



# Melior Funding for Growth Survey 2024

**86% of SMEs optimistic about business environment in Ireland in 2024**



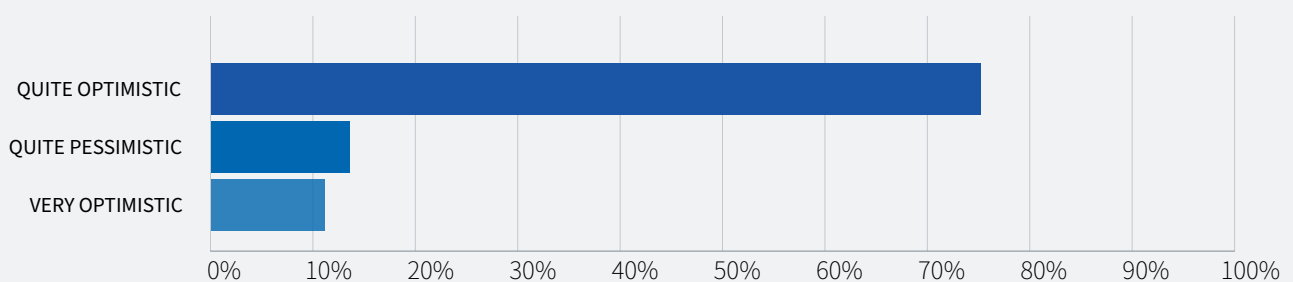
# Survey Highlights

- 86% of SMEs optimistic about business environment in Ireland in 2024, up from 70% in 2023
- Reduced consumer demand and access to talent identified as the biggest challenges facing businesses in 2024, with respondents less concerned about inflation
- SMEs more likely to use equity than debt as source of external growth capital
- 45% of respondents have already incorporated Artificial Intelligence (AI) into their business

## How optimistic or pessimistic are you about the business environment in Ireland in 2024?

86% of SMEs are optimistic about the business environment in Ireland this year according to the Melior Funding for Growth Survey 2024, an increase from 70% in last year's comparable survey. Of these, 74% were 'quite optimistic' and 12% were 'very optimistic' while 14% were 'quite pessimistic' about the outlook. The survey, which was carried out between 1 December 2023 and 10 January 2024 by the leading Irish private equity firm, includes responses from more than 50 business owners and senior executives across a range of SMEs in sectors including consumer, business services, technology and healthcare.

### How optimistic or pessimistic are you about the business environment in Ireland in 2024?

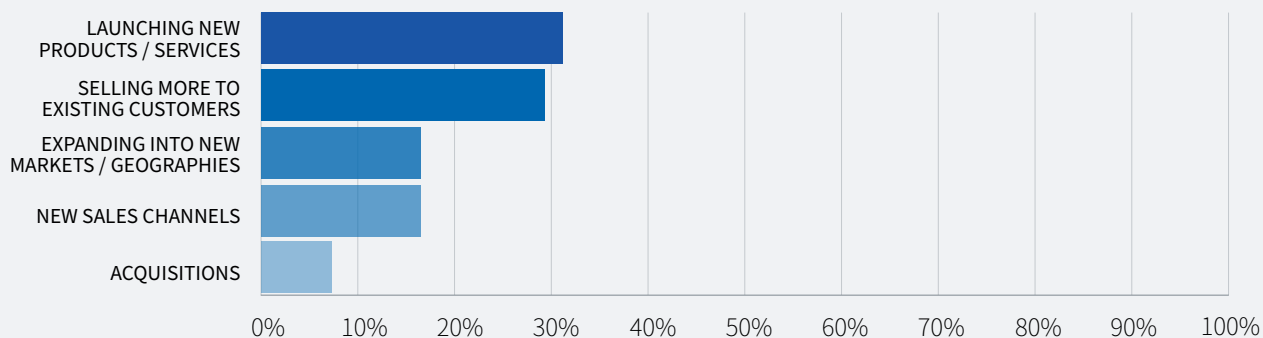




# What will be the main driver of your business' growth in 2024?

'Launching new products' was identified by 31% of those surveyed as the main driver of their business' growth while 29% believe 'selling more to existing customers' would contribute most significantly to growth. 16% said 'new sales channels' would drive business development and 8% agreed 'acquisitions' would be a key growth factor. Only 16% stated 'expanding into new markets / geographies' would deliver growth in 2024 which is a noticeable reduction from 30% in last year's survey, possibly indicating the relative strength of the Irish economy compared with some other European markets.

