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Private Company Services

Trendsetter Barometer

Business outlook report
Summer 2012

pwc

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Quarterly highlights

PwC commissioned independent research firm BSI Global Research Inc. to interview 243 chief executive officers (CEOs/CFOs) of leading privately held US businesses in the second quarter of 2012. The interviewees were asked about their current business performance, the state of the economy, and their expectations for business growth over the next 12 months. We then compared their responses with the prior quarter's results to see how the outlook has changed.

Key findings:

- **US optimism still positive but less so.** Optimism about the prospects for the US economy over the next 12 months dropped 10 points from last quarter's high of 60 percent to a still-positive 50 percent. Pessimism remained low, at 12 percent. Thirty-eight percent of *Trendsetter* executives voiced uncertainty.

  Among companies selling abroad, optimism about the world economy for the next 12 months remained relatively low at 23 percent. An equal percentage registered pessimism (up 13 points). Over half, 54 percent, were uncertain. A year ago, optimism about the world economy was 15 points higher, at 38 percent.
- **Revenue targets scaled back.** *Trendsetter* executives lowered their own-company revenue forecasts for the next 12 months from 9.5 percent to 8.3 percent (down 13 percent). Much of this decrease is attributable to domestic-only companies, which dropped back to 6.9 percent, compared with 9.7 percent for international marketers. Calendar-year 2012 estimates for own-company growth is notably higher than 12-month forecasts — 10.0 percent versus 8.3 percent. Most *Trendsetter* companies (86 percent) expect positive revenue growth over the next 12 months: 33 percent expect double-digit growth and 53 percent single-digit growth. Only 5 percent expect negative growth, 7 percent zero growth, and 2 percent were not reported.
- **Emerging markets activity remains strong.** In the face of sustained uncertainty about the world economy, *Trendsetter* companies selling abroad lowered their expected contributions from international sales to total revenues over the next 12 months from 21 percent to 18 percent, similar to a year ago (19 percent). For revenue contributions from sales in emerging markets (26 percent) the drop-off was negligible (just 1 point). The majority of companies, 58 percent, reported that their international sales remained about the same. Overall, private businesses selling abroad forecast positive growth over the next 12 months, anticipating a 9.7 percent pace, despite some soft spots and continued uncertainty about world markets.
- **Gross margins a concern.** Concern about decreasing margins as a barrier to own-company growth over the next 12 months rose 4 points to 31 percent, a level similar to a year ago (30 percent). Yet gross margins were somewhat more positive: up for 29 percent, down for 18 percent, or a net 11 percent increase (up 3 points). Both costs and prices were moderately lower. Costs were higher for 17 percent, lower for 13 percent, or a net 4 percent with higher costs (off 9 points). Prices were higher for 16 percent, lower for 10 percent, or a net 6 percent with higher prices (off 4 points).
- **Moderate pullback in spending.** Thirty-four percent of *Trendsetter* companies are planning major new investments of capital over the next 12 months, similar to last quarter's 38 percent, though 8 points lower than a year ago (42 percent). This slight decrease appears to come largely from international marketers (38 percent, down 10 points) — both in BRIC and other world markets.

  Operational spending anticipated for the next 12 months remained at levels similar to those noted the previous quarter. Increases are planned by 68 percent of *Trendsetter* companies, led by information technology (38 percent) and new products and services (30 percent). Lower levels of planned increases were reported for marketing and sales promotion (21 percent) and facilities expansion (17 percent). Plans to expand to new markets abroad (21 percent) were slightly higher than a year ago (18 percent). Mergers and acquisitions were reported by 15 percent and new strategic alliances by 23 percent.
- **Majority of companies hiring.** The majority of *Trendsetter* companies, 54 percent, plan to add to their workforce over the next 12 months; only 3 percent plan net layoffs, and 43 percent expect their workforce to stay about the same. Overall, these companies project a 2.4 percent increase to their headcount, up from 1.8 percent last quarter and 2.0 percent a year ago. Those hiring are more optimistic about the US economy (61 percent), expect a slightly higher US GNP (2.0 percent), are in segments with above-average industry growth (4.7 percent growth), and forecast double-digit own-company revenue growth (11.8 percent average).
- **Barriers to growth.** Concern about demand (68 percent) and legislative/regulatory pressures (48 percent) are the leading headwinds for the next 12 months. Lesser concern was noted about oil/energy prices (29 percent, down 9 points) and fear of increased taxation (28 percent, down 8 points). Concern about profitability/decreasing margins rose slightly to 31 percent.

Chart 1.1 International marketers outpace domestic-only peers

Business outlook, next 12 months	International marketers (n=119)	Domestic-only peers (n=124)
Optimistic about US economy	53%	47%
Optimistic about world economy	23%	–
Revenue growth rate	9.7%	6.9%
International sales (% of total)	18%	–
Planning major capital investments	38%	31%
Planning expansion to new markets abroad	38%	5%
Plans to increase spending (net)	77%	60%
• Information technology	47%	30%
• New products/services	36%	24%
• Sales promotion	23%	19%
• R&D	19%	8%
• Business acquisitions	15%	11%
Prior quarter's performance		
• Increased gross margins (net)	+18%	+4%
• Increased costs (net)	-2%	+8%
• Increased prices (net)	+13%	+1%

Note: International marketers have average revenue of $307.8 million; their domestic-only peers have average revenue of $358.2 million.

A quarter-by-quarter comparison of the key indicators shows the business outlook for the next 12 months and how the views of the survey panel have changed (see Chart 1.2). The pages that follow provide a detailed look at each question for the previous five quarterly surveys.

Key indicators for the business outlook

Chart 1.2 Key indicators for the business outlook

A quarter-over-quarter comparison of the key indicators shows how the 12-month outlook has changed. The change column indicates the movement of opinion from first-quarter 2012 to second-quarter 2012.

Business outlook, next 12 months	2011			2012		Change	Page
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12	1Q – 2Q '12	
Optimistic about US economy	43%	27%	39%	60%	50%	↓	7
Optimistic about world economy[1]	38%	21%	24%	29%	23%	↓	9
Expect positive revenue growth	88%	78%	78%	90%	86%	↓	21
Average growth rate expected	9.5%	7.2%	8.5%	9.5%	8.3%	↓	21
Planning major new investments	42%	38%	40%	38%	34%	↓	25
New investments as a % of sales	8.4%	6.1%	8.2%	7.2%	5.6%	↓	25
Planning to hire	58%	48%	54%	59%	54%	↓	23
New workers as a % of workforce (net)	+2.0%	+1.6%	+2.0%	+1.8%	+2.4%	↑	23
Expected barriers to growth							
• Lack of demand	75%	77%	71%	68%	68%	=	27
• Legislative/regulatory pressures	52%	54%	50%	46%	48%	=	27
• Profitability/decreasing margins	30%	37%	30%	27%	31%	↑	27
• Oil/energy prices	45%	33%	34%	38%	29%	↓	27
• Increased taxation	35%	34%	32%	36%	28%	↓	27
• Lack of qualified workers	23%	22%	24%	24%	23%	=	27
• Pressure for increased wages	19%	18%	22%	24%	19%	↓	27
• Lack of capital for investment	20%	26%	18%	17%	19%	=	27
• Higher interest rates	21%	12%	18%	18%	17%	=	27
• Strength of the US dollar	23%	19%	19%	18%	16%	=	27
• Competition from foreign markets	10%	11%	12%	12%	10%	=	27

1. Reflects responses from international marketers only.

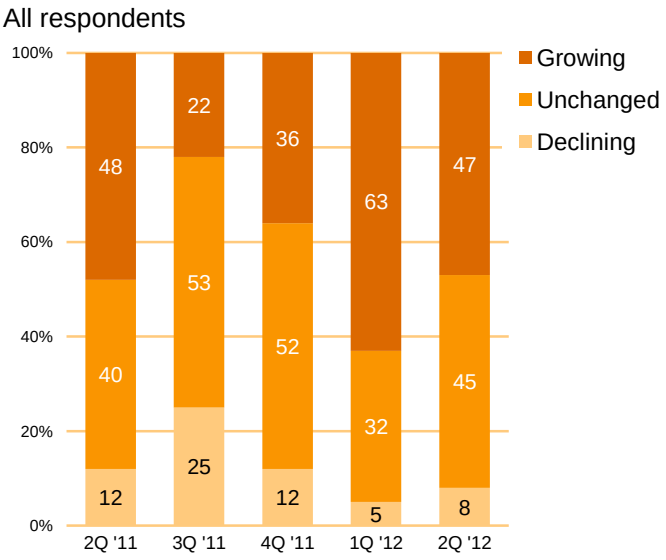
Economic views

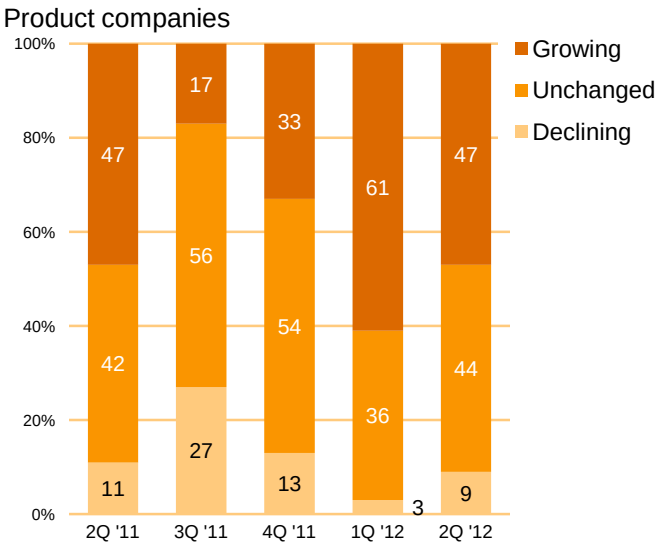
View of the US economy, this quarter

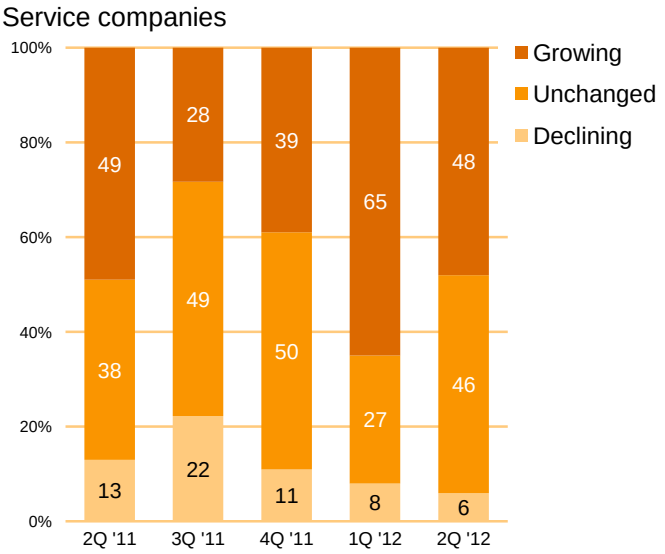
Which best describes your view of the US economy this quarter?

