



MARCUM CEO SURVEY

QUARTER 3, 2018

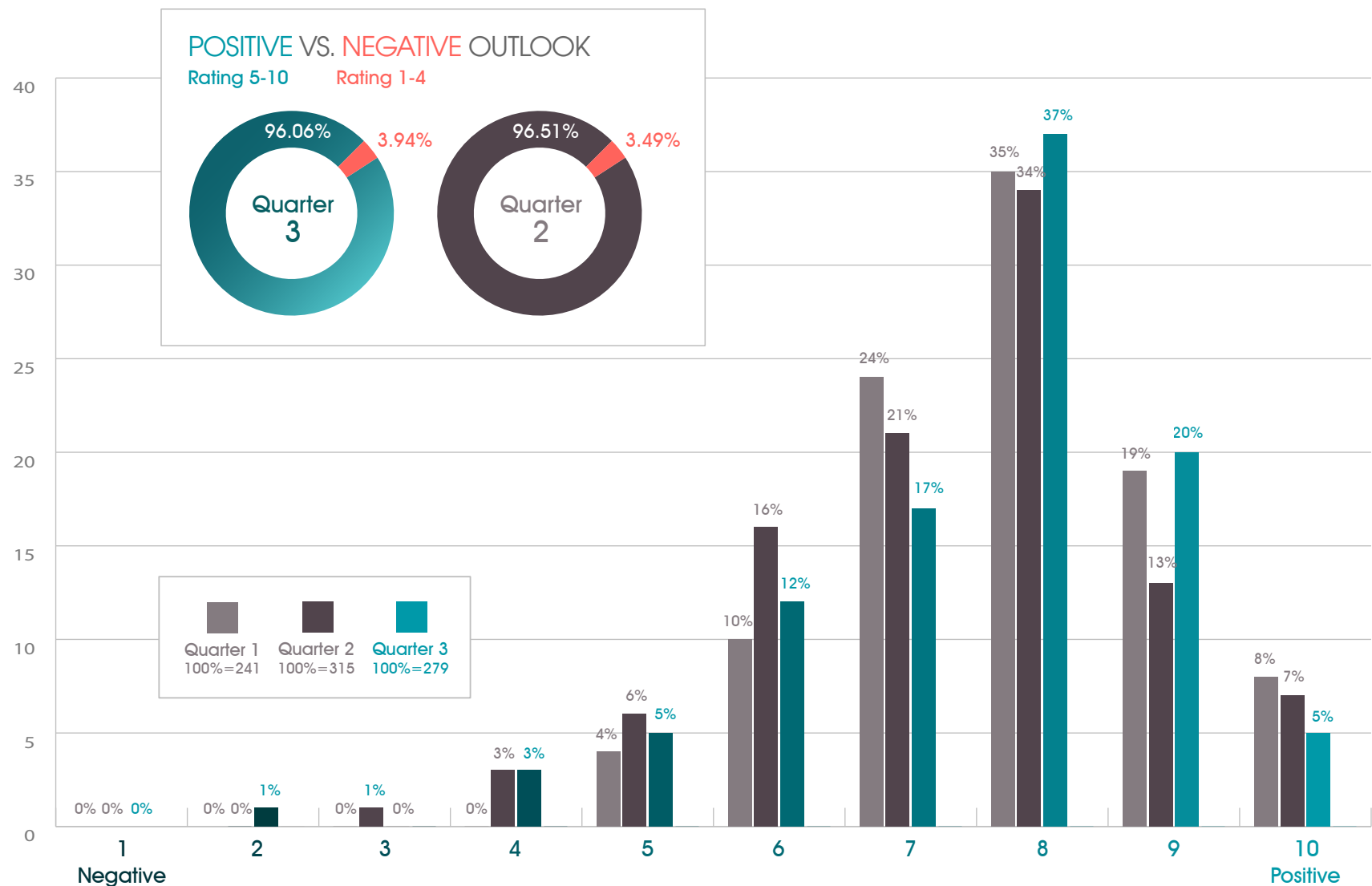
Welcome to the Marcum CEO Survey, a quarterly gauge of middle-market CEOs' outlook on the current business environment and their priorities for the next 12 months. The Marcum CEO Survey is a companion to Chief Executive Group's CEO Confidence Index.

marcumllp.com/ceosurvey

QUESTION

Which of the following best represents your view of the current business environment, on a 1-10 scale?





KEY FINDINGS

- ▶ Overall, CEOs remained strongly optimistic about the business environment in the third quarter, with 91% of respondents choosing ratings between 6 and 10.
- ▶ CEOs were less sanguine at the highest end of the scale. Those rating their outlook a 10 declined for the third consecutive quarter. Just 5% of CEOs rated their views a 10, down from 7% in the second quarter and 8% in the first quarter of the year.
- ▶ That said, numerous CEOs upgraded their outlook from mid-range (5-7) to the upper ranks. There were sharp gains in the 8 and 9 rating points, which recovered and ultimately exceeded the strong findings registered in the first quarter of the year.
- ▶ Those on the negative end of the scale remained constant at 4% of respondents and negligible fluctuations in the 1-4 range.

INDUSTRY FOCUS

cont'd

Which of the following best represents your view of the current business environment, on a 1-10 scale?

INDUSTRIES WITH CEOs SELECTING A RATING OF 10:

Advertising &
Marketing/PR/Media/
Entertainment

Financial Services

Government and
Non-Profit

High Tech/
Telecommunications/
Information Technology

Manufacturing
(Consumer Goods)

Manufacturing
(Industrial Goods)

Other

Professional Services

Wholesale/Distribution

Industries by Outlook

Nine of 17 industry categories had some CEOs rating their business outlook a 10, while CEOs in only four industries chose a negative rating.

INDUSTRIES WITH CEOs SELECTING RATINGS OF 2 OR 3*:

Construction/
Engineering/Mining

Manufacturing (Industrial
Goods)

Other

Wholesale/Distribution

*No CEOs selected
a rating of 1.

cont'd

Which of the following best represents your view of the current business environment, on a 1-10 scale?

INDEX:

A Weighted Average of CEO Responses

7.55

**Marcum
CEO Survey
Quarter 3
2018**

7.41

**Marcum
CEO Survey
Quarter 2
2018**

7.77

**Marcum
CEO Survey
Quarter 1
2018**

7.55

**Marcum
CEO Survey
Quarter 3
2018**

7.62

**CEO
Confidence
Index
Quarter 3
2018**

CEOs' outlook on the current business environment rebounded somewhat in the third quarter but was still shy of the strong showing in Quarter 1.

