VOICE OF THE CUSTOMER

2023 SURVEY RESULTS





We're thrilled to share the results from our 2023 Voice of the Customer survey, completed by 1,695 Live Oak Bank loan and deposit customers.

Its objective is to deliver insights, industry benchmarks and candid advice to help small business owners define challenges and opportunities.

The study revealed some fascinating and timely viewpoints on the many factors impacting small businesses in America.

The key takeaways of this year's report include:



Customers are recovering but still focused on 2022's challenges, including cost of doing business



Customers are planning for headwinds in 2024, with many focused on saving excess cash and exploring working capital



Customers continue to anticipate ownership transition within the next five years

Explore the comprehensive survey results in this booklet.

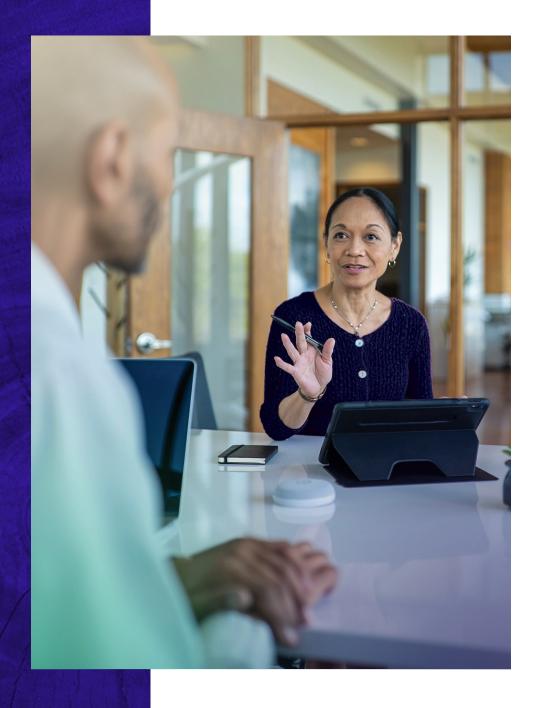
At Live Oak, we care deeply about you and your success.

This survey embodies our commitment to going above and beyond for our customers and small business owners across the country. We hope you find it valuable when identifying opportunities and potential challenges in 2024 and beyond.

Best,

William C. Losch, III

President, Live Oak Banking Company



VOICE OF THE CUSTOMER SURVEY RESULTS

SMALL BUSINESS LOAN CUSTOMERS

On average, Live Oak's small business loan customer...

- Started their business 16 years ago
- Has 22 employees
- \$ 72% have less than \$5MM in annual sales revenue
- 55% are expanding or attempting to expand their business

SMALL BUSINESS LOAN CUSTOMERS



Financial Position

50% Saw an improved financial condition over the past 12 months

34% have increased their number of employees in the past 12 months

7 in 10 are looking to save or invest cash

Increased their prices within the last 12 months

7.9% average increase in prices over the past 12 months

13.1% average increase in the cost of materials & supplies

60% Expect their company's overall financial condition to improve

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Key Challenges

46% Challenged by hiring new employees

40% are currently understaffed

35% are expecting to hire in the next 12 months

63% Paid higher prices for supplies/services

58% continue to expect price increases

50% have been able to pass along increased costs to customers

Are very likely or somewhat likely to borrow within the next 3.5 years to grow their business



"Labor shortage. We are working on creating an apprenticeship program."

- Service Contractor Customer

"Getting enough caregiver employees [is a challenge]. Employees who do exist will be worked harder for more hours. Standards for employees will require more life skill teaching which we are now doing in orientation and interview process."

- Senior Care Customer



VOICE OF THE CUSTOMER SURVEY RESULTS

SMALL BUSINESS DEPOSIT CUSTOMERS

On average, Live Oak's small business deposit customer...

- Started their business 17 years ago
- Has 6 employees
- § 92% have less than \$5MM in annual sales revenue
- 51% are expanding or attempting to expand their business

SMALL BUSINESS DEPOSIT CUSTOMERS



Financial Position

90% Believe their financial position has either improved or remained the same from 2022

Customers with \$500K-\$5MM in sales have the strongest financial position

Are likely to borrow money over the next 3–5 years

Customers with over \$5MM in sales are by far the most likely to borrow during that time period

Plan to transition ownership within the next 5 years

The smaller the business, the less likely they are to transition ownership



Key Challenges

Indicated price increases were a top concern for their company

Companies with over \$5MM in sales were most likely to expect price increases, and least likely to expect anticipate gains in profits

56% Are afraid of an economic recession

The sentiment is constant across revenue ranges, with between 55% and 59% of all companies stating this as their second biggest concern to price increases

Believe they are significantly or moderately understaffed

This is a much more common issue among businesses with over \$500K in sales



Managing Challenges

"What can I do but cut expenses or raise prices? Done some of both."

- Funeral Home & Cemetery Customer

"...you can't make any money when your profit is 13 cents. We are cutting staff and services to break even."

- Pharmacy Customer

"Maintaining quality technicians. We are solid right now, but we need to add one more younger quality tech eventually."

- Automotive Customer

About the 2023 Live Oak Voice of the Customer Survey In 2023, Live Oak Bank commissioned Barlow Research Associates, Inc., a national research and consulting firm, to conduct an online survey among our customers. A total of 1,695 responses were collected from October 23 to December 22, 2023.