (n = 87), all SMEs who expected their turnover to stay the same, get smaller or plan to close/sell their business (n = 2858), B6aa (single code). All mid-caps who felt it likely that business turnover would have been higher or grown more (n = 91), all SMEs who felt it likely that business turnover would have been higher or grown more (n = 1051), B6ab (single code).

# Nine in ten mid-caps are currently using some form of external financial support

External financial support currently used (%)



88% of mid-caps currently use some form of external financial support (compared to 67% of SMEs).

Mid-caps more likely to be using most forms of external financial support, especially credit cards, leasing or hire purchase, overdrafts, invoice finance and equity, compared to SMEs.

Base = All mid-caps (n=181), all SMEs (n= 4125), A6a\_AA (multi code, prompted). Those with less than 5% for mid-caps currently use not shown. Note: Corporate bonds was not offered as an option in the SME survey, 4% of mid-caps are currently using those.



# Three-quarters (73%) of mid-caps sought leasing or hire purchase in 2020

This compares to 48% seeking leasing or hire purchase within the last three years.

% Financial support sought in the last 3 years vs 2020



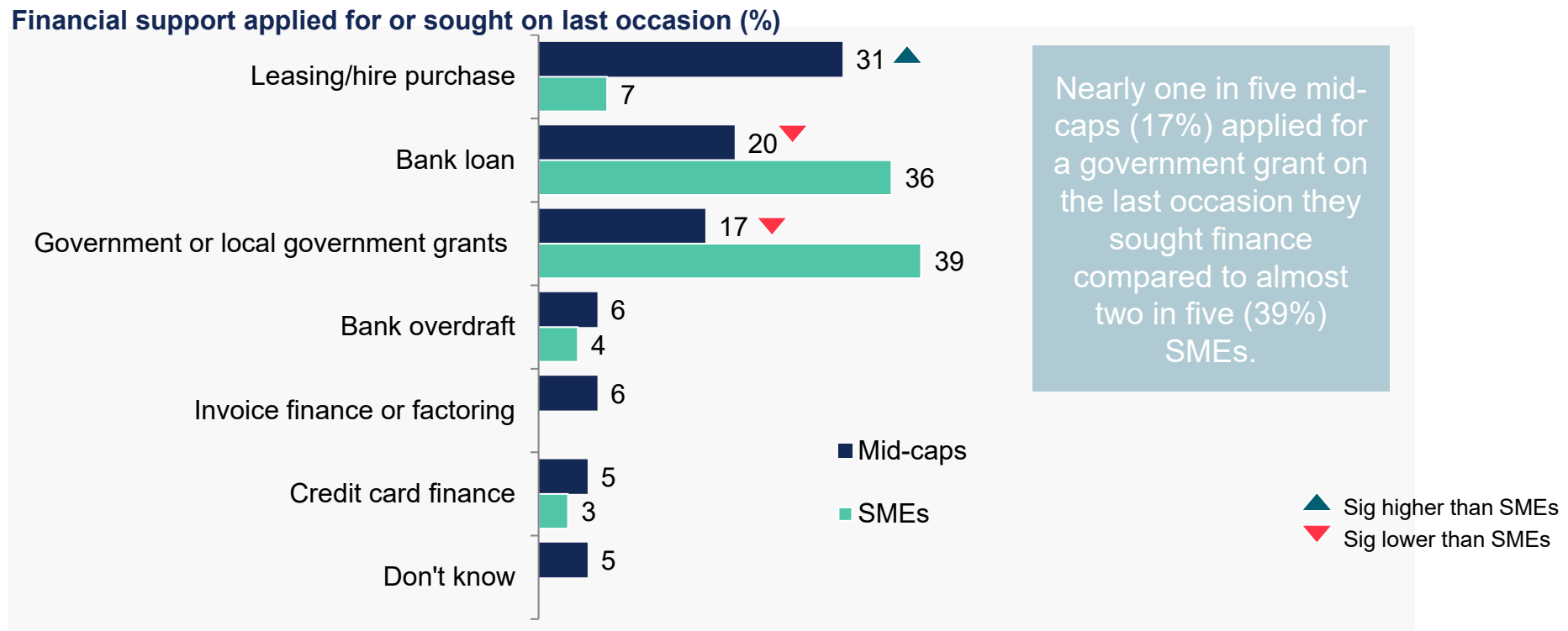
Six in ten mid-caps who sought external financial support in the past three years applied in 2020 compared to three-quarters of SMEs (60% vs. 74%).

Two in five mid-caps (43%) used government or local government grants in 2020 compared to 64% of SMEs.

Base = All mid-caps (n=181), all SMEs (n= 4125), all mid-caps who sought external financial support in 2020 (n=83), all SMEs who sought external financial support in 2020 (n=2213), A6a\_BB (multi code, prompted), A11a (single code). Those less than 5% use or sought in the last 3 years not shown. Fieldwork was completed in November 2020 so figures refer to Jan-Nov 2020 only.

# Leasing or hire purchase is the most common form of financial support sought recently by mid-caps

One in five mid-caps recently applied for or sought a bank loan compared to 36% of SMEs.

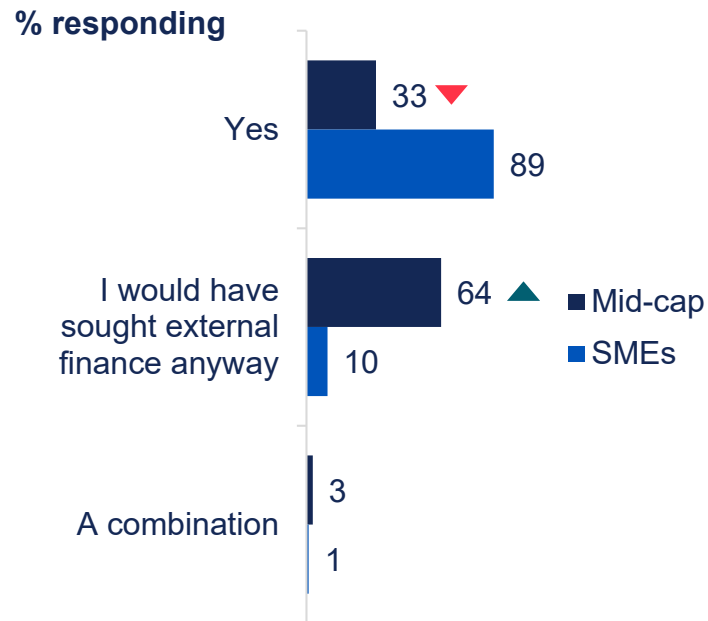


Base = All mid-caps who sought finance in the last three years (n=121), all SMEs who sought finance in the last three years (n= 2618), A11b (single code). Those less than 5% for mid-caps not shown. Note: Corporate bonds was not offered as an option in the SME survey, 1% for mid caps. Loans from directors, other individuals or organizations (2%) was only asked in the SME survey.

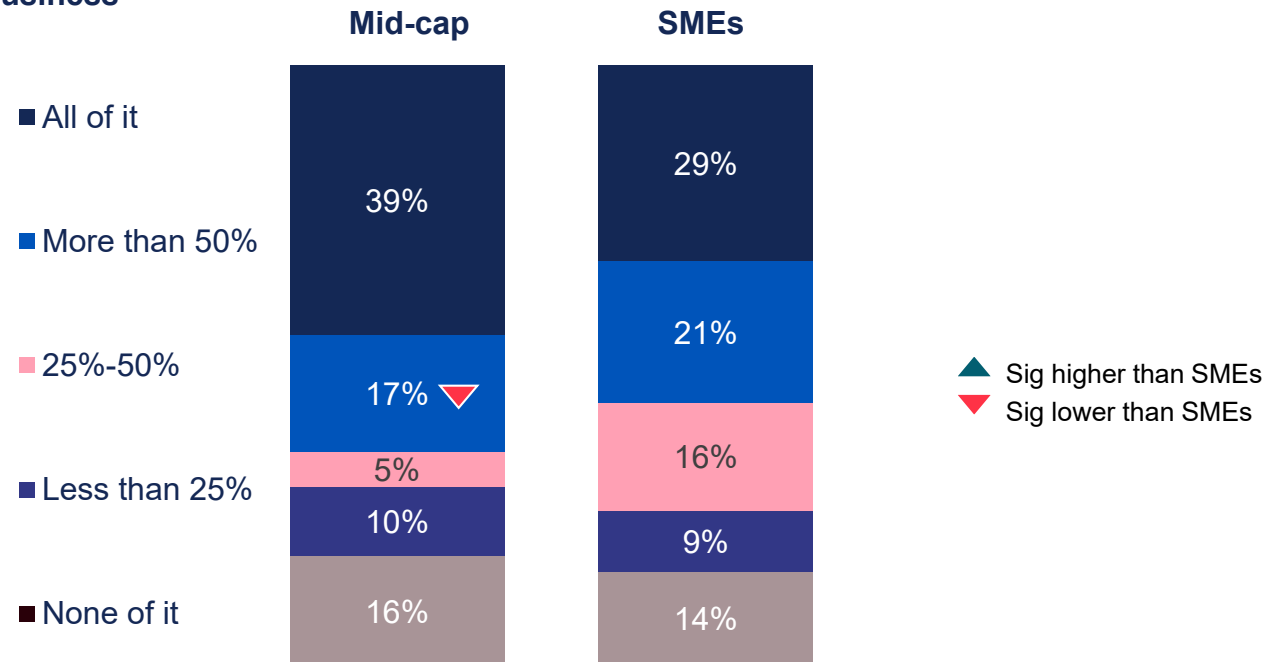
# For one in three mid-caps seeking financial support in 2020, the application was driven by Covid-19

Four in ten mid-caps (39%) have already spent or used all the funding obtained compared with three in ten SMEs (29%).

Was your application for finance prompted by the Covid-19 crisis or would you have sought external finance even if the pandemic hadn't happened?



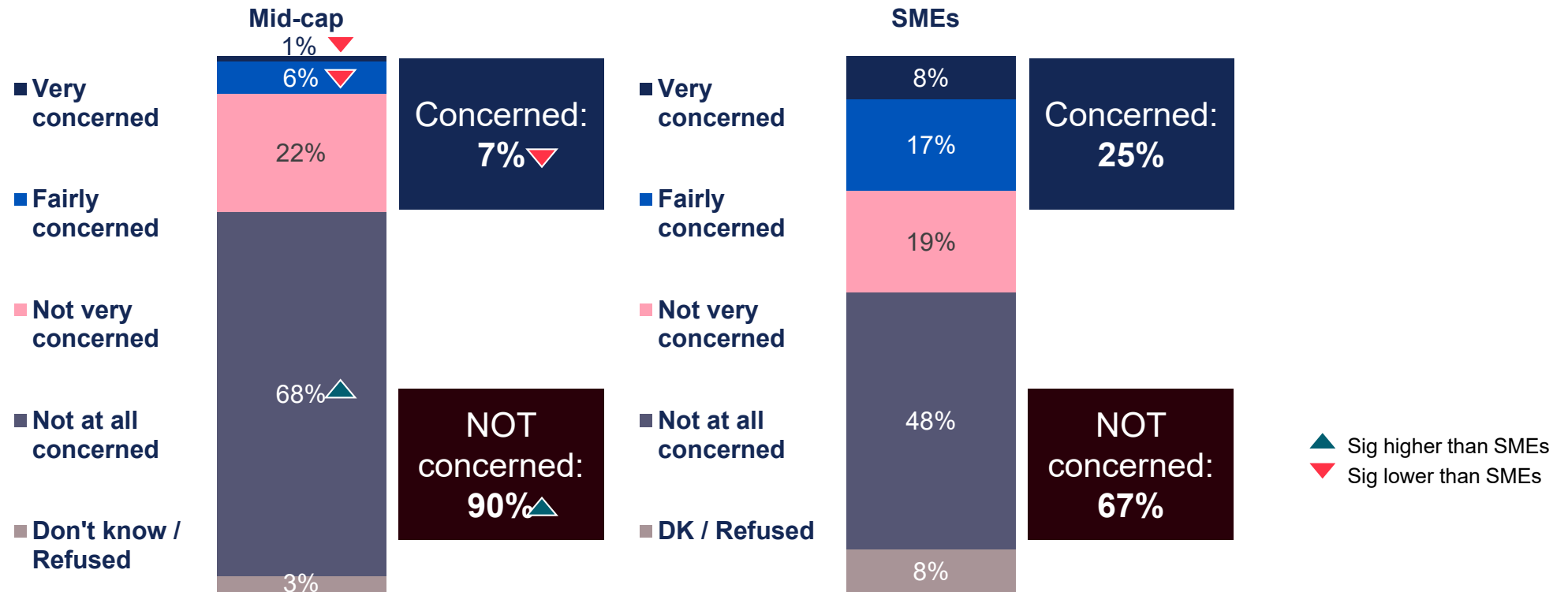
Percentage of funding already spent or used within the business



Base = All mid-caps who last sought finance in 2020 (n=83\*) \*CAUTION: SMALL BASE, all SMEs who last sought finance in 2020 (n = 2,213), A11d (single code), A13c\_a (single code). Note: Chart does not include 'Funds not drawn or received yet' (mid-cap 4%, SMEs 5%) or 'Don't know/refused' (mid-caps 10%, SMEs 5%).

