



Data-driven Strategy

Salt Lake County

Global Trade and Investment Findings

March 31, 2017

Executive Summary

Current State Highlights

- Exports are important to SLCo's thriving economy – in fact, 22% of jobs in Utah touch exporting in one-way-or-another. Exports originating from SLCo companies were \$10.4 billion in revenue in 2015.
- Utah and Salt Lake County provide a strong economic environment with low cost of living, low wages, good infrastructure, and a business friendly regulatory environment
- SLCo companies surveyed cite a lack of capital and quality talent as the biggest challenges to growth
- Two out of three companies expressed they face obstacles with recruiting the necessary talent – too much competition (62%) and lack of quality talent (41%)

Exporting Products and Services

- 22% of surveyed SLCo companies currently export outside of the US, and 27% who do not export expressed interest in doing so
- **Benefits:** Many SLCo companies strongly agree that exporting products / services outside of the US will increase revenues and give additional access to untapped markets.
- **Drawbacks:** Perceived legal hurdles and regulatory concerns, more than language or cultural barriers, are the largest obstacles keeping more SLCo companies from exporting goods / services
- **Services:** Business owners indicate that they are not aware of the County's foreign trade zone or their business retention and expansion programs. Consequently they are not using these programs.

Foreign Merger or Acquisition

- 97% of companies surveyed are strictly domestic or locally owned – many local business owners do not have an interest in being acquired by a foreign company but 24% of non-owner executives express interest
- **Benefits:** SLCo companies feel that a merger or foreign acquisition will bring access to new markets, increased capital, and additional market knowledge
- **Drawbacks:** The fear of losing management control and local touch is keeping SLCo businesses from engaging in mergers or acquisitions with foreign companies

Salt Lake County Economic Environment

In-depth Interviews and Secondary Research

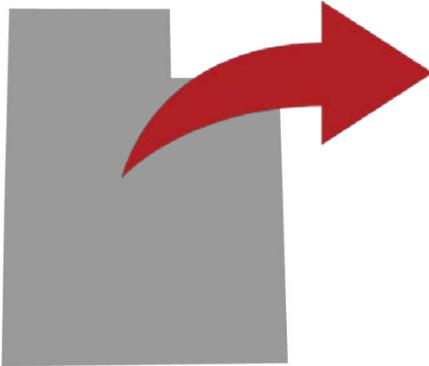
Exports are important to a thriving Salt Lake County. 22% of Utah jobs are affected by exporting in one-way-or-another.

SLCo Exports

22% of Utah Jobs are supported by exporting

193 foreign parents are doing business in SLCo

- 33 countries represented
- 19 from Europe and 5 from Asia
- 18 different industry sectors



SLCo Exports | 2015

\$10.4B in total export revenue for SLC MSA*

69% of Utah exports originate from SLC MSA*

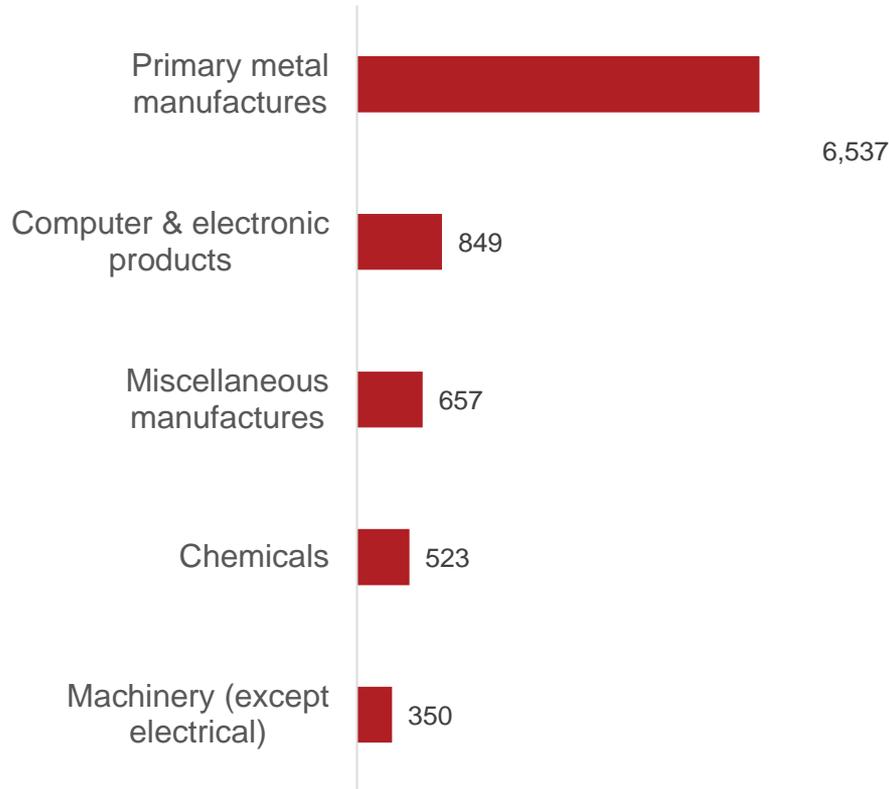
85% of SLC MSA* exports originate from SMEs

SLC MSA* is **27th** largest exporting MSA in the US

*SLCo represents 95%+ of Salt Lake City MSA economic activity. Tooele County represents the remaining 5% of SLC's MSA

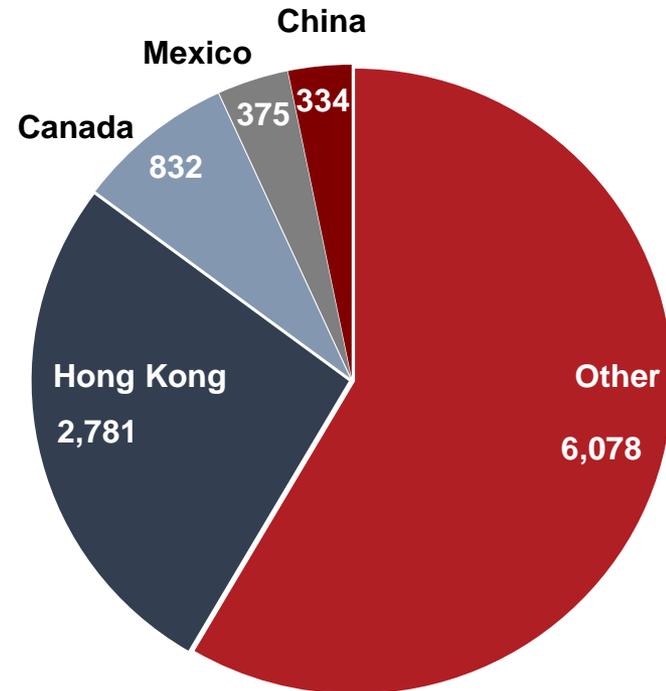
The region exports significant mining products, electronics, chemicals, machinery, and other products to an array of markets around the world.

**Top Salt Lake City Area Export Sectors
(Millions of dollars)**



Primary metal manufacturing accounted for 63% of the County's exports (\$6.54B) in 2015

**Top Salt Lake City Area Export Markets
(Millions of dollars)**



Hong Kong is leading export destination, claiming 26% market share (\$2.8B of \$10.4B) – much of these exports are later sent into Mainland China

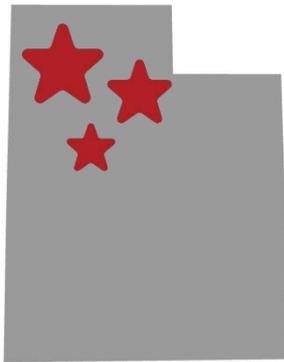
The United Kingdom is a significant trade partner; we believe higher than the rest. The International Trade Administration does not release UK specific numbers for the SLC MSA due to disclosure concerns (i.e. we would all know what is Rio Tinto's copper volume).

-Confidential-

Utah's economy has received significant national and international attention in recent years, much positive, some negative.

Utah Economic Highlights

- Top State for Business – CNBC 2016
- Best State Economy – Wallethub 2016
- Second-fastest job growth in nation 2016
- First in Economic Outlook – ALEC Rankings 2016
- 3rd Most Diverse Economy – Hachman Index
- Best Managed State in the Nation – Pew Center
- 1st in Growth Entrepreneurship – Kauffman Index*



