

aerospace
defence
security
space



UK SECURITY SECTOR OUTLOOK 2016

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FOREWORD



PAUL EVERITT Chief Executive, ADS Group

The UK's security industry plays a vital role in supporting our national security and prosperity. The advanced technology and services offered by UK companies are helping to provide a safe and secure environment for people and businesses whether they are at home, at work, at major events or when travelling.

This ADS Outlook report provides the facts and figures to help describe the UK security industry and its contribution to the economy. In 2015, turnover in the sector increased by five per cent to £9.1 billion and most ADS members expect to see further growth in the year ahead.

The security industry is supporting more than 121,000 high value jobs and saw direct employment rise by 5,100 during the year; the average salary exceeds £40,000 and it supports more than 2,100 apprentices.

There are a high number of SMEs providing an agile and innovative supply base for public and private sector customers at home and around the world. 70 per cent of companies are looking to increase investment with a strong focus on R&D, design and engineering and new business development.

This focus is helping to keep UK companies ahead of the competition and helping them to win in international markets. In 2015 exports grew by 12 per cent to some £4 billion. The industry regards export growth as a high priority, with 71 per cent identifying exports as the key driver for growth during the next 12 months. Europe remains the number one export market for ADS members, followed by the Middle East and North America.

UK Government support for the security industry remains central to its success. The Department for International Trade's Defence and Security Organisation continues to provide excellent support for companies, and its close collaboration with the Home Office and the Department for Transport has opened up major opportunities for those specialising in cyber, border and aviation security.

