The Association of Professional Landscapers

State of trade update - Member Business Barometer

DECEMBER 2024

Overview & Summary

- This document aims to summarise the findings from two recent consultation surveys with members, to give a flavour for the current state of trade for HTA & APL members:
  - **HTA & APL Business Barometer for Q3 2024**

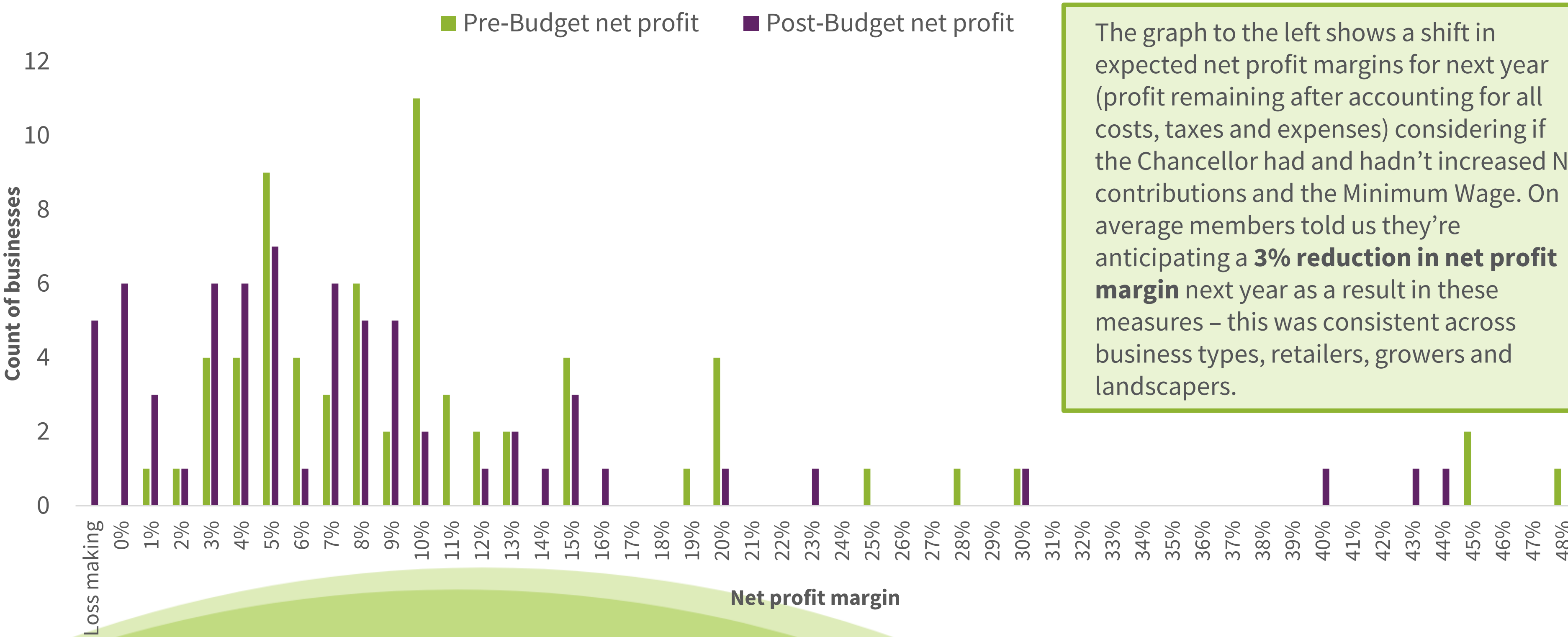
    This short poll has been run quarterly throughout 2024 to gauge members' trading positions. The Q3 poll was in field mid-October, and received a total of 106 responses (an 8% response rate amongst membership) to the email invitations.
  - **Member Consultation Survey from November 2024 on impacts of the Budget**

    This survey was fielded from 11 November to understand the impacts of the Autumn Budget on member businesses amongst other topics. A total of 127 responses were received (a 10% response rate amongst membership) to the email invitations.