*Among 25 "small states" in the union

Utah Negative Perceptions

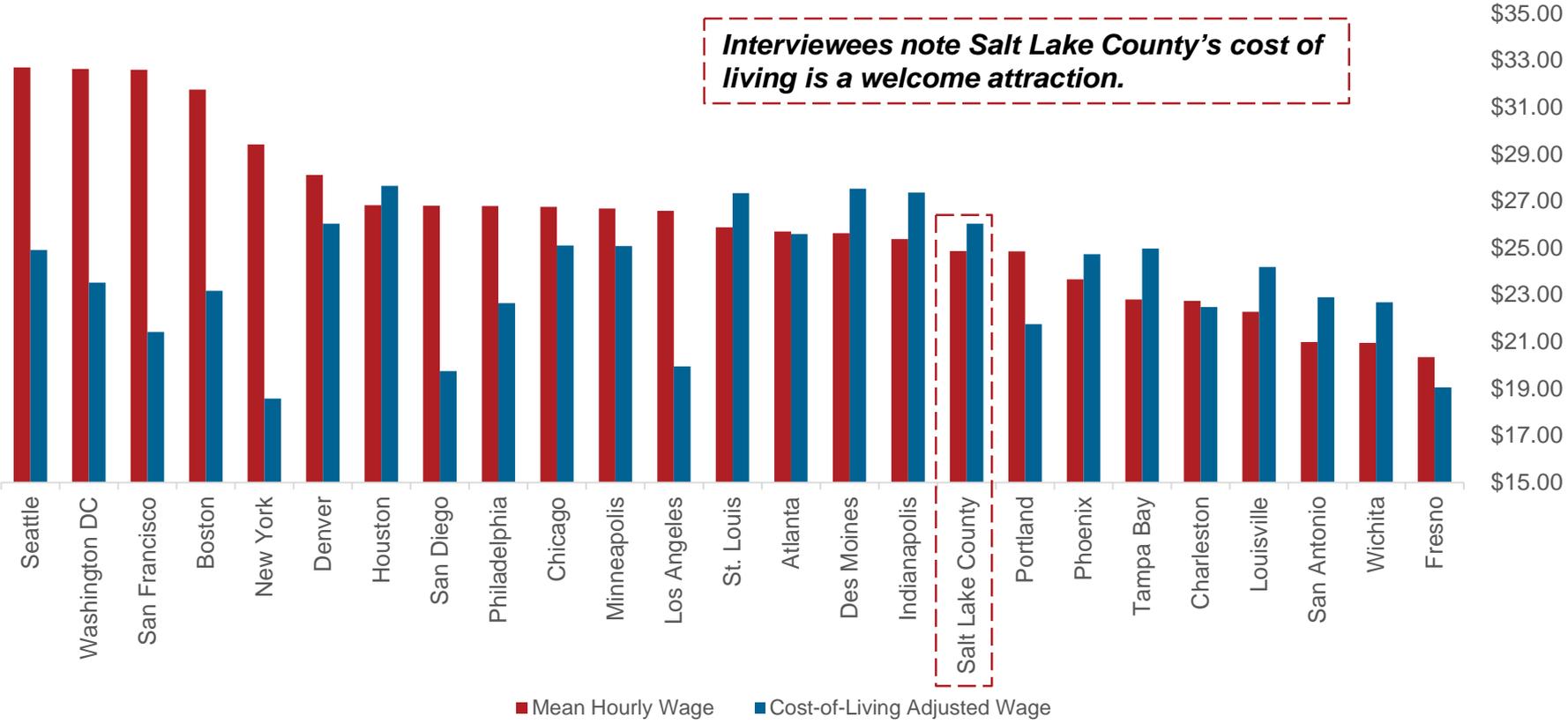
- Utah ranked worst state for women in leadership roles and earnings
– 24/7 Wall Street, 2014, 2015
- Utah ranks 51st in US for disparity between male and female Bachelor's degree attainment
- SLCo air quality issues are often a concern for out-of-state prospective employees
- Companies locating in Utah have varying experiences with regards to labor: Utah has a well-educated workforce for entry-level positions; high-level talent are viewed as being in short supply

“Utah is seen as a bad place for women to work.”
– Salt Lake County Business Leader

“Utah is seen as a conservative and ‘backwards’ state”
– Salt Lake County Business Leader

Wages in Salt Lake County are good for BOTH employers and employees – wage costs are comparatively low, yet the wages go much further than in most regions.

Average Wages and Cost of Living



In addition to its numerous soft assets, Salt Lake County region also has multiple hard assets to support export-related activities.

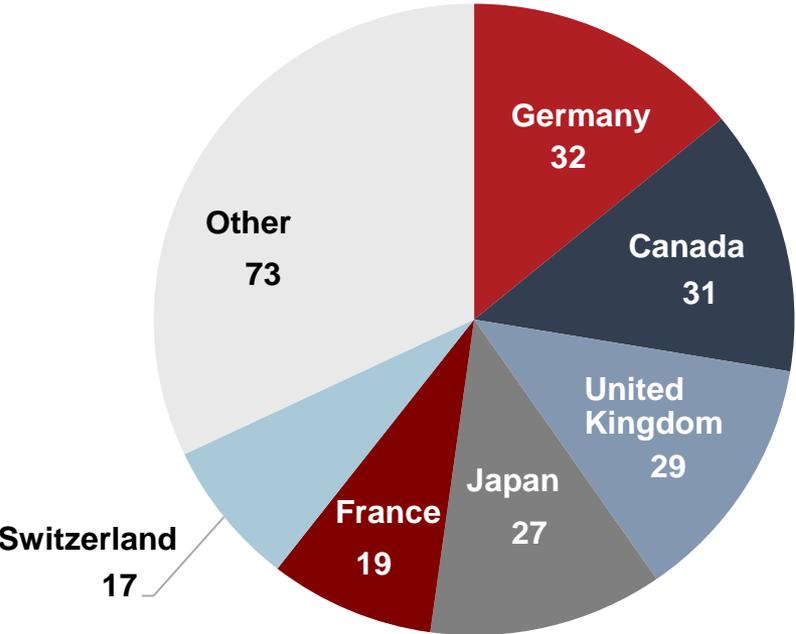
- Interstates 15 & 80
- Union Pacific Intermodal Terminal
- Salt Lake International Airport
- Foreign Trade Zone #30
- Broad range of industrial, warehousing, and distribution facilities



Foreign Direct Investment in SLCo comes from a diverse array of countries. The majority of firms in SLCo receiving FDI are small or medium sized enterprises.

Foreign Direct Investment

Number of Firms by Investing Country



Foreign Owned Enterprise (FOE) Breakdown

- 72% of FOEs employ fewer than 50 employees
- 84% of FOEs employ fewer than 100 employees

Largest Employed Firms

- France has the largest number of firms that employ more than 100 people (6).
- The UK follows with 5 firms
- Germany and the Netherlands each have 4

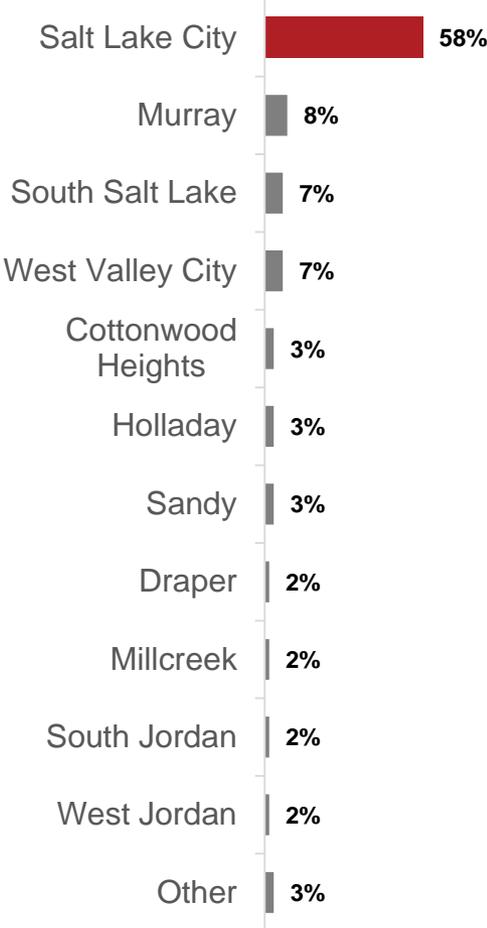
Despite average firm size, there is little business retention and expansion (BRE) effort within the county.

Companies Surveyed

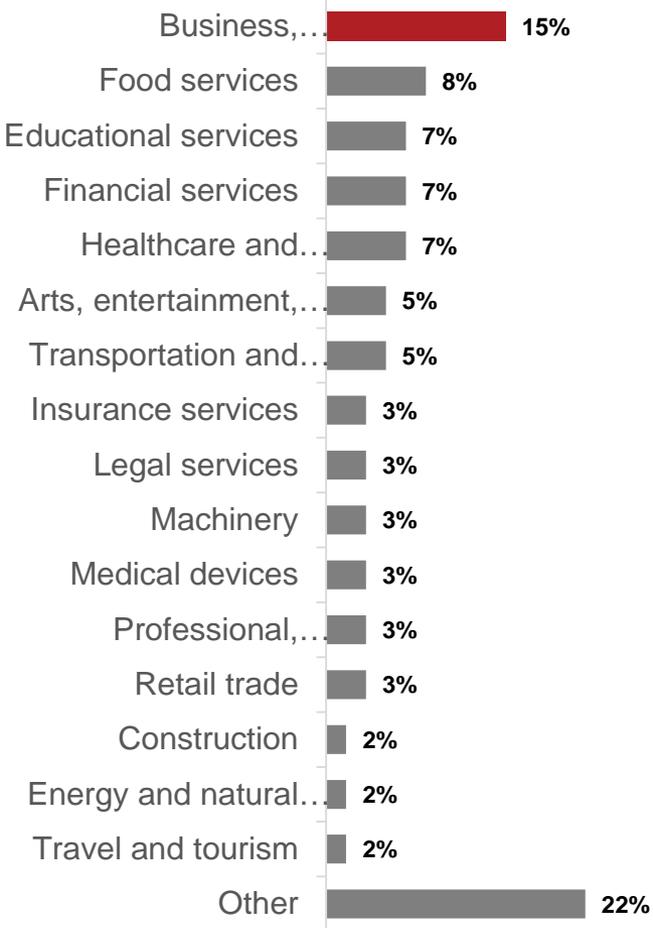
Survey Results

More than half of companies surveyed are located in Salt Lake City with an array of industries represented.

