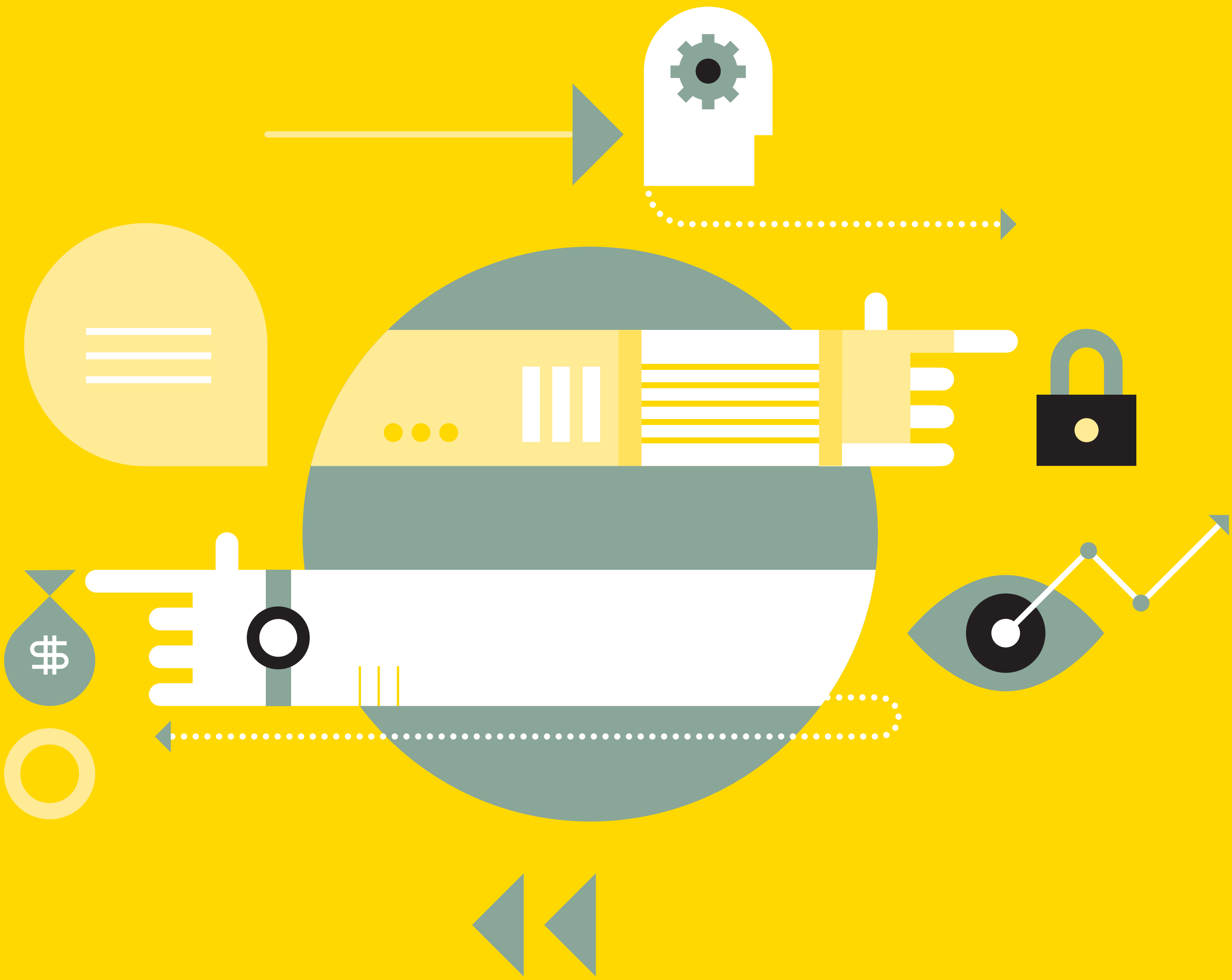
THE ECI GROWTH INDEX

2019



Building successful businesses

ECI is the UK's leading growth-focused private equity firm. We invest in management buyouts and buyins for majority or minority equity investments in medium-sized UK growth companies within the business & financial services, consumer, and TMT sectors.

For 43 years we've invested across these sectors, gaining a wealth of experience in supporting high growth businesses with an enterprise value of up to £200m.

We believe in teamwork and collaboration, supporting ambitious management teams, combining their knowledge and vision with our experience.

265	11	£11BN	245
265 investments completed	11 UK focused private equity funds	£11bn total enterprise value of exits	245 exits over 43 years

eci

Building successful businesses
ecipartners.com

In this year's Growth Index...

2019 executive summary.

Foreword by Sean Whelan
Managing Partner, ECI Partners

When ECI launched its first Growth Index 10 years ago, Instagram was a mere idea, Twitter was a toddler at four, and Facebook was all of six years old.

A decade later and a billion people use Instagram every month and more than 500 million use the platform every day. In the context of global growth companies this is staggering.

"Since the publication of the first ECI Growth Index in 2009, we have been continually impressed by the sheer determination, value and focus of the UK's growth businesses.

Our own ambitions were not quite as stratospheric, but we wanted to give founders, owners and directors of UK growth companies the chance to voice their opinions and aspirations for their own businesses. We were emerging from the darker days of the 2008-2009 global recession and wanted a platform for high-growth firms to share their priorities and challenges for the years ahead. They mattered then as much as they do today precisely because they generate so many jobs, wealth and taxes in this country.

Several of the themes we have covered in detail over the past 10 years are recurrent. Whether it is the productivity puzzle in the UK PLC or the requirement for more highly-skilled workers and the difference that great culture and talented people can make to any organisation, they are just as relevant today.

As part of this year's Growth Index we have looked back over the past decade and how far we have come since 2009. We have taken the liberty of naming a few of the thousands of companies that have participated over this past decade. Every year the companies we feature reveal the vital role played by UK entrepreneurs both in their innovation and risk-taking but also in their determination to confront the challenges and hurdles that lie in their path. Whilst growth companies play a vital role in the UK economy, it's important to acknowledge that they are not infallible and face the same challenges as other UK companies. It is sobering to note that only 40% of businesses formed in 2012 are still trading five years on. This fact surely underscores that we should celebrate the winners within this 40% and champion the cause of growth businesses going forward.

The threat of a no-deal Brexit has never been more real in the three years since the EU referendum in June 2016, but the findings in this year's survey also reveal the resilience of growth companies. They remain both outward-looking and confident as to how they can continue to grow against such a weak political backdrop. We didn't want the 2019 edition of the Growth Index to add yet more pages to the increasingly polarised debate on Brexit. So, we have deliberately looked forward to 2029 to determine what the prospects for the next decade might look like for UK growth companies. It is perhaps not surprising that technology and business services are forecast to be at the forefront of the fastest growing sectors over that period. PwC has modelled up to £500bn of UK economic activity over the next decade might come from AI and its productivity impact.

Digital transformation over the next decade will enable unprecedented access to global markets. North America has surpassed Europe as the top destination for UK growth companies in this year's survey. Yet if we roll forward to 2029, the share of global GDP accounted for by the Asia-Pacific region is forecast to be 36% - an unprecedented increase of 12% since 2009. This would only be modestly behind the combined GDPs of North America and Europe. The message therefore to UK growth companies today is that the world's economic centre of gravity will increasingly shift from West to East.

Since the publication of the first ECI Growth Index in 2009, we have been continually impressed by the sheer determination, value and focus of the UK's growth businesses. They are an inspiration for the rest of the UK economy and will continue to drive the UK through to 2029 and beyond.

The ECI Growth Index 2019

Key findings:

What does the future hold for UK business growth?

81%
anticipate growth of 10%+

80%
see UK political uncertainty as a major challenge to growth

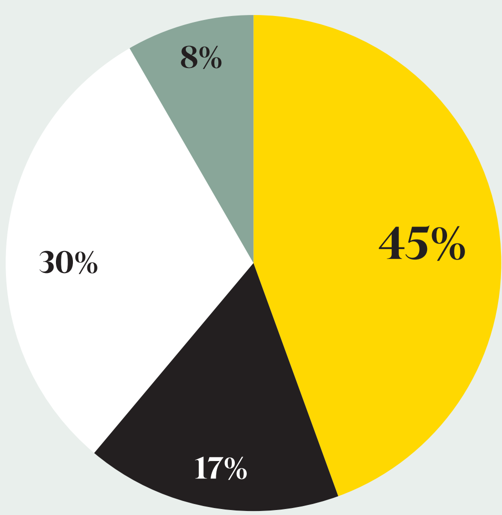
70%
think it will be easy to raise finance for growth

74%
plan to export to drive growth

44%
of respondents plan to open new offices in the UK or abroad

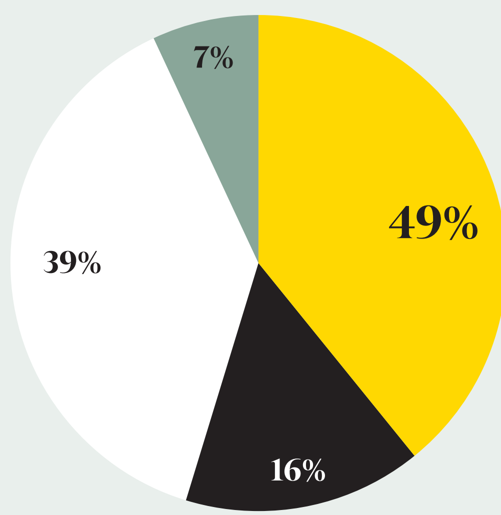
Do you believe it is harder or easier to run a business now than in 2010?

