1 Putting BusinessPulse results in context
The presidential election is expected to impact most businesses

**Expectations & Opinions About the Presidential Election**

1. **Will wait until after election to make significant capital expenditures**
   - Small business: 28% Agree strongly, 26% Agree somewhat, 15% Disagree somewhat, 14% Disagree strongly, 16% No opinion
   - Middle market: 23% Agree strongly, 28% Agree somewhat, 22% Disagree somewhat, 16% Disagree strongly, 11% No opinion
   - Total: 54%

2. **Success of business is at least partially dependent on the results of the presidential election**
   - Small business: 20% Agree strongly, 43% Agree somewhat, 17% Disagree somewhat, 9% Disagree strongly, 11% No opinion
   - Middle market: 22% Agree strongly, 41% Agree somewhat, 16% Disagree somewhat, 12% Disagree strongly, 9% No opinion
   - Total: 63%

3. **Expect the U.S. economy to stabilize after the presidential election**
   - Small business: 15% Agree strongly, 44% Agree somewhat, 21% Disagree somewhat, 6% Disagree strongly, 14% No opinion
   - Middle market: 7% Agree strongly, 57% Agree somewhat, 24% Disagree somewhat, 4% Disagree strongly, 7% No opinion
   - Total: 59%

Q: Please indicate how strongly you agree or disagree with the following statements.

BusinessPulse 4Q2020 Data
Many small businesses expect their business to be negatively impacted if no additional government relief becomes available.

### SMALL BUSINESS PERCEIVED IMPACT OF EVENTS

<table>
<thead>
<tr>
<th>Event</th>
<th>Business Individually</th>
<th>U.S. Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>If there is a resurgence of COVID-19</td>
<td>11%</td>
<td>67%</td>
</tr>
<tr>
<td>If trade war with China escalates</td>
<td>7%</td>
<td>38%</td>
</tr>
<tr>
<td>If no additional relief becomes available</td>
<td>3%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q: How would your business and the U.S. economy as a whole be impacted by the following events if/when they occur in the next 12 months?

$100K–<$10MM
BusinessPulse 4Q2020 Data
Three fourths of middle market companies anticipate negative impacts to their business if there is a resurgence of COVID-19

MIDDLE MARKET PERCEIVED IMPACT OF EVENTS

If there is a resurgence of COVID-19
- Business individually: 7%
- U.S. Economy: 1%

If trade war with China escalates
- Business individually: 7%
- U.S. Economy: 10%

If no additional relief becomes available
- Business individually: 3%
- U.S. Economy: 7%

Q: How would your business and the U.S. economy as a whole be impacted by the following events if/when they occur in the next 12 months? $10MM-$500MM BusinessPulse 4Q2020 Data
Most businesses have experienced supply chain disruptions, primarily as a result of COVID-19.

Q: In the last 12 months, has your company experienced supply chain disruptions (e.g., difficulty sourcing materials or services, delays in delivery, etc.)? Have supply chain disruptions been a result of...

BusinessPulse 4Q2020 Data
Fourth quarter 2020 summary

**ECONOMIC POSITION**
**Past 12 months**

**SMALL BUSINESS**
- Increased optimism
- Increased sales & profits
- Decreased hiring & increased cash reserves

**MIDDLE MARKET**
- Increased optimism
- Increased prices & profits
- Decreased capital expenditures

**ECONOMIC OUTLOOK**
**Next 12 months**

**SMALL BUSINESS**
- Flat confidence
- Increased sales & profit expectations
- Increased hiring, capital expenditure & decreased cash reserve expectations

**MIDDLE MARKET**
- Increased confidence
- Increased prices, sales & profit expectations
- Increased hiring, capital expenditure & cash reserve expectations

**CREDIT OUTLOOK**

**SMALL BUSINESS**
- Increased need for bank loans & decreased expected need
- Decreased demand for additional credit
- Decreased expectations to apply for additional credit

**MIDDLE MARKET**
- Decreased need for bank loans & increased expected need
- Decreased demand for additional credit
- Decreased expectations to apply for additional credit
Middle market companies & small businesses remain optimistic about their business during a contentious election cycle

Q: During the next 12 months, do you expect your company’s overall financial condition to...