Company Location in Salt Lake County



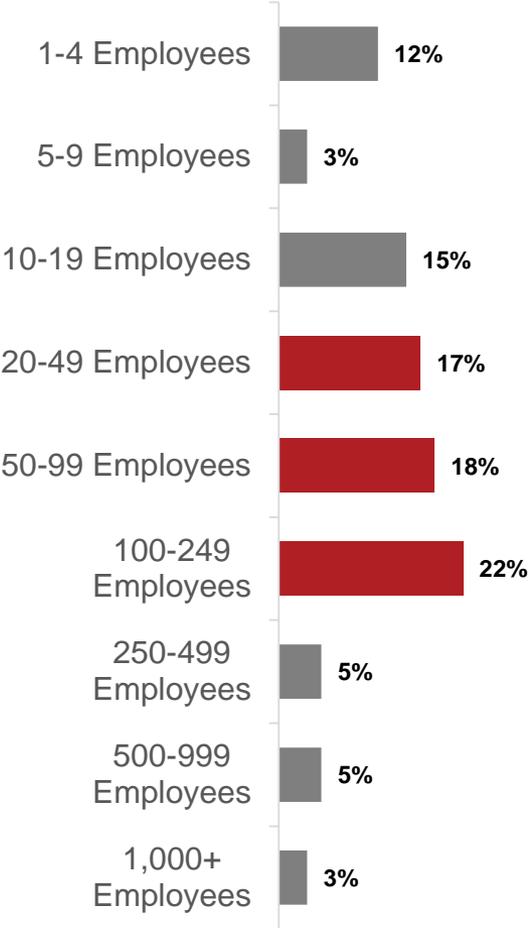
Company's Primary Industry of Operation



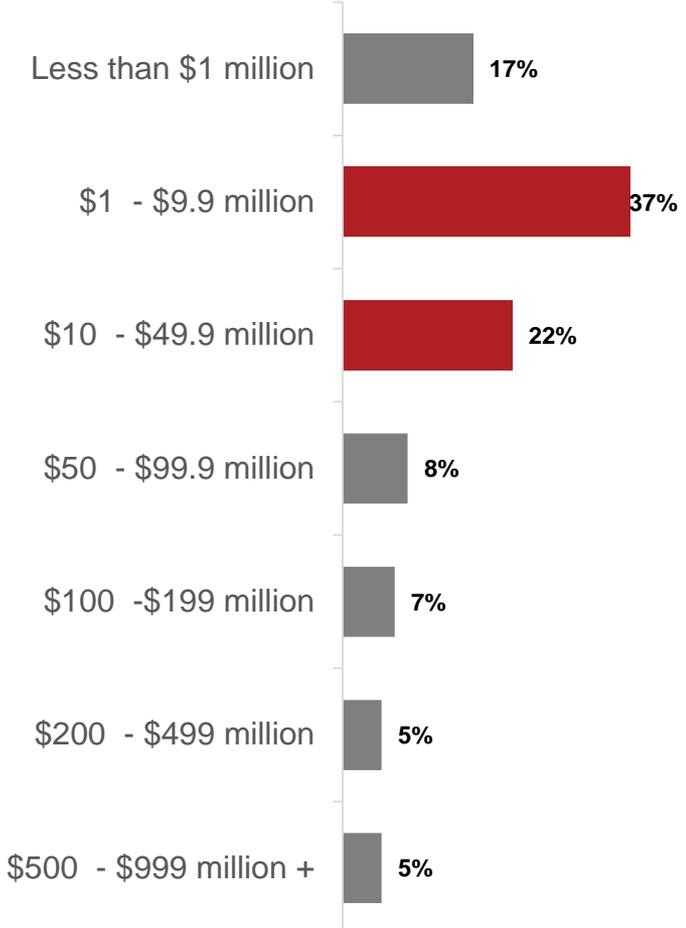
Q4: Where in Salt Lake County is your company located?
 Q5: What is the primary industry in which your company operates?

The majority of surveyed companies have between 20-250 employees and earn between \$1-\$50 million in annual revenue.

Company Size



Company Annual Revenue



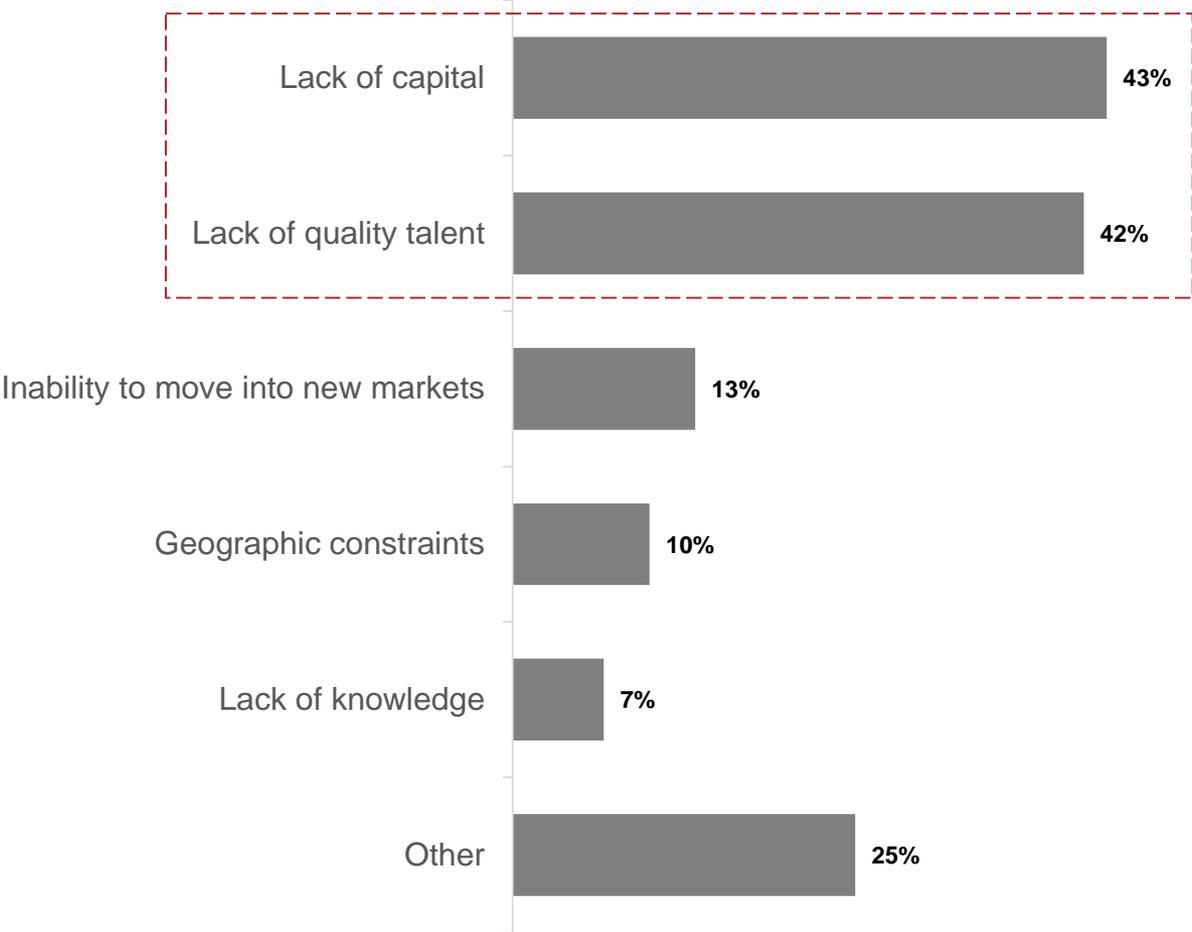
Q6: How many employees does your company employ within Salt Lake County?
Q31: What was your company's annual revenue during its most recent fiscal year?

Business Landscape

Survey Results

Surveyed companies sight a lack of capital and access to quality talent as the biggest challenges to their company's growth.

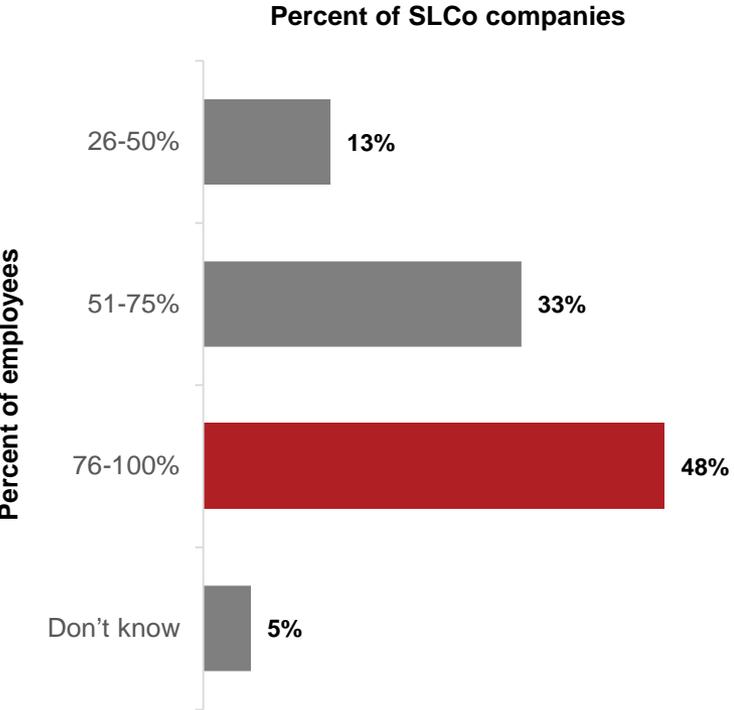
Biggest Challenges to Growth



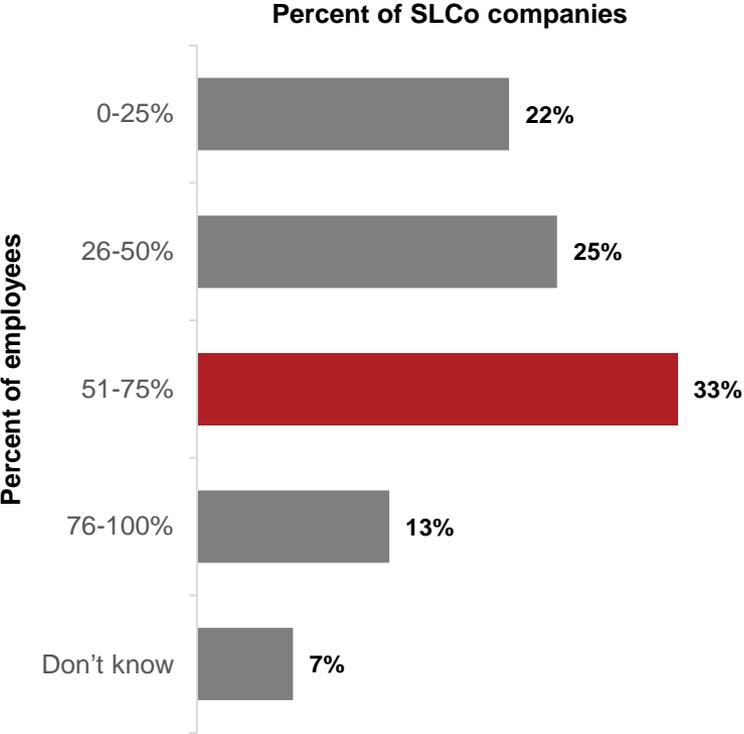
Q30: What are the biggest challenges to your company's growth?

Surveyed companies indicate that most of their employees come from Utah. 47% say that half or fewer of their employees are Utah graduates.