- Harder
- Easier
- No difference
- Not applicable



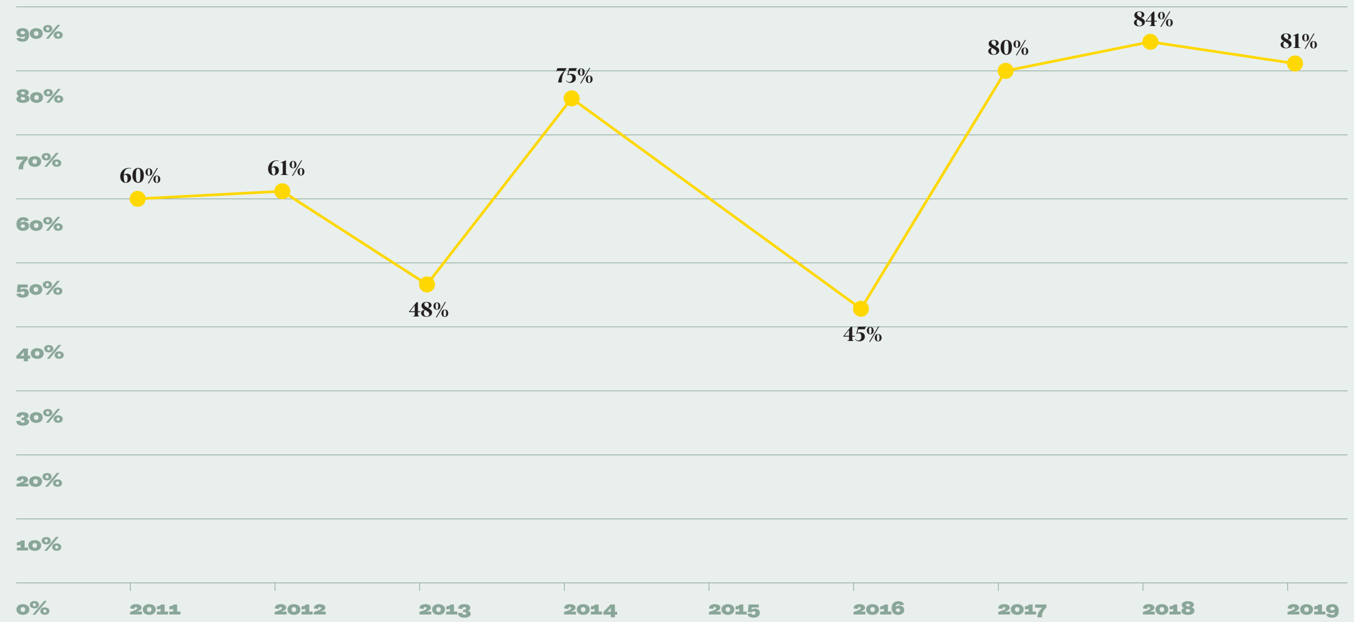
Why is it harder to launch a business now than 10 years ago?

- More regulation and compliance
- Worse access to talent
- UK political uncertainty
- Worse access to finance



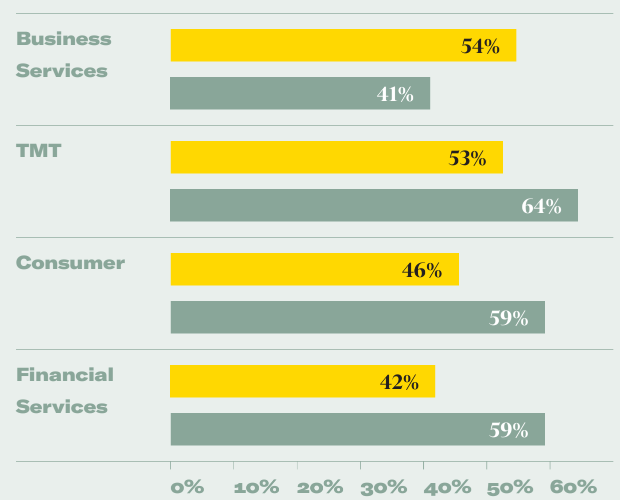
% Respondents expecting growth of 10% or more:

2011—2019

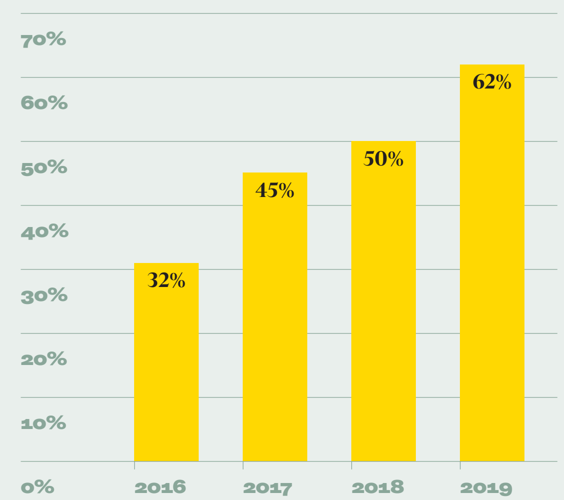


% of respondents expecting growth of 20%+:

- 2019
- 2018



% of respondents concerned about the UK skills shortage:



Looking back...

How have growth companies fared over the last 10 years?

When ECI first formally surveyed the Chief Executives and Chairs of UK Mid-market growth companies back in June 2010, the recovery from the financial crisis of 2008-2009 was nascent but remained fragile.

David Cameron had recently formed the first coalition government in the UK since May 1940. 44% of those surveyed in 2010 believed the government would help growth over the next twelve months. Few of us would have predicted the current political turmoil with the UK having recently installed its third Prime Minister in four years. Before turning to the 2019 ECI Growth Index and its important findings for companies and other stakeholders, it is important to remind ourselves about the original goal and purpose of the 2010 survey.

Ten years ago, our objective was to gain better insights into how growth companies would lead the country out of recession and what specific areas their CEOs saw as priorities. Back in 2010 and 2011 there was talk of a 'lost decade' and yet a sizeable cluster of high growth UK companies have consistently outperformed expectations against an economic backdrop that has been relatively benign but with plenty of hurdles along the way.

Looking back on the names of the circa 3,000 plus Growth Index participants over the past decade, some of these growth participants have now transitioned to public ownership including Naked Wines, On the Beach and Loungers. The list of former participants includes a plethora of names that have continued to drive strong double-digit revenue and EBITDA growth even though they are now significantly larger companies, for example AlphaSights, Citation, Pure Gym, Travel Counsellors and Wireless Logic. Amongst ECI's current portfolio today, Moneypenny (2012 participant), Make It Cheaper (2016) and Arkessa (2013) all contributed to the Growth Index before subsequently partnering with ECI.

44%

44% of those surveyed in 2010 believed the government would help growth over the next twelve months.

60%

In 2010, 60% of the respondents to the first ECI Growth Index thought it would be difficult to raise finance due to the fallout from the 2008 financial crash.

CONTINUED FROM P9.

This segment of the UK economy has seen high levels of success and impressive growth over the last 10 years, punching well above their weight in terms of their contribution to the UK economy. The Scale Up Institute estimates that in 2017, there were more than 36,000 high growth companies in the UK, generating over £1.3 trillion of turnover. This corresponds to more than two thirds of the total turnover generated by SMEs in 2017. Crucially, these companies are on average 42% more productive than other firms in the same sector.

Despite their success, it hasn't all been plain sailing for the UK's growth companies or 'gazelles' who have faced a number of challenges over the last decade including restricted access to finance. In 2010, 60% of the respondents to the first ECI Growth Index thought it would be difficult to raise finance due to the fallout from the 2008 financial crash. Since then, there has been increased awareness of the need for SMEs to tap in to adequate financing. As such, the UK government has put into place initiatives such as the Small Business, Enterprise and Employment Act in 2015, aimed at improving access to finance for SMEs.

In November last year, The Business Contract Terms (Assignment of Receivables) Regulations 2018 came into force to make it easier for small businesses to access invoice financing – a form of short-term borrowing that is extended by a lender to its business customers based on unpaid invoices.

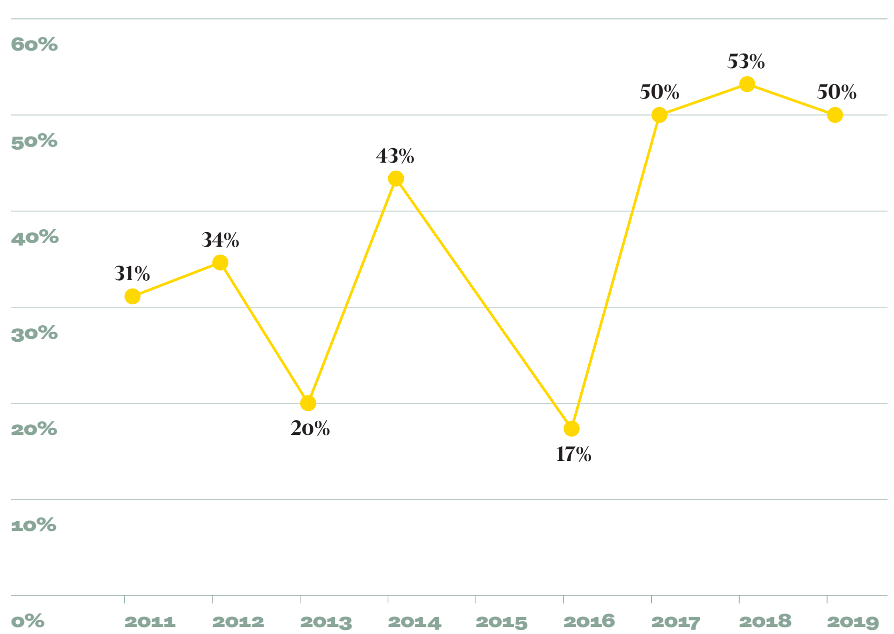
Such measures have had a positive effect on growth companies in the UK with 70% of 2019 respondents stating that it will be easy to raise the finance that they need to grow over the next 12 months.

