



NATIONAL CENTER FOR
THE MIDDLE MARKET

October 24, 2023

Middle Market Update

Doug Farren, Managing Director

IN COLLABORATION WITH



CHUBB

VISA



Today's Plan

- I. About – NCMM, Middle Market, and the MMI Report
- II. What's New - Performance and Sentiment 2023
- III. Issues to Explore:
 - A. Core Business Challenges – Inflation/Recession/Banking
 - B. Technology
 - C. Human Capital
- IV. Wrap-Up and Q&A

The National Center for the Middle Market

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, Chubb, and Visa. It exists for a single purpose: to ensure that the vitality and robustness of Middle Market companies are fully realized as fundamental to our nation's economic outlook and prosperity.

The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector.

Middle Market Research & Data



Quarterly Middle Market Indicator



Research and Expert Perspectives



Interactive Benchmarking Tools

Expertise & Outreach



Share Research & Discuss Trends

Education



Executive Programs



Webinars and Podcasts

The Mighty Middle Market

U.S. MIDDLE MARKET DEFINED



Annual Revenues Range from
\$10MM - \$1B



Accounts for
60% of All New
Private-Sector
Jobs



Nearly
200,000 in All Industry
Businesses Segments and
Geographies

Equivalent to the
5th LARGEST
global economy



Represents
1/3 of Private Sector
GDP and Employment



85%
of Companies
Are Privately Held



More than
\$10 trillion in annual revenue

Mid-Atlantic Middle Market



Kriya



FURNITURELAND SOUTH
the world's largest furniture store®



Bob Barker

Velocity
CLINICAL RESEARCH

● ● ●



insightsoftware



FIRMS: 33,000+ (17%)

EMPLOYEES: 4.9M (11%)

REVENUES: \$132B (13%)

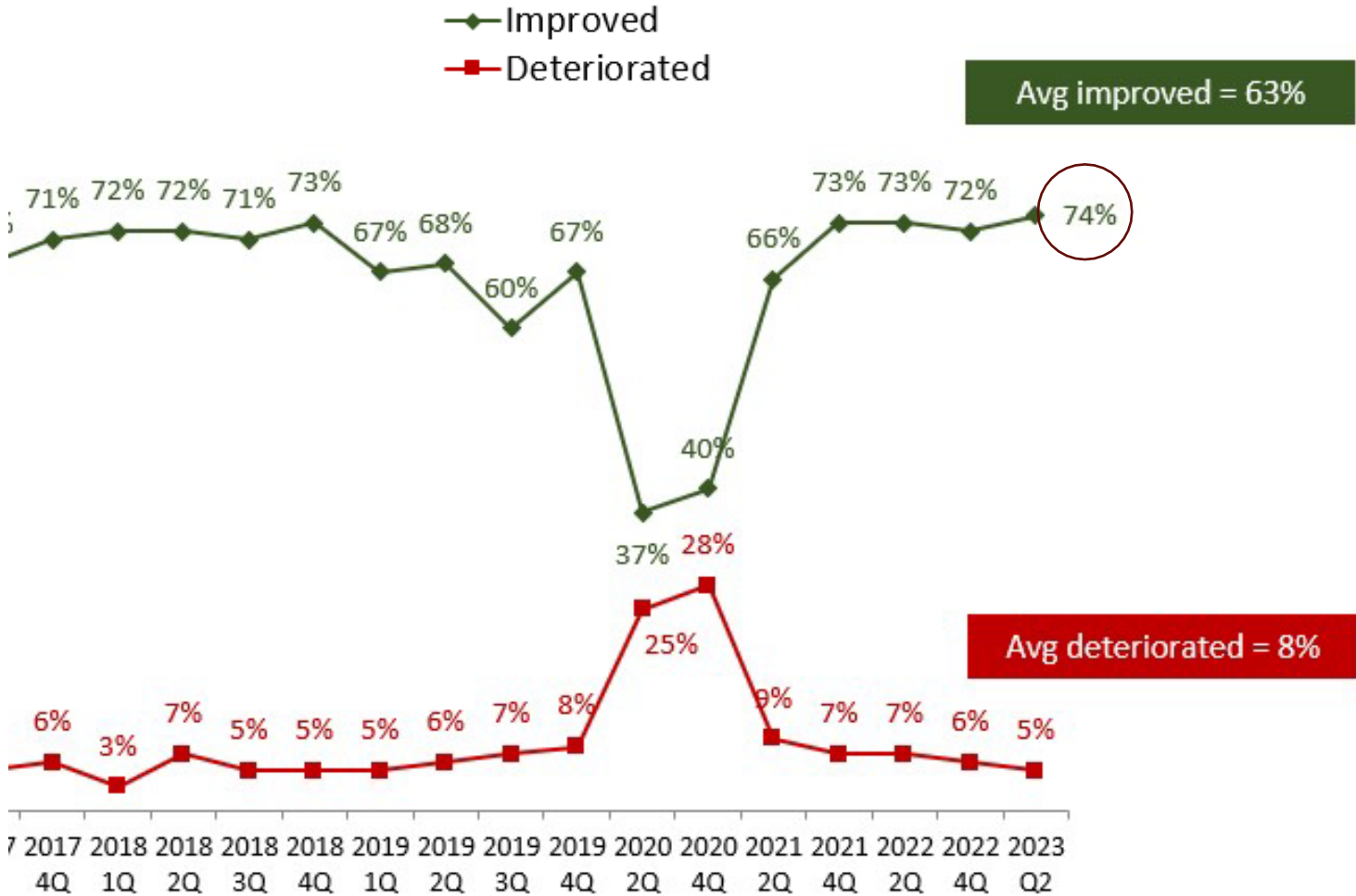
Middle Market Indicator

What...	<ul style="list-style-type: none">• National Survey of C-Level Executives
How...	<ul style="list-style-type: none">• Self Administered Online Survey
Insight Areas	<ul style="list-style-type: none">• Past year growth• Current state of the business• Short term outlook and challenges (3 months)• Long term outlook and challenges (1 year)• Confidence in the economy• Attitudes toward Risk Management and IT spending• Detailed corporate profiling
Who...	<ul style="list-style-type: none">• Financial decision makers• Private and Public Organizations• \$10 million-<\$1 billion in Gross Revenue
When...	<p>Mid-year MMI was fielded during the first 3 weeks of June 2023 The Year-End MMI is fielded during December 2023</p>



What's New?

Overall Sense of Performance



Middle Market Company performance remains strong

Nearly 75% of the middle market say their business is performing better than a year ago...11% higher than the historical average

