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What the world thinks

QCA Small and Mid-cap Sentiment Index

WAVE 18, MAY 2017

**QUOTED
COMPANIES
ALLIANCE**

Background

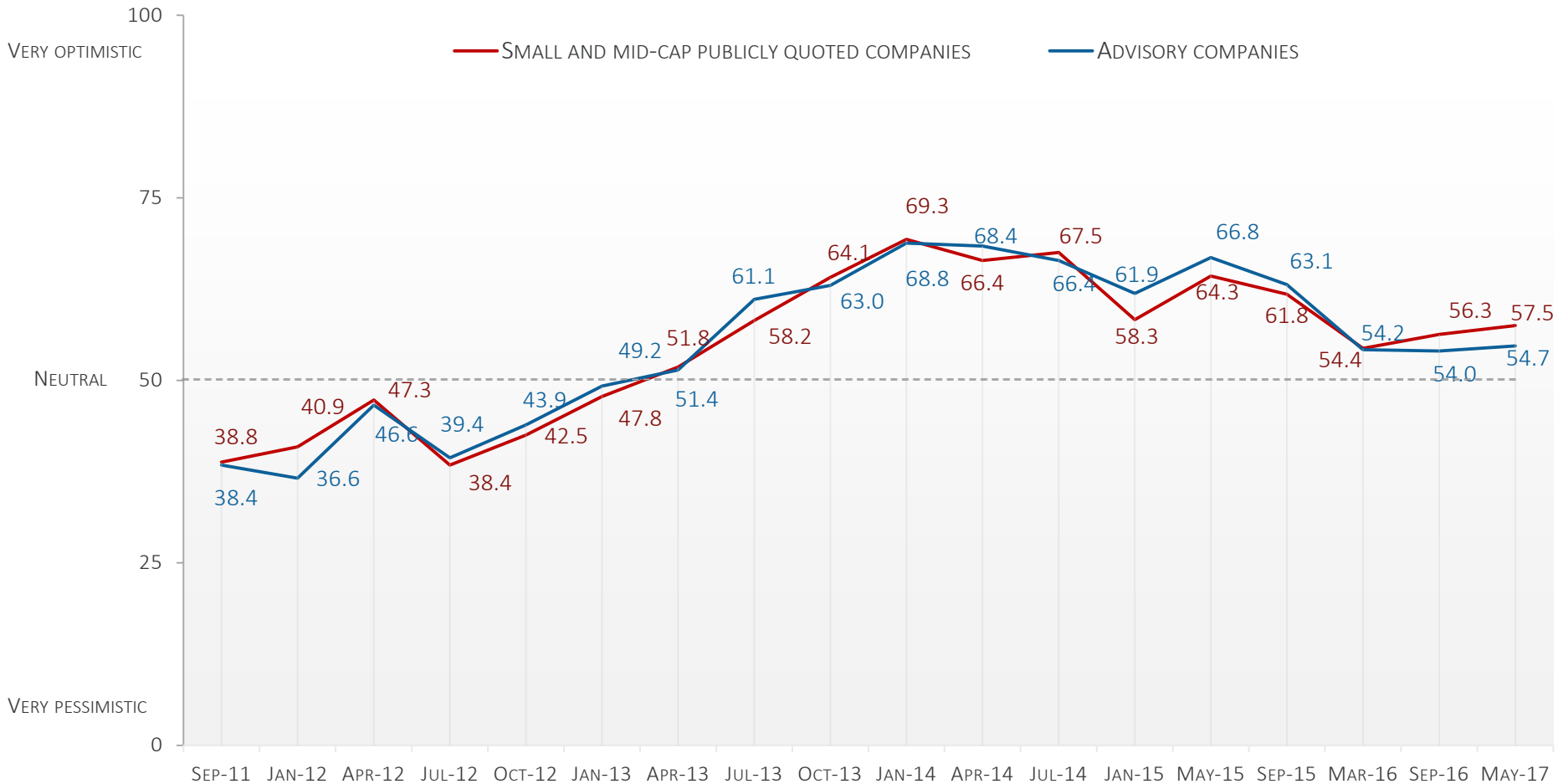
- 157 interviews conducted between 26/04/17 and 11/05/17.
- 105 from small and mid-cap UK quoted companies, 52 from advisory companies.
- Methodology: This survey has been conducted using an online interview administered to members and associates of the QCA. An email was sent to the QCA database, inviting them to take part in the survey and providing a link to it. A link to the survey was also circulated by the QCA to their contacts. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data, but the advisory companies are not weighted in any way.
- Note: Where the percentages for a chart are calculated on bases fewer than 50 respondents these must not be reported as they do not represent a wide enough cross-section of the target population to be considered statistically reliable. These questions and figures will be italicised.

KEY INDICATORS/TRACKERS



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

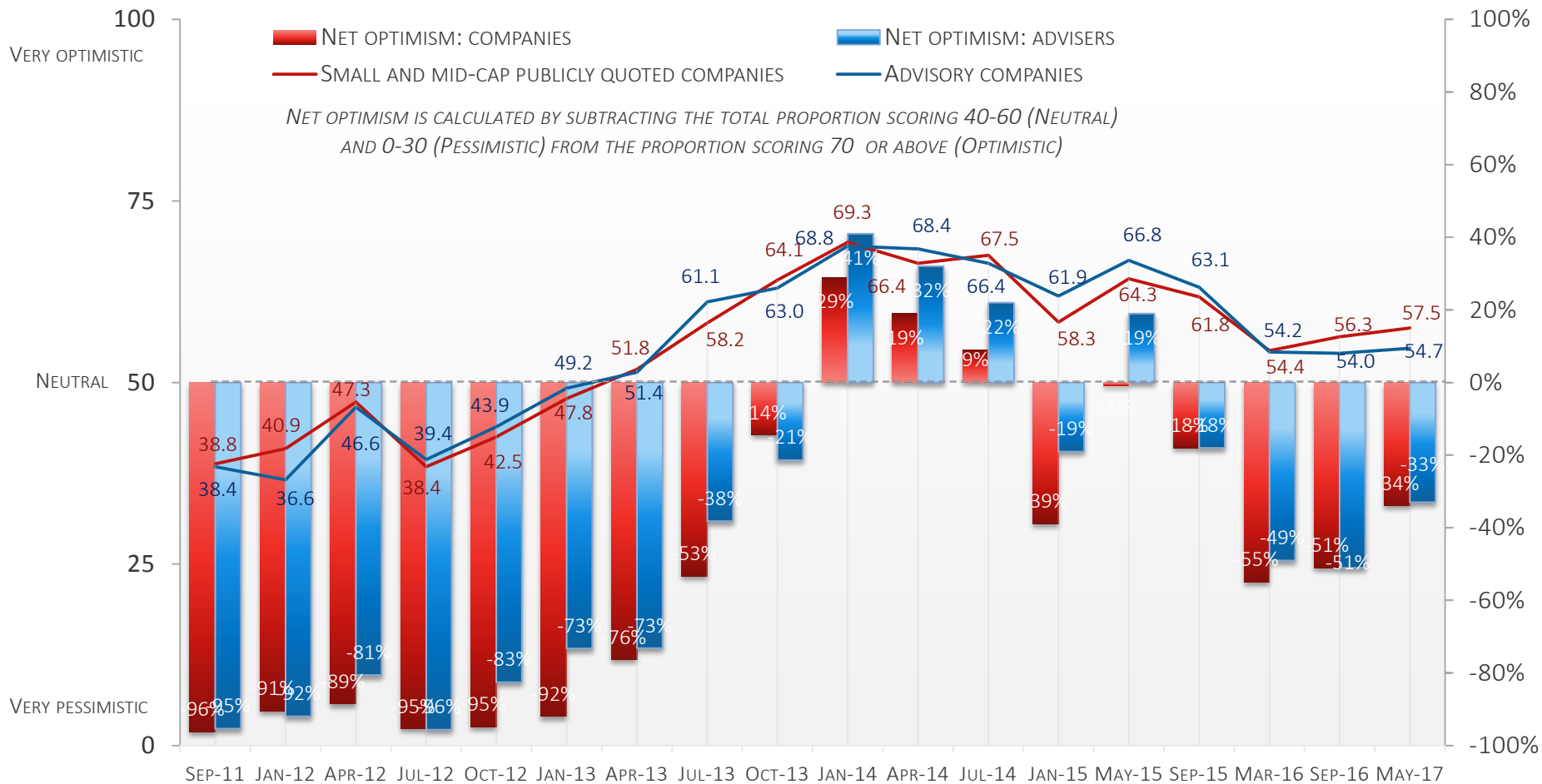
Mean scores (where 0 represents 'very pessimistic', 50 'neutral' and 100 'very optimistic')



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 ; SEP 16,101; MAY 17, 105 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; SEP 16,59; MAY 17, 52 ADVISORY COMPANIES

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

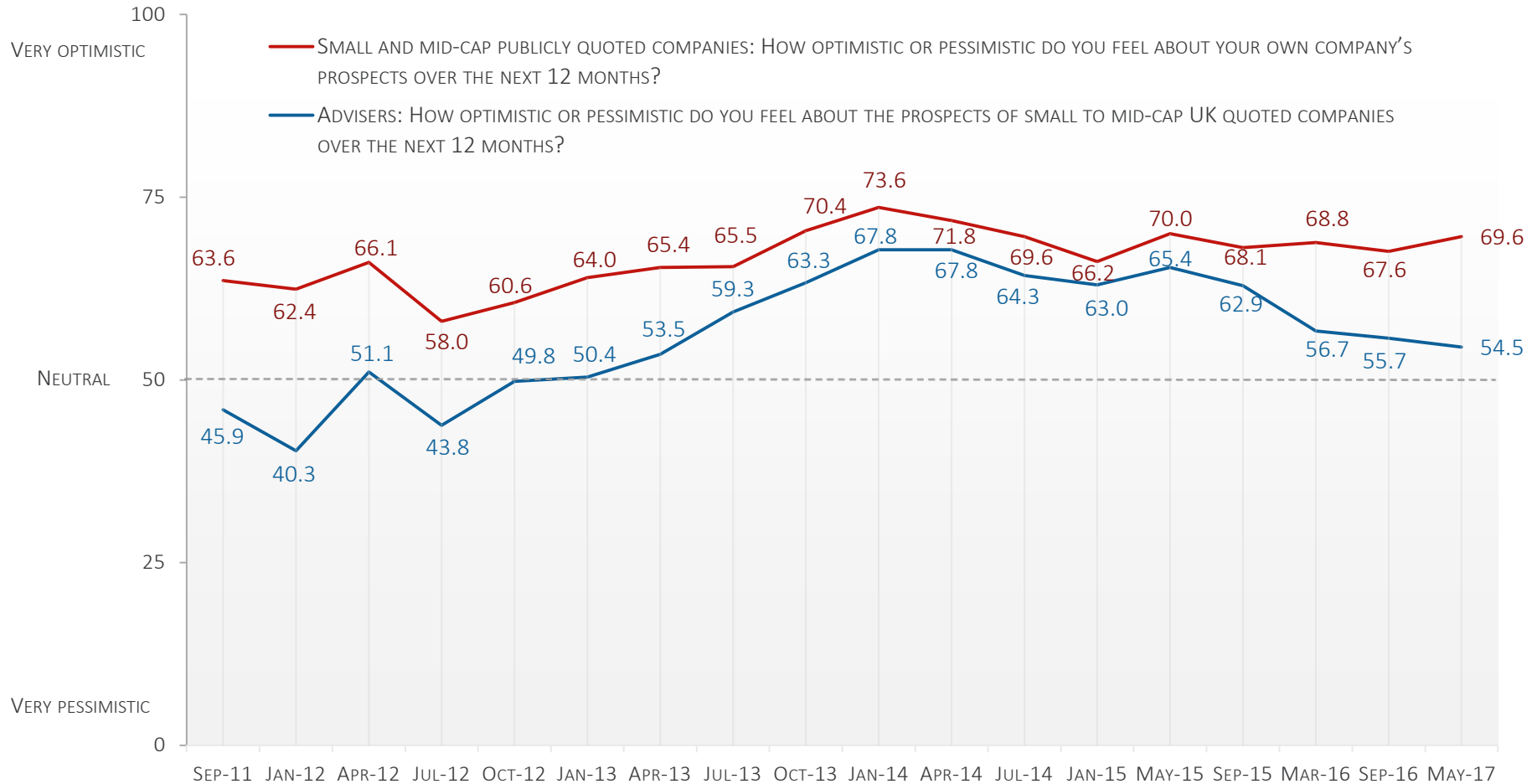
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Optimism/Pessimism toward business prospects.

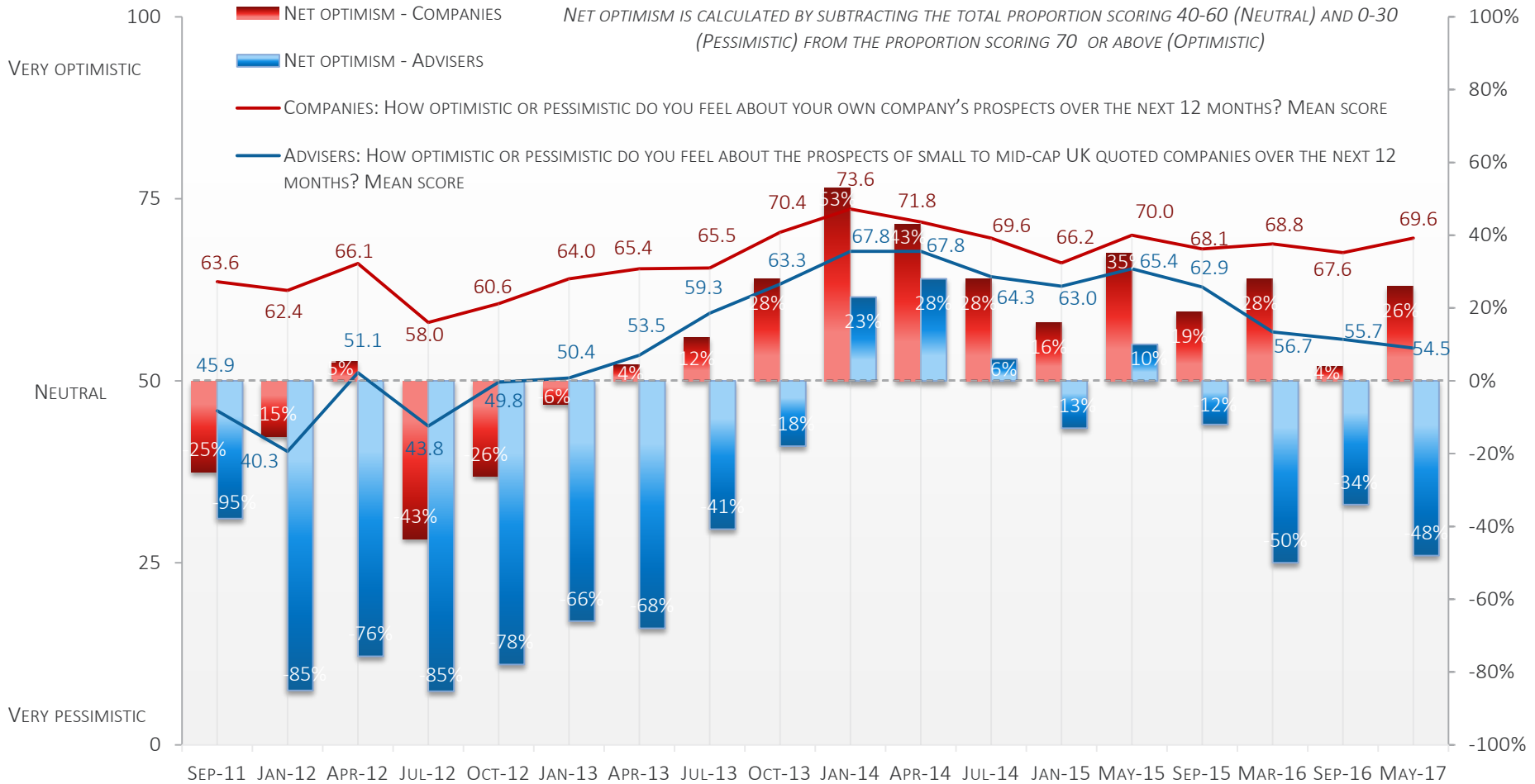
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Optimism/Pessimism toward business prospects.

