

2023 VOICE OF THE CUSTOMER STUDY

In-depth Analysis of Live Oak Customer Sentiment

January 2024



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SURVEY METHODOLOGY

The 2023 Live Oak Voice of the Customer study gathered **feedback directly from Live Oak Bank customers** through a third-party research firm (Barlow Research). This study is different from the BusinessPulse (which is also powered by Barlow Research); the BusinessPulse collects data from a national list of businesses across the country, not Live Oak Bank customers specifically. All data in this report is *self-reported information* directly from customers.

Live Oak Bank partnered with Barlow Research Associates, Inc. to conduct the 2023 “Voice of the Customer” study. After a thorough review and list cleaning, **10,391 loan and deposit relationship customers were invited to participate** in an online survey. The questionnaire was hosted on Barlow Research’s secure website and was branded “Live Oak Bank.” Participation in the survey took approximately 15 minutes and all customers that completed the survey received a \$20 check (distributed by Barlow Research) for their participation. A total of 1,695 responses were collected from October 23, 2023, to December 22, 2023. Data was cleaned and tabulated for analysis.

SAMPLE SIZE

1,695 Live Oak Bank customers

1,128 Deposit customers

567 Loan customers

RESPONSE RATE

16.3% Deposit customers: **19.1%**
Loan customers: **12.7%**

FIELDING PERIOD

October 23, 2023 – December 22, 2023

MAX ERROR FACTOR

±2.38% at a 95% confidence interval

EXECUTIVE SUMMARY

(LOAN CUSTOMERS)

01 CUSTOMERS RECOVERING FROM 2022'S CHALLENGES

The financial condition of Live Oak's loan customers has ticked down in 2023. The cost of doing business continues to be a challenge that weighs heavily on many. However, those costs have come down, and pricing expectations are beginning to normalize. Hiring has also proved to be a challenge for some, but these challenges appear to be localized in certain verticals. Overall, fewer customers are understaffed and fewer indicated that hiring/retaining employees is a challenge.

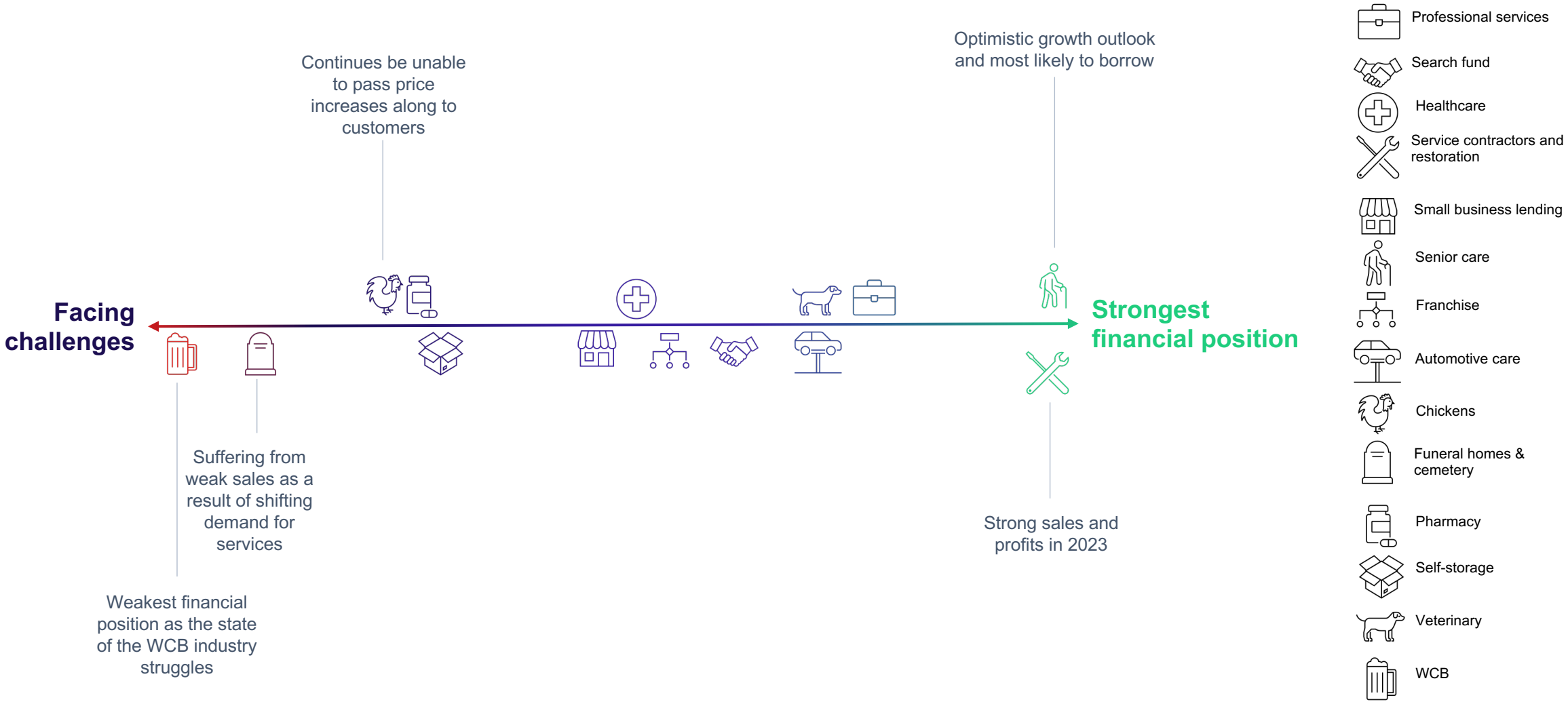
02 CUSTOMERS ARE PLANNING FOR HEADWINDS IN 2024

While Live Oak customers continue to have a more positive outlook than typical small businesses, slightly fewer customers are focused on expansion. Rather, most customers now feel the time is right to begin saving or investing excess cash. Rising interest rates are a growing concern which has likely curbed expectations to borrow. Additionally, among those planning to take on additional debt, an increasing proportion of customers are seeking working capital rather than the means to fund growth.

03 OWNERSHIP TRANSITION PLANS CONTINUE APACE

A quarter of customers believe now is a good time to begin preparing their business for sale. Similarly, 26% anticipate transitioning the ownership of their company over the next five years. However, most customers continue to lack a succession plan (even though four in ten customers are open to entertaining offers to purchase their company). Compared to 2022, customers are less likely to sell to a third party and more likely to sell to employees or to independent sponsors. Five verticals (WCB, self-storage, pharmacy, sponsor finance and healthcare) appear most motivated to transition the ownership of their company.

