

# Maia Financial **COVID-19 Business Impact Report**

June 2020

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**MAIA**  
FINANCIAL



Pandemics, according to their [classical definition](#), are epidemics that cross international boundaries and affect a large number of people worldwide. The spread of the novel coronavirus (COVID-19) was described as a pandemic by the World Health Organisation in March 2020. It has further been labelled a human tragedy. One that has forced us to think and act differently.

Beyond the human response, now is the time to think about what the consequences may be for your business, and how best you can prepare for those.

The insights gained from the Maia Financial COVID-19 Business Impact Survey paint a clear picture that the coronavirus pandemic has resulted in much uncertainty and volatility for many businesses. From the significant decrease in revenue in the second half of the 2019/2020 financial year to the widespread changes in employment for many, the true impact of this pandemic may not be truly known yet.

What is clear is that the role of Governments to support businesses suffering interruption and financial loss is imperative. Whilst the primary response to the virus is to manage the health of the population, reducing economic and financial disruption has been treated as a priority and many businesses have been able to take advantage of the schemes offered by both the Australian and New Zealand Governments.

Perhaps a silver lining is that at a time when all organisations have been forced to redirect and adjust whether it has been the way they operate, who they employ, how and where their people work or their product and service capability, we live in an age with access to technology as an enabler and other assets which have and will continue to aid in our ability to adapt to change.

# Introduction from Maia Financial

When I looked at our business and that of our clients in the last quarter of this financial year, empathy was the word that came to mind. No matter how structurally sound a business was, very few businesses are pandemic-proof.

Fortunately, our business significantly invested in moving to a cloud-based solution pre-coronavirus so we were able to continue to work remotely and be available to meet our clients' needs as best we could, as Australia and New Zealand navigated their way through isolation. Layered with lifestyle restrictions, home schooling, border closures and limited grocery supplies, we started to accommodate to the new normal in our personal and business lives.

At Maia Financial, we engage with clients to fuel their growth by providing a range of finance solutions for standard and specialised assets and infrastructure across many sectors. As we continue to support our clients in their quest for quick and versatile solutions to meet concerns not experienced before, more than ever our philosophy of one size does not fit all widely resonates.

Facilitating this survey has afforded us the opportunity to share the positions and experiences of organisations from a broad range of sectors across both Australia and New Zealand. We hope that you too benefit from the insights gained to assist your organisation in preparing and planning for an indeterminate future.

Business is evidently not the same as it was six months ago but we're all very grateful to continue to fuel the ambitions of our clients. We are open for business and ready to be creative in order to play a small part in maintaining the success of our clients.




**Michelle Gianferrari**

Chief Growth Officer

Maia Financial

# Background

Maia Financial compiled a survey for corporate and Government organisations in Australia and New Zealand to complete surrounding their current business circumstances during COVID-19. Questions covered operating models, business impact, asset management and the use of financial support measures in relation to COVID-19.

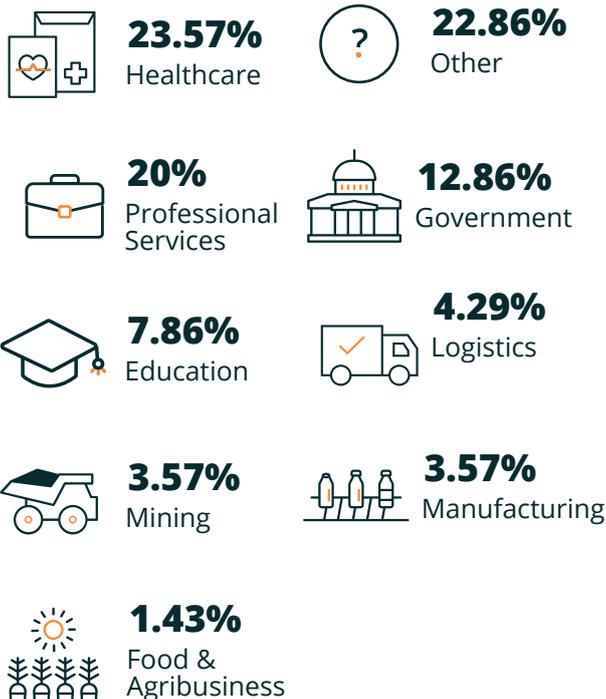
The following are the results of the survey which provide insight into how organisations across a range of sectors have been impacted by COVID-19 and project the future state of play.