Mean scores (where 0 represents 'very pessimistic', 50 'neutral' and 100 'very optimistic')



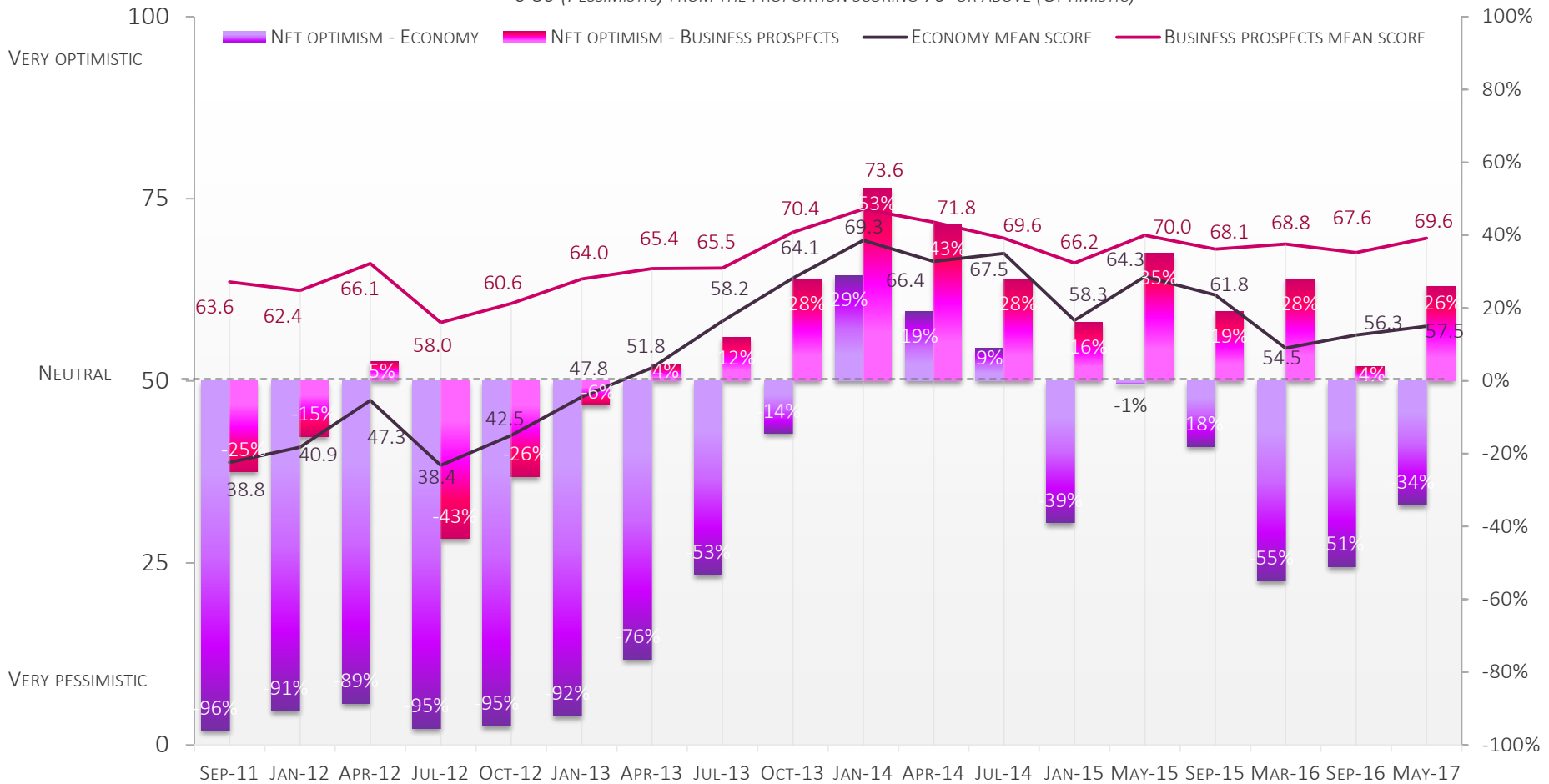
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Optimism/Pessimism: UK economy vs. Business prospects.

Mean scores (where 0 represents 'very pessimistic', 50 'neutral' and 100 'very optimistic')

Small and mid-cap quoted companies only

NET OPTIMISM IS CALCULATED BY SUBTRACTING THE TOTAL PROPORTION SCORING 40-60 (NEUTRAL) AND 0-30 (PESSIMISTIC) FROM THE PROPORTION SCORING 70 OR ABOVE (OPTIMISTIC)

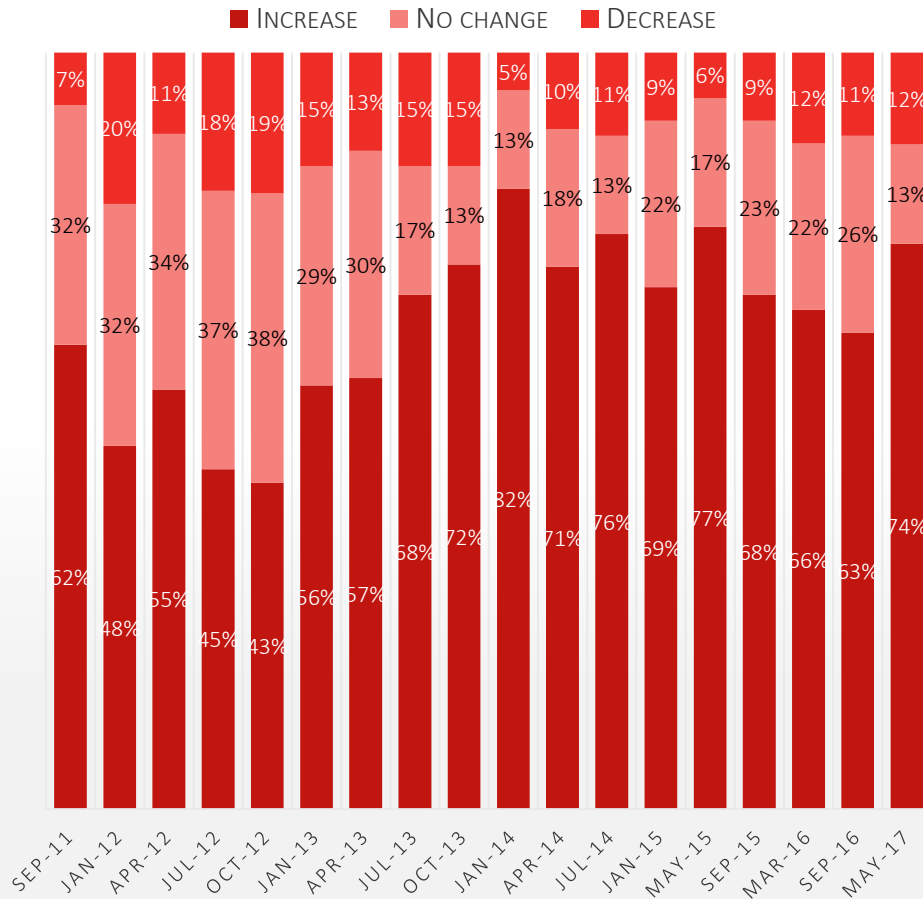


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Expectations regarding job growth

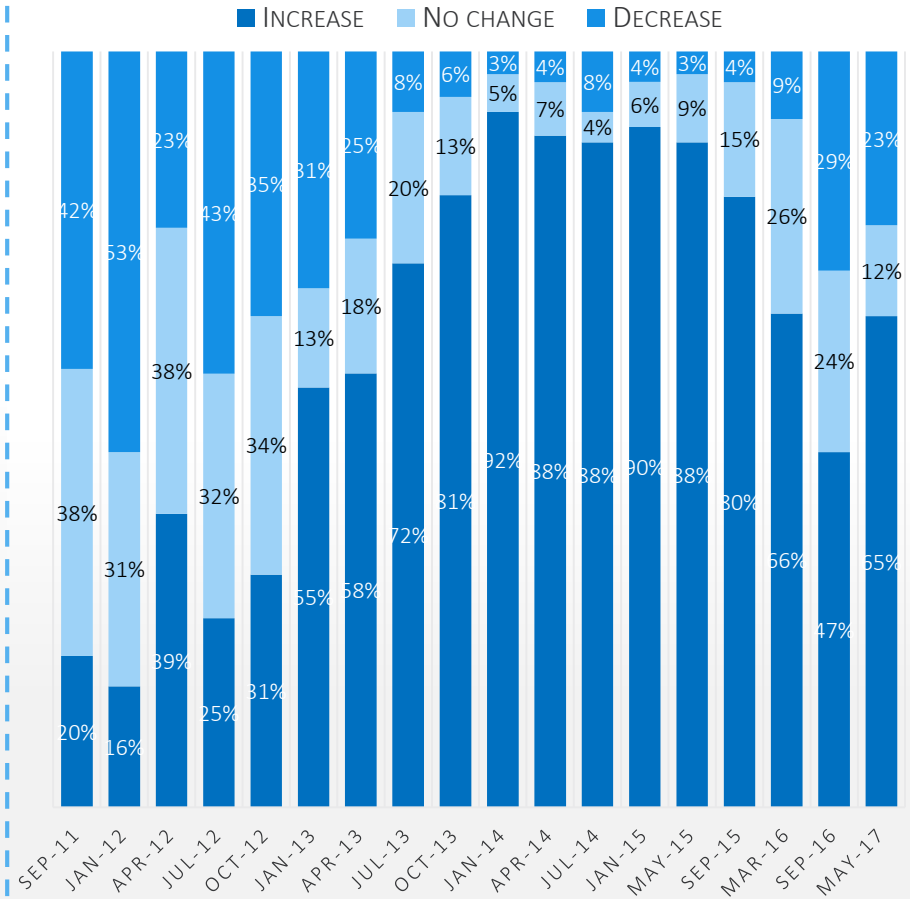
SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES

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



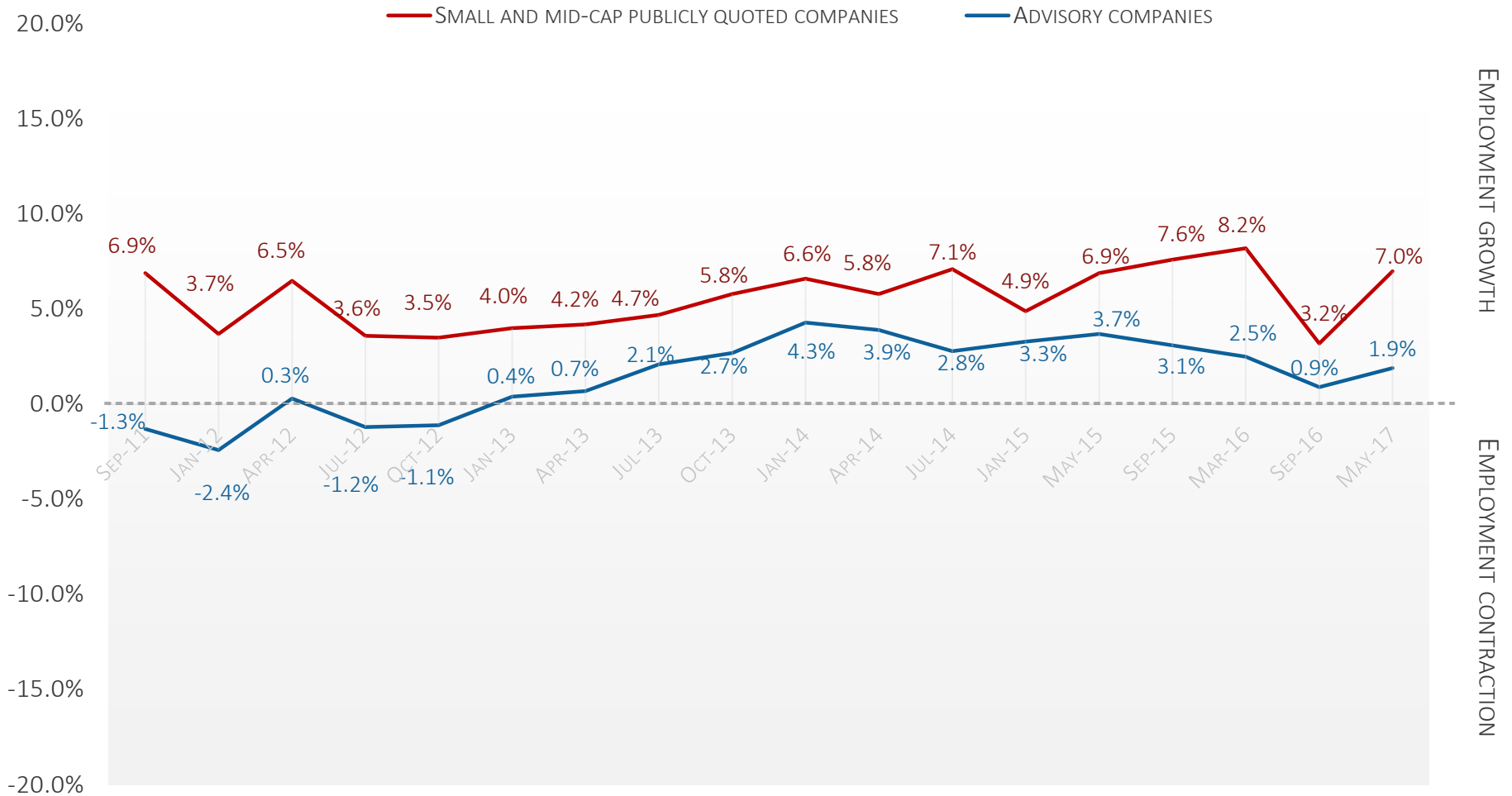
ADVISORY COMPANIES

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; MAY 15, 133; SEP 15, 125; MAR 16, 113; SEP 16, 101; MAY 17, 105 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES;
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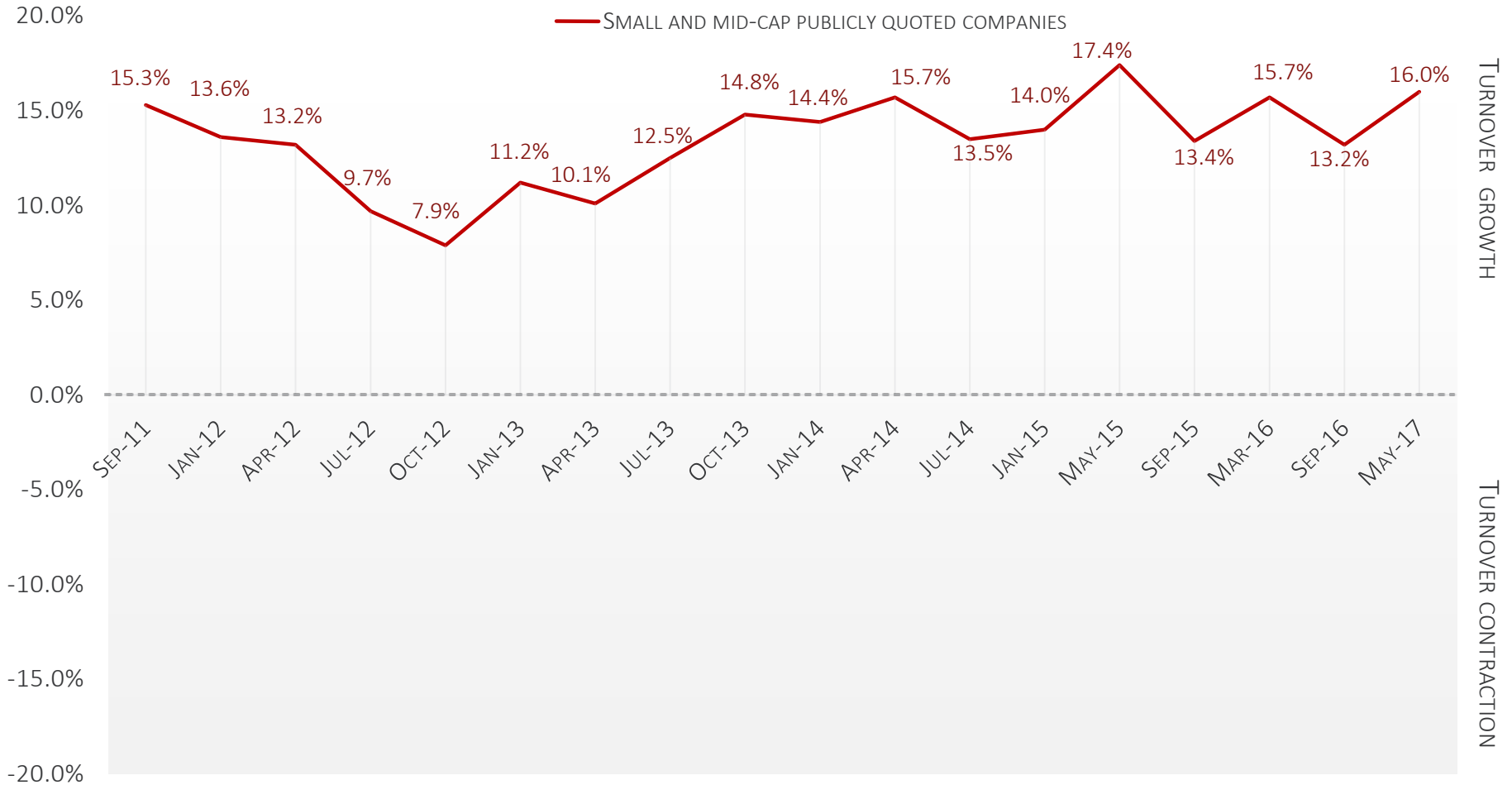
Expectations regarding job growth: Mean expected employment change over the next 12 months



10 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; SEP 16, 101; MAY 17, 105 SMALL AND MID-CAP PUBLICLY QUOTED COMPANIES;
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Expectations regarding turnover: Mean expected turnover change over the next 12 months

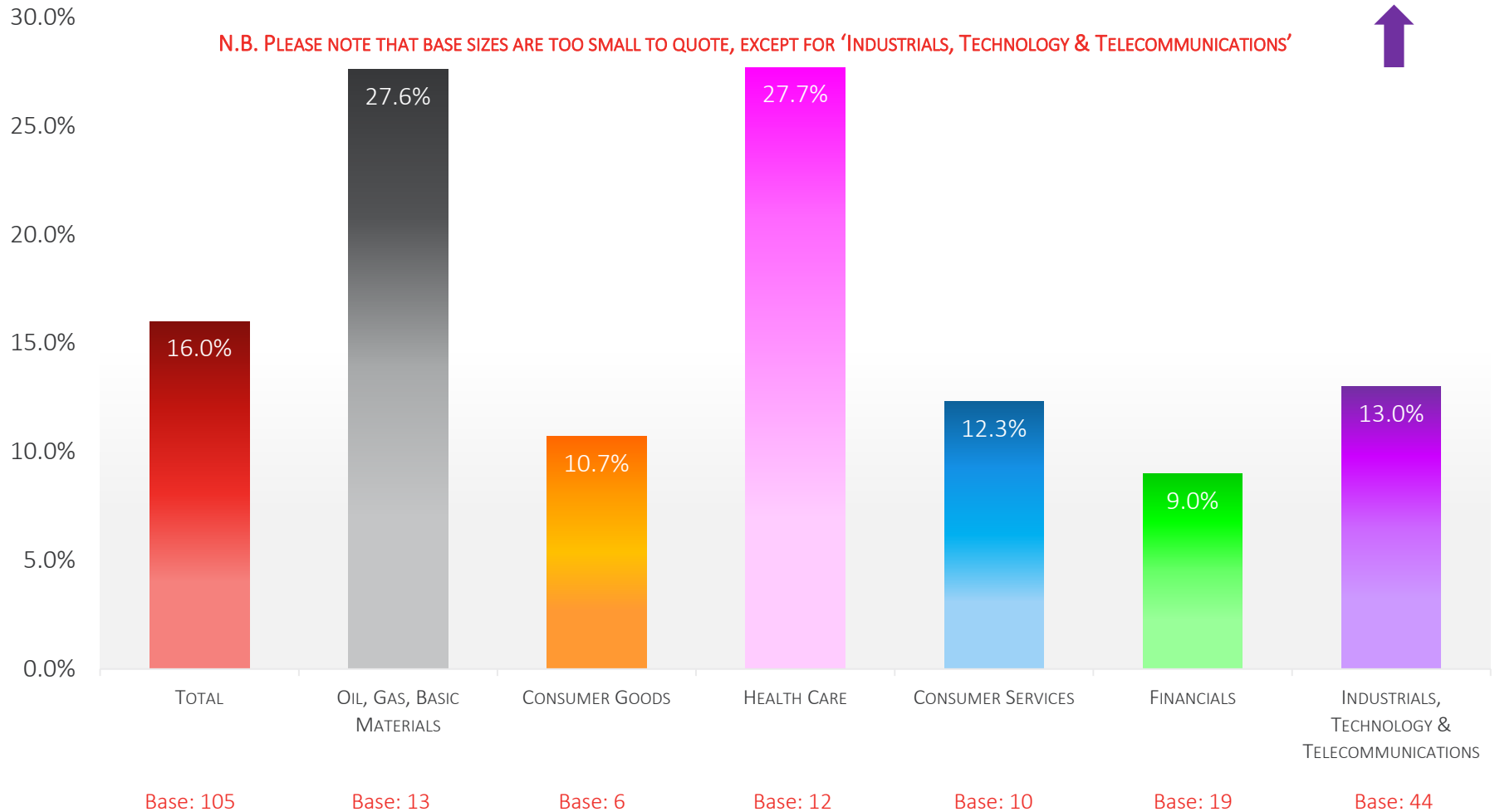
Small and mid-cap companies only (not asked to advisers)



Expectations regarding turnover: Mean expected turnover change over the next 12 months (by sector type)

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

Construction & materials (6): **12.4%**
 Industrial Engineering, metals & transportation (10): **13.5%**
 Support services (8): **8.7%**
 Technology, electricals, telecoms, software (20): **14.6%**

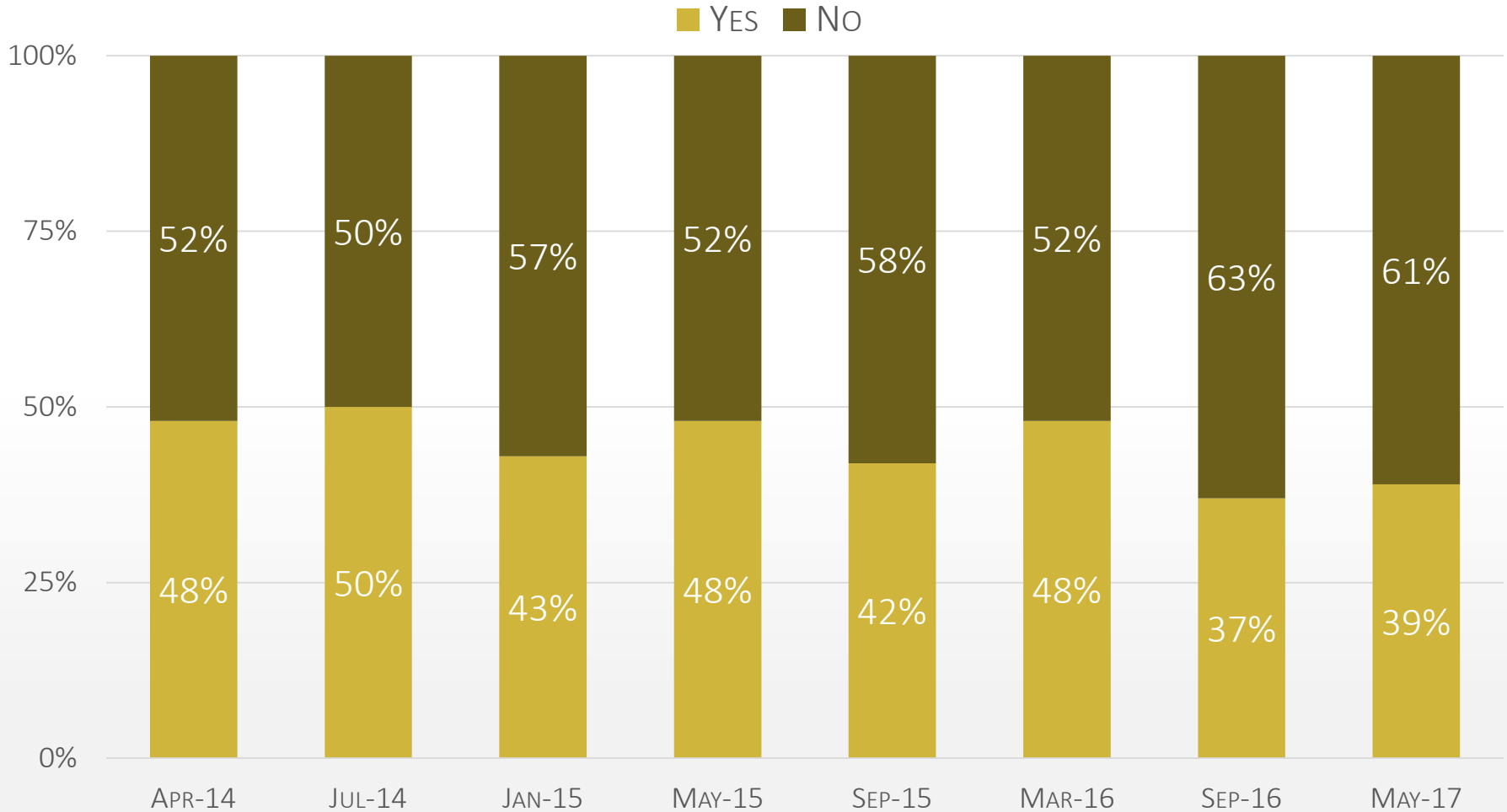


ACCESS TO CAPITAL



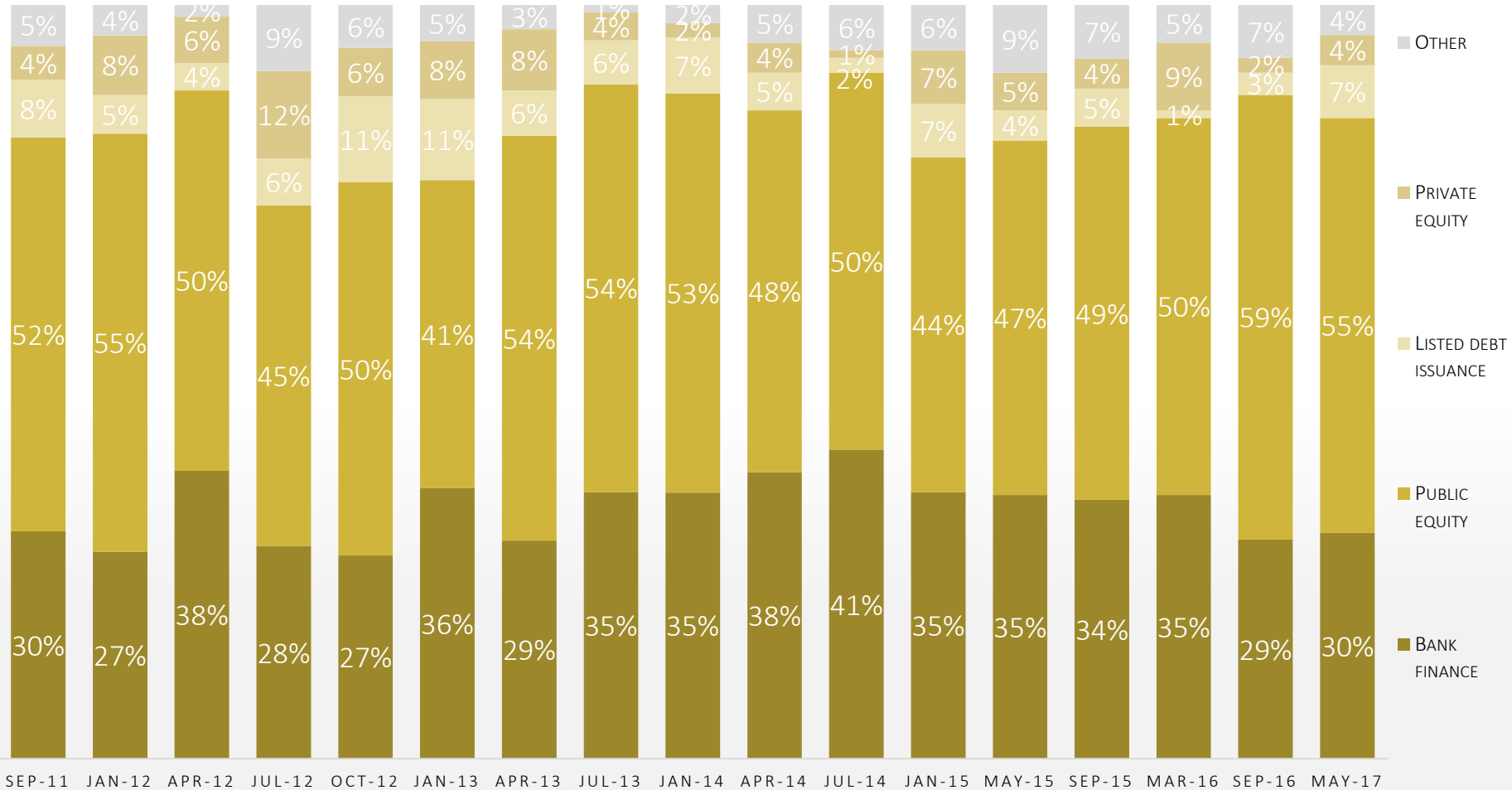
Raising capital for small and mid-caps

ARE YOU CONSIDERING RAISING CAPITAL FOR YOUR COMPANY IN THE NEXT 12 MONTHS?



