







Business confidence remains high, but the EU Referendum is now seen as the greatest potential risk to small and mid-cap quoted companies' businesses.

Small and mid-cap quoted companies are forecasting strong growth whatever the outcome of the EU referendum, according to the latest Pulse survey.

Companies continue to be optimistic about their own business prospects. Since the last survey was conducted in September 2015, net optimism has increased from +19% to +28%. Staff hiring intentions remain high with 66% of small and mid-cap quoted companies intending to recruit staff over the next 12 months. If this is followed through, workforces could increase up to 8%. Sales forecasts by small and mid-cap quoted companies for the next 12 months are at a near record level, with expected turnover set to grow 15.7%.

However, the EU Referendum is now the greatest potential risk to small and mid-cap quoted companies' businesses. This has led to the confidence of both companies (61.8% to 54.4%) and advisers (63.1% to 54.2%) in the UK economy falling sharply, and is likely to continue until a clear result is forthcoming. This view of the economy may well be a reflection of the frequently mentioned "fear factor" that is dominating media headlines. Net optimism about the UK economy has plummeted from -18% to -55% among companies.

Tim Ward, Chief Executive of the Quoted Companies Alliance said: "Whatever the outcome of major political events, such as the UK referendum, it seems that small and mid-cap quoted companies will just get on with running their businesses. The majority see some benefit in staying in the EU rather than leaving. Most are preparing for either eventuality."

Scott Knight, Partner at BDO LLP said: "It's good to see that growth plans are evident amongst small and mid-cap quoted companies, with near record levels of new job expectations and sales forecasts. This bodes well for the sector, whatever the outcome of the EU referendum."

Despite the uncertainty caused by the UK referendum, a consistent proportion (48%) of companies intend to raise capital over the next 12 months. With access to capital essential for fuelling the growth of companies, it is encouraging to be told that companies do not think that it is becoming more difficult to raise money.

There are evolving sentiments about the EU since the last survey; 55% of companies in our last survey believed UK membership of the EU had either a strong or slightly positive impact on their business, compared to just 43% who feel the same this time. Companies believing that there is a negative impact from EU membership have increased from 9% to 20%.

Scott Knight said: "Whilst fewer small and mid-cap quoted companies think that the EU benefits their businesses, there is a majority who still believe this. There is an increase in numbers of companies thinking that it has a negative impact and we are beginning to see a polarisation of views."

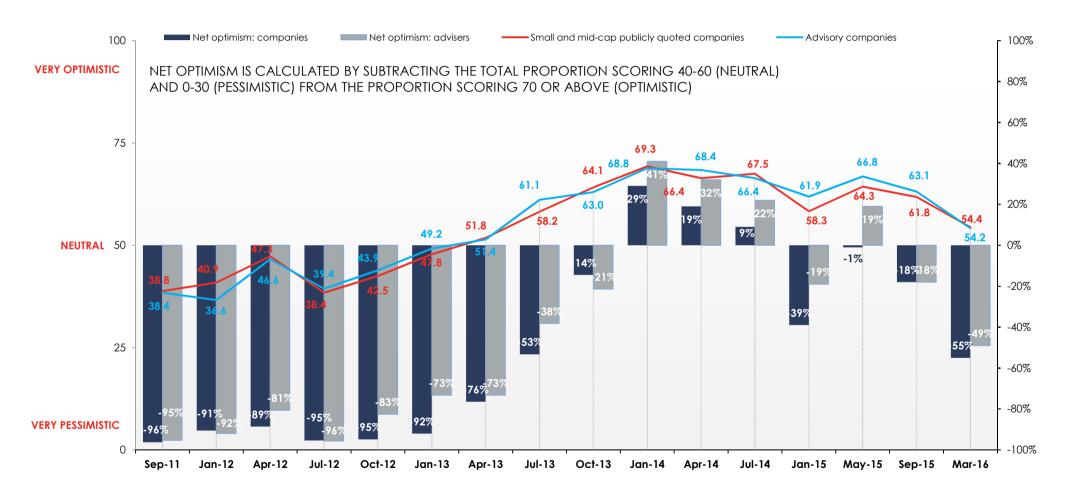
Tim Ward added: "Now that the renegotiation has taken place, most small and midcap quoted companies (62%) tell us that remaining under the recently negotiated terms would be the most beneficial to their businesses, while 17% believe that leaving the European Union completely would be the best option. We should be mindful that there remains a minority (22%) who are yet to make up their minds."

