



British
Private Equity &
Venture Capital
Association

Business Confidence Study – post Brexit Highlights

Ipsos MORI

September 2016

Executive summary

ECONOMIC OPTIMISM

- **Confidence in general economic conditions has decreased since wave 1** (December 15 – January 16), with only a quarter saying they will improve in the next 12 months. Compared to last wave, more people are saying the economy has got worse over the past 12 months (40%) and will get worse (45%) – both statements have increased around 30 percentage points.
- Similar to last wave, participants are **more confident in their own businesses**, with over two thirds saying their business will improve in next year (70% improve). Whilst this is down from last wave (84%), it still shows a strong degree of optimism among businesses. In terms of the impact of Brexit negotiations on business optimism, it is notable that businesses who are concerned about the UK's future trading relationship with the EU are not significantly less likely to be optimistic about their performance over the next 12 months than those who are not concerned (see slide 22).
- Companies cite their own **innovation and product launches** as reasons to see improvement, as well as **company growth and trading opportunities**. A small number think their company's business conditions will get worse – reasons for this include **market uncertainty** and a lack of funding.
- Despite Brexit concerns, participants are **positive about company revenue growth** (84% optimistic). The vast majority (91%) are also **optimistic about their ability to retain talented people**. Expansion into new international markets is the area companies are least optimistic about (64% optimistic), especially receivers of private equity (55%).

BUSINESS CONCERNS

- When looking at potential areas of concern, three in five (59%) are **most concerned about the UK's future trading relationships with the EU**. In comparison to only a third (32%), who are concerned about trading with countries outside the EU. Two in five (44%) are also **concerned about the availability of high-skilled workers**, this is higher than the number concerned about low-skilled workers (14% concerned).

PERSPECTIVE ON THE EUROPEAN UNION

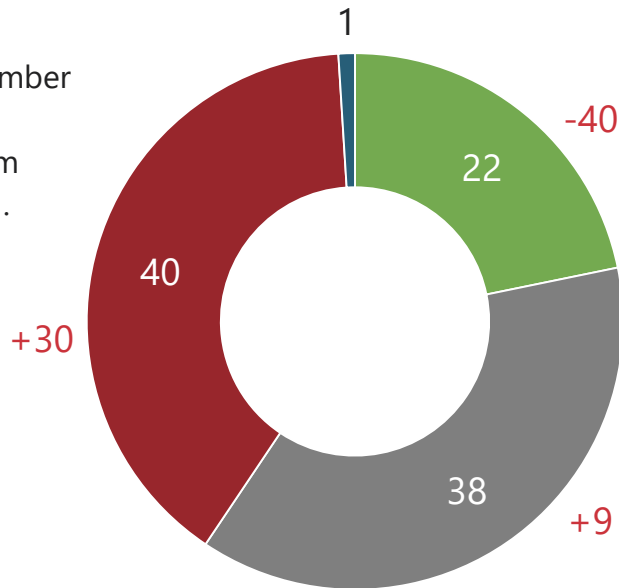
- Most participants say a **Remain vote would have been best for their business** (75%). Closely linked to this, around half (51%) say their business situation in the next 2 to 3 years will be worse off, compared to if we had remained in the EU. Despite this, companies agree that their **business can adapt to consequences brought on by leaving the EU** (85% agree). However, **confidence in the Government is low** - only a third (35%) agree they can negotiate the best deal for the UK.
- Upon leaving the EU, the key issues for businesses are maintaining **access to the single market in goods and services** and maintaining **access to high-skilled labour**. The domestic policies that businesses would like to be priorities during Brexit include the ability to **employ talented people from across the globe** and being able to **retain attractive conditions for overseas investment**.

Almost twice as many businesses think economic conditions will get worse as get better over the next year

Do you think the general economic conditions of the UK have improved, stayed the same or gotten worse in the last 12 months...

- % Improved
- % Stayed the same
- % Gotten worse
- % Don't know

↑ Increase in number saying 'gotten worse', up from 10% in wave 1.



