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Scottish Pacific SME Growth Index

September 2015



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Executive Summary

This is our third Scottish Pacific SME Growth Index and the first to be able to compare year-on-year data (from the first Index in August 2014, to August 2015).

In what is a challenging environment for Australia's small and medium sized businesses, the Index gives us great insight into how confident SME owners and senior managers are about business growth and what are the drivers of, and hindrances to, growth.

There has been a marginal deterioration in confidence since Round One of the SME Growth Index, conducted in August 2014. Taxes remain the biggest barrier to business growth, with SMEs also frustrated by access to credit and credit conditions, along with red tape.

Of note is that SMEs are increasingly willing to borrow outside their main banking relationship (from another bank or specialist non-bank lender) in order to fund growth.

As a business that funds more than 1000 SMEs in a range of industries across Australia and New Zealand, this is a pleasing trend for us. It's important that SME owners are aware of the range of funding options available to them to support growth.

However, with a high proportion of SMEs not seeking third party assistance when reviewing borrowing arrangements, there is a clear opportunity for detailed education and advice for the largest business segment employing the highest number of Australians nationally.

The research indicates one in two SMEs simply have not reviewed their primary bank relationship for some years, with as few as 4.8 percent of SMEs always keeping a look out for the credit facilities that fit best with their business.

Scottish Pacific is committed to continuing to provide a voice to highlight the issues facing Australia's small business community. I hope you will find the Index a valuable insight into many of these issues.

Peter Langham
CEO
Scottish Pacific



Key Market Insights

Index Results

- There has been a marginal deterioration in confidence since Round One of the SME Growth Index, conducted in August 2014.
- In Round Three, 59.6 percent of SMEs expect business revenues to increase over the coming six months, on average by 6.5 percent. This compares to 62.6 percent of SMEs forecasting average enterprise revenue growth of 8.6 percent in August 2014.
- 23.6 percent of SMEs expect revenue to remain static, down from 24.2 percent in August 2014.
- A higher proportion of small business owners predict declining revenues over the next six months, increasing to 16.8 percent in August 2015 from 13.2 percent in August 2014. SMEs expecting business revenues to contract forecast an average revenue decrease of 4.6 percent, in comparison to the August 2014 forecast for a 3.9 percent reduction in revenue.
- Taxes remain the number one barrier to business growth (68.6 percent) ahead of credit conditions (66.0 percent), credit availability (56.2 percent) and red tape (40.6 percent).
- SMEs are increasingly willing to borrow from another bank or specialist non-bank lender in order to fund growth. The proportion of growth SMEs basing their funding plans on moving beyond their main relationship bank increased from 11.2 percent to 15.1 percent from 12 months ago.
- The proportion of declining/unchanged growth SMEs looking beyond their main bank for funds has almost tripled in the last year from 6.9 percent to 18.2 percent.
- Market wide, 45.2 percent of Australian small businesses classify themselves in a growth phase with a further one in four SMEs describing their current business phase as 'stable'. 11.7 percent of SMEs consider their business to be in a start-up phase. SMEs experiencing negative revenue growth cite high taxes and credit accessibility issues as major barriers to growth.
- Cash flow is a key challenge for growth SMEs (50.7 percent), yet not deemed as relevant by negative growth SMEs (19.5 percent). This is a strong indication that working capital constraints are restricting the success of small businesses already making strides to expanding sales and revenue – not just those businesses experiencing lower demand drivers or difficult trading conditions.
- A greater number of small businesses have progressed out of a start-up phase into a consolidation phase. The proportion of SMEs classifying themselves in a start-up phase has declined from 13.8 percent to 11.7 percent since August 2014, compared to those in a consolidation phase rising from 4.9 percent to 5.6 percent. A further one in ten SMEs report contracting revenues.
- 75.7 percent of SMEs with positive revenue forecasts perceive their business to be in a growth phase. This figure has increased by 4.3 percent since the first round of reporting.

- One in four negative growth/no change SMEs perceive their own business phase as contractionary, in addition to two thirds who currently categorise their business as stable.
- Lower market confidence has resulted in a modest increase in the number of SMEs placing new product release plans on hold. 20.7 percent of SMEs have plans to introduce new products in comparison to 22.7 percent reported twelve months ago.
- This adjustment is matched by an increase in the number of firms exhibiting no product or service development plans (31.2 percent to 33.7 percent).
- One in three small businesses plan to introduce new services over the next six months while just over one in ten SMEs are preparing to release new products and services.
- These proportions have remained steady over the last three rounds, supported predominantly by growing SMEs resilient motivation to deliver new services (52.5 percent) and products (32.0 percent).
- Domestic and international geographic expansion remains a lower priority for SMEs. Plans to enter new markets are expressed by only one in four SMEs.
- This result is heavily impacted by declining growth SMEs showing no interest towards expanding into new markets (97.8 percent) while 61.1 percent of growth SMEs have no geographic expansion intentions.
- The number of growth SMEs seeking to take advantage of the depreciation in the Australian dollar and improved export competitiveness by expanding into offshore markets has increased in the last year from 5.6 percent to 7.5 percent.
- This is coupled with a rise in the number of SMEs preparing for domestic and international geographic expansion (11.6 percent to 13.2 percent).
- Small business owners are displaying greater intent to merge with another business in order to reduce costs or improve competitiveness.
- 6.9 percent of growth SMEs are planning to merge with another business in the next six months, an increase of 43.8 percent since August 2014 albeit from a low base.
- One in five growth SMEs are actively seeking to acquire a new business. 14.6 percent of SMEs forecasting declining revenues are open to merging with another business, a significant 80.2 percent jump since August 2014.
- Overall more than three quarters of all SMEs express no M&A plans.
- Catering to core customers is the key driver behind growth SMEs predictions for greater revenue (34.8 percent), rated ahead of human capital (33.0 percent), good industry networks (24.2 percent) and innovation (22.2 percent).
- 'Good fortune' remains a key factor for one in five SMEs underlying revenue growth while a surprisingly high one in three growth SMEs couldn't identify the key driver behind their business growth - they just followed their nose.

Special Questions

- When reviewing existing borrowing requirements or deciding on new providers, SMEs generally prefer to handle the task internally (43.3 percent) in preference to sourcing a commercial finance broker, seeking advice from their accountant or a business colleague.
- Advocacy remains an important factor for SMEs lending relationship determination, with 27.8 percent of small business owners consulting a trading partner or business colleague for specific advice on their current credit facilities or selecting a new lender.
- SMEs are more likely to review their borrowing arrangements with their accountant (16.9 percent) in preference to a commercial finance broker (11.6 percent).
- SMEs are seemingly comfortable allocating all of their credit facilities to their main relationship bank when reviewing their borrowing requirements (39.7 percent).
- Relatively few respondents indicated a willingness to share facilities between two main lenders (16.1 percent) or seek a mix of bank and non-bank specialist providers (12.7 percent).
- This result suggests that SMEs either believe they are being 'taken care of' by their long standing primary relationship bank, or they are relatively apathetic about changing their business banking relationship.
- A growing range of highly competitive alternatives and clearly defined 'customer switching' processes has not yet influenced this characteristic of small business owners. According to the data expressed in Table 24, many SMEs have simply not considered alternative offerings and third party assistance for reviewing providers is not commonly sought.
- One in two SMEs have not reviewed their primary bank relationship or felt the need to seek a new credit provider. This suggests a high number of small businesses remain unaware of the specialist product solutions and service propositions offered by alternative bank and non-bank providers.
- Only one in five SMEs review existing lending requirements and their core business banking relationship on a regular basis. Of the SMEs actively reviewing their business lending requirements, most only do so every three years or less frequently (9.7 percent).
- 15.8 percent of SMEs review credit facilities on an ad hoc basis or in response to additional needs while up to 7.0 percent appraise their lending requirements in preparation for expansion into offshore markets.
- When deciding on new debt providers, relatively few CFOs and treasurers go with the cheapest provider (16.8 percent) or respond to competitive pitching (2.1 percent).

Index Results

Scottish Pacific SME Growth Index

September 2015

Please forecast the percentage change in your business revenues - either negative or positive - over the coming six months?

