

HSBC Canada 2022 Capex Survey



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HSBC Canada Capex Survey

Energizing growth – how Capex can help transform your business

Foreword

The results of the 2021 HSBC Canada Capex Survey show that the majority of businesses are optimistic about the coming year with 85% feeling confident that they will return to pre-COVID trading levels by 2022. This optimism was seen consistently across both Corporate and SME customers, as well as international and domestically focussed businesses.

The optimism is driving Capex plans as over 65% of businesses either increased or maintained their Capex spending in 2021 as they looked to drive efficiency, expand into new markets and seize opportunities in a post-pandemic world.

The survey results highlighted three key themes:

- 1 Capex by Corporates outpaced SMEs despite optimism from both segments:** Trading volumes are expected to return to pre-pandemic levels by the end of 2022, however, Corporates were twice as likely to increase capex in 2021
- 2 Despite certain headwinds, opportunities for growth continue to exist:** Businesses are more optimistic about their own growth opportunities than that of the Canadian and Global economies
- 3 Corporate and SMEs are investing in different types of asset as they address distinct priorities:** Optimistic businesses are more likely to take on Capex, however, Corporates and SMEs are prioritizing different asset types

We have found that capital investments are most successful when the process is calculated and well planned. We hope that the insights provided in this report will help you plan the next move for your business.

Grant McFarlane

Head of Equipment Finance & Leasing
HSBC Bank Canada

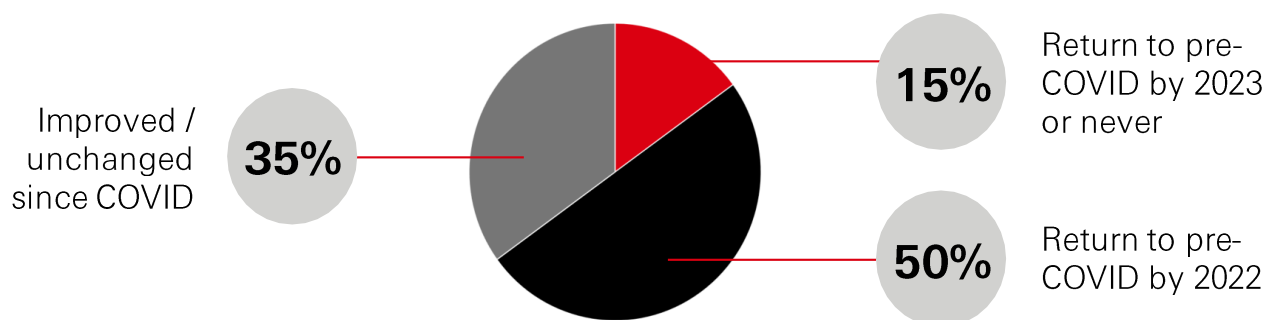


SME customers are businesses with turnover below CAD50m.
Corporate customers are businesses with turnover above CAD50m.

Capex Expectations 2021 HSBC Survey

The survey results highlighted three key themes:

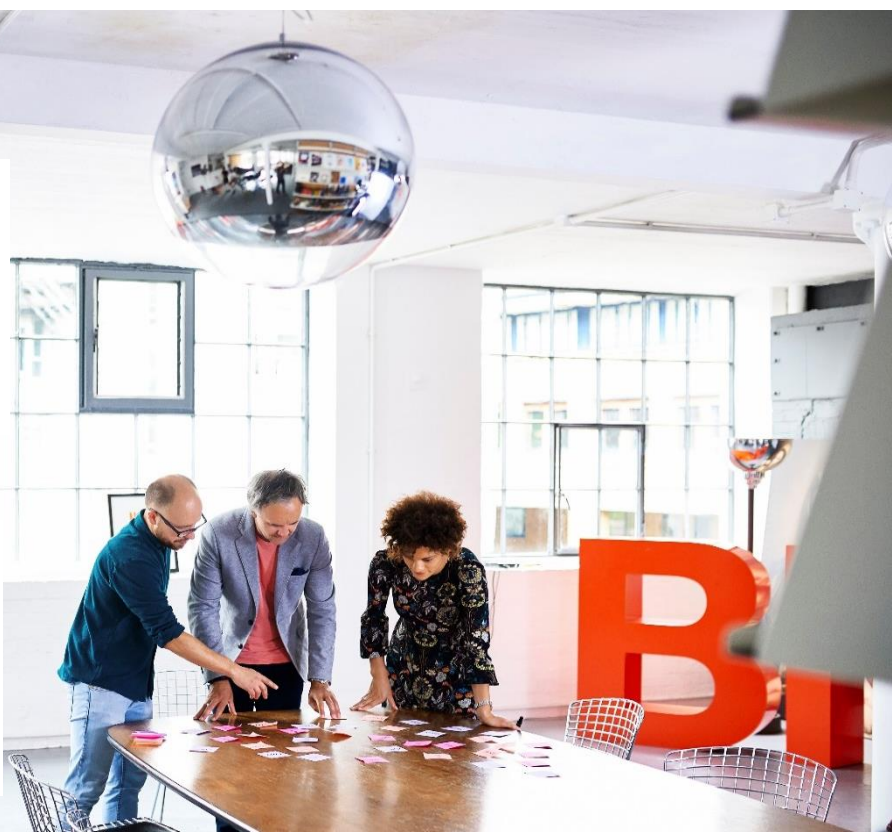
- 1 **Capex by Corporates outpaced SMEs despite optimism from both segments:** Both Corporate and SMEs are feeling confident going into 2022 with 85% expecting to return to pre-pandemic trading volumes. However, SMEs took a more cautious approach to investments in 2021 with 20% increasing capex vs. 50% holding stable. In comparison, over 50% of Corporates increased their capex in 2021, with 27% holding stable.