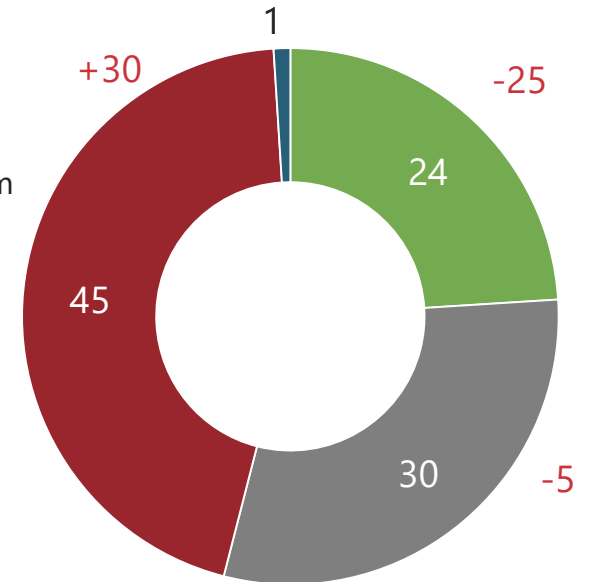
Figures in red: Wave 1 % +/-

Base: All (200)

Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months...

- % Improve
- % Stay the same
- % Get worse
- % Don't know

↑ Increase in number saying 'get worse', from 15% in wave 1.

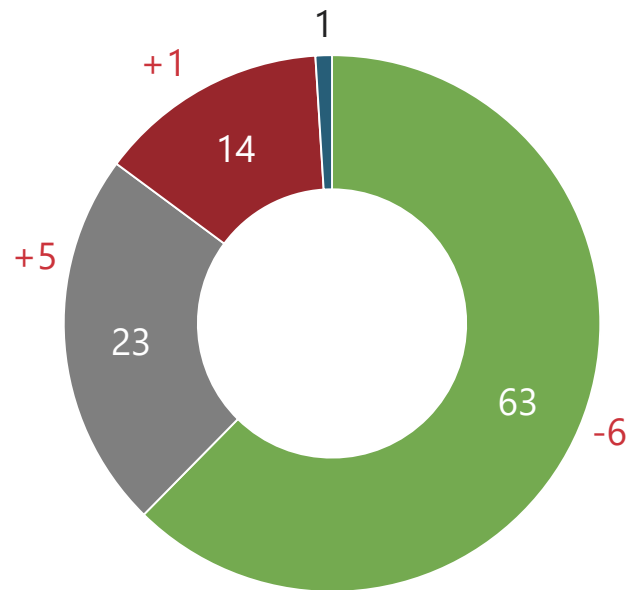


↓ ↑ Significant difference vs total at 95% confidence level

Though business optimism remains relatively high, the outlook for the next 12 months is less positive than wave 1

Has business for your own company improved, stayed the same or gotten worse over the last 12 months?

- % Improved
- % Stayed the same
- % Gotten worse
- % Don't know

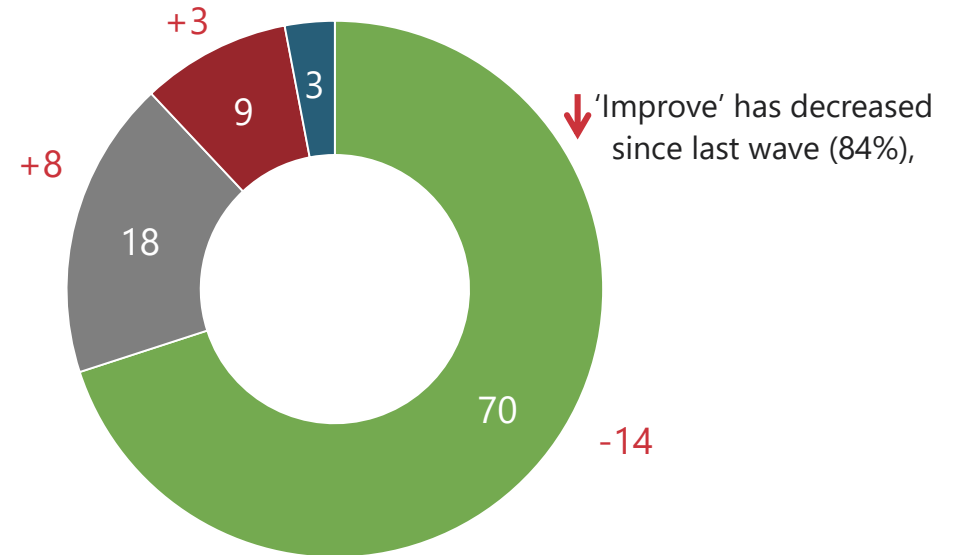


Figures in red: Wave 1 % +/-

Base: All (200)

Do you think that business for your own company will improve, stay the same or get worse over the next 12 months?