Headwinds – inflation, potential recession, talent – creating uncertainty

REVENUE GROWTH
11.8%
PAST 12 MONTHS

4.8%
S&P 500

9.6%
NEXT 12 MONTHS



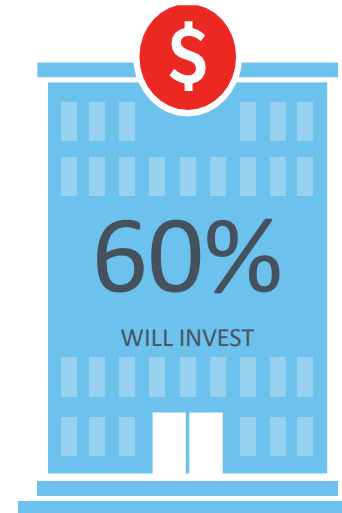
EMPLOYMENT GROWTH
10.1%
PAST 12 MONTHS

1.4% SMALL BUSINESS
1.6% LARGE BUSINESS

10.0%
NEXT 12 MONTHS



CAPITAL INVESTMENT



CONFIDENCE
74%
GLOBAL ECONOMY



74%
NATIONAL ECONOMY



87%
LOCAL ECONOMY



Mid-Year MMI: Expansionary Activity Increases

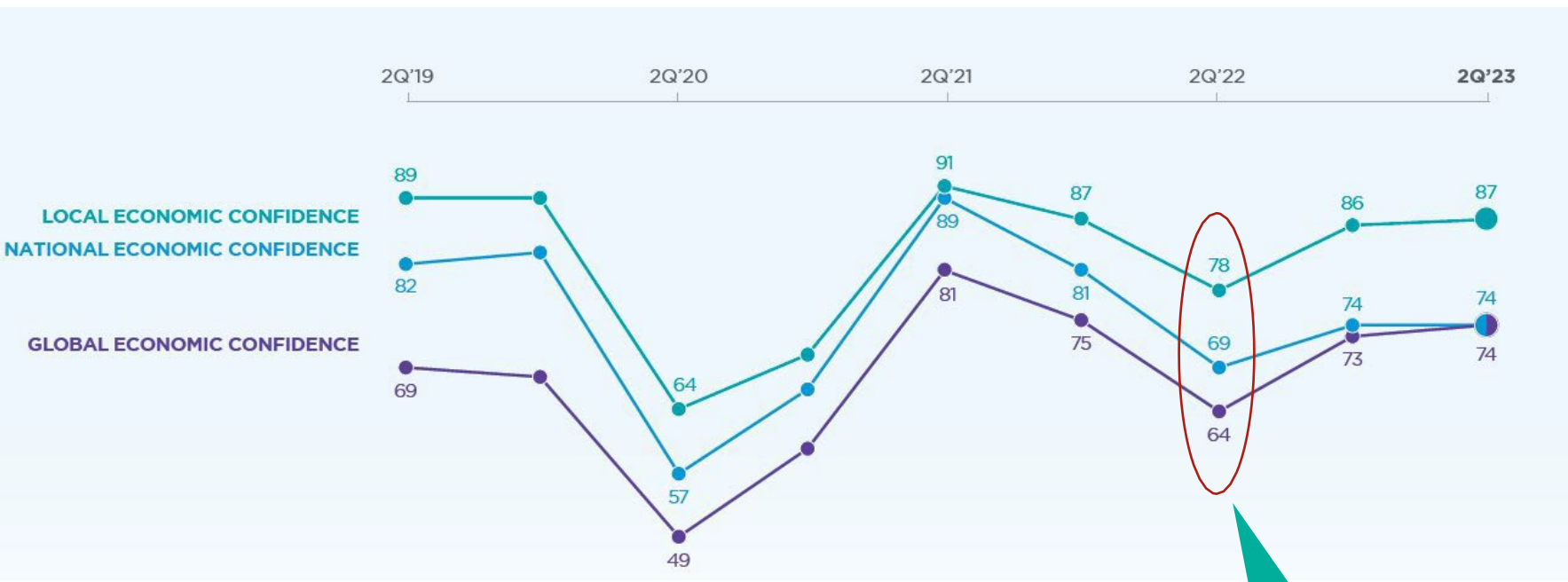
Percent of middle market companies engaging in expansion activities over the past 12 months



Source: Mid-Year Middle Market Indicator Report

Economic Confidence Returns to “Normal”

Confidence in Economy



Lowest in 6 years!



GLOBAL ECONOMY
73%

+10% vs. 2022
75% regional



NATIONAL ECONOMY
74%

+5% vs. 2022
75% regional



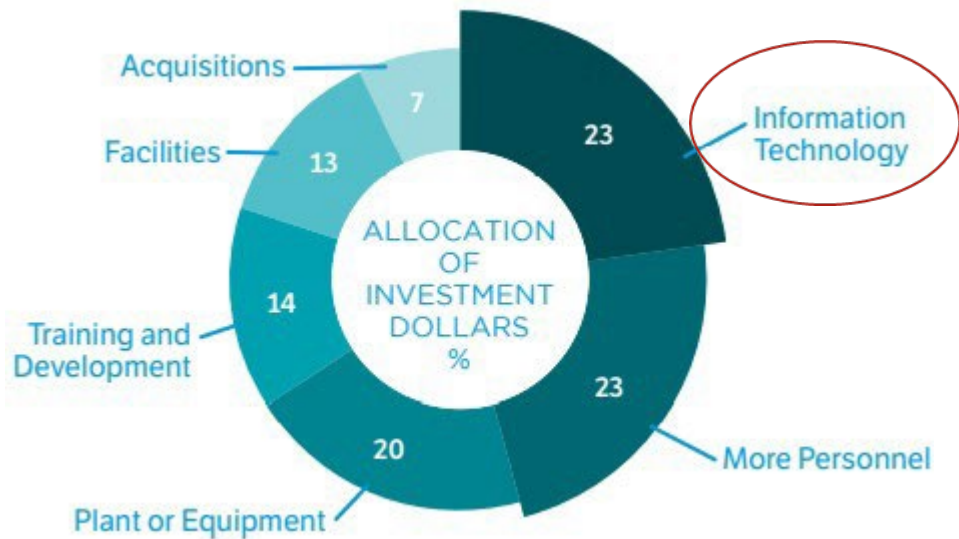
LOCAL ECONOMY
87%

+9% vs. 2022
92% regional

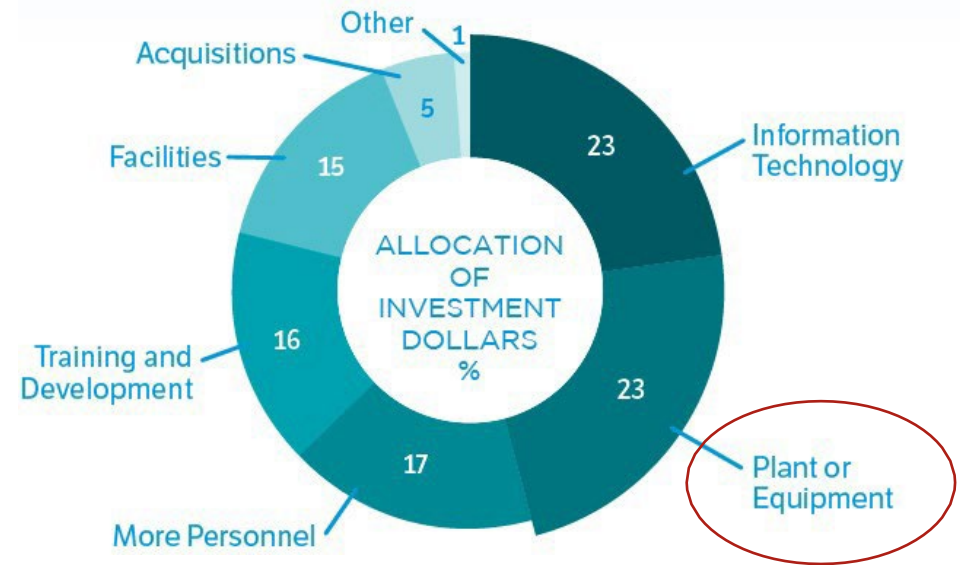
Source: Mid-Year Middle Market Indicator Report

IT and Plant/Equipment are Top Targets for Investment Dollars

WHAT WOULD YOU DO WITH AN EXTRA DOLLAR TO INVEST?



