



Press release

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Subject

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

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

Small and mid-size quoted companies are forecasting strong growth whatever the outcome of the EU referendum, according to a survey for the Quoted Companies Alliance and BDO, the accountants and business advisers, conducted by YouGov.

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-size 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-size 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-size quoted companies' businesses. This has led to the confidence of both companies and advisers in the UK economy falling sharply from 61.8% to 54.4%, 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-size 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 accountancy and business advisory firm BDO LLP said: "It's good to see that growth plans are evident amongst small and mid-size 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-size 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 mid-size 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-size 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.

-ENDS-

Methodological notes This survey is the 16th Issue of the QCA/BDO Small & Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA), powered by YouGov. It is an online tri-annual survey across the small and mid-cap quoted company sector.

Methodology: This survey has been conducted using an online interview administered to members and associates of the QCA. 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.

The report is based upon 182 online interviews (113 small mid-cap quoted companies, 69 advisory companies). It was conducted between 4th and 21st March 2016 by research company YouGov.

Please note that scores in this report may not add up to exactly 100% due to rounding. The margin of error for the survey is +/- 8%.

Note to editors Accountancy and business advisory firm BDO LLP has a clear ambition to be known for exceptional service delivered by empowered people. The independent Mid-Market Monitor shows that BDO is the market leader for client satisfaction for the fourth year running - outperforming all its major competitors.

BDO's heartland is the mid-market. The UK mid-market accounts for less than 1% of all firms but delivers a third of UK revenue and one in four jobs. In the last five years, medium-sized businesses have grown turnover by 55% and profits by 110%. BDO's New Economy research (www.bdo.co.uk/neweconomy) calls for the government to

put the UK mid-market at the heart of its plans to rebalance the economy and help this already successful sector expand further.

BDO LLP

BDO LLP operates in 18 offices across the UK, employing 3,500 people offering tax, audit and assurance, and a range of advisory services. BDO LLP is the UK member firm of the BDO International network with revenues approaching £400m.

BDO International

The BDO International network provides business advisory services in 151 countries, with more than 60,000 people working out of 1,350 offices worldwide. It has revenues of \$7.02bn.

The Quoted Companies Alliance

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.

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