> "10 years ago, our objective was to gain better insights into how growth companies would lead the country out of recession and what specific areas their CEOs saw as their priorities.

Growth expectations:

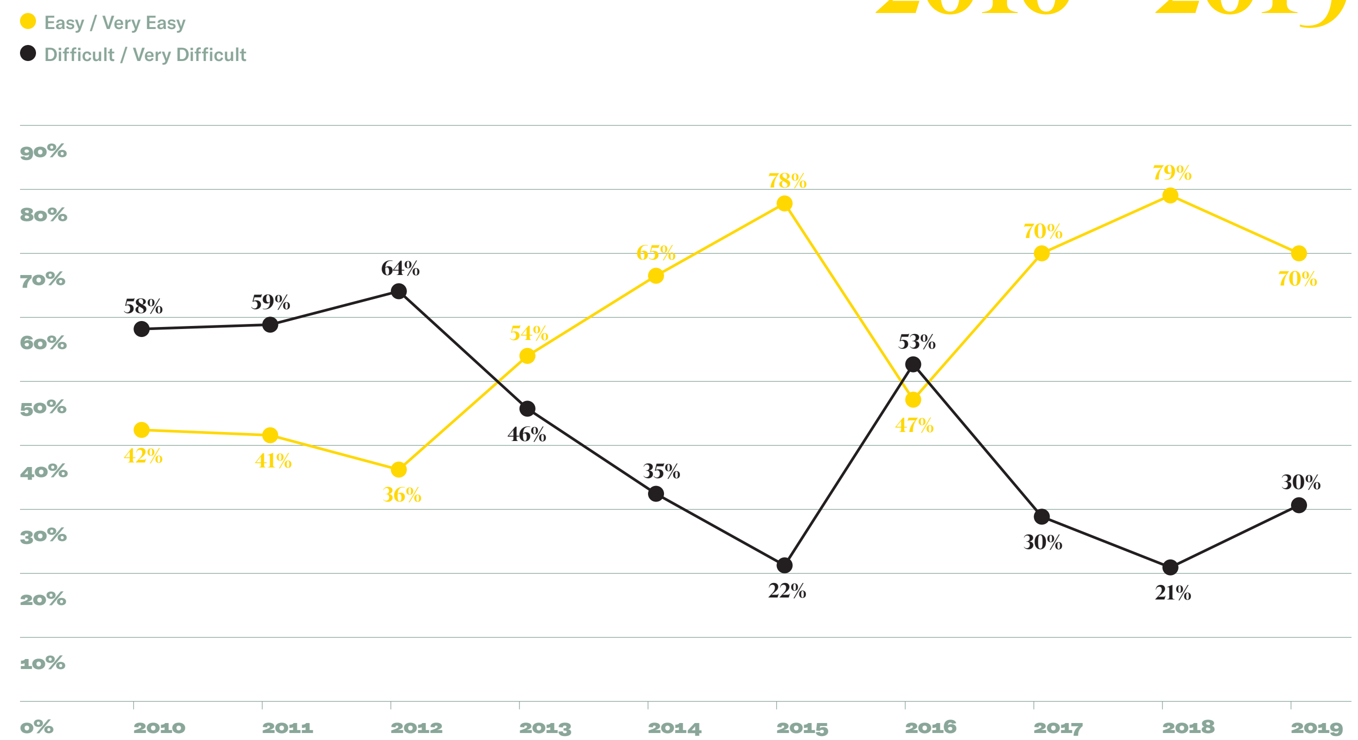
20%+

Expecting growth of 20%+ over the next 12 months.



Ease of obtaining growth finance:

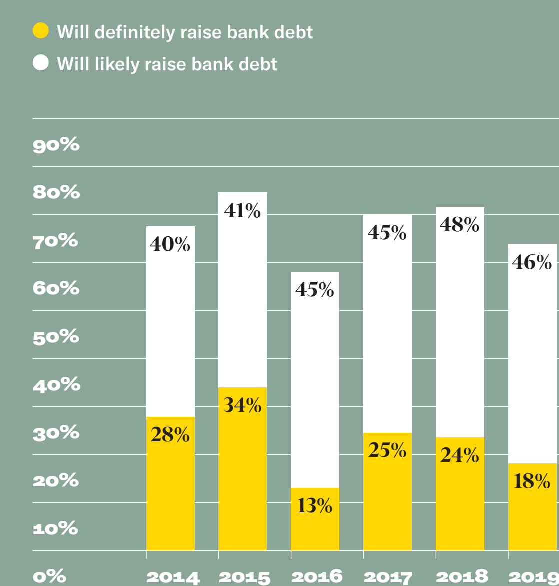
2010—2019



Improved access to growth finance is clearly positive for the UK's growth businesses, however, future increases in the costs of borrowing are posing a bigger concern today than in recent years. The Bank of England raised the base rate from 0.5% to 0.75% in August last year; the highest level for 10 years (although still a far cry from the pre-crisis rates of 5.75% in 2007). The Central Bank's forward guidance points to gradual rate hikes in the short-to-medium term, assuming relative political stability which may or may not be the case, leading to 28% of this year's respondents being wary about the cost of debt, compared with just 8% in 2016.

This caution is reflected in a drop in the number of 2019 respondents that are likely to use bank debt to finance growth. The share of companies prepared to seek external finance has fallen in the past 12 months – from 72% to 65% for bank debt, from 56% to 47% for private equity and 10% to 7% for public markets. These figures nevertheless show a slight uptick on results from 2016 (when only 58% were likely to turn to debt and 44% to private equity.)

% Respondents intending to raise bank debt in next 12 months:

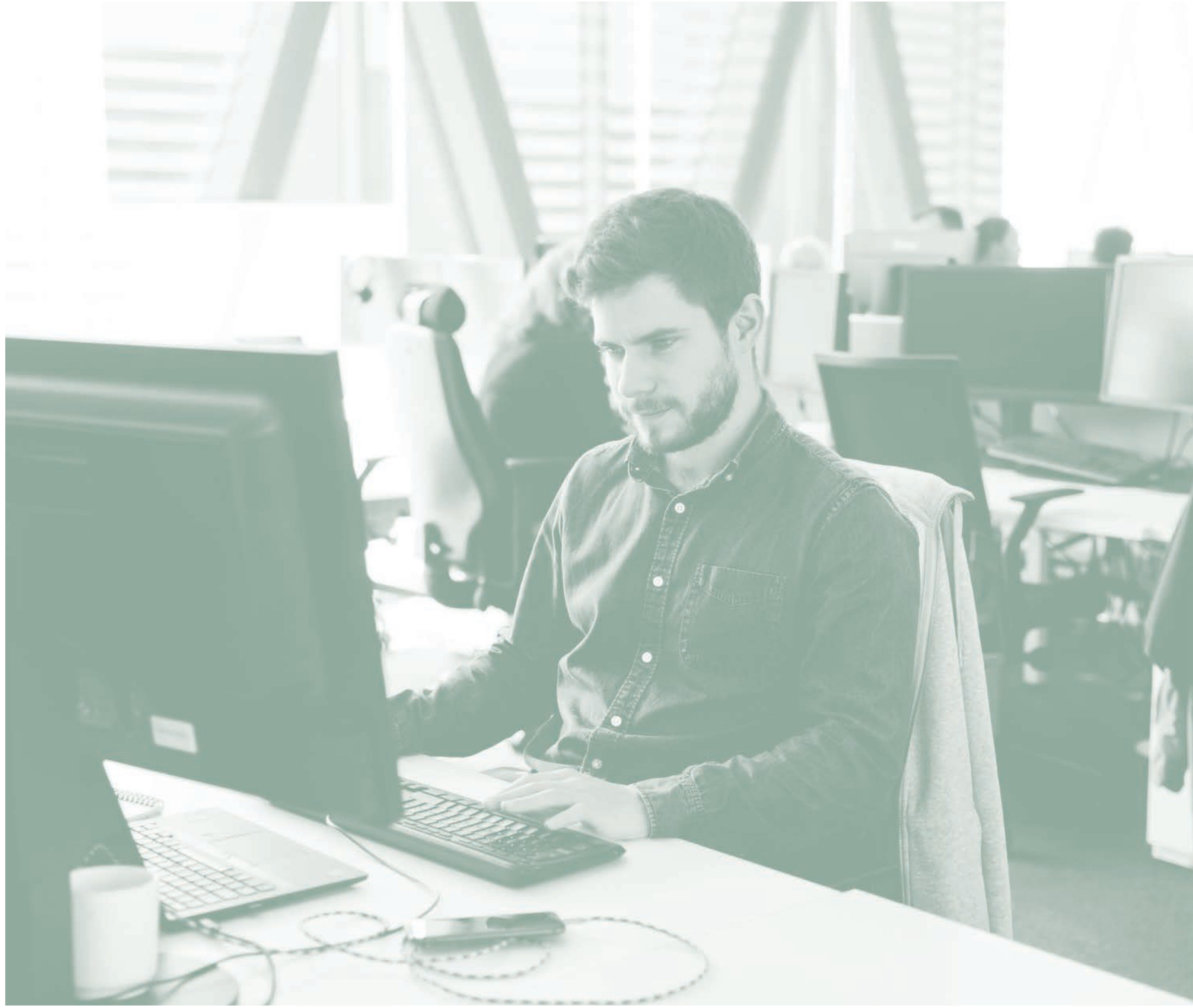


The ECI Growth Index 2019

ATG's bid to revolutionise the auction room.

atg

“We are disrupting the secondary market, opening it up beyond seasoned bidders to consumers from all over the world.”