- % Improve
- % Stay the same
- % Get worse
- % Don't know



↓ ↑ Significant difference vs total at 95% confidence level

Optimism around business growth is driven by specific company initiatives, such as innovation and mergers

Why in particular do you feel that business for you company will improve over the next 12 months?
[Unprompted]

■ % mentioned



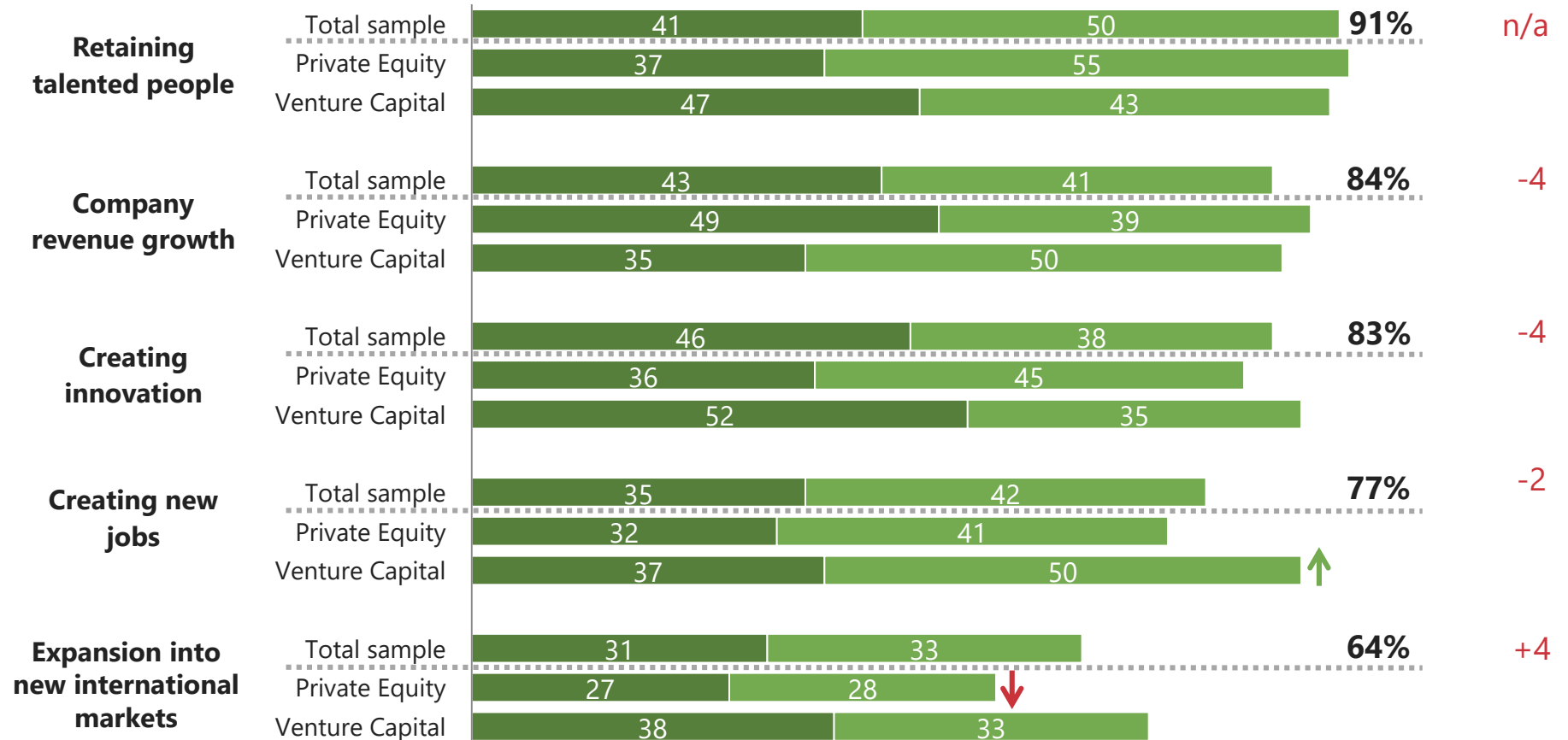
Base: All companies which believe they will improve in the next 12 months (140)