There is a high level of preparation ahead of the vote with most small and mid-cap quoted companies devoting some resources to prepare their business for a possible exit; 79% of companies have made some form of preparations, with 53% seeing themselves as being very or reasonably prepared.

The QCA/BDO Small and Mid-Cap Sentiment Index by BDO LLP and the Quoted Companies Alliance (QCA) is a triannual survey across the small and mid-cap quoted company sector. PULSE is the report of the survey results.

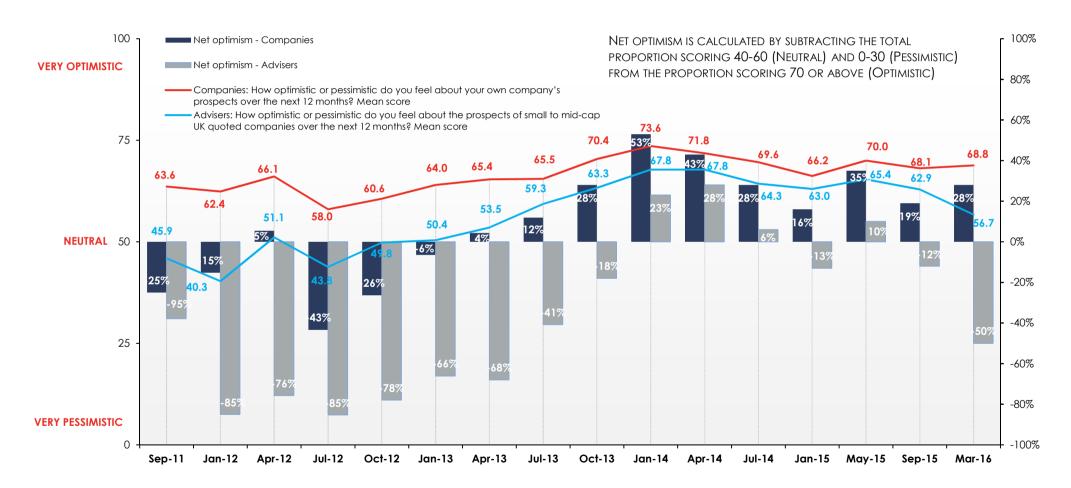
The PULSE report is based upon 182 online interviews (113 small and mid-cap quoted companies and 69 advisory companies). It was conducted between 4th and 21st March 2016 by the research company YouGov. Please note that the scores in this report may not add up to exactly 100% due to rounding. The margin for error for the survey is +/- 8%.

How optimistic or pessimistic do you feel about the UK economy over the coming 12 months?



BASE: SEP 11: 100; JAN 12: 150; APR 12: 132; JUL 12: 136; OCT 12: 114; JAN 13: 137; APR 13: 125; JUL 13: 113; OCT 13, 133; JAN 14, 127; APR 14, 107; JUL 14, 119; JAN 15, 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; SEP 11: 64; JAN 12: 87; APR 12: 103; JUL 12: 68; OCT 12: 86; JAN 13: 112; APR 13: 97; JUL 13: 76; OCT 13, 89; JAN 14, 88; APR 14, 73; JUL 14, 78; JAN 15, 69; MAY 15, 73; SEP 15, 92; MAR 16, 69 ADVISORY COMPANIES

Optimism/Pessimism toward business prospects.