The Marcum CEO Survey launched in Quarter 1, 2018.

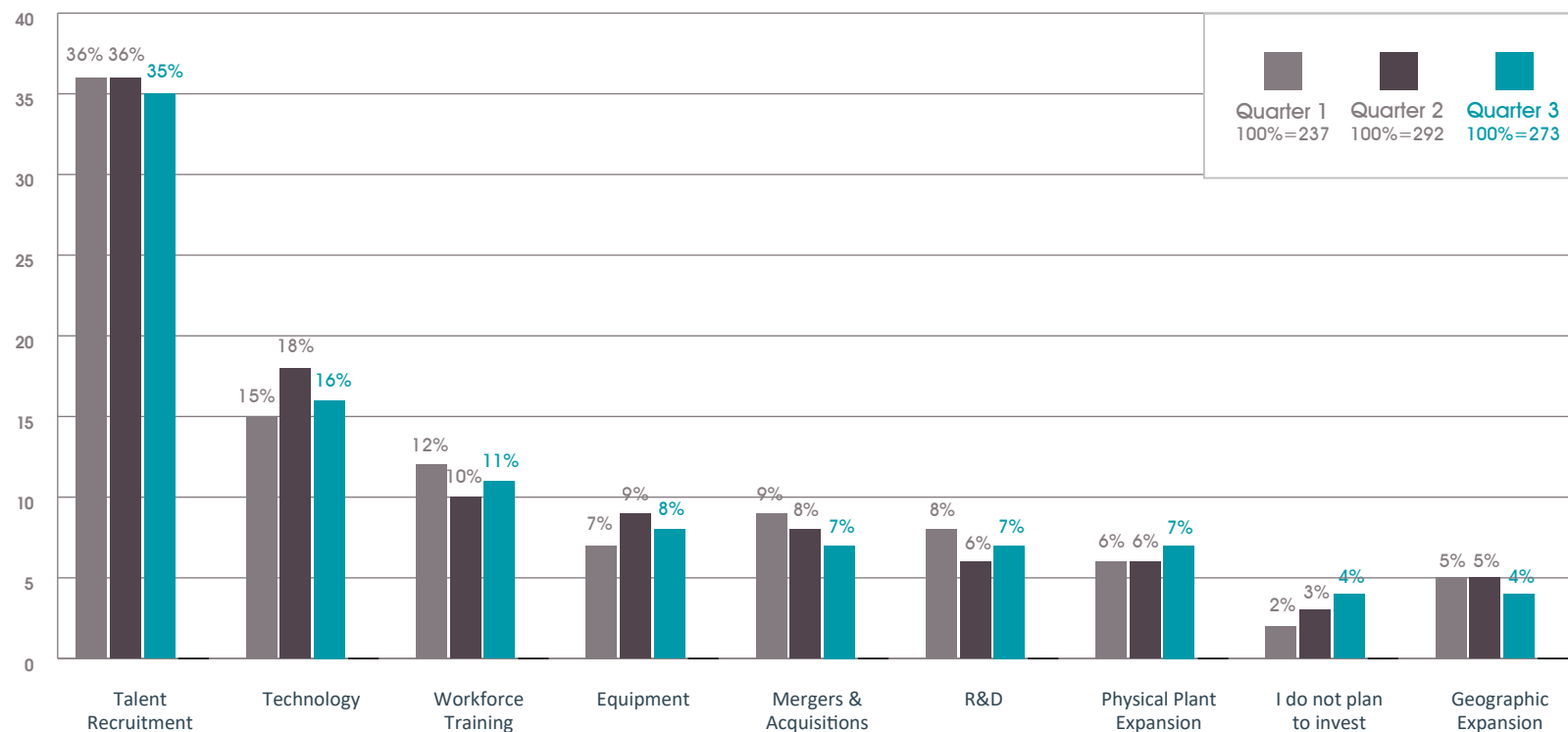
The CEO Confidence Index is America's largest monthly survey of chief executives, compiled by Chief Executive Group and published on ChiefExecutive.net and in each issue of Chief Executive magazine. The Marcum CEO Survey is conducted in collaboration with Chief Executive Group.

QUESTION

Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.



