



M+A
Partners

Continued Resilience

The Owner Managed Business view in 2019

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Survey details

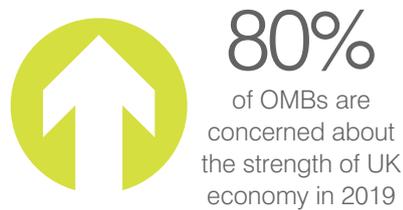
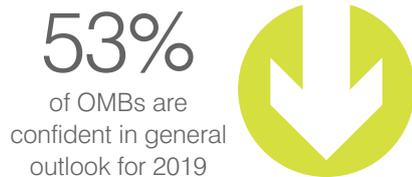
To gather the data for this report, we conducted an online survey of OMBs between 29 October and 21 December 2018. We analysed 660 responses drawn from across all sectors throughout the UK. Respondents were senior leaders within their businesses - primarily founders and owners, chief executives and managing directors, or other high-level directors.

We also conducted in-depth interviews with the leaders of a number of OMBs to learn more about their experiences of 2018, their expectations for and concerns about 2019, and the strategies they aim to apply in their businesses.

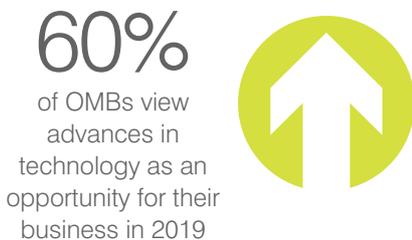
Executive summary

Despite concerns about the strength of the economy and the impact of Brexit, OMBs continue to strive for sustainable, profitable growth.

Confidence for 2019:



Opportunities for 2019:



- + OMBs' confidence in the general outlook (53%) and their ability to meet revenue (60%) and profit (55%) targets for 2019 has fallen to the lowest level recorded in our surveys.
- + 78% of OMBs either met or exceeded their performance expectations in 2018, but only 35% overall performed better than expected.
- + OMBs are most concerned about the strength of the UK economy (80%), although concern about the global economy has increased.
- + The impact of Brexit negotiations on their business is a concern for 55% of OMBs - and 91% don't think the Government has provided them with enough information to plan effectively.
- + The most popular strategies for 2019 are investing in staff training (48%), expanding the UK customer base (48%) and launching (36%) and developing (36%) new products or services - results that are highly consistent with last year.
- + 84% of OMBs view advances in technology - such as automation, robotics and machine learning - as an opportunity for their business (up from 79% last year), but only 31% plan to invest in new technology or IT systems in 2019.
- + 19% of OMBs are concerned about implementation of Making Tax Digital - up from 9% last year - reflecting the fast approaching initial compliance deadline of April 2019.

OMB confidence falls for 2019

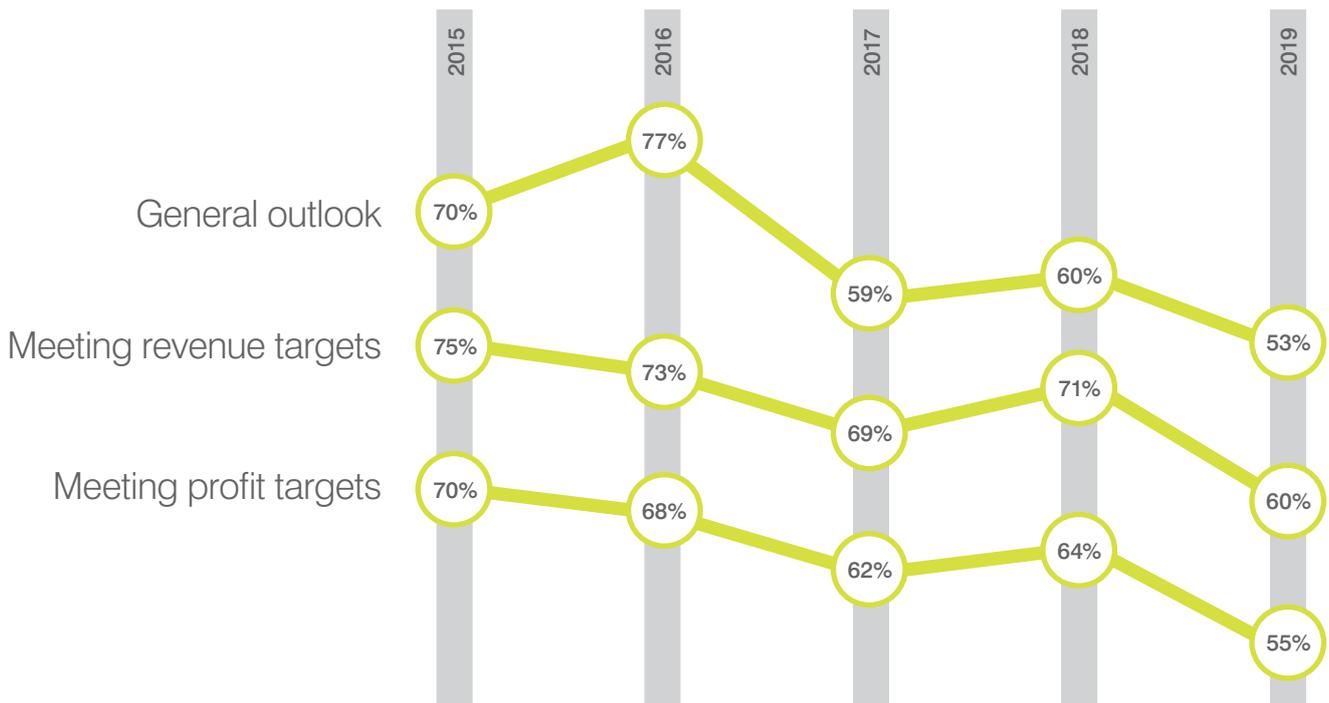
OMB confidence in the general outlook and performance for 2019 has slumped in this year's survey.