140 online surveys were completed by representatives from corporate and Government organisations across Australia and New Zealand.

The survey was conducted in June 2020. All 140 respondents answered all questions. The results are shared with anonymity.

## Respondent Profiles

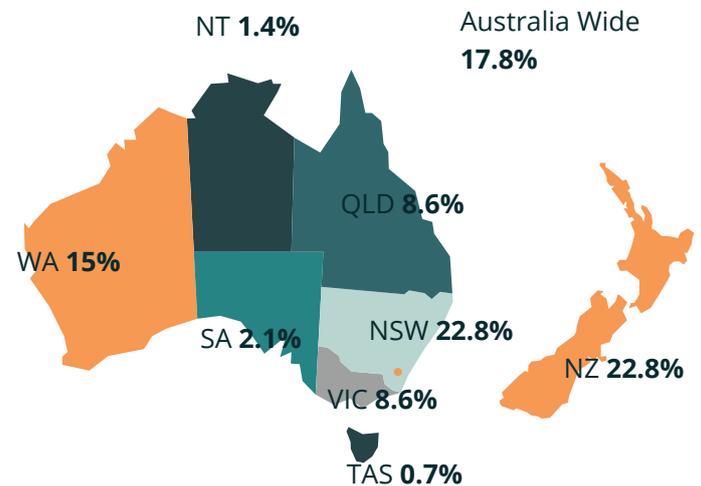
### Business Sectors



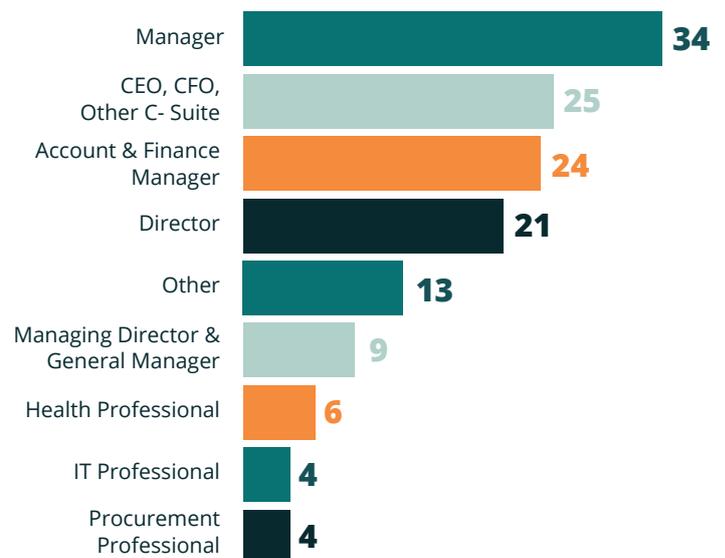
### Business Type



### Business Location



### Job Title



The COVID-19 pandemic has led to all sectors of the global economy facing uncertainty and disruption as businesses navigate uncharted waters. It's therefore unsurprising that 99% of respondents confirmed their business has experienced some level of impact as a result of COVID-19, with 44% of respondents defining that as highly impacted. What is promising however is that 62% have been able to continue most of their business operations, and 7% have experienced business operation increase.

With Maia Financial focussed on multiple sectors, our clients have experienced everything from the high demand being seen in manufacturing / logistics to the difficulties faced by hospitality businesses. Even among sectors which have been relatively unscathed so far and which may have significant scale, very few organisations are recession proof. Companies will need low debt, good cash flow and strong balance sheets to have the best chance of riding out what may be a prolonged downturn. We have been impressed with the proactive approach being taken in some sectors.

Overall how would you rank the impact of COVID-19 on your business?



- Not at all impacted **0.71%**
- A little bit impacted **13.57%**
- Highly impacted **44.29%**
- Somewhat impacted **41.43%**

Have overall business operations maintained?