Raising Capital (small and mid-caps only)

WHAT WOULD BE YOUR PREFERRED WAY OF RAISING CAPITAL, IF THE NEED AROSE IN THE NEXT 12 MONTHS?

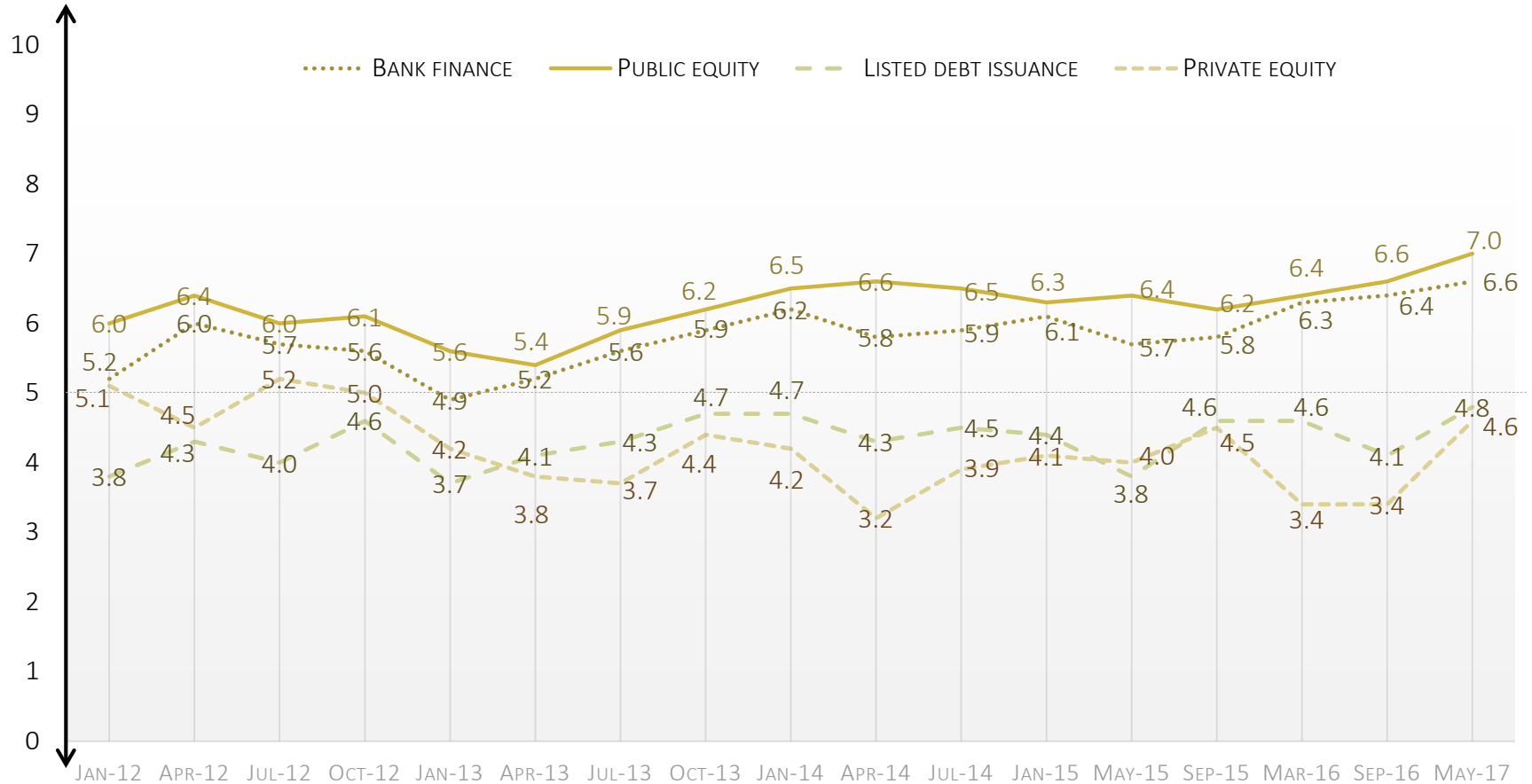


Ease of raising capital for small and mid-caps

HOW EASY OR DIFFICULT WOULD YOUR COMPANY CURRENTLY FIND IT TO RAISE FINANCE THROUGH THE FOLLOWING CHANNELS?

MEAN SCORES - COMPANIES

EXTREMELY EASY

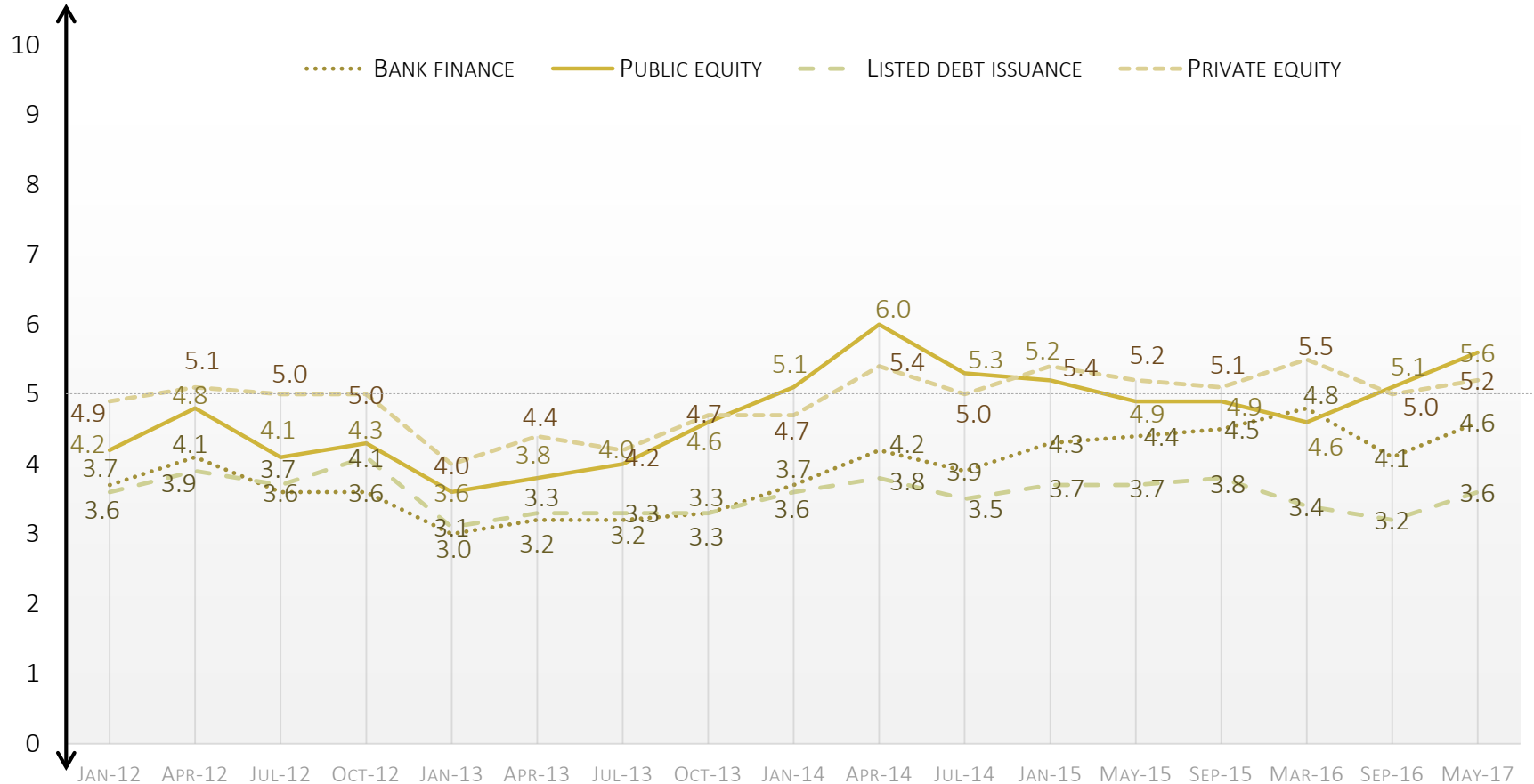


IMPOSSIBLE

Ease of raising capital for small and mid-caps

HOW EASY OR DIFFICULT DO YOU BELIEVE SMALL TO MID-CAP UK QUOTED COMPANIES ARE CURRENTLY FINDING IT TO RAISE FINANCE THROUGH THE FOLLOWING CHANNELS? MEAN SCORES - ADVISERS

EXTREMELY EASY



IMPOSSIBLE

Ease of raising capital for small and mid-caps

HOW EASY OR DIFFICULT WOULD YOUR COMPANY CURRENTLY FIND IT TO RAISE FINANCE THROUGH THE FOLLOWING CHANNELS?

MAY 2017 (SCALE: 0 IMPOSSIBLE - 10 EXTREMELY EASY)

		HARD (0-3)	NEUTRAL (4-6)	EASY (7-10)	DON'T KNOW	MEAN
BANK FINANCE	SMALL/MID CAPS	21%	15%	62%	2%	6.6
	ADVISERS	29%	46%	16%	10%	4.6
PUBLIC EQUITY	SMALL/MID CAPS	8%	20%	68%	5%	7.0
	ADVISERS	13%	46%	35%	6%	5.6
LISTED DEBT ISSUANCE	SMALL/MID CAPS	24%	26%	23%	28%	4.8
	ADVISERS	42%	33%	4%	21%	3.6
PRIVATE EQUITY	SMALL/MID CAPS	32%	24%	26%	18%	4.6
	ADVISERS	17%	40%	31%	12%	5.2

TOPICAL QUESTIONS:
CORPORATE REPUTATION



Importance of Corporate Reputation

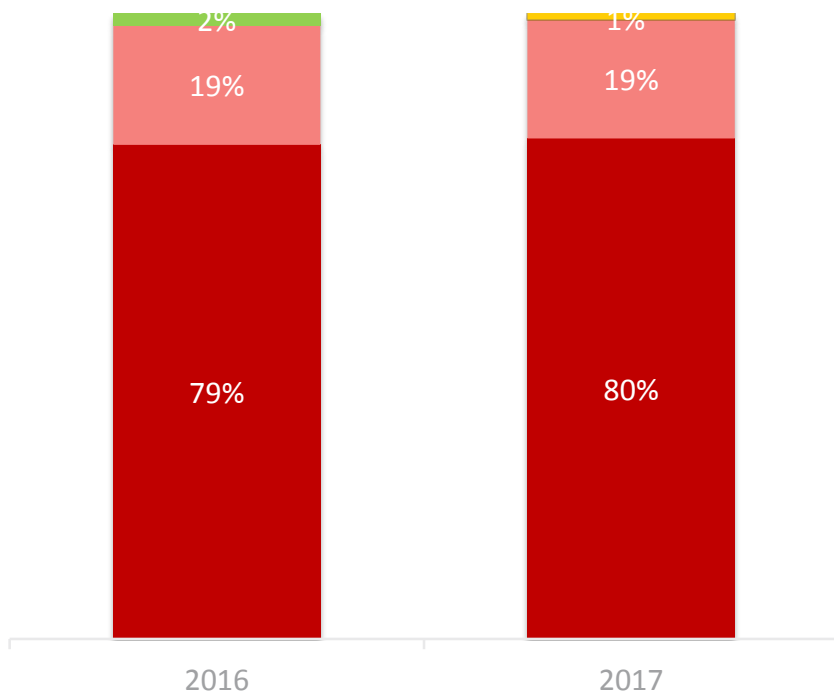
COMPANIES

HOW IMPORTANT IS CORPORATE REPUTATION TO YOUR COMPANY?

■ VERY IMPORTANT
 ■ QUITE IMPORTANT
 ■ NEITHER IMPORTANT NOR UNIMPORTANT

NET: IMPORTANT
98%

NET: IMPORTANT
99%



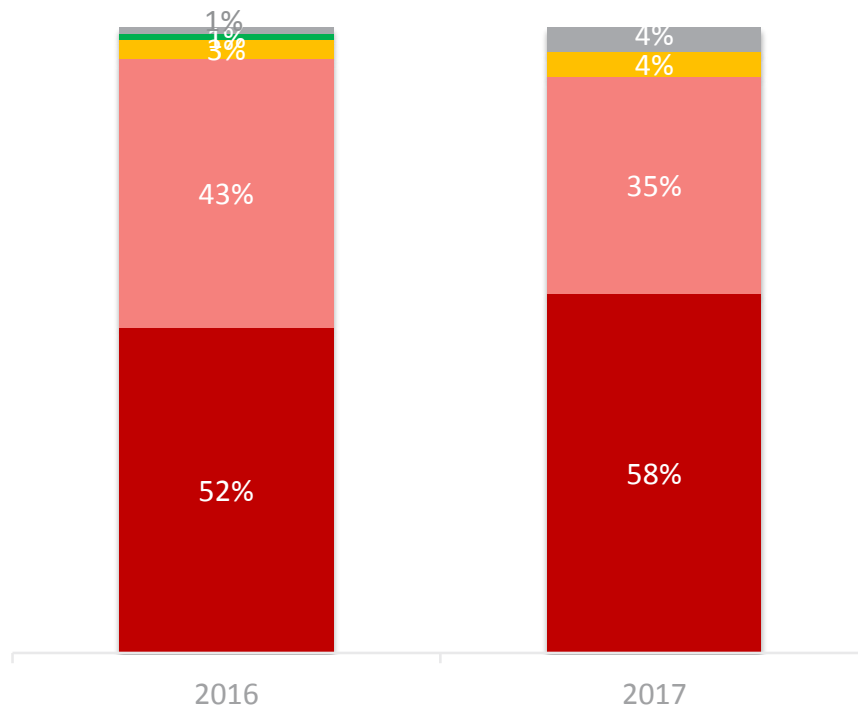
ADVISERS

HOW IMPORTANT IS CORPORATE REPUTATION TO YOUR SMALL AND MID-CAP UK QUOTED COMPANY CLIENTS?