Optimism across a number of key business areas is relatively stable since wave 1, despite Brexit concerns

Thinking about the next 12 months, how optimistic, if at all, do you feel about the following:

■ % Very optimistic ■ % Quite optimistic

Wave 1 %
+/-



Base: All (200); Businesses backed by PE (92), by VC (60)

Over half of businesses are concerned about future trading with EU countries

And how much of a concern, if at all, are each of the following issues for your business today, on a scale of 0 to 10, where 0 is not at all concerning and 10 is extremely concerning?

■ % Concerning (7-10)



Figures in red: Wave 1 % +/- (*only two of the same statements asked in Wave 1)

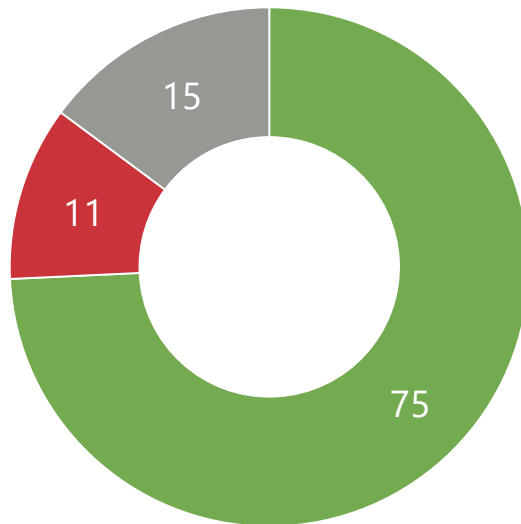
Base: All (200); Businesses backed by PE (92), by VC (60)

*Only two of the same statements asked in Wave 1

Despite relative optimism, half think their business situation will be more negative in next 2 to 3 years than if the UK stayed in the EU

Which outcome of the referendum would have been best for your business?

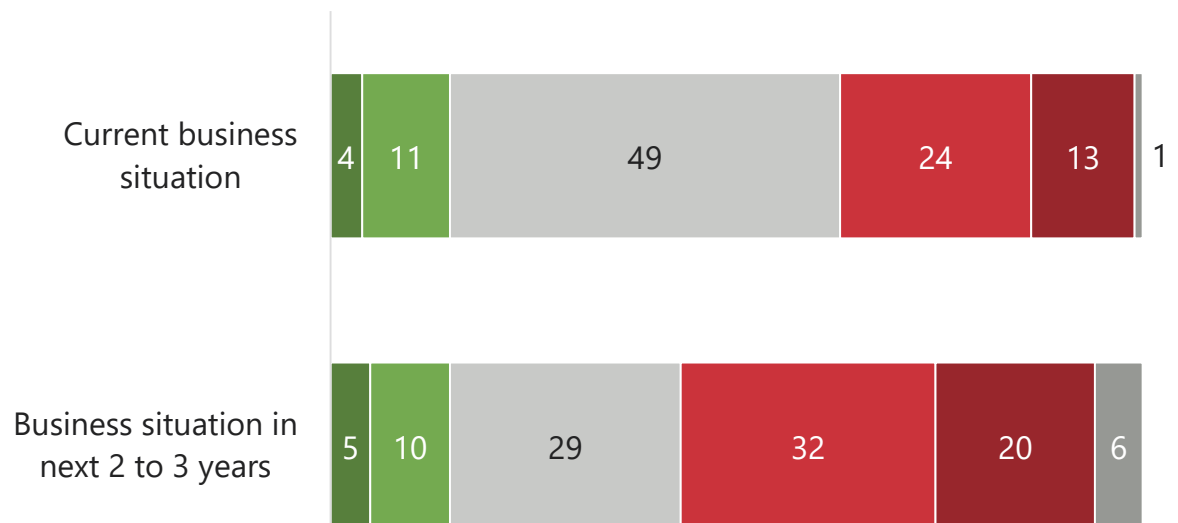
- % UK staying in the EU
- % UK leaving the UK
- % Don't know



↑ More likely to say Remain if they think general economic conditions will get worse in next 12 months (91%), if are concerned about the UK's trading relationship with the EU (88%) or the availability of high-skilled workers (82%)

Since the referendum do you think that the business situation of your company is more positive or negative so far compared to what it would have been if the UK had voted to stay in the EU, or will it make no difference? And in the next 2 to 3 years?

