

aerospace
defence
security
space



UK SECURITY SECTOR OUTLOOK 2017

CONTENTS

Foreword	3
Summary	4
UK Security Industry	6
Emphasis on Exports	8
Investing for the Future	10
Supporting High-Skilled Jobs	12
About ADS	14
About the Data	15

FOREWORD



PAUL EVERITT Chief Executive, ADS Group

The UK's security industry has never been more important, supporting our national security and making an ever greater contribution to our economy. UK companies are providing a range of advanced technology and services, in the domestic market and overseas, delivering a safe and secure environment for people and businesses.

This UK Security Sector Outlook 2017 report shows our security industry is experiencing rapid and sustained growth. Last year alone, the UK security sector grew by 17 per cent and in the last five years its turnover has doubled to £12.2bn. Much of this impressive growth has come from exports, which are up to £4.3bn this year. Almost three quarters of UK companies in the sector are expecting growth of at least 10 per cent in 2017, driven by opportunities both at home and in export markets – especially Europe, North America and the Middle East.

As it continues to expand, the sector now directly employs nearly 100,000 people – including 2,800 apprentices – and supports a further 69,400 jobs indirectly. Growth areas for rising investment include business development and research and development.

This year we have seen a particular spotlight shone on the impact of cyber security threats, both in the UK and internationally, and it is clear that UK businesses are making a great contribution to tackling this challenge. Cyber security accounted for more than one third of UK exports in the sector, with a total value of £1.5bn. Other UK success stories in security exports were found in the areas of critical national infrastructure, counter-terrorism and border security.

This summer, the Government launched a national security capability review, supporting ongoing implementation of the 2015 National Security Strategy and the Strategic Defence and Security Review. UK industry has a key role to play in using its wide-ranging skills and expertise to help the Government identify and assess national security risks, and improve the capabilities available to respond to them.

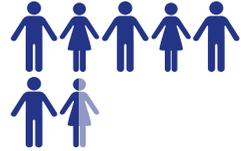
The last 12 months have offered much to celebrate in the security sector. We can now look forward to further growth, and ever stronger relationships between industry, Government and our international partners.

SUMMARY

99,600
Employees



99,600
Direct UK Security
sector jobs



69,400
Indirect UK Security
sector jobs

£12.2bn
Turnover

x2
Growth doubled over
the last five years

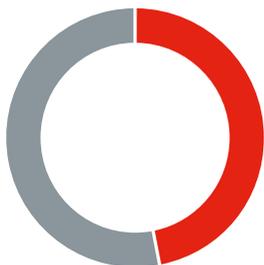


£4.3bn
Export Orders
in 2016

Domestic

Exports

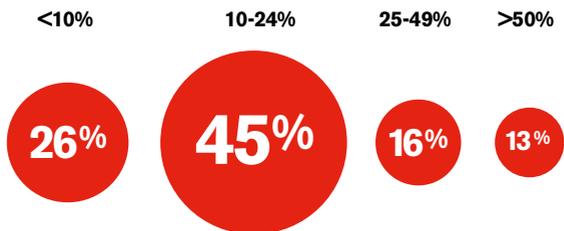
35% of UK Security sector revenue comes from exports



