

ATB BUSINESS BEAT:

The pulse on business in Alberta

ATB Business™

Volume 8, January 2015



Business owners remain positive despite uncertainty around Alberta economy

Each quarter, we ask Alberta small and mid-sized business owners (SMEs) how optimistic they are about the Alberta economy and their company six months from now. For the first time in years, we've seen a significant dip in perceptions about the economy. While declining oil prices and the lower Canadian dollar are taking their toll, Alberta entrepreneurs remain positive about their own business' future. We also explore the idea of working capital and what Alberta SMEs would do if they suddenly received a cash infusion. We asked how often do they run at a deficit and, if so, how do they handle that. And finally, we wanted to know what growth opportunities they missed as a result of a lack of funds.

INCONSISTENT OUTLOOK

28%

DROP IN NUMBER OF SMEs THAT BELIEVE ALBERTA'S ECONOMY WILL BE THE SAME OR BETTER OFF IN SIX MONTHS

// WE ARE A MANUFACTURER AND WE BUILD PRODUCTS FOR THE OIL INDUSTRY. WHEN OIL PRICES GO DOWN, PROJECTS ARE SHELVED THAT ARE HALFWAY INTO COMPLETION. //

– General Manager, Manufacturing
20 years in business, 5-19 employees,
\$3 Million to less than \$5 Million
in revenues

Drop in optimism about the Alberta economy

The vast majority of Alberta SMEs believe their business will be the same or better off six months from now, down slightly from last quarter. However, there is much less optimism about the Alberta economy, as the number of SMEs believing things will be the same or better off six months from now has dropped by 28% versus last quarter. For businesses involved in the energy/oil and gas industry, the future appears even more bleak with only 48% believing the Alberta economy will be the same or better six months from now, and 59% believing their business will be the same or better off.

Your Company



Alberta Economy



ATB BUSINESS BEAT INDEXES

This quarter, the ATB Economy Index dipped below the 'equilibrium' score of 50 for the first time in years. That means more SMEs surveyed feel negatively about where the province's economy will be in six months, than those that are feeling positive about it.

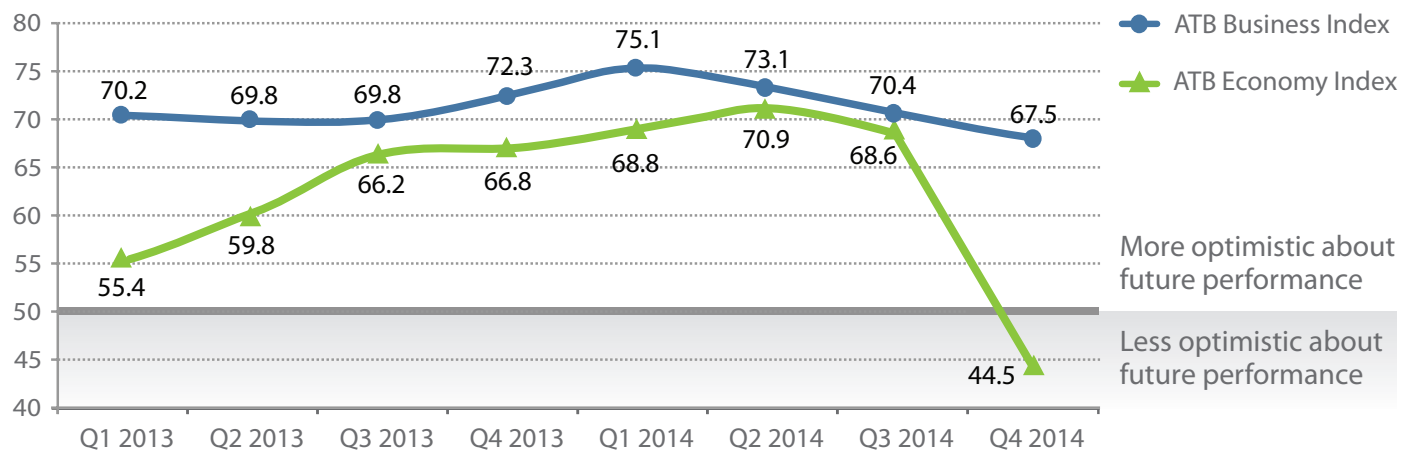
To determine the ATB Business Index and the ATB Economy Index, we remove the neutral numbers, take the percentage better (somewhat/much better) and subtract the percentage worse (somewhat/much worse) and rescale the number to range between 0 to 100. This allows us to compare responses over time.