"The fact that most businesses maintained or increased capex in 2021 is encouraging, and confirms that regardless of business size, there are opportunities to be captured by Capex investment" says Grant. "Businesses where Capex is declining, however, risk missing the opportunity to participate in the recovery and could be in danger of falling behind their peers."

20% of SME customers increased Capex in 2021 with 50% holding stable

53% of Corporate customers increased Capex in 2021 with 27% holding stable



2 Businesses are more optimistic about their own growth opportunities than that of the Canadian and Global economies: When asked how optimistic they were feeling about the future, most businesses favoured their own business outlook (56%) than the Canadian (31%) and the Global economies (31%). The key driver impacting businesses outlook in 2021 continued to be COVID 19, followed by geopolitical trade tension and the Canadian economic climate.

Canadian businesses have demonstrated significant resilience over the last two years and this is reflected by 70% of respondents reporting a focus on growth/expansion capex vs. 30% on maintenance. As businesses stabilize, rebound or grow in the coming year, it will be interesting to see if their optimism in the local and global economy increase too.

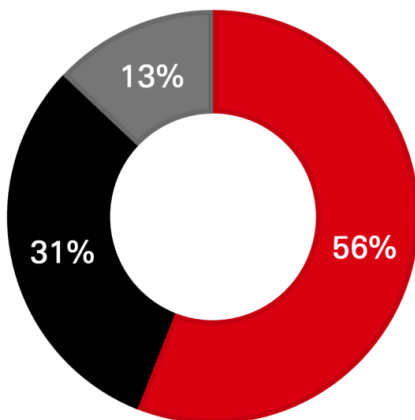


Optimism Towards Business Growth

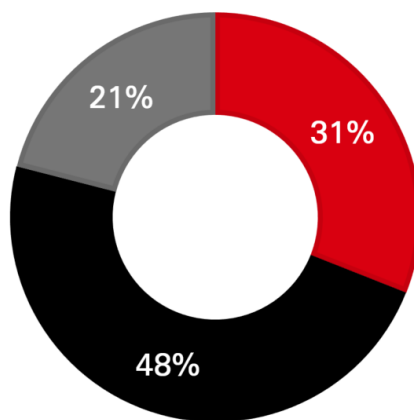
Very Optimistic

Somewhat Optimistic

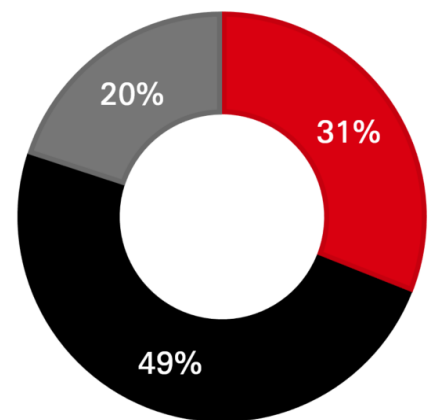
Not Optimistic



Own Business



Canadian Economy



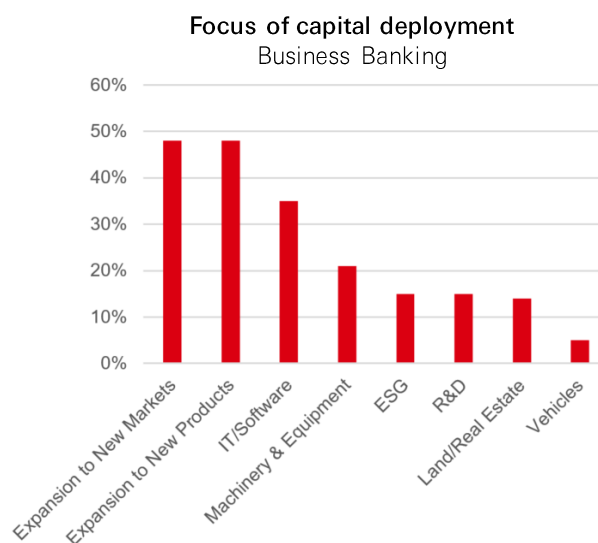
Global Economy



3 Optimistic businesses are more likely to take on Capex, however, Corporates and SMEs are prioritizing the types of assets they obtain differently: The results revealed a correlation between optimism and utilization of Capex. Simply put, companies that feel good about the future are likely to spend more.