UK SECURITY INDUSTRY

76,100
Employees



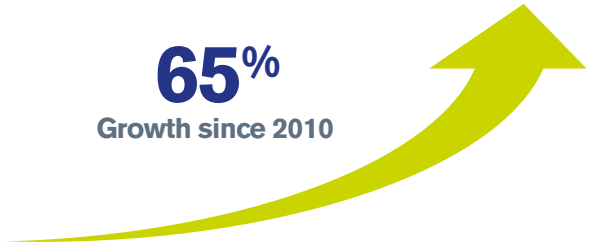
76,100
Direct UK Security
Sector jobs



45,000
Indirect UK Security
Sector jobs

£9.1bn
Turnover

65%
Growth since 2010



£4bn
Exports

£5.1bn Domestic Revenue

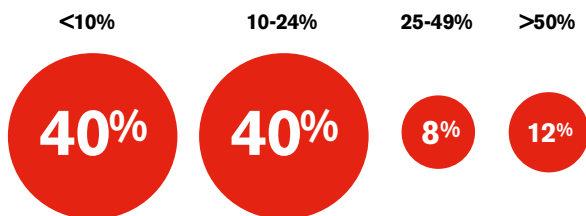
£4bn Exports

44% of Security Sector revenue comes from exports

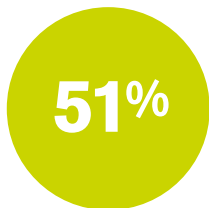


45%
of UK Security
Companies employ
Apprentices and Trainees

2,100
Apprentices



60%
Expect >10%
growth



of UK Security companies
investing in Design and
Engineering



of UK Security companies
investing in Sales and
Business Development

70%
Increasing
investment

01 SECURING RAPID GROWTH

£9.1bn

Turnover

£4bn

Exports

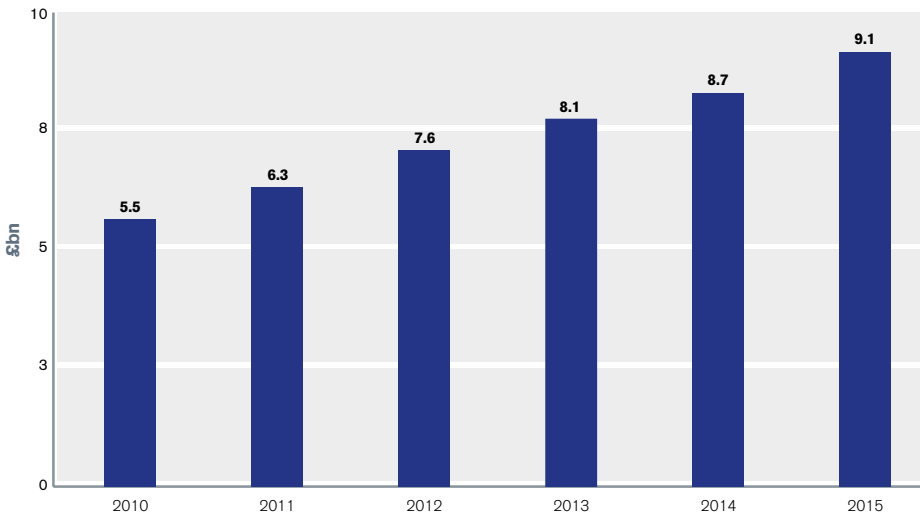
5%

Annual Growth

- UK Security sector grew by 5% in 2015.
- Security exports grew to £4bn.
- 60% of UK Security companies expecting growth greater than 10%.
- Growth driven by export opportunities in the EU, North America and the Middle East.

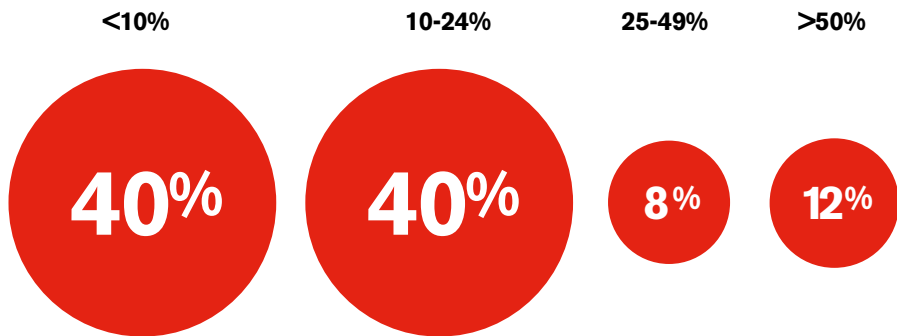
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UK Security Sector output has grown 65% since 2010



Source: Oxford Economics, ADS and ONS

60% OF FIRMS EXPECT >10% GROWTH



- Over half of UK Security companies are expecting to grow by 10% or more in the next 12 months.
- UK Security sector grew by over 5% in 2015, and by 11% on average each year (compound annual growth rate) over the last 5 years.
- Key drivers of growth in the next 12 months include:
 - Growth of existing business (75%)
 - New export opportunities (71%)
 - Growth of UK opportunities (40%)

02 EMPHASIS ON EXPORTS

£4 bn
Exports

71%
Say growth is driven by exports

18%
Growth in Exports

- 44% of Security turnover is generated by exports.
- Locations where companies have cited growing export levels include Europe, North America and the Middle East.
- Companies cite North America, the Middle East and Latin America as the regions that they are most likely to focus their exports over the next 3 years.

