



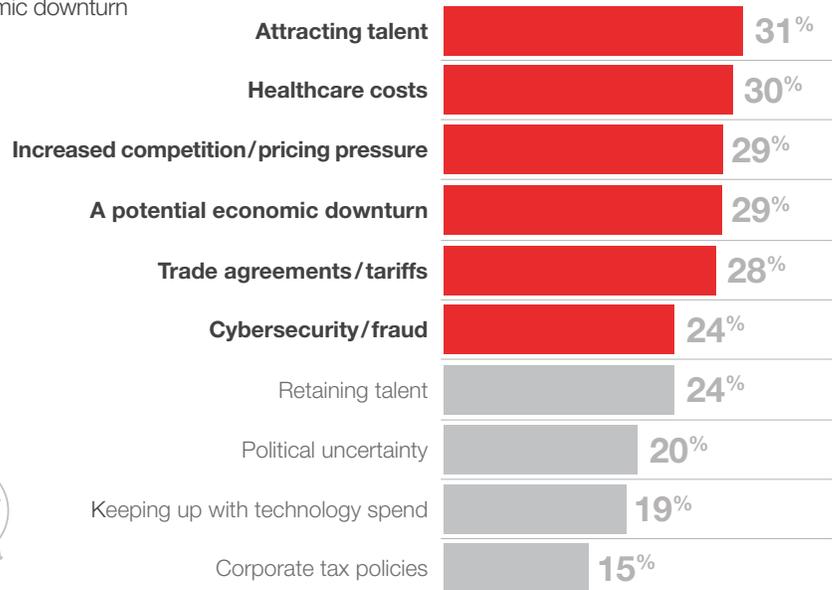
What's keeping middle market business executives up at night?

Middle market companies are always confronted with multiple concerns, but which are most pressing right now? To find out, KeyBank surveyed over 400 middle market business owners and executives in our recent Business Sentiment Survey.

Top concerns of the middle market

Attracting talent is the top concern of middle market companies, followed closely by healthcare costs and increased competition/pricing pressure. Not surprisingly, given the headlines, the risk of an economic downturn and trade agreements/tariffs were also high on the list.

TOP CONCERNS



Attracting, developing and retaining talent

Attracting talent consistently ranks at or near the top of concerns in these surveys, with talent retention not far behind. Middle market companies are staffed by multiple generations of workers, each with its own set of expectations, priorities and habits.

Successful companies recognize the differences among the generations and adjust accordingly. That doesn't mean playing favorites; rather, it's realizing that Millennials and Gen Z are different than those who came before them and creating a work environment that appeals to them will result in improved recruiting and greater workforce stability. Employee development has always been, and will continue to be, a hallmark of successful companies, even if the programs and methods change.



“Companies are recognizing that they need to make changes in order to attract the right people.”

– **Joseph Markey, KeyBank Regional Sales Executive**

Trade wars, tariffs and fraud

Trade agreements, tariffs and cybersecurity fraud also worry middle market companies. The impact of new tariffs on middle market companies has worsened as the trade war with China heats up. Among other things, the uncertainty and impact of the trade wars have caused companies to hold off on their expansion plans, raise prices and seek alternative suppliers.

Cybersecurity remains a top concern for middle market companies. In fact, fraud cost U.S. companies, on average, \$7.9 million in 2018.¹ The constantly evolving landscape of cyberspace means big growth opportunities for hackers, criminals and terrorists. From internal correspondence to operational systems, payment systems to collection of customer data, cybercrime is a real threat for just about every organization.

To combat fraud, KeyBank experts suggest an extensive defense with in-depth controls, including fraud and cyber tools that create layers of protection. Other tactics include multi-factor authentication in both customer-facing content and the work stream, as well as shifting from prevention to detection policies for heightened anomaly and heuristic detection.

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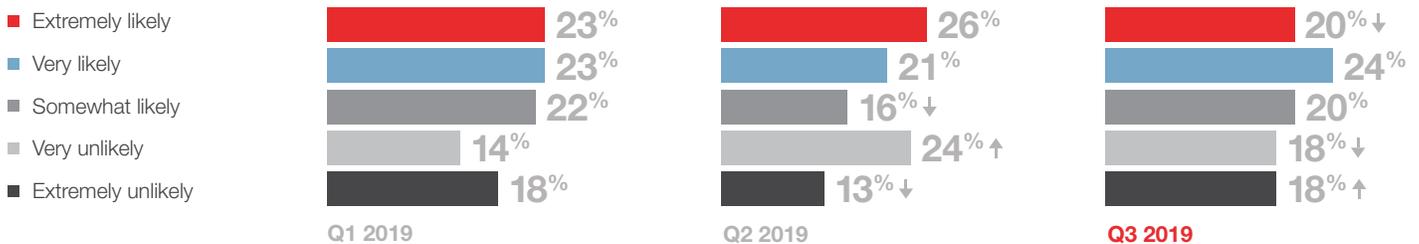
“It’s really the uncertainty around the tariffs that’s concerning. It can impact what decisions are made and how companies price products or negotiate with suppliers.”

