



scottish pacific
BUSINESS FINANCE



east&partners



Scottish Pacific SME Growth Index

September 2016





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Executive Summary

The latest *Scottish Pacific SME Growth Index* polled 1200 of Australia's small to medium enterprise (SME) owners and leaders at an interesting time – July and August 2016, in the weeks during and after the Federal Election hiatus and UK 'Brexit' referendum.

Since our first edition in September 2014, the biannual *SME Growth Index* has highlighted the resilience of Australian business owners, however their confidence has clearly taken a hit as indicated by growth forecasts and overall sentiment for the remainder of 2016.

Almost one in four SME owners are predicting revenue to decline over the next six months. This figure has almost doubled in the past two years, while at the same time for those predicting revenue increases there has been a halving of growth forecasts.

Respondents nominate cash flow as the most stressful element of business. When paired with the credit conditions SME owners cite as a key barrier to growth, it is clear that the current environment is placing considerable pressure on Australia's small to medium business community.

Since September 2014 there has been a steady increase in SMEs who are looking to borrow from specialist non-bank lenders. This round, one in five owners indicated that they planned to fund their growth using a specialist non-bank lender, an almost 30 percent increase from last year.

Finding the right funding to grow is crucial, especially with the special questions in this round of the Index highlighting that cash flow is the concern keeping 72.5 percent of respondents awake at night.

Despite working on average 50 – 80 hours per week or more, SME owners say they simply don't have enough time to get everything done. Digital technology, which was meant to improve efficiency and productivity, is thought by almost one in two SMEs to negatively impact on their work/life balance.

However it's not all doom and gloom. On a positive note, entrepreneurs are still keen to start their own business. The Index shows that one in ten SMEs are in start-up phase, a consistent figure over the past two years.

For governments, industry bodies and financial institutions who support the SME sector, it is a timely reminder of the importance of having the right regulations and financial and growth support systems in place for this important sector.

For SME owners and senior management, it is an opportune moment to assess their challenges and to look at how they might shake things up, whether it be in looking outside the banks to fund growth and take the pressure off cash flow challenges, or whether it is in making time for their mental health and a balanced life outside their business.

Peter Langham
CEO
Scottish Pacific



Key Index Insights

Business confidence dips

- Round Five of the Scottish Pacific SME Growth Index reveals the largest round-on-round and year-on-year percentage changes since Index reporting began in August 2014. There has been significant variance in enterprise revenue growth forecasts, growth drivers, pain points and business investment preferences.
- Almost one in four Australian small to medium sized enterprises (24.2 percent) expect business revenues to decline in the next six months. This figure was only 16.8 percent in August 2015 and has almost doubled in the past two years from a figure of 13.2 percent in August 2014.
- Compounding the distinct lift in negative sentiment, and disappointing revenue growth prospects outlined by SMEs, the average revenue change forecast for positive growth SMEs has halved since August 2014 from 8.6 percent to 4.0 percent.
- For the first time, 'Positive Growth' SMEs (48.4 percent) are outnumbered by SMEs forecasting 'Negative Growth' or 'No Change' (51.6 percent).
- Market wide, the average enterprise revenue change forecast has fallen sharply in the last two years, from 4.9 percent to 0.8 percent growth. Importantly, the majority of the decline was experienced in the past year, sliding from 3.9 percent to 0.8 percent.

Cash flow issues keeping SME owners up at night

- Cash flow is nominated as the most stressful element of being an SME business owner or senior manager. When paired with the fact that SME owners cite credit conditions as a key barrier to business growth, it is clear that the current business environment is placing considerable pressure on Australia's small to medium business community.
- Time management is cited as a major issue by more than half the respondents (55.2 percent) - the majority of owners and managers feel that they do not have enough hours in the day to do what is required for their business.
- Customers and suppliers also keep management awake at night, but not to the same extent as cash flow and time management (39.0 percent) while the threat of disrupters (17.3 percent) and managing staff (13.3 percent) are less frequent causes of businesses anxiety.

SME owners putting in long hours

- 43.7 percent of SMEs spend 60 – 80 hours a week working on their business, equating to 12+ hour days if working six days a week. This average rises to 16 hour days for a standard five day week.
- 88.8 percent of SMEs work more than 50 hours a week on average.
- The figures confirm anecdotal evidence that business owners, CFOs and corporate treasurers are prevented from 'switching off' and remain heavily invested in running their firms.

Technology – a double edged sword for SMEs

- Almost half of SMEs (44.6 percent) believe mobile and digital technology has had a negative impact on their work/life balance. Given the amount of time SME owners have indicated that they put into their business, it likely that technology makes it harder for them to switch off.
- 39.7 percent of survey respondents did not nominate any impact from technology encroaching on out-of-office hours and weekends.
- Only 15.7 percent of small businesses believe that mobile/digital technology provides the opportunity for better work hours or flexible working conditions.

Innovation stalls as new products and services put on hold

- SMEs are increasingly placing new product and service plans on hold, awaiting trading conditions and customer demand to improve. 48.9 percent of SMEs report no plans to introduce new products or services during the second half of 2016, representing a significant increase in the past year from a proportion of only 33.7 percent in the September 2015 Index.
- One in ten growth SMEs (9.7 percent) plan to expand distribution overseas. A further 17.0 percent plan to expand both domestically and overseas while one in five (19.6 percent) are only looking domestically or interstate for new growth opportunities.

Increasing popularity of non-bank lending for small business

- One in three SMEs will review existing credit lines, refinance or add new debt facilities through their existing relationship bank (31.4 percent). NAB is nominated as the most prominent primary working capital provider (30.5 percent) ahead of CBA (17.8 percent), Westpac (15.0 percent) and ANZ (12.1 percent), representing overall Big Four lending market share of 75.4 percent (including subsidiaries increases this figure to 87.2 percent).
- Since the Index was launched in September 2014, there has been a steadily increasing number of SMEs who are looking to borrow from specialist non-bank lenders. One in five owners (19.6 percent) indicated in the September 2016 Index that they planned to fund their growth using a specialist non-bank lender – this was up from 15.1 percent in September 2015, almost a 30 percent increase.
- For SMEs in a consolidating or declining growth phase, 25.5 percent intended to borrow from a specialist non-bank, up from 18.2 percent a year ago and almost matching the 27.2 percent who intend to borrow from their main relationship bank.
- Among businesses planning to undertake capital expenditure, increase marketing budget, expand FTE or other business investments, the overwhelming majority intend to draw upon their own equity in the business (92.8 percent).

Key Growth Drivers and Main Barriers to Growth

- The number one driver behind SME business growth is anchor/core customers (39.8 percent). Great staff and a strong team remains in the top three reasons (36.6 percent), which is consistent with past rounds.
- The number of SMEs who could not nominate a key driver of business growth has increased since the last round of reporting and is the highest since the index began. 39.6 percent of SMEs state that they don't know/just followed their nose when asked about drivers of business growth, up from 28.2 percent in September 2014.
- Although SMEs cite high/duplicate taxes (66.7 percent), credit conditions (64.2 percent) and red tape/regulatory changes (60.4 percent) as their top three barriers to growth overall, significant disparity exists between barriers to growth among SMEs in different phases.

Other Insights

- The number of growth SMEs planning to merge with another business (11.4 percent) or acquire another business (20.3 percent) in the next six months is the highest since the index began.
- Since September 2014, the number of growth SMEs with intent to merge with another business has more than doubled from 4.8 percent to 11.4 percent. The trend towards higher M&A receptiveness is also evident among declining/no change SMEs.
- The proportion of declining/no change SMEs open to merging with another business has increased from 8.1 percent to 15.3 percent since August 2014. Overall, three quarters of SMEs (76.7 percent) exhibit no M&A plans in Q3 or Q4.

