

Barclays

Entrepreneurs Index

Volume 8



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Introduction

Five years since we began tracking the health of UK entrepreneurship, we find that a conflicted picture confronts us in 2016: our Index reveals that in the lead up to the EU referendum the environment for starting and growing a business was at an all time high. There is however uncertainty among the UK's entrepreneurial community as to how the country's developing ecosystems will be impacted.

Our Index shows that key aspects of the environment for entrepreneurs – access to finance, skills, the regulatory landscape, and innovation – have all improved since 2011. However, this has not yet translated into corresponding improvements in the number of UK firms achieving high growth. And, with formal Brexit proceedings set to begin by March 2017, the onus is on the government – and other stakeholders in the entrepreneurial ecosystem – over the coming months, to ensure the UK's positive progress over the past five years is maintained.

In Volume 8 of the Barclays Entrepreneurs Index, we assess how the UK's environment for business growth has developed in the five years since 2011, and how this has impacted activity at three core stages of the business lifecycle: starting; growing; and exiting. And we gauge the views of our expert panellists as to how the UK can improve its performance, even as it begins the Brexit process.

About the report

The Barclays Entrepreneurs Index is a barometer of the entrepreneurial environment and activity in the UK. It uses a set of data indicators to track the UK's performance at each stage of the entrepreneurial lifecycle – starting, growing and exiting a business – on an annual basis. In Volume 8 of the Index, we have expanded our approach, to include a broader range of data indicators (please see page 32 for notes on the methodology).

Our Index shows that key aspects of the environment for entrepreneurs – access to finance, skills, the regulatory landscape, and innovation – have all improved since 2011. However, this has not yet translated into corresponding improvements in the number of UK firms achieving high growth.

Our Expert Panel

We are extremely grateful for the time and insight shared by the experts on our panel:

Duncan Cheatle, Founder and CEO, Rise To

Matt Clifford, Co-founder and Chief Executive, Entrepreneur First

Anne Glover, Co-founder and Chief Executive, Amadeus Capital Partners

Mark Goldstone, Head of Policy and Representation, West & North Yorkshire Chamber of Commerce

Imran Hakim, CEO, Hakim Group

Professor Mark Hart, Aston University

Richard Heggie, Head of High Growth and Entrepreneurs, Barclays

Philip Salter, Director, The Entrepreneurs Network

John Stapleton, Co-founder, New Covent Garden Soup Co. / Little Dish

Marcus Stuttard, Head of the Alternative Investment Market

Bob Wigley, Chairman, Ellestone Apparel LLP

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 £0.13m (provided by Wealthmonitor)¹.

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.

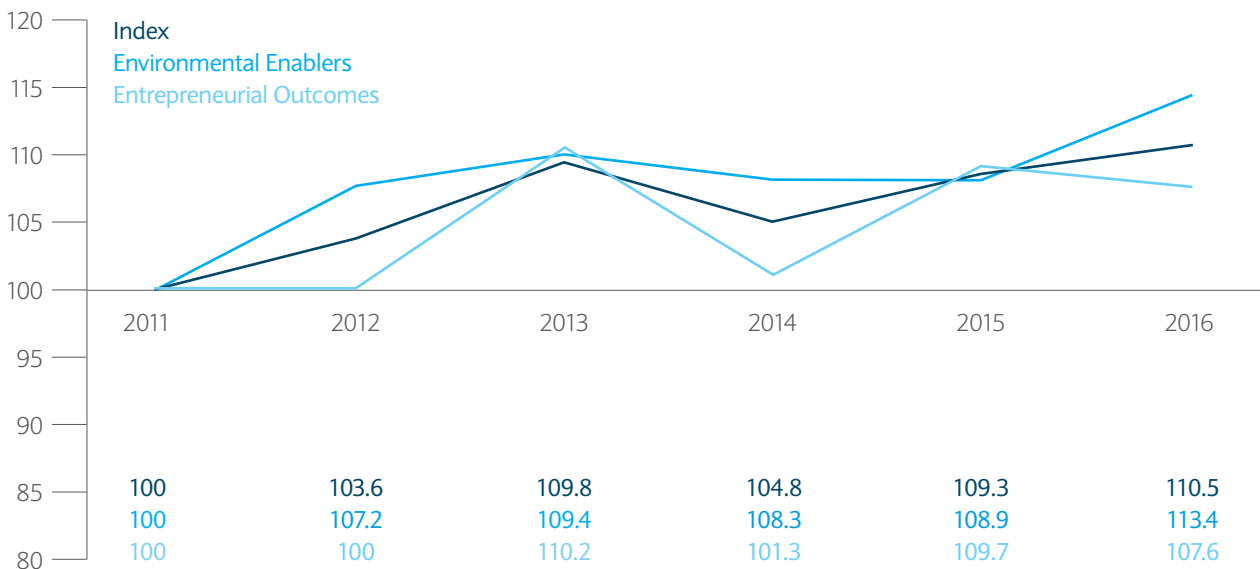
¹ Definition updated from £0.2m to £0.13m to reflect Wealthmonitor’s tracking.

Executive summary

Overall Index score: Reaching a new high

The overall Barclays Entrepreneurs Index score has risen by 10.5 percentage points, from a base of 100 in 2011, to 110.5 for 2016, indicating strong overall progress in the UK's entrepreneurial environment.

Chart 1: Reaching a new high



Source: Barclays Entrepreneurs Index — Volume 8

The UK's environment for growth in the lead up to the EU referendum was stronger than at any time since 2011

The UK's entrepreneurship environment Index has hit its highest score since 2011, rising 13.4 percentage points to 113.4 for 2016, up from its base score of 100 five years ago. Better access to finance and skills, and also more gradual improvements in regulation, and research and innovation are key factors driving this shift [see section 1] (This suggests it is a good time for UK entrepreneurs to start and grow their businesses)

The UK's entrepreneurship environment Index has hit its highest score since 2011.



Improved environment slow to translate into high growth

Our score for entrepreneurial growth activity, which takes into account high-growth companies, expansion investment and job creation by young companies, remains fairly flat, with fewer firms managing to meet Experian's measure of "high growth" (please see definition in Glossary) in 2015. This suggests that improvements in the environment are yet to translate into really meaningful growth in scale-up numbers. The number of companies receiving expansion investment from venture capitalists did increase, however, which is a positive sign.

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Talent and regional growth funding are key Brexit concerns for entrepreneurs

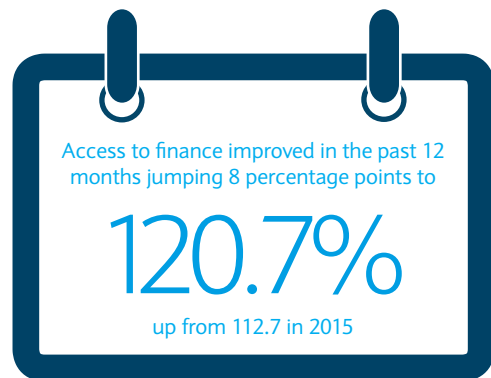
As UK growth businesses continue to excel in tech-related areas such as med-tech, life sciences and artificial intelligence, our expert panellists urge policymakers to expand talent visa programmes and actively encourage post-graduates in STEM subjects (science, technology, engineering and mathematics) to employ their skills here. In addition, assurances are needed for Local Enterprise Partnerships (LEPs) and other regional business growth initiatives established over the last few years that EU-linked funding will be maintained.