- Yes, we have continued most operations **62.14%**
- Yes, we are running limited capacity operations **27.14%**
- Business operations have increased **7.86%**
- No, we have halted operations **2.86%**

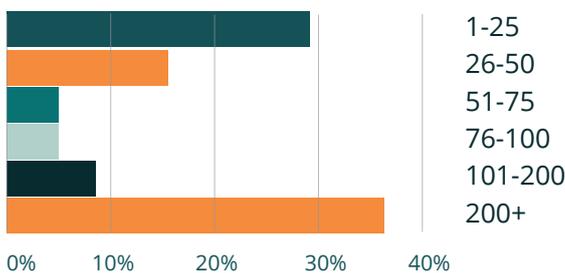
With New Zealand in lock down throughout most of April 2020, the impact of COVID-19 could be seen in falling job numbers amongst other statistics. [Stats NZ](#) reported total filled jobs had fallen 1.7% in April 2020 as compared with March 2020, and a rise of over 30,000 people claimed the government’s Jobseeker Support benefit in April.

Not too dissimilarly across the border, according to the Australian Bureau of Statistics [Labour Force Survey](#) in May 2020, as social distancing and other business restrictions came into effect in April 2020, a large number of people in Australia had their hours reduced or were stood down, in particular in April 2020.

This is consistent with the findings of this survey whereby 23% of organisations have experienced lay-offs, 28% of organisations have stood down members of staff and 31% of organisations have asked staff to take leave.

It is positive to see that most organisations expect to experience no change or an increase in staff in the coming months.

Before the COVID-19 crisis, how many staff did you have?



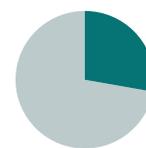
Have you had to lay off, stand down or require staff to take leave as a result of COVID-19?

**50%** YES **50%** NO



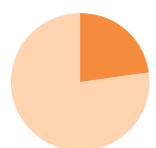
**31%**

Have asked staff to take leave



**28%**

Have stood down staff

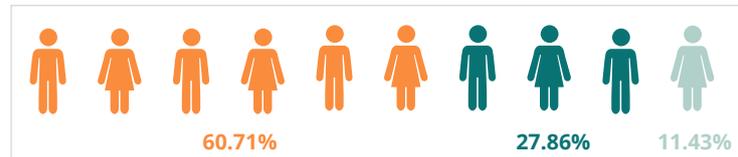


**23%**

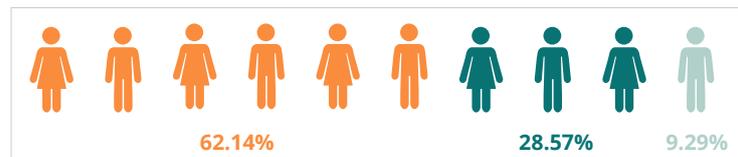
Experienced lay-offs

Do you expect to increase or decrease staff in the coming months?

July-Sept 2020



Oct-Dec 2020



FY 2021



- No change
- Increase
- Decrease

# Government Support Australia

Whilst the outbreak of COVID-19 is primarily a public health issue, its impact on the economy and the financial system is significant. The Australian Government has developed a range of resources available to businesses to support them through the coronavirus pandemic.

The JobKeeper payment was accessed by 32% of Australian organisations in this survey making it the most in-demand stimulus measure. Under the JobKeeper payment, businesses impacted by COVID-19 were able to access a subsidy to continue paying their employees. It's yet to be seen whether Australians relying on the JobKeeper will be able to remain employed when these payments are discontinued.

The Government included a fivefold increase to the instant asset write-off threshold from \$30,000 to \$150,000 for eligible assets as part of its economic plan to deliver support for business investment. 18% of respondents indicated that their organisation has taken advantage of this. Initially this incentive was set to end on 30 June 2020 but the Government granted a further six month extension, so for those who have yet to acquire assets the opportunity to take advantage of the instant asset write-off continues. A common misconception is that you can only get the instant write-off if you pay for the goods. This is not true, you can borrow the funds and still receive the benefit. Facilities such as a lease and rental provide a range of financing options that can be tailored to best suit the needs of your organisation.