% of SLCo employees from Utah



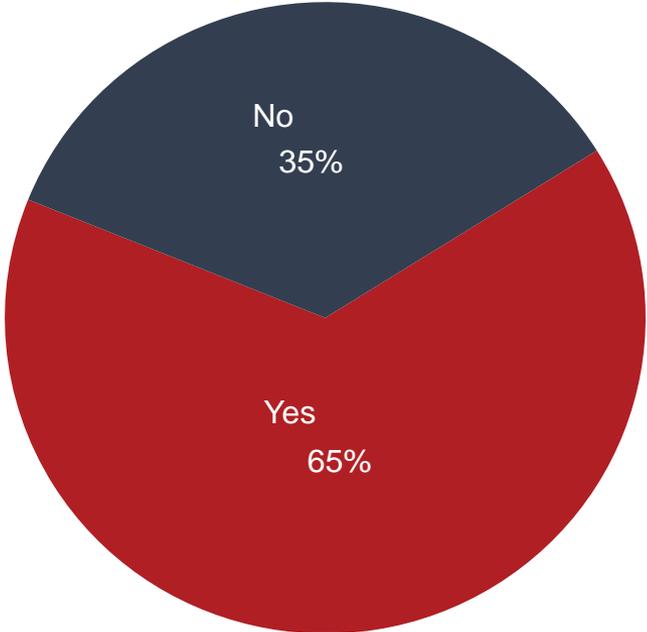
% of SLCo employees who are Utah graduates



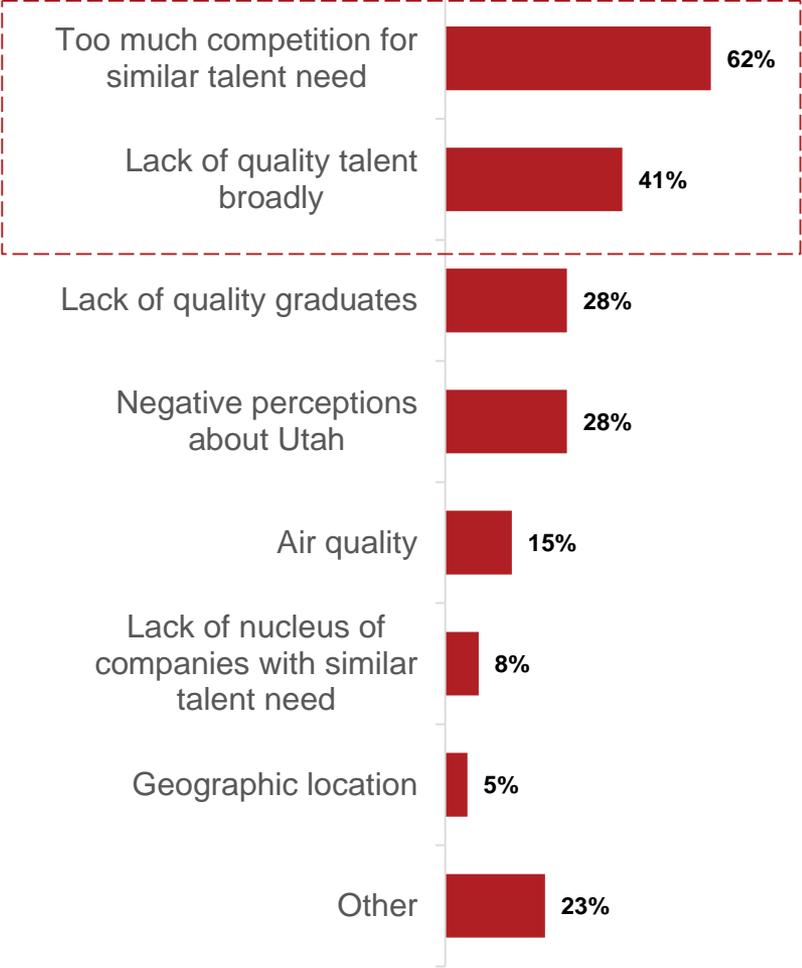
Q6: How many employees does your company employ within Salt Lake County?
Q31: What was your company's annual revenue during its most recent fiscal year?

Two out of three companies express obstacles with recruiting. Too much competition and a lack of quality talent are the main challenges.

Recruitment Challenges



Recruitment Challenges Faced



Q35: Does your company have challenges recruiting the talent you need to your Salt Lake County location?
Q36: What challenges does your company face in recruiting the talent you need to your Salt Lake County location?

Location Decisions

Survey Results

Surveyed companies locate in SLCo for the geographic location and quality of life. 37% say the quality of the workforce factors into locating here as well.

Factors in locating to Salt Lake County

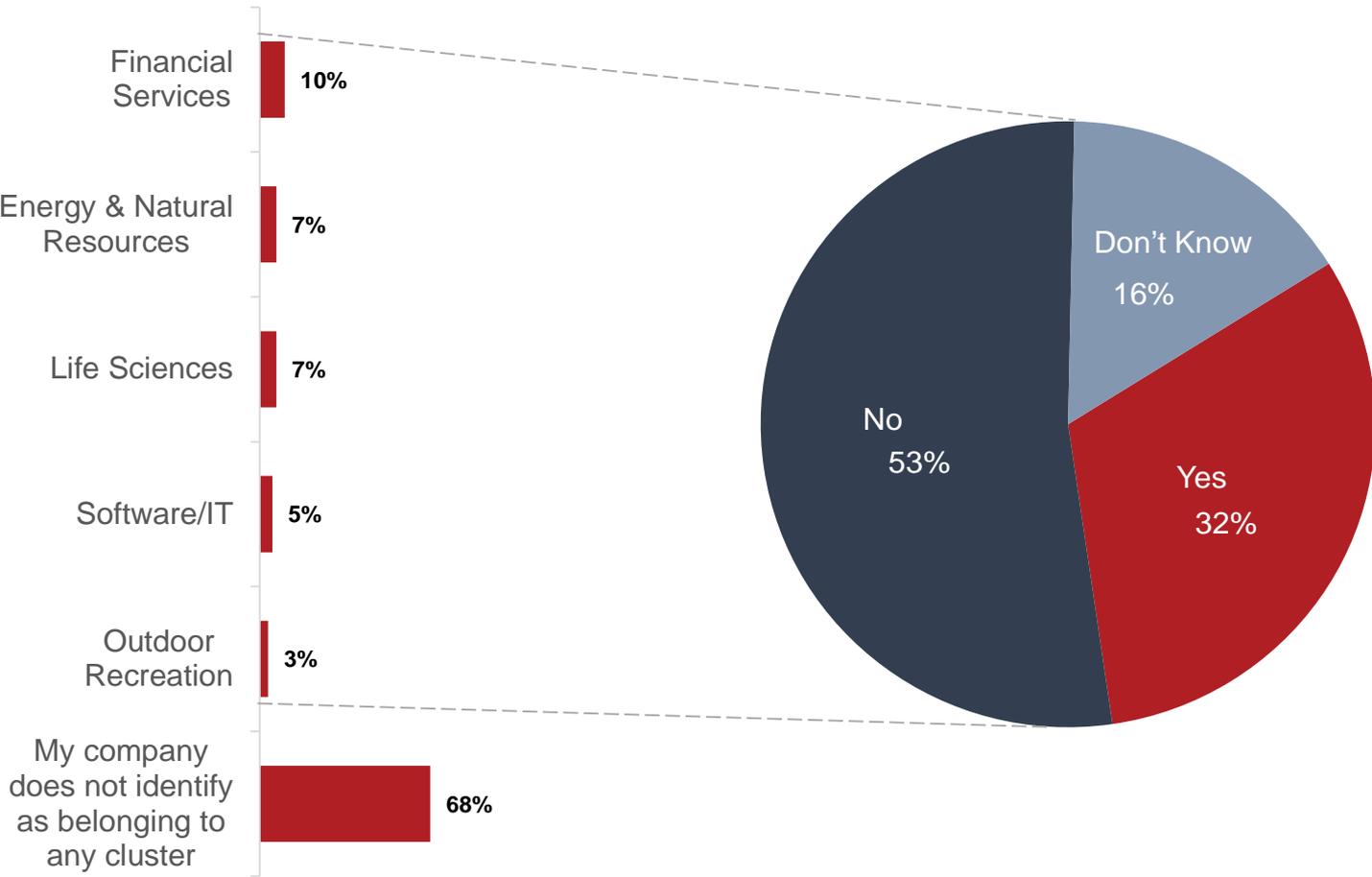


Q32: What factors contributed to your company's decision to locate in Salt Lake County?

32% of surveyed companies identify with one of the targeted economic clusters; nearly a third of those 32% claim it factored into their location decision.

Industry Cluster

Factor in decision making

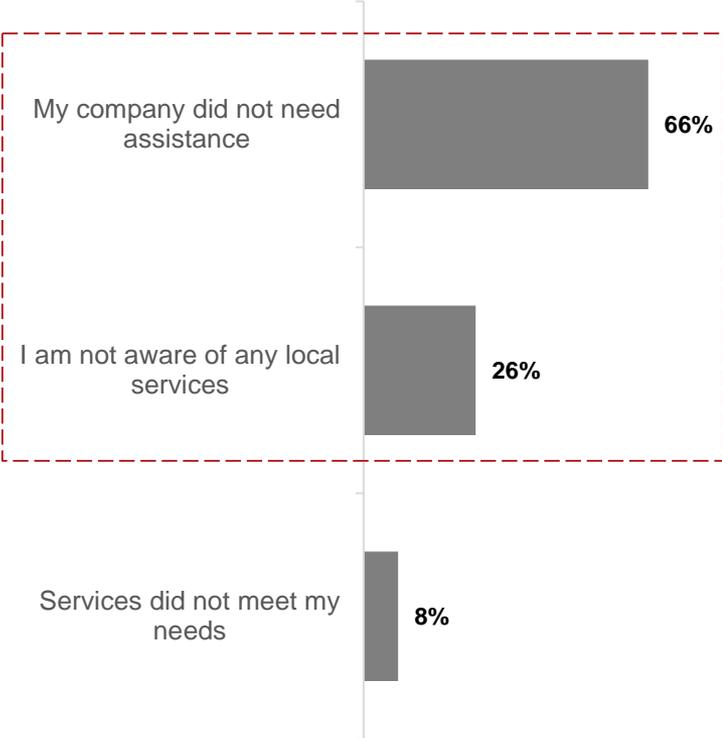
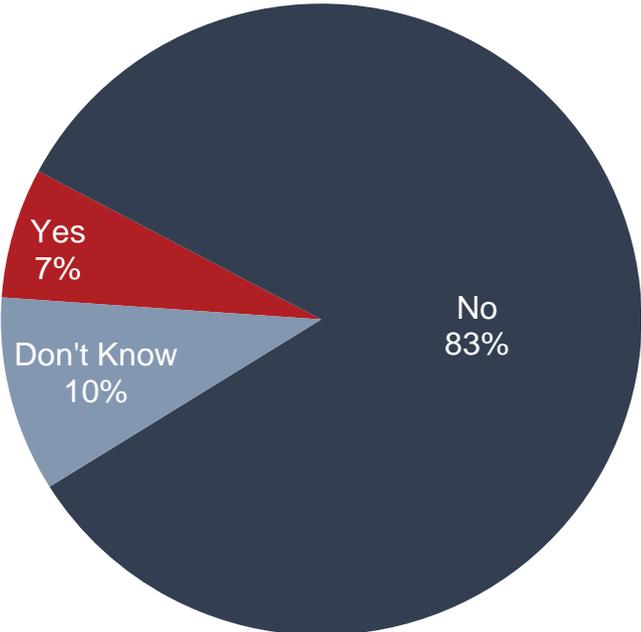