Our expert panellists urge policymakers to expand talent visa programmes and actively encourage post-graduates in STEM subjects

Venture capital availability is improving, but gaps remain

Our Index shows that access to finance improved in the past 12 months, jumping 8 percentage points to 120.7, up from 112.7 in 2015. Better venture capital availability has been a key factor. British Private Equity and Venture Capital Association (BVCA) data – which includes UK and overseas investors – shows that expansion investments grew from £865m for 2014 to £995m for 2015. That is not to say, however, that gaps do not remain for series A and later round stages of growth funding. Investors with sector-specific knowledge are lacking, in particular.



Regulatory conditions are the best we've seen

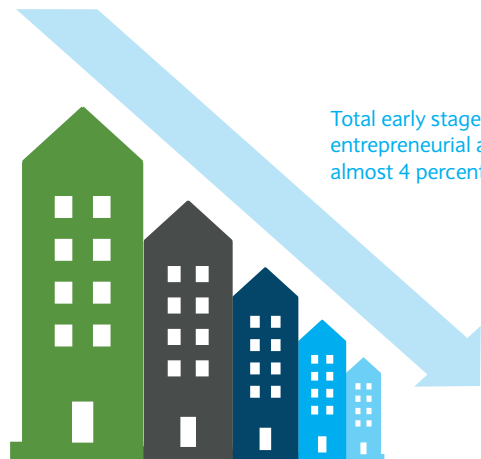
Our Index score – which has risen from its 2011 base of 100 up to 110.5 today – suggests that it is easier to start a business in the UK today than at any time since we began the Index. The UK's corporation tax rate is currently at its lowest ever, while specific reliefs aimed at early-stage investors – namely the Enterprise Investment Scheme (EIS) and seed EIS – have created a favourable tax environment. And, in 2016, the Enterprise Act came into force, which seeks to further ease the regulatory burden on small business, and establishes a Small Business Commissioner to help small firms resolve issues, such as late payments.



Our Index score – which has risen from its 2011 base of 100 up to 110.5 today – suggests it is easier to start a business in the UK today than at any time since we began the Index.

Start-up activity falls

The 'Total Early-stage Entrepreneurial Activity' (TEA) score – a measure of the number of people in the UK adult working-age population who are a nascent entrepreneur or owner-manager of a new business – fell by almost 4 percentage points up to the end of 2015, showing the UK is producing fewer businesses with ambitions to scale up. While incorporations are rising, the Index recorded a 4 percentage point rise in the number of active companies from December 2015 to June 2016. It remains unclear how many new businesses have real ambition to scale up.



Total early stage entrepreneurial activity falls by almost 4 percentage points

Exit activity maintains recovery, driven by M&A uptick

Our overall Index score for exit activity, which takes into account IPO, M&A, and MBO/MBI activity, has taken a very slight dip for 2016, from 112.1 to 111.3, but continues at a far higher level than we saw during 2011-2014. Increased M&A activity during 2015 has been a key driver of this growth. Compared with the previous year, we saw a 19% increase in the number of M&A events for companies less than five years old. This rise was offset, however, by a sharp drop in the number of IPOs of young companies during 2015.



Our overall Index score for exit activity has taken a very slight dip for 2016

19% increase in the number of M&A events for companies

Section 1: Environmental enablers

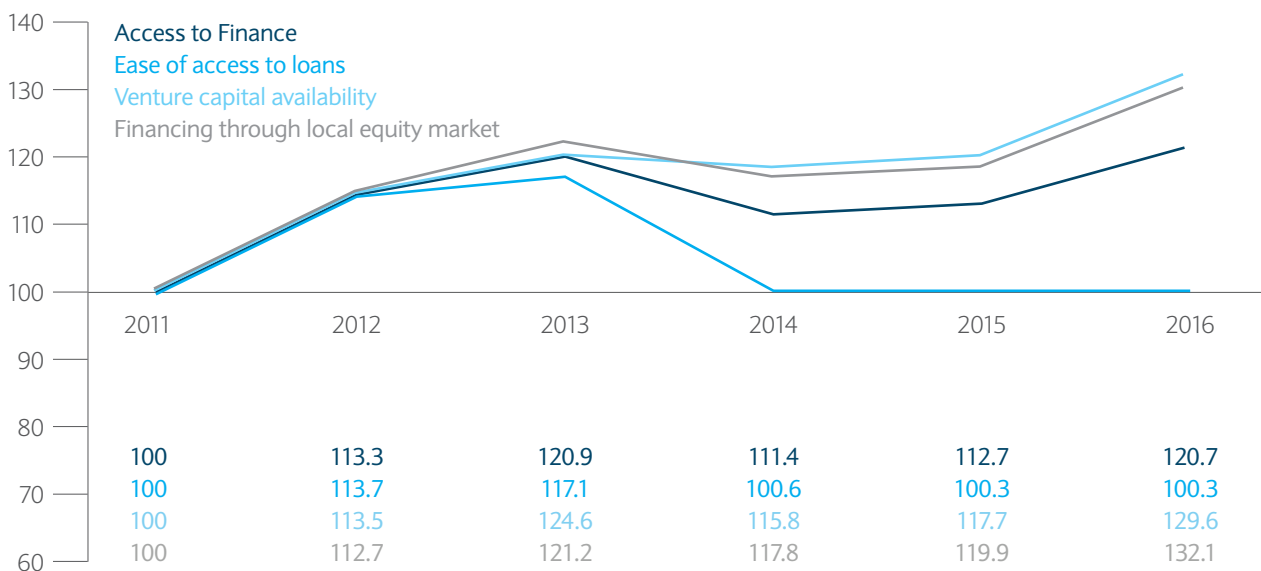
Our Barclays Index suggests that the overall environment for entrepreneurs to start and grow businesses in the UK – taking into account access to finance, entrepreneurial skills and access to talent, the regulatory environment, and research and innovation – is getting progressively better. The environment score of our Index has made its biggest jump in four years in 2016, rising 4.5 percentage points to 113.4.

The UK government must ensure it is able to build on this, and that the UK's impending departure from the EU does not put this positive progress at risk.

Access to finance

The UK continues to strengthen its environment in terms of access to finance. Our Index shows that the finance environment has improved in each of the past two years, as shown in the chart below. In the 12 months to 2016, the Index score increased by 8 percentage points to 120.7, up from 112.7 in 2015.

Chart 2: Access to finance



Source: Barclays Entrepreneurs Index — Volume 8

As our data indicators show, both venture capital availability and local equity market financing have improved in successive years since 2014, with growth of 11.9 percentage points and 12.2 percentage points respectively, between 2015 and 2016.

