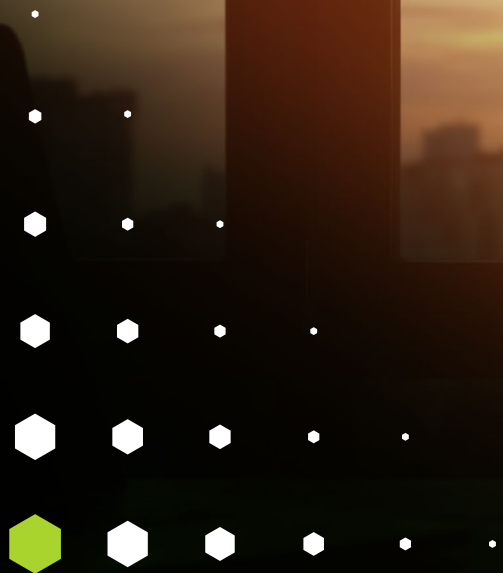




2024 BEYOND BUSINESS REPORT

INSIGHTS FROM HUNTINGTON PRIVATE BANK[®]



AN INTRODUCTION

Many business owners say while the present is better than the recent past, the future holds promise. Others are not so optimistic and with good reason—over the past few years national and international events tested the most robust of businesses.

We know this because we asked.

We asked various-sized business owners about financial, economic, and planning issues to get a deeper understanding of how to help our clients and businesses within Huntington’s footprint stay competitive and succeed in rapidly evolving markets.

We learned that the changes owners are planning over the next 12 to 18 months range from growth and digital transformation to cost cutting and automation. Some are preparing for a change in ownership soon.

That’s where we come in.

We offer a broad team of diversely experienced wealth experts. In this report, Huntington Private Bank’s Chief Economist Olu Omondunbi outlines our economic view and analyzes the current landscape. Dan Griffith, Huntington Private Bank’s Director of Wealth Strategy, shares commentary on business owner mindset and how business owners are preparing for their next chapter.

For more than 100 years Huntington has been a catalyst for positive change by enriching communities and creating an environment where people and businesses can grow and thrive.

Visit [huntington.com/uncommon](https://www.huntington.com/uncommon) for access to more financial and market commentary from our wealth experts or to contact a local Private Bank office near you.

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WHAT WE LEARNED

Most of the business owners we surveyed indicate blue skies are ahead but are still cognizant of possible economic turbulence and evolving threats in 2024 and beyond.



More than two-thirds of **businesses are optimistic** for the economy over the next 12 months.



The threat of an **economic recession continues to be a top concern** for all industries and sizes.



The ongoing threat of **cybersecurity and fraud are also top of mind** for business owners.



A little over half of **businesses are planning to grow or expand** over the next 12 to 18 months.



The business **transition process and timing present challenges** for business owners seeking their next chapter.

SURVEY METHODOLOGY

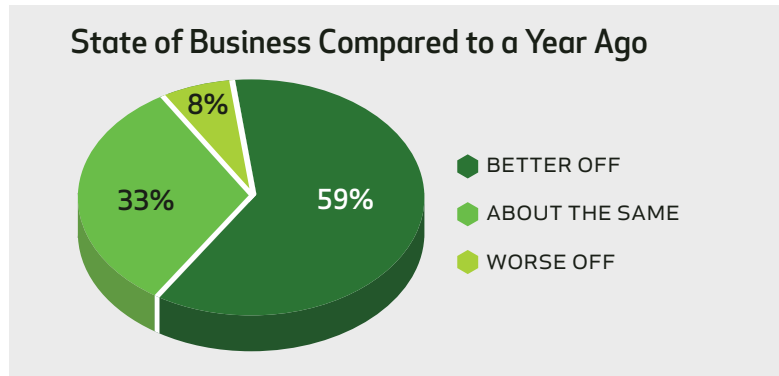
Qualtrics Research Services, a third-party research data processing firm, managed the data collection of prospective business customers between August 31 and October 6, 2023. The 600 prospective business owners were all within the Huntington Bank geographic footprint—Colorado, Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, Pennsylvania, West Virginia, and Wisconsin.