Index Results

Scottish Pacific SME Growth Index

September 2016

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 SMEs	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
% of Enterprises	59.6	48.4	(18.8)
Average Change Forecast	6.5	4.0	(38.5)
Range of Change Forecasts	2.9-7.8	1.5-5.6	—

TABLE 2

Forecast Changes in Enterprise Revenue – Negative Growth SMEs

Negative Decline SMEs	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
% of Enterprises	16.8	24.2	44.0
Average Change Forecast	4.6	5.7	23.9
Range of Change Forecasts	3.3-9.0	4.0-12.2	—

TABLE 3

Forecast Changes in Enterprise Revenue – No Change SMEs

No Change SMEs	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
% of Enterprises	23.6	27.3	15.7
Average Change Forecast	—	—	—
Range of Change Forecasts	—	—	—

TABLE 4

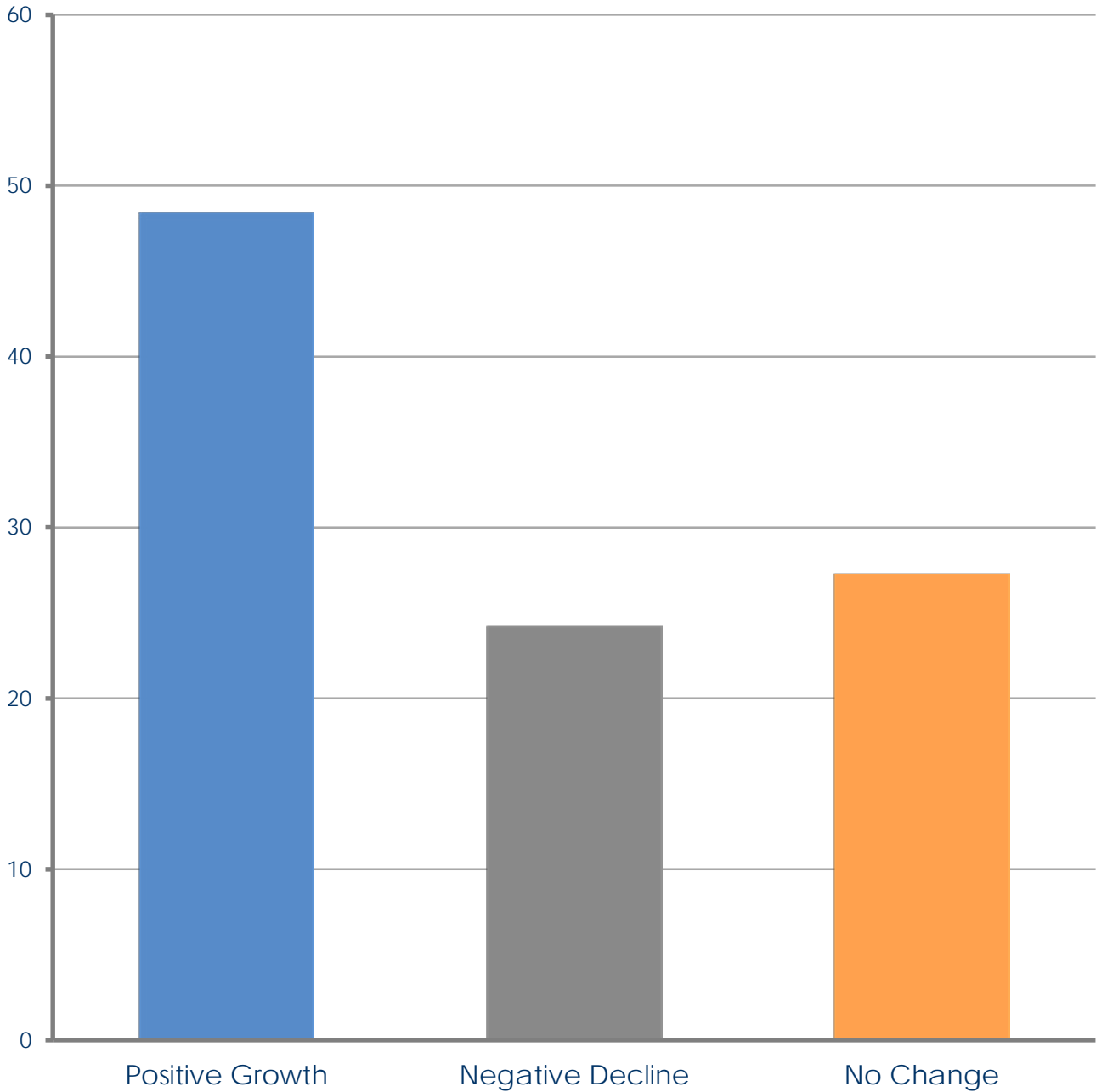
Forecast Changes in Enterprise Revenue – Whole SME Market

Whole SME Market	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
% of Enterprises	100.0	100.0	—
Average Change Forecast	3.9	0.8	(79.5)
Range of Change Forecasts	2.9-9.0	1.5-12.2	—

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



FIGURE 1
Forecast Changes in Enterprise Revenue – August 2016
% 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 SMEs	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
Start-up	19.6	22.3	13.8
Growth	75.7	72.1	(4.8)
Stable	2.8	3.6	28.6
Consolidation	1.2	1.5	25.0
Contracting	0.7	0.5	(28.6)
TOTAL	100.0	100.0	—

TABLE 6
Perception of Own Business Phase – Declining / No Change SMEs
 % of Total SMEs

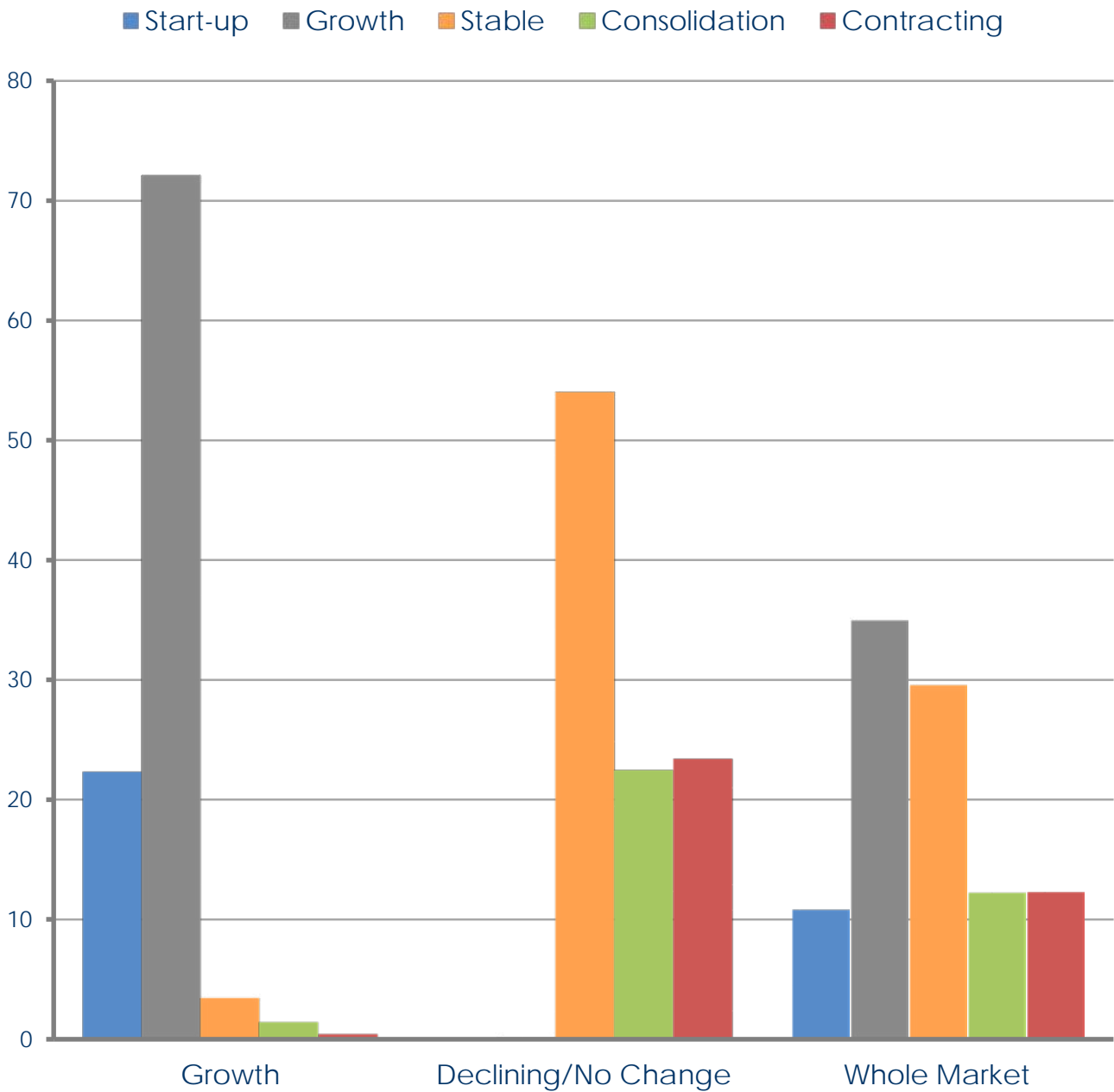
Declining / No Change SMEs	Aug 2015 (N:508)	Aug 2016 (N: 645)	Change (%)
Start-up	—	—	—
Growth	0.2	0.2	—
Stable	63.6	54.0	(15.1)
Consolidation	12.2	22.5	84.4
Contracting	24.0	23.4	(2.5)
TOTAL	100.0	100.0	—