High-growth company tracker, Beauhurst, also recorded an increase in investment into growing companies during 2015, up to £5.8bn from £3.7bn in 2014. Its latest figures for equity investment in non-listed UK companies is less encouraging, however: at £817m for Q3, this is significantly down on the over £1bn of investment recorded for Q3 2015.

Anne Glover, Chief Executive and Co-founder of Amadeus Capital says that, while early-stage financing from angels, incubators, venture capital funds and corporations is in a fairly good state, late stage venture financing for UK entrepreneurs still presents a big challenge. This is particularly true for non-consumer businesses — whether in hardware, deep-tech, life sciences, or med-tech.

“There are not as many VCs in non-consumer tech, and public market investors don’t understand it so can’t invest,” says Ms Glover.

A number of ideas have been suggested that could improve the situation, such as creating a capital market IPO Index on tech, or maybe even a Business Growth Fund (BGF) equivalent, that is focused on tech. “We have to solve this

problem, otherwise we’ll just build little companies that do very well but we won’t create many globally successful businesses,” adds Ms Glover.

Bob Wigley, Chairman Ellestone Apparel LLP and adviser to multiple companies, including Blockchain, Nord Engine Capital, and Symphony Environmental, has another view about how the UK could address the existing funding gap. “I think we need to organise pension funds, asset managers, and other large institutional investors to pool funds in a government-backed vehicle, which could then be allocated to growing businesses in this space in an efficient manner,” says Mr Wigley.

Our data shows that overall bank lending has not risen in line with other forms of finance. Barclays’ establishment of a £200m venture debt fund for fast-growing technology firms signals that some banks are driving hard to be active lenders in the early stage space. Despite this, the fall in overall lending figures perhaps reflects lower borrowing appetite, and possibly the influence of more varied types of finance – such as crowdfunding – entering the market over the last few years. “As we’ve seen the emergence of peer-to-peer lending and crowdfunding platforms, there are now wider options out there for entrepreneurs in terms of lenders prepared to take on the higher risk associated with early stage businesses,” explains Imran Hakim, CEO of the Hakim Group.

Entrepreneurial skills and access to talent

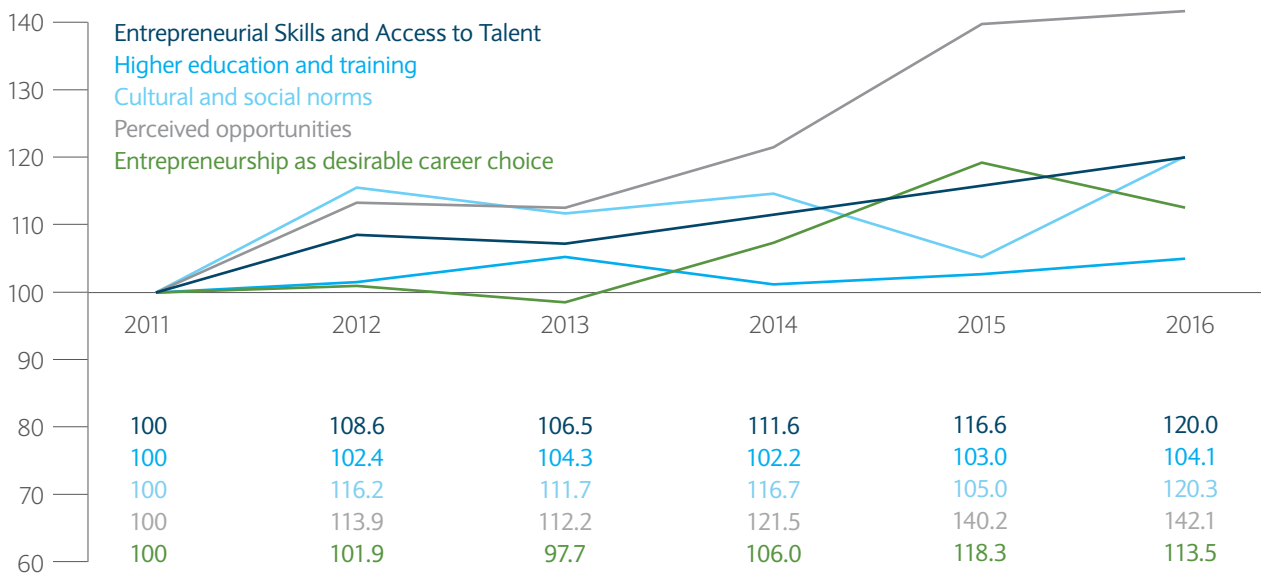
Bringing in the necessary talent to help drive the growth of a business is one of the biggest challenges facing the UK's entrepreneurs. Since we began tracking data in 2011, the culture of entrepreneurship, along with the UK's higher education and training, have shown gradual improvement.

Global Entrepreneurship Monitor (GEM) data suggest that the UK has become more entrepreneurial in the past five years. The extent to which people perceive business opportunities in their region, and view entrepreneurship as a desirable career choice, are both at a significantly higher level now than in 2011. The perceived opportunities score, for instance – which measures the proportion of the UK adult population who see good opportunities to establish a business in their region – has risen by 42.1 percentage points since 2011. It is encouraging that these measures remain high even as large private sector firms have increased their hiring again (vacancies at The Times

'Top 100 Graduate Employers' grew beyond its 2007 pre-recession peak for the first time in 2015). This suggests that a genuine and sustained cultural shift may be occurring.

This positive news does not tell the full story, however. The UK still has a huge shortage of skills in technology and related sectors from where future growth is anticipated to come. "We've got to look at our own education system and what we're encouraging young people to do," says Duncan Cheadle, Founder and CEO, Rise To, a work-related learning aggregator that seeks to help young people develop more of the skills that employers need. "We don't really need a lot more graduates in some of the humanities — universities must be encouraged to offer more programmes geared towards STEM subjects, and we should be advising young people that this is where the high-achieving jobs of the future will be," says Mr Cheadle. As Brexit looms, access to talent will be top of mind for entrepreneurs (see our In Focus section, 'Brexit and the entrepreneurial ecosystem').

Chart 3: Entrepreneurial skills and access to talent



Source: Barclays Entrepreneurs Index — Volume 8

Regulatory environment

The UK's regulatory environment has become more conducive to entrepreneurs starting and growing their businesses in 2016, achieving an Index score of 108.4, up 5.8 percentage points from 102.6 for 2015.

Tax and bureaucracy is one area that appears to have made good progress during 2015. One driver of this could be the reduction in corporation tax to 20%, with an eventual reduction to 18% by 2020 announced in the Government's Summer 2015 Budget.