PRIORITY 1



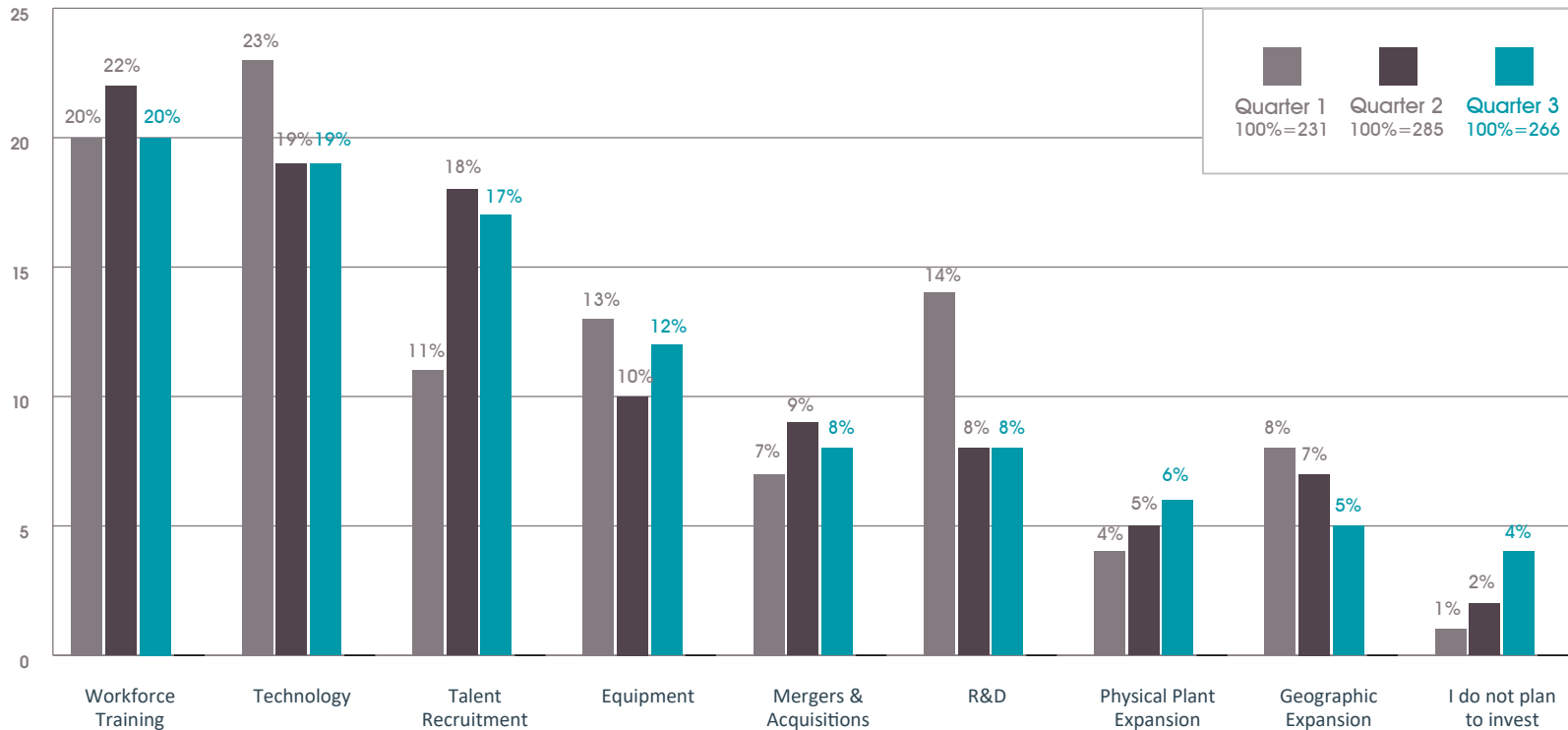
KEY FINDINGS

As a whole, the trend in corporate investment planning was stable in the third quarter as compared to the prior period. Only modest changes were seen in CEOs' responses about their investment priorities, although incremental differences from quarter to quarter reveal interesting subtleties.

PRIORITY 1 FINDINGS

- ▶ Talent recruitment and technology remained the top investment priorities, but both registered slight declines from both prior quarters.
- ▶ Physical plant expansion had its strongest showing as an investment priority thus far in 2018, while inversely, geographic expansion slid for the first time. This suggests that companies are planning to grow in place.
- ▶ Mergers & Acquisitions continued its steady slide for the third consecutive quarter.
- ▶ CEOs saying they do not plan to invest in their companies at all in the next 12 months doubled thus far in 2018, to 4% in the third quarter from 2% in the first.

PRIORITY 2

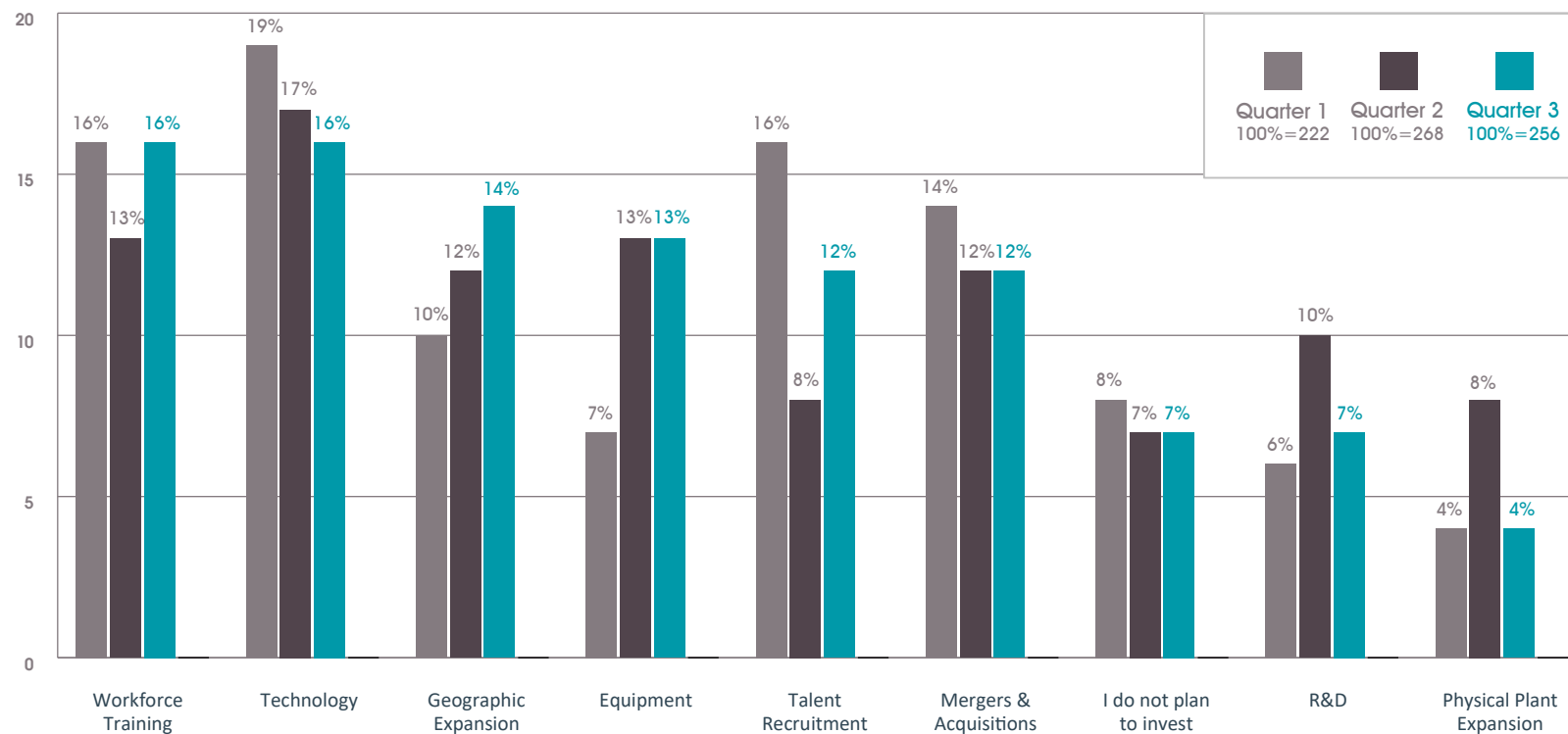


KEY FINDINGS

PRIORITY 2 FINDINGS

- Physical plant expansion was the only investment category to advance as both a tier 1 and 2 investment priority, while geographic expansion declined against both measures. This may suggest that companies are planning to grow or upgrade their current facilities in lieu of establishing new plants in the near-term.
- While retracting modestly from the second quarter, talent recruitment showed a significant gain from the first quarter of the year, while equipment rebounded nearly to first quarter levels. This implies that companies are planning to invest in human and capital resources.