Q37: Does your company identify itself as belonging to one of the following industry clusters?
Q38: Was the [PIPE IN RESPONSE FROM Q37] industry cluster a significant factor in the decision to locate your company in Salt Lake County?

83% did not use local location service resources prior to locating in SLCo; most because they felt they did not need it. Some were unaware of any local services.

Consult local services

Reasons for not consulting



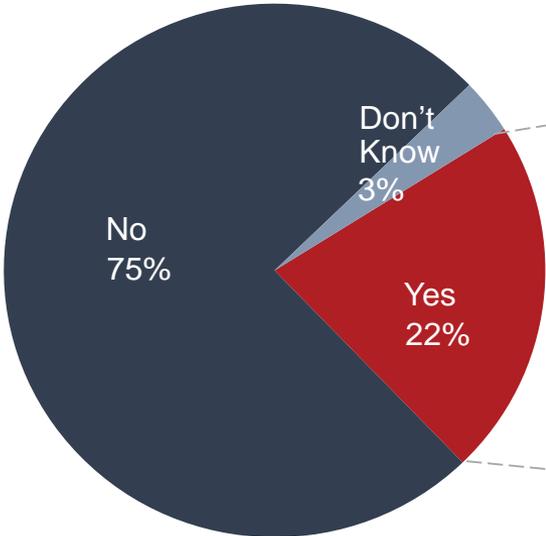
Q42: Did your company consult with any local services before choosing to locate in Salt Lake County?
Q44: Why did your company not consult with any local services?

Exports

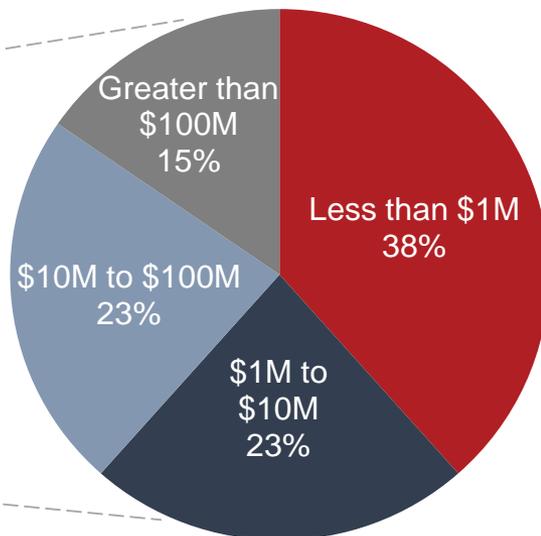
Survey Results

22% of SLCo companies surveyed currently export outside of the US -- of those companies, 38% export more than \$10 million in volume each year.

Export products outside US

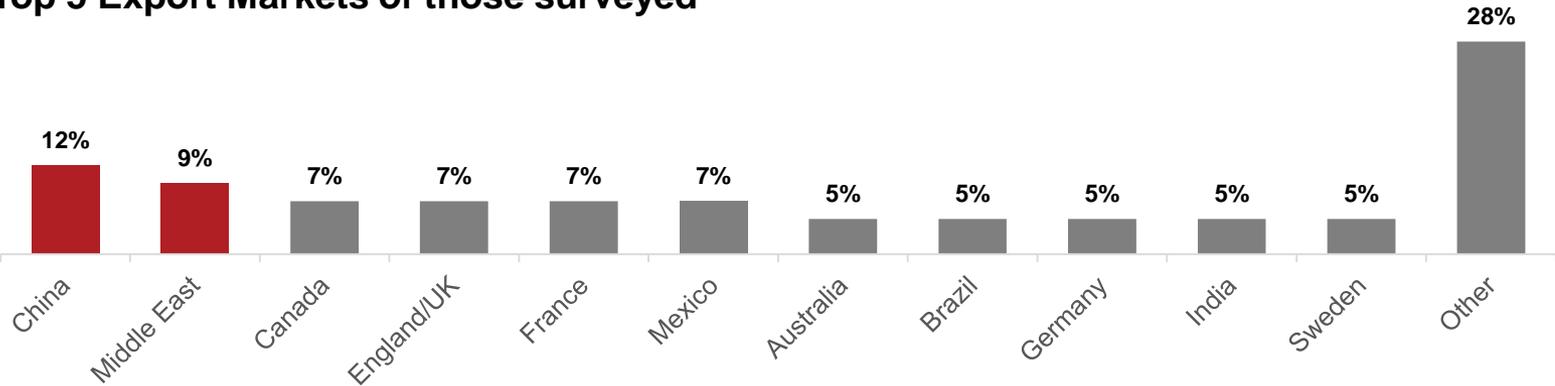


Annual dollar volume exported



Total annual export volume of those surveyed: \$1.7B

Top 5 Export Markets of those surveyed

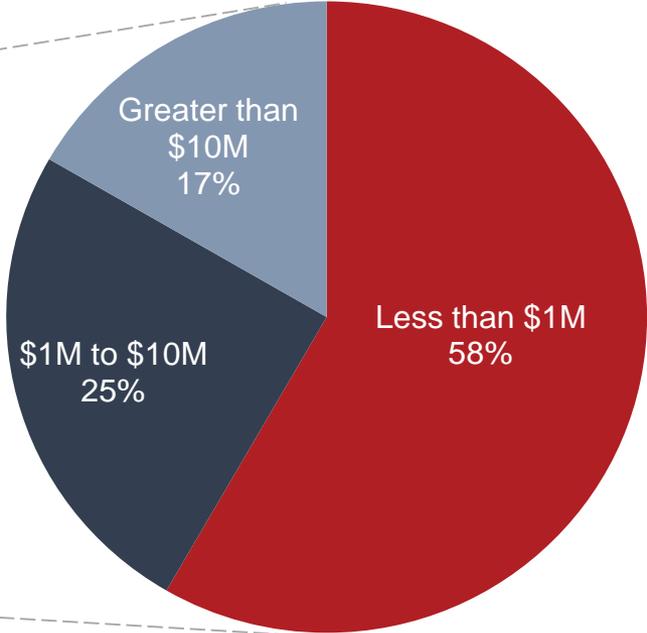
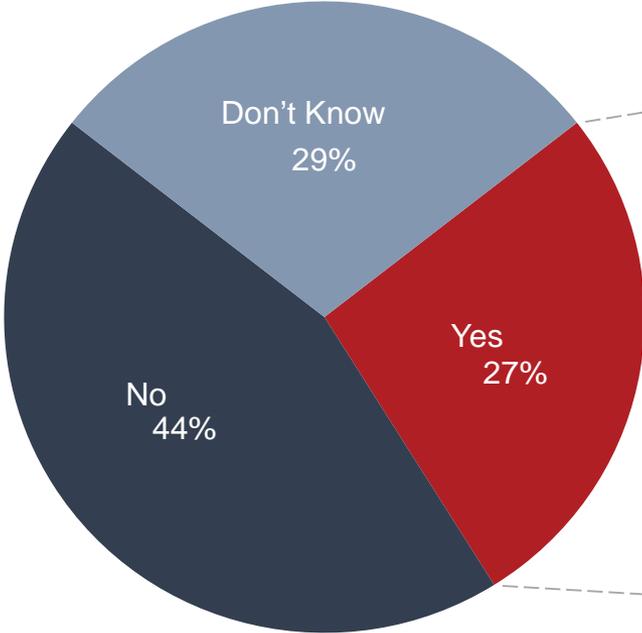


Q20: Does your company currently export products or services outside the United States?
 - If yes, approximate annual dollar volume:
 Q25: What are your company's top five (5) export markets (countries)?

Of those companies surveyed who do not currently export, 27% show some interest in exporting. Another 29% are unsure whether they should be interested.