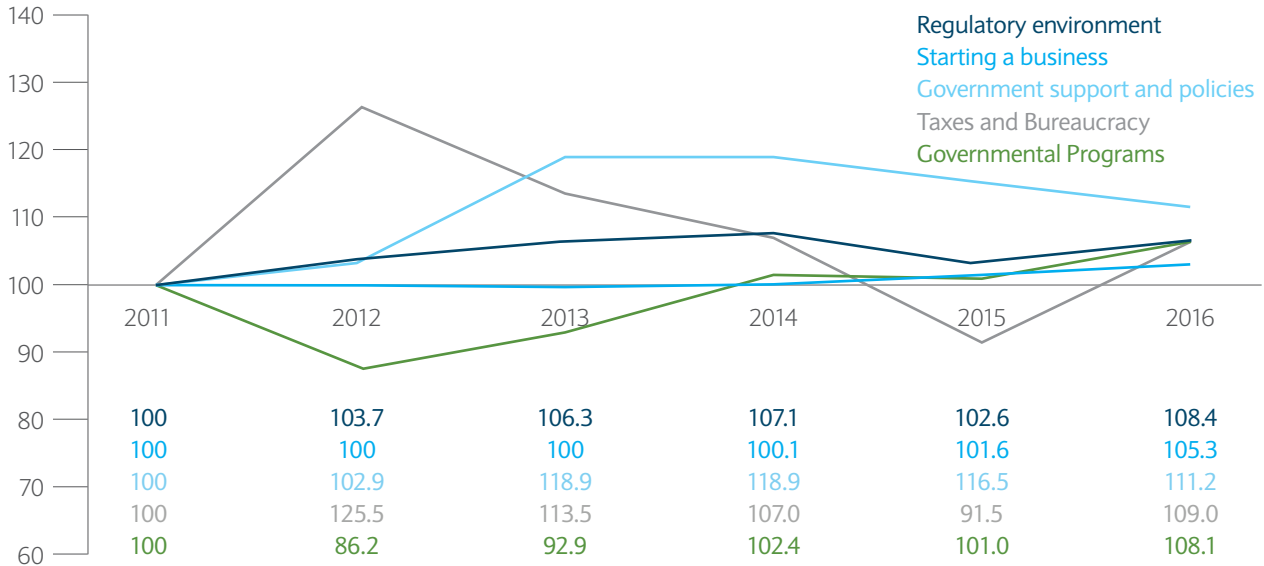
The EIS and seed EIS tax reliefs have also been popular measures among investors, although some feel its application is too restricted. For instance, requirements were placed on growing businesses to wait at least four months

and spending the majority of the funds, before undertaking a subsequent round of funding under the scheme.

EIS relief is also only applicable to businesses that are seven years old or younger. "Such restrictions have been partly attributed to conforming with EU state aid rules," says Marcus Stuttard, Head of the Alternative Investment Market (AIM). "In fact, I'm not sure such restrictions are sensible because you can equally have more established businesses that change their business model and increase their growth trajectory, that will be in need of targeted funding."

Further, 2016 saw the Enterprise Act come into force, which seeks to ease the regulatory burden on small business, and establishes a Small Business Commissioner to help small firms resolve issues such as late payments.

Chart 4: Regulatory environment



Source: Barclays Entrepreneurs Index — Volume 8

Research and innovation

Our Index score for the UK’s research and innovation capability has improved year-on-year since 2014, albeit incrementally.

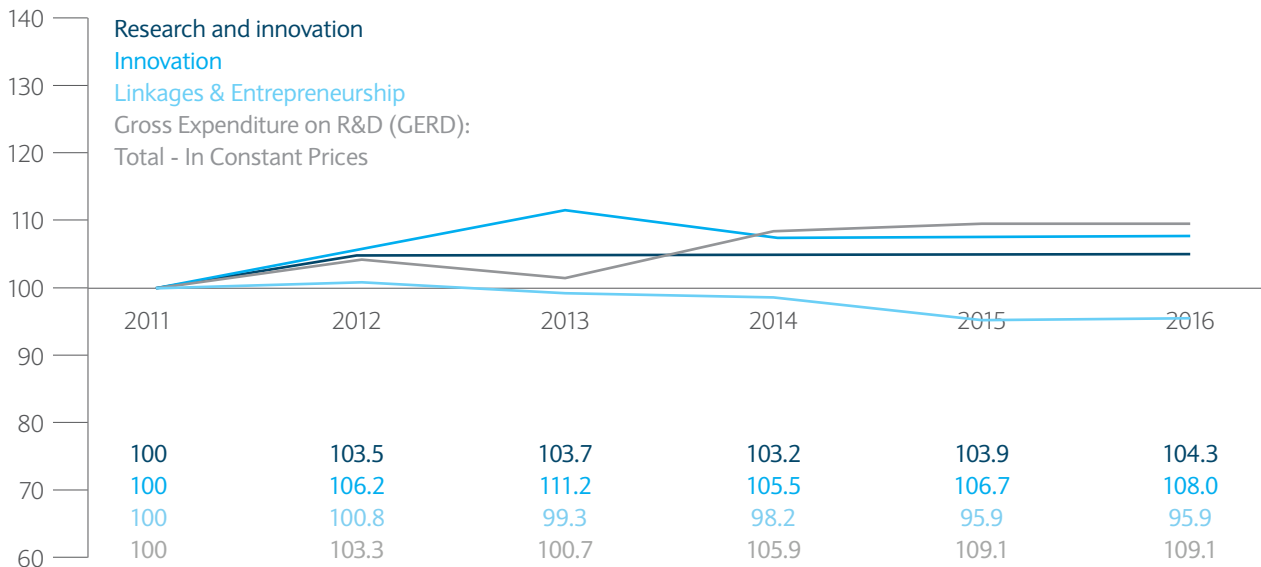
One of our indicators that showed positive growth here is the World Economic Forum’s innovation score, which looks at areas such as the quality of a country’s scientific research institutions, collaboration between universities and industry, and the availability of scientists and engineers, among other measures.

“The majority of universities are improving on the commercial side; some have listed funds linked to them, and we’ve also had a cultural shift among university professors and other academics,” says Ms Glover. “They are realising

the importance of spinning out companies, but also hiring smart people to run those businesses so they can stay at the cutting edge of their research area.”

Meanwhile, Matt Clifford, Co-founder and Chief Executive at Entrepreneur First, says UK universities are helping to drive world-leading skills in areas such as artificial intelligence and machine learning — an advantage that entrepreneurs must seize over the next few years. “Engineering talent in those areas is probably better in the UK than anywhere else in the world, and the cost of hiring a Phd-level research engineer in the UK is cheaper than in the US, for example,” says Mr Clifford. “You can build really exciting companies in these areas at a fraction of the cost you would have anywhere else.”

Chart 5: Research and innovation



Source: Barclays Entrepreneurs Index — Volume 8

Section 2: Entrepreneurial outcomes

2a: Starting up

Our Index shows that overall start-up activity fell slightly during 2015, compared with the previous year, because while there was a rise in the number of new company incorporations, the total early-stage entrepreneurial activity among the UK's adult population recorded by GEM has declined. Despite this, start-up activity still remains at relatively high levels versus previous years.

BVCA data shows that start-up stage investment from venture capitalists increased from £22m for 2014 to £83m for 2015, and early-stage technology investment grew from £129m to £165m over the same period.

In addition, the UK saw a 4.42% growth in the number of active companies in the six months up to June 2016, with more than 345,000 new incorporations over this period. StartUp Britain has also recorded nearly 546,000 startups in 2016.