// PEOPLE HAVE NO MONEY TO SPEND... I AM NOTICING THE EFFECTS THIS MONTH. //

– Owner/Operator, Retail

1 year in business, 1-4 employees,
Less than \$250,000 in revenues

ATB Business Beat Index Index (0-100)



Data time periods: Q1 2013= Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013, Q1 2014= Mar 2014, Q2 2014 = June 2014, Q3 2014 = Aug, 2014; Q4 2014 = Dec 2014

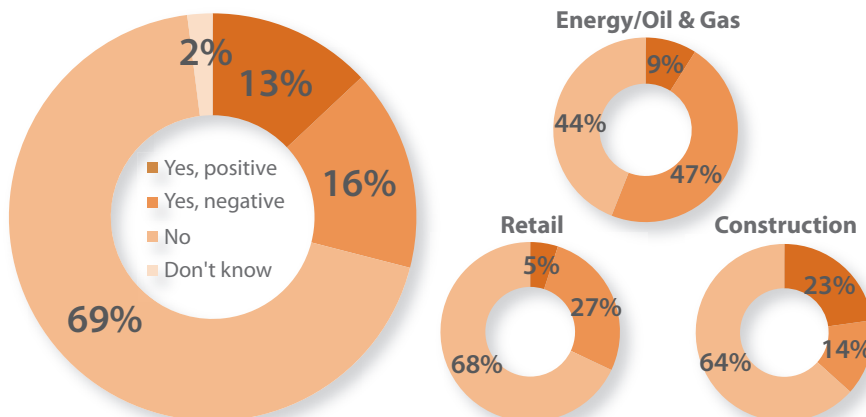
More optimistic about future performance

Less optimistic about future performance

IMPACT OF DEPRESSED OIL PRICES

We took a deeper dive to understand how the drop in oil prices has impacted Alberta business owners. The vast majority, seven in ten (69%) haven't been affected yet. That number varies significantly by industry. Not surprisingly, the energy/oil and gas businesses are feeling the impacts first, with almost half (47%) citing their business operations have been affected negatively. For those expressing positive effects – 54% say spending less on fuel is good for operations.

"Have your business operations been affected by the recent drops in the price of oil?"

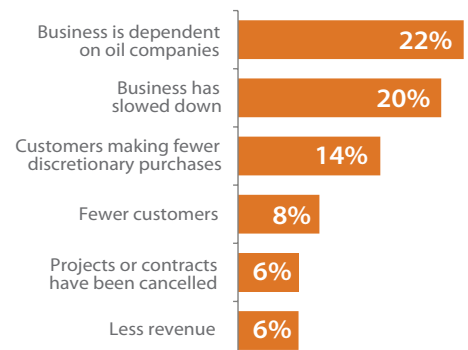


// IT'S BEEN BETTER BECAUSE OUR GAS IS CHEAPER. IT'S BETTER FOR THE ECONOMY, PEOPLE ARE SPENDING MONEY AND GOING PLACES. IT'S BETTER ALL AROUND. //

– Senior Manager, Automotive

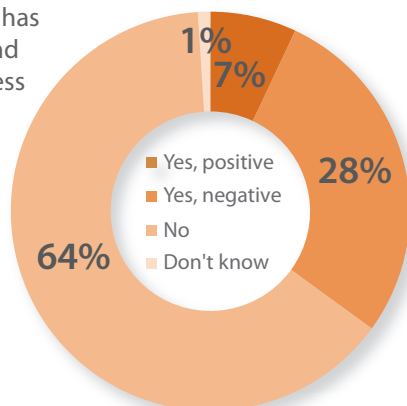
10 years in business, 5-19 employees,
\$500,000 to less than \$1 million
in revenues

SMEs affected negatively said...