47%

of UK Security companies
employ Apprentices and
Trainees

2,800
Apprentices



74%
Expect >10%
growth



of UK Security companies
investing in R&D



of UK Security companies
investing in Sales and
Business Development

61%
Increasing
investment

01 UK SECURITY INDUSTRY

£12.2bn

Turnover

£4.3bn

Export Orders in 2016

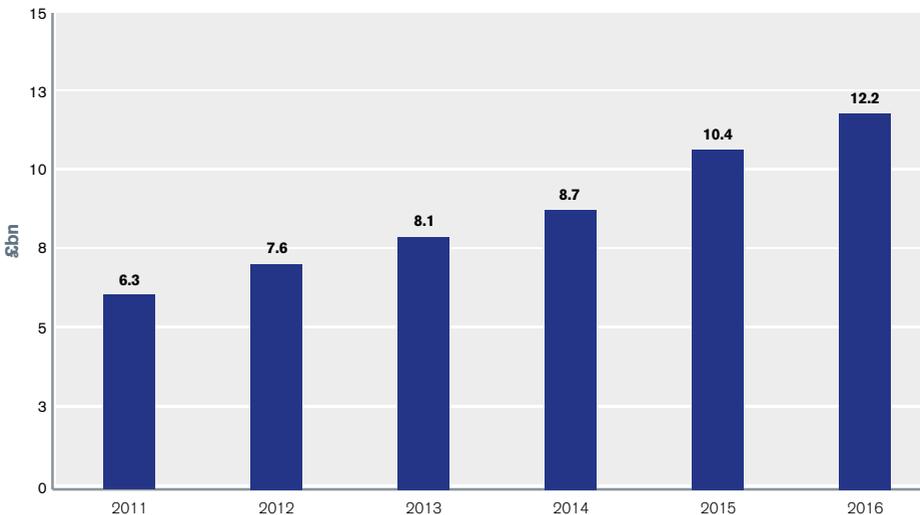
17%

Annual Growth

- The UK Security sector grew by 17% in 2016.
- 74% of the UK Security sector is expecting growth of 10% or greater in the next 12 months.
- The UK was ranked the 5th largest security exporter globally in 2016.

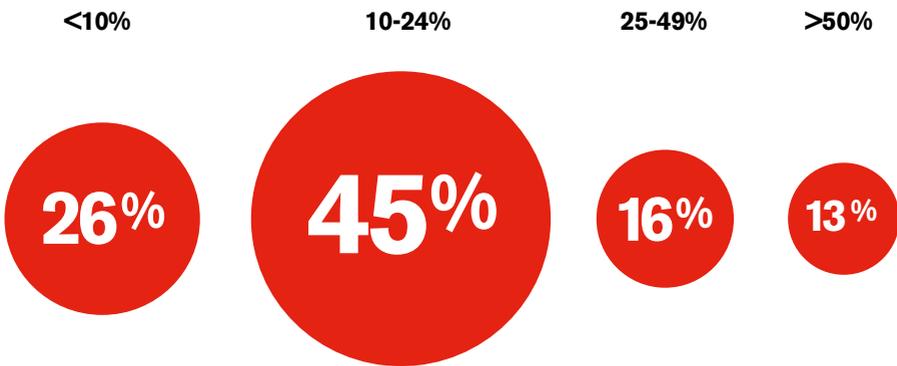
6

UK Security sector turnover has more than doubled in the last five years



Source: Oxford Economics, ADS and ONS

74% OF COMPANIES EXPECT >10% GROWTH



Source: ADS/ComRes Survey 2017

- Almost three quarters of UK Security sector companies are expecting to grow by 10% or more in the next 12 months.
- The UK Security sector grew by over 23% in 2016 and on average by 15% each year (compound annual growth rate) over the last five years.
- Key drivers of growth in the next 12 months include:
 - Growth of existing business (63%)
 - New business opportunities in the UK (53%)
 - New business opportunities globally (50%)