TABLE 1

Forecast Changes in Enterprise Revenue – Positive Growth SMEs

Positive Growth SME's	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
% of Enterprises	62.6	59.6	(4.8)
Average Change Forecast	8.6	6.5	(24.4)
Range of Change Forecasts	5.4 - 9.8	2.9-7.8	—

TABLE 2

Forecast Changes in Enterprise Revenue – Negative Decline SMEs

Negative Decline SME's	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
% of Enterprises	13.2	16.8	27.3
Average Change Forecast	3.9	4.6	17.9
Range of Change Forecasts	2.5 - 7.7	3.3-9.0	—

TABLE 3

Forecast Changes in Enterprise Revenue – No Change SMEs

No Change SME's	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
% of Enterprises	24.2	23.6	(2.5)
Average Change Forecast	—	—	—
Range of Change Forecasts	—	—	—

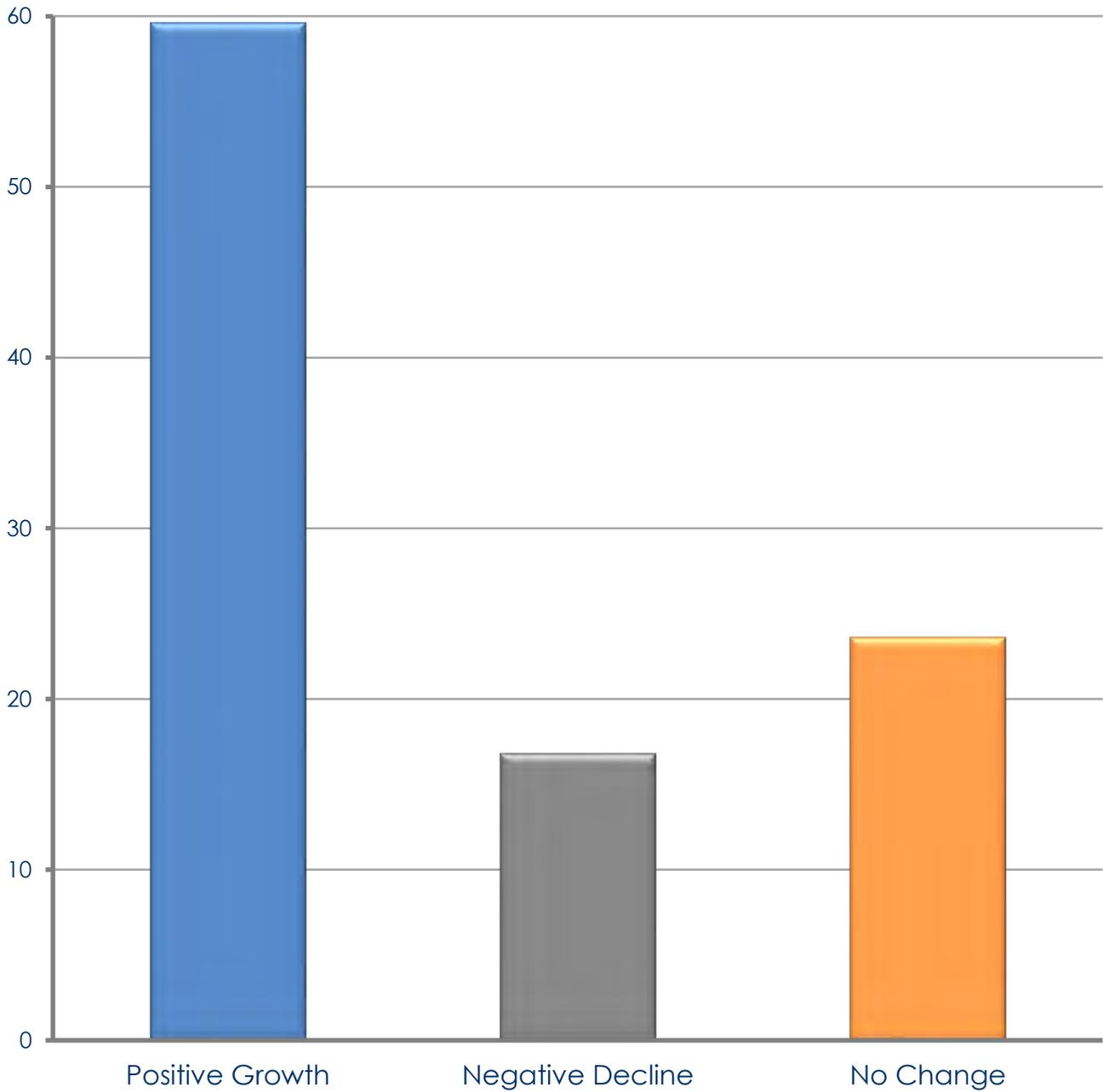
TABLE 4

Forecast Changes in Enterprise Revenue – Whole SME Market

Whole SME Market	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
% of Enterprises	100.0	100.0	—
Average Change Forecast	4.9	3.9	(20.4)
Range of Change Forecasts	2.5 - 9.8	2.9-9.0	—

Note: no statistically significant variance by state or industry sector of SME

FIGURE 1
Forecast Changes in Enterprise Revenue – August 2015
% of Enterprises



Which of these descriptions best describes the phase your business is currently in?

TABLE 5

Perception of Own Business Phase – Growth SMEs

% of Total SMEs

Growth SME's	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
Start-up	22.0	19.6	(10.9)
Growth	72.6	75.7	4.3
Stable	5.2	2.8	(46.2)
Consolidation	0.3	1.2	300.0
Contracting	—	0.7	—
TOTAL	100.0	100.0	—

TABLE 6

Perception of Own Business Phase – Declining / No Change SMEs

% of Total SMEs

Declining / No Change SME's	Aug 2014 (N: 470)	Aug 2015 (N: 508)	Change (%)
Start-up	—	—	—
Growth	0.2	0.2	0.0
Stable	64.5	63.6	(1.4)
Consolidation	12.6	12.2	(3.2)
Contracting	22.8	24.0	5.3
TOTAL	100.0	100.0	—

TABLE 7

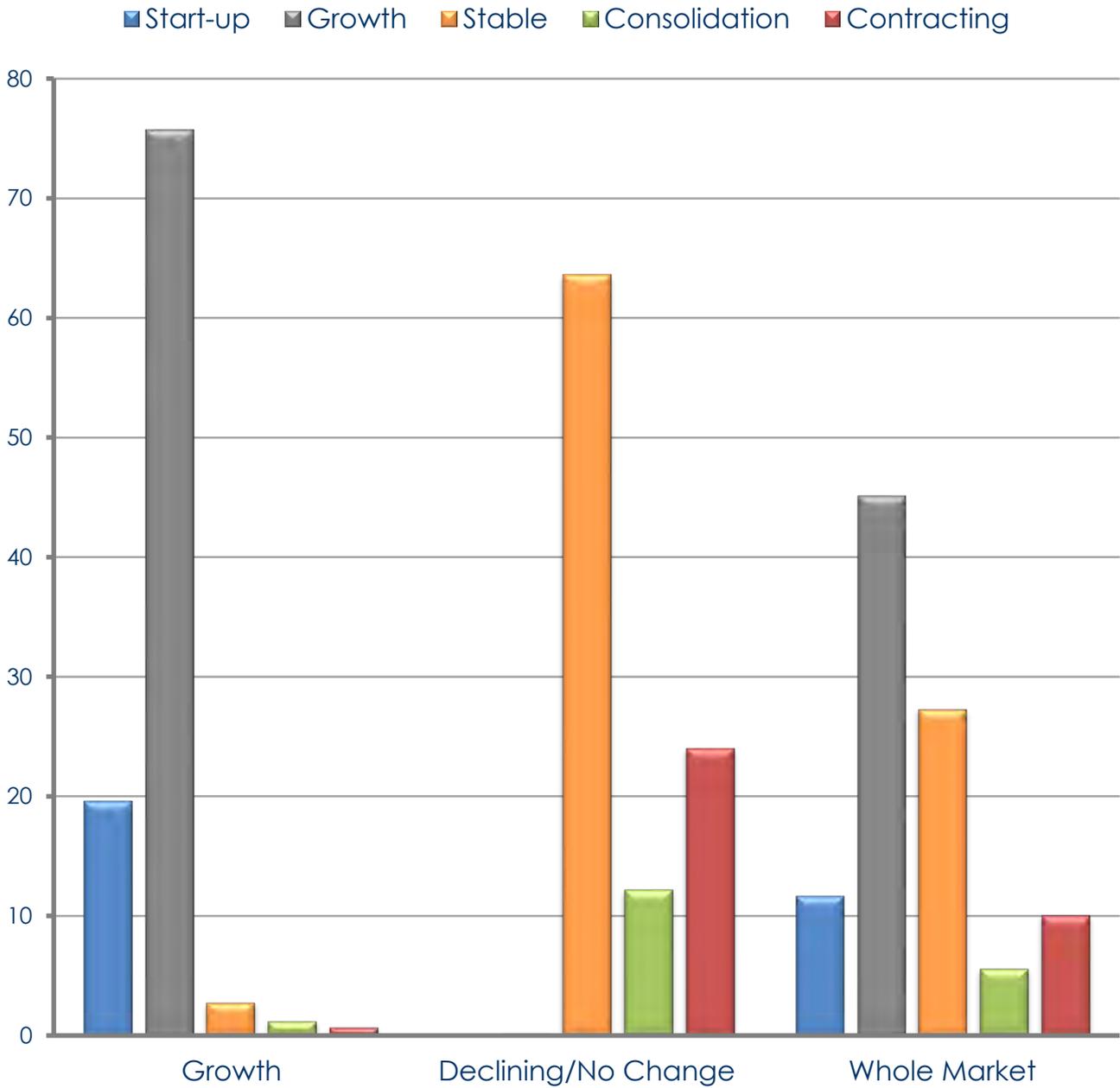
Perception of Own Business Phase – Total SME Market

% of Total SMEs

Total SME Market	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
Start-up	13.8	11.7	(15.2)
Growth	45.5	45.2	(0.7)
Stable	27.4	27.4	0.0
Consolidation	4.9	5.6	14.3
Contracting	8.5	10.1	18.8
TOTAL	100.0	100.0	—

Note: no statistically significant variance by state or industry sector of SME

FIGURE 2
Perception of Own Business Phase – August 2015
 % of Total SMEs



Are you planning to introduce any new products or services in the next six months?

