

Review of the Business Expansion Scheme 2006

Survey Results

During the course of 2006 the Business Expansion Scheme (BES) was reviewed by the Department of Finance in conjunction with the Department of Enterprise, Trade & Employment and the Office of the Revenue Commissioners. As part of this review, almost 1,400 companies (1,391) who had availed of the scheme were surveyed by the Department of Finance. Records data from the Revenue Commissioners were analysed and studies were carried out by Enterprise Ireland. The full results of the review will be published shortly.

There was a good response to the survey carried out by the Department of Finance, with 491 companies (35% of those to whom the survey was sent) responding. The range of firms responding included businesses from all parts of the country. Of those who responded 58% classed themselves as manufacturing, 22% as international services, 12% as tourism projects and 8% as other.

Over 70% of companies were new, being set up in the past ten years. One third of all firms were start-ups or in the development phase. The bulk of firms, over 60%, employed less than 15 staff and in two thirds of cases their annual sales were less than €1 million. Export sales represented 56% of output for all firms surveyed.

In terms of actual money raised through the BES, three quarters had raised less than half a million Euro.

Many of the firms used the BES funds to launch new or improved services, expand their workforce and grow the business. They also used the funds to increase capital expenditure and invest more in R &D. The majority of respondents (62%) also indicated a wish to raise more BES funding in the period ahead, most of this being for less than €1 million.

The Department of Finance wishes to acknowledge the assistance of all those companies who contributed to the survey.

PART 1: PROFILE OF THE COMPANY

Under which qualifying trade did your company qualify to raise BES investment/funding?

<u>Qualifying trades</u>	<u>Percentage of companies</u>
Manufacturing	58%
Tourism	12%
International Services	22%
Other	8%

If your company qualified under the category of “Manufacturing”, which of the following most appropriately describes the activity carried out by your company?

<u>Options</u>	<u>Percentage of companies</u>
Manufacture of non-metallic mineral products	1%
Manufacture of chemicals	4%
Manufacture of metal articles (furniture etc)	8%
Mechanical engineering	5%
Electrical engineering	2%
Instrument engineering	2%
Manufacture of food and drink	16%
Manufacture of textiles	1%
Manufacture and process of wood and timber	9%
Manufacture and process of rubber and plastics	4%
Manufacture of medical devices	4%
Manufacture of other goods	12%
Advance factories	4%
Other	22%
Did not specify	6%

If your company qualified under the category of “Tourism”, which of the following most appropriately describes the activity carried out by your company?

<u>Options</u>	<u>Percentage of companies</u>
Hostels, camp sites, holiday centres	38%
Tour bus operators	3%
Inland water transport (cruiser hire etc)	3%
Marketing of tourism	2%
Charter of yachts etc.	11%

Sports facilities, leisure centres	16%
Other	25%
Did not specify	2%

If your company qualified under the category of “International service”, which of the following most appropriately describes the activity carried out by your company?

<u>Options</u>	<u>Percentage of companies</u>
Computer services, software development	73%
Research and development	9%
International services	14%
Other	4%

How many years has your company been established?

<u>Options</u>	<u>Percentage of companies</u>
Less than 1 year	1%
Between 1 and 5 years	28%
Between 6 and 10 years	42%
Between 11 and 15 years	11%
Between 16 and 20 years	10%
Greater than 20 years	7%
Did not specify	1%

How many people were employed in your company as at 31 December 2005?

<u>Options</u>	<u>Percentage of companies</u>
Zero Staff	8%
1 to 5 staff	37%
6 to 15 staff	24%
16 to 30 staff	17%
31 to 50 staff	8%
More than 50 staff	5%
Did not specify	1%

What were the annual sales of your company in 2005?

<u>Range of annual sales</u>	<u>Percentage of companies</u>
€0 - €500k	46%
€500k - €1m	17%
€1m - €2m	16%

€2m - €5m	14%
€5m - €10m	4%
€10m+	3%

What percentage of your annual sales do you export?

<u>Range of exported annual sales</u>	<u>Percentage of companies</u>
0%	44%
Less than 20%	21%
20% - 50%	10%
More than 50%	25%

Describe the current development stage of your business?