ATG headquarters in London

ECI Partners ©2019

> It's about deciding which to do first, which to do second and which to run in parallel. This needs to be balanced with impatience about getting a job completed so we can capitalise on it before someone else does.

John-Paul Savant
CEO, ATG

California-born John-Paul Savant, CEO of Auction Technology Group (ATG), comes from a large family. At Christmas he'll typically be found sitting around a table alongside 30-40 relatives. "Having six siblings helps you learn to work with many personalities", he says. "We're all very different but we see what's best in each other and that's always helped us get along really well." And that's pretty much the ethos John-Paul has in place at ATG, where he likes to cultivate diverse personalities that complement, rather than mirror, his own.

In John-Paul's eyes the concept of being a CEO at a technology business has changed over the past 10 years. Being a CEO nowadays no longer means dictating what to do from an ivory tower. "It's the CEO's job to set a vision and an inspirational direction as that enables the energy of your leaders and their teams to get utilised to the fullest," he explains. "It's about finding people with the right set of behaviours to be on that journey with you. It's much less about 'you as a CEO' than was the case 10 years ago."

John-Paul describes being drawn to ATG three years ago because it was at the cusp of revolutionizing three multi-billion-pound industries - Arts & Antiques, Industrial & Commercial, and Consumer Surplus & Retail Returns - by facilitating their online transformation. The concept fits the growing consumer trend for unique and second use items not on the high street.

There was also a paradigm shift in consumer mindset regarding the environment. "People are becoming more aware of our impact on the planet and the importance of buying second-hand versus new, which can reduce our carbon footprint by 16 times," enthuses John-Paul, who is quick to point out that ATG is more environmentally friendly than the big retailers.

Unlike eBay, which is a consumer-to-consumer selling platform, every item sold on ATG is curated by auctioneers who have years of experience. This was a key motivation for John-Paul who believes ATG has a better market positioning than eBay and offers a better buying experience because items are of a guaranteed quality and condition, and the auctioneer expertise brings a level of trust not found elsewhere in the secondary market.

Wind the clock back 10 years ATG's three core industries were virtually non-existent online. Since then, ATG has evolved from being a founder-led start-up, to becoming a leading digital marketplace in secondary goods items.

Fast forward 10 years from now and John-Paul hopes that secondary goods will be the mainstream, accepted and preferred way to buy for a new generation of people who are more conscious about the value in unique and quality items. He believes people will view these items as 'better than new'. Moreover, they have practical use and many items come a story behind them---all without having damaged the environment in the process.

In terms of what keeps John-Paul awake at night, this has shifted over the past few years. When he first joined ATG he worried about how to hire the right people into the right roles and how to get the technology in a state to allow the company to achieve all the things online market places do.

California-born John-Paul Savant, CEO of Auction Technology Group (ATG)

What advice would you give yourself 10 years ago?

Never let fear govern your decisions. Trust intuition. If you make a bad hire, some CEOs will hang on to that person for too long as they're worried people will say 'he doesn't know how to hire'. But your job is to make the right decision. It pays off to let a poor hire go versus protect your ego by keeping them, and its often better for the poor hire as well as they may be able to thrive in a different environment.

Invest your time in getting the right team in place. When hiring people make sure you can hire people you can trust and who can trust one another. Smart people who don't share your values can be a problem in the long term.

Make sure you retain balance in life; work can be all-absorbing at times. Sometimes you need to attend kids' sports day and be home in time for a walk with your wife. You're more use to the company if you're not overworked. It sounds like just "nice talk", but I really mean it. Your job is to bring your best self to the job for all the people in the company and if you aren't taking care of all aspects of your life, it's hard to do that consistently.

Now John-Paul is confident in having the right team in place and excellent technology. His belief in the company's potential helped him sell new recruits on what ATG could become, even if they had to iron out more than one bump along the way.

The CEO's current challenge is prioritising which are the most important issues to focus on. "At ATG, we have so many opportunities, we need to focus the team on a few things only at a time and keep them from working on too many things at once", explains John-Paul. Opportunities include the front end of the website awaiting a redesign, using marketing tools to personalise the experience and target people, building out 'my account' capabilities, improving search capabilities and integrating acquired businesses onto the ATG platform. "It's about deciding which to do first, which to do second and which to run in parallel. This needs to be balanced with impatience about getting a job completed so we can capitalise on it before someone else does," he says.

One of John-Paul's passions outside the workplace is "building and fixing things". Whether it's buying a house and remodelling it with his wife, or redesigning a garden, John-Paul is motivated by seeing the potential that other people miss. This extends to helping his three children study for their 11+ exams. "Each of them learns differently and I love watching what makes each of them tick and helping to bring that out."

It's a similar principal with companies and team members, he adds, pointing out that ATG recruits for intelligence and behaviours, not for experience. "In a fast-moving company we need people who can be comfortable with change and have the right energy, flexibility, and ability to collaborate to win, without necessarily having the perfect match on work experience."

The ECI Growth Index 2019

Pots & Co's sweet partnership.

"I was standing in a lemon posset factory and there wasn't a fresh lemon in sight. I'm a chef – this didn't make sense. So I started making potted puddings using top ingredients."

Some of Pots & Co's premium puddings

Pots & Co has chocolate and fruit ranges

Founder of premium pudding business Pots & Co, Julian Dyer, and his long-standing business partner Simon Champ first met about 15 years ago. Their first venture was to set up a gourmet sausage enterprise, Banger Bros. The partnership worked well as they complemented one other with their skillsets.

Julian, a skilled chef and entrepreneur has the creative streak, according to, Champ now chairman of Pots & Co. "He is the ideas guy; he is very driven with plenty of passion, but he will be the first to admit that he is not always at his best with admin."

Simon, who is now 52, worked in investment banking since his 20s and has always been passionate about helping small businesses to grow, either through imparting knowledge or putting his energy and a little bit of cash to work.

In 2012, Julian approached Champ with a new business idea. He had created some desserts in colourful ramekin pots and wanted help with the financing and raising capital. Champ obliged, admitting he was doubtful the venture was going to take off.

Seven years down the line, Pots & Co is producing 400,000 puddings per week, which it ships to clients across Europe, Australia, the Middle East and the US. It has grown every year since inception with a CAGR of c 60%, and is set to hit £20m of annualised sales by Q4 2019.

In addition to being sold in a wide range of supermarkets, Pots & Co desserts, which use the finest fresh ingredients and proudly no preservatives, are also served on six million British Airway meal trays on flights from Heathrow and Gatwick airports. "It's one of the few products to have been ever present on the plane for four years. We believe that is down to the quality of product and BAs desire for the best" Champ enthuses.

The popularity of the dessert range has encouraged the firm to branch out and Julian is in the process of developing a savoury range of dips, and high-quality mezze style food.

> It's difficult for young businesses to get leveraged to accelerate growth. The banks were damaged for longer than we thought, so getting debt on board has been difficult.

Simon Champ
Executive Chairman, Pots & Co

Founder Julian Dyer

Pots & Co has been entirely funded by friends and family to date. As the firm moves from cottage industry to becoming larger and more professionalised, some inevitable changes have taken place to prepare the company for its next growth stage. "It's about putting the foundations in place, before the bricks go on top," Champ notes. As such, professional management was brought on board to work with Julian; including an ex-Unilever Executive to run the day-to-day business. The group also added the former CEO of rival pudding producer Gü in an advisory role.

Pots & Co opened a small office in San Francisco a couple of years ago, when the husband of UK-based M.D. Alex Chamberlain, was sent to the US by JP Morgan. "She went along too and spotted a great opportunity for us in the US," says Champ.

In the next 10 years Champ forecasts significant growth opportunities within the US market, where Pots & Co currently exports to Costco. "We are looking to build up our capacity; we need a strong team and may need manufacturing capacity in the US in the future," he says.

Despite technological advances, Simon is adamant that Pots & Co will own as much of the manufacturing process as possible. "It's all about quality and less about cost for us," he explains. "We want as much input and hand touch to the product as possible and we wouldn't forsake that to save a penny or two ."

The firm is, however, likely to move to using management production software systems like SAP to help optimization and management for the kitchen.

There was no lightbulb moment for Champ when he first helped founder Julian to set up the business. "Good things evolve," he notes. "First, it was about Julian's passion and the quality of the desserts, then it was about whether he could make more, and then if he could make a lot."

Most food businesses have an element of fragility to them, according to Champ. "You're only as good as your last pudding," is one of his mantras. "It's all about keeping the quality up, investing as much as you can in high quality people, maintaining the quality of the kitchen and logistics and packaging, and keeping that up as the business grows. We have been fortunate to have some amazing people with us along the journey"

Asked if he would have done anything differently 10 years ago, if he knew then what he knows now, Champ replies that he would have been a bit braver on borrowing money rather than using equity if he had known interest rates would remain so low. "It's difficult for young businesses to get leveraged to accelerate growth. The banks were damaged for longer than we thought, so getting debt on board has been difficult."

Despite this, Simon says Pots & Co will not hold back on spending money when it's appropriate. "Today we are not focused on profitability or EBITDA; we're driven by quality and then growth in sales." We believe our products are fantastic and we are eager to spread the word as wide as possible"

The lie of the land:

The current state of play for growing UK businesses.

In spite of a cocktail of challenges ranging from concerns over the 2016 EU referendum results, a deepening shortage of skills and stunted GDP growth across the UK economy as a whole, UK growth companies remain bullish in their outlook with 81% of respondents anticipating growth of more than 10% over the next 12 months.