TABLE 8

New Product / Service Plans in Next Six Months – Growth SMEs

% of Total SMEs

Growth SME's	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
New products	34.1	32.0	(6.2)
New services	51.3	52.5	2.3
New products and new services	14.2	14.6	2.8
No plans	0.4	0.9	125.0
TOTAL	100.0	100.0	—

TABLE 9

New Product / Service Plans in Next Six Months – Declining / No Change SMEs

% of Total SMEs

Declining / No Change SME's	Aug 2014 (N: 470)	Aug 2015 (N: 508)	Change (%)
New products	3.6	3.9	8.3
New services	6.4	7.5	17.2
New products and new services	7.2	6.7	(6.9)
No plans	82.8	81.9	(1.1)
TOTAL	100.0	100.0	—

TABLE 10

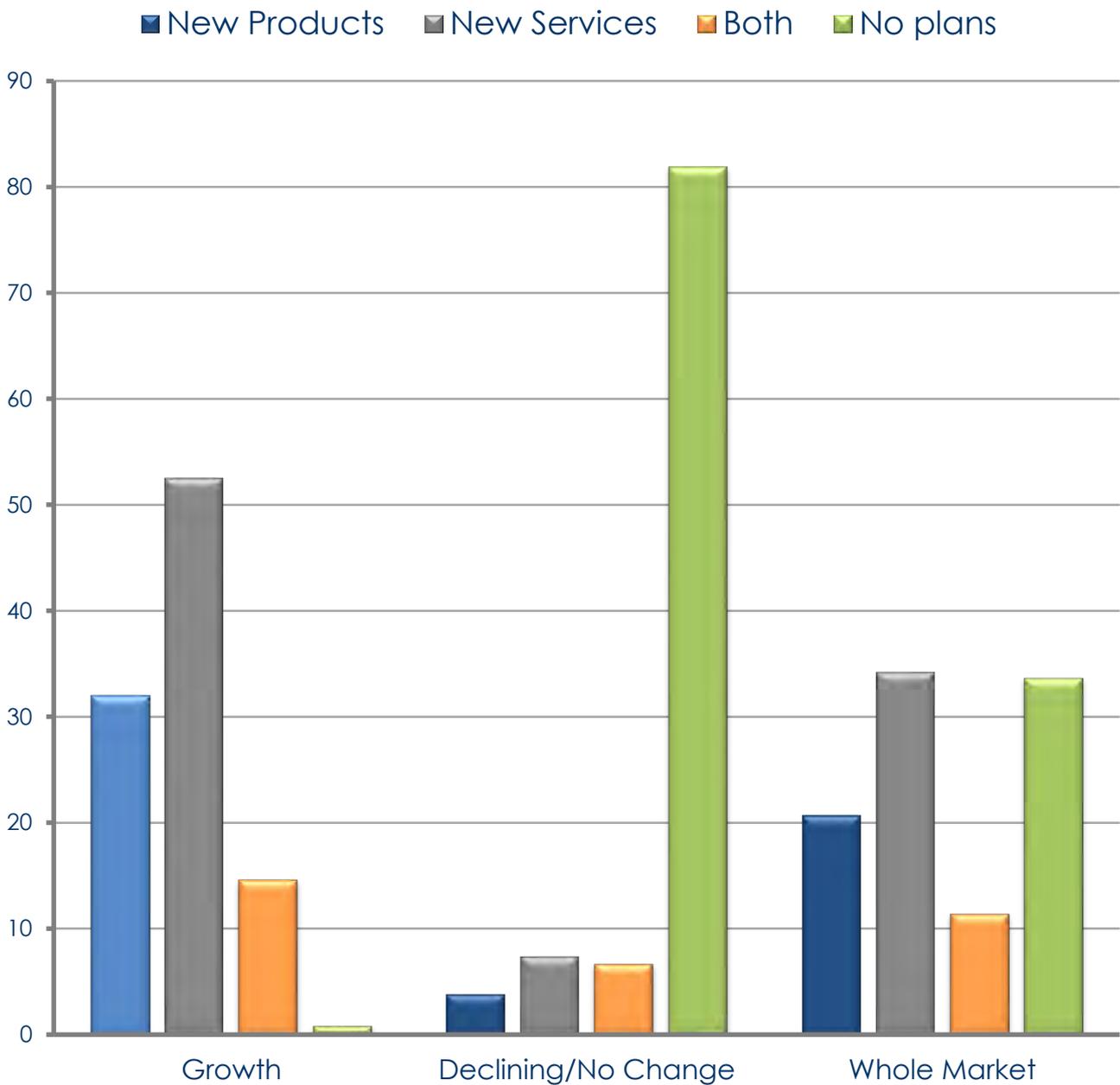
New Product / Service Plans in Next Six Months – Whole SME Market

% of Total SMEs

Whole SME Market	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
New products	22.7	20.7	(8.8)
New services	34.5	34.3	(0.6)
New products and new services	11.6	11.4	(1.7)
No plans	31.2	33.7	8.0
TOTAL	100.0	100.0	—

Note: no statistically significant variance by state or industry sector of SME

FIGURE 3
New Product / Service Plans in Next Six Months – August 2015
 % of Total SMEs



Are you planning to expand your business geographically in the next six months, either domestically or overseas?

TABLE 11

Geographical Expansion Intentions – Growth SMEs

% of Total SMEs

Growth SME's	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
Domestic geographic expansion	17.3	18.2	5.2
Overseas geographic expansion	5.6	7.5	33.9
Both domestic and overseas expansion	11.6	13.2	13.8
No plans	65.6	61.1	(6.9)
TOTAL	100.0	100.0	—

TABLE 12

Geographical Expansion Intentions – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SME's	Aug 2014 (N: 470)	Aug 2015 (N: 508)	Change (%)
Domestic geographic expansion	1.9	0.8	(57.9)
Overseas geographic expansion	0.4	0.2	(50.0)
Both domestic and overseas expansion	2.3	1.2	(47.8)
No plans	95.3	97.8	2.6
TOTAL	100.0	100.0	—

TABLE 13

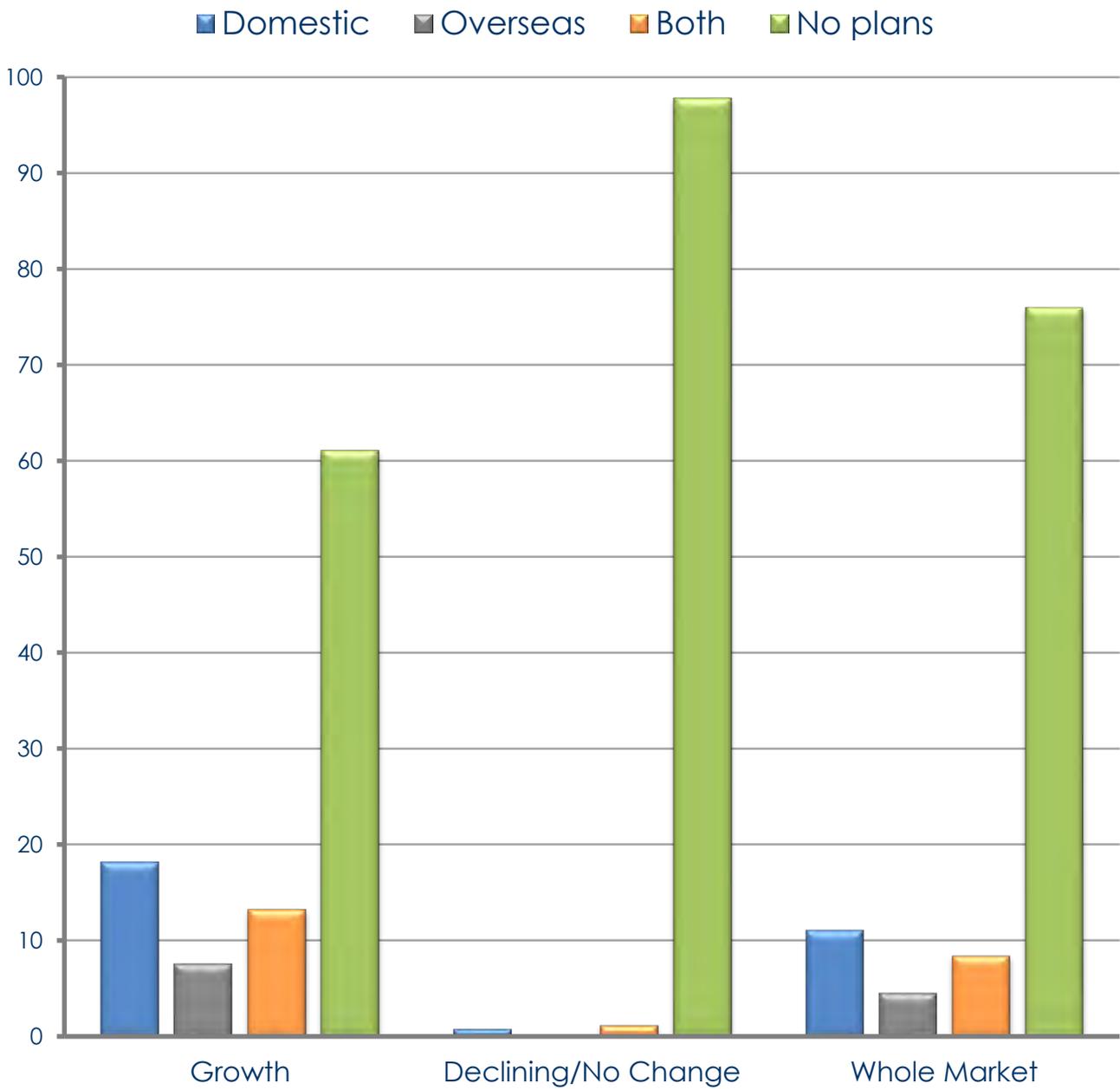
Geographical Expansion Intentions – Whole SME Market

