

# TRANSFORMATIVE TECHNOLOGY FUNDING AT WORK

Forward thinking finance.

## THE STORY IN BRIEF:

- Bibby Financial Services (BFS) wanted to standardise their IT estate and establish a regular refresh programme
- We provided a credit facility offering a range of supply and leasing options that enabled BFS to select funding types and terms that best suit the hardware assets being financed
- We also provided a loan facility to help them finance third party software costs
- Subsequently, we extended the facility using our innovative Intellectual Property Funding solution to finance further development of their proprietary Olympus software

## FACT FILE:

**Sector:** Financial Services

**Location:** International

**Turnover:** £176m (2018)

**Purpose:** Upgrade and standardisation of IT hardware estate and investment in third party and proprietary software

**Solution:** Refinance of some existing hardware and the supply of new assets on a residual value leasing deal, enabling a rolling refresh programme. Loan facility for third party software licenses, software implementation and Lombard's Intellectual Property Funding solution to enable ongoing development of proprietary software.

Get in touch, visit [lombard.co.uk](http://lombard.co.uk) or  
call 0800 502 402 or Text Relay 18001 0800 502 402

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“Funding software development is difficult because it’s an intangible asset, so discovering Lombard’s Intellectual Property Funding product was a lightbulb moment.”

Stewart Allan, CIO, Bibby Financial Services

## Working in partnership

“Technology forward, relationship-driven” is how Stewart Allan, CIO, describes BFS, adding “If we get the technology right for our colleagues and clients, we improve their experience, which in turn benefits our performance and profitability”.

As BFS evolved over time, so did its IT estate. But this had resulted in hardware assets of disparate types and ages, separately managed in numerous locations. “There was no consistency or control, no refresh strategy,” says Stewart. “We began exploring sale and leaseback options to enable us to upgrade our hardware assets and establish a rolling refresh programme. Lombard Technology Services (LTS) had the edge over other providers in enabling us to lease assets for our offices both in the UK and abroad.”

“Our first step,” Lombard’s Byron Edwards explains, “was to refinance all assets that were less than a year old - including desktops, laptops and smartphones - on a sale and leaseback arrangement. Alongside this, we provided competitive quotes against BFS’s existing hardware suppliers, leading them to select us as their single supplier for both supply and leasing of IT hardware.”

Now, with an up to date IT infrastructure (including servers) in place across all 49 sites, legacy issues have been eliminated. For Stewart, this is the over-arching benefit. “The funding arrangements have delivered approximately 10% cost savings and given me total control over our entire IT estate,” he says, “But the true value is knowing that everything we have is of the right build and on the right

software. This facilitates delivery of large scale IT projects at a fraction of the previous time and cost.”

Alongside the hardware, funding was also provided for software, initially in the form of a loan facility for investment in third party software. But then came an even greater opportunity: Lombard’s Intellectual Property Funding solution. “We were developing our own software for our Olympus platform but financing it was difficult because of its intangibility,” says Stewart. “When Byron told me about Lombard’s Intellectual Property Funding product, it was a light bulb moment.”

Olympus automates the company’s entire sales process, from prospect to client, through due diligence to issue of offer and acceptance. The software delivers total transparency and accuracy, creates efficiency savings and improves colleague and client experience. A compelling platform, it was a clear contender for software IP funding.

“The process of arranging Intellectual Property Funding against Olympus began with us reviewing cash flows, third-party contracts, development costs and BFS’s future development plans, to enable us to place a collateral value on the software IP,” Byron explains.

“We took full ownership of the software IP as collateral against the funding, and licensed the use of it back to them for an agreed term.”

“For the duration of the license agreement, we retain full day-to-day commercial use of the software IP and we’re also able to continue developing it,” confirms Stewart. “The amount we can borrow is proportionate to the value of the software IP, so as we continue to develop Olympus its value increases – which means that at the end (or part way through) the software IP funding term we can look at refinancing against it to enable us to invest in further development.\*”

The software IP funding has enabled the business to reduce working capital costs and also moved the IT department closer to the ultimate goal of financial self-sufficiency. The ability to unlock the value of software IP is integral to this ambition and consequently Stewart expects the relationship with Lombard to grow, “It’s a great partnership” he says, “and we hope it will go from strength to strength.”

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\*Alternatively, at the end of the term – and for a fee – a customer can either ask us to transfer all rights and interest in the software IP back to them or introduce an independent third party to buy the software. These transfer or sales options are subject to an agreed maximum consideration of 1% of the original value funded.

