

GROWTH COMPANIES IN SCOTLAND

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Purpose and Objectives

This research was designed to identify the nature and extent of growth across the business base in Scotland.

It sought to identify the locations in which companies achieve intermittent and sustained growth, what size these companies grow to, and what sectors they are in.

It forms part of a series of research projects in support of the Development and Scaling portfolios.

Contents



The analysis in this work focused on both intermittent and sustained growth in:

- Geography
- Company size
- Sector

Snapshot of findings

Across Scotland, 28% of companies in the £1m-£70m range who had achieved 20% growth in turnover in one year (defined throughout as intermittent growth), went on to achieve it in multiple years (defined as sustained growth).

Whilst cities and urban areas have greater overall numbers of companies achieving sustained growth, their conversion rate (turning intermittent growth into regular growth of 20%+) are below average. Two of the top three areas in Scotland for both intermittent and sustained growth companies, are below the Scottish average for conversion rate (Edinburgh - 27% and Aberdeen - 18%). Glasgow is marginally higher at 30%.

There is a lack of growth companies in the £5-£10m and a lower percentage of these achieve sustained growth. Once companies reach £10m+ however, their sustained growth rate increases with turnover size.

The two most prevalent sectors across the whole range of growth companies - Financial & Business Services, and Construction - appear to have challenges in converting to sustained growth within £5-£10m.

Technology & Engineering companies appear to have challenges in converting intermittent growth to sustained growth, across every turnover band, not just the £5-£10m bracket.

Food & Drink, Textiles and Tourism companies have lower sustained growth rates at the smaller company turnover level, perhaps reflecting the nature of the industry (a lot of small, independent companies).

The results for energy may be affected by the downturn in the oil and gas industry.

The lack of growth companies and the dearth of sustained growth companies in both Life & Chemical Sciences and Creative Industries raises questions over the nature of growth in the sector.

The data suggests this suggests a twin approach may be beneficial:

a) Within those areas with large intermittent growth populations - mainly Scotland's three major cities, a focus on Scaling activity. Not because of a lack of company activity, but to stimulate more companies to achieve sustained growth, enabling cities to further strengthen their role in Scotland's economy.

b) Within the smaller urban areas and the fringes of other cities such as Fife, Perth, South Lanarkshire, East Lothian, the conversion rate is high (likely due in part to the low numbers of companies) and the challenge lies in supporting more companies to demonstrate growth ambition and potential, before sustaining it over longer periods.

Methodology

This analysis was developed using the FAME database.

The criteria used was designed to allow the broadest understanding of growth dynamics:

- Primary trading and/or registered office in Scotland;
- 20% turnover growth in at least one year between 2011-16;
- Maximum turnover of £250m;
- Excluding estimates where no data is available.

Annual turnover growth was calculated for every company over the period. Companies were broken down into size brackets, reflecting their stage in growth, and then within each of these, companies seeing sustained growth (20%+ in turnover in 2+ years) were separated from the rest (companies defined as seeing intermittent growth).

As such, whilst there is detail beneath this, this analysis is intended to provide broad, high-level insights which can be drilled down into, where relevant.

Geography

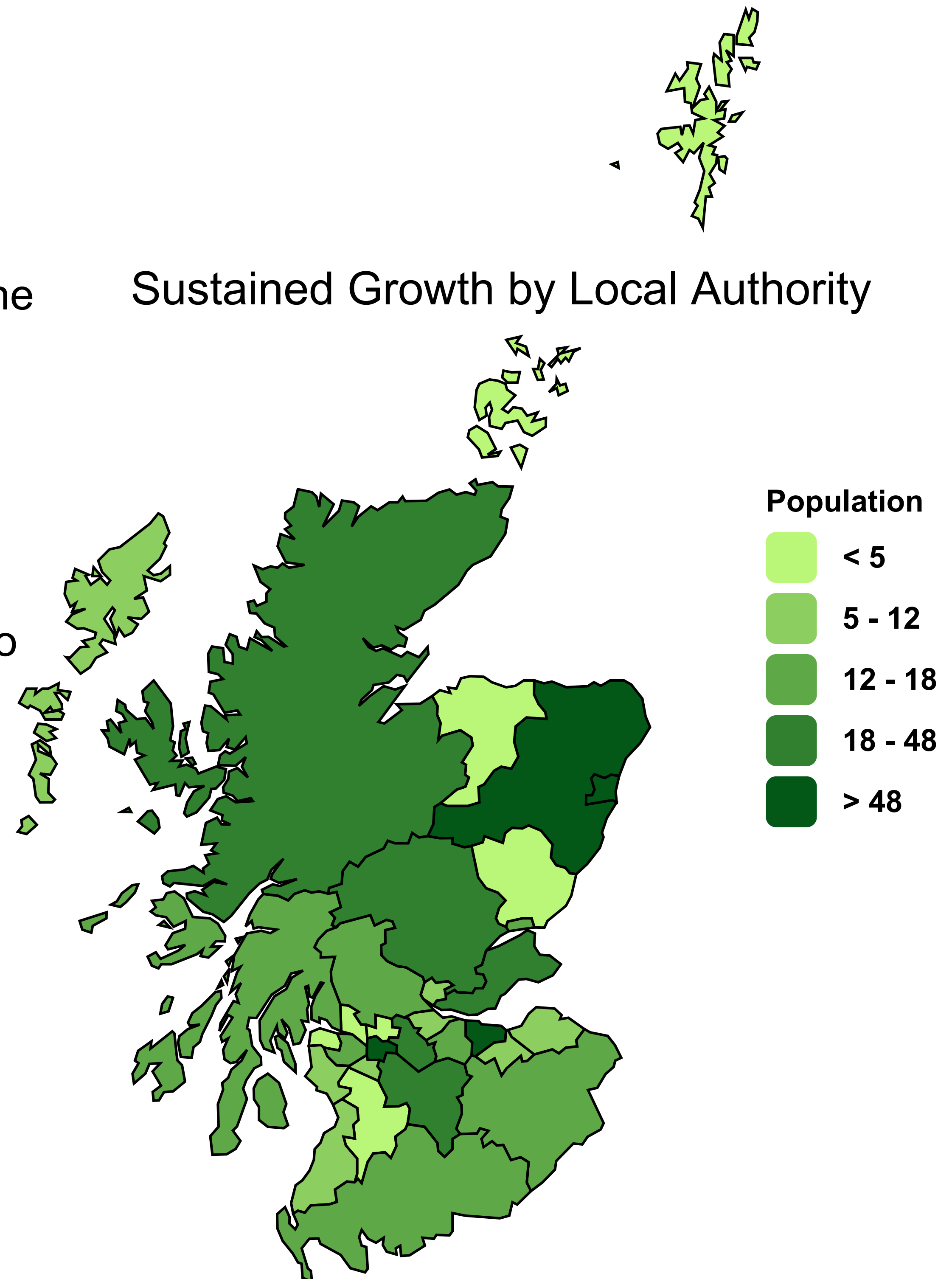
2394 companies with turnover were identified within Scotland as experiencing 20% turnover growth in one year from 2011-16.

These were concentrated in and around Edinburgh, Glasgow, Aberdeen and Inverness.

624 (28% of the total) companies had experienced 'sustained' growth of 20% increase in turnover in two or more years over the period, and 245 of these were in the £1m-£70m turnover bracket.

The majority of these companies converting into sustained growth were also concentrated in urban areas across Scotland.

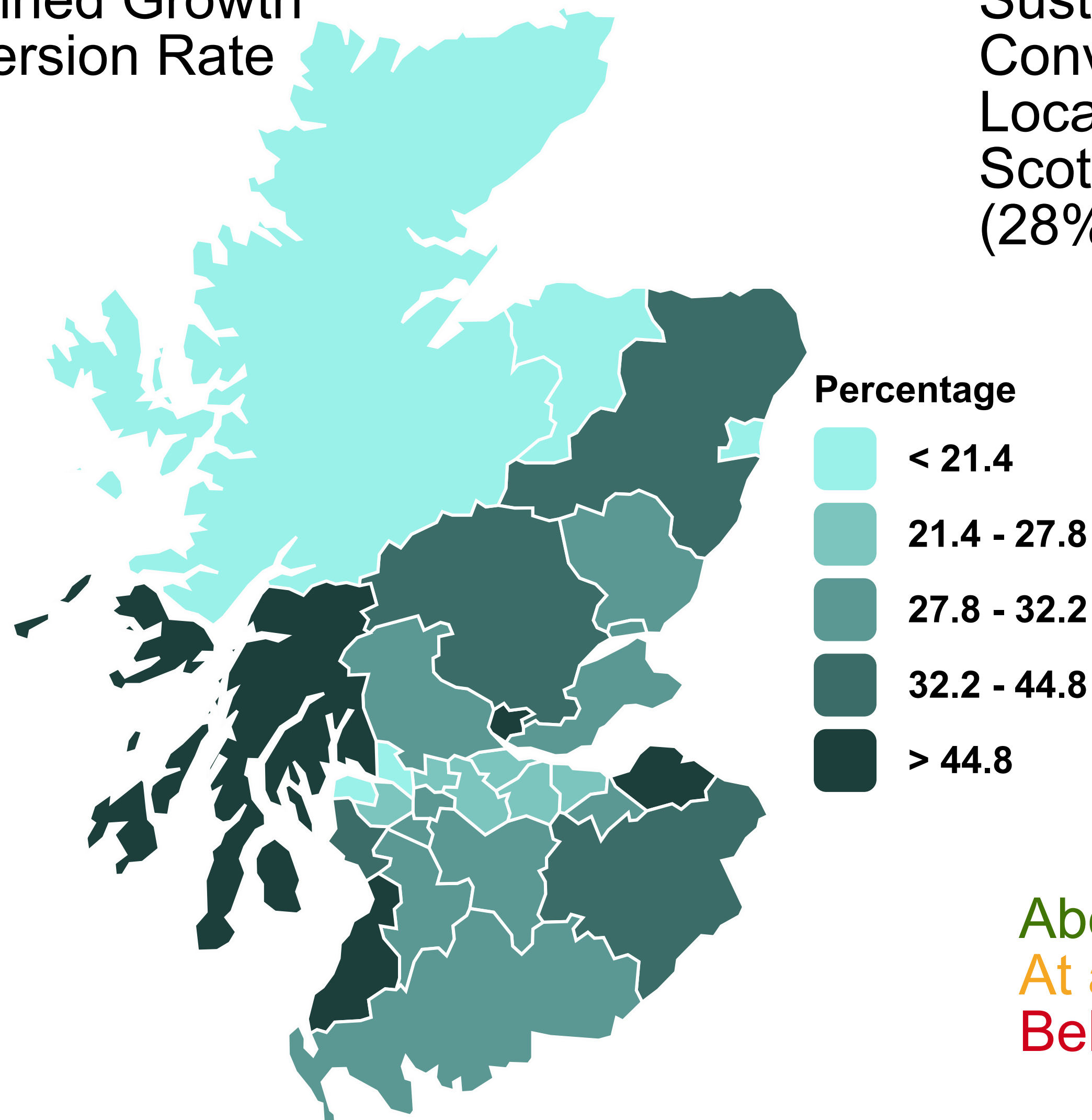
Sustained Growth by Local Authority



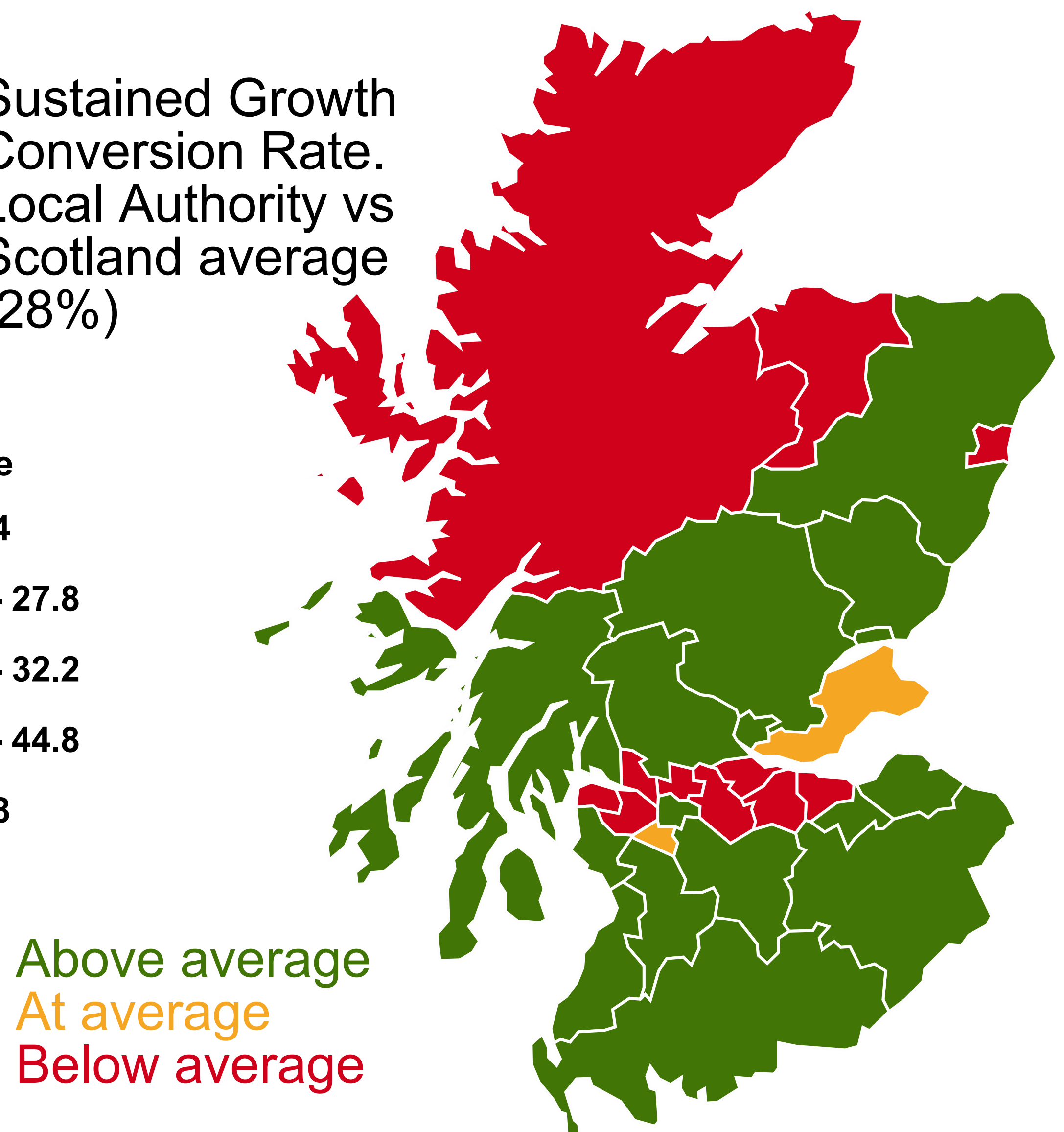
"Hot spots" of sustained growth

These indicate the rate at which companies in each local authority area move from experiencing intermittent growth (one year of 20%+ in turnover) to experiencing sustained growth (20%+ increase in turnover in multiple years). The 'conversion rate' is calculated by dividing the number of sustained growth companies by the number of intermittent growth companies.

Sustained Growth
Conversion Rate



Sustained Growth
Conversion Rate.
Local Authority vs
Scotland average
(28%)



These figures exclude companies with turnover of £70m+. This is to ensure that the figures focus on those areas which are producing companies enjoying sustained growth and thus may be suitable for Scaling. Local authority areas are only included if they have 10 or more sustained growth companies.

Geography - Conclusions

Across Scotland, 28% of companies who achieved 20% growth in turnover in one year, went to on to achieve it in multiple years.

Whilst cities and urban areas have greater overall numbers of companies achieving sustained growth, their conversion rates are below average. Two of the top three areas in Scotland for both intermittent and sustained growth companies, are below the Scottish average for conversion rate (Edinburgh - 27% and Aberdeen - 18%). Glasgow is marginally higher at 30%.

Other urban areas - Perth, Stirling and Dundee have above average conversion rates, with smaller bases of companies indicating any level of 20%+ growth in turnover. Of all local authorities with over 20 (intermittent and sustained) growth companies, Perth & Kinross has the highest conversion rate of 40%.

This is also the case with the South of Scotland, which has strong conversion rates but with a small overall base of growth companies.

Whilst Aberdeen's significantly lower conversion rate could be attributed to the the oil and gas downturn, Aberdeenshire has shown greater resilience, with a 35% conversion rate.

The data from geography alone suggests a twin approach may be beneficial:

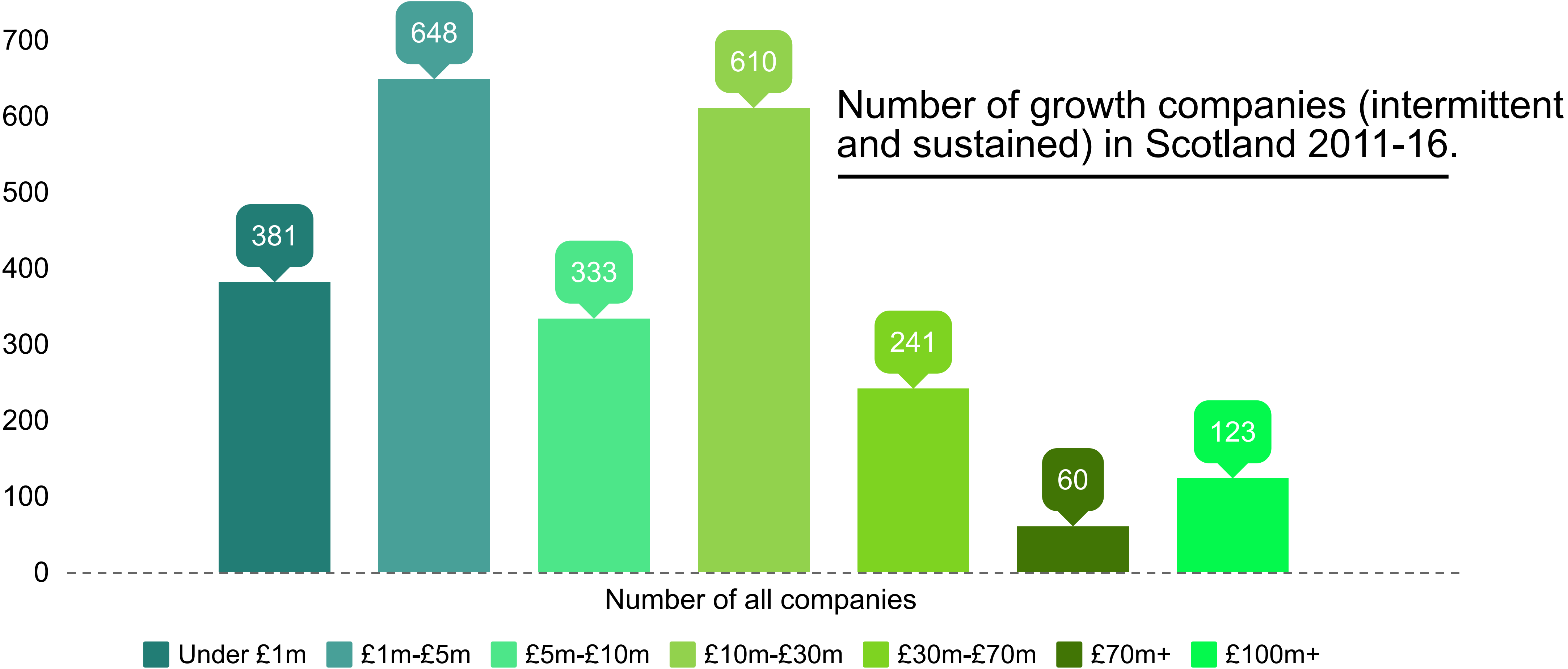
- a) Within those areas with large sporadic growth populations - mainly Scotland's three major cities, a focus on Scaling activity. Not because of a lack of company activity, but to stimulate more companies in to achieve sustained growth, enabling cities to further strengthen their role in Scotland's economy.
- b) Within the smaller urban areas and the fringes of other cities such as Fife, Perth, South Lanarkshire, East Lothian, the conversion rate is high (likely due in part to the low numbers of companies) and the challenge lies in supporting more companies to demonstrate growth ambition and potential, as a first stage. Once this occurs, the approach can evolve into supporting growth in the number of companies sustaining growth.

Company Size

This suggests in terms of growth, the £5m-£10m and £30m-£70m size brackets are underperforming.

it appears that few companies are achieving growth of any kind in the £5-£10m bracket. This could suggest there are points where companies are reaching a point and then plateauing.