U.S. MIDDLE MARKET, JUNE 2022



U.S. MIDDLE MARKET, JUNE 2023

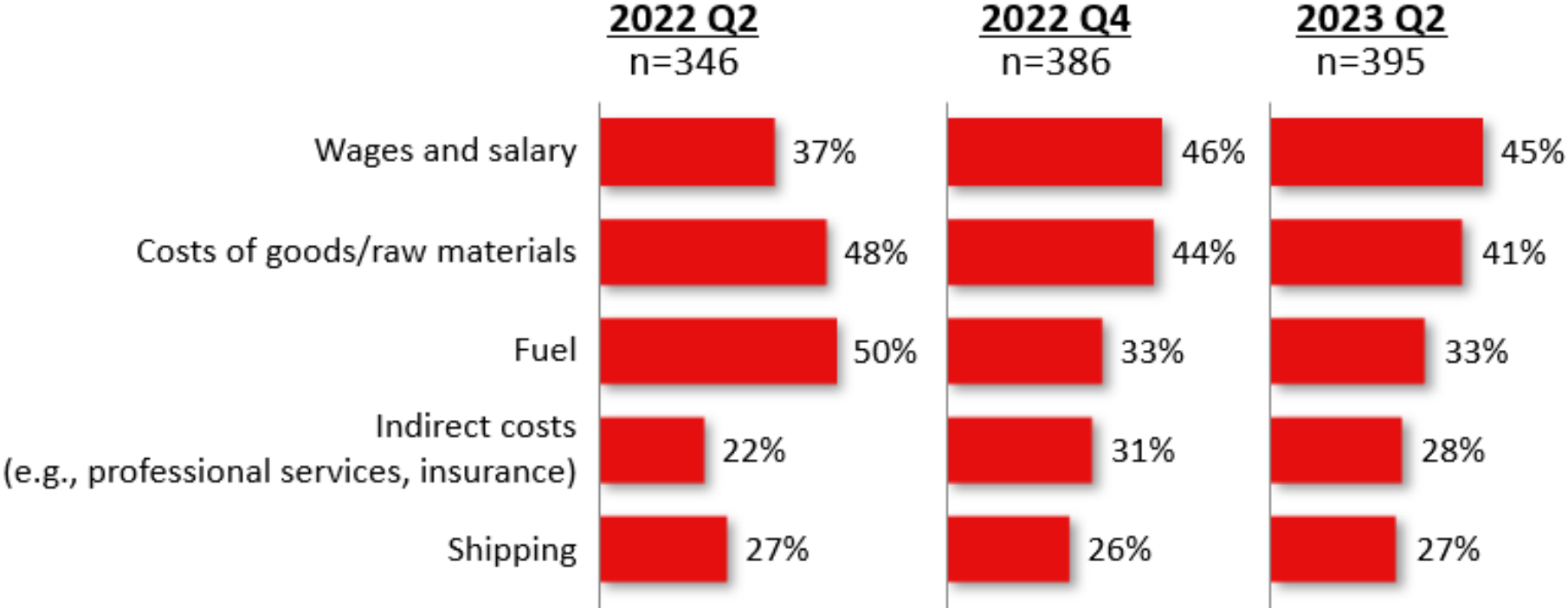
Managing Business and Macro Economy

EXTERNAL CHALLENGES	
1. CORE BUSINESS ISSUES*	40%
2. ECONOMY	25%
3. TALENT MANAGEMENT	14%
4. GOVERNMENT	14%

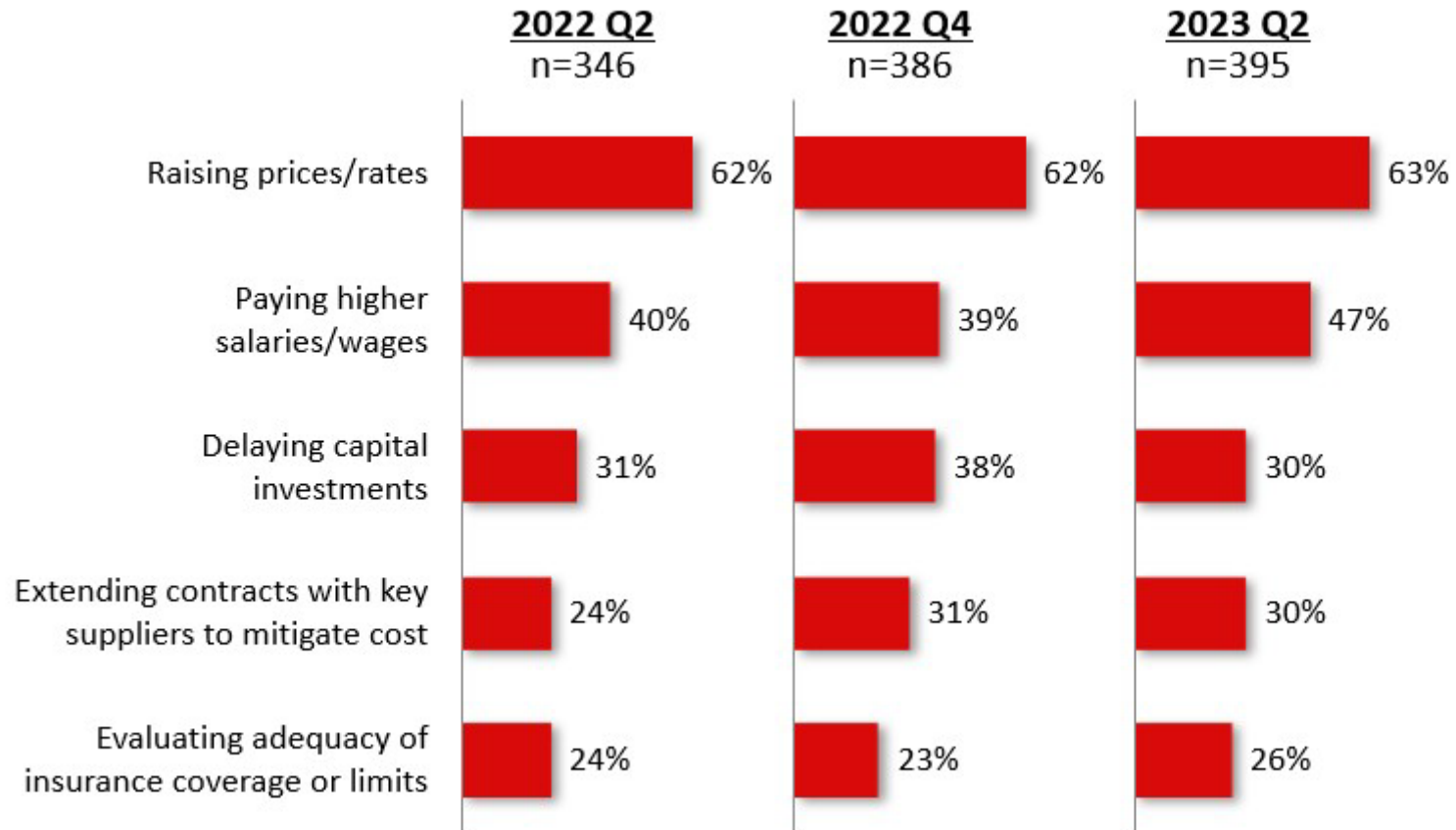


Core Business Issues

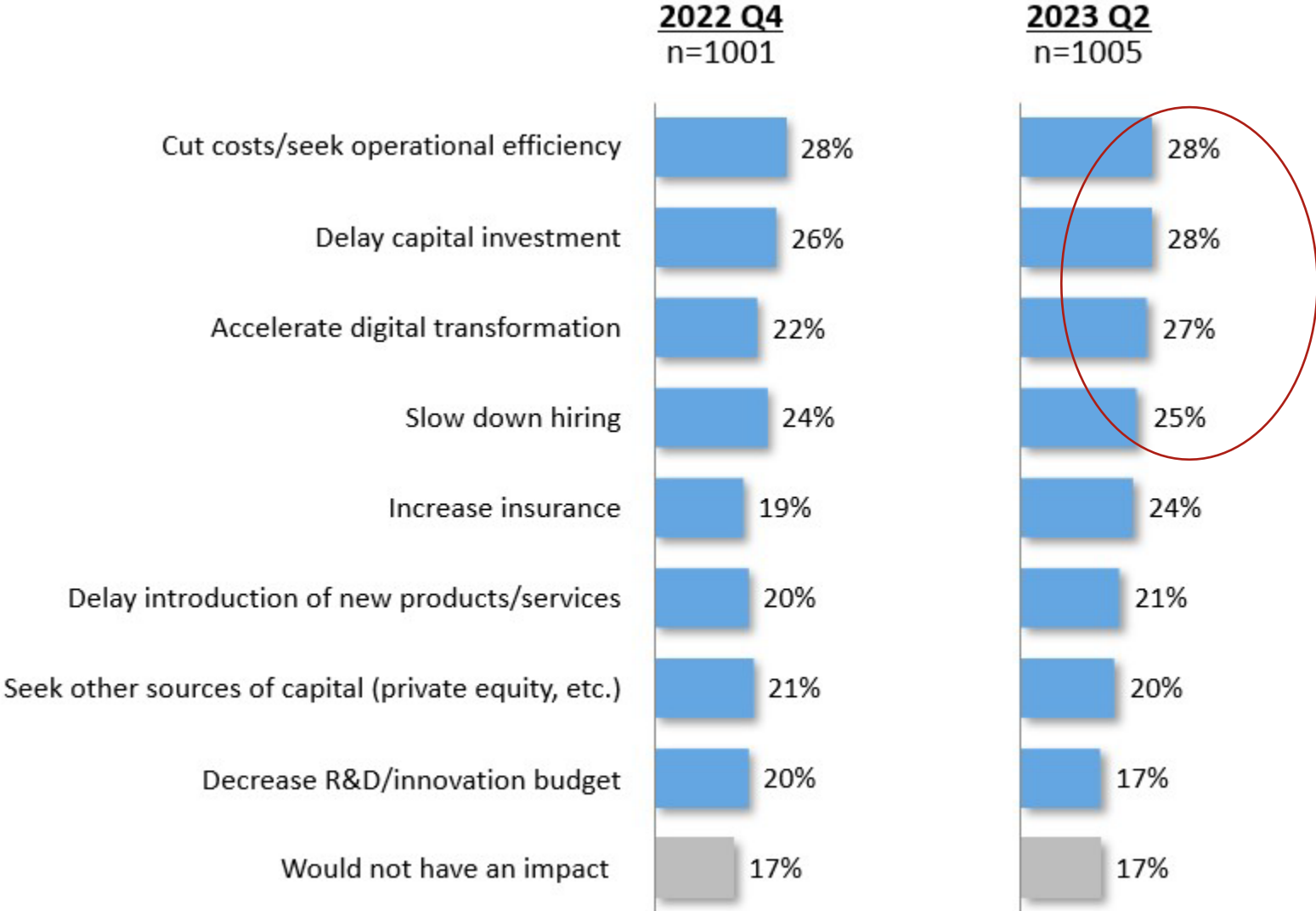
Wages remain the source of negative impact



