

Private Company Services

Trendsetter Barometer

**Business outlook report
November/December
2010**

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Quarterly highlights

PwC commissioned independent research firm BSI Global Research Inc. to interview 255 chief executive officers of leading privately held businesses in the United States in the third quarter of 2010 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 outlook with the prior quarter's results to see how the outlook has changed.

Key findings:

- Optimism for US economy dwindles.** The number of respondents who are optimistic about the US economy's prospects over the next 12 months dropped from 45 percent in the second quarter to 39 percent. The number expressing pessimism rose from 14 percent to 20 percent. The remaining 41 percent said they are uncertain. Optimism about prospects for the world economy over the next 12 months among those marketing abroad rose from 37 percent in the second quarter to 43 percent, and those who are pessimistic dropped from 17 percent to 13 percent. The remaining 44 percent said they are uncertain.
- Revenue forecasts show stamina.** Respondents forecast a 9.7 percent average growth rate for their own companies over the next 12 months, up from 9.1 percent in the prior quarter. Overall, 75 percent forecast positive own-company growth, with 38 percent at a double-digit pace and 37 percent single-digit – matching the prior quarter's distributions and indicating ongoing strength. Only 6 percent expect negative revenue, 15 percent expect zero revenue growth, and 4 percent did not respond. International marketers far outpace their domestic-only private company peers – forecasting a 12.2 percent average growth rate versus 7.7 percent for domestic-only companies.
- International sales steady.** The 45 percent of respondents who sell abroad expect the overall contribution of international sales to total revenue over the next 12 months to jump 2 points to 19 percent. These international marketers raised their total own-company revenue forecasts from 10.6 percent in the prior quarter to 12.2 percent. In Tier 1 emerging markets (China, India, Brazil), it was higher, averaging 13.6 percent. In the third quarter of 2010, international sales were higher for 38 percent, lower for only 12 percent, and about the same for 50 percent.
- More help wanted.** In the next 12 months, 60 percent of private companies surveyed plan to add employees to their workforces, up 6 points from the prior quarter. Only 4 percent expect layoffs. An overall increase of 2 percent is planned for the panel's composite workforce, up slightly from 1.8 percent in the prior quarter.

- More spending in the works.** Major new investments of capital over the next 12 months are planned by 33 percent of survey panelists, up 4 points from the prior quarter and a year ago. However, the mean level of investment as a percentage of sales dropped 1 ½ points to 5.9 percent. Those planning to increase operational spending over the next 12 months climbed 5 points to 63 percent. Leading the way in greater investment are new products or service introductions (26 percent) and information technology (25 percent).
- Demand tops growth barriers.** Lack of demand ranks highest among possible threats to growth over the next 12 months, cited by 72 percent. More than half (54 percent) also see legislative/regulatory pressures as a possible barrier. Fewer respondents showed concern about profitability/decreasing margins and increased taxation. Lack of capital for investments ranked low among potential hurdles to growth.

Chart 1.1 International marketers remain ahead of their domestic-only peers

| | International marketers (n=114) | Domestic-only peers (n=141) |
|--|---------------------------------|-----------------------------|
| Business outlook, next 12 months | | |
| Optimistic about US economy | 45% | 35% |
| Optimistic about world economy | 43% | – |
| Revenue growth rate | 12.2% | 7.7% |
| International sales (% of total) | 19% | – |
| Planning major capital investments | 43% | 24% |
| Planning expansion to new markets abroad | 28% | 4% |
| Plans to increase spending (net) | 76% | 53% |
| • New products/services | 32% | 22% |
| • Information technology | 25% | 26% |
| • Sales promotion | 25% | 24% |
| • Business acquisitions | 21% | 6% |
| • R&D | 20% | 8% |
| Prior quarter's performance | | |
| • Increased gross margins (net) | +14% | +1% |
| • Increased costs (net) | +4% | +4% |
| • Increased prices (net) | +3% | -4% |

Note: International marketers have average revenue of \$315.9 million; their domestic-only peers have average revenue of \$202.3 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 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 the second quarter to the third quarter of 2010.

| Business outlook, next 12 months | 2009 | | 2010 | | | Change 2Q'10 – 3Q'10 | Page |
|---|--------|--------|--------|--------|--------|-------------------------|------|
| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 | | |
| Optimistic about US economy | 43% | 45% | 51% | 45% | 39% | ↓ | 7 |
| Optimistic about world economy ¹ | 49% | 47% | 47% | 37% | 43% | ↑ | 9 |
| Expect positive revenue growth | 68% | 71% | 77% | 76% | 75% | = | 21 |
| Average growth rate expected | 7.1% | 8.5% | 10.0% | 9.1% | 9.7% | ↑ | 21 |
| Planning major new investments | 29% | 29% | 32% | 29% | 33% | ↑ | 25 |
| New investments as a % of sales | 8.9% | 9.4% | 7.2% | 7.4% | 5.9% | ↓ | 25 |
| Planning to hire | 42% | 47% | 53% | 54% | 60% | ↑ | 23 |
| New workers as a % of workforce (net) | +2.5% | +1.7% | +1.5% | +1.8% | +2.0% | = | 23 |
| Expected barriers to growth | | | | | | | |
| • Lack of demand | 77% | 79% | 74% | 78% | 72% | ↓ | 27 |
| • Legislative/regulatory pressures | 43% | 50% | 48% | 50% | 54% | ↑ | 27 |
| • Increased taxation | 35% | 44% | 45% | 52% | 45% | ↓ | 27 |
| • Profitability/decreasing margins | 43% | 45% | 40% | 37% | 37% | = | 27 |
| • Oil/energy prices | 22% | 21% | 25% | 25% | 22% | = | 27 |
| • Lack of capital for investment | 27% | 28% | 25% | 21% | 20% | = | 27 |
| • Strength of the US dollar | 13% | 18% | 18% | 15% | 15% | = | 27 |
| • Lack of qualified workers | 12% | 13% | 11% | 14% | 15% | = | 27 |
| • Pressure for increased wages | 12% | 15% | 11% | 16% | 12% | ↓ | 27 |
| • Competition from foreign markets | 13% | 13% | 9% | 11% | 12% | = | 27 |
| • Higher interest rates | 16% | 20% | 19% | 15% | 9% | ↓ | 27 |

1. Reflects responses from international marketers only.

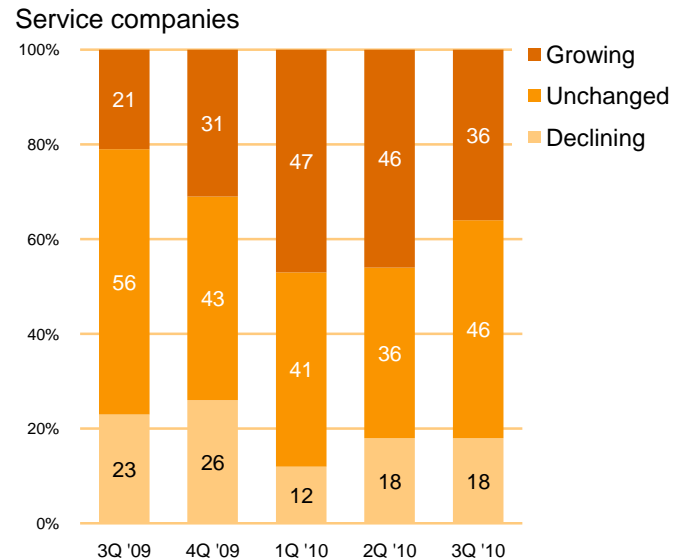
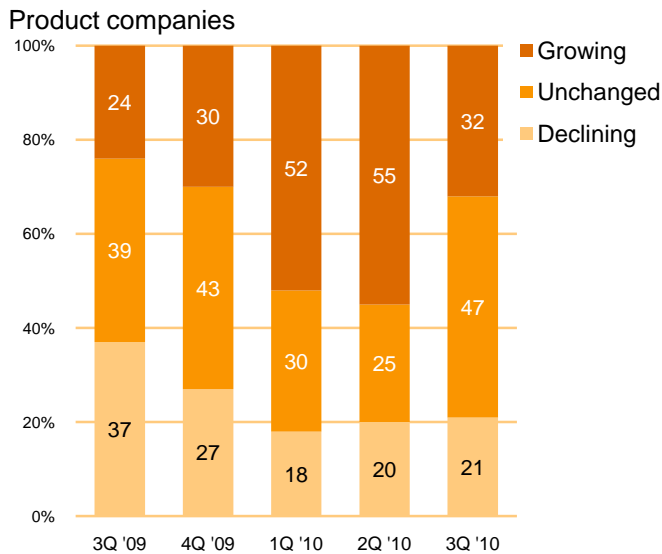
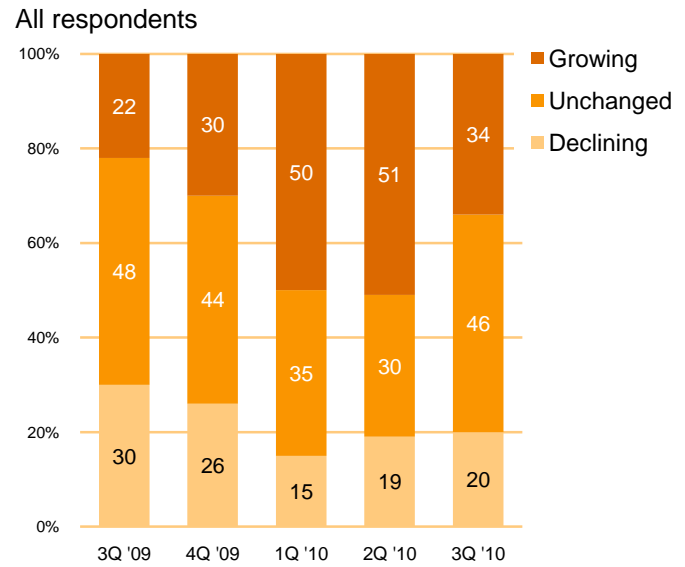
Economic views

View of the US economy, this quarter

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

In third-quarter 2010, 34 percent of those surveyed said they believed the US economy was growing, down 17 points from second-quarter 2010. Twenty percent said the US economy was declining, and 46 percent felt it was neither growing nor declining.