Only 53% of the OMBs we surveyed express confidence in the general outlook for 2019, down from 60% last year. Similarly, only 60% are confident about meeting revenue targets in 2019 (down from 71%) and 55% are confident about meeting profit targets (down from 64%). These are all substantial decreases in confidence.

On all three counts, these are the lowest confidence levels reported since we began our OMB surveys in 2013. It's clear from respondents' comments that concerns about Brexit and uncertainty about any final deal have significantly dampened spirits. Although not every OMB is directly affected by Brexit in the form of EU imports and exports, any negative impact on the UK economy is a worry for far more.

However, we also know that many survey respondents are looking for growth next year - in their top line and profits - so the entrepreneurial spirit of the OMB sector continues, despite current challenges. There also seems to be a stronger focus on generating sustainable, profitable growth, rather than growth for growth's sake.

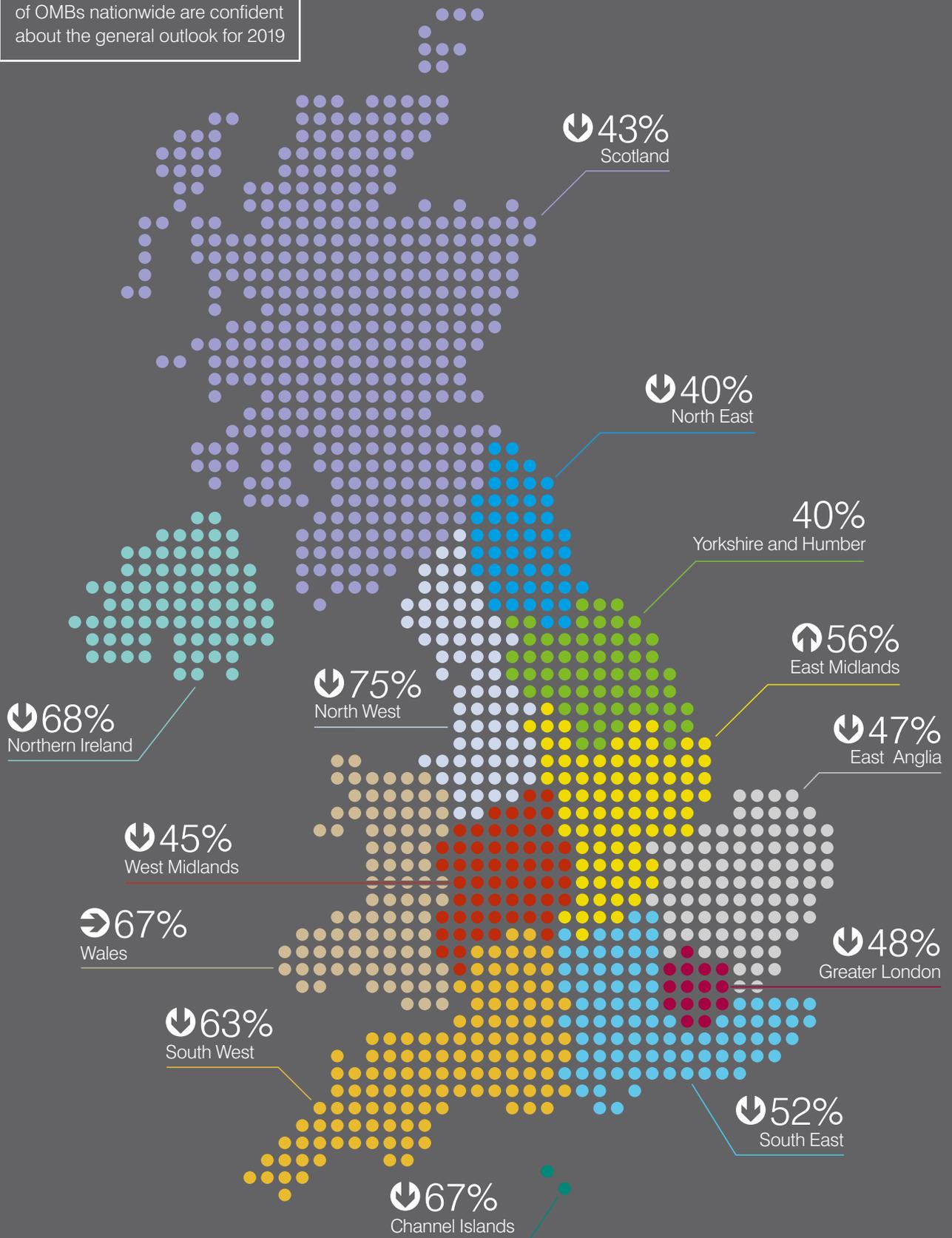
Confidence in 2019:



Regional confidence in 2019

53%

of OMBs nationwide are confident about the general outlook for 2019



Winners and losers in 2018

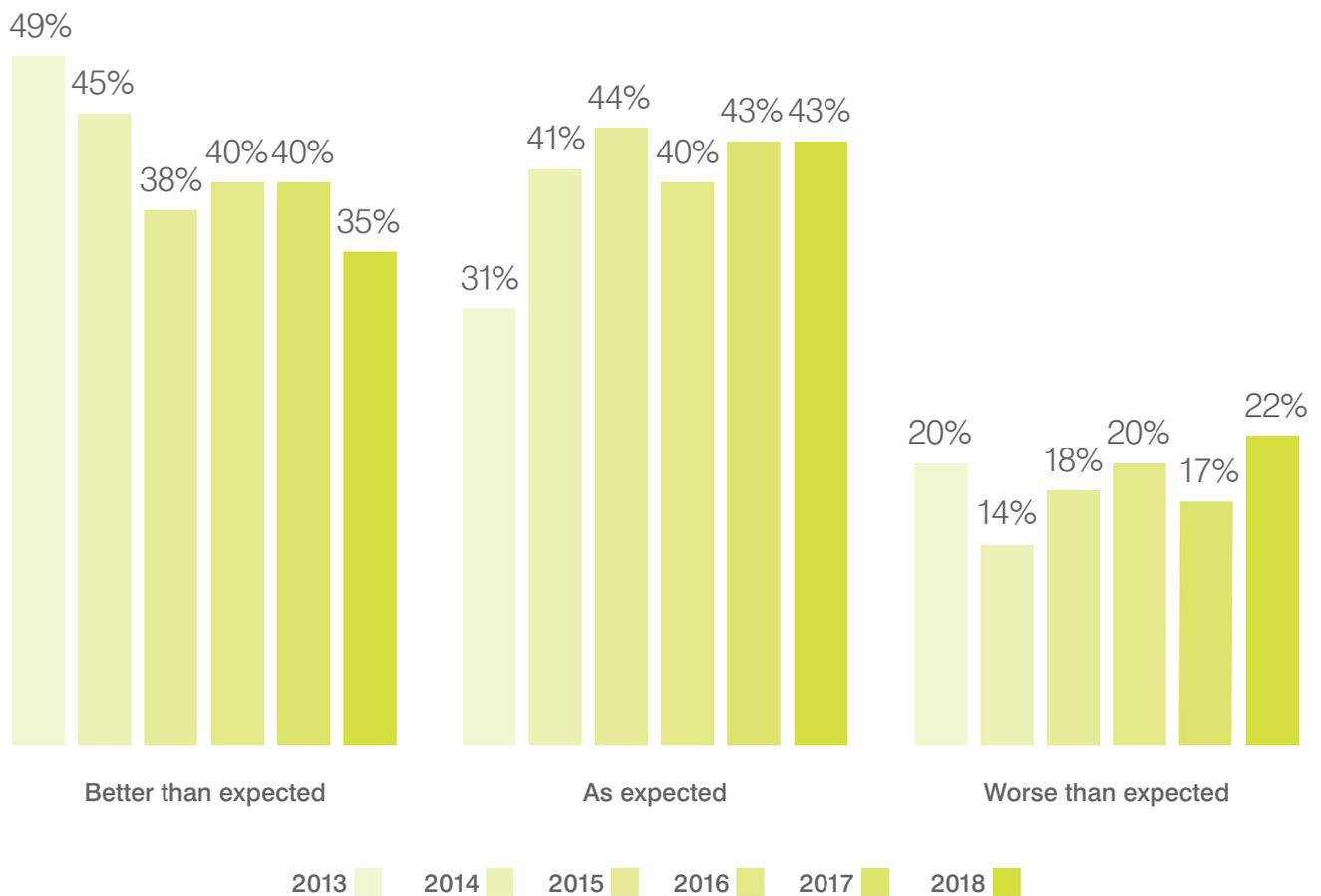
Most OMBs either met or exceeded their expectations in 2018, despite the uncertain political and business climate.

Just over a third (35%) of OMBs performed better than expected in 2018, somewhat down from the 40% who exceeded performance expectations in last year's survey. Meanwhile, the percentage of OMBs reporting worse than expected performance increased, from 17% to 22%.

While these results are disappointing, the largest proportion of OMBs (43%) performed as expected. In other words, 78% of all OMBs surveyed either met or exceeded their expectations - which could be seen as an encouraging result during a period of such unusual business uncertainty.

Some OMBs that exceeded their expectations have benefited from the weak pound - making them more attractive to foreign customers. However, importers of raw materials have seen their costs rising. At the same time, ongoing shortages of skilled staff in some sectors have contributed to wage inflation, adding to the pressure on margins.

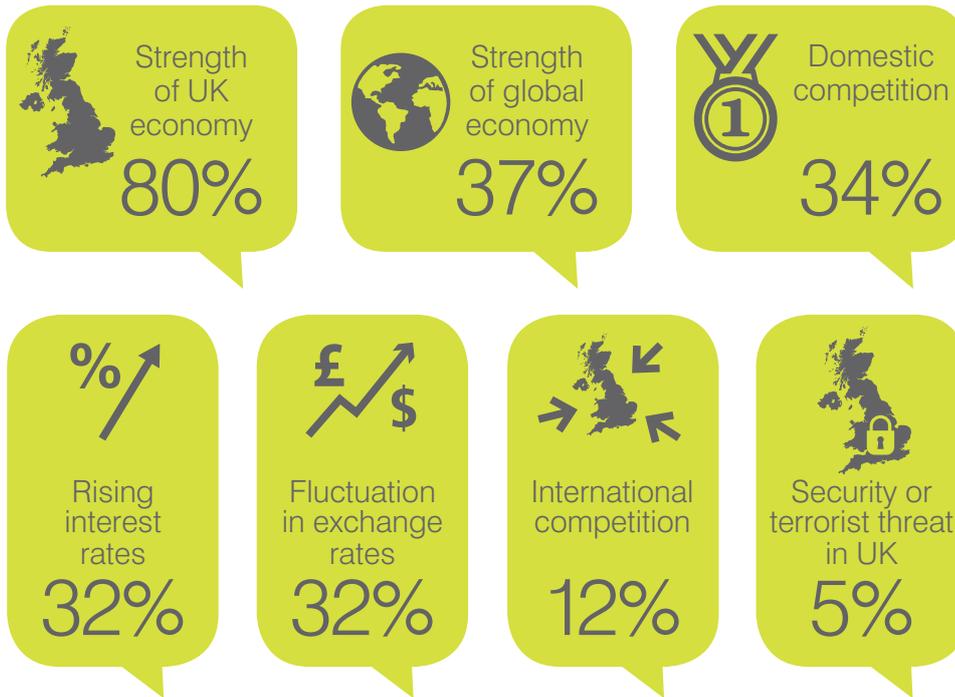
Looking back, how did your business perform overall against revenue and profit targets?