PRIORITY 3



KEY FINDINGS

PRIORITY 3 FINDINGS

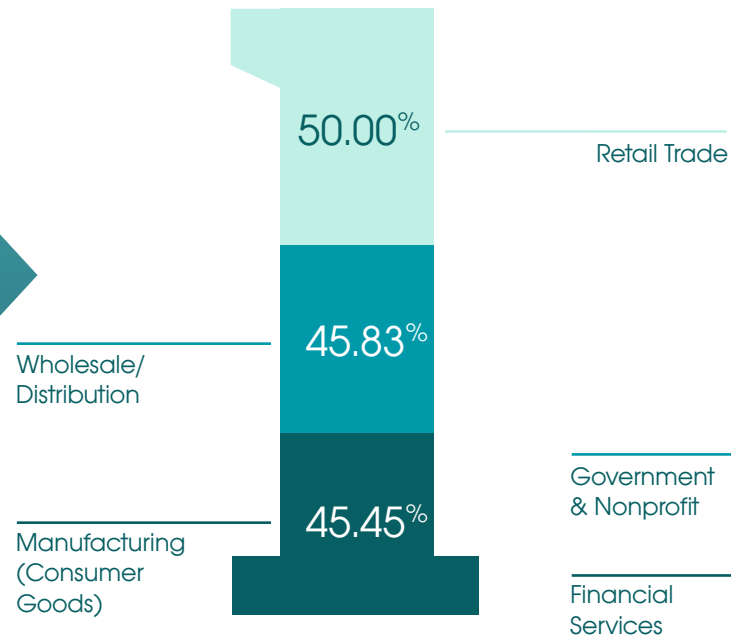
- ▶ In the third tier priority category, workforce training, geographic expansion, and talent recruitment, stood out as gainers.
- ▶ Geographic expansion was the only investment priority to supersede its first quarter ranking, completing three consecutive quarters of gains. The emphasis on geographic expansion as a priority 3 investment indicates that companies are looking to enlarge their footprints as part of their overall growth plans.

#1 PRIORITY INVESTMENT (Top 3 Answers)