% of Total SMEs

Whole SME Market	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
Domestic geographic expansion	11.5	11.1	(3.5)
Overseas geographic expansion	3.7	4.5	21.6
Both domestic and overseas expansion	8.1	8.4	3.7
No plans	76.7	76.0	(0.9)
TOTAL	100.0	100.0	—

Note: no statistically significant variance by state or industry sector of SME

FIGURE 4
Geographical Expansion Intentions – August 2015
 % of Total SMEs



Are you planning to acquire another business or merge with another business in the next six months?

TABLE 14

Business Acquisition / Merge Intentions – Growth SMEs

% of Total SMEs

Growth SME's	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
Acquiring another business	18.9	19.1	1.1
Merging with another business	4.8	6.9	43.8
No plans	76.2	74.0	(2.9)
TOTAL	100.0	100.0	—

TABLE 15

Business Acquisition / Merge Intentions – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SME's	Aug 2014 (N: 470)	Aug 2015 (N: 508)	Change (%)
Acquiring another business	—	—	—
Merging with another business	8.1	14.6	80.2
No plans	91.9	85.4	(7.1)
TOTAL	100.0	100.0	—

TABLE 16

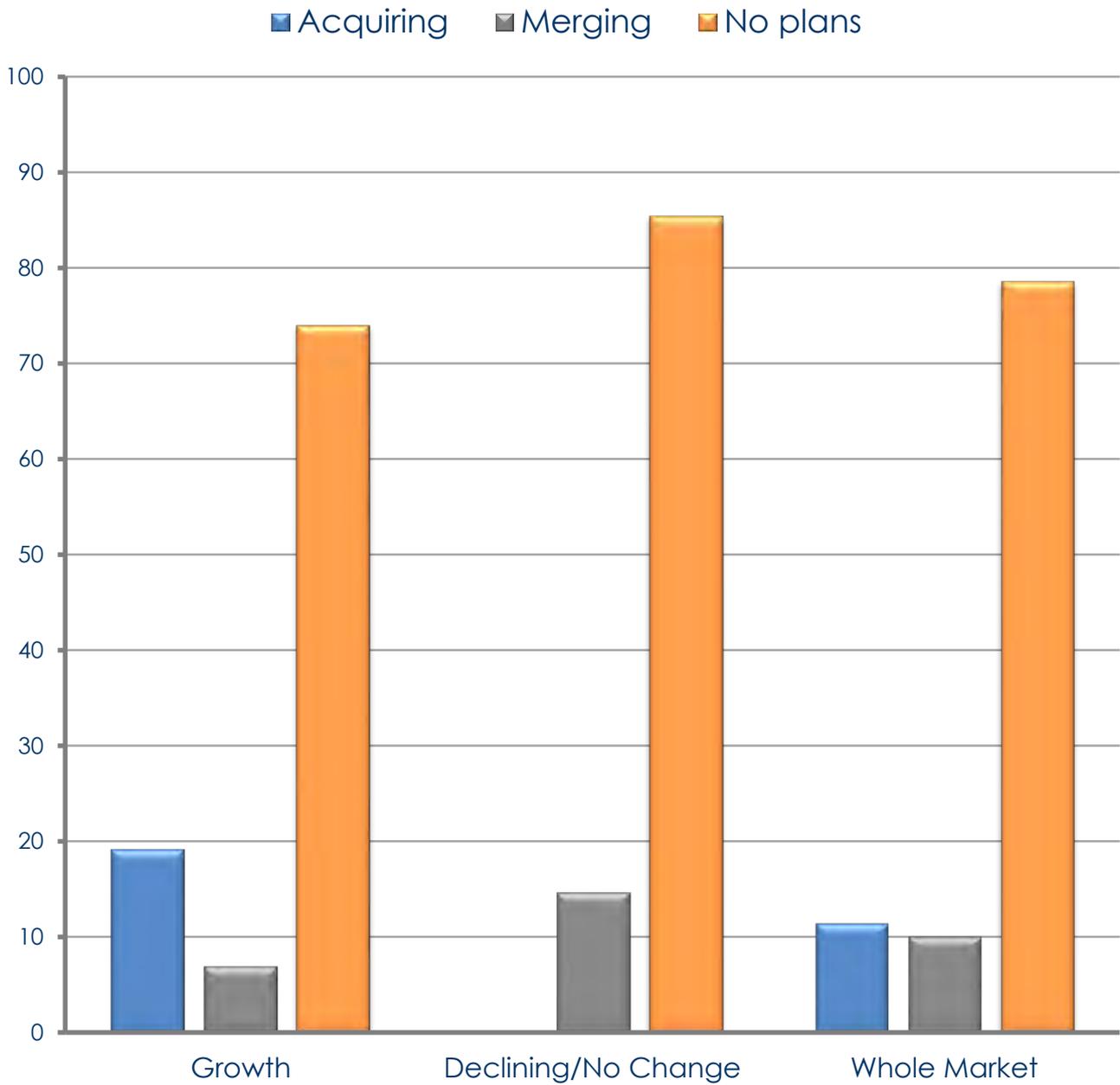
Business Acquisition / Merge Intentions – Whole SME Market

% of Total SMEs

Whole SME Market	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
Acquiring another business	11.9	11.4	(4.2)
Merging with another business	6.0	10.0	66.7
No plans	82.1	78.6	(4.3)
TOTAL	100.0	100.0	—

Note: no statistically significant variance by state or industry sector of SME

FIGURE 5
Business Acquisition / Merge Intentions – August 2015
 % of Total SMEs



If you are planning to invest in your business in the next six months, how are you planning to fund that growth?

TABLE 17

Funding Plans for Business Investment – Growth SMEs

% of Total SMEs

Growth SME's	Aug 2014 (N: 662)	Aug 2015 (N: 641)	Change (%)
Borrowing from my main relationship bank	40.2	36.3	(9.7)
Borrow from another bank or a specialist non-bank lender	11.2	15.1	34.8
Other forms of debt	2.0	1.9	(5.0)
Own funds	83.8	90.5	8.0
New equity	11.0	10.1	(8.2)

TABLE 18

Funding Plans for Business Investment – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SME's	Aug 2014 (N: 72)	Aug 2015 (N: 55)	Change (%)
Borrowing from my main relationship bank	22.2	21.8	(1.8)
Borrow from another bank or a specialist non-bank lender	6.9	18.2	163.8
Other forms of debt	6.9	10.9	58.0
Own funds	55.6	76.4	37.4
New equity	8.3	7.3	(12.0)

