



Barclays Entrepreneurs Index

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Key highlights:

- Number of early stage entrepreneurs fell 4 percentage points over the last year
- Proportion of UK high-growth companies showed marginal growth by 0.7% in 2016
- Increase in the UK M&A activity by 19%, but IPO activity falls
- Access to talent and growth funding are key Brexit concerns for entrepreneurs

New research reveals that Britain enjoyed a five-year high in opportunities for entrepreneurs leading up to the EU Referendum. However a lack of new scale up businesses, and current market uncertainty risk the UK under-performing and could now harm growth, according to the Barclays Entrepreneurs Index.

Strong environment for entrepreneurs

Overall, Barclays' Index of UK entrepreneurial performance is at an all-time high – up by 10% since 2011 and showing strong progress and recovery after a decline in 2014 (see chart 1).

The eighth edition of the Entrepreneurs Index brings together environmental measures, such as access to finance and talent, along with entrepreneurial outcomes, such as growth and exit activity, in order to assess the strength of the UK's entrepreneurial environment. While data for the second half of 2016 is yet to be published, the UK's environmental enablers for entrepreneurs are up 13% in five years and more encouragingly, 4% higher in 2015. This shift was driven by greater access to finance and skills, and also gradual improvements in regulation and research and innovation, all of which created optimal conditions for enterprise in the UK.

Start-up activity falls

The Entrepreneurs Index recorded a 4% rise in the number of active companies from December 2015 to June 2016 (345,000 new incorporations). The number of total early stage entrepreneurs – those from working age population who are entrepreneurs - fell by almost 4% up the end of 2015, showing the UK is producing fewer businesses with ambitions to scale up.

Increase in exit activity and deals, but a drop in IPOs
The Index reveals business exits grew, with a 19% rise in the number of M&As (see glossary for definitions) of companies less than five years old, and a record high number of deals from December 2015 to June 2016, up 32.8%. This jump was led by the UK services sector, which was responsible for the highest proportion of deals in the UK in the year to June 2016, accounting for 22.5% of all deals taking place, followed by financial services (10.2%), industrial products and services (7%) and computer software (6.5%). However, a sharp fall in IPO activity of enterprises under five years old by 36%, indicates that there could be a lack of confidence in companies to expand, along with increasing market volatility.

From start-up to scale up: a mixed picture across the UK
There was a slight rise in the percentage of high-growth companies within the UK's SME population, growing by 0.7%, and this demonstrates moderate recovery when compared to the dramatic fall of 20.8% seen last year. One positive indicator is a rise in the number of companies receiving expansion investment from venture capitalists, which increased by 6%.

The picture across the country for high growth companies is varied: every region in England experienced growth, with the West Midlands (+2.7%) and Yorkshire and the Humber (+1.5%) producing the most scale-ups, however Scotland (-2.9%) and Wales (-2.2%) fell. The construction sector created the most high-growth companies (+4.6%), followed by business services (+1.3%), agriculture (+1%), retail (+1%) and customer services (+1%) which were all above the UK average.



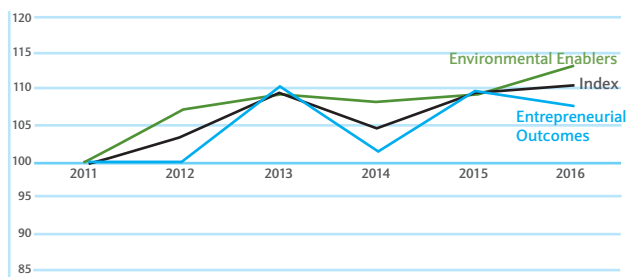
Akshaya Bhargava, Chief Executive, Wealth, Entrepreneurs and Business Banking at Barclays

“In order to make great strides and close the scale-up gap, nothing must stand in the way of entrepreneurs”

Akshaya Bhargava, Chief Executive, Wealth, Entrepreneurs and Business Banking at Barclays said: “Uncertainty is part of everyday life for entrepreneurs and those that succeed navigate uncharted waters and adapt to find opportunities to thrive. This year’s Entrepreneurs Index shows that before the EU Referendum on 23rd June, regulations and conditions for entrepreneurs had improved, making it easier to start a business and contributed to a rise in M&A. Until the outcome is fully known, it’s vital that we do everything in our power to deliver a strong environment to sustain UK entrepreneurial growth.