■ QUITE UNIMPORTANT
 ■ VERY UNIMPORTANT
 ■ DON'T KNOW

NET: IMPORTANT
94%

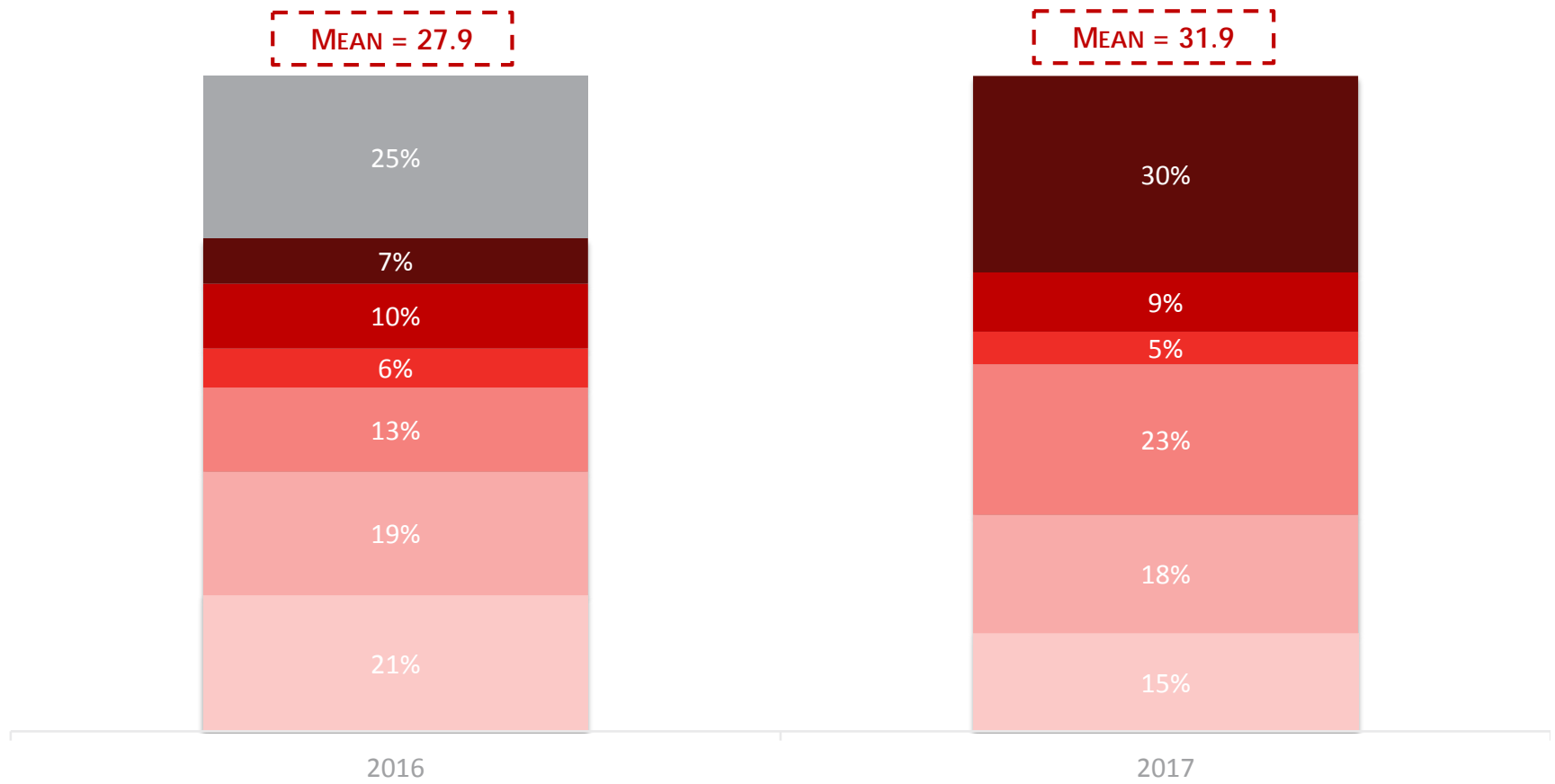
NET: IMPORTANT
92%



Average percentage of market value accounted for by reputation

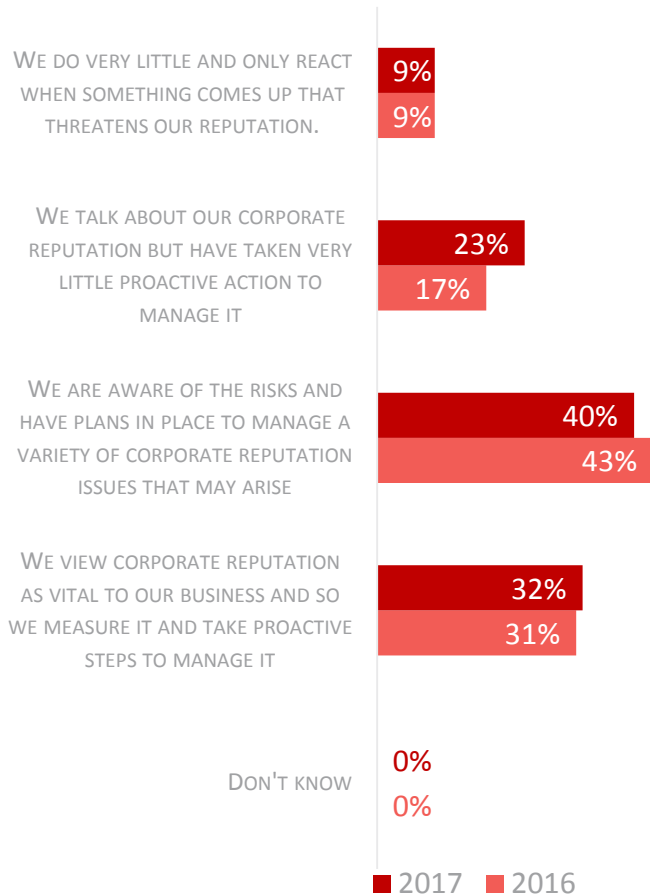
WHAT PERCENTAGE OF YOUR ORGANISATION'S MARKET VALUE DO YOU ESTIMATE IS ACCOUNTED FOR BY ITS REPUTATION? COMPANIES

- 0-10%
- 11-20%
- 21-30%
- 31-40%
- 41-50%
- 51%+
- DON'T KNOW

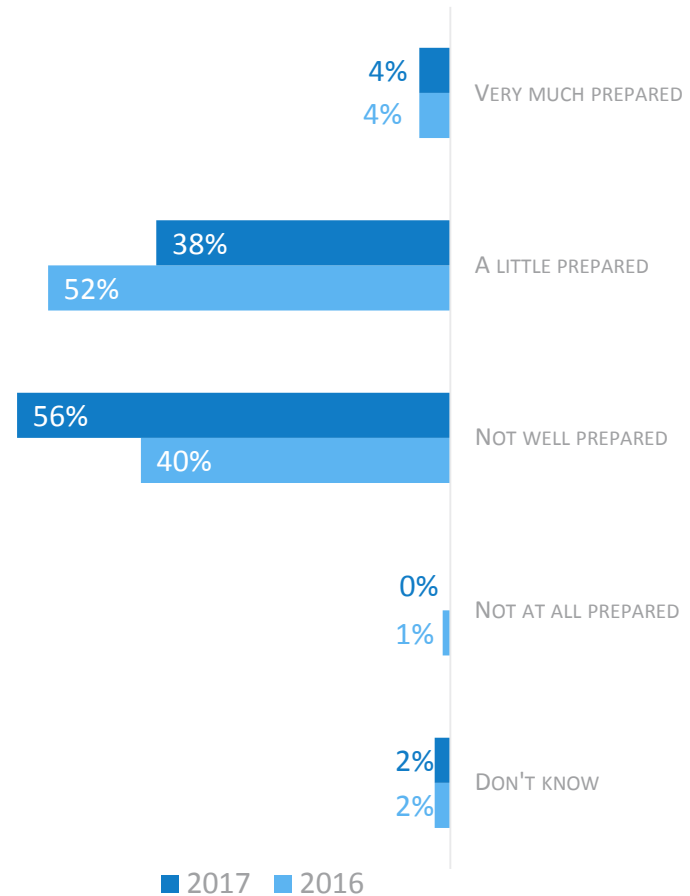


Management of Corporate Reputation

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR COMPANY IN TERMS OF HOW YOU MANAGE YOUR CORPORATE REPUTATION? - **COMPANIES**

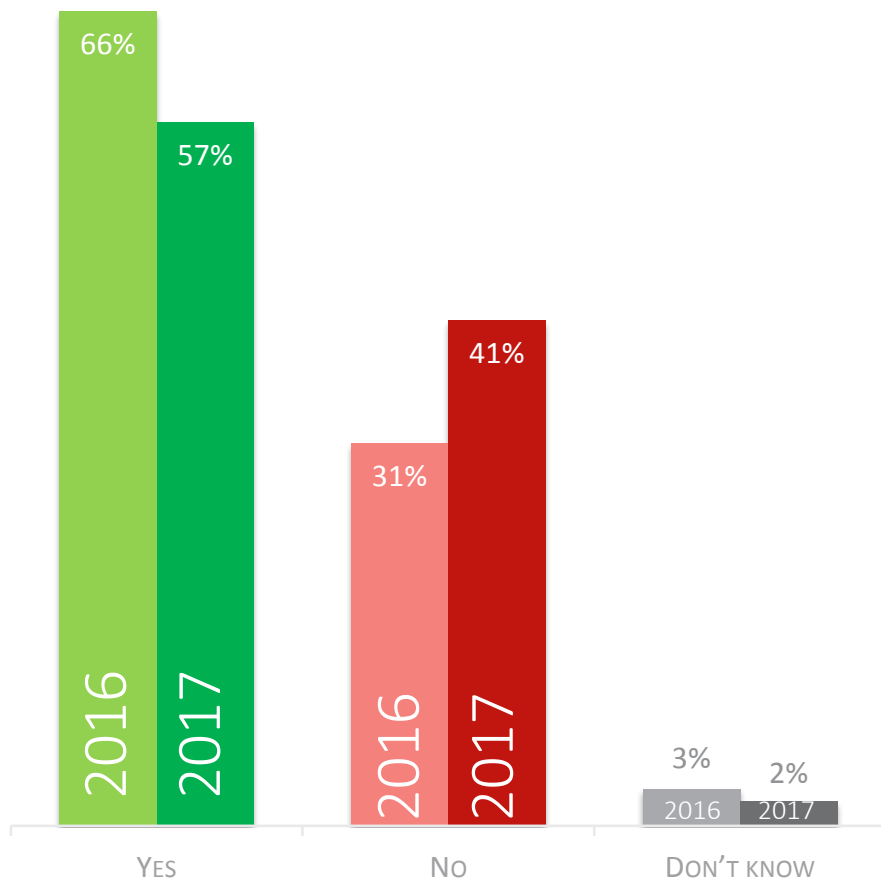


HOW PREPARED DO YOU THINK THE MAJORITY OF SMALL AND MID-CAP UK QUOTED COMPANIES ARE TO MANAGE CORPORATE REPUTATION RISKS? - **ADVISERS**

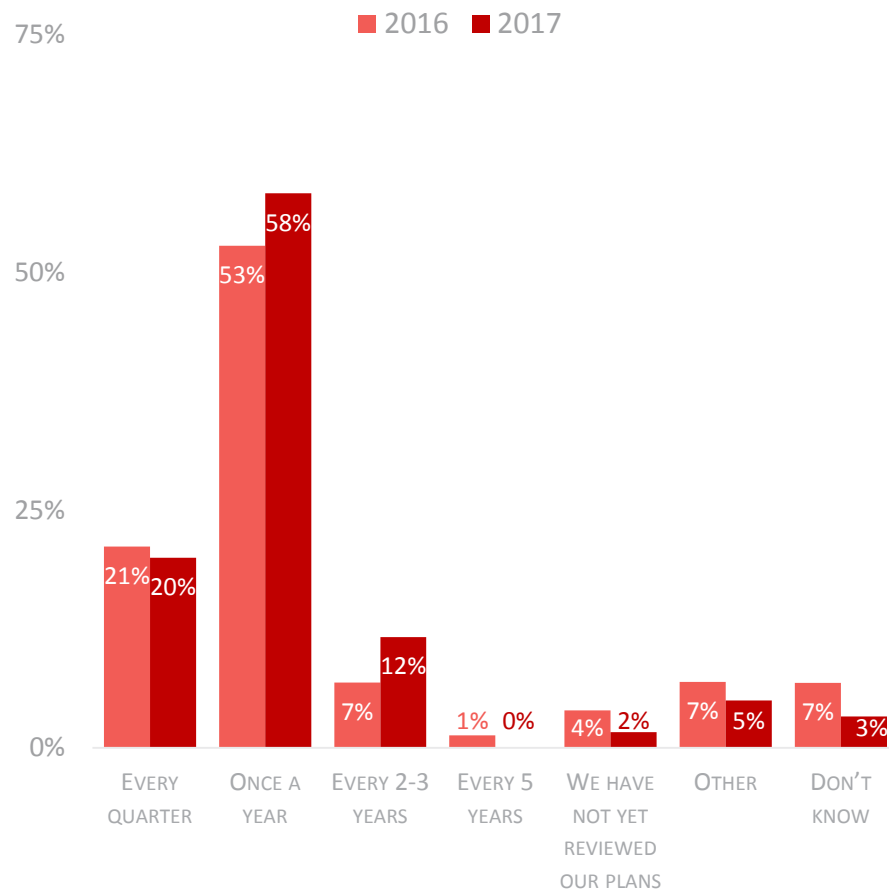


Plans to manage Corporate Reputation

DOES YOUR COMPANY HAVE FORMAL PLANS IN PLACE ABOUT HOW TO MANAGE AN ISSUE THAT ARISES THAT COULD DAMAGE YOUR CORPORATE REPUTATION? - COMPANIES



