

HIGH-GROWTH 16

The top 16 high-growth industries to watch in 2016

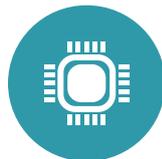
Britain's economy is a prime engine of global growth and innovation. The nation has successfully embraced new technological trends and is experiencing first-hand the disruption of traditional industry practices. Tax-incentive venture capital programmes, such as the Enterprise Investment Scheme (EIS), have been vital initiatives for encouraging private investments into high-growth industries. To ensure that investment is directed into appropriate industries, the eligibility criteria for businesses wishing to engage with these schemes is subject to regular government review. For example, the 2015 Finance Act and proposed amendments contained within the Finance Bill 2016 are currently moving tax efficient investments away from the energy industry. You can read more about these amendments in the January edition of our EIS in 2016 report.

This High-Growth 16 report identifies the nation's leading high-growth industries and lists some of the key companies revolutionising their respective industry. These industries are innovative, fast-growing and populated by a collection of innovative Small and Medium Enterprises (SMEs) and start-ups. Most significantly, these industries offer significant tax efficient investment opportunities that qualify under current EIS regulations. The future of Britain's economic growth will be fuelled by these industries, and reinforce its global reputation as a nation that fosters innovation. Find out more about the top 16 industries to watch in 2016 below.

Fintech

Fintech is booming globally as new technologies challenge traditional lending practices. The UK is the fastest growing global region for fintech investment, outpacing Silicon Valley and attracting the most venture capital funding in Europe. London's iconic Silicon Roundabout houses an exciting collection of fintech companies, ranging from early-growth to established SMEs.

Key companies to watch:



Logistics

The UK's logistics sector is worth roughly £55 billion to the economy and currently employs 1.7 million people across more than 63,000 companies. The increasingly popularity of online shopping is creating additional demand for delivery services, which is why 67% of logistics firms surveyed by Barclays last year said they expect their profits to increase in 2016.

Key companies to watch:



Construction

The construction industry is a stalwart of the British economy. Despite its size and long history, however, over 90% of the UK construction industry are SMEs. 2016 will be a transformational year for the sector, with increased R&D offering a greater range of new construction-based technologies that promise to drastically improve efficiency. With a projected growth rate of 3.6% in 2016 and a further 4.3% in 2017, construction will continue to be an important bedrock of the British economy.

Key companies to watch:



App development

The UK's digital industries are growing 32% faster than the rest of the economy, according to the 2016 Tech Nation report. App and software development is the fastest-growing niche within the booming digital economy, growing by 17% in 2015. There are more than 8,000 app-developing companies in the UK, employing some 400,000 people. Furthermore, app development is predicted to be worth £31 billion to the British economy by 2025.

Key companies to watch:



Media

Taking advantage of digital trends, media companies have been making effective use of new technologies to effectively engage with targeted and mainstream audiences. The sector is set to grow at an annual rate of 3.2% over the next five years, amounting to an industry valuation of £66.6 billion by 2019. Much of this growth will be attributed to internet-specific companies. SMEs and start-ups will continue to push the media industry into exciting new territories.

Key companies to watch:



Hospitality

Hospitality is the fourth largest employer in the UK – representing 10% of the working population and over 180,000 businesses. 2015 was another strong year for the hospitality industry, with 67% of businesses recording a profit in June 2014 to June 2015. Over the next five years, hospitality SMEs are anticipating their operations to grow by 99%. Britain's rising regional hubs offer significant expansion opportunities for hospitality companies, particularly in the food and beverage sectors.

Key companies to watch:



Advanced Manufacturing

Advanced manufacturing plays a vital role in the development of new technologies and systems for cost-efficient, knowledge-intensive and environmentally-friendly production across the entire economy. Britain is internationally recognised for its innovative development and production of advanced manufactured technologies. With the Government committed to making the UK the leading exporter of high-value goods, increased R&D into advanced manufacturing will continue in 2016.