TABLE 7
Perception of Own Business Phase – Total SME Market
 % of Total SMEs

Total SME Market	Aug 2015 (N:1257)	Aug 2016 (N: 1251)	Change (%)
Start-up	11.7	10.8	(7.7)
Growth	45.2	35.0	(22.6)
Stable	27.4	29.6	8.0
Consolidation	5.6	12.3	119.6
Contracting	10.1	12.3	21.8
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 2016
% 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 SMEs	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
New products	32.0	33.3	4.1
New services	52.5	54.8	4.4
New products and new services	14.6	6.4	(56.2)
No plans	0.9	5.4	500.0
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 SMEs	Aug 2015 (N: 508)	Aug 2016 (N: 645)	Change (%)
New products	3.9	1.4	(64.1)
New services	7.5	5.6	(25.3)
New products and new services	6.7	3.3	(50.7)
No plans	81.9	89.8	9.6
TOTAL	100.0	100.0	—

TABLE 10

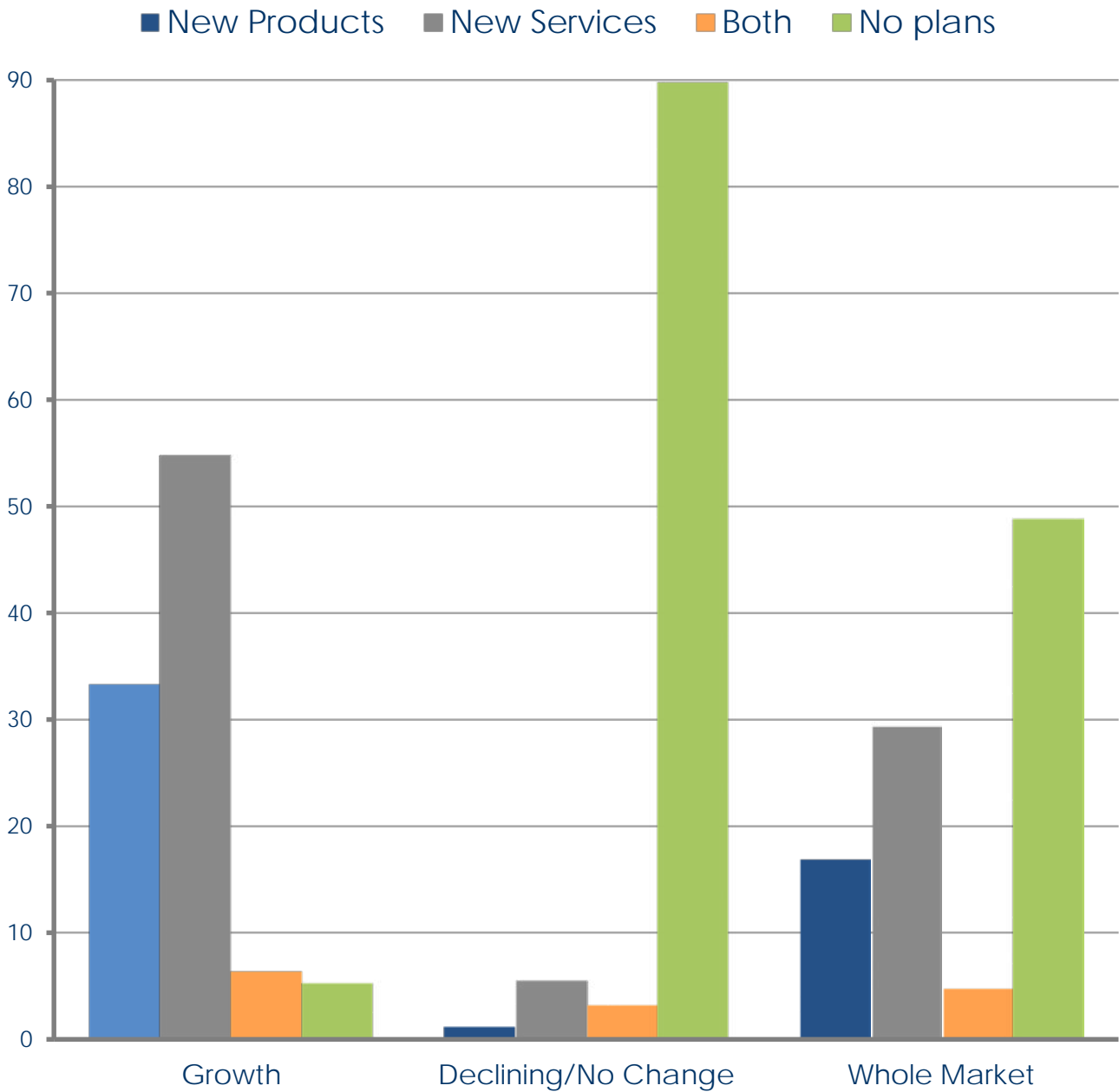
New Product / Service Plans in Next Six Months – Whole SME Market

% of Total SMEs

Whole SME Market	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
New products	20.7	16.9	(18.4)
New services	34.3	29.4	(14.3)
New products and new services	11.4	4.8	(57.9)
No plans	33.7	48.9	45.1
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 2016
% 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 SMEs	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
Domestic geographic expansion	18.2	19.6	7.7
Overseas geographic expansion	7.5	9.7	29.3
Both domestic and overseas expansion	13.2	17.0	28.8
No plans	61.1	53.6	(12.3)
TOTAL	100.0	100.0	—

TABLE 12

Geographical Expansion Intentions – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SMEs	Aug 2015 (N: 508)	Aug 2016 (N: 645)	Change (%)
Domestic geographic expansion	0.8	0.8	—
Overseas geographic expansion	0.2	0.3	50.0
Both domestic and overseas expansion	1.2	1.1	(8.3)
No plans	97.8	97.8	—
TOTAL	100.0	100.0	—