TABLE 19

Funding Plans for Business Investment – Whole SME Market

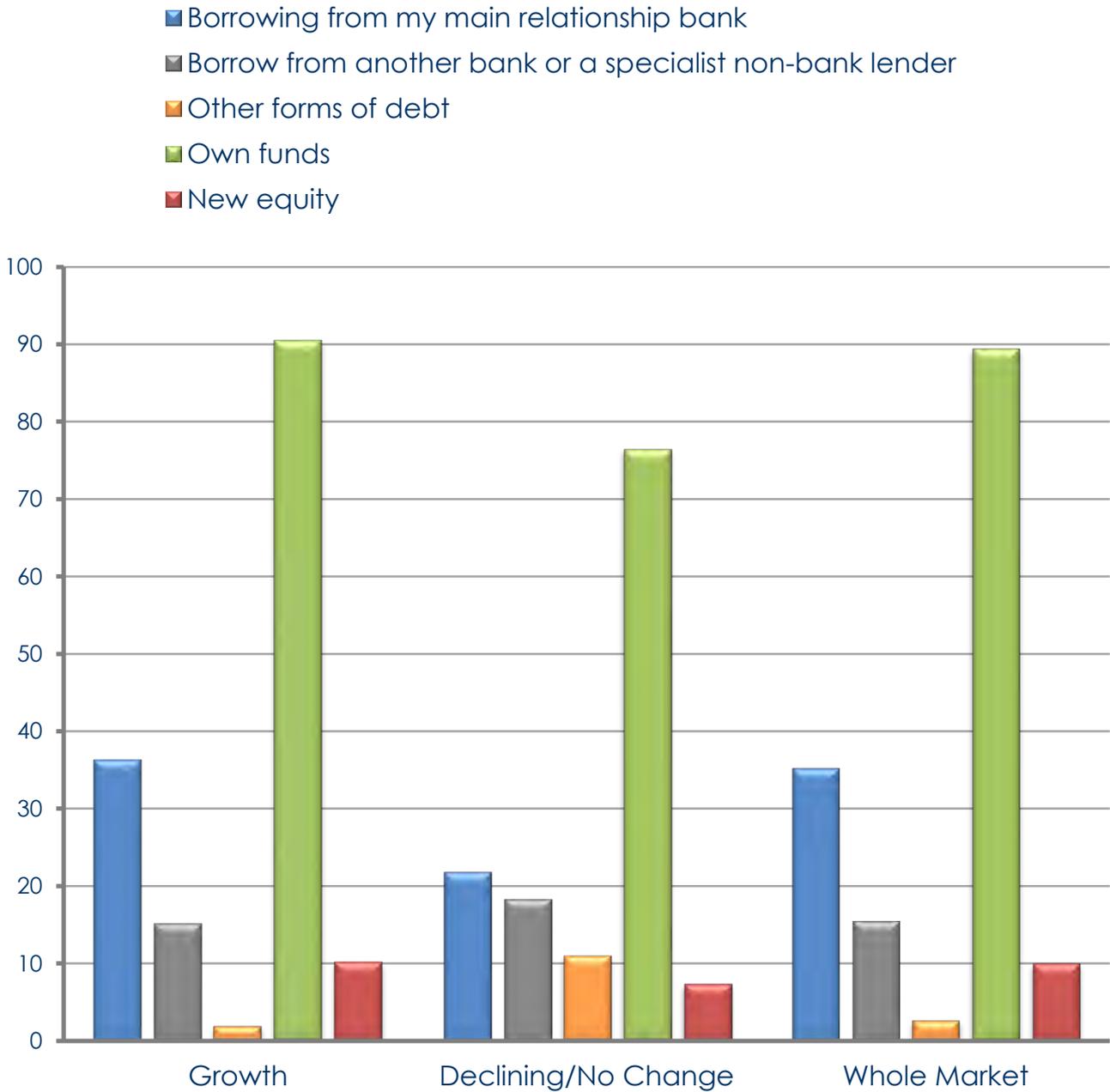
% of Total SMEs

Whole SME Market	Aug 2014 (N: 734)	Aug 2015 (N: 696)	Change (%)
Borrowing from my main relationship bank	38.4	35.2	(8.3)
Borrow from another bank or a specialist non-bank lender	10.8	15.4	42.6
Other forms of debt	2.5	2.6	4.0
Own funds	81.1	89.4	10.2
New equity	10.8	9.9	(8.3)

Note: no statistically significant variance by state, industry sector or primary working capital provider

Note: sums to over 100 percent due to multiple responding allowed

FIGURE 6
Funding Plans for Business Investment – August 2015
 % of Total SMEs



What are the key drivers behind your business growth?

TABLE 20

Drivers of Business Growth

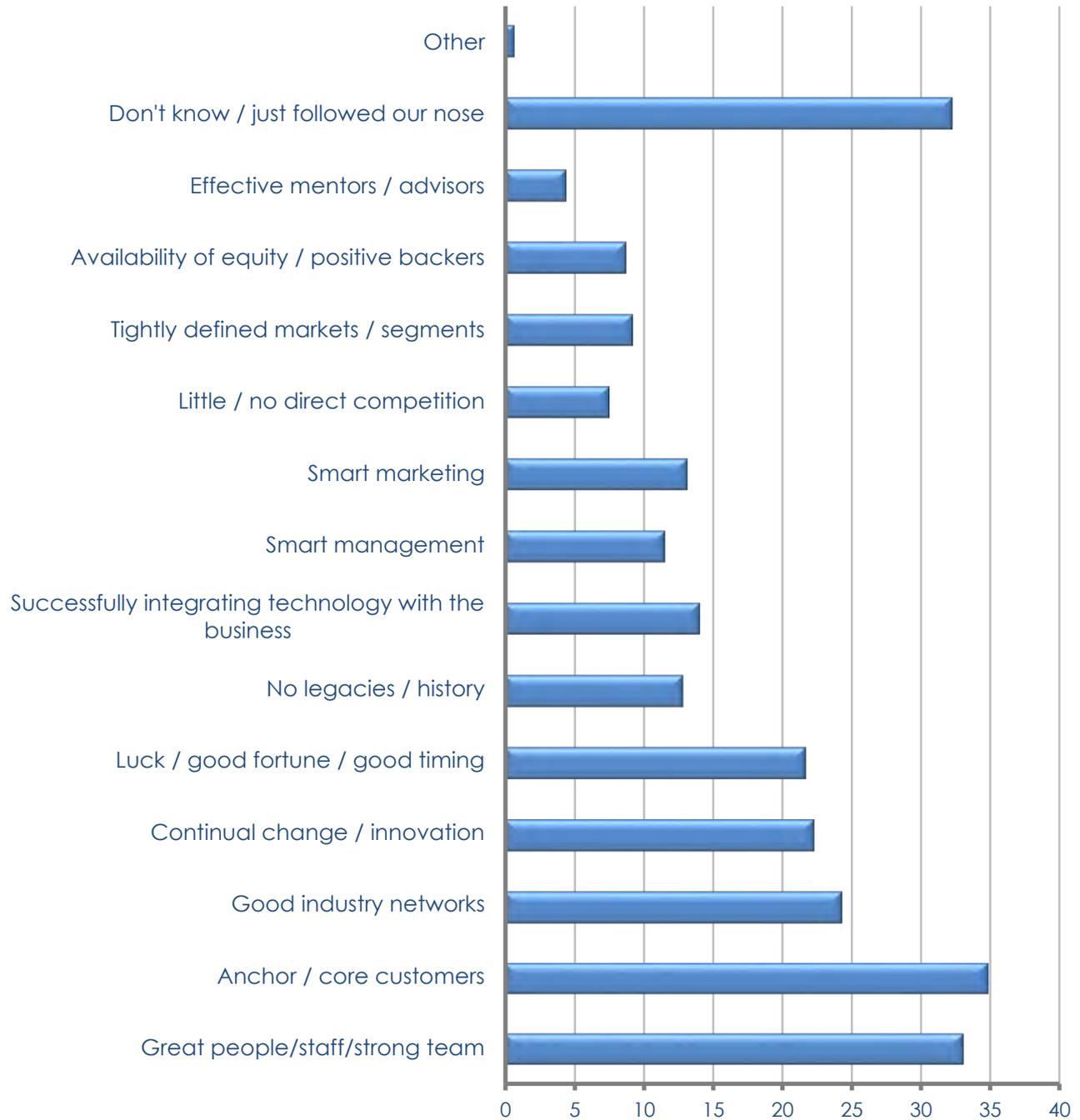
% of Growth SMEs

	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
Great people/staff/strong team	33.8	33.0	(2.4)
Anchor / core customers	31.0	34.8	12.3
Good industry networks	23.0	24.2	5.2
Continual change / innovation	19.1	22.2	16.2
Luck / good fortune / good timing	17.8	21.6	21.3
No legacies / history	14.4	12.8	(11.1)
Successfully integrating technology with the business	12.3	14.0	13.8
Smart management	12.2	11.5	(5.7)
Smart marketing	11.2	13.1	17.0
Little / no direct competition	8.6	7.5	(12.8)
Tightly defined markets / segments	7.5	9.2	22.7
Availability of equity / positive backers	6.6	8.7	31.8
Effective mentors / advisors	5.2	4.4	(15.4)
Don't know / just followed our nose	28.2	32.2	14.2
Other	0.8	0.7	(12.5)

Note: sums to over 100 percent due to multiple responding allowed

Note: the question was confined to SMEs self-reporting as growth businesses

FIGURE 7
Drivers of Business Growth – August 2015
% of Growth SMEs



What do you see as the key barriers to business growth?