Chart 2.1 View of the US economy, this quarter



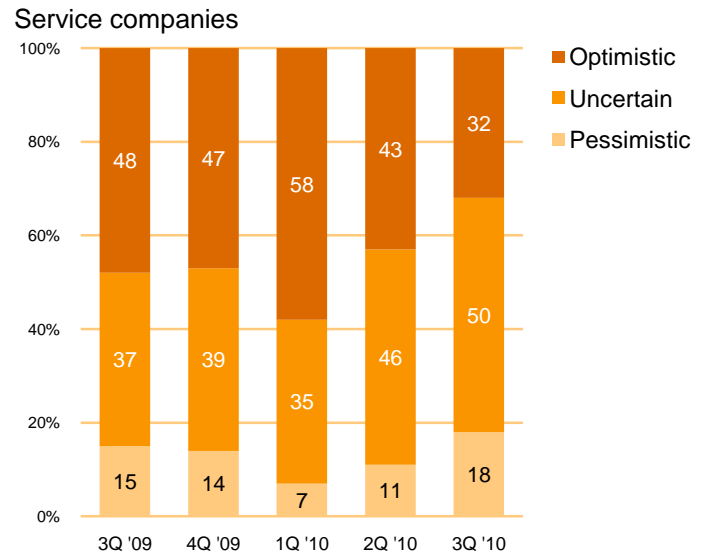
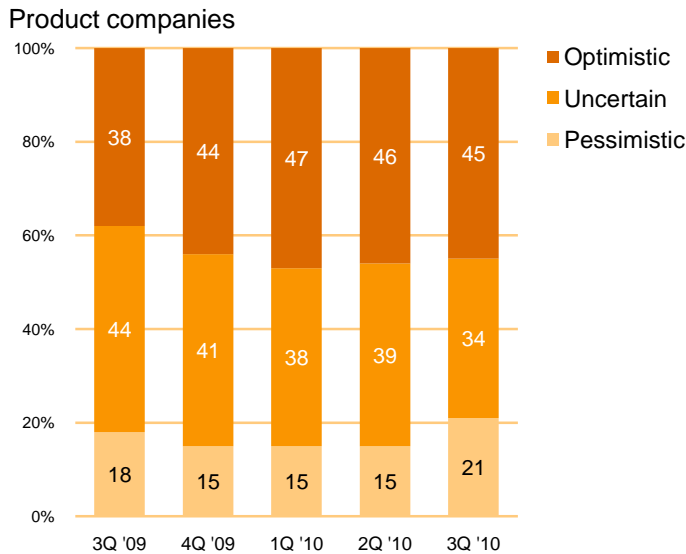
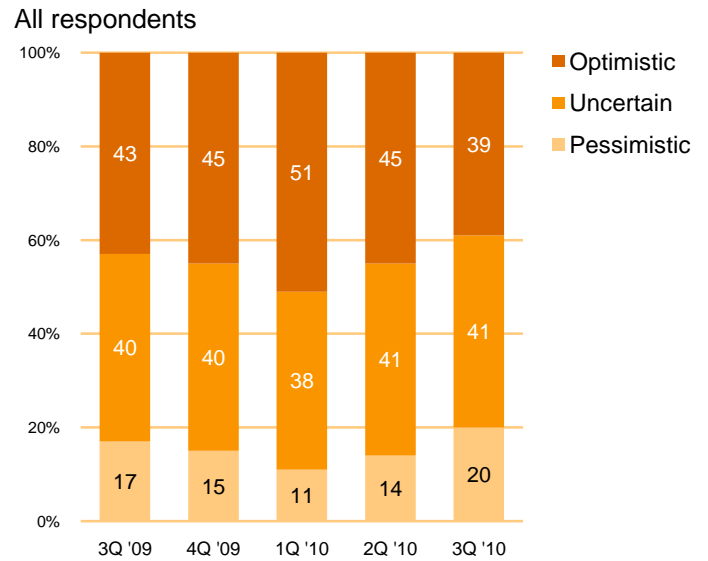
Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

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?

Looking ahead, the number of panelists who are optimistic about the US economy over the next 12 months declined 6 points to 39 percent. The number who expressed pessimism rose 6 points to 20 percent, and 41 percent said they are uncertain.

Chart 2.2 View of the US economy, next 12 months



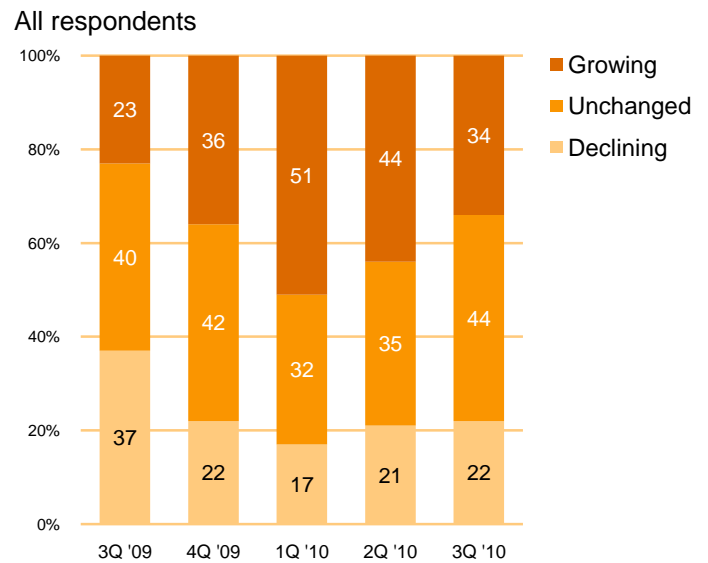
Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

View of the world economy, this quarter

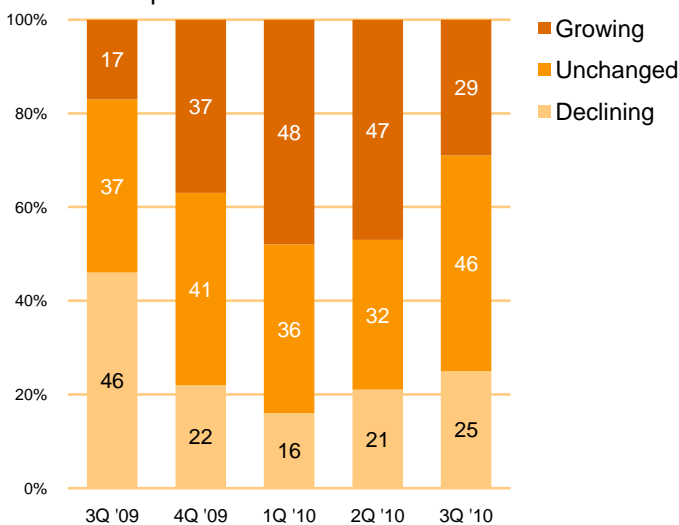
Which best describes your view of the world economy this quarter? (international marketers only)

In third-quarter 2010, 34 percent of respondents marketing abroad viewed the world economy as growing, a 10-point decrease from the previous quarter. Twenty-two percent viewed the world economy as declining, and 44 percent viewed it as unchanged.

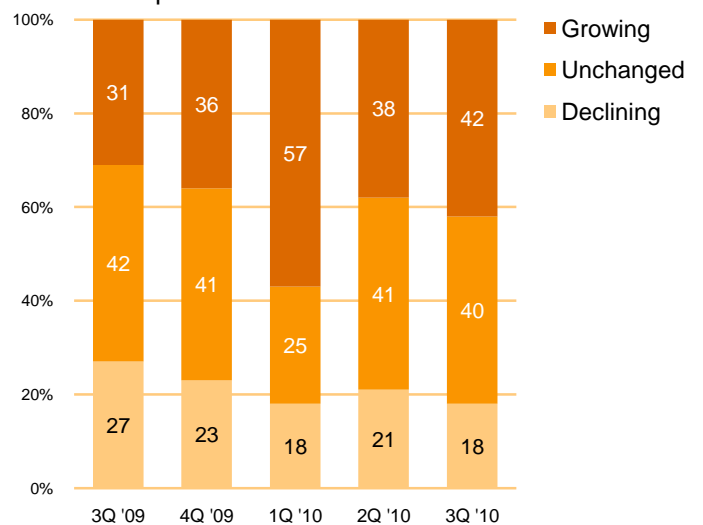
Chart 2.3 View of the world economy, this quarter