BusinessPulse Quarterly Trending Data (4th quarter)
Businesses expect the U.S. economy to improve

U.S. ECONOMY CONDITION
Next 12 months net difference

Low oil & gas prices
Stock market record high
Government shutdown
Housing market hits bottom
Private sector jobs return to pre-recession levels
Trump elected
Brexit
Polarizing election
Tariffs announced
Income tax rate cuts
Trade tensions
35-day gov’t shutdown
S&P 500 reaches new high
COVID-19 restrictions lifted
Private sector jobs return to pre-recession levels

Contentious election


COVID-19 hits U.S.

Q: During the next 12 months, do you expect the U.S. economy to…
BusinessPulse Quarterly Trending Data (4th quarter)
2 Retrospective economic position
### Small business net difference change from the fourth quarter of 2019 (past 12 months)

<table>
<thead>
<tr>
<th>Total small business market</th>
<th>Overall financial condition</th>
<th>Micro business ($100K-$500K)</th>
<th>Small enterprise ($500K-$2.5MM)</th>
<th>Business banking ($2.5MM-$10MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>▼ -48%</td>
<td>▼ -46%</td>
<td>▼ -58%</td>
<td>▼ -41%</td>
<td></td>
</tr>
<tr>
<td>▼ -7%</td>
<td>▼ -4%</td>
<td>▼ -14%</td>
<td>▼ -28%</td>
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<tr>
<td>▼ -44%</td>
<td>▼ -41%</td>
<td>▼ -54%</td>
<td>▼ -59%</td>
<td></td>
</tr>
<tr>
<td>▼ -46%</td>
<td>▼ -45%</td>
<td>▼ -54%</td>
<td>▼ -50%</td>
<td></td>
</tr>
<tr>
<td>▼ -23%</td>
<td>▼ -23%</td>
<td>▼ -21%</td>
<td>▼ -26%</td>
<td></td>
</tr>
<tr>
<td>▼ -20%</td>
<td>▼ -16%</td>
<td>▼ -32%</td>
<td>▼ -31%</td>
<td></td>
</tr>
<tr>
<td>▼ -32%</td>
<td>▼ -32%</td>
<td>▼ -37%</td>
<td>▼ -28%</td>
<td></td>
</tr>
</tbody>
</table>

Q: During the last 12 months, did your company's...

$100K-$500K BusinessPulse Quarterly Trending Data (4th quarter)
Past-looking perceptions of overall financial improved marginally

Q: During the last 12 months, did your company's overall financial condition…

BusinessPulse Quarterly Trending Data (4th quarter)
Small business sales and profits remain down year-over-year

**Prices**
- Increased: 21%
- Decreased: 11%

**Sales**
- Increased: 22%
- Decreased: 48%

**Profits**
- Increased: 16%
- Decreased: 54%

**Net difference**
- Prices: +9% (increased – decreased)
- Sales: -26% (increased – decreased)
- Profits: -38% (increased – decreased)

Q: During the last 12 months, did your company's...

$100K–$10MM BusinessPulse Quarterly Trending Data (4th quarter)
Small business sales are down 10% on average

Q: By the end of 2020, how much higher or lower do you expect your annual sales or revenue to be compared to the end of 2019?

$100K-$1MM
BusinessPulse 4Q2020 Data
Small businesses have had to decrease their number of full-time employees.

**SMALL BUSINESS HIRING, CAPITAL EXPENDITURES & CASH RESERVES**

Past 12 months

- **Full-time employees**: Decreased 24%, Increased 4%.
  - **Net difference**: -20% (increased – decreased)

- **Capital expenditures**: Decreased 32%, Increased 14%.
  - **Net difference**: -18% (increased – decreased)

- **Excess cash reserves**: Decreased 47%, Increased 13%.
  - **Net difference**: -33% (increased – decreased)

Q: During the last 12 months, did your company's...

