



The Middle Market Power Index: ECONOMIC MIGHT OF MIDDLE MARKET FIRMS

Since 2015, American Express and Dun & Bradstreet have collaborated to increase public understanding of the vital role that middle market firms – defined as businesses with revenues between \$10 million and \$1 billion – play in the American economy.

This seventh report in the Middle Market Power Index series examines the current characteristics and economic contributions of middle market firms, focusing especially on the years between 2011 and 2017, when economic growth began to return to the U.S. economy.

Data for this report is drawn from Dun & Bradstreet’s database of commercially-active businesses, which is updated in March of each year.

MIDDLE MARKET FIRMS IN 2017

MIDDLE MARKET FIRMS SUBSTANTIALLY IMPROVED THE NATION’S ECONOMIC HEALTH BETWEEN 2011 AND 2017. When economic activity started showing greater signs of growth, middle market firms as a category proved that they are the most nimble, agile and growth-oriented of all businesses. Compared to small and large companies, middle market firms experienced the greatest growth in overall numbers (83.9%), employment (103.3%) and revenue (99.9%).

WHILE SMALL IN NUMBER, MIDDLE MARKET FIRMS MAKE AN OUTSIZED IMPACT ON THE U.S. ECONOMY. They account for just 1% of all commercially-active companies, but were responsible for more than half of the 51.8 million new jobs created between 2011 and 2017. During this time period, the average middle market company saw employment increase by a substantial 10.5%.

MANUFACTURING AND WHOLESALE TRADE INDUSTRIES SHOWED THE MOST STRENGTH. Nearly one-third of all middle market firms fall into these two industries, which underscores the influence they have on the middle market as a segment. Conversely, manufacturing and wholesale trade combined account for less than one-tenth of all firms in the Dun & Bradstreet database. Not only are they the largest within the middle market, but the growth rate among middle market firms in these two industries has more than doubled in the last six years.

THE RUST BELT STATES OF OHIO AND MICHIGAN SHINE BRIGHTEST FOR MIDDLE MARKET FIRMS. Middle market firm growth in these two states has experienced a triple-digit increase since 2011, making them the two states that not only rank in the top 10 for overall number, but also in the top 10 for highest growth. Performance in Ohio and Michigan can be the result of any number of factors, including the resurgence of the manufacturing industry.

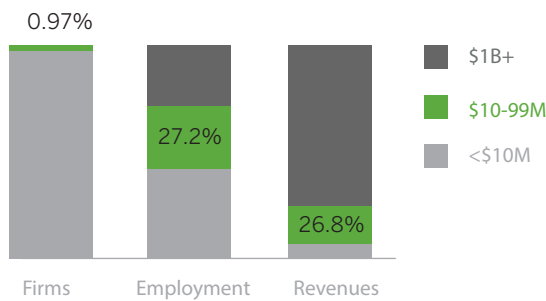
EXPORTING ACCELERATES IN THE MIDDLE MARKET. While still small, the number of middle market firms that export their goods or services has more than quadrupled during the past six years.

Key Findings:

MIDDLE MARKET FIRMS PACK ECONOMIC PUNCH.

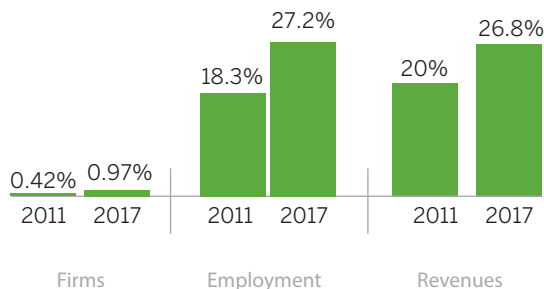
While small in number – accounting for less than 1% of all commercially-active companies in the Dun & Bradstreet database – middle market firms make a big impact on the economy. These firms employ more than one in four U.S. workers and generate more than one quarter of all revenue.