In fact, over the past three years, at least half of the companies polled have consistently predicted annual revenue growth of 20% or more. Back in 2011, only 20% of respondents anticipated such high levels of growth.

Despite the level of optimism, this year's participants have used this report to voice their concerns in a few areas. Political turbulence is by far the greatest perceived threat to ongoing growth with an overwhelming 80% of respondents citing 'political uncertainty in the UK' as the greatest threat to their business, up from 48% in 2018. Linked to this, 69% are concerned about the possibility of a UK economic downturn, up from 59% in 2018. This dramatic increase serves as a stark warning and a clear call to action for the UK government: these companies need clarity on the nature of our relationship with the EU and are calling on politicians to lead from the front.

Despite the current UK political situation, growth companies are taking heart from the likelihood that this uncertainty is likely to be relatively short-lived. While 74% of respondents fear political uncertainty in the short term (next 5 years), a mere 25% name this as a concern in the long term (5-10 years).

81%

81% of respondents anticipate growth of more than 10% over the next 12 months.

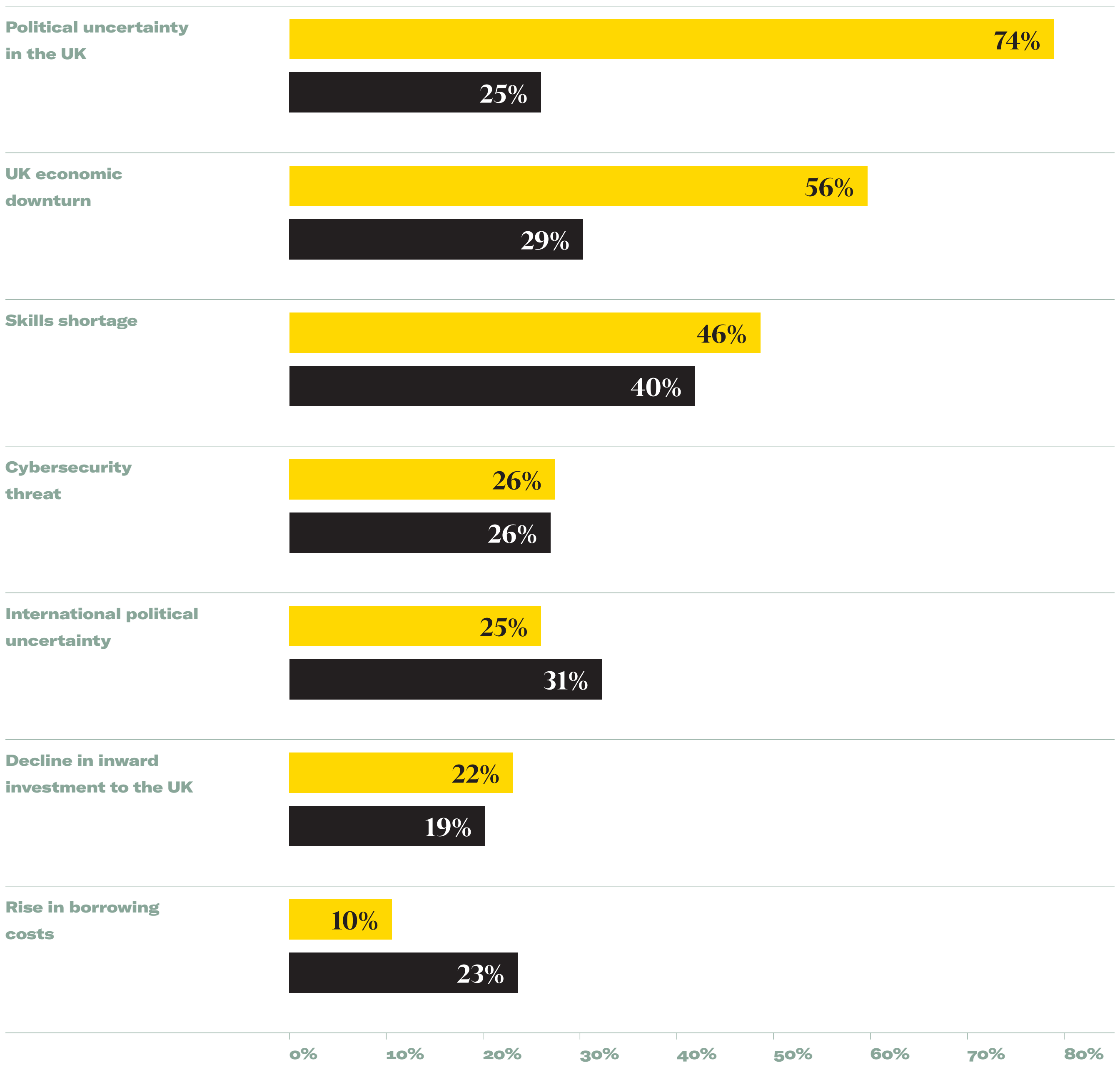
80%

80% of respondents cite 'political uncertainty in the UK' as posing the greatest threat to the UK economy, up from 48% in 2018.

Biggest concerns for the UK business environment:

- Near term
- Long term

While 74% of respondents fear political uncertainty in the short term (next 5 years), a mere 25% name this as a concern in the long term (5-10 years).



The ECI Growth Index 2019

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Another bump in the road for UK growth businesses is the dwindling number of available staff with the right skillset. According to CEBR total vacancies in UK businesses have nearly doubled from 444,000 in May 2009 to 837,000 in May 2019. Brexit fears are a commonly referenced cause. At the end of last year, net migration into the UK from the EU was 74,000 - less than half the 189,000 recorded in the year to June 2016. A no-deal Brexit would prevent secure, easy access to workers from the EU, and further intensify the issues of skills shortages.

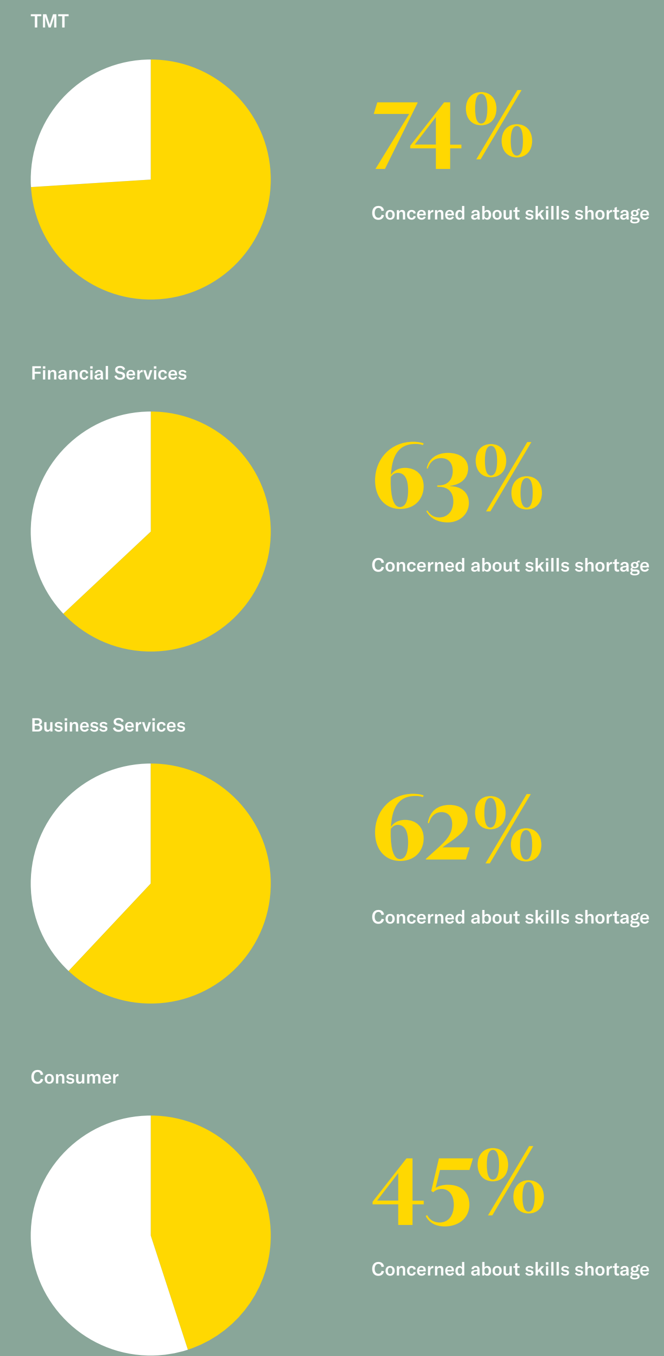
UK growth companies are also feeling the skills pinch. In 2016, just 32% of businesses in the ECI Growth Index indicated that skills shortages were among their top three concerns. Fast forward to 2019 and this share has nearly doubled to 62%.

The UK's skills shortages have been amplified by the rapid rise of digitisation in the last decade. Advancements in artificial intelligence (AI), robotics and other technologies have occurred in ever-shortening cycles, changing the very nature of many jobs as well as the skills needed to do them. It is therefore unsurprising that respondents in the TMT sector are feeling the skills gap most keenly with 74% naming it a top concern vs. 64% in 2018.

