



Grant Thornton

An instinct for growth™

A thriving aerospace sector fit for the 21st Century

An exclusive preview of the South East aerospace cluster
research

14 June 2018



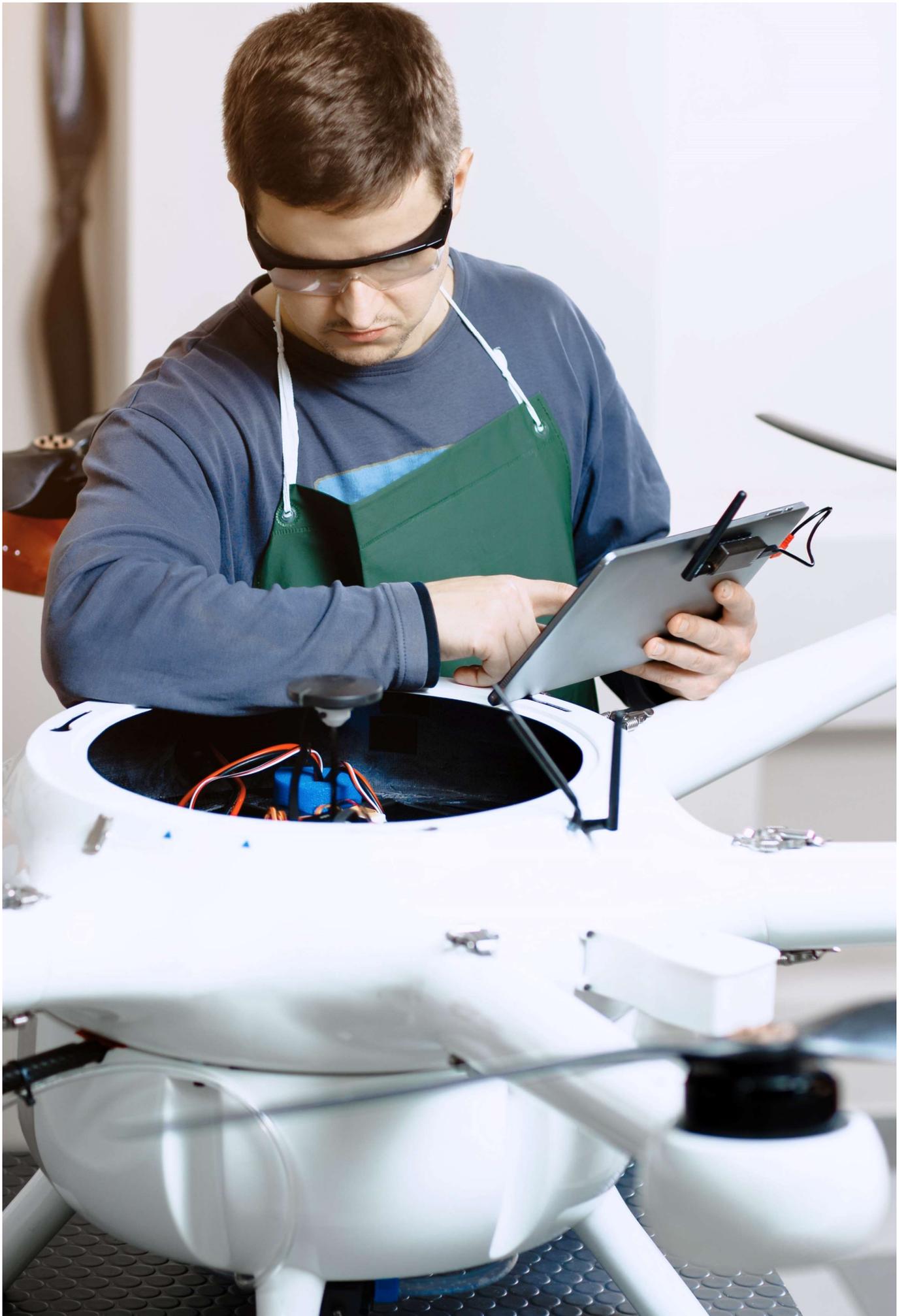


Agenda

6.00pm	Arrival and Drinks
6.30pm – 7.00pm	Welcome Grant Thornton: Norman Armstrong Background to the Project and Vibrant Economy Sue Littlemore Introduction to Innovation South Research Sponsors: Jeff Callander and Rob Watson Overview of the Research findings, key insights and critical observations
7.00pm – 9.00pm	Dinner and Roundtable Discussions Part 1 - What would a successful Aerospace and Defence sector– including Space, in the South East look like in 2030? What would characterise a globally competitive, leading and growing sector, specifically in the South East? Part 2 - Where is it now? What is the current state and how far away is it from where it needs to be? What are the major issues/threats that are holding sector back or threatening the future of the sector? What are the major opportunities and who and what can we learn from? Part 3 - What needs to happen? Fast forward to 2030, a thriving, dynamic and successful sector in the South East – what steps were taken that most contributed to this? Who was involved? What were the key drivers. What are the next steps and major milestones?
9.00pm – 9.30pm	Networking
9.30pm	Core event closes



“We could do something quite bold here – creating an ecosystem where talent in sub sectors ends up in one place, the Silicon Valley mentality – removing fragmentation to capitalize on skills and resources”.



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“We’re delighted to welcome you all this evening – we believe that by working together, bringing all of your experiences and ideas together we can create the momentum needed to bring about positive change and shape a vibrant and diverse Aerospace and Defence sector for the Innovation South region. We expect this evening to be a powerful example of what we can do when we work together.”



Norman Armstrong

Norman is an Advisory and Assurance Partner with more than 25 years experience helping dynamic businesses achieve their strategic goals and potential for growth.

Working across the South from our locations in Southampton, Reading and Oxford, he is particularly focussed on the M3 corridor and South Coast markets.