In second-quarter 2012, 47 percent of panelists said they believed the US economy was growing, off 16 points from the prior quarter's high of 63 percent. Only 8 percent said the US economy was declining (up 3 points), and 45 percent felt it was about the same.

Chart 2.1 View of the US economy, this quarter







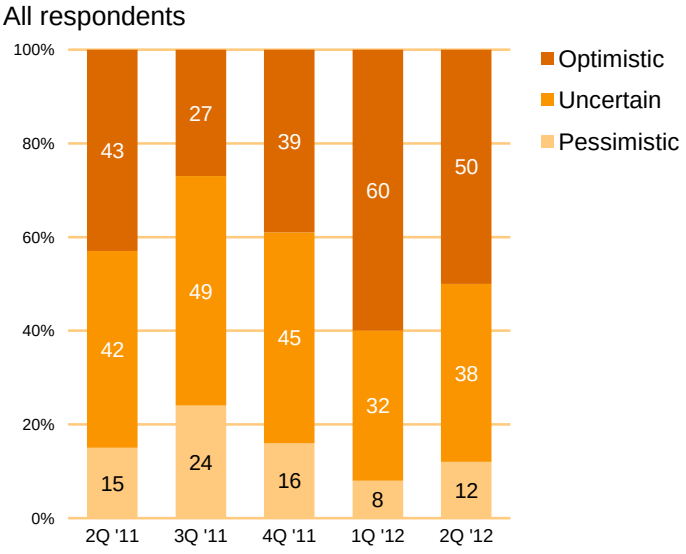
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

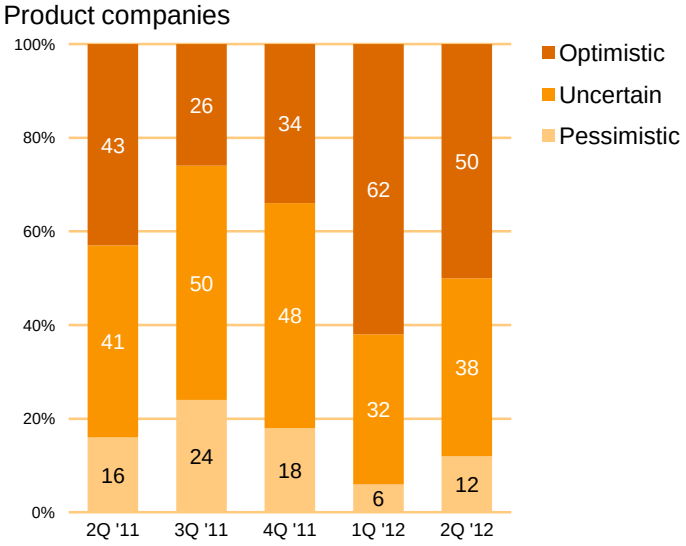
View of the US economy, next 12 months

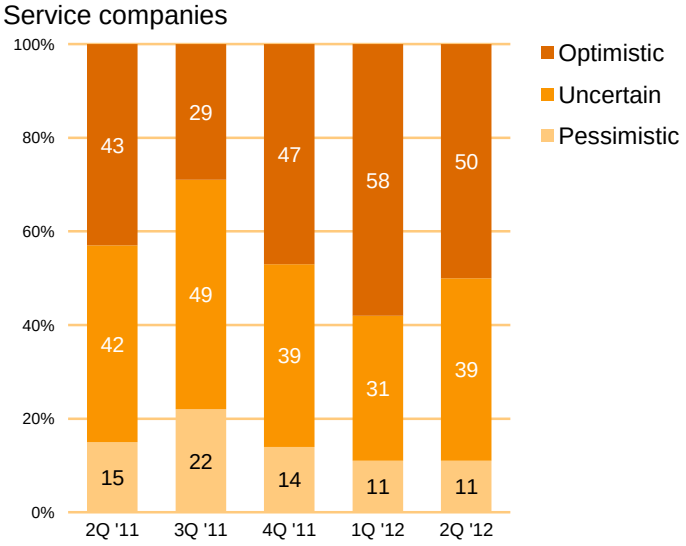
Looking ahead at the next 12 months, how do you feel about the prospects for the US economy?

The percentage of panelists who are optimistic about the US economy over the next 12 months declined 10 points to 50 percent. Those expressing pessimism increased 4 points to 12 percent, and 38 percent said they were uncertain.

Chart 2.2 View of the US economy, next 12 months







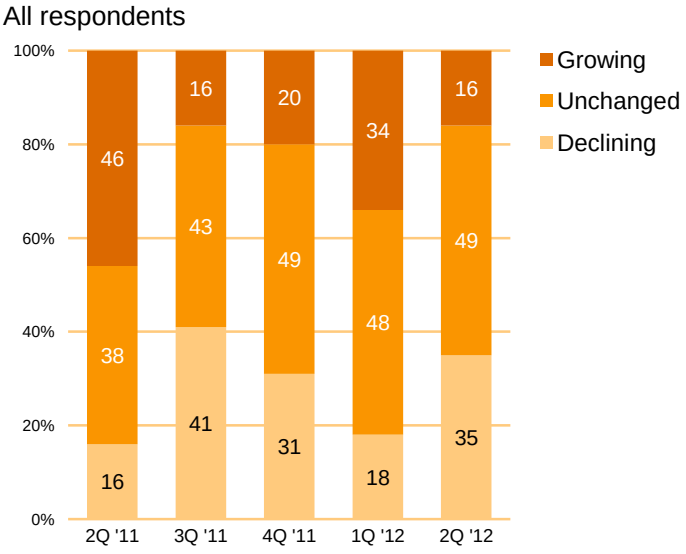
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

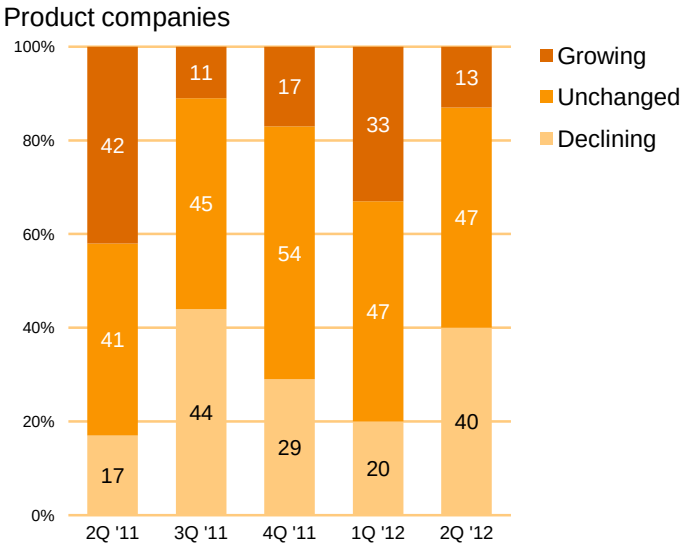
View of the world economy, this quarter

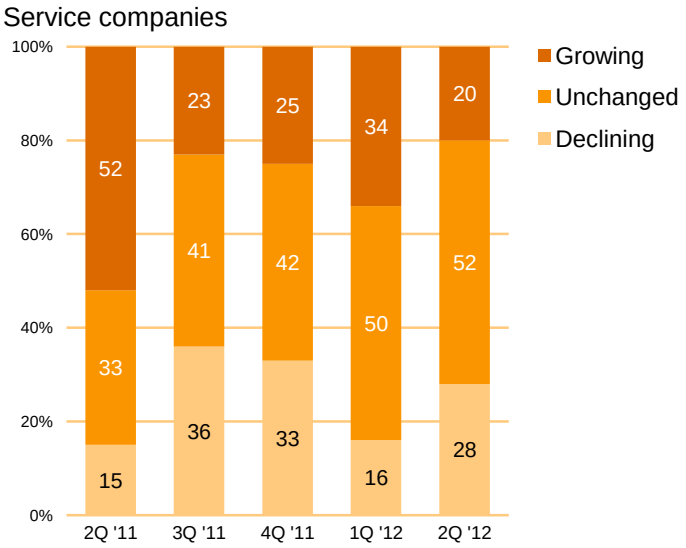
Which best describes your view of the world economy this quarter? (international marketers only)

In second-quarter 2012, only 16 percent of respondents who market abroad viewed the world economy as growing, off 18 points from the previous quarter. Thirty-five percent viewed the world economy as declining (up 17 points), and 49 percent viewed it as unchanged.