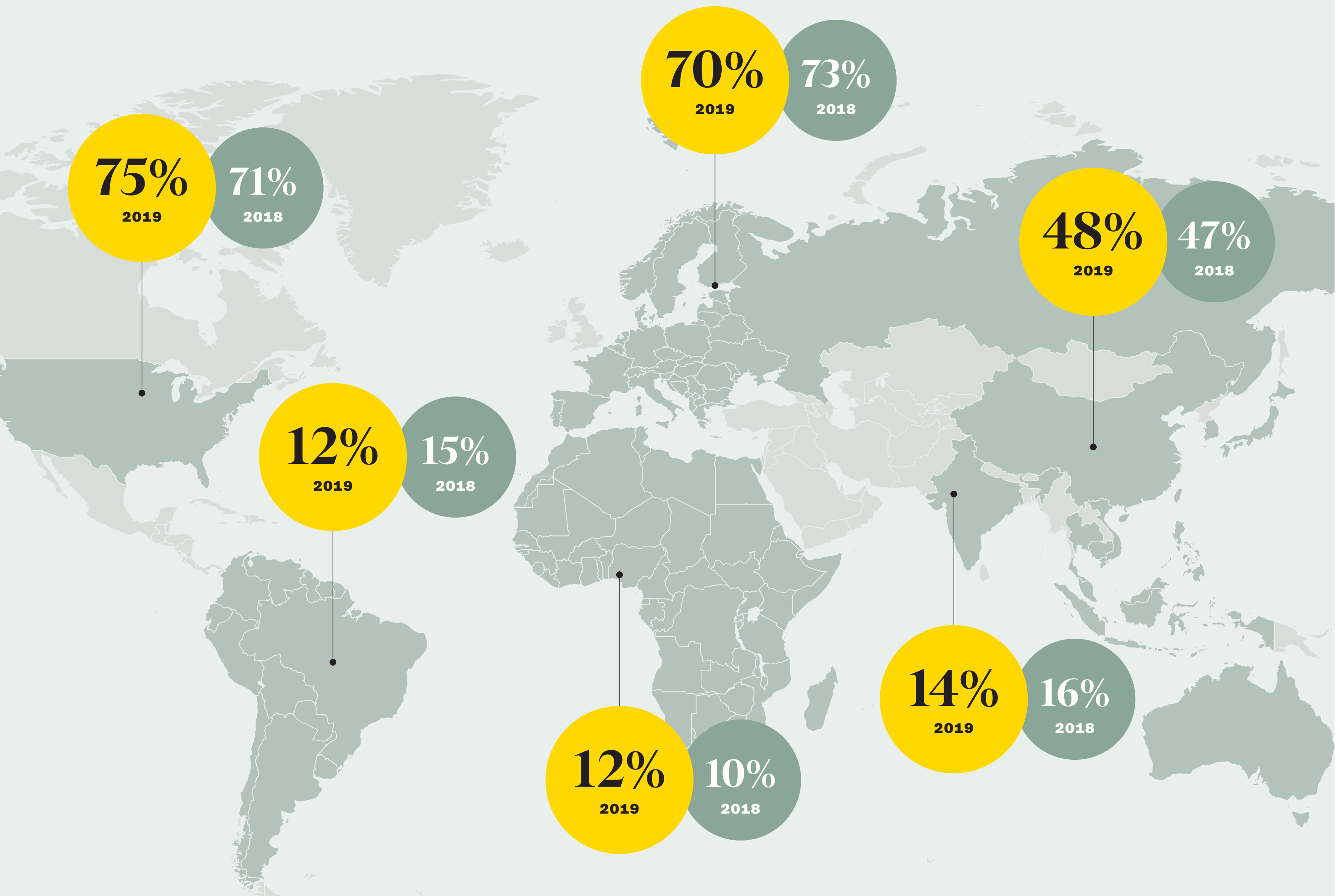
Although the skills gap poses a significant challenge for the UK's growth businesses, the respondents to this survey are finding ways to ease the pain. The most popular course of action, as voted by 28% of companies surveyed, is to invest in staff. "Plans are already underway to work more closely with the universities to gain talent quicker, as well as running apprenticeship schemes. In addition, we are looking to bring in overseas talent," one respondent states. Others mention developing in-house training schemes or starting up training academies.

% Respondents concerned about the UK skills shortage:

- Concerned about the UK skills shortage
- Not concerned about the UK skills shortage



In which non-UK regions do you expect to grow your business over the next 12 months:



	Continental Europe	India	Africa	Asia Pacific	North America	South America
2019	70%	14%	12%	48%	75%	12%
2018	73%	16%	10%	47%	71%	15%
2017	73%	15%	11%	55%	72%	14%
2016	61%	15%	11%	51%	67%	6%
2015	73%	14%	20%	46%	66%	19%
2014	67%	15%	16%	54%	59%	15%

CONTINUED FROM P23.

Resilience despite headwinds.

Undeterred by these sizable challenges, UK growth companies are adopting a range of measures in a bid to stay ahead of the game. Respondents indicate that they are putting tighter financial controls in place, investing in staff and training, getting up to speed on cybersecurity and, finally, the stoically British trait of 'remaining optimistic'.

Respondents to this year's survey are also looking abroad in an attempt to mitigate volatility in the UK market with 74% of respondents stating their intention to grow exports. Given the uncertainty surrounding our relationship with the rest of Europe, UK firms are instead turning to North America as the top target for international growth prospects. For the first time since 2016, North America (75%) has overtaken Continental Europe (70%) as the preferred export destination It's clear that the UK's growth companies are alive to the strong performance of the US economy and are trying to make the most of the opportunity that it presents.

Unsurprisingly, the number of respondents worried about cyber-security has climbed steadily over the past three years, owing to an increasing share of businesses' activities, resources and assets shifting online. Today, well over a third of the companies polled (38%) are concerned about threats to their digital security, up from 21% in 2018 and just 19% in 2017. Respondents in the financial services sector place the highest importance on cybersecurity with almost 50% naming it as top concern. The technological advancements of the last decade, such as the rise of 'smart' machines opens the possibility of hackers being able to infiltrate and bring about large-scale disruption remotely.

It's clear that strong cybersecurity is vital to success. As such growth companies are focused on scaling up their investment in cybersecurity protection, across technology, processes and training with 47% of respondents stating their intention to invest in this area. One company polled comments that it will "grow internal threat awareness systems and identification systems," while another says it will "focus on essential required products and services, such as cybersecurity and devices."

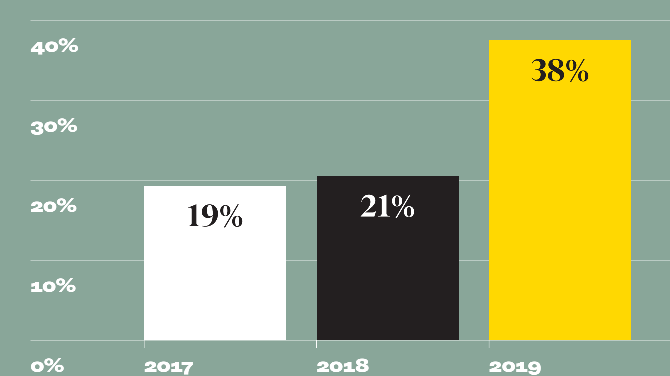
Instead of focusing on the macroeconomic and geopolitical challenges that individual businesses are unable to influence, the respondents to this year's survey are choosing to remain upbeat and focus instead on what they can control. According to one respondent* this means, "creating a successful and high growth business and ensuring I have the right approach to technology in order to manage any cyber risk." Another mentions how having a defined product and proposition can help to drive growth in a difficult market: " We continue to market the value and affordability of our proposition to mitigate risks"

The results of the 2019 ECI Growth Index paint a picture of optimism in the face of adversity. These high achieving companies are agile, innovative and bullish in their expansion plans. They truly are the backbone of the UK economy.

> "Growth companies are focused on scaling up their investment in cybersecurity protection, across technology.

Cybersecurity concerns:

Today, well over a third of the companies polled (38%) are concerned about threats to their digital security.



Imagesound are specialists in
in-store audio and visual services

Why Imagesound is going global.

imagesound group

"Some folks are in a band,
we're more like an orchestra".

> # Imagesound's strength is the quality of the people and the quality of its systems.
>
> **Will Truman**
> *CEO, Imagesound*

Will Truman, CEO of Imagesound

Before joining Imagesound nearly a decade ago, Will Truman hadn't given any thought to the curated music industry. A chartered accountant by training, he spent 12 years at KPMG working in corporate finance and transaction services, gaining experience in small and mid-sized SMEs, private equity.

Outside work, Will is very much a family man – he has three children aged 12, 11 and six and can't fathom how friends have the time to spend four hours on the golf course. He describes his children as his driving force. "They motivate me," he says simply. "I like to be able take them abroad and see the world with them."

By the time Will came on board as finance director of the Chesterfield-headquartered background music specialist, he had given the sector considerable thought and concluded the potential was vast. Imagesound's 40,000 retail and leisure clients include leading consumer brands. "The addressable market is expanding with our clients' businesses as they look to engage with their own customers more," Will says.

Will is CEO of Imagesound, which provides bespoke music playlists across branded retail and leisure chains, and Musicstyling which is geared at creating brand identities across luxury hotel properties.

At Musicstyling, consultants offer a white-glove service to over 3,600 individual high-end hotels (servicing nearly 13,000 zones within those hotels) in 140 countries, whereas Imagesound operates at higher volume, across 89 countries. International growth has been rapid. "Imagesound previously had 90% of its clients in the UK, but now we are invited to tender for work all over the world," Will explains.

Over the next 10 years, development in outside markets such as the Far East will further fuel Imagesound's international expansion according to Will. In China, where the firm recently opened its Shanghai office, domestic shopping and retail is gathering pace, thanks to a booming infrastructure, which in turn is creating an expanse in the addressable market, says Will. "The Far East is undergoing an evolution; a growing demand for professional services. The market there is not as developed as in the US and the UK."