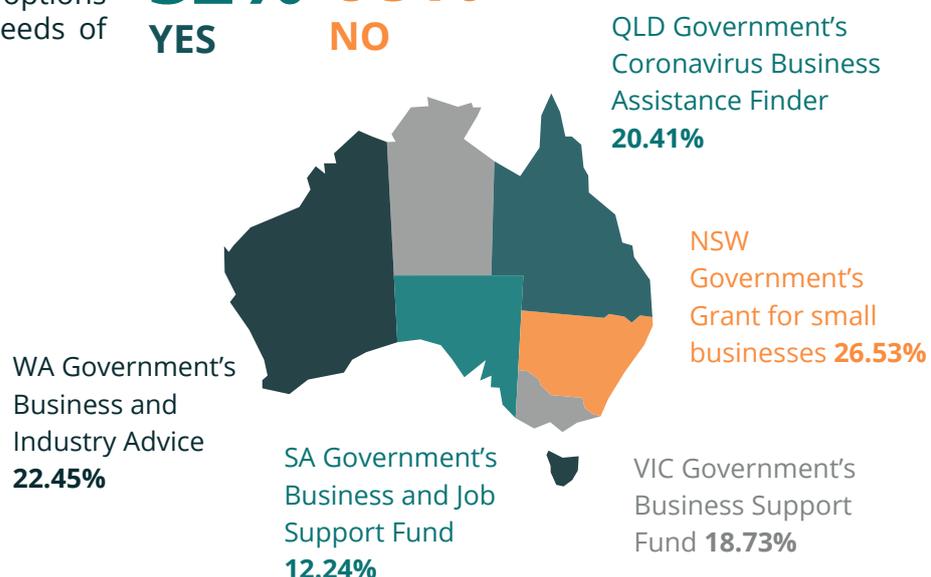
Will you be taking advantage of any of the following resources as part of the "Australian Government's Economic Response to the Coronavirus"?



- JobKeeper Payment **32.86%**
- Cash flow support for SMEs **19.29%**
- Increasing the instant asset write-off **18.57%**
- Temporary relief for financially distressed businesses **7.14%**
- Backing business investment **10.71%**
- I didn't know about these **12.14%**

Will you be taking advantage of the State-based business support initiatives in your State?