Chart 2.3 View of the world economy, this quarter







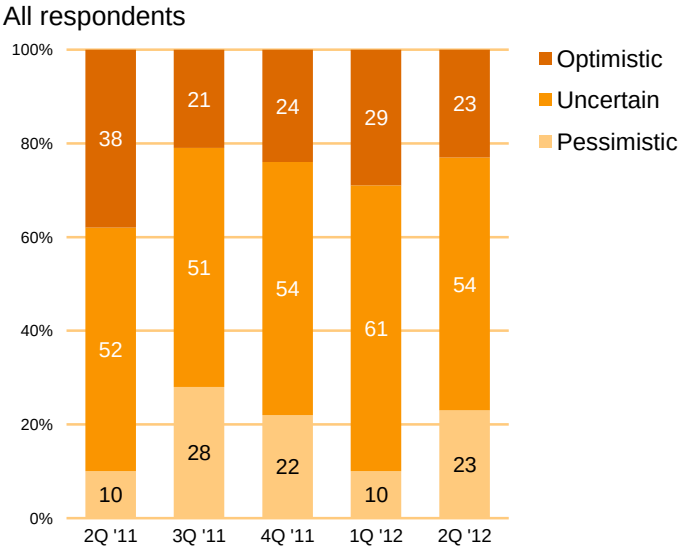
Note: In 2Q 2012 All international marketers, n=119, Product companies, n=68, Service companies, n=51

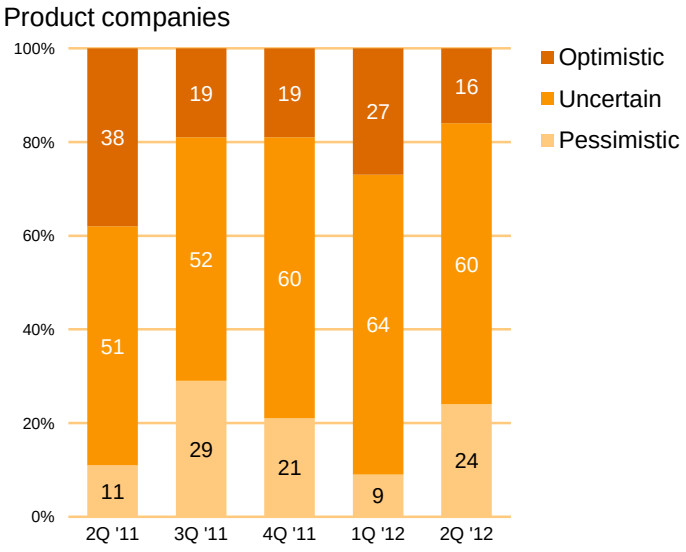
View of the world economy, next 12 months

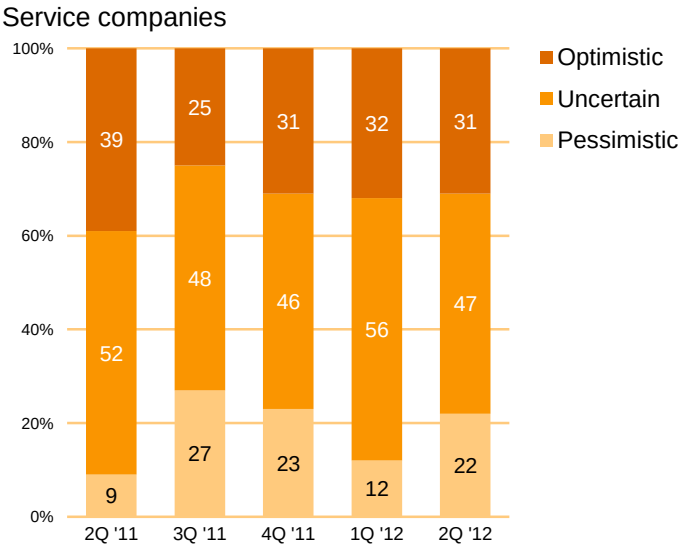
Looking ahead at the next 12 months, how do you feel about the prospects for the world economy? (international marketers only)

Of international marketers surveyed in the second quarter of 2012, 23 percent expressed optimism about the world economy's prospects over the next 12 months, off 6 points from the prior quarter. The percentage expressing pessimism rose 13 points to 23 percent, while 54 percent were uncertain.

Chart 2.4 View of the world economy, next 12 months







Note: In 2Q 2012 All international marketers, n=119, Product companies, n=68, Service companies, n=51

Company performance

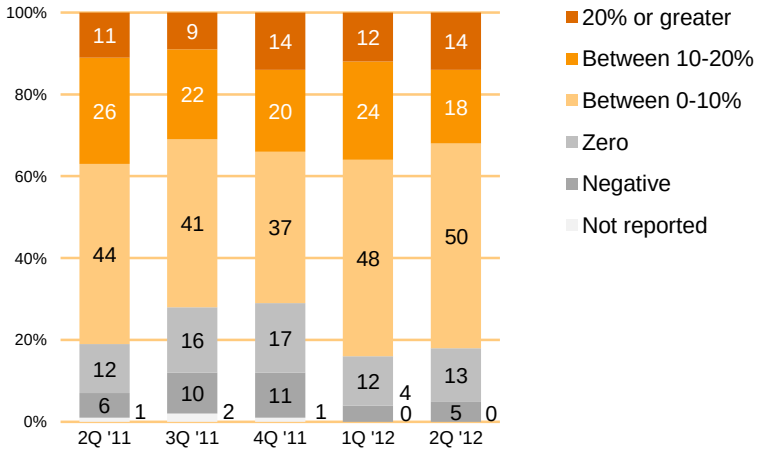
Company revenue growth, calendar year

What is your company's estimated revenue growth rate for the calendar year?

For calendar-year 2012, the composite average own-company growth estimate is expected to rise from 8.8 percent in first-quarter 2012 to 10.0 percent in second-quarter 2012. Of executive officers interviewed, 82 percent reported positive revenue growth through the calendar year, with 32 percent reporting double-digit growth and 50 percent single-digit growth. Only 5 percent reported negative revenue growth and 13 percent reported zero growth.

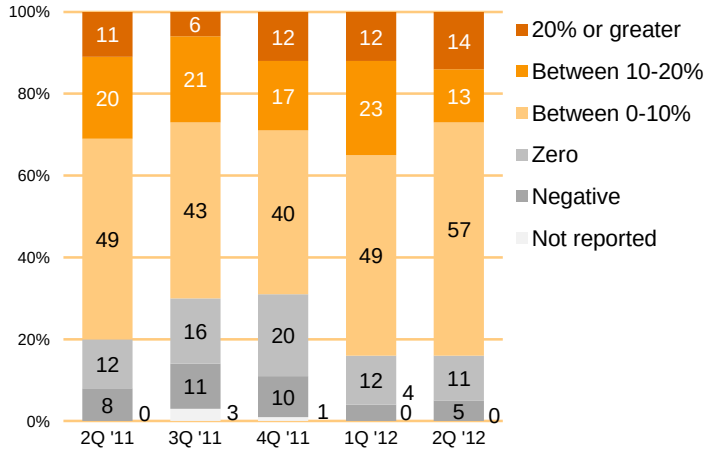
Chart 3.1 Company revenue growth, calendar year

All respondents



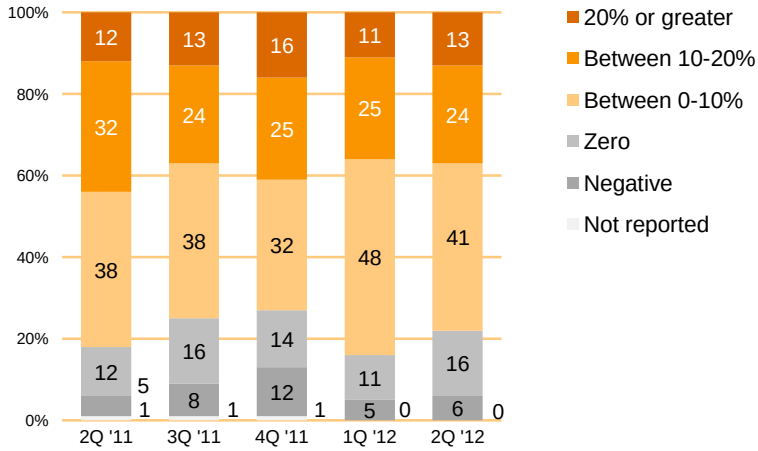
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
20% or greater	11	9	14	12	14
Between 10-20%	26	22	20	24	18
Between 0-10%	44	41	37	48	50
Zero	12	16	17	12	13
Negative	6	10	11	4	5
Not reported	1	2	1	0	0
Mean	8.0%	6.5%	7.3%	8.8%	10.0%

Product companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
20% or greater	11	6	12	12	14
Between 10-20%	20	21	17	23	13
Between 0-10%	49	43	40	49	57
Zero	12	16	20	12	11
Negative	8	11	10	4	5
Not reported	0	3	1	0	0
Mean	6.9%	4.9%	6.3%	9.0%	9.5%

Service companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
20% or greater	12	13	16	11	13
Between 10-20%	32	24	25	25	24
Between 0-10%	38	38	32	48	41
Zero	12	16	14	11	16
Negative	5	8	12	5	6
Not reported	1	1	1	0	0
Mean	9.4%	8.5%	8.5%	8.6%	10.5%

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

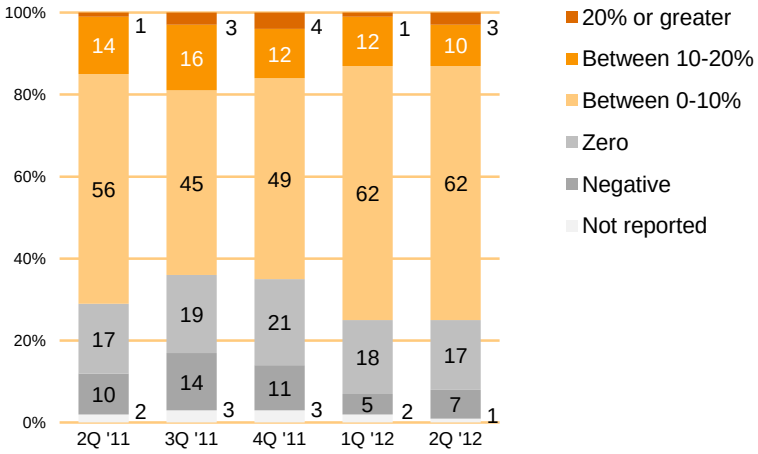
Industry growth, calendar year

What is your industry's estimated growth rate for the calendar year?

Industry sector growth projections for calendar-year 2012 averaged 3.6 percent in second-quarter 2012, slightly below the average 3.8 percent calendar-year projection in first-quarter 2012.