In addition, Huntington Bank's Experience Management Office supplemented the Qualtrics survey panel by surveying a random sample of 112 Huntington business banking customers, sourced from an internal customer list. The prospects had a self-reported annual revenue between \$1MM and \$50MM. Huntington Bank customers had a self-reported annual revenue between \$100K to \$50MM. All industries were surveyed but were most heavily concentrated in Manufacturing (16%), Construction (15%), Finance/Insurance/Real Estate (12%), Retail Trade (11%), Services (10%) and Healthcare (9%). Sampling error for the results is +/- 3.7% at a 95% confidence level.



Economic Pulse

Huntington Private Bank’s survey of small and mid-sized businesses, which was conducted between August and October of 2023 shows nearly 60% of owners are optimistic about their own businesses compared to a year ago. They’re encouraged by slowing inflation, expectations for the Federal Reserve to cut its fed funds rate in 2024, and good consumer balance sheets.

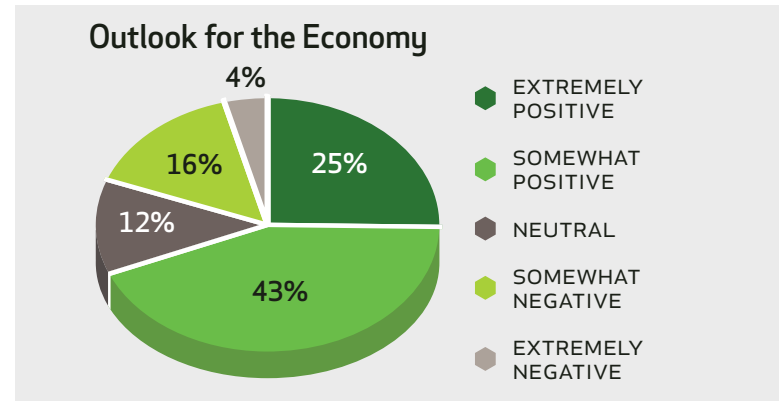


Despite the Federal Reserve’s aggressive tightening cycle, consumer spending was very strong in 2023. The U.S. economy grew stronger than expected thanks to solid consumer balance sheets, supported by strong wage growth, excess savings, and healthy equity markets.

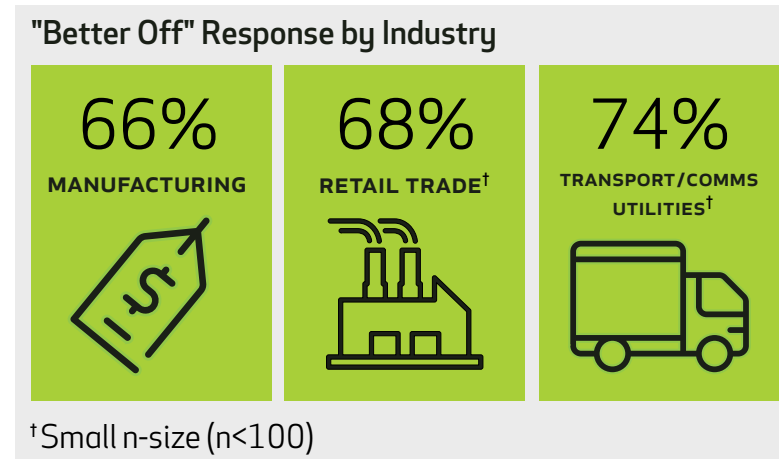
Huntington Private Bank expects consumer spending growth to weaken this year as effects of the Federal Reserve’s tightening cycle continue to pass through the U.S. economy, wage growth slows, and households spend excess savings.

Olu Omodunbi, PhD
Chief Economist
Huntington Private Bank

More than two-thirds of respondents are optimistic about the outlook for the economy over the next 12 months (25% reporting ‘extremely positive’ and 43% reporting ‘somewhat positive’).



We broke down survey results by different industries for a better understanding of how businesses feel about their current state. As an example, 66% of businesses in the manufacturing sector responded that they’re better off today compared to a year ago. Despite weak manufacturing survey readings, the manufacturing sector outlook is positive in early 2024. Global supply chains are improving which will make inventory management more efficient.