- Overall, HTA & APL members are facing a -21% reduction in net profits and a -3% reduction in net profit margins foreseen for next year as a result of the increased minimum wage and National Insurance contributions set out in the Autumn Budget; meaning the industry is collectively facing a £134million hit.
- As a result, two thirds of member businesses will need to increase prices, whilst majority will too need to postpone or reduce capital investments and/or implement a recruitment freeze.
- Prior to the Budget, HTA & APL members were already facing sales/order books and net profits -7% behind where they had expected/budgeted to be at this time of year, with landscapers and retailers without a café/restaurant particularly suffering at the hands of the weather and pressures on costs.
- Business outlook was already cautious at the end of Q3 and the Budget is likely to only have compounded this further. However, there was strong appetite amongst members for upskilling the workforce and investing in targeting new customer groups.
- Read on for headline splits by business type

Expected impact of the Budget on members’ bottom line

HTA & APL members expected net profit margins for next year, before & after the Budget announced above-inflation increases to National Insurance Contributions and Minimum Wage



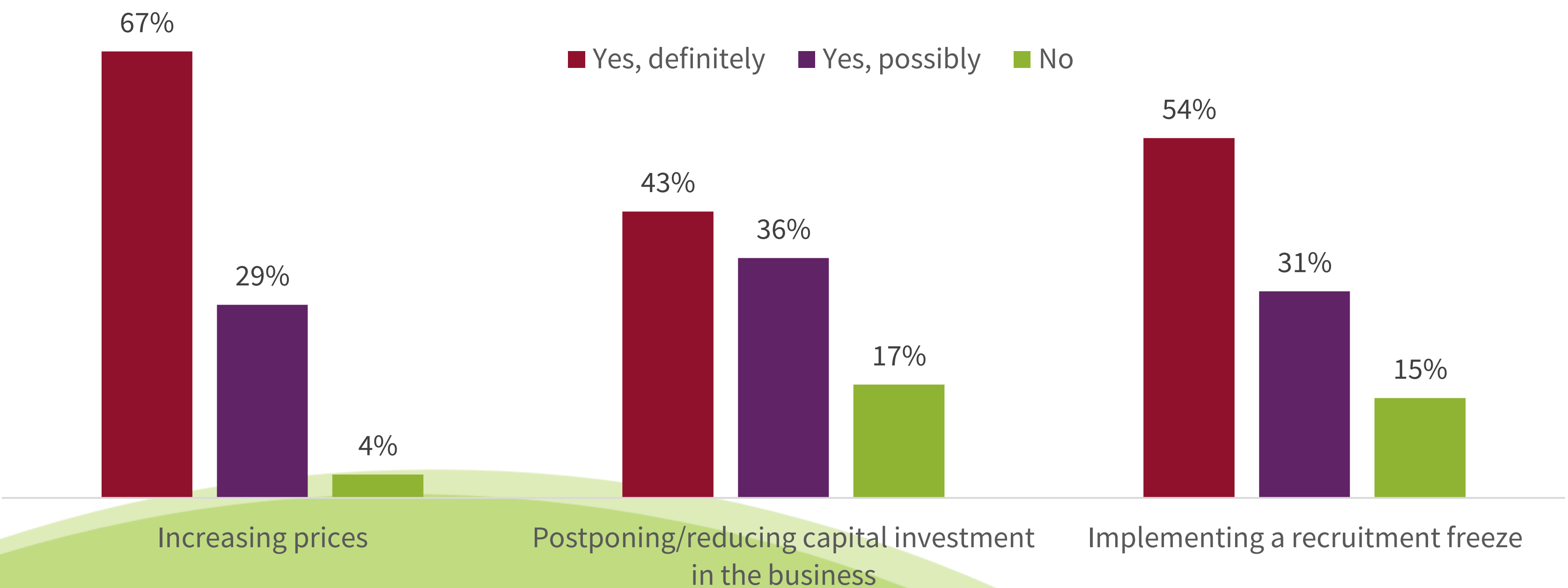
The graph to the left shows a shift in expected net profit margins for next year (profit remaining after accounting for all costs, taxes and expenses) considering if the Chancellor had and hadn’t increased NI contributions and the Minimum Wage. On average members told us they’re anticipating a **3% reduction in net profit margin** next year as a result in these measures – this was consistent across business types, retailers, growers and landscapers.

Source: HTA & APL Member Consultation Survey (November 2024); Base: 67 HTA & APL member businesses

Business impacts

In response to the Chancellor's Budget and changes to employment law, 67% of HTA & APL members indicated they will definitely need to increase prices, with a further 29% possibly needing to. Around half of members (54%) indicate definitely needing to implement a recruitment freeze; and to postpone/reduce capital investment in the business (43%).

