

Resilience and optimism of small and mid-size quoted companies continues beyond Brexit vote

The Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies, today publishes the results of its latest QCA/YouGov Sentiment Index.

Optimism continues after Brexit vote

On its 17th edition, the survey shows that optimism in the economy among small and mid-size quoted companies remains stable at 56.3* when compared with pre-referendum results (54.4). Despite this, comments from companies still suggest that an uncertainty remains following the decision to leave the European Union. It would seem from the results that most companies are forecasting a 'business as usual' outcome over the next 12 months. This is reflected in the sentiment towards their own business prospects, which remains at a similar level of pre-Brexit (67.6 now vs. 68.8 before).

Companies are also organising their businesses to allow for any significant downturn in the economic and political outlook. To prepare for such a downturn in sentiment, fewer companies indicate that they will increase their workforce over the next 12 months and the mean expected rise in employment over the next 12 months is at an all-time low of only 3.2% since the survey began in 2011. Likewise, the number of companies considering raising capital has fallen to just over a third (37%), its lowest point since 2014 where at least two-fifths concurrently said otherwise. Where companies are looking to raise capital, an increased proportion point to public equity as their preferred choice. This has reached an all-time high (59%), whereas bank finance remains static.

While companies remain optimistic in their own business prospects overall – the future sales outlook has dropped slightly from a mean expected turnover change of +15.7% to +13.2% - there is an air of caution amongst companies in terms of a much lower expected employment increase and a fall in intention to raise further capital.

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: "The resilience of the small and mid-size quoted sector to big events such as Brexit is going to be severely tested over the next few

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years. Our evidence suggests these companies are better able to withstand future headwinds than larger, more global companies, though this cautious optimism may change to pessimism as the reality sinks in. On the other hand, our companies could see significant opportunities for growth appearing.”

Oliver Rowe, Director of YouGov PLC, added: “The fall in hiring expectations is a significant change in sentiment amongst small and mid-size quoted companies; contrast this with the stability of sales expectations and we appear to be at a crossroads where the performance of smaller quoted companies, financially and operationally, may change dramatically either up or down.”

The Brexit vote, before and after

When asked before the UK Referendum how prepared companies were for a leave vote, 12% of companies said that they had made no preparations at all. When asked afterwards how prepared they had been, 23% of companies admitted that, upon reflection, they had not made any preparations. This suggests that many companies who previously thought they had addressed the key issues in some form, had not in fact done so. Advisers to these companies took an even starker view, with 54% thinking that companies were not prepared at all for the leave outcome, compared to 39% who thought that companies were not at all prepared pre-Brexit. The upside of the vote, as far as small and mid-size quoted companies are concerned, has been the fall in the value of sterling, which over half of companies (55%) see as a benefit. In contrast, 21% see it as a negative.

Gervais Williams, Chairman of the Quoted Companies Alliance, commented: “It is impressive – but not surprising – to see that almost 70% of small and mid-size quoted companies remain optimistic about their business prospects over the next 12 months, in a post-Brexit context. There is a habitual optimism amongst smaller quoted companies. They tend to be sheltered from political and economic storms due to their ability to adapt to challenging circumstances and turn any potential threats into opportunities. We hope this continues to be the case.”

* Calculated on a scale where 100 represents ‘very optimistic’, 0 ‘very pessimistic’, 50 ‘neutral’.

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Notes to editors:

Methodology: The QCA/YouGov Small and Mid-Cap Sentiment Index by the Quoted Companies Alliance (QCA) and YouGov is a biannual survey across the small and mid-cap quoted company sector.

The report which is based upon 160 online interviews (101 small and mid-cap quoted companies and 59 advisory companies). It was conducted between 19 September and 3 October 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%.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information please visit www.theqca.com.