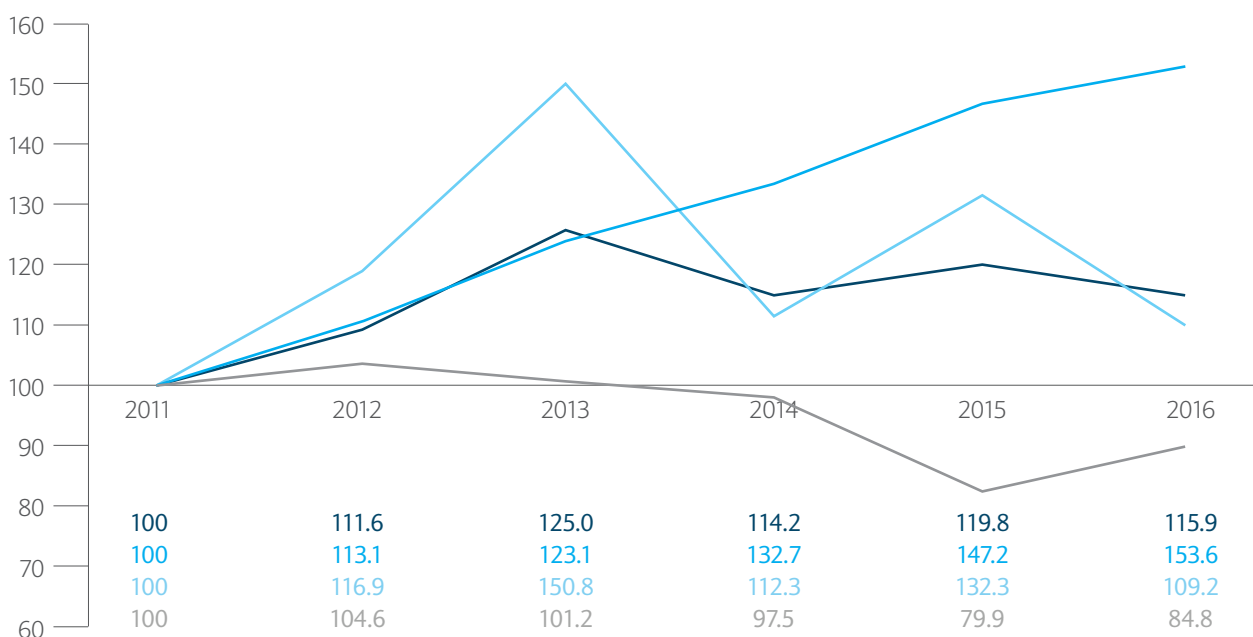
Chart 6: Start-up activity

Start Up

Number of new companies incorporated


Total early-stage Entrepreneurial Activity (TEA)

Number of companies that received seed, start-up and early stage Venture Capital investment



Source: Barclays Entrepreneurs Index — Volume 8

Our expert panellists sound a note of caution around this start-up activity, however. “There are a lot of different things going on behind the headline figure, ranging from ‘forced’ self employment at the one end, to high-value entrepreneurship at the other,” says Philip Salter, Director of The Entrepreneurs Network. “However, it must be acknowledged that despite being pushed into self employment following the 2008 financial crisis, many people are choosing to remain in it and prefer the flexibility. Even if this isn’t good for productivity – as some have argued – it’s hard to bemoan people freely making choices to do the work they want.”



“There are lots of different things going on behind the headline figure, ranging from ‘forced’ self employment at the one end, to high-value entrepreneurship at the other.”

2b: Growing

Despite improvements in the entrepreneurial environment, and some positive trends in start-up activity, the UK has struggled to expand its population of high-growth companies.

The proportion of companies achieving Experian's measure of 'high-growth' (see Glossary) rose slightly between December 2014 and December 2015, from 19% to 19.7%.¹ Overall, our Index score shows that growth has remained relatively flat over the past two years.

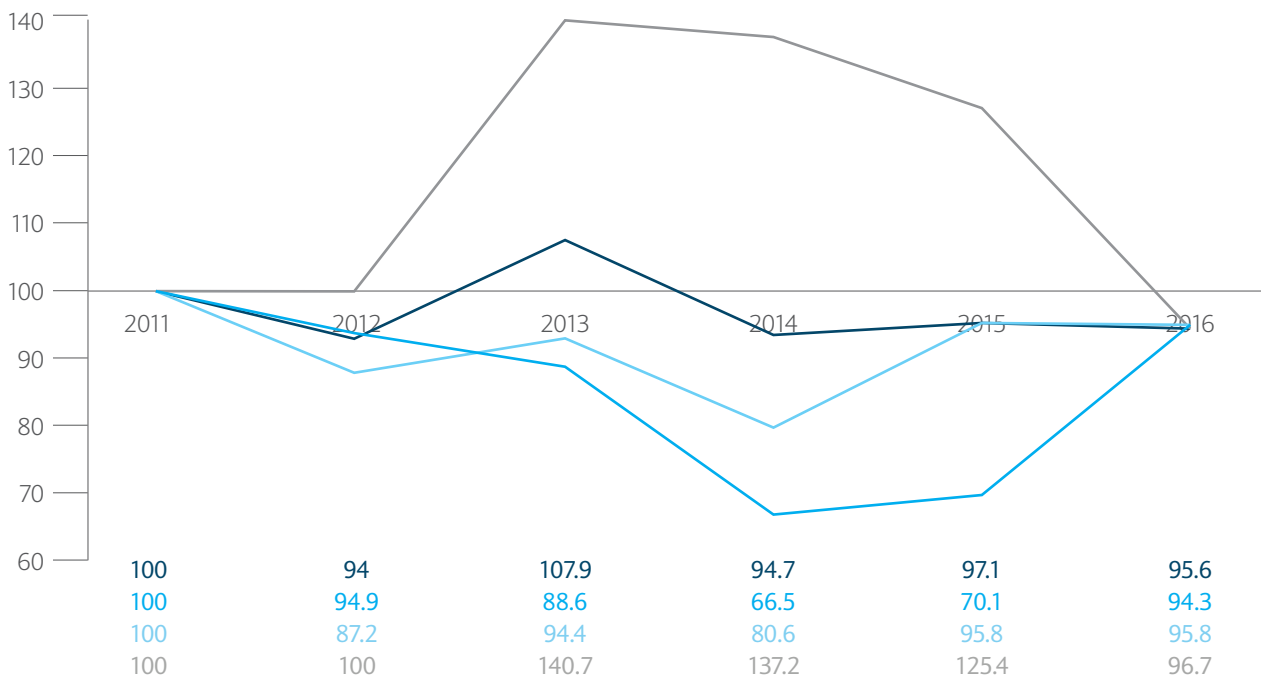
Chart 7: Growth activity

Growth

Number of companies that received expansion investment

Employment share of 3 year old enterprises

Number of high growth companies



Source: Barclays Entrepreneurs Index — Volume 8

¹ Note: Experian's December 2015 numbers are partially incomplete due to a lag in company filings.