**32%** YES **68%** NO

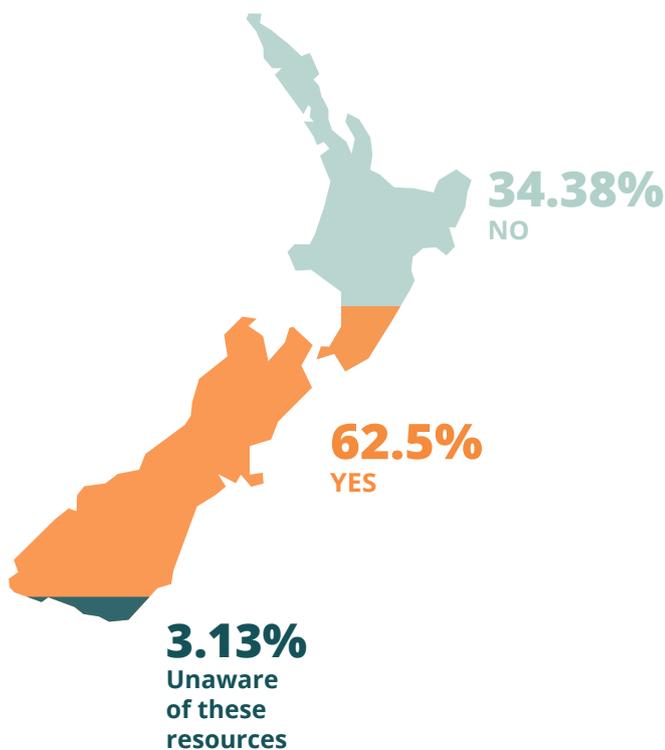


# Government Support New Zealand

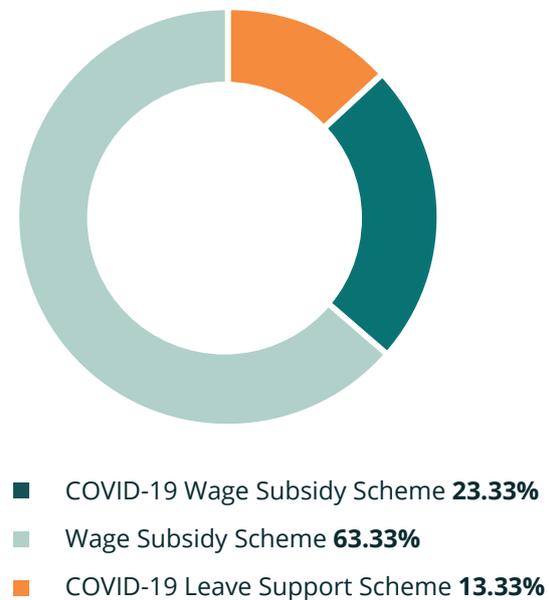
The Wage Subsidy Scheme and the Wage Subsidy Extension combined were accessed by 25% of New Zealand organisations that participated in this survey. The Government's Wage Subsidy Scheme was designed to support employers and their staff to maintain an employment connection and ensure an income for affected employees during the initial impact of COVID-19.

In early June 2020, the New Zealand Government changed the required actual or predicted revenue drop threshold associated with the extended wage subsidy scheme meaning an extra 40,000 businesses not previously eligible, now will be. For organisations in this survey that have yet to access the resource, due to eligibility criteria, the option may now exist.

Will you be taking advantage of any Government resources?



Which government resources will you be accessing?

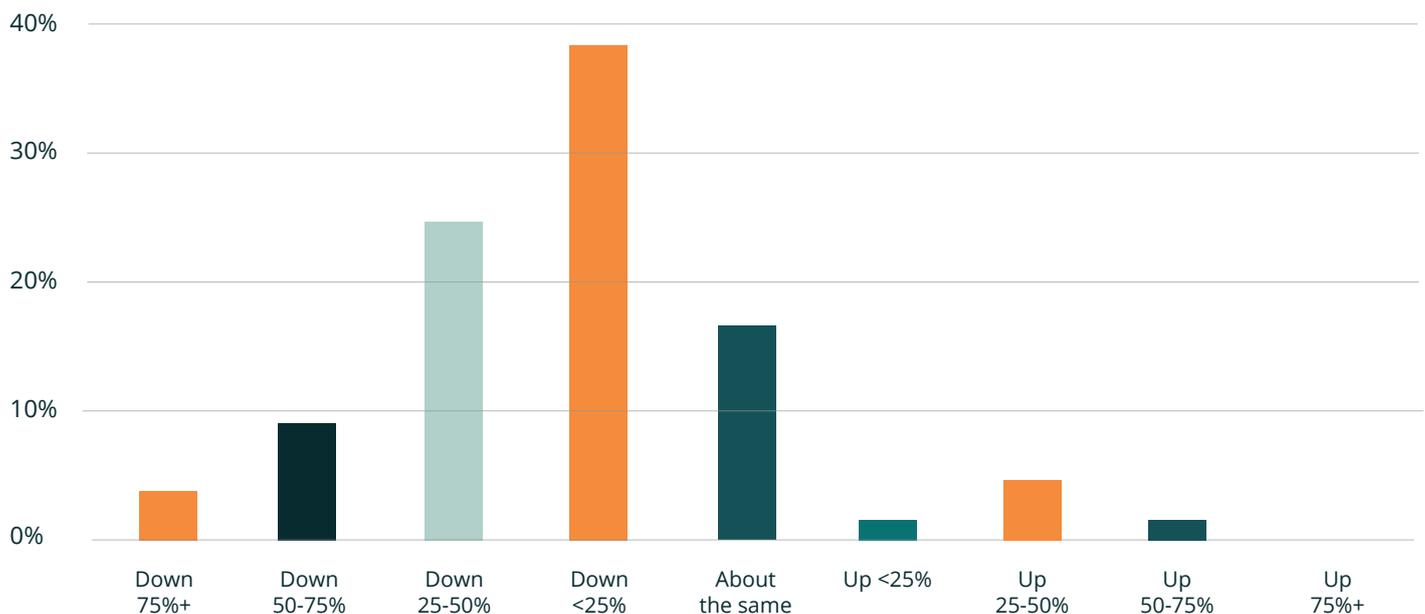


# Revenue Impact

Due to COVID-19, projected revenue for the 2019/2020 financial year will be less than anticipated for many organisations – as evident by the 75% of survey respondents who indicated their organisation will be down from January – June 2020. The magnitude of this revenue decrease varied with the majority indicating they would be down less than 25% followed by those being down 25-50%.