TABLE 13

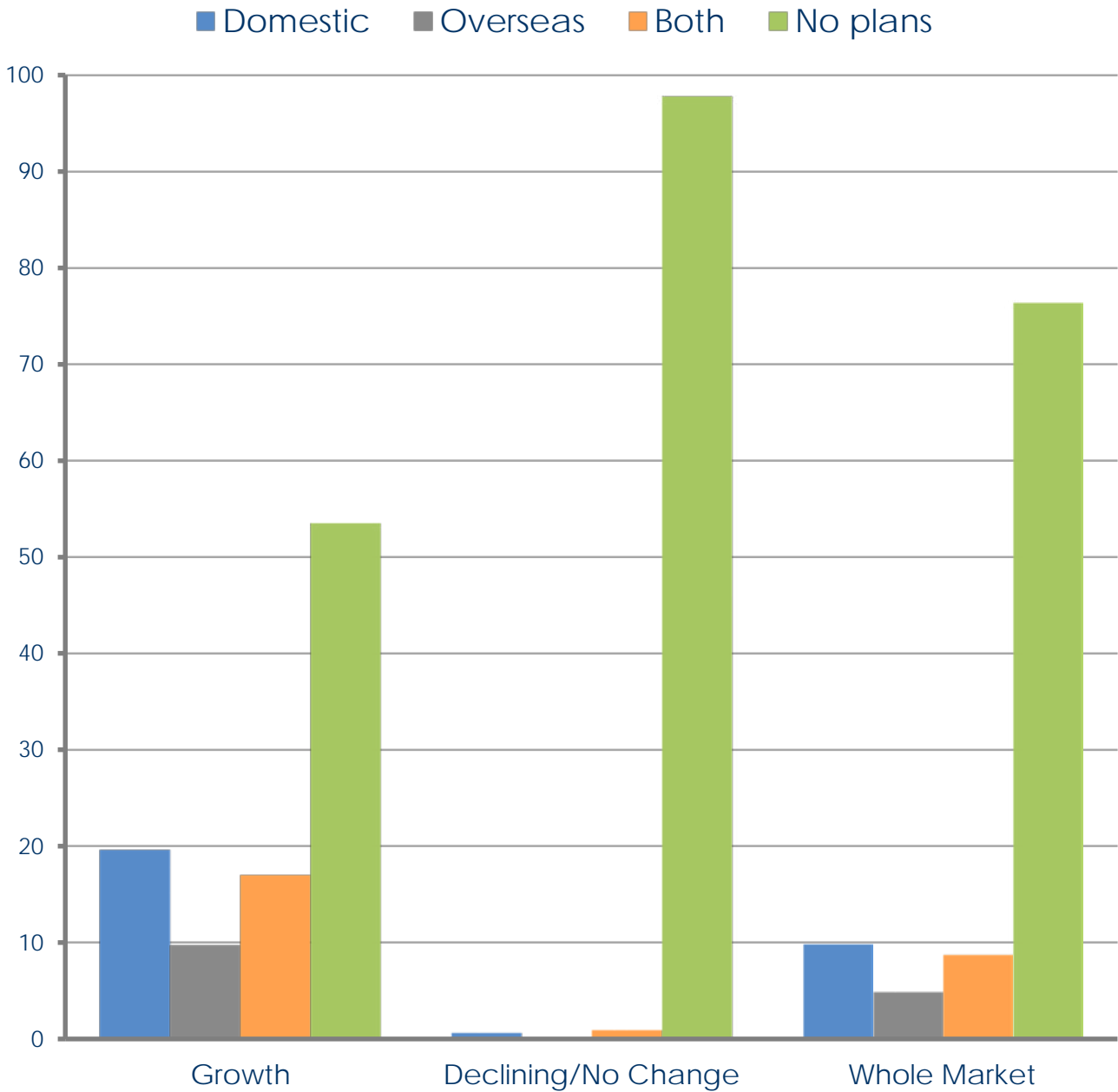
Geographical Expansion Intentions – Whole SME Market

% of Total SMEs

Whole SME Market	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
Domestic geographic expansion	11.1	9.9	(10.8)
Overseas geographic expansion	4.5	4.9	8.9
Both domestic and overseas expansion	8.4	8.8	4.8
No plans	76.0	76.4	0.5
TOTAL	100.0	100.0	—

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

FIGURE 4
Geographical Expansion Intentions – August 2016
% 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 SMEs	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
Acquiring another business	19.1	20.3	6.3
Merging with another business	6.9	11.4	65.2
No plans	74.0	68.3	(7.7)
TOTAL	100.0	100.0	—

TABLE 15
Business Acquisition / Merge Intentions – Declining / No Change SMEs
 % of Total SMEs

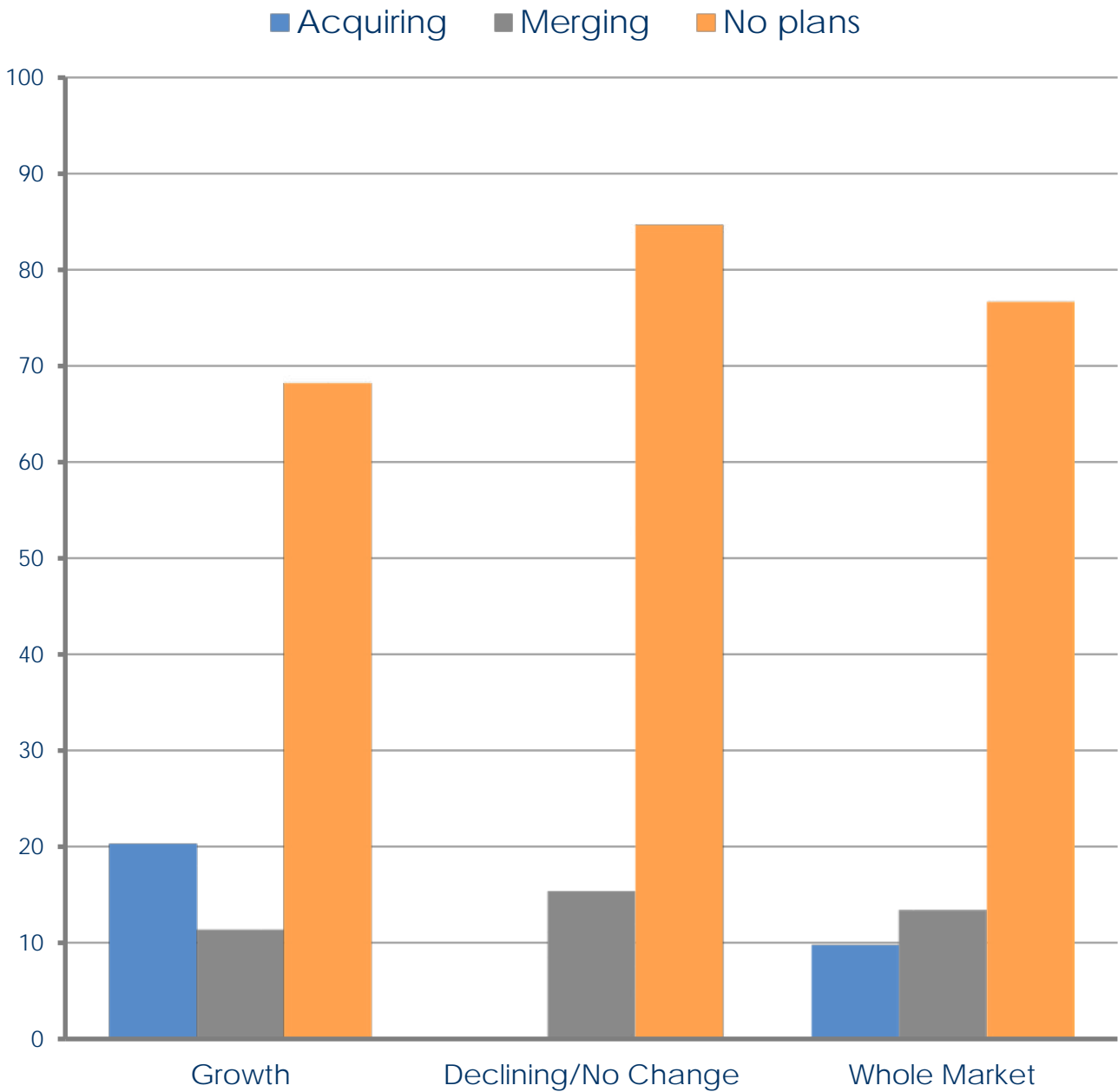
Declining/No Change SMEs	Aug 2015 (N: 508)	Aug 2016 (N: 645)	Change (%)
Acquiring another business	—	—	—
Merging with another business	14.6	15.3	4.8
No plans	85.4	84.7	(0.8)
TOTAL	100.0	100.0	—

TABLE 16
Business Acquisition / Merge Intentions – Whole SME Market
 % of Total SMEs

Whole SME Market	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
Acquiring another business	11.4	9.8	(14.0)
Merging with another business	10.0	13.4	34.0
No plans	78.6	76.7	(2.4)
TOTAL	100.0	100.0	—

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

FIGURE 5
Business Acquisition / Merge Intentions – August 2016
% 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 SMEs	Aug 2015 (N: 641)	Aug 2016 (N: 567)	Change (%)
Borrowing from my main relationship bank	36.3	31.7	(12.7)
Borrow from another bank or a specialist non-bank lender	15.1	19.6	29.8
Other forms of debt	1.9	3.2	68.4
Own funds	90.5	90.8	0.3
New equity	10.1	9.0	(10.9)

TABLE 18

Funding Plans for Business Investment – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SMEs	Aug 2015 (N: 55)	Aug 2016 (N: 47)	Change (%)
Borrowing from my main relationship bank	21.8	27.7	27.1
Borrow from another bank or a specialist non-bank lender	18.2	25.5	40.1
Other forms of debt	10.9	21.3	95.4
Own funds	76.4	117.0	53.1
New equity	7.3	6.4	(12.3)

