



Evelyn Partners Business Confidence Report

June 2023

evelyn
PARTNERS

Contents

Introduction	3
Which business milestones are on the horizon?	4
External factors – what's having an impact and what are businesses concerned about?	6
Insolvency? Redundancy? What concerns do owners have for their businesses?	8
Access to funding – how are businesses faring?	9
Are you a business owner? Find out how Evelyn Partners can help you	10

Methodology

The research in this report was conducted by Censuswide on behalf of Evelyn Partners. Censuswide conducted a survey of 504 business owners aged 18+ with a turnover of £5 million+. The survey took place between 28 April 2023 and 9 May 2023 and is part of a wider, six-monthly programme of research into business confidence.

Introduction

On the receiving end of a serious battering from multiple headwinds – whether that's rising interest rates, inflation and energy prices – while also dealing with fallout from the likes of the mini-Budget, collapse of Silicon Valley Bank or Brexit, it's clear that businesses have had a lot to contend with in recent months.

But what has their experience been like really? How are they feeling, what actions have they taken, what are they doing right now and what's in their future plans?

We speak to business owners all day, every day at Evelyn Partners. As the UK's leading integrated wealth management and professional services group, we have unparalleled insight into the challenges and opportunities facing businesses and their owners. To bolster this and get a balanced view of the realities and expectations of business owners from different-sized companies, sectors and locations, we also run a rolling research programme. This sees us surveying 500 UK businesses in the £5 million+ revenue bracket every six months, asking them a series of targeted questions designed to get to the root of their experiences and gauge confidence levels. In this report we share our findings from the latest research.

We've had fascinating and, in places, surprising responses alongside others that you'd expect to hear. You'll find these set out over the following pages together with our own expert commentary.

At Evelyn Partners we're passionate about supporting businesses and championing an environment that will help them thrive. Whatever the landscape and whether its challenges or opportunities they're facing, what remains constant is that the sooner a business seeks good advice from experienced professionals, the more options they'll find available to them.

We hope you find the insights in this report helpful and if you are a business owner, do remember that we're here to help you get the best from your business.



Claire Burden
Partner,
Evelyn Partners LLP
T: +44 (0)117 376 2283
E: claire.burden@evelyn.com

Which business milestones are on the horizon?

Following a protracted and exceptionally challenging winter, what do businesses now have their sights set on? Are they ground down or optimistic? And how has this changed since we heard from them back in September 2022?



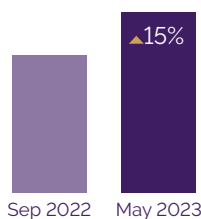
Intrigued to find out, we asked:

“As a business owner, which of the following milestones are you currently looking to achieve?”

The responses were fascinating. In particular, the following jumped out:

Acquisition plans

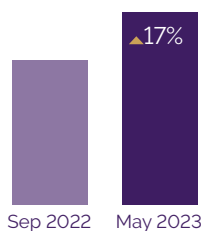
A large number of businesses have their eyes on acquisition, either in the next few years or further out.



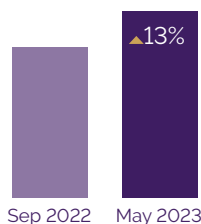
64% plan to acquire another company. That's up from **49%** when we last asked the question in September 2022.

International expansion

Expanding overseas is looking appealing to many – both within Europe and further afield.



69% have expansion **within Europe** as a milestone they're working towards. In September 2022, the figure was **52%**.