Given the unexpected turn that the 2019/2020 financial year took and the uncertainty of the future, revenue forecasts for many will be challenging.

What do you expect the impact to be on your business in the first half of 2020?



Applying for financial relief comes in many forms. The survey did not ask organisations to specify the method by which they were applying for financial relief.

There are some companies that moved quickly to bolster their cash balance; be that by furloughing staff or renegotiating rent, and accessing Government assistance for business. It may also incorporate seeking deferrals on loan repayments from bank or non-bank lenders.

The announcement for lenders to defer repayments for 6 months made headlines everywhere. It was unclear what would and would not be considered hardship. The future ramifications of decisions today another unknown.

For organisations that did defer loan repayments, it's important to understand continuing deferrals may mean the total amount repaid over the life of the loan may be higher and the term of the loan may be longer. At Maia Financial, we supported clients seeking to defer repayments as best we could. We are also ensuring they have the opportunity to make repayments to their loans or cancel the deferral at any time.

These questions were intended to capture business sentiments on perceived financial resilience at a point in time and based on conditions experienced to date. As business conditions are constantly evolving, responses to these questions may too evolve over time.

It is certainly positive to see that 38% of organisations believe they can maintain business operations indefinitely without financial or other assistance.

For some organisations, sadly, it could already be too late to think about how to bounce back. The required setup costs a lot of money, especially for those with no digital presence. It may be the case that the weaker companies cease to trade while those that have already invested come out stronger.

Has your business applied for financial relief as a result of COVID-19?



- We do not intend to apply for financial relief **32.86%**
- No, we have not applied for financial relief but may need to in the future **10.71%**
- Yes we have applied for financial relief **37.14%**
- No, we have not yet applied for financial relief **19.29%**

If the COVID-19 crisis continues, how long do you think your business could remain viable without additional financial or other assistance?



- 1-3 Months **7.86%**
- 3-6 Months **16.43%**
- 6-12 Months **19.29%**
- More than 1 Year **17.86%**
- Indefinitely **38.57%**

Generally, the acquisition of new equipment is being put on hold or being delayed by the supply chain, especially if it is coming from abroad. According to the Australian Finance Industry Association April 2020 Equipment Finance Report, new business took an AU\$550m hit due to COVID-19, but at -19% it is a relatively small drop compared with other sectors. That moved long term growth from -1.3% to -3.1%.

With 47% of organisations indicating in the Maia Financial COVID-19 Business Impact Survey that their 2020/2021 financial year asset investments are likely to be impacted by COVID-19, it's fair to assume at this stage that perhaps the sector has not felt the full impact just yet.

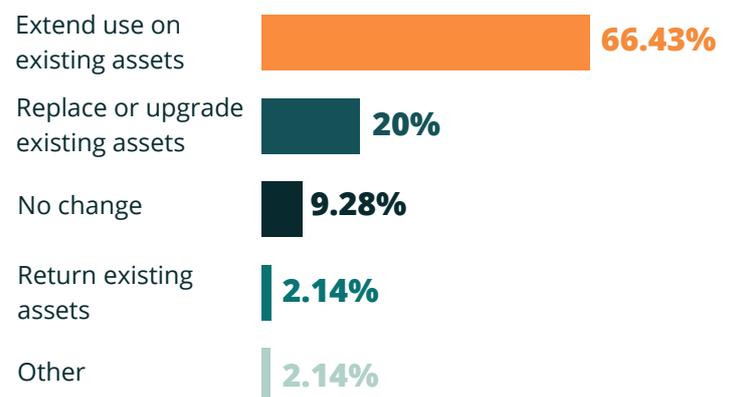
With 66% of organisations expecting to extend use on existing assets, maintenance of assets should be top of mind. For example, and subject to the asset type, will maintenance be carried out in-house or by a third party? If in-house, what capabilities does the in-house team have to support the required maintenance to ensure the asset will be returned in a condition agreeable to the financier when that time comes?