Product companies



Service companies



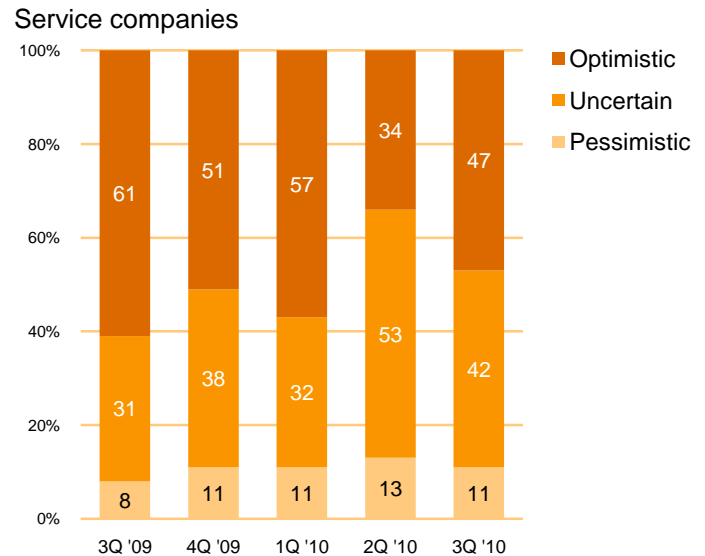
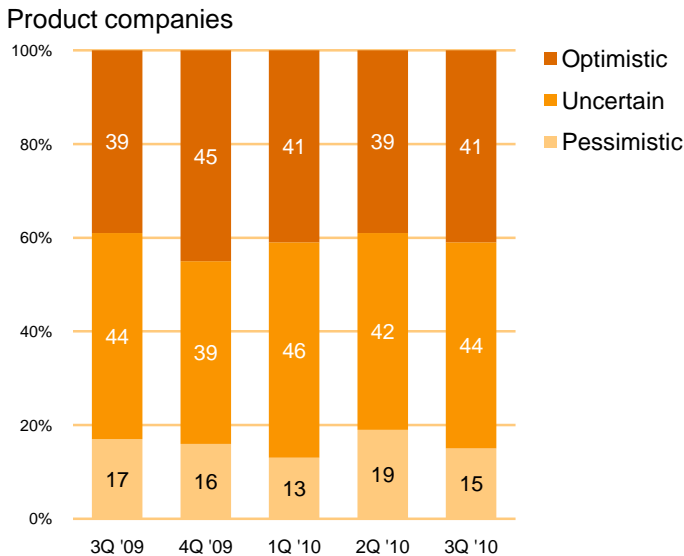
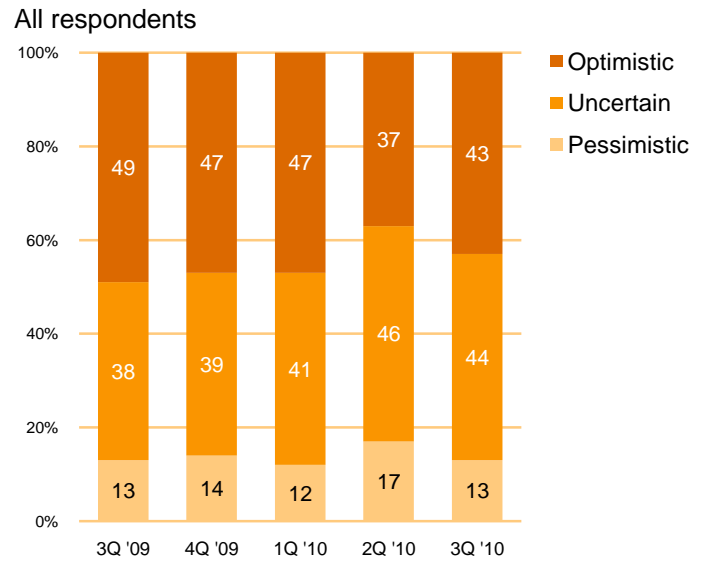
Note: In 3Q 2010 All international marketers, n=114, Product companies, n=69, Service companies, n=45

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, 43 percent expressed optimism in the third quarter about the world economy's prospects over the next 12 months, an increase of 6 points from the prior quarter. The number who expressed pessimism declined 4 points to 13 percent, and 44 percent were uncertain.

Chart 2.4 View of the world economy, next 12 months



Note: In 3Q 2010 All international marketers, n=114, Product companies, n=69, Service companies, n=45

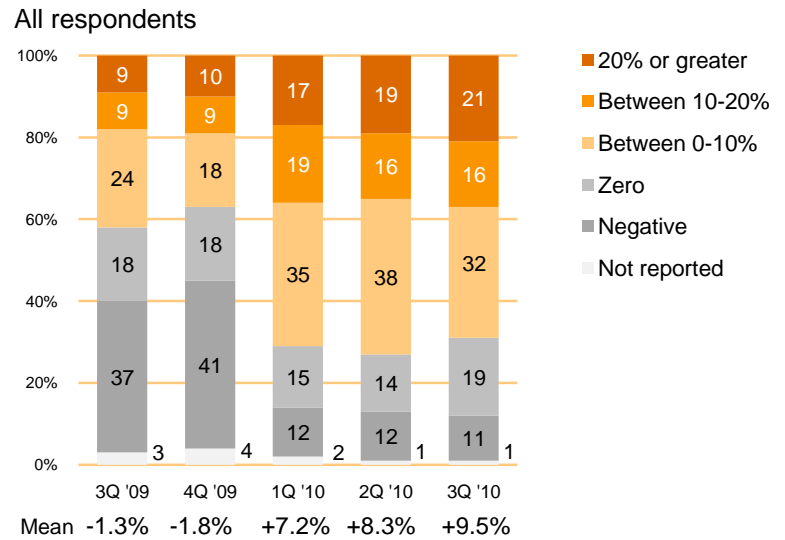
Company performance

Company revenue growth, calendar year

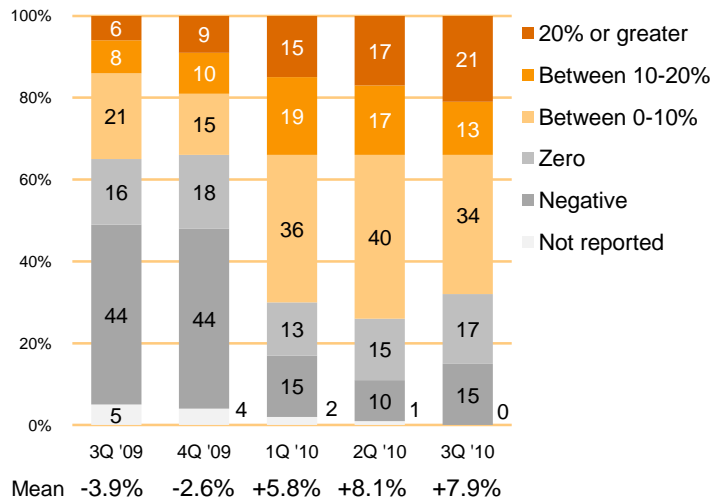
What is your company's estimated revenue growth rate for the calendar year?

Overall, the composite average own-company growth estimate for 2010 rose from 8.3 percent to 9.5 percent. Of executive officers interviewed, 69 percent expect to see positive revenue growth through the calendar year, with 37 percent projecting double-digit growth and 32 percent single-digit growth. Only 11 percent project negative revenue growth, and 19 percent expect zero growth.

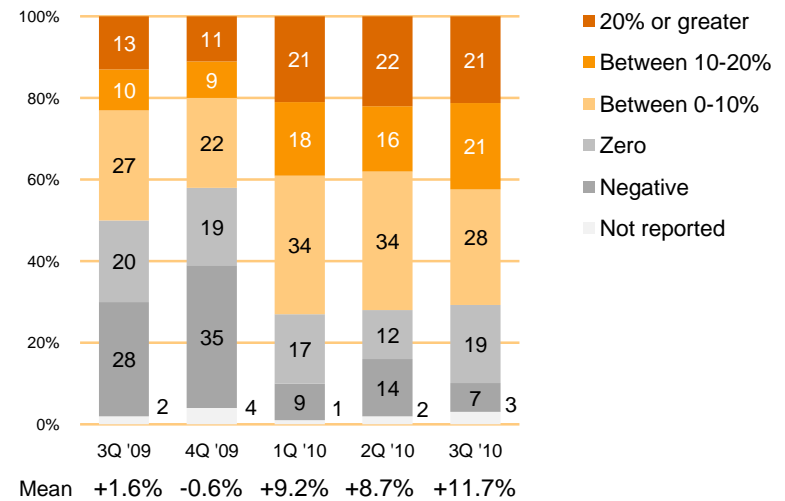
Chart 3.1 Company revenue growth, calendar year



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

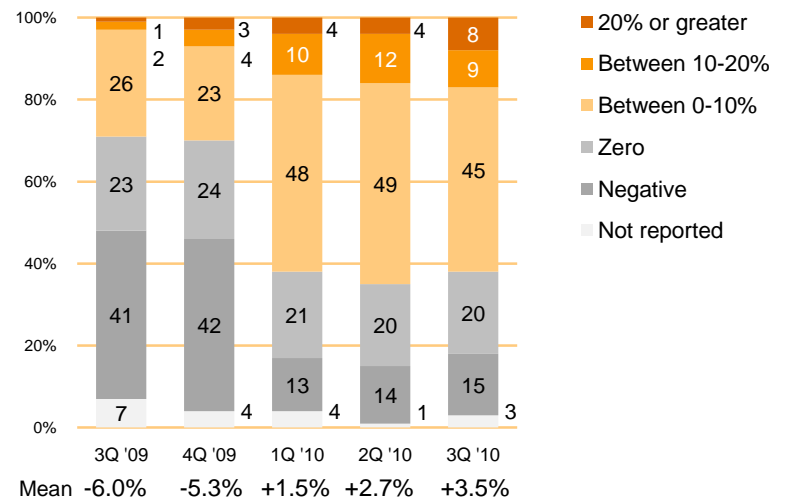
Industry growth, calendar year

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

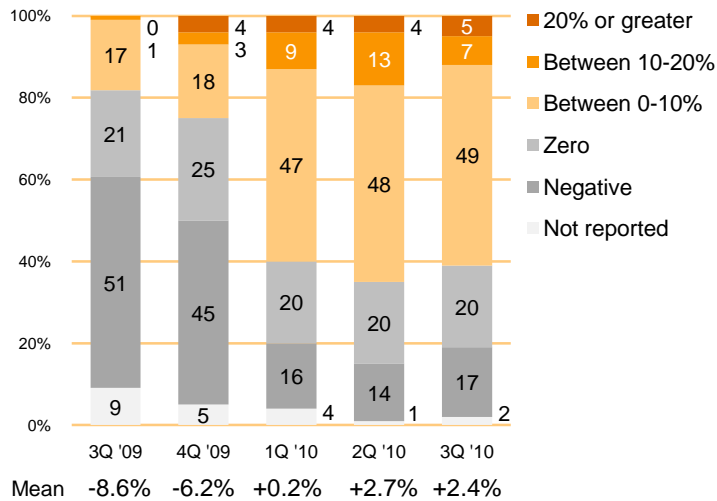
Industry sector growth projections for calendar year 2010 rose sharply, from an average 2.7 percent in the second quarter to 3.5 percent in the third quarter.