## What will be the main driver of your business' growth in 2024?



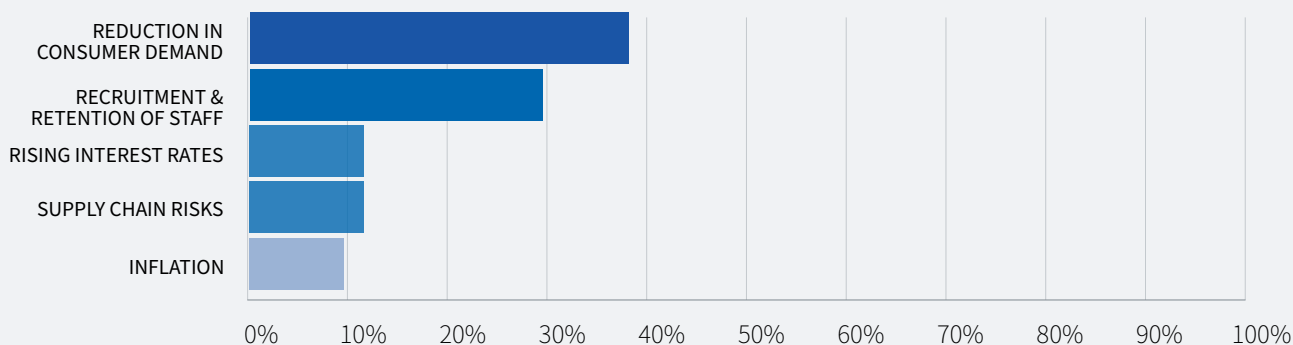
Jonathan Dalton, Managing Director, Melior Equity Partners said,

“We were encouraged to observe such a marked increase in optimism relative to last year's survey. This bodes well for the Irish economy as we enter 2024. The shift away from international expansion as a growth driver highlights the relative attractiveness of the Irish economy compared with our nearest trading partners.”

# What is the biggest challenge your business will face in 2024?

37% identified 'a reduction in consumer demand', 29% stated 'recruitment and retention of staff', 12% suggested 'supply chain risks' would be a key challenge. 12% agreed 'rising interest rates'. Interestingly just 10% noted 'inflation' as an obstacle to overcome as compared with 33% in last year's survey.

## What is the biggest challenge your business will face in 2024?



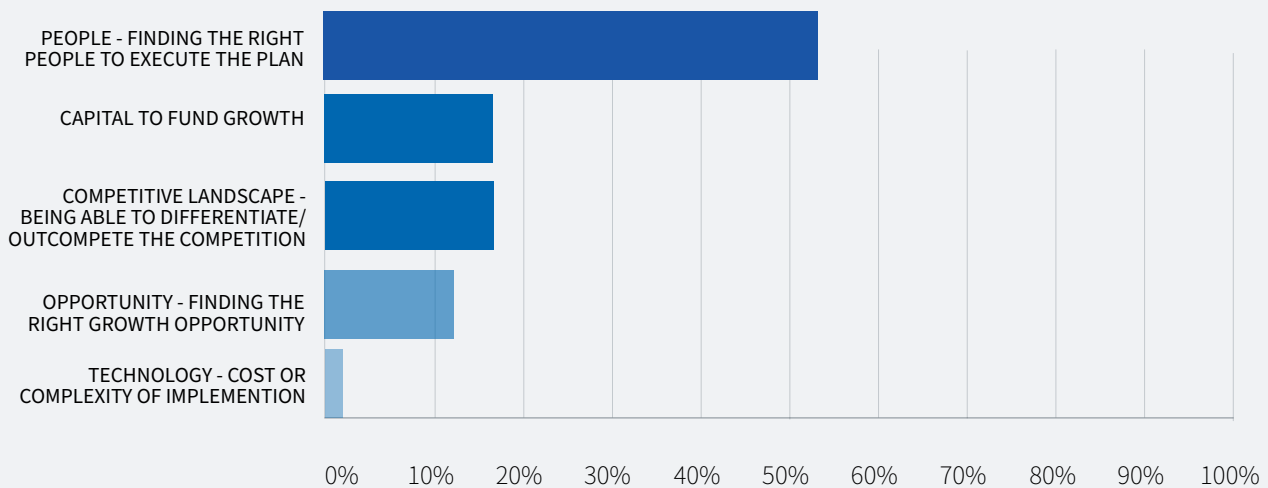
“Of the options provided, it is interesting that inflation is seen as the least significant challenge this year. This is in stark contrast to last year when it was identified as the most important issue facing business leaders. While other significant challenges remain, the perception that inflation is coming under control is clearly positive for SMEs and the wider economy.”

# What are the core constraints to your growth plans?

Core constraints to business growth plans identified by respondents included ‘finding the right people to execute the business plan’ (53%), ‘ability to differentiate from the competition’ (17%), capital to fund growth’ (17%), ‘finding the right growth opportunity’ (12%), and ‘the cost or complexity of implementing technology solutions’ (2%).

