

GE Capital

# U.S. Mid-Market CFO Survey

Executive Summary - March 2010



imagination at work

## EXECUTIVE SUMMARY

GE Capital, Americas surveyed the Chief Financial Officers (CFOs) of 539 US middle-market companies across seven distinct industries to ascertain their views of the US economy as well as their outlooks for 2010 on a variety of crucial industry and business issues, including commercial credit and financing needs.

### Business Outlook

- More than half of CFOs expect to see an expansion in the US economy within the next six months although only about 40% anticipate growth within their respective industries and 50% expect their industries to remain flat during that time period.
- Nearly half of the CFOs surveyed foresee a post-recovery reset that calls for them to permanently operate under new rules.

### Merger and Acquisition (M&A) Outlook

- M&A activity will increase in 2010, driven by cost efficiency goals – and encouraged by the relatively low cost of assets available in the market.

### Financing Conditions and Credit Market Liquidity

- Sixty-six percent of CFOs said their need for credit in 2010 is expected to be on par with last year, and 85% expect their lending institutions to maintain or increase credit availability during their next round of financing.

### Industry Snapshots

- Sixty-four percent of all CFOs said they expect their company's revenues to increase in 2010.
- The technology & business services and metals, mining & metals fabrication industries demonstrated the most optimistic outlooks. Relevant details from each industry are included within.

## BUSINESS OUTLOOK

The most significant insights to emerge from the CFO survey were as follows:

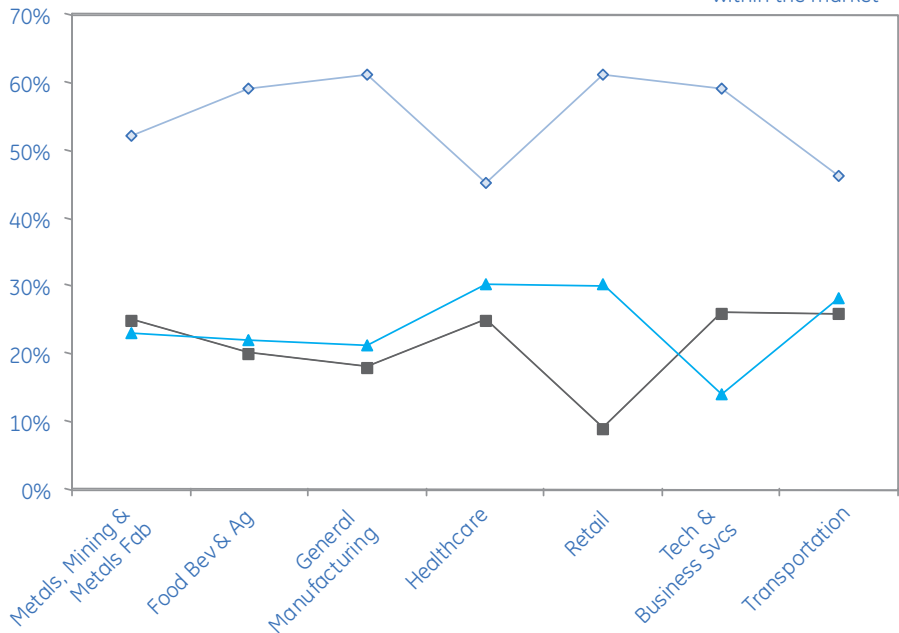
- Most CFOs (55%) said the downturn provided opportunities for their businesses to gain share despite their somewhat downbeat view of the current US economy;
- Fifty-four percent predict their profits will rise this year;
- Nearly half of the respondents said they foresee the post-recovery economy as being "reset – permanently different, with new rules."

While CFOs across all seven industries have a negative view of the current state of the US economy, most expect to see improvements over the next six months.

### Impact of the downturn on company's market position

Respondents could choose only one answer.