Having always focussed on growing businesses, he recognises change is a constant and is a passionate advocate of the potential for innovation and growth within the wider aerospace, defence and space ecosystems for those who embrace the opportunities.

He has been working with HCC and EM3 LEP since 2016 stimulating debate and conversation on how to shape a thriving sector fit for the 21st century.



Simon Woodcock

Simon leads the Gatwick Advisory practice and has over 15 years’ experience in Corporate Finance, advising businesses, their owners and management on acquisitions, disposals, fundraising and growth strategies.

His focus has been on advising mid-market UK unquoted businesses on M&A, disposals, fundraising and refinancing. An active member of the UK firm's debt advisory and private equity teams, Simon is well versed in supporting and balancing all stakeholder requirements where private equity funding is also in place.

Recent deals include advising on the sale of Sterling Dynamics to Assystem; advising management on the Acro Aircraft Seating sale to ZTC; growth capital fund raising for 2Excel Aviation to an EOT along with other non-aviation related transactions such as the sales of Claremont School and Higher Nature.

Aerospace research contributors

Research sponsors



Hampshire
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Southampton

Leading stakeholders

RUSHMOOR
BOROUGH COUNCIL

enterprise **m3**
Driving prosperity in the M3 corridor



“We hope this project creates a sense of purpose for the south – ‘from a team of champions to a champion’s team’”

Research sponsors



Roger Gardner

Aerospace Consultant
Aviation Environment and Aerospace
Consulting Ltd.

Roger provides aerospace advice and support in the South, bridging the gap between academia, industry and government. Drawing on experience in government, industry and the research base, his focus in the region is upon expanding aerospace innovation and growth by leveraging academic capability, especially at the University of Southampton.



Rob Watson

Manager – Business Growth
Economy, Transport & Environment
Department
Hampshire County Council

Manager Business Growth, Hampshire County Council.

Following a 20 year career in cyber security, half spent overseas in Sub-Saharan Africa, Rob leads a team of sector specialists that support business growth in Hampshire through direct interaction with businesses and providing access to funding, networking and other mechanisms. In addition to leading the team, Rob also looks after the aerospace and defence sectors for the region.