**– T.J. Monico, Managing Director –
KeyBanc Capital Markets Industrial
Investment Banking**

Acquisition Considerations

Compared to the last two reporting periods, middle market companies indicated they are less likely to complete an acquisition in the next six months. This is partially attributable to increased competition, which is driving up company valuations and the cost of acquisitions, especially for lower-revenue companies. Uncertainty over trade and a possible global economic downturn also contribute.

LIKELIHOOD TO COMPLETE ACQUISITION NEXT 6 MONTHS

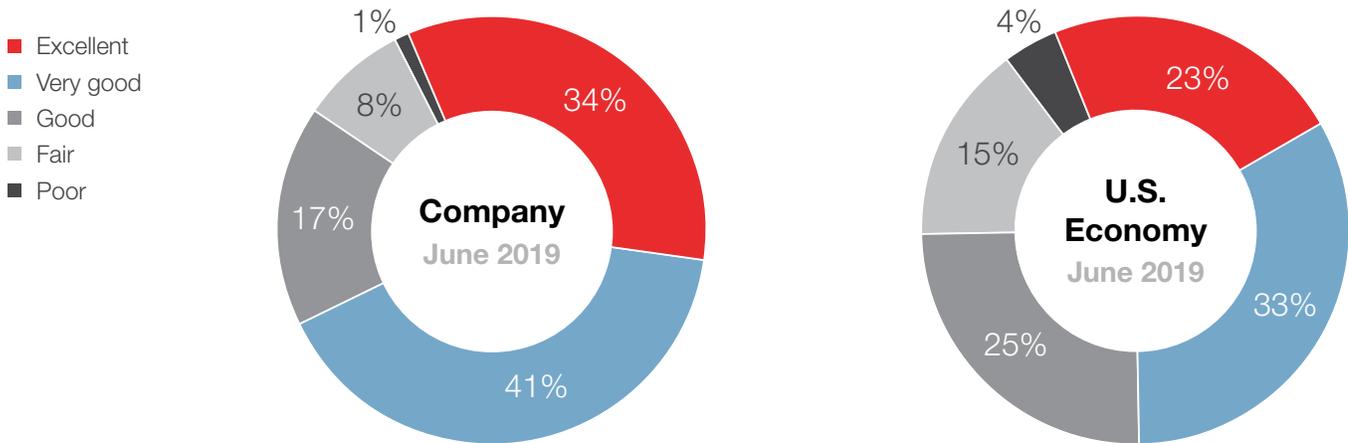


¹From ‘10 cyber security facts and statistics for 2018’. Norton by Symantec, 2019. <https://us.norton.com/internetsecurity-emerging-threats-10-facts-about-todays-cybersecurity-landscape-that-you-should-know.html>

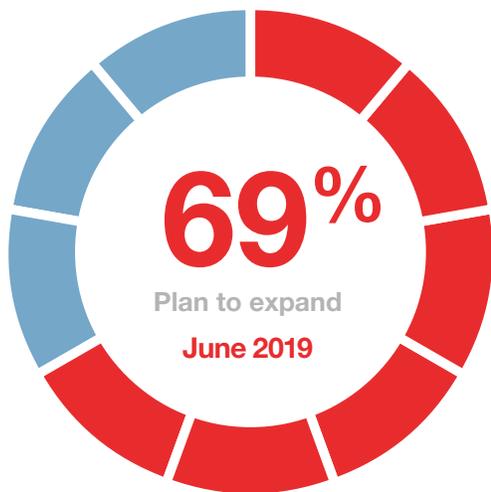
Economic outlook among middle-market executives

Despite their concerns, middle market companies remain mostly optimistic about their own companies and the U.S. economy.

That optimism can be seen among the nearly three-quarters of respondents who said that they plan to expand in the next six months. Adding employees was the expansion method most commonly cited, followed by significant equipment purchases, adding new facilities and locations and expanding or renovating current facilities.



Expansion Plans



- Plan to expand
- Not expand

Method for expanding



73%

Add employees
(full-time, part-time
or contract)



49%

Expand or renovate
current facilities



61%

Make significant
equipment purchases



51%

Add new
facilities or locations

Let's talk about your business.

Looking to grow your business and take advantage of market opportunities? At KeyBank, our team delivers a broad range of relevant and tailored solutions, everything from unique capital markets and advisory capabilities to customized working capital management capabilities and a variety of on- and off-balance sheet solutions.

Investing in new equipment? Our specialists can advise you on the nuances of the new tax law, such as 100% expensing, tax ownership and more. Our experts understand tax reform and can help you determine whether a lease or loan is the best alternative for your organization. [Read more from our experts about tax reform and its impact on equipment acquisition strategies.](#)

No matter your plans, KeyBank makes it a point to understand your business, your industry and your goals so we can bring in strategic ideas, insight and capital to help your business grow.

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"KeyBank Middle Market Business Sentiment Survey" June 2019.

Business Owners/Executives—This sample group represents the opinions of respondents who are specifically business owners, C-suite professionals, or have the title of SVP, VP, controller or treasurer (\$10M to under \$2B revenues).

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