

## Asset-based lending

# The ideal financing solution for businesses operating in Asia

As consumers increase their balance of shopping evermore towards online, they are demanding faster delivery and customisation, raising the need for companies to hold more inventory. It is estimated that the share of e-commerce sales in the global retail sector will rise from 13.9% in 2019 to 22.4% by 2023<sup>1</sup>. This trend has been prevalent for a while and has only been accelerated by COVID-19.

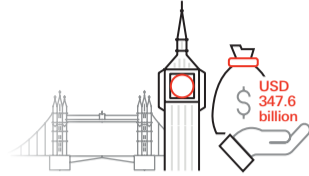
Given this background, asset-based lending (ABL) is increasing in relevance as an ideal short-term financing solution for businesses with high inventory or account receivables. It is especially suitable at this time when supply chains are having to adapt to faster sales by building inventory.



Suitable for businesses with high inventory or account receivables



More cost-effective compared to traditional cash flow-based lending options



Tried and tested in regions such as the US, UK and Australia. In the UK alone, total ABL sales for 2020 reached USD347.6 billion

HSBC is now offering this innovative solution in Asia, where to date not many businesses have embraced the possibilities of ABL to secure lines of credit for funding their operations and growth.

## ABL is the innovative solution for the current needs in Asia



### Key challenges faced in the supply chains in Asia

Key suppliers are asked to hold additional inventory or accept extended payment terms



Pent-up demand can lead to a rapid surge in procurement which places additional working capital pressures

It follows that Asian companies would be best suited by working capital financing tied to their assets generated through sales and procurement.

The HSBC Hong Kong International Subsidiary Banking team explains that they are seeing more and more companies requesting a financing solution that can support them in sustaining their growth momentum and cover their working capital needs as they build for the future. ABL can be the key to helping address those needs.

The use of ABL is tried and tested as it is already widespread in regions such as the US, UK and Australia. In the UK alone, total ABL sales for 2020 reached USD347.6 billion<sup>2</sup>. HSBC has significant experience in providing ABL services in those markets and can leverage that expertise for clients looking to use ABLs to finance their business growth in Asia.

## Flexibility, efficiency and scalability through ABL

Many businesses in Asia would currently turn to cash or long-term debt to finance their operations as they look towards future growth and recovery. However, for businesses that have a lower working capital requirement, these methods lack the advantages that ABL provide as an alternative source of financing.

Generally, ABL can prove to be a more cost-effective facility sized to a client's on-going working capital needs than loans underwritten on the basis of the borrower's lending capacity. The margins of a ABL facility will usually be lower than those on a cash flow-based loan as additional security is taken on the working capital assets.

Even if customers decide to start off with a smaller limit, the availability of funding can be quickly increased if the business were to rapidly grow or experience periods of high business activity.

Through ABL, HSBC is offering an innovative solution for Asia that is not only material given the developments in terms of how businesses are having to operate, but scalable.

## Why HSBC and what can Hong Kong offer as a hub to expand your business?



HSBC is the **No.1** trade bank<sup>3</sup> in the Asia Pacific and facilitates **USD760 billion** of global trade annually<sup>4</sup>.

HSBC offers ABL services to clients internationally. In the Asia Pacific, HSBC's ABL capabilities covers six markets across the region, including Hong Kong. With a large footprint in Asia and a heritage of trade stretching back over 150 years, HSBC is ready to support customers in the region<sup>5</sup>.

For international businesses looking to their long-term plans for Asia, Hong Kong is the perfect place to set up. It can act as a business hub to help structure multi-jurisdictional products, including ABL, across Asia. The city is an international financial centre with a competitive tax regime, extensive support for new foreign companies and acts as a gateway to mainland China and the wider Asia region. If you are looking to expand your business and financing options in Asia making use of Hong Kong's advantages, HSBC can help you.

### Case study

In an example of how ABL can support businesses, HSBC provided a leading global manufacturer a USD100 million Receivables Finance Led Asset Based Lending facility for their sales across Greater China. This ensured that cost effective funding for their working capital requirements was readily available. The ABL deal was made possible through strong coordination between the customer and HSBC's teams in the US and in Hong Kong.

### Get the conversation started

If your business has high inventory or accounts receivable and is looking for the ideal financing solution to fuel your business growth in Asia, ABL can be the answer that meets your needs. HSBC is ready to assist you with structuring an ABL solution tailored to your specific requirements.

**To start the conversation, please contact Danish Qureshi, Head of International Subsidiary Banking, HSBC Hong Kong at [danishqureshi@hsbc.com.hk](mailto:danishqureshi@hsbc.com.hk).**

Reminder: "To borrow or not to borrow? Borrow only if you can repay!"

<sup>1</sup> [www.pwc.com/gx/en/consumer-markets/future-of-consumer-markets/future-of-consumer-markets-report-2021.pdf](http://www.pwc.com/gx/en/consumer-markets/future-of-consumer-markets/future-of-consumer-markets-report-2021.pdf)

<sup>2</sup> [www.ukfinance.org.uk/sites/default/files/uploads/Business-Finance-Review-2020-Q4-Final.pdf](http://www.ukfinance.org.uk/sites/default/files/uploads/Business-Finance-Review-2020-Q4-Final.pdf)

<sup>3</sup> [www.euromoney.com/article/b1jt6wv9l6lbrs/trade-finance-survey-2020-press-release](http://www.euromoney.com/article/b1jt6wv9l6lbrs/trade-finance-survey-2020-press-release)

<sup>4</sup> [www.hsbc.com/-/files/hsbc/investors/investing-in-hsbc/investor-events-and-presentations/2020/200928-hsbc-global-trade-and-receivables-finance.pdf](http://www.hsbc.com/-/files/hsbc/investors/investing-in-hsbc/investor-events-and-presentations/2020/200928-hsbc-global-trade-and-receivables-finance.pdf)

<sup>5</sup> [www.about.hsbc.com.hk/investor-relations](http://www.about.hsbc.com.hk/investor-relations)