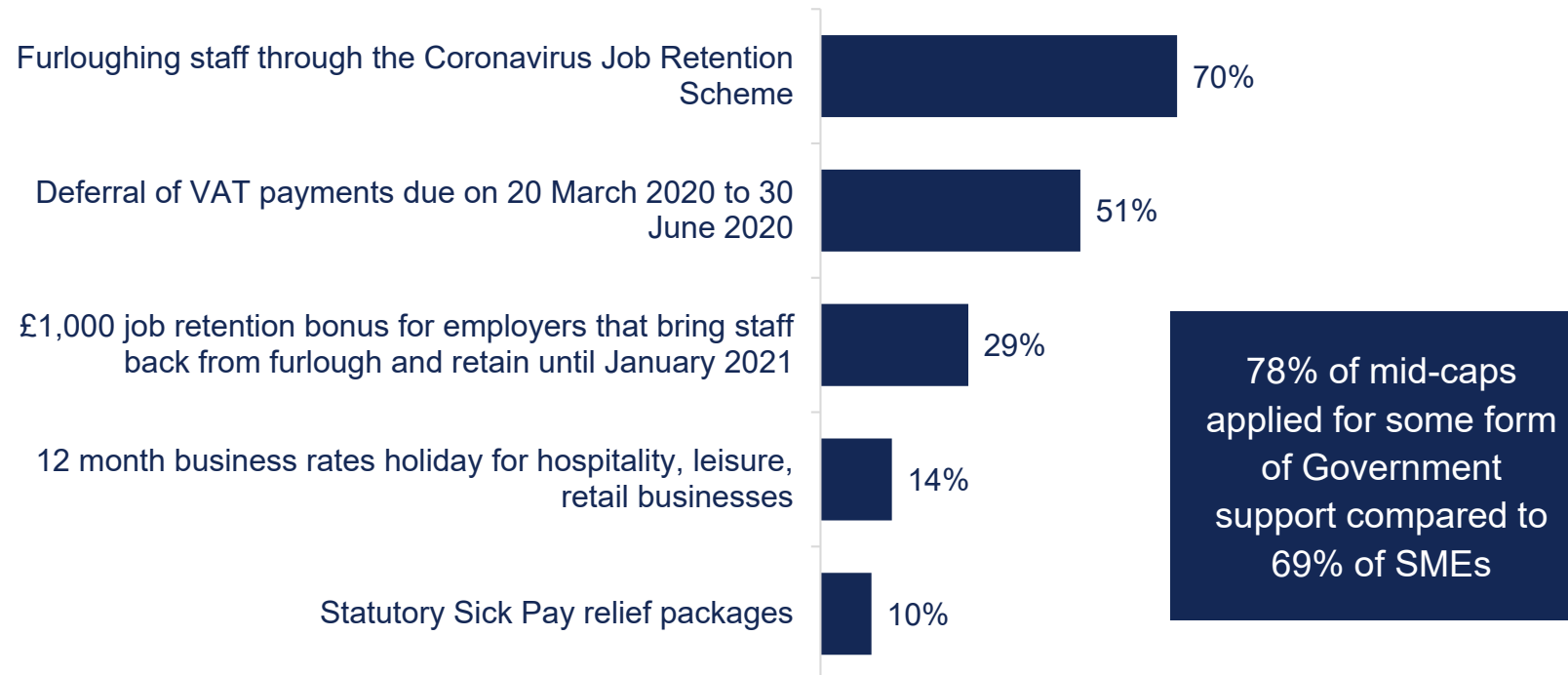
# The majority of mid-caps are not concerned about their ability to make full repayments for external financial support sought in 2020

How concerned, or otherwise, are you about your ability to make full repayments as and when they become due?



# Eight in ten mid-caps applied for some form of government support set up to help businesses affected by Covid-19

Has your organisation applied for any of the following Government support for businesses and organisations affected by coronavirus?

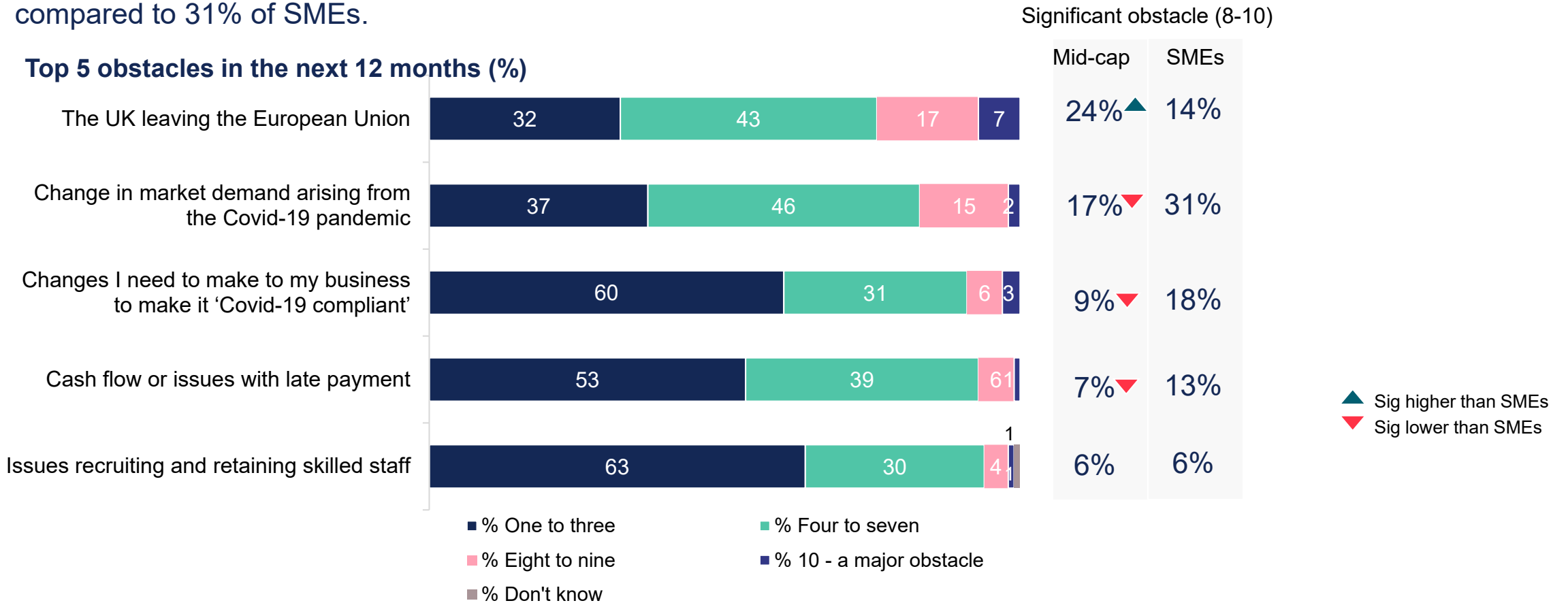


Base = All mid-caps (n=181), all SMEs (n=4,125), A13d. Only answers over 5% are shown.



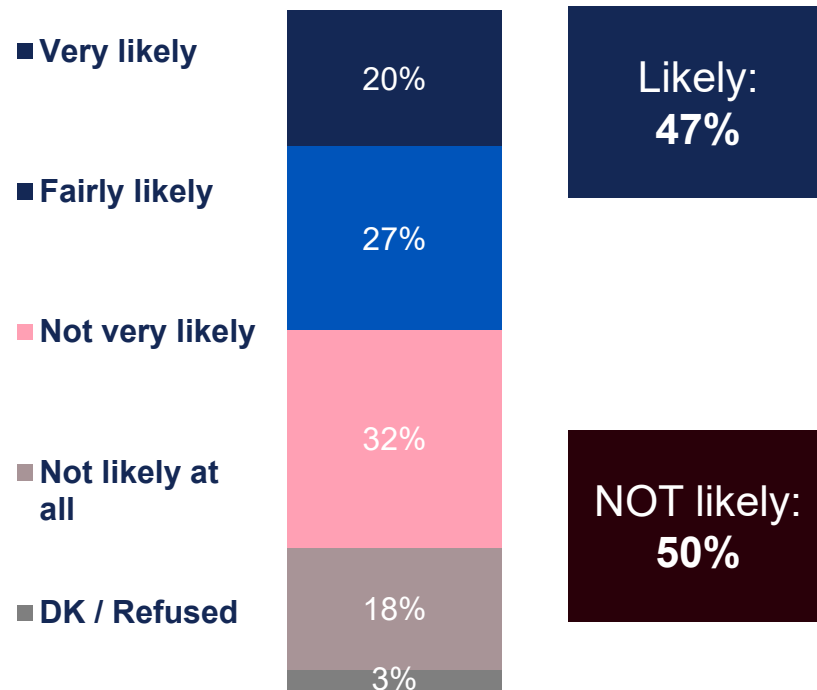
# A quarter of mid-caps expect the UK leaving the EU to be an obstacle to running the business

Almost one in five mid-caps (17%) say a change in market demand due to Covid-19 will be a significant obstacle compared to 31% of SMEs.



# Around half of mid-caps plan to significantly change their business model as result of Covid-19 over the next year or two

How likely, if at all, are you to significantly alter your business model over the next year or two as a result of the Covid-19 pandemic?



A similar proportion of mid-caps (47%) and SMEs (43%) say they are likely to significantly alter their business model over the next year or two as a result of Covid-19.

Mid-caps with a higher turnover tend to be more likely to change their model\* (54% for mid-caps with turnover over £100 million compared to 43% with a turnover of £45-100 million).

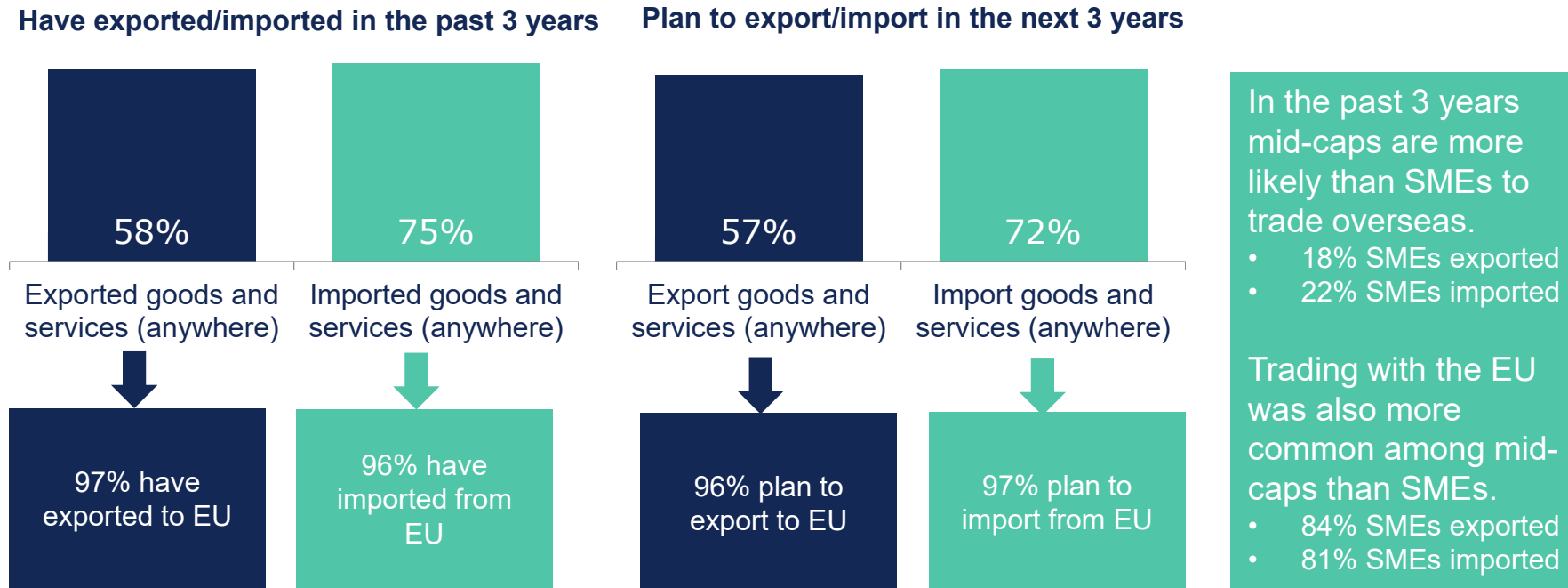
Base = All mid-caps (n=180), all SMEs (n=3768), mid-caps with turnover over £100mil (n=59), those with turnover of £45-100mil (n=121), B3iv\_2. \*Difference is not statistically significant.

# Trading and leaving the EU



# Six in ten mid-caps exported and three-quarters imported in the past three years

Virtually all those who trade overseas exported to and/or imported from the EU and plan to do so in the next three years.