Tactics in response have remained the same

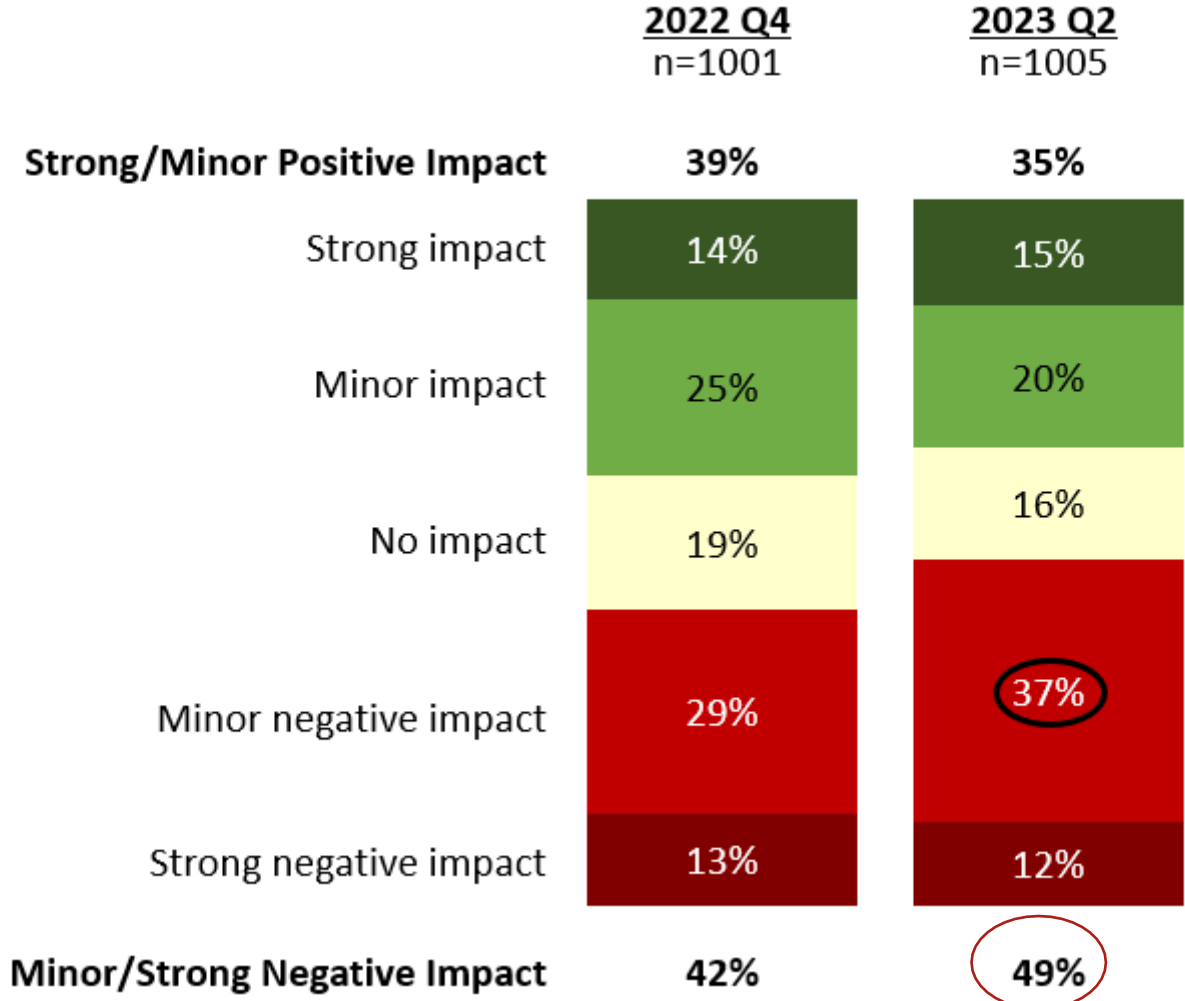


Impact of Rising Interest Rates



Source: Mid-Year Middle Market Indicator Report

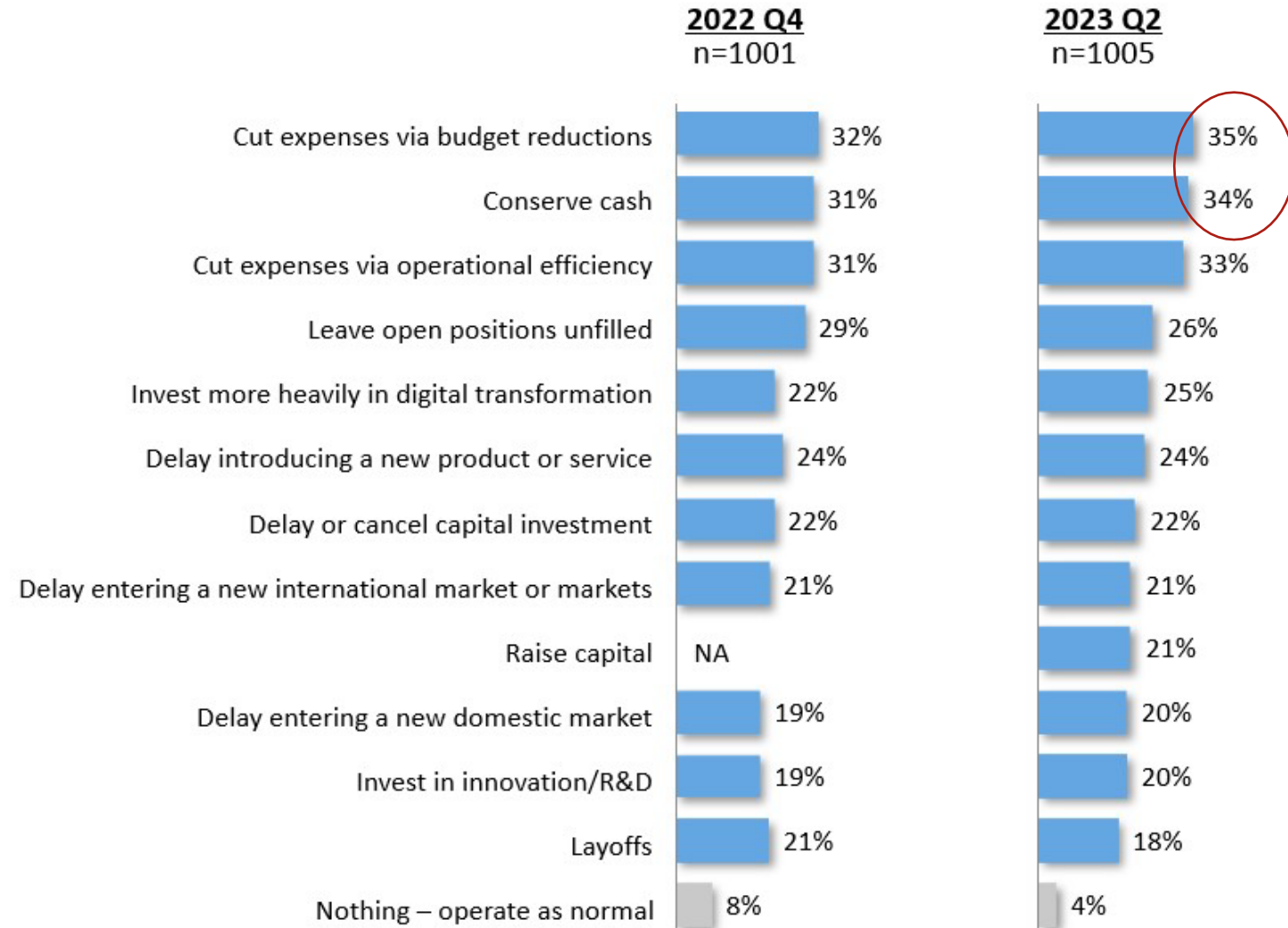
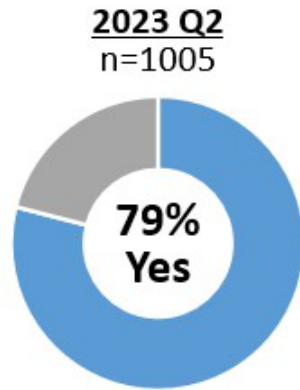
Potential Recession equally polarizing