TABLE 19

Funding Plans for Business Investment – Whole SME Market

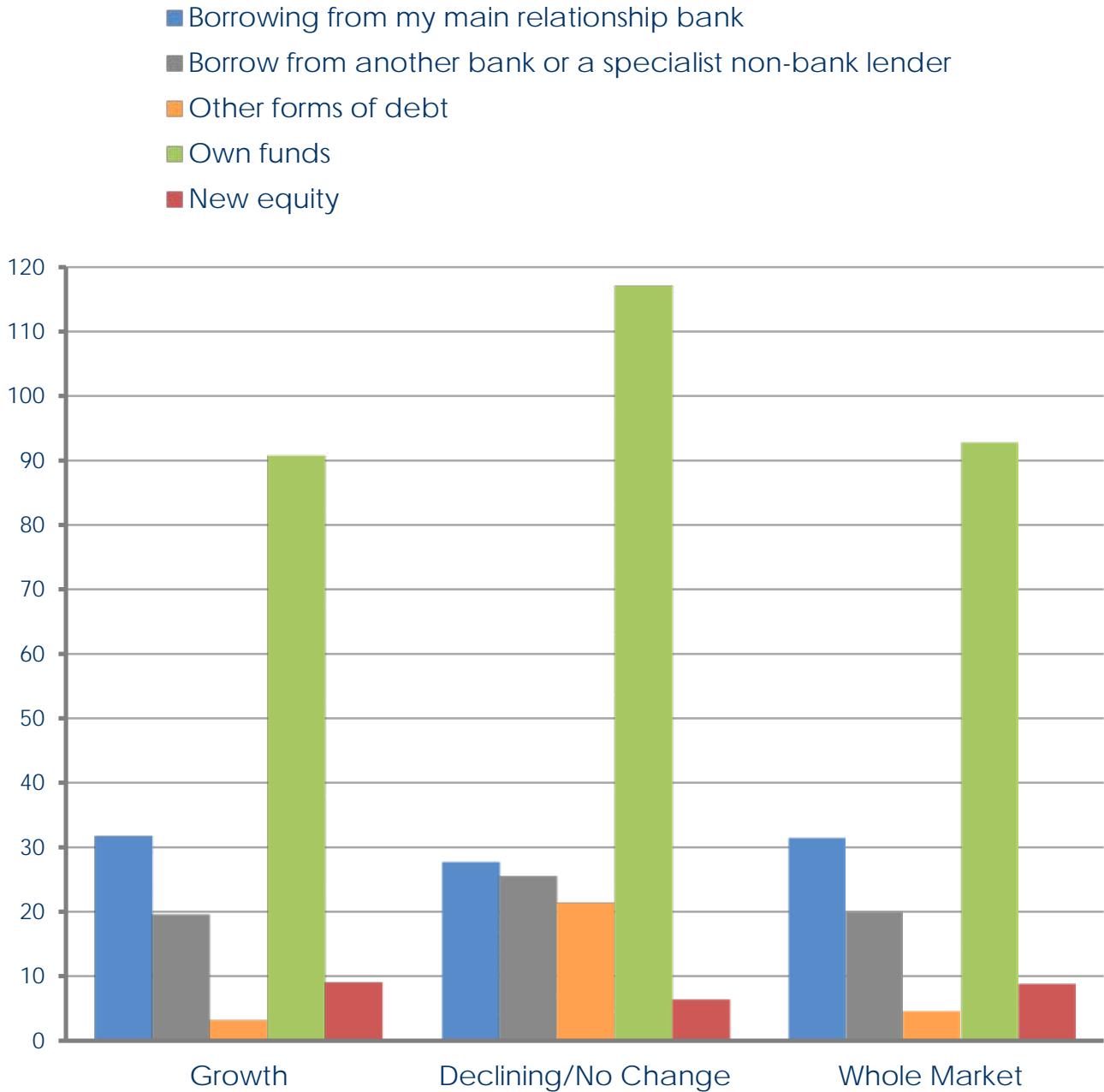
% of Total SMEs

Whole SME Market	Aug 2015 (N: 696)	Aug 2016 (N: 614)	Change (%)
Borrowing from my main relationship bank	35.2	31.4	(10.8)
Borrow from another bank or a specialist non-bank lender	15.4	20.0	29.9
Other forms of debt	2.6	4.6	76.9
Own funds	89.4	92.8	3.8
New equity	9.9	8.8	(11.1)

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 2016
% of Total SMEs



What are the key drivers behind your business growth?

TABLE 20

Drivers of Business Growth

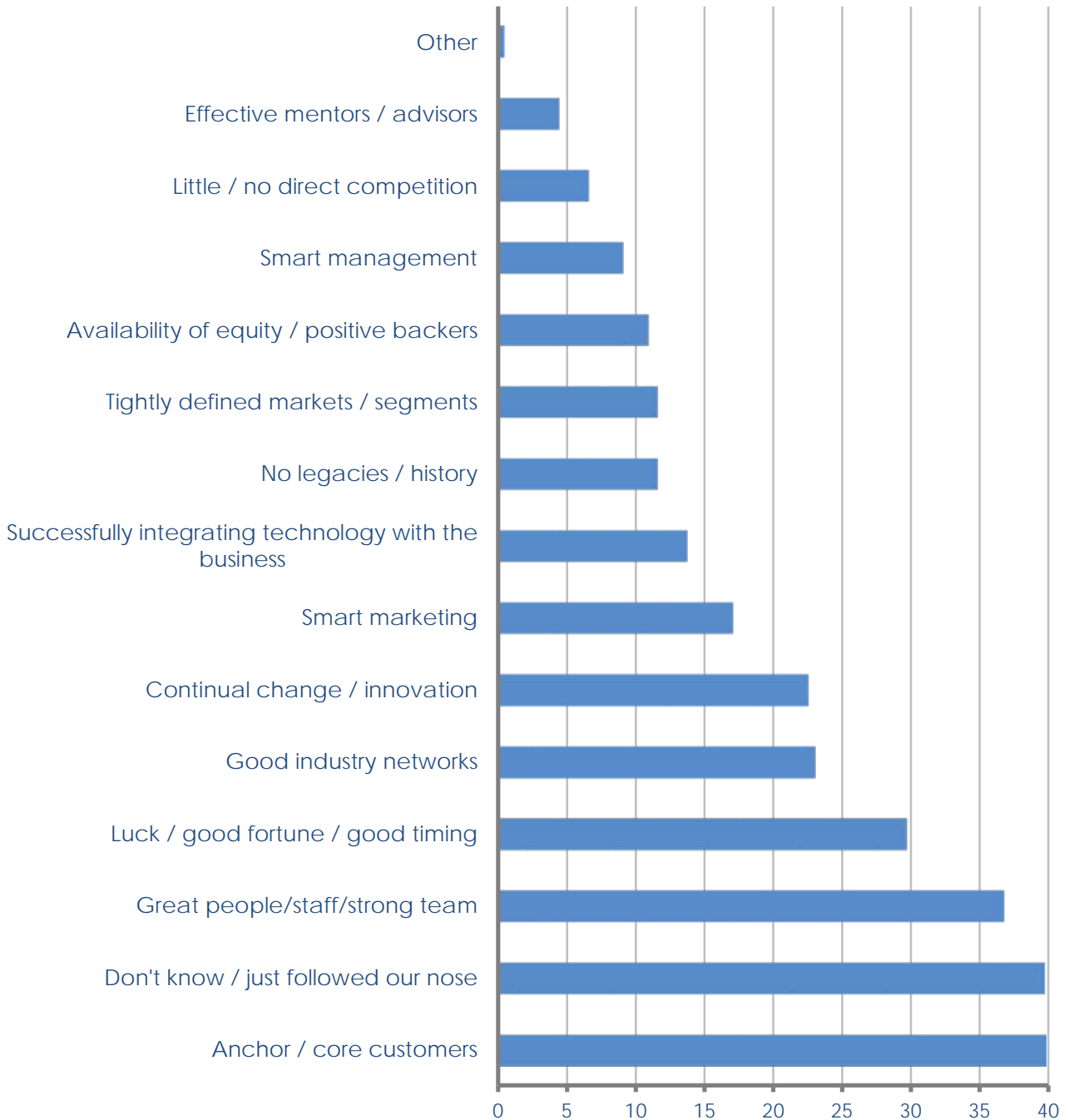
% of Growth SMEs

	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
Great people/staff/strong team	33.0	36.6	10.9
Anchor / core customers	34.8	39.8	14.4
Good industry networks	24.2	22.9	(5.4)
Continual change / innovation	22.2	22.4	0.9
Luck / good fortune / good timing	21.6	29.5	36.6
No legacies / history	12.8	11.6	(9.4)
Successfully integrating technology with the business	14.0	13.7	(2.1)
Smart management	11.5	9.1	(20.9)
Smart marketing	13.1	17.0	29.8
Little / no direct competition	7.5	6.6	(12.0)
Tightly defined markets / segments	9.2	11.6	26.1
Availability of equity / positive backers	8.7	10.9	25.3
Effective mentors / advisors	4.4	4.5	2.3
Don't know / just followed our nose	32.2	39.6	23.0
Other	0.7	0.5	(28.6)