BASE: SEP 11: 100; JAN 12: 150; APR 12: 132; JUL 12: 136; OCT 12: 114; JAN 13: 137; APR 13: 125; JUL 13: 113; OCT 13, 133; JAN 14, 127; APR 14, 107; JUL 14, 119; JAN 15, 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; SEP 11: 64; JAN 12: 87; APR 12: 103; JUL 12: 68; OCT 12: 86; JAN 13: 112; APR 13: 97; JUL 13: 76; OCT 13, 89; JAN 14, 88; APR 14, 73; JUL 14, 78; JAN 15, 69; MAY 15, 73; SEP 15, 92; MAR 16, 69 ADVISORY COMPANIES

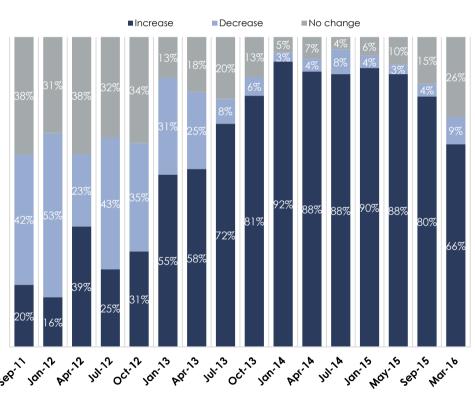
Expectations regarding job growth

SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES

Q. DO YOU EXPECT THE NUMBER OF FULL TIME EMPLOYEES IN YOUR BUSINESS TO INCREASE OR DECREASE OVER THE NEXT 12 MONTHS?

ADVISORY COMPANIES

Q. DO YOU EXPECT THE NUMBER OF FULL TIME EMPLOYEES IN SMALL TO MID-CAP UK QUOTED COMPANIES TO INCREASE OR DECREASE OVER THE NEXT 12 MONTHS?



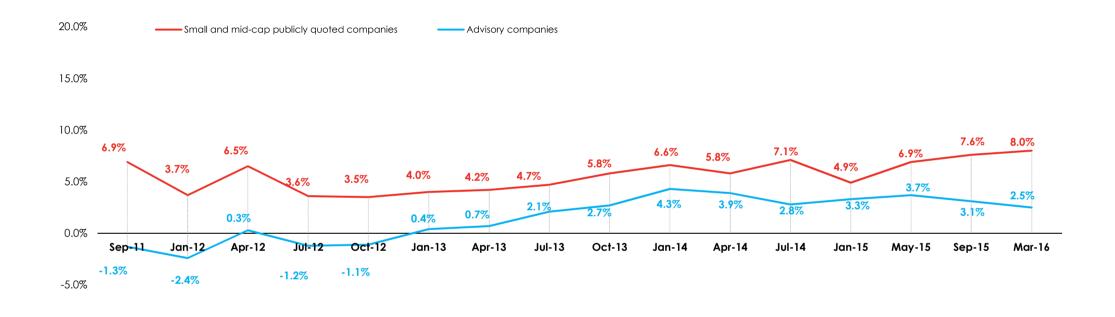
BASE: SEP 11: 100; JAN 12: 150; APR 12: 132; JUL 12: 136; OCT 12: 114; JAN 13: 137; APR 13: 125; JUL 13: 113; OCT 13, 133; JAN 14, 127; APR 14, 107; JUL 14, 119; JAN 15, 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; SEP 11: 64; JAN 12: 87; APR 12: 103; JUL 12: 68; OCT 12: 86; JAN 13: 112; APR 13: 97; JUL 13: 76; OCT 13, 89; JAN 14, 88; APR 14, 73; JUL 14, 78; JAN 15, 69; MAY 15, 73; SEP 15, 92; MAR 16, 69 ADVISORY COMPANIES