## What are the core constraints to your growth plans?

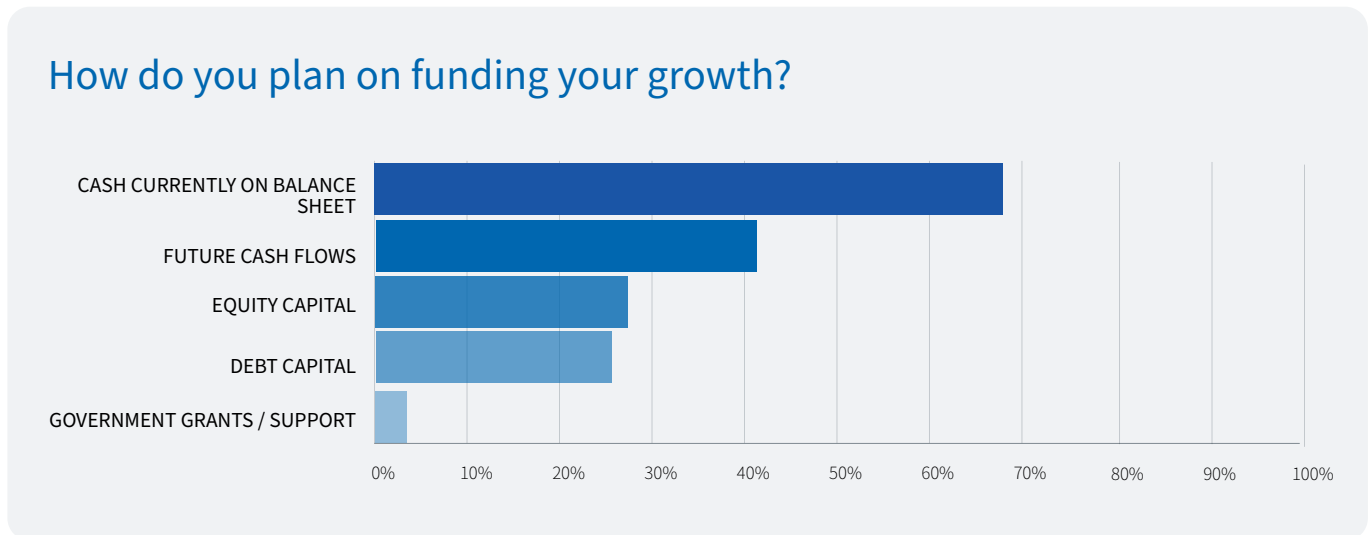
RESPONSES MARKED 1 WHERE 1 IS THE MOST SIGNIFICANT CONSTRAINT



“Attracting talent remains the biggest constraint to SME growth, with even more respondents identifying it this year as their most significant limitation,” said Dalton. “Private equity investment provides business owners and management teams with additional tools for attracting talent to an organisation.”

# How do you plan on funding your growth?

When asked what various funding sources they plan to use to fund growth, 69% of business owners surveyed stated 'cash on the balance sheet'. Significantly, 27% of SMEs suggested 'equity capital' would be used for growth funding while 25% were planning to use 'debt capital'.\*



“Of the external sources of capital identified, there is a preference for equity capital over debt capital, which is a reversal compared with last year’s survey,” continued Dalton. “This shift may indicate the impact of higher interest rates on the attractiveness of debt funding and a growing appreciation of the availability and benefits of private equity.”

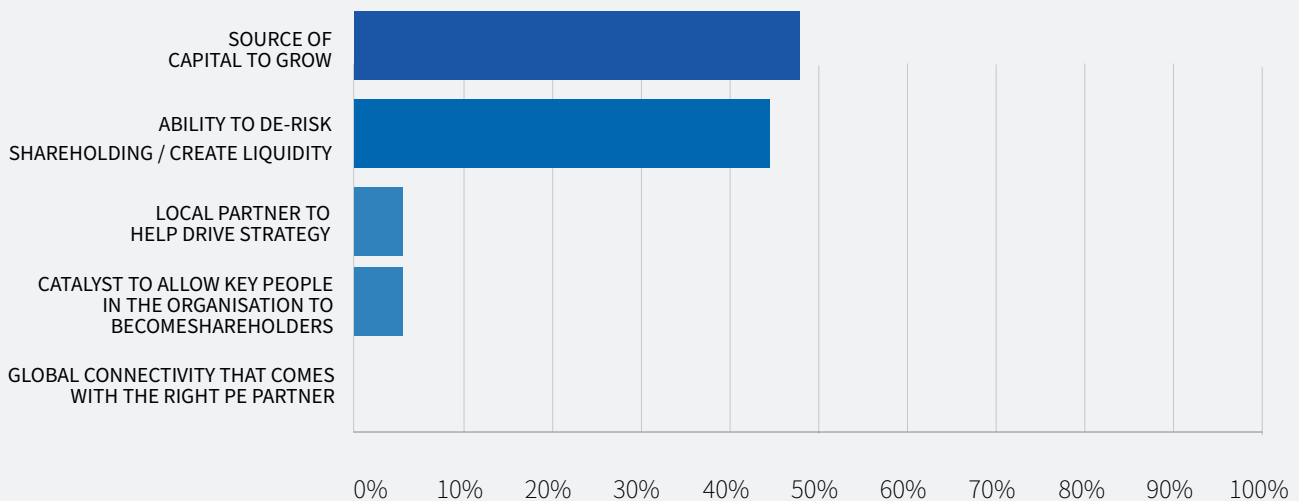
\*RESPONDENTS COULD SELECT A NUMBER OF ANSWER OPTIONS TO THIS QUESTION.