In terms of the UK, which is home to some 30,000 of Imagesound's sites, Will is aware of the challenges facing the high street, but given the diverse range of end markets it serves including banks, gyms, airport lounges, coffee shops and supermarkets, he believes Imagesound will prove resilient. "There will always be a market for us in the UK. Fashion retail is bearing the brunt, but there will always be charity shops, pubs, clubs, 10 pin bowling alleys and restaurants. In the US it's the same." In addition to Chesterfield and Shanghai, Imagesound has offices in London, Miami, Los Angeles and Hong Kong.

Will's goal over the next 10 years is for the company to become the biggest provider in the world of digital media in a commercial setting (the company doesn't only provide music services, but also visual services including digital signage). In order to achieve this, he says, the company will be accelerating growth in the US and Asia.

"We want to focus on expanding our team and continuing to invest in our tech platform to offer a great service" says Will. "What truly sets Imagesound apart from our competitors and makes us stand out as a business is the quality of our people and the quality of our technology." From his first day at the company, it was this element which convinced Will he was joining a winning firm. The tech platform allows for efficient distribution of services to clients globally and offers flexibility to meet customers' demands.

Often Imagesound finds itself pitching against other providers in a tender for a potential client. "Superficially it may seem we provide the same group of products– so it comes down to who you most want to deal with and who can offer the best service attached to product delivery," Will comments. "Imagesound's strength is the quality of the people and the quality of its systems and it's these components, together with excellent client referencing, which shine through in the tender."

In the sector there is, according to Will, a tendency to focus on the technology, but Imagesound believes service is also a key part of its offering. "People come to us about important propositions for their customers. We have the ability to keep people entertained, or we can drive them out in seconds," he says. In reality, Will imagines growth will occur both organically and acquisitively, but views getting the right people in the right places as the key ingredient to getting more business.

When asked what issues keep him awake at night, Will concedes that being CEO is a great place to be, but it can sometimes be a lonely place. "The challenge is to keep the growth going and keep being successful," he says. "We have a duty of care to our people." Staff numbers during ECI's investment have more than doubled, increasing from 77 people to 155.

"We are delivering a lot of services to a lot of sites in a lot of countries," Will continues. "I don't want people to be travelling too much or working too late dealing with service calls from pubs and clubs." The technology also needs to be watertight in order to operate across different platforms and time zones.

Looking back over the past 10 years, Will is philosophical about any advice he would have imparted to his younger self. "You mature as an individual over that time. It's about learning from your mistakes," he remarks. "If I changed anything, we might not be where we are today." "The team is better than it's ever been now which is helping to drive new business, and we have very low staff turnover."

Imagesound's European offices

The ECI Growth Index 2019

Breathe: The firm on a culture mission.

Swapping spreadsheets for software.
Managing people not paper.

Some of the team at Breathe

The ECI Growth Index 2019

Jonathan Richards, founding CEO of HR software firm Breathe

Breathe's interface

Jonathan Richards, founding CEO of HR software firm Breathe, is no ordinary CEO. In fact, he was awarded IOD director of the year for London and the South East earlier this year. Jonathan's background is far from conventional. He left school at 16, because he wanted to become a rally driver.

Far from being a pipe dream, Jonathan ended up racing cars over rough roads and through forests for about seven years. He held down a clerical role in a bank to make ends meet and secured sponsorship from local firms, who advertised on the side of his car, to help him pay for the vehicle.

The trigger for founding his own company came when a manager told him; "if you're thinking of leaving let me know and I'll support you." This support allowed him to work three days a week and pursue his goal of setting up his own business for the remaining two days.

Breathe was formed seven years ago as an offshoot of Centurion Management Systems, the HR and accounting IT systems integrator that Jonathan set up in 1995.

It soon became apparent that Centurion, which researched and installed bespoke external systems for clients, had begun to suffer from the 2008-9 recession. "Systems cost £50-100k to install," says Jonathan, adding that the business model was dying as everything moved to the cloud.

He began to realise the importance of owning the Intellectual Property to the systems he was selling. "You need to be in control of your own destiny," he says. So, it was decided that Breathe would own all its IP, thus controlling what it did and how it did it and would be entirely cloud-based, without any sales team or consultants. "We wanted to be self-installing and self-sufficient," he remarks.

Breathe currently provides over 7,000 different clients with its HR software. The mission is to take admin away from SMEs so they can focus on the people they employ.

The lightbulb moment came for Jonathan when he worked out that his customers wanted simplicity in their software. "If people say 'it's simple,' then I punch the air," he grins. Breathe's typical customer profile is a company with 20-50 employees, with a hard cut-off at 250 employees. "We have a fixation on staying with smaller businesses, because larger companies need different models with increased functionality," Jonathan explains.

Over the next 10 years Breathe's goal is to "go multiproduct" and a build a suite dedicated to the way in which smaller businesses manage employees.

Jonathan is a staunch advocate for CEOs properly looking after their staff. "Businesses need to focus on culture for the business to thrive. Once leaders get their processes right, they can spend real time with their people, communicating with them and building the teams, rather than just pushing paper."

And in Jonathan's case, he leads by example. "We use Breathe to showcase how it should be done," he says. Given the firm earlier this year was awarded both 'Best tech company to work for' at the National Technology Awards, and won the Culture Award 2019 at the Lotus Awards, the firm is clearly ticking quite a few boxes.

Jonathan is modest about the part he plays within his company's culture. "I have a fairly simple role to create the strategy, build the team and then get out of the way," he jokes. However, his awareness of the need to step back, and to create diversity amongst his staff and "not create a clone of who's already there" is all part of why Breathe's make-up is so effective.

Stepping outside your comfort zone is paramount, according to Jonathan. "If you don't push your comfort zone, then your comfort zone gets smaller and it becomes more difficult to step outside," he says.

The ECI Growth Index 2019

Emerald Group is made up of two divisions

Emerald Group's 50 year journey.

Emerald Group began life as a publishing company specialising in journals for academics and students.

The ECI Growth Index 2019

Emerald Group began life some 50 years ago as publishing company specialising in journals for academics and students. Today the business has two divisions and has grown to over 500 people. Peter Casebow, CEO of Emerald's Learning division, discusses his route into the business and Emerald's future plans.

Peter accredits his digital career breakthrough to serendipity. He went straight from school to working at the Royal Bank of Scotland. "Banks didn't open on the weekends so it meant I could still play rugby," jokes the CEO. It was 1994 when he realised that 'going digital' was going to be the way forward for his career after he was given the opportunity to hear Nicholas Negroponte present his ideas on a digital world. "I was in the right place at the right time," remarks Peter. By the time RBS acquired NatWest in 2000, Peter decided it was time to leave the bank and set up his own business. He co-founded GoodPractice later that same year, offering support to learning and development professions.

Some 15 years later, Emerald Group acquired GoodPractice and Peter now heads up Emerald's learning business, combining three businesses – GoodPractice, MindTools (a marketing-led digital learning tool) and Towards Maturity (a data insight business) - under one umbrella. The group's mission, Peter says, is to help people to do their jobs better, helping with daily aspirations.

Emerald Group's has an ambition to pool its solutions across the academic publishing and learning divisions, to create a complete offering. "As a group, we've an opportunity to be a bridge between academics and practice, and we want to fill in that bridge," Peter explains. "Students are going more frequently to work and then back to studies again to reskill. Part of our vision is to help you as a student by providing access to content that will help you study, get ready for work, and also help you when you're in work."

There is a clear lack of practice-driven research in the market, according to Peter; a gap which Emerald is seeking to monetize. "Management studies are often very esoteric and not evidence-led," he notes. Yet Emerald, which counts the likes of Burberry, Deloitte and KMPG among its clients, has spied a market opportunity in the intelligence gathered by these global brands. "If these big companies can give insight to academics on performance and management to help solve problems, this can pave the way for meaningful management studies, which can be fed back to students to help them in the work place, by way of a virtuous loop."

Both the publishing side of the business and the learning branch are about real impact, says Peter. And this can only grow over the next decade, thanks to artificial intelligence and data analytics. The learning business is already entrenched in the UK and US markets but the aim over the next 10 years is to increase its penetration within the US market.

Peter considers a key challenge is maintaining 20% growth per annum and a 'high-performing culture' with a team that is constantly evolving. "A CEO of a business has a massive impact in terms of setting the culture and the actions needing to be taken. It's all about what changes you could or should be making to the business," he says.

> The Group's purpose is to unlock the talent and potential of people to make decisions that have a real impact.
>
> **Peter Casebow**
> *CEO, Emerald Learning*

Peter Casebow, CEO of Emerald Group's learning division

Mindtools joined Emerald Group in 2019

A decade ago, Peter would have called himself a 'team captain' in the sense of a rugby player. "I was very involved in the day-to-day selling, but that can be a blocker to other people wanting to progress within the company," he warns. Part of being a CEO, he says, is about learning how to stand back and let go.

The company Peter is working in now has over 100 staff and a board based all over the country. He stresses the importance of bringing the senior team together. "As the company gets bigger, we have to add more process, which can slow things down," he says ruefully. "There shouldn't be process for the sake of it, it's about challenging that."

A keen mountaineer and cyclist, Peter recently demonstrated his commitment to meeting with his team by cycling 500 miles in five days, to visit the firm's key offices in Wimbledon, Bingley and Edinburgh.

GoodPractice has grown considerably over the past 10 years, surviving the recession and emerging financially stronger, according to Peter. "It was hard at the time to realise how tough things were until we look back; we tried to hold our nerve and keep positive

Peter emphasises the importance of creating long-term business plans. "It's not about just having them in your head, but writing them down," he emphasizes. "That way you're prepared for when opportunities arise."