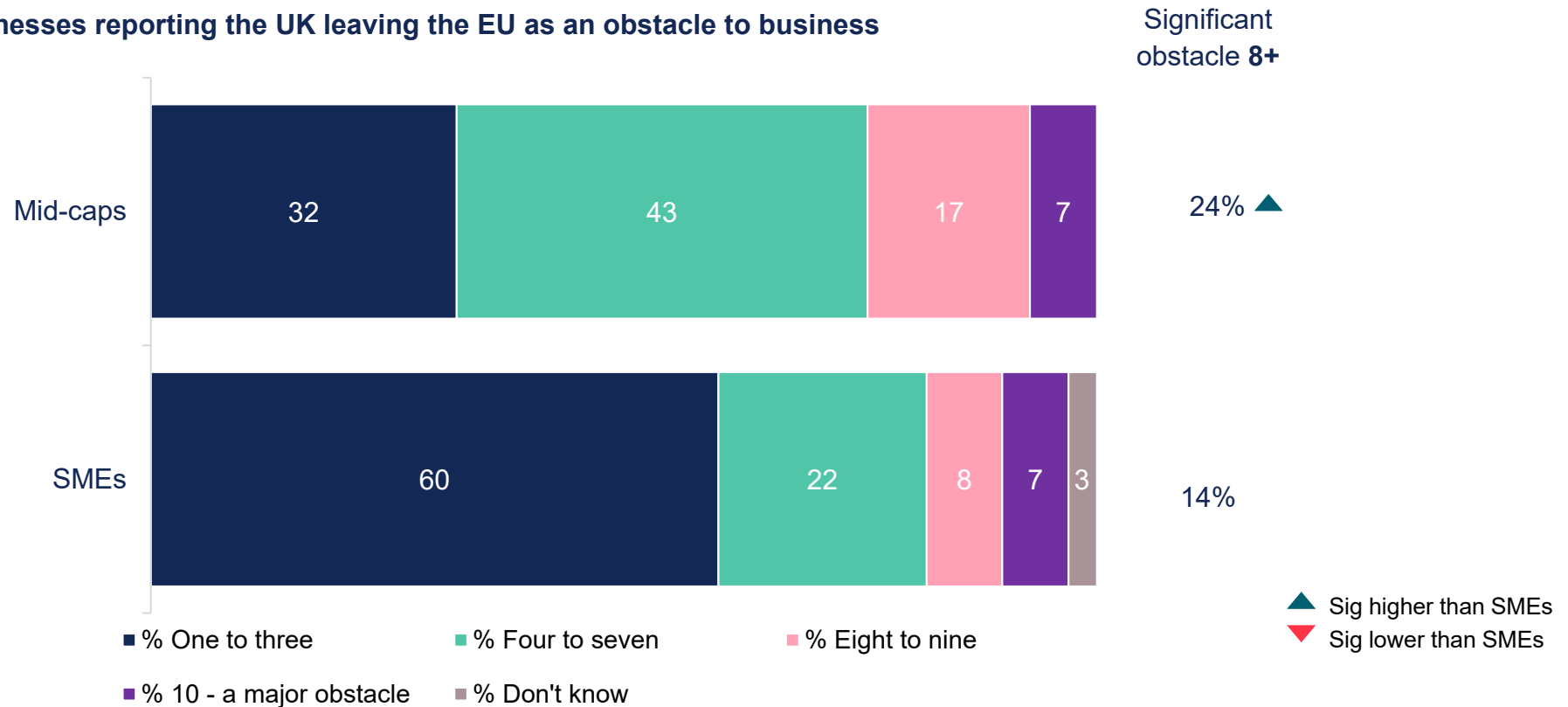


Base = All mid-caps (n=181/176), all who have exported to another country (n=103), all who have imported from another country (n=135), all SMEs (n=4125), all asked short version of the questionnaire (n= 2,142), all who have exported goods or services to another country (457), all who have imported goods or services from another country (267), C1a/b. All who plan to import/export to another country (n=131/102), C2a/b.

# One in four mid-caps expect EU Exit to be a significant obstacle to running their business

24% of mid-caps expect EU exit to be an obstacle compared to just 14% of SMEs.

% of businesses reporting the UK leaving the EU as an obstacle to business

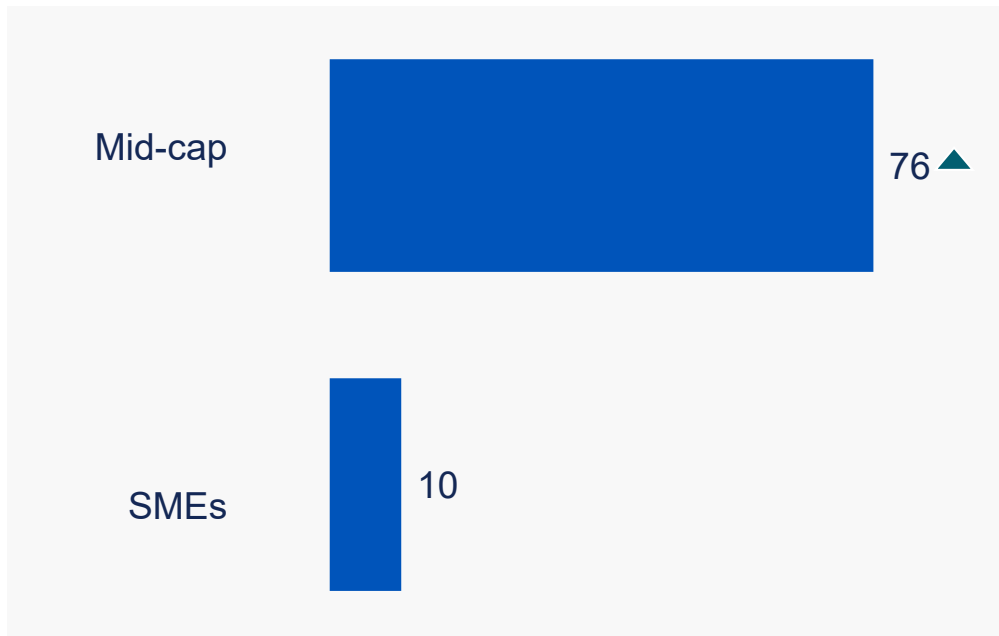




# Three-quarters of mid-caps are making preparations ahead of EU Exit

In comparison, only one in ten SMEs are taking any action to prepare for the end of the transition period owing to their lower propensity to trade with the EU.

Whether business is making preparations or taking any actions to prepare for the end of the EU Exit transition period



Mid-caps who export and import overseas (89%), to/from the EU (87%) as well as those who plan to do so in the next three years (89%) are more likely to be making preparations for EU Exit.

▲ Sig higher than SMEs  
▼ Sig lower than SMEs

Base = All mid-caps (n=176), all SMEs (n=2,142), mid=caps who export and import (n=95), those who export/import to/from EU (137), mid-caps who plan to export/import to/from EU in the next 3 years (133), C7aa.

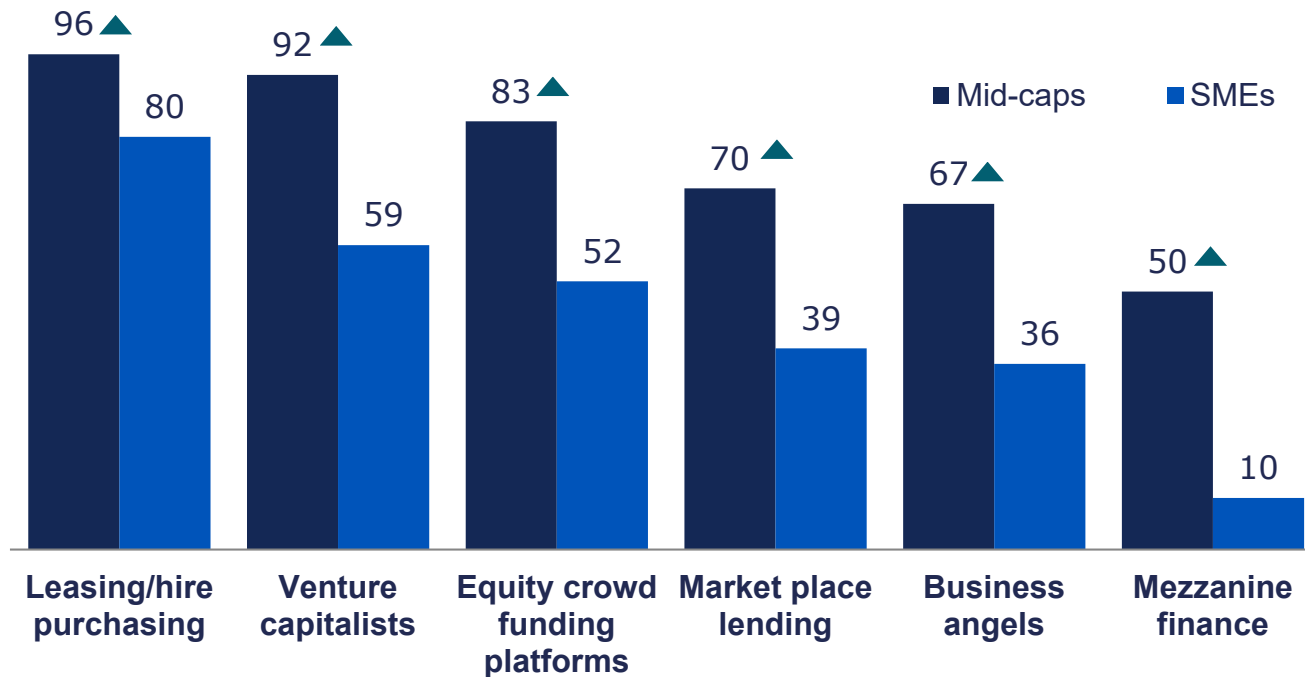
# Awareness and use of different types of finance



# Mid-caps have higher levels of awareness of all alternative types of external finance than SMEs

Awareness is highest for leasing and hire purchase and venture capitalists. Two-thirds of mid-caps are aware of business angels, almost double the proportion among SMEs.

Awareness of six main forms of external finance (%)



Almost all mid-caps (98%) are aware of at least one of these six alternative finance types compared to 86% of SMEs.

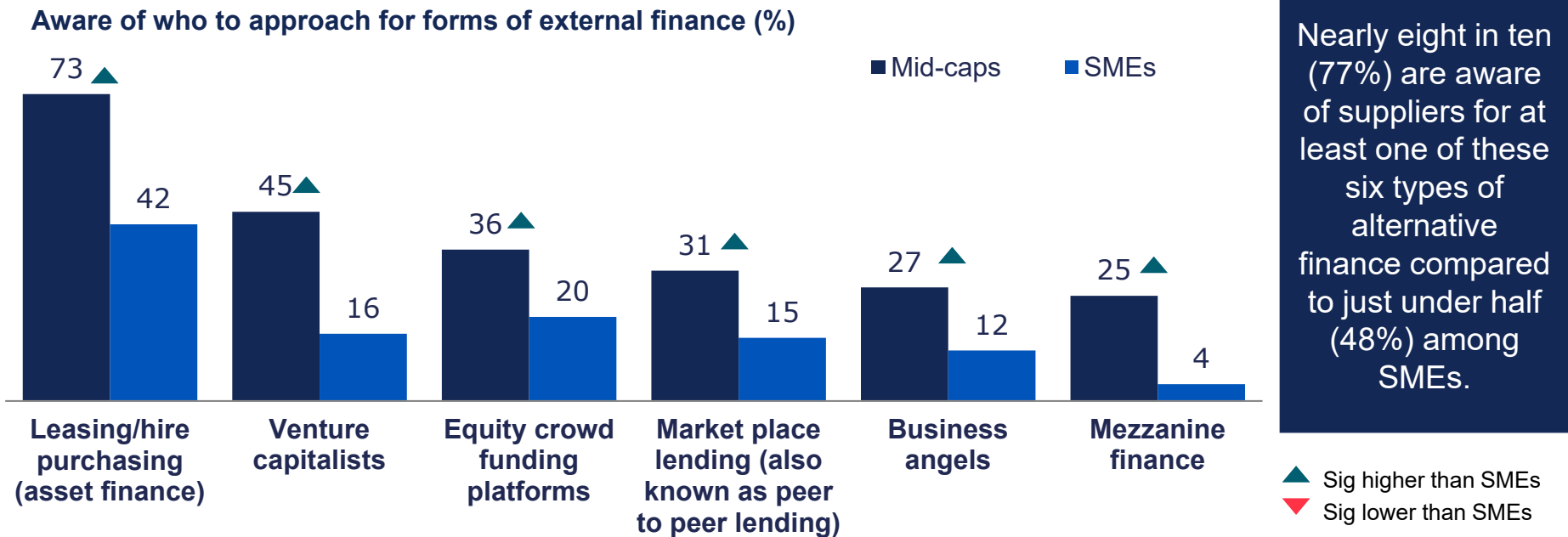
92% are aware of government funding (83% among SMEs).