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 2016
% 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 SMEs	Aug 2015 (N: 749)	Aug 2016 (N: 606)	Change (%)
High / multiple taxes	59.8	66.7	11.5
Conditions of credit	58.7	64.2	9.4
Availability of credit	48.3	55.9	15.7
Red tape / regulatory change / imposts	54.3	60.4	11.2
Cash flow / its security	50.7	55.6	9.7
Government policies / business unfriendly	29.6	34.0	14.9
No real private / friendly equity funding available	19.0	19.8	4.2
Margin compression	16.4	15.0	(8.5)
Offshore competition	9.7	8.3	(14.4)
Quality of available talent / human resources	12.8	11.9	(7.0)
Cost of credit	9.2	6.4	(30.4)
Other	1.1	1.3	18.2
None	11.7	10.4	(11.1)

TABLE 22

Barriers to Business Growth – Declining / No Change SMEs

% of Total

Declining / No Change SMEs	Aug 2015 (N: 508)	Aug 2016 (N: 645)	Change (%)
High / multiple taxes	81.5	69.8	(14.4)
Conditions of credit	76.8	62.6	(18.5)
Availability of credit	67.9	60.2	(11.3)
Red tape / regulatory change / imposts	20.3	22.0	8.4
Cash flow / its security	19.5	17.5	(10.3)
Government policies / business unfriendly	33.1	27.9	(15.7)
No real private / friendly equity funding available	30.5	25.7	(15.7)
Margin compression	34.3	20.6	(39.9)
Offshore competition	24.8	16.9	(31.9)
Quality of available talent / human resources	2.6	1.7	(34.6)
Cost of credit	8.9	5.1	(42.7)
Other	1.2	0.9	(25.0)
None	3.3	2.0	(39.4)

TABLE 23

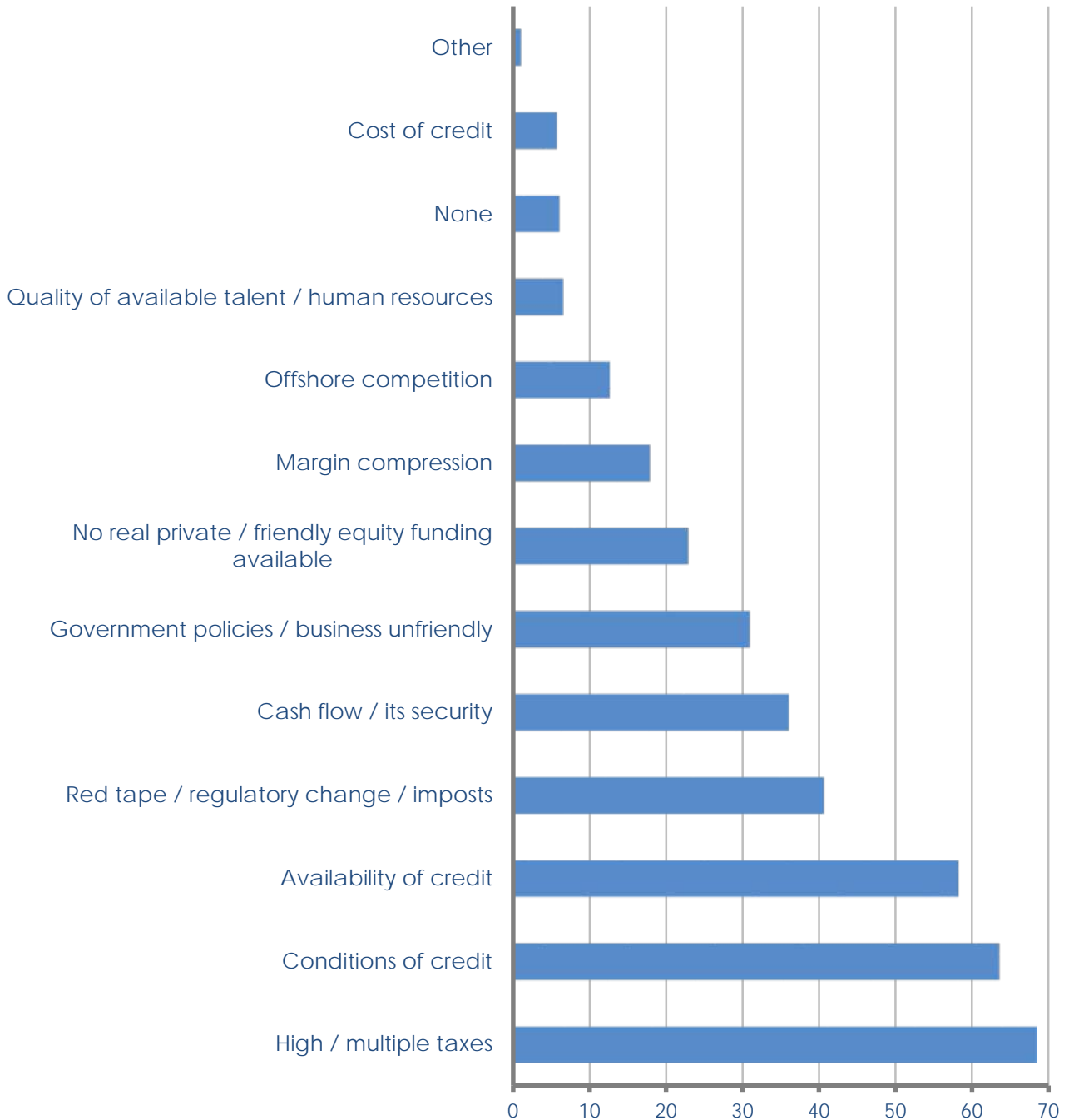
Barriers to Business Growth – Whole SME Market

% of Total

Whole SME Market	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)	Change (%)
High / multiple taxes	68.6	68.3	(0.4)
Conditions of credit	66.0	63.4	(3.9)
Availability of credit	56.2	58.1	3.4
Red tape / regulatory change / imposts	40.6	40.6	—
Cash flow / its security	38.1	36.0	(5.5)
Government policies / business unfriendly	31.0	30.9	(0.3)
No real private / friendly equity funding available	23.6	22.9	(3.0)
Margin compression	23.6	17.9	(24.2)
Offshore competition	15.8	12.7	(19.6)
Quality of available talent / human resources	8.7	6.6	(24.1)
Cost of credit	9.1	5.8	(36.3)
Other	1.1	1.1	—
None	8.4	6.1	(27.4)

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

FIGURE 8
Barriers to Business Growth – Whole SME Market August 2016
 % of Total SMEs



Special Question Results

Scottish Pacific SME Growth Index

September 2016

What keeps you awake at night?