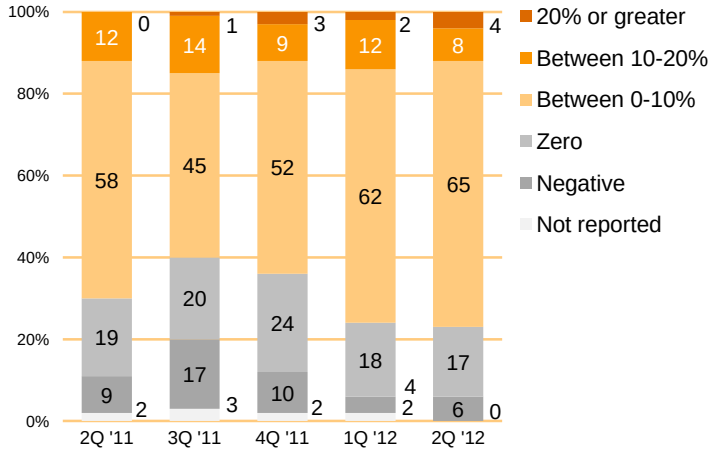
Chart 3.2 Industry growth, calendar year

All respondents



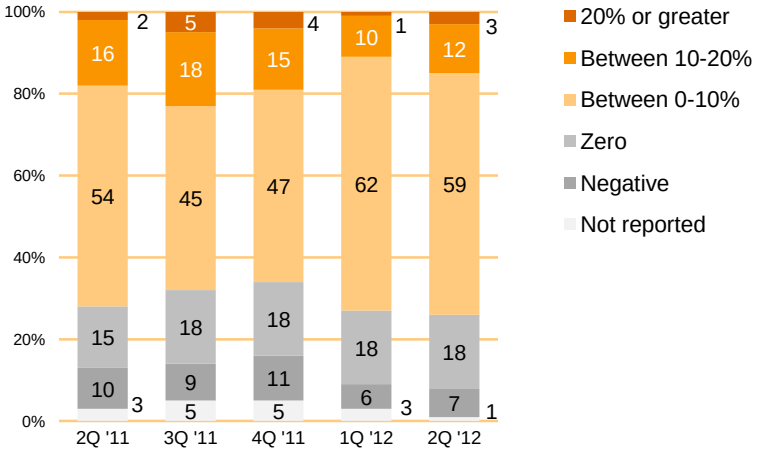
Mean +3.2% +3.3% +3.6% +3.8% +3.6%

Product companies



Mean +2.7% +2.1% +3.0% +3.9% +3.6%

Service companies



Mean +3.8% +4.9% +4.6% +3.7% +3.5%

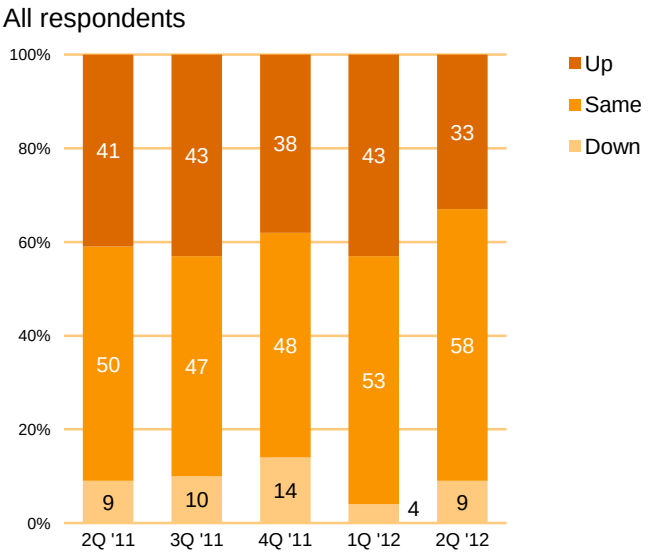
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

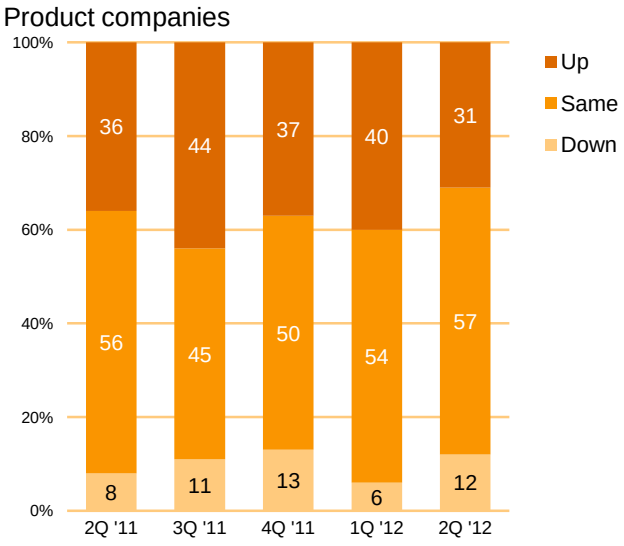
International sales

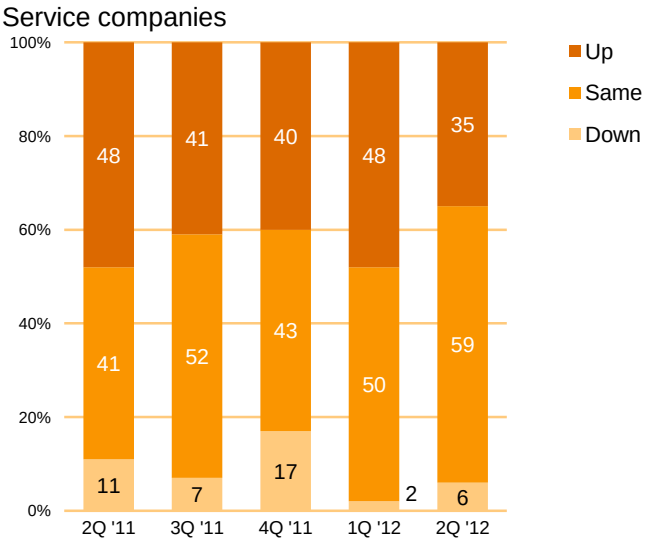
Are international sales up, down, or the same compared with three months ago?

In the second quarter, 33 percent of international marketers increased sales abroad, off 10 points from the prior quarter and off 8 points from a year ago. Nine percent reported fewer sales (up 5 points from the prior quarter), while 58 percent reported no change.

Chart 3.3 International sales







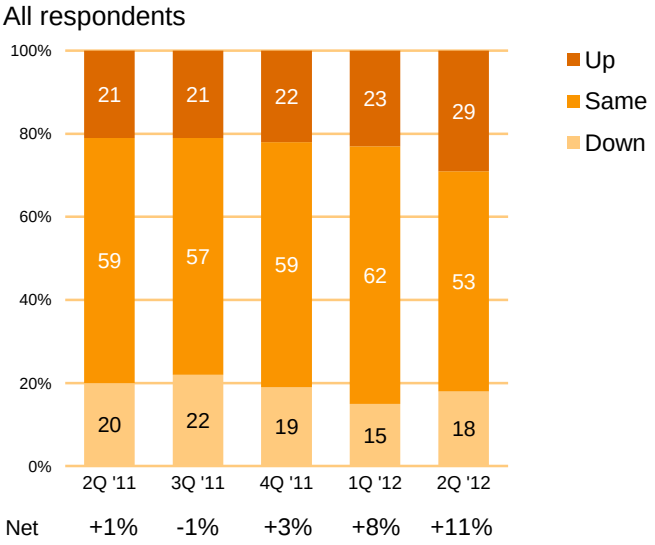
Note: In 2Q 2012 All international marketers, n=119, Product companies, n=68, Service companies, n=51

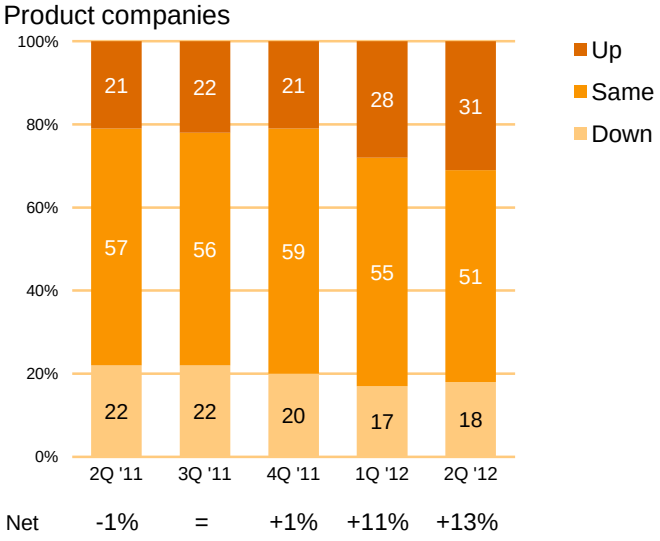
Changes in gross margins

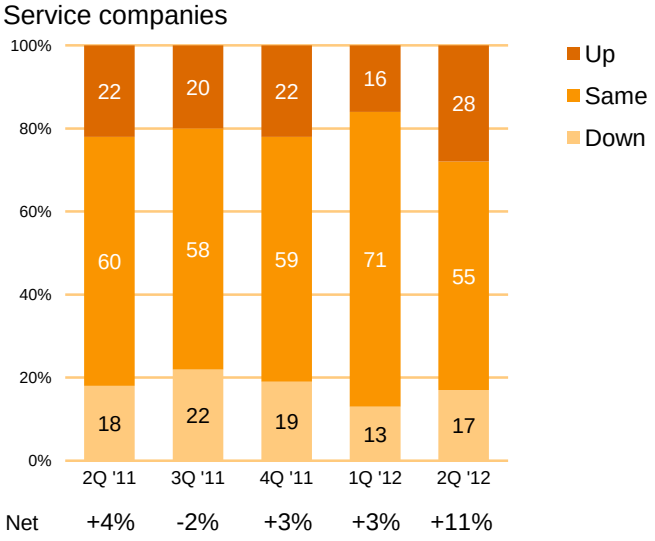
Are gross margins up, down, or the same compared with three months ago?