This approach reaped its rewards when Emerald came knocking on GoodPractice's door in 2015.

One might say it was serendipitous that Emerald came along at that time, but without the business plan in place, GoodPractice would not have been in such a strong position.

Where to now?

What the next decade has in store for growth businesses.

A significant number of the companies that took part in this year's Growth Index were not in business 10 years ago. Despite their relative youth, this year's respondents have defined long-term plans and are set to continue leading the charge for the rest of the UK economy.

Although they cannot predict the future, we asked the respondents to this year's Growth Index to share some insights on their aspirations and concerns for next decade.

UK growth companies should find solace in the fact that, compared to the political and economic quagmire we are facing today, growth prospects for the next decade look rosy. From 2021, the UK annual GDP growth rate is expected to pick up to an average of 1.7%, before rising to 2.1% from 2026 onwards, in line with the country's long-term trend rate of growth.

Artificial Intelligence (AI) is set to be one of the major drivers of productivity improvements and economic growth over the next decade. CEBR estimates that up to £496 billion of economic activity in the UK will be supported by AI over the next 10 years.

It comes as no surprise therefore, that this year's respondents deem AI to be the most important area to invest in. Some 55% of respondents declared they would be most likely to invest in AI and machine learning over the next 10 years. Businesses in the TMT sector are leading the pack in investment in AI with 66% naming it a key area for investment followed by 56% of business services companies.

1.7%

From 2021, the UK annual GDP growth rate is expected to pick up to an average of 1.7%, before rising to 2.1% from 2026 onwards, in line with the country's long-term trend rate of growth.

55%

Some 55% of respondents declared they would be most likely to invest in AI and machine learning over the next 10 years.

CONTINUED FROM P39.

Automation comes in second place with 53% of all companies surveyed planning to invest in this area. Consumer businesses are putting most resource into automation with 57% placing it among the top priorities for investment.

The reasons that growth companies are so keen to focus on AI are manifold. Customer retention plays a key part, as one respondent notes; "we plan to build a differentiator within our product with AI to make it a stickier proposition for customers."

Other businesses allude to the need to stay competitive. As another respondent points out, "AI and machine learning is the future for our digital product and failure to invest could leave us very vulnerable."

And finally, the desire to improve business efficiency and achieve strong growth lies behind many firms' decision to invest in AI, and technological advances in general. "Automation and AI will enable us to scale all aspects of our business from data capture, processing and trading which will ultimately lead to sustained growth," notes one survey participant. Another describes AI as offering the potential to become more efficient in sales efforts and equipment maintenance.

What skills/functions will be the most important over the next 10 years?

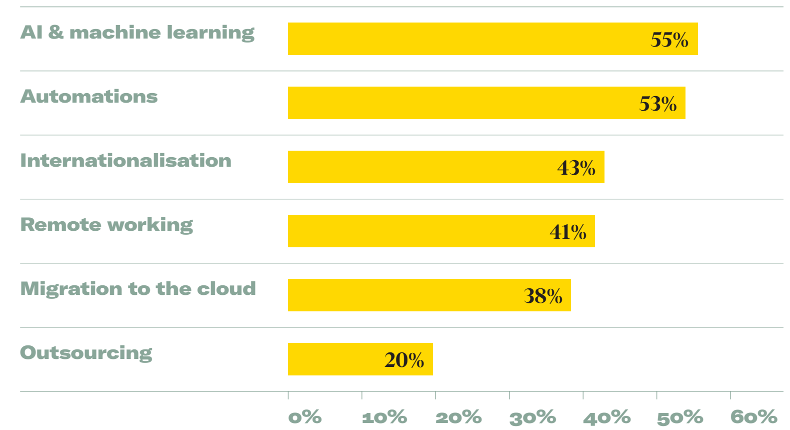
74% of respondents think that sales and marketing will be key to success over the next 5 years.

51% of respondents think that data analytics will be most important to them in the next 5 years.

49% of respondents think coding and software development will help them to grow over the next 5 years.

21% of respondents think AI and machine learning will be the most important skill for growth over the next 5 years vs 41% over the next 10 years.

Which trends do you plan to invest in most over the next 10 years?



Addressing the skills shortage.

Technology is set to cause major disruption as a result of the new division of labour between humans, machines and algorithms. As a positive counterpoint to the estimated disappearance of 7 million existing jobs in the UK over the next decade or so, a further 7.2 million could be created, giving a small boost to net jobs in the UK.

In order to plug the growing skills shortage gap, workers will need to develop the necessary skills to efficiently leverage technological advancements within existing roles. And for workers whose roles have ceased to exist, the onus will be on them to learn new skills to adapt to new roles.

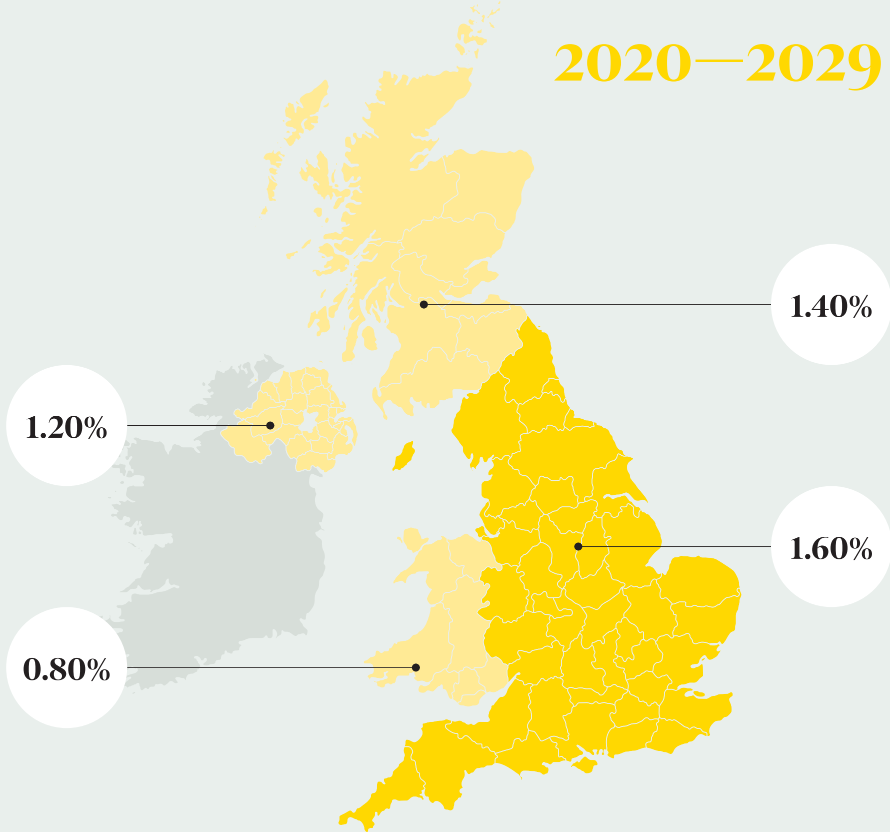
Although the overall net effect of AI on UK jobs is seen as neutral there is fluctuation within various industry sectors, according to a recent study conducted by PwC. The most positive effect of AI is seen in the health and social work sector, where PwC estimates that employment could increase by nearly 1 million, equivalent to around 20% of existing jobs in the sector. On the other hand, PwC estimates the number of jobs in the manufacturing sector could be reduced by around 25%, representing a net loss of nearly 700,000 jobs.

When asked what skills they will most need over the next 10 years, 53% of ECI survey respondents favoured sales. Sales and marketing spend appears to hold particular importance for business services and TMT companies with 58% of each sector suggesting it is vital to success over the next decade.

Behind sales and marketing, 47% consider data and analytics skills among the most important and 44% stated that coding and software development will be integral to their growth.

Regional GVA annual growth rate (%)

East of England	2.20%
South East	1.80%
East Midlands	1.70%
London	1.60%
England	1.60%
West Midlands	1.60%
North East	1.40%
Scotland	1.40%
South West	1.30%
North West	1.30%
Yorkshire & The Humber	1.30%
Wales	1.20%
Northern Ireland	0.80%



Sector growth.

Over the next decade, the business services sector is forecast to be the fastest growing with respect to gross value added (GVA), growing on average by 3.7% between 2020 and 2029. The sector is set to add £348 billion to the economy in 2029, up from £236 billion in 2018. Businesses in this sector are well placed to meet the changing needs of their clients. Our own index bears this out. This year 54% of respondents in the business services sector anticipate growth of 20%+, cementing their important role in the UK economy.

Information & communications is another sector predicted to fare well: expanding at an average rate of 3.4% per year over the next decade, which is well above the rate for the UK economy as a whole. This growth will be fuelled by the increasing digitisation of goods and services and opportunities surrounding the collection and analysis of big data.

Shifting from West to East.

Over the next 10 years, global economic trends point towards a continued decline in the share of global GDP accounted for by North America and Europe. In 2029, the Asia-Pacific region is forecast to account for 36% of global GDP, while the share held by Continental Europe and North America is set to fall to 41%.

And, as the world economy's centre of gravity shifts from west to east, so too will opportunities available to growth companies in the UK. As economic superpowers such as China and India develop, they are likely to become increasingly appealing to firms based in the UK.

Some 48% of the growth companies featured in the ECI Growth Index are alive to the importance of the Asia-Pacific region and state their intention to expand exports in this region. Continental Europe and North America, however remain the dominant target markets for growth companies. This highlights a current mismatch between UK companies' growth aspirations and the long-term direction of the global economy. As UK businesses ready themselves for the next decade of activity, the expansion of relatively untapped markets in Asia will represent a wealth of new opportunities.

Written with insights from the Centre for Economic and Business Research (CEBR).

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