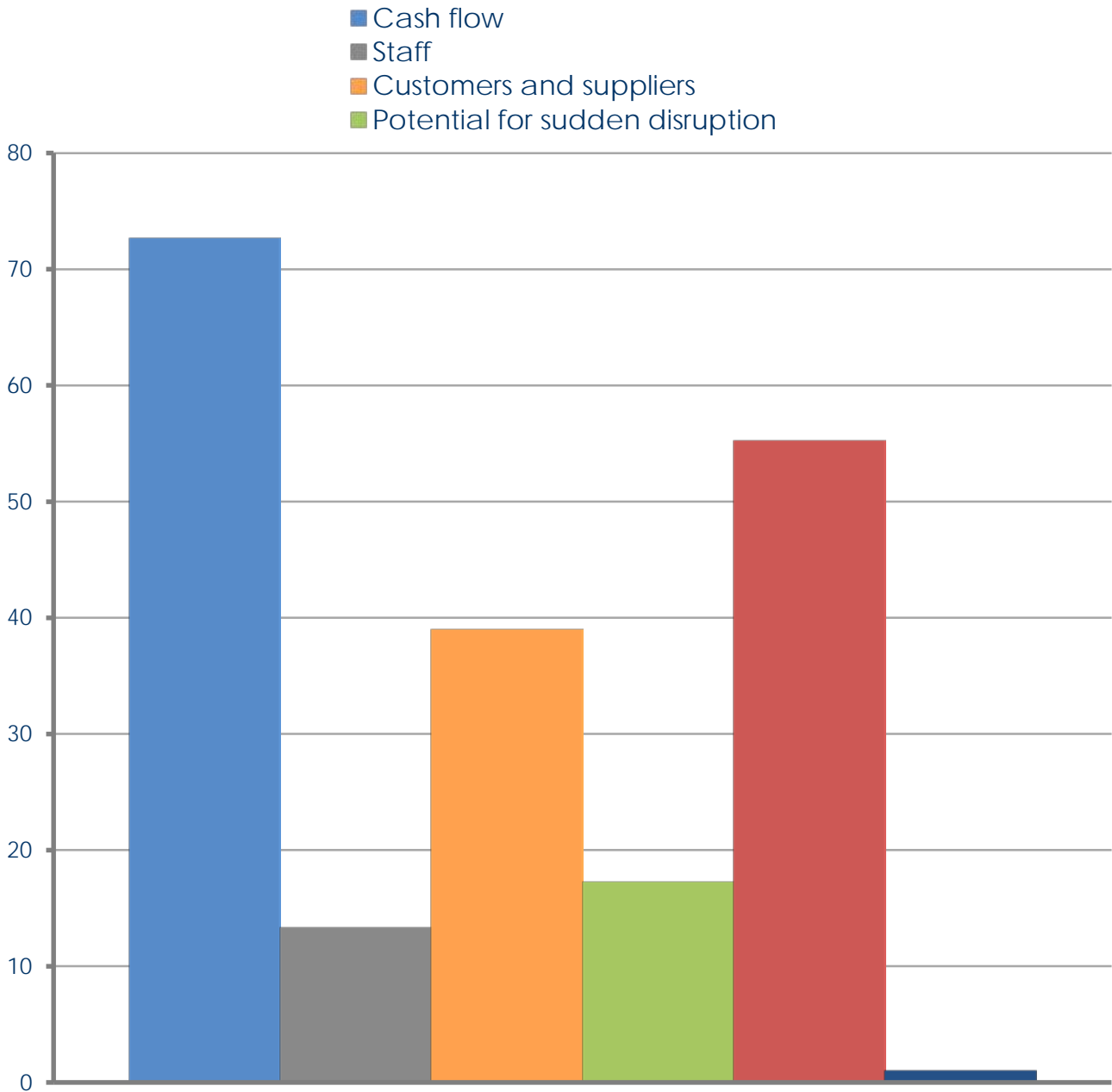
TABLE 24

Key Areas of Concern

% of Total

	Whole SME Market (N: 1251)
Cash flow	72.7
Staff	13.3
Customers and suppliers	39.0
Potential for sudden disruption to your current business model	17.3
Having enough time to do what is required for the business	55.2
Other	1.0

FIGURE 9
Key Areas of Concern
% of Total



On average, how many hours a week do you spend working on or in your business?

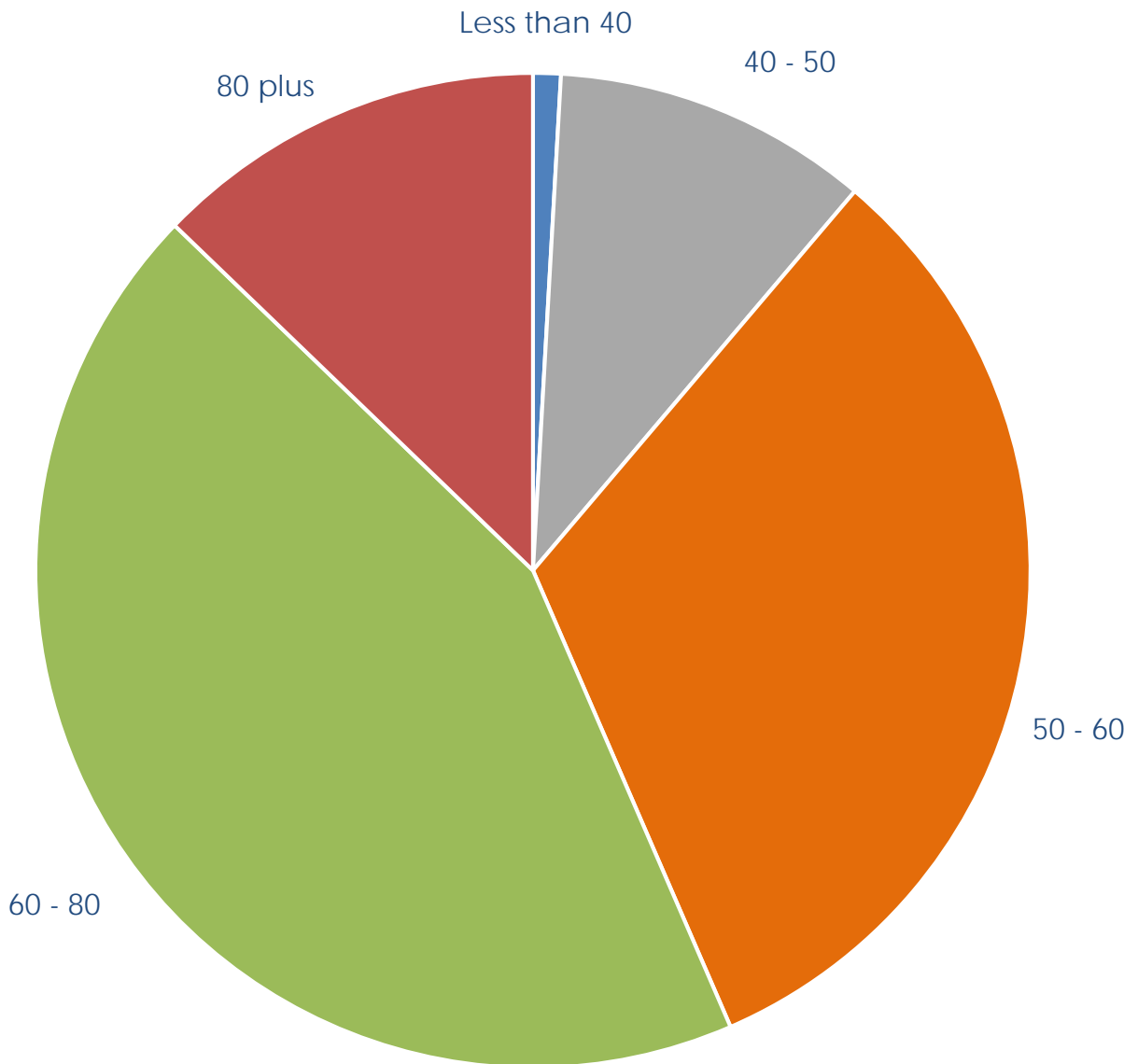
TABLE 25

Average Hours Worked Per Week

% of Total SMEs

	Whole SME Market (N: 1251)
Less than 40	0.9
40 - 50	10.3
50 - 60	32.3
60 - 80	43.7
80 plus	12.8
TOTAL	100.0