- % A lot more positive
- % A little more positive
- % Makes no difference
- % A little more negative
- % A lot more negative
- % Don't know

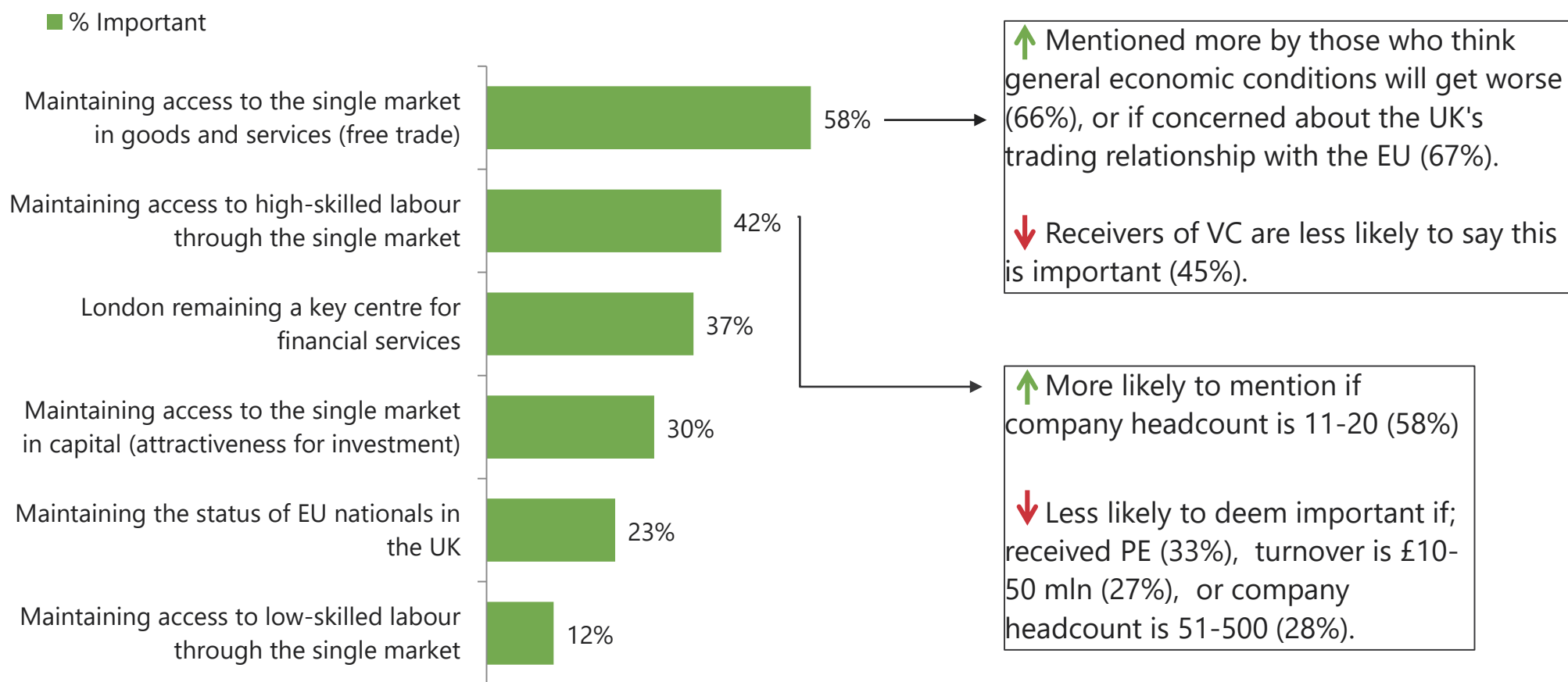


↑ More likely to say 'positive' if received VC (25%) or are in smallest turnover group (up to £10 mln) (19%)

Base: All (200)

Access to the single market for trade and high skilled labour are the key issues for businesses in the exit negotiations

As the UK Government negotiates a new trade deal with the EU, what will the key issues be for your business? [ranked first or second most important]