Several provisions from major bills passed in recent years such as the Infrastructure Investment and Jobs Act, the CHIPS and Science Act, and the Inflation Reduction Act are supportive of the manufacturing sector. Continued outlays from projects related to these bills are positive for the manufacturing sector over the next 5 to 10 years.

Almost 80% of surveyed respondents are confident about their financial outlook over the next 12 months. That optimism may be based on the fact that only 37% of those surveyed are very concerned about workforce challenges. The U.S. labor market softened last year, and labor shortages eased. The labor market is more balanced in early 2024 thanks to slower demand from businesses and improved labor supply.

An increase in immigration and a rise in the labor force participation rate for prime working age (between 25 and 54) workers helped ease labor shortages. Also, fewer than half of the businesses surveyed are somewhat concerned about supply chain disruptions. Several economic measures show that supply chains stabilized in the past year. The softening in the U.S. labor market was a key contributor to the improvement of supply chains.



Business Owner Mindset

TOP AREAS OF CONCERN

1. The threat of an economic recession
2. Cybersecurity and fraud
3. Higher costs of equipment/materials

THE THREAT OF AN ECONOMIC RECESSION

Virtually all businesses recently navigated unprecedented turbulence. It's no wonder concern for the future remains high as a significant majority of our surveyed businesses say they're bracing for a recession, cyberattacks/fraud, and increased costs (86%, 84%, and 84% respectively).



Despite that rocky experience, we do know that most of those surveyed expect a bright future, but astute business owners could enhance that likelihood with prudence and foresight.

Almost 40% of businesses surveyed are very concerned about the threat of an economic recession, although recession risks receded in 2023, and the odds of a soft landing have increased. After rising to almost double digits in 2022, inflation came down significantly in late 2023 with continued labor market strength. Inflation should continue to moderate this year as the Federal Reserve's monetary policy remains restrictive and wage growth slows.

What does this mean for businesses?

As the phrase 'past performance is no guarantee of future results' suggests, we may have an idea of what the future holds, but the past has taught us not to rely on what might be. Whether it was disruptions in supply chains, challenges in workforce quality, a volatile tax environment, ever-changing borrowing costs, or emerging AI technology, every day presents unique challenges to a business owner. In other words, hope for the best, prepare for the worst.

Clearly, businesses can't control all external forces, but they can alter internal structures and policies to better cope with the outside pressures. Nurturing a robust corporate culture, investing in talent development, and fostering employee well-being are pivotal in weathering economic storms.

CYBERSECURITY AND FRAUD

There may be nothing more important than protecting your family and yourself from risk. But right behind that might be securing your financial portfolio that supports those very loved ones. For business owners, threats come in many forms, with 84% saying they're concerned about cybersecurity.

The tactics cybercriminals use to target businesses are not unusual, but owners' diverse and often deep assets could be attractive and vulnerable targets. Add the 'internet of things' (the connection of multiple digital devices such as your printer, thermostat, and cellphone) into the mix, and hacking vulnerabilities increase. And some businesses, small and large, may not have robust cybersecurity defenses.



Business owners and leaders can't control how or when they'll face a cyberattack, but they can prepare to react quickly and mitigate damage.

Top Policy Areas of Interest for Surveyed Businesses



There's no silver bullet for cybersecurity, but prospective buyers may not be attracted to a vulnerable business. In the current climate, implemented plans and protections cannot be static. Instead, businesses must continually adapt their cyber strategy alongside evolving threats to ensure proper protection and resiliency by:

- Keeping pace with the heightened threat landscape
- Adopting a zero-trust mindset toward everyone involved in your business
- Focusing on overall cyber resilience to combat attacks

HIGHER COSTS OF EQUIPMENT/MATERIALS

Some of the global events that fueled the highest inflation rate in more than 40 years have subsided, but prices remain elevated. That's one reason why 84% of all the businesses we surveyed said higher costs of equipment/materials is a concern.

Business owners typically have long memories, particularly when it comes to events that threaten their livelihood. In fact, owners of businesses of various sizes, from less than \$3MM to more than \$10MM in annual revenue, look at costs as a top concern. You may think you've cut your overhead and variable costs but review your books to look for more waste.

