



Irish Technology companies predict major expansion in 2014 - according to AIB's latest Outlook Report on the Technology sector

27th March 2014

Seven out of 10 indigenous Irish Technology companies increased their turnover by an average of 30% last year and six out of 10 are now looking outside Ireland for their main market, according to a major survey of the sector.

As well as having a strong multinational presence in Ireland, there is a scaling indigenous Technology sector worth €2 billion in annual sales. This sector alone employs 30,000 people accompanied by a buoyant emerging Technology start-up ecosystem that has evolved across the country.

The Technology Outlook Report, published by AIB today (Thursday, March 27th) and conducted by Amarach Research, reveals surging confidence among Irish Technology companies that they will continue to enjoy significant growth in 2014 and beyond. Almost nine in 10 (87%) believe their outlook for 2014 is better than 2013 and three quarters (74%) plan to grow their workforce this year. There are also challenges facing the Technology sector, the biggest of which appears to be the issue of scaling their operations to deal with the anticipated growth and expansion.

The AIB Technology survey, carried out in partnership with the Irish Internet Association and the Irish Software Association, is the sixth in a series of 10 Outlook Reports that the bank has commissioned to investigate the opportunities and challenges facing key sectors in the Irish economy. The research findings highlight issues impacting on the Technology sector at both start-up and SME level.

There are in excess of 700 indigenous Technology companies and 27 Accelerator-Incubators (which provide pre-seed funding, training programmes and other start-up supports) now operating in the Irish economy. Three-quarters (77%) of the firms are privately held while just one in eight (13%) of them are funded by venture capital.

Of the 106 SMEs that were surveyed in this Outlook Report, three-quarters (78%) have employ less than 50 employees while 8% employed in excess of 250 people. Almost six in 10 (59%) of those surveyed had been in business for more than five years and an impressive, one in eight (13%) is in business more than 20 years. Indicating the sector's drive to compete, a consistent proportion of six in 10 SMEs invested in R&D in 2012 (61%) and in 2013 (62%).

AIB's Head of Business Banking, Ken Burke, said the findings clearly show the growth potential of the Technology sector in Ireland and the capacity of Irish companies to compete in a rapidly-changing global market. "This report demonstrates that start-ups and SMEs in the Technology sector are poised for major expansion and job creation and the banking industry must respond positively to support our indigenous companies to capitalise on the opportunities ahead. AIB for its part has invested in a specialist technology banking unit to support its Technology sector customers. Winning

new clients, entering new markets and launching new products all involve investment. AIB is deeply engaged in funding the sector and will scale up that finance to meet demand", he said.

Irish Internet Association, Chief Executive, Joan Mulvihill said: "The IIA is committed to ensuring that the supports are in place for continued growth in ICT in Ireland. An informed and engaged banking sector is a critical element of that infrastructure. We welcome this research report by AIB which highlights the valuable contribution by ICT companies to overall economic growth. We look forward to working with AIB for the provision of banking products and services that meet the needs our member companies and the wider ICT community."

Chair of the Irish Software Association, and MD of Trilogy Technologies, Edel Creely, welcomed the report and said "While the indigenous technology sector is without doubt poised for major expansion, the growth we have seen in recent years can be further accelerated through a number of straightforward changes to national tax policies". She continued "Firstly, investment could be increased through more meaningful roll-over tax relief for entrepreneurs to encourage reinvestment into Irish start-ups and growth companies. Another favourable change would be extending and improving the Employment Investment and Incentive Scheme (EIS) by introducing a risk-sharing model targeted at a wider group of new investors. Finally, the current capital gains tax regime and the tax treatment of employee share options are not favourable to Irish companies, therefore more favourable risk reward models should be explored as a matter of urgency". In conclusion she noted "these tax changes, alongside the domestic banking sector making increased working capital available to growing SMEs, should ensure the positive outlook outlined in this report is indeed realised".

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For further information, please contact:

Niamh Hennessy, Media Relations Manager, Tel: 01 7721382 / 086 3110156

Helen Leonard, Press Officer, Tel: 01 6414141 / 087 9850445