Interest in exporting products or services

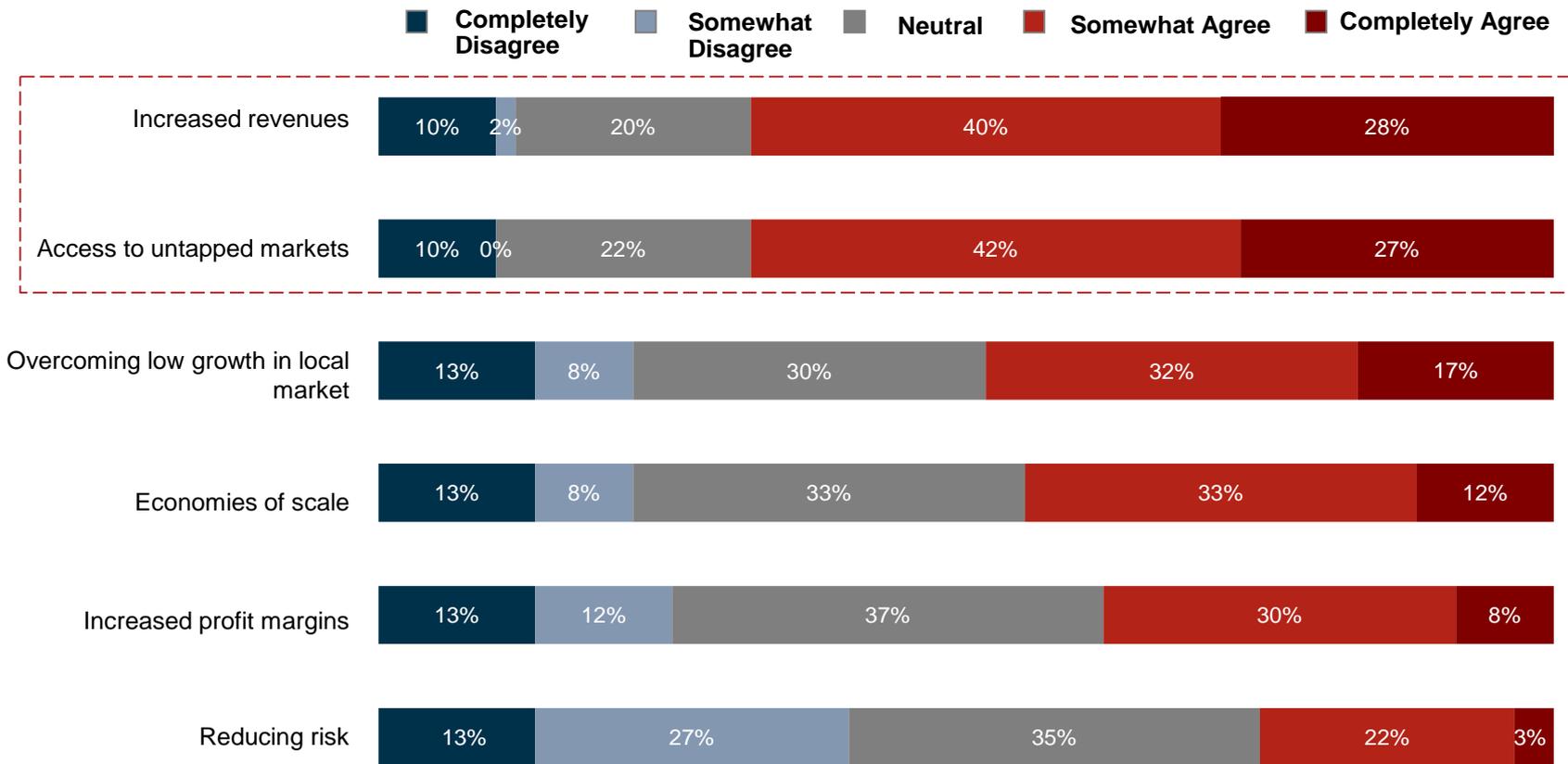
Projected annual dollar volume to export



Q22: If presented with the opportunity, would your company be interested in exporting products or services outside of the United States?
- If yes, approximate annual dollar volume:

SLCo companies surveyed view increased revenues and access to untapped markets as strong benefits to exporting products / services outside of the US.

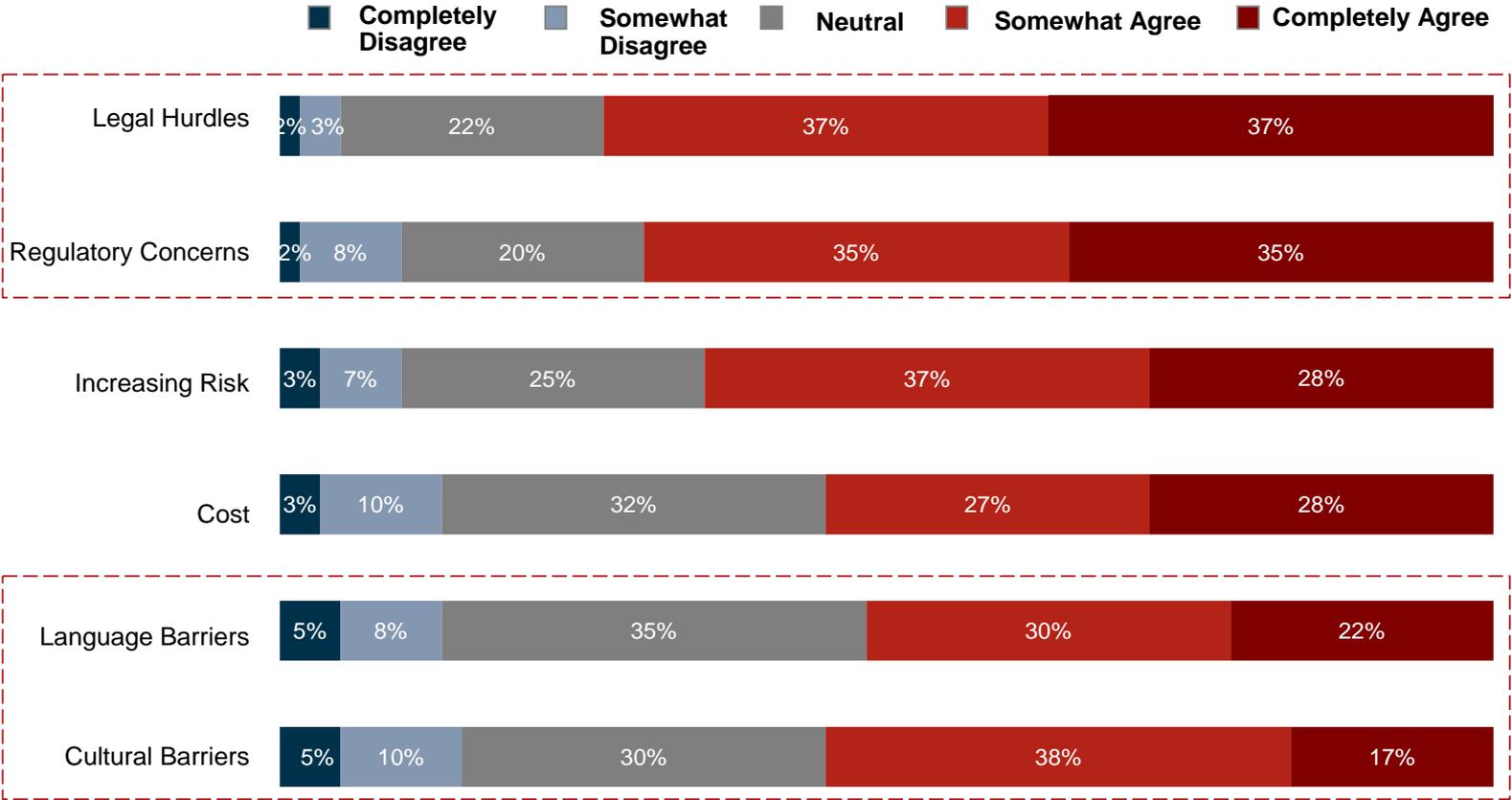
(Potential) Benefits of exporting products / services outside US



Q23: For YOUR COMPANY, to what extent do you agree or disagree that the following are potential BENEFITS of exporting your products or services outside of the United States:

Surveyed companies are less concerned with language / culture barriers and more concerned with legal / regulatory concerns.

(Potential) Drawbacks of exporting products / services outside US



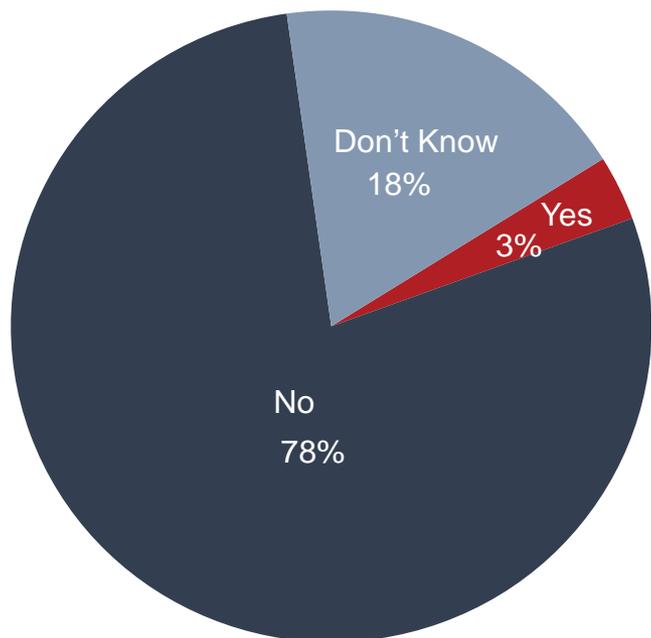
Q24: For YOUR COMPANY, to what extent do you agree or disagree that the following are potential DRAWBACKS of exporting your products or services outside of the United States:

Use of Local Resources

Survey Results

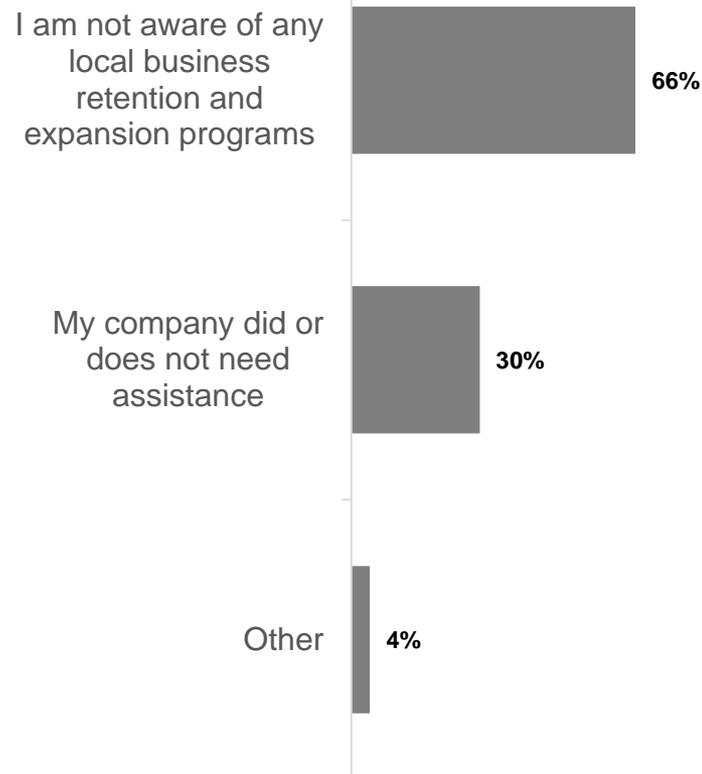
78% companies surveyed have not taken advantage of expansion programs in SLCo, largely due to a lack of awareness or not needing these programs.