Approximately eight in ten mid-caps (78%) are aware of corporate bonds.

▲ Sig higher than SMEs  
▼ Sig lower than SMEs

# Not all mid-caps aware of finance forms know specific suppliers to approach for external finance

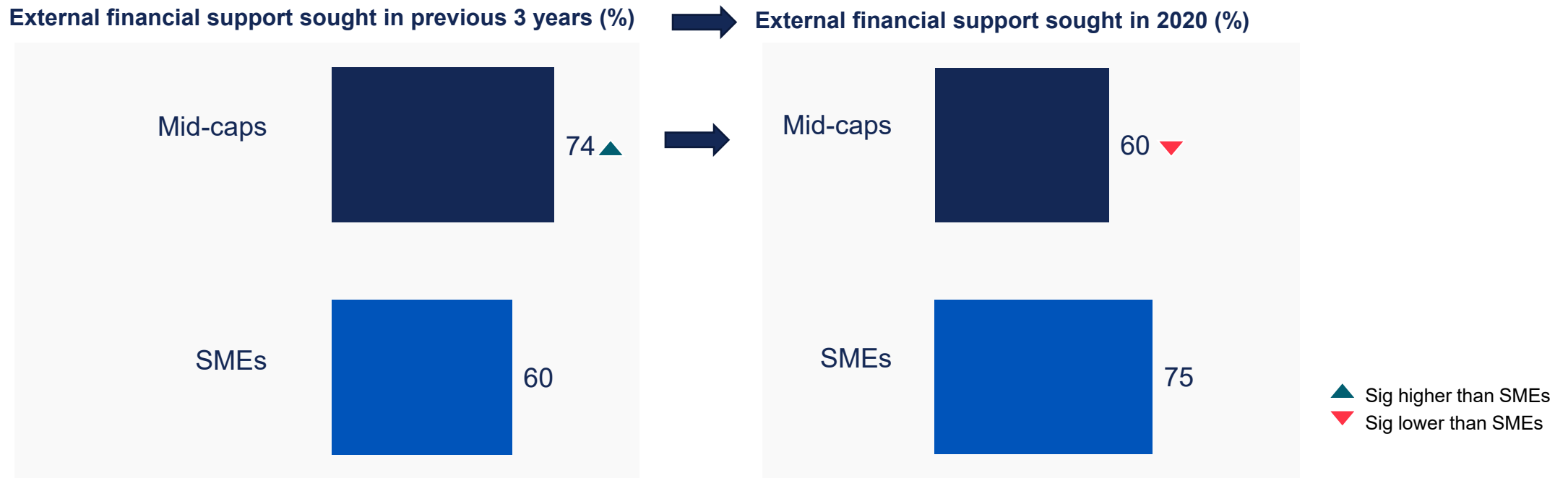
However, mid-caps are more likely than SMEs to know suppliers to approach for all finance types asked about.



Base = All mid-caps aware of some form of external finance (n=178), all SMEs aware of some form of external finance (n=3,961), A2 (multi code, prompted).

# Three-quarters of mid-caps sought some form of external financial support in the previous three years, a greater proportion than among SMEs

The opposite is true for those who sought external finance in 2020. Three-quarters of SMEs sought external financial support in 2020 compared to six in ten mid-caps.

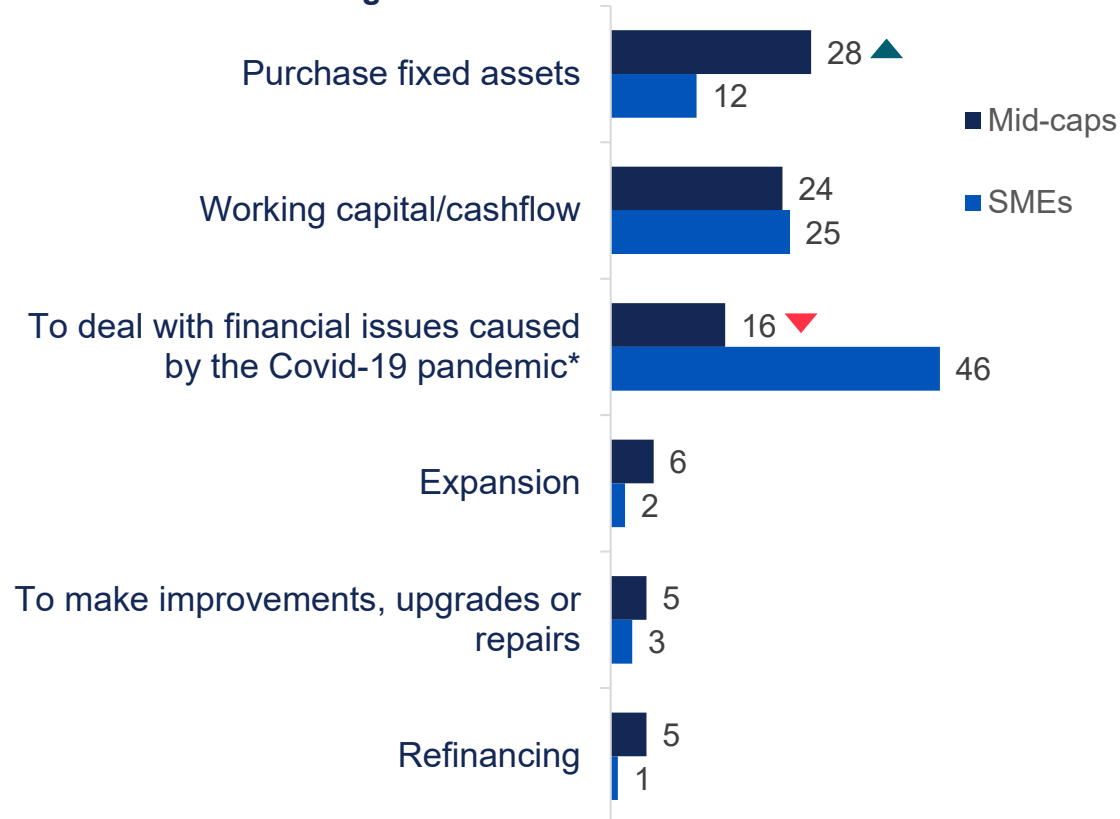


Base = All mid-caps (n = 181), all SMEs (n=4,125), A6a\_B (single code, prompted). All mid-caps that sought external finance (n = 137), all SMEs that sought external finance (n = 2,848), A11a (single code).



# Mid-caps are more likely to be seeking external financial support to purchase fixed assets on the last occasion they sought finance

% Main reason for seeking finance - last occasion

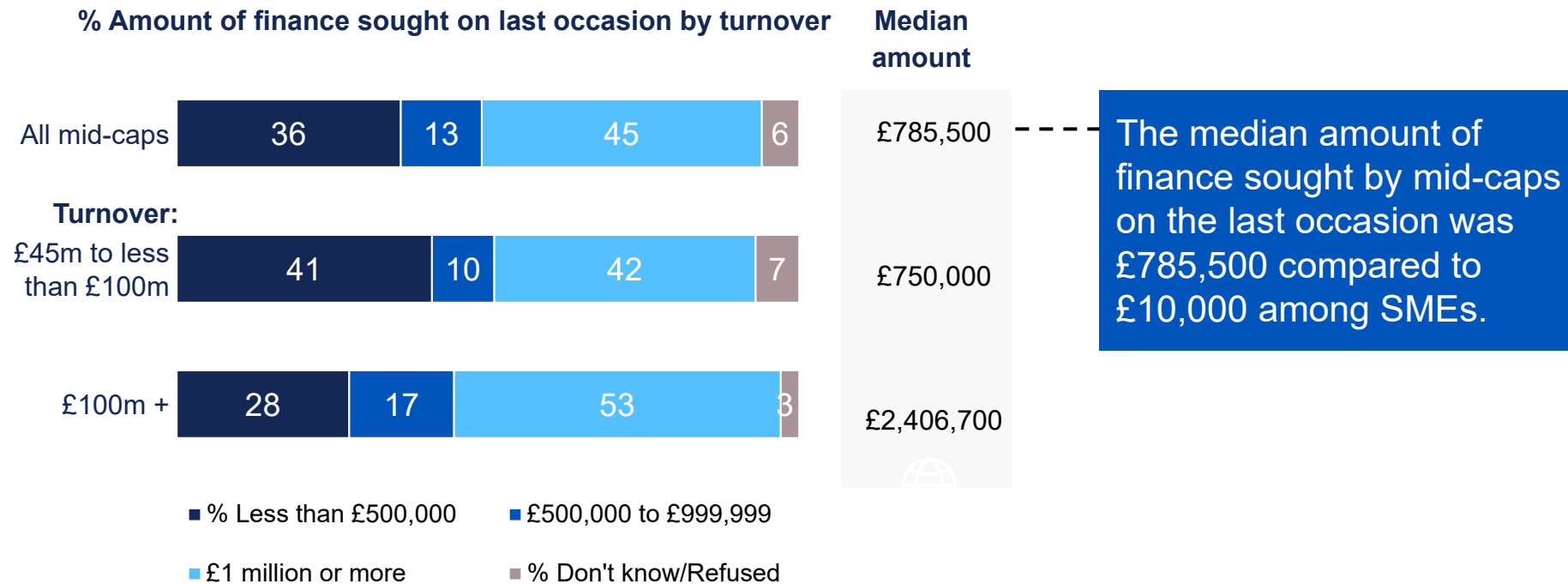


Most common reasons for seeking working capital among mid-caps are to **continue trading** (57% vs. 70% SMEs) or for **flexibility** (44% vs. 25% SMEs). One in five mid-caps (22%) sought working capital to **cover fall in sales/turnover as a result of the Covid-19 crisis** compared to nearly two-thirds of SMEs (65%).

▲ Sig higher than SMEs  
▼ Sig lower than SMEs

Base = All mid-caps that sought finance in the last 3 years (n=121), all SMEs that sought finance in the last 3 years (n=2,618), A13a/b (single code, prompted). Those 1% or less not shown. All mid-caps seeking finance for working capital (n = 53) \*NOTE: LOW BASE, all SMEs seeking finance for working capital (n=1,363), A14 (multi code, prompted).

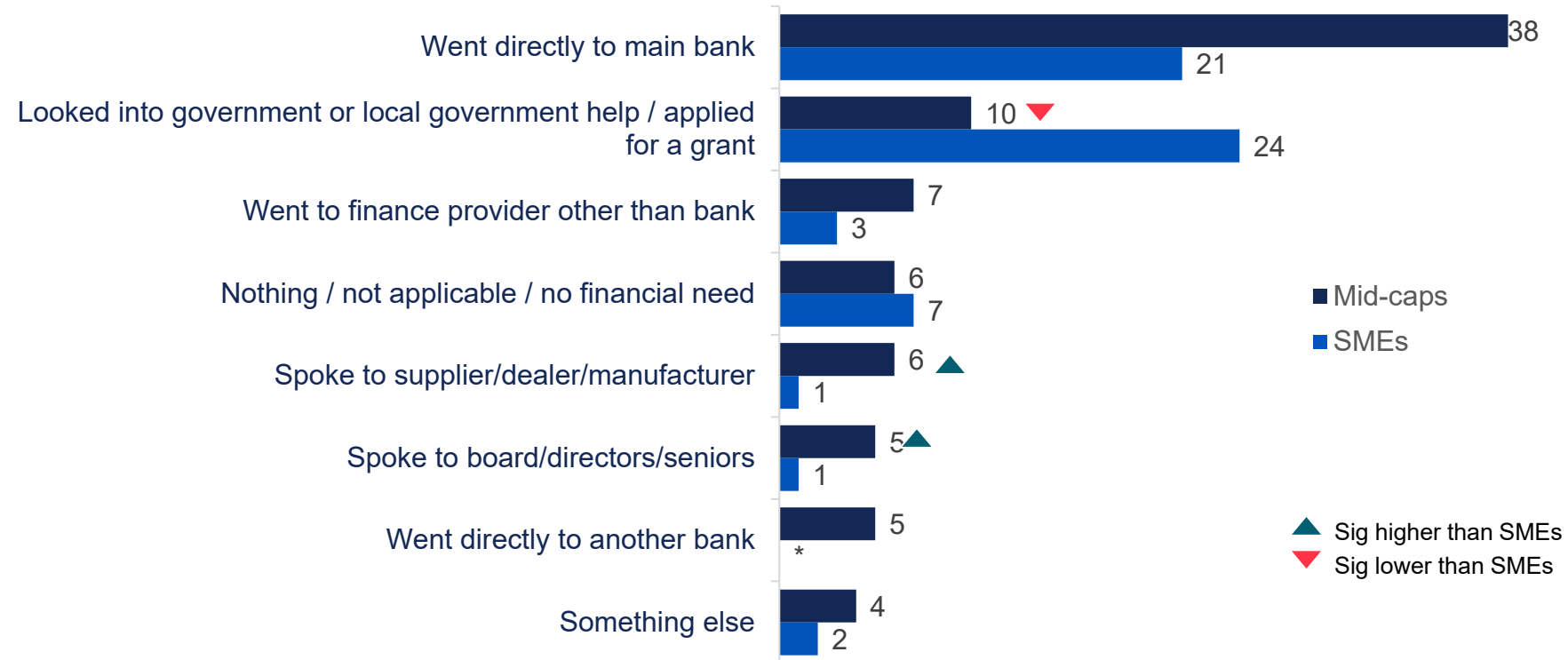
# Two in five mid-caps sought finance worth over £1 million on last occasion



Base = All mid-caps that sought finance in the last 3 years (n=121), turnover of £45-100 mil (n=82), turnover of £100 mil+ n=39  
 \* CAUTION: LOW BASE, all SMEs that sought finance in the last 3 years (n=2,618), A28/A29 (single code, prompted).

