

GE Capital

Fourth Bi-Annual

U.S. Mid-Market CFO Survey

Executive Summary

Fall 2011



ABOUT THE SURVEY

In the third quarter of 2011, GE Capital surveyed the chief financial officers (CFOs) of more than 530 U.S. middle-market companies across seven distinct industries to ascertain their views on the U.S. economy and their outlook on a variety of important economic, industry and business-level issues, including growth expectations and financing needs.

This is GE Capital's fourth U.S. Mid-Market CFO Survey. Earlier surveys were completed in the first and third quarters of 2010 and the first quarter of 2011.

About the CFOs

The CFOs who were surveyed were drawn from Dun & Bradstreet, an independent source. The respondents consisted of middle-market companies with revenue ranging from \$50 million to \$1 billion, except for the trucking industry where revenues range from \$15 million to \$1 billion.

The CFOs represent companies with average annualized revenue of \$162 million. On average, they have been in operation for 33 years, and they have a workforce of 493 employees.

What makes this survey different?

Among CFO surveys published in the U.S., the GE Capital U.S. Mid-Market CFO Survey is one of the few that examines businesses across distinct sectors, providing a more comprehensive picture of how financial executives in different industries view the business environment today and their outlook for the months ahead.

Industries surveyed

The survey encompassed seven industries:

- Food, beverage and agribusiness (100)
- General manufacturing (100)
- Healthcare (101)
- Metals, mining and metals fabrication (50)
- Retail (50)
- Technology and business services (80)
- Transportation (51)

KEY FINDINGS

The most significant insights to emerge from the CFO survey include:

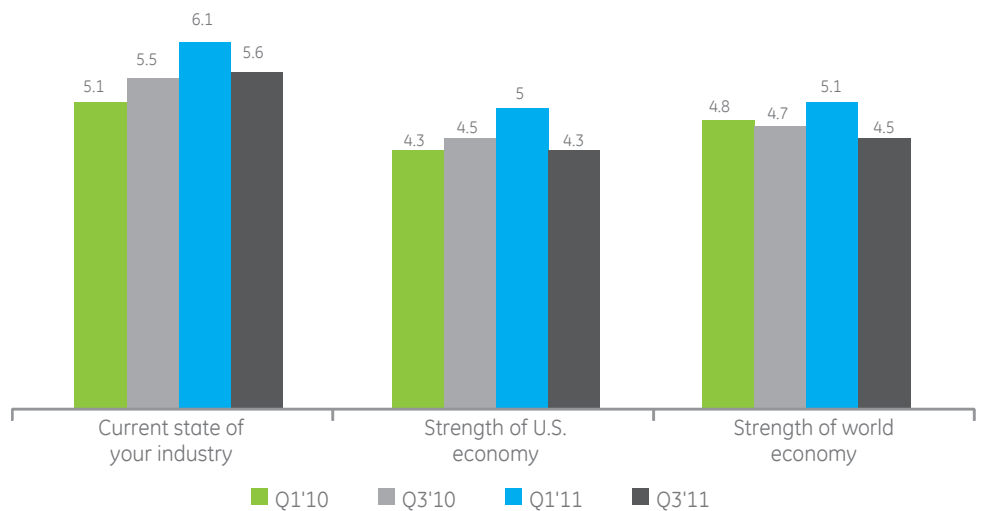
- Revenues still expected to increase.
- Outlook for U.S. and global economies dim.
- Layoffs stabilized, cautious hiring continues.

PREVIOUS UPTICK IN SENTIMENT EVAPORATES

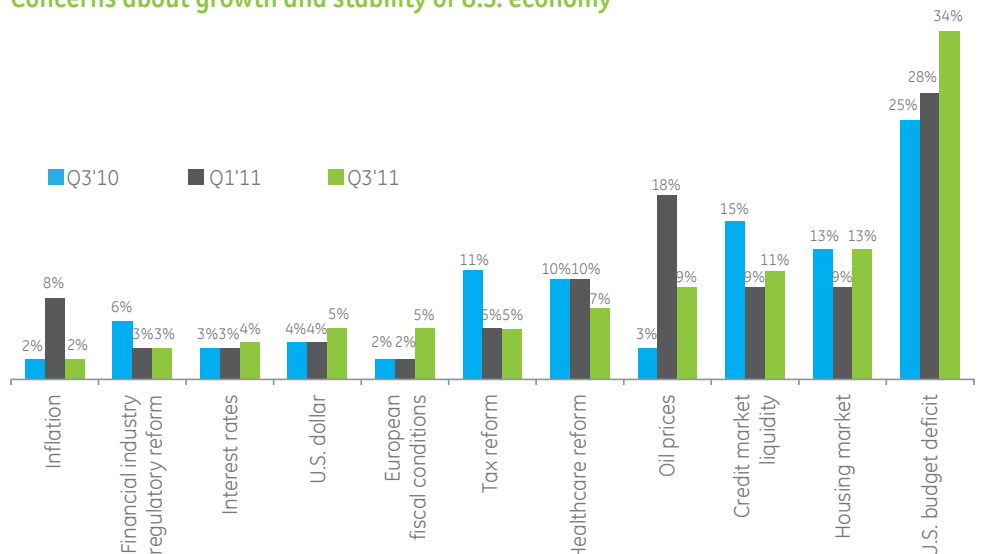
- CFOs continue to feel better about the general health of their own industries and companies than about the broader economy.
- CFO sentiment on the current health of the U.S. and global economies fell back into negative territory after turning slightly positive in the first quarter of 2011.
- When rating the health of their own industries, CFO sentiment fell slightly, but remained positive.
- The budget deficit still leads economic concerns about the future health of the U.S. economy.