Chart 3.2 Industry growth, calendar year

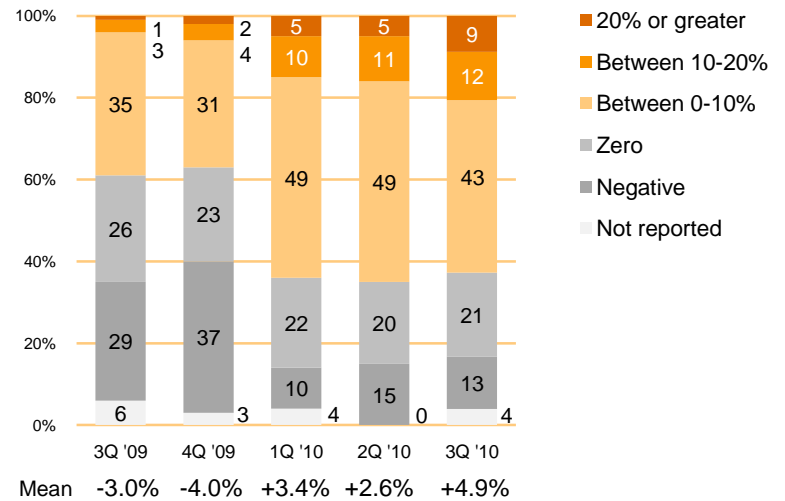
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

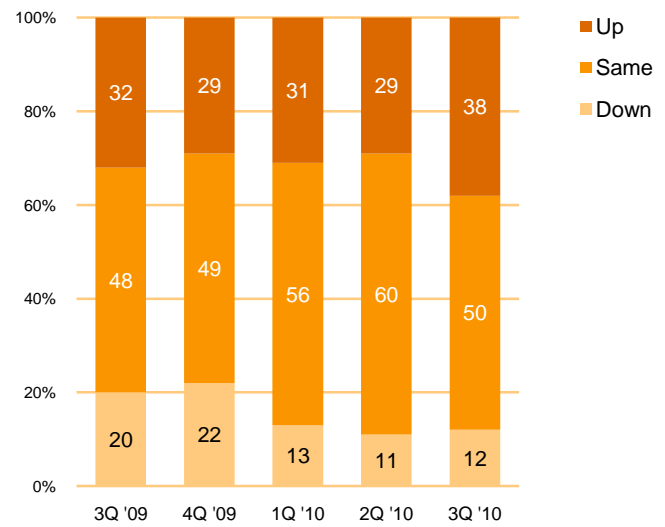
International sales

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

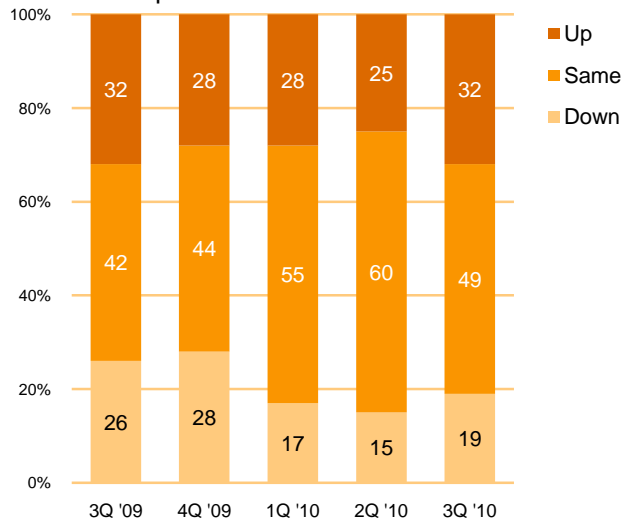
In the third quarter, 38 percent of international marketers increased sales abroad, up 9 points from the prior quarter. Only 12 percent reported fewer sales, and 50 percent reported no change.

Chart 3.3 International sales

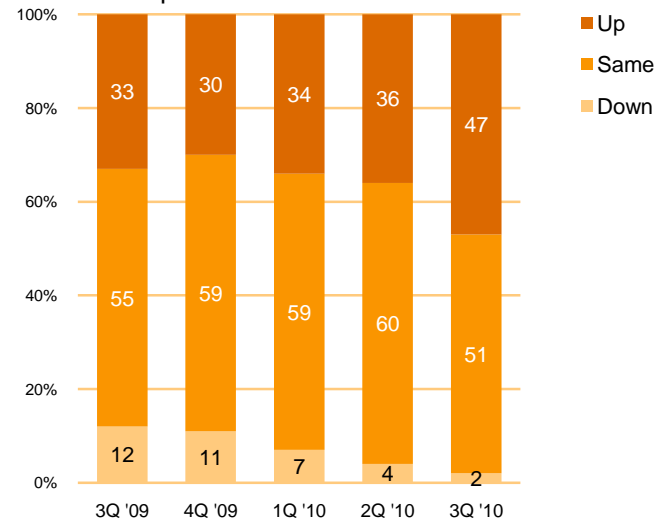
All respondents



Product companies



Service companies



Note: In 3Q 2010 All international marketers, n=114, Product companies, n=69, Service companies, n=45

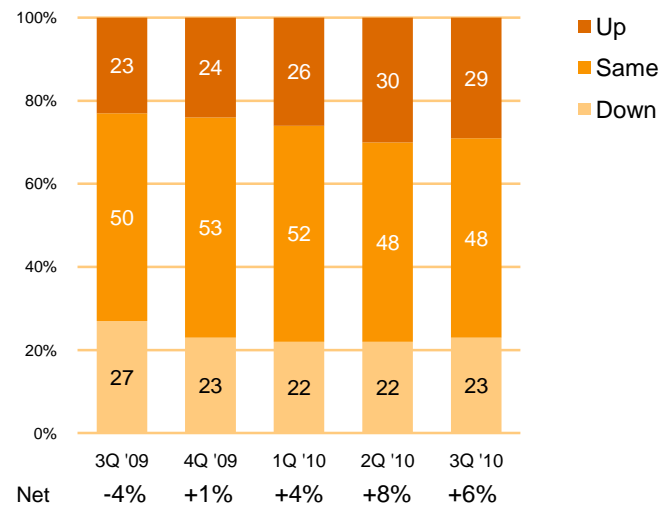
Changes in gross margins

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

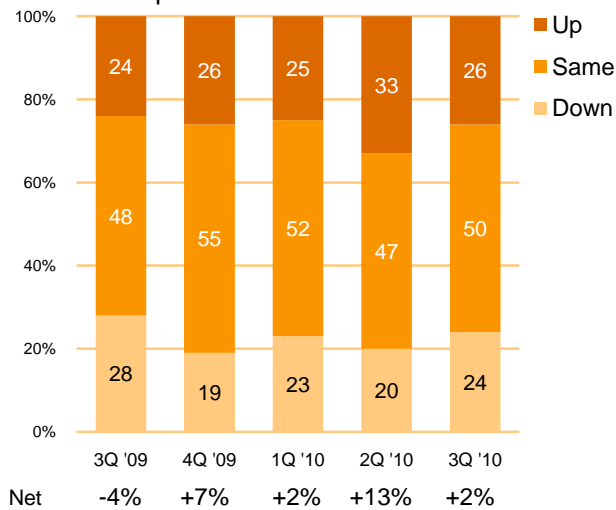
Gross margins remained higher in the third quarter, as 29 percent reported higher margins and 23 percent reported lower margins, for a net plus 6 percent, 2 points below the prior quarter.

Chart 3.4 Changes in gross margins

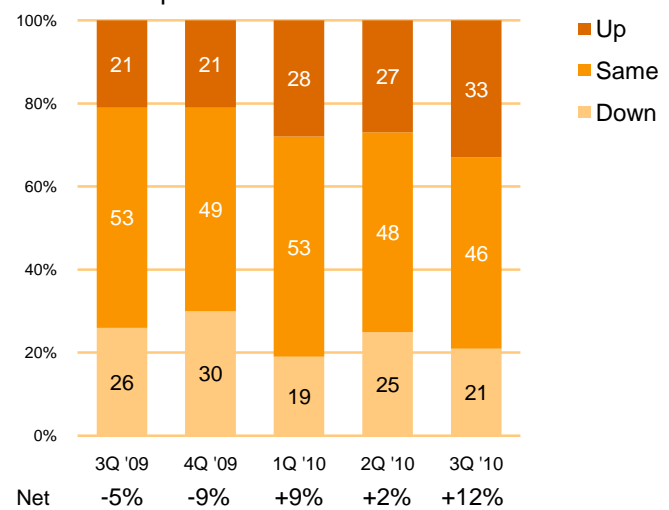
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

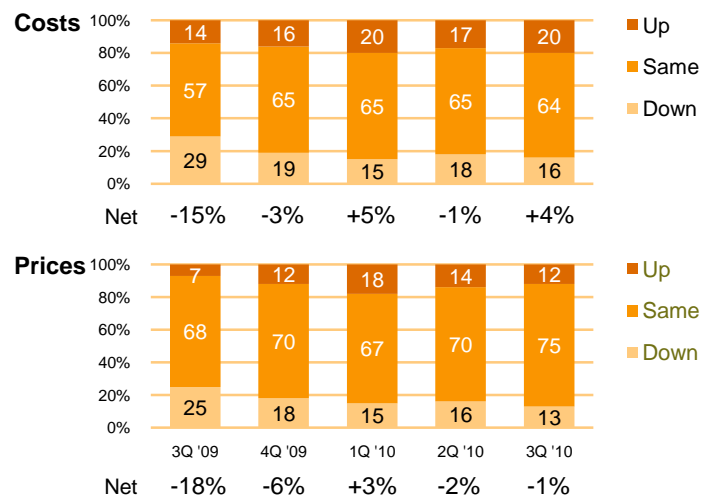
Changes in costs and prices

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

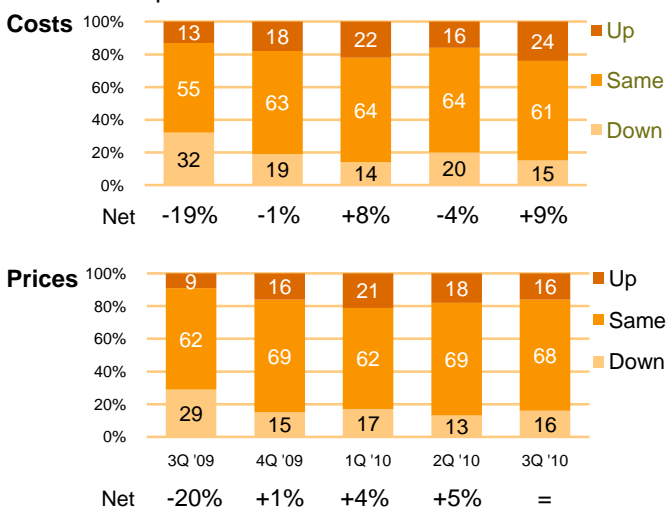
In third-quarter 2010, costs and prices showed little change. Costs increased for 20 percent of those surveyed and decreased for 16 percent, for a net plus 4 percent. Prices were up for 12 percent and down for 13 percent, for a net minus 1 percent.