Gross margins remained positive in the second quarter, as 29 percent reported higher margins and 18 percent reported lower margins, for a plus 11 percent net change, up 3 points from the previous quarter.

Chart 3.4 Changes in gross margins







Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

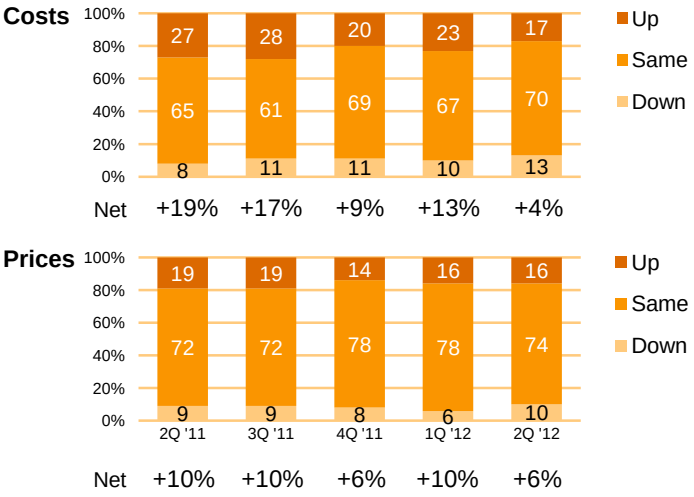
Changes in costs and prices

Are costs up, down, or the same compared with three months ago? Prices?

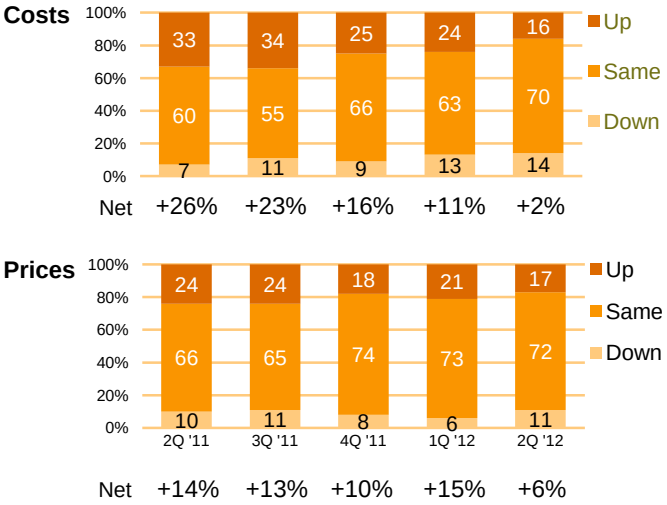
In second-quarter 2012, costs and prices were moderately lower. Costs increased a net 4 percent, as 17 percent reported higher costs and 13 percent reported lower costs. Prices were up a net 6 percent, as 16 percent reported higher prices and 10 percent said they were lower.

Chart 3.5 Changes in costs and prices

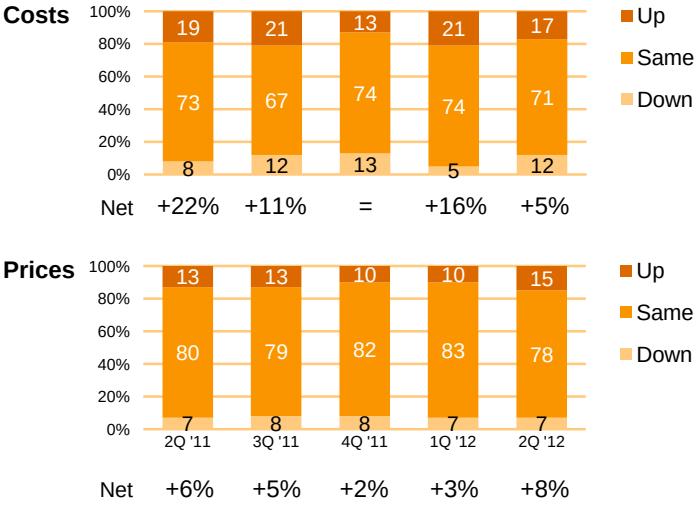
All respondents



Product companies



Service companies



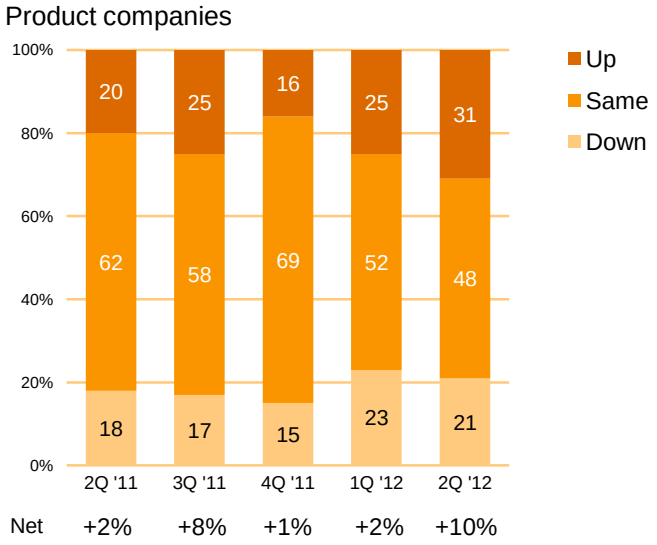
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

Finished inventories as a percent of sales

Are finished inventories as a percent of sales up, down, or the same compared with three months ago? (product companies only)

Overall, finished inventories in the second quarter were higher: up for 31 percent of product companies and down for 21 percent, with a net 10 percent reporting higher inventories. Forty-eight percent of respondents said their inventories remained about the same.

Chart 3.6 Finished inventories as a percent of sales



Note: In 2Q 2012 Product companies, n=134

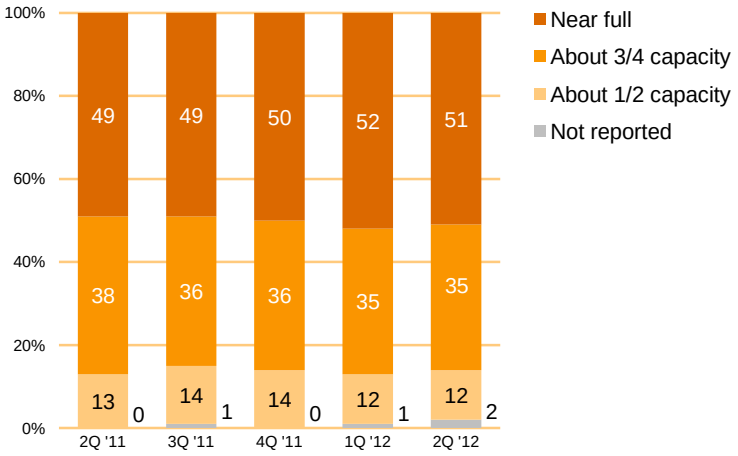
Level of operating capacity

What is your organization's current operating capacity?

Operating capacity is an estimate of the current level of permanent staffing compared with what is needed for full-capacity output. In the second quarter, the average level of operating capacity for respondents was an estimated 83.3 percent, 1 point below the prior quarter's 84.3 percent. Fifty-one percent reported near full capacity (off one point from the prior quarter).

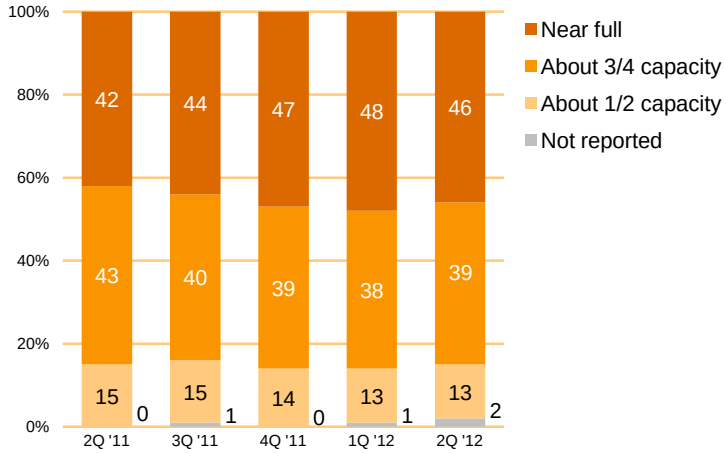
Chart 3.7 Level of operating capacity

All respondents



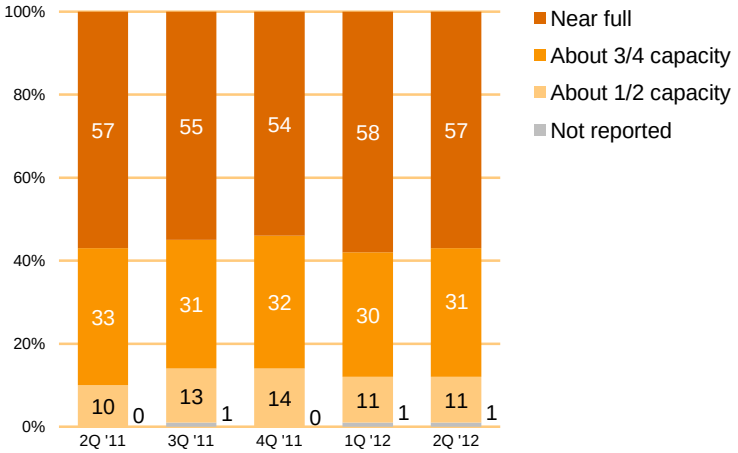
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean	83.2%	83.5%	83.1%	84.3%	83.3%

Product companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean	81.2%	82.1%	82.4%	82.8%	81.9%

Service companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean	85.6%	85.2%	84.0%	86.2%	85.0%

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

New bank loans, credit terms and financing

In the past three months, has your organization initiated any new bank loans, longer credit terms from your suppliers, or other types of financing? What is the current interest rate you are paying for your bank financing?

Limited banking activity was again reported in the second quarter, with only 7 percent of panelists reporting financing activity. Six percent reported new bank loans, a point below the prior quarter. The mean interest rate paid on loans by these companies was 3.77 percent, similar to the prior quarter and a year ago (3.83 percent).