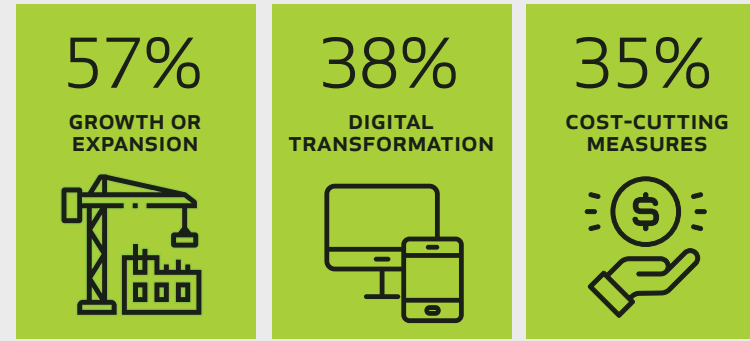
What to expect ahead?

Expecting the worse is a good place to start, both in planning and execution. Do you buy material before prices rise further? Do you set more cash aside? Expand? Franchise? Do you sell now while buyers are looking?

Much of the world was rattled having faced unprecedented obstacles the last few years. It is difficult to foresee a repeat of the recent past, but can you take that chance?

Huntington Private Bank currently forecasts a 45% probability of a recession in 2024. Economic growth will likely weaken this year as the Federal Reserve maintains tight monetary policy in the near term. The federal funds rate is currently at a 22-year high and higher interest rates could result in softer consumer spending and further slowing in the labor market.

Top Three Changes Surveyed Businesses are Looking to Make in the Next 12-18 Months



Businesses that survived the stormy economic conditions can't seem to take their foot off the gas. Owners with thoughts of selling their business may want to boost their business to take advantage of waters that look calm for the foreseeable future.



Transitioning the Business

TOP AREAS OF CONCERN AMONG SURVEYED BUSINESSES

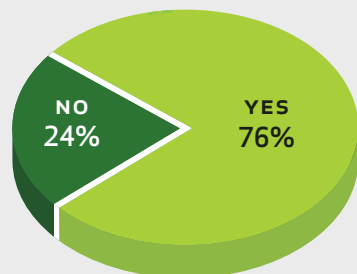
1. Maximizing the valuation of the business
2. Tax implications of the sale
3. Timeframe/duration of the sales process

MAXIMIZING THE VALUATION OF THE BUSINESS

Getting the most out of a business sale, whenever the time comes, is recognized as a vital focus for 79% of surveyed owners. This can be better achieved with forethought, planning and the assistance of a team of professionals.

Many business owners have trouble separating their personal plans with the plans for the business itself by wearing several different hats: shareholder, manager, strategic thinker, and family member. One of the essential steps in maximizing value is to have advisors who can help you understand what each role means and how it affects the growth trajectory.

Do You Have an Advisor, or Team of Advisors Who Will Help You With the Sale/Transfer of Your Business?



Among those selling, merging, transferring business, or retiring over the next 5 years

n=243

Who is Helping With the Sale/Transfer of Your Business? (Among Those Who Have an Advisor, n=185)	
BUSINESS ADVISOR(S) OR CONSULTANT(S)	41%
ACCOUNTANT	37%
LAWYERS	31%
BANKER(S)	25%
FAMILY MEMBER(S)	19%
OTHER	2%

TAX IMPLICATIONS OF A SALE

77% of our surveyed business clients stated the complications taxes bring to business succession planning are a concern, which underlines the need to assemble a team of professionals. And the value of your business and tax consequences depend on various actions.

Most businesses will transition at some point. An owner can take the time to be prepared for that transition or simply leave the circumstances to fate. Responsible ownership means taking the time and effort to prepare for those expected—and unexpected—events.