MIDDLE MARKET FIRMS MAKE A BIG IMPACT ON U.S. ECONOMY



- The vast majority of businesses in the U.S. economy – 99.01% according to Dun & Bradstreet’s database – are considered small, defined in this study as having less than \$10 million in annual revenue. Contrast this with large companies (those with greater than \$1 billion in annual revenue), which account for only 0.02% of all U.S. companies. The remainder (0.97%) are found in the middle market.
- Despite comprising less than 1% of all commercially-active firms, these middle market companies are economic powerhouses. They employ more than one in four workers within the U.S. economy (27.2%) and account for more than one quarter of all revenue (26.8%) produced by U.S. businesses tracked in the Dun & Bradstreet database.
- Driven in large part by an increase in the percentage of firms over the past six years – from 0.42% of all companies in 2011 to 0.97% by 2017 – middle market firms’ share of both employment and revenue jumped significantly; from less than 20% to more than 27% of employment, and from 20% to nearly 27% in revenue. This gain has held steady over the past few years.
- The 179,782 companies that make up the middle market generate a combined \$9.3 trillion in revenues, and employ roughly 52.7 million workers in total.

SHARE OF MIDDLE MARKET FIRMS JUMPS FOR OVERALL NUMBER, EMPLOYMENT, AND REVENUE BETWEEN 2011 AND 2017

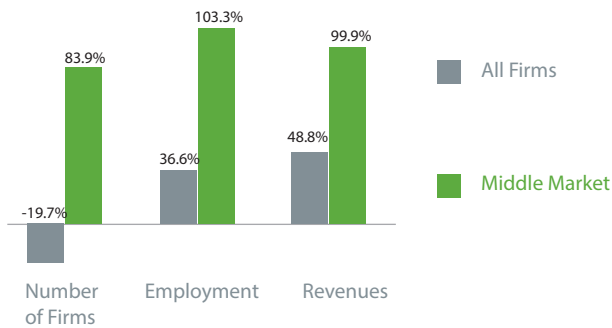


Key Findings:

WHILE SOME BUSINESSES STRUGGLED EVEN AFTER THE ECONOMIC CRISIS ENDED, MIDDLE MARKET FIRMS SHOWED THE GREATEST VITALITY. THEY DIDN'T JUST SURVIVE, THEY THRIVED.

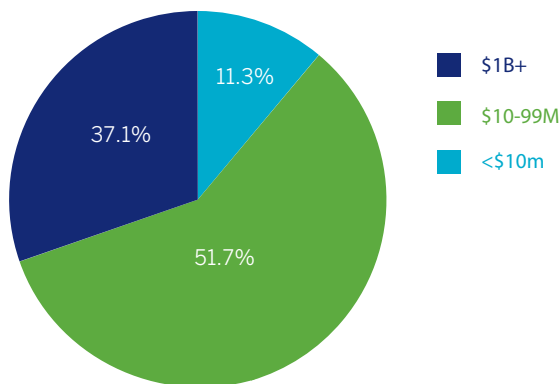
Between 2011 and 2017, while the overall number of commercially-active firms declined, the number of middle market firms nearly doubled, as did revenues at these firms. Middle market employment as a whole more than doubled, and the growth rate for all three metrics is far greater for middle market firms than for small and large companies. More than half of the new jobs since 2011 have come from middle market enterprises alone.

MIDDLE MARKET FIRMS LEAD ECONOMIC GROWTH IN U.S. 2011-2017



MAJORITY OF JOB GROWTH SINCE 2011 HAS COME FROM MIDDLE MARKET FIRMS

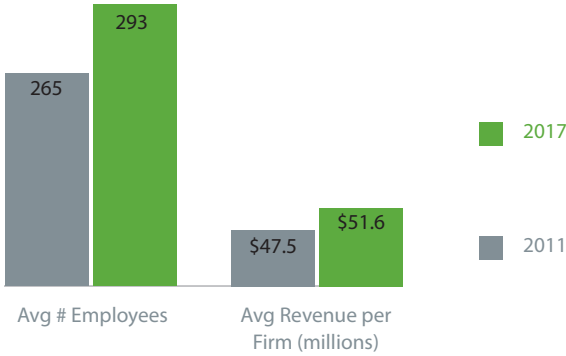
Distribution of Employment Growth by Firm Size