# Almost twice as many mid-caps than SMEs went directly to their main bank when they realised they needed financial support

% Who spoke to first when financial support need identified – top mentions

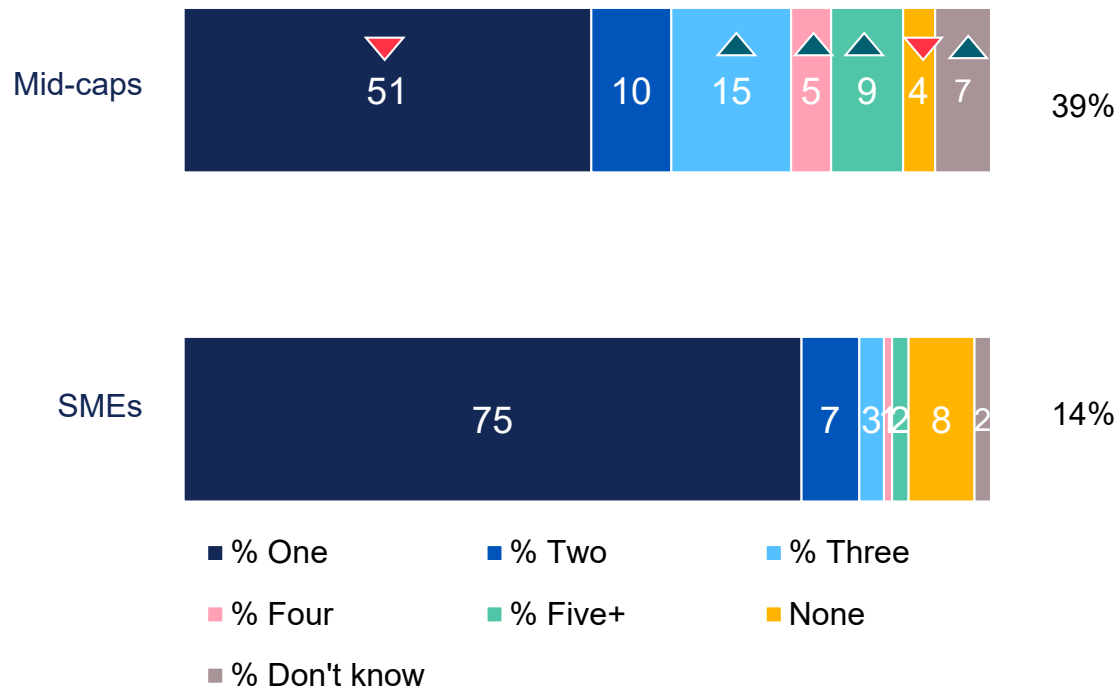


Base = All mid-caps that sought finance in the last 3 years (n=117), all SMEs that sought finance in the last 3 years (n=1366), A19 (single code, unprompted). Those not shown 3% or less. \* is greater than zero and less than 0.5%.

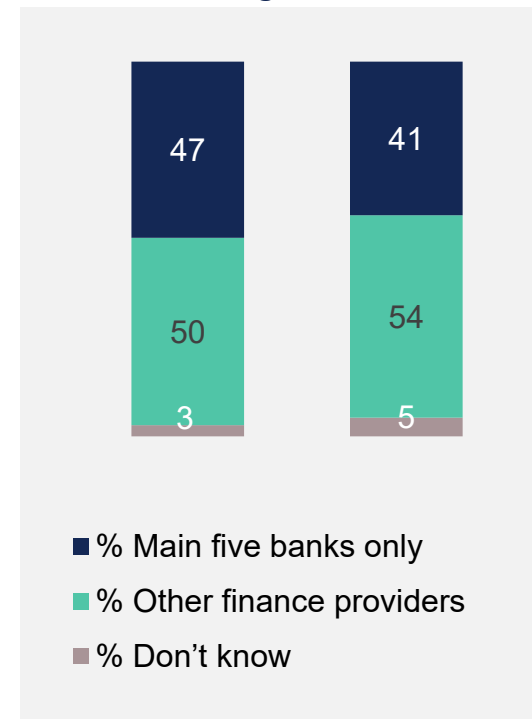
# Mid-caps are more likely to consider multiple providers with four in ten (39%) considered using more than one provider of finance

In contrast, one in seven SMEs considered more than one provider when seeking finance.

Number of providers of finance considered



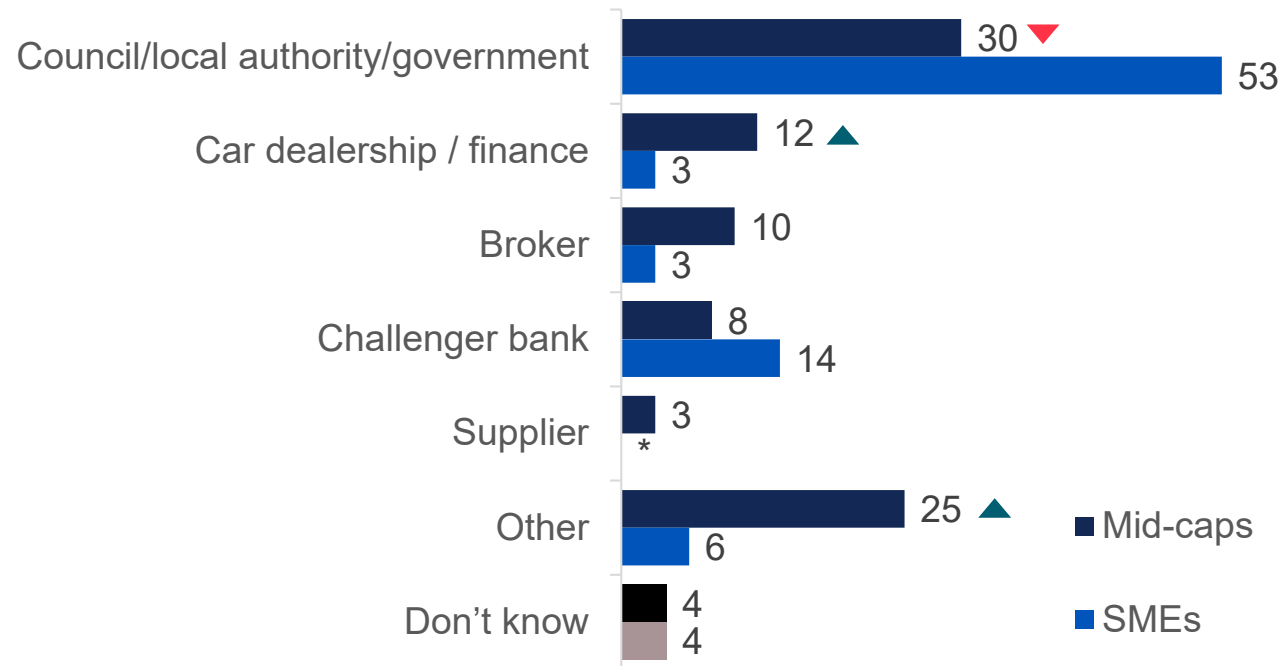
Was finance sought from any of the five largest UK banks



▲ Sig higher than SMEs  
▼ Sig lower than SMEs

# Mid-caps, who contacted other financial providers, were less likely to contact local authorities or government when seeking finance

% Providers businesses contacted for finance – top mentions



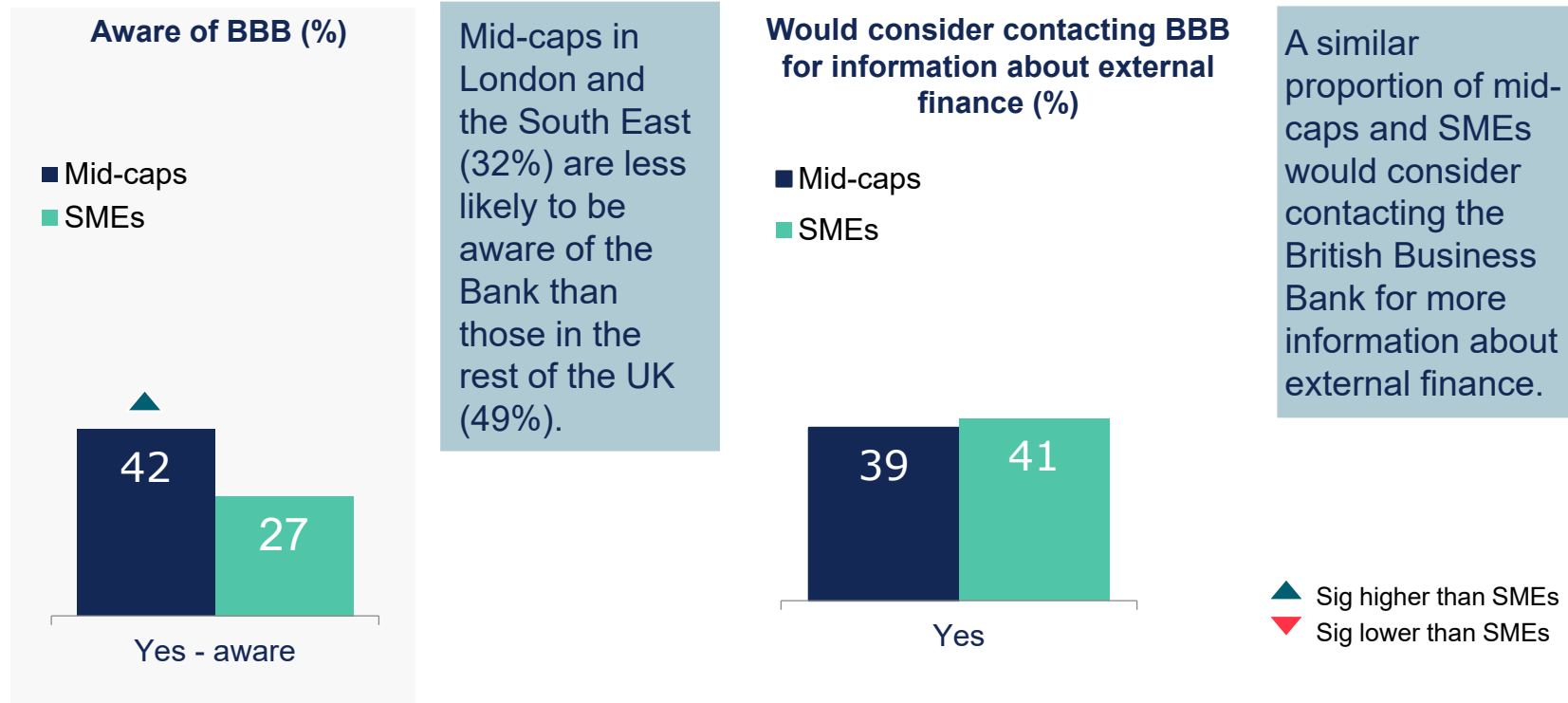
Just 30% of mid-caps contacted the council, local authority, or government when seeking finance compared to over half (53%) of SMEs

▲ Sig higher than SMEs  
▼ Sig lower than SMEs

Base = All mid-caps who contacted other financial providers (n=58) \* CAUTION: LOW BASE, all SMEs who contacted other financial providers (n=715 in 2020), A25a (multicode, unprompted). Responses less than 1% not shown for mid-caps. \* is greater than zero and less than 0.5%.