Strength of industry, U.S. and world economies

Average rating on a scale of 1 to 10, where 1 is extremely weak and 10 is very strong



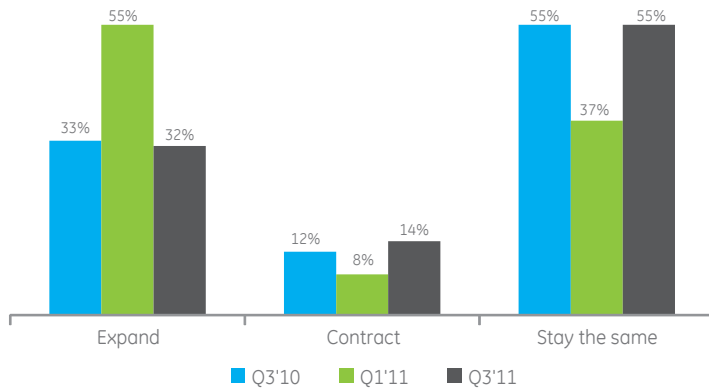
Concerns about growth and stability of U.S. economy



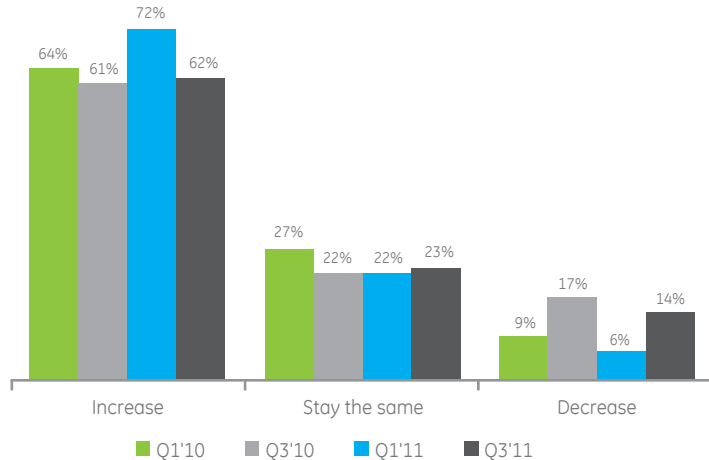
REVENUE & PROFITABILITY OUTLOOK FAIRLY POSITIVE

- About a third of CFOs (32 percent) expect their industries to grow over the next 12 months.
- A majority (62 percent) of CFOs still expect their own revenues to increase in 2011.
- Profitability expectations remain reasonably healthy, as a large majority (73 percent) of CFOs still believe they can maintain or improve profit margins in 2011.
- Forty-six percent see moderate to higher company growth over the next one to three years.

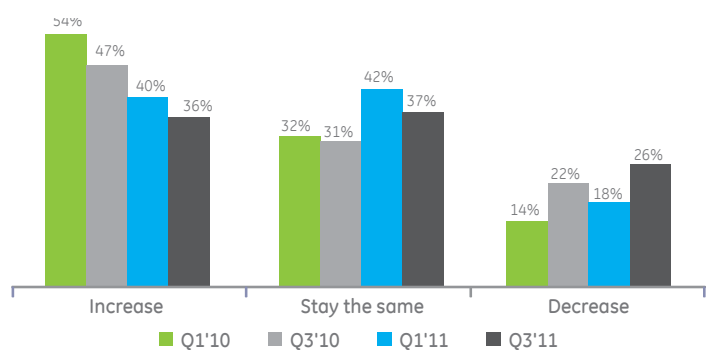
Industry growth expectations



Company revenue expectations



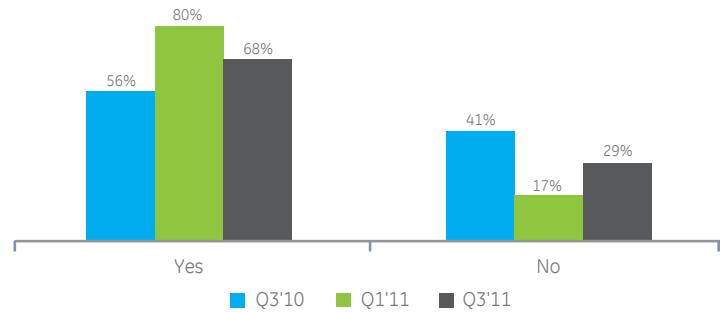
Profit margin expectations



HIRING SLOWS, BUT CONTINUES

- Hiring has begun and intentions are strong to continue. Sixty-five percent have started hiring this year and 80% will be hiring in the next 12 months (up 24 points from third quarter).
- Although twenty-five percent report having to lay off employees over the past 12 months, this is down 25 points since third quarter 2010.