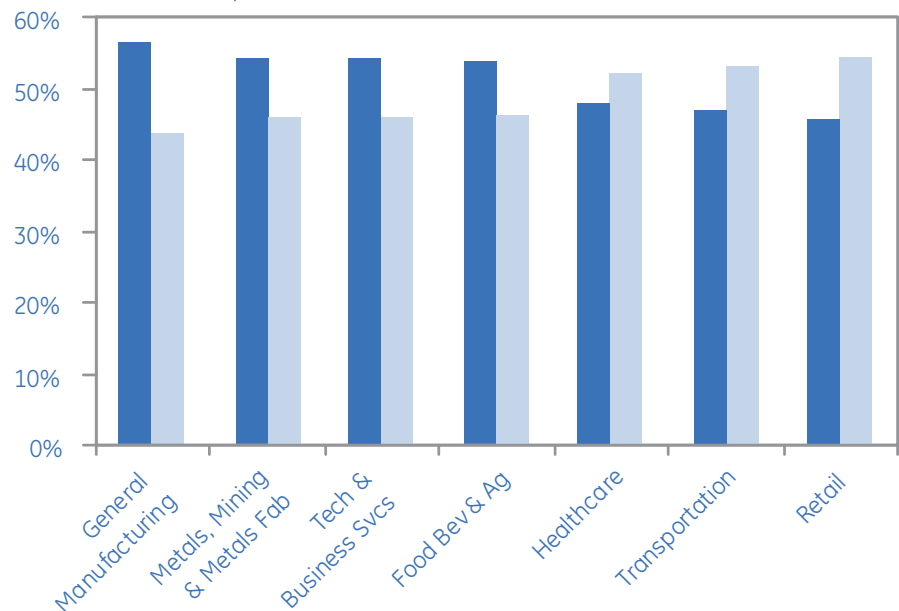
—◇— Provided opportunities to gain share    —■— Restricted opportunities to gain share    —▲— Negative impact on company's position within the market



### Expectations for the economy post-downturn

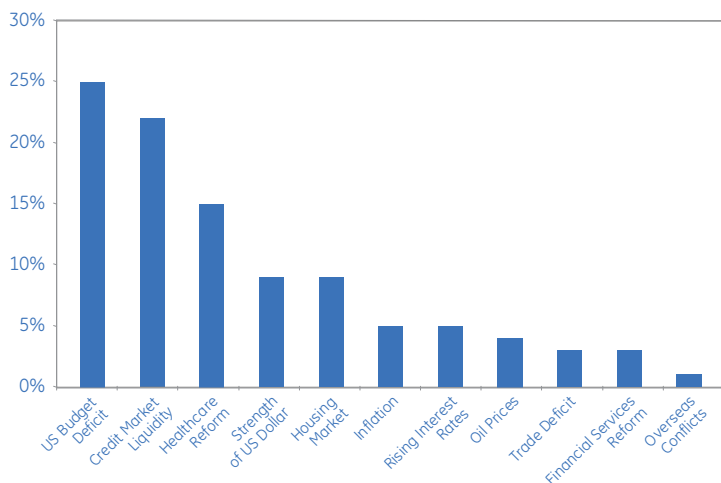
Respondents could choose only one answer.

■ Rebound - primarily the same market as pre-downturn    ■ Reset - permanently different, that is with new rules



## Top concerns impacting growth and stability of US economy in 2010

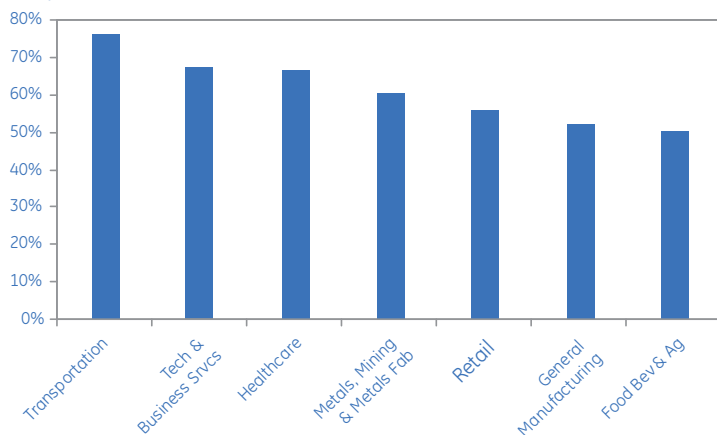
Respondents could choose only one answer.