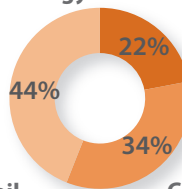


IMPACT OF DROP IN VALUE OF CANADIAN DOLLAR

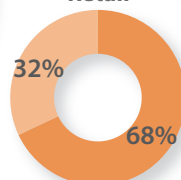
The dollar drop also has had both positive and negative impacts. Less than three in ten (28%) Alberta business owners feel the pinch of the lower Canadian dollar, but that rises sharply in the retail world, with 68% of retail SMEs feeling a negative impact.



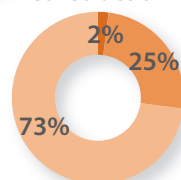
Energy/Oil & Gas



Retail



Construction



The top reasons why they are negatively affected are 41% are spending more on inventory from the US and 20% see an increase in the cost of goods. Of those who see an upside to the dropping dollar, 50% are paid in US dollars and 50% have experienced increased revenue due to the exchange rate.

“ INCREASE IN REVENUE SIMPLY THROUGH THE EXCHANGE RATE GAINS, BECAUSE PRIMARILY OUR BUSINESS IS DONE IN EUROS OR U.S. DOLLARS. ”

– President, Environmental Consulting

15 years in business, 1-4 employees,
Less than \$250,000 in revenues

MISSED OPPORTUNITIES?

We asked if Alberta businesses have passed on any growth opportunities due to a lack of funds. For most, that hasn't been an issue. Only three in ten (29%) said they did not pursue growth opportunities because of a lack of necessary funds. Top wish list items they would have liked to pursue are:

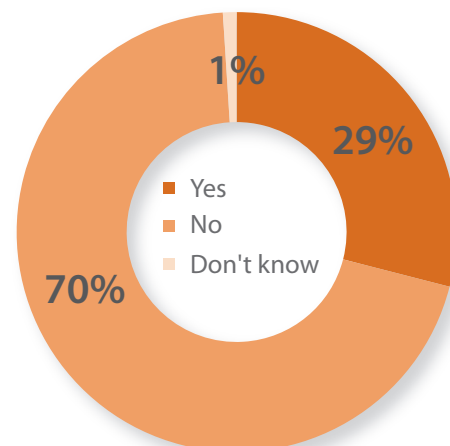
13% HIRE ADDITIONAL EMPLOYEES

22% PURCHASE MORE INVENTORY

13% ADVERTISING

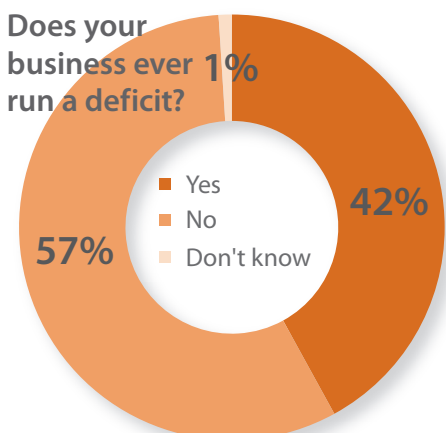
13% TAKE ON LARGER CONTRACTS OR PROJECTS

11% PURCHASE NEW PROPERTY

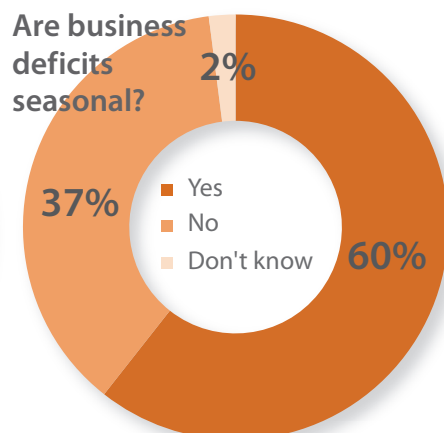


RUNNING ON EMPTY

Does your business ever run a deficit?