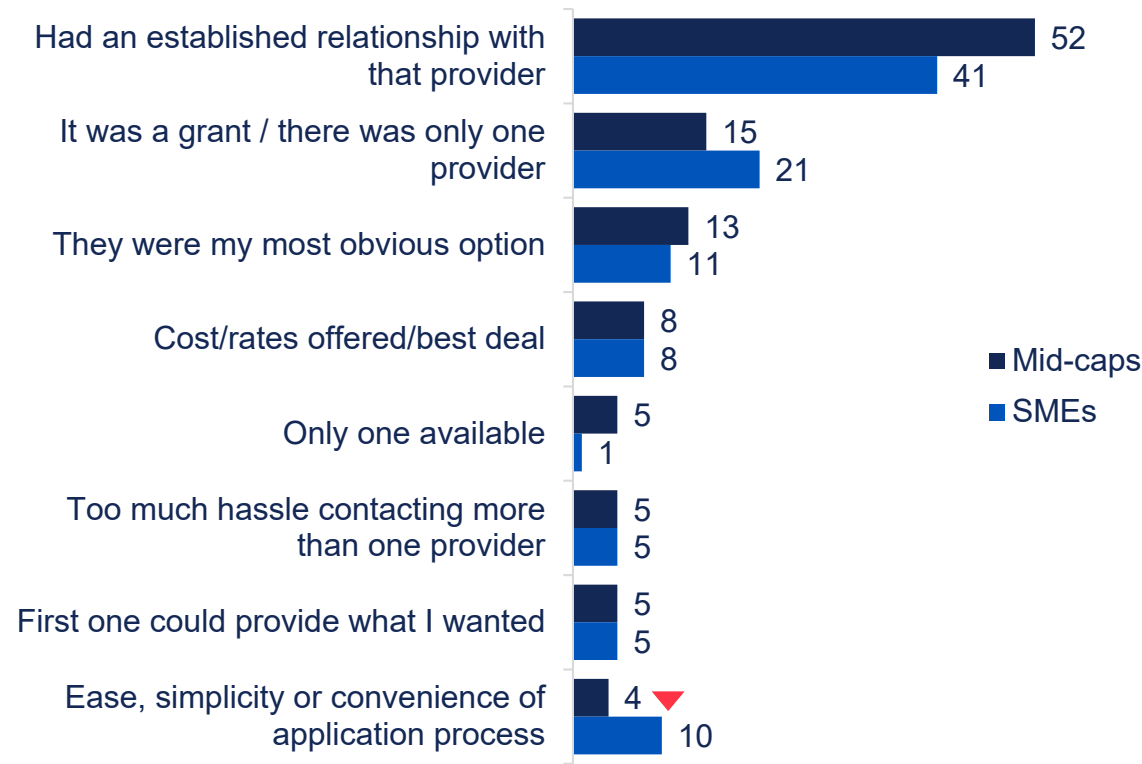
# Four in ten mid-caps are aware of the British Business Bank - a significantly higher level than amongst SMEs



Base = All mid-caps (n = 181), all SMEs (n = 4,125), D12 and D13 (single code, prompted).

# Having an established relationship is the most common reason for contacting only one provider

% Reasons for only approaching one provider on last occasion – top mentions



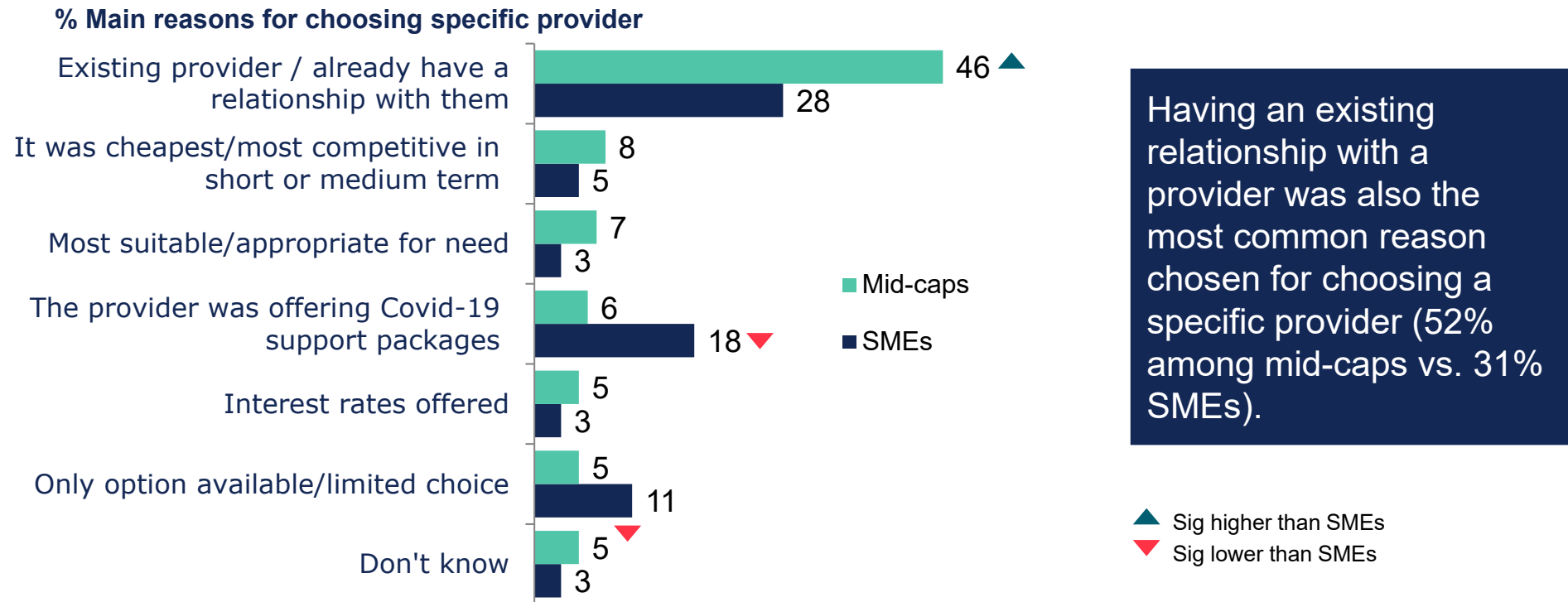
Mid-caps are less likely to report the reason for contacting only one provider was they were seeking a grant or no alternative provider available (15% vs. 21% of SMEs). Similarly, ease, simplicity or convenience of application process was less important to them (4% vs. 10% of SMEs).

▲ Sig higher than SMEs  
▼ Sig lower than SMEs

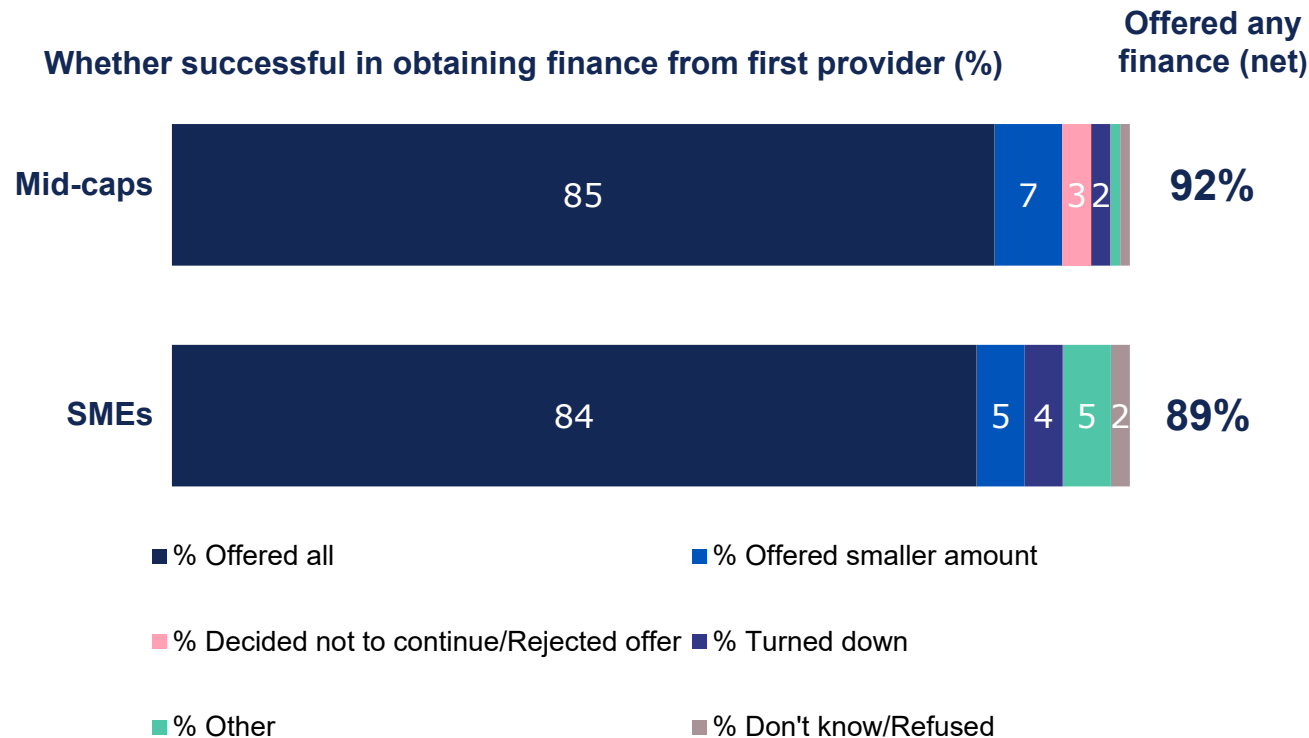
Base = All mid-caps that contacted only one provider (n=53)\* \*CAUTION: LOW BASE, all SMEs that contacted only one provider (n=890), A26 (multi code, unprompted). Those not shown 4% or less for mid-caps. DK= 0% for mid-caps and 1% for SMEs.

# Having an established relationship is also the main reason for choosing a specific provider

Having an established relationship with a provider is more important for mid-caps than SMEs. They are also less likely to choose those providers because they were offering Covid-19 support packages.



# Over eight in ten mid-caps were successful in obtaining all of the financial support required from the first provider

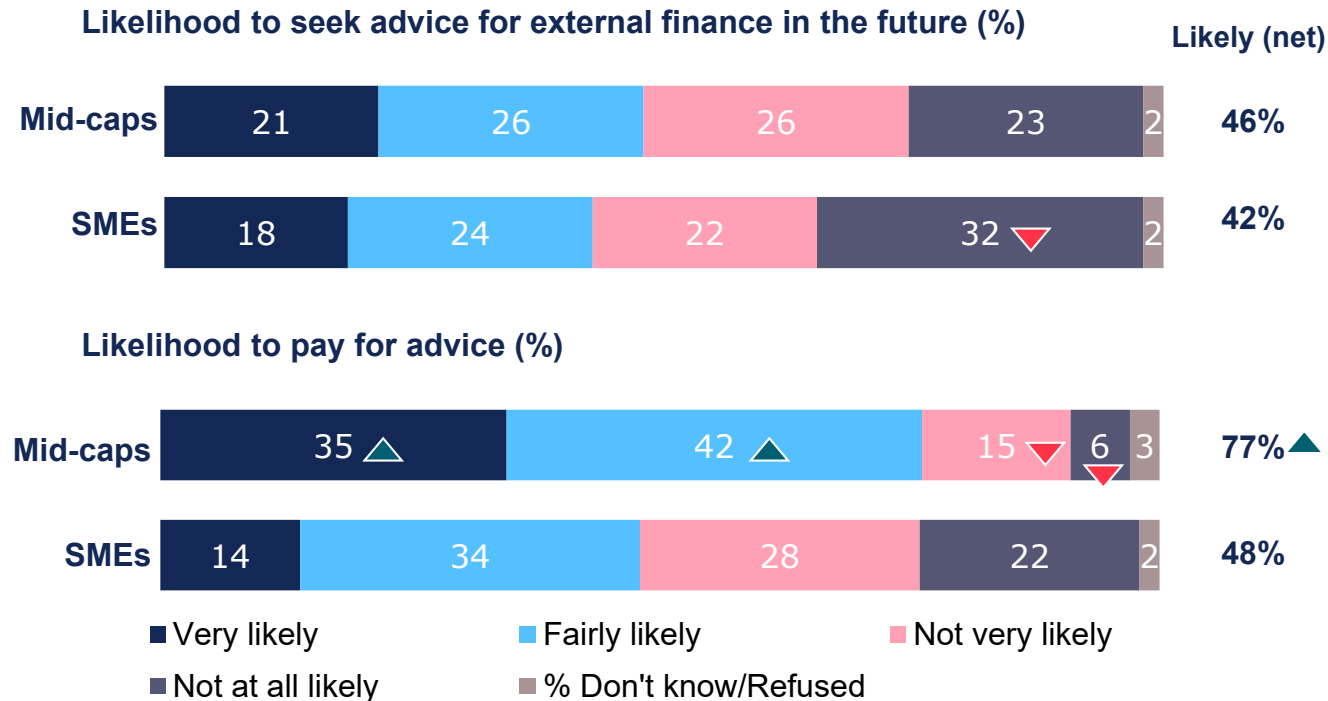


Nearly all mid-caps and SMEs accepted the terms and conditions offered by the finance institution (97%).

Mid-caps trading in London and the South East were almost five times more likely to have been **offered a smaller amount** of financial support they wanted than mid-caps in the rest of the UK (14% vs. 3%).

Base = All mid-caps that sought finance in the last 3 years (n=117), London and the South East (n=41\*) \* CAUTION: LOW BASE, UK excluding London and South East (n=76), all SMEs that sought finance in the last 3 years (n=1,366), A30 (single code, prompted). All mid-caps offered finance (n=110), A31 (single code).