# Have you considered taking on an investment partner and why?

59% of SMEs surveyed have considered taking on an investment partner, in line with 2023. When asked why they have considered this option, 48% identified ‘source of capital to grow’ as a key reason and 44% said ‘ability to de-risk shareholding or create liquidity’. 4% cited ‘having a partner to help drive strategy’ and ‘creating an equity-based management incentive plan’ as reasons for considering an investment partner.

## If you’ve considered taking on an investment partner, for what purpose?

RESPONSES MARKED 1 WHERE 1 IS THE MOST IMPORTANT

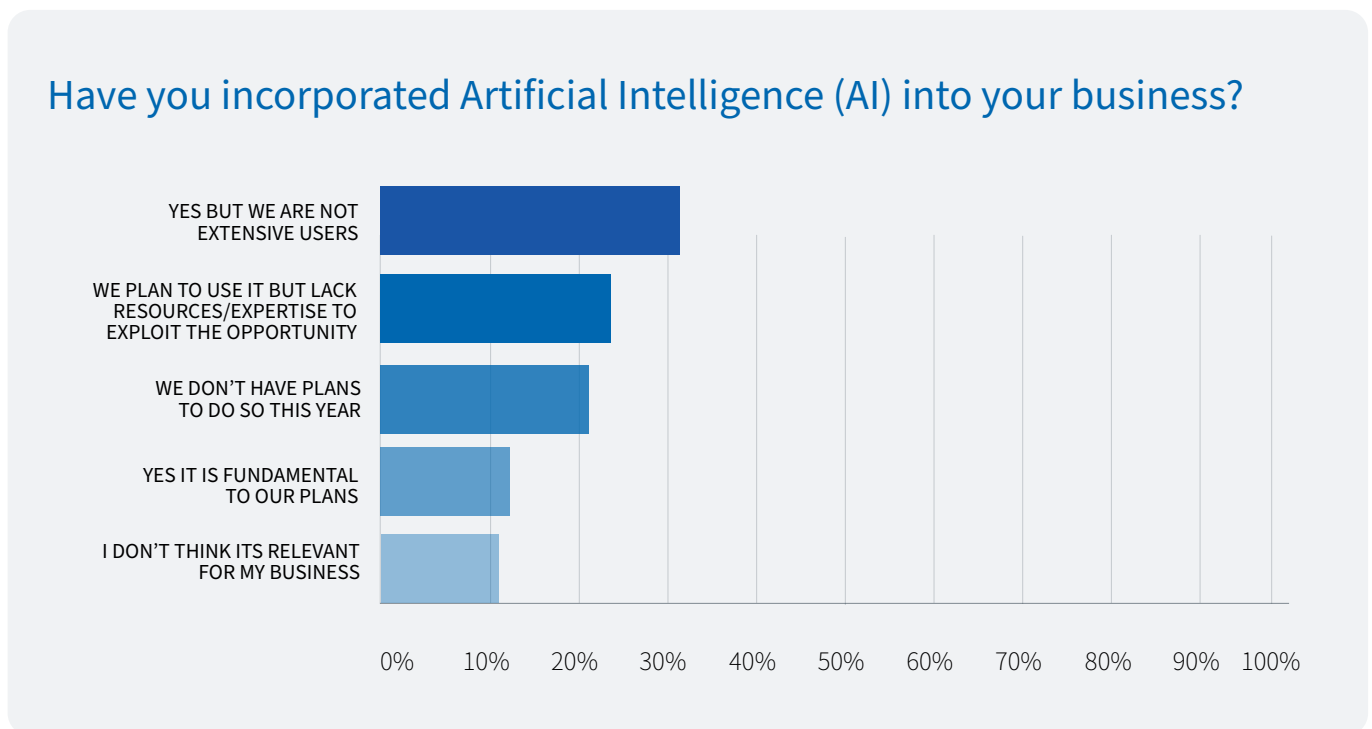


“This year’s survey again shows that a sizeable majority of SMEs have considered taking on an investment partner. The responses show that most business founders now appreciate one of the key selling points of partnering with private equity - the ability to materially de-risk themselves while maintaining considerable upside in the future growth of the company.”

# Have you incorporated Artificial Intelligence (AI) into your business?

When asked if they have incorporated AI into their businesses, 45% indicated that they had already done so, with 13% of these indicating that it is ‘fundamental to their plans’ and 32% suggesting that although they have started to use it, they are ‘not yet extensive users’. A further 23% are planning to use it but ‘lack the resources to exploit the opportunity’. 21% have ‘no plans to use AI in 2024’ while just 11% ‘don’t think it is relevant for their business.’

40% of SMEs believe AI will have a positive impact on their business, while 60% believe the impact will be neutral. None of the senior executives surveyed expected the impact of AI to be negative.