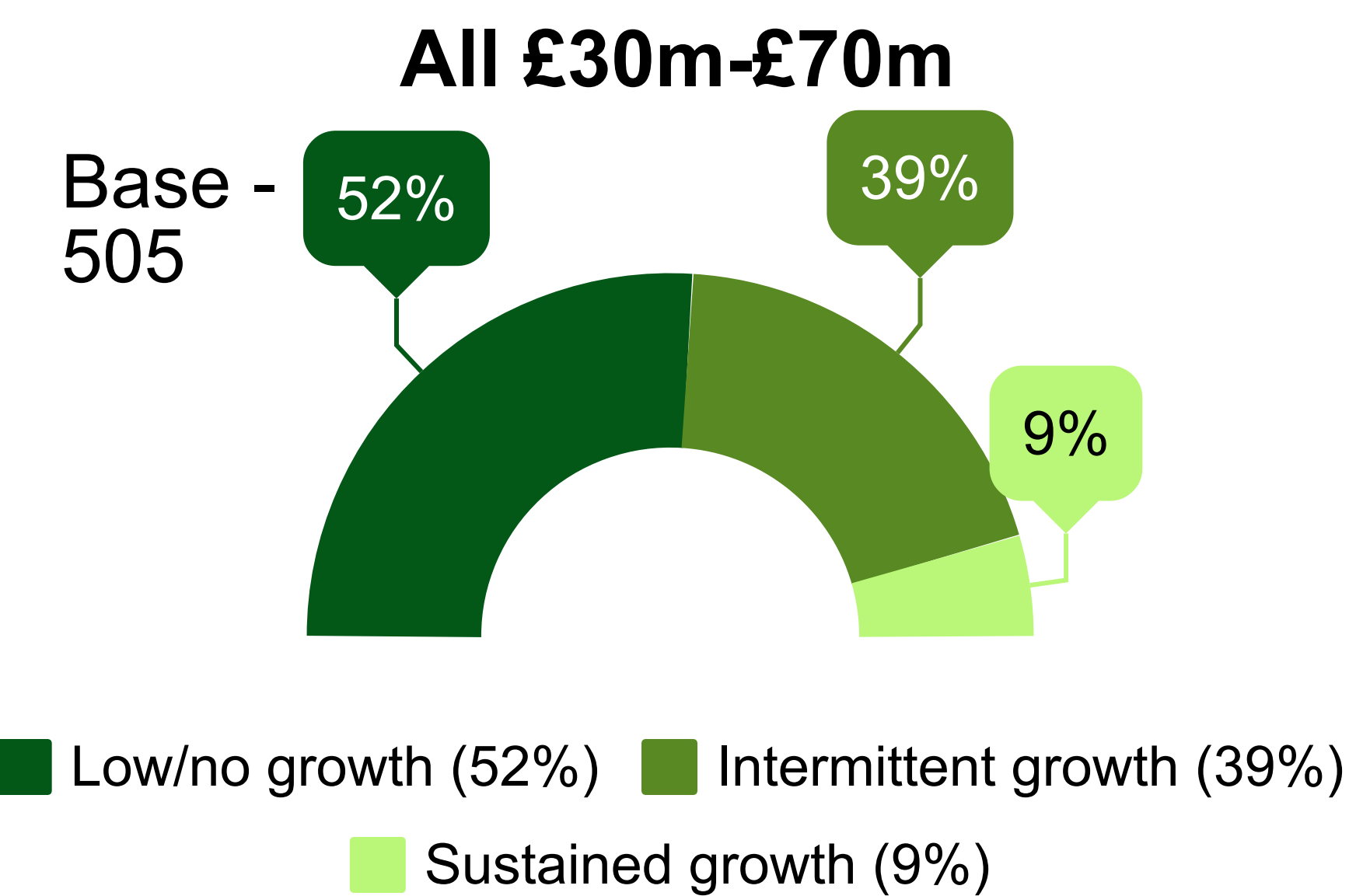
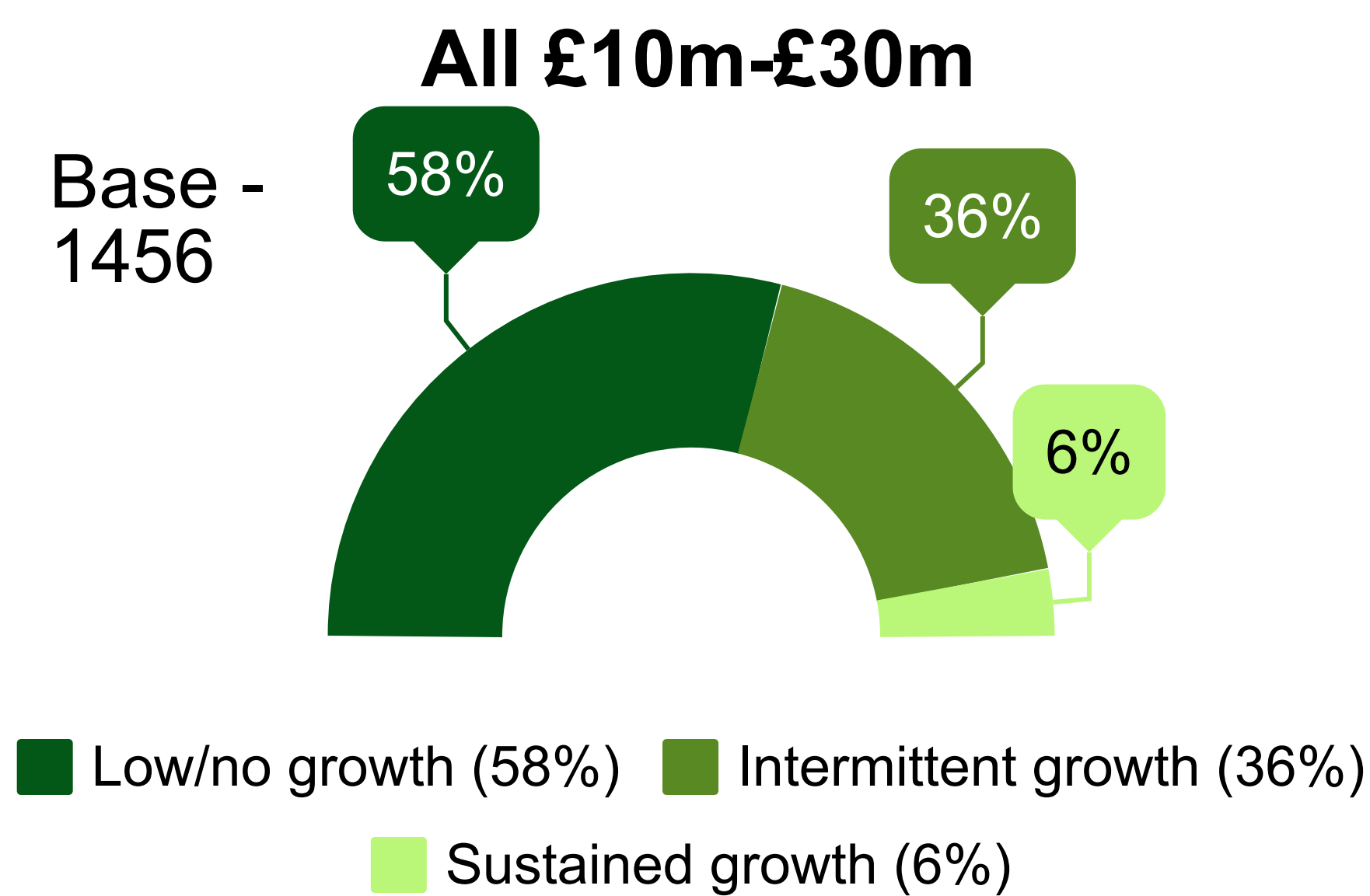
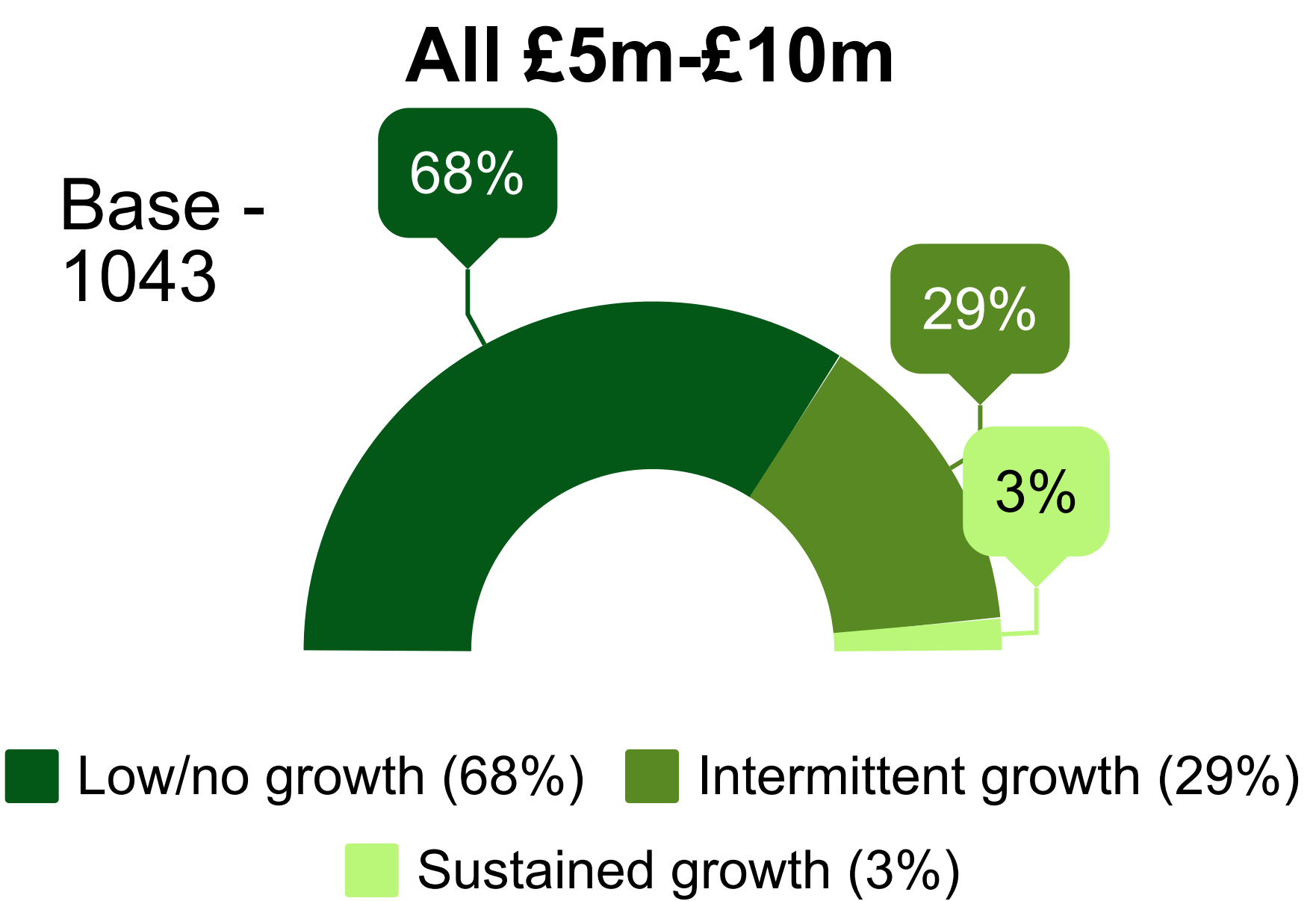
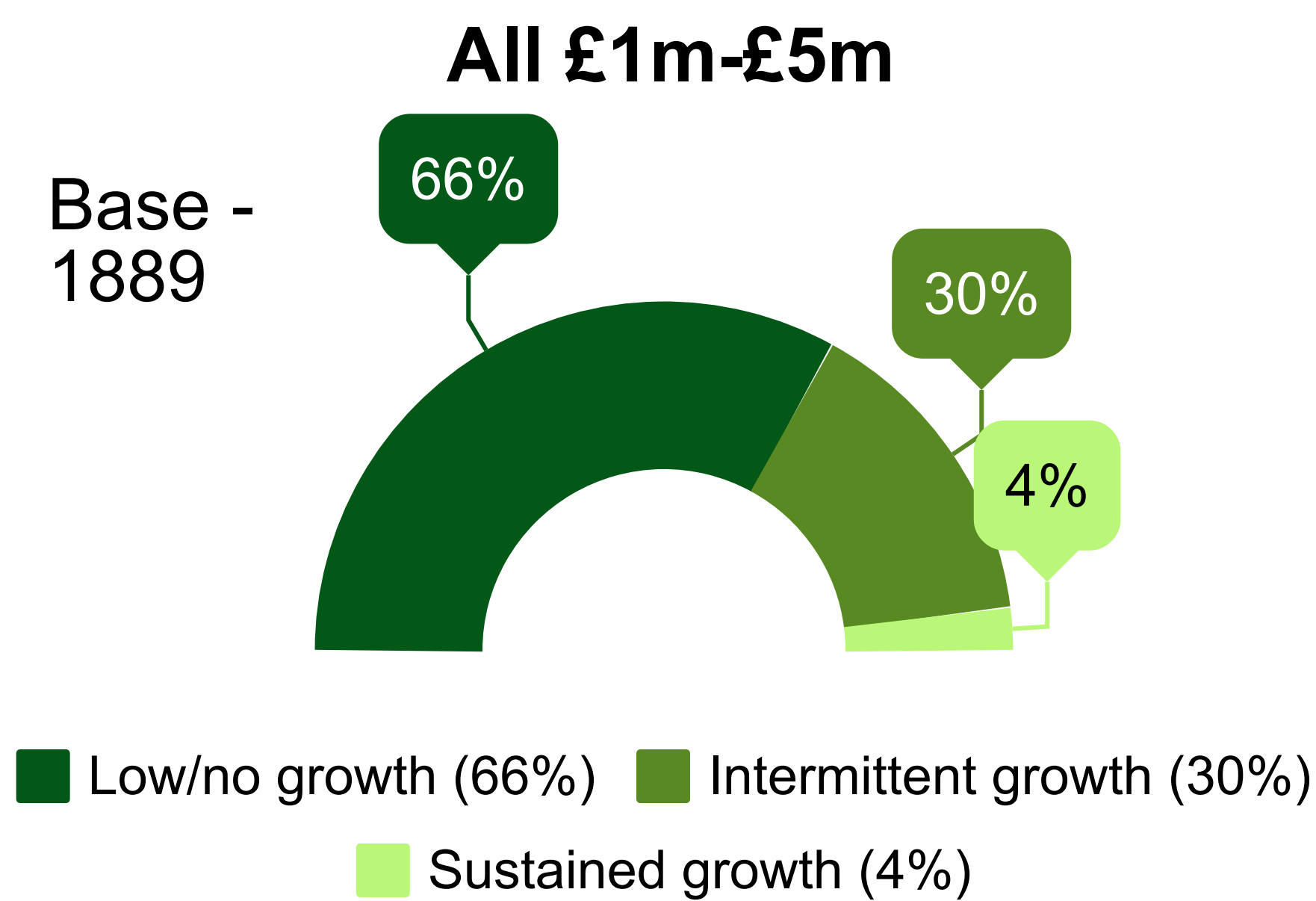
For example, the large number of companies in the £1-£5m and £10-£30m grouping could indicate there are sticking points here which are preventing or deterring companies from growing.



NB; At this stage, analysis concentrates only on size bands from £1m-£70m. This is in part due to the requirements of this research, to look at companies in the Scaling and Development account turnover range. However, due to the volatility in analysing percentage turnover growth for companies generating under £1m, this has also been omitted.

Company Size

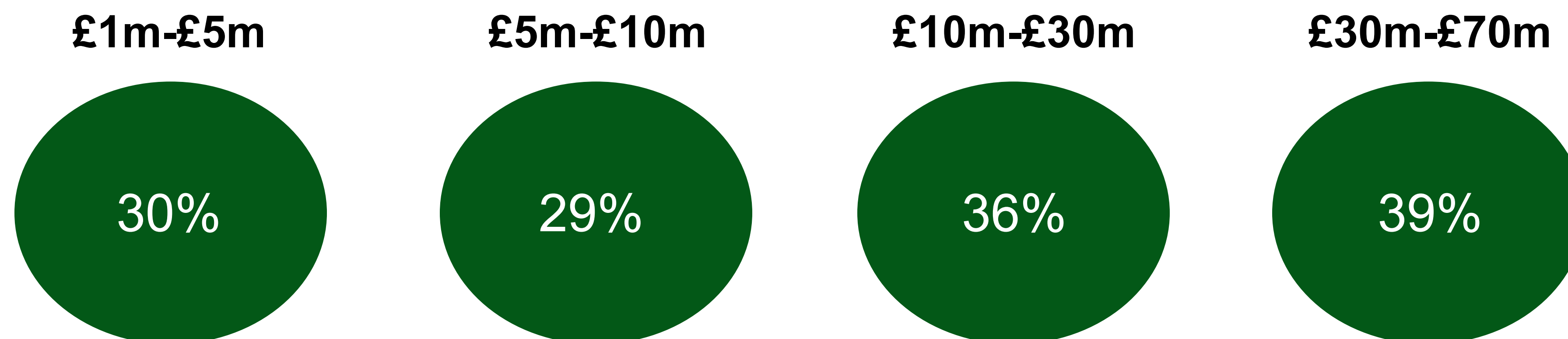
When looking at the overall business base, and the rate at which companies achieve some degree of growth, be that intermittent or sustained, the challenge appears most pronounced in the £5-£10m bracket. Only 3% of companies in this bracket achieve sustained growth, and there are also fewer companies of this turnover size within Scotland. This data suggests once companies in Scotland achieve turnover of £10m+ the odds of achieving sustained growth increases the larger the turnover.



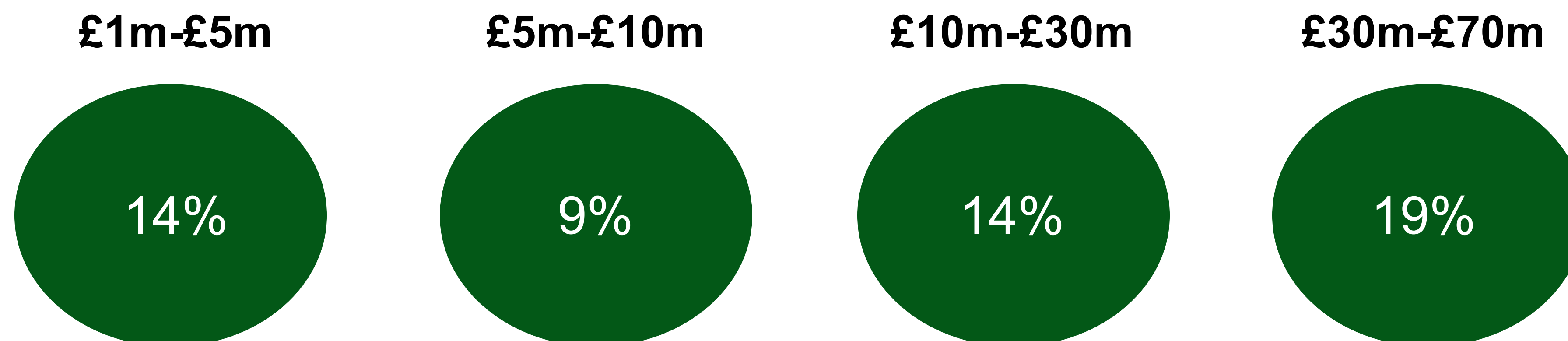
NB; Base calculated excluding estimates for turnover.

Conversion into intermittent and then to sustained growth

The conversion rate into intermittent growth for each turnover size bracket is as follows:



The conversion rate for intermittent into sustained growth for each turnover size bracket is as follows:



The rate at which companies in the relevant brackets convert into the two phases of growth emphasises the challenge in the £5m-£10m bracket where both the number of companies and the percentage of those achieving any form of growth (but particularly sustained growth) is lower.

However, once companies achieve £10m in turnover, the rate at which they achieve either intermittent and/or sustained growth, improves and continues to improve the larger the turnover.

Geography of company size - Growth companies of £1m-5m turnover

The average sustained growth conversion rate for companies within turnover of £1m-£5m is 14% (from a sample of 648 companies).

Edinburgh, Glasgow and Aberdeen have the most companies, comprising 62% of all growth companies.

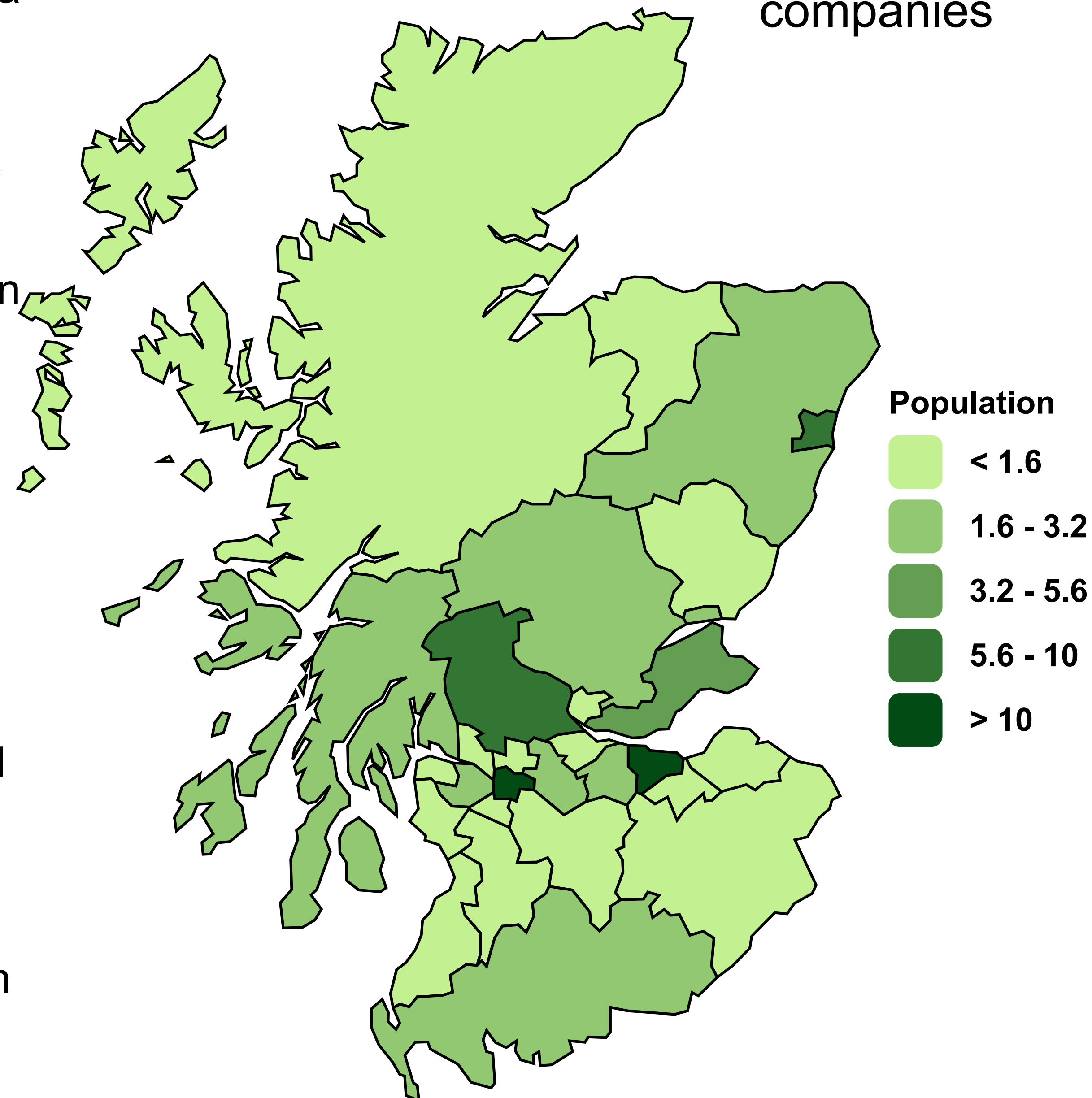
However, each city has a conversion rate below t Scotland as a whole which could suggest the focus on cities should primarily about supporting existing growth companies to sustain this in multiple years.