$100K–<$10MM  
BusinessPulse Quarterly Trending Data (4th quarter)
Middle market net difference change from the fourth quarter of 2019 (past 12 months)

<table>
<thead>
<tr>
<th>Total middle market</th>
<th>Overall financial condition</th>
<th>Commercial banking ($10MM-$50MM)</th>
<th>Corporate banking ($50MM-$500MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-37%</td>
<td>-37%</td>
<td>-38%</td>
<td></td>
</tr>
<tr>
<td>-22%</td>
<td>-23%</td>
<td>-20%</td>
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</tr>
<tr>
<td>-58%</td>
<td>-60%</td>
<td>-49%</td>
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<tr>
<td>-36%</td>
<td>-37%</td>
<td>-29%</td>
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</tr>
<tr>
<td>-43%</td>
<td>-46%</td>
<td>-32%</td>
<td></td>
</tr>
<tr>
<td>-39%</td>
<td>-36%</td>
<td>-49%</td>
<td></td>
</tr>
<tr>
<td>-19%</td>
<td>-22%</td>
<td>-6%</td>
<td></td>
</tr>
</tbody>
</table>

Q: During the last 12 months, did your company's...

$10MM-$50MM

BusinessPulse Quarterly Trending Data (4th quarter)
Stagnated sales is indicative of a middle market that continues to be challenged with decreased demand for their services

**Prices**
- Increased: 22%
- Decreased: 10%

**Sales**
- Increased: 29%
- Decreased: 48%

**Profits**
- Increased: 32%
- Decreased: 43%

**MIDDLE MARKET PRICES, SALES & PROFITS**

Past 12 months

- **Prices**: +12% Net difference (increased – decreased)
- **Sales**: -19% Net difference (increased – decreased)
- **Profits**: -11% Net difference (increased – decreased)

Q: During the last 12 months, did your company’s… $10MM–<500MM BusinessPulse Quarterly Trending Data (4th quarter)
Averages cover up fluctuations in year-end sales metrics in the middle market.

Q: By the end of 2020, how much higher or lower do you expect your annual sales or revenue to be compared to the end of 2019?

$10MM-$500MM
BusinessPulse 4Q2020 Data
Capital spending continued to lag in the middle market

**MIDDLE MARKET HIRING, CAPITAL EXPENDITURES & CASH RESERVES**

**Past 12 months**

- **Full-time employees**
  - Increased 17%
  - Decreased 30%
  - Net difference: **-13%** (increased – decreased)

- **Capital expenditures**
  - Increased 17%
  - Decreased 33%
  - Net difference: **-16%** (increased – decreased)

- **Excess cash reserves**
  - Increased 27%
  - Decreased 30%
  - Net difference: **-3%** (increased – decreased)

Q: During the last 12 months, did your company’s… $10MM–<500MM BusinessPulse Quarterly Trending Data (4th quarter)
3 Future economic outlook
Middle market companies grew more confident in their financial condition and small businesses confidence leveled out.
## Small business net difference change from the fourth quarter of 2019 (next 12 months)

<table>
<thead>
<tr>
<th>Total small business market</th>
<th>Micro business ($100K-$500K)</th>
<th>Small enterprise ($500K-$2.5MM)</th>
<th>Business banking ($2.5MM-$10MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall financial condition</td>
<td>5%</td>
<td>-1%</td>
<td>-10%</td>
</tr>
<tr>
<td>Prices</td>
<td>-6%</td>
<td>-9%</td>
<td>-10%</td>
</tr>
<tr>
<td>Sales</td>
<td>17%</td>
<td>7%</td>
<td>-14%</td>
</tr>
<tr>
<td>Profits</td>
<td>4%</td>
<td>-1%</td>
<td>-12%</td>
</tr>
<tr>
<td>Full-time employees</td>
<td>-7%</td>
<td>-8%</td>
<td>-15%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>8%</td>
<td>-2%</td>
<td>-22%</td>
</tr>
<tr>
<td>Excess cash reserves</td>
<td>-9%</td>
<td>-3%</td>
<td>-13%</td>
</tr>
</tbody>
</table>