02 EMPHASIS ON EXPORTS

35%

Revenue from exports

50%

Say growth is driven by exports

£1.5bn

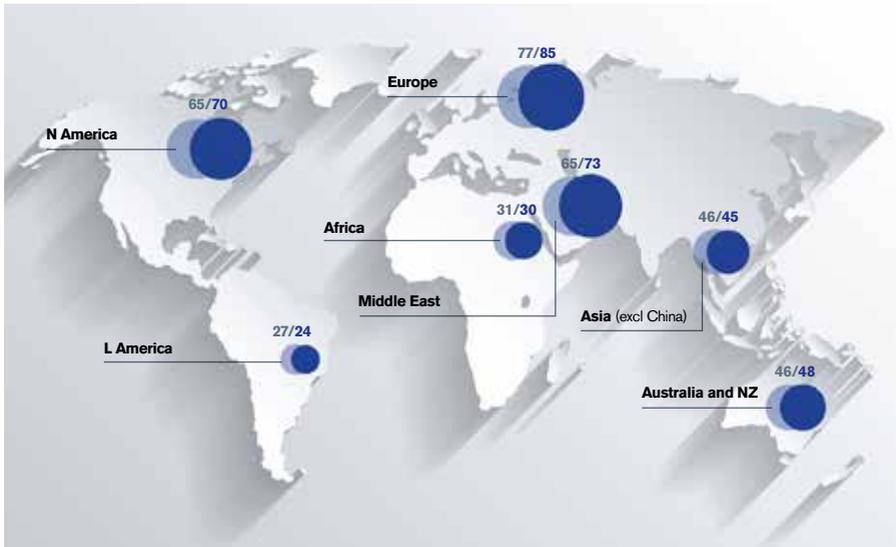
Value of cyber security exports

- 35% of the Security sector's turnover is generated by exports.
- Locations where companies have cited growing export levels include Europe, North America and the Middle East.
- Cyber security accounted for 34% of total UK security exports in 2016.

8

50% say growth is driven by new exports

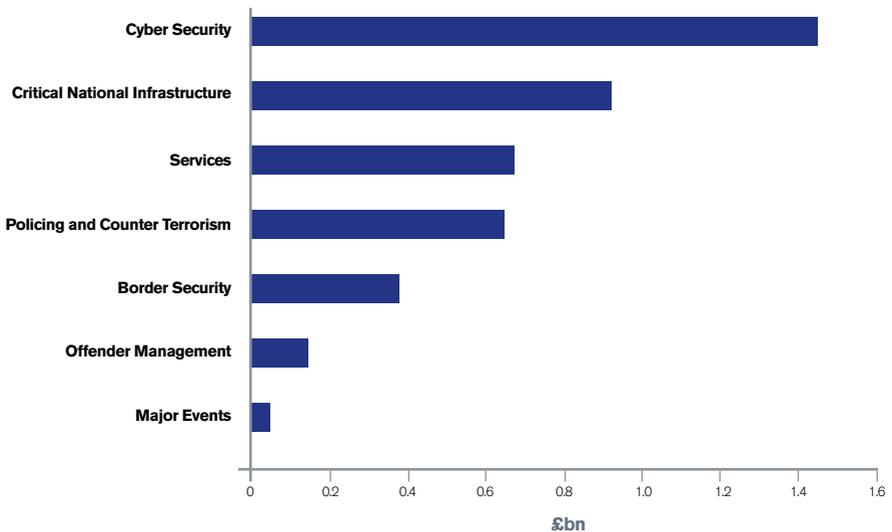
% exporting to location / % exporting in next three years



Source: ADS/ComRes Survey 2017

SIGNIFICANT RANGE OF UK SECURITY EXPORTS

Top UK Security exports in 2016, by product type



Source: DIT DSO Annual Defence and Security Export Statistics 2016

- Cyber Security was the largest single security export category in 2016, accounting for 34% of the overall total. It is expected to provide the strongest export market growth.
- Reflecting the nature of the national security threats countries face, exports relating to Critical National Infrastructure (21%) and Policing and Counter-terrorism (16%) were also significant in 2016.
- Border security remains a key concern for nations, with investment expected in this area over the next five years.