“In order to make great strides and close the scale-up gap, nothing must stand in the way of entrepreneurs’ access to talent, skills and the UK’s ability to attract inward investment. That is why we are focussed on providing specialist support and funding for high-growth companies in order to generate tomorrow’s world beaters, that will in turn drive economic growth and job creation.”

Chart 1: Barclays Entrepreneurs Index



	2011	2012	2013	2014	2015	2016
Index	100	103.6	109.8	104.8	109.3	110.5
Environmental Enablers	100	107.2	109.4	108.3	108.9	113.4
Entrepreneurial Outcomes	100	100	110.2	101.3	109.7	107.6

The Entrepreneurs Index is a regular series which has tracked the entrepreneurial lifecycle since 2011. For the first time, the Index includes a range of new and historical data, to provide an in-depth analysis from 2011 to 2016.

Glossary

- Active companies – Companies that are ‘live’ in the sense that they are not in the process of liquidation or being dissolved.
- Deals – Any stake sale of a target company that is publicly announced and results in individual wealth creation of at least £0.2m.
- High-growth companies – Companies with revenues of between £2.5m - £100m that have increased turnover by at least 33% over the preceding three years and produced at least 10% year-on-year growth for a minimum of two years.
- IPO – an initial public offering for a company is the first time the stock of a private company is offered to the public.
- M&A activity – business transactions where units are combined or transferred.
- Management buyout (MBO) – The BVCA has tracked all instances where funds were provided by its members to enable current operating management and investors to acquire an existing product line or business. Institutional buyouts (IBOs), leveraged buyouts (LBOs) and other types of similar financing are included under MBOs for the purposes of this report.
- Management buy-in (MBI) – The BVCA has measured all instances funds were provided by its members to enable an external manager or group of managers to buy into a company.

About the methodology:

In previous editions of the index, we have used three recurring indicators to track new incorporations (Companies House), high-growth companies (Experian), and deals (Wealthmonitor). In Volume 8 of the index, we are not only tracking these indicators, but also expanding our approach to include a broader range of indicators that will give us a more in-depth picture of how the UK is performing.

The index score that we arrive at reflects how the UK has performed in comparison to previous years and in reference to the base year 2011 (score for 2011 = 100) on key measures of entrepreneurial strength.

The index builds on two main pillars: “Environmental Enablers” and “Entrepreneurial Outcomes”. Each of these sub-indexes could be a stand-alone index, as they measure two different aspects related to entrepreneurship. Environmental Enablers

The “Environmental Enablers” sub-index captures how conducive the UK’s business environment is to entrepreneurial activities by assessing four key areas:

1. Access to finance;
2. Entrepreneurial skills and access to talent;
3. Regulatory environment; and
4. Research and innovation

Environmental Enablers

The “Entrepreneurial Outcomes” sub-index reflects the UK’s entrepreneurial activity at three core stages of the business lifecycle — “start-up”, “growth”, and “exit”.


About the Barclays Entrepreneurs Index

Since its first edition in June 2012, the Barclays Entrepreneurs Index has provided an overview of the UK entrepreneurial life cycle.

As a business, Barclays is experienced and committed to helping entrepreneurs and high growth companies every step of the way. From inception to IPO we are experts in helping other businesses grow, with support that goes beyond funding solutions to include skilled advice, mentoring, leading insights and access to essential networks. We are committed to continue supporting a strong pipeline of wealth creation driven by entrepreneurial success for years to come.

A copy of the full report is available to download from <https://entrepreneurs.barclays/>

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