Dan Griffith, CEPA®
 Director of Wealth Strategy
 Huntington Private Bank

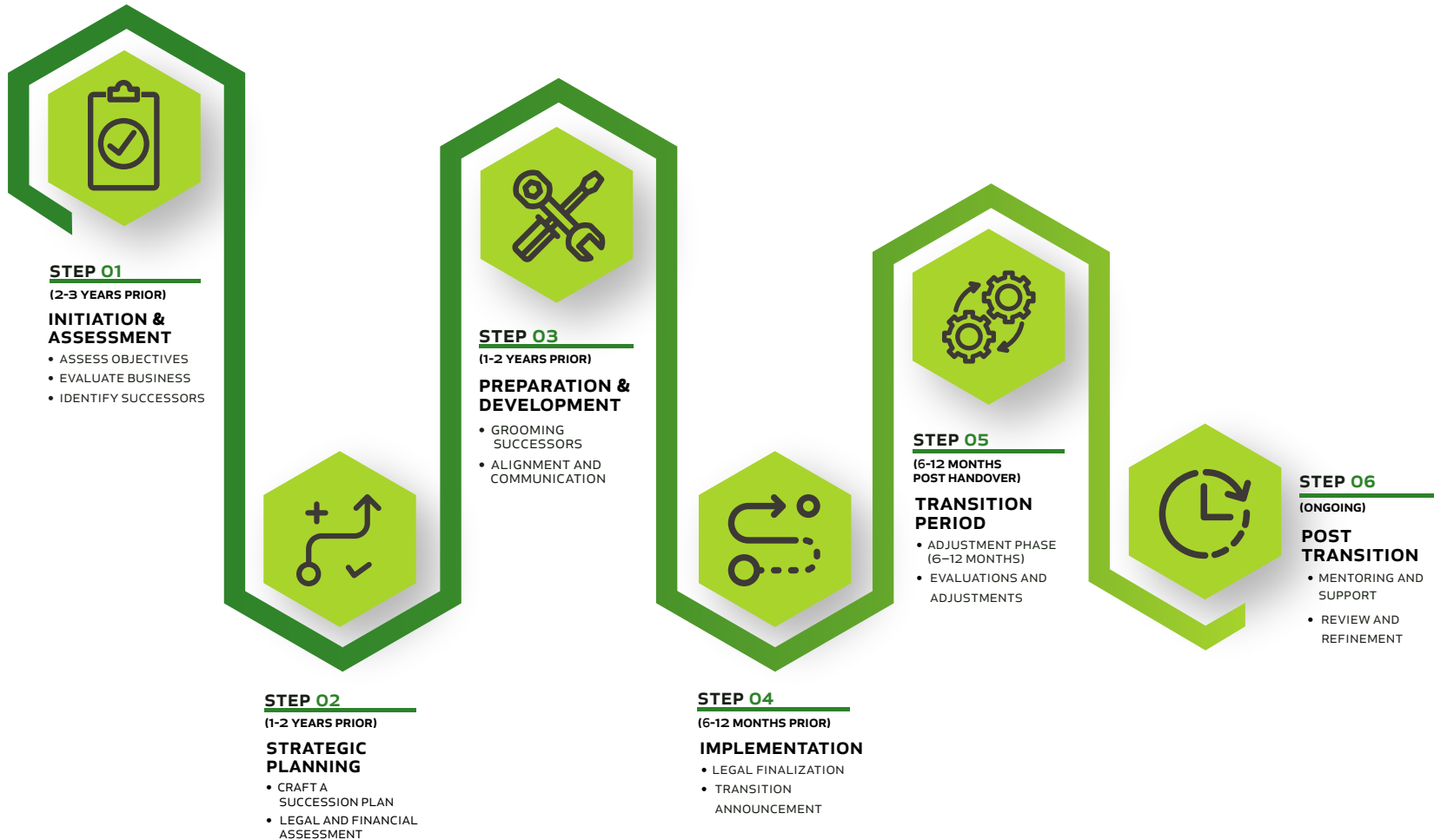
What is the Primary Reason for Selling/Transferring Your Business?	% Selected
RETIREMENT/EXIT OPPORTUNITY	18%
ATTRACTIVE BUSINESS VALUATION	15%
OPPORTUNITY TO EXPAND/GROW THE BUSINESS	12%
TO CASH OUT WHILE MAINTAINING CONTROL	12%
RIGHT TIME FOR A LEADERSHIP CHANGE	11%
TO PURSUE A NEW BUSINESS OPPORTUNITY	11%
IT'S THE RIGHT ECONOMIC CONDITIONS	9%
NEED ACCESS TO CAPITAL	8%
OTHER	2%
PREFER NOT TO ANSWER	2%