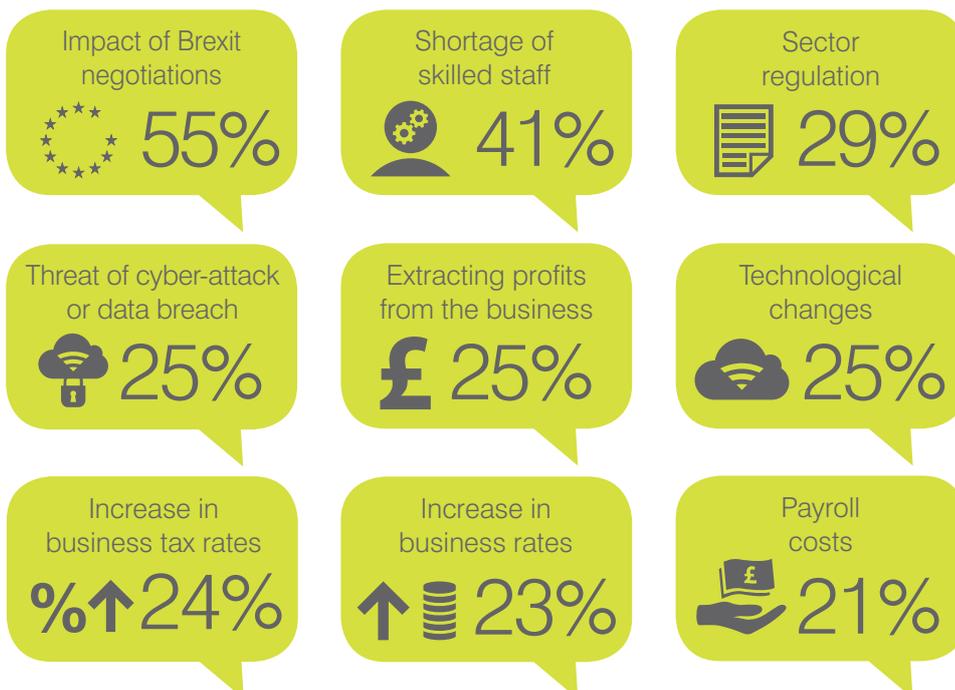
Economic and business concerns in 2019

The strength of the UK economy and impact of Brexit are OMBs' major concerns this year, reflecting current political and market uncertainties.

Economic concerns:



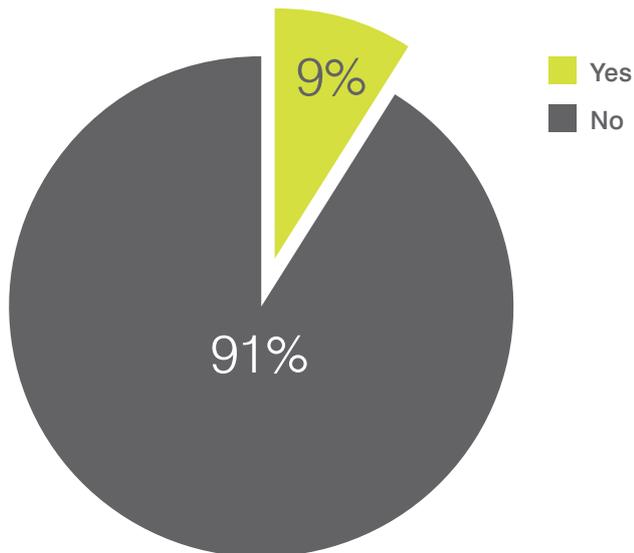
Business concerns:



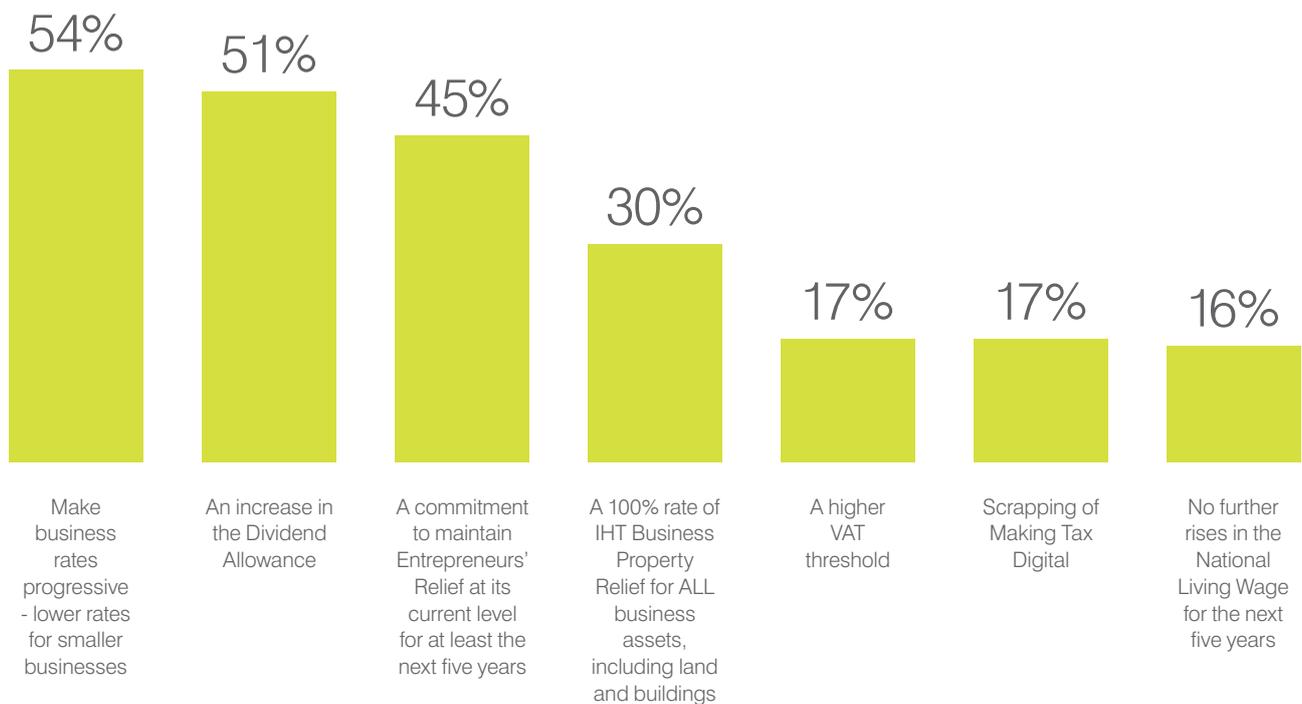
Brexit: the devil in the detail

With the March 2019 Brexit deadline approaching, OMBs are frustrated by lack of government guidance, but making what plans they can.