# Nearly half of mid-caps say they are likely to seek external advice if they need financial support in the future



One in five mid-caps and SMEs (both 22%) **sought external advice** when applying for financial support.

A slightly **higher percentage of mid-caps** (46%) than SMEs (42%) are likely to **seek advice in the future** if they need external financial support.

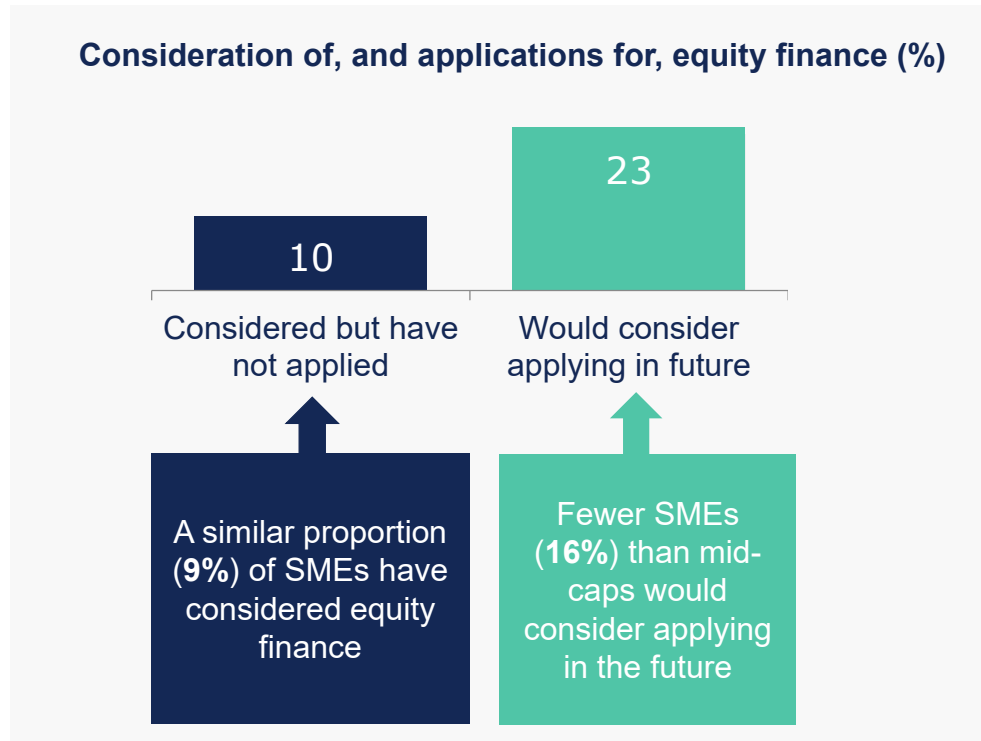
Over three-quarters (77%) of mid-caps would be **likely to pay for independent advice** to obtain finance compared to around half (48%) of SMEs.

Base = All mid-caps (n=176), all SMEs (n=2,142), B3ii (single code, prompted). All mid-caps likely to seek external advice for external finance in the future (n=80), all SMEs likely to seek external advice for external finance in the future (n=969), B3iii (single code). All mid-caps who sought finance in the last three years (n=117), all SMEs who sought finance in the last three years (n=1,366), A36. Note: Chart for B3ii excludes "It depends on the type of finance", mid-caps (2%), SMEs (1%).

# Equity finance



# One in ten mid-caps aware of equity finance have considered it, almost one in four would consider equity finance in the future



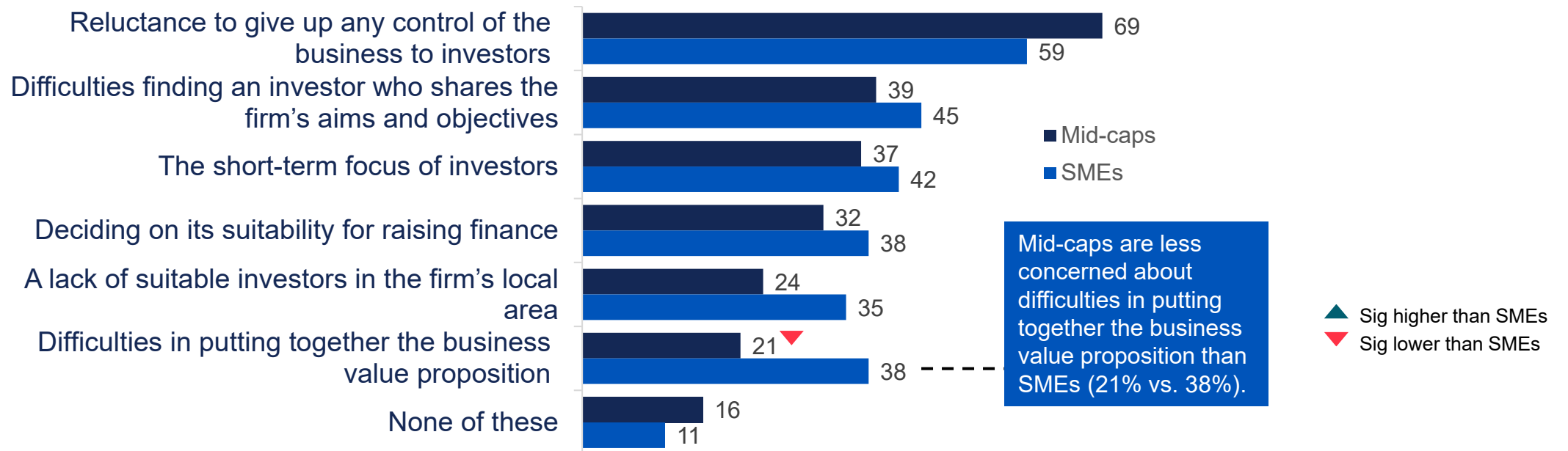
69% of mid-caps who are aware of, but not currently using equity finance, have **neither considered nor would consider** using it (compared to 75% of SMEs).



# Of mid-caps that have considered equity finance, reluctance to give up control of the business is most likely to be reported as a barrier

Two in five are concerned they'll have difficulties finding an investor with the same objectives.

Barriers to equity finance (%)

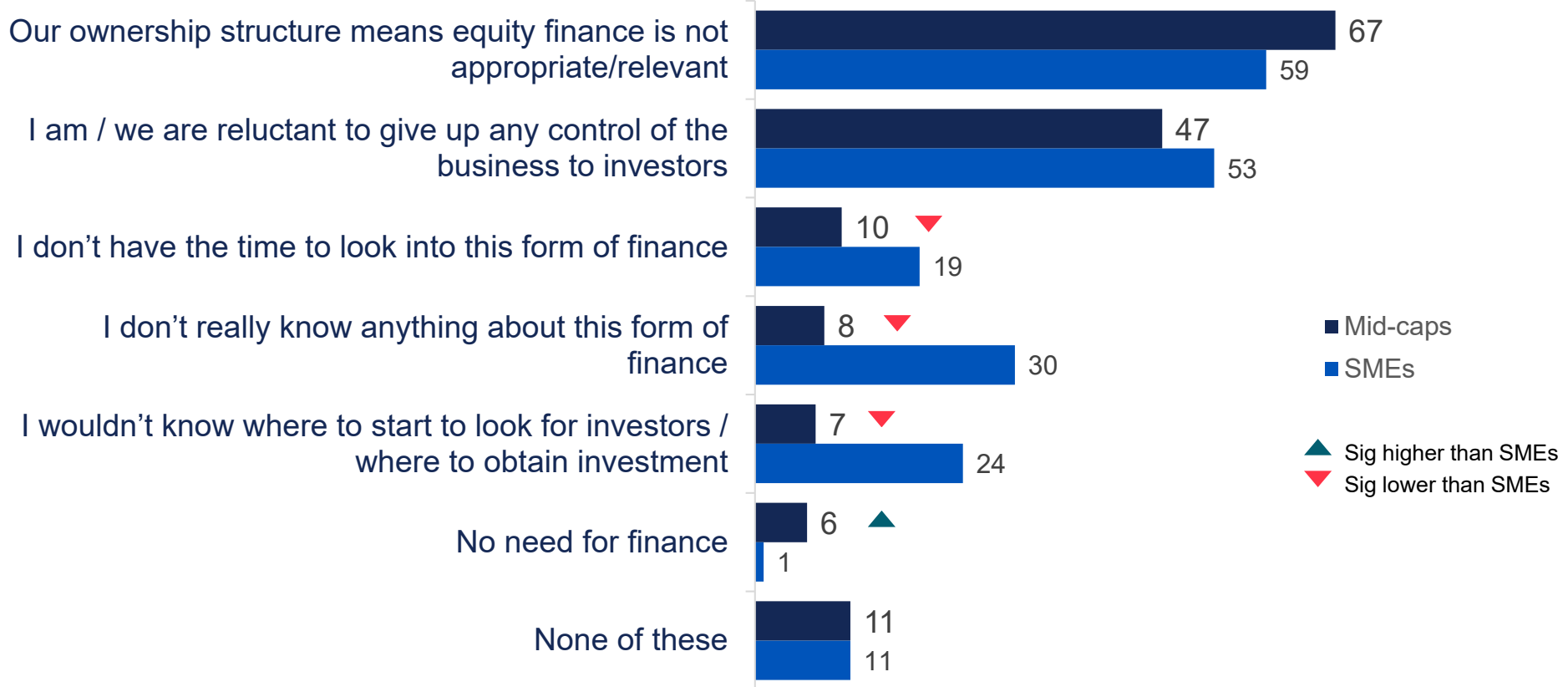


Base = All mid-caps who applied for or have considered raising equity finance (n=57\*) \* CAUTION: LOW BASE, all SMEs who applied for or have considered raising equity finance (n=380), A9a (multi code, prompted). Answers over 5% are shown.

# Two-thirds who have not considered equity finance do not think it is appropriate for them

Around half of mid-caps do not plan to apply for equity finance as they are reluctant to give up any control of the business.

Views of those who've not considered equity finance (%)



Base = All mid-caps who have not considered raising equity finance (n=94\*) \* CAUTION: SMALL BASE, all SMEs who have not considered raising equity finance (n=823), A9b (multi code, prompted). Mid-cap answers over 5% are shown.

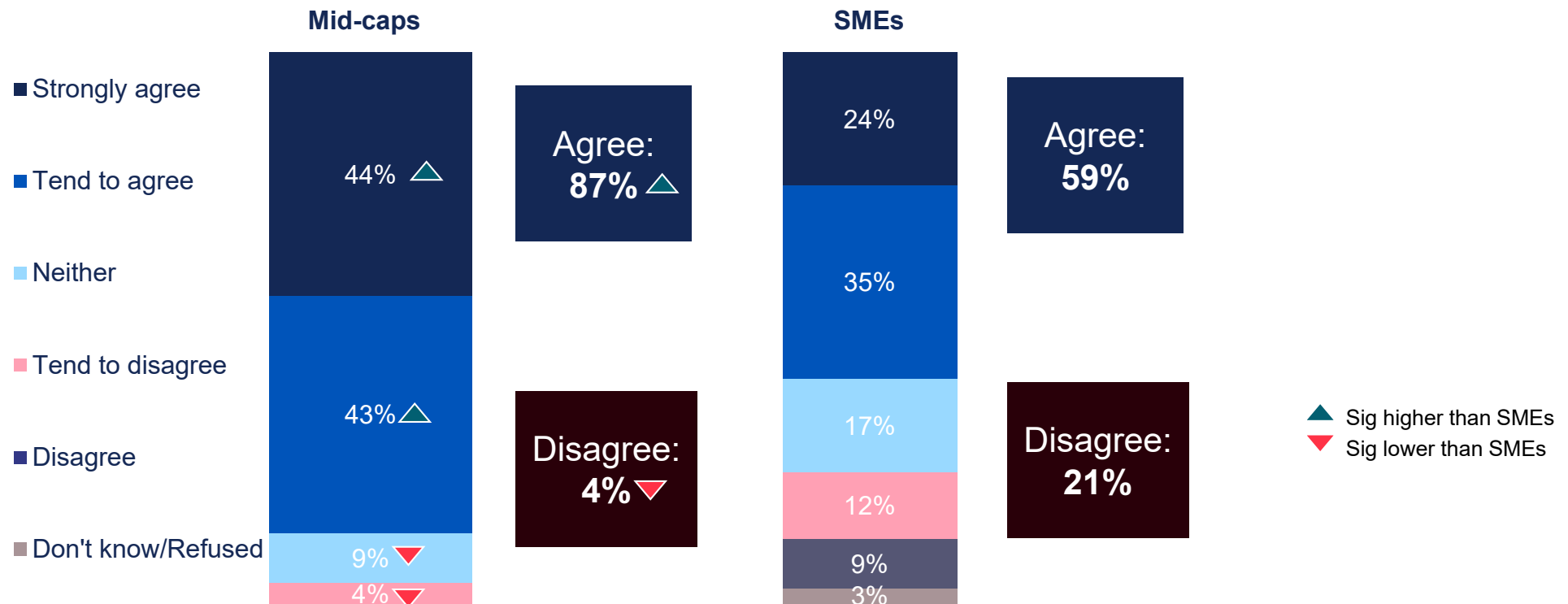
# Perceptions of raising finance and future use



# Nine in ten mid-caps are confident they know where to obtain information on external financial support

Mid-caps are more likely to be confident they know where to obtain information from.