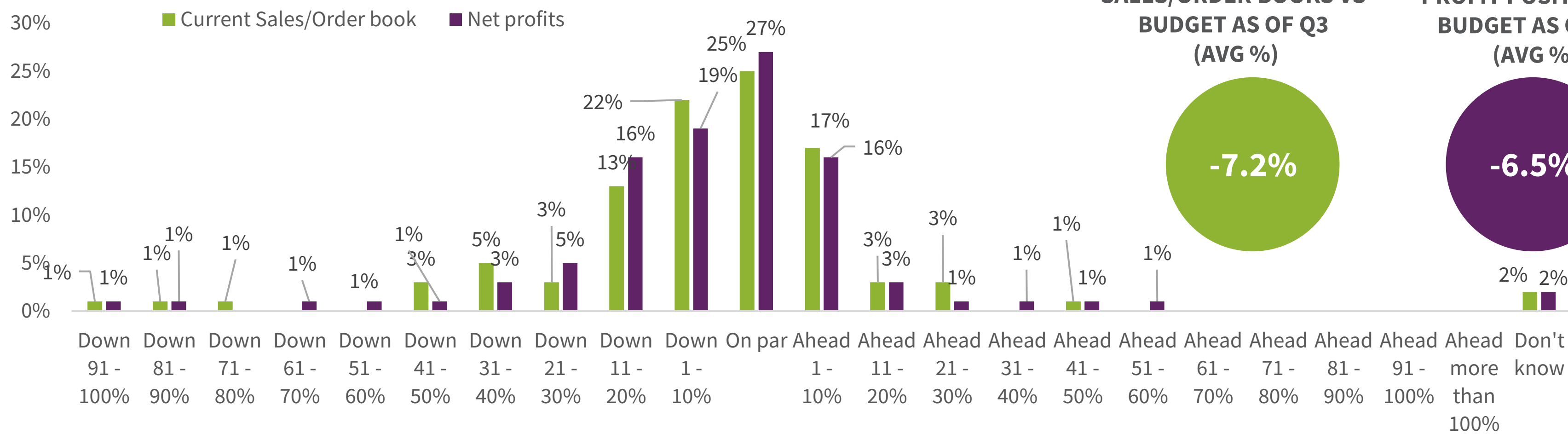
Actions being taken in response to the Budget and changes to employment law



Source: HTA & APL Member Consultation Survey (November 2024); Base: 77 HTA & APL member businesses

Pre-Budget Q3 sales & profit positions

Sales & net profit positions as compared to budgets/expectations, as of the end of Q3 2024



OVERALL CURRENT SALES/ORDER BOOKS VS BUDGET AS OF Q3 (AVG %)

-7.2%

OVERALL MEMBER NET PROFIT POSITION VS BUDGET AS OF Q3 (AVG %)

-6.5%

Prior to the Autumn Budget announcements, our Q3 Business Barometer Poll (fielded mid-October) revealed member businesses were -7.2% behind where they budgeted/expected to be at this point in the year in terms of sales and order book values. Almost half (49%) of businesses were behind budget, whilst 24% of member businesses were ahead.

Member businesses were also down -6.5% on where they expected to be in terms of net profits, highlighting the challenges businesses have faced squeezing margins. Just under half (48%) of businesses were behind expectations, whilst 23% were ahead.

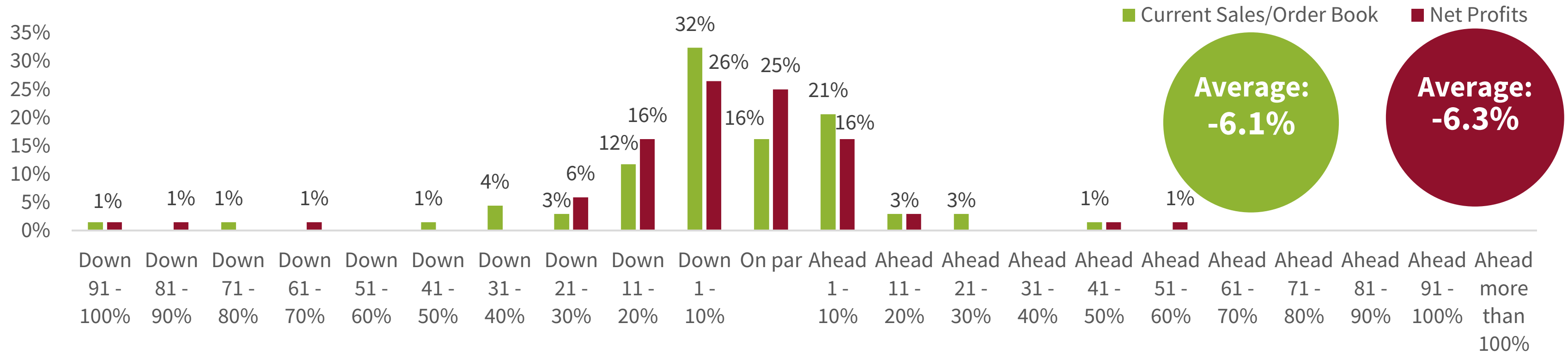
The weather throughout 2023 has profoundly affected sales in the garden centre channel, with sales recording around about flat (+1%) in year to end of November comparisons according to our Market Update; and production for growers. Meanwhile, fragile consumer confidence and rising wage bills have impacted our landscaper members.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 100 HTA & APL member businesses