Chart 3.8 New bank loans, credit terms and financing

All respondents

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Any activity	8%	5%	7%	7%	7%
• New bank loans	7%	5%	6%	7%	6%
• New credit terms (suppliers)	1%	---	1%	1%	1%
• All other new financing	1%	---	1%	1%	5%
• Mean interest rate (all bank loans)	3.83%	3.89%	3.90%	3.83%	3.77%

Product companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Any activity	5%	5%	10%	9%	7%
• New bank loans	5%	5%	8%	8%	6%
• New credit terms (suppliers)	1%	---	1%	2%	1%
• All other new financing	---	---	2%	2%	5%
• Mean interest rate (all bank loans)	3.73%	3.66%	3.94%	3.72%	3.59%

Service companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Any activity	11%	5%	2%	5%	7%
• New bank loans	10%	5%	2%	5%	6%
• New credit terms (suppliers)	1%	---	---	1%	1%
• All other new financing	1%	---	---	---	4%
• Mean interest rate (all bank loans)	3.94%	4.14%	3.85%	3.95%	3.99%

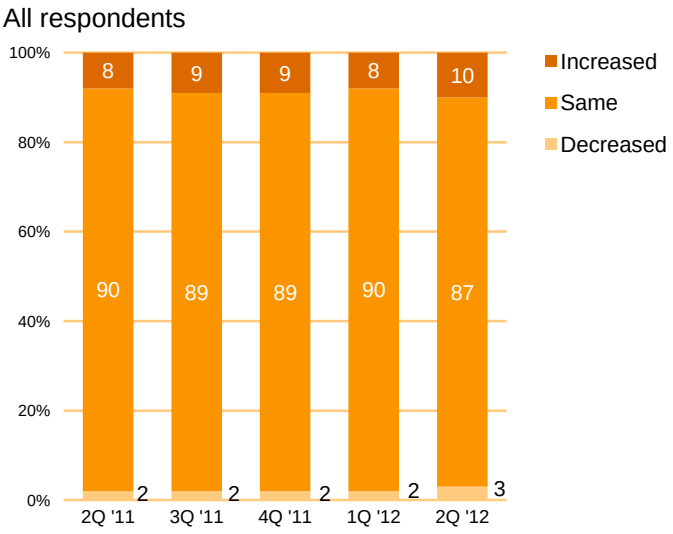
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

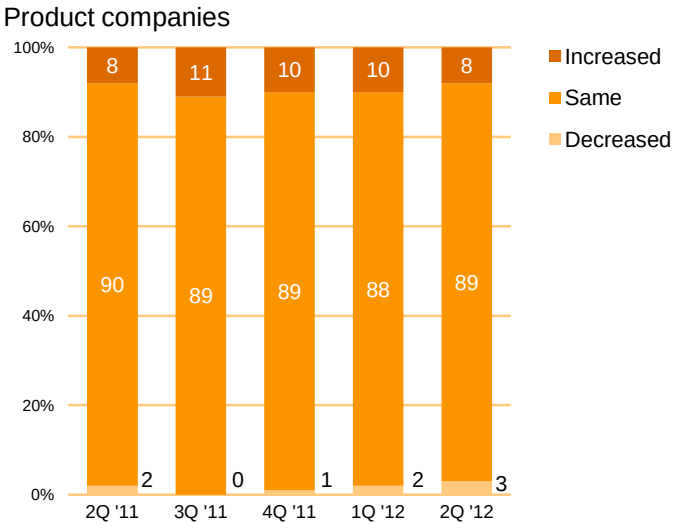
Change in credit availability

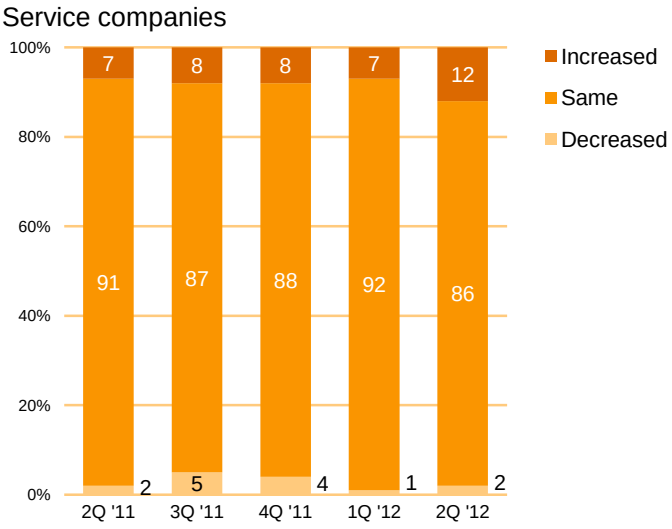
How has credit availability changed in the past three months for your organization? (based on current banking relationships)

Credit availability in second-quarter 2012 was slightly higher than the prior quarter, with 10 percent of panelists reporting an increase, 3 percent reporting a decrease, and 87 percent reporting no change.

Chart 3.9 Change in credit availability







Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

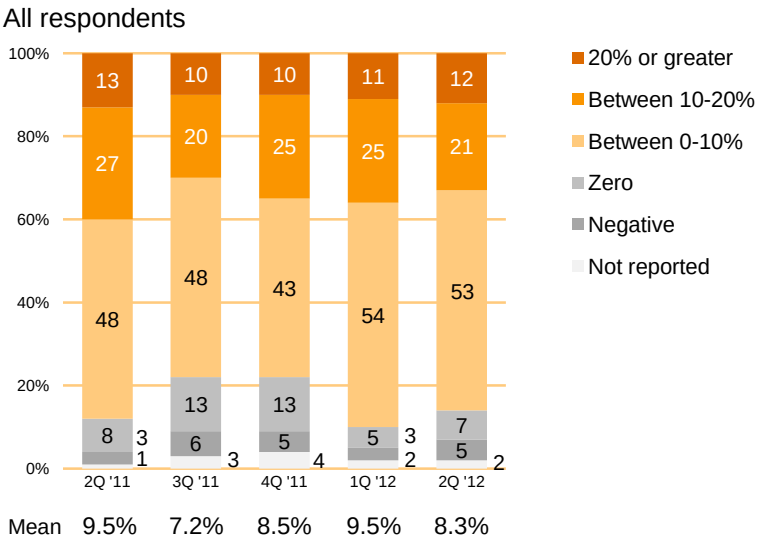
Business outlook, next 12 months

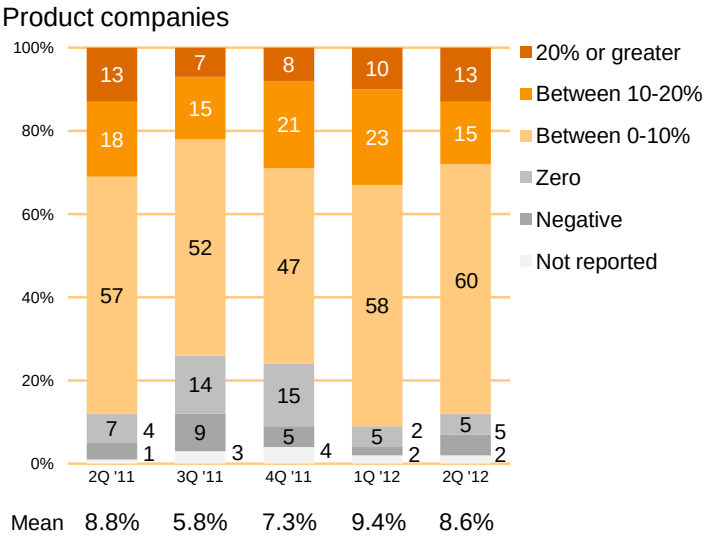
Revenue growth, next 12 months

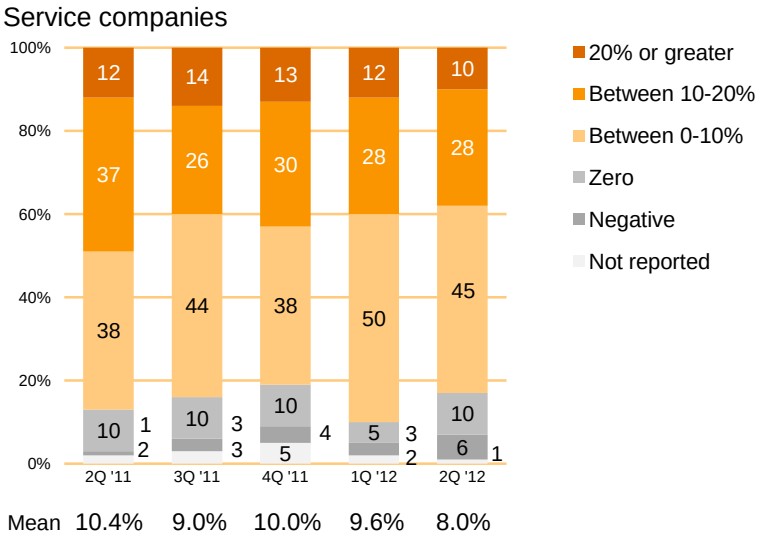
What is your organization's estimated revenue growth rate for the next 12 months?

Respondents' projected average revenue growth rates for their own companies over the next 12 months decreased over a point (or 13 percent) in the second-quarter 2012, dropping from 9.5 percent to 8.3 percent. Eighty-six percent said they expected positive own-company growth, with 33 percent projecting double-digit revenue growth and 53 percent single-digit growth. Only 5 percent expected negative growth over the next 12 months, 7 percent expected zero growth, and 2 percent did not respond.