- Middle market firms have shown the most growth over the past six years, increasing their total number by 82,025 – a gain of 83.9% from 97,757 in 2011 to 179,782 in 2017.
- Large companies – those with \$1 billion in revenue or more – account for just 0.2% of all businesses in the U.S. This segment also saw growth, increasing by 63.9%, from 1,922 in 2011 to 3,150 in 2017.
- Since 2011, combined revenues for all businesses have also increased by a substantial 48.8%. The comeback is again strongest for middle market firms (99.9%) compared to small (3.2%) and large market companies (49.1%).
- Employment among all commercially-active firms rebounded over the last six years. The total number of jobs created by all firms in the Dun & Bradstreet database increased from 141.8 million in 2011 to 193.6 million in 2017, a jump of 36.6%. The lion's share of that growth (51.7%) came from the middle market; of the 51.8 million new jobs, 26.8 million were created by middle market firms. From 2011 to 2017, employment grew the most for the middle market (103.3%), compared to small (7.4%) and large market firms (52.3%).

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AVERAGE SIZE OF MIDDLE MARKET FIRMS GREW 2011 TO 2017

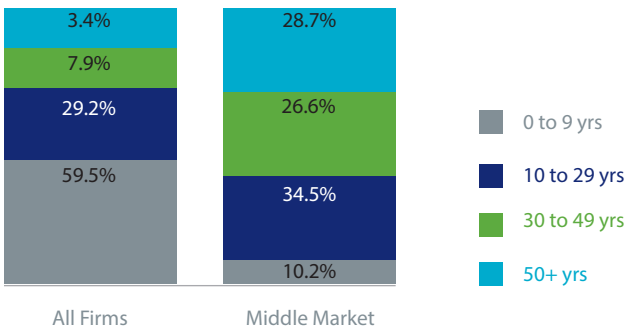


- Middle market firms show more vitality not only when you look at their numbers in aggregate, but also when a typical firm is considered. From 2011 to 2017, the average middle market firm grew from 265 employees to 293 employees and increased sales from \$47.5 million to \$51.6 million.

- The combination of an increase in number of middle market firms and an increase in their average size has had an important effect on fueling growth in employment and revenue.

- Growth in employment and sales was also seen among small firms. From 2011 to 2017, the average small business grew from 3.5 employees to 4.5 employees, and grew sales from \$230,600 to \$298,300.

MIDDLE MARKET FIRMS HAVE EXPERIENCE ON THEIR SIDE



- Large companies were the only ones to see a decrease in employment and revenue. The number of employees at these firms shrank from approximately 19,100 to 17,800 on average and sales declined from \$6.9 billion to \$6.3 billion on average.

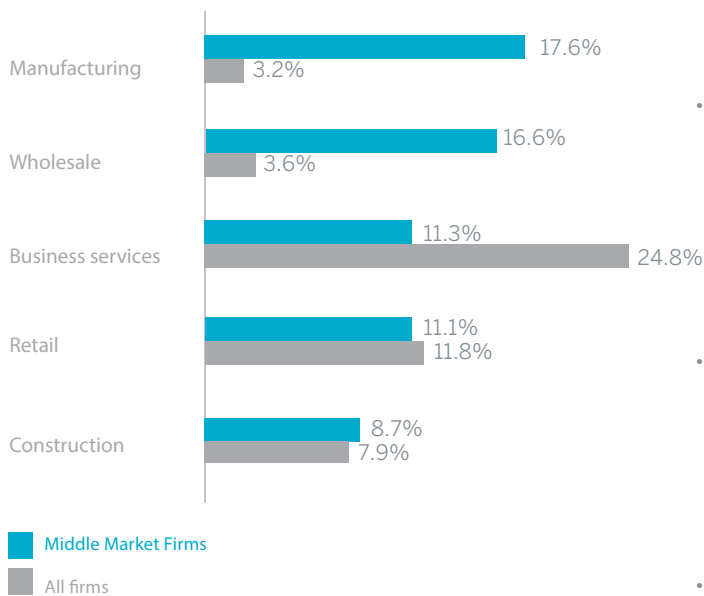
- Experience can be closely correlated with success. Those who have navigated rough seas before generally possess the knowledge, and potentially the extra resources, needed to weather future storms and succeed under tough circumstances. While most middle market firms (55.3%) have been in business for 30 years or more, a majority of all U.S. firms (59.5%) have been in business for fewer than 10 years. The average age of a middle market firm is 35 – almost three times the average age for all businesses, which is 12 years.