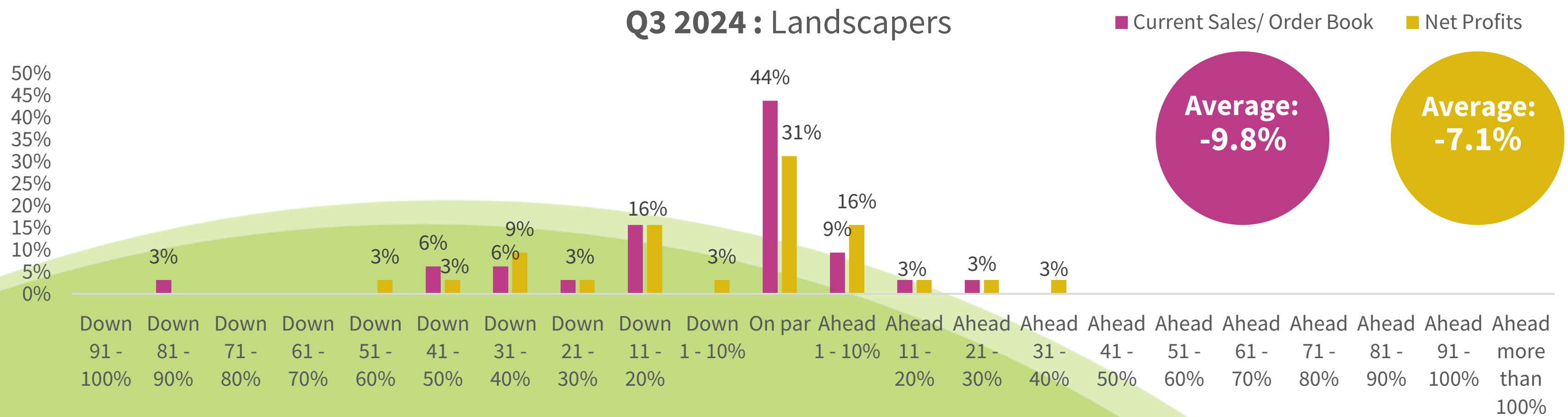
Pre-Budget Q3 sales & profit positions by broad business type

The Association of Professional Landscapers

Sales & net profit positions as compared to budgets/expectations, as of the end of Q3 2024 : Retailers, Growers, Service Providers and Manufacturers and Suppliers



Sales & net profit positions as compared to budgets/expectations, as of the end of Q3 2024 : Landscapers

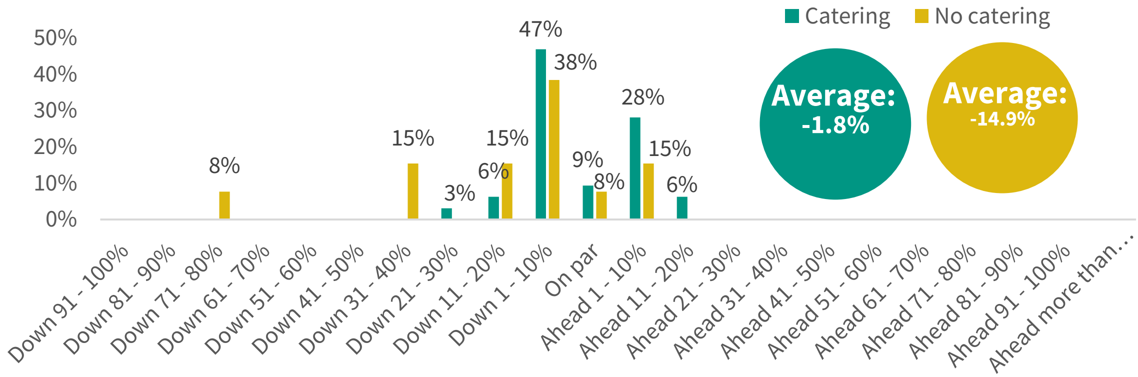


Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 68 HTA member retailers, growers & manufacturers; 32 APL member landscapers