Q: During the next 12 months, do you expect your company’s…

$100K-$10MM

BusinessPulse Quarterly Trending Data (4th quarter)
Small business are hopeful about recouping lost sales in 2021

**Prices**
- To decrease: 8%
- To increase: 29%

**Sales**
- To decrease: 12%
- To increase: 51%

**Profits**
- To decrease: 19%
- To increase: 40%

**Net difference**
- **Profits**: +21% (to increase – to decrease)
- **Sales**: +40% (to increase – to decrease)
- **Prices**: +21% (to increase – to decrease)

Q: During the next 12 months, do you expect your company’s...
Small businesses increasingly expect to invest in capital expenditures and full-time employees to grow over the next 12 months.

**Small Business Hiring, Capital Expenditures & Cash Reserves**

- **Full-time employees**: To increase 17%, To decrease 7% (Net difference: +10%)
- **Capital expenditures**: To increase 29%, To decrease 19% (Net difference: +11%)
- **Excess cash reserves**: To increase 30%, To decrease 24% (Net difference: +6%)

Q: During the next 12 months, do you expect your company’s...
Many small businesses do not expect to have cash reserves; those that do will likely retain them

Q: During the next 12 months, how does your company intend to use its excess cash reserves?

$100K-$10MM

BusinessPulse Fourth Quarter Trending Data
## Middle market net difference change from the fourth quarter of 2019 (next 12 months)

<table>
<thead>
<tr>
<th>Total middle market</th>
<th>Overall financial condition</th>
<th>Commercial banking ($10MM-&lt;$50MM)</th>
<th>Corporate banking ($50MM-&lt;$500MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td></td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>-6%</td>
<td>Prices</td>
<td>-6%</td>
<td>-7%</td>
</tr>
<tr>
<td>4%</td>
<td>Sales</td>
<td>6%</td>
<td>-7%</td>
</tr>
<tr>
<td>-2%</td>
<td>Profits</td>
<td>-1%</td>
<td>-3%</td>
</tr>
<tr>
<td>0%</td>
<td>Full-time employees</td>
<td>-2%</td>
<td>7%</td>
</tr>
<tr>
<td>-4%</td>
<td>Capital expenditures</td>
<td>-5%</td>
<td>-2%</td>
</tr>
<tr>
<td>-8%</td>
<td>Excess cash reserves</td>
<td>-10%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Q: During the next 12 months, do you expect your company’s…

$10MM-<$500MM

**BusinessPulse Quarterly Trending Data (4th quarter)**
Expectations about prices, sales and profits in the middle market returned to near pre-COVID-19 levels

MIDDLE MARKET PRICES, SALES & PROFITS

Next 12 months

Q: During the next 12 months, do you expect your company’s…

$10MM-$500MM BusinessPulse Quarterly Trending Data (4th quarter)
After a significant loss of employees in the second quarter of 2020, middle market companies plan to hire

MIDDLE MARKET HIRING, CAPITAL EXPENDITURES & CASH RESERVES

- **Full-time employees**
  - To increase 31%
  - To decrease 9%
  - Net difference: +22%
  - Net difference (to increase – to decrease)

- **Capital expenditures**
  - To increase 26%
  - To decrease 17%
  - Net difference: +10%
  - Net difference (to increase – to decrease)

- **Excess cash reserves**
  - To increase 30%
  - To decrease 22%
  - Net difference: +9%
  - Net difference (to increase – to decrease)

Q: During the next 12 months, do you expect your company’s...

$10MM-$500MM
BusinessPulse Quarterly Trending Data (4th quarter)
Middle market cash reserves will likely be retained over the next 12 months

MIDDLE MARKET USE OF EXCESS CASH

Q: During the next 12 months, how does your company intend to use its excess cash reserves?