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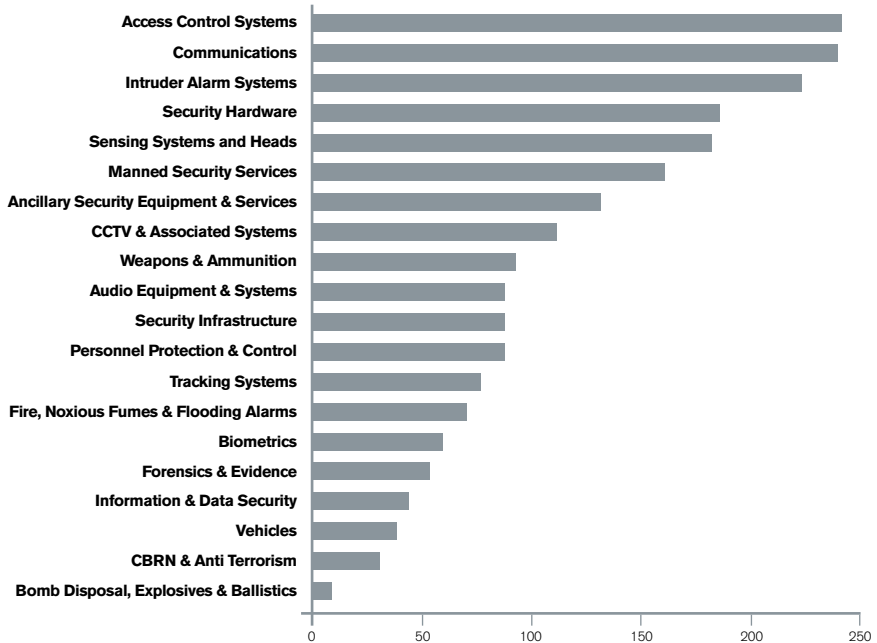
71% say growth is driven by new exports

% exporting to location / % entering new market



SIGNIFICANT RANGE OF UK SECURITY EXPORTS

Top 20 UK Security exports, by product type, £m



Source: DSO Defence and Security Export Statistics for 2015

- The UK Security Industry produces products and services for:
 - Homeland security, including counter-terrorism, tackling organised crime and supporting the police.
 - Emergency response support, including humanitarian crises.
 - Cyber security, including digital forensics and data analysis.
 - Major event security.

03 INVESTING FOR THE FUTURE

£5.3bn

Gross Value Added

70%

Increasing investment

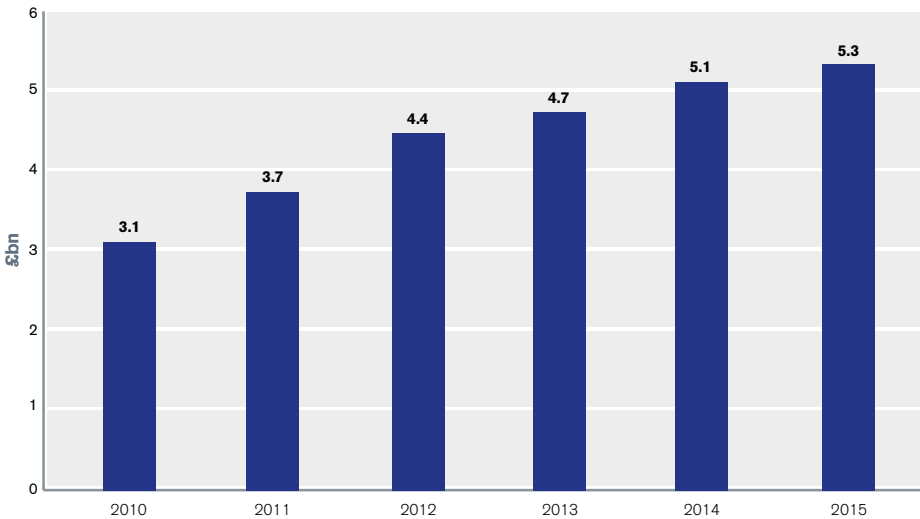
50%

of companies
investing in R&D

- UK Security sector grew by 5% in 2015.
- Companies focused on investing in business development, design and engineering and R&D.