FIGURE 10
Average Hours Worked Per Week
% of Total SMEs

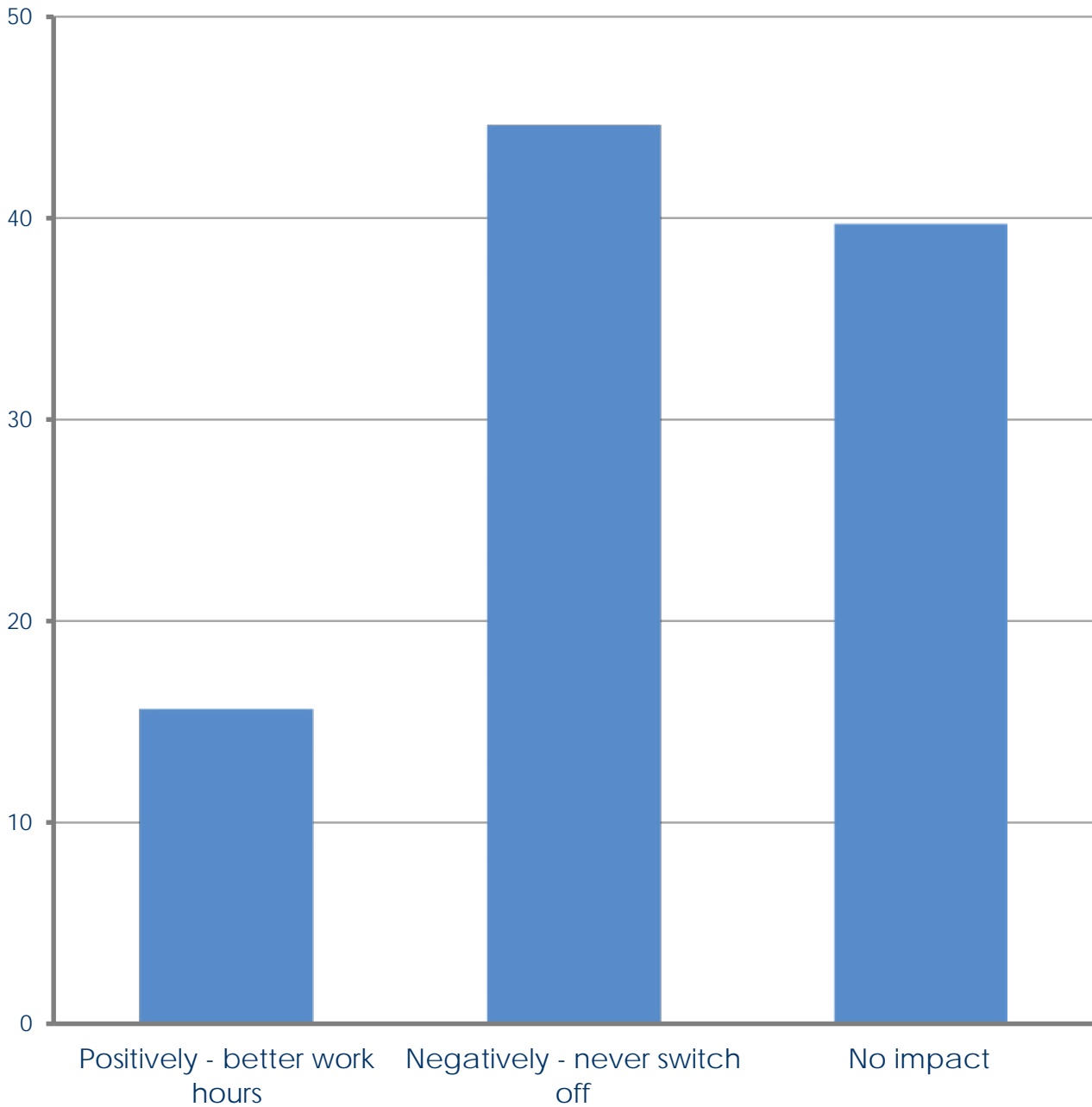


How has mobile/digital technology impacted your work/life balance?

TABLE 26
Impact of Digital/Mobile Technology on Work/Life Balance
 % of Total SMEs

	Whole SME Market (N: 1251)
Positively - better work hours	15.7
Negatively - never switch off	44.6
No impact	39.7
TOTAL	100.0

FIGURE 11
Impact of Mobile/Digital Technology on Work/Life Balance
% of Total SMEs



Appendix I

Methodology & Interviewee Questionnaire

Scottish Pacific SME Growth Index

September 2016

Methodology

East & Partners interviewed 1,251 SME businesses with annual revenues of A\$1-20 million over a five week period ending 25 July 2016.

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 accordance 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 closed response questionnaire which is included as Appendix II to this report.

TABLE A
Geographical Distribution

% of Total

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
NSW & ACT	38.9	39.4
VIC & TAS	23.8	23.1
QLD	17.9	17.7
WA	13.3	13.5
Other	6.1	6.3
TOTAL	100.0	100.0

TABLE B
Interviewee Distribution

% of Total

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
Business Owner / CEO	59.6	59.2
CFO	22.2	22.9
Finance Director	8.7	8.6
Treasurer	2.4	2.6
Other	7.2	6.6
TOTAL	100.0	100.0

TABLE C
Sample Industry Sector Distribution
 % of Total

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
Agriculture, Forestry, Fishing	5.6	5.7
Mining & Resources	8.2	7.8
Manufacturing	18.5	18.3
Electricity, Gas & Water	1.0	0.9
Construction	8.8	9.2
Wholesale	8.9	9.1
Retail	12.3	12.3
Accommodation, Cafes & Restaurants	2.7	2.6
Transport & Storage	7.3	7.3
Media & Telco	1.0	1.0
Finance & Insurance (non-banks)	4.5	4.2
Property & Business Services	12.1	12.5
Personal & Other Services	9.0	9.1
TOTAL	100.0	100.0

TABLE D
Age of Business
 Years

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
Average number of years in business	9.1	9.9

TABLE E
Headcount of Business
 Full Time Employees

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
Average FTE in Business	84.0	79.0

TABLE F
 Primary Working Capital Provider
 % of Total

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
ANZ	12.2	12.1
BankWest	5.4	5.0
Bendigo Adelaide Bank	1.0	0.9
BoQ	3.5	3.8
CBA	17.4	17.8
Citigroup	0.4	0.3
HSBC	0.7	1.0
NAB	30.8	30.5
St George	7.3	6.9
Suncorp	3.8	3.7
Westpac	14.7	15.0
Other	2.7	3.0
TOTAL	100.0	100.0

TABLE F
 Primary Working Capital Provider – Relationship Age
 Average Years

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
ANZ	6.4	7.2
BankWest	5.5	6.0
Bendigo Adelaide Bank	8.3	9.1
BoQ	7.2	7.3
CBA	6.3	6.4
Citigroup	8.5	8.4
HSBC	3.7	3.7
NAB	8.2	8.9
St George	7.6	8.2
Suncorp	4.7	5.0
Westpac	6.2	6.4
Other	5.9	5.1
TOTAL	6.6	6.8

TABLE H
 Secondary Working Capital Provider
 % of Total

	Aug 2015 (N: 1257)	Aug 2016 (N: 1251)
ANZ	7.9	7.4
BankWest	5.3	4.7
Bendigo Adelaide Bank	1.0	1.0
BoQ	4.0	4.6
CBA	14.7	15.3
Citigroup	0.9	0.6
HSBC	1.8	2.1
NAB	15.0	14.5
St George	7.6	7.1
Suncorp	3.7	3.8
Westpac	11.5	11.4
Other	3.9	4.2
None	22.8	23.1
TOTAL	100.0	100.0



Scottish Pacific SME Growth Index

(A\$5 – 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 Five

- 9 What keeps you awake at night?
- Cash Flow
 - Staff
 - Customers & Suppliers
 - Potential for disruption to your current business model (i.e. Kodak moment)
 - Having enough time to do what is required for the business
 - Other
- 10 On average, how many hours a week do you spend working on or in your business?
- Less than 40
 - 40-50
 - 50-60
 - 60-80
 - 80+
- 11 How has mobile/digital technology impacted your work/life balance?
- Positively – ability to work the hours that suit me from locations that suit me
 - Negatively – I find I never switch off – always looking at the phone or tablet
 - No impact

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 \$10 billion of invoices each year, providing funding lines exceeding \$900 million, and has full operations centres in Sydney, Melbourne, Perth, Brisbane, Adelaide, Auckland, London and China.

Scottish Pacific has been awarded Australia's best Cash Flow lender for three years running (2014, 2015 and 2016) as voted by brokers in The Adviser's annual Non-Bank Lending Awards. At the international Trade Finance Global Excellence Awards in 2015, Scottish Pacific was awarded Best Trade Finance Provider.

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 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 1,253 SME businesses with annual revenues of between \$1-20 million in July 2016. 82 percent of respondents were SME business owners, CEOs or CFOs. The next Index will be released in March 2017.

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East & Partners Pty Ltd, a leading specialist market research firm in the business, corporate and investment banking markets of Asia Pacific, works across 11 countries in the region delivering both multi-client and proprietary market analysis services to financial services providers.

The delivery of accurate quantitative analysis on the region's exploding demand for sophisticated transaction, debt, treasury, investment and advisory banking services and products has been uniquely addressed by East's "bottom up" research methodologies since 1987, based on many thousands of customer interviews annually in Australia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

East's multi-client demand research and consulting work has enabled the firm to work with virtually every major Bank within the region and international clients based in North America and Europe.

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