Chart 3.5 Changes in costs and prices

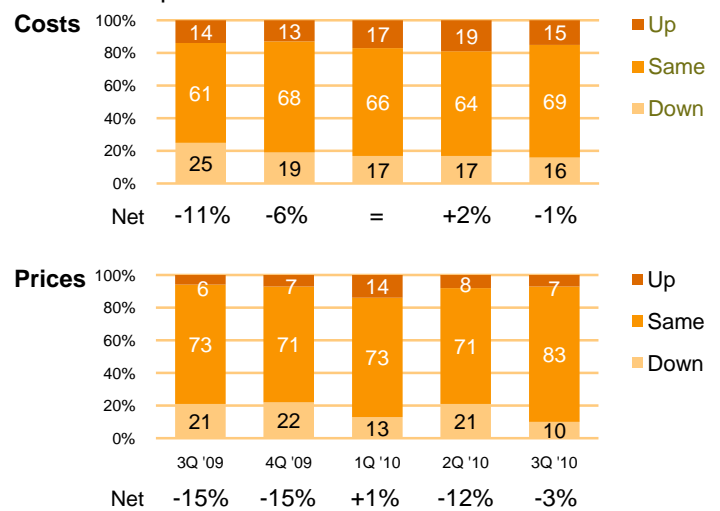
All respondents



Product companies



Service companies



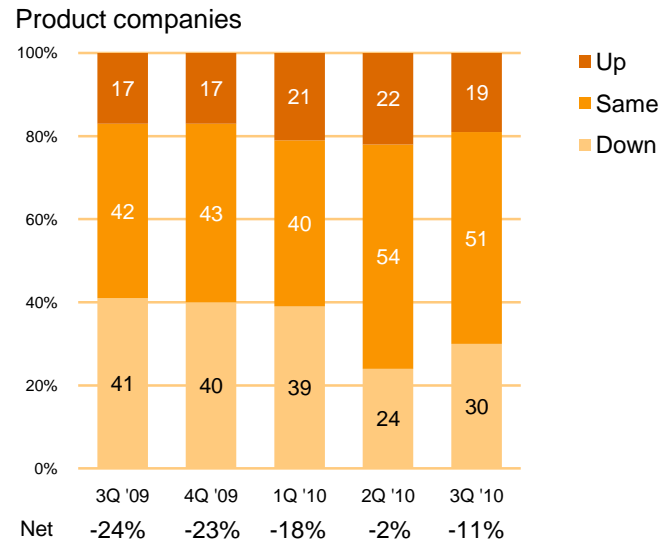
Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

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 were up for 19 percent of product companies in the third quarter and down for 30 percent, for a net minus 11 percent with lower inventories. This is down from the prior quarter's net minus 2 percent.

Chart 3.6 Finished inventories as a percent of sales



Note: In 3Q 2010 Product companies, n=145

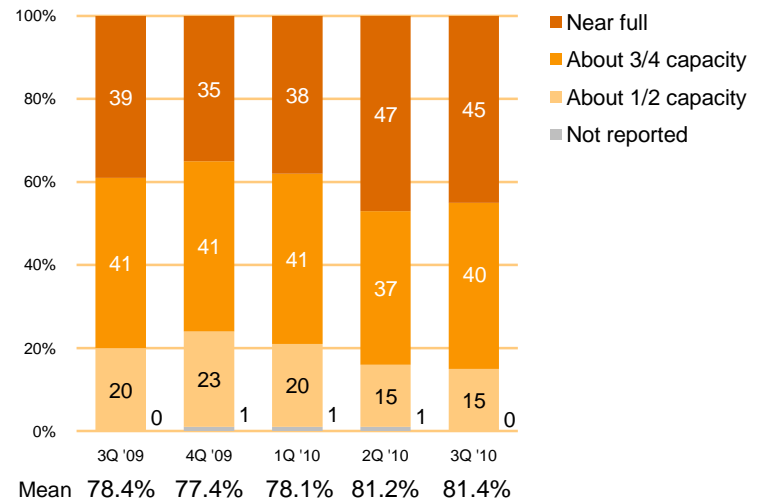
Level of operating capacity

What is your organization's current operating capacity?

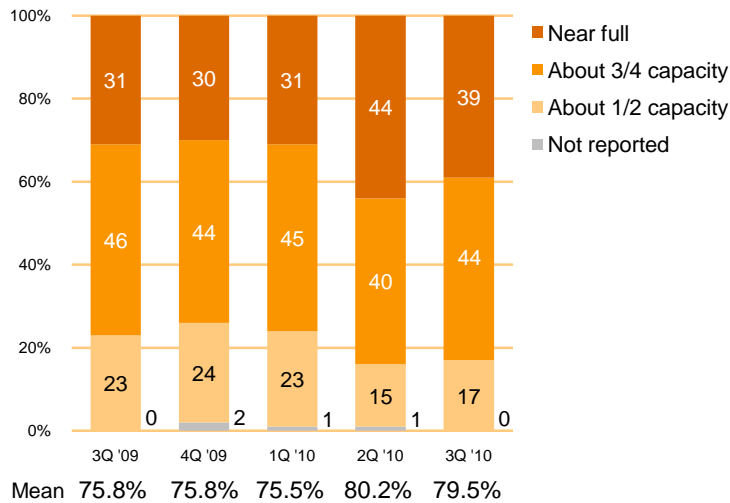
Operating capacity is an estimate of the current level of permanent staffing compared with what is needed for full-capacity output. In the third quarter, the average level of operating capacity for respondents continued at an estimated 81.4 percent, similar to the prior quarter. Forty-five percent reported near full capacity, down 2 points from the previous quarter.

Chart 3.7 Level of operating capacity

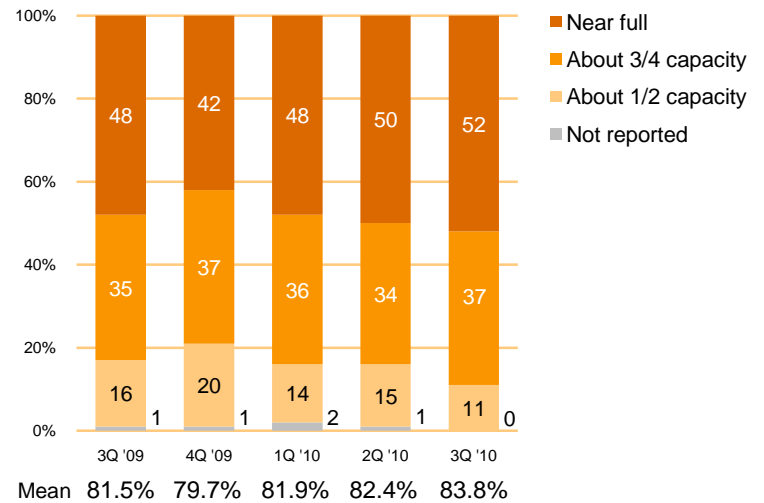
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

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?

In the third quarter, 11 percent of panelists reported financing activity. Ten percent reported new bank loans, up 4 points. The mean interest rate paid on loans by these companies is 4.08 percent, only .02 basis points lower than a year ago.

Chart 3.8 New bank loans, credit terms and financing

All respondents

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------------|--------|--------|--------|--------|--------|
| Any activity | 9% | 10% | 8% | 7% | 11% |
| • New bank loans | 7% | 5% | 4% | 6% | 10% |
| • New credit terms (suppliers) | 2% | 4% | 4% | 2% | 2% |
| • All other new financing | 2% | 2% | --- | 1% | 1% |
| • Mean interest rate (all bank loans) | 4.10% | 4.38% | 4.12% | 4.23% | 4.08% |

Product companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------------|--------|--------|--------|--------|--------|
| Any activity | 7% | 10% | 9% | 7% | 12% |
| • New bank loans | 6% | 5% | 3% | 6% | 10% |
| • New credit terms (suppliers) | 2% | 5% | 6% | 1% | 3% |
| • All other new financing | 1% | 1% | --- | --- | 1% |
| • Mean interest rate (all bank loans) | 3.86% | 4.23% | 4.07% | 4.16% | 4.07% |

Service companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------------|--------|--------|--------|--------|--------|
| Any activity | 11% | 10% | 7% | 8% | 10% |
| • New bank loans | 8% | 7% | 6% | 6% | 10% |
| • New credit terms (suppliers) | 3% | 4% | 2% | 2% | --- |
| • All other new financing | 2% | 2% | --- | 3% | --- |
| • Mean interest rate (all bank loans) | 4.37% | 4.60% | 4.19% | 4.30% | 4.08% |