Mean expected employment change over the next 12 months

-10.0%

-15.0%

-20.0%



BASE: SEP 11: 100; JAN 12: 150; APR 12: 132; JUL 12: 136; OCT 12: 114; JAN 13: 137; APR 13: 125; JUL 13: 113; OCT 13, 133; JAN 14, 127; APR 14, 107; JUL 14, 119; JAN 15, 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; SEP 11: 64; JAN 12: 87; APR 12: 103; JUL 12: 68; OCT 12: 86; JAN 13: 112; APR 13: 97; JUL 13: 76; OCT 13, 89; JAN 14, 88; APR 14, 73; JUL 14, 78; JAN 15, 69; MAY 15, 73; SEP 15, 92; MAR 16, 69 ADVISORY COMPANIES

PULSE | THE SMALL AND MID-CAP SENTIMENT INDEX

ISSUE 16, SPRING 2016

Mean expected turnover change over the next 12 months

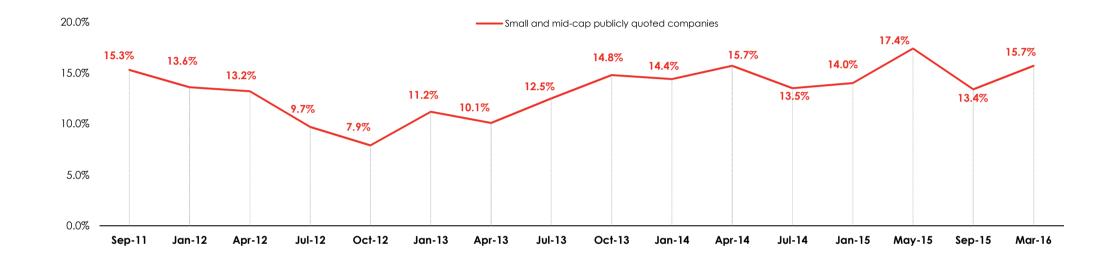
Small and mid-cap companies only (not asked to advisers)

-5.0%

-10.0%

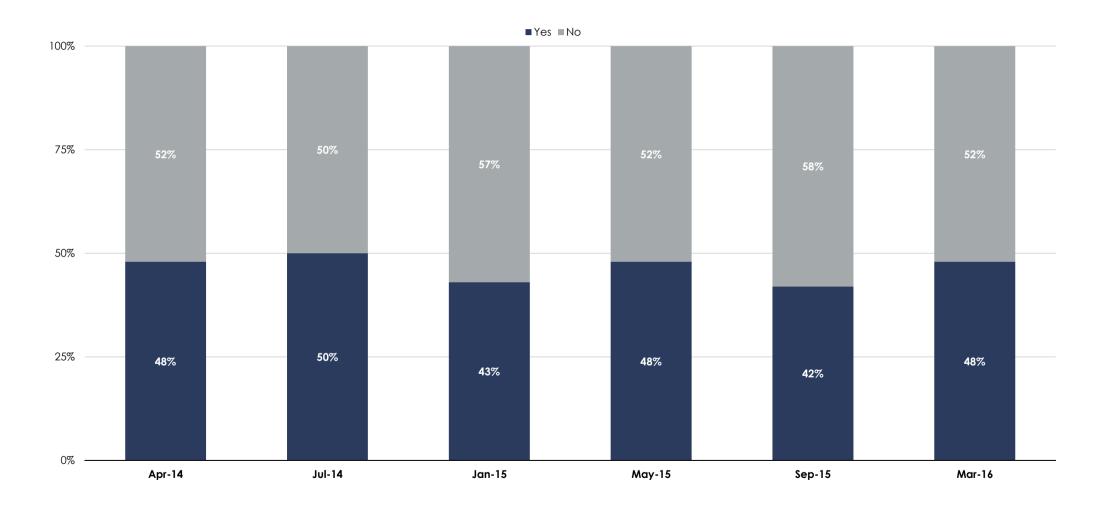
-15.0%

-20.0%



BASE: SEP 11: 100; JAN 12: 150; APR 12: 132; JUL 12: 136; OCT 12: 114; JAN 13: 137; APR 13: 125; JUL 13: 113; OCT 13, 133; JAN 14, 127; APR 14, 107; JUL 14, 119; JAN 15, 133; MAY 15, 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES

Are you considering raising capital for your company in the next 12 months?