$10MM–<$500MM BusinessPulse Fourth Quarter Trending Data
4 Credit outlook
Current and expected need for bank loans remains limited in both markets

**NEED FOR BANK LOANS**

**PAST 12 MONTHS**

**NEXT 12 MONTHS**

Net difference (increased – decreased)

Net difference (to increase – to decrease)

-50% -40% -30% -20% -10% 0% 10% 20% 30% 40% 50%


-50% -40% -30% -20% -10% 0% 10% 20% 30% 40% 50%


Small business ($100K–<$10MM)

Middle market ($10MM–<$500MM)

Middle market ($10MM–<$500MM)

Small business ($100K–<$10MM)

BusinessPulse Quarterly Trending Data (4th quarter)
Small business demand for additional credit remains elevated, but slightly lower than third quarter measurements.

**Q:** During the last 12 months, has your company applied for additional credit or loans from a financial institution, including any government programs through a financial institution such as the Paycheck Protection Program (PPP)?

**$100K-$10MM**
BusinessPulse Quarterly Trending Data (4th quarter)
The vast majority of small business loan demand was in the form of government relief.

- **11%** Expect not to be approved
- **53%** No current need for credit
- **35%** Company does not borrow

**SMALL BUSINESS CREDIT APPLICATION OUTCOME**

- **Did not apply for credit** 56%
- **Applied for credit** 44%
  - **81%** Full approval
  - **16%** Partial approval
  - **3%** Denied

**TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE**

- **Government relief program** 91%
- **Unsecured short-term loans** 13%
- **Secured short-term loans** 6%
- **Term loans (>1 year)** 4%
- **Commercial real estate** 4%
- **Equipment leasing** 2%

*Base: those that applied for additional credit
BusinessPulse 4Q2020 Data

$100K–<$10MM

$100K–<$10MM

$100K–<$10MM
Small businesses’ expected need for additional credit is low and similar to the third quarter 2020

**SMALL BUSINESS EXPECTED APPLICATIONS**

Next 12 months

Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?

$100K–$10MM BusinessPulse Quarterly Trending Data (4th quarter)
Demand for additional credit remained elevated in the middle market, particularly among businesses with $10MM-<$50MM in sales.

Middle Market Applications for Additional Credit
Past 12 months

Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution, including any government programs through a financial institution such as the Paycheck Protection Program (PPP)?

$10MM-<$500MM
BusinessPulse Quarterly Trending Data (4th quarter)
Almost all additional credit demand was from government relief programs

MIDDLE MARKET CREDIT APPLICATION OUTCOME

- Did not apply for credit 30%
- Applied for credit 70%
- Of those who applied:
  - 95% Full approval
  - 4% Partial approval
  - 1% Denied

TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*

- Government relief program 95%
- Secured short-term loans 10%
- Term loans (>1 year) 9%
- Commercial real estate 6%
- Unsecured short-term loans 5%
- Equipment leasing 4%

$10MM-$500MM
*Base: those that applied for additional credit
BusinessPulse 4Q2020 Data
Middle market expectations to apply for additional credit ticked down in the fourth quarter 2020

Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?

$10MM-$500MM BusinessPulse Quarterly Trending Data (4th quarter)
Methodology

This Live Oak BusinessPulse report contains data from surveys conducted in the third quarter of 2020 by Barlow Research, involving a sample of 511 small businesses and 422 middle market companies. Companies surveyed include all SIC categories except depository institutions, U.S. postal services, private households, bank holding companies and commercial non-physical research. (All Pulse Survey respondents previously participated in Barlow Research’s small business or middle market banking surveys.)

Fielding: September 28 – October 14, 2020

Weighted: By geography and sales volume

<table>
<thead>
<tr>
<th></th>
<th>Small business ($100K-$10MM)</th>
<th>Middle market ($10MM-$500MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>511</td>
<td>422</td>
</tr>
<tr>
<td>Resp. Rate</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>Max Error Factor</td>
<td>±4.34%</td>
<td>±4.77%</td>
</tr>
</tbody>
</table>

(Max Error Factor at 95% confidence interval)