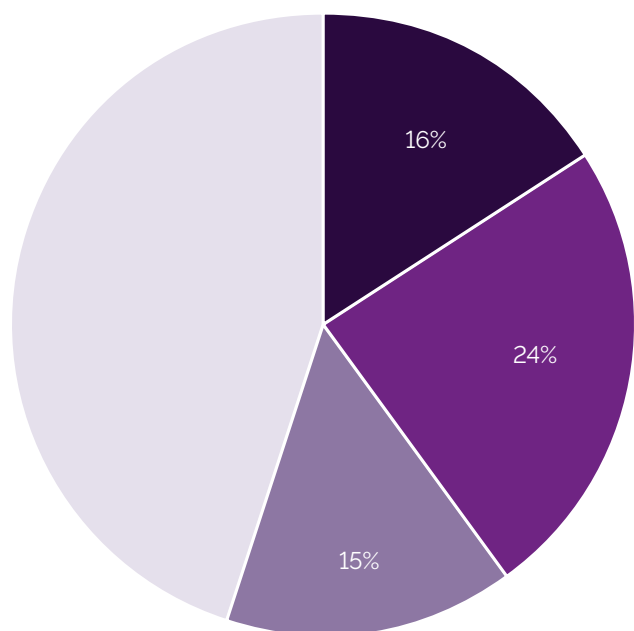


67% are focused on expansion **outside Europe**. This compares with **54%** back in September 2022.

Reaching profitability

Our research highlights the huge number of businesses in the £5 million+ bracket that are not yet profitable.

Overall **55%** cite **reaching profitability** as a milestone. Breaking this down further, **16%** aim to have it ticked off within a year while for **24%** it's within one to five years. A further **15%** have profitability as a longer-term goal that is more than five years away.



- Within a year
- One to five years
- Over five years

Evelyn Partners' view

Interestingly, we've got over half of businesses indicating that they're loss-making but also real signs of confidence coming through. Acquisitions and international expansion are both bold moves but the research is showing us that an increasing number of businesses are now incorporating these into their plans.

This tallies with our own experiences. We're busy helping clients with their expansion strategies, for example market mapping, financial forecasting and funding strategies, while also supporting acquisitions and business integrations. We're seeing a lot of expansion in the UK but also into US and Europe in particular.

Businesses considering this should invest time in thorough planning followed by a swift, results-focused execution of their growth strategy. We work with businesses to articulate their rationale for growth and what they want to achieve so that any options can be judged against this target. Planning should be thorough and holistic, identifying value levers to ensure profitability, working capital and funding, tax structuring, operational activity required and commercial risks.

The key to success isn't in getting growth plans over the line, for example in acquiring another business, it's in the next steps – achieving the deal rationale and ensuring profitability and cash generation.

Claire Burden, Partner, Evelyn Partners

External factors – what's having an impact and what are businesses concerned about?

Even the best-laid plans can get thrown off course by external factors, so we quizzed business owners about the realities and also what's keeping them awake at night.



“What external events, if any, have impacted your business in the past six months?”

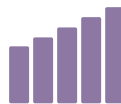
No surprises here!

1



Rising energy and fuel prices top the list, with **33%** of businesses facing struggles.

2



This was followed closely by **interest rates**. **31%** felt pain from these.

3



Next up was the **impact on consumer demand from the cost-of-living crisis**. **28%** suffered here.



And did the picture change much when we asked businesses to think ahead to the external factors that could cause challenges?

Not really.

Our respondents told us they are most concerned about the negative impact of these factors:

Worry about rising energy and fuel prices	29%
Still see the impact on consumer demand from the cost-of-living crisis as troubling	25%
Have concerns about economic uncertainty or recession	22%

Digging deeper into recession, we put the following question to businesses:

“How confident or unconfident are you that your business will survive a forthcoming recession in the next 12 months?”

Some **77%** say they're confident*. In September 2022, when we asked this question, the figure was much the same at **78%**, demonstrating stability in business confidence.

**Very confident' and 'Somewhat confident' answers combined.*



Insolvency? Redundancy? What concerns do owners have for their businesses?

During such a testing time, we were keen to ask business owners about what they think is on the cards for their businesses over the next year and which serious measures they may need to consider.

Insolvency

The real callout for us here was how business owners responded to the prospect of insolvency.

While just under one in three – **32%*** – acknowledge there is a risk that they will become insolvent in the next 12 months, this demonstrates a significant improvement since we last asked the question in September 2022. Back then, almost half – **47%** – believed there was a risk of insolvency for their business.



**Very likely' and 'Somewhat likely' answers combined.*

Redundancy

The likelihood of redundancies has dropped off in recent months. **36%*** of businesses expect to embark on a round of redundancies, whereas in September 2022 the figure was much higher at **52%**.



**Very likely' and 'Somewhat likely' answers combined.*

Withdrawing from a key market

In September 2022 almost half – **48%** – were concerned they may have to withdraw from a key market but today it's less of a worry. **32%*** are now bracing for this.