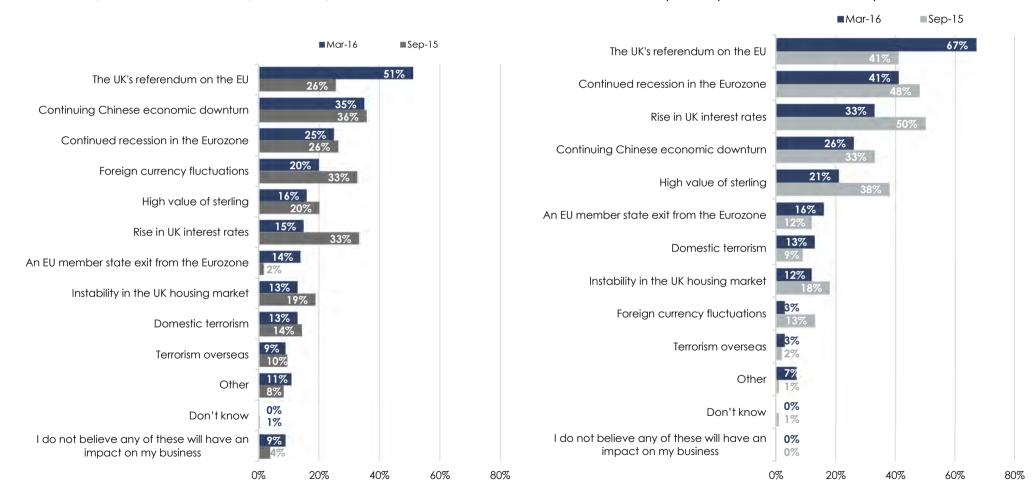


BASE: APR 14, 107; JUL 14, 119; JAN 15, 133; MAY 15 133; SEP 15, 125; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES;

Which of the following external shocks or events, if any, do you think pose the greatest potential risk to your business/small and mid-cap UK quoted companies?

Risks to your business – companies responses

Risks to small & mid cap companies – advisers responses

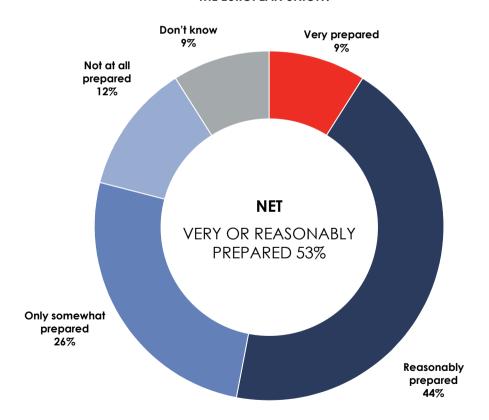


BASE: SEP 15, 109; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; SEP 15, 85; MAR 16, 69 ADVISERS