Source: Mid-Year Middle Market Indicator Report

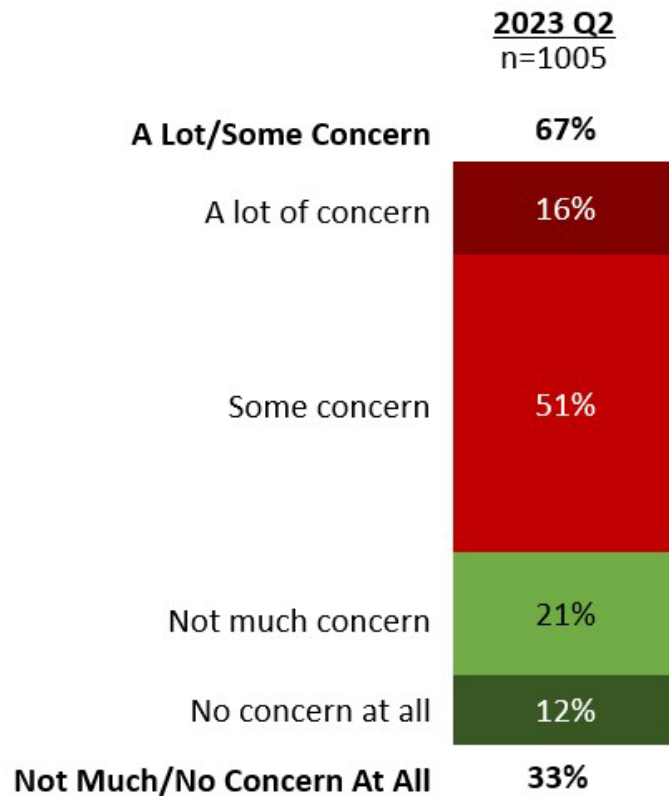
Preparation and potential action

Company Has Taken Steps To Prepare For A Recession

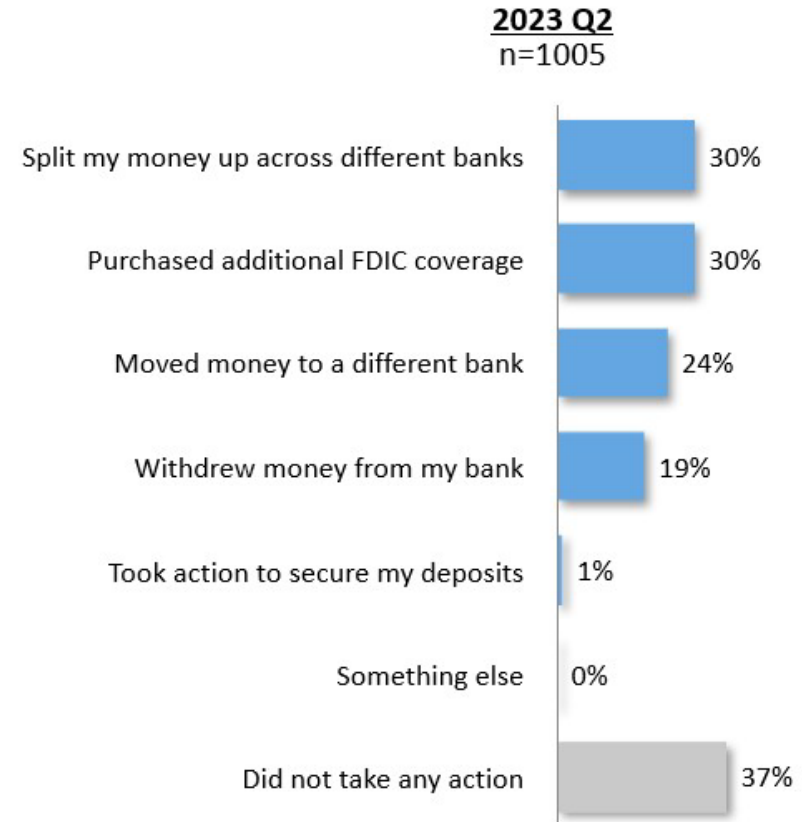


Banking Crisis

**Concern Caused By The Banking Crisis
That Occurred In March 2023**



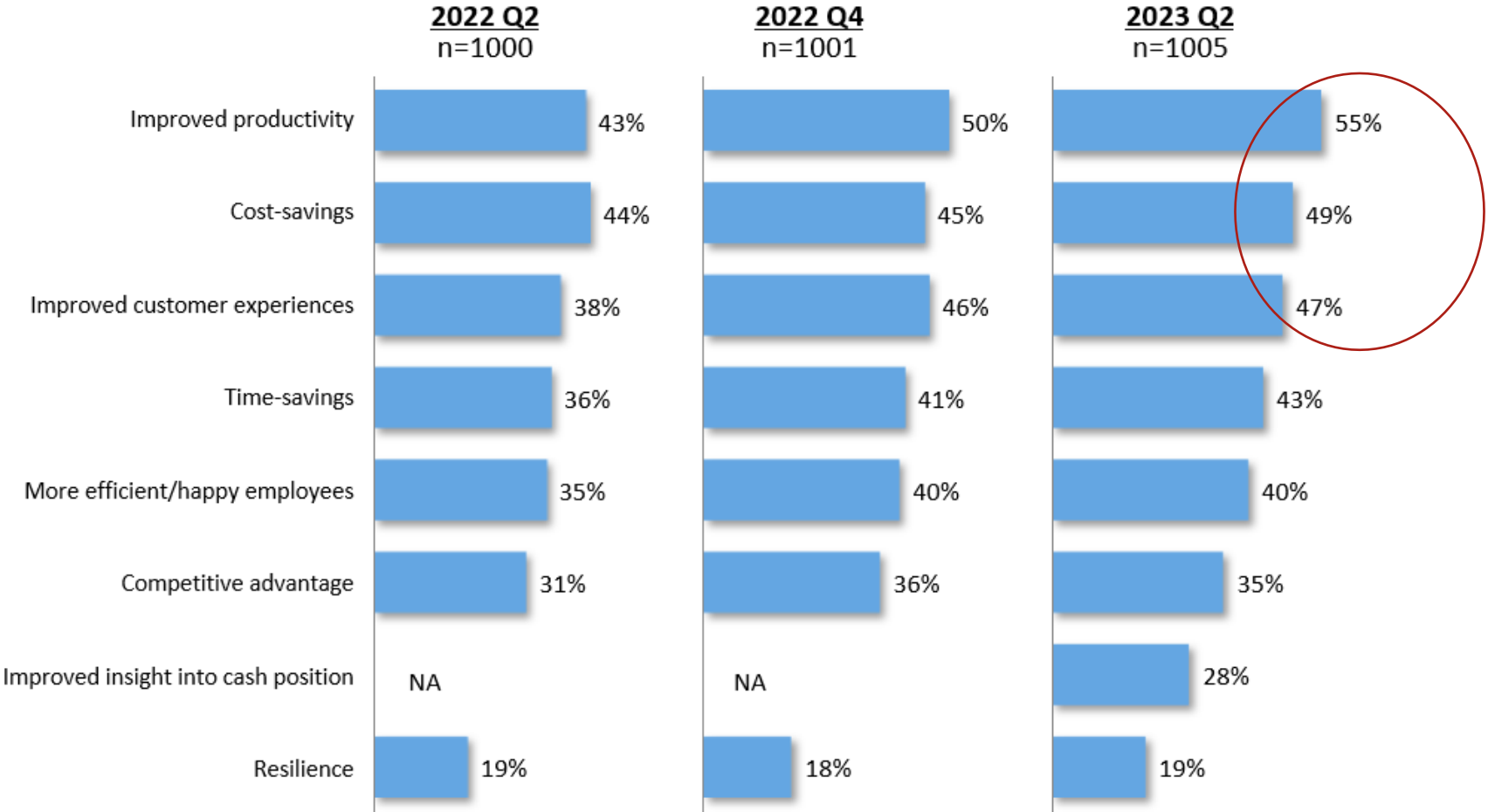
**Actions Taken As A Result Of The Banking
Crisis That Occurred In March 2023**