Around smaller cities and urban areas is where conversion rates appear to be higher in this turnover range. Stirling, Fife, Perth & Kinross, North Lanarkshire and Dundee are all above the national average.

Reasons for why these areas perform strongly and what similarities they have in terms of ecosystem and infrastructure may give clues as to where support could be further targeted.

Highlands has a low conversion rate, potentially reflecting the nature of its rural economy and limits on the scale to which many companies can, or aspire to grow to in the area.

Location of all £1-£5m sustained growth companies



Geography of company size - Growth companies of £5m-10m turnover

There are only 33 sustained growth companies in this turnover bracket across Scotland, an average of 9%. Only 11 of 32 local authority areas have one, with Edinburgh, Glasgow and Aberdeen accounting for over half of the total.

This is a significant drop in both overall total the sustained growth total number from £1-£5m.

Aside from the major cities, areas such as Dumfries and Galloway, Fife, Perth & Kinross and Renfrewshire feature. Fife and Perth & Kinross also had notable performance in the sub-£5m bracket potentially indicating some success in these areas for transitioning companies through growth phases.

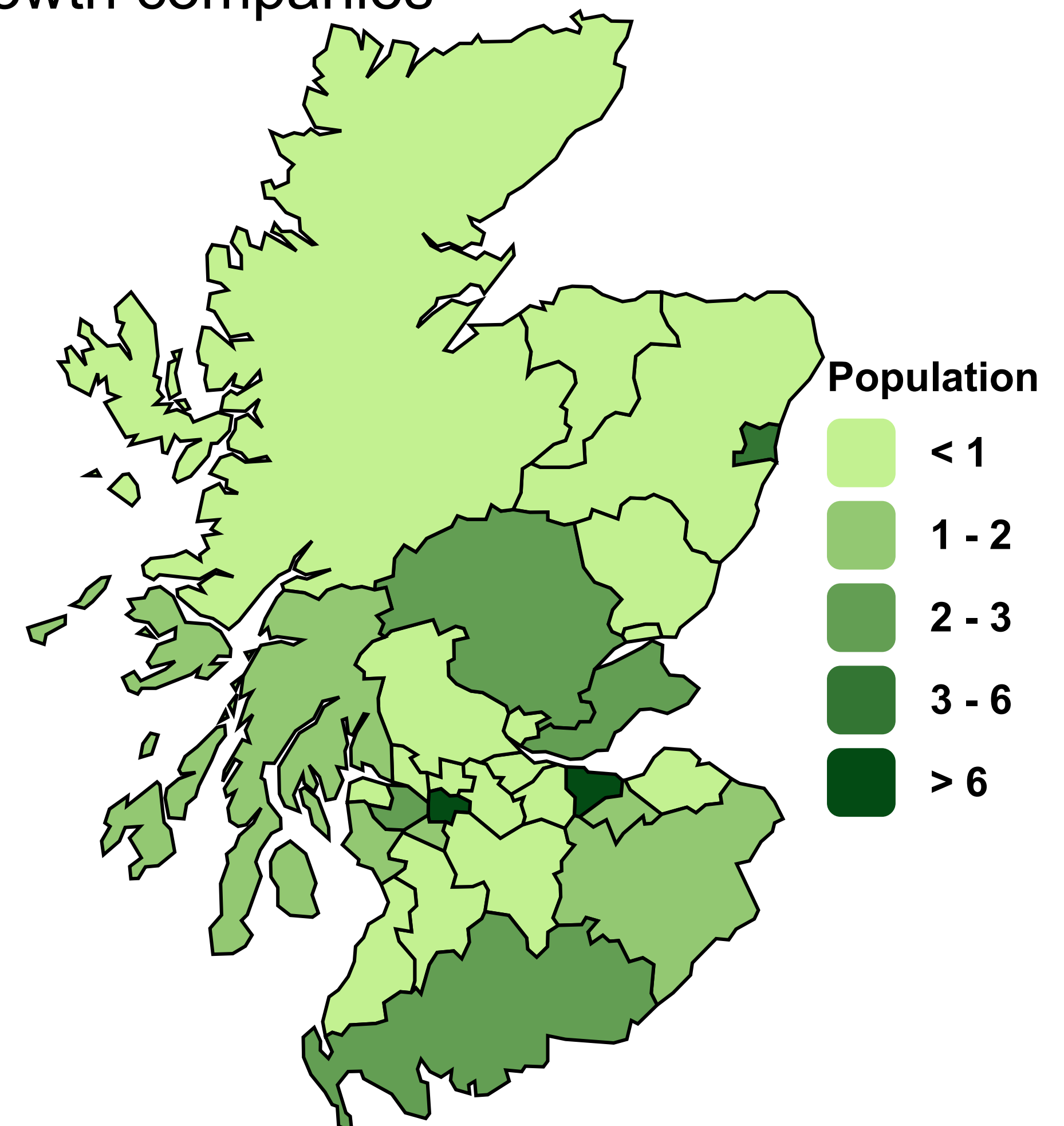
There are two potential explanations for the apparent lack of companies in this stage of sustained growth across Scotland:

Firstly, that not enough companies in the £1-£5m bracket are sustaining growth to come through to the next stage of development.

Or secondly, that companies grow through the £5-£10m stage quickly and those identified here are not sustaining growth. This could be explained by the lower conversion rate of 9% compared to the other size brackets.

Further, more specific and detailed investigation into this cohort of companies could identify reasons for the apparent lack of companies showing intermittent and sustained growth within this turnover band.

Location of all £5-£10m sustained growth companies



Geography of company size - Growth companies of £10m-30m turnover

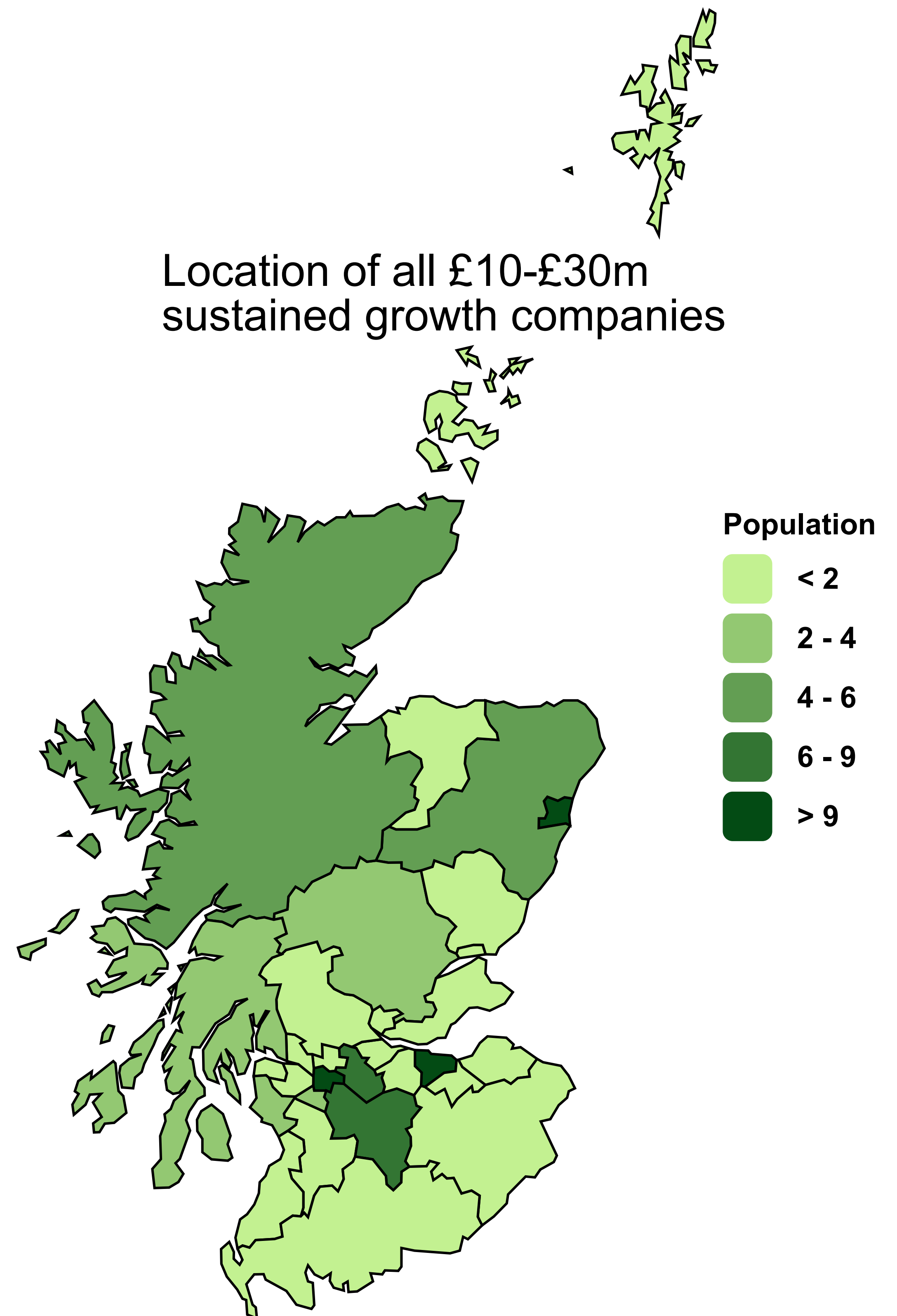
The major cities in Scotland are again the areas which have the greatest number of intermittent and sustained growth companies.

Edinburgh (15), Aberdeen (14) and Glasgow (9) comprise 45% of the sustained growth companies.

Similar to Edinburgh having a greater density of sustained growth companies between £1 and £5m, Glasgow and its surrounding area (North and South Lanarkshire in particular) appear to have a greater proportion of sustained growth companies reaching turnover of £10m+.

Despite being the areas where sustained growth is most concentrated, the rate at which these companies move from intermittent to sustained growth in Glasgow, is below the Scotland average.

This presents an opportunity given the evidence around the sustained growth rate once companies reach turnover of £10m+.



Geography of company size - Growth companies of £10m-30m turnover

The average sustained growth conversion rate for this turnover bracket is 14%.

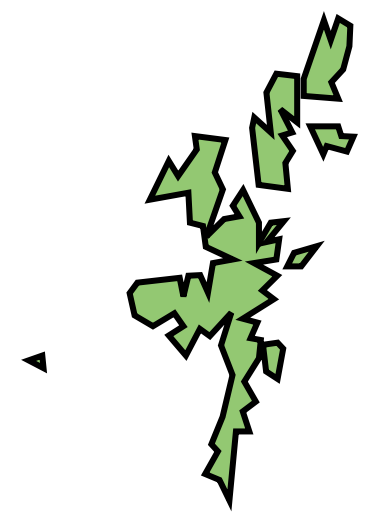
Whilst cities and urban areas have more sustained growth companies, only Edinburgh (15%) is above the Scottish average. Aberdeen (12%), Aberdeenshire (10%) and Glasgow (13%) are all below the average.

The Highland region has a 20% conversion rate from 25 companies. However, the lack of any sustained growth companies in the next bracket (and only 2 growth companies within it) suggests this may be the limit for growth for companies in the region.

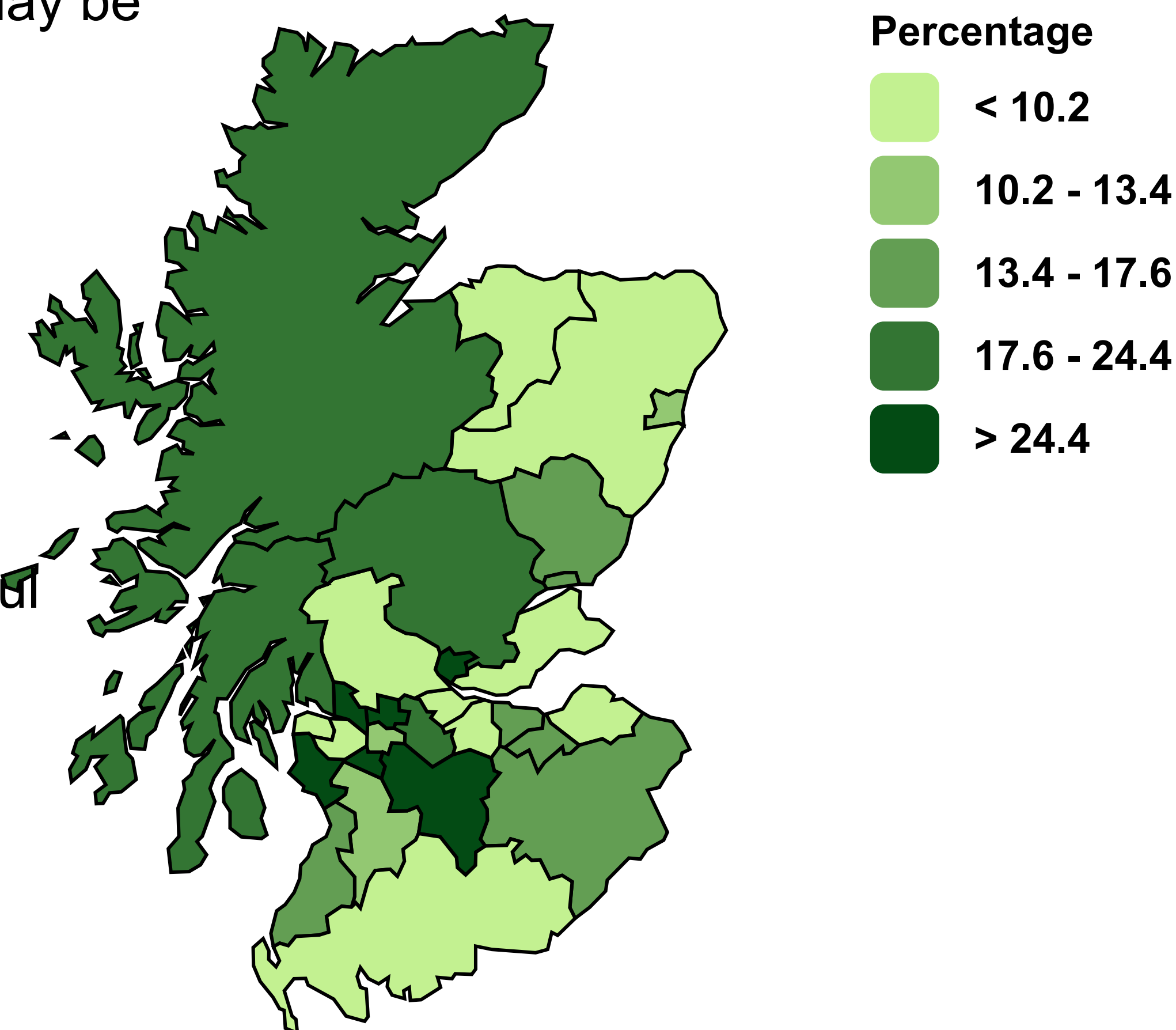
South Lanarkshire has a strong performance in this bracket, converting 26% of 27 growth companies into sustained growth. This is in contrast to its performance in the £30-£70m bracket. North Lanarkshire again appears to be a strong performer, converting 18% of 34 companies into sustained growth.

Fife and Perth & Kinross, areas which appeared to be successful at converting companies through the first £10m of turnover, continue to have respectable numbers of growth and sustained growth companies.

However, whilst Perth & Kinross continues to outperform the Scotland average in terms of conversion into sustained growth, Fife drops back at this turnover bracket. It suggests there are blockages (or limitations) on companies continuing to sustain 20% growth in the area.



% of all £10-£30m companies achieving sustained growth



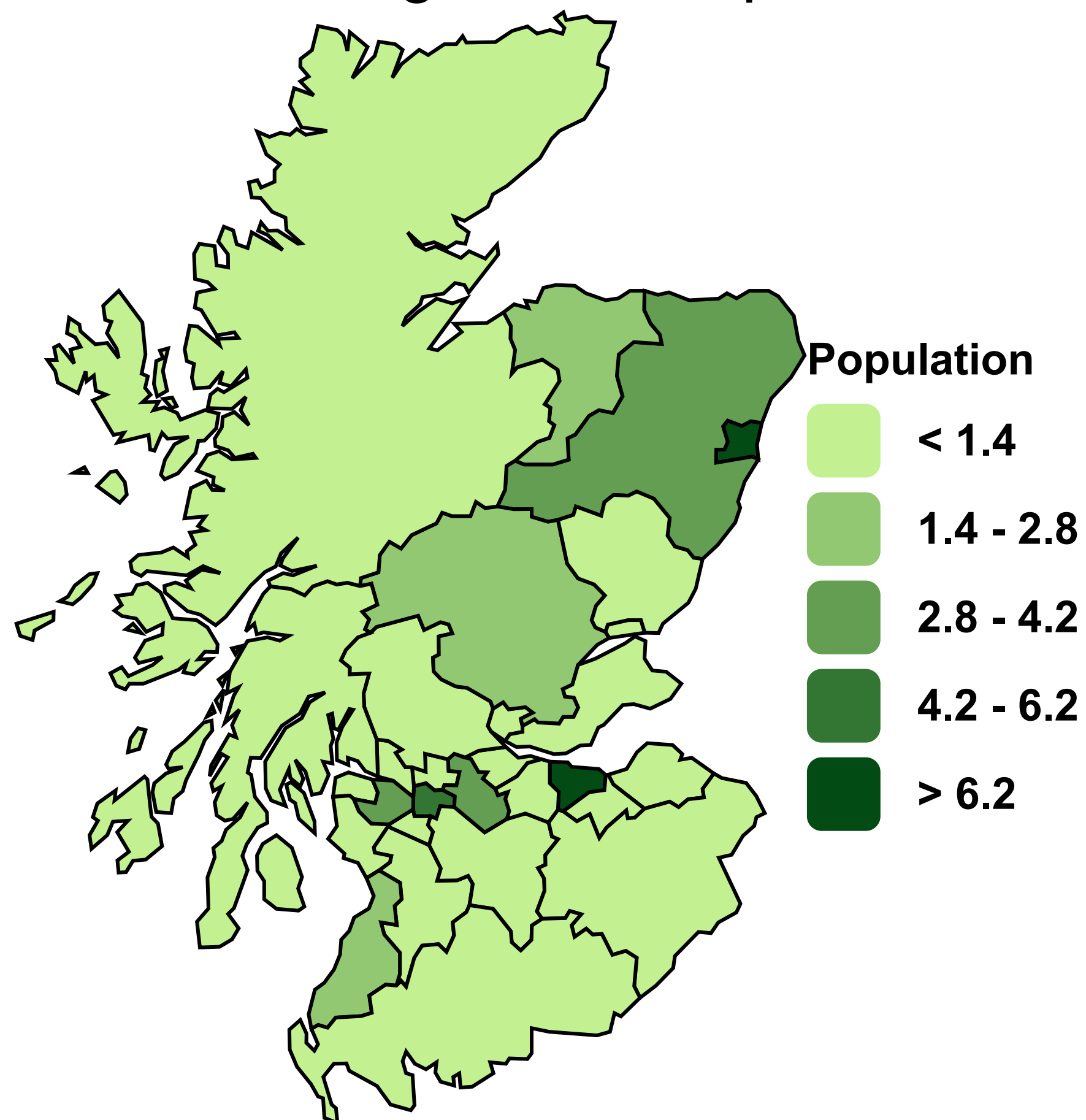
Geography of company size - Growth companies of £30m-70m turnover

Scotland's sustained growth conversion rate for £30-£70m companies is 19%. Edinburgh, Aberdeen, Glasgow, Renfrewshire and North Lanarkshire have the greatest number of sustained growth companies.

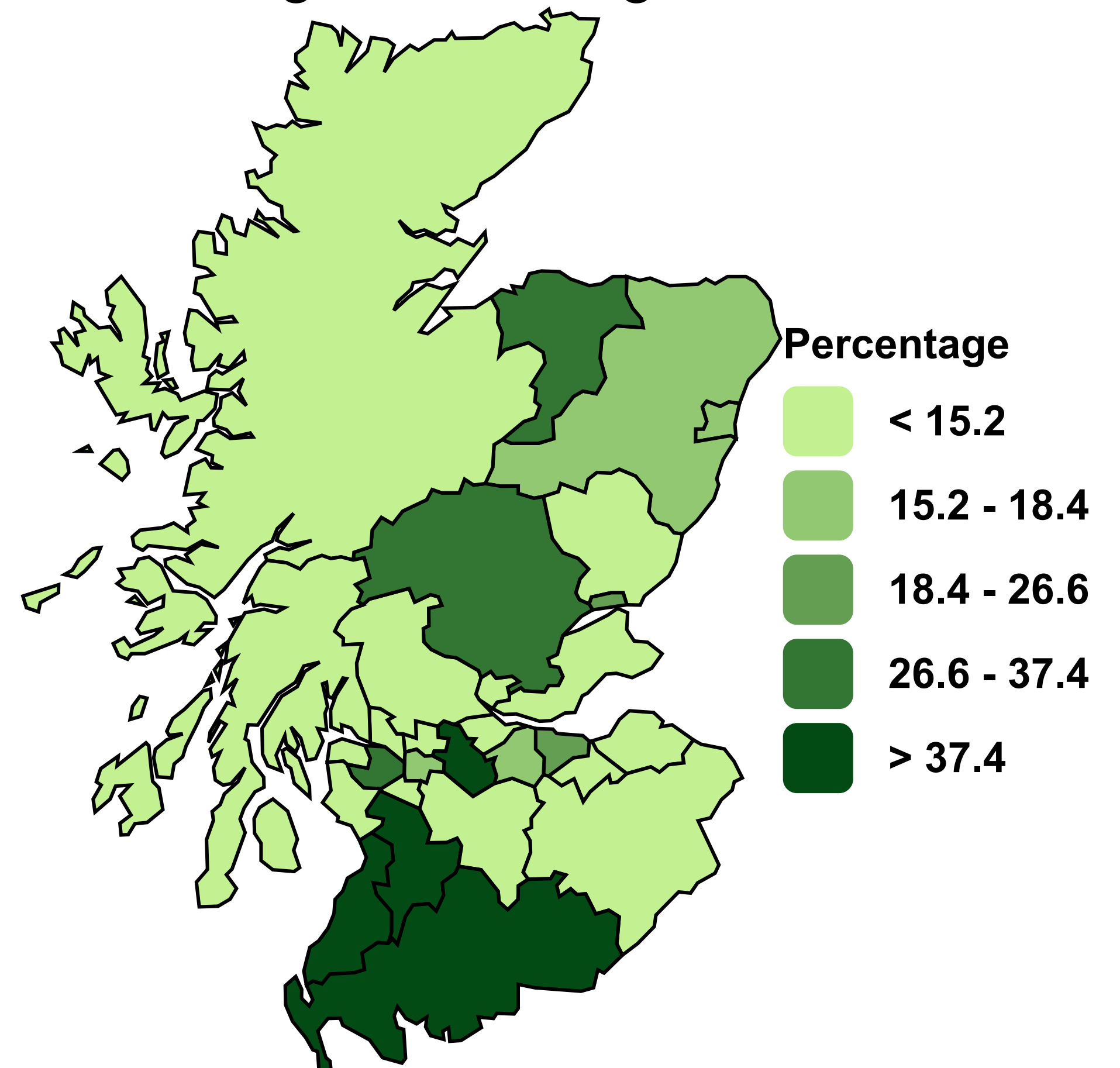
But of these, only Edinburgh (20%), Renfrewshire (27%) and North Lanarkshire (44%) convert into sustained growth rate above the Scottish average. It may suggest companies in the other areas have plateaued in their growth.