Researchers



Jeff Callander

Consultant and Researcher
University of Southampton

Programme Director at Henley Business School, founder of EMA Consulting Group and researcher at Soton.

Jeff is one of the highest scoring speakers at Henley. He is also a Strategy and Leadership Adviser working with businesses to improve business performance having worked on over 160 projects in more than 50 countries. Currently pursuing a Doctorate (DBA) at the University of Southampton.



Ivan Perkovic

Economic & Business Intelligence
Service (EBIS) Manager
Economy, Transport & Environment
Department
Hampshire County Council

Economic & Business Intelligence Service (EBIS) Manager at Hampshire County Council. An experienced economist with sound understanding of UK government policy on economic development at national and sub-national levels and detailed knowledge of research methods (including advanced econometric techniques). Ivan leads a small team of economists and research specialists that provide research service to Hampshire, Local Authorities and LEPs in the South East.



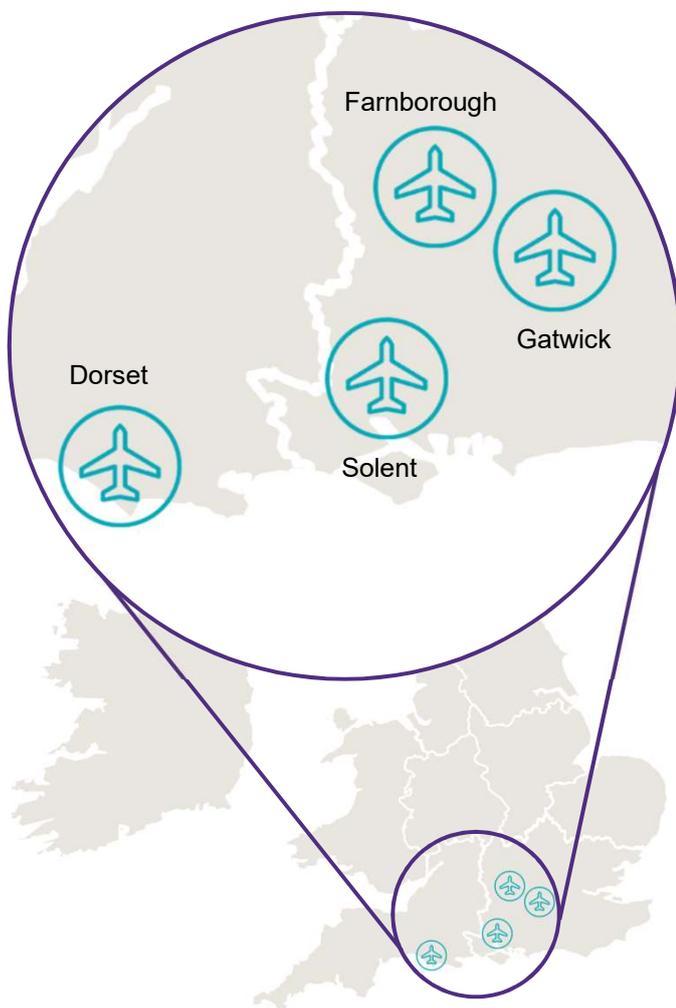
“How might the Innovation South region assess market direction and future needs and select the opportunities it is most suited for?”

Farnborough and the Southern Aerospace Cluster

How could a thriving and diverse Aerospace and Defence (including Space) sector play an even more influential and expansive role in the development and expansion of the 'Innovation South' economic region?

Long recognised as the home of British Aerospace, from the first powered flight through the development of advanced technologies such as the jet engine and carbon fibre, the South East continues to have a strong presence in the sector, albeit one less about manufacturing and more about engineering, design and innovation.

The South East is the UK's invention and innovation hub and there are multiple opportunities emerging; AI, efficiency and emissions, augmented reality, digitalisation, data and systems, materials and composites, Autonomy, UAV and drone technologies, Space and alternative propulsion systems to name but a few. Market segments and routes to product and service development are blurring – automotive, training and development, Smart Cities, security for example, all demanding innovation and development of new products and services.