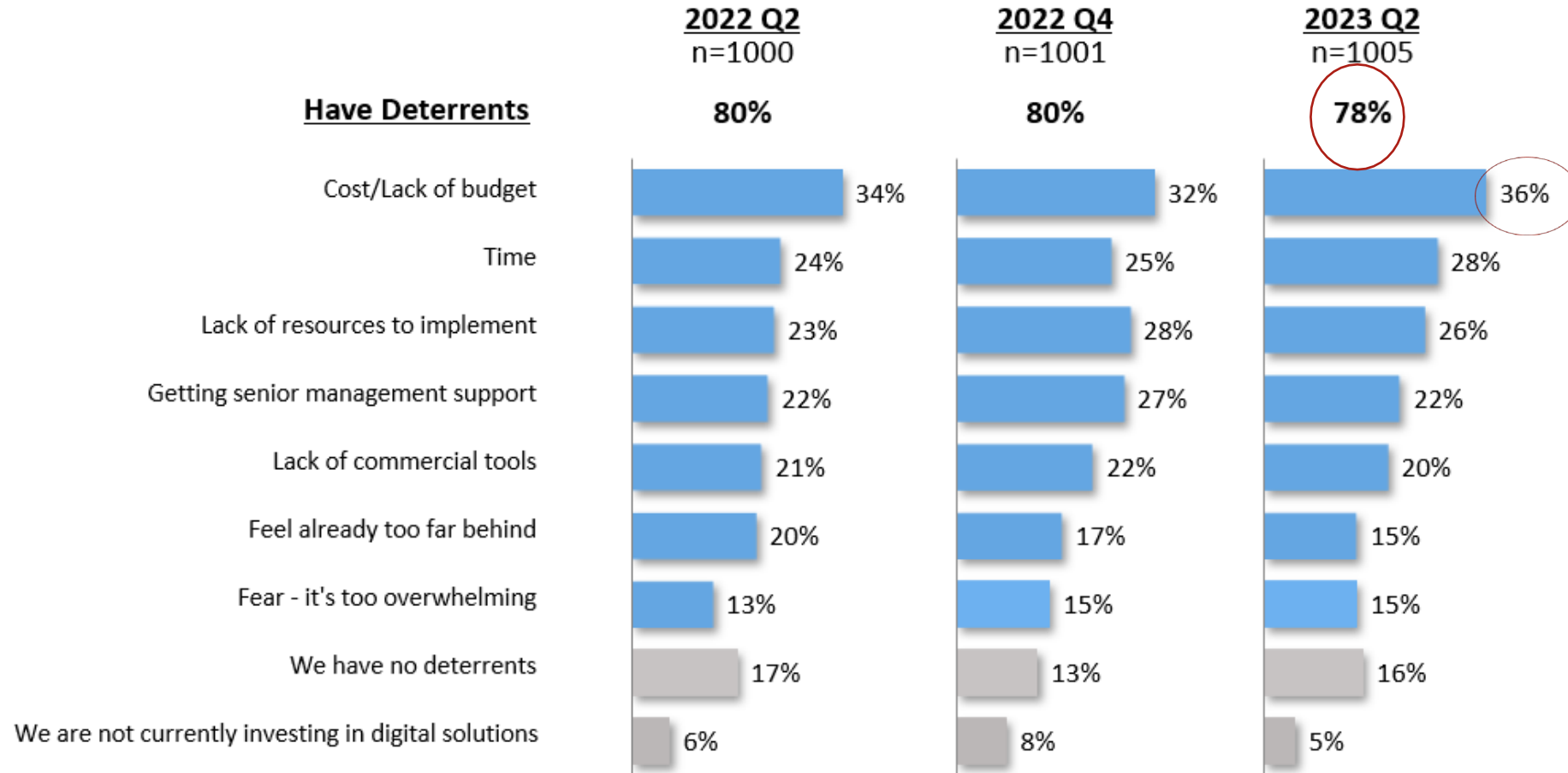
Technology

Goals of Digitization

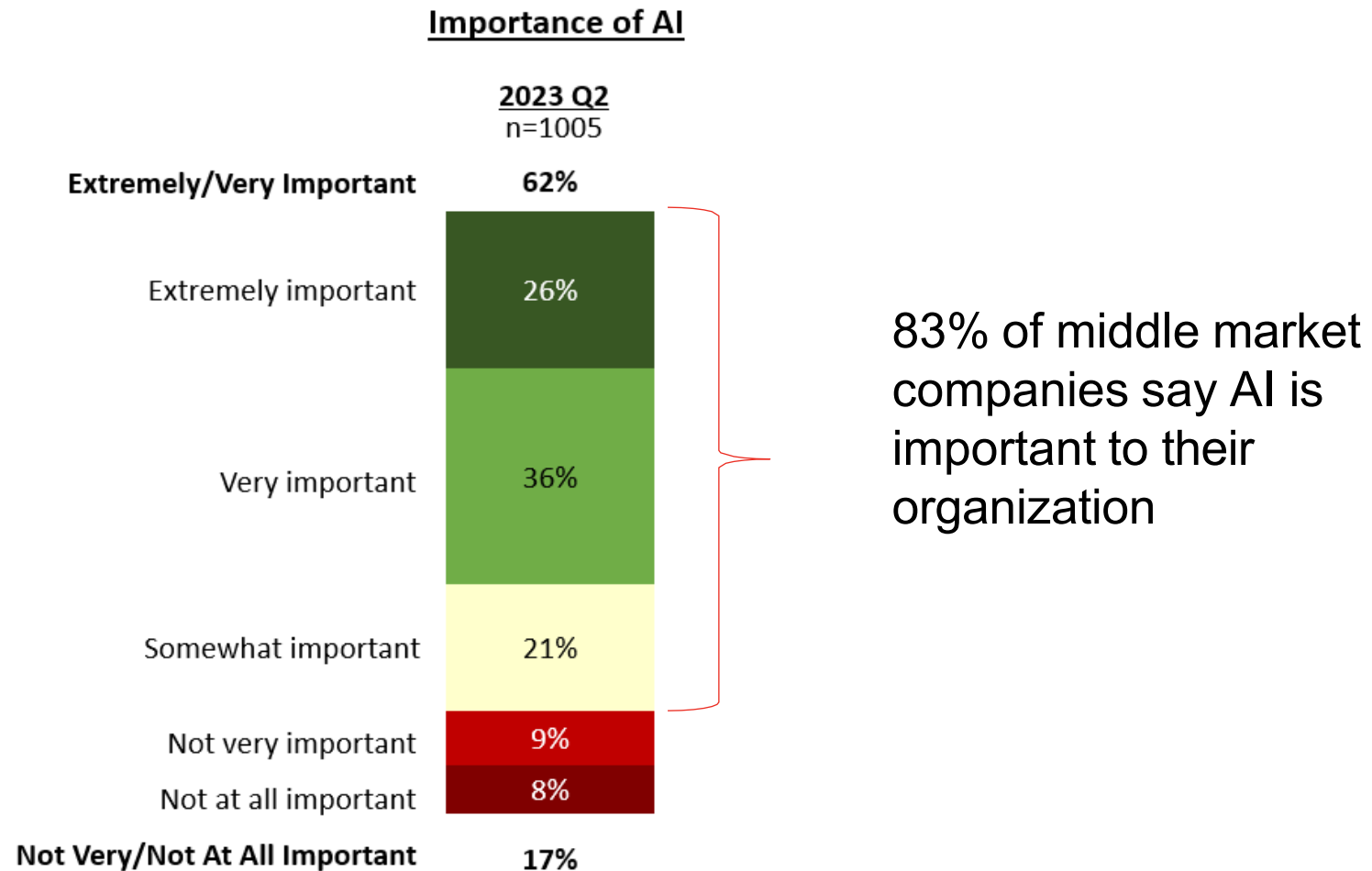


Source: Mid Year Middle Market Indicator Report

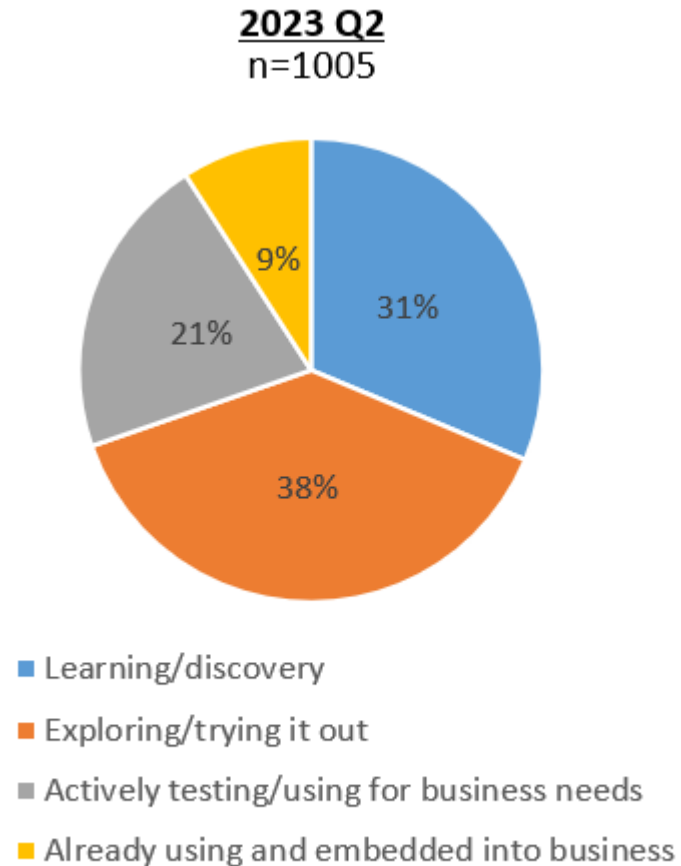