Preparation for Brexit

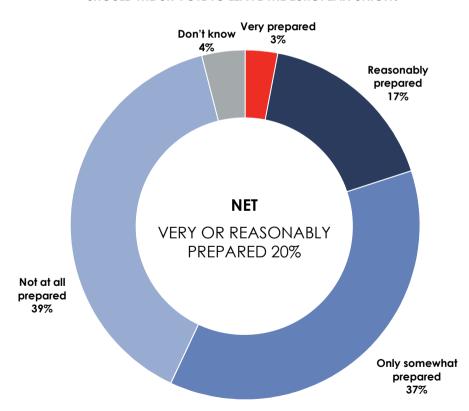
COMPANIES

Q. HOW PREPARED IS YOUR BUSINESS SHOULD THE UK VOTE TO LEAVE THE EUROPEAN UNION?



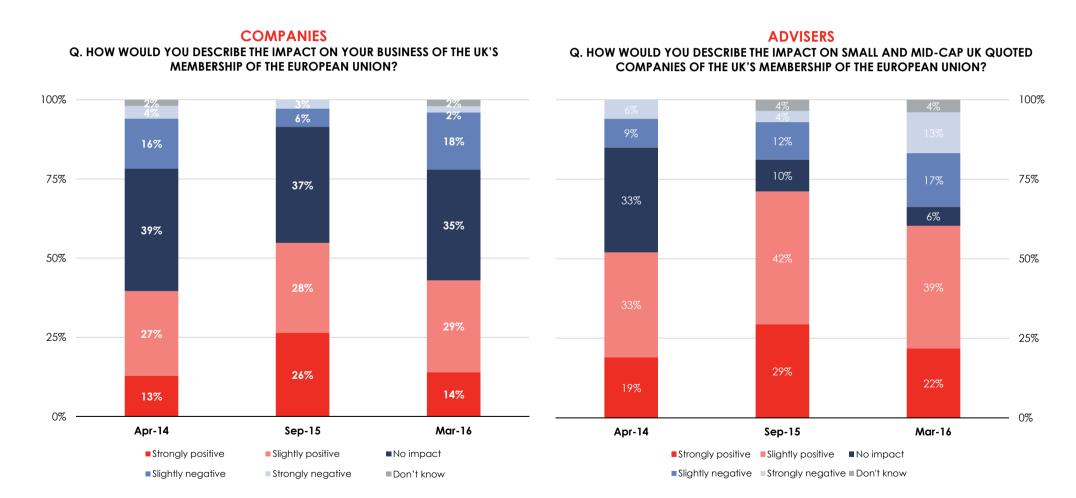
ADVISERS

Q. HOW PREPARED DO YOU THINK SMALL AND MID-CAP UK QUOTED COMPANIES ARE SHOULD THE UK VOTE TO LEAVE THE EUROPEAN UNION?



BASE: 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; 69 ADVISERS, MAR 16

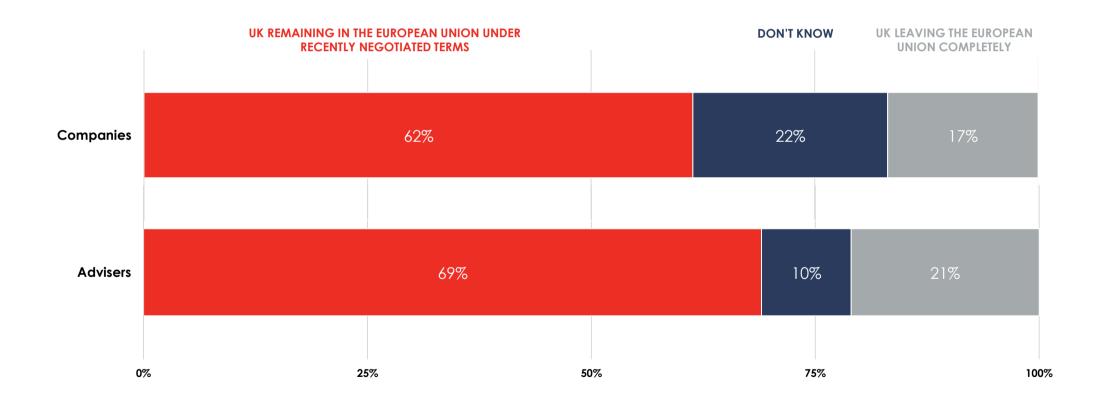
Impact of UK's membership of the European Union



BASE: APR 14, 107, SEP 15, 109; MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; APR 14, 73; SEP 15, 85; MAR 16, 69 ADVISERS

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Which of the following scenarios do you feel would be most beneficial to your business/small and mid-cap businesses?



BASE: MAR 16, 113 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES; 69 ADVISERS

Methodology

The QCA/BDO Small and Mid-Cap Sentiment Index by BDO LLP and the Quoted Companies Alliance (QCA) is a triannual survey across the small and mid-cap quoted company sector. PULSE is the report of the survey results.

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The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. It is a company limited by augrantee registered in England under number 4025281.

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