Ms Glover notes that, for tech entrepreneurs seeking to scale in the UK, a lack of easy access to later-stage financing can cause early sales or drive them to move the business overseas. “Often it just takes too long to raise the necessary funds, so it’s easier to sell, or if you want to keep going independently then you might move to Silicon Valley to raise late-stage money,” she says. “We need to cultivate more smart investors who understand the tech space.”

Mr Clifford anticipates this cultivation to take a number of years. “It’s exciting to see European entrepreneurs who have scaled businesses beginning to go back and invest in UK businesses,” says Mr Clifford. “Things are moving in the right direction, but it will take a long time to play out.”

According to the Enterprise Research Centre, high-growth firms represent less than 1% of the country’s registered businesses, but generate around one-fifth of the UK’s net private sector employment growth of any three-year period. These firms, and existing businesses with potential to achieve fast growth, are not receiving the attention they deserve, according to Professor Mark Hart of Aston University.

“In London in particular, there’s too much preoccupation with start-ups, and especially in the fintech sector — we need to think more about the sustainable growth of existing companies,” says Mr Hart. There are a number of programmes springing up in London with the aim of supporting growth firms, such as Growth Builder, which brings together public- and private-sector stakeholders from across government, education, business, investors and successful entrepreneurs. These sit alongside long-established national small business growth programmes such as the Goldman Sachs 10,000 Small Businesses Programme.

Mr Hart also points to Horizon 2020, a scheme which seeks to connect SMEs across Europe to enable enhanced innovation and expansion. “The concern is that many such programmes are drawing on European funding in some way,” say Mr Hart. “Government needs to be very clear that schemes like these will continue because they’re so important, and we must find the money to fund them.”

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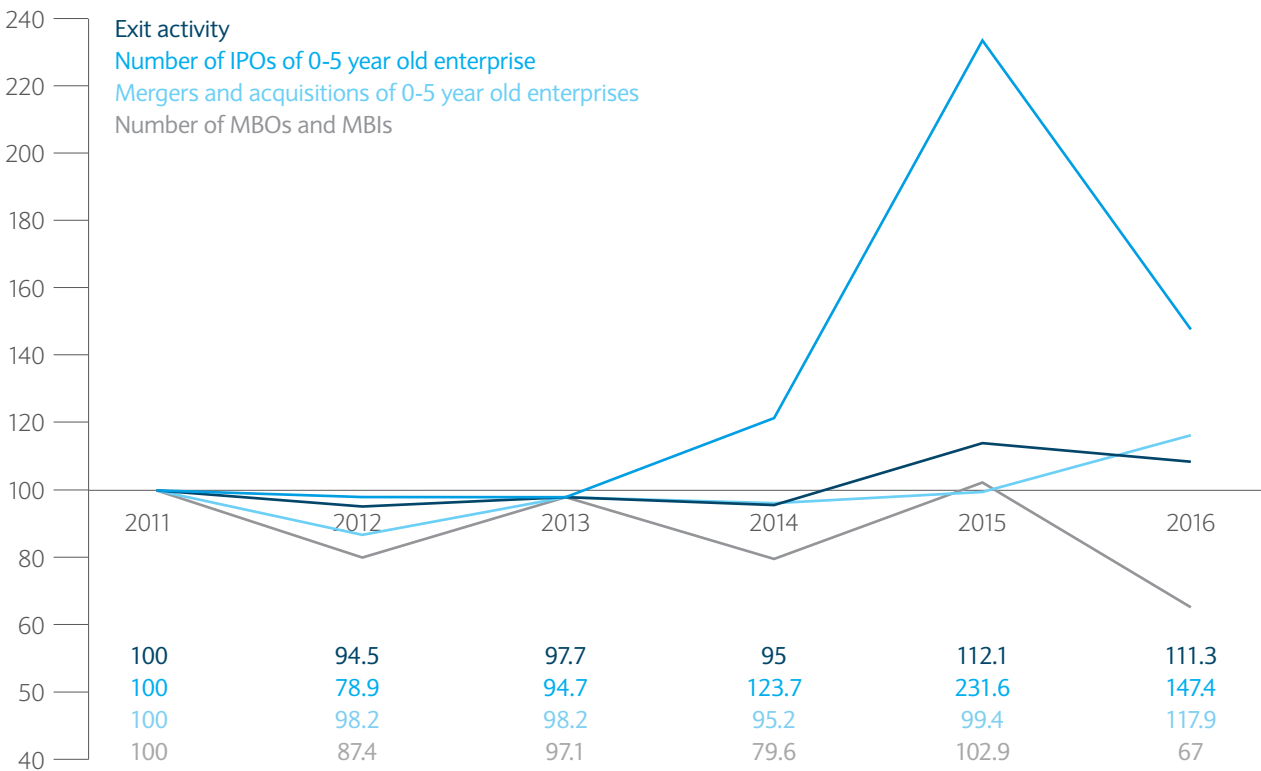
2c: Exiting

Our 2016 Index exit score – which seeks to measure changes in the number of wealth creation events involving entrepreneurs – reflects a small dip in deal activity overall. But this still remains better than at any time during the 2011-2014 period.

Stapleton, Co-founder of New Covent Garden Soup Co. and Little Dish, says overseas investors are playing an important part in this, with British food companies such as Natural Balance Foods and Urban Fresh Foods both being snapped up by Belgian firm Lotus Bakeries during 2015.

A sharp drop in IPO activity of 0-5-year-old companies drives this dip, but there was also a sharp 18.6% rise in the number of M&As of 0-5-year-old enterprises. John

Chart 8: Exit activity



Source: Barclays Entrepreneurs Index — Volume 8

AIM's Mr Stuttard isn't surprised to see a dip in IPOs, but says it isn't necessarily a negative trend. "What we are seeing on AIM is that, although the overall number of companies is down compared with previous years, the actual amount of capital raised wasn't significantly down," he says. "The average market cap of companies on AIM has increased significantly over the past three years. It feels as though the overall funding ecosystem is working better, back to forms of early-stage finance, so companies are able to leave it a bit longer before listing as they have the growth capital they need."

Another factor that may be impacting listing appetite is the political uncertainty of the past few years — with the Scottish referendum, UK general election, and EU referendum falling in successive years. And, with Brexit on the horizon, Mr Stuttard suggests investors are becoming not only more discerning, but more demanding, too. "Because market conditions have been a little bit less certain, investors want to invest in companies where they can go and kick the tyres. But we've also seen much more of a focus on dividends even among small-cap businesses," says Mr Stuttard. Accrol, a tissue paper manufacturer that listed on AIM this year, guaranteed dividends of 6% to investors, and Mr Stuttard reports more companies in the pipeline with the same approach.

"Because market conditions have been a little bit less certain, investors want to invest in companies where they can go and kick the tyres. But we've also seen much more of a focus on dividends even among small-cap businesses."

Section 3:

In focus: Brexit and the entrepreneurial ecosystem

Our Index shows the UK has made steady and valuable progress in improving its entrepreneurial environment since 2011, but its support ecosystems are at a critical phase in their development. This must not be jeopardised by Brexit, if the UK is to translate this progress into a surge of high-growth, international businesses.