Top industries selecting each answer

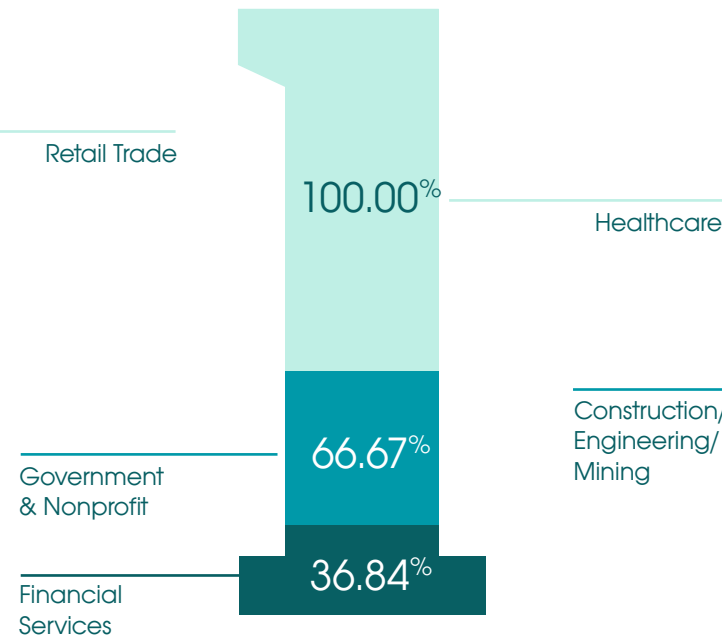
TALENT RECRUITMENT

96 CEOs (35.16%)



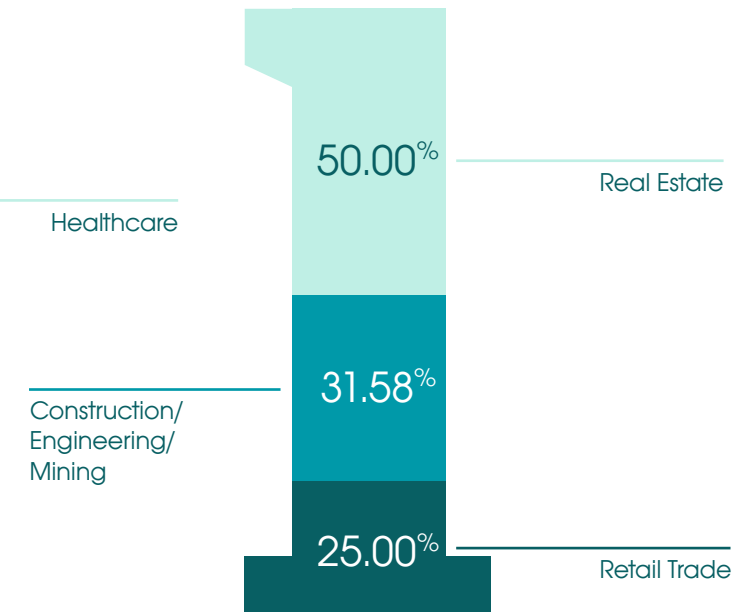
TECHNOLOGY

43 CEOs (15.75%)



WORKFORCE TRAINING

31 CEOs (11.36%)

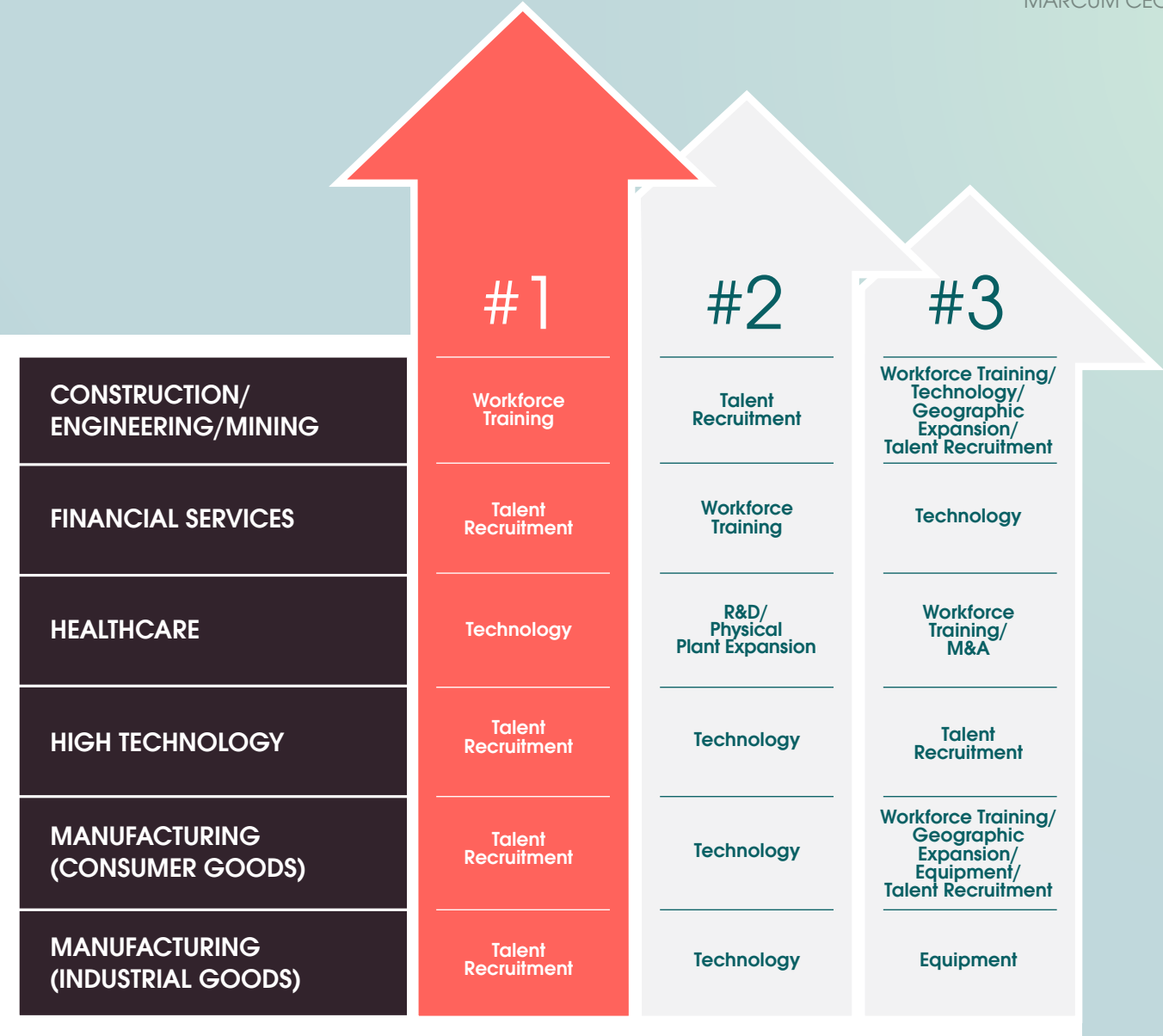


Talent recruitment, technology, and workforce training were the top three priorities for CEOs again in the third quarter.

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Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.

INDUSTRY FOCUS

Priority investments for the next 12 months



cont'd
Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.

QUESTION

What is the single most important influence for your business planning for the next 12 months?





KEY FINDINGS

- ▶ Legislation and reform also gained in importance for the third consecutive quarter.
- ▶ Conversely, technology, access to capital, and foreign competition all continued their downward trend as key influences.
- ▶ Regulatory environment and industry consolidation both remained flat for the quarter.

INDUSTRY FOCUS

cont'd
What is the single most important influence for your business planning for the next 12 months?

Most important business planning influence

Most frequent answer by selected industries

Quarter 3 Quarter 2

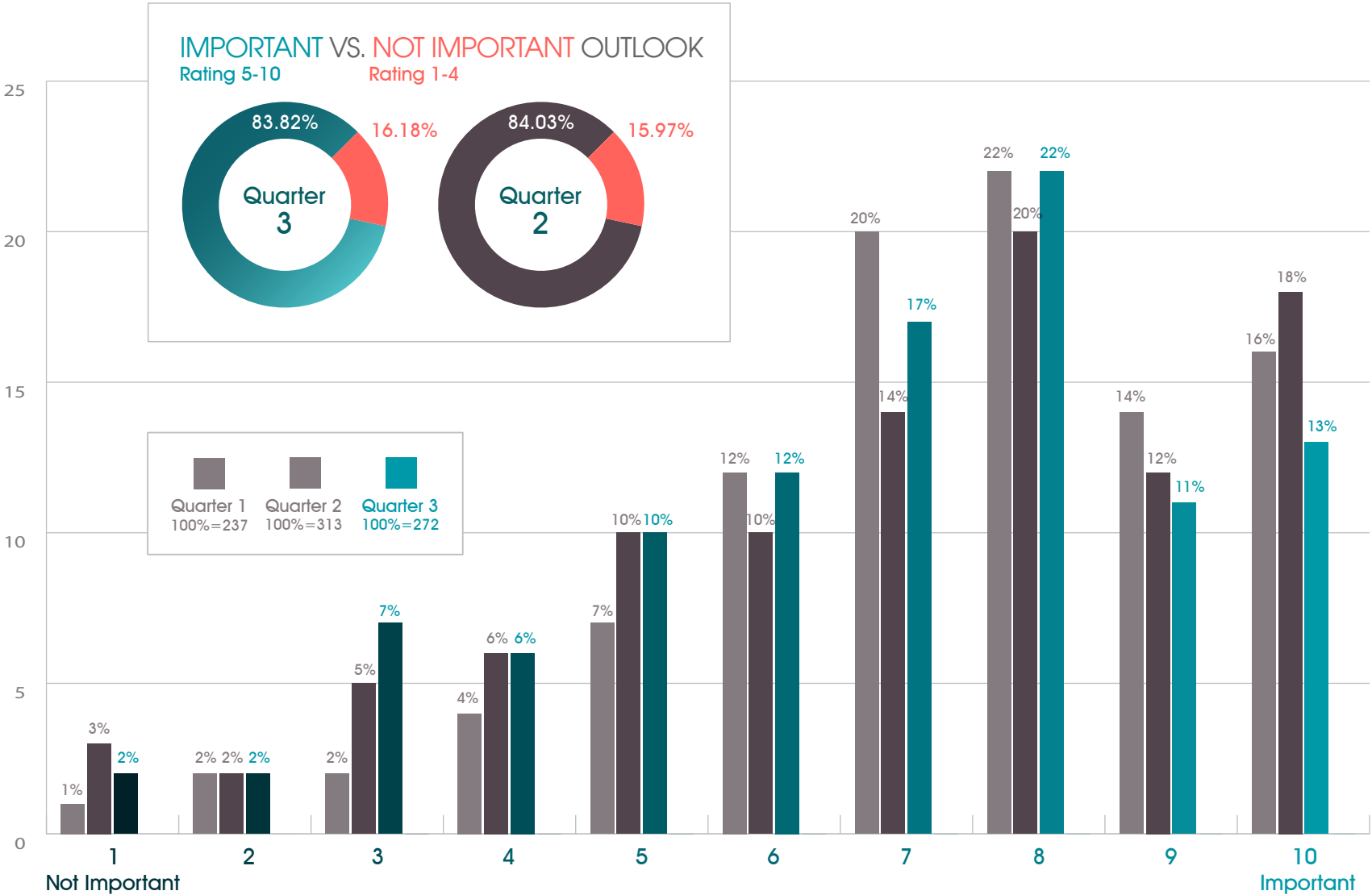
CONSTRUCTION/ ENGINEERING/MINING		HIGH TECHNOLOGY	
Availability of Talent (42.11%)	Availability of Talent (55.56%)	Access to Capital (36.36%)	Access to Capital (35.29%)
FINANCIAL SERVICES		MANUFACTURING (CONSUMER GOODS)	
Availability of Talent (31.58%)	Technology/ Regulatory Environment (23.33% each)	Labor (27.27%)	Labor (35.71%)
HEALTHCARE		MANUFACTURING (INDUSTRIAL GOODS)	
Industry Consolidation/ Regulatory Environment (50.00% each)	Availability of Talent (50.00%)	Availability of Talent (37.47%)	Availability of Talent (30.95%)