14 VERTICAL GROUPINGS WERE ANALYZED

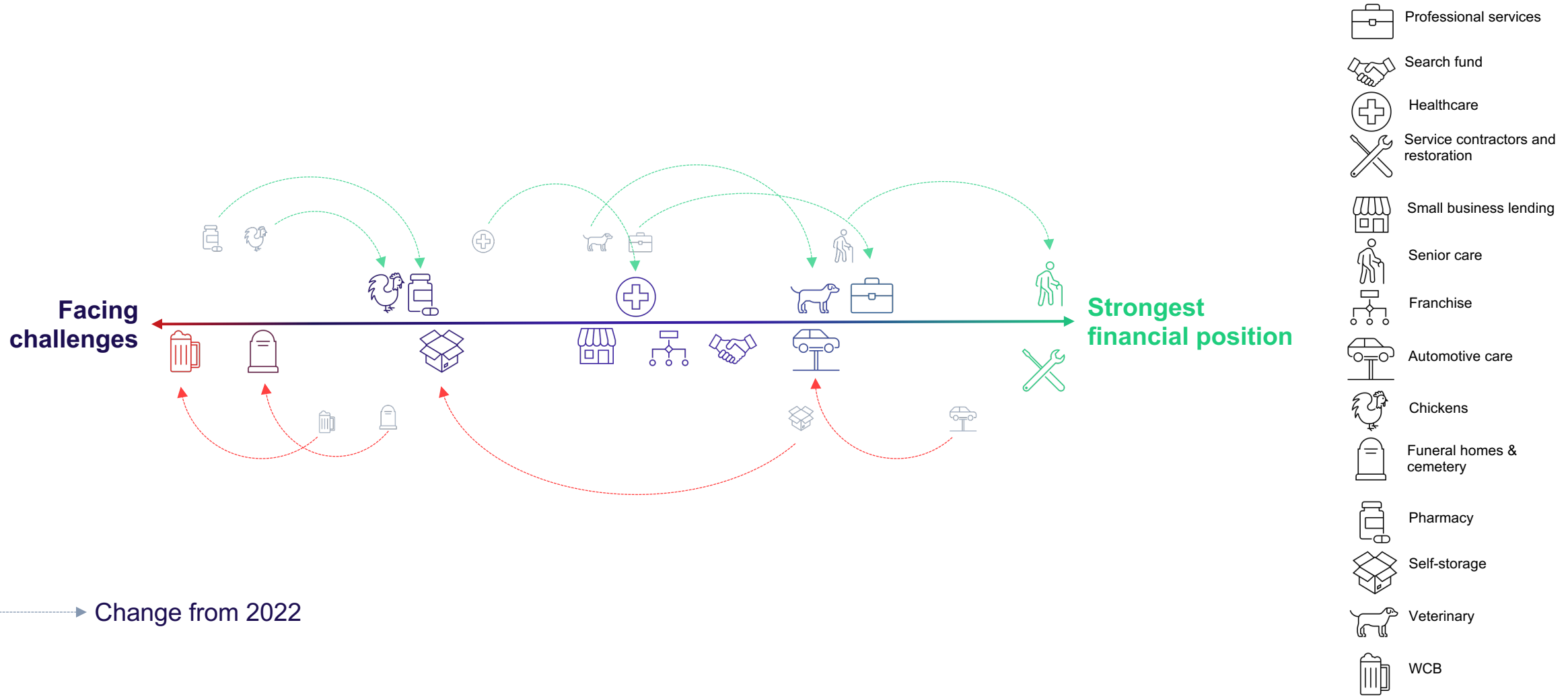


Continuum inputs: Averaged net differences for past looking (last 12-months) overall financial condition, industry condition, sales, prices, hiring, profits, capital expenditures, cash reserves, and for future-looking (next 12-month expectations) overall financial condition, U.S. economy, industry condition, sales, prices, hiring, profits, capital expenditures, and cash reserves.

Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)



MANY VERTICALS SAW MOVEMENT ACROSS THE FINANCIAL STABILITY CONTINUUM



Change from 2022

Continuum inputs: Averaged net differences for past looking (last 12-months) overall financial condition, industry condition, sales, prices, hiring, profits, capital expenditures, cash reserves, and for future-looking (next 12-month expectations) overall financial condition, U.S. economy, industry condition, sales, prices, hiring, profits, capital expenditures, and cash reserves.
 Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

SAMPLE SIZES BY VERTICAL: LOAN CUSTOMERS

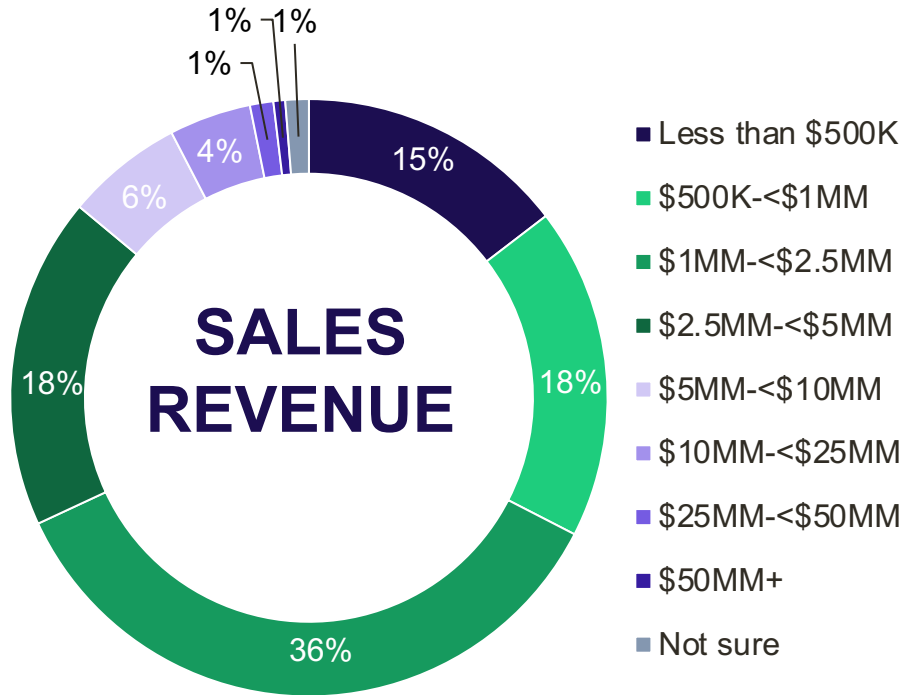
VERTICAL	RESPONSE COUNT	% OF TOTAL SAMPLE	SIZE OF TOTAL LIST	RESP. RATE
Professional services	100	17.6%	830	12.0%
Investment Advisory	59	10.4%	451	13.1%
Independent Ins. Agents	25	4.4%	202	12.4%
CPA	16	2.8%	177	9.0%
Healthcare	69	12.2%	559	12.3%
Small business lending	64	12.0%	539	11.9%
SBA Gen. Lending Solutions	61	10.8%	520	11.7%
Inclusive SB Lending	1	0.2%	12	8.3%
Emerging Markets	1	0.7%	2	50.0%
Family entertainment	4	0.2%	29	13.8%
Managed Service Providers	1	0.2%	3	33.3%
Franchise	46	8.1%	397	11.6%
General Franchise	19	3.4%	106	17.9%
Fitness Centers	6	1.1%	70	8.6%
Franchise Restaurants	7	1.2%	103	6.8%
Educational Services	14	2.5%	118	11.9%

VERTICAL	RESPONSE COUNT	% OF TOTAL SAMPLE	SIZE OF TOTAL LIST	RESP. RATE
Veterinary	45	7.9%	379	11.9%
Pharmacy	40	7.1%	273	14.7%
Self-storage	32	5.6%	220	14.5%
Funeral homes & cemetery	25	4.4%	206	12.1%
Senior care	23	4.1%	158	14.6%
WCB	15	2.6%	120	12.5%
Search fund	19	3.4%	81	23.5%
Automotive care	28	4.9%	162	17.3%
Chickens	32	5.6%	221	14.5%
Service contractors and restoration	14	2.5%	129	10.9%
Service Contractor	10	1.8%	85	11.8%
Restoration, Remediation, & Cleaning	4	0.7%	44	9.1%
Broadband	3	0.5%	26	11.5%
Government contracting	7	1.2%	77	9.1%
Auto Dealerships	1	0.2%	34	2.9%

Some verticals received survey invitations but did not respond: ABL general (11 customers), FEC/shooting sports (2 customers), Law firms (5 customer), RV parks (12 customer), "Other" (2 customers) and "Unspecified" (5 customers). Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

5+ points above avg. (12.7%) 5+ points below avg. (12.7%)

LOAN RESPONDENT PROFILE



TITLE

- 93% Owner/President/CEO
- 2% CFO
- 1% Controller/Treasurer
- 3% Bookkeeper/Office Manager
- 1% Other

OWNERSHIP STRUCTURE

- 52% Owned by a single individual
- 21% Owned by two or more related individuals
- 26% Owned by two or more unrelated individuals
- 1% Other