“In recent years, the UK has seen exceptional growth stories in knowledge-based sectors,” says Richard Heggie, Head of High Growth and Entrepreneurs, Barclays. “Look at our dominance in areas such as artificial intelligence, for instance, or the booming life sciences industry clustered around Cambridge. We’re becoming world leaders in those areas and we need government, business leaders and industry stakeholders to pay really close attention to them as Brexit unfolds. It’s essential that our ability to attract the best talent and resources to these businesses is not in any way diminished.”

Talent

For UK-based entrepreneurs, sustaining the ability to attract and recruit the skilled employees they need from overseas is a major focus in the wake of Brexit.

Mr Clifford notes that the exceptional talent visa scheme – designed to help speed recruitment of leaders in science, humanities, engineering, medicine, digital technology or

the arts – has been a success for the tech sector, and he would like to see it expanded. “If we move away from it being easy to access the world-class talent that happens to be in Europe, then we will need to lean more heavily on these specialist visas, which are already a great channel for bringing in non-EU talent,” says Mr Clifford.

Mr Wigley calls for certainty from the government. “We have the biggest blockchain company in the world with the biggest pool of blockchain coders based in London, but two-thirds of them require visas to work here and we haven’t had certainty about to what extent they would be able to get them in two years’ time,” he says. “We need to address how these visas will work post-Brexit to make sure we don’t throw away a world-leading position in a globally revolutionary technology.”

Mr Cheatle says the government needs to be more proactive about encouraging post-graduates with the right skills to remain in the UK. “We’re in desperate need of people with high-level skills in areas such as data analysis, for instance, so we should be actively encouraging overseas students in these areas to stay and work here, or we’ll lose them,” says Mr Cheatle.

Funding

As Mr Hart mentions, a number of the UK's business growth initiatives access EU funding, whether directly or indirectly. The European Regional Development Fund and European Social Fund were also set to contribute around £5.9bn to the UK's Local Enterprise Partnerships (LEP) between 2014 and 2020. In areas such as Cornwall, which receives the second highest allocation of EU funds after London, this funding stream is essential to initiatives such as the Growth Hub, which offers a single point of access to information and support for entrepreneurs in the region.

Mr Stapleton says the UK needs to be more strategic about attracting overseas capital for its entrepreneurs. "There's a huge opportunity to attract overseas investments because the pound has suddenly weakened in the face of Brexit — it is 16% cheaper to invest in a business than it was in the summer," says Mr Stapleton. "In terms of inward investment in the UK, this is the time to do it from overseas."

Overseas expansion

The devalued pound creates some challenges for UK-based entrepreneurs, by increasing the costs of overseas raw materials or talent, but it can also offer opportunities in terms of making UK exports cheaper.

Mark Goldstone, Head of Policy at West and North Yorkshire Chamber of Commerce (W&NY CoC) says that UK businesses need more support from regional bodies in opening up export markets. "To say that exporting is easy is the wrong message but, if you get it right, it's hugely rewarding," he says.

The W&NY CoC's model is to provide an export office service, that offers local businesses packaging, transport, insurance and distribution networks – whether logistics firms or insurance brokers – to overcome potential hurdles to exporting. "The government made a good decision back in 2013 to move a lot of overseas market intelligence work from UKTI to British Chambers of Commerce located in key international markets, as we have the global connections and the local networks. Our role in growing UK businesses overseas has never been more important than now," adds Mr Goldstone.

Overall

Ambitious entrepreneurs have always been capable of seizing opportunities at times of economic uncertainty where others see risk and exercise caution. In the post-Brexit environment, these drivers of economic growth will not change their nature. As Mr Hart notes: “I listened to 60 UK growth-oriented entrepreneurs presenting their business

plans for the next three years at a meeting in July — every one of them projected growth rates that would make them a high-growth firm based on the OECD’s benchmark, and they’d already factored the effects of a future Brexit into their planning.”

With the progress the UK has made in its environment over recent years, there are good conditions in place to enable this type of growth. Business owners must set their growth ambitions high and make the most of the UK’s improving support ecosystem to scale their businesses.

The challenge for government and other stakeholders is to:



Ensure that funding remains for the growth support programmes and networks that the UK’s entrepreneurs need, especially those with EU assistance



Continue working to develop a stronger base of later stage investors with specialist expertise in key growth sectors



Put policies and processes in place to guarantee that UK entrepreneurs may continue to access the overseas skills and talent needed to drive the growth of their businesses

Section 4:

Entrepreneurship

across the regions

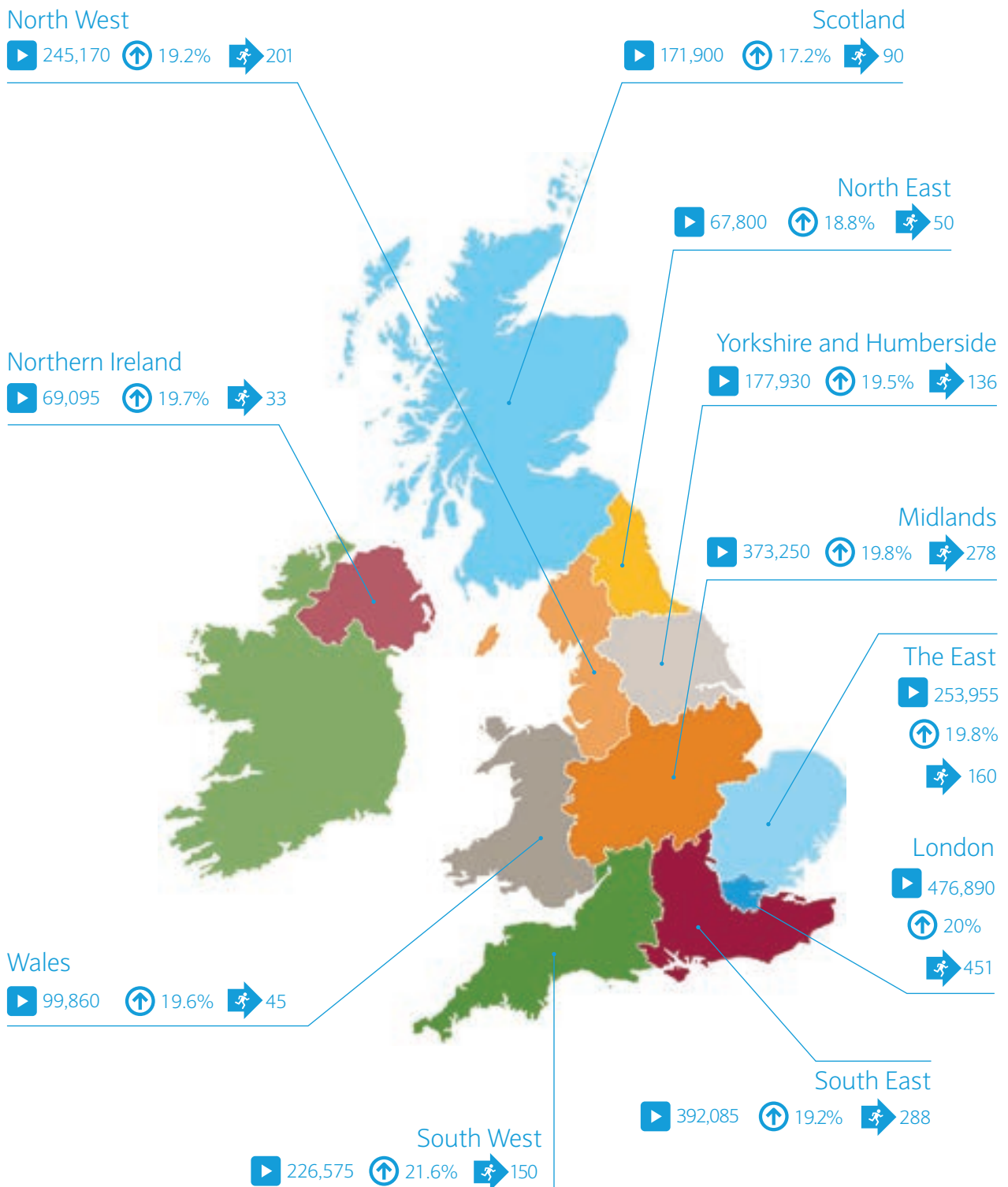
Our Index has continued to track annual changes in three data sets across the 11 regions of the UK:

- The number of VAT and/or PAYE based enterprises, supplied by ONS (data measures the 12 months up to March 2016)
- The proportion of high-growth companies in the population of £2.5m-£100m revenue businesses, supplied by Experian (data measures the 12 months up to end of December 2015)
- The number of publicly announced deals which result in wealth creation of £0.13m or more for beneficiaries, supplied by Wealthmonitor (Data measures the 12 months up to June 2016)

Key findings

- All regions have seen a marginal increase in the number of VAT and/or PAYE-registered enterprises in the 12 months up to March 11 2016, with London experiencing the strongest growth, at 7.2%.
- There has been marginal positive growth in the proportion of high-growth SMEs across all regions, except for Scotland, Wales and Northern Ireland. Strongest improvements were seen in the Midlands (1.7%), and Yorkshire and the Humber (1.5%).
- Deal activity picked up across all regions during H2 2015 and H1 2016, with the North West, West Midlands and South West leading the charge outside of London and the South East.
- The East Midlands in particular saw the highest percentage growth in the number of new enterprises, up 4.9% between March 2015 and March 2016, which was the highest increase of any region, outside of London.

Chart 8: UK and Northern Ireland regional enterprise activity



Key
 ▶ Number of enterprises ⬆ Proportion of high-growth companies ➡ Number of deals
 Source: ONS; Experian; Wealthmonitor.

London



476,890 enterprises
as at March 2016

7.2%

change YOY (2016 vs. 2015)



20% high-growth
companies

0.9%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



451 deals in 12 months
to June 2016

28.9%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

South East



392,085 enterprises
as at March 2016

3.9%

change YOY (2016 vs. 2015)



19.2% high-growth
companies

0.1%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



288 deals in 12 months
to June 2016

16.1%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

For further detail please refer to the methodology. Source: ONS; Wealthmonitor.

Midlands



373,250 enterprises
as at March 2016

4.8%

change YOY (2016 vs. 2015)



19.8% high-growth
companies

1.7%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



278 deals in 12 months
to June 2016

51.9%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

North West



245,170 enterprises
as at March 2016

3.9%

change YOY (2016 vs. 2015)



19.2% high-growth
companies

0.7%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



201 deals in 12 months
to June 2016

42.6%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

Yorkshire & Humberside



177,930 enterprises
as at March 2016

3.3%

change YOY (2016 vs. 2015)



19.5% high-growth
companies

1.5%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



136 deals in 12 months
to June 2016

24.8%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

South West



226,575 enterprises
as at March 2016

2.6%

change YOY (2016 vs. 2015)



21.6% high-growth
companies

1.2%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



150 deals in 12 months
to June 2016

47.1%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)



North East



67,800 enterprises
as at March 2016

3.1%

change YOY (2016 vs. 2015)



18.8% high-growth
companies

0.9%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



50 deals in 12 months
to June 2016

25%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)



East of England



253,955 enterprises
as at March 2016

4.5%

change YOY (2016 vs. 2015)



19.8% high-growth
companies

0.7%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



160 deals in 12 months
to June 2016

29%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

Scotland



171,900 enterprises
as at March 2016

2.2%

change YOY (2016 vs. 2015)



17.2% high-growth
companies

-2.9%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



90 deals in 12 months
to June 2016

18.4%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

Wales



99,860 enterprises
as at March 2016

2.1%

change YOY (2016 vs. 2015)



19.6% high-growth
companies

-2.2%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



45 deals in 12 months
to June 2016

12.5%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

Northern Ireland



69,095 enterprises
as at March 2016

3%

change YOY (2016 vs. 2015)



19.7% high-growth
companies

-0.4%

change in the percentage of high growth
companies YOY (2016 vs. 2015)



33 deals in 12 months
to June 2016

230%

change in number of deals (12 months
to June 2016 vs. 12 months to June 2015)

Methodology

The Barclays 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.

The Index score 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

Entrepreneurial Outcomes

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

The key datasets used in this report are:

Active companies

The number of active companies in the UK as published in the Incorporated Companies in the United Kingdom statistics from Companies House. This data is collected every six months and runs up to June 2016.

Deals

A publicly announced stake sale of a target company that results in individual wealth of £0.13m and above. Data is supplied by Wealthmonitor, part of the Mergermarket Group, every year and runs up to June 2016. Sector groupings are based upon Mergermarket classifications.

High-growth companies.

Data on companies in the UK with revenues of between £2.5m and £100m, and at least a 33% increase in turnover over three years, as well as at least 10% year-on-year growth for a minimum of two of these years, supplied by Experian. The data is collected annually and runs up to December 2015.

Legal Note

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Barclays is a transatlantic consumer, corporate and investment bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in our two home markets of the UK and the US. With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 130,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide. For further information about Barclays, please visit our website www.home.barclays

Barclays High Growth & Entrepreneurs

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.

Contact Us

At Barclays we understand that running a fast-moving, high-growth company takes substantial investment – both emotional and financial. It's an investment we believe in supporting.

Entrepreneurs play a critical role in innovating and adding value to the economy by creating employment and generating wealth and we are proud to be the banking partner to some of the most disruptive and innovative businesses in the UK and beyond.

At Barclays we understand entrepreneurs and what it takes to help make a venture successful and we are uniquely placed to help and support businesses, their founders and investors at all stages of growth. Whether it's through our innovative funding solutions or through initiatives such as our accelerators and co-working spaces or through our wide network, we're confident that we can help entrepreneurs and their businesses to thrive by giving them the right support at the right time.

Find out more at <https://entrepreneurs.barclays/>

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