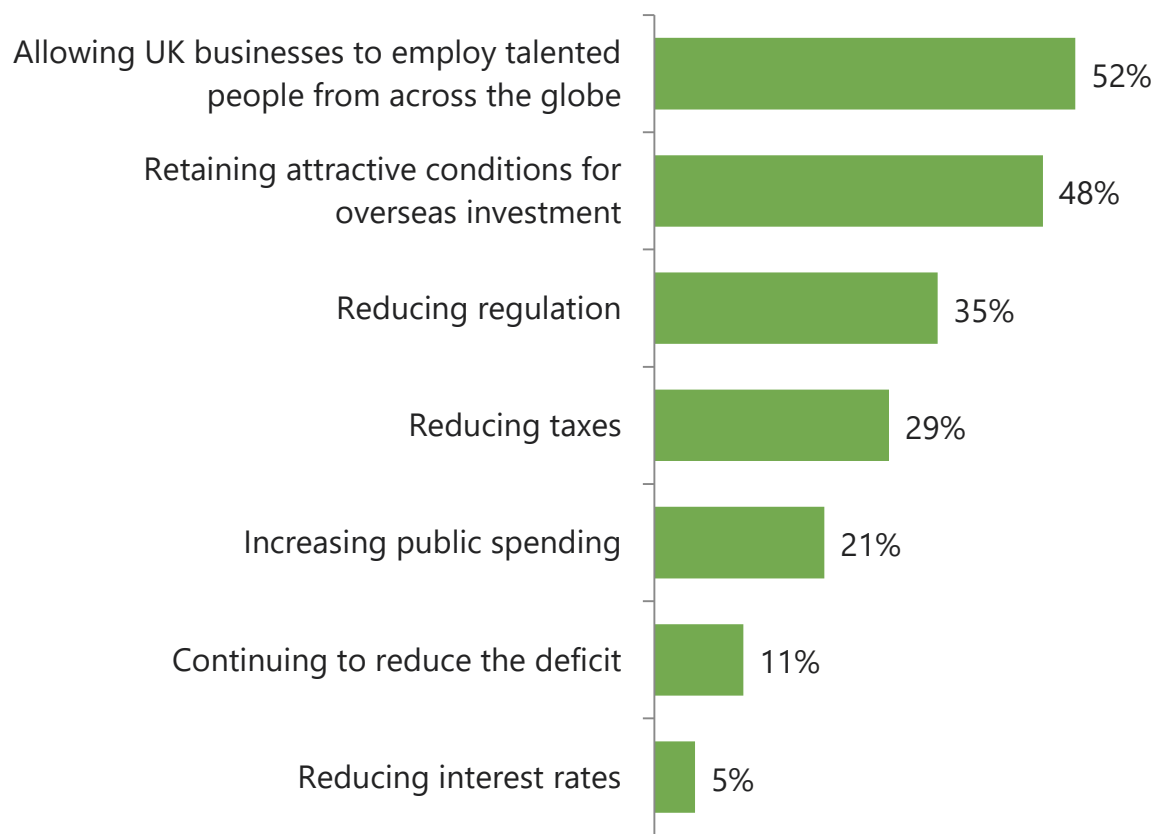


Base: All (200)

Domestically, the most important issue for policy makers is enabling employment of talented people from overseas

Domestically, what other strategies should policymakers prioritise to aid businesses in the wake of the vote to leave the EU? [first and second most important combined]

■ % Important



↑ More likely to mention if; company headcount of 21-50 (67%) or concerned about the availability of high-skilled workers (63%)

↓ Those with company headcount of 51-500 are less likely to say this is a priority (39%)