QUESTION

How important is product/service diversification to your company's future, on a 1-10 scale?





KEY FINDINGS

- ▶ Overall, CEOs cooled to the importance of product/service diversification in their future planning during the third quarter.
- ▶ Only 24% of CEOs rated diversification a 9 or 10, as compared to 30% in the prior quarter.
- ▶ CEOs shifted downward to the mid-range of the rating scale, with upticks in all three points from 6-8.
- ▶ The distribution of CEOs across the neutral-optimistic range (5-10) vs. those in the pessimistic range (1-4) was unchanged from the second quarter. (83.82% v. 16.18%)

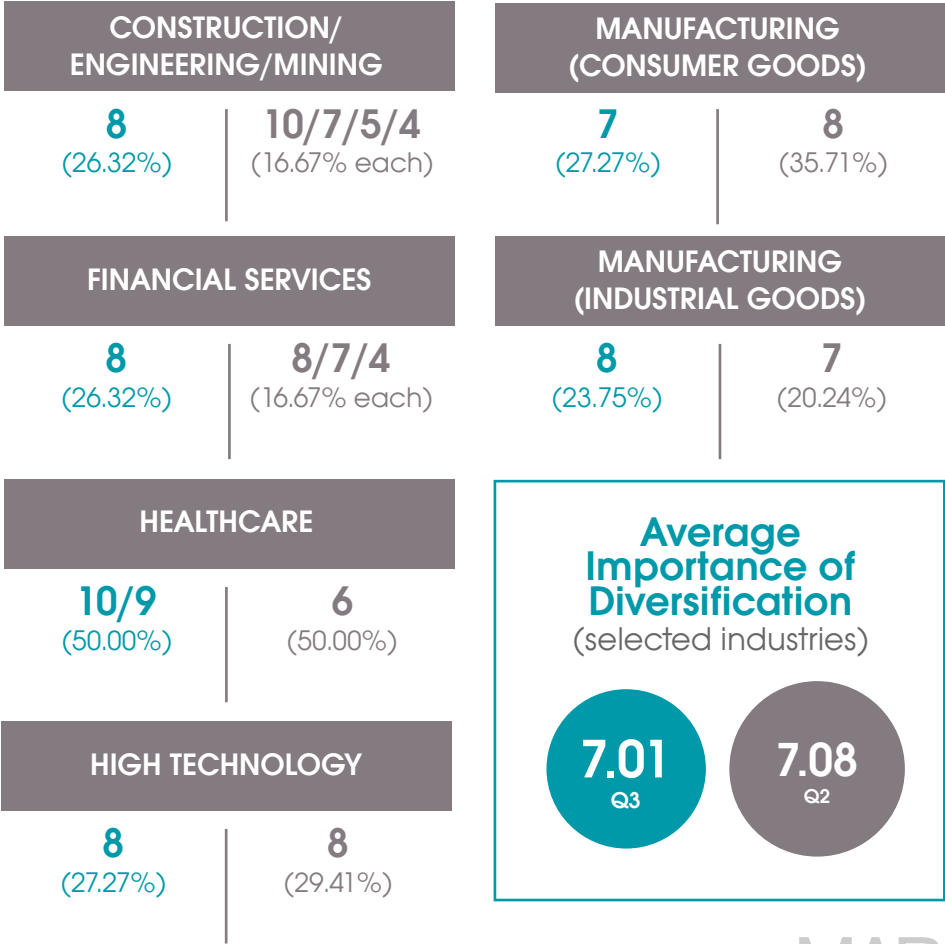
INDUSTRY FOCUS

cont'd
How important
is product/service
diversification to
your company's
future, on a
1-10 scale?

Importance of diversification on a scale of 1-10

Most frequent answer by selected industries

Quarter 3 Quarter 2



INDUSTRY SPOTLIGHT

MANUFACTURING (INDUSTRIAL GOODS)

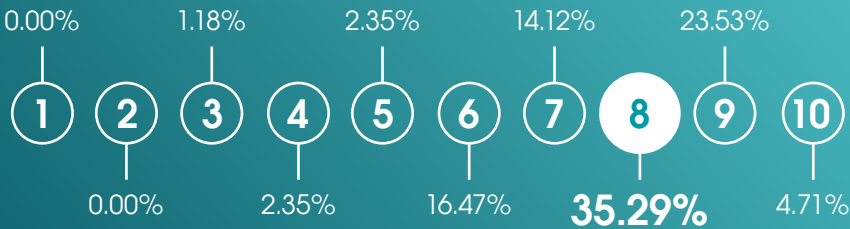
The industrial goods manufacturing industry accounted for 30.58% of respondents to this quarter's Marcum CEO Survey, with 85 C-suite executives participating. It was the single largest industry group represented in the third quarter findings.