TIMELINE/DURATION OF THE SALE PROCESS

The steps and factors related to business transitions are complex, have multiple facets, and are unique to every situation. Initiating the transition conversation well in advance may lay a foundation for a successful transition. Ideally, business owners should start this journey well before the anticipated handover. Business succession planning involves several crucial steps, each with its own timeline. Here's an overview.

The business sale process:



The business sale process is an intricate journey requiring foresight, planning, and a commitment to continuity. The timeline spans several years and distinct phases. Methodically and collaboratively preparing can help business owners feel more confident in leaving an enduring legacy.

CONCLUSION

The Wealth Management team at Huntington prides itself on knowing and serving our clients with an unwavering commitment to success. We excel at supporting business owners because we know well what they want, need, and expect.

There's no guessing. We know our clients because we ask.

Our diversely experienced wealth experts offer perspectives on issues and challenges facing business owners in today's current economic landscape.

To learn more, please contact your Huntington Private Bank team to see how we can help, or [find a Huntington Private Bank office near you.](#)

Experts Overview

CONTRIBUTORS

Huntington Private Bank® wealth management experts are regularly featured in renowned media outlets and financial publications and are skilled at translating complex financial topics into meaningful guidance. Their financial insights cover a variety of topics, from banking and investing news to wealth management and retirement, and the many steps in between.



Olu Omodunbi, PhD
Chief Economist

As a senior vice president and the chief economist, Olu is responsible for setting the Private Bank's economic view. He provides economic analyses and forecasts for clients within and outside the Chief Investment Office and represents Huntington in regional and national media.

With vast global experience and a deep commitment to community service, Olu analyzes wide-ranging data and helps people understand current economic trends and conditions. He is "touched" and "energized" seeing his clients benefit from his research and guidance.



Dan Griffith, CEPA®

Director of Wealth Strategy

Dan, once a practicing attorney, is now Huntington's Director of Wealth Strategy. He leads the development of intellectual capital from the Private Bank, educates clients and colleagues on planning techniques, all while leading a team of advisors dedicated to advising ultra-high-net-worth clients.

For Dan, who began his career in private law practice, community service is a way of life—from serving on a number of non-profit boards, including a stint as President of the Ohio State Bar Association, to direct volunteer hours working with the food-insecure in his local community. As a certified specialist in Estate Planning, he is often called upon to speak to professional and community groups on a variety of technical topics. His goal is always to help translate what sometimes can be complex topics into understandable solutions.

ABOUT HUNTINGTON PRIVATE BANK

Reaching your financial goals takes more than talk. It requires a profound commitment born out of a humble and relentless work ethic; it takes local, personal, focused attention; it takes a dedication to care for clients and their goals as your own, and a devotion to create custom financial plans and solutions for each stage of life's journey. That's not the status quo—that's uncommon commitment. And that's exactly why clients have chosen us as a fiduciary for more than 100 years.

SUPPORTING BUSINESSES AND FAMILIES WITH PLANNING

Huntington Private Bank's nationally recognized wealth strategists go above and beyond to understand your goals and wishes and help bring them to fruition. We have vast experience in business succession planning, estate planning, charitable giving, wealth transfer, and tax strategies for business owners and high-net-worth clients. With our sophisticated advice and guidance, you can feel confident when facing complex decisions and putting a plan in motion.

TOUGH QUESTIONS WE CAN HELP YOU ANSWER:

- When is the right time to transfer my business, and how soon should I start planning for that transition?
- What should be considered before, during, and after the transfer process?
- Should I hand the business down to family or sell?
- How should I structure a sale?
- What will the impact be to my tax strategy?
- What will my next chapter be?

To receive timely and relevant market commentary by our wealth experts similar to this, visit [huntington.com/uncommon](https://www.huntington.com/uncommon) to sign up for our communications or to contact a local Private Bank office near you to learn more.



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