I know where to obtain information on the types of finance and specific providers available (%)

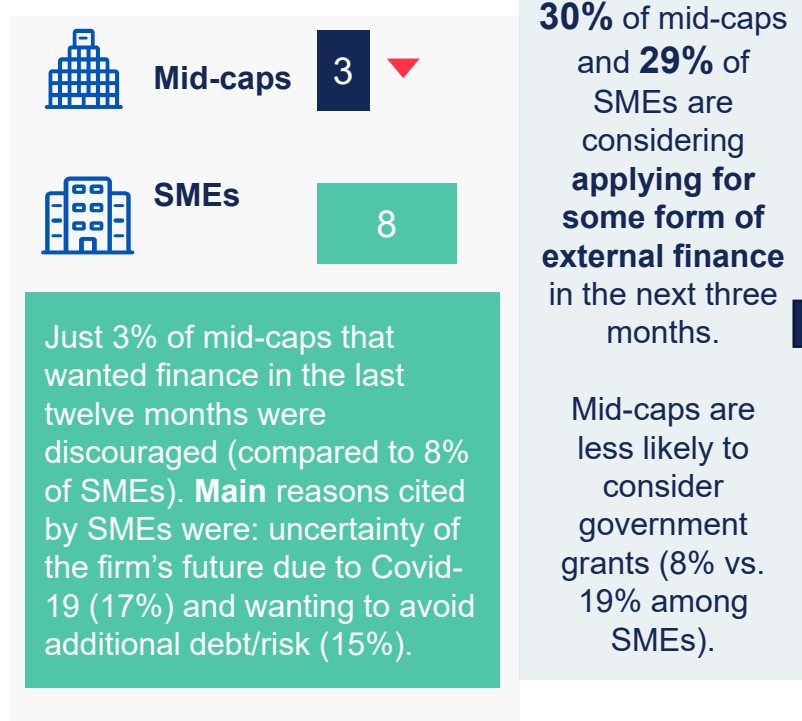


Base = All mid-caps (n=181), all SMEs (n=4,125), A5 (single code, prompted).

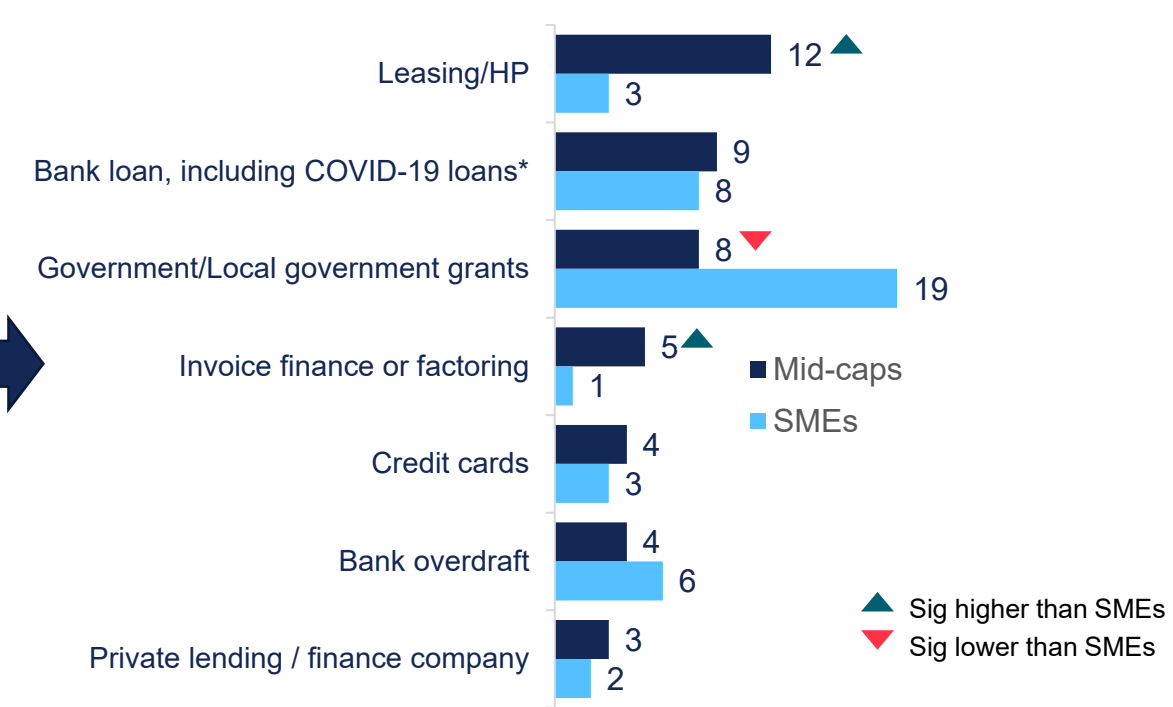
# Only 3% of mid-caps who wanted financial support in the last twelve months were discouraged

Over one in ten mid-caps plan to apply for leasing or hire purchase in the next three months.

## Wanted finance in the last 12 months but did not apply (%)



## Forms of finance considering applying for in next 3 months (%)

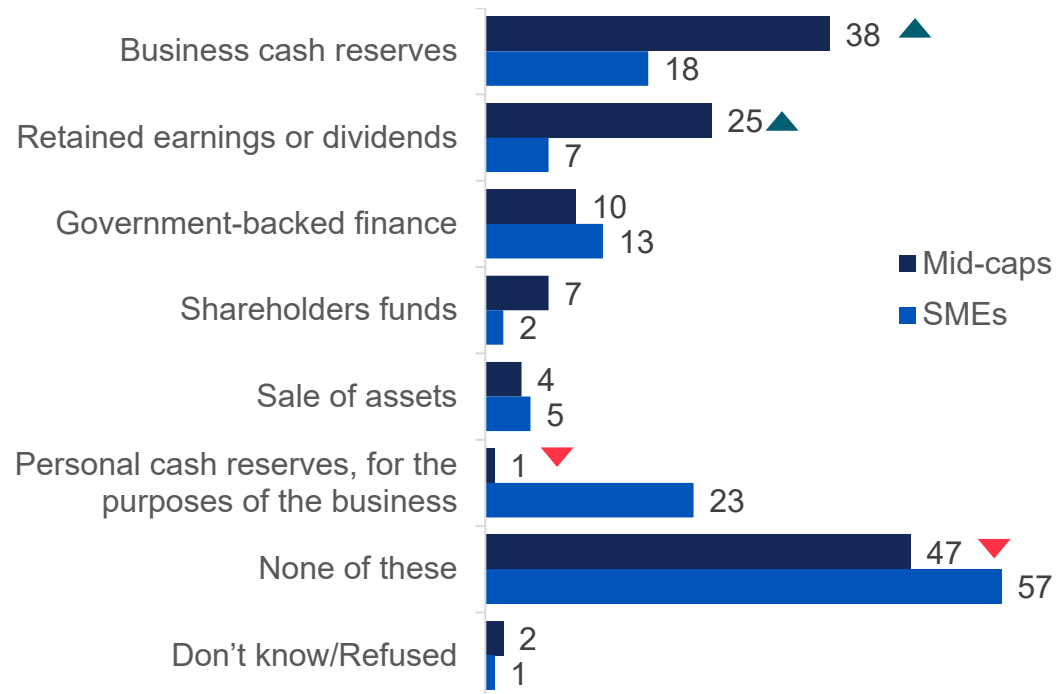


Base = All mid-caps (n=181), all SMEs (n=4,125), B1 (single code prompted). All SMEs who wanted finance in last 12 months but did not apply (n=147), B3 (single code, prompted). All mid-caps (n=181), all SMEs (n=4,125), B3i (multi code, prompted). Note: Other types of finance 2% or under for mid-caps are not shown. Note: mid-cap data not shown for questions B2 or B3 due to very small base.

# Four in ten mid-caps anticipate using business cash reserves in the next three months and one-quarter plan to use retained earnings

In contrast, one-quarter of SMEs expect to use personal cash reserves in the next three months.

Types of financial support planned to use in the next three months (%)



Just under half (47%) of mid-caps and six in ten SMEs (57%) do not anticipate using any of these forms of finance in the next three months.

▲ Sig higher than SMEs  
▼ Sig lower than SMEs



# Summary





### Growth and impact of Covid-19

- A quarter (24%) of mid-caps are in growth and double this proportion (52%) expect to grow in the next 12 months. 15% expect the business to shrink (14%) and 1% plan to sell or close the business.
- Nine in ten (88%) mid-caps currently use some form of external financial support (compared to 67% of SMEs).
- Mid-caps more likely to be using most forms of external financial support, especially credit cards, leasing or hire purchase, overdrafts, invoice finance and equity, compared to SMEs.
- 6 in 10 (60%) mid-caps who sought financial support in the past three years applied in 2020.
- The most often reported forms of external financial support sought are leasing/hire purchase (73%) and credit card finance (38%).
- For one in three mid-caps (33%) seeking financial support in 2020, the application was driven by Covid-19.
- Four in ten mid-caps (39%) who sought financial support in 2020 had already spent or used all the funding.
- Eight in ten mid-caps (78%) applied for some form of government support for businesses affected by Covid-19 and furloughing staff through the coronavirus job retention scheme was the most common.
- Almost one in five (17%) expect change in market demand as a result of the pandemic to be a significant obstacle to running their business in the next 12 months.
- Furthermore, just under half (47%) are likely to significantly alter their business model as a result of the pandemic over the next year or two.

### Trading and leaving the EU

- Six in ten mid-caps exported (58%) and three-quarters imported (75%) in the past 3 years. Almost all those who traded overseas exported and/or imported to the EU.
- One in four mid-caps (24%) expect leaving the EU to be a significant obstacle to running their business and three-quarters said they were making preparations ahead of January 2021.

### Awareness and use of different types of finance

- Almost all (98%) mid-caps are aware of at least one of six alternative finance types. Awareness is highest for leasing/hire purchasing (96%) and lowest for mezzanine finance (50%). Awareness of specific suppliers for external finance is lower than awareness of the type of finance (77%).
- 74% of mid-caps sought financial support in the last three years, the most often reported reasons being to purchase fixed assets (28%) and to provide working capital (24%).
- The average value of finance sought is £785,500 (median value).
- Over eight in ten businesses who sought financial support in the last three years (85%) got all of the finance they required from their first provider. Nearly all (97%) accepted the terms and conditions offered by the finance institution.
- Almost half (46%) of mid-caps said having an established relationship was the main reason for choosing a specific provider.

### Awareness and use of different types of finance (continued)

- Nearly half (46%) say they are likely to seek advice if they needed finance in the future, and over three-quarters of these businesses (77%) would pay for advice.
- Of those businesses not currently using equity finance, nearly a quarter (23%) would consider applying in the future.

### Perceptions of raising finance and future use

- Nine in ten mid-caps (87%) are confident they know where to obtain information on external finance.
- Just 3% of mid-caps that wanted finance in the last twelve months were discouraged from applying.
- Three in ten (30%) mid-caps are considering applying for some form of external finance in the next three months. Of these businesses, one in ten (12%) are thinking of applying for leasing or hire purchase, a bank loan (9%) or a government grant (8%).
- Four in ten mid-caps (38%) anticipate using business cash reserves in the next three months and one-quarter (25%) plan to use retained earnings.
- Four in ten (42%) firms are aware of the British Business Bank and a similar proportion (39%) say they would consider contacting the Bank for information in the future.

# Annex



# Business profile – Mid-caps

Turnover	Unweighted profile	Weighted profile
£45m up to £100m	67%	60%
£100m up to £500m	33%	40%
Sector		
Primary/manufacturing	21%	20%
Construction	15%	10%
Distribution	37%	33%
Business services	19%	30%
Other Services	8%	7%
Number of employees		
Small (0-49 employees)	24%	24%
Medium (50-249 employees)	42%	40%
Large (250+)	34%	36%

# Sector definitions

Sector	Definition
Production	A Agriculture, Forestry and Fishing
	B Mining and Quarrying
	C Manufacturing
	D Electricity, gas, steam and air conditioning supply
	E Water supply, sewerage, waste management and remediation activities
Construction	F Construction
Distribution	G Wholesale and retail trade; repair of motor vehicles and motorcycles
	H Transportation and storage
	I Accommodation and food service activities
Business Services	J Information and communication
	K Financial and insurance activities
	L Real estate activities
	M Professional, scientific and technical activities
	N Administrative and support service activities
Other Services	O Public administration and defence; compulsory social security
	P Education
	Q Human health and social work activities
	R Arts, entertainment and recreation
	S Other service activities
	T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U Activities of extraterritorial organisations and bodies	

# For more information

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