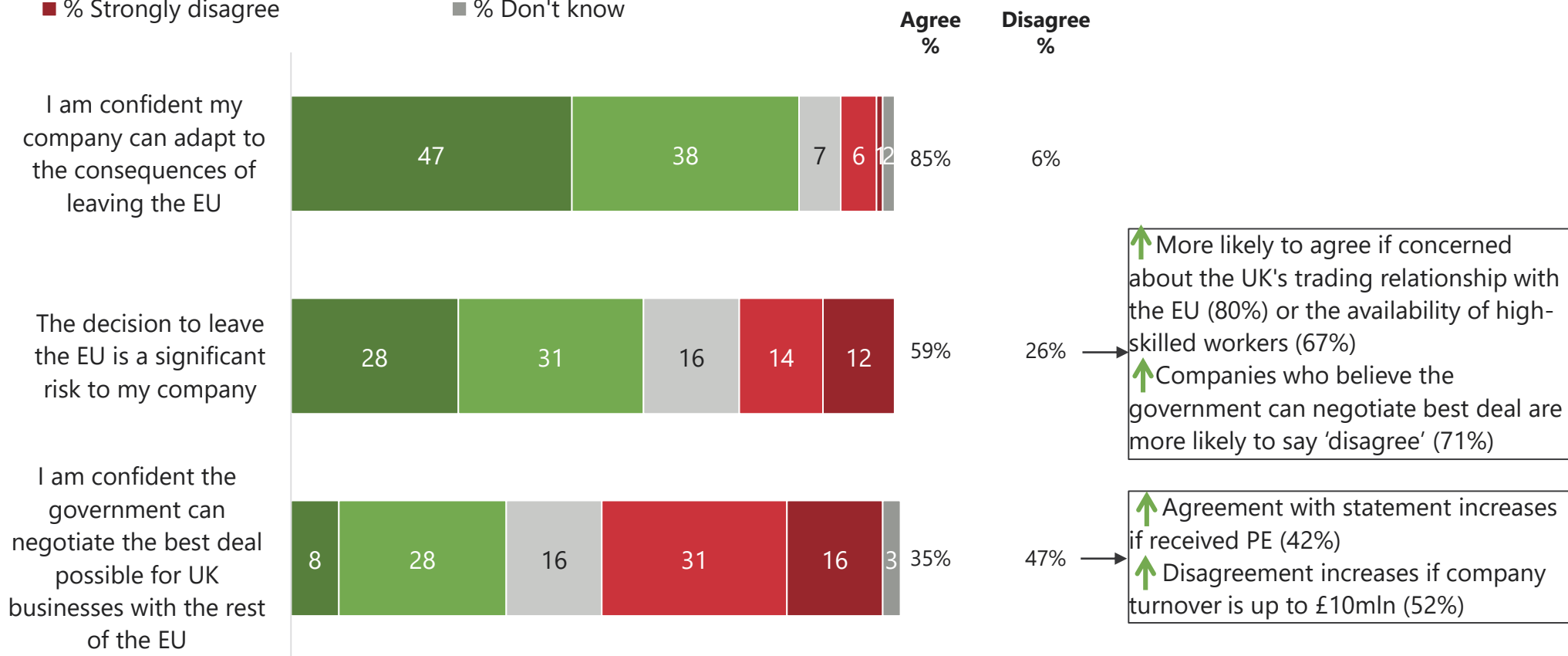
↑ Companies that are optimistic about expanding into new international markets are more likely to say both employing talented people (61%) and attractive investment conditions (54%) are important

Base: All (200)

Despite concern around leaving the EU, the vast majority of businesses are confident they can adapt

To what extent do you agree or disagree with the following statements about the UK's relationship with the EU?

- % Strongly agree
- % Tend to agree
- % Neither agree nor disagree
- % Tend to disagree
- % Strongly disagree
- % Don't know



Base: All (200)

Methodology

Background:

- Ipsos MORI was commissioned by BVCA to conduct a study to measure economic optimism among British businesses backed by private equity or venture capital investment following the UK's decision to leave the EU.

Objectives:

- Measure the economic outlook among private equity and venture capital backed companies
- Examine areas of business optimism and concern
- Explore the impact of Brexit and the strategies that policymakers should prioritise when making a deal to leave the EU

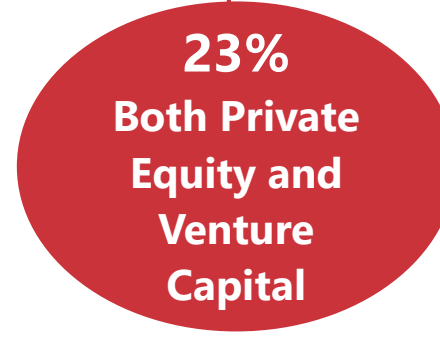
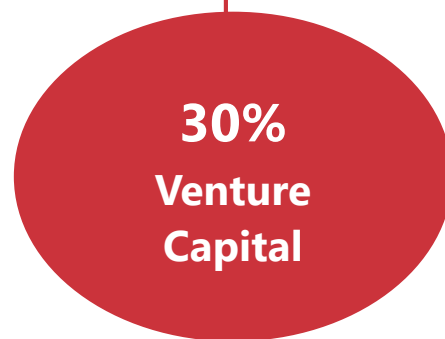
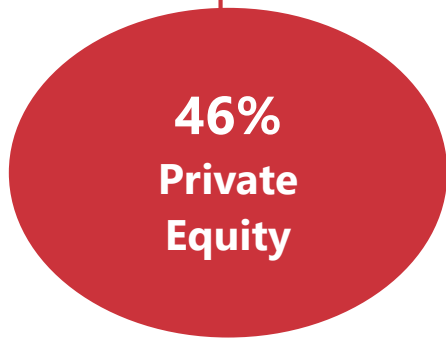
Methodology:

- An invitation email was sent in advance of the research to the key decision makers of companies that have received private equity or venture capital investment; this was followed up by specialist interviewers who conducted a 10 minute quantitative telephone interview
- A total of 200 businesses participated in the research: 92 companies backed by private equity, 60 businesses with venture capital investment and 46 companies backed by both private equity and venture capital
- Fieldwork was completed 15th August – 16th September
- In appreciation of their time and participation respondents were given an option to make a donation of £25 to the charity of their choice

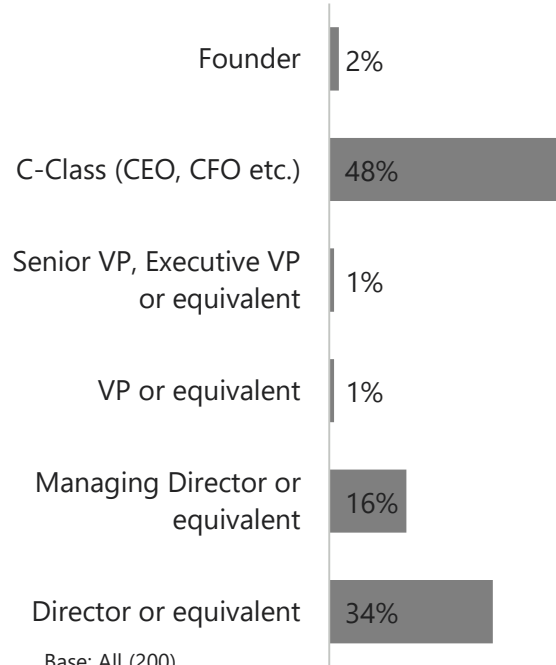
Comparison with the Wave 1 data:

- At times in the report we make comparisons with 'Wave 1' data. Wave 1 took place between Dec 2015-Jan 2016 and gathered data among 200 businesses backed by private equity and venture capital. The current study being reported is Wave 2 of the BVCA economic optimism study.
- Several questions on economic optimism are consistent across both waves and this is where comparisons are made.
- It should be noted that the sample profile was very similar between Wave 1 and Wave 2, particularly on aspects that influence economic optimism: turnover, company size and type of investment received (see appendix). No weighting has been applied to either set of figures reported.

Can I confirm that your business has been backed by

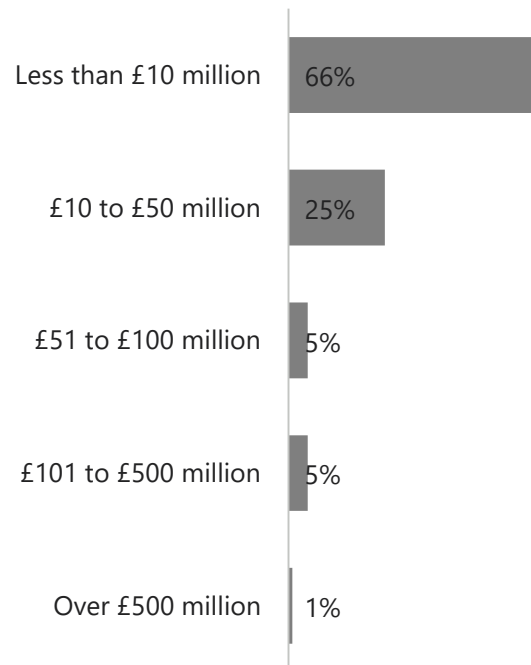


Can I please confirm your title/role at your organisation?



Base: All (200)

What was the approximate turnover of your business in the last financial year?



What is your overall company headcount?