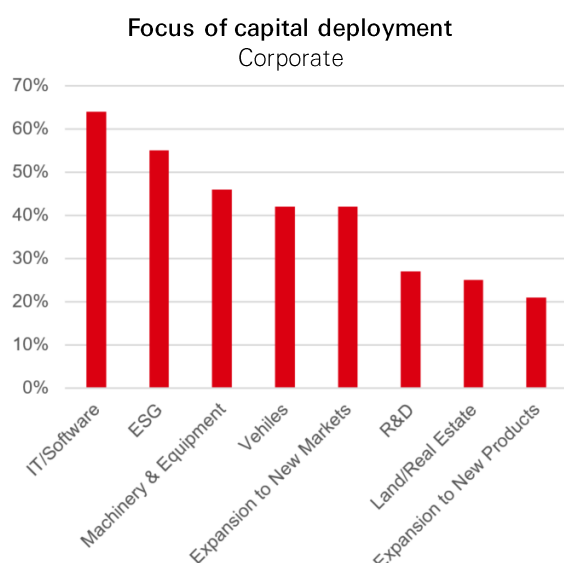
From a segment perspective, we see interesting differences where Corporates and SME customers are allocating capital.

SME customers were more likely to be expanding into new markets (48%), adding additional product lines (38%) and investing in technology (35%). Underpinning these decision has been the pandemic's influence on online sales, which required quick adoption of technology and allowed SMEs to access new customers and markets more easily.



Capex investment can add significant value to our customers when developing new products or entering new markets. With it, businesses are able to realize on new found economies of scale and many of our customers have already started to consider assets to automate processes and allow them to distribute on larger platforms. HSBC Equipment Finance is providing them with options to make their plans a reality.

Grant McFarlane
Head of Equipment Finance & Leasing



Corporates are pivoting from short-term liquidity management to longer-term resilience in a post-pandemic world. They are doing so by investing in technology (64%), ESG initiatives (55%) and production automation (46%). Sustainable asset adoption is on the rise with technology gains by electric-powered solutions, higher efficiency assets and a broader selection of high performance reusable and recyclable products. Corporates are also getting more sophisticated in their ESG strategies to future proof their business, remain market leaders and adapt to changing consumer behaviour.

Customer Point of View

GRACIOUS LIVING

Gracious Living has been a leading injection and extrusion manufacturer in Canada for over 30 years. They have a fully equipped facility which allows them to provide end-to-end service, from concept design, material sourcing, moulding, labelling and distribution.

Future proofing the business



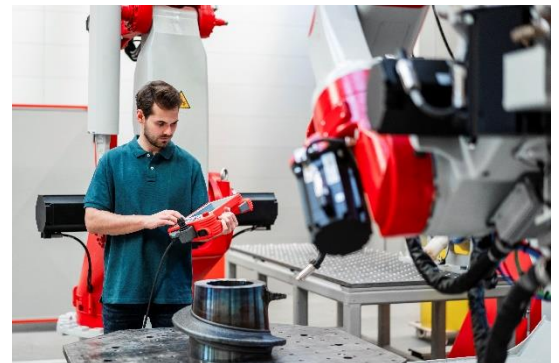
In 2018, Gracious Living saw an opportunity to improve efficiency in the manufacturing process while supporting their ESG goals when they purchased their first polypropylene flake recycler. Haven't heard of that? It's a piece of equipment that can convert shredded plastic waste into pellets to be re-introduced to the manufacturing process – an environmentally friendly solution that lowered Gracious Living's carbon footprint while also reducing input costs for new products.



Partnering for growth



The converter was so successful, that the business added another in 2020. To finance the investment, Gracious Living leveraged an Equipment Financing solution with HSBC.



GRACIOUS LIVING



Securing funding from HSBC Equipment Finance allowed us to obtain 100% financing of our equipment, and match the lease payments with the underlying cash flows generated by the new assets" says Enzo. "Furthermore, the financing was structured to allow us to provide a competitive down payment to the supplier to ensure the timing of delivery was in line with our overall business plan.

Enzo Macri
President, Gracious Living



Conclusion

HSBC Equipment Finance has supported thousands of Canadian business over the past 35 years and we understand that choosing a financing partner is influenced by many variables including cost, service levels, flexibility and idea generation.

The decade ahead is likely to be shaped by a few key themes– automation, technology, and the drive to Net Zero. We hope that this report can provide you insight to better understand how Canadian businesses are adapting to these themes, and how they may affect your business plans for the future.

How to find out more:

To learn more about how Capex can support the future of your business please speak to your HSBC Representative or visit business.hsbc.ca