The outlook of this industry's CEOs is influential, as manufacturing remains a key driver of economic growth, despite the rise of the service economy and the advance of the technology sector. According to the Manufacturing Institute, the impact of manufacturing on the productivity of other industries, or its "multiplier effect," is the largest of any industry, with every dollar in final sales of manufactured products supporting as much as 30% more output in other sectors.¹

The viewpoint of manufacturing CEOs is, therefore, of special interest. Here's where they stood on our questions in the third quarter.

INDUSTRY SPOTLIGHT: MANUFACTURING (INDUSTRIAL GOODS)

Which of the following best represents your view of the current business environment, on a 1-10 scale?



As compared to CEOs in all industries

36.92%

Over the next 12 months, in which ways do you plan to invest in your company?

	Priority 1	2	3
Equipment	14.12%	15.48%	19.28%
Geographic Expansion	2.35%	3.57%	4.82%
Mergers & Acquisitions	7.06%	8.33%	18.07%
Physical Plant Expansion	7.06%	8.33%	4.82%
R&D	5.88%	10.71%	10.84%
Talent Recruitment	38.82%	16.67%	9.64%
Technology	9.41%	19.05%	14.46%
Workforce Training	12.94%	16.67%	14.46%
I do not plan to invest	2.35%	1.19%	3.61%

As compared to CEOs in all industries

- Priority 1 – Talent Recruitment 35.16%
- Priority 2 – Workforce Training 20.30%
- Priority 3 – Workforce Training/Technology 15.63% each

INDUSTRY SPOTLIGHT: MANUFACTURING (INDUSTRIAL GOODS)

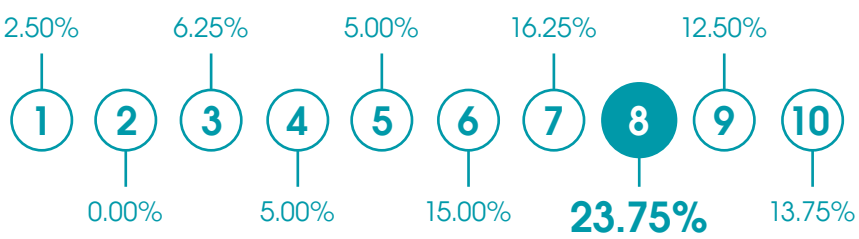
What is the single most important influence for your business planning for the next 12 months?

Access to Capital	3.53%
Availability of Talent	36.47%
Foreign Competition	3.53%
Industry Consolidation	7.06%
Inflation	7.06%
Labor	10.59%
Legislation and Reform	8.24%
Other	15.29%
Regulatory Environment	4.71%
Technology	3.53%

As compared to CEOs in all industries

Availability of Talent
30.80%

How important is product/service diversification to your company's future, on a 1-10 scale?



As compared to CEOs in all industries

21.69%

CEO INSIGHTS

"Our employees are highly skilled. Any expansion requires **long lead times to develop the talent pool.**"

"We need to implement a new IT system before we can expand geographically."

Lincoln J. Merrill, Jr.
Patriot Insurance Company

"We are a small business, and plenty of market demand exists for us to grow. We **need the talent to capture and retain that business.**"

"We are currently making a shift in our corporate direction and **need capital** to fund the effort."

Nasrin Azari
Mobile Reach

"We are a distributor. Our customers cannot find qualified people to work for them and therefore do not buy as much product from us."

"Consolidation is driving our decision-making across the business. **Scale is critical** to drive out the required business efficiencies."

"Our local economy continues to boom, and there is **significant competition for available qualified job candidates.**"

Marc S. Rowland
TMPartners, PLLC

"Our plan is to increase profits through improved quality."

CEO INSIGHTS

"This is a **terrible labor market** for general laborers. This could certainly interrupt the growth in the markets we serve."

"The quality of those presently available means **extra training and cost** to get them up to meet job requirements. This will limit our growth."

"Our people are our most valuable asset. Retirements are getting harder to replace."

Jim Nelson
Parr Instrument Company

"The **velocity of change** regarding technology is greater than it ever has been, but the adoption of the various types of technology is highly bifurcated."

Steven Leafgreen
Western Vista FCU

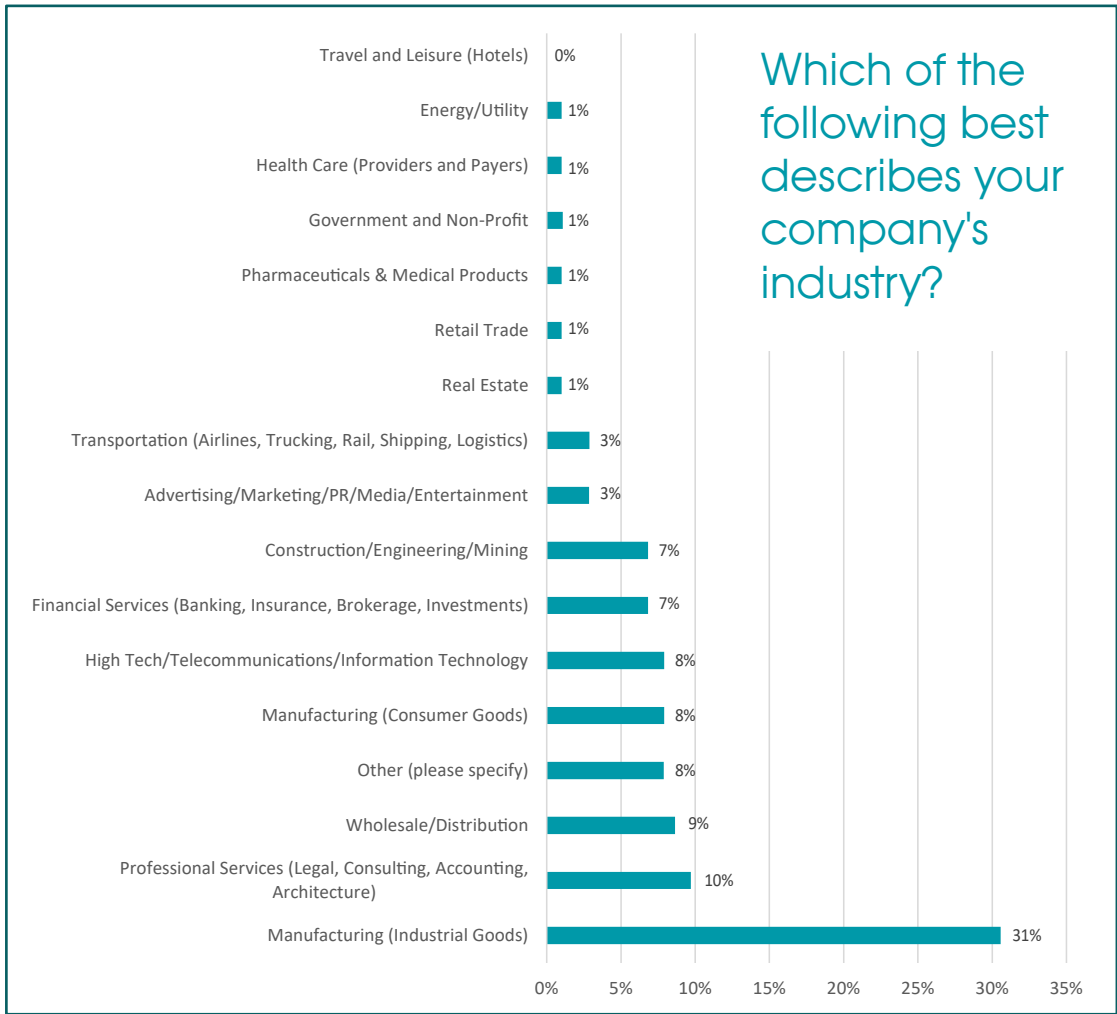
"Easier to grow through acquisition than organically."