Has the Government provided businesses with enough information to plan effectively for Brexit?



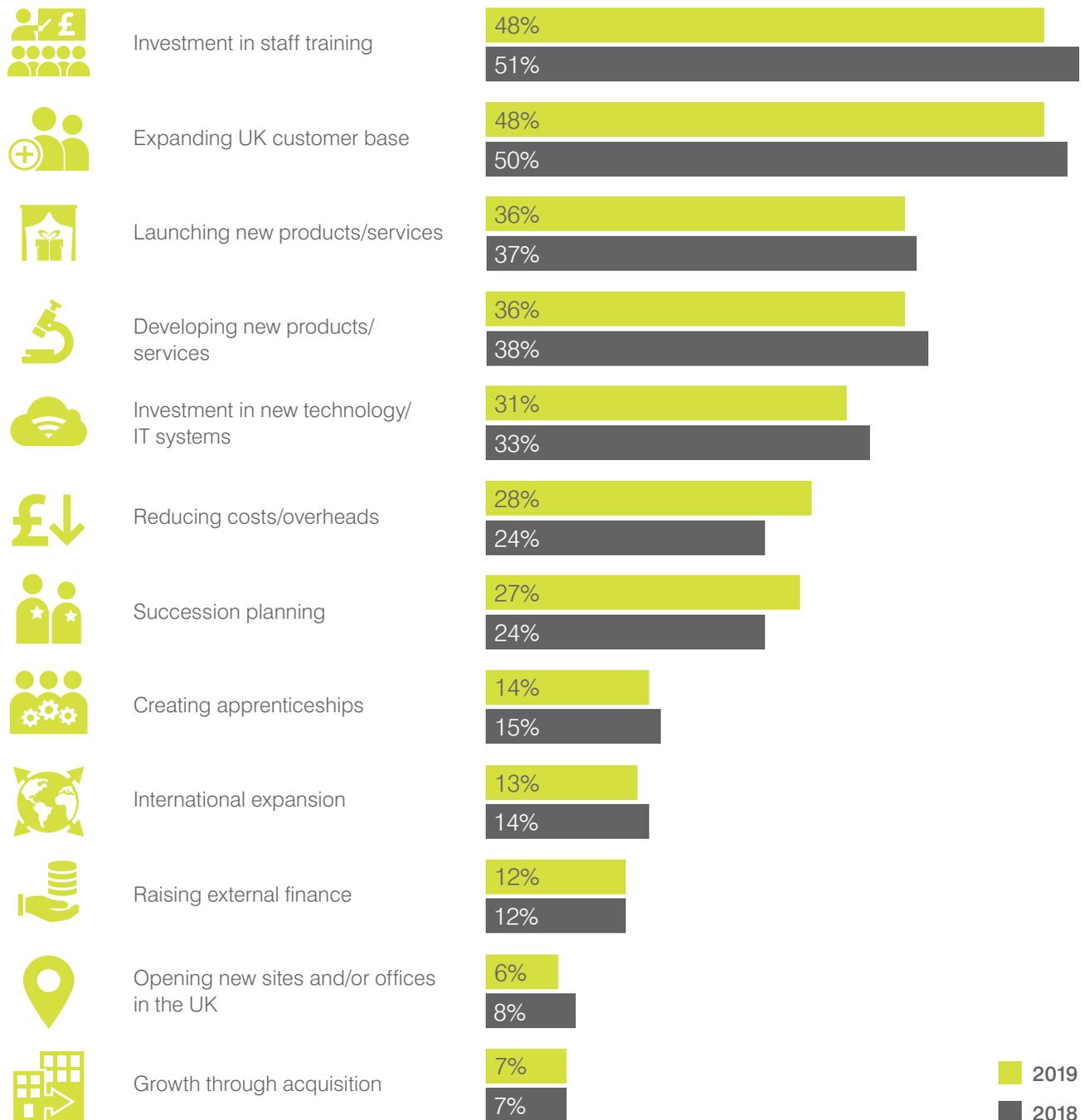
Which changes to Government business policy would you most like to see?



Strategies for 2019

OMBs remain focused on core goals of increasing their UK customer base and investing in staff - looking for profitable growth in the process.