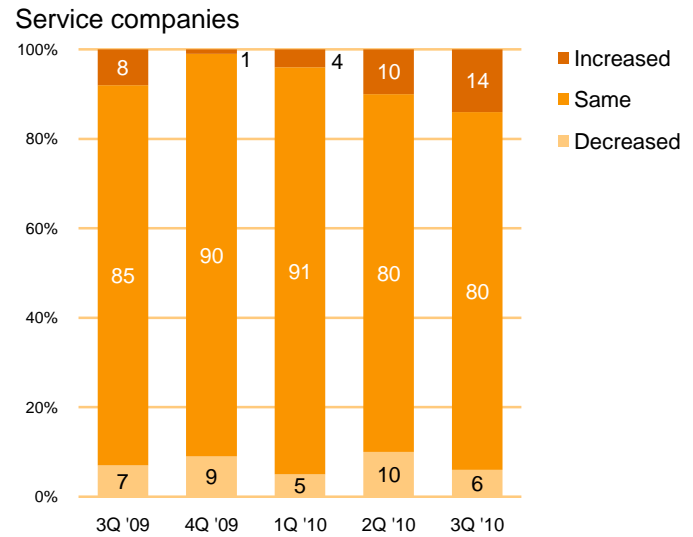
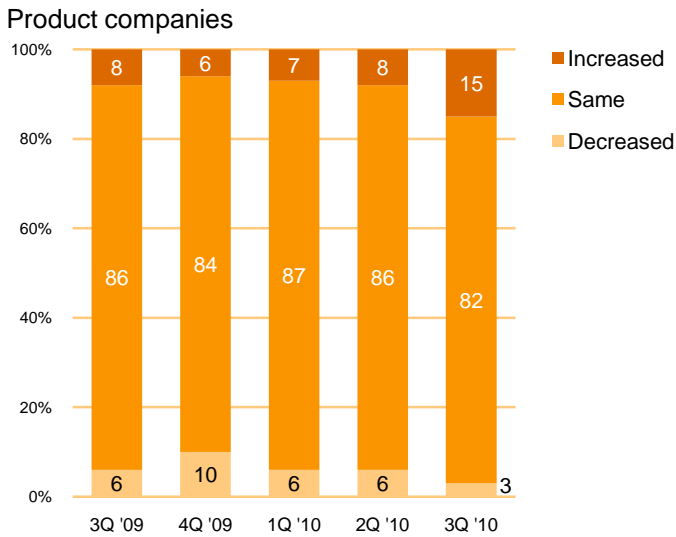
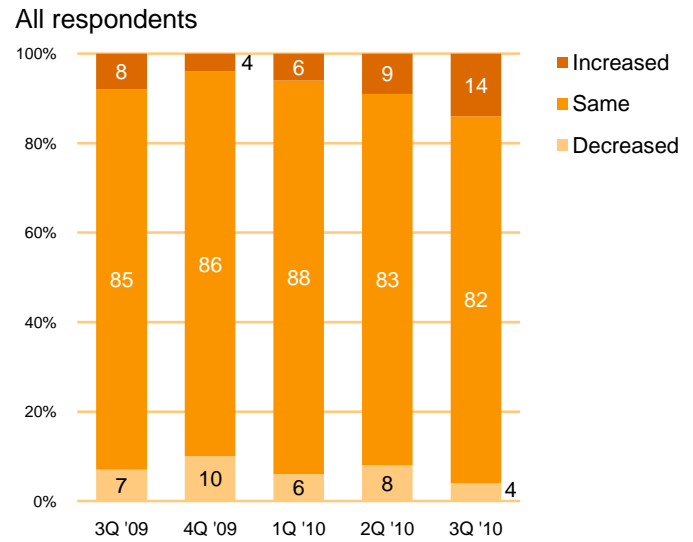
Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

Change in credit availability

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

Credit availability showed some upward change in the third quarter, with 14 percent increasing their credit lines (up 5 points) and only 4 percent reporting a decrease (down 4 points).

Chart 3.9 Change in credit availability



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

Business outlook, next 12 months

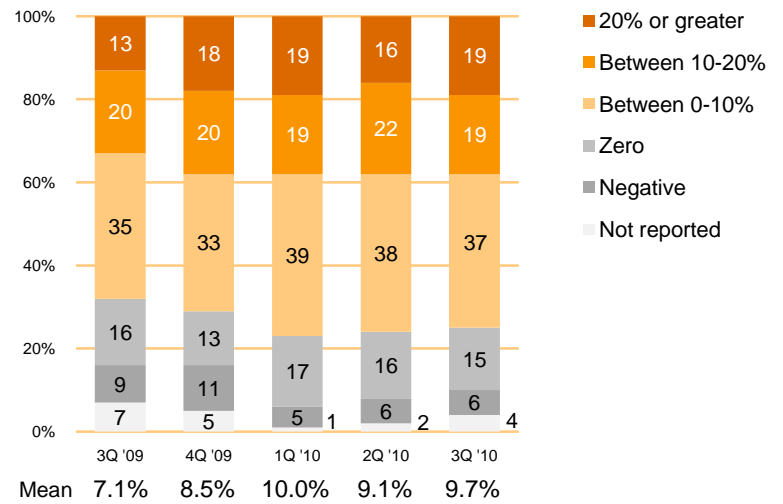
Revenue growth, next 12 months

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

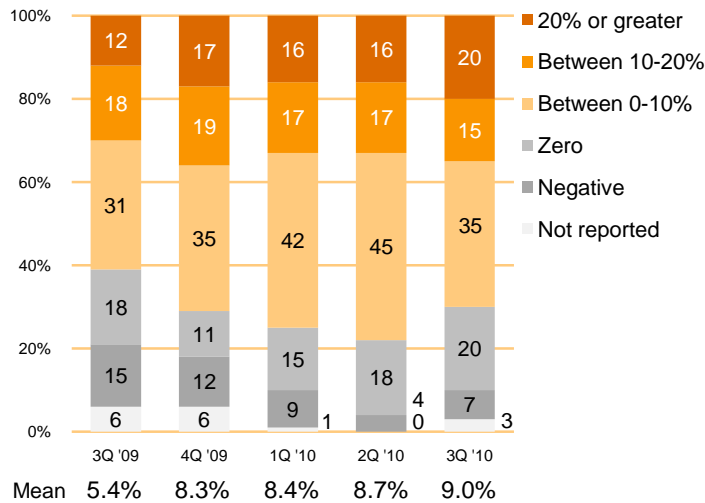
Respondents' projected average revenue growth rates for their companies over the next 12 months rose in the third quarter from 9.1 percent to 9.7 percent. Seventy-five percent plan positive own-company growth, with 38 percent projecting double-digit revenue growth and 37 percent single-digit growth. Only 6 percent expect negative growth over the next 12 months, and 15 percent expect zero growth.

Chart 4.1 Revenue growth, next 12 months

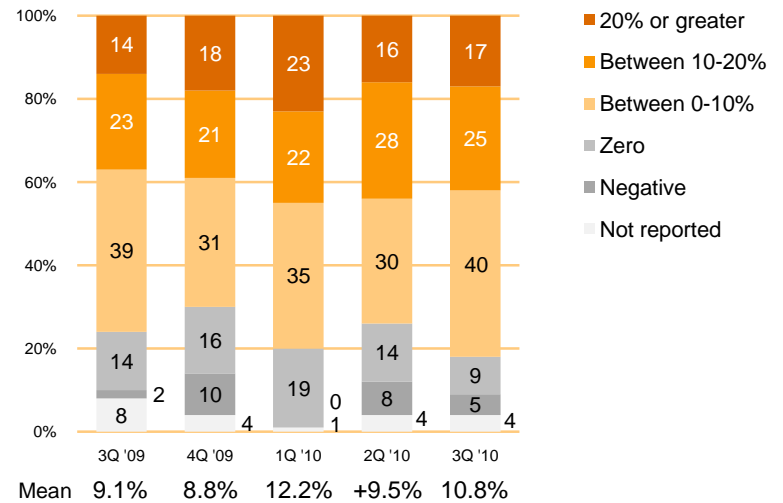
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

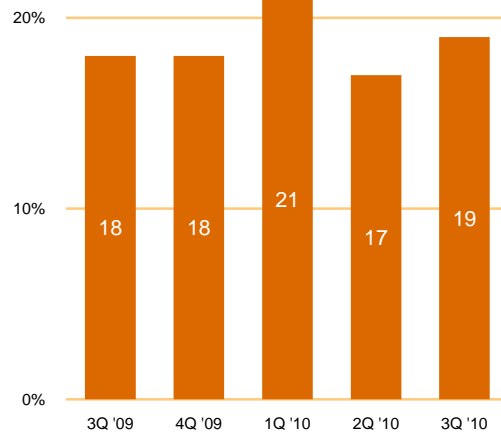
International sales, next 12 months

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

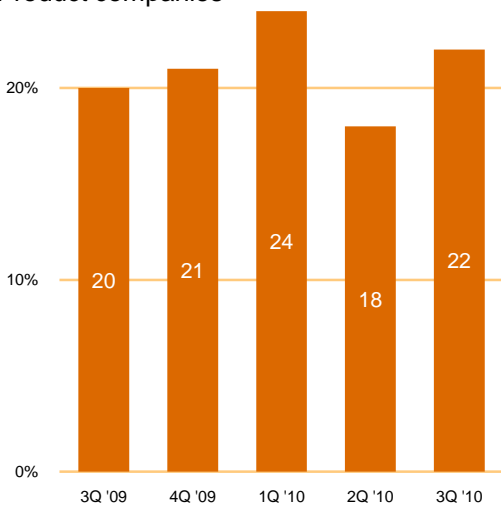
Of panelists selling abroad, the average contribution of international sales to total revenue over the next 12 months is projected at 19 percent, 2 points above the prior quarter.