Utilising a specially tailored financing solution may ensure your organisation avoids the problems inherent in acquiring an asset using capital and then making a financially-driven decision to sweat it beyond its useful life. This often chokes the innovation and development pipeline within the organisation and slows growth. With our flexible funding options, Maia Financial can support your organisation on its journey to purchasing or refinancing assets for 2021 and beyond.

How likely is it that your FY21 investment in assets will be impacted by COVID-19?

<b>Extremely Likely</b>	<b>25%</b>
<b>Most Likely</b>	<b>22.14%</b>
<b>Possible</b>	<b>31.43%</b>
<b>Not Likely</b>	<b>21.43%</b>

Will COVID-19 change your behaviour regarding your asset management?



# Organisational Challenges

Stepping into the post-coronavirus future is a significant unknown. It's also unknown when that future will be upon us. It's therefore no surprise that three quarters of respondents identified planning for the future as a top challenge at the moment. Organisations will need to find a balance between what worked before and what needs to happen to succeed in the next normal.

"Our client meetings are done via video where possible too. Whilst we won't yet be shaking hands in a boardroom, we are now creating a **different type of relationship** as we discuss business matters from living room to living room."

**Michelle Gianferrari**

Chief Growth Officer  
Maia Financial

Putting customer's interests first could be a time for your company's brand to lead. In particular, where 42% of respondents identified that retaining customers/students is a challenge, finding ways to help customers through this crisis will be beneficial to the long-term health of your company. That may mean for instance taking a short-term hit to your bottom line or putting a flexible pricing or refund policy in place.

At Maia Financial, like over 40% of respondents, we too have experienced the challenge of keeping staff engaged and supporting staff who are working remotely. Every day at Maia Financial the team meets through video link on Microsoft Teams to share ideas and to problem-solve on behalf of our clients. It's a pre-requisite that video cameras are switched on as we strive to maintain that familiar interaction.

Aside from financial, what are the top 3 challenges your organisation is experiencing now?



# Adapting to Change

Social distancing (86%), remote working (85%) and virtual meetings (82%) appear to have been the most commonly taken steps for businesses in response to COVID-19. The question begs as to whether or not this will ever revert to 'old ways'.

There is no doubt that technology is a key enabler for organisations to accommodate new ways of working. For some businesses this has meant acquiring new assets already or perhaps planning acquisition down the line. From asset selection and pre-purchase considerations through to maintenance and repurpose, managing the lifecycle of your asset is an important part of getting value from it.

What steps has your business taken in response to COVID-19?



What additional resources or assistance does your business need that is not covered by your Government?



**"Businesses around the world have rapidly adapted to the pandemic.** There has been little hand-wringing and much more leaning in to the task at hand. For those who think and hope things will basically go back to the way they were: **stop.** They won't. It is better to accept the reality that the future isn't what it used to be and start to think about **how to make it work.**"

**Kevin Sneader**  
Global Managing Partner  
McKinsey



## **As a purpose-driven organisation, at Maia Financial we strive to add real value to others.**

We assemble the best minds, connecting driven clients with our passionate team to achieve the mutual success that positively changes lives and the world.

With over 30 years of experience across Australia and New Zealand, funding more than \$6billion of diverse assets, Maia Financial are specialists at creating bespoke finance solutions for new and existing clients.

Our unique funding model as a non-bank lender, allows for solutions offering greater flexibility for our clients. We specialise across a diverse range of industries and asset classes.

## **Why Maia Financial?**

1. We can finance specialised equipment and infrastructure that has a limited or unknown secondary market value, and we do so without requiring any additional security.
2. We finance assets that are new or part way through their life, which means you can access funds to fulfil business requirements or to fund growth.
3. We can fund up to 100% of the cost of the assets, which means your business avoids upfront costs and smooths out its cash outlays.
4. We invest our capital in transactions, which makes your ongoing success important to us. For this reason, we offer dedicated support throughout a transaction and for the term of an agreement.
5. We can approve open credit facilities, which you can access over time, creating speed and efficient turnaround times for your transactions.
6. Our unique funding model as a non-bank lender, allows for solutions offering greater flexibility for our vendor partners, compared to traditional financiers, including the ability to utilise innovative Pay-per-use, assets "As A Service", or Subscription based funding models.

## **Need to grow?**

Contact us today to see how we can help you with asset finance.

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# Meet the Team

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