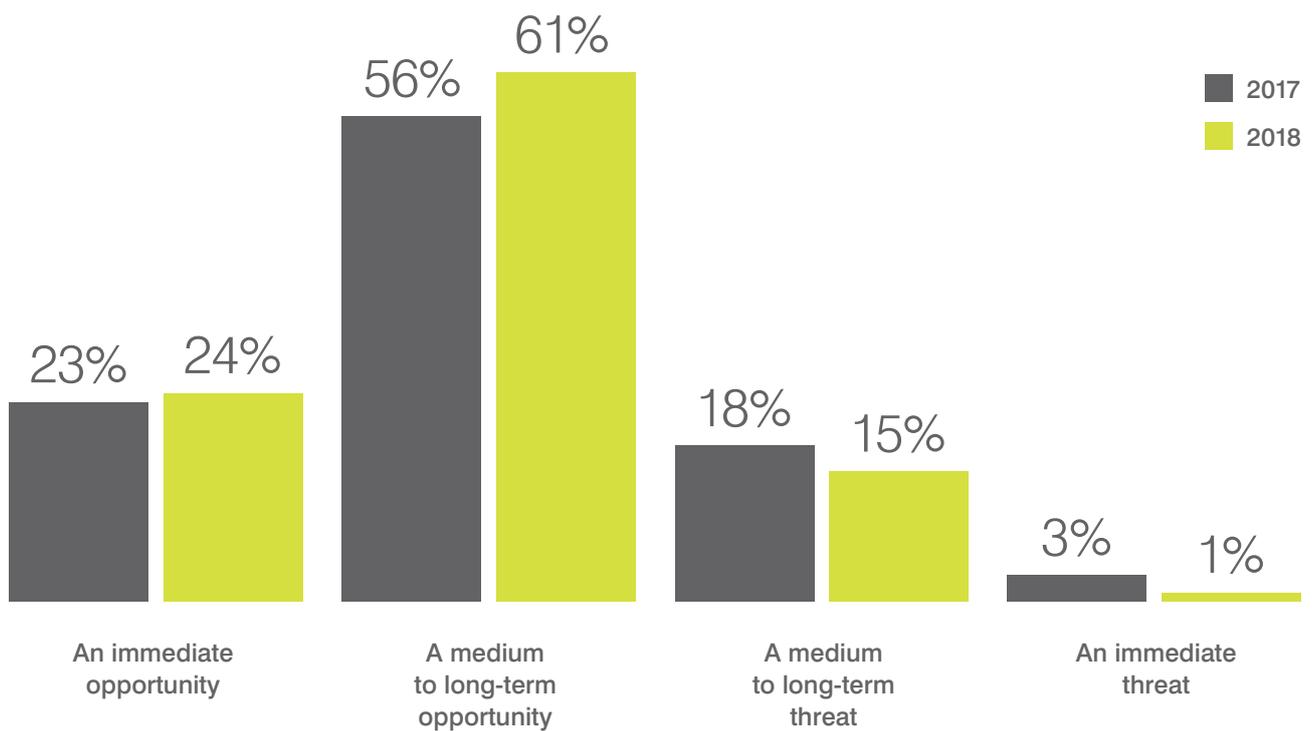
Strategies OMBs are certain or very likely to implement in 2019:



Growth through innovation

OMBs see potential to grow their businesses through embracing innovation and technology.

How OMBs view advances in technology (e.g. automation, robotics, machine learning):



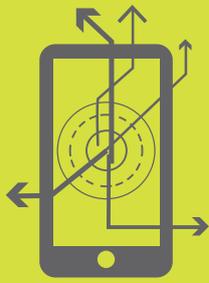
Note: Due to rounding, numbers presented in these charts may not sum to 100% as they are rounded to the nearest percent.

Making the most of Making Tax Digital

OMBs need to embrace Making Tax Digital as a stimulus for improving the efficiency and impact of their accounting and management systems.

Some OMBs are worried about Making Tax Digital (MTD) because it's going to be implemented in April 2019. They don't like having to comply. But businesses can benefit from cloud accounting and the change that will be required as a result of MTD.

It's an enabler that frees up time. OMBs can access their business information from anywhere, look at it real time and ask their accountants about any issues.



19%
of OMBs are
concerned about the
implementation of
Making Tax Digital



17%
of OMBs would
like to see the
scrapping of
Making Tax Digital

OMB aspirations for 2019

"Albeit with foreign investment, we hope to acquire one or two distressed businesses within our sector, and with the support of an international technical partner, we hope to make these operations both productive and profitable."

Energy, mining and renewables

"Survival. Massive uncertainty over Brexit is undermining confidence and makes longer term planning impossible."

Business services

"Launching new wholly owned products as well as expanding our client base."

Media

"Expand, innovate, manufacture, sell. We're growing rapidly on the back of innovation and excellent products. We aim to further exploit the UK market and make better inroads to European and US markets."

Food & agriculture

*"To grow revenues and margins significantly.
To launch new services.
To win new clients.
To raise finance for growth and acquisition."*

Business services

"Expand our customer base to further diversify our business and thereby making it more sustainable and immune to economic fluctuations."

Transport & logistics

"Expansion to new areas. Developing training for staff and external organisations. Developing new marketing and recruitment strategies."

Retail & wholesale

"We are focusing on investing in new systems and equipment so that we are battle ready to be as lean and efficient as possible. We are investing in our product and positioning ourselves well so that we can be best placed to survive Brexit and the increased competition from a national brand."

Hotels and hospitality

"It's all down to Brexit. We can't plan, until we know what's going to happen."

Manufacturing & engineering

"We would like to launch more products and increase the market share. We also would like to expand our business to more overseas countries."

Technology & telecoms

"To increase turnover by 10% and net profit from 7% to 9%. To secure agreement from EU customers that they will continue to source services from us even if Brexit introduces transit paperwork (unlikely) to mitigate effects of Brexit. To increase export of items we manufacture. To increase % of turnover relating to goods we manufacture."

Manufacturing & engineering

OMB aspirations for 2019

"Our business aspiration is to deliver profitable revenue growth, through organic and acquisition, whilst becoming an employer of choice for our people."

Technology & telecoms

"Digital transformation."

Real estate & construction

"To start to develop automated solutions to our customers' needs. Less reliance on people."

Financial services

"Increase turnover with diversification into different sectors (so not so reliant on retail) as well as focusing on maximising revenue through our existing client base. Increase in margin by working more efficiently and adhering to company policies / procedures without exception."

Real estate & construction

"To maintain growth and to further improve productivity. To improve skill sets within the company through apprenticeships and staff training and development."

Manufacturing & engineering

"Continued growth and expansion both in the UK and globally. Continuation of developing new products and services along with improvements in productivity through continued business investment."

Manufacturing & engineering

"Support staff as a 'family business', invest in graduate development and analysis software, increase turnover whilst maintaining the enjoyment of civil and structural engineering analysis and design."

Hotels & hospitality

"Concentrate on core business, seek to utilise digital developments and incentivise remuneration to retain employees."

Professional practices

"Continue to grow revenues, launch new products, invest in systems and improvements in service levels to customers. All aspirations driven from the need to be in the best possible condition as a business for surviving, and if possible still growing, while positioned outside of the EU!"

Retail & wholesale

"We are looking to expand our current footprint in key strategic locations in the UK and Europe, growing our existing base. We are also looking to grow our business through partner white-labelling and hope 2019 will deliver success in this space."