Chart 4.1 Revenue growth, next 12 months







Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

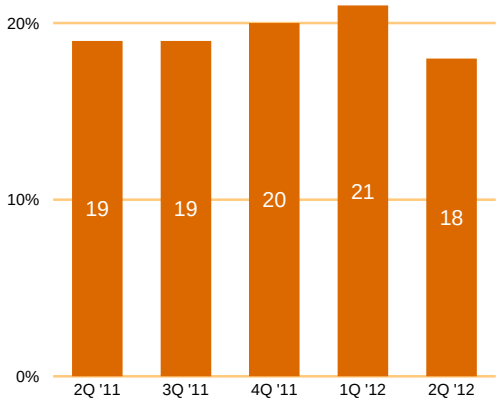
International sales, next 12 months

What percent of your business's total revenue over the next 12 months do you expect to derive from international sales? (international marketers only)

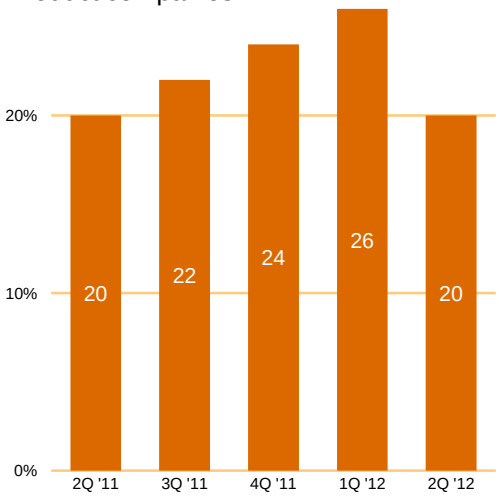
Panelists selling abroad projected that the average contribution of international sales to total revenue over the next 12 months would be 18 percent, 3 points below the prior quarter and off 1 point from a year ago.

Chart 4.2 International sales, next 12 months

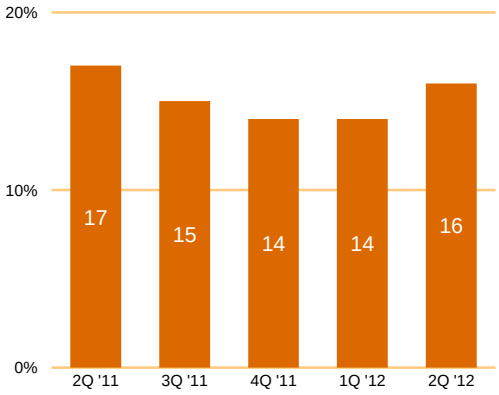
All respondents



Product companies



Service companies



Note: In 2Q 2012 All international marketers, n=119, Product companies, n=68, Service companies, n=51

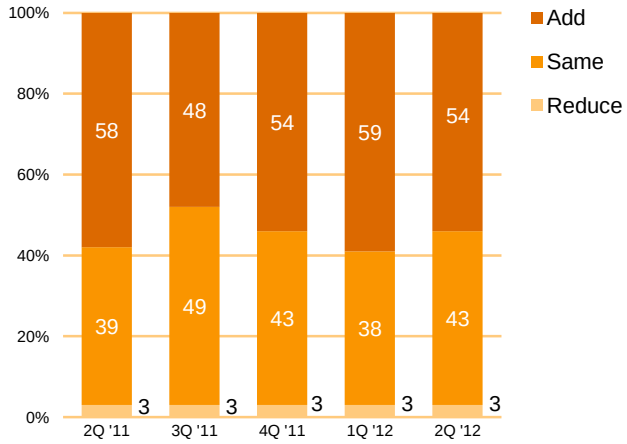
Percent planning to hire

Do you plan to add or reduce the number of full-time equivalent employees over the next 12 months? If so, how many? Do you plan to increase hourly wages?

Looking ahead, 54 percent of panelists plan to add employees to their workforces over the next 12 months, off 5 points from the prior quarter. Only 3 percent plan to reduce workers, and 43 percent say their workforce will stay about the same. An overall increase of 2.4 percent is planned for the panel's average composite workforce, higher than the 1.8 percent last quarter.

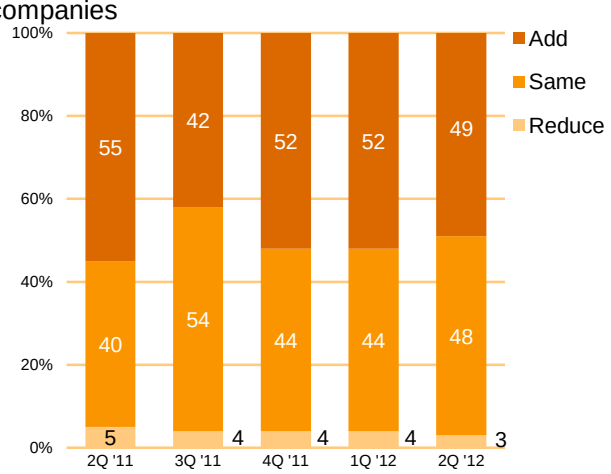
Chart 4.3 Percent planning to hire

All respondents



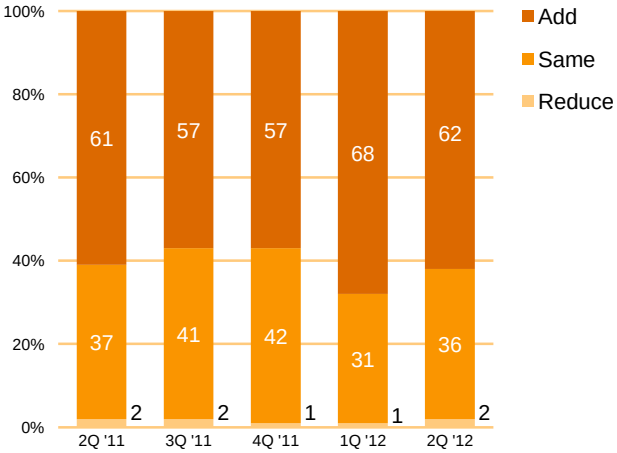
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Net hiring	+2.0%	+1.6%	+2.0%	+1.8%	+2.4%
Mean expected increase, hourly wages	2.24%	2.05%	2.31%	2.51%	2.37%

Product companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Net hiring	+1.7%	+1.5%	+1.7%	+1.3%	+2.1%
Mean expected increase, hourly wages	2.35%	2.00%	2.20%	2.64%	2.56%

Service companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Net hiring	+2.4%	+1.9%	+2.5%	+2.6%	+2.5%
Mean expected increase, hourly wages	2.11%	2.11%	2.45%	2.34%	2.14%

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

Percent planning to hire by type of employee

What types of employees do you plan to add or reduce over the next 12 months?

Over the next 12 months, 35 percent of those planning to hire will be looking primarily for professionals/ technicians, up 1 point from last quarter. Twenty percent say they are interested in hiring sales/marketing executives (up 2 points), while 15 percent cite interest in hiring production workers (off 2 points).

Chart 4.4 Percent planning to hire by type of employee

All respondents

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Planning to hire (net)	58%	48%	54%	59%	54%
• Professionals/technicians	31%	27%	29%	34%	35%
• Sales/marketing	20%	18%	17%	18%	20%
• White collar support	15%	13%	11%	13%	16%
• Production workers	12%	11%	13%	17%	15%
• Skilled labor	10%	11%	9%	14%	14%

Product companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Planning to hire (net)	55%	42%	52%	52%	49%
• Professionals/technicians	26%	18%	22%	24%	25%
• Sales/marketing	14%	12%	13%	11%	17%
• White collar support	15%	11%	11%	12%	13%
• Production workers	20%	16%	19%	25%	22%
• Skilled labor	12%	11%	12%	18%	16%

Service companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Planning to hire (net)	61%	57%	57%	68%	62%
• Professionals/technicians	38%	38%	38%	48%	46%
• Sales/marketing	28%	25%	22%	27%	24%
• White collar support	15%	14%	11%	14%	18%
• Production workers	3%	5%	5%	6%	6%
• Skilled labor	8%	11%	6%	10%	10%

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

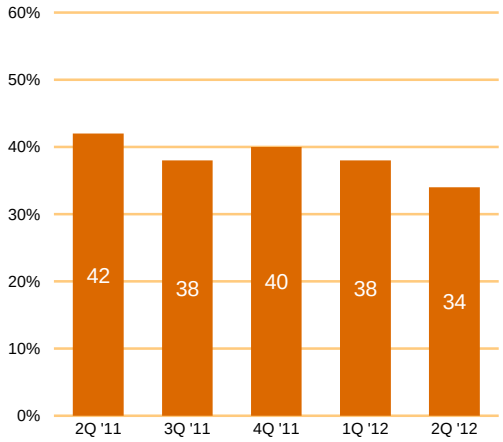
Percent planning major new investments of capital

Are you actively planning any major new investments of capital over the next 12 months? If so, what percent of total sales do you expect to invest?

Over the next 12 months, 34 percent of those surveyed are planning major new investments of capital for business growth, down 4 points from the prior quarter. A year ago, 42 percent were planning major new investments of capital (8 points higher). The mean level of investment is lower than the previous quarter, 5.6 percent versus 7.2 percent of sales.

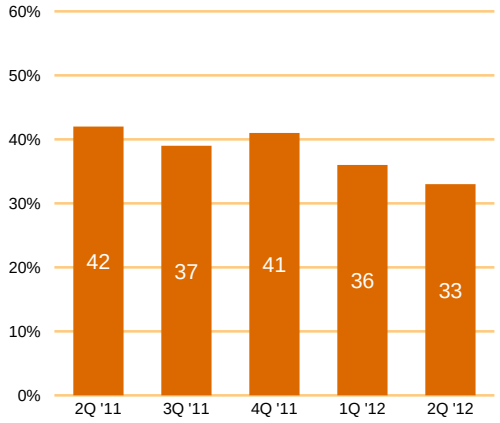
Chart 4.5 Percent planning major new investments of capital

All respondents



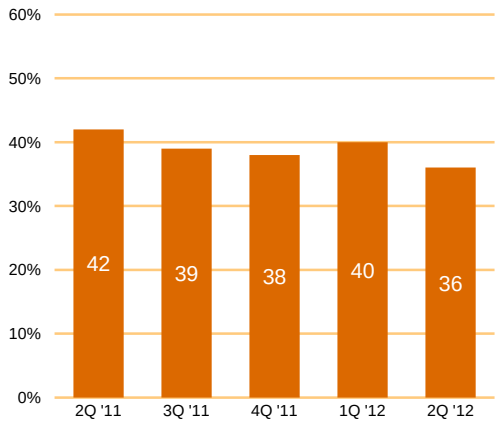
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean investment as a % of total sales	8.4%	6.1%	8.2%	7.2%	5.6%

Product companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean investment as a % of total sales	8.8%	7.1%	9.1%	7.2%	5.0%

Service companies



	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Mean investment as a % of total sales	7.9%	5.0%	6.9%	7.2%	6.2%

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

Percent planning to increase operational spending

Over the next 12 months, where do you expect to increase spending?