TABLE 21

Barriers to Business Growth – Growth SMEs

% of Total

Growth SME's	Aug 2014 (N: 787)	Aug 2015 (N: 749)	Change (%)
High / multiple taxes	52.6	59.8	13.7
Conditions of credit	51.3	58.7	14.4
Availability of credit	41.4	48.3	16.7
Red tape / regulatory change / imposts	49.3	54.3	10.1
Cash flow / its security	46.9	50.7	8.1
Government policies / business unfriendly	26.4	29.6	12.1
No real private / friendly equity funding available	20.2	19.0	(5.9)
Margin compression	16.0	16.4	2.5
Offshore competition	10.4	9.7	(6.7)
Quality of available talent / human resources	14.1	12.8	(9.2)
Cost of credit	9.0	9.2	2.2
Other	1.4	1.1	(21.4)
None	13.2	11.7	(11.4)

TABLE 22

Barriers to Business Growth – Declining / No Change SMEs

% of Total

Growth SME's	Aug 2014 (N: 470)	Aug 2015 (N: 508)	Change (%)
High / multiple taxes	77.9	81.5	4.6
Conditions of credit	77.7	76.8	(1.2)
Availability of credit	67.0	67.9	1.3
Red tape / regulatory change / imposts	19.1	20.3	6.3
Cash flow / its security	16.2	19.5	20.4
Government policies / business unfriendly	30.9	33.1	7.1
No real private / friendly equity funding available	35.7	30.5	(14.6)
Margin compression	40.4	34.3	(15.1)
Offshore competition	28.3	24.8	(12.4)
Quality of available talent / human resources	4.3	2.6	(39.5)
Cost of credit	7.0	8.9	27.1
Other	1.3	1.2	(7.7)
None	4.7	3.3	(29.8)

TABLE 23

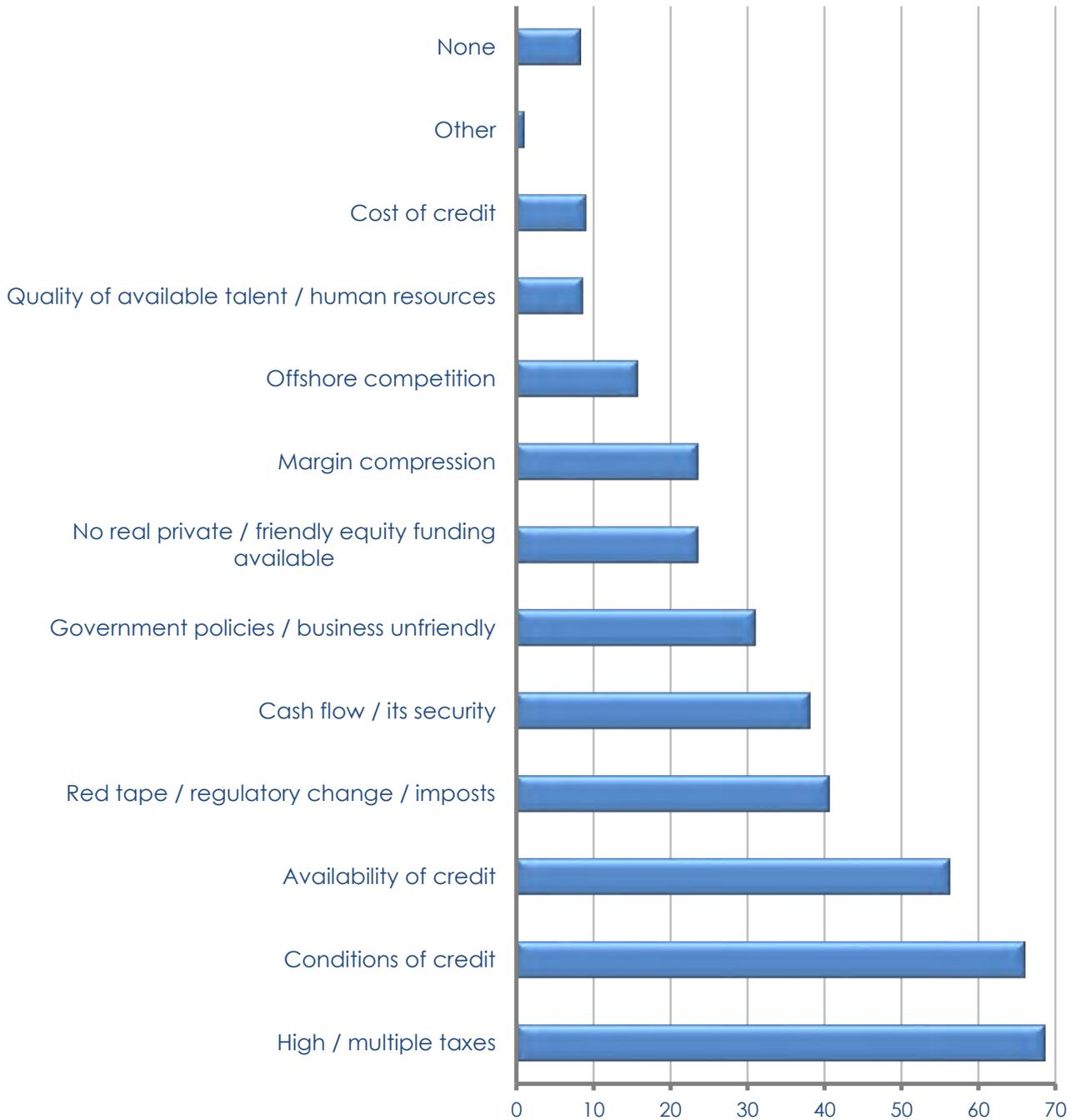
Barriers to Business Growth – Whole SME Market

% of Total

Growth SMEs	Aug 2014 (N: 1257)	Aug 2015 (N: 1257)	Change (%)
High / multiple taxes	62.1	68.6	10.5
Conditions of credit	61.2	66.0	7.8
Availability of credit	51.0	56.2	10.2
Red tape / regulatory change / imposts	38.0	40.6	6.8
Cash flow / its security	35.4	38.1	7.6
Government policies / business unfriendly	28.1	31.0	10.3
No real private / friendly equity funding available	26.0	23.6	(9.2)
Margin compression	25.1	23.6	(6.0)
Offshore competition	17.1	15.8	(7.6)
Quality of available talent / human resources	10.4	8.7	(16.3)
Cost of credit	8.3	9.1	9.6
Other	1.4	1.1	(21.4)
None	10.0	8.4	(16.0)

Note: sums to over 100 percent due to multiple responding allowed

FIGURE 8
Barriers to Business Growth – Whole SME Market August 2015
 % of Total SMEs



Special Question Results

Scottish Pacific SME Growth Index

September 2015

When reviewing your existing borrowing requirements or deciding on new providers, do you seek specific assistance from other parties?

TABLE 24

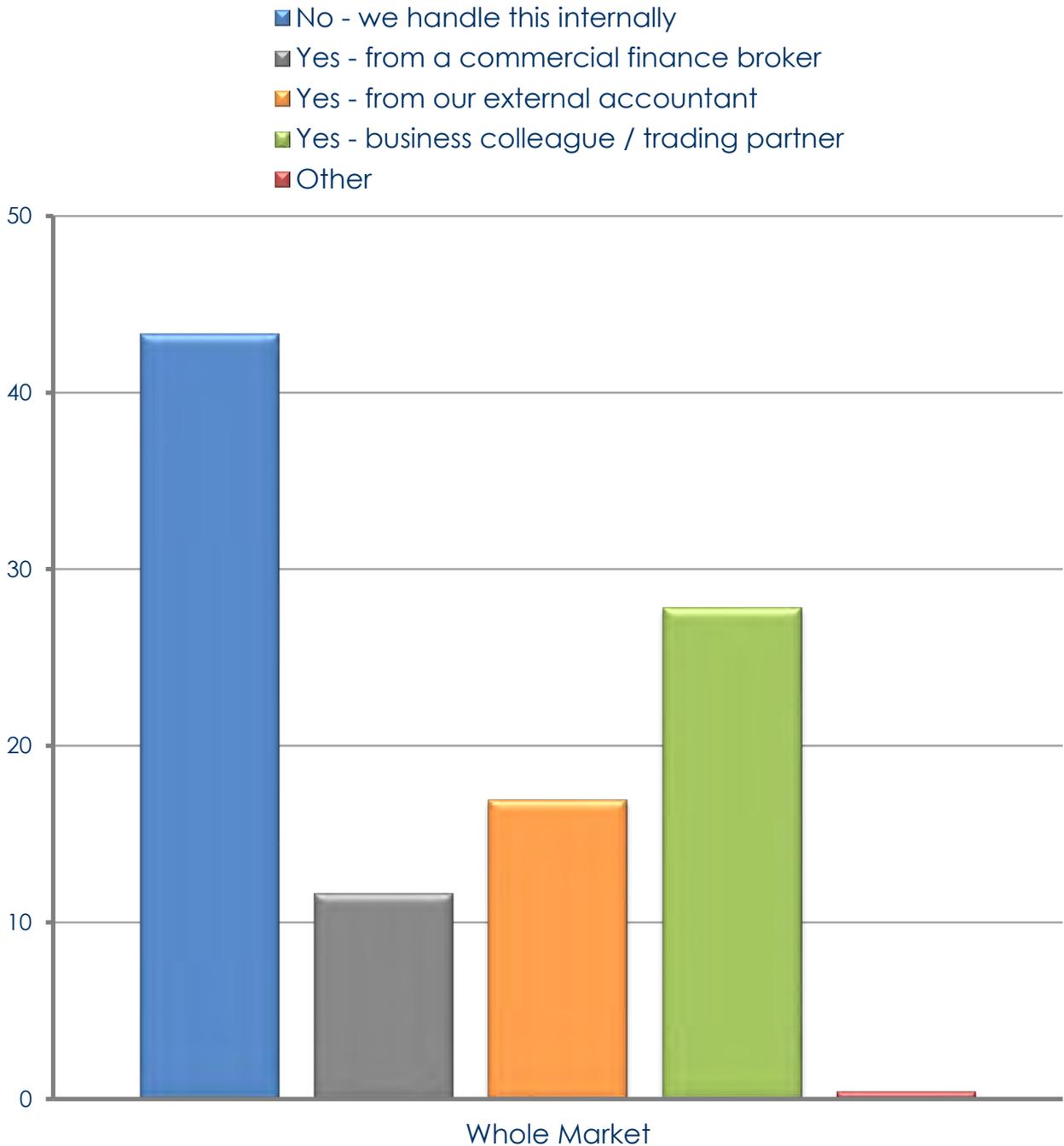
3rd Party Assistance for Reviewing Providers