Technology & telecoms

"To increase market share and improve net profit margin - but with uncertainty surrounding Brexit this might prove difficult."

Technology & telecoms

Ten tips for success in 2019

1. Build on the core strengths of your business and if you can see a niche opportunity to develop and dominate, so much the better.
2. Prioritise investment in areas that will boost productivity, whether that means investing in people (through training) or new technology, systems and processes.
3. Keep focusing on ways to improve profitability as opposed to revenue growth - including assessing what you are selling and at what price.
4. Do your analysis: if you have a marketing budget, assess past return on investment and spend your money in ways proven to attract profitable business.
5. Try to build and maintain a balanced set of skills and viewpoints in your management team, as well as using your M+A Partners adviser as a sounding board - someone to bounce ideas off.
6. Trust your gut instinct: don't be afraid to take a calculated risk, as long as it is based on sound management information.
7. Embrace the challenge of Making Tax Digital: if compliance means you will be enhancing your management and accounting systems, you should reap the benefits from reduced time spent on back office admin and more time freed up for performance analysis and business planning.
8. Interact regularly with people at all levels of your business - they may give you valuable feedback on what you could improve, as well as what's working well.
9. Technological change is happening fast - understand how new technology and innovation is affecting your sector and consider how you can embrace its opportunities in your business.
10. Interact regularly with people at all levels of your business - they may give you valuable feedback on what you could improve, as well as what's working well.

Our solutions for OMBs

Our in-depth understanding of the challenges facing OMBs allows us to deliver focused accounting and advisory solutions, both locally and globally.



36% of OMBs are certain or very likely to develop new products or services

Innovation remains a key driver for OMBs when it comes to going for growth. Our specialist team can support you to identify projects that may qualify for Research & Development tax relief or grants, and have extensive experience in reviewing previously submitted claims as part of a second review.



27% of OMBs are certain or very likely to review their succession plans

Securing the future of your business can be a complicated and lengthy process for many OMBs. We will work with you to understand your objectives, both personal and commercial, and present you with the optimal solutions that will address your needs. This may include selling the business to a competitor or management team, winding up the business in an efficient manner or passing the businesses to a family member.



19% of OMBs have concerns regarding the implementation of Making Tax Digital

The taxman is embracing digital technology - and that means businesses need to as well. HMRC's Making Tax Digital (MTD) initiative goes live from 1 April 2019 - so the clock's ticking. The more prepared you can be for the start of MTD, the better. VAT is the first tax to be covered by the MTD requirements, but other taxes will be phased in over time. Our team can help you understand the technical and practical implications for your business of MTD for VAT.



55% of OMBs are concerned about the impact of Brexit negotiations on their business

As the details around the terms of the UK's exit from the EU become known, it's vital that OMBs discuss the scenarios that might impact their business and take stock of the risks and opportunities that the future might bring. Our team can support you to advise on efficient structures to manage commercial and tax risks, and provide assurance that your business has a robust strategy in place.



41% of OMBs view a shortage of skilled staff as a key business concern

Our team can support you to review and understand the options available to you, and assist in the design process - advising on all aspects of valuations, tax implications, employment and capital gains tax treatment.

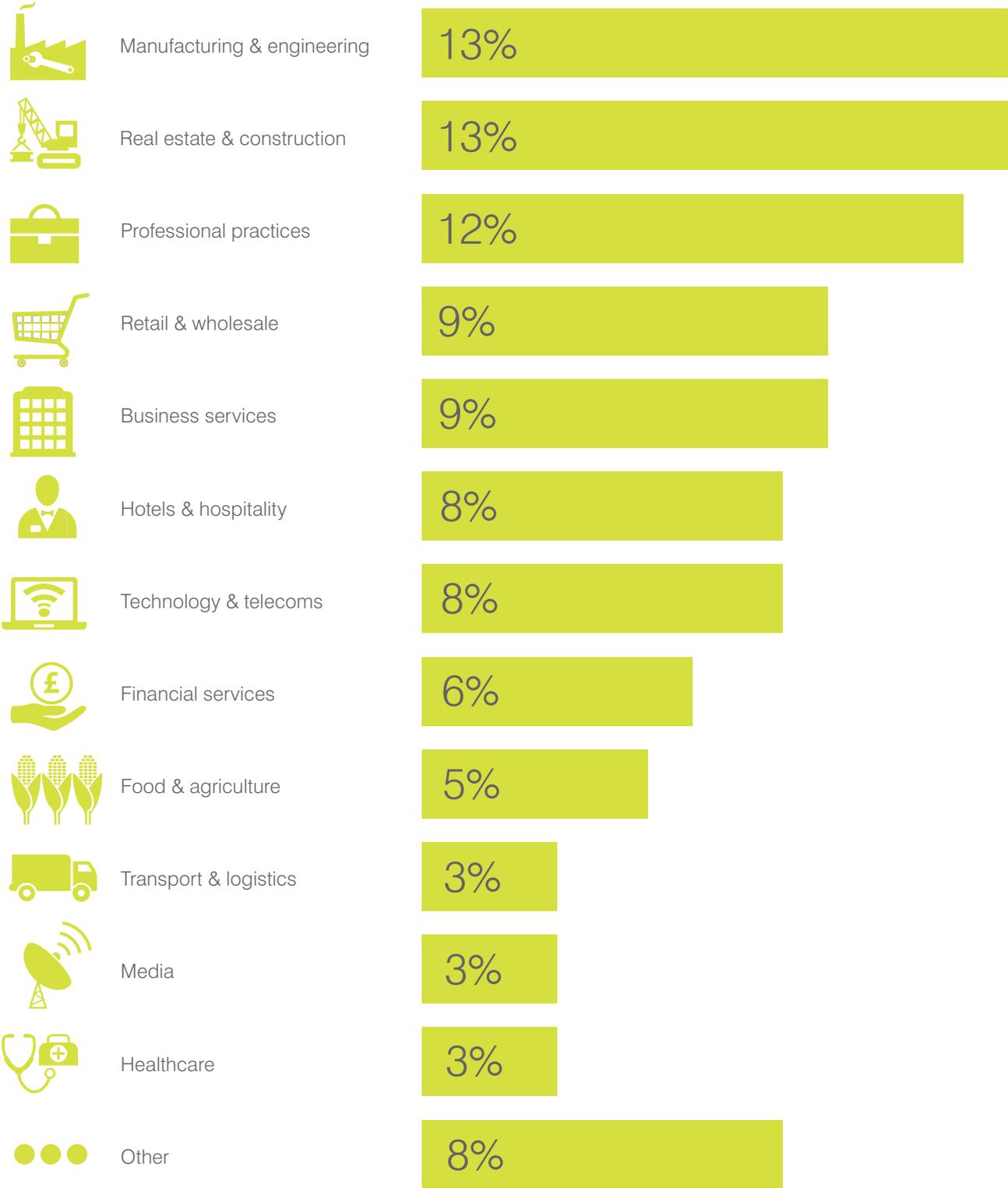


25% OMBs have concerns regarding extracting profits from the business

Having worked hard to grow your business, it's right that you are rewarded financially for your success. Our team will support you to better understand the range of options available to you to protect or invest your wealth.

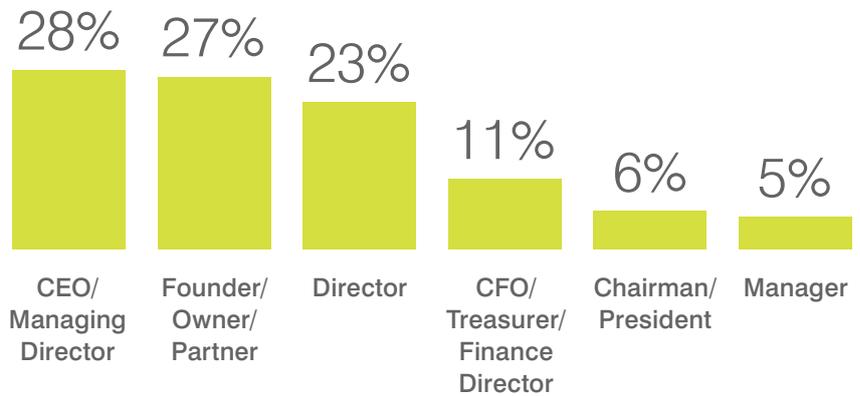
About the respondents

Which of the following sectors best describes your business?

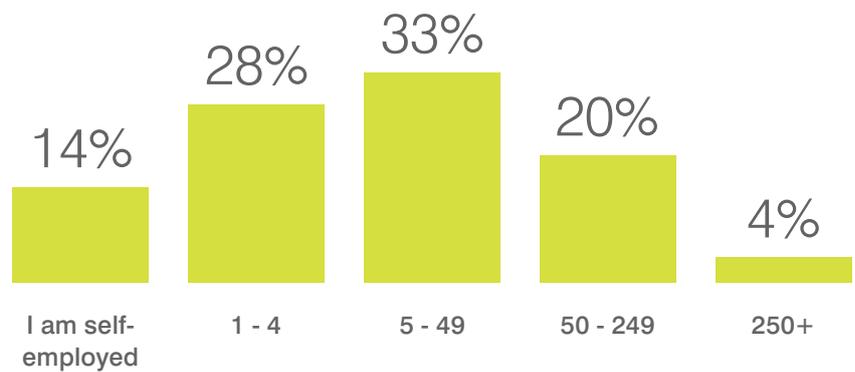


About the respondents

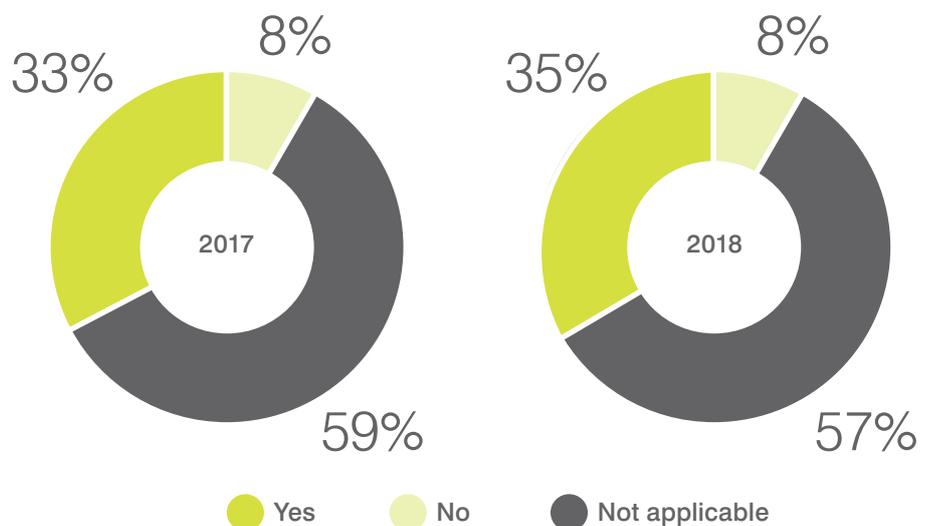
Which of the following best describes your job title?



How many full-time employees does your business currently employ?



Does your business currently export goods/services?



Note: Due to rounding, numbers presented in these charts may not sum to 100% as they are rounded to the nearest percent.

About M+A Partners

Established in Norwich in 1917, **M+A Partners** is a major independent firm of chartered accountants, tax specialists and business advisers.

At **M+A Partners** our overriding ambition is to add value to the businesses and individuals we work for. We offer a comprehensive and seamless range of accountancy, taxation and financial planning services; but what really distinguishes **M+A Partners** is the way we combine our in-depth knowledge with an absolute commitment to entrepreneurial and technical innovation.

With eight partners and over ninety members of staff working from our offices based in Norwich, Attleborough and Cromer, our single-minded aim is to maintain the highest possible standards of service for our many clients.



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