In second-quarter 2012, 68 percent of panelists were planning to increase operational spending over the next 12 months, off 3 points from the previous quarter. Information technology (38 percent) was followed by new product or service introductions (30 percent), and marketing & sales promotion (21 percent). Geographic expansion was off 7 points to 17 percent. R&D spending remained low at 13 percent.

Chart 4.6 Percent planning to increase operational spending

All respondents

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Percent planning to increase spending (net)	73%	72%	72%	71%	68%
• Information technology	36%	39%	40%	40%	38%
• New product or service introduction	33%	34%	29%	30%	30%
• Marketing & sales promotion	28%	23%	25%	26%	21%
• Geographic expansion	24%	22%	23%	24%	17%
• Facilities expansion	23%	21%	24%	20%	17%
• Advertising	22%	17%	18%	15%	14%
• Business acquisition	20%	15%	16%	15%	13%
• Research and development	12%	16%	14%	14%	13%
• Internet commerce	6%	8%	6%	7%	6%

Product companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Percent planning to increase spending (net)	70%	69%	73%	67%	72%
• Information technology	36%	36%	41%	38%	39%
• New product or service introduction	32%	33%	31%	30%	31%
• Marketing & sales promotion	27%	23%	22%	23%	24%
• Geographic expansion	21%	19%	22%	22%	14%
• Facilities expansion	25%	23%	26%	21%	19%
• Advertising	20%	16%	19%	16%	15%
• Business acquisition	20%	15%	15%	13%	13%
• Research and development	14%	16%	15%	14%	14%
• Internet commerce	6%	8%	6%	7%	6%

Service companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Percent planning to increase spending (net)	76%	77%	71%	76%	63%
• Information technology	35%	43%	39%	42%	38%
• New product or service introduction	34%	35%	27%	31%	28%
• Marketing & sales promotion	29%	23%	29%	31%	17%
• Geographic expansion	28%	26%	24%	28%	21%
• Facilities expansion	20%	18%	21%	18%	15%
• Advertising	25%	18%	18%	14%	12%
• Business acquisition	20%	16%	17%	18%	14%
• Research and development	9%	16%	12%	14%	12%
• Internet commerce	6%	8%	7%	7%	6%

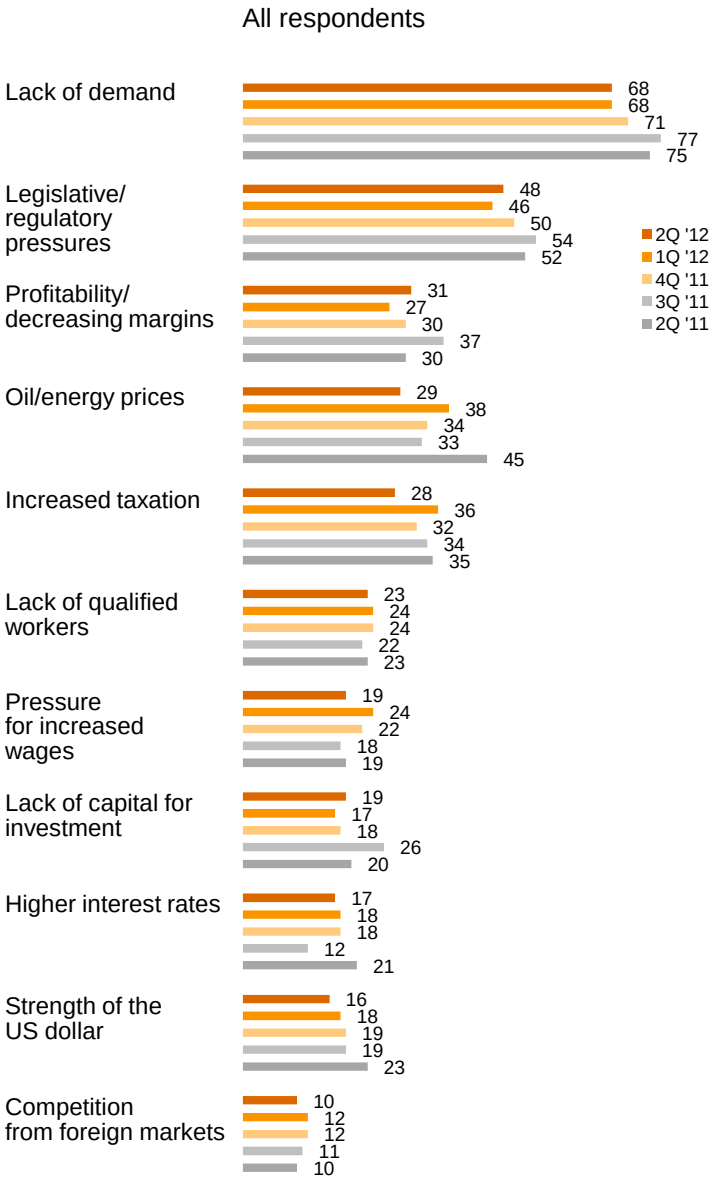
Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

Expected barriers to business growth

Over the next 12 months, will any of the following factors represent barriers to business growth?

Lack of demand remained the most-cited barrier to business growth over the next 12 months, cited by 68 percent (same as last quarter). Forty-eight percent of panelists said legislative/regulatory pressures might be a barrier (up 2 points). The percentage of those concerned about increased taxation was off 8 points to 28 percent, and oil/energy prices were off 9 points to 29 percent. Profitability/decreasing margins was up 4 points as a barrier to growth, to 31 percent, and lack of capital for investment remained low at 19 percent.

Chart 4.7 Expected barriers to business growth



Note: In 2Q 2012 All respondents, n=243

Plans for M&A and other business initiatives

Over the next 12 months, do you expect to participate in any of the following new business initiatives?

Looking at the next 12 months, 53 percent of respondents said they expected to participate in new business initiatives, an decrease of 6 points from the prior quarter. Overall, the most prevalent expected initiatives were new strategic alliances (23 percent), expansion to new markets abroad (21 percent), new joint ventures (17 percent), and purchase of another business (15 percent). New partners was off 5 points to 6 percent.

Chart 4.8 Plans for M&A and other business initiatives

All respondents

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
New business initiatives (net)	62%	49%	58%	59%	53%
• New strategic alliance	36%	25%	28%	25%	23%
• Expand to new markets abroad	18%	17%	23%	27%	21%
• New joint venture	23%	19%	22%	23%	17%
• Purchase of another business	20%	15%	18%	19%	15%
• Restructure debt	13%	7%	7%	7%	8%
• Bring in new partners	11%	5%	8%	11%	6%
• Sale part/all of own business	6%	4%	6%	7%	6%
• New facilities abroad	4%	2%	5%	5%	4%
• "Angel" investors	5%	4%	4%	3%	3%
• Private placement	4%	2%	1%	2%	1%
• Venture capital	2%	2%	2%	2%	1%
• IPO	1%	1%	1%	1%	1%

Product companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
New business initiatives (net)	59%	46%	53%	59%	52%
• New strategic alliance	34%	21%	26%	24%	21%
• Expand to new markets abroad	17%	17%	20%	27%	23%
• New joint venture	26%	19%	22%	19%	16%
• Purchase of another business	21%	14%	17%	16%	16%
• Restructure debt	13%	6%	7%	9%	7%
• Bring in new partners	7%	4%	6%	5%	5%
• Sale part/all of own business	2%	2%	5%	5%	6%
• New facilities abroad	7%	3%	6%	8%	7%
• "Angel" investors	6%	4%	5%	4%	4%
• Private placement	2%	1%	1%	1%	2%
• Venture capital	1%	2%	2%	3%	1%
• IPO	---	1%	1%	1%	2%

Service companies

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
New business initiatives (net)	66%	51%	61%	60%	54%
• New strategic alliance	38%	30%	29%	27%	25%
• Expand to new markets abroad	19%	16%	21%	28%	18%
• New joint venture	20%	19%	20%	27%	17%
• Purchase of another business	20%	16%	20%	23%	15%
• Restructure debt	12%	8%	9%	5%	9%
• Bring in new partners	16%	8%	14%	18%	8%
• Sale part/all of own business	10%	6%	9%	10%	6%
• New facilities abroad	1%	---	2%	---	1%
• "Angel" investors	5%	4%	2%	2%	1%
• Private placement	7%	3%	---	4%	1%
• Venture capital	3%	2%	---	1%	2%
• IPO	1%	1%	1%	1%	---

Note: In 2Q 2012 All respondents, n=243, Product companies, n=134, Service companies, n=109

Survey demographics and research methodology

Demographics

Who	Leading privately held businesses in the United States		
Interview dates	April 20, 2012, to July 18, 2012		
	All (243)	Product (134)	Service (109)
Average number of employees	895	938	842
Average business unit revenues	$244.7 million	$325.3 million	$145.7 million
Average enterprise revenues	$333.3 million	$445.9 million	$192.9 million
Five-year growth rate	52%	47%	57%
Industry sectors	Products 55% Manufacturing 29% Trade/Distribution 14% All other 12% Services 45%		

Methodology

PwC's *Private Company Trendsetter Barometer* is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc.

The survey panel consists of CEOs and their designates from a geographically balanced sample of leading private companies in the United States, as identified in the business media.

pwc.com/us/pcs

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About the research:

The *Private Company Trendsetter Barometer* is one in a series of quarterly business outlook surveys from PwC. The survey provides a view on the 12-month outlook for revenue growth, new investments, new hiring plans, emerging business barriers, and more. In addition to the business outlook, we hear from our panelists about special issues they face as the business climate changes. Results of the quarterly business outlook surveys and special issue surveys are available from www.pwc.com/us/pcs and www.barometersurveys.com.

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