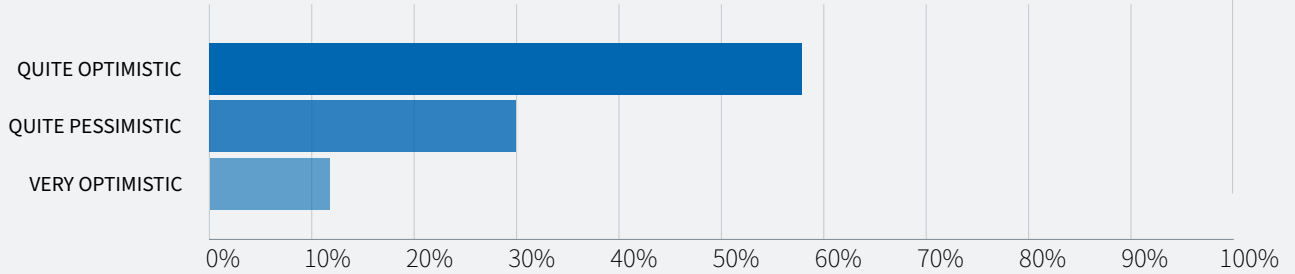
“It is notable, for such a new technology, that 45% of SMEs are already using AI in their business. The potential for businesses to create efficiencies from AI is enormous,” concluded Dalton.