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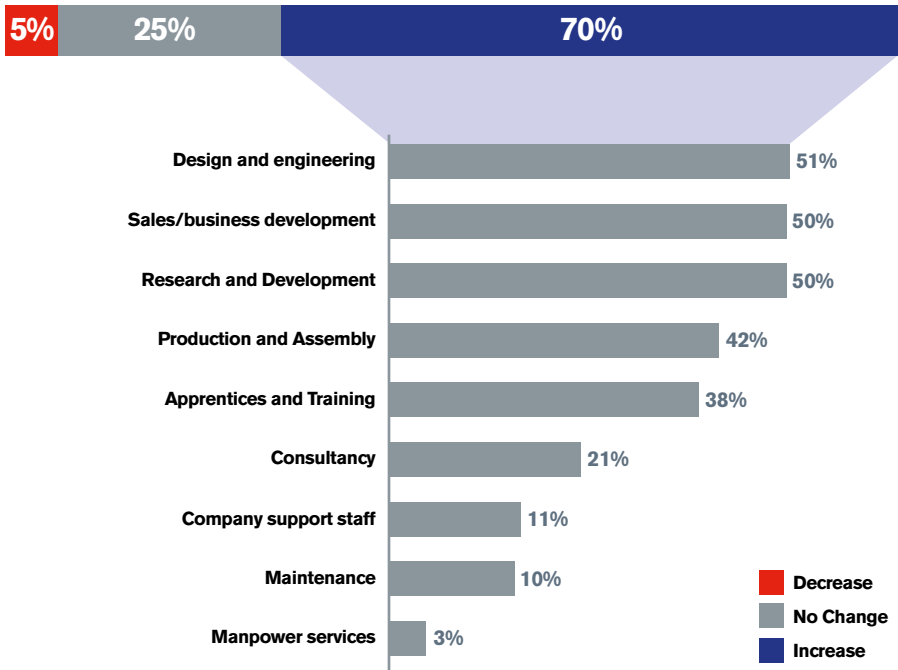
UK Security Sector GVA is contributing to UK growth, £bn



Source: Oxford Economics, ADS

INVESTMENT IN SALES, DESIGN & INNOVATION

% of companies with plans for investment, overall & by function



Source: ADS, ADS/GfK NOP Industry Intelligence Survey 2016

- Majority of companies focused on investment in R&D and design and engineering.
- Investment levels are also being driven by new business opportunities at home and overseas.

04 SUPPORTING HIGHLY SKILLED JOBS

76,100

Employees

2,100

Apprentices & Trainees

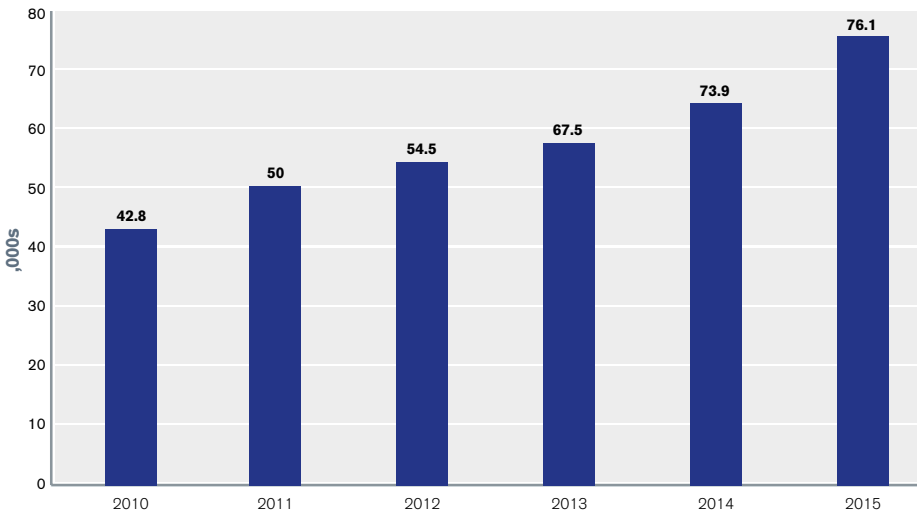
45,000

Indirect employees

- 76,100 directly employed by UK Security industry.
- 45% of companies employ apprentices or trainees.
- £40,200 average salary in UK Security industry.
- 1 in 6 firms concerned over access to required R&D and engineering skills.