03 INVESTING FOR THE FUTURE

£7.5bn

Gross Value Added

61%

Increasing investment

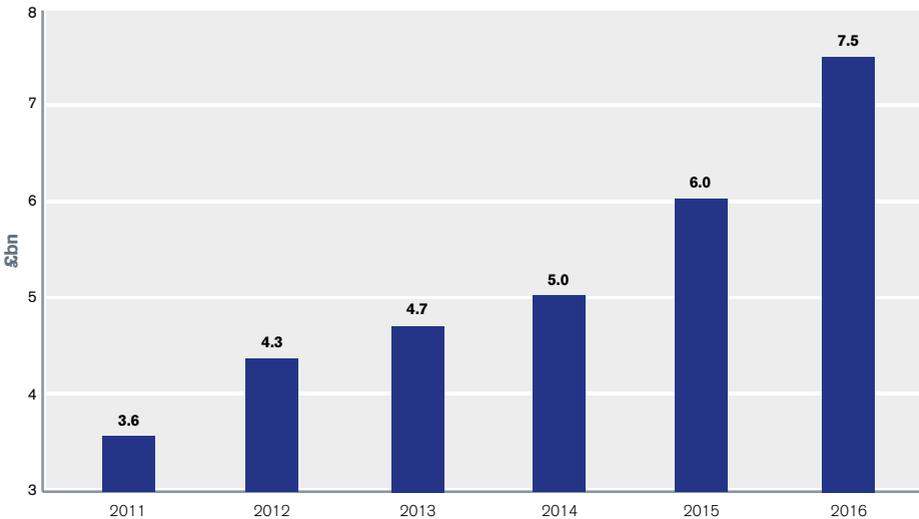
44%

of companies
investing in R&D

- Turnover in the UK Security sector has almost doubled since 2011.
- The industry's GVA has more than doubled in the last five years.
- Companies are focused on investing in Business Development, R&D and Design and Engineering.

10

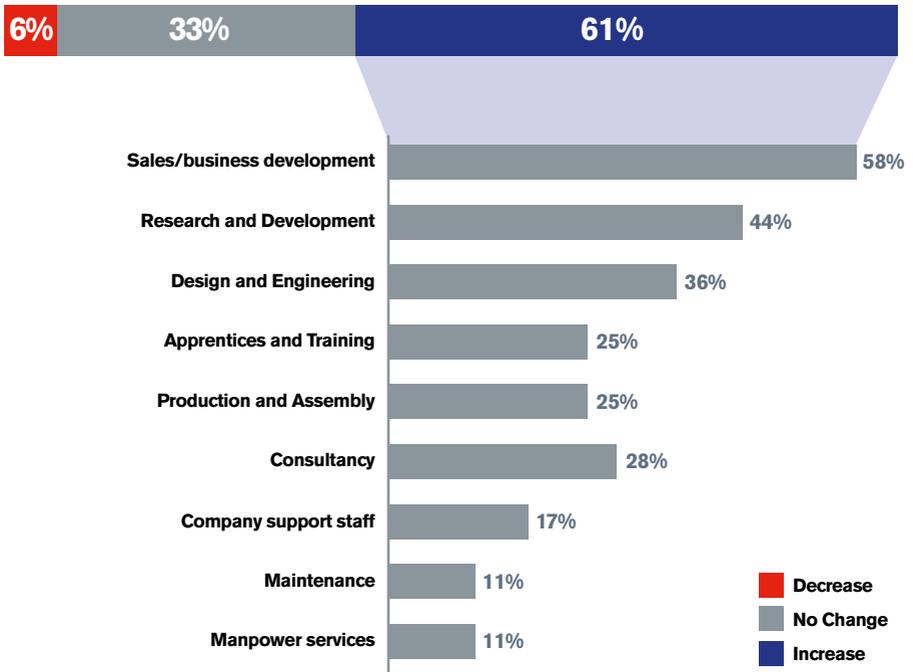
UK Security sector GVA is contributing to national prosperity



Source: Oxford Economics, ADS

INVESTMENT IN SALES, DESIGN & INNOVATION

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



Source: ADS/ComRes Survey 2017

- The majority of companies plan to focus their investment in sales and business development and R&D in the next 12 months.
- 1 in 4 UK Security companies are investing in apprentices and trainees to secure access to the next generation of skilled workers.

