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2.1 Environment Analyst

Environment Analyst (EA) is a publishing and business research organisation with a remit to track performance and opportunities within the environmental services sector, with a particular focus on the environmental consulting (EC) and related support services market. Our two core products are:

- Market Intelligence Service – Global
- Market Intelligence Service – UK

These subscription services include many reports issued throughout the year, and around 60 competitor profiles. Additionally, they include environmental services business news (global and UK channels) and Market and Company Insight features.

For more information, please visit www.environment-analyst.com.

Environment Analyst also publishes the Development + Infrastructure specialist news and information service incorporating the respected trade magazine Brownfield Briefing. And we run conferences, awards and other events for the environmental services sector. For more information, please visit www.environment-analyst.com/dis/.

2.2 Report methodology and definitions

For details about the methodology and definitions used to compile this report and others in the UK Market Intelligence Service series, please download the Methodology and Definitions document from the EA website [www.environment-analyst.com/uk-mis?year=2017].

Our overarching research methodology allows for continuous adjustment of market totals and market forecasts in light of revised company performance data, economic growth projections, and policy and other announcements impacting on the fortunes of the environmental consultancy sector.

2.3 Acknowledgements

We are very grateful to the environmental consultancy firms that have assisted us by completing our surveys, participating in email/phone/face-to-face interviews and verifying/commenting on their company profiles. Our thanks go to all who have helped.

2.4 Accessing other reports and profiles in the series

Subscribers to the EA’s UK Market Intelligence Service can also download the Company Profiles and other reports in this series separately from the special download page [www.environment-analyst.com/uk-mis].

For details of how to access, please contact the Customer Sales Team at sales@environment-analyst.com or call (0)1743 818 008.
5. Financial trends

- Average revenue growth accelerates to just shy of 6% in 2018 – UK EC revenues for the survey sample increased by a mean (unweighted) average of 5.8% last year, up 2.5 percentage points per annum (p.a.) from the average growth indicated for 2017 (3.3%). The results from prior surveys are indicated in the figure below as are the growth rates projected by this year’s respondents for the next couple of years, with further acceleration in growth anticipated in 2019.

- Large vs smaller firms converge in top line performance – going against the result last year when small firms (those with <£10m EC revenues) were noticeably trailing their larger counterparts (>£10m revenues), the 2010 survey points to a convergence in growth of both groups at just shy of 6% in 2018. However, the large firm respondents are projecting higher rates going forward in 2019 and 2020.

- What may this mean for actual EC market growth? EA’s calculated organic growth rate for the UK EC market in 2017 (based on our full analysis of the Top 100 firms and beyond) was in fact higher than the Market Trends Survey growth rates for last year indicated it might be, at 5.1%, when the survey figures pointed to a figure of around 3.3% - although the large firm participants were almost spot on with their 5% growth expectation for that year. For 2018 we are expecting the market growth to come in at 4.7% (a little slower than the preceding year because of the Brexit effect), although both large and small players alike in this survey seem to be a little more optimistic than the EA forecast suggests.

- Only 14% say their EC business contracted last year (down from 17.6% in the 2018 survey) and over one in ten of the survey respondents indicate negative growth for their EC business over the last twelve months, while four in ten belong to the group observing a moderate 0-5% revenue growth. Fortunately three in ten have achieved double-digit growth.
Fig 9  Average mean profitability (based on pre-tax or operating margins), 2015-2019e

Fig 10  Average profitability trends range (based on pre-tax or operating margins), 2015-2019e
7. Service area growth trends and prospects

Survey respondents were asked to rate service area prospects for those pertinent to their business in terms of the projected compound annual growth rate (CAGR) for the next five years to 2023 (see figures below). The mean average service area growth rates are compared to our previous surveys, providing some important pointers to the changing market outlook at each point in time and over the longer term.

- Generally a more positive picture for service area prospects this year compared to last – with the notable exceptions of contaminated site assessment/remediation, ecological/wildlife services and noise & vibration whose projected growth rates are down on where they were a year ago, although all the disciplines have positive forecast CAGRs ranging from 3.7% to 9.9%. Interesting to note that the areas where prospects have reduced are those related to development activity, which may reflect the uncertainty associated with Brexit as the EU exit deadline looms large and ‘no-deal’ seems increasingly likely. Perhaps for similar reasons, the impact assessment area is rated amongst the lower half of all the twelve core disciplines in terms of its 5-year growth prospects.

- Top of the pile is climate change & energy – with a CAGR of just under 10%, perhaps unsurprising given the heightened level of climate awareness amongst businesses, the public and authorities as with the UK government committing to cutting greenhouse gas emissions to net zero over 1990 baseline figures by 2050 [although this move came after the Market Trends Survey was closed]. In 2017 this area dipped down given the uncertainty surrounding the Paris Agreement given climate-sceptic administration arriving on the scene in the US, but has been climbing back since then to resume its former status as the number-one service area prospect for UK environmental consultants. But C&E’s CAGR prospect rating is still below where it was at the start when ‘New’ Labour was still in office.

- Water resources and air quality management services along with sustainability/secondary set of strong prospects with CAGRs in the region of 7-7.9%. The latter is notable for a 3.4% pps uplift in its ratings this year over last year’s survey, becoming mainstreamed into investment decisions and consultants’ analysis and development, with new clients with data analytics and ratings, risk mitigation plans and very few failures. The water resource and air quality management areas are enjoying a new lease of life thanks to the Anglo-Welsh water industry’s national environmental improvement programme committed on environmental improvements up to 2025 under the Environment Agency’s ongoing £2.6bn flood and coastal risk management (FCRM) driving force. Air quality, meanwhile, has come to the fore in cases which have resulted in a more enhanced protection of the harmful effects of air pollution on human health monitoring/analytics, assessment and mitigation.

- Prospects ecological/wildlife services managing a period of rising trend for several years, with the 2018 and 2019 surveys to give a surprising growth of 4.9%, with net gain in the planning process accounting, but the small net loss for Brexit, though it is not a significant meteoric rise over the last year, particularly as it is being taken on board and cut costs for clients.
Fig 20  Revenue prospects across second 4 of 12 service areas, comparison 2010-2019

DATA HIDDEN

Fig 21  Revenue prospects across third 4 of 12 service areas, comparison 2010-2019

DATA HIDDEN

SAMPLE REPORT
9. **Strategic trends**

This section provides a summary of the market trends survey results relating to the main business drivers and pressures for environmental consultancies operating in the UK. In the survey, respondents were asked to identify which drivers, disruptors and risks will have more or less impact on their business and market demand over the next five years (see figures below).

Fig 36  Strategic business drivers for next 5 years

- Legislation/government policies (both opportunities) with 62% viewing it as a change. This is perhaps unsurprising as 2022 reset the environmental regulatory landscape this year. Again, the ramifications of opportunities as firms plan to be more active on the continent. However, this factor was the UK participants only) impact of Brexit lower now than...