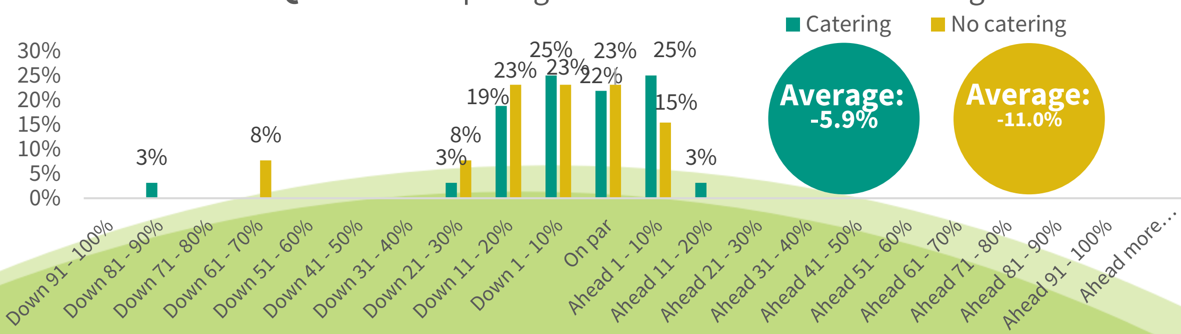
Performance of cafés/restaurants

The Association of Professional Landscapers

Sales positions as compared to budgets/expectations, as of the end of Q3 2024: comparing retailers with & without catering



Net profit positions as compared to budgets/expectations, as of the end of Q3 2024: comparing retailers with & without catering



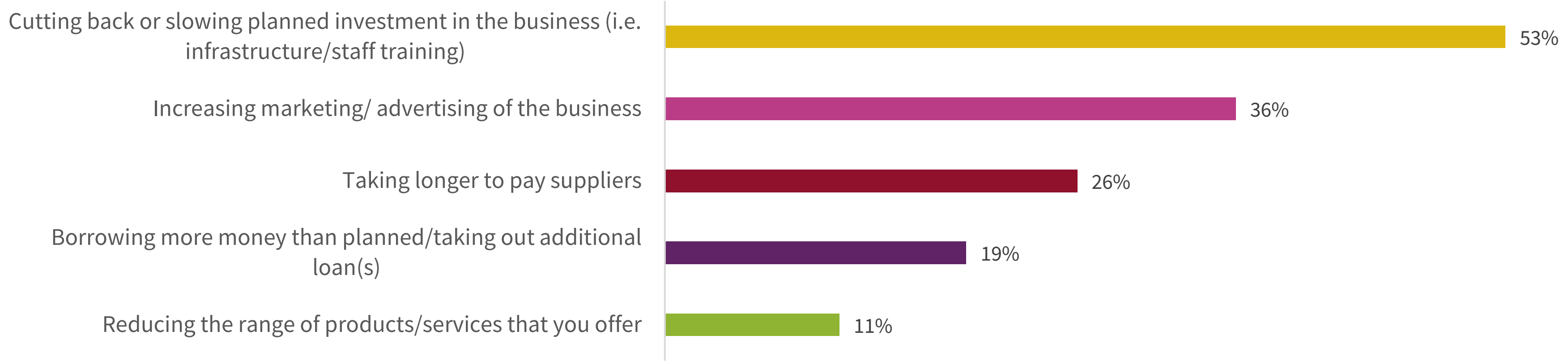
Nearly three-quarters (71%) of retailers who responded to the Q3 poll had a café/restaurant and with garden centre catering performing very strongly (+12% for the year to end of November 2024), these businesses were better off in terms of their sales and profit positions.