Use of retention and expansion programs



If No:

Why not take advantage of the programs



Few respondents used foreign expansion programs – (1) GOED tax incentives and (2) Advanced Education in food service

Only 20% of companies were interested in speaking with someone to increase global engagement

Q39: After locating in Salt Lake County, has your company taken advantage of any business retention and expansion programs?

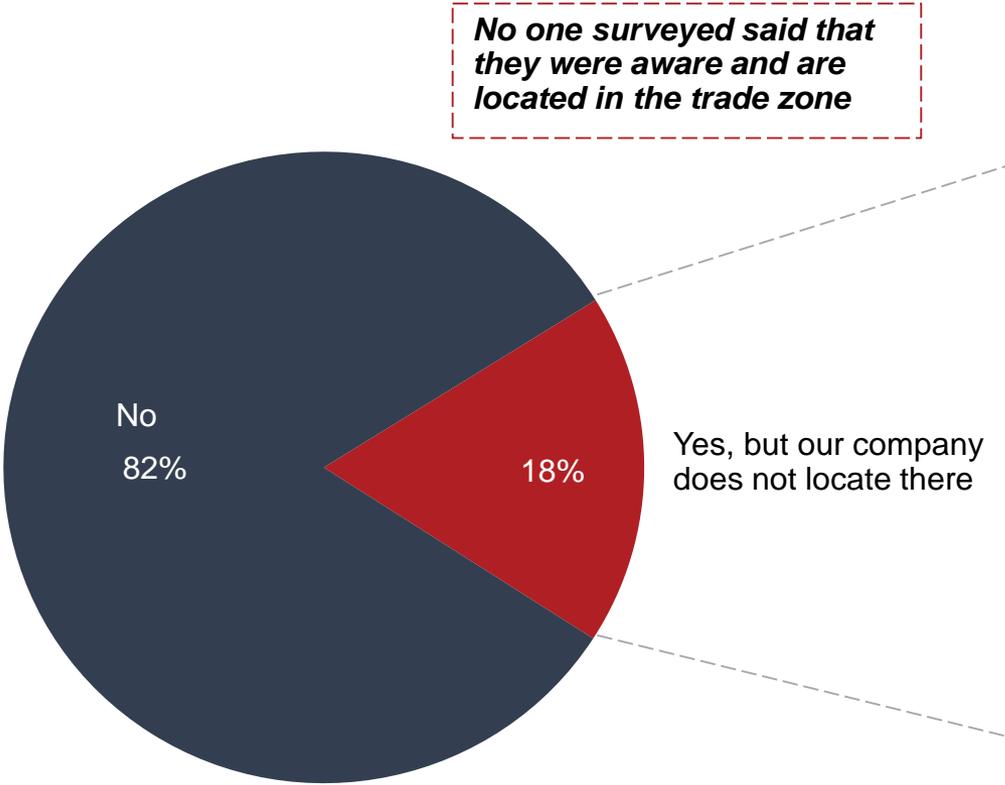
Q41: Why has your company not taken advantage of any business retention or expansion programs?

Q45: Would you be interested in speaking with someone who could help you increase your company's global engagement via access to foreign investment and/or foreign export markets? If so, please provide name and contact information.

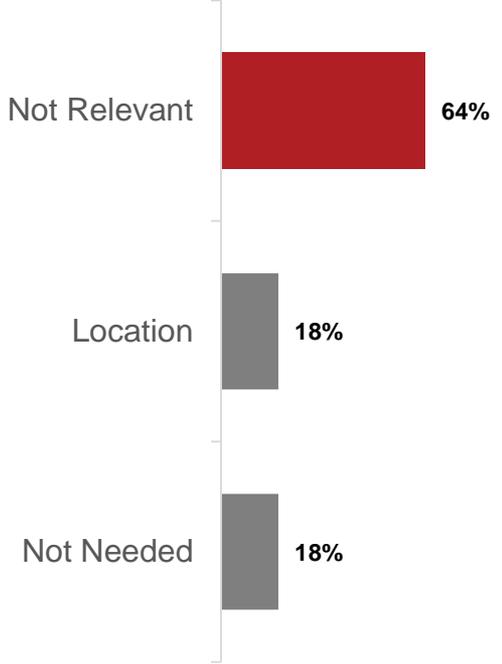
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Of those surveyed, only 18% are aware of Foreign Trade Zone #30, and none of the respondents indicate their company is located there.

Awareness of Trade Zone #30



Postcoded Responses | Why Trade Zone #30 is Not Utilized



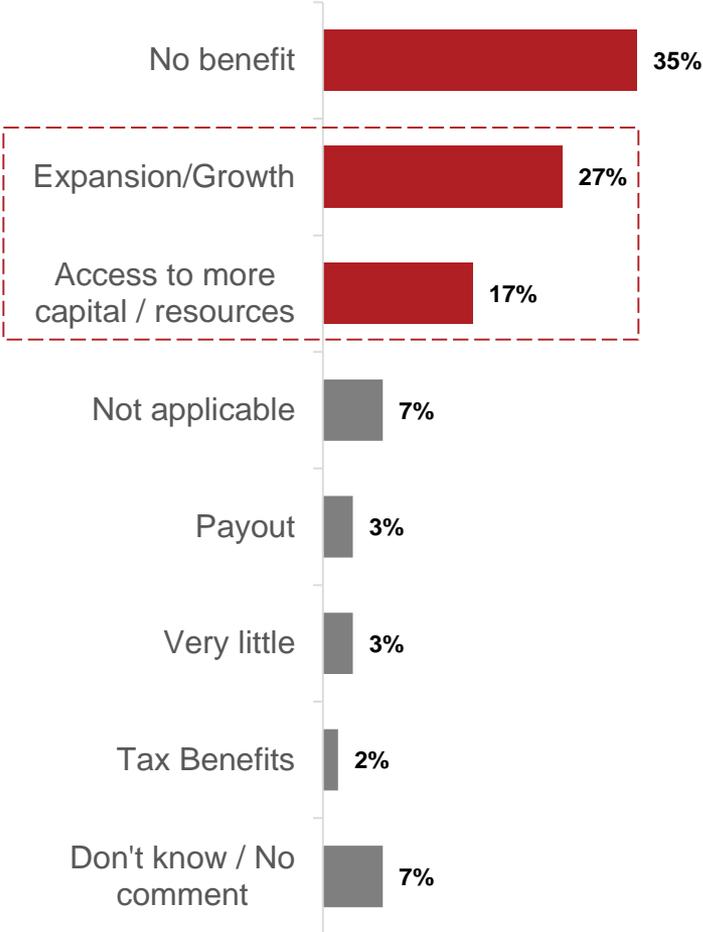
Q28: Are you aware of Foreign Trade Zone #30?
Q29: What are the primary reasons your company does not utilize Foreign Trade Zone #30?

Foreign Acquisition

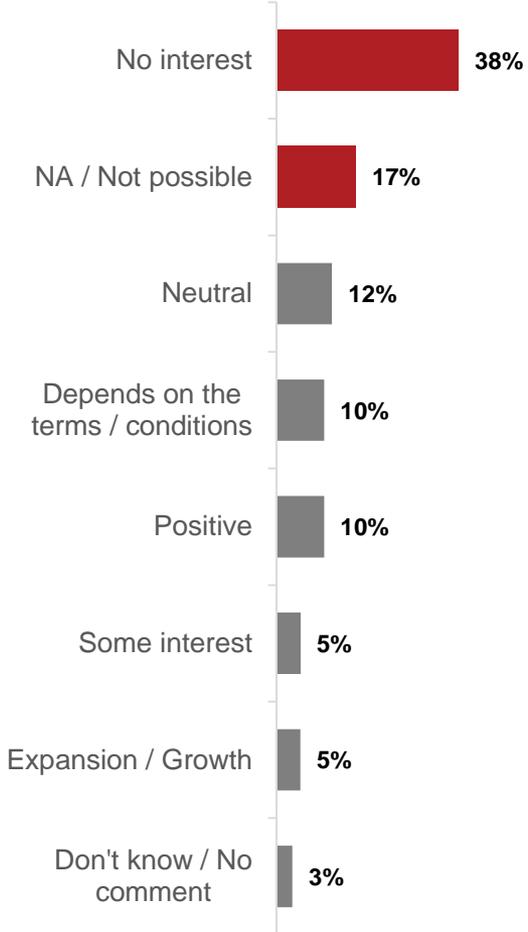
Survey Results

Surveyed companies see growth opportunities and access to capital as potential benefits to foreign acquisition. 55% indicate no interest or lack of feasibility.