% of Total SMEs

	Whole SME Market (N: 1257)
No - we handle this internally	43.3
Yes - from a commercial finance broker	11.6
Yes - from our external accountant	16.9
Yes - business colleague / trading partner	27.8
Other	0.4
TOTAL	100.0

Note: no statistically significant variance by state, industry sector or primary working capital provider or "growth" / "no change/Declining" SME Segment

FIGURE 9
3rd Party Assistance for Reviewing Providers
 % of Total SMEs



When deciding on new providers or reviewing your existing business borrowing requirements, do you seek to:

TABLE 25

New Provider Review Methods

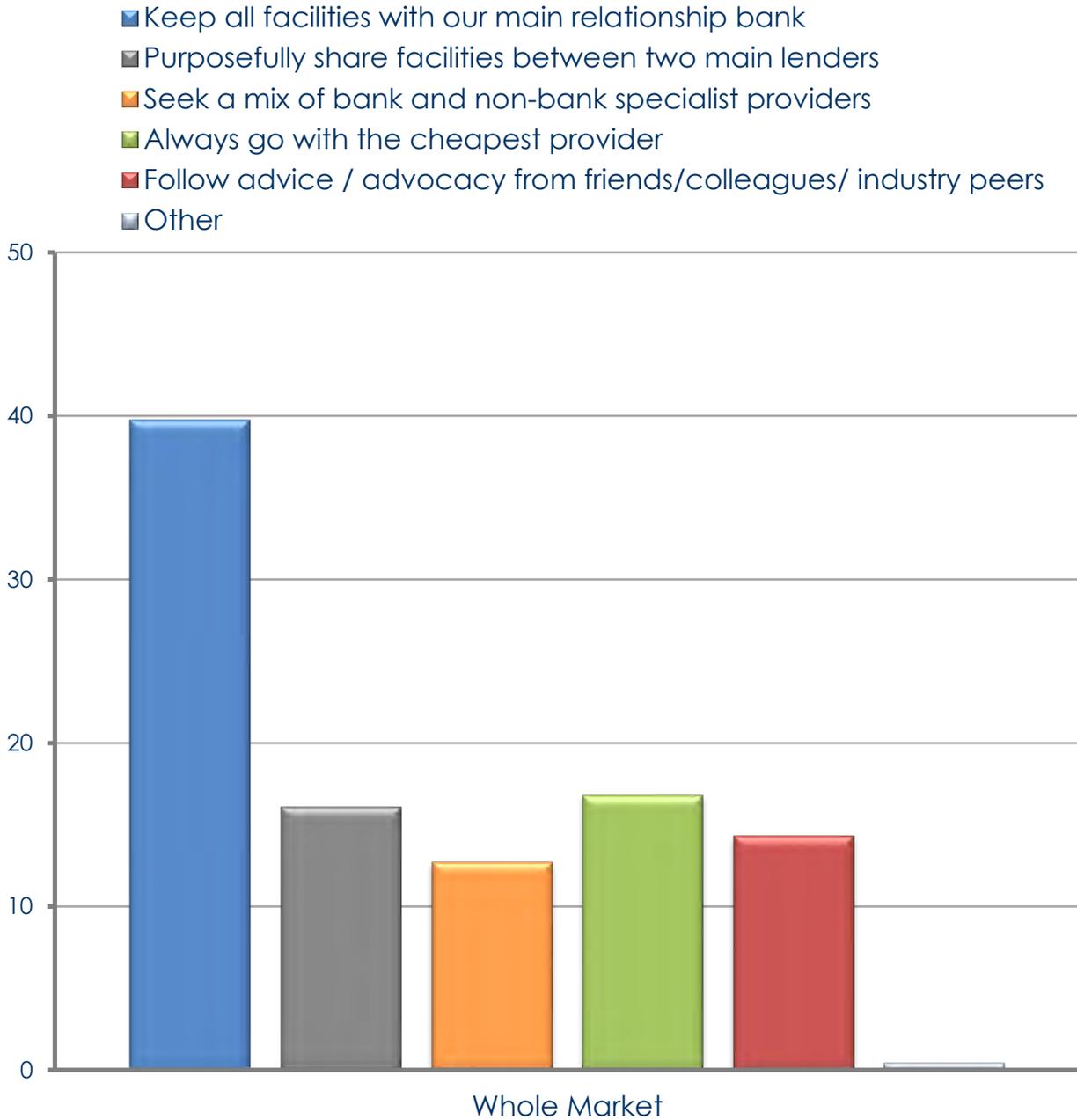
% of Total SMEs

	Whole Market (N: 1257)
Keep all facilities with our main relationship bank	39.7
Purposefully share facilities between two main lenders	16.1
Seek a mix of bank and non-bank specialist providers	12.7
Always go with the cheapest provider	16.8
Follow advice / advocacy from friends/colleagues/ industry peers	14.3
Other	0.4
TOTAL	100.0

Note: no statistically significant variance by state, industry sector, primary working capital provider or "growth" / "no change/declining" SME segment

Note: sums to over 100 percent due to multiple responding allowed

FIGURE 10
New Provider Review Methods
 % of Total SMEs



What triggers you to seek a new credit provider or review your existing business lending requirements?