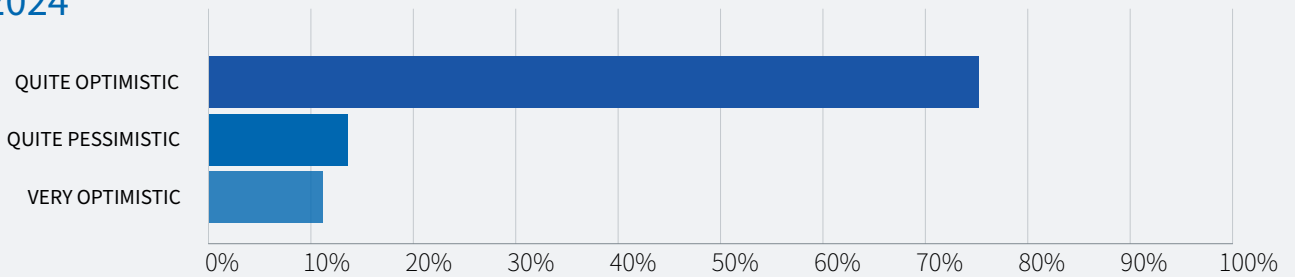
# 2023 vs 2024 Survey Findings

## How optimistic or pessimistic are you about the business environment in Ireland?

### 2023

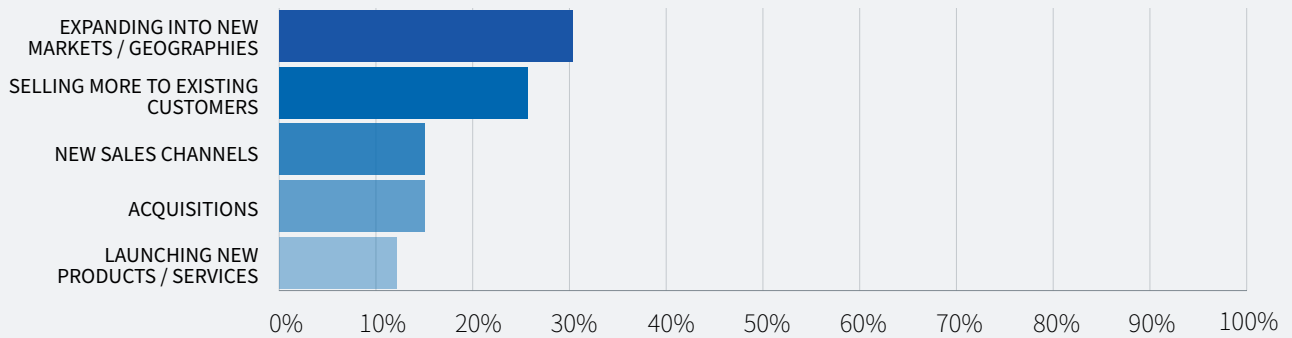


### 2024

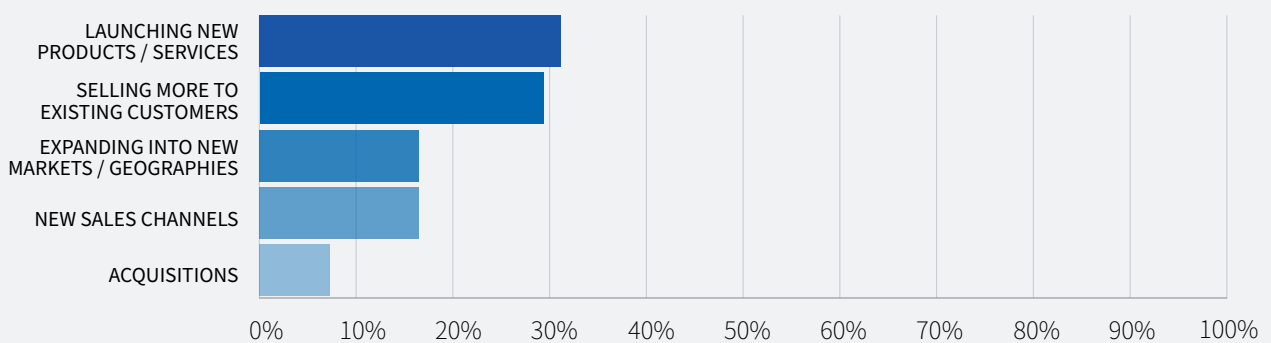


## What will be the main driver of your business' growth?

### 2023

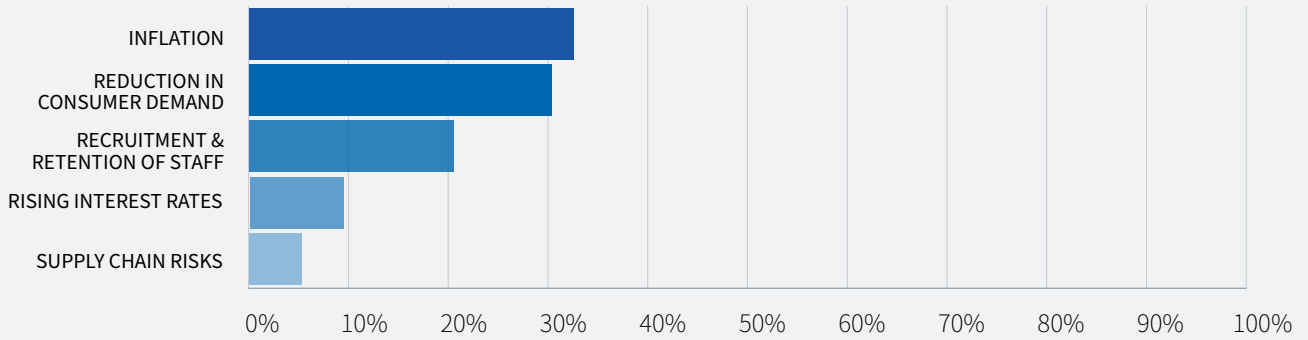


### 2024

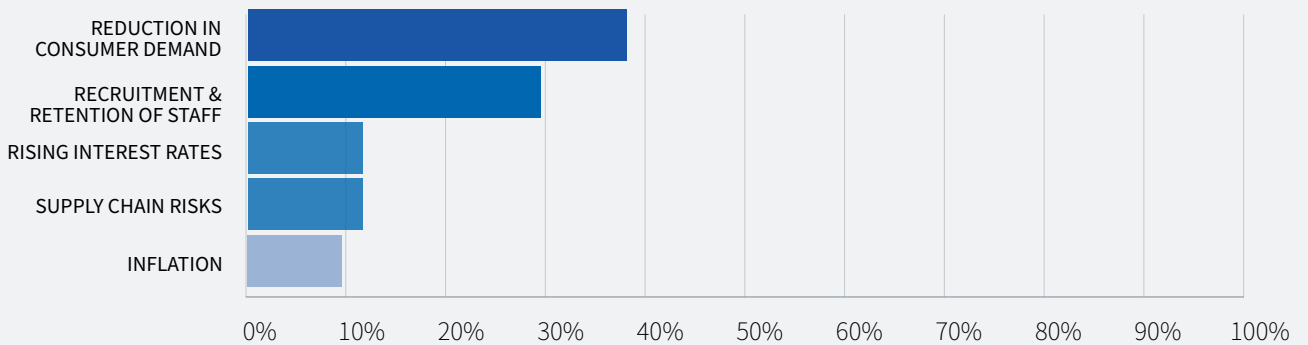


## What is the biggest challenge your business will face?

2023

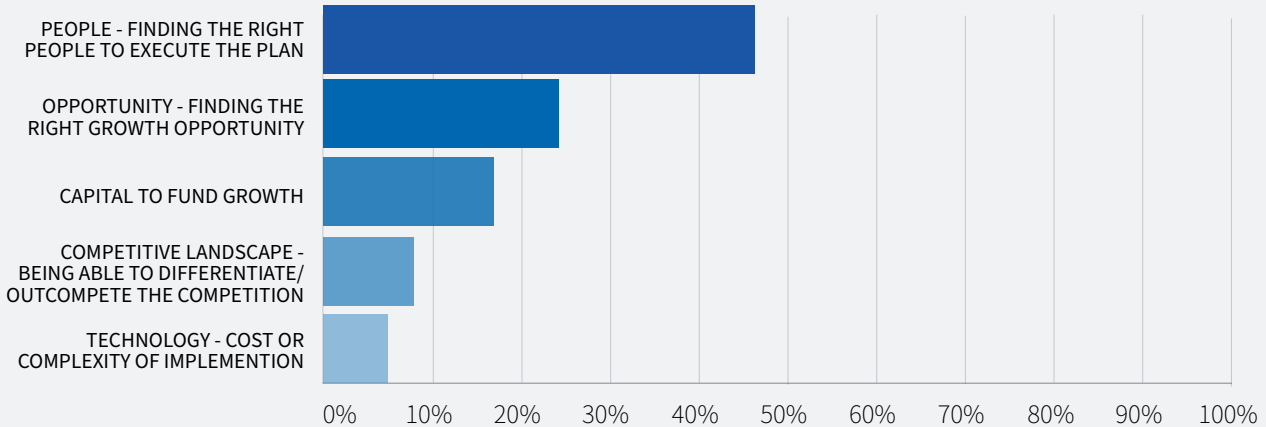


2024

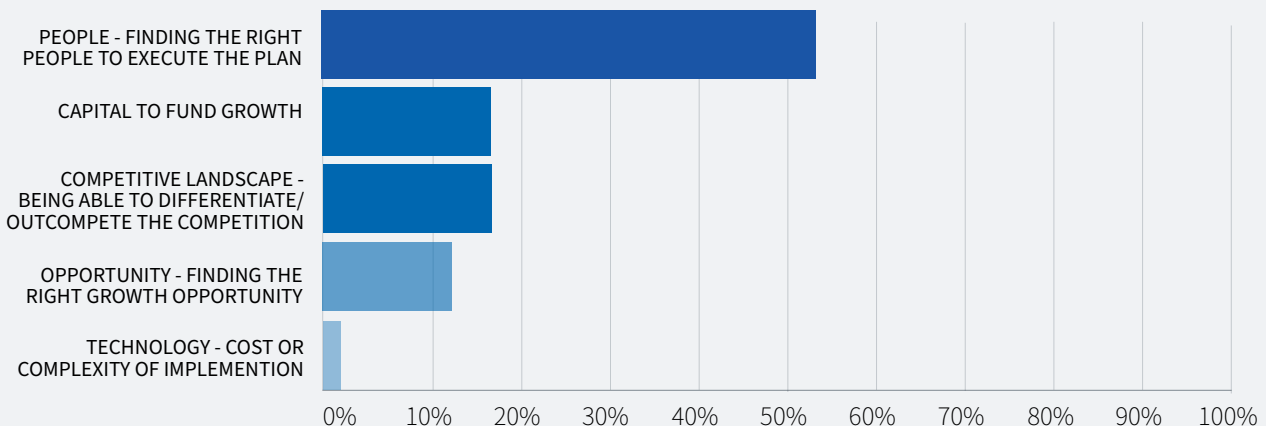


## What are the core constraints to your growth plans?

2023

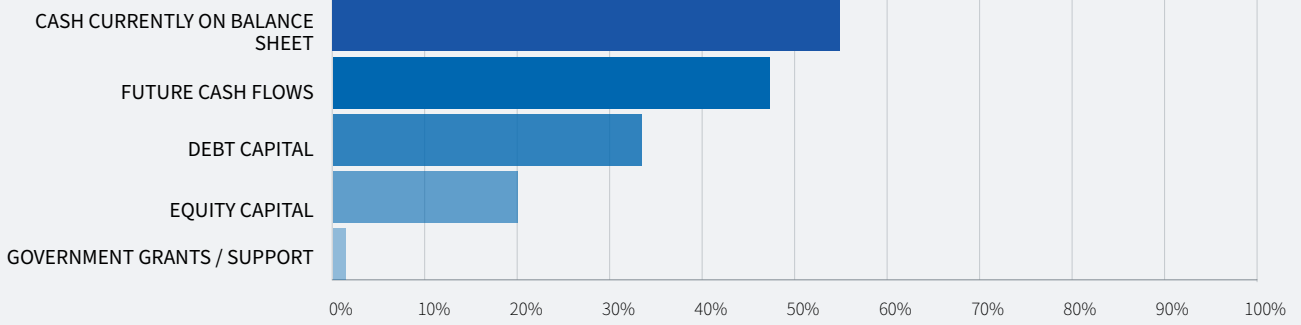


2024

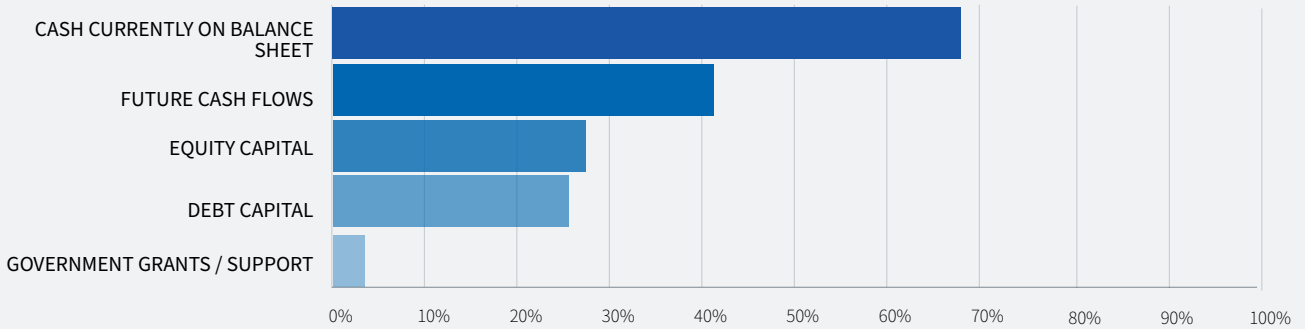