Possible benefits from being acquired by a foreign company



General impressions of being acquired by a foreign company

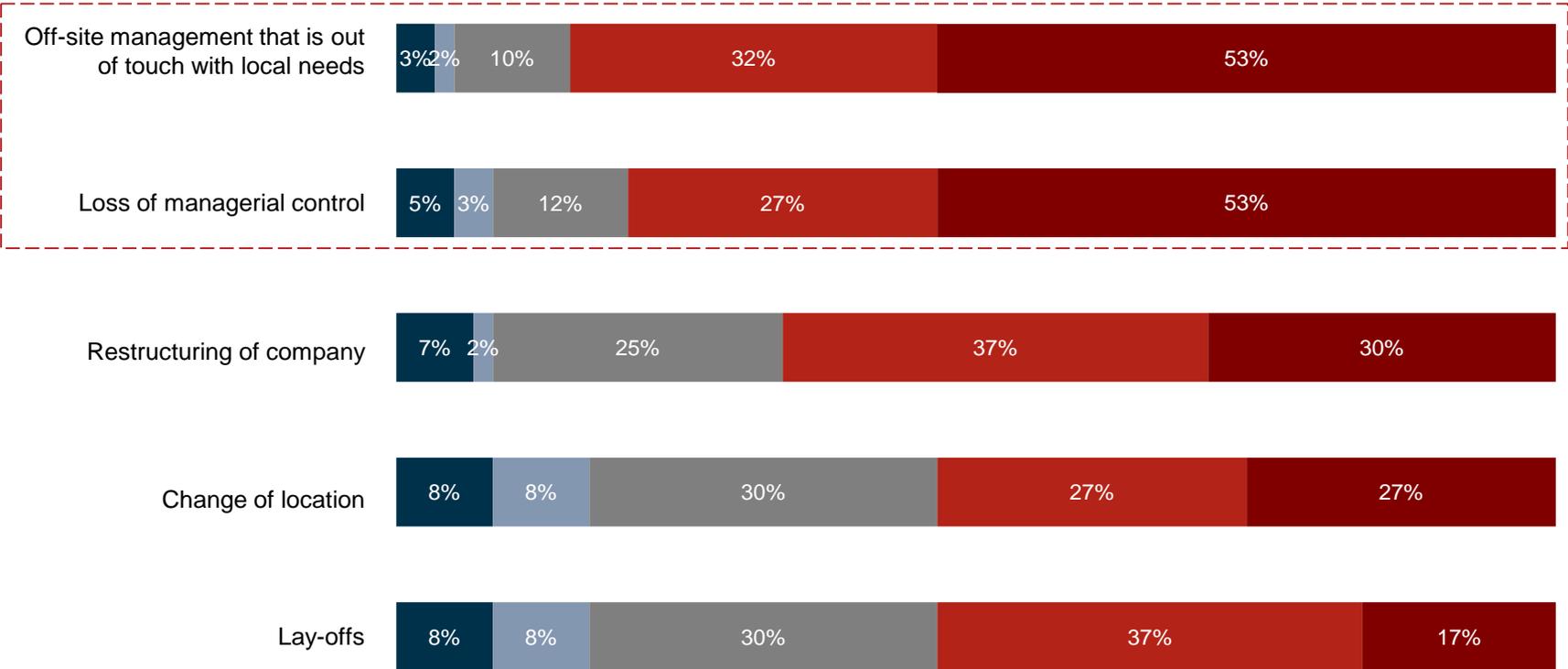


Q11: What are your general impressions of merging with or being acquired by a foreign company?
 Q12: For YOUR COMPANY, what possible BENEFITS do you see from merging with or being acquired by a foreign company?

80+% of surveyed companies see losing touch with local needs and a loss of managerial control as drawbacks to being acquired by foreign companies.

(Potential) Drawbacks of merging with or being acquired by a foreign company

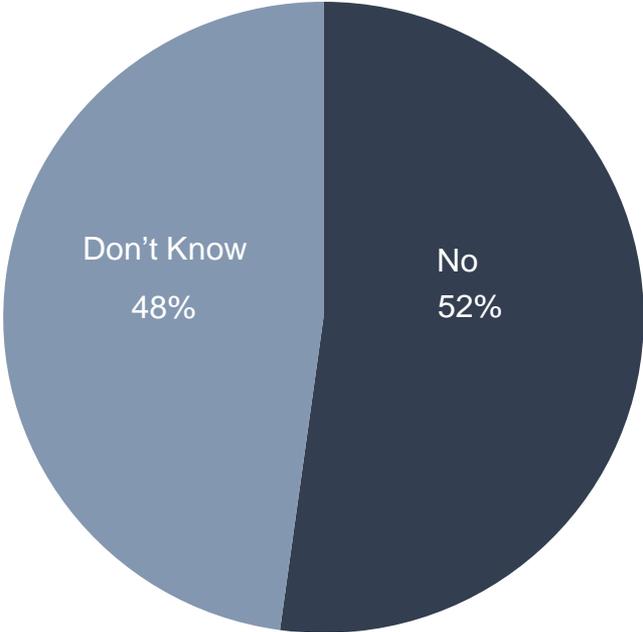
■ Completely Disagree
 ■ Somewhat Disagree
 ■ Neutral
 ■ Somewhat Agree
 ■ Completely Agree



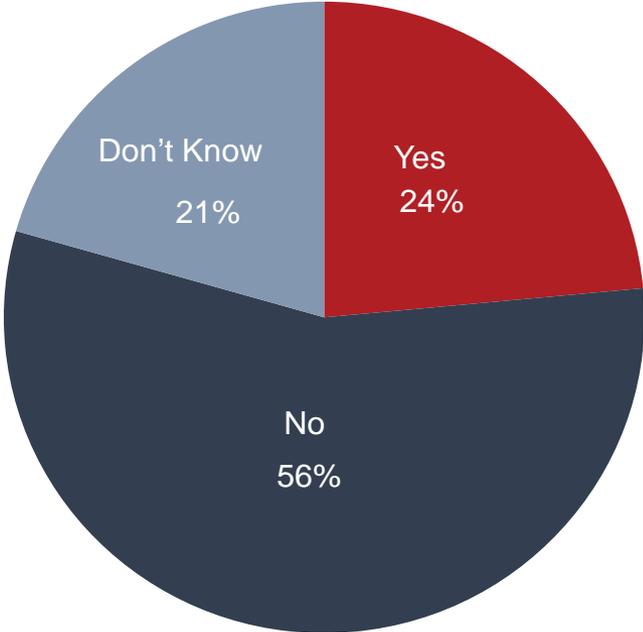
Q15: For YOUR COMPANY, to what extent do you agree or disagree that the following are (potential) DRAWBACKS of merging with or being acquired by a foreign company:

Among those surveyed, non-owner senior executives appear more open to the idea of foreign acquisition than do business owners.

Interest in being acquired | Business owner



Interest in being acquired | Senior-level executive

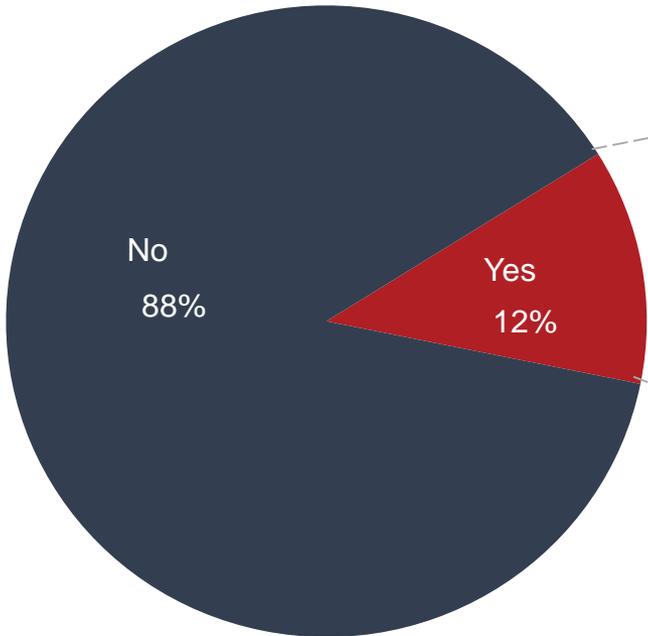


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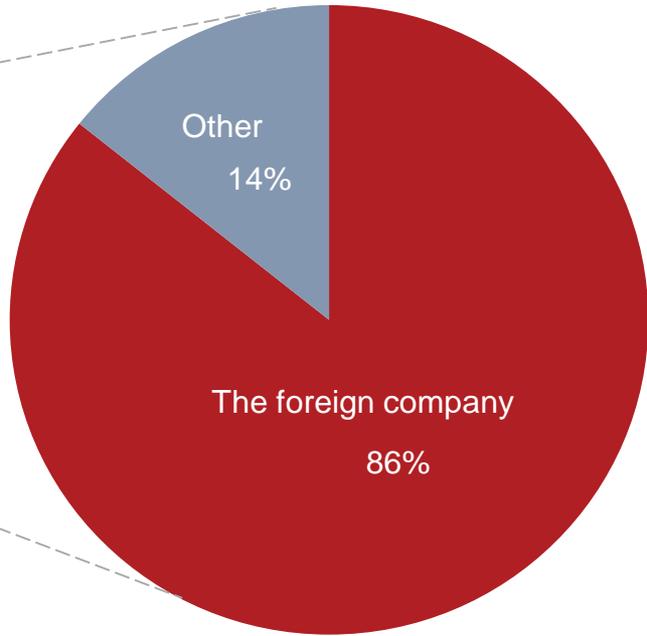
Q7: Which of the following best describes your company ownership?
Q8: If presented with the opportunity, would your company be interested in merging with or being acquired by a foreign company?

Surveyed companies indicate contacts with foreign companies regarding acquisition are rare, and the majority are initiated by the foreign company.

Contact with a foreign company about a possible acquisition



Who initiated the contact regarding a possible acquisition



Q9: Has your company been in contact with a foreign company about a possible merger or acquisition of your company?
Q10: You indicated your company has been in contact with a foreign company about a possible merger or acquisition. Who initiated the contact?

Concluding Summary

Current State Highlights

- Exports are important to SLCo's thriving economy.
- Exports originating from SLCo companies were \$10.4 billion in revenue in 2015.
- Salt Lake County provides a strong economic environment: low cost of living, low wages, good infrastructure, and a business friendly regulatory environment.
- SLCo companies cite a lack of capital and quality talent as the biggest challenges to growth.
- Recruiting talent is a challenge for firms in Utah– too much competition (62%) and lack of quality talent (41%).

Exporting Products and Services

- **Benefits:** SLCo companies believe exporting products / services outside of the US will increase revenues and give additional access to untapped markets.
- **Drawbacks:** Perceived legal hurdles and regulatory concerns are obstacles for SLCo companies to export goods / services.
- **Services:** Businesses are unaware of the County's foreign trade zone or the business retention and expansion programs.

Foreign Merger or Acquisition

- 97% of companies surveyed are domestically owned; few are interested in being acquired by a foreign company.
- **Benefits:** SLCo companies feel that a merger or foreign acquisition will bring access to new markets, increased capital, and additional market knowledge.
- **Drawbacks:** The fear of losing management control and local touch is keeping SLCo businesses from engaging in mergers or acquisitions with foreign companies.

Thank you!

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