On average retailers with cafes were -1.8% behind where they budgeted to be in terms of sales, compared to -14.9% on average amongst retailers with no catering. Overall on average, retailers were behind in terms of profits budgeted, but again, businesses with a café/restaurant fared better and were able to better absorb some of the shocks from challenging market conditions.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 46 HTA member retailers

Impacts of profit positions behind budgets

Ignoring anything that your business would've done regardless (e.g. you had already planned to retire/sell the business), is your business likely to be taking any of the following measures are a result of your profit position? Please select all that apply



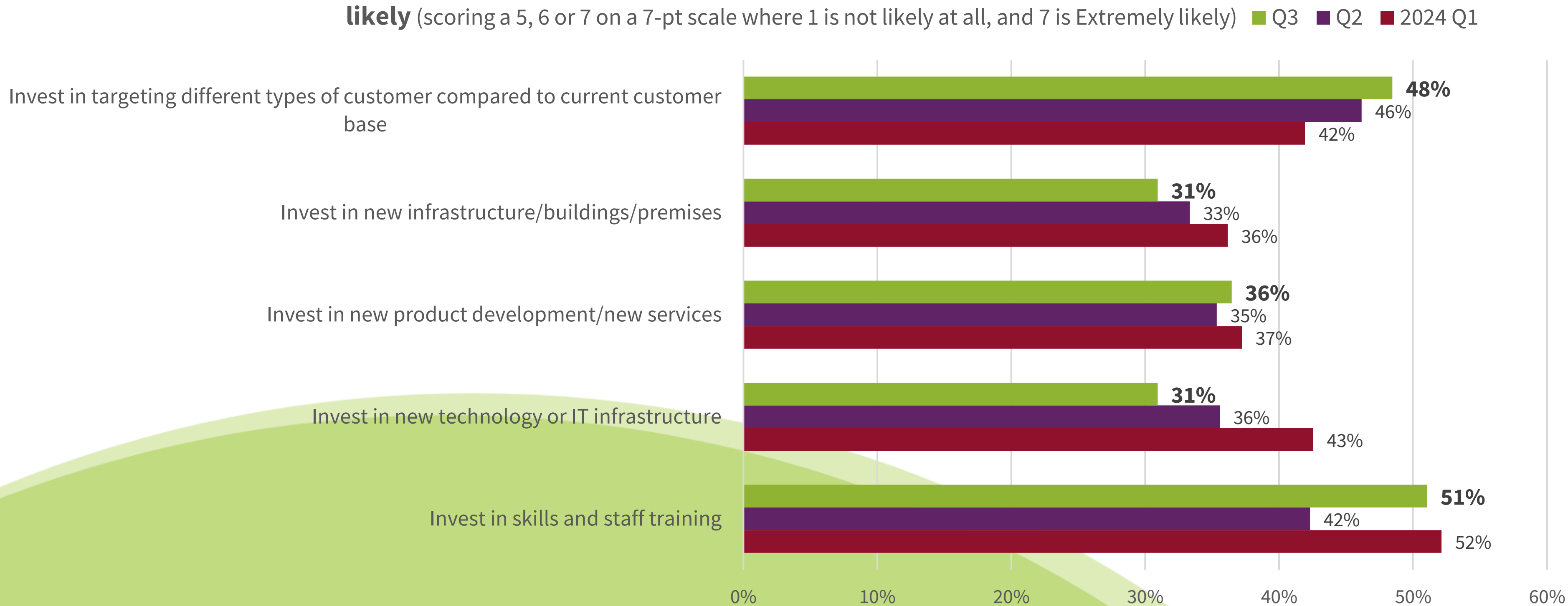
Amongst member businesses whose profit position was behind where they expected/budgeted to be at this time of year, 53% indicated intending to cut back or slow planned investment in the business as a result, and a further 36% intended to increase marketing of the business. Over one quarter (26%) indicated they'll take longer to pay suppliers, whilst 19% are likely to borrow more money than planned. It is likely the Autumn Budget measures announced at the end of October will have increased the frequency of measures like these needing to be taken.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 47 HTA & APL member businesses who indicated their net profits were behind where they budgeted/expected.