Chart 4.2 International sales, next 12 months

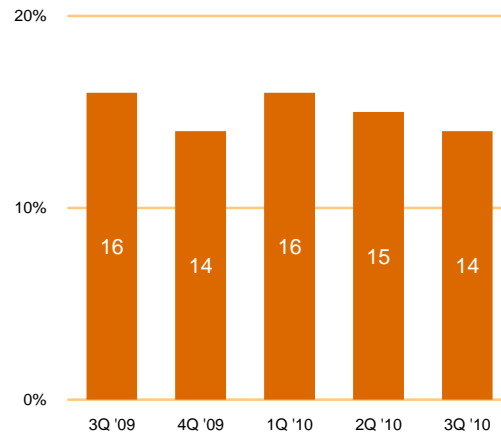
All respondents



Product companies



Service companies



Note: In 3Q 2010 All international marketers, n=114, Product companies, n=69, Service companies, n=45

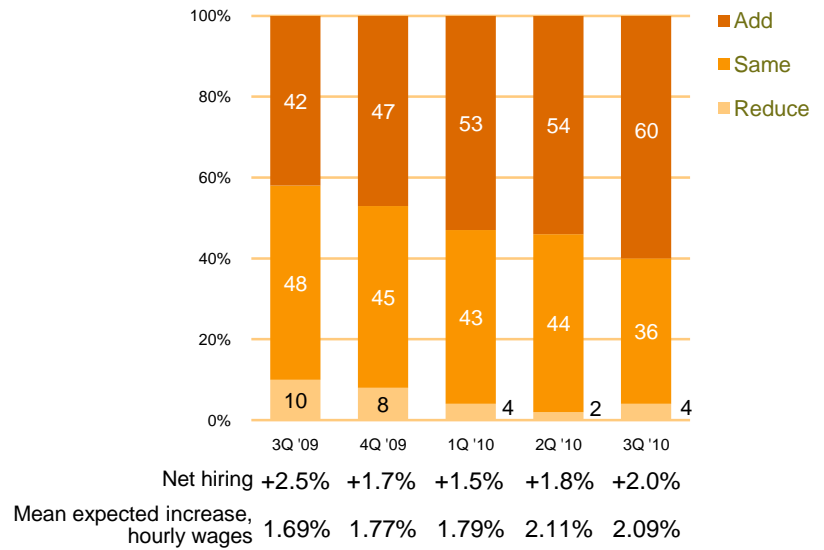
Percent planning to hire

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?

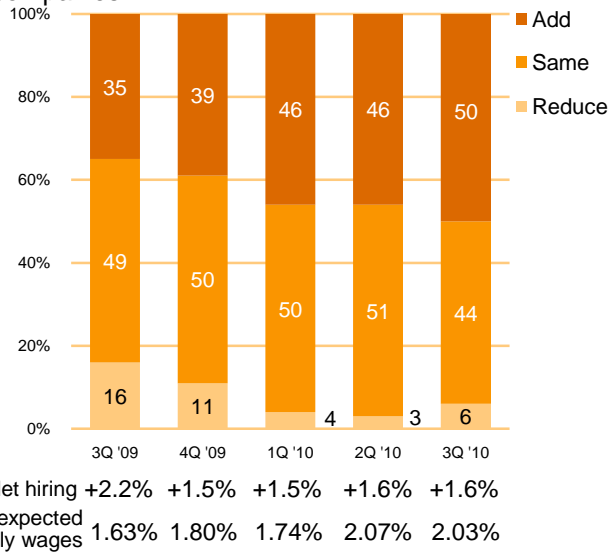
Looking ahead, 60 percent of panelists plan to add employees to their workforces over the next 12 months, up from 54 percent in the prior quarter. Only 4 percent plan to reduce workers, and 36 percent will stay about the same. An overall increase of 2 percent is planned for the panel's composite workforce, up slightly from 1.8 percent last quarter.

Chart 4.3 Percent planning to hire

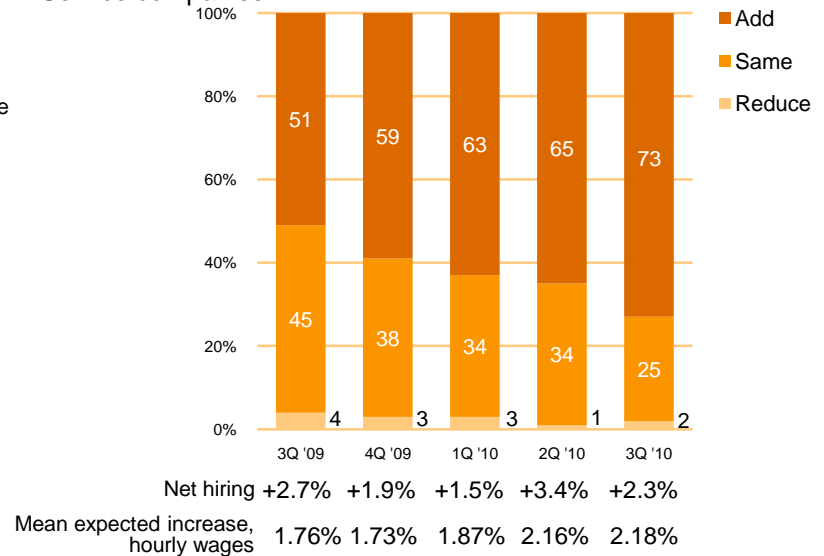
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

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, panelists will be looking primarily for professionals/technicians (29 percent). There is also increased interest in sales/marketing executives and white collar workers.

Chart 4.4 Percent planning to hire by type of employee

All respondents

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net) | 42% | 47% | 53% | 54% | 60% |
| • Professionals/technicians | 27% | 29% | 34% | 31% | 29% |
| • Sales/marketing | 15% | 17% | 17% | 17% | 21% |
| • White collar support | 11% | 11% | 10% | 8% | 18% |
| • Production workers | 11% | 11% | 13% | 13% | 13% |
| • Skilled labor | 9% | 5% | 7% | 9% | 10% |

Product companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net) | 35% | 39% | 46% | 45% | 50% |
| • Professionals/technicians | 17% | 21% | 25% | 20% | 21% |
| • Sales/marketing | 16% | 14% | 16% | 13% | 17% |
| • White collar support | 12% | 8% | 8% | 6% | 18% |
| • Production workers | 14% | 15% | 19% | 20% | 18% |
| • Skilled labor | 11% | 6% | 8% | 12% | 12% |

Service companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net) | 51% | 59% | 63% | 65% | 73% |
| • Professionals/technicians | 38% | 41% | 47% | 47% | 40% |
| • Sales/marketing | 14% | 23% | 19% | 22% | 26% |
| • White collar support | 9% | 15% | 14% | 10% | 17% |
| • Production workers | 8% | 4% | 4% | 5% | 7% |
| • Skilled labor | 8% | 5% | 5% | 6% | 6% |

Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

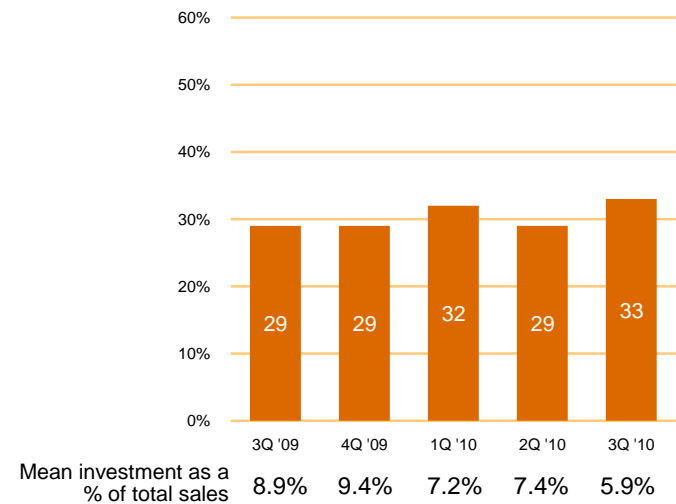
Percent planning major new investments of capital

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?

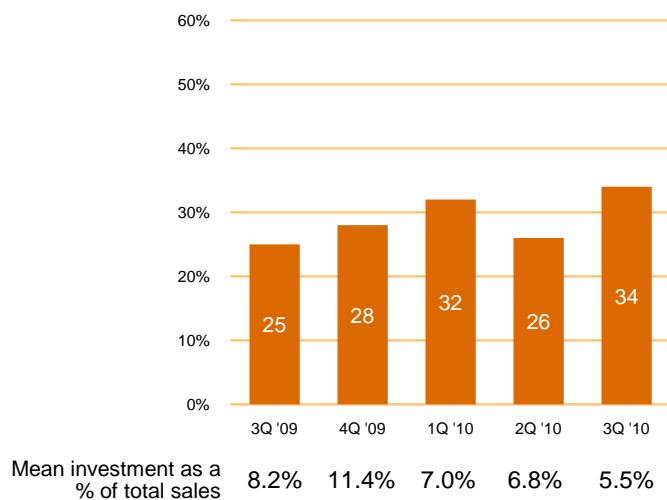
Over the next 12 months, 33 percent of those surveyed are planning for major new investments of capital for business growth – up 4 points from the prior quarter. The mean level of investment is 5.9 percent of sales, down from the previous quarter’s 7.4 percent.

Chart 4.5 Percent planning major new investments of capital

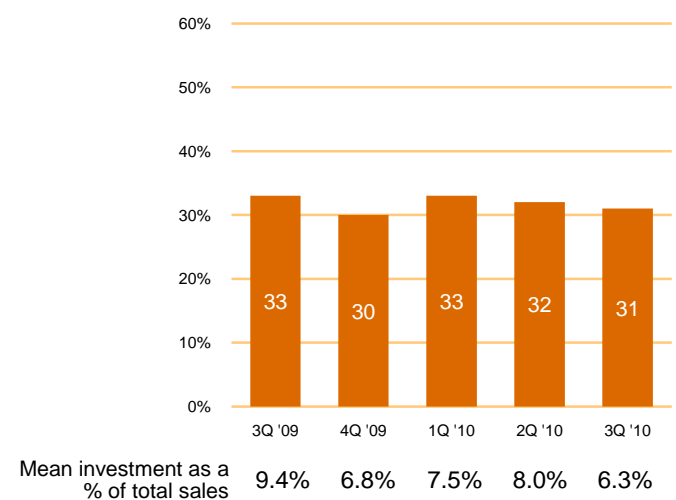
All respondents



Product companies



Service companies



Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

Percent planning to increase operational spending

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

In the third quarter, 63 percent of panelists were planning to increase operational spending over the next 12 months, up 5 points from the previous quarter. New product or service introductions and information technology will lead the way. Marketing and sales promotion jumped 8 points to 24 percent.