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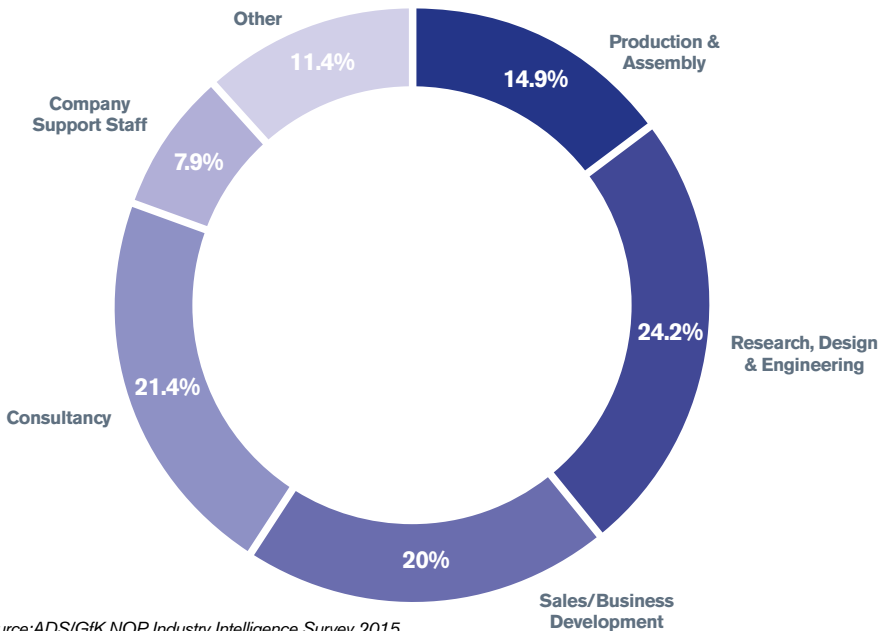
UK direct Security employment, (000s)



Source: Oxford Economics, ADS

INVESTMENT IN HIGH SKILLED WORKFORCE BUT CONCERNS OVER R&D AND ENGINEERING SKILLS

% of employees in UK Security companies, by job function



Source: ADS/GfK NOP Industry Intelligence Survey 2015

- Over 18,000 R&D, Design & Engineering jobs directly in the UK Security sector.
- £40,200 average salary in the UK Security industry – nearly 50% more than the national average (approx. £27,000).
- 1 in 6 companies are not confident they will be able to access the necessary R&D and design and engineering skills to drive innovation.

ABOUT ADS

ADS Group is the UK trade organisation representing the Aerospace, Defence, Security and Space sectors. ADS is focused on representing the interests of these valuable wealth producing industries in the UK and overseas to key stakeholders, government, and the media.

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ADS plays an instrumental role in bringing industry and government together, working closely and collaboratively to maintain and grow the UK's world leading position in these industries. In doing so, these sectors will support and facilitate a sustainable UK economic recovery, securing future sector prosperity through a strong strategy and united approach.

Farnborough International Limited is a wholly owned subsidiary of ADS Group. The Farnborough International Airshow 2018 will run from 16-22 July 2018. In 2016, the Farnborough International Airshow saw over \$124bn worth of confirmed orders.

ABOUT THE SURVEY

In 2016, ADS Group commissioned two different research strands to assess the size, shape and priorities for the UK's Aerospace, Defence, Security and Space sectors.

- **ADS/GfK NOP Survey:** GfK interviewed 234 ADS members online between 22nd February 2016 and 23rd March 2016. The respondent list was provided to GfK by ADS. The database provided by ADS contained 915 eligible respondents and 234 completed interviews were achieved, representing a response rate of 24%.
- **Oxford Economics:** ADS commissioned Oxford Economics to assess the turnover, employment and gross value added levels for each of ADS's four sectors. Their research draws on data from Office National Statistics, Department for Business, Energy and Industrial Strategy, Ministry of Defence, Business Register Employment Survey (BRES), Workforce Jobs (WFJ) bulletin, ADS Group and the ADS/GfK NOP Survey data.



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