Pre-Budget Q3 planned investments

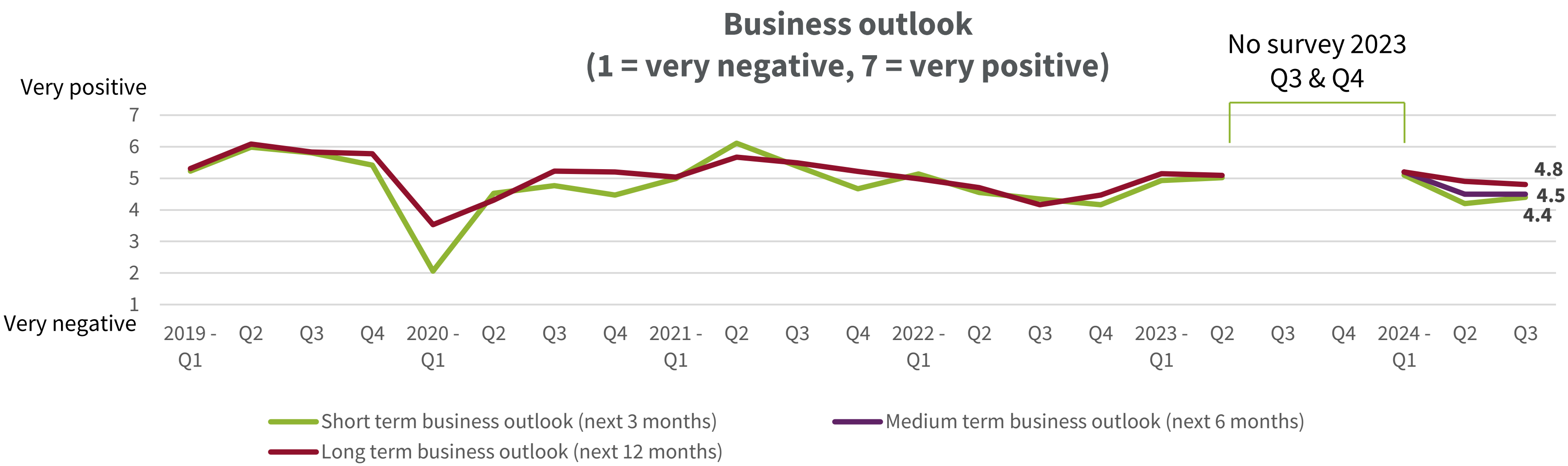
Pre-Autumn budget announcements, appetite for investing in the business was strong across several areas. Investing in skills and staff training was indicated by around half (51%) of members, an increase of +9% compared to Q2. The least likely investment was both investing in new buildings and new technology which are arguably the biggest/costliest investments, unsurprising given the challenging season and increase in overhead costs across the board.

In the next 12 months, how likely do you think it is that your business will do the following? - Percentage likely (scoring a 5, 6 or 7 on a 7-pt scale where 1 is not likely at all, and 7 is Extremely likely)



Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 98 HTA & APL member businesses

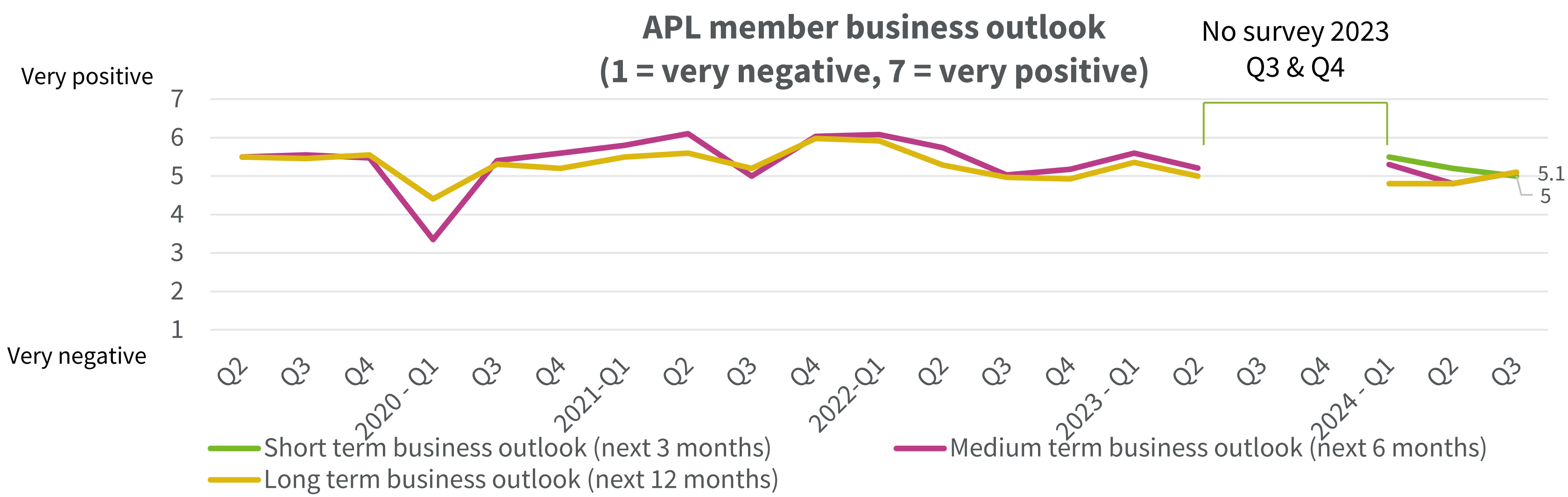
Pre-Budget Q3 Business Outlook: Retailers, growers, manufacturers and suppliers and service providers