Product companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 55% | 56% | 58% | 59% | 63% |
| • New product or service introduction | 24% | 24% | 23% | 25% | 28% |
| • Information technology | 18% | 21% | 15% | 25% | 24% |
| • Marketing & sales promotion | 16% | 22% | 21% | 15% | 19% |
| • Facilities expansion | 15% | 14% | 16% | 17% | 19% |
| • Geographic expansion | 14% | 14% | 15% | 16% | 13% |
| • Advertising | 14% | 17% | 17% | 11% | 19% |
| • Business acquisition | 12% | 13% | 13% | 13% | 12% |
| • Research and development | 14% | 12% | 11% | 13% | 15% |
| • Internet commerce | 4% | 7% | 5% | 5% | 4% |

Chart 4.6 Percent planning to increase operational spending

All respondents

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 57% | 62% | 58% | 58% | 63% |
| • New product or service introduction | 26% | 27% | 26% | 25% | 26% |
| • Information technology | 19% | 28% | 21% | 26% | 25% |
| • Marketing & sales promotion | 16% | 21% | 20% | 16% | 24% |
| • Facilities expansion | 15% | 15% | 14% | 17% | 18% |
| • Geographic expansion | 14% | 16% | 17% | 17% | 16% |
| • Advertising | 14% | 16% | 15% | 12% | 15% |
| • Business acquisition | 15% | 12% | 12% | 17% | 13% |
| • Research and development | 12% | 13% | 12% | 12% | 13% |
| • Internet commerce | 4% | 6% | 4% | 5% | 3% |

Service companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 58% | 68% | 60% | 57% | 64% |
| • New product or service introduction | 28% | 31% | 29% | 25% | 25% |
| • Information technology | 21% | 38% | 29% | 29% | 27% |
| • Marketing & sales promotion | 17% | 21% | 18% | 16% | 31% |
| • Facilities expansion | 16% | 17% | 11% | 17% | 17% |
| • Geographic expansion | 13% | 18% | 19% | 18% | 19% |
| • Advertising | 13% | 15% | 13% | 13% | 11% |
| • Business acquisition | 18% | 10% | 11% | 22% | 14% |
| • Research and development | 10% | 14% | 13% | 11% | 11% |
| • Internet commerce | 3% | 4% | 3% | 6% | 2% |

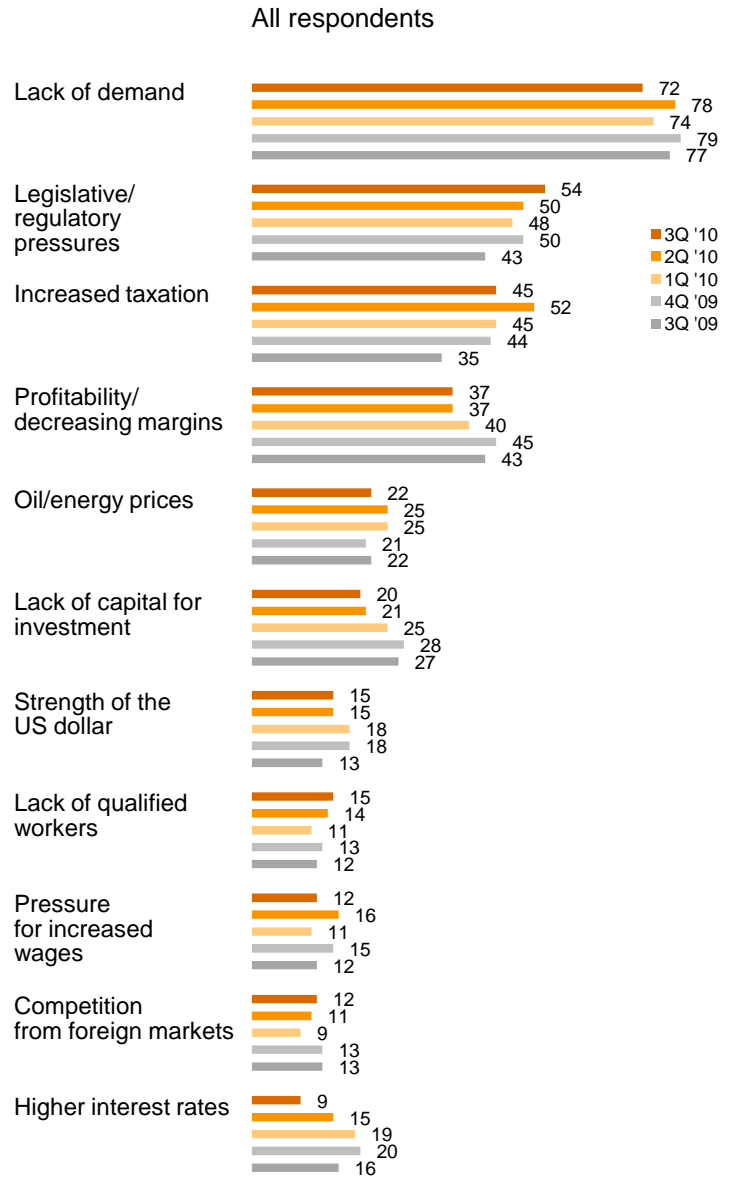
Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

Expected barriers to business growth

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

Most panelists said lack of demand remains the most likely hurdle to business growth over the next 12 months, with 72 percent citing it as a concern. Fifty-four percent said legislative/regulatory pressure might be a barrier, and 45 percent see increased taxation as a threat to growth. Only 37 percent showed concern about profitability/decreasing margins.

Chart 4.7 Expected barriers to business growth



Note: In 3Q 2010 All respondents, n=255

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, 56 percent of respondents expect to participate in new business initiatives, up 13 points from the prior quarter. Overall, the most prevalent expected initiatives are new strategic alliances, new joint ventures, purchase of another business, and expansion to new markets abroad.

Product companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------|--------|--------|--------|--------|--------|
| New business initiatives (net) | 49% | 53% | 49% | 36% | 54% |
| • New strategic alliance | 19% | 25% | 19% | 18% | 29% |
| • New joint venture | 16% | 15% | 17% | 14% | 23% |
| • Purchase of another business | 10% | 15% | 20% | 13% | 15% |
| • Expand to new markets abroad | 10% | 13% | 9% | 12% | 15% |
| • Bring in new partners | 5% | 7% | 7% | 5% | 7% |
| • Restructure debt | 14% | 14% | 12% | 11% | 8% |
| • “Angel” investors | 5% | 5% | 7% | 7% | 7% |
| • Sale part/all of own business | 6% | 5% | 7% | 5% | 3% |
| • New facilities abroad | 2% | 2% | 2% | 4% | 4% |
| • Venture capital | 5% | 3% | 3% | 2% | 1% |
| • IPO offering | --- | --- | 1% | --- | 2% |
| • Private placement | 4% | 3% | --- | 1% | --- |

Chart 4.8 Plans for M&A and other business initiatives

All respondents

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------|--------|--------|--------|--------|--------|
| New business initiatives (net) | 55% | 50% | 50% | 43% | 56% |
| • New strategic alliance | 29% | 24% | 24% | 19% | 33% |
| • New joint venture | 15% | 18% | 18% | 18% | 21% |
| • Purchase of another business | 14% | 17% | 17% | 16% | 16% |
| • Expand to new markets abroad | 13% | 11% | 11% | 14% | 15% |
| • Bring in new partners | 10% | 9% | 9% | 8% | 9% |
| • Restructure debt | 10% | 9% | 9% | 9% | 7% |
| • “Angel” investors | 5% | 6% | 6% | 7% | 6% |
| • Sale part/all of own business | 6% | 6% | 6% | 5% | 5% |
| • New facilities abroad | 2% | 2% | 2% | 3% | 2% |
| • Venture capital | 4% | 3% | 3% | 2% | 2% |
| • IPO offering | 2% | 1% | 1% | --- | 2% |
| • Private placement | 3% | 1% | 1% | 1% | 1% |

Service companies

| | 3Q '09 | 4Q '09 | 1Q '10 | 2Q '10 | 3Q '10 |
|---------------------------------|--------|--------|--------|--------|--------|
| New business initiatives (net) | 47% | 59% | 51% | 52% | 58% |
| • New strategic alliance | 23% | 35% | 30% | 22% | 37% |
| • New joint venture | 13% | 15% | 18% | 22% | 18% |
| • Purchase of another business | 19% | 11% | 14% | 18% | 18% |
| • Expand to new markets abroad | 6% | 12% | 14% | 16% | 15% |
| • Bring in new partners | 8% | 13% | 14% | 13% | 12% |
| • Restructure debt | 6% | 6% | 6% | 8% | 5% |
| • “Angel” investors | 3% | 4% | 4% | 6% | 6% |
| • Sale part/all of own business | 5% | 8% | 4% | 5% | 7% |
| • New facilities abroad | 1% | 1% | 1% | 2% | -- |
| • Venture capital | 3% | 7% | 4% | 2% | 5% |
| • IPO offering | 2% | 5% | 1% | 1% | 2% |
| • Private placement | 5% | 4% | 2% | 2% | 2% |

Note: In 3Q 2010 All respondents, n=255, Product companies, n=145, Service companies, n=110

Survey demographics and research methodology

Demographics

| | | | |
|--------------------------------|--|----------------------|----------------------|
| Who | Leading privately held businesses in the US | | |
| Interview dates | August 6, 2010, to November 1, 2010 | | |
| | All (255) | Product (145) | Service (110) |
| Average number of employees | 826 | 665 | 1040 |
| Average business unit revenues | \$176.9 million | \$210.9 million | \$132.0 million |
| Average enterprise revenues | \$252.4 million | \$335.0 million | \$143.9 million |
| 5-year growth rate | 88% | 93% | 82% |
| Industry sectors | Products 57% Manufacturing 32% Trade/Distribution 11% All other 14% Services 43% | | |

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.

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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.

Visit: www.barometersurveys.com
Mobile: wap.barometersurveys.com
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