Key companies to watch:



Sport

The sport industry supports over 450,000 jobs in the UK and has grown to a value of £20 billion. The industry supports a diverse collection of businesses, with sport-related services and goods constituting the core of the sector's business proposition. These range from fantasy league applications to sport measuring technologies, including player analytics and innovative ticketing methods. While SME presence in the sport industry is growing, the UK's recent hosting of the Rugby World Cup and Rugby 7s reaffirmed the nation's strong interest in sports-related services.

Key companies to watch:



Recruitment

The strong performance of the UK economy in 2015 helped the national unemployment rate reach its lowest level in nearly ten years. Vacancies have been growing by an average rate of 25% year-on-year, thus creating sustained demand for hiring services across all industries. Following on from changes to government regulations, SME recruitment firms are now able to compete for public sector contracts, creating significant entry-level opportunities for early-growth companies.

Key companies to watch:



Tourism

Boasting the fifth largest tourism industry in the world, the UK plays host to millions of tourists each year. In 2015, the industry contributed over £60 billion to the British economy, a significant portion of which was supplied by SMEs in both the capital and regional locations. The British Government's commitment to expanding the tourism industry is, in turn, encouraging new business-related ventures into tourism-related sectors, including hotels and innovative guide tours.

Key companies to watch:



Property

Figures from the British Property Federation show that commercial real estate is worth £1,662 billion, which is more than a fifth of total net wealth in the UK. Meanwhile, the UK's largest estate agency has increased its profit forecast as residential property prices continued to rise steadily in 2015 – they are expected to continue to do so this year. It is a booming sector and one in which businesses of all sizes are forecast to perform strongly over the coming years.

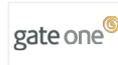
Key companies to watch:



Professional Services

In 1948, the UK's service industries contributed an estimated 46% to UK GDP – by 2012 this had increased to 78%. However, after the ONS stated last year that productivity in the professional services sector had been stalling of late, it is anticipated that businesses operating in this space are going to be looking for ways of improving their efficiency in 2016. By utilising new technologies to improve productivity, SMEs have been granted the opportunity to take on their larger counterparts and compete in the professional services sector, which makes this an exciting industry to watch over the coming year.

Key companies to watch:



Fashion

According to Oxford Economics, the UK fashion and textiles industry employs an estimated 600,000 people, making Britain the third-largest fashion employer in the EU behind Italy and Germany. In 2014, the fashion industry added £26 billion to the UK economy, up from £21 billion in 2009, and it is still growing. With new data showing that Brits are increasingly shopping with independent retailers, there is great hope for small businesses to thrive in the fashion industry.

Key companies to watch:



Cyber-Security

With high-profile data breaches hitting the likes of TalkTalk, Marks & Spencer and British Gas in 2015, cyber-security is now a critical concern for British businesses of all sizes and sectors. Helped by substantial government investment, the UK's cyber-security industry is growing at pace; it is now worth £6 billion and employs more than 40,000 people. Furthermore, UK cyber-security exports increased 22% from £850 million to over £1 billion during 2013 and are on track to meet a target of £2 billion in 2016, so it is certainly a high-growth industry to watch this year.

Key companies to watch:



Biotech

Over the past ten years, £1.7 billion was pumped into the UK's biotech sector through venture capital, according to a report by the UK Bioindustry Association. In 2014 alone, biotech IPOs brought the UK £408 million, which was an eightfold increase from the year before. Investment, meanwhile, rose 71%. Britain is carving out a name for itself as a world leader behind the US in biotechnology, outperforming the rest of Europe of the past five years. Innovative use of new technologies combined with heavy investment in R&D has propelled biotech to new heights and its growth shows no signs of slowing down in 2016.

Key companies to watch:



Product-Service Sharing

Constituting part of the rapidly rising sharing economy sectors, the product-service sharing industry focuses specifically on the peer-to-peer lending of goods and services. Sharing in this industry is facilitated through a business offering an accessible online forum to initiate such transactions. By 2025, it is anticipated that the total revenue generated through the sharing economy will be the same as traditional rental services. In the UK, the industry as a whole is likely to be worth £9 billion in 2025.

Key companies to watch:



IWCAPITAL
INVESTED INTEREST

IW CAPITAL LTD
42 Bruton Place
London
W1J 6PA

Phone: +44(0)20 7015 2250
Email: info@iwcapital.co.uk