<u>Stages</u>	<u>Percentage of companies</u>
Start-ups	12%
Development phase	22%
Steadily growing	32%
Considering expansion	21%
Consistent sales but not growing	13%

PART 2: FINANCING

What was the total amount of finance/equity required under the BES?

<u>Range of finance/equity</u>	<u>Percentage of companies</u>
€0 - €50k	7%
€50k - €100k	9%
€100k - €250k	21%
€250k - €500k	31%
€500k - €1m	25%
€1m+	7%

What was the total amount actually raised?

<u>Range of finance/equity</u>	<u>Percentage of companies</u>
€0 - €50k	9%
€50k - €100k	10%
€100k - €250k	24%
€250k - €500k	29%

€500k - €1m	22%
€1m+	6%

PART 3: IMPACT OF THE SCHEME

Which five of the following options in your opinion are the most important in describing the ways in which your company has been changed or affected as a result of raising finance through the BES?

<u>Options</u>	<u>Percentage of companies</u>
Became more ambitious to grow	52%
Launched new /improved products / services	47%
Increased company workforce	40%
Improved quality of products/ services	40%
Increased capital expenditure	39%
Invested more in R&D	34%
Changed /improved marketing activities	27%
Freed up finance for other development	25%
Strengthened management team	21%
Levered in further development finance	21%
Reduce company's debt	19%
Bought in additional expertise	16%
Improved efficiency in other ways	16%
Reduced costs	14%
Innovated in other ways	7%
Other	7%
Improved skills of non-management workforce	5%
Acquired intellectual property to exploit	4%

If you did not raise all of the finance /equity required under the BES, in what way did that impact on the development plans of your firm?

<u>Affects</u>	<u>Percentage of companies</u>
Working capital and cash flow constraints	30%
Became more dependent on bank finance	25%
Had to find replacement financing elsewhere	22%
Unable to hire new employees	15%
Unable to invest in marketing and advertising	14%
Unable to finance R&D	13%
Unable to update technology /equipment	12%
Unable to finance the purchase of land and buildings	7%
Other	2%

If you failed to raise BES finance /equity, which of the following describe the reason you were unable to raise the finance /equity?

<u>Options</u>	<u>Percentage of companies</u>
Considered high risk by financial institutions and potential investors	15%
Lack of track record	8%
Amount of finance/ equity not attractive to investors	7%
Lack of network with potential investors	6%
Lack of collateral requirements	5%
Other	2%
Unclear business plan	1%

What other action did your company take?

<u>Options</u>	<u>Percentage of companies</u>
Obtained bank overdraft or loan	44%
Used non-BES private investment	21%
Sourced external funds /other investment	16%
Tapped other sources of venture capital	5%
Used business angels	5%
Did not answer question	5%
Other	4%

PART 4: PERFORMANCE OF BES INVESTMENTS

To the best of your knowledge, are the BES investors in your company satisfied with the performance of their investment?

<u>Options</u>	<u>Percentage of companies</u>
Satisfied	45%
Very satisfied	24%
Not satisfied	9%
No basis for judgement	18%
Did not specify	4%

In your view, how well are the BES investments in your company performing compared with other investment opportunities?

<u>Options</u>	<u>Percentage of companies</u>
More favourably	27%
About the same	28%
Less favourably	13%
Don't know	25%
Did not specify	7%

PART 5: APPLYING FOR THE BES

Did you find applying for approval from the Revenue Commissioners under the BES user-friendly?

<u>Options</u>	<u>Percentage of companies</u>
Yes	84%
No	16%

PART 6: FUTURE REQUIREMENTS OF COMPANIES UNDER THE SCHEME

Does your company see a requirement for additional equity capital under the BES in the next three years?

<u>Options</u>	<u>Percentage of companies</u>
Yes	62%
No	38%

If "Yes", please indicate the total amount of additional equity you require to raise under the scheme?

<u>Range of finance /equity</u>	<u>Percentage of companies</u>
€0 - €250k	22%
€250k - €500k	24%
€500k - €1m	24%
€1m - €2m	19%
€2m+	10%