"**Codes and regulations** impact the speed and flexibility our customers have in initiating projects where our products and services are needed."

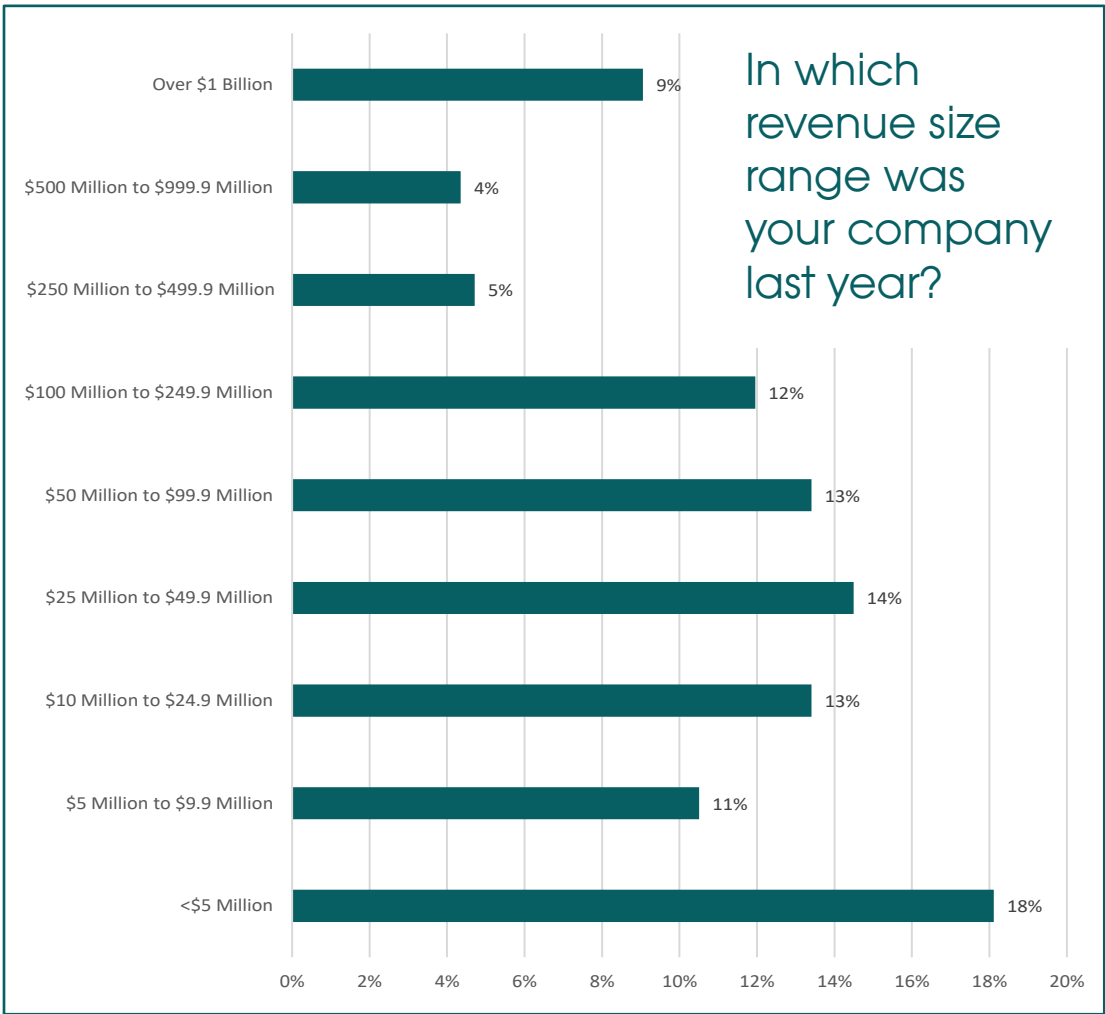
"Safety goes directly to the bottom line and is an asset for the entire staff."

David Sheer
The Steel Supply Company

DEMOGRAPHICS



100% = 278



100% = 276



Marcum LLP is one of the largest independent public accounting and advisory services firms in the nation, with offices in major business markets throughout the U.S., as well as Grand Cayman, China and Ireland. Headquartered in New York City, Marcum provides a full spectrum of traditional tax, accounting and assurance services; advisory, valuation and litigation support; and an extensive range of specialty and niche industry practices. The Firm serves both privately held and publicly traded companies, as well as high net worth individuals, private equity funds and hedge funds, with a focus on middle-market companies and closely held family businesses. Marcum is a member of the Marcum Group, an organization providing a comprehensive array of professional services.



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