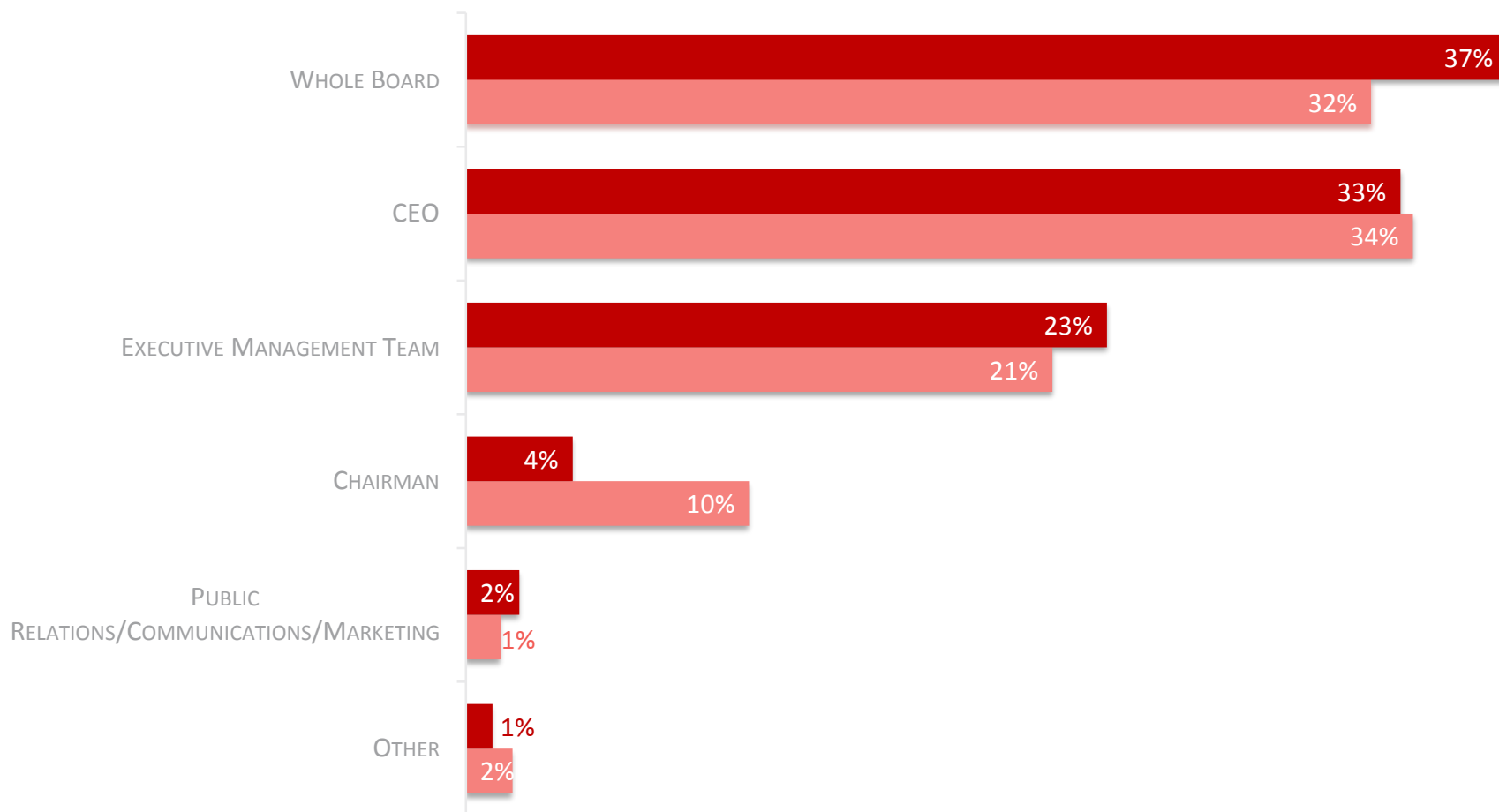
ON AVERAGE, HOW FREQUENTLY DOES YOUR COMPANY REVIEW THESE PLANS? - COMPANIES WITH FORMAL PLANS IN PLACE



Responsibility for Corporate Reputation issues

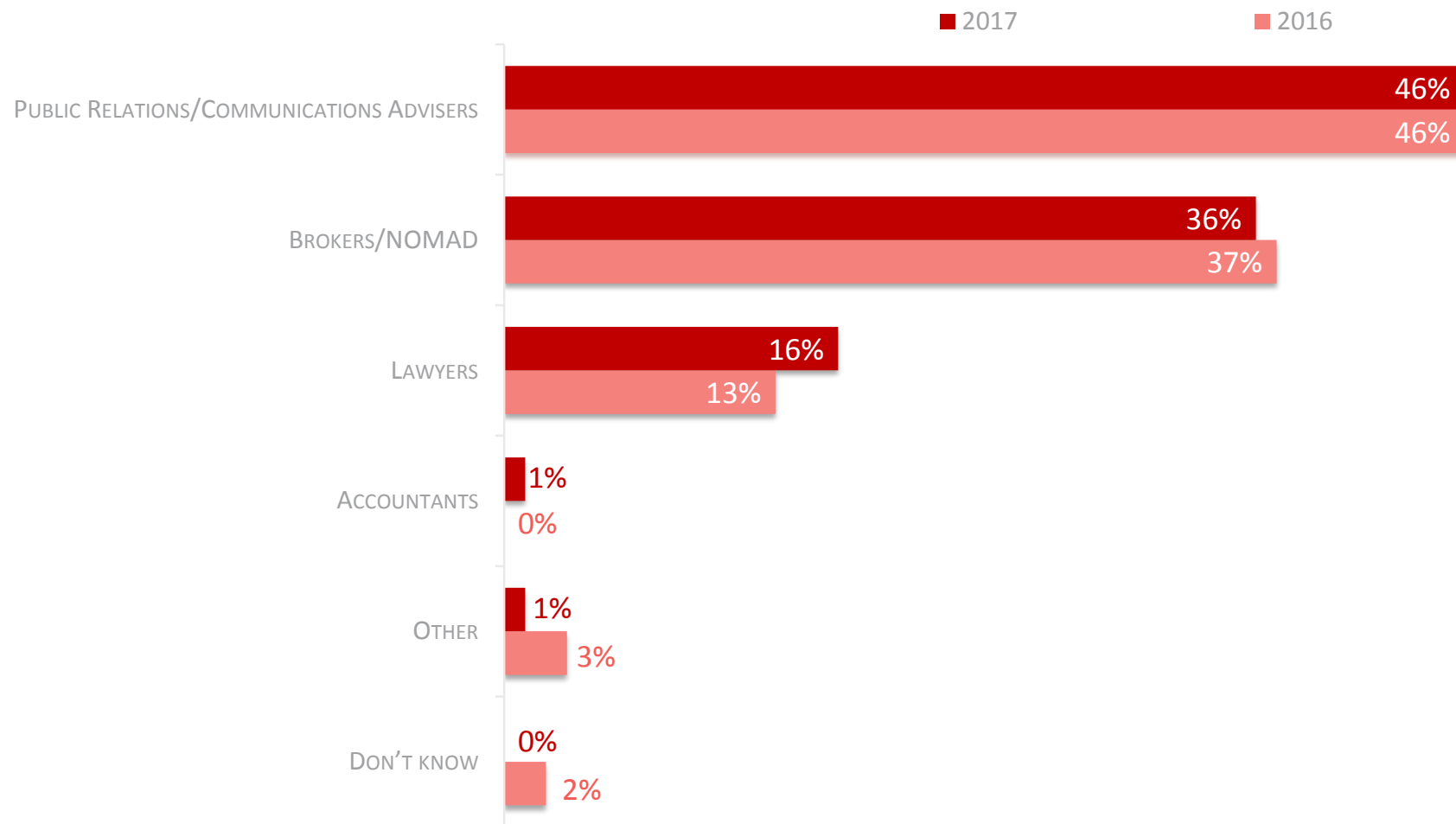
WHO IS PRIMARILY RESPONSIBLE FOR YOUR ORGANISATION'S CORPORATE REPUTATION? - COMPANIES

■ 2017 ■ 2016



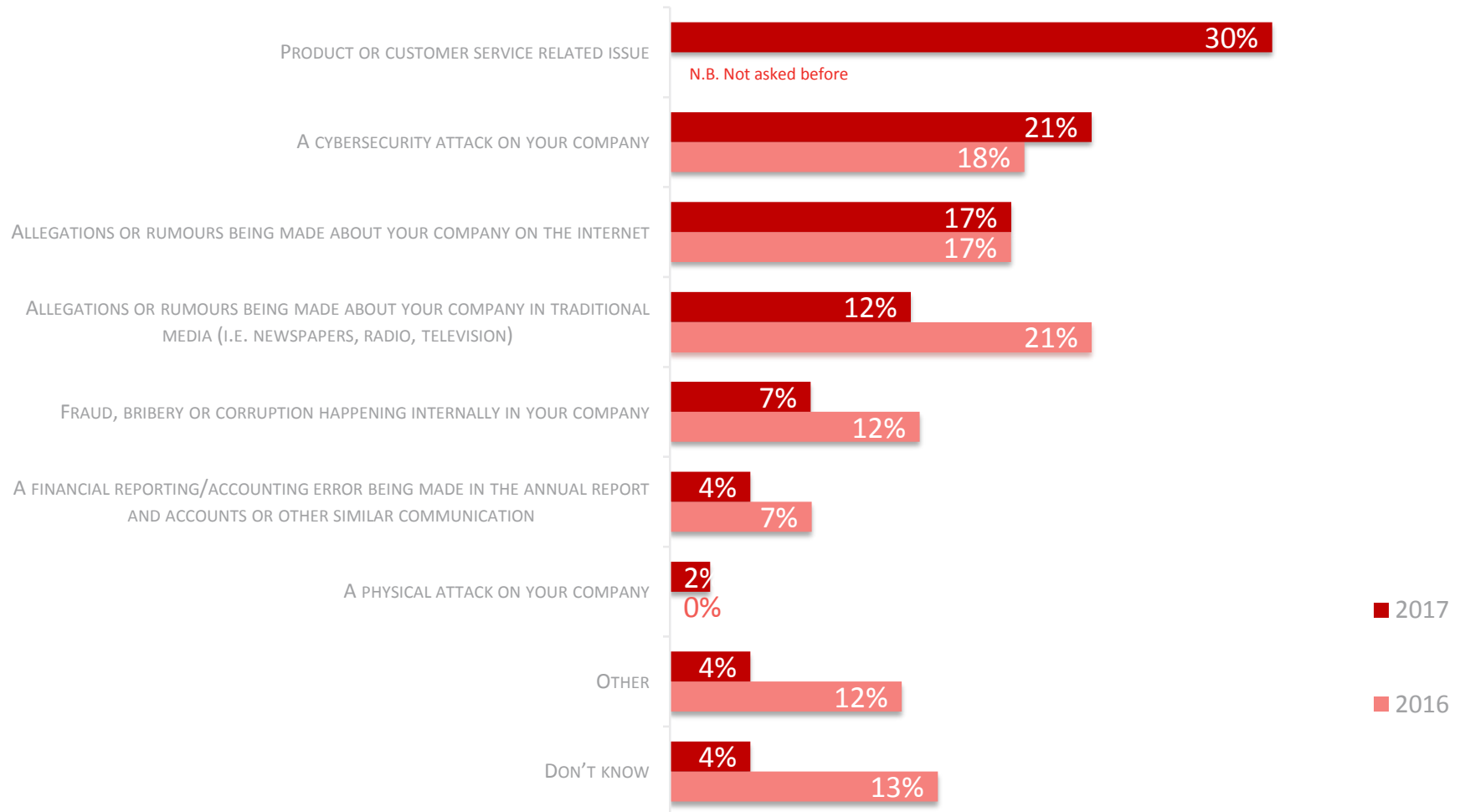
Who to turn to for Corporate Reputation issues

WHICH OF YOUR ADVISERS WOULD YOU PRIMARILY TURN TO FOR ADVICE ON CORPORATE REPUTATION ISSUES? - COMPANIES



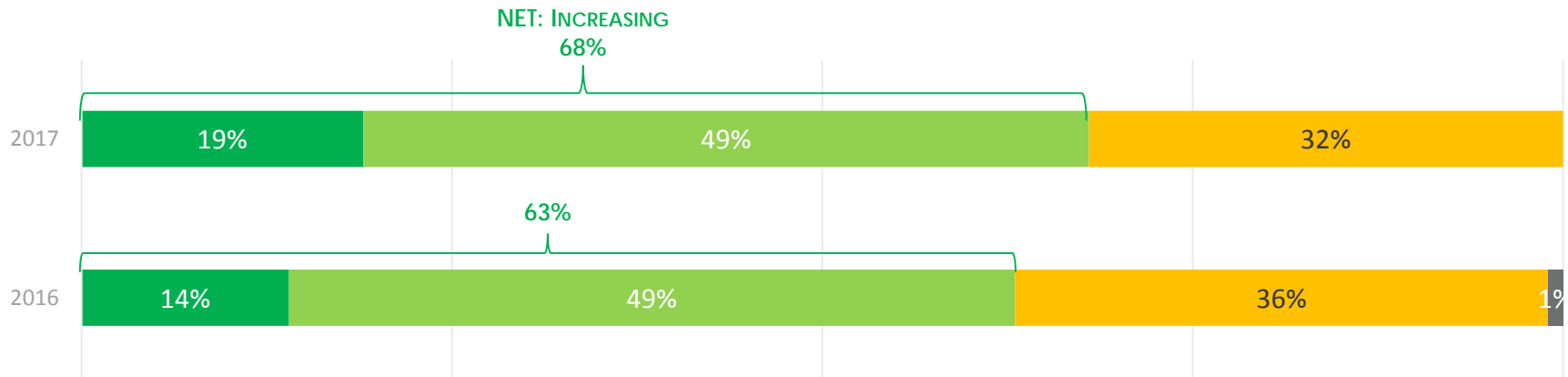
Corporate Reputation fears

WHICH ONE OF THE FOLLOWING CORPORATE REPUTATION RISKS DOES YOUR COMPANY FEAR THE MOST? - COMPANIES

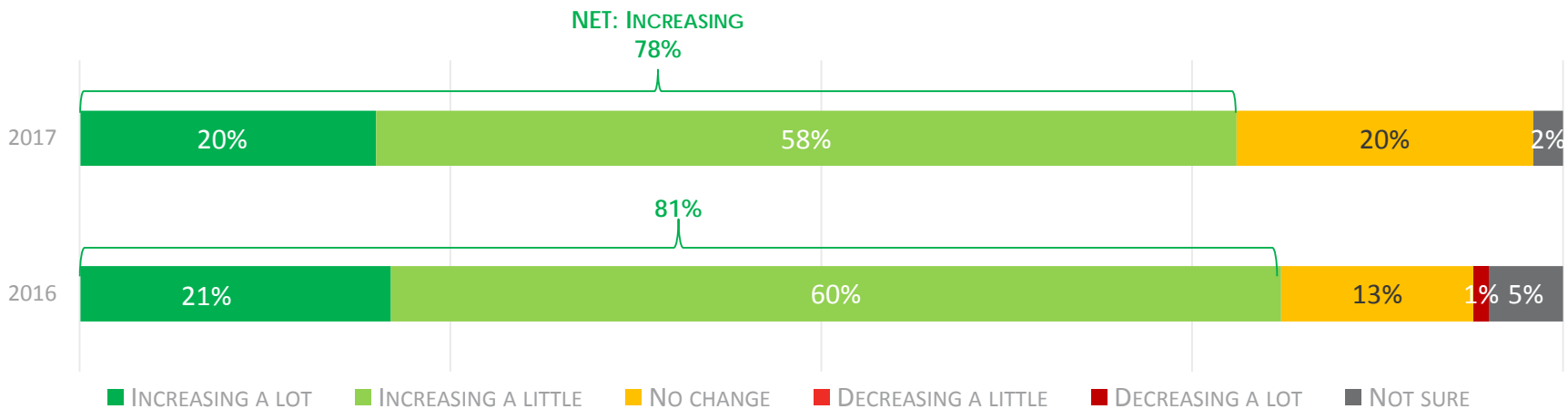


Importance of Corporate Reputation

DO YOU FEEL THAT CORPORATE REPUTATION IS A CONCEPT WHICH IS INCREASING OR DECREASING IN IMPORTANCE WITHIN YOUR COMPANY? - COMPANIES



DO YOU FEEL THAT CORPORATE REPUTATION IS A CONCEPT WHICH IS INCREASING OR DECREASING IN IMPORTANCE WITHIN THE SMALL AND MID-CAP UK QUOTED COMPANIES SECTOR? - ADVISERS