Other areas have significantly higher than average conversion rates but this is due to their low sample of growth companies.

Location of all £30-£70m sustained growth companies



% of all £30-£70m growth companies achieving sustained growth



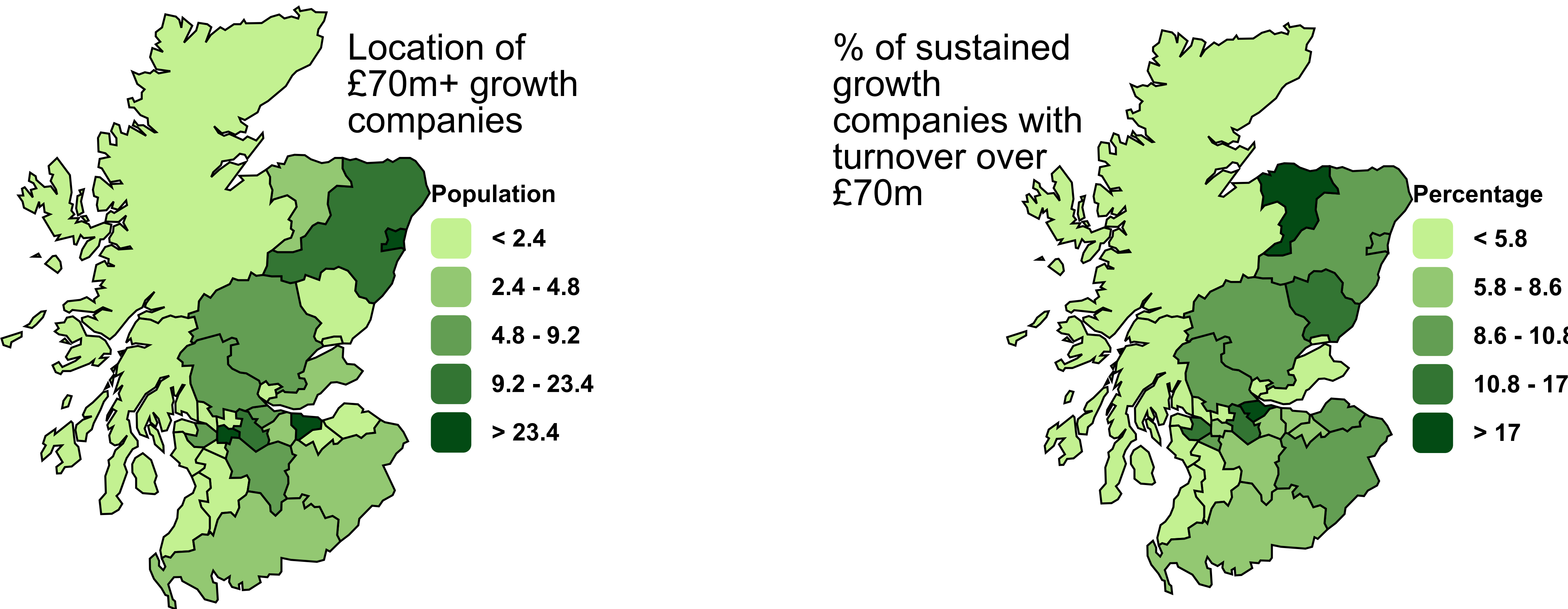
Geography of company size - Growth companies of £70m+ turnover

61% of £70m+ growth companies are found in Aberdeen, Aberdeenshire, Edinburgh and Glasgow.

The City of Dundee, with 37 growth companies is the largest authority without a single £70m+ turnover firm. Argyll & Bute (30) and South Ayrshire (23) are also without a £70m+ growth company.

Across Scotland, 8% of growth companies have turnover of £70m+. Moray (24%), Falkirk (21%) and North Lanarkshire (16%) have the greatest share of growth companies having turnover of £70m+.

This may suggest these areas have a greater dependence on large employers than elsewhere. Aberdeen and Shire are marginally above Scotland's average at 9%, Glasgow is at 8% and Edinburgh has 6%, likely as a result of the larger number of small (sub-£5m) companies in the city.



Geography of company size

Ranked by sustained growth companies	£1-£5m	£5-£10m	£10-£30m	£30-£70m
City of Edinburgh	25	9	15	11
Glasgow City	13	6	9	5
Aberdeen City	8	3	14	7
North Lanarkshire	3	0	6	4
Aberdeenshire	2	0	4	3
Perth & Kinross	2	2	3	2
Renfrewshire	3	2	1	3
Fife	4	2	1	1
South Lanarkshire	1	0	7	0
Stirling	6	0	1	1
Highland	1	0	5	0
Dundee City	3	0	1	1
Dumfries & Galloway	2	2	0	1
Argyll & Bute	2	1	2	0
West Lothian	2	0	1	1
East Ayrshire	1	0	1	1
East Renfrewshire	0	1	3	0
Midlothian	1	1	1	0
North Ayrshire	1	0	2	0
Scottish Borders	1	1	1	0
South Ayrshire	0	0	1	2
Moray	0	0	0	2
Falkirk	1	0	0	0
Eilean Siar	1	0	0	0
Inverclyde	1	0	0	0
Clackmannanshire	0	0	1	0
Angus	0	0	1	0
East Dunbartonshire	0	0	1	0
West Dunbartonshire	0	0	1	0
Shetland Islands	0	0	1	0
Local authority areas with no sustained growth companies				
East Lothian				
Orkney Islands				

The table details the total number of sustained growth companies in each local authority area, and where each compares to the Scotland average for converting intermittent into sustained growth.

Whilst some of the numbers for several local authorities are small and can distort averages, this table demonstrates the ability to secure sustained growth extends across Scotland.

Whilst having a larger business base than most, Glasgow underperforms in terms of converting into sustained growth, whilst Edinburgh is strong across every stage above £5m.

Perth & Kinross is the only area in Scotland which outperforms the national average across each turnover bracket.

Geography of company size

Aberdeen City and Shire	£1-£5m	£5-£10m	£10-£30m	£30-£70m
Aberdeen City	8	3	14	7
Aberdeenshire	2	0	4	3
East of Scotland	£1-£5m	£5-£10m	£10-£30m	£30-£70m
City of Edinburgh	25	9	15	11
Clackmannanshire	0	0	1	0
East Lothian	0	0	0	0
Falkirk	1	0	0	0
Fife	4	2	1	1
Midlothian	1	1	1	0
Stirling	6	0	1	1
West Lothian	2	0	1	1
South of Scotland	£1-£5m	£5-£10m	£10-£30m	£30-£70m
Dumfries & Galloway	2	2	0	1
Scottish Borders	1	1	1	0
Tayside	£1-£5m	£5-£10m	£10-£30m	£30-£70m
Angus	0	0	1	0
Dundee City	3	0	1	1
Perth & Kinross	2	2	3	2
West of Scotland	£1-£5m	£5-£10m	£10-£30m	£30-£70m
Argyll & Bute	2	1	2	0
East Ayrshire	1	0	1	1
East Dunbartonshire	0	0	1	0
East Renfrewshire	0	1	3	0
Glasgow City	13	6	9	5
Inverclyde	1	0	0	0
North Ayrshire	1	0	2	0
North Lanarkshire	3	0	6	4
Renfrewshire	3	2	1	3
South Ayrshire	0	0	1	2
South Lanarkshire	1	0	7	0
West Dunbartonshire	0	0	1	0
Highlands	£1-£5m	£5-£10m	£10-£30m	£30-£70m
Highland	1	0	5	0
Moray	0	0	0	2
Eilean Siar	1	0	0	0
Orkney Islands	0	0	0	0
Shetland Islands	0	0	1	0

Across the SE regions, the pattern of companies achieving sustained growth varies.

In the East, a pattern emerges which could indicate that companies in the region locate into the City of Edinburgh once they move into the £5m+ turnover range.

Whilst having a larger business base than most, Glasgow underperforms in terms of converting into sustained growth, whilst Edinburgh succeeds in every stage above £5m.

The figures again highlight £5-10m as an area of underperformance across the economy, and potentially worthy of specific investigation.

Geography of company size - Conclusions

There is a strong consistency of message when combining geography and turnover growth, across all size bands used in this analysis.

Cities and urban areas have the larger number of growth companies but appear to underperform compared to the Scottish average in converting into sustained growth.

The positive indicator is that conversion into sustained growth is highest for £10m+ (14%) and £30m+ companies (19%). It appears that once companies reach this milestone the odds of sustaining growth of 20%+ increases.

The challenge is therefore supporting and encouraging more companies to reach this mark.

In particular, the £5-£10m turnover bracket appears to be a sticking point many companies do not come through. Fewer than 1 in 10 companies in this bracket have moved from experiencing intermittent growth into sustained growth.

This analysis indicates that to create more sustained growth companies, a focus on urban areas is likely to yield positive results, as several areas are below the Scottish average for converting into sustained growth.

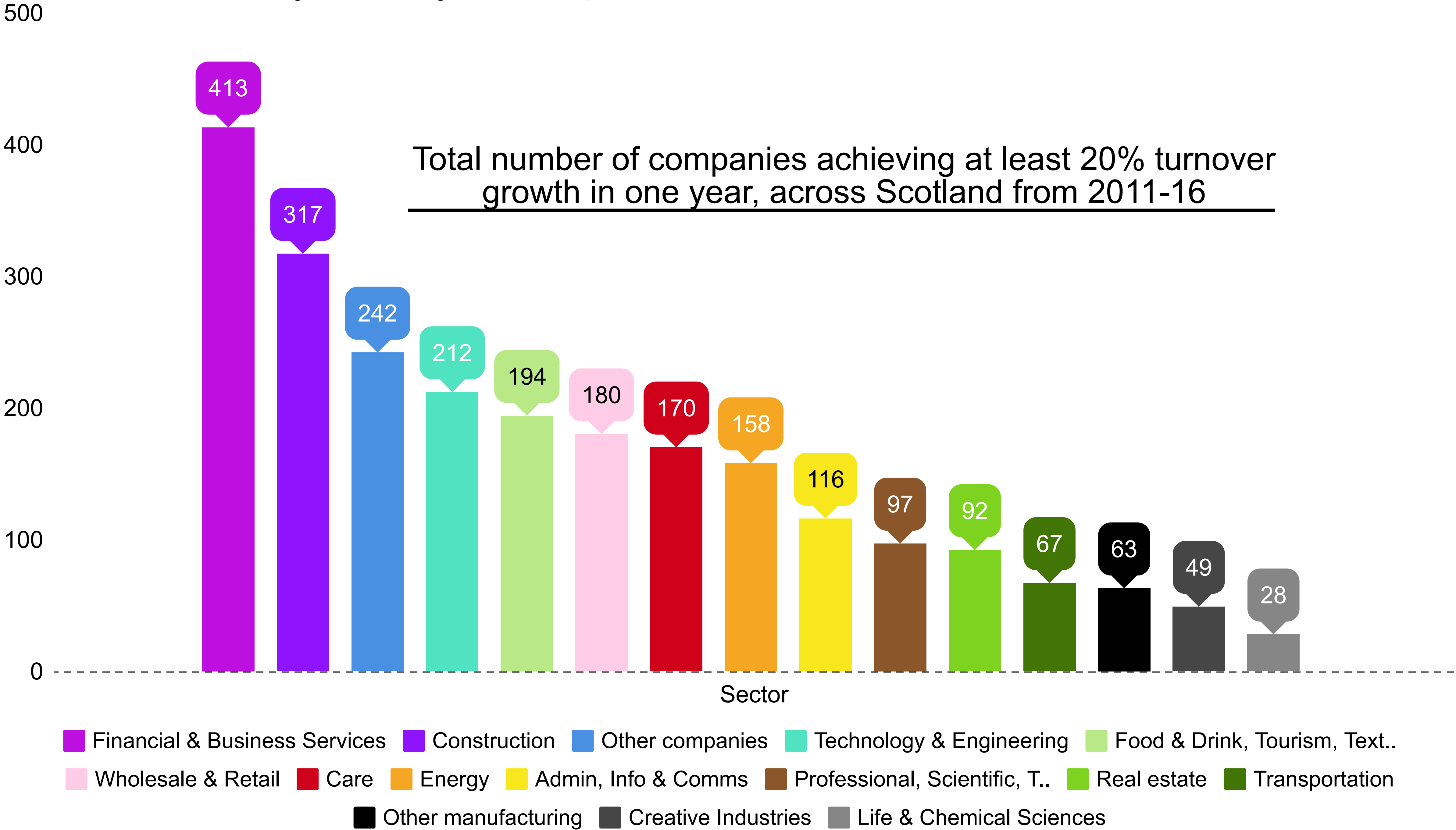
The analysis also highlights the role the less urban and more rural areas can play in building more sustained growth companies in Scotland.

There do not appear to be significantly onerous barriers to sustained growth in these areas, rather the challenge stems from a smaller business base with which to work.

Sectors

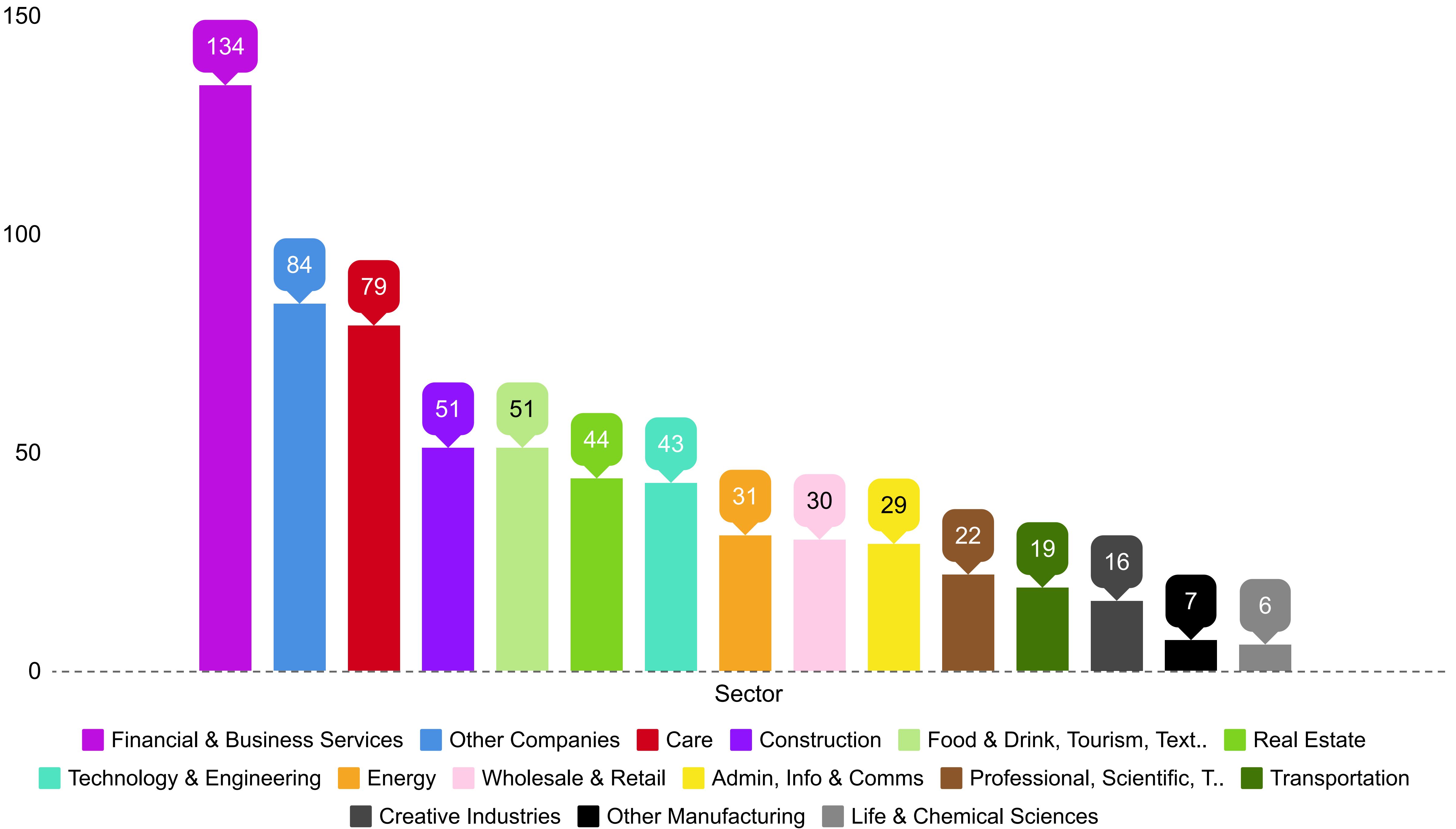
The below chart maps ALL companies in Scotland who registered at least one year of 20%+ growth in turnover between 2011 and 2016.

53.6% of these companies were in SE-supported sectors. Within this cohort, Financial & Business Services and Construction made up over half of all growth companies, with Creative Industries and Life & Chemical Sciences contributing the least growth companies.



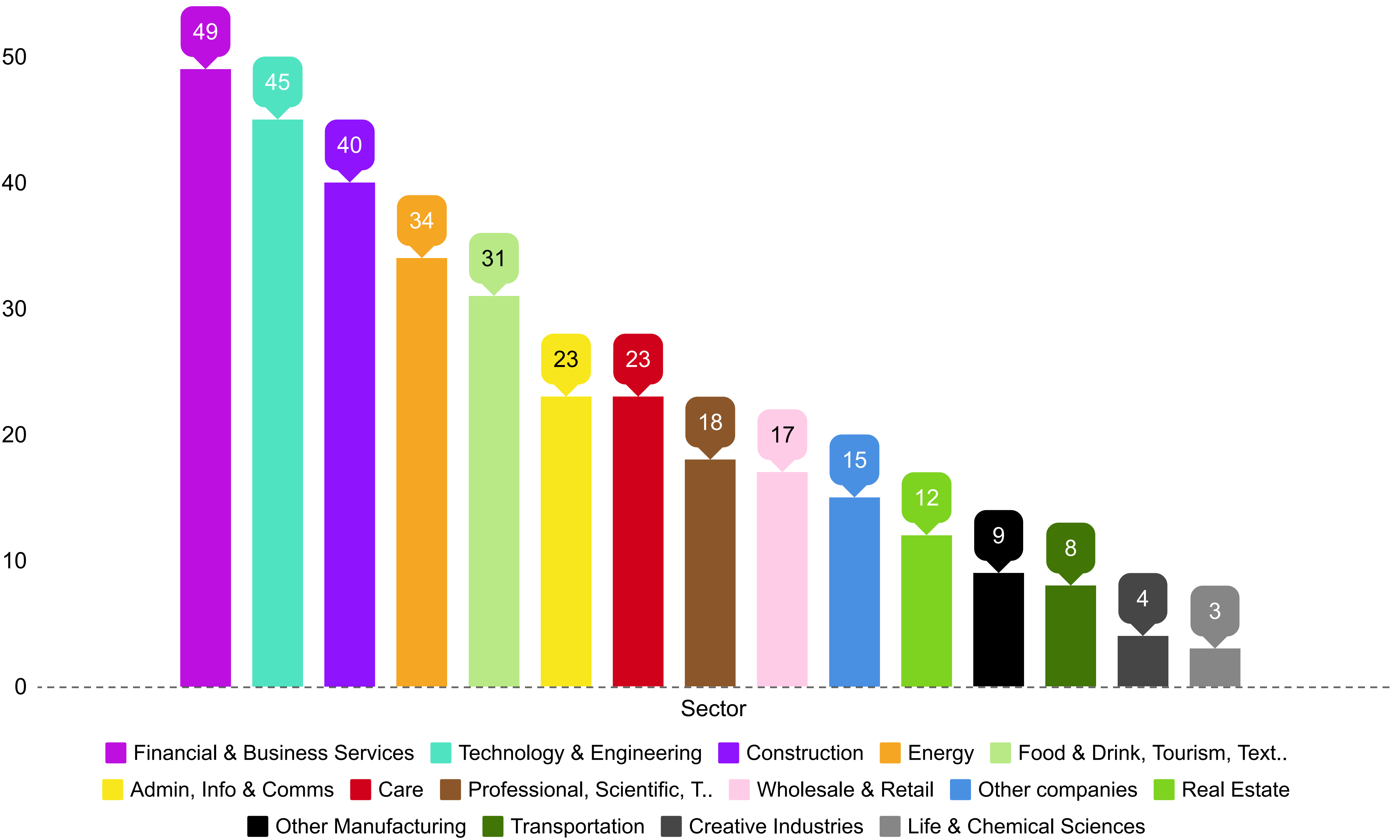
Sectors - £1m-£5m

Financial & Business Services has the greatest share of growth companies in this turnover bracket. There is also a significant proportion of 'other' companies. which are primarily small community groups and charities. There is also a significant number of care companies.