**Very likely' and 'Somewhat likely' answers combined.*

Evelyn Partners' view

Even if businesses aren't teetering on the edge, working capital and cash management should always be a focus. Have a rolling 12-month forecast that double checks assumptions on a cash and profit basis. If performance does dip, do you know where the improvement opportunities are or the scope for reducing costs? It's also important that it's not just the financial director looking at this. Staying working capital positive and cash generative are jobs for the whole business, particularly across the executive team.

And if your business is facing insolvency, the earlier you can speak to someone, the more options you'll have and the greater your chance of rescuing your business and all the jobs at stake. At Evelyn Partners our goal is always to maximise the possibility of a business continuing to operate, either in part or as a whole.

Claire Burden, Partner, Evelyn Partners

Access to funding – how are businesses faring?

Rising interest rates, fallout from the collapse of Silicon Valley Bank... it's hardly the perfect backdrop for businesses in search of funding. What challenges have they encountered and how are they aiming to raise finance?

To find out, our first question was:

“In the past six months, how would you describe your ability to access capital?”

Here we saw some real contrasts.

The struggles

29%* reported difficulties in accessing funding.

The successes

In stark contrast to the above, **51%**** say they've found it easy to access funding. And, of these, **24%** told us they thought it was very easy.

The second question we asked was:

“In the past six months, how would you describe your ability to access capital?”

With traditional lender support suppressed, the results highlighted that UK business owners are considering alternative means of funding to finance their businesses.

Of the total funding:

Just 12% is predicted to come from traditional banks	12%
9% is set to be raised from credit funds	9%
Lease back of physical assets is projected to account for 10%	10%
The expectation is that 8% will come from the sale of operational assets	8%

Evelyn Partners' view

Funding is in ample supply but because of interest rate rises, lender confidence, the cost-of-living crisis and so on, funders and investors want to reach a higher level of comfort before handing over cash. The research emphasises what we're seeing: those businesses that don't have their financial forecasts together or can't articulate their plans to lenders are being turned away. In this risk-averse environment, it's those with credible business plans and prudent forecasts that are winning out. Lenders don't tend to see value in funding ongoing losses or to repay another lender who wants to exit, so businesses need to articulate their plans to reach profitability or the use of the required funds and the payback.

Any business wanting to refinance or secure additional funding should articulate what the cash will be used for and how it will be repaid – supported by prudent integrated financial forecasts showing a positive outcome. The type of funding, whether it is equity, term loan, asset-based lending or another should be tailored to the needs of the business and repayment profile – one type of funding does not fit all here. A specialist adviser can help you prepare and identify funding options and providers best aligned to your needs.

Claire Burden, Partner, Evelyn Partners

**“Somewhat difficult to access capital” and “Very difficult to access capital” answers combined*

***“Somewhat easy to access capital” and “Very easy to access capital” answers combined*

Are you a business owner?

Find out how Evelyn Partners can help you

At Evelyn Partners, we help businesses at every stage of their journey and across their business and personal finances.

Whether you're navigating the early stages, growing fast, facing challenges or thinking about exit, we have the expertise to help.

Navigate the early stage

Managing increasingly complex accounting and compliance needs are full-time jobs on their own – and they're just two of many things to think about when you're building a business. With our business outsourcing services, we can help you become more efficient, perform better, boost your profits – and give you some breathing space.

Grow a business

Things are going from strength to strength, and now you're thinking of the next stage. We have the expertise to help you seek investment, expand internationally and streamline how you operate. Make sure your business is fighting fit for a period of sustainable growth.