Challenges



Artificial Intelligence



Artificial Intelligence

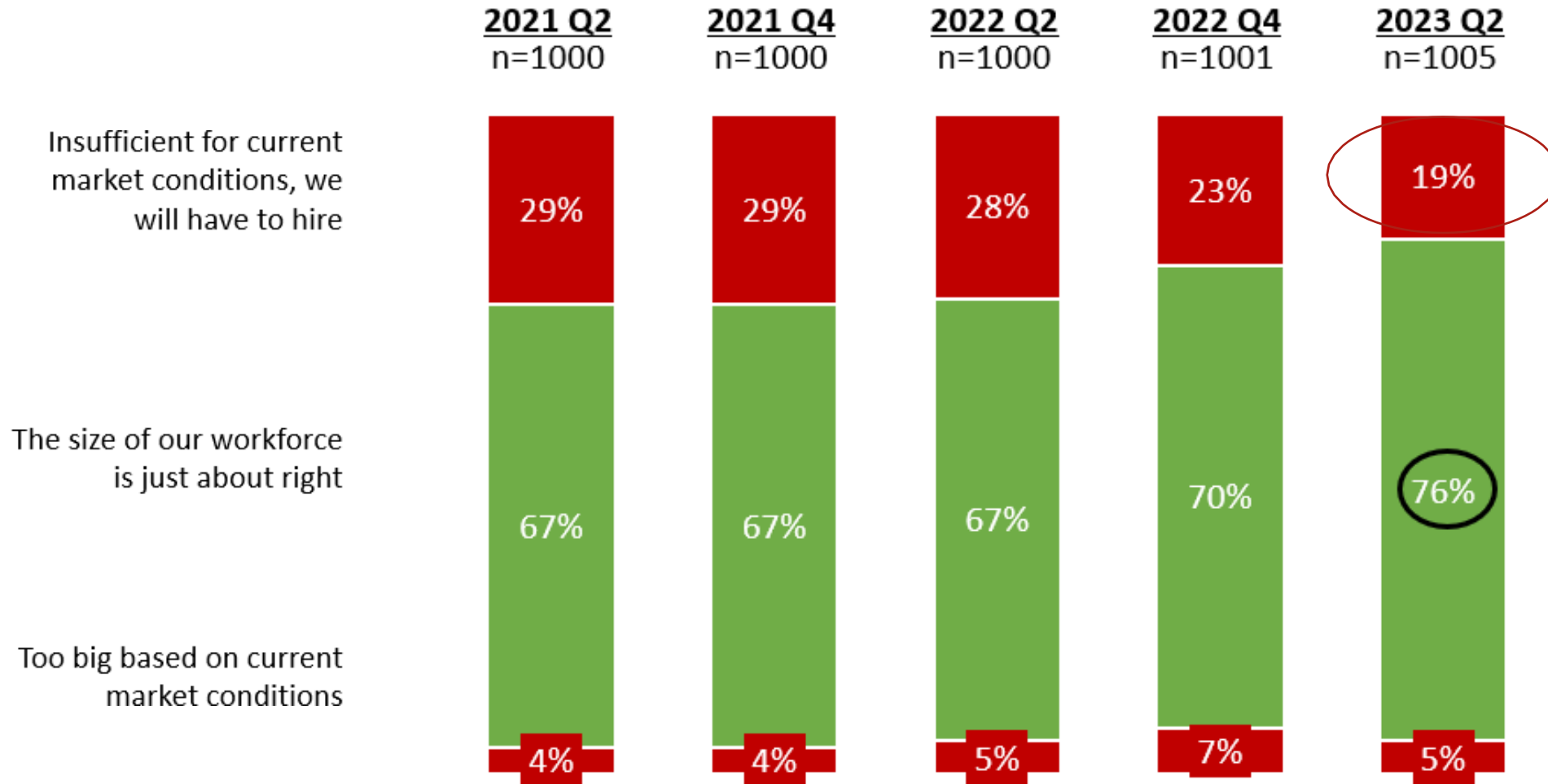


Only 30% of companies are actively testing/using for business needs, or already have AI embedded