Key Findings:

MIDDLE AMERICA AND TRADITIONAL INDUSTRIES DRIVE MIDDLE MARKET GROWTH.

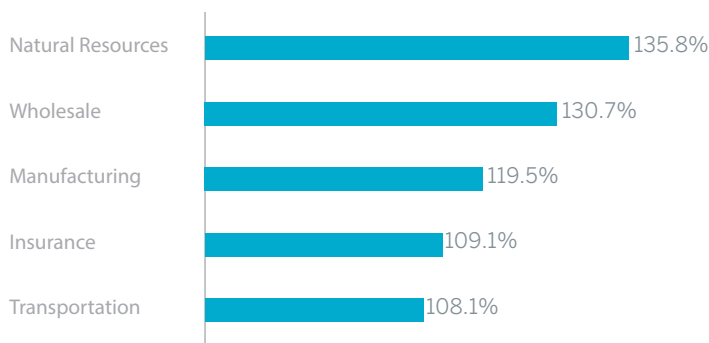
Increases in the number of manufacturing and wholesale trade businesses are driving the most growth in the number of middle market firms. In terms of geography, Ohio and Michigan are middle market powerhouses – they are the only two states that experienced high growth in the number of middle market firms, are in the top 10 in total number of middle market firms, and have a greater than average share of middle market firms. Separately, the number of middle market exporters is increasing rapidly and the number of minority- and women-owned businesses across the U.S. also is on the rise.

MIDDLE MARKET FIRMS MUCH MORE LIKELY TO BE MANUFACTURERS AND WHOLESALERS



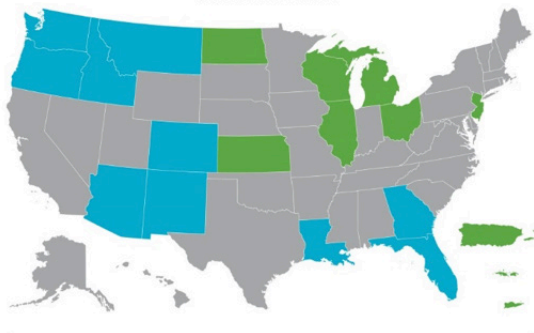
- Combined, manufacturing and wholesale trade industries account for one third of all middle market firms. Business services, retail and construction firms together represent nearly an additional one third of the middle market.
- Middle market manufacturing and wholesale trade companies have been responsible for much of the growth in the U.S. economy over the past six years. Middle market firms in both industries have experienced growth of at least 120% between 2011 and 2017. Both industries have been transforming themselves to become leaner, more agile and more globally competitive.
- Manufacturers and wholesalers are also more likely to belong to the middle market segment of the economy compared to businesses in general – 17.6% of middle market firms are in the manufacturing sector compared to 3.2% of all firms, and 16.6% of wholesalers are middle market firms compared to 3.6% of all firms.
- Other high growth industries for the middle market include natural resources, insurance and transportation. Combined, these three industries represent 6.8% of all middle market firms.

TOP FIVE GROWTH INDUSTRIES FOR MIDDLE MARKET FIRMS 2011-2017



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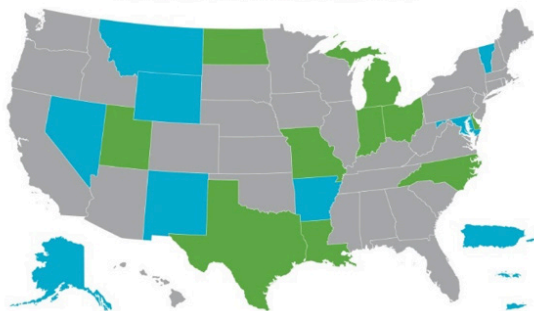
The Ten States With the Highest and Lowest Share of Middle Market Firms



Greatest Share of MMFs
 Puerto Rico, U.S. Virgin Islands, District of Columbia, Illinois, Wisconsin, Michigan, Ohio, North Dakota, New Jersey, Kansas

Lowest Share of MMFs
 Washington, Idaho, Georgia, New Mexico, Oregon, Arizona, Louisiana, Montana, Colorado, Florida

The Ten States With the Highest and Lowest Growth Rates in the Number of Middle Market Firms 2011-2017



