

PRESS RELEASE

Majority of UK Owner Managed Businesses confident about economic growth in 2015

- **56% think the economy will improve in the next 12 months**
- **Businesses in the North are more optimistic about economy than those in the South**
- **Deflation identified as an emerging threat with one in five (19%) concerned about it**
- **90% expect to see an uptick in their business performance**
- **Around seven in ten say they are likely to invest in training and development (73%) or capital projects (68%) in the next year**
- **Access to funding is not seen as a key challenge and though growth is on the agenda for many, only 31% of those surveyed are likely to increase their borrowing next year**

The majority (56%) of UK based Owner Managed Businesses expect the UK economy to improve this year according to research conducted by Allied Irish Bank (GB). Canvassing the opinion of Owner Managers, the report also found that nine in ten (90%) are optimistic about their prospects over the next year. Overall, the report reveals the views of Owner Managers about the economy, regulation, risk environment, the health and future prospects of their own balance sheets and their attitude to financing.

Gerard O’Keeffe, Head of GB Business, Allied Irish Bank (GB) said:

“The findings from our first survey of Owner Managed Businesses across the UK, capture the current views of a key engine of our economy and important part of the UK’s social fabric. The research highlights the bravery, optimism and resilience of the people owning and running UK businesses, with the majority family owned, but it also reflects the very personal stretch and stresses that go with the territory of running your own business. These are people that need and deserve our support as they face these challenges and our whole economy and society benefits from their success.”

Deflation

“Owner Managers are clearly starting to worry about the prospect of deflation. Depending on what sector they are most exposed to, many businesses will be trying to strike a balance between lower input costs and reduced income, while they will be hoping that the interest rate environment offers an opportunity to take advantage of lower borrowing costs.”

Economy

37% of Owner Managed Businesses rate the current economic environment as ‘above average’ or ‘extremely good’ and 49% see it as a key opportunity for their business this year. Unsurprisingly, the survey shows that more than a quarter (28%) of Owner Managers consider an economic downturn and the threat of recession as the greatest potential disrupter to their business.

Balance sheets

Despite this, Owner Managed Businesses are positive about 2015 and 67% expect to see top line revenue growth this year. More than half of Owner Managers (59%) also expect to see this translate into increased profits over the year. While many expect their sales and profits to increase, the survey found that almost a quarter of Owner Managers (23%) expect their bank borrowing to go down. Indeed, only 31% of these businesses are likely to increase their borrowing in the next year. With very few businesses (26%) expecting to grow through M&A this year, many are instead focused on expanding organically through new hires, with almost half (47%) expecting to increase headcount.

Threats

For Owner Managed Businesses, half (48%) see the risk of increased government regulation as a major challenge. An interest rate rise is also seen as a real risk by one in three (32%). Interestingly, almost one in five (19%) see deflation as a risk, reflecting the emergence of this theme as a key focus for the UK economy over the past few months. However, even more prominent on the risk radar is the impact of currency fluctuations with 36% of Owner Managers seeing it as a real risk for their business.

In an election year, many of these businesses will be looking at each of the political parties’ ability to drive growth and to deliver a consistent regulatory approach to business. The report shows that they are evenly split as to whether the current

government is doing enough to support them, with 46% saying it is and 45% saying it isn't.

North vs South

Companies in the North are more optimistic about their own businesses, plan to invest more next year and are less stressed than their Southern and London counterparts.

Northern businesses more optimistic about own health

In the North of England, Scotland and Northern Ireland 70% of those surveyed are positive about the overall health of their business, while 58% of those in London are positive about the overall health of their business.

Businesses in the North are twice as likely as those in the South to say they will invest in capital projects

Just under a quarter of Owner Managed Businesses in London (24%) and the Midlands and Wales (23%) expect to increase capital investment in the next 12 months. Whereas almost half (49%) of those in the North of England, Scotland and Northern Ireland expect to increase capital investment.

Around half (53%) of Owner Managed Businesses in London expect sales or revenue will increase in next 12 months. In the Midlands and Wales (73%) and North of England, Scotland and Northern Ireland (72%) almost three quarters expect to see top-line growth.

London-based Owner Managed Businesses are most stressed

Londoners feel the least satisfied with their level of stress at work (less than half - 46% are 'satisfied with level of work stress'). Northerners, Scots and Irish are by contrast happier, with four in five (80%) saying they are satisfied with their levels of stress at work.

[ENDS]

Notes to Editors

About the report

The Owner Managed Business Outlook Report is based on a survey of 300 senior financial decision makers in Owner Managed Businesses in the UK. For the purposes of this report Owner Managed Businesses are defined as businesses where the owners,

family members or shareholders are involved in the day-to-day decisions and activities of the entity or are directors of the company.

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Other key Demographics:

- 30% are in a growth phase
- 49% are based in London and the South of England
- 23% are based in Scotland and the North of England
- The biggest sectors are Retail, Technology and Media, Construction and Manufacturing

Who are Owner Managed Businesses?

Rather than being a homogenous group, Owner Managed Businesses are very different from each other in numerous ways. Our analysis identified five distinct groups:

Thriving techies (29%): Especially positive about the current UK economy and expect to grow their business over the next 12 months through key opportunities such as domestic growth and the introduction of new technology.

Pressed parents (12%): Mixed feelings about the health of their business, they also share a level of dissatisfaction in their levels of work stress and do not feel as if they have adequate time to recharge with the family.

Content to Cruise (25%): Positive about the economy, supported by a cautious optimism in the future health of their business. They feel particularly satisfied with their levels of work stress and with their family time.

Upward strivers (19%): Not convinced on the overall health of the economy but happy about the future of their own business. They see financial activity increasing in the near future with M&A identified as a specific opportunity for growth.

Waning and worried (15%): Most likely to have a negative view of the current economic situation with deflation identified as a major risk. Not optimistic about their business and wary of cash and profit levels dropping off.

About Allied Irish Bank (GB)

Allied Irish Bank (GB) is a specialist business bank serving the needs of Owner Managed Businesses to provide real value to every one of our customers and to deliver the

highest standard of service in banking and financial services.

Operating from 16 locations in major cities across Great Britain and employing over 600 staff, we offer the full range of business banking, corporate banking and international trade services as well as dedicated wealth management, personal banking and direct savings services.

Allied Irish Bank (GB) has been supporting businesses in Britain with true relationship driven service for over 40 years growing organically with more than half of our new business coming from Owner Managers recommending our service. The Bank was awarded 'Best Service from a Business Bank' at Business Moneyfacts Awards 2014.

For further information please visit: business.aibgb.co.uk/owner-managed-outlook

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