Think about exit

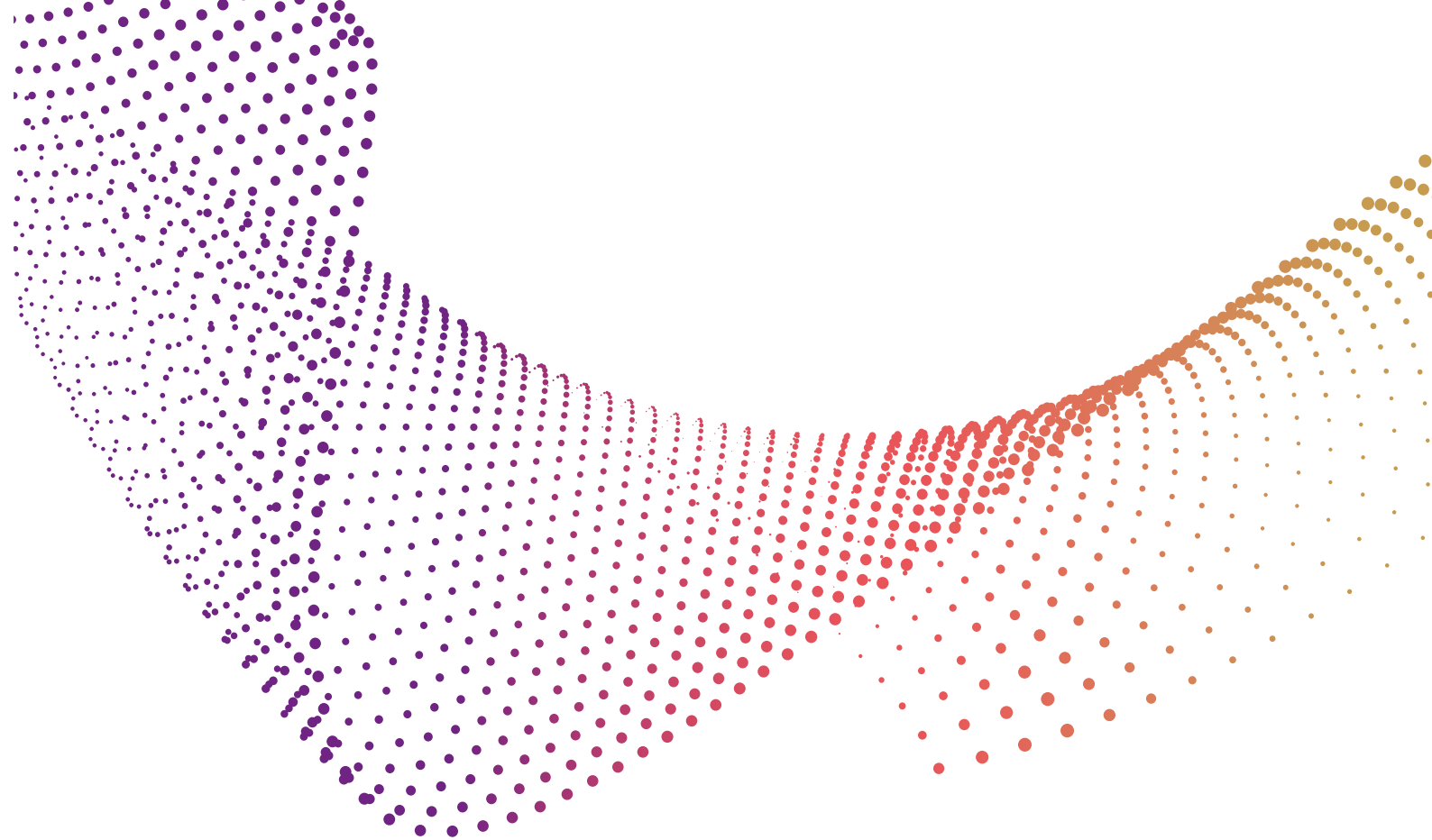
Ready for a new chapter? We can work with you on a clear business exit strategy so you can make sure you're making the transition at the right time, in the right way – and on your own terms.

If it's not going to plan

Every business has its highs and lows, but with the right tools and expertise we can help you can navigate challenges as they arise – and prepare for any future bumps in the road. Learn how you can recover, perform and improve.

Find out more

To find out more, please get in touch. For accountancy, advisory or tax support for your business, please call **020 3966 8935** to arrange an appointment with one of our expert Partners.





T: 020 3131 5203

E: contact@evelyn.com

www.evelyn.com

Evelyn Partners LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. It is an independent network member of CLA Global Limited. See www.claglobal.com/disclaimer

Services may be provided by other firms in the Evelyn Partners group.

45 Gresham Street, London EC2V 7BG.

© Evelyn Partners Group Limited 2023