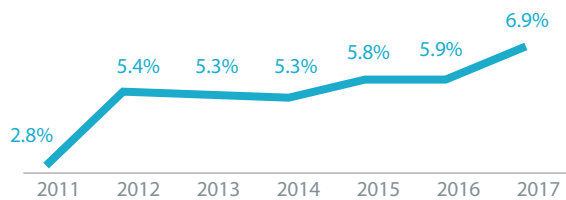
Highest Growth Rates
 Texas, Ohio, Michigan, Indiana, Delaware, Illinois, Missouri, Louisiana, North Carolina, Utah

Lowest Growth Rates
 Wyoming, Maryland, Vermont, New Mexico, Montana, Hawaii, Arkansas, Nevada, U.S. Virgin Islands, Puerto Rico

- Middle market firms are important to all states and territories in different ways. The 10 states (Puerto Rico, the U.S. Virgin Islands and Washington D.C. are included in research) where middle market firms have the most headquarters are California, Texas, New York, Florida, Illinois, Pennsylvania, Ohio, New Jersey, Michigan and Georgia. It should be noted however, that these states are the largest states in terms of population and number of businesses overall, which explains the high number of middle market firms.
- The 10 states experiencing the highest growth in number of middle market firms from 2011 to 2017 are Texas, Ohio, Michigan, Indiana, Delaware, Illinois, Missouri, Louisiana, North Carolina and Utah.
- The 10 states and territories with the greatest share of middle market firms are Puerto Rico, the U.S. Virgin Islands, Washington DC, Illinois, Wisconsin, Michigan, Ohio, North Dakota, New Jersey and Kansas.

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STEADY GROWTH IN EXPORTING AMONG MIDDLE MARKET FIRMS 2011-2017



- Exporting is also increasingly important to middle market firms. While only 6.9% of middle market firms currently export, this number has grown steadily in recent years. The number of middle market companies that export their goods or services has quadrupled during the past six years, surging from 2,766 in 2011 to more than 12,341 in 2017.
- Middle market firms are increasingly owned by women. The number of women-owned middle market firms has jumped 119.6% from 2011 to 2017, and the total share of women-owned middle market businesses has increased from 6.0% in 2011 to 7.2% in 2017. Middle market firms are also more likely than average to be women-owned enterprises (7.2%) than companies overall (6.5%). As we look toward the future, small businesses that are on the cusp of crossing the middle market threshold – those with between \$1 million and \$10 million in annual revenues – are even more likely to be women-owned (10.1%).
- Middle market minority-owned firms are increasing in number as well. While still a small percentage (5.5%), their numbers grew 85.8% from 2011 to 2017. Middle market firms are nearly more than 2.5 times more likely than firms in total to be minority-owned enterprises. Importantly, firms knocking on the doors of the middle market – those generating \$1 million to \$10 million – are more likely to be minority-owned businesses (5.9%).

Conclusion:

Middle market firms may be small in number but they have had a positive impact on U.S. jobs and total business revenues, which have grown substantially over the last six years. These firms have not only increased in number, but also in overall health, showing growth in number of employees and revenues.

Additionally, by transforming themselves to be more globally competitive, the manufacturing and wholesale trade sectors are becoming increasingly important to the U.S. economy. Ohio and Michigan, which were hit particularly hard by the economic crisis and have a high percentage of these industries within their borders, are now leading the nation in growth of middle market firms.

Methodology Note

This report is based on an analysis of all of the firms in Dun & Bradstreet's (D&B's) commercial databases of 18,477,692 businesses between March 2011 and March 2017. The first database is a virtual census of all of the commercially-active businesses in the United States (defined as firms that have obtained a D-U-N-S® Number and that sell and receive goods and services and use credit transactions in their business). The second is D&B's credit scoring archive database, which collects and models commercial activity and business financial strength. All subsidiary and business establishment data are combined; only enterprise-level data (top of the business family tree, or Ultimate D-U-N-S Number firms) are reported. Additionally, public sector entities are excluded.

Among the 18 million commercially-active businesses in 2017, 179,782 firms have between \$10 million and \$999 million in revenue and are defined as middle market enterprises. The vast majority of commercially-active firms in the D&B database (18,294,760) have less than \$10 million in revenues. They are referred to as small firms in this analysis. Only 3,150 firms generate \$1 billion or more in revenues.