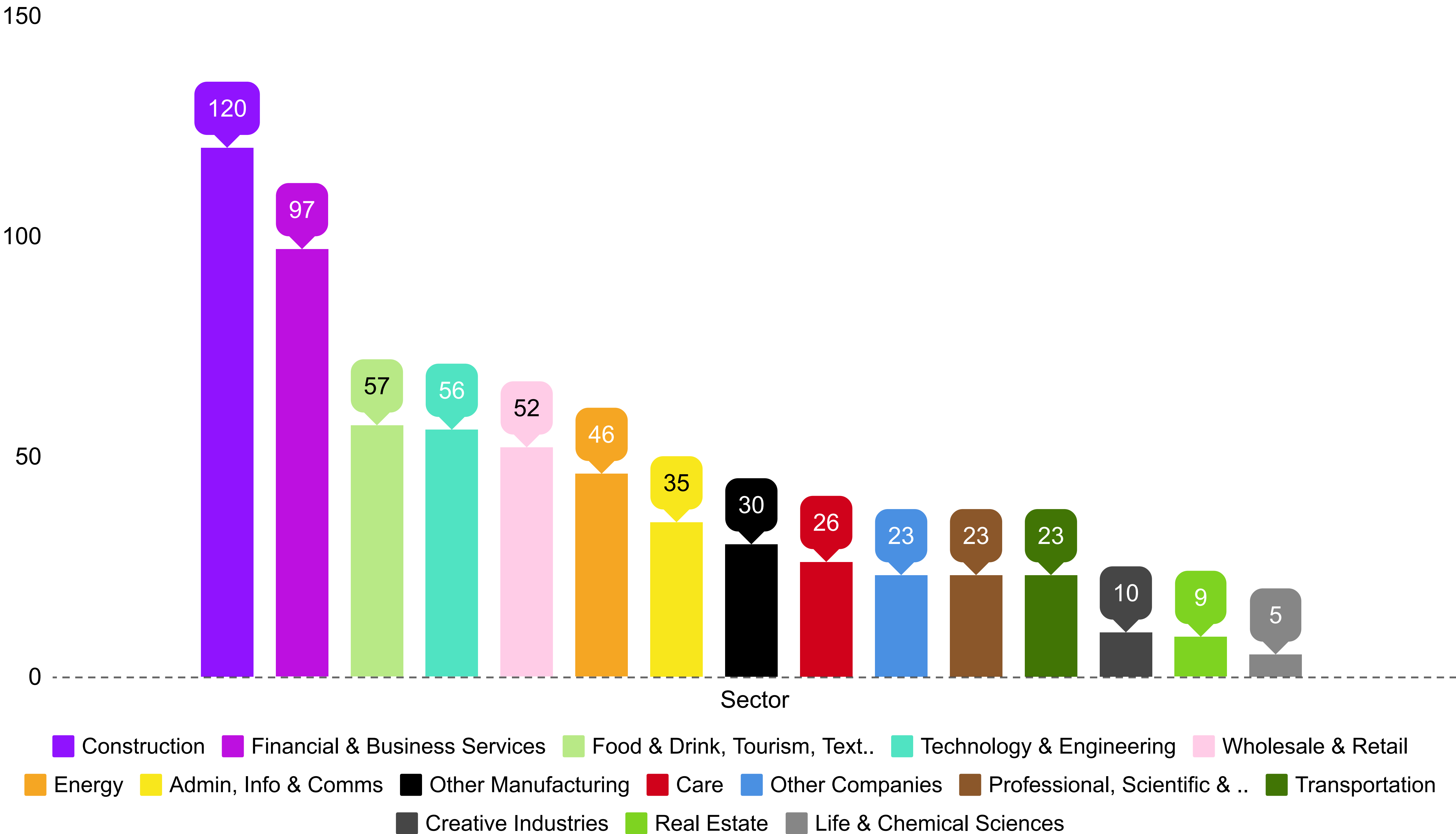
Sectors - £5m-£10m

The total number of growth companies in this turnover range is lower, reflecting the overall challenges previously identified. Financial & Business Services features most prominently again, but there is also a larger share of Technology & Engineering companies in this size band than in others.



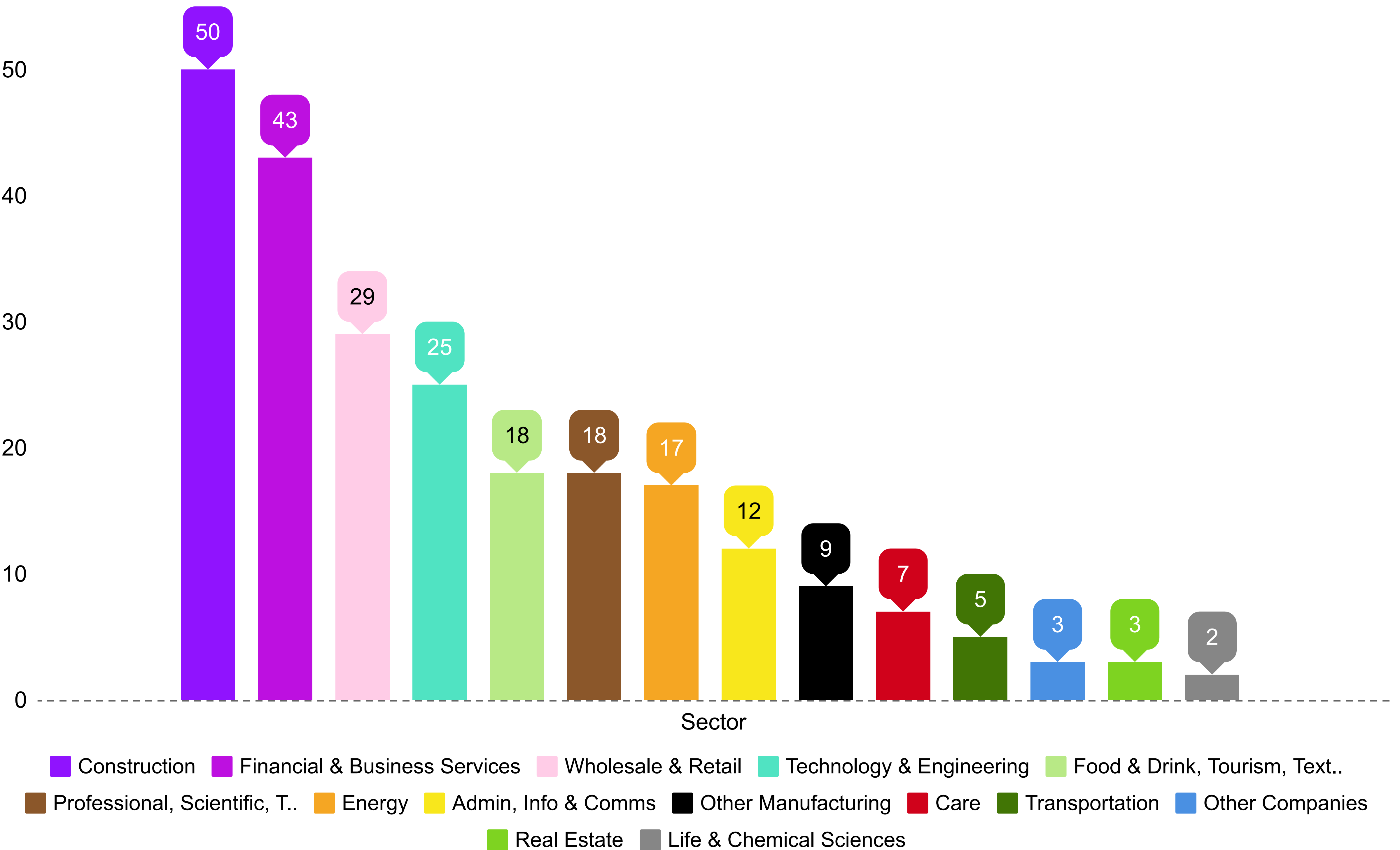
Sectors - £10m-£30m

This bracket sees construction become the sector with the largest number of growth companies, which continues into the next turnover bracket of £30-£70m. At this point, growth in numbers of Wholesale & Retail companies begins.



Sectors - £30m-£70m

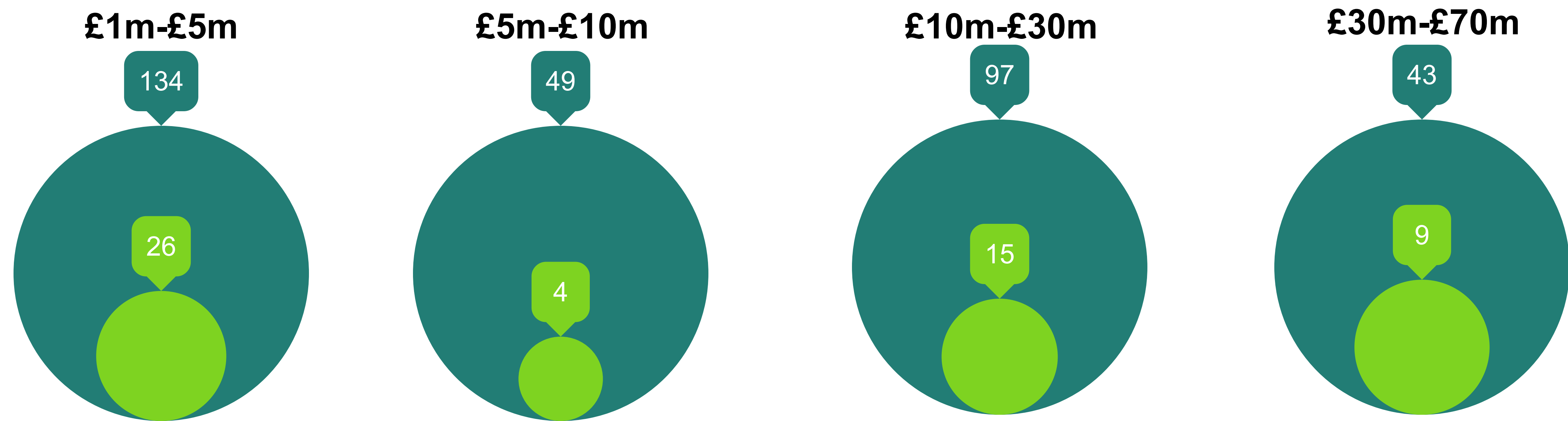
The pattern that has developed in the smaller brackets continues into the largest band under analysis. Construction, Financial & Business Services are the main sectors featuring, with Wholesale & Retail becoming more prominent.



NB: Total companies identified are ALL growth companies and within that, sustained growth companies

Financial & Business Services

Intermittent growth vs sustained growth

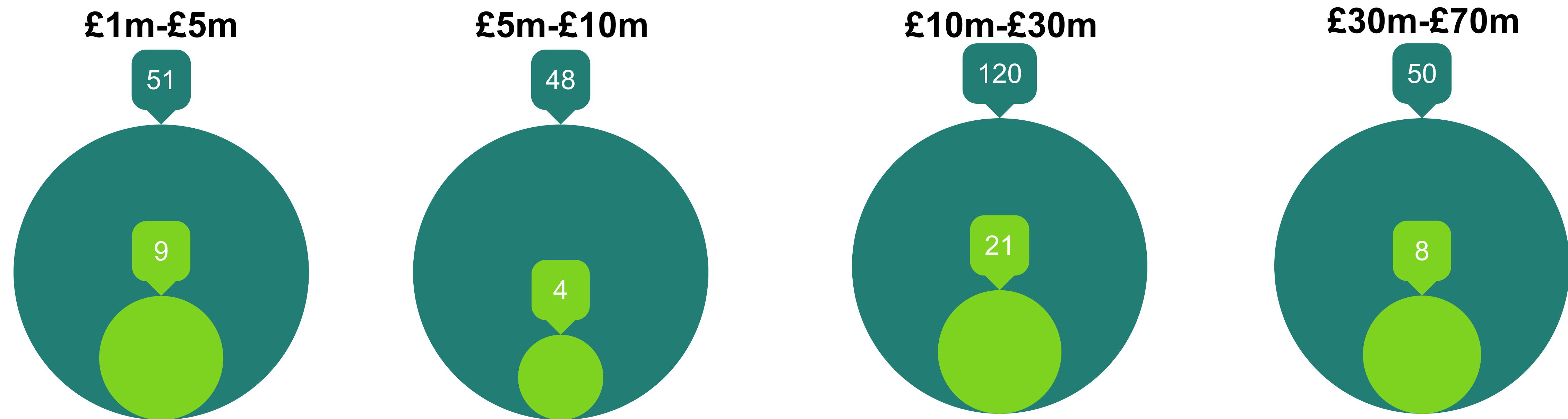


Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>		<u>Sustained growth conversion rate</u>	
Edinburgh	150	Edinburgh	27	£1m-£5m	19%
Aberdeen	57	Aberdeen	10	£5m-£10m	8%
Glasgow	33	Glasgow	7	£10m-£30m	15%
Aberdeenshire	15	Stirling	2	£30m-£70m	21%
South Lanarkshire	8	South Lanarkshire	2	All companies	20%

Construction

Intermittent growth vs sustained growth

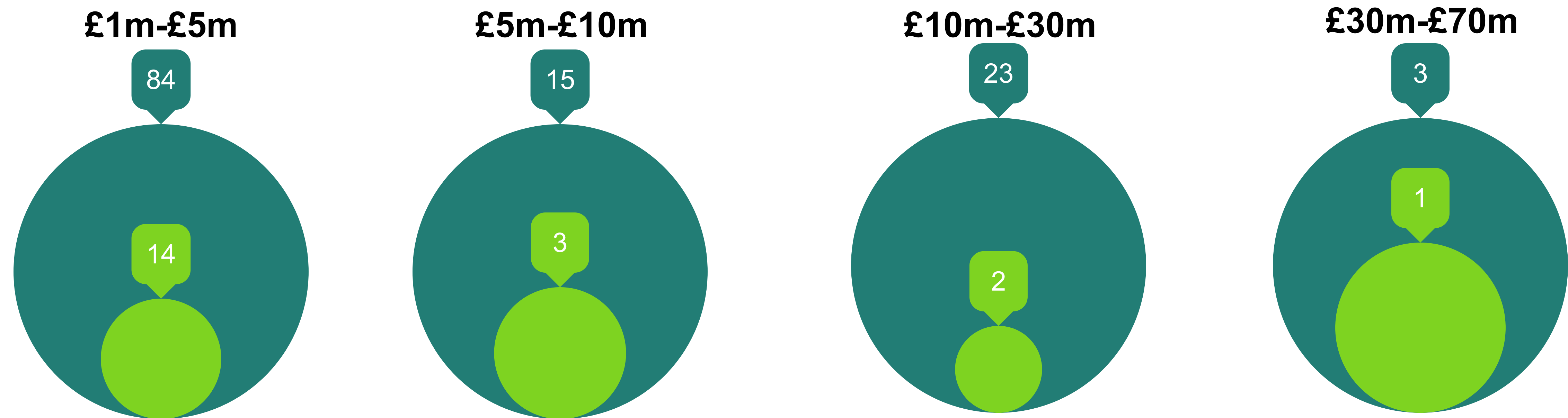


Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Edinburgh	45	Edinburgh	9	£1m-£5m	18%
Glasgow	41	Glasgow	5	£5m-£10m	8%
Highland	17	Highland	4	£10m-£30m	18%
Aberdeenshire	16	Aberdeenshire	3	£30m-£70m	16%
North Lanarkshire	15	East Renfrewshire		All companies	19%
		Perth & Kinross			
		Renfrewshire			

Other Companies

Intermittent growth vs sustained growth

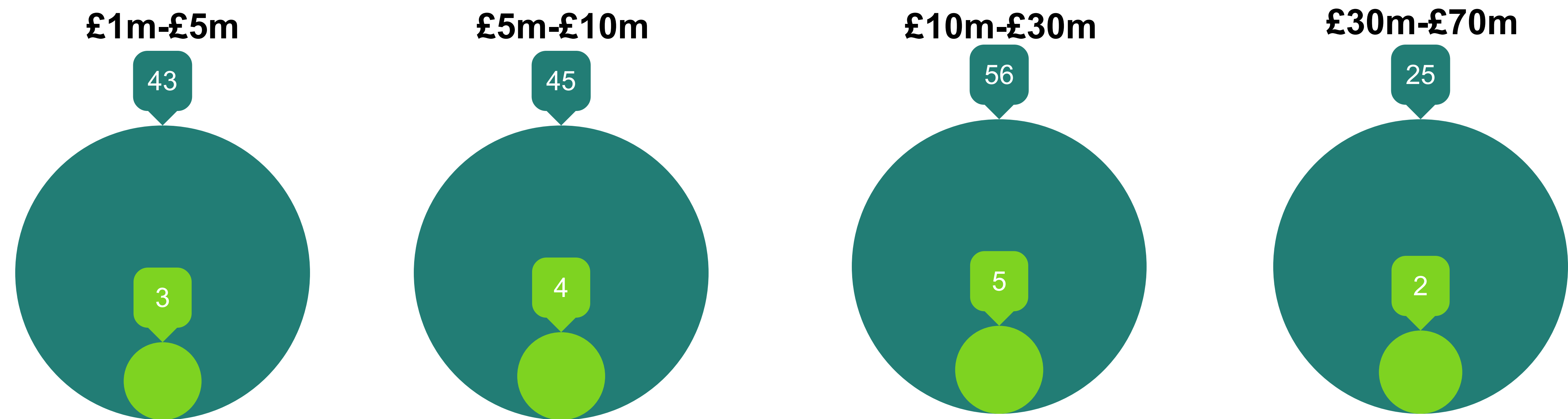


Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>		<u>Sustained growth conversion rate</u>	
Edinburgh	41	Edinburgh, Glasgow	4	£1m-£5m	17%
Glasgow	34	Stirling	3	£5m-£10m	20%
Aberdeen	11	Aberdeen	2	£10m-£30m	9%
Stirling	6			£30m-£70m	33%
Dundee, Fife, Highlands	5			All companies	19%

Technology & Engineering

Intermittent growth vs sustained growth



Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>		<u>Sustained growth conversion rate</u>	
Glasgow	33	Edinburgh	4	£1m-£5m	7%
Aberdeen	30	Glasgow	3	£5m-£10m	9%
Edinburgh	23	Aberdeen	1	£10m-£30m	9%
Aberdeenshire	16	Argyll & Bute		£30m-£70m	8%
Fife	10	Dundee		All companies	8%
		Falkirk			
		Fife			
		North Lanarkshire			
		Perth & Kinross			

Food & Drink, Tourism & Textiles

Intermittent growth vs sustained growth

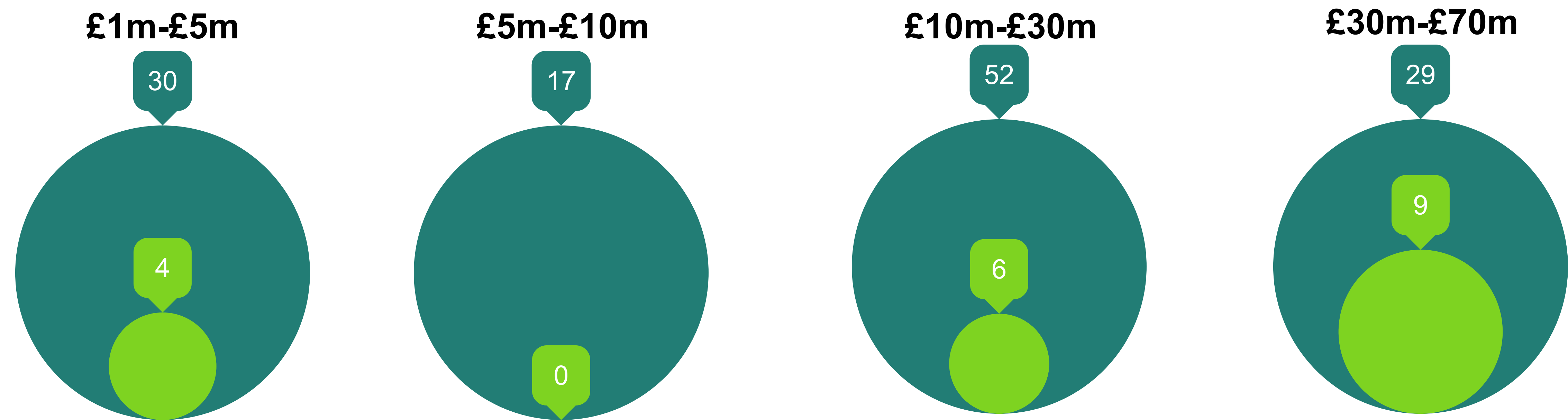


Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>	<u>Sustained growth conversion rate</u>	
Edinburgh	25	Aberdeen	£1m-£5m	2%
Glasgow	21	North Lanarkshire	£5m-£10m	6%
Aberdeen	21	Aberdeenshire	£10m-£30m	12%
Highland	6	Glasgow	£30m-£70m	11%
Borders	6	Edinburgh	All companies	8%
		Shetland Islands		
		Stirling		