■ INCREASING A LOT ■ INCREASING A LITTLE ■ NO CHANGE ■ DECREASING A LITTLE ■ DECREASING A LOT ■ NOT SURE

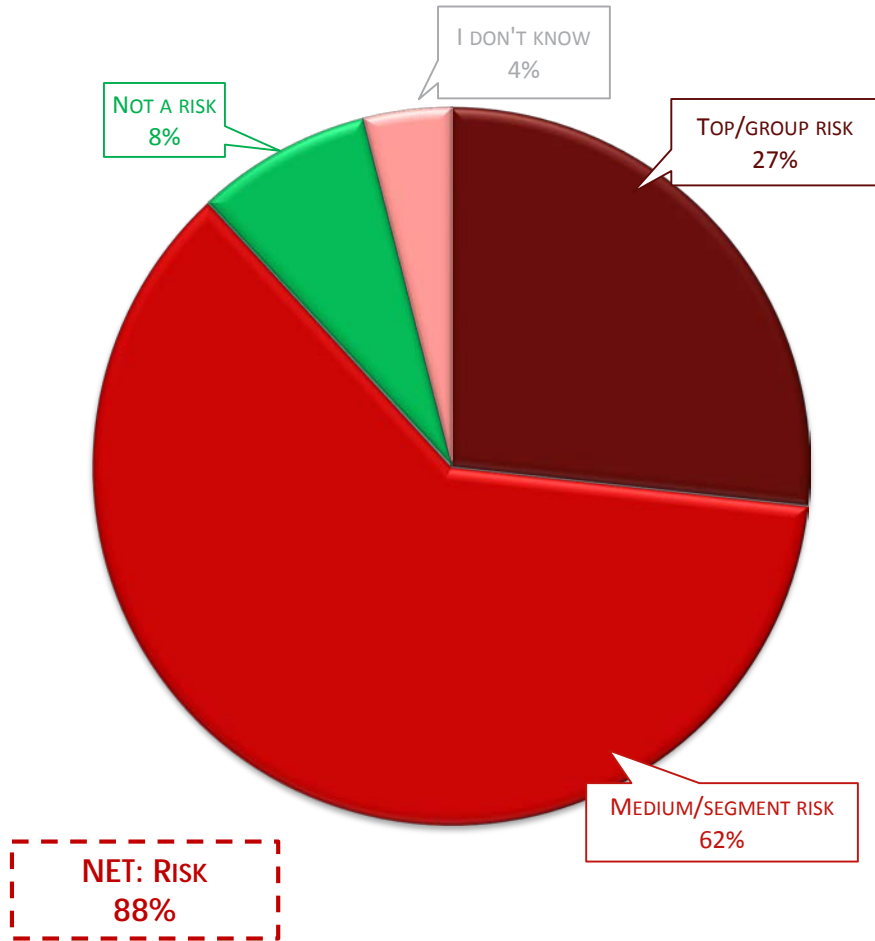
TOPICAL QUESTIONS:
Cyber Security



Significance of Cyber Risk

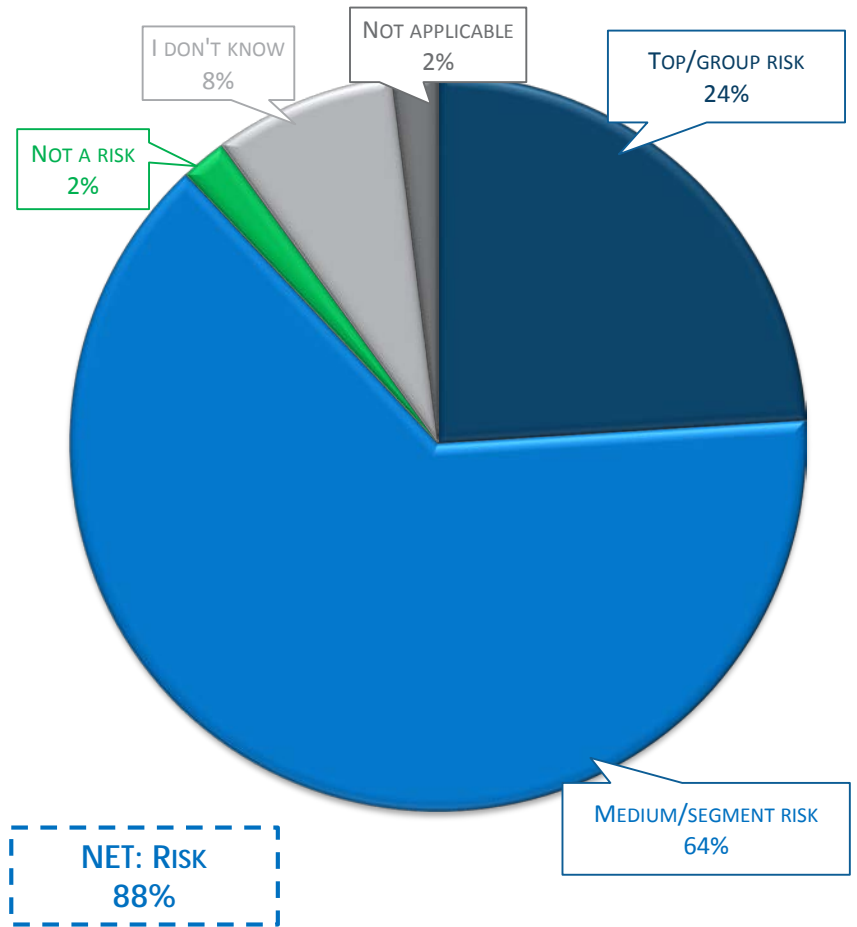
COMPANIES

HOW SIGNIFICANT OR INSIGNIFICANT IS CYBER RISK, WHERE RISK IS A PRODUCT OF LIKELIHOOD, WHEN COMPARED WITH ALL THE RISKS YOUR FIRM FACES?



ADVISERS

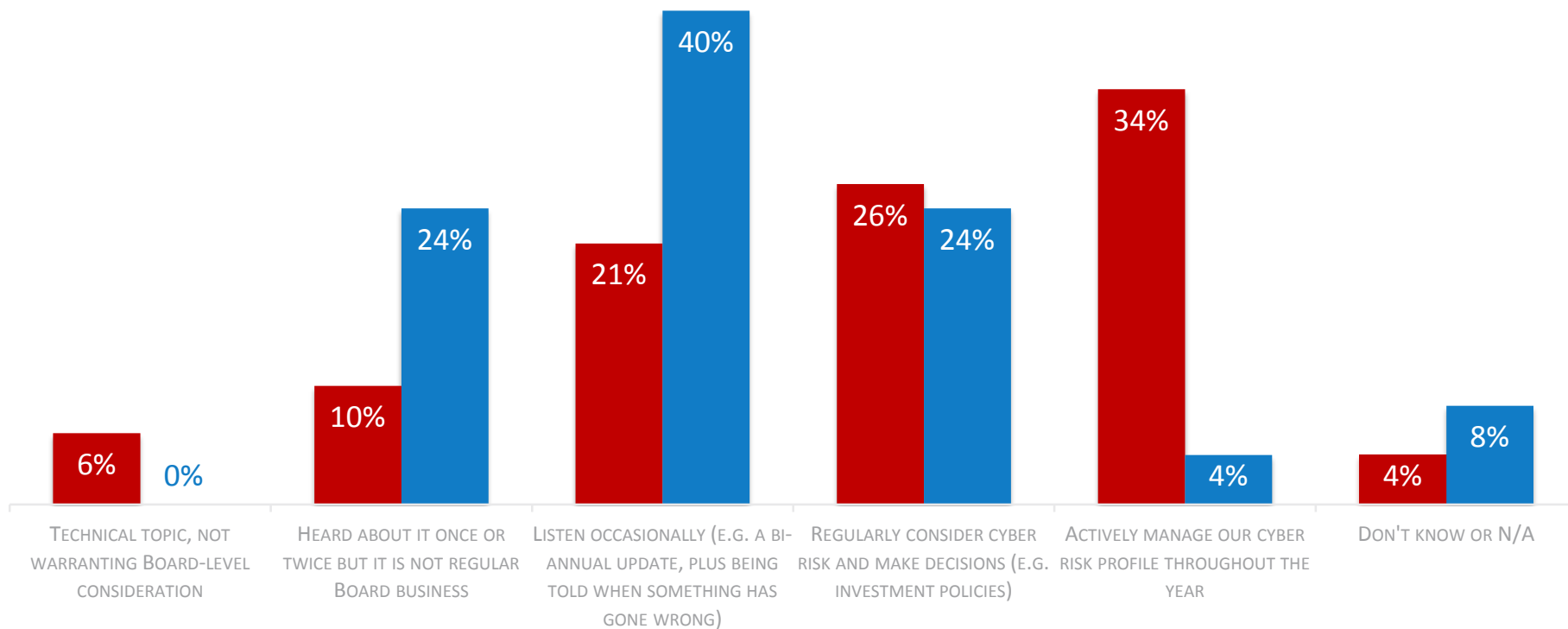
HOW SIGNIFICANT OR INSIGNIFICANT IS CYBER RISK, WHERE RISK IS A PRODUCT OF LIKELIHOOD, WHEN COMPARED WITH ALL THE RISKS SMALL TO MID-CAP UK QUOTED COMPANIES' FACE?



Handling Cyber Risk

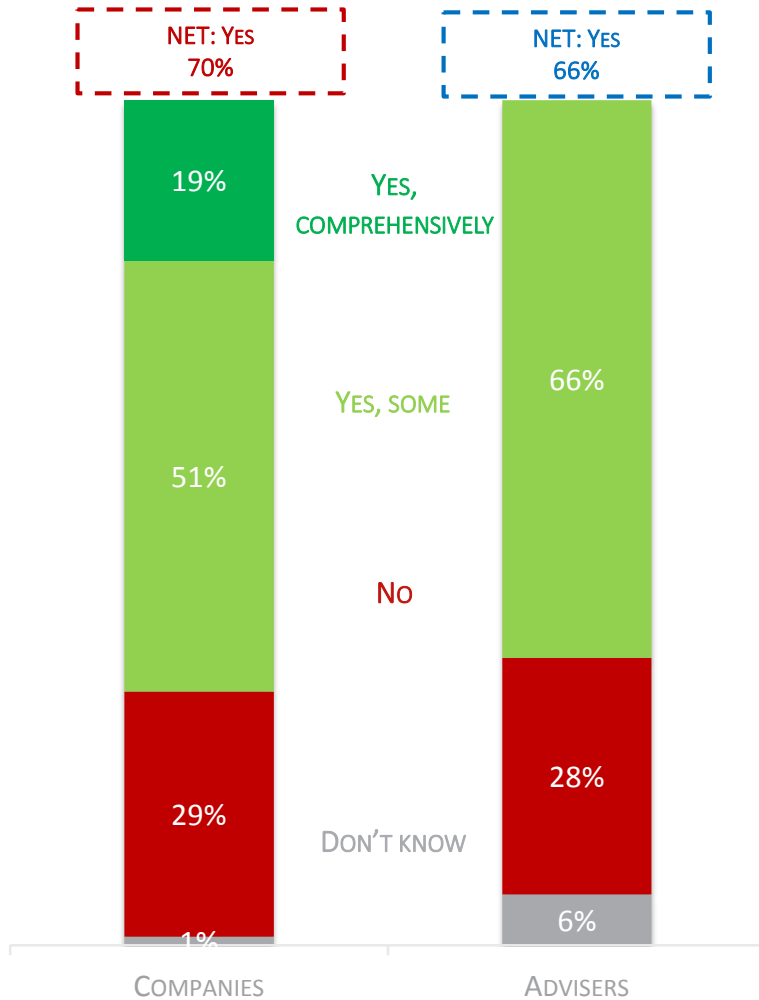
WHICH ONE OF THE FOLLOWING STATEMENTS BEST DESCRIBES HOW CYBER RISK IS HANDLED WITHIN YOUR FIRM / SMALL TO MID-CAP UK QUOTED COMPANIES?

■ COMPANIES ■ ADVISERS

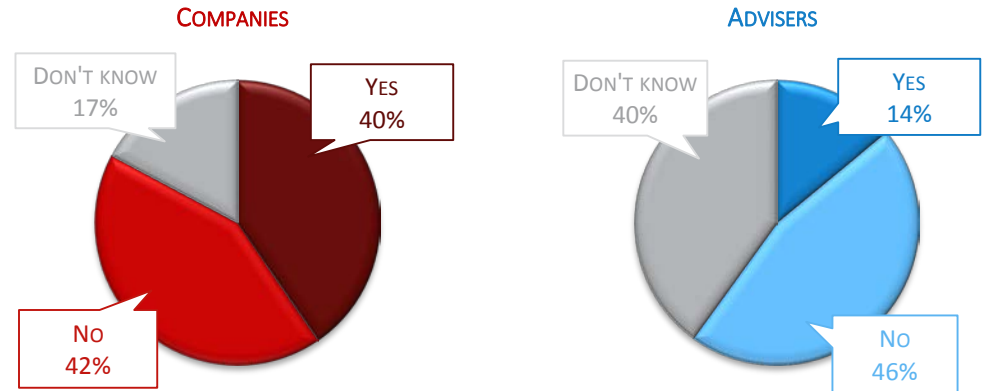


Cyber Security

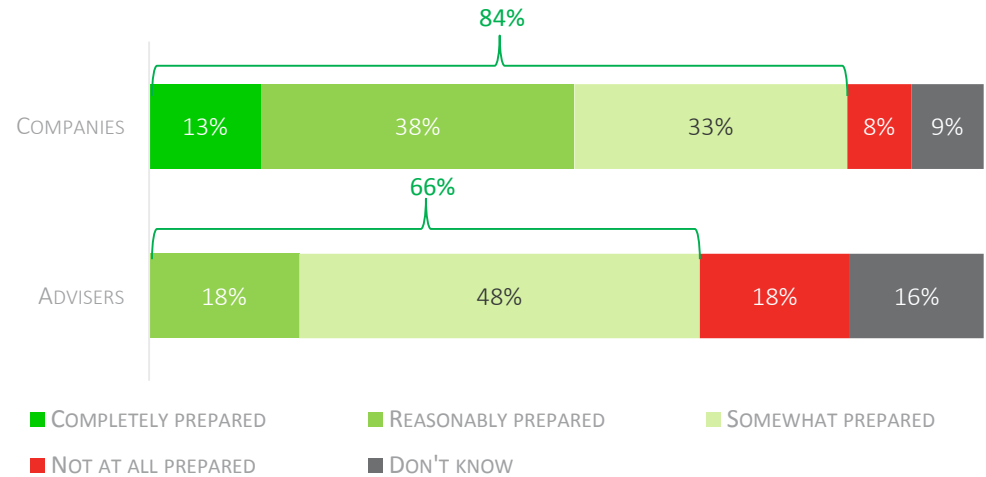
DOES YOUR FIRM INVEST IN STAFF TRAINING ON CYBER SECURITY?



DO YOU REQUEST / BELIEVE SMALL & MID-CAPS REQUEST YOUR / THEIR SUPPLIERS TO MEET THE FIRM'S CYBER SECURITY STANDARDS?



HOW PREPARED IS YOUR FIRM / DO YOU BELIEVE SMALL & MID-CAPS ARE TO MEET THE GENERAL DATA PROTECTION REGULATION REQUIREMENTS?