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The 2017 Middle Market Power Index: Firm Characteristics

Commercially-active Firms

	Total	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)
2017				
Number of Firms	18,477,692	18,294,760	179,782	3,150
Revenues (\$'000)	\$34,623,783,606	\$5,458,763,033	\$9,285,501,333	\$19,879,519,240
Employment	193,629,869	84,964,429	52,710,770	55,954,670
Share of				
Firms	100%	99.01	0.97	0.02
Revenues	100%	15.8	26.8	57.4
Employment	100%	43.9	27.2	28.9
Change, 2011-2017				
Firms, #	-4,543,618	-4,626,871	82,025	1,228
%	-19.7%	-20.2%	83.9%	63.9%
Revenues, (\$'000)	\$11,358,358,977	\$171,343,740	\$4,641,363,749	\$6,545,651,488
%	48.8%	3.2%	99.9%	49.1%
Employment, #	51,834,694	5,841,040	26,780,214	19,213,440
%	36.6%	7.4%	103.3%	52.3%
Average Firm Size				
Avg. Employees/Firm	10.5	4.6	293.2	17,763.4
Avg. Revenues/Firm	\$1,873,815	\$298,378	\$51,648,670	\$6,310,958,489
Distribution of Firms by Industry, 2017				
Natural Resources	4.0%	4.1%	1.7%	3.9%
Construction	7.9	7.9	8.7	3.0
Manufacturing	3.2	3.0	17.6	27.8
Transportation	3.0	3.0	3.3	3.5
Telecom	0.6	0.6	0.8	1.6
Utilities	0.3	0.3	1.5	4.1
Wholesale Trade	3.6	3.5	16.6	9.7
Retail Trade	11.8	11.8	11.1	8.4
Finance	2.5	2.5	4.8	9.2
Insurance	1.2	1.2	1.8	6.4
Real Estate	4.4	4.4	1.6	0.8
Business Services	24.8	24.9	11.3	9.2
Personal Services	3.7	3.8	0.2	0.3
Health Services	5.7	5.7	5.8	5.8
Social Services	1.8	1.8	2.3	0.3
Educational Services	1.3	1.2	6.4	3.3
Other Services	11.4	11.4	4.3	2.4
Share of Firms That Are				
Majority women-owned	6.5%	6.5%	7.2%	1.0%
Women-owned or -led	23.3	23.4	13.3	8.5
Minority-owned	2.4	2.4	5.5	1.3
Exporters	0.3	0.2	6.9	21.6
Number of Years in Business				
<10	60%	60%	10%	11%
10-29	29	29	35	29
30-49	8	8	27	23
50+	3	3	29	37
Mean # Years	12	12	35	40

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Number and Distribution of Commercially-active U.S. Businesses by Firm Size and State, 2017