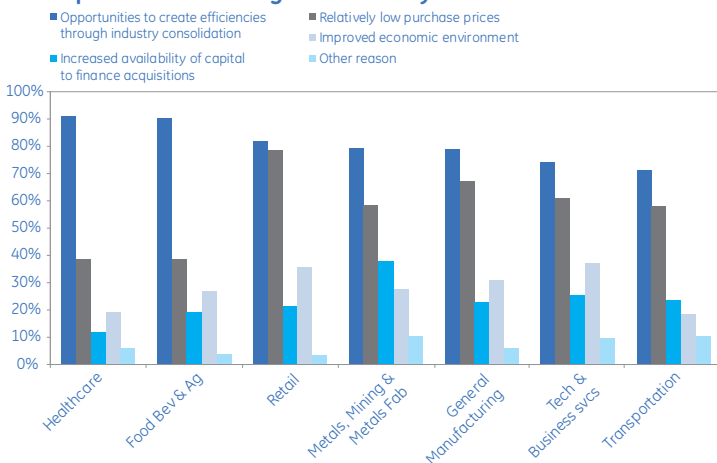
## M&A OUTLOOK

Across the board, the CFOs surveyed strongly believe that M&A activity within their respective sectors will increase in 2010. In the opinion of 260 of the 317 people who answered this question, the principal factors driving M&A activities will be opportunities to create efficiencies through industry consolidation. The relatively low purchase prices of assets will likely contribute to that growth. Interestingly, having access to more capital to finance acquisitions was a factor for only 69 respondents.

### Percentage who expect more M&A activity within their respective industries in 2010



### Principal factors driving M&A activity

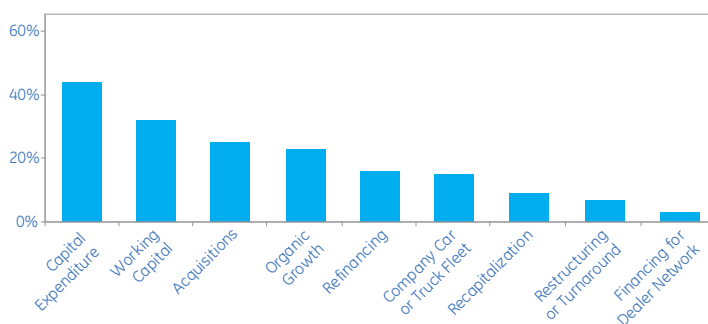


## FINANCING CONDITIONS AND CREDIT MARKET LIQUIDITY

Eighty-five percent of CFOs expect their lending institutions to maintain or increase credit availability during their next round of financing. Approximately half of CFOs expect their financing costs of capital to remain the same year over year. The most notable exceptions are those in the transportation and retail industries, where more than half (54% and 51%, respectively) expect this cost to increase.

Sixty-six percent of CFOs across all industries said their need for credit in 2010 is expected to be on par with last year's need. The most common application of new financing will be capital expenditures, which ranked far ahead of other prospective uses such as working capital, acquisitions, refinancings and recapitalizations.

### Applications of new financing in 2010



## INDUSTRY SNAPSHOTS

Fifty-four percent of the CFOs of **metals, mining & fabrication** businesses surveyed said they anticipated an expansion of their own industry in 2010, followed by 51% of **technology & business services** CFOs and 45% of **general manufacturing** CFOs.

In the **food, beverage & agriculture** industry, 56% of CFOs expect to see their own company's revenue grow. Among that group, an average of 8% revenue growth is predicted.

CFOs representing **general manufacturing** companies ranked second in confidence with regard to profitability improvements in 2010, with 62% expecting an increase.