04 SUPPORTING HIGH-SKILL JOBS

99,600

Employees

2,800

Apprentices & Trainees

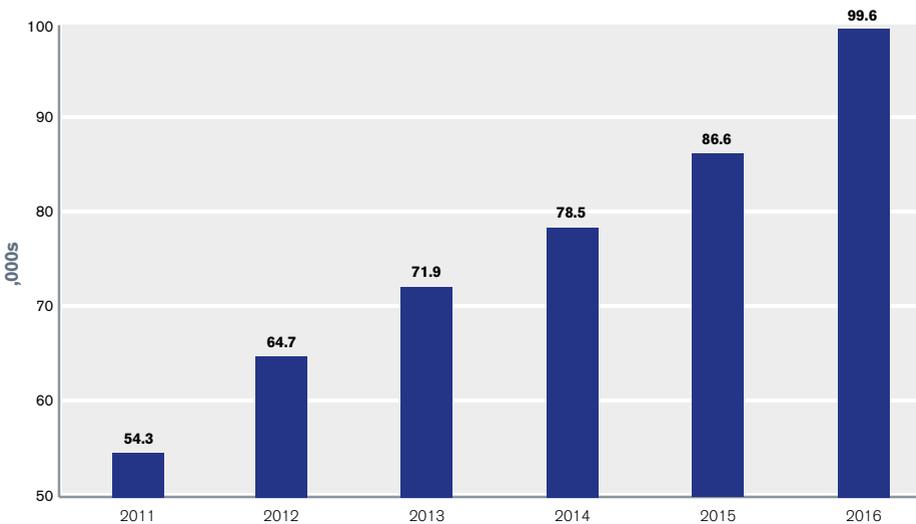
29,000

British R&D and Design and Engineering jobs depend on the UK Security sector

- 99,600 directly employed by UK Security industry.
- 47% of companies employ apprentices or trainees.
- The average salary in the UK Security industry is £39,600.
- One third of firms are concerned over access to Research and Development skills required to drive innovation.

12

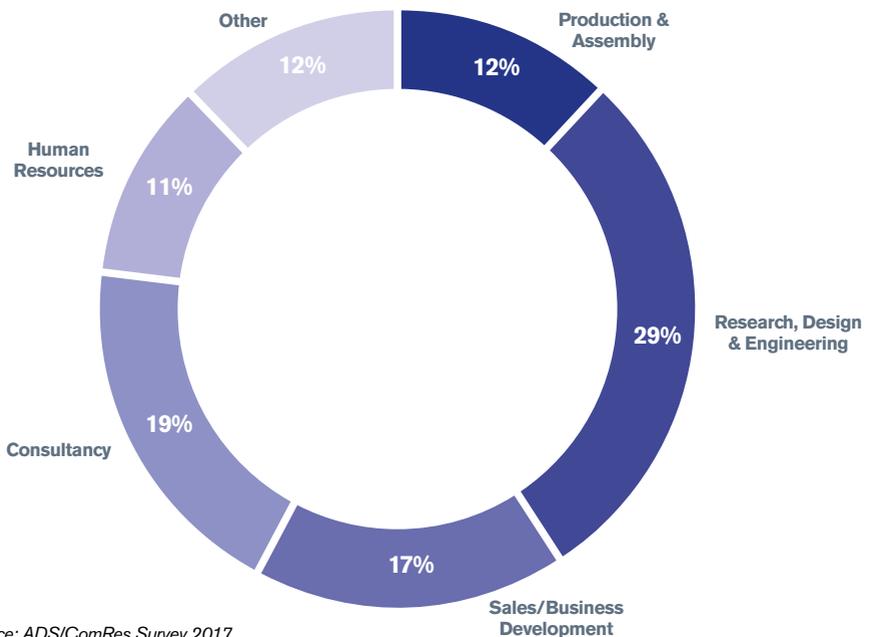
UK direct Security employment



Source: Oxford Economics, ADS

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

% of employees in UK Security companies, by job function



Source: ADS/ComRes Survey 2017

- Almost 29,000 R&D and Design and Engineering jobs are directly linked to the UK Security sector.
- The average salary in the UK Security industry is £39,600 - 43% more than the UK average (approx. £27,600).
- One third of companies are not confident that they will be able to access the R&D and Design and Engineering skills required 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.

14

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 \$124bn worth of confirmed orders.

ABOUT THE DATA

In 2017, 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/ComRes Survey:** ComRes interviewed 102 ADS members online between 21st February 2017 and 17th April 2017. The respondent list was provided to ComRes by ADS. The database provided by ADS contained 911 eligible respondents and 102 completed interviews were achieved, representing a response rate of 11%.
- **Oxford Economics:** ADS commissioned Oxford Economics to assess the turnover, employment and gross value added levels for each of ADS' four sectors. Their research draws on data from Office National Statistics, Dept for Business, Energy and Industrial Strategy, Ministry of Defence, Business Register Employment Survey (BRES), Workforce Jobs (WFJ) bulletin, DIT DSO, ADS Group and the ADS/ComRes Survey data.

ADS Group Limited Salamanca Square 9 Albert Embankment London SE1 7SP
enquiries@adsgroup.org.uk

www.adsgroup.org.uk +44 (0) 20 7091 4500