Wholesale & Retail

Intermittent growth vs sustained growth

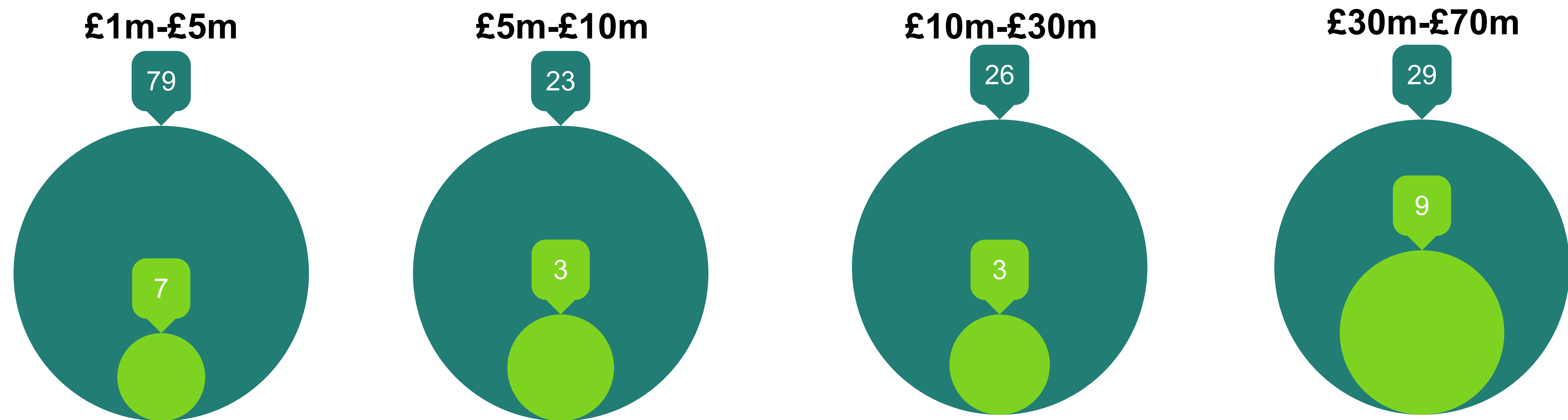


Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Glasgow Edinburgh	18	North Lanarkshire	3	£1m-£5m	13%
Aberdeen	16	Glasgow, Renfrewshire Edinburgh, North Ayrshire, Aberdeen	2	£5m-£10m	0%
Renfrewshire	10	Dumfries & Galloway, East Ayrshire, Falkirk, Fife, Perth & Kinross, Borders	1	£10m-£30m	12%
Dumfries & Galloway	8			£30m-£70m	31%
North Lanarkshire	7			All companies	15%

Care Sector

Intermittent growth vs sustained growth



Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Edinburgh	34	Edinburgh, Aberdeen, Fife	2	£1m-£5m	9%
Glasgow	22	Glasgow, Highland, Aberdeenshire, East Renfrewshire, North Lanarkshire, Perth & Kinross, Renfrewshire, South Lanarkshire	1	£5m-£10m	0%
Aberdeen	14			£10m-£30m	12%
Aberdeenshire Highland	9			£30m-£70m	31%
Fife, South Lanarkshire	5			All companies	15%

Energy

Intermittent growth vs sustained growth

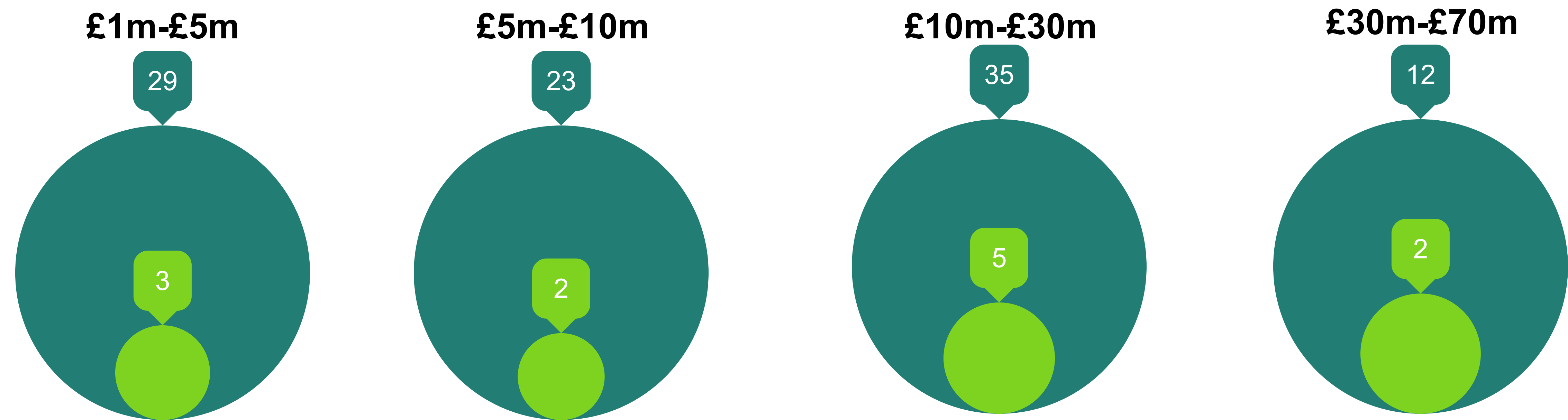


Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Aberdeen	50	Aberdeen	7	£1m-£5m	10%
Edinburgh	24	South Ayrshire	3	£5m-£10m	9%
Aberdeenshire	9	South Lanarkshire	2	£10m-£30m	11%
Glasgow	8	Glasgow Perth & Kinross Renfrewshire	1	£30m-£70m	24%
Highland	5			All companies	12%

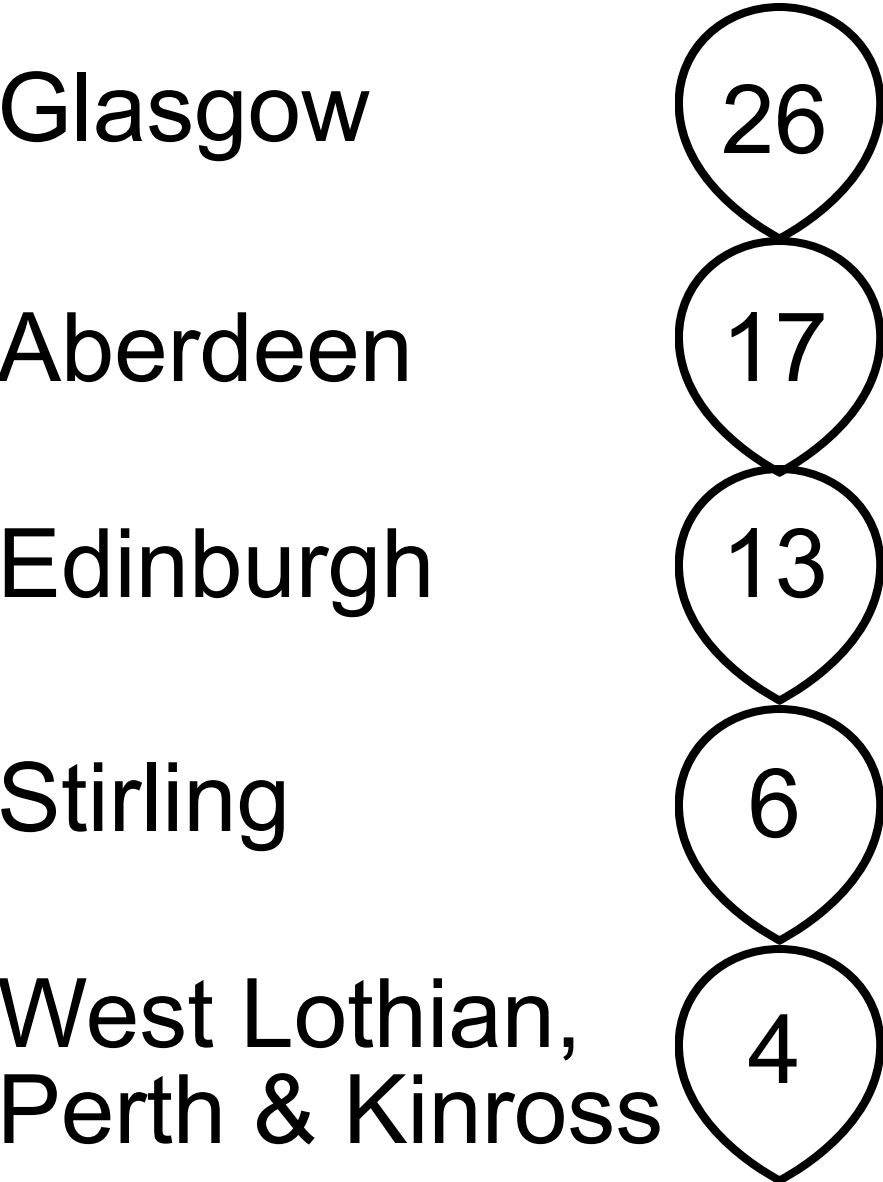
Admin, Info & Communications

Intermittent growth vs sustained growth

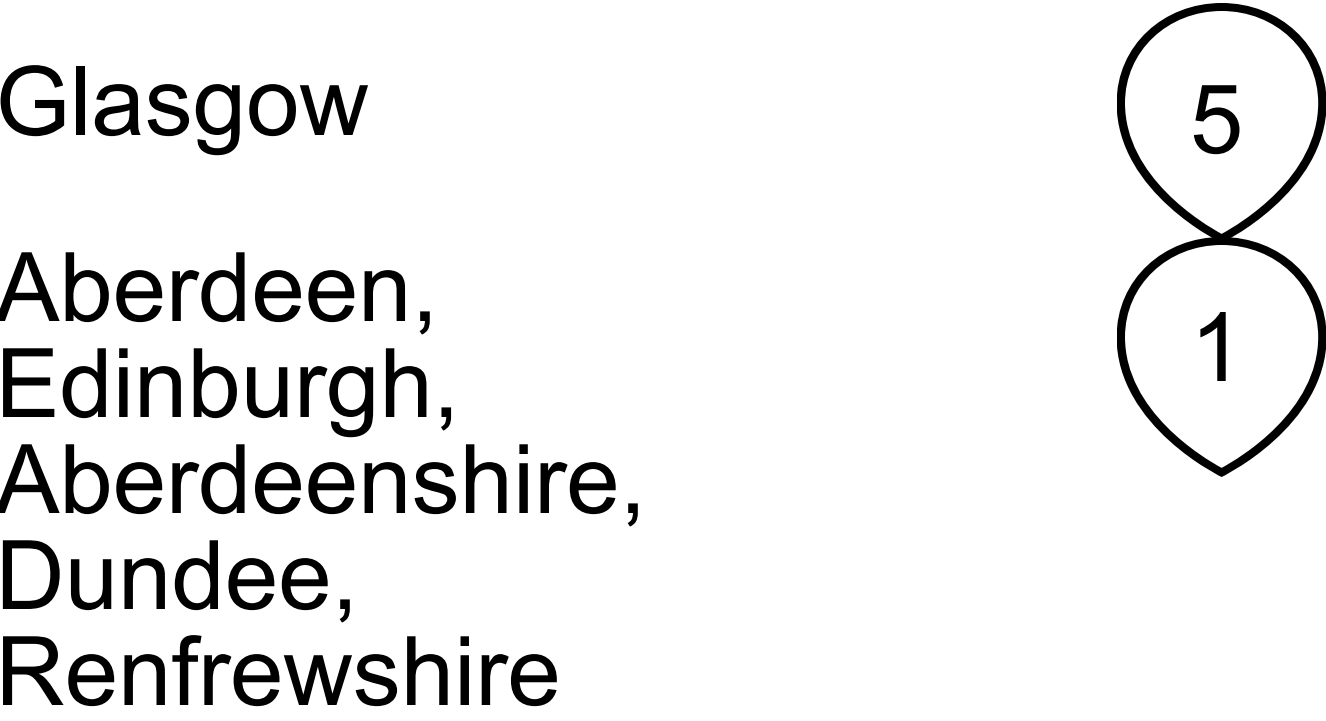


Main locations of growth/sustained growth

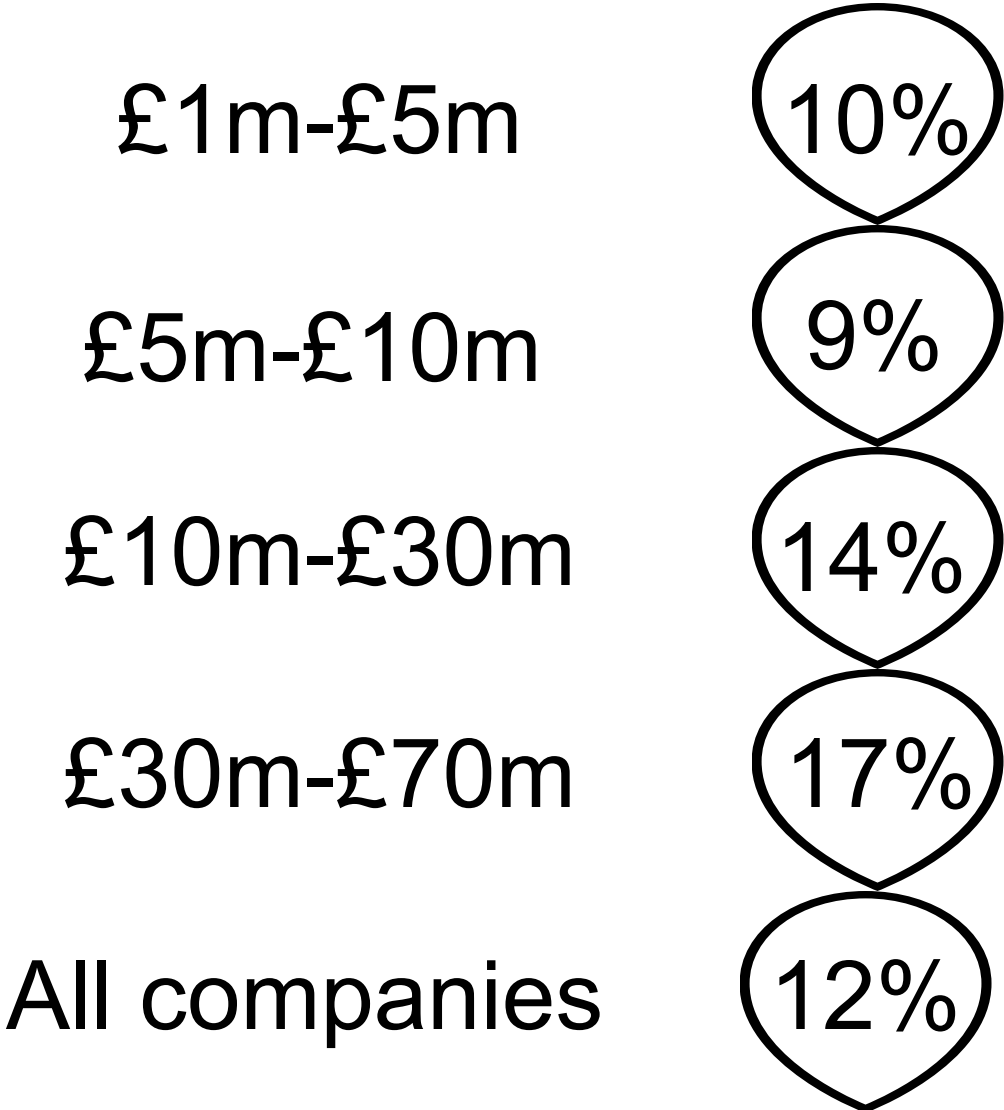
Growth company



Sustained growth company

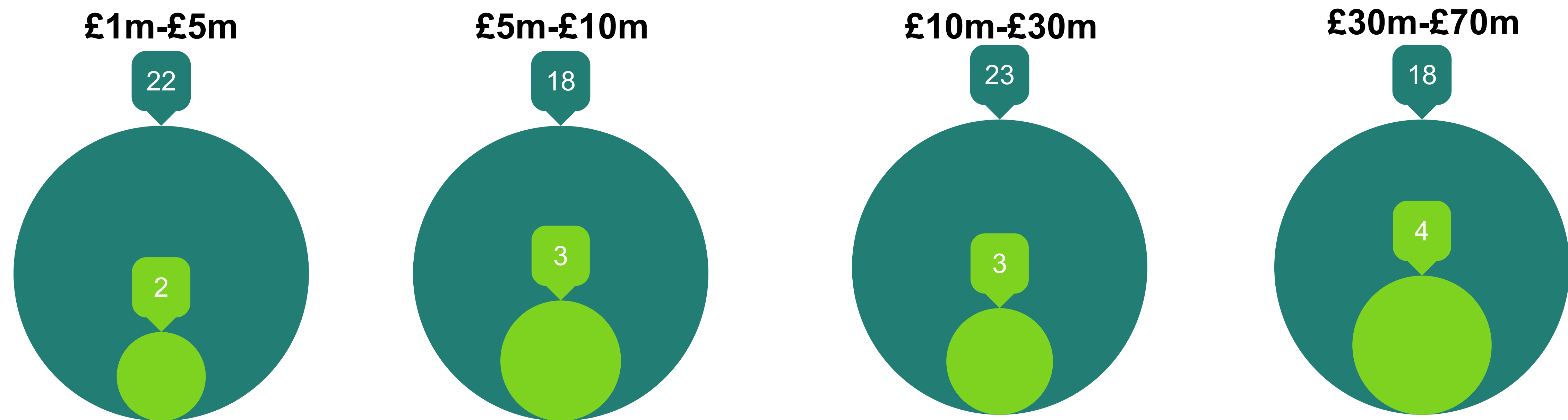


Sustained growth conversion rate



Professional, Scientific & Technical

Intermittent growth vs sustained growth



Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Edinburgh	21	Edinburgh, Aberdeen	2	£1m-£5m	9%
Aberdeen	17	Glasgow, Aberdeenshire, Dumfries & Galloway, Falkirk, Highland, Midlothian, Perth & Kinross, Stirling.	1	£5m-£10m	17%
Glasgow	11			£10m-£30m	13%
South Lanarkshire	4			£30m-£70m	22%
Stirling Highland	3			All companies	15%

Real Estate

Intermittent growth vs sustained growth

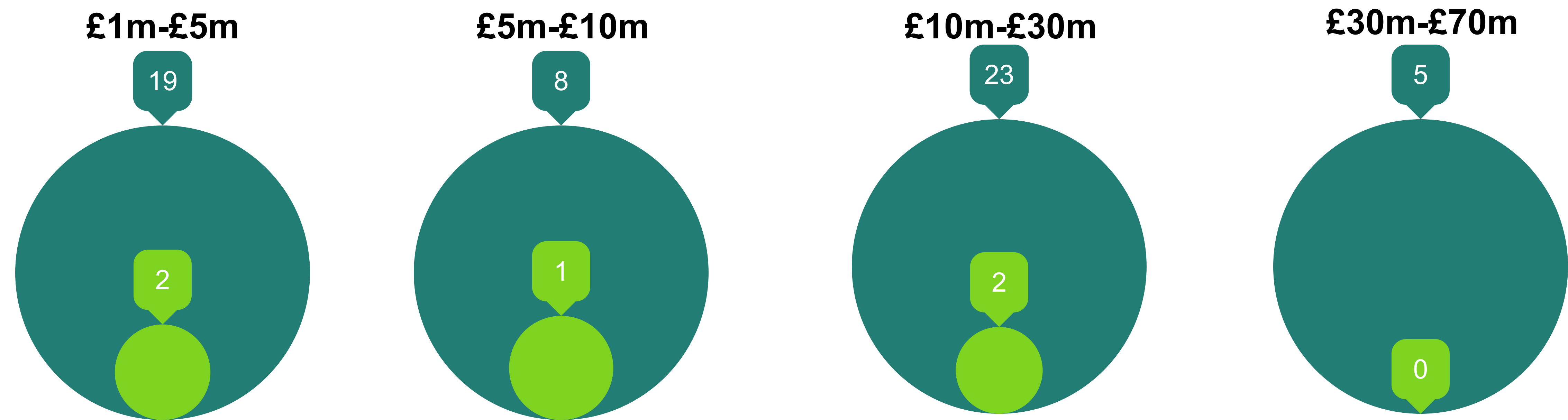


Main locations of growth/sustained growth

Growth company		Sustained growth company		Sustained growth conversion rate	
Edinburgh	28	Edinburgh	9	£1m-£5m	18%
Glasgow	14	Aberdeen	1	£5m-£10m	17%
Aberdeen	5	Argyll & Bute		£10m-£30m	44%
Highland	4	Dundee		£30m-£70m	33%
East Lothian	3	Fife		All companies	22%
		Glasgow			

Transportation

Intermittent growth vs sustained growth



Main locations of growth/sustained growth

Growth company

Edinburgh	9
Aberdeen	8
Glasgow	7
Inverclyde	5
Dumfries & Galloway, North Lanarkshire, West Dunbartonshire	3

Sustained growth company

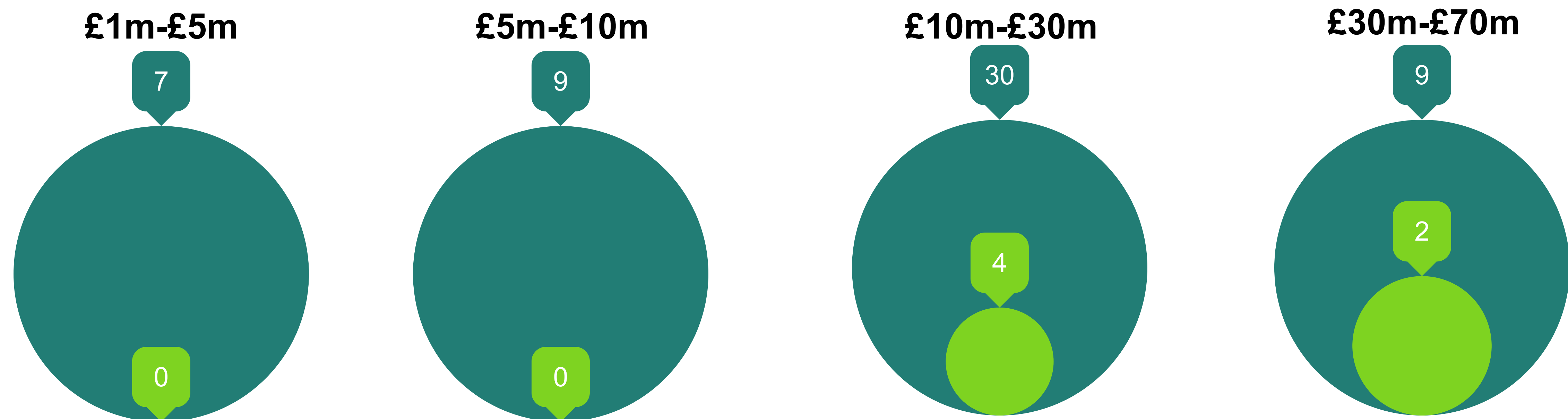
Argyll & Bute Edinburgh Dumfries & Galloway Glasgow North Lanarkshire	1
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Sustained growth conversion rate