There's no question businesses in the region are working to exploit these opportunities. Our research highlights over **12,000** participating in the Aerospace ecosystem – primarily (62%) from four key clusters centred on Dorset, wider Farnborough, Solent and Gatwick.

These organisations grew overall **6.2%** per annum between 2011 and 2016, with employment growth of **2.2%** suggesting productivity improvements or perhaps a tolerance for coping with skills shortages.



We also identified 140 "**hyper-growth**" business – those posting 20% plus annual growth over three years and a further 160 with the potential to do so.



7 in 10 of these are located in the wider Farnborough and Solent clusters.

Yet global and national headwinds buffet the sector: Uncertainties regarding Brexit, rapidly shifting global market dynamics, technological advancements and the 'hollowing out' of traditional segments complement sector specific issues. These include procurement characteristics, shrinking indigenous markets, the export and market ambitions of nations dominated by the US, France and China, an ageing skilled workforce and emergent needs skills gaps, regulatory and resource barriers to technological development together with a fragmented approach to business. This combination of factors present a potential "perfect storm" of challenges to the sector.

Our three biggest challenges are the skills precipice, rapidly shifting market dynamics and the individualism and disconnected thinking that decelerates any single organisation's, and the wider region's, ability to respond.

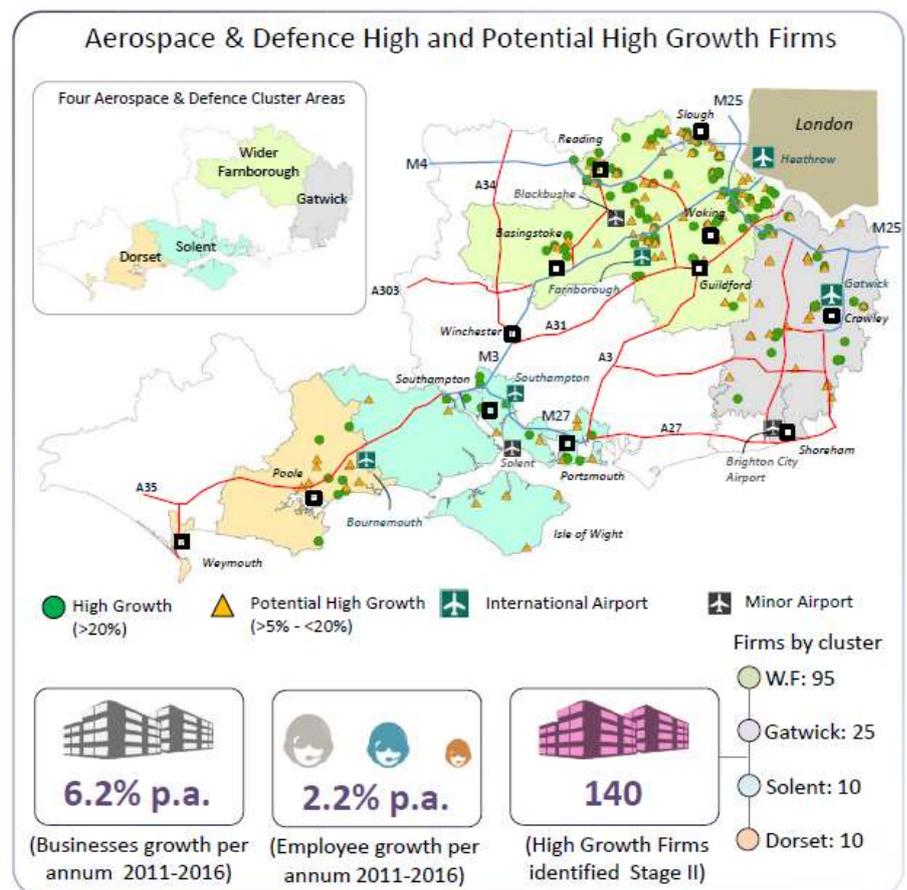
The South East's unique characteristics that stem from it being a non-manufacturing dominated region may well be its greatest strength. The Aerospace industry has progressed through the industrial, to the scientific and now the digital / knowledge 'revolutions'. It's important that there's recognition, both nationally and regionally, of the shifts in market dynamics and the opportunities to create value.