Overall, prior to the Budget announcements short-term and long-term outlooks for retailers, growers and manufacturers and suppliers, were between 4 and 5 on the 7-point Likert-scale for Q3, where 7 is very positive. This indicates a cautious outlook, and one less positive than seen pre-COVID and immediately post final COVID 'lockdown' in early 2021. Members are slightly more positive about long term prospects – 63% of businesses were positive about their long-term business outlook, compared to 48% on the short-term. The weather, higher overhead costs and the impending autumn budget at the time of the survey were flagged as key reasons for a dampened outlook. Garden/gardening sales have struggled with the volatile weather as indicated by our Market Update.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Base: 71 member businesses who provided short term and long term outlooks

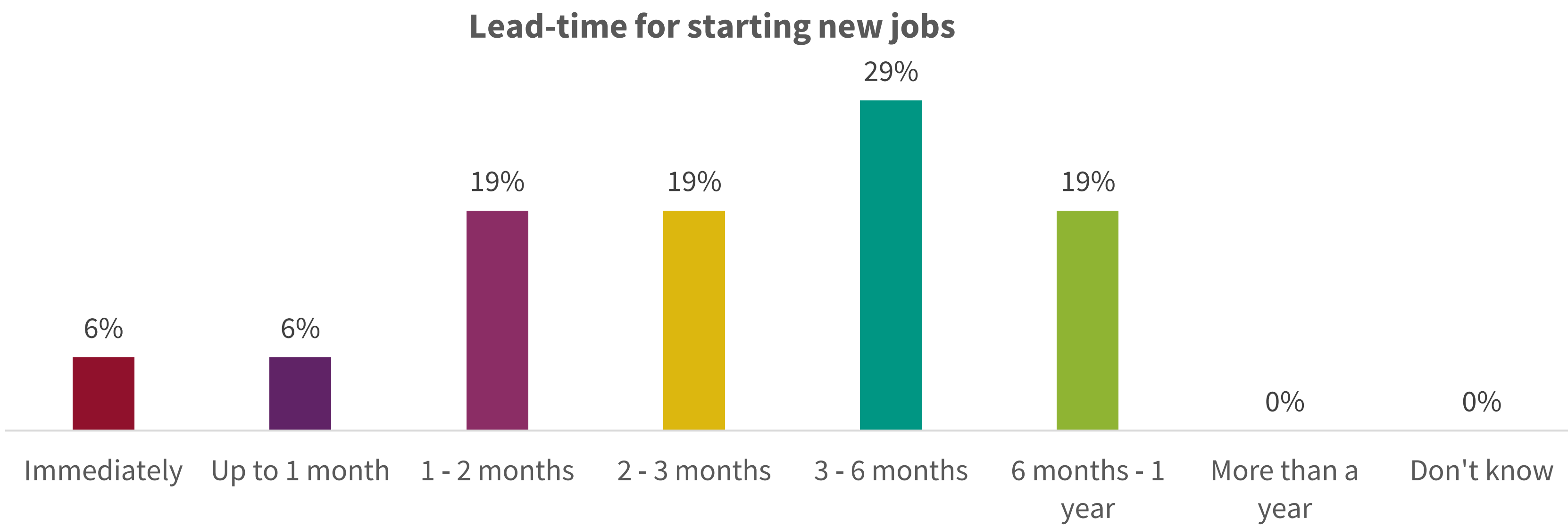
Pre-Budget Q3 Business Outlook: Landscapers (APL)



In contrast, Landscaper members' outlook was slightly more positive in comparison to other member business types. The average scores out of 7 (with 7 being very positive) were around 5 for the next 3 to 12 month's outlook, with 64% of APL members positive about their short-term outlook and 73% positive about the long-term. Volatile weather, price-sensitive clients, and rising costs were raised as key challenges for landscapers. Volume of enquiries was seemingly mixed in Q3, but majority of businesses were booked up for a least a couple of months.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Q3 2024 Base: 33 APL member businesses

Landscapers' capacity for new jobs



Majority of APL members indicated not having capacity to take on new projects for 3-6 months (29%), with a further 38% booked up for 1-3 months, and 19% booked up for 6 months – 1 year. This indicates overall a good level of demand for landscaping projects.

Source: HTA & APL Business Barometer Q3 2024 (October 2024); Q3 2024 Base: 31 APL member businesses