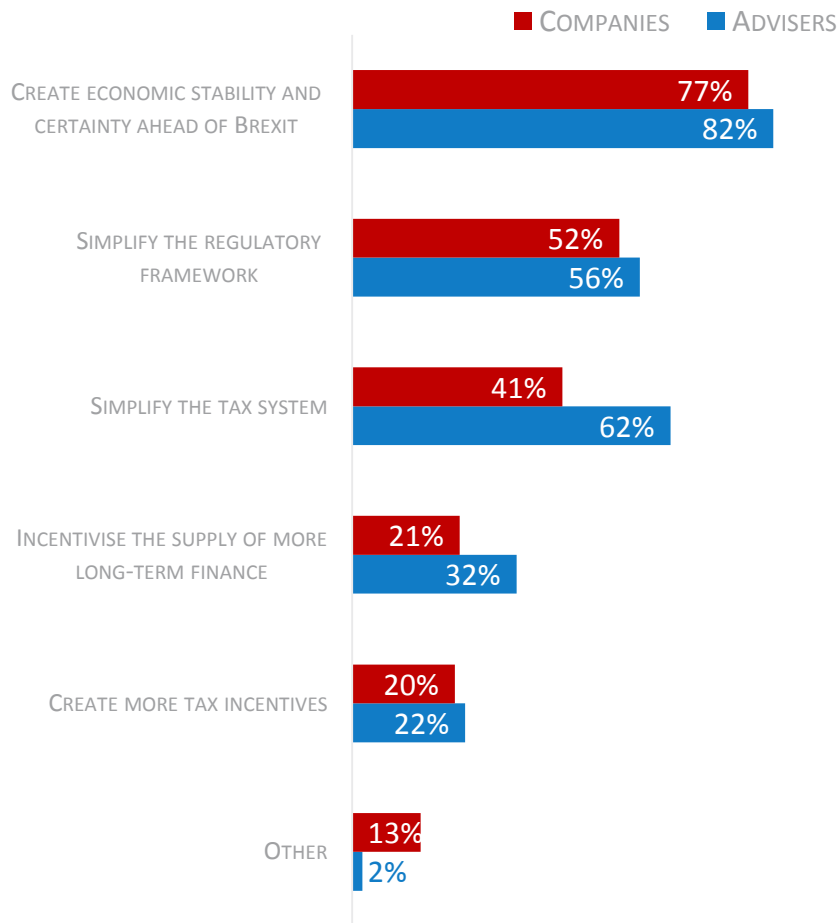


TOPICAL QUESTIONS:
General Election

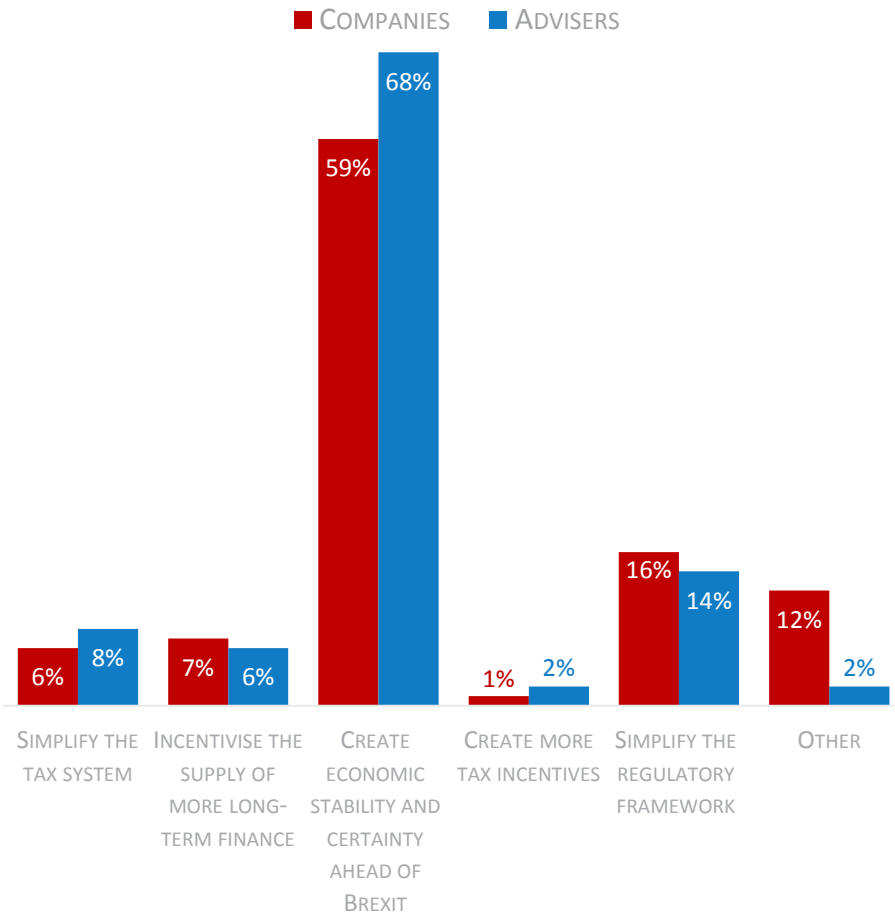


The General Election and Small & Mid-Cap UK Quoted Companies

FOLLOWING THE FORTHCOMING UK GENERAL ELECTION, WHAT SHOULD THE NEW GOVERNMENT DO TO HELP SMALL AND MID-SIZED QUOTED COMPANIES? PLEASE CHOOSE ANY THAT APPLY.

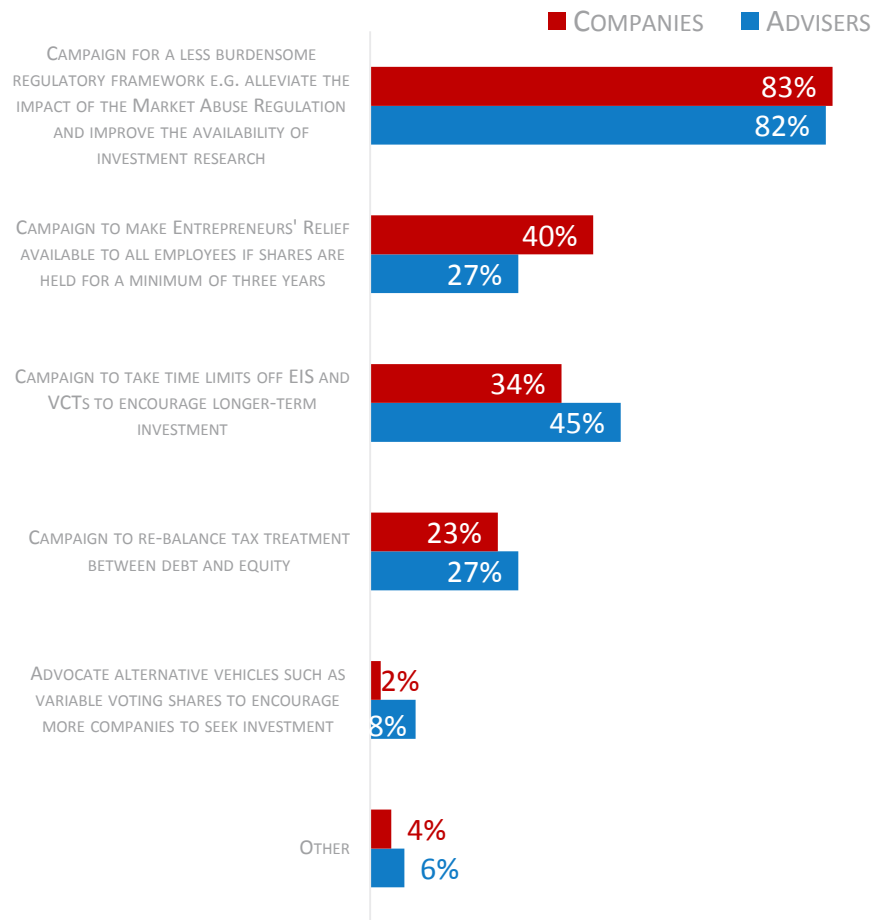


AND WHICH ONE OF YOUR CHOICES SHOULD THE NEW GOVERNMENT PRIORITISE TO HELP SMALL AND MID-SIZED QUOTED COMPANIES?

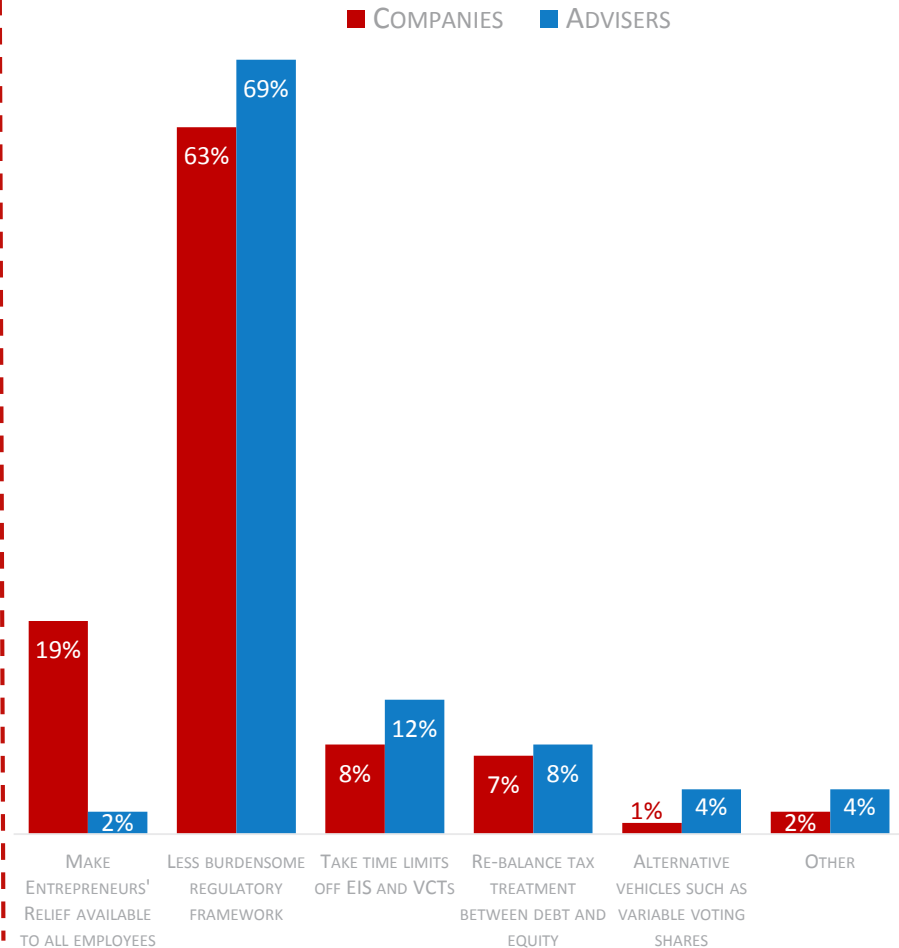


The General Election and QCA lobbying priorities

WHAT SHOULD BE THE QCA'S PRIORITIES IN CHAMPIONING THE INTERESTS OF SMALL AND MID-SIZED QUOTED COMPANIES WITH THE NEW GOVERNMENT?
PLEASE CHOOSE ALL THAT APPLY.



AND WHICH ONE OF YOUR CHOICES SHOULD THE QCA PRIORITISE IN CHAMPIONING?



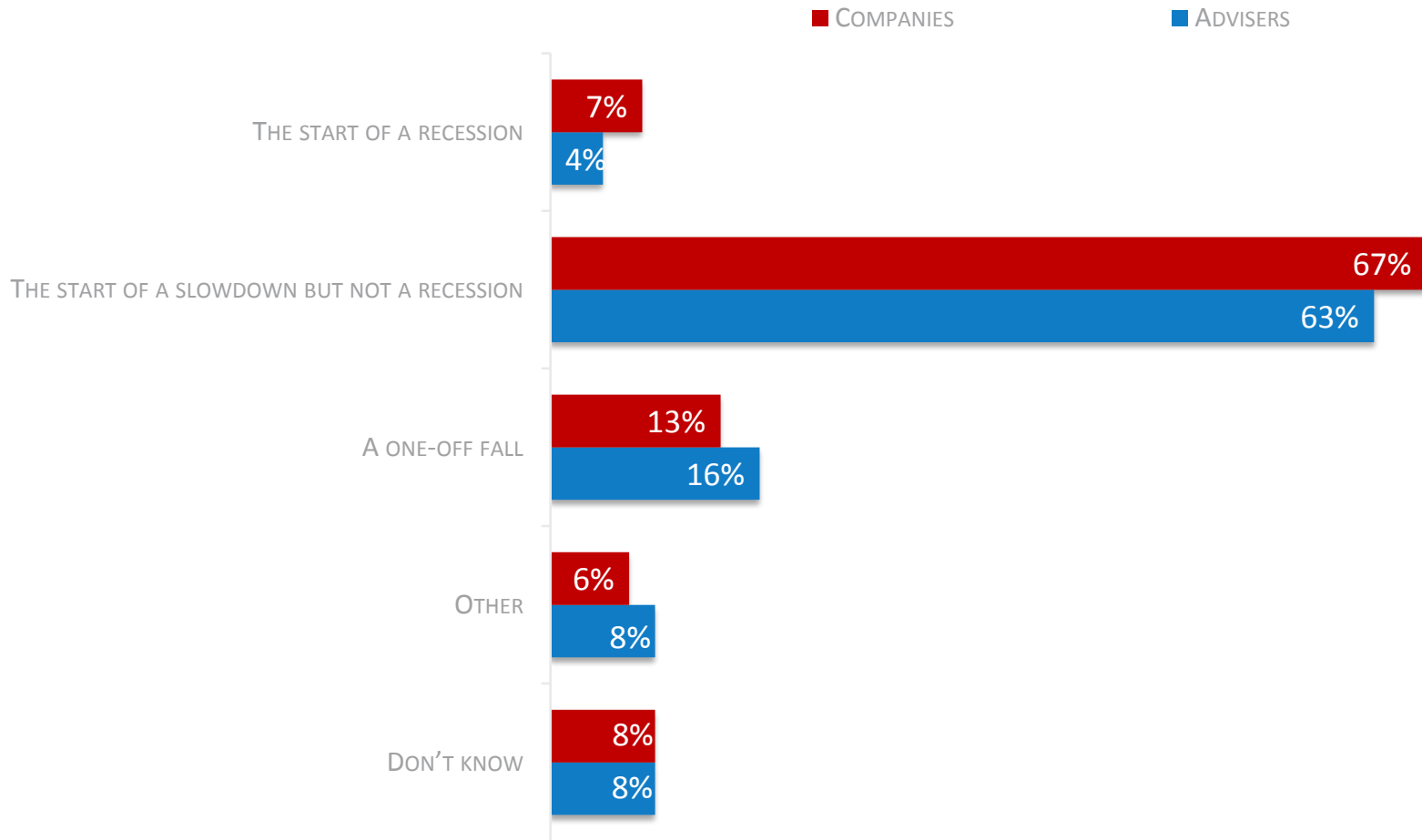
TOPICAL QUESTIONS:

Retail



Fall in UK retail sales

THE OFFICE FOR NATIONAL STATISTICS (ONS) HAS RECENTLY RELEASED DATA SHOWING A SHARPER THAN EXPECTED FALL IN UK RETAIL SALES FOR Q1 OF THIS YEAR. WHICH OF THE FOLLOWING DO YOU BELIEVE THIS FALL REPRESENTS?





QCA SMALL AND MID-CAP SENTIMENT INDEX
WAVE 18, MAY 2017