# How do you plan on funding your growth?

## 2023

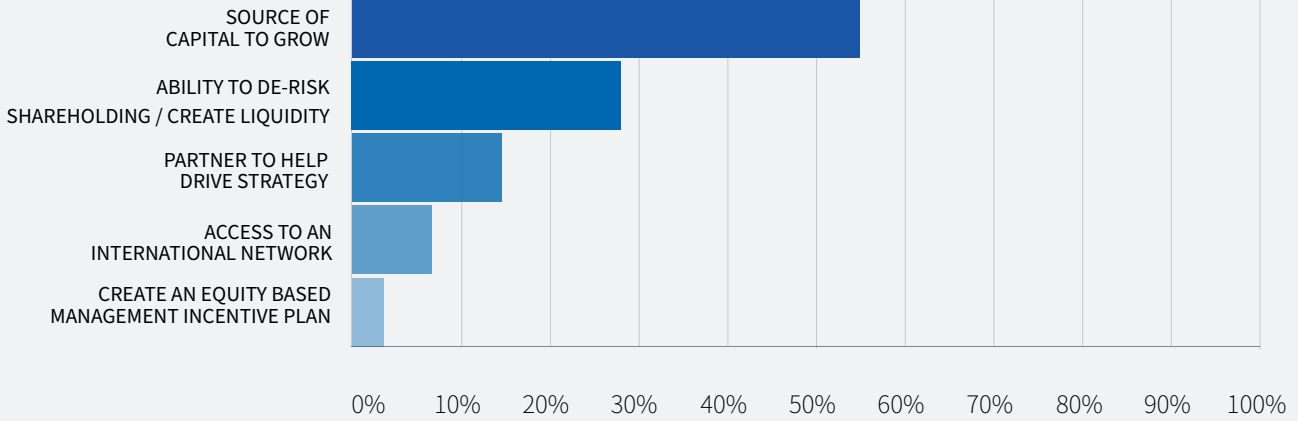


## 2024

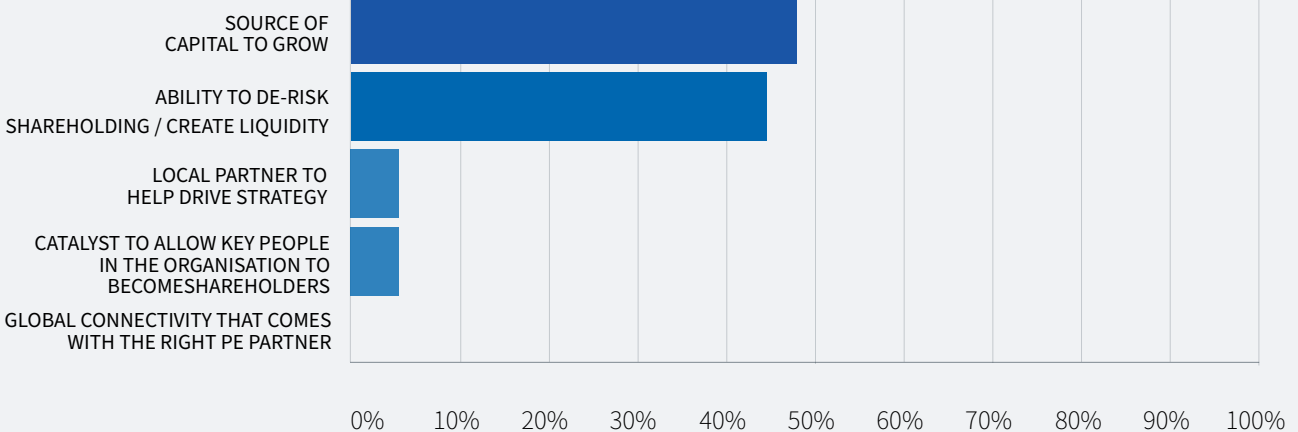


# If you've considered taking on an investment partner, for what purpose?

## 2023



## 2024



For further information:

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## About Melior Equity Partners

Melior Equity Partners (“Melior”) is a leading Irish private equity investment firm headquartered in Dublin with a strong track record of supporting Irish management teams and investing in small to medium sized private businesses in Ireland.

Melior was founded in 2019 by Jonathan Cosgrave and Peter Garvey who previously co-headed the management of an Irish fund for The Carlyle Group. The Melior team members invested the CCI fund from 2014 to 2019 and is one of the most experienced private equity investment teams in the Irish market. Melior combines best-in-class international standards and far-reaching networks developed at leading global investment firms, with a deep knowledge of the local marketplace to bring a unique approach to investing and partnering with management teams in Ireland.

The Melior team is currently deploying capital out of Melior Equity Partners II, a €160 million fund which is backed by a pool of local and international blue-chip investors including the European Investment Fund, Ireland Strategic Investment Fund, Bank of Ireland and AIB. The breadth and nature of its investors provide Melior with significant capacity to fund transactions of any scale in the Irish market.

**Melior**  
EQUITY PARTNERS