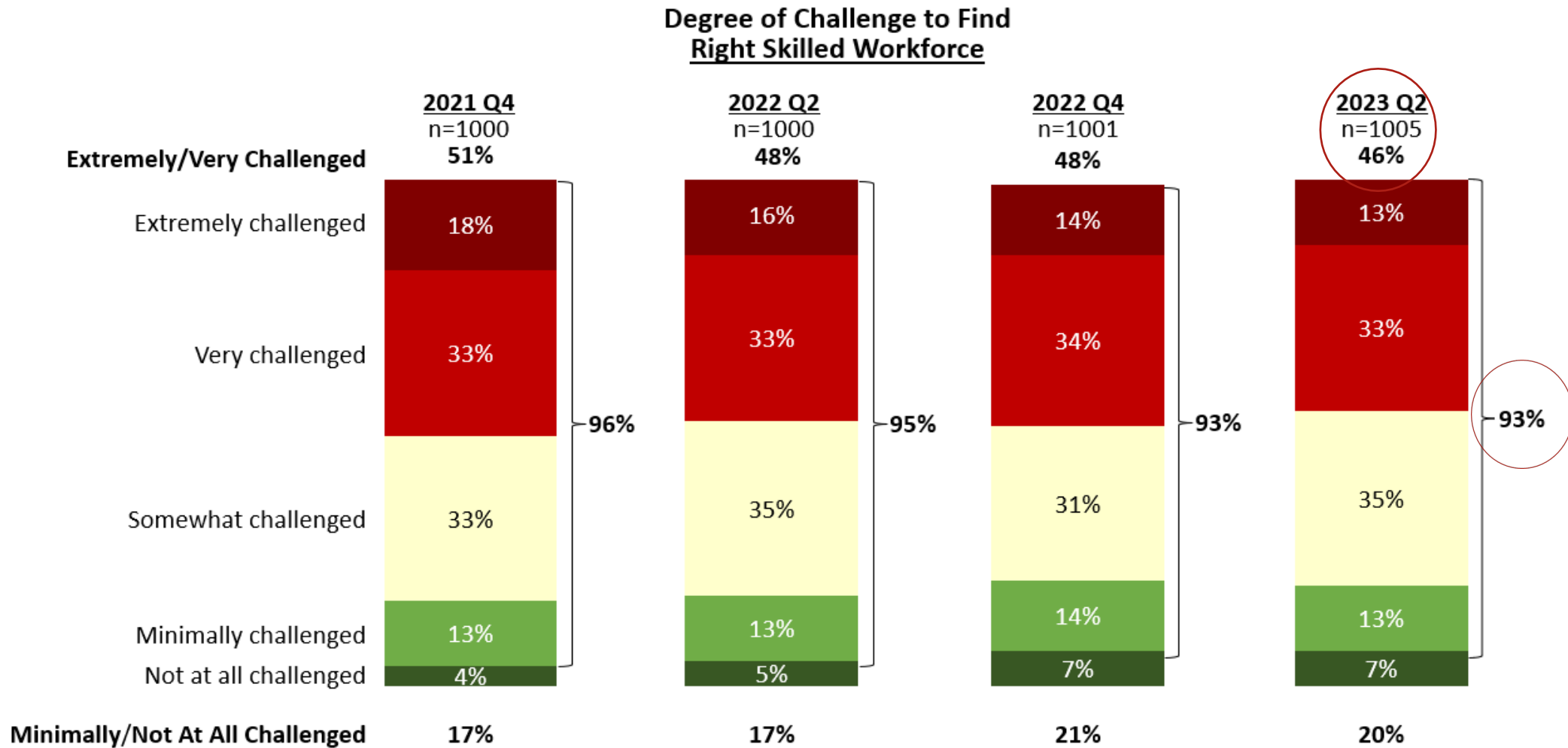


Human Capital

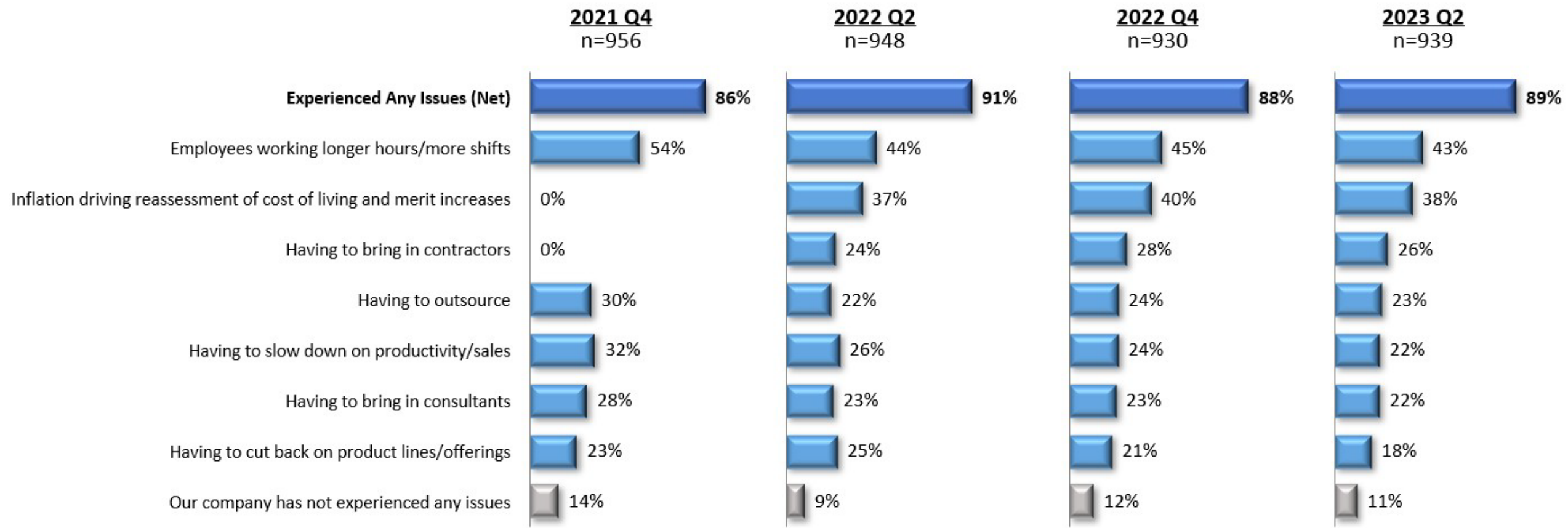
MM needs more people.....



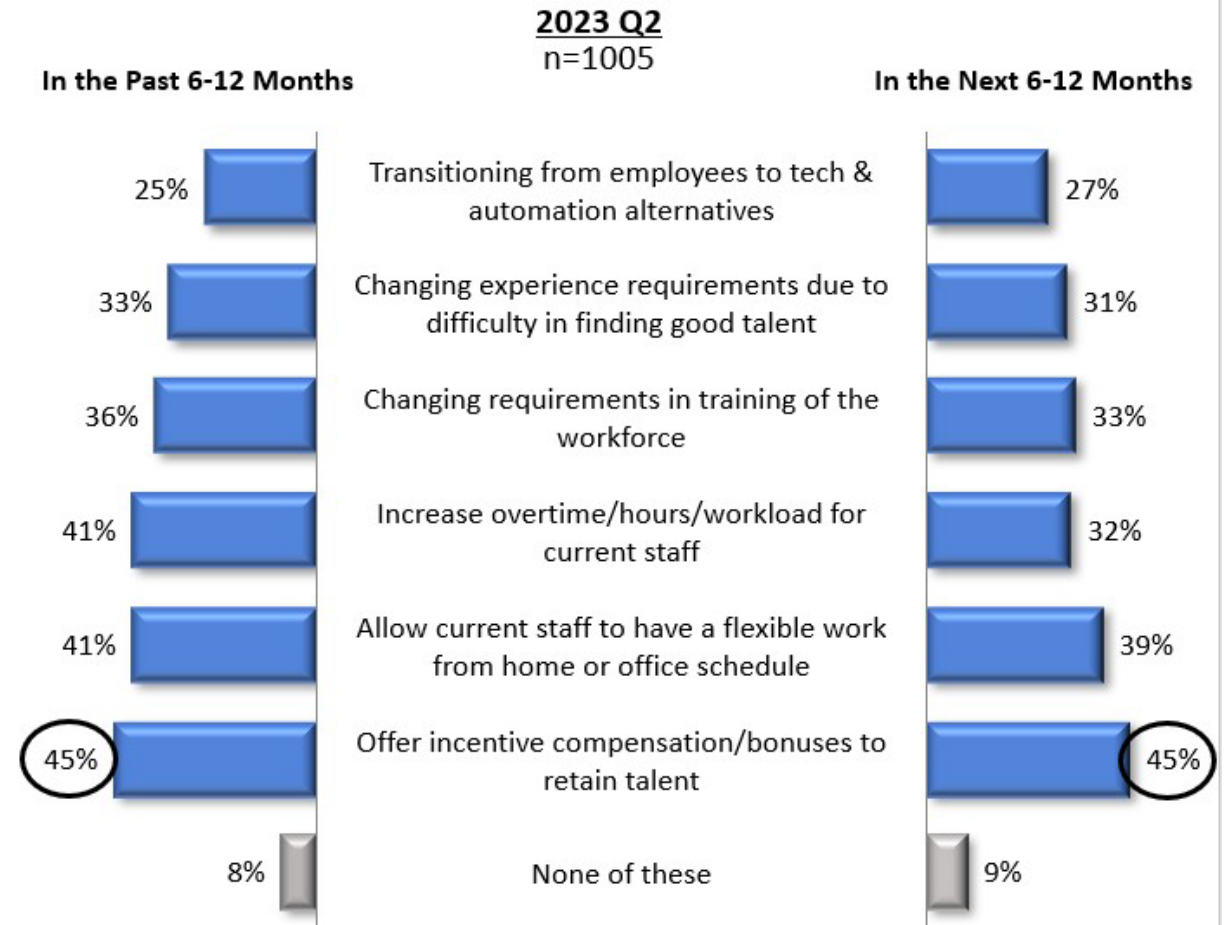
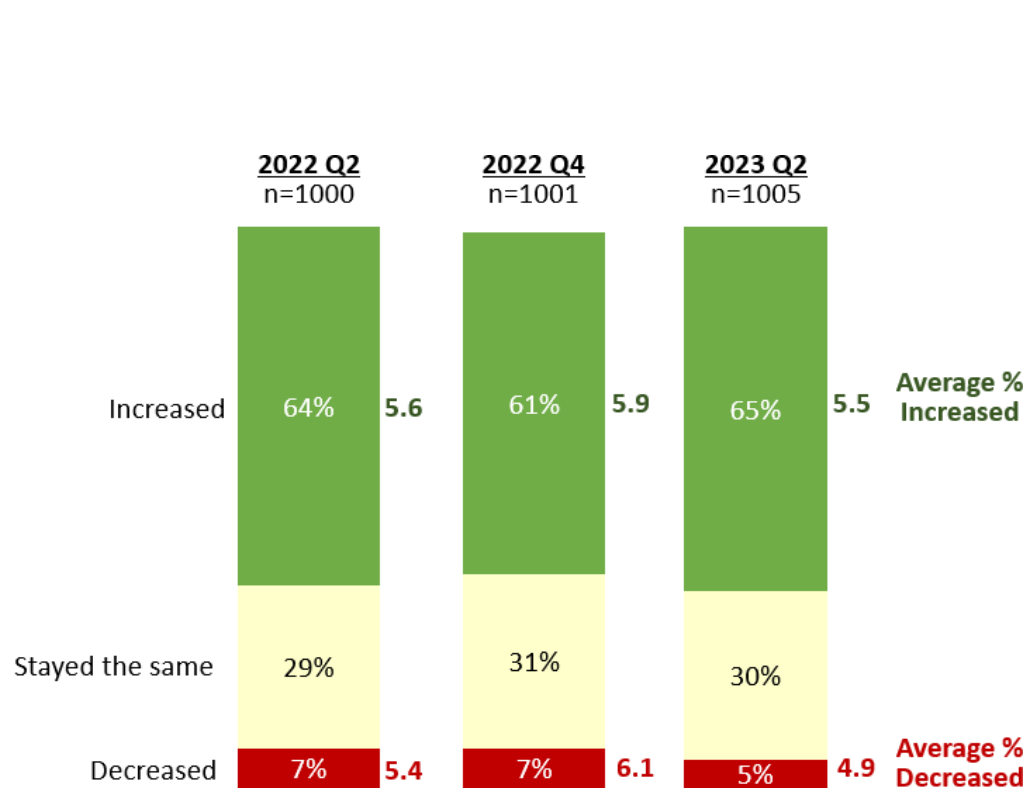
But right skill sets remain challenging to find.....



Impacts are widespread – more hours/higher wages



Wages continue to rise with evolving workplaces



Summary

- The middle market continues a strong growth trend:
 - Revenue and employment growth remain consistent
 - Confidence has rebounded from uncertainties of last summer
 - Lower projections for the coming 12 months– dependent on macroeconomic conditions, using technology to drive efficiency and manage costs, and attracting/retaining talent
- Inflation and other external headwinds are the biggest issues facing middle market companies, while talent challenges remain “evergreen”
- Digitization remains a priority in the face of cost pressures, talent challenges, and stagnant productivity. AI is an area of exploration for most of the middle market



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