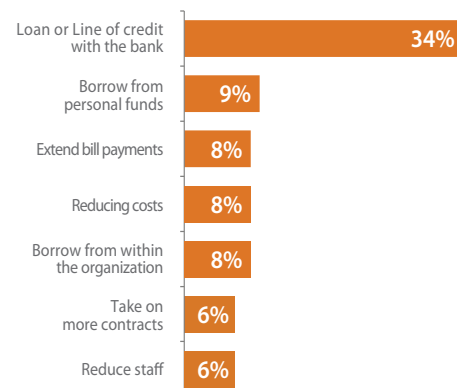


Are business deficits seasonal?



We asked SMEs

“How do you get through a short-term cash crunch?”



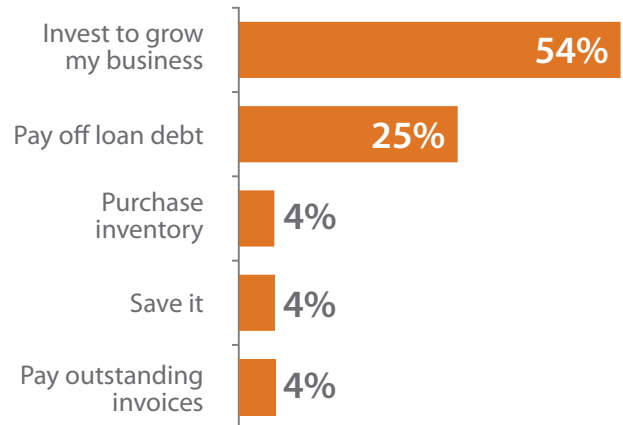
More than four in ten (42%) businesses run at a deficit at any given time during the year, and of those, 41% experience a shortfall at least once a quarter. Seasonality plays a large role.

MANAGING THROUGH TOUGH TIMES

Alberta business owners are an extremely resilient bunch, and we've been through economic ups and downs before. We know, managing your finances is critical at any time, and even more so when the economy takes a downturn. Business owners and operators need to have cash on hand to meet their short-term obligations, without sacrificing long-term needs and growth plans. Every business is different, but there are many things that can be done to tailor solutions to meet your unique needs. Don't wait. If you have concerns about your business' finances, talk to your banker about things like repayment terms, deferred loan payments, extended amortization periods and seasonal schedules.

IF I HAD \$100,000

Finding funds to keep a business growing is often a top priority for Alberta entrepreneurs. We asked what Alberta SMEs would do if they suddenly received a \$100,000 cash infusion? More than half (54%) would invest back into their business. One quarter (25%) would use it to pay off debt.



About This Report

For more information on this report or the next ATB Business Beat, please email businessbeat@atb.com or visit atb.com/businessbeat to be put on the mail list.

About ATB Financial

ATB Financial (atb.com) is the largest Alberta-based financial institution, with assets of \$37.7 billion. ATB offers retail financial services, business and agricultural financial services, corporate financial services and investor services to more than 697,000 Albertans and Alberta-based businesses in 242 communities in our province.

ATB Business and Agriculture provides services to Alberta's small and mid-sized businesses, farmers and other agriculture customers.



To find out how ATB Financial can help your business grow, please contact: Wellington Holbrook, Executive Vice-President, Business & Agriculture, ATB Financial at askwellington@atb.com

About NRG Research Group

NRG Research Group (www.nrgresearchgroup.com) is a leading Canadian public affairs and market research company with offices in Calgary, Vancouver, and Winnipeg.

Who did we talk to?

These findings are from an ATB Business telephone survey conducted during November 24 – Dec 5, 2014, with 300 randomly selected Alberta SMEs* owners/operators.

Study exclusions: agriculture (farms or ranches), government, financial institutions and large businesses (500+ employees).

Business size definitions: small (0 to 49 full-time employees) and medium-sized (50 to 499 full-time employees).