TABLE 26

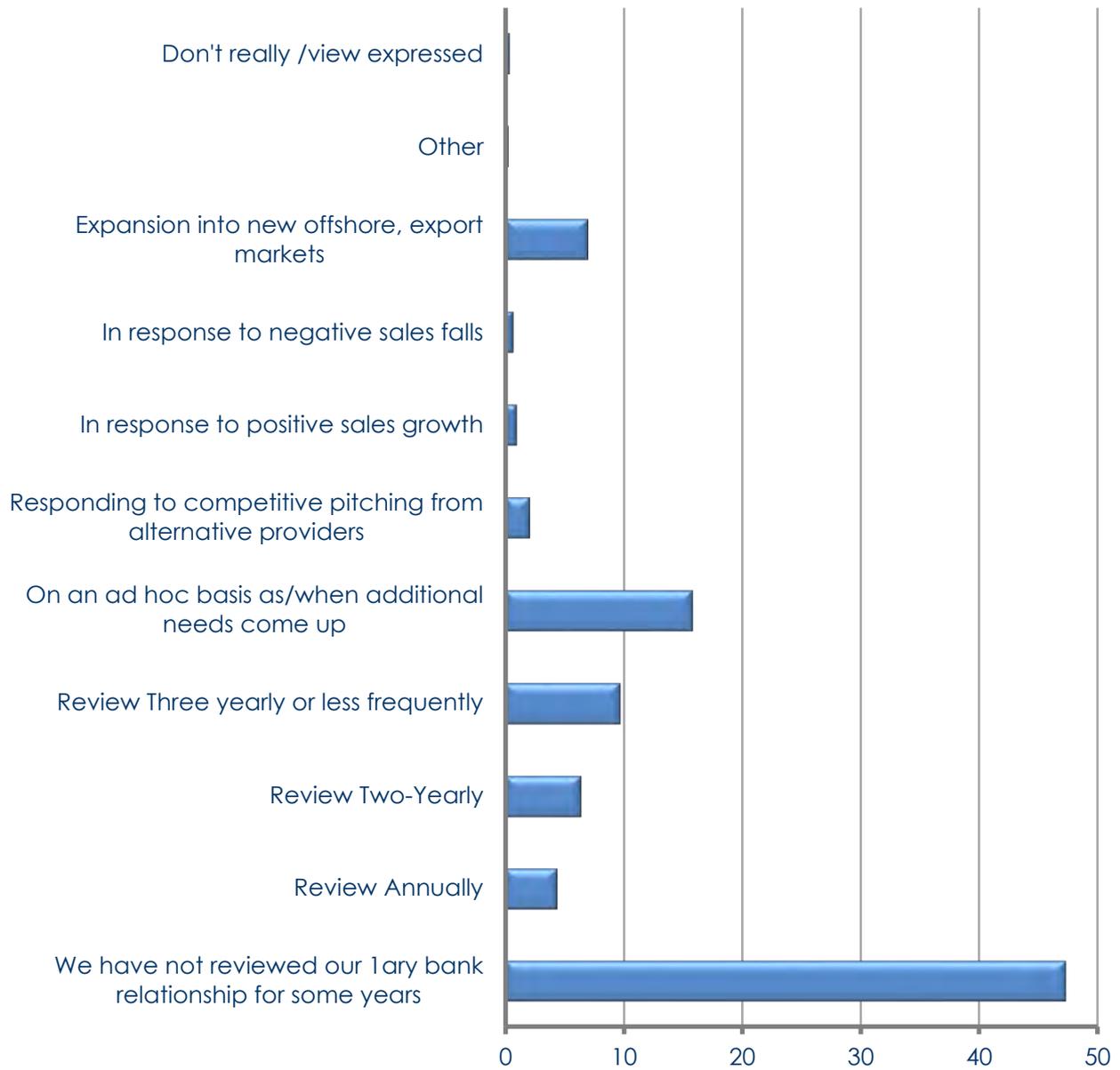
Triggers to Review/Seek a New Provider

% of Total SMEs

	Whole Market (N: 1257)
We have not reviewed our primary bank relationship for some years	47.3
We review our relationship on a regular basis...	
Annually	4.4
Two-Yearly	6.4
Three yearly or less frequently	9.7
On an ad hoc basis as/when additional needs come up	15.8
Always on the radar screen to ensure best credit facilities fit with us	4.8
Responding to competitive pitching from alternative providers	2.1
In response to positive sales growth	1.0
In response to negative sales falls	0.7
Expansion into new offshore, export markets	7.0
Other	0.3
Don't really /view expressed	0.4
TOTAL	100.0

Note: no statistically significant variance by state, industry sector, primary working capital provider or "growth" / "no change/declining" SME segment

FIGURE 11
Triggers to Review/Seek a New Provider
 % of Total SMEs



Appendix I

Methodology and Interviewee Questionnaire

Scottish Pacific SME Growth Index

September 2015

Methodology

East & Partners interviewed 1,257 SME businesses with annual revenues of between A\$1-20 million executed over a four week period ending 30 July 2015.

All interviews were conducted over the telephone or face-to-face by an accredited East interviewer, speaking with the company CEO, CFO or treasurer as represented in Table B below.

The sample was framed in according with ANZSIC codes to provide a natural sample of the Australian enterprise population, with state and sector demographics outlined in Tables A and C.

All interviews followed the structured interview questionnaire included at the conclusion of this report.

TABLE A
Geographical Distribution
% of Total

	Aug 2015 (N: 1257)
NSW & ACT	38.9
VIC & TAS	23.8
QLD	17.9
WA	13.3
Other	6.1
TOTAL	100.0

TABLE B
Interviewee Distribution
% of Total

	Aug 2015 (N: 1257)
Business Owner / CEO	59.6
CFO	22.2
Finance Director	8.7
Treasurer	2.4
Other	7.2
TOTAL	100.0

TABLE C
Sample Industry Sector Distribution
% of Total

	Aug 2015 (N: 1257)
Agriculture, Forestry, Fishing	5.6
Mining & Resources	8.2
Manufacturing	18.5
Electricity, Gas & Water	1.0
Construction	8.8
Wholesale	8.9
Retail	12.3
Accommodation, Cafes & Restaurants	2.7
Transport & Storage	7.3
Media & Telco	1.0
Finance & Insurance (non-banks)	4.5
Property & Business Services	12.1
Personal & Other Services	9.0
TOTAL	100.0

TABLE D
Age of Business
Years

	Aug 2015 (N: 1257)
Average number of years in business	9.1

TABLE E
Headcount of Business
Full Time Employees

	Aug 2015 (N: 1257)
Average FTE in Business	84.0

TABLE F
Primary Working Capital Provider
 % of Total

	Aug 2015 (N: 1257)	Relationship Age (Average Years)
ANZ	12.2	6.4
BankWest	5.4	5.5
Bendigo Adelaide Bank	1.0	8.3
BoQ	3.5	7.2
CBA	17.4	6.3
Citigroup	0.4	8.5
HSBC	0.7	3.7
NAB	30.8	8.2
St George	7.3	7.6
Suncorp	3.8	4.7
Westpac	14.7	6.2
Other	2.7	5.9
TOTAL	100.0	6.6

TABLE G
Secondary Working Capital Provider
 % of Total

	Aug 2015 (N: 1257)
ANZ	7.9
BankWest	5.3
Bendigo Adelaide Bank	1.0
BoQ	4.0
CBA	14.7
Citigroup	0.9
HSBC	1.8
NAB	15.0
St George	7.6
Suncorp	3.7
Westpac	11.5
Other	3.9
None	22.8
TOTAL	100.0

Scottish Pacific SME Growth Index

(A\$1 – 20 million turnover accounts)

Interview Questionnaire

Organisation.....

Mailing Address

.....

Phone Fax.....

Interviewee.....

Title

Email

Website

Principal Industry Sector (ANZSIC).....

Current Annual Turnover.....

Number of Full Time Staff

Year Business Established.....

Primary Working Capital Provider

Length of Relationship (years)

Secondary Working Capital Provider.....

Core Questions

- 1 Please forecast the percentage change in your business revenues – either negative or positive - over the next six months:

.....

- 2 Which of these descriptions best describes the phase your business is currently in:

- Start-up
- Growth
- Stable
- Consolidation
- Contracting

- 3 Are you planning to introduce any new products or services in the next six months?

- New Products
- New Services
- New Products and Services
- No plans

- 4 Are you planning to expand your business geographically in the next six months, either domestically or overseas?

- Domestic geographic business expansion
- Overseas geographic business expansion
- Overseas and domestic geographic expansion
- No plans

5 Are you planning to acquire another business or merge with another business in the next six months?

- Acquiring another business
- Merging with another business
- No plans

6 If you are planning to invest in your business in the next six months, how are you planning to fund that growth?

- Borrowing from my main relationship bank
- Borrow from another bank or a specialist non-bank lender
- Other forms of debt
- Own funds
- New equity

7 What are the key drivers behind your business growth?

.....

8 What do you see as the key barriers to business growth?

.....

Special Questions Round Three

- 9 When reviewing your existing borrowing requirements or deciding on new providers, do you seek specific assistance from other parties?
- No – We handle this internally
 - Yes – from a commercial finance broker
 - Yes – from our external accountant
 - Yes – Business Colleague / trading partner
 - Other
- 10 When deciding on new providers or reviewing your existing business borrowing requirements, do you seek to:
- (Multiple Responses Required)*
- Keep all facilities with our main relationship bank
 - Purposefully share facilities between two main lenders
 - Seek a mix of bank and non-bank specialist providers
 - Always go with the cheapest provider
 - Follow advice / advocacy from friends/colleagues/industry peers
 - Other
- 11 What triggers you to seek a new credit provider or review your existing business lending requirements?
- We have not reviewed our primary bank relationship for some years
 - Regularly Review - Annually
 - Regularly Review – Two-Yearly
 - Regularly Review – Three Yearly or less frequently
 - On an ad-hoc basis as/when additional needs come up
 - Always on the radar screen to ensure best credit facilities fit with us
 - Responding to competitive pitching from alternative providers
 - In response to positive sales growth
 - In response to negative sales fails
 - Expansion into new offshore, export markets
 - Other
 - Don't really / view expressed

Thank you for your participation and valuable input to this ongoing research program. We look forward to further involvement as this research program continues.



Established in 1988, Scottish Pacific Business Finance is Australia and New Zealand's largest specialist provider of working capital solutions with a comprehensive range of debtor finance and trade finance solutions. Scottish Pacific handles more than \$6 billion of invoices each year, providing funding lines exceeding \$500 million, and has full operations centres in Sydney, Melbourne, Perth, Brisbane, Auckland and China. Scottish Pacific was awarded the 2014 and 2015 Best Cash Flow Lender by broker publication The Adviser, as voted by brokers, in their annual Non-Bank Lending Awards.

Clients are predominantly Small and Medium Sized Enterprises (SMEs) which require more personalised facilities that best suit their individual needs, and therefore find it difficult to obtain appropriate funding from their main banking providers. As a specialist provider of working capital, Scottish Pacific is well placed to understand the needs and the sentiment of SME businesses, and the Scottish Pacific SME Growth Index is a response to the firm's unique position in the market, and its growing status as a market leader.

The purpose of the Index is three-fold:

- To drive development of the financial solutions available to SMEs throughout Australia and New Zealand, by providing Scottish Pacific with market intelligence to deepen our understanding of SMEs' needs.
- To provide Scottish Pacific with the data to help us act as advocates for SMEs, and as thought leaders within the business finance community.
- To share our insights with the broad SME community - the lifeblood of business in Australia - and with fellow business finance professionals.

East & Partners interviewed 1,257 SME businesses with annual revenues of between \$1-20 million in July 2015. 82 percent of respondents were SME business owners, CEOs or CFOs. The next Index will be released in March 2016.

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