In the **retail** industry, 61% of CFOs were optimistic about finding opportunities for market-share improvements, making them co-leaders in this category along with general manufacturing CFOs.

While 70% of **healthcare** CFOs expect revenue growth this year, the industry ranks last in sentiment for expected improvements in profitability in 2010.

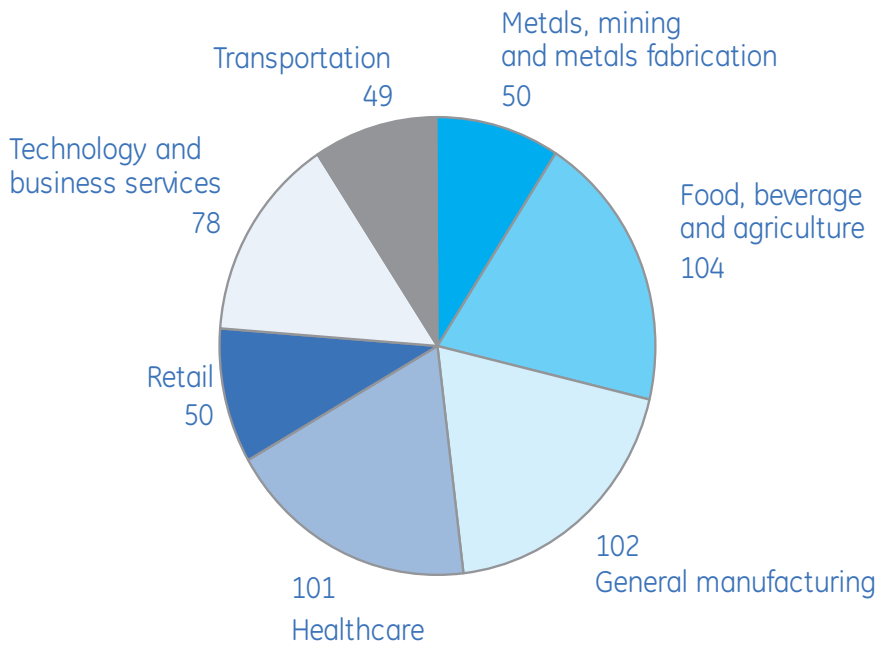
CFOs in the **transportation** industry maintain a 76/24 split as to expectations for M&A activity within their industry, well ahead of the average of all industries where the split is 60/40 in favor of those who expect to see increased M&A in their respective industries.

## ABOUT THE SURVEY

Between December 2009 and January 2010, GE Capital, Americas surveyed 539 middle-market CFOs or other executives functioning within a finance role with an equivalent level of decision-making capabilities. These CFOs represent companies with total mean annual sales revenue of \$143.5 million, have been in operation for 38 years, and oversee a workforce of approximately 516 employees.

GE Capital, Americas surveyed them on their current views and outlook on the US economy, commercial credit and lending conditions, sales, capital expenditures, M&A activities, business energy costs and other operational issues key to these industries. The CFOs were chosen from an independent Dun & Bradstreet list of middle-market companies.

The CFOs included in the survey represent seven distinct industries; the list of industries and the number of respondents from each is provided in the chart below.



## ABOUT GE CAPITAL, AMERICAS

GE Capital, Americas provides capital to over 1 million commercial customers of all sizes to purchase, lease and distribute equipment; to finance corporate acquisitions, restructurings and working capital; and to refinance existing credit facilities. GE Capital, Americas is also a leading provider of asset management services to large fleets of cars and other equipment.

GE Capital offers consumers and businesses around the globe an array of financial products and services. For more information, visit [gecapital.com](http://gecapital.com) or follow company news via Twitter (@GECapitalNews). GE (NYSE: GE) is Imagination at Work - a diversified technology, media and financial services company focused on solving some of the world's toughest problems. Visit [ge.com](http://ge.com)

GE Capital, Americas  
201 Merritt 7  
Norwalk, CT 06856



imagination at work