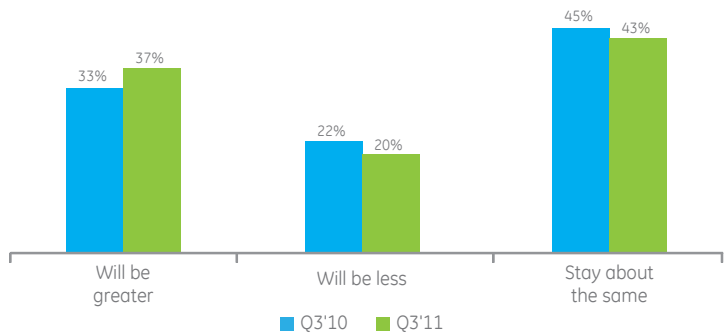
Hiring expectations in next 12 months



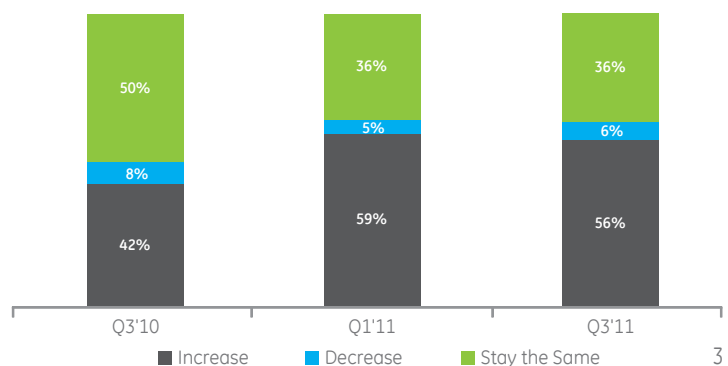
OTHER KEY FINDINGS

- Expectations for capital expenditures increased slightly from the first quarter with 80 percent indicating their 2011 spend would be equal to or greater than 2010.
- Thirty-seven percent of CFOs expect to consider additional financing for equipment in the next year.
- Fifty-six percent of CFOs expect to raise prices on their company's products or services in 2011.

Capital expenditure expectations



Planned changes in pricing of products and services



INDUSTRY SNAPSHOTS

Growth expectations

- **Transportation** CFOs lead their peers in industry-specific growth expectations.
- CFOs in the **manufacturing** and **technology and business services** industries have the highest rate of moderate growth expectations, with 47 percent and 46 percent indicating they expect to operate in that phase for the next 12 months, respectively.
- **Healthcare** CFOs, on the other hand, remain the most likely to downsize or reorganize in the next 12 months (19 percent).

Revenues

- **Food, beverage and agriculture** CFOs ran counter to their peers as the only industry that grew more bullish, with 65 percent expecting increased revenues in 2011, up 14 points since the first quarter.
- Almost one-quarter (23 percent) of **technology and business services** CFOs expect their 2011 revenues to decrease, the most pessimistic industry surveyed.

Profitability

- **Transportation** and **food, beverage and agriculture** CFOs are the most optimistic about profit margin increases (43 percent and 40 percent, respectively).
- Conversely, almost one-third (30 percent) of **healthcare** CFOs surveyed expect margins to tighten through 2011.

Hiring

- **Transportation** remains the most optimistic on its plans to hire, with 76 percent of CFOs planning to bring on additional employees in the next 12 months.

Cost structure

- **Transportation** CFOs were the most bullish with 71 percent expecting to increase their cost structure, a five point increase from the first quarter survey.
- **Retail** CFOs, however, experienced a 28 point drop to 46 percent expecting to increase their cost structures.

ABOUT GE CAPITAL, AMERICAS

GE Capital, Americas is a leading commercial financing provider of loans and leases to mid-market businesses in the U.S., Canada and Mexico.

Our structuring expertise and sector knowledge spanning 40 industries allows customers to purchase, lease or distribute equipment, manage vehicle fleets, acquire businesses, restructure and otherwise grow and thrive in an ever-changing marketplace.

As part of GE, we deliver more than money. Our customers benefit from access to more than 100 years of successful innovation and resources from across the globe to help them become smarter, faster and more efficient businesses.

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