AVG. AGE OF COMPANY

16

AVG. NUMBER OF EMPLOYEES

22

AVG. AGE OF OWNER

48

51%+ WOMEN-OWNED

26%

51%+ MINORITY-OWNED

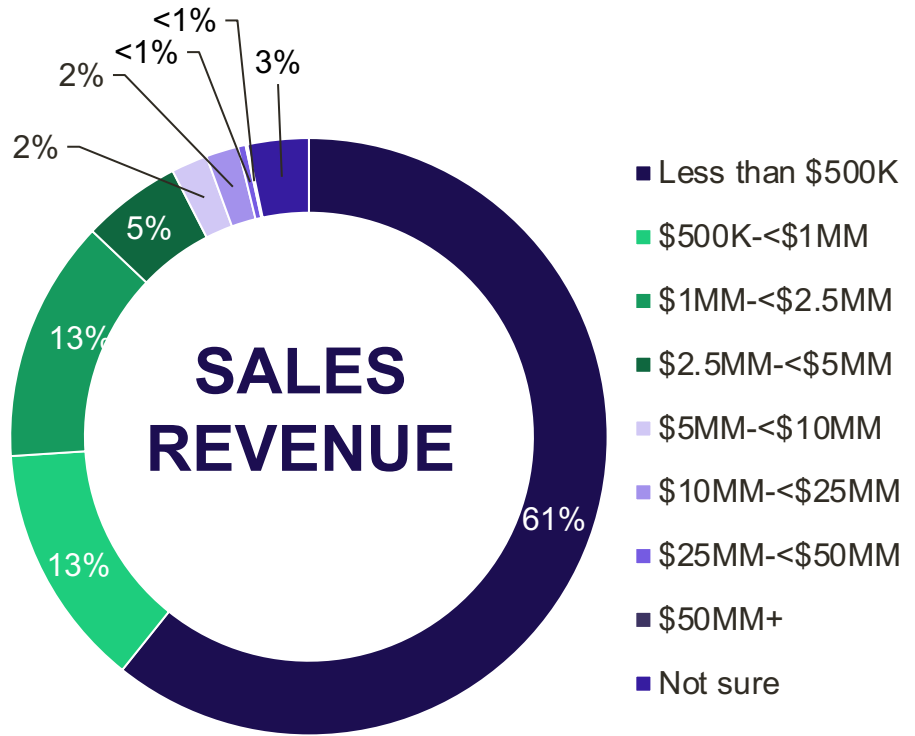
6%

51%+ VETERAN-OWNED

16%

Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

DEPOSIT RESPONDENT PROFILE



TITLE

- 79% Owner/President/CEO
- 2% Non-owner President/CEO
- 6% CFO
- 7% Controller/Treasurer
- 3% Bookkeeper/Office Manager
- 4% Other

OWNERSHIP STRUCTURE

- 50% Owned by a single individual
- 14% Owned by two or more related individuals
- 21% Owned by two or more unrelated individuals
- 13% Not-for-profit
- <1% Government or public administration
- 2% Other

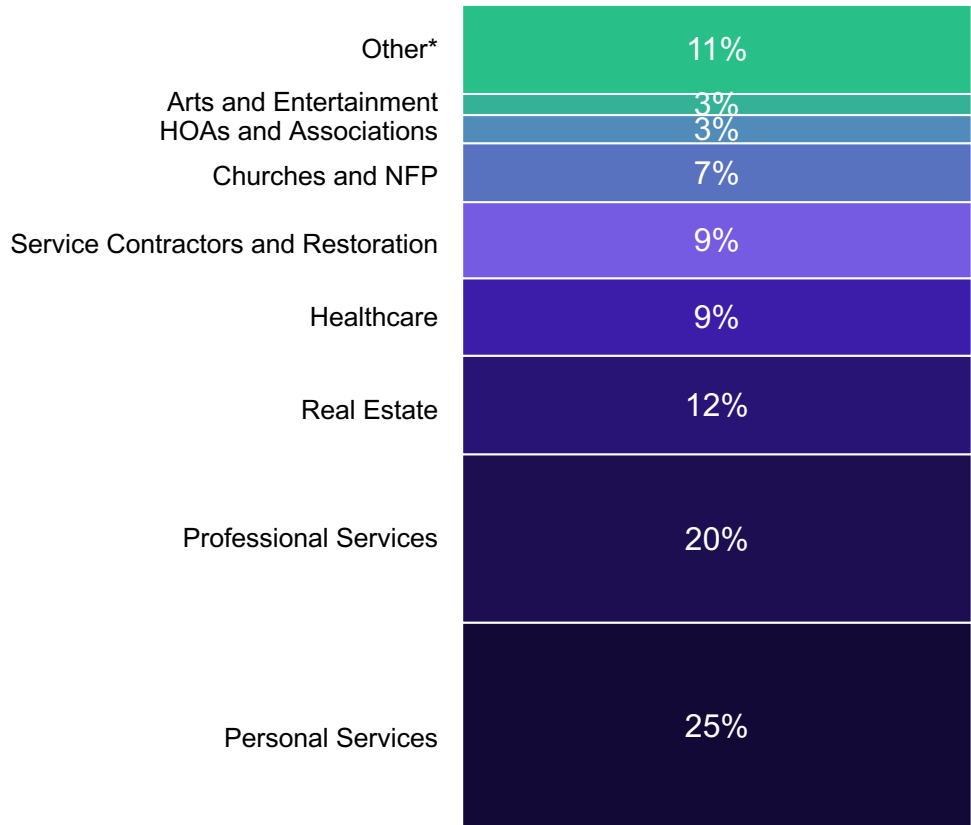
AVG. AGE OF COMPANY | **17**
AVG. NUMBER OF EMPLOYEES | **6**
AVG. AGE OF OWNER | **49**

51%+ WOMEN-OWNED | **30%**
51%+ MINORITY-OWNED | **17%**
51%+ VETERAN-OWNED | **2%**

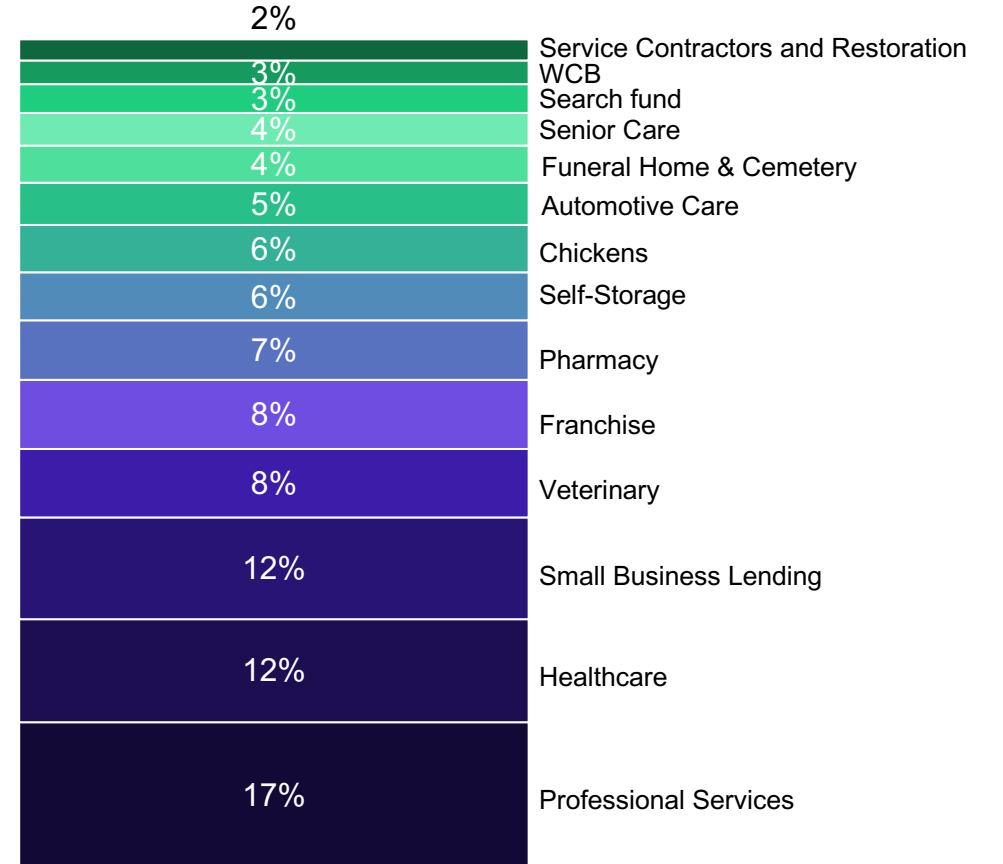
Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