	Number of Firms				Share of Firms			% Chg in # MM Firms, 2011-2017
	Small (<\$10M)	Middle Market (\$10M-\$999M)	Large (\$1B+)	Total	Small (<\$10M)	Middle Market (\$10M-\$999M)	Large (\$1B+)	
Total U.S.	18,294,760	179,782	3,150	18,477,692	99.01%	0.97%	0.02%	83.91%
AK	47,407	418	4	47,829	99.12%	0.87%	0.01%	55.97%
AL	207,725	2,468	18	210,211	98.82%	1.17%	0.01%	76.54%
AR	129,153	1,347	15	130,515	98.96%	1.03%	0.01%	79.12%
AZ	413,036	2,700	49	415,785	99.34%	0.65%	0.01%	78.93%
CA	2,237,195	21,716	330	2,259,241	99.02%	0.96%	0.01%	85.91%
CO	467,321	2,878	70	470,269	99.37%	0.61%	0.01%	86.40%
CT	256,296	2,505	75	258,876	99.00%	0.97%	0.03%	84.19%
DC	44,517	968	22	45,507	97.82%	2.13%	0.05%	71.33%
DE	550,508	519	15	510,042	98.95%	1.02%	0.03%	93.66%
FL	1,931,325	9,301	122	1,940,748	99.51%	0.48%	0.01%	72.18%
GA	625,885	4,941	103	630,929	99.20%	0.78%	0.02%	87.02%
HI	66,707	600	6	67,313	99.10%	0.89%	0.01%	61.29%
IA	200,939	2,029	26	202,994	98.99%	1.00%	0.01%	75.22%
ID	92,602	738	11	93,351	99.20%	0.79%	0.01%	74.06%
IL	557,363	8,766	206	566,335	98.42%	1.55%	0.04%	92.70%
IN	312,491	3,763	47	316,301	98.80%	1.19%	0.01%	93.97%
KS	147,003	1,874	28	148,905	98.72%	1.26%	0.02%	75.63%
KY	215,032	2,177	25	217,234	98.99%	1.00%	0.01%	84.80%
LA	385,933	2,442	20	388,395	99.37%	0.63%	0.01%	90.48%
MA	393,305	4,896	117	398,318	98.74%	1.23%	0.03%	77.26%
MD	335,418	3,180	45	338,643	99.05%	0.94%	0.01%	66.58%
ME	65,601	740	4	66,345	98.88%	1.12%	0.01%	69.72%
MI	449,146	6,197	96	455,439	98.62%	1.36%	0.02%	100.49%
MN	333,132	3,927	68	337,127	98.81%	1.16%	0.02%	83.25%
MO	298,828	3,552	66	302,446	98.80%	1.17%	0.02%	91.07%
MS	137,078	1,284	9	138,371	99.07%	0.93%	0.01%	79.08%
MT	78,461	492	0	78,953	99.38%	0.62%	0.00%	61.31%
NC	516,958	4,541	84	521,583	99.11%	0.87%	0.02%	89.45%
ND	50,162	648	8	50,818	98.71%	1.28%	0.02%	82.02%
NE	109,316	1,196	27	110,539	98.89%	1.08%	0.02%	70.86%
NH	79,517	928	3	80,448	98.84%	1.15%	0.00%	82.68%
NJ	480,266	6,230	115	486,611	98.70%	1.28%	0.02%	80.79%
NM	96,568	746	3	97,317	99.23%	0.77%	0.00%	64.68%
NV	112,166	1,051	13	113,230	99.06%	0.93%	0.01%	48.87%
NY	1,041,631	12,946	319	1,054,896	98.74%	1.23%	0.03%	85.29%
OH	543,117	7,092	130	550,339	98.69%	1.29%	0.02%	102.22%
OK	202,131	1,952	31	204,114	99.03%	0.96%	0.02%	73.05%
OR	289,540	2,086	21	291,647	99.28%	0.72%	0.01%	76.48%
PA	700,511	8,027	141	708,679	98.85%	1.13%	0.02%	82.89%
PR	9,572	538	4	10,114	94.64%	5.32%	0.04%	0.00%
RI	55,568	635	15	56,218	98.84%	1.13%	0.03%	67.55%
SC	208,248	1,993	27	210,268	99.04%	0.95%	0.01%	78.11%
SD	56,181	595	4	56,780	98.95%	1.05%	0.01%	68.08%
TN	296,802	3,194	70	300,066	98.91%	1.06%	0.02%	82.20%
TX	1,507,879	14,226	306	1,522,411	99.05%	0.93%	0.02%	104.13%
UT	173,223	1,481	25	174,729	99.14%	0.85%	0.01%	88.18%
VA	485,119	4,363	89	489,571	99.09%	0.89%	0.02%	71.70%

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	Number of Firms			Share of Firms			% Chg in # MM Firms, 2011-2017	
	2011	2016	2017	2011	2016	2017	2011-2016	2016-2017
VI	825	25	0	850	97.06%	2.94%	0.00%	8.70%
VT	44,878	438	3	45,319	99.03%	0.97%	0.01%	66.54%
WA	399,760	3,431	43	403,234	99.14%	0.85%	0.01%	75.68%
WI	254,986	3,975	69	259,030	98.44%	1.53%	0.03%	85.49%
WV	66,204	715	1	66,920	98.93%	1.07%	0.00%	75.25%
WY	34,225	312	2	34,539	99.09%	0.90%	0.01%	66.84%

- Greater than average share (>1.17%)
- Less than average share (<0.77%)