Our research suggests both significant challenges and opportunities. We advance the case that to be successful this sector must recognise the precipitous challenges ahead, address the individualism and disconnectedness that exists, trade on its excellence and innovation and come together to create a common sense of purpose and direction for the industry within the Innovation South region.

There are solutions. We believe collaboration and connected thinking is at the heart of shaping a broad based and thriving Aerospace and Defence sector in the South.



“Collaborate to influence and shape a regulatory environment that promotes development in emerging technologies, get CAA, NATS and other agencies on board commercially to create something truly unique”



Source: HCC (2018) and BVD (2018). *Identifiable firms only

What's next for Aerospace in the South East

Where are we now, where do we want to be, how do we get there...

Questions to consider:



Our research findings suggest a looming crisis in the sector. What is your perspective? How can we mitigate the impact of the underlying dynamics?



Are the changing dynamics a threat or opportunity – or both – and what do they mean for your competitive advantage and the markets you play in?



If the industry is to evolve and grow in the South East, what needs to happen?



What impact might the changing market dynamics have on your strategic objectives in the next 1-3 years, 3-5 years and beyond?



What is the possibility of creating a UK Aerospace Campus in the South East? What would the collaboration look like? What would need to be in place for it to succeed?



How might you develop a roadmap to the capabilities necessary to compete and win in the future?

What's next?

We're living in a time of great change. While there may be uncertainty one thing our research has made clear is that there are bright futures ahead for the individuals, organizations and communities willing and able to exploit the opportunities present within the sector.

Over the past 18 months we've been convening discussions, conducting research and gathering insights about how best to secure the future of the aerospace and defence sector in the South East. The thoughts and ideas shared today will add enormously to the debate as to how we tackle the challenges and embrace the opportunities.

We will continue to develop engagement across the sector and its many stakeholders and will be developing the themes that have emerged to encourage even greater activism and innovation.

Our ultimate aim is to ensure we have a thriving sector fit for the future and a component of this will be the support and interventions available from Central and Regional Government and other agencies. High on the agenda is the development of 'the ask' - shaping a deal for the region and on this we would love to hear more from you – please do let us know about the ideas and projects we should be aware of and people or organizations we should be speaking to help shape this.

We will continue to share our news and insights and use Farnborough International Airshow as a platform to increase the profile of our work

Our purpose as a business is to shape a vibrant economy

We've chosen to set our reputation alongside a bold purpose – by unlocking the potential for growth in our people, clients and communities, we believe we can help shape a vibrant economy where no-one gets left behind.

We believe a vibrant economy is one which realises the shared potential of businesses, cities, people and communities across the country. It is an economy founded on trust and integrity in markets, one which unlocks sustainable growth in dynamic organisations and creates environments in which people, communities and business can thrive. To achieve this, we have travelled up and down the country over the last two years: bringing together thousands of people and seeking ways to encourage collaboration across the private, public and third sectors. We believe that for business to thrive, we need markets that operate efficiently and a public sector that enables organisations to operate and individuals to thrive. To turn this belief into action, we have focused our Vibrant Economy work on three key pillars – areas where we can make the biggest impact.



Trust and integrity

Building trust – through transparency and integrity – is essential to efficient functioning of markets



Sustainable growth

Unlocking sustainable growth in dynamic organisations through collaboration and innovation.



Thriving environments

Creating cities and communities across the UK which enable people and companies to fulfil their potential.



“One challenge will be whether this quaint hub can come together to create a common sense of purpose for the South East and recognise the international footings on which it must compete, this is not just aspirational, it is necessary for future success and perhaps survival.”



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