INDUSTRY DISTRIBUTION

Deposit customers



Loan customers

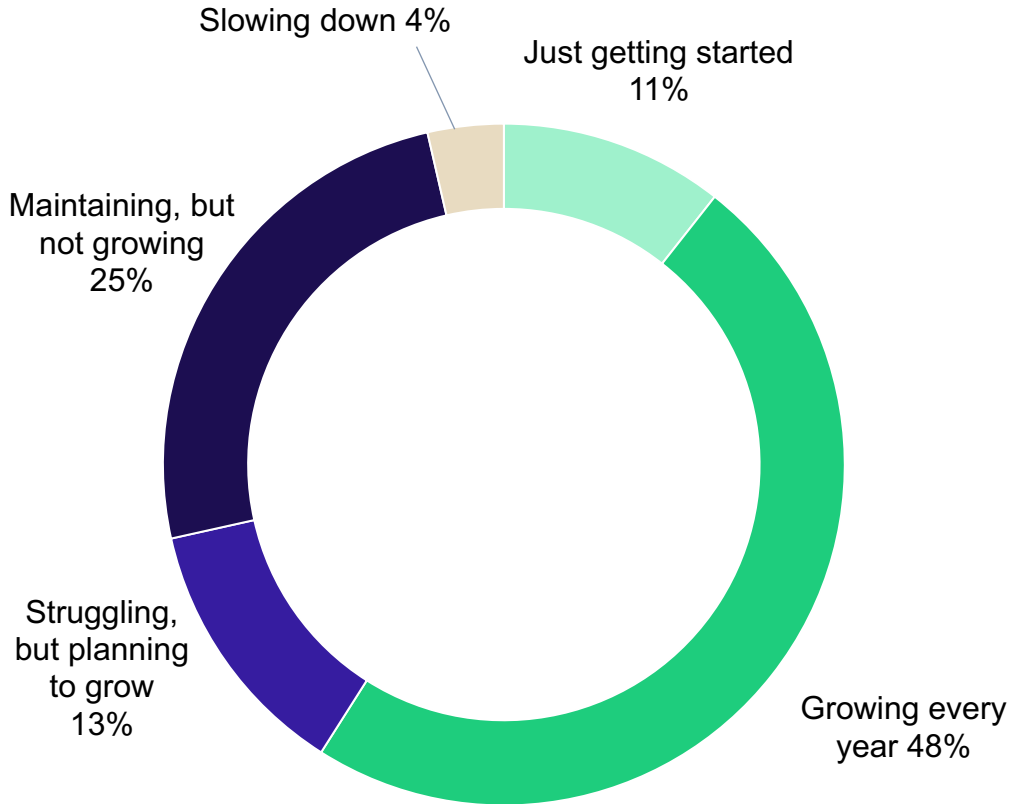


* "Other" includes industries that comprise less than 2% of the sample, including: education, retail, agriculture, automotive care, government contracting, senior care, energy/infrastructure and veterinary

Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

LOAN CUSTOMERS AND LARGER DEPOSIT CUSTOMERS WERE MORE LIKELY TO BE IN GROWTH MODE ¹¹

BUSINESS LIFE STAGE



■ Just getting started
 ■ Growing every year
 ■ Struggling, but planning to grow
 ■ Maintaining, but not growing
 ■ Slowing down

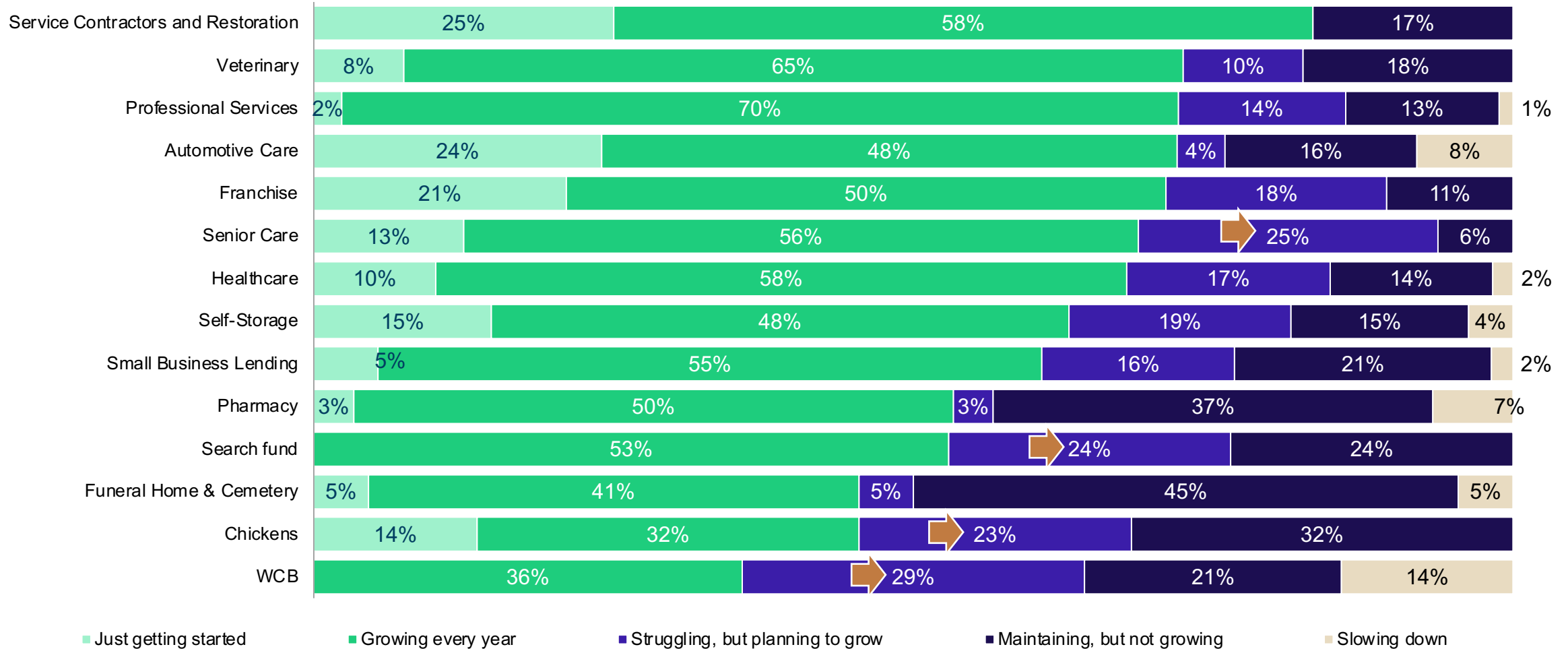
Q: Businesses typically progress through life stages: indicate the stage in which your company currently belongs.

Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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SENIOR CARE, SEARCH FUND, CHICKENS AND WCB ARE MOST LIKELY TO BE STRUGGLING BUT ATTEMPTING TO GROW

BUSINESS LIFE STAGE – LOAN CUSTOMERS



Q: Businesses typically progress through life stages: indicate the stage in which your company currently belongs.

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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STATE OF THE MARKET: LOAN CUSTOMERS

TEMPERATURE CHECK: CURRENT FINANCIAL HEALTH & CHALLENGES

(LOAN CUSTOMERS)


SAMPLE COMMENTARY: INDUSTRY CHALLENGES

MOST IMPORTANT CHALLENGE INDUSTRY IS FACING

 Automotive care


Lack of qualified workers

“Maintaining quality technicians. We are solid right now, but we need to add one more younger quality technology eventually.”

 Senior care

Lack of qualified workers

“Labor shortage which can lead to tempering on the possible growth.”

 Franchise

Lack of qualified workers

“Hiring. We don't believe this will be an issue for us. We have a solid team and people in our pipeline.”

 Veterinary

Lack of qualified workers

“The biggest issue is hiring qualified employees and retaining those employees long term.”

 Service contractors and restoration


Lack of qualified workers

“Labor shortage. We are working on creating an apprenticeship program.”

 Small business lending

Decreased demand

“Decreased demand for housing (cabinets for new residential construction) due to higher interest rates.”

 Funeral homes & cemetery


Decreased demand

“The rise in “no body-present” funerals including the rise in cremation and the rise in family-led funerals.”

 WCB


Decreased demand

“Younger consumers are not purchasing beer at the same level as they were just a few years ago.”

 Healthcare

Economic uncertainty

“The state of the general welfare of people. If people are struggling, they will not spend on medical/dental care.”

 Search fund

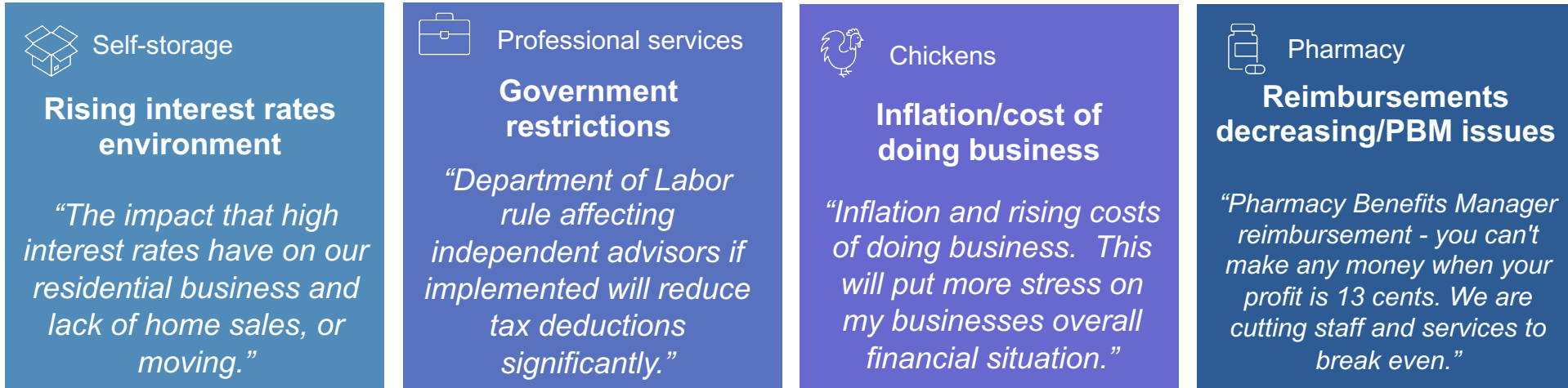
Economic uncertainty

“Government instability. If they don't pay their bills, my company doesn't get paid.”

Q: What is the single most important challenge *your industry* faces today, and how will this impact your company specifically over the next 12 months? (write-in response)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

MOST IMPORTANT CHALLENGE INDUSTRY IS FACING

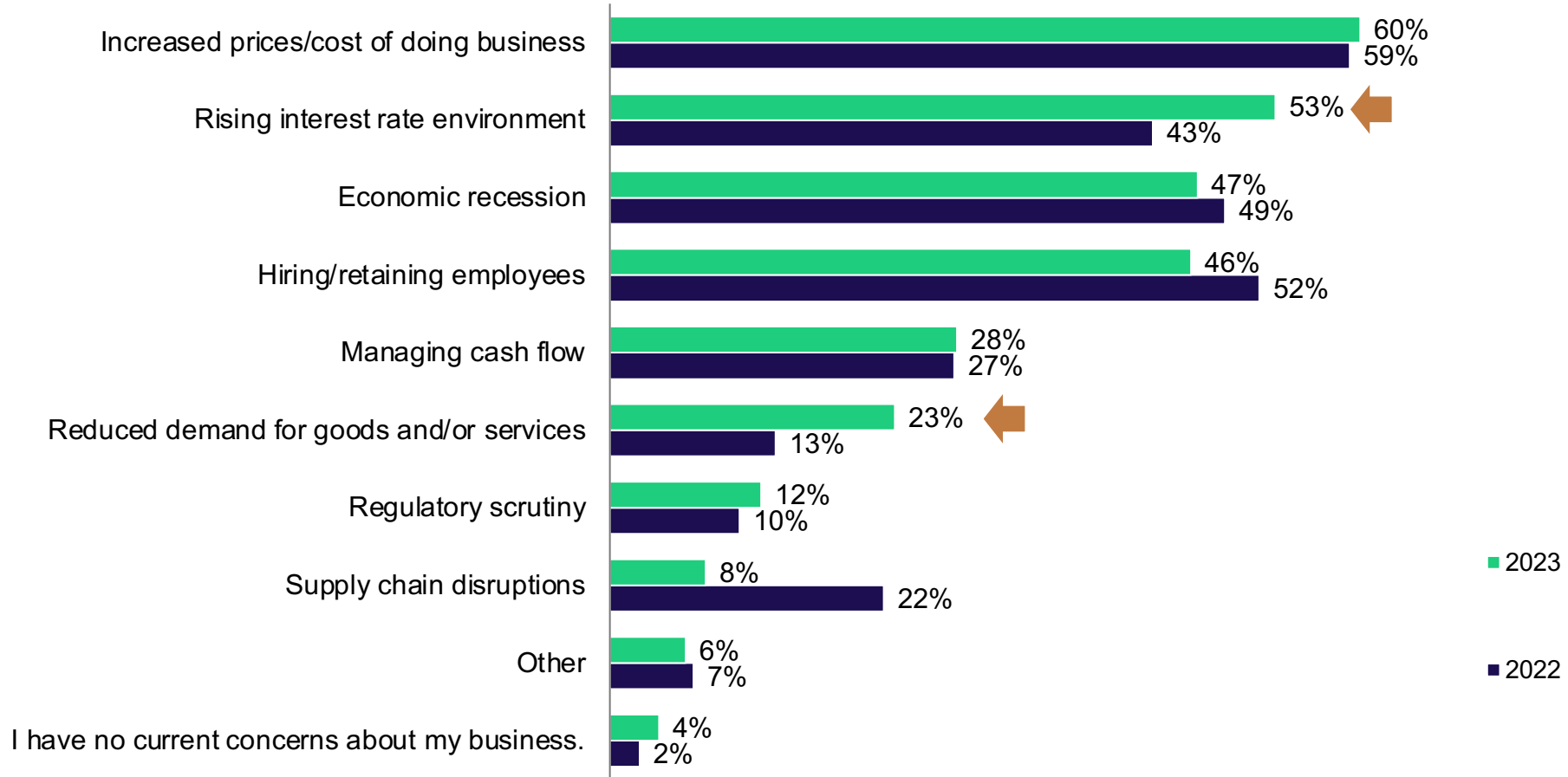


Q: What is the single most important challenge *your industry* faces today, and how will this impact your company specifically over the next 12 months? (write-in response)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

INCREASED PRICES REMAINS THE TOP CONCERN; HOWEVER, MORE ARE NOW CONCERNED ABOUT ELEVATED RATES AND REDUCED DEMAND

TOP CONCERNS

















Q: What are your THREE biggest concerns for your company today? Please enter a '1' for your most concerning, followed by '2' and '3' for the second and third most concerning.

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

INCREASED PRICES ARE MORE CONCERNING AMONG FUNERAL HOMES, HEALTH CARE AND VETERINARY VERTICALS

VERTICALS MOST CONCERNED

(more than 10% higher than average)

-  Professional services
-  Search fund
-  Healthcare
-  Service contractors and restoration
-  Small business lending
-  Senior care
-  Franchise
-  Automotive care
-  Chickens
-  Funeral homes & cemetery
-  Pharmacy
-  Self-storage
-  Veterinary
-  WCB

➔ Increased prices/cost of doing business



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

Rising interest rate environment

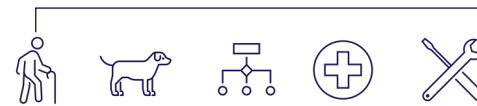


“Getting enough caregiver employees. **Employees who do exist will be worked harder for more hours.** Standards for employees will require more life skill teaching which we are now doing in orientation and interview process.”

Economic recession



Hiring/retaining employees



Managing cash flow



Reduced demand for goods and/or services



“Ground-up (new construction) **starts have slowed, primarily, because of higher interest rates** and some economic uncertainty.”

Regulatory scrutiny



Supply chain disruptions



Q: What are your THREE biggest concerns for your company today? Please enter a ‘1’ for your most concerning, followed by ‘2’ and ‘3’ for the second and third most concerning.

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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CUSTOMERS ARE ADDRESSING CHALLENGES BY ADJUSTING PRICES/ ABSORBING COSTS, CUTTING EXPENSES AND/OR BOOSTING HIRING EFFORTS

HOW CUSTOMERS ARE MANAGING CHALLENGES



“We have been able to **pass the cost along through price increases**; however, we see the point coming where the business will begin to contract if the cost of service continues to increase due to unchecked inflation.”

~Senior care customer



“**We're doing what we can to control costs of supplies**, but our biggest portion of COGS is drug pricing and is mainly out of our control. We shop multiple smaller wholesalers, but this does not help with brand pricing, which is the bulk of our COGS.”

~Pharmacy customer



“Lost an employee earlier this year who had been with us for 2 years. **Decided to hire two replacements in the event one doesn't work out.** If both work out, poised for future growth.”

~Professional services customer

Q: Think about the factor that is most concerning to you. How has your company reacted or responded to this challenge? (write-in response)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

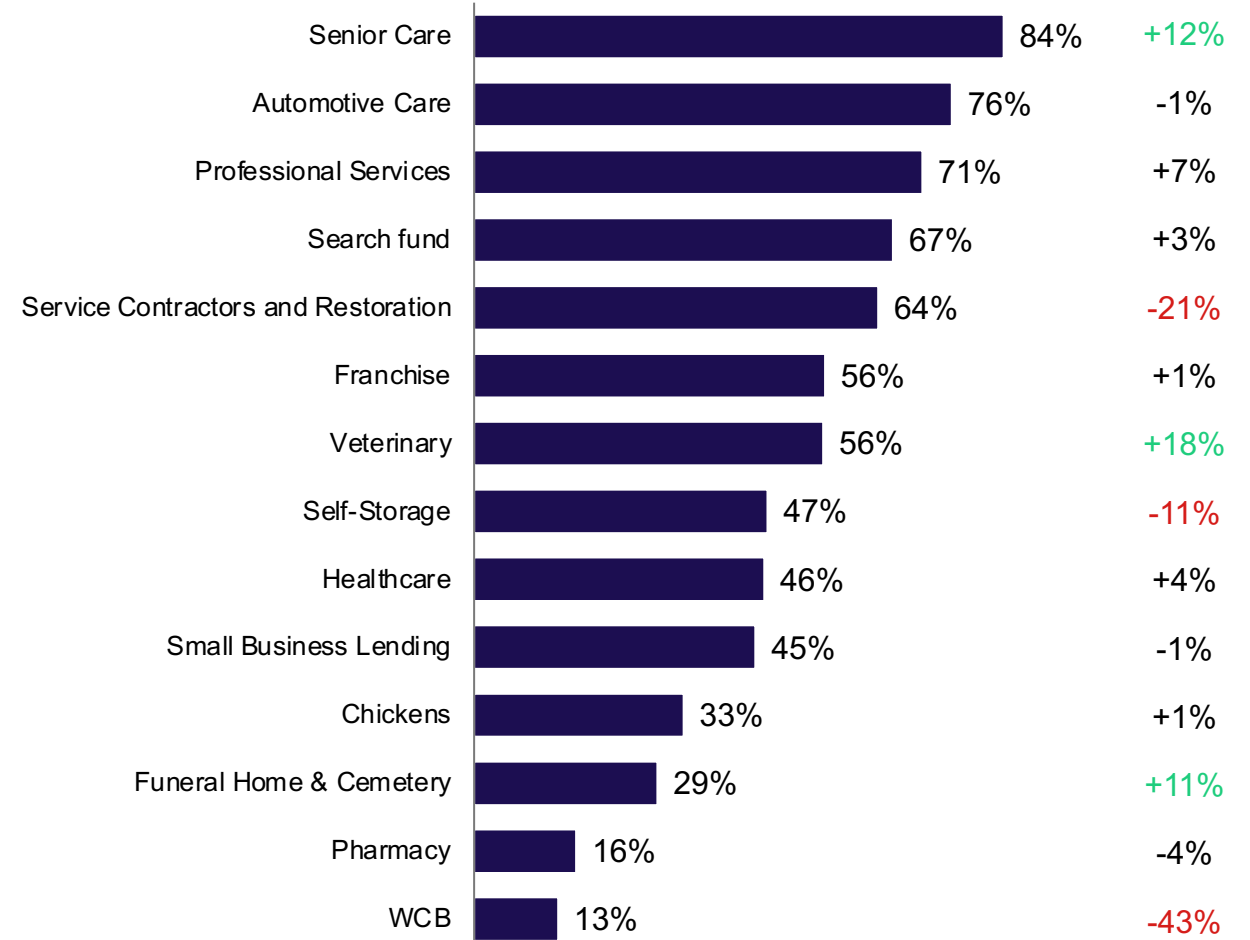
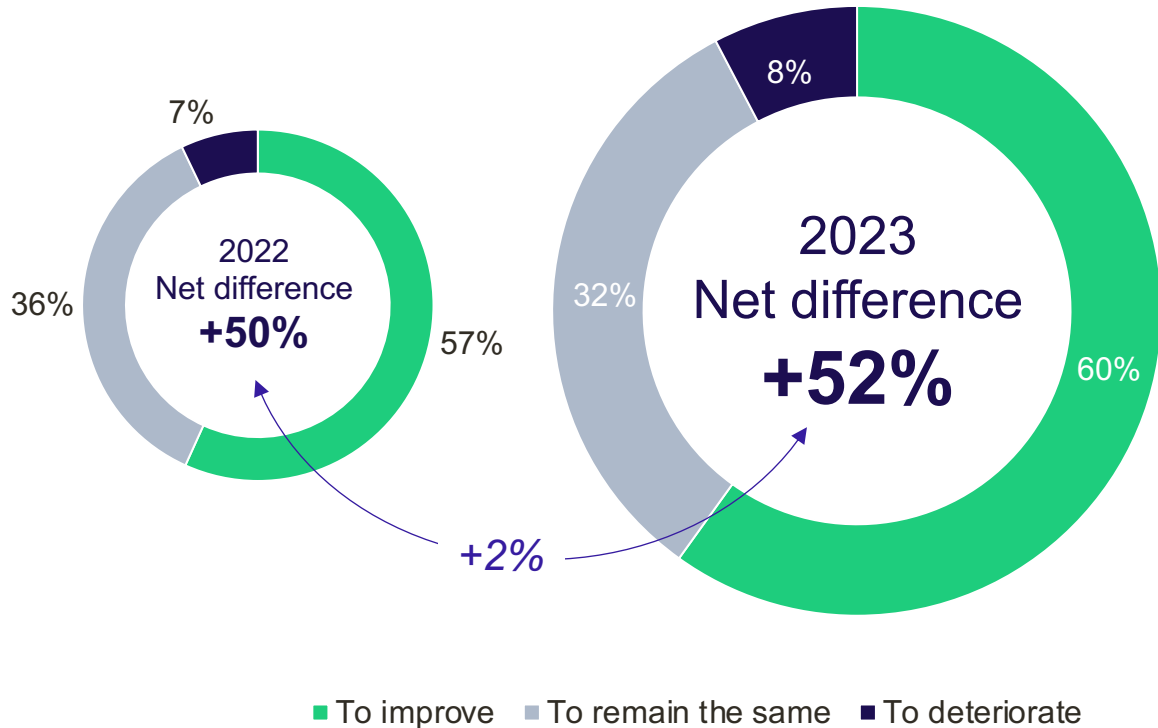
WHAT'S ON THE HORIZON

(LOAN CUSTOMERS)

MOST LIVE OAK LOAN CUSTOMERS REMAIN OPTIMISTIC ABOUT THEIR FINANCIAL OUTLOOK

EXPECTED OVERALL FINANCIAL CONDITION

Change from 2022

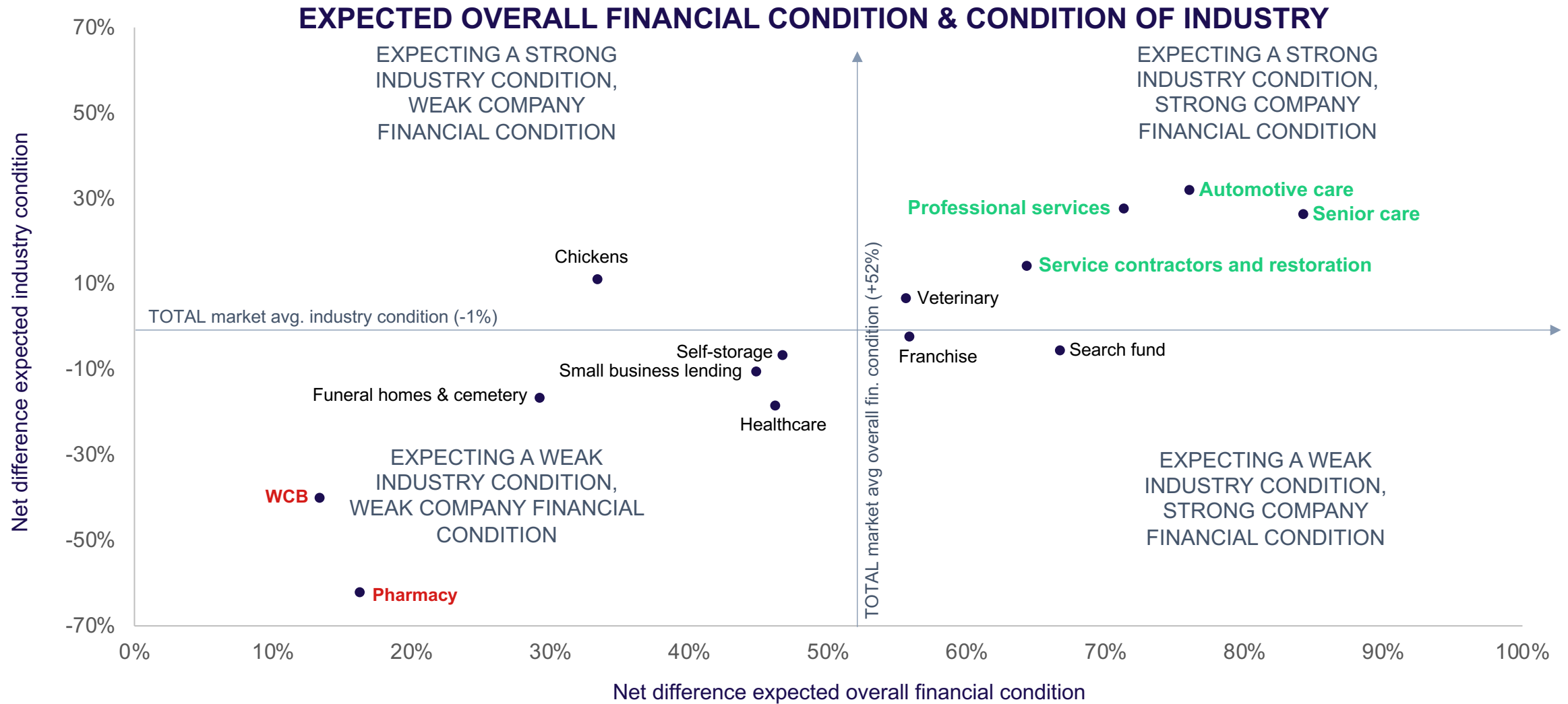


Net difference (% to improve - % to deteriorate)

Q: We would now like to understand your outlook on the future. During the next 12 months, do you expect your company's overall financial condition...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

AUTOMOTIVE CARE, SENIOR CARE, PROFESSIONAL SERVICES AND SERVICE CONTRACTORS ANTICIPATE STRONG INDUSTRY & COMPANY POSITIONS ²²



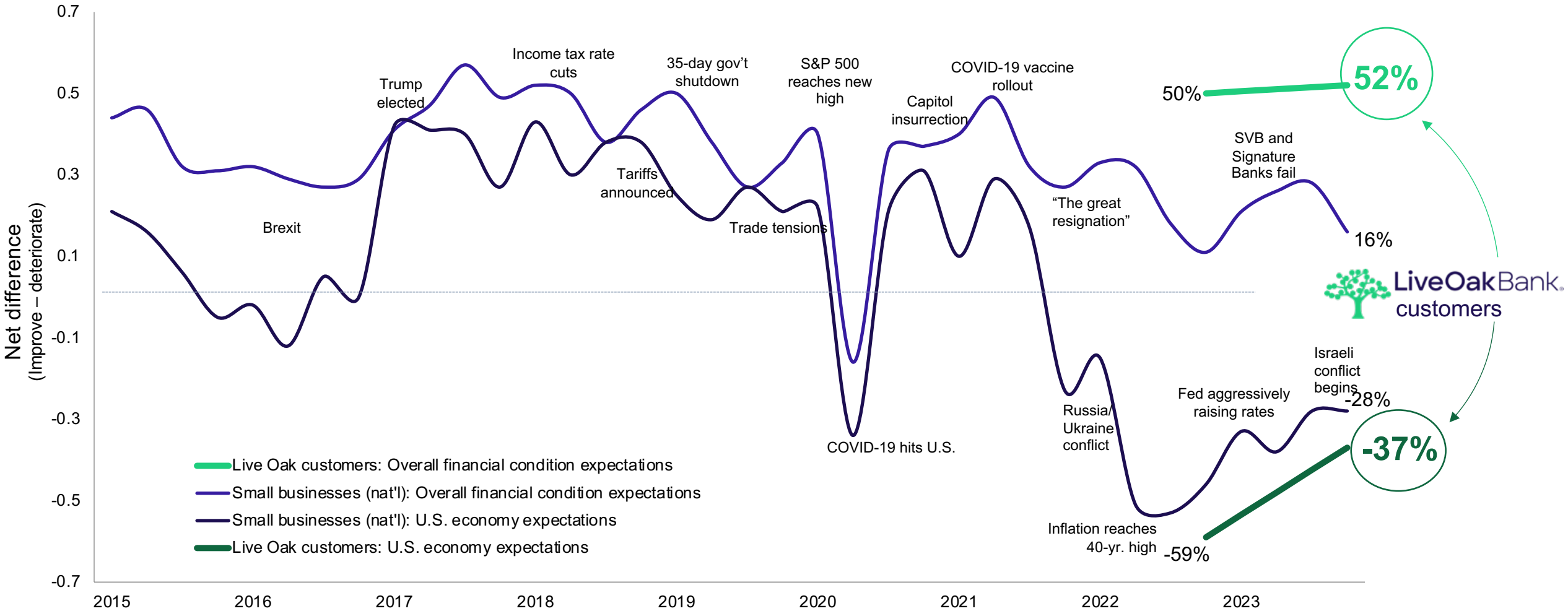
Q: We would now like to understand your outlook on the future. During the next 12 months, do you expect your company's...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

LOAN CUSTOMERS REMAIN MORE CONFIDENT IN THEIR FINANCIAL CONDITIONS THAN THE NATIONAL AVERAGE

SMALL BUSINESS EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY

Next 12 months net difference



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

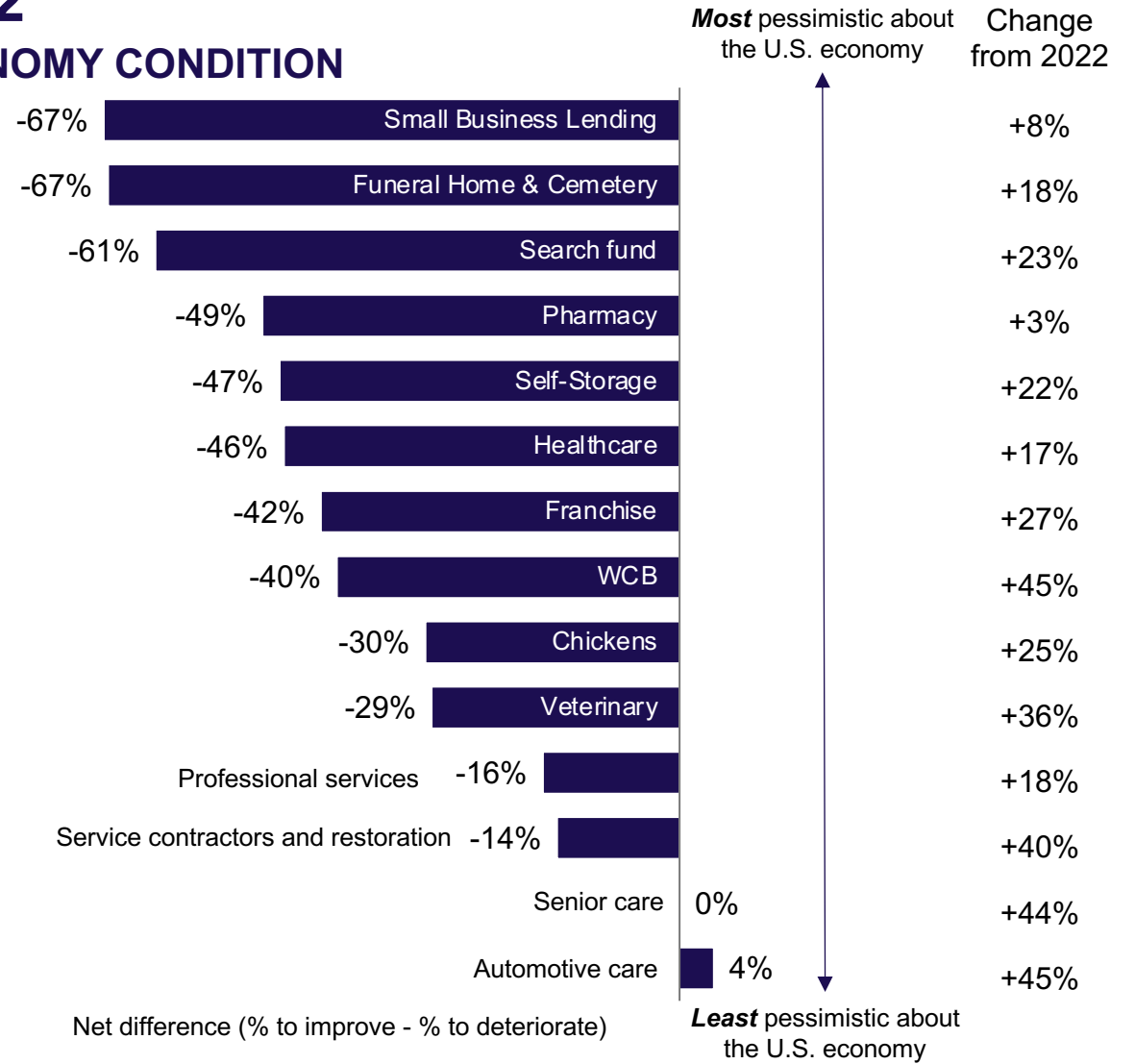
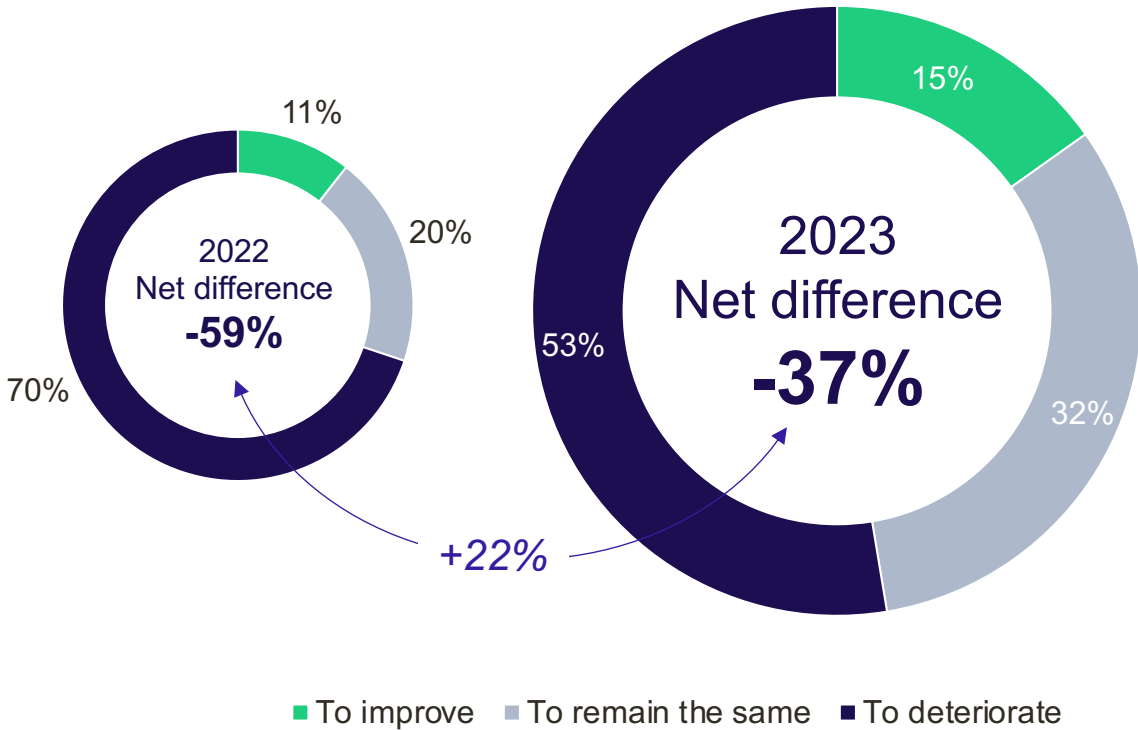
Base: Loan customers; \$100K-<\$10MM; Source: BusinessPulse Quarterly Trending Data (ending 4Q2023); Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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EXPECTATIONS ABOUT THE OUTLOOK OF THE U.S. ECONOMY REMAIN PESSIMISTIC, BUT IMPROVED FROM 2022