£1m-£5m	11%
£5m-£10m	13%
£10m-£30m	9%
£30m-£70m	0%
All companies	9%

Other Manufacturing

Intermittent growth vs sustained growth

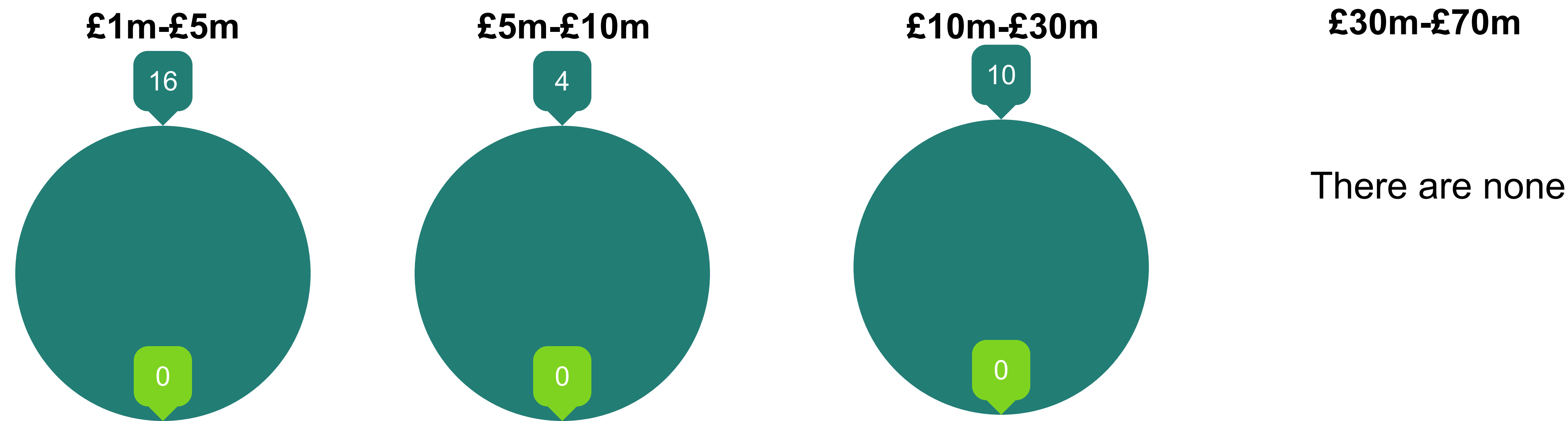


Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>	<u>Sustained growth conversion rate</u>	
Edinburgh	7	South Lanarkshire	£1m-£5m	0%
South Lanarkshire			£5m-£10m	0%
Aberdeen,	5	Aberdeenshire,	£10m-£30m	13%
Aberdeenshire,		Dundee,	£30m-£70m	22%
North Lanarkshire		Moray, West Lothian	All companies	11%
West Lothian	4			

Creative Industries

Intermittent growth vs sustained growth

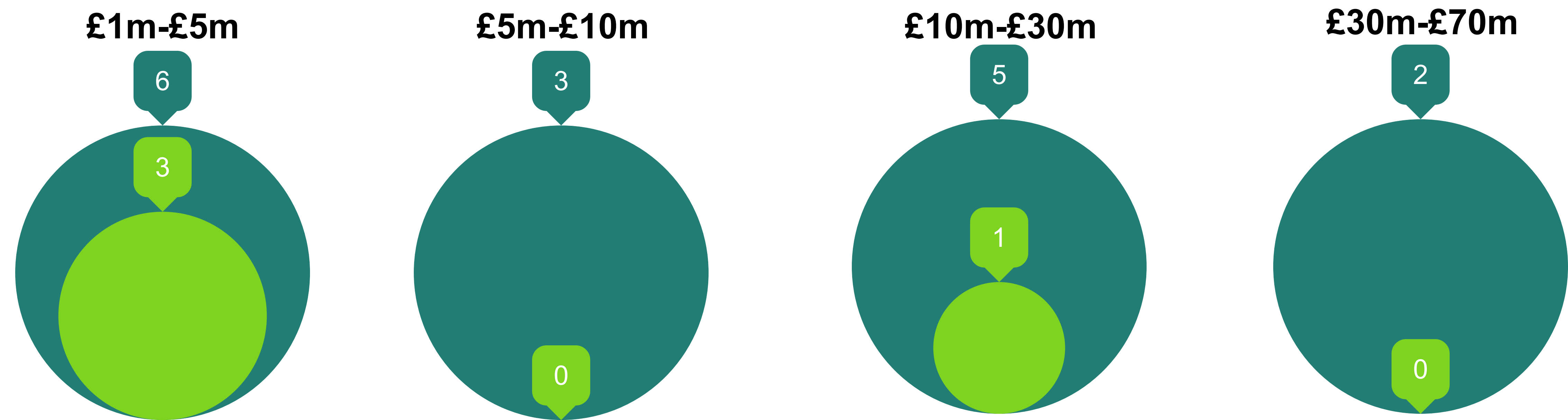


Main locations of growth/sustained growth

<u>Growth company</u>	<u>Sustained growth company</u>	<u>Sustained growth conversion rate</u>
Edinburgh11	There are none	No growth companies converted this into sustained growth within Creative Industries.
Glasgow9		
Aberdeen.1		
Dundee,		
Dumfries & Galloway		
Fife, Highlands,		
Inverclyde, Stirling,		
North Lanarkshire,		
Renfrewshire		

Life & Chemical Sciences

Intermittent growth vs sustained growth



Main locations of growth/sustained growth

<u>Growth company</u>		<u>Sustained growth company</u>		<u>Sustained growth conversion rate</u>	
Aberdeen	5	Aberdeen, Dundee, Glasgow, West Lothian	1	£1m-£5m	50%
Glasgow	3			£5m-£10m	0%
Dundee, Midlothian	2			£10m-£30m	20%
Angus, West Lothian, Dumfries & Galloway	1			£30m-£70m	0%
				All companies	25%

Sectors - Conclusions

The two most prevalent sectors across the whole range of growth companies - Financial & Business Services, and Construction - appear to have particular challenges in converting to sustained growth in the £5-£10m turnover range.

Technology & Engineering companies appear to have challenges in converting intermittent growth to sustained growth, across every turnover band, not just the £5-£10m bracket. This could be an issue given the number of companies in this sector across Scotland and the number of firms in this sector who achieve intermittent growth.

Food & Drink, Textiles and Tourism companies have lower sustained growth rates at the smaller company turnover level. This may be reflective of the nature of the industry (a lot of small, independent companies) rather than a particular challenge in achieving growth.

Wholesale & Retail companies appear to be strongest in achieving growth at the larger company level, particularly in North Lanarkshire. This is also the case with companies in the care sector.

The results for energy may be affected by the downturn in the oil and gas industry.

The lack of growth companies and the dearth of sustained growth companies in both Life & Chemical Sciences and Creative Industries raises questions over the nature of growth in these sectors.

There does not appear to be any specific geographical differences in the location of intermittent and sustained growth companies. Cities and urban areas are where most companies are found across each sector and turnover band. This again indicates that they could be the focus for most support.

ADDENDUM - 10-20% Growth Companies

The analysis to this point has focused on 20% turnover growth whether companies have achieved this once (intermittent) or over two or more (sustained) years. This is a justifiable measure given the definition of the Scaling portfolio but in terms of data analysis, could be considered a blunt metric by which to 'judge' companies.

It was recognised early on that companies who - thus far have been identified as 'low/no growth' may actually have strong turnover growth, but not through achieving 20% in a single year and it is unfair to categorise them as this. This addendum to the original research seeks to address this.

As with the previous analysis, the focus is primarily on identifying cohorts of companies who may be suitable through their existing performance, for SE scaling support.

The following pages focus on these brackets of companies:

1) Intermittent growth companies closest to achieving sustained growth.

Companies who achieved 20% growth in one year from 2011-16, but also achieved 10-20% growth in two or more additional years (these will have been included in the previous intermittent growth analysis).

2) Emerging growth companies.

Companies who did not achieve 20% turnover growth in one year from 2011-16, but did achieve growth of between 10% and 20% in two or more years over the period.

3) Sporadic growth companies.

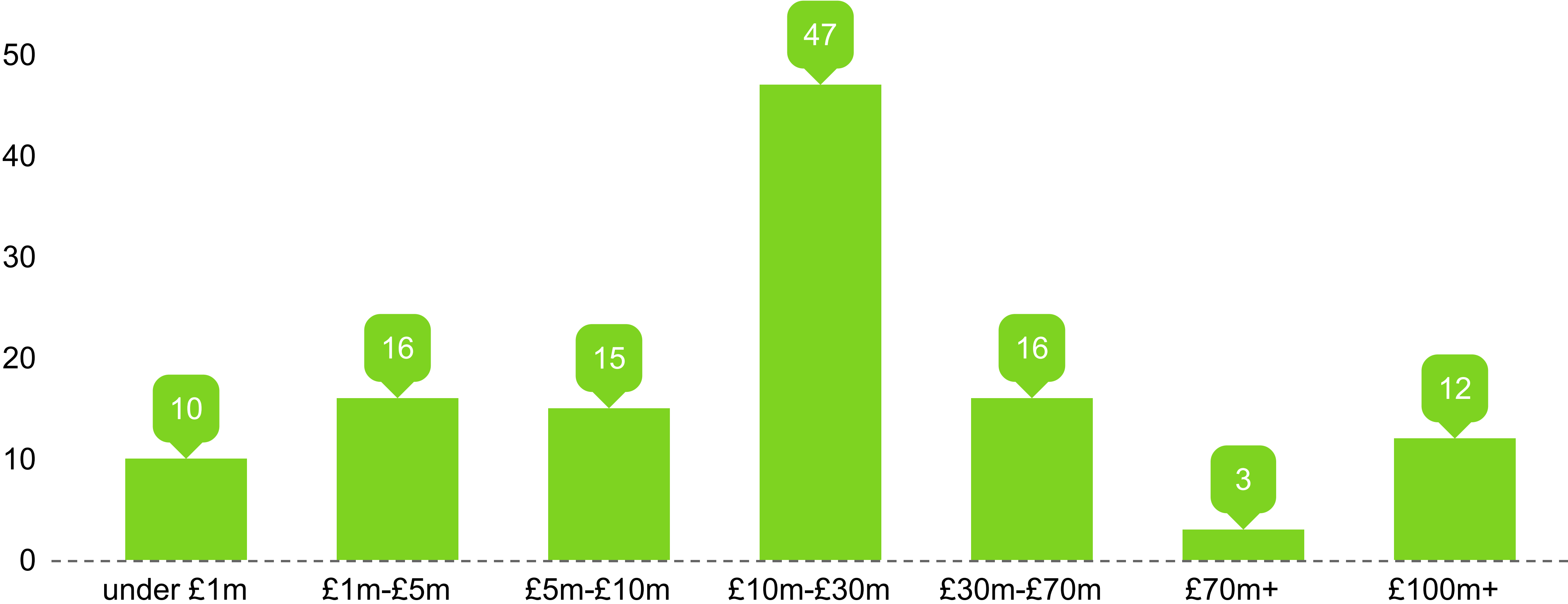
Companies who did not achieve 20% turnover growth in one year from 2011-16, and only achieved growth of 10% to 20% in one year over the period.

Companies closest to achieving sustained growth

Of the 1770 companies in Scotland who the previous analysis had identified as seeing intermittent growth (defined as one year with turnover growth of 20%+ 2011-16), 123 combined their one year of 20%+ growth with two or more years of turnover growth between 10% and 20%.

This 7% of intermittent growth companies could be argued as those most likely to achieve sustained growth at or above 20% on a regular basis.

Turnover size of companies closest to sustained growth



Of these, 94 were within the £1-£70m turnover range, with 52% (49) sitting within SE sectors.

This highlights that companies in the £10m-£30m range who already have strong performance could be those seen as 'most likely' to develop into scaling up, as opposed to any other turnover bracket, such as the £5m-£10m range.

Companies closest to achieving sustained growth

The sector breakdown of the companies likely to be closest to achieving sustained growth is broadly similar to those seen across the spectrum of sustained growth companies. It is also striking that within each sector, most companies are likely to be found in the £10-£30m bracket.

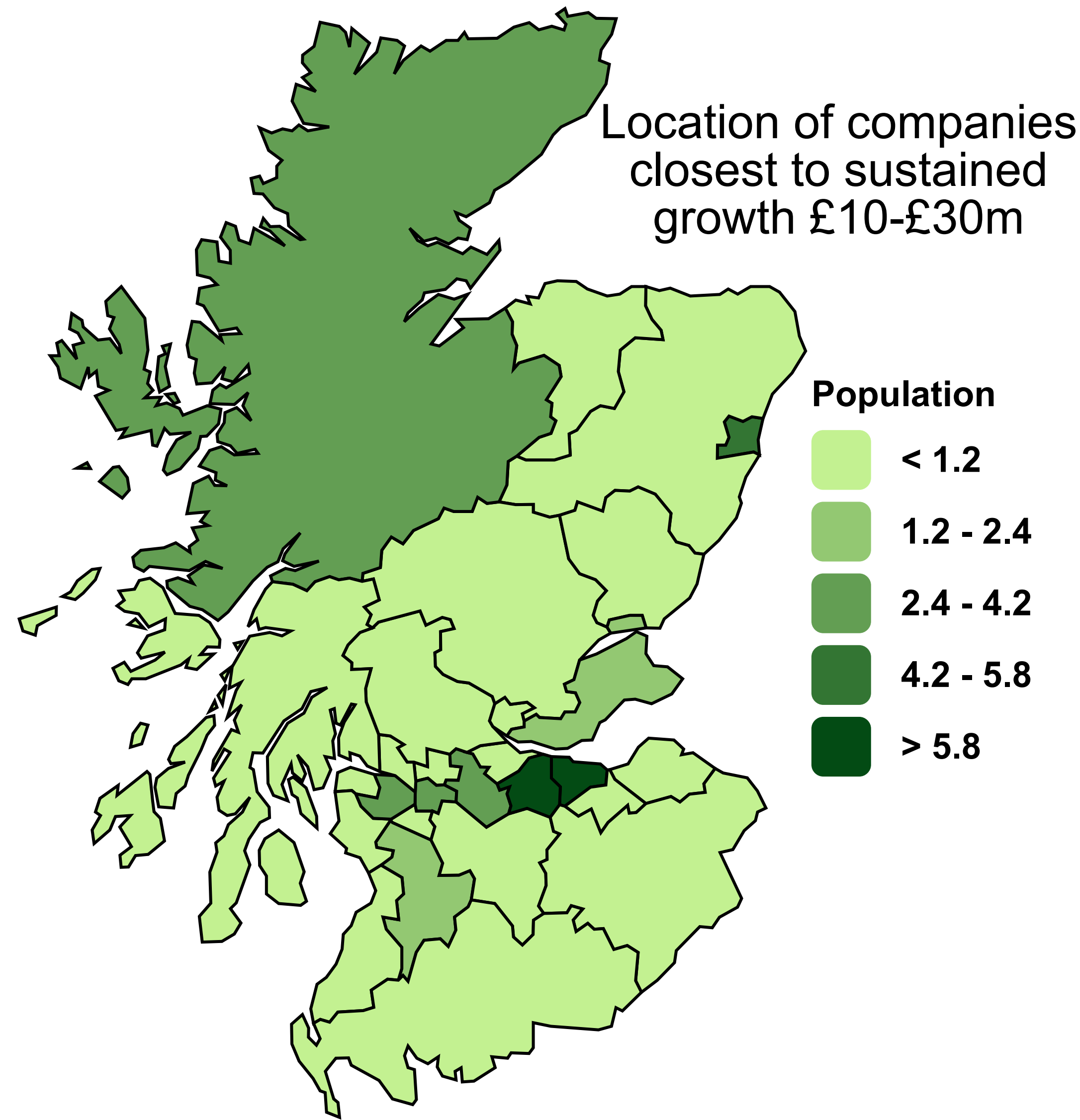
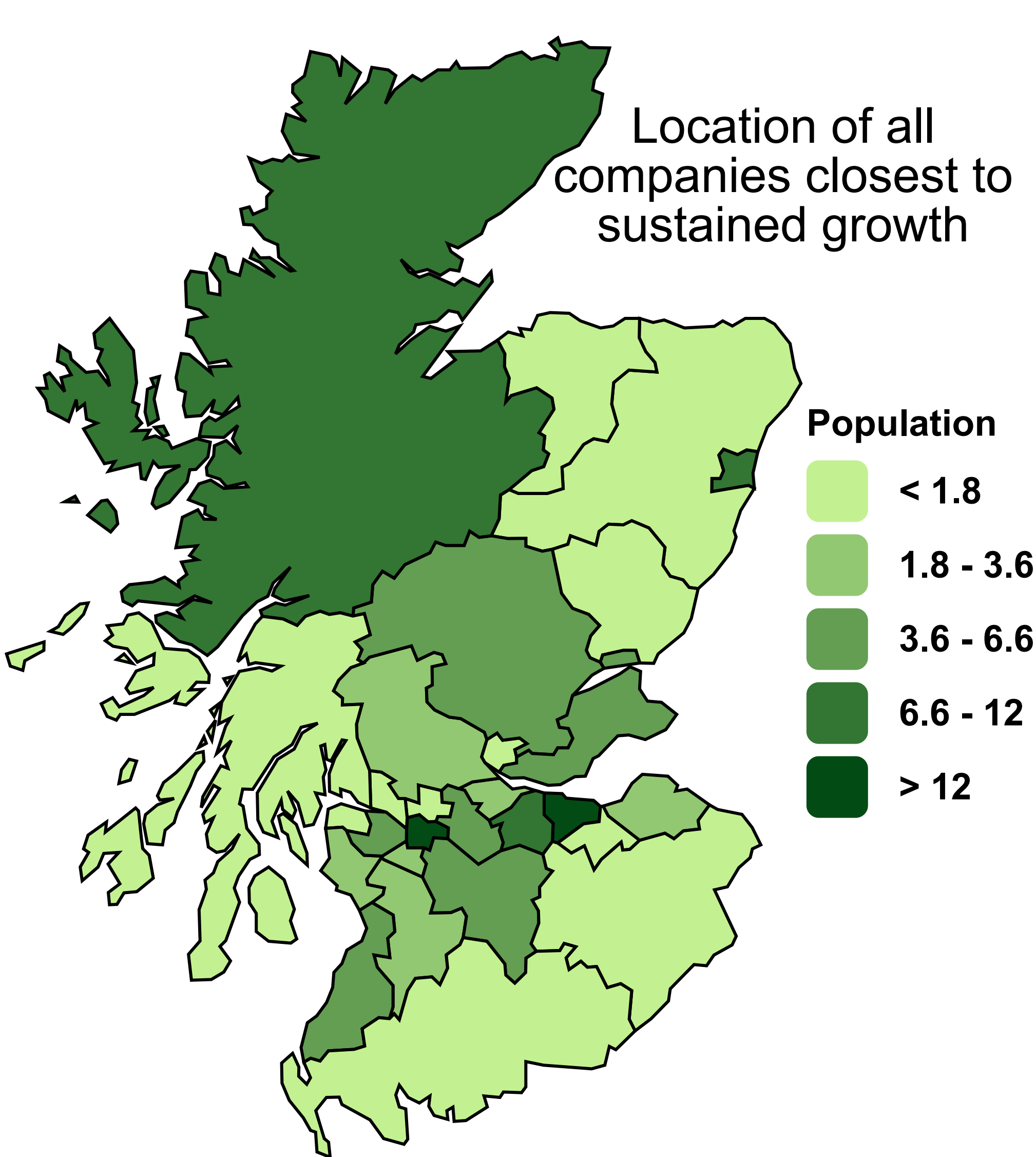
Sector breakdown of companies closest to sustained growth £1-£70m



Companies closest to achieving sustained growth

The majority of companies who are closest to sustaining high-growth, continue to be located in the major cities of Scotland.

However, the £10m-£30m bracket, where the majority of companies are to be found has a greater dispersion across the nation. Cities again feature strongly, but it is West Lothian - with 7 in this bracket, which is the local authority with most companies closest to achieving sustained high-growth.



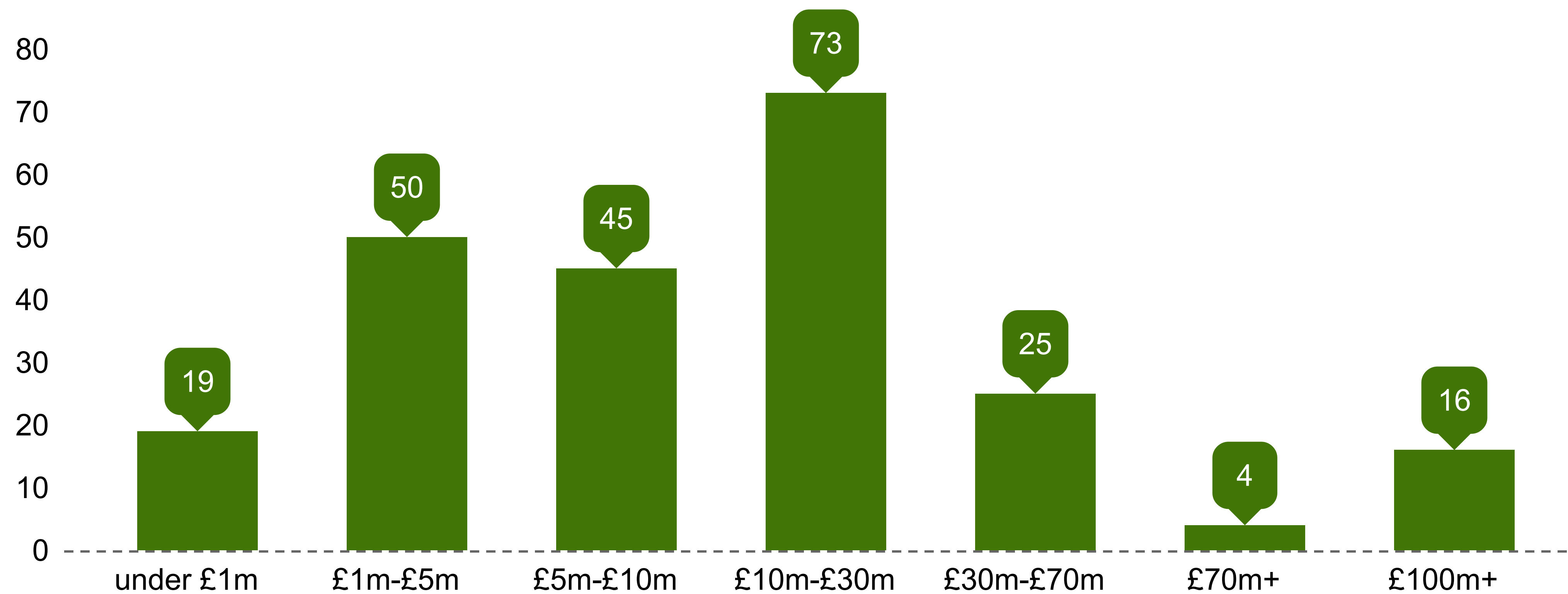
Emerging sustained growth companies - 10-20% growth in 2+ years

There are 244 'emerging growth' companies in Scotland 2011-16. These are defined as companies who did not achieve 20% turnover growth at all in those years, but did achieve growth of 10-20% in two or more years. Similar to the previous cohort of companies, these could be identified as ones more likely to scale up.

Whilst having a distribution curve more in line with the overall analysis previously done (with £5m-£10m under-performing), the greatest number of companies who could be considered most likely to scale are in the £10m-£30m bracket. They make up 30% of all companies meeting this criteria and 38% of all those with turnover between £1m-£70m.

Of those between £1m-£70m, 52% (100 of 193) are within SE sectors.

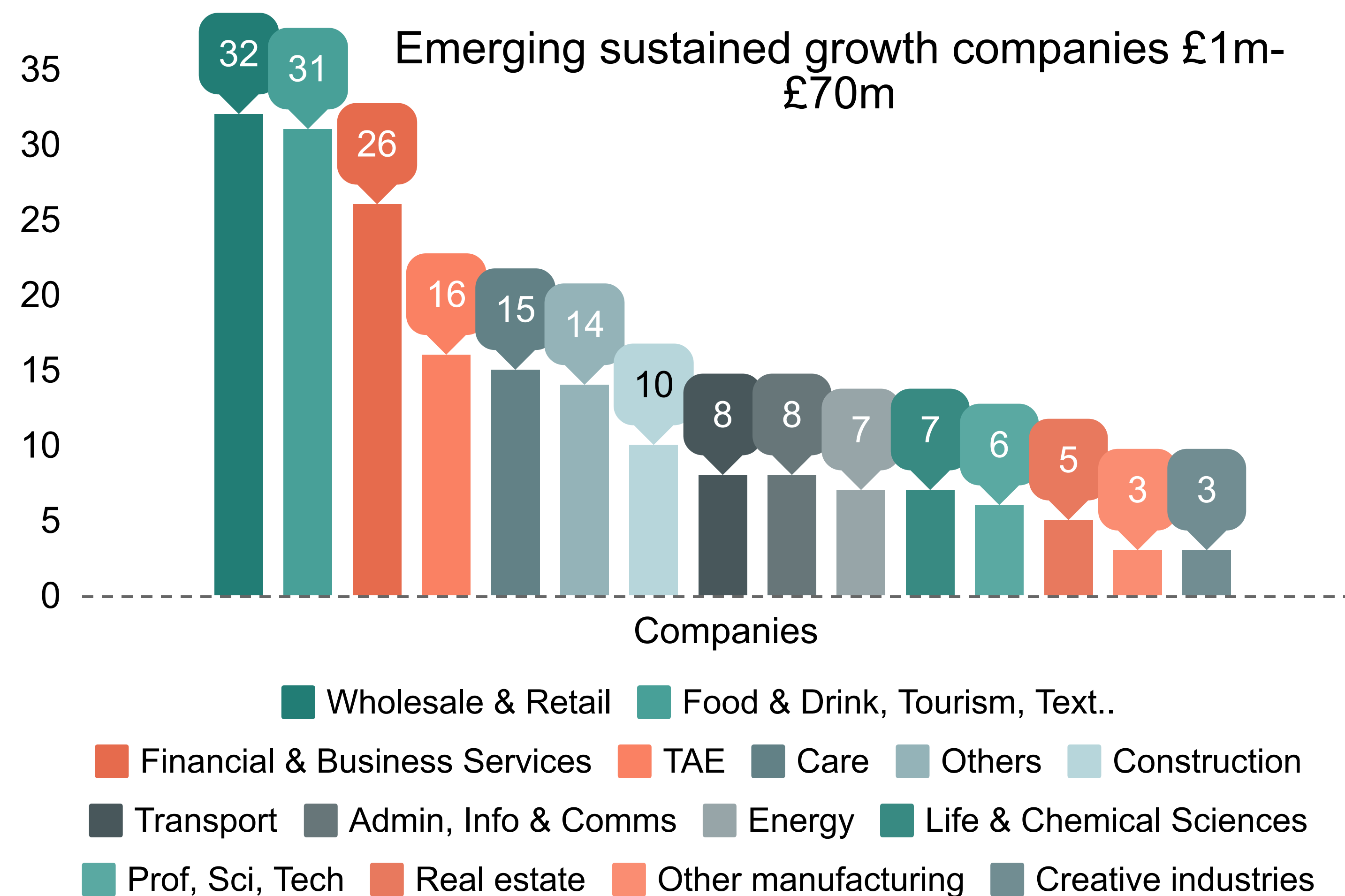
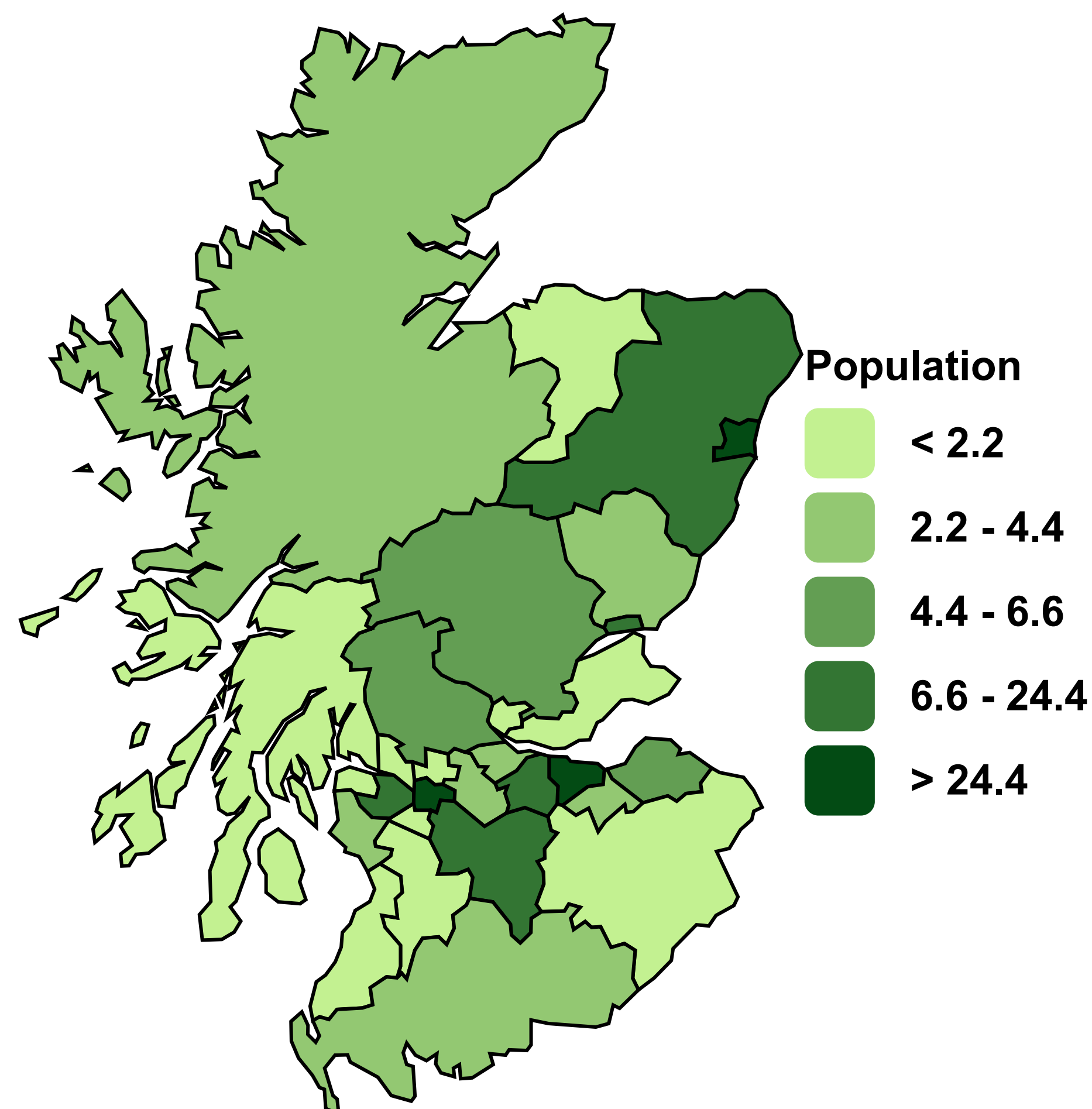
Turnover size of companies with no 20% growth but 2+ years of 10-20% growth



Emerging sustained companies - 10-20% growth in 2+ years

These firms are heavily concentrated in the three cities of Edinburgh, Aberdeen and Glasgow - 48% of those with turnover between £1m and £70m are to be found here.

Emerging sustained growth companies
£1m-£70m



Three sectors feature most prominently. Wholesale & Retail, Food & Drink, Tourism & Textiles as well as Financial & Business Services.

It is the appearance of Food & Drink, Tourism & Textiles which is the biggest difference to other groups seen in this research. In particular, there is a strong presence of tourism companies, which features much less once a 20% turnover growth filter is applied.

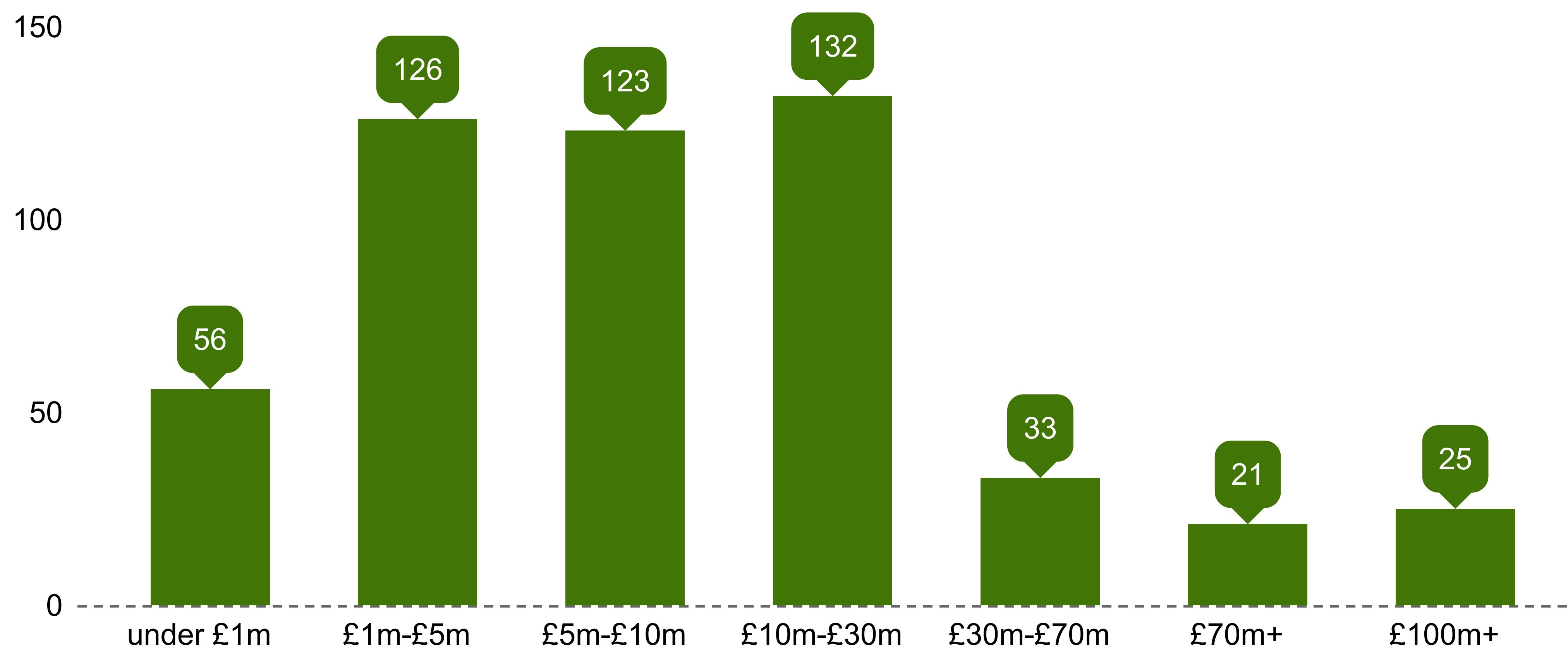
Sporadic growth companies - 10-20% turnover growth in one year

There are 575 'sporadic growth' companies in Scotland 2011-16. These are defined as companies who did not achieve 20% turnover growth at all in those years, but did achieve growth of 10-20% in one year.

Of the 575 companies, 316 (55%) are in SE supported sectors. Of the 575, 414 are within the £1m-£70m turnover bracket, with 230 in SE supported sectors (56%).

The distribution curve for this group of companies is more broadly based and heavily concentrated in the £1m-£30m bracket, which is a key business demographic for SE. This group of companies could therefore be seen as a key target for SE activity. One year of 10-20% growth suggests some potential, albeit potential that may require sustained support.

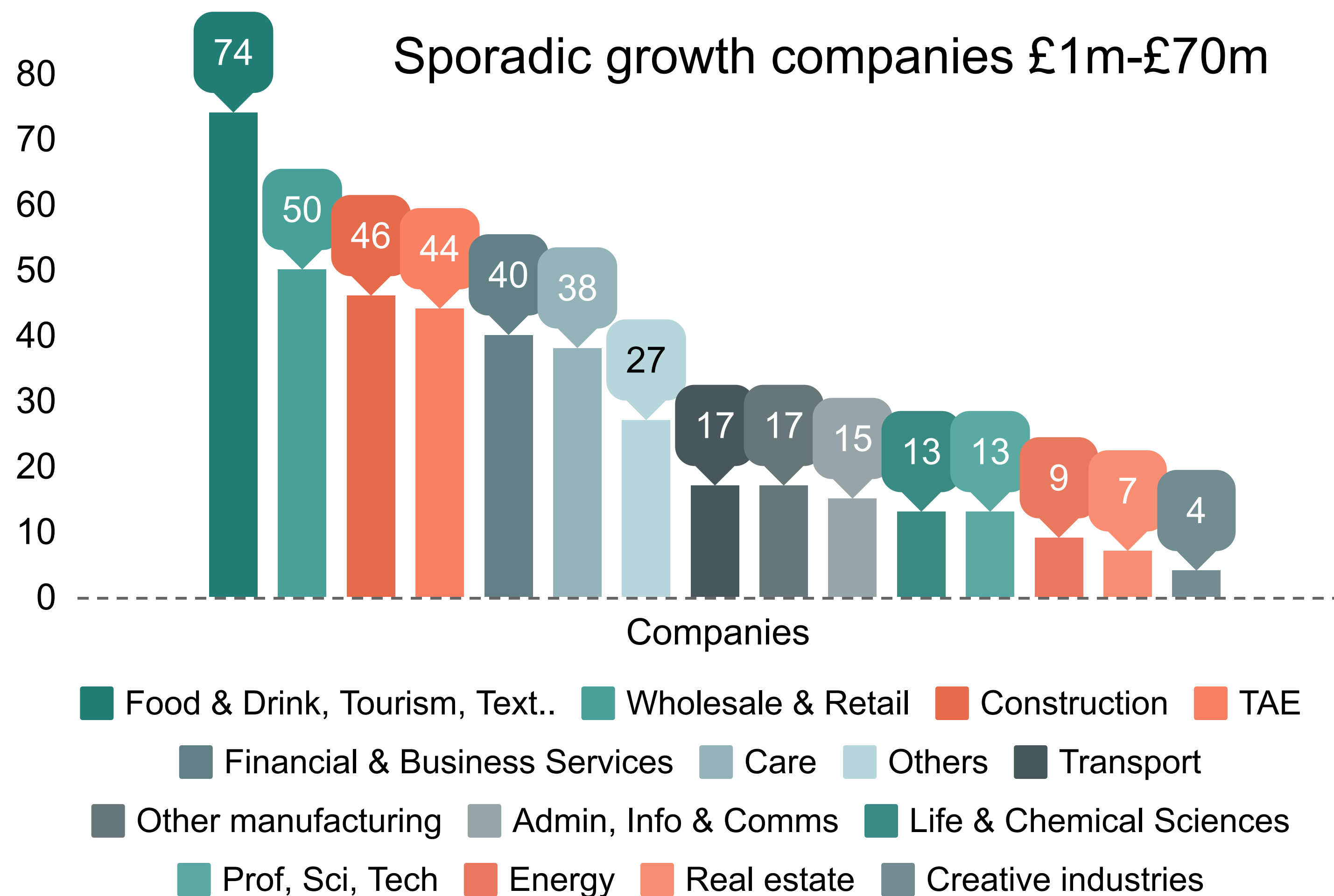
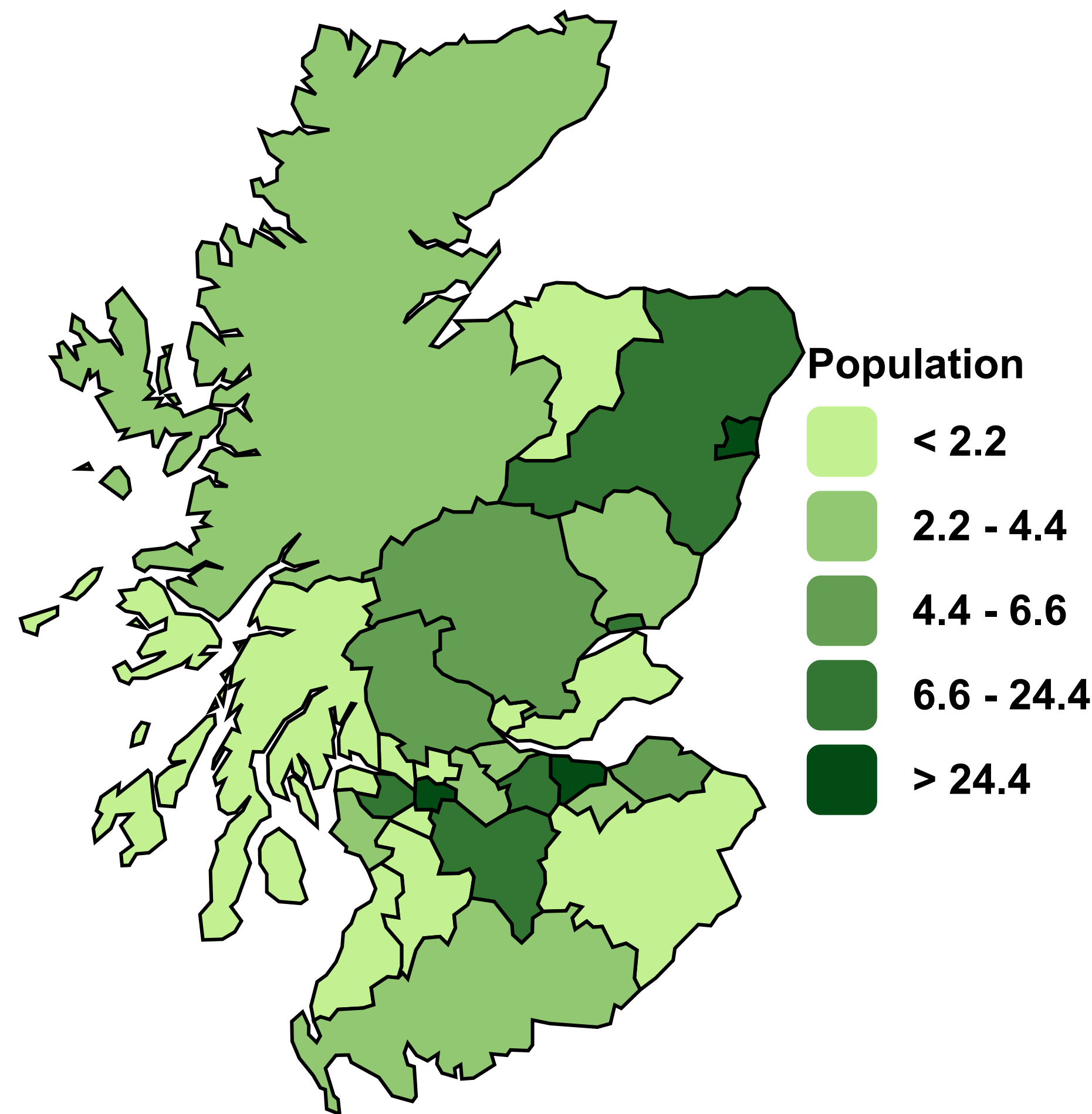
Turnover size of companies with one year of 10-20% growth



Sporadic growth companies - 10-20% turnover growth in one year

Once again, firms are heavily concentrated in the three cities of Edinburgh, Aberdeen and Glasgow - 50% of all companies as well as those with turnover between £1m and £70m are to be found here.

Sporadic growth companies £1m-£70m



As with the previous group of companies, there is a strong presence of tourism companies. If anything, it is even stronger in this group. 51 tourism companies are in the £1m-£70m bracket with 42 of these under £10m.

This means of these companies who are within an SE supported sector, over 20% are in tourism. This could suggest a barrier to sustaining this growth in the sector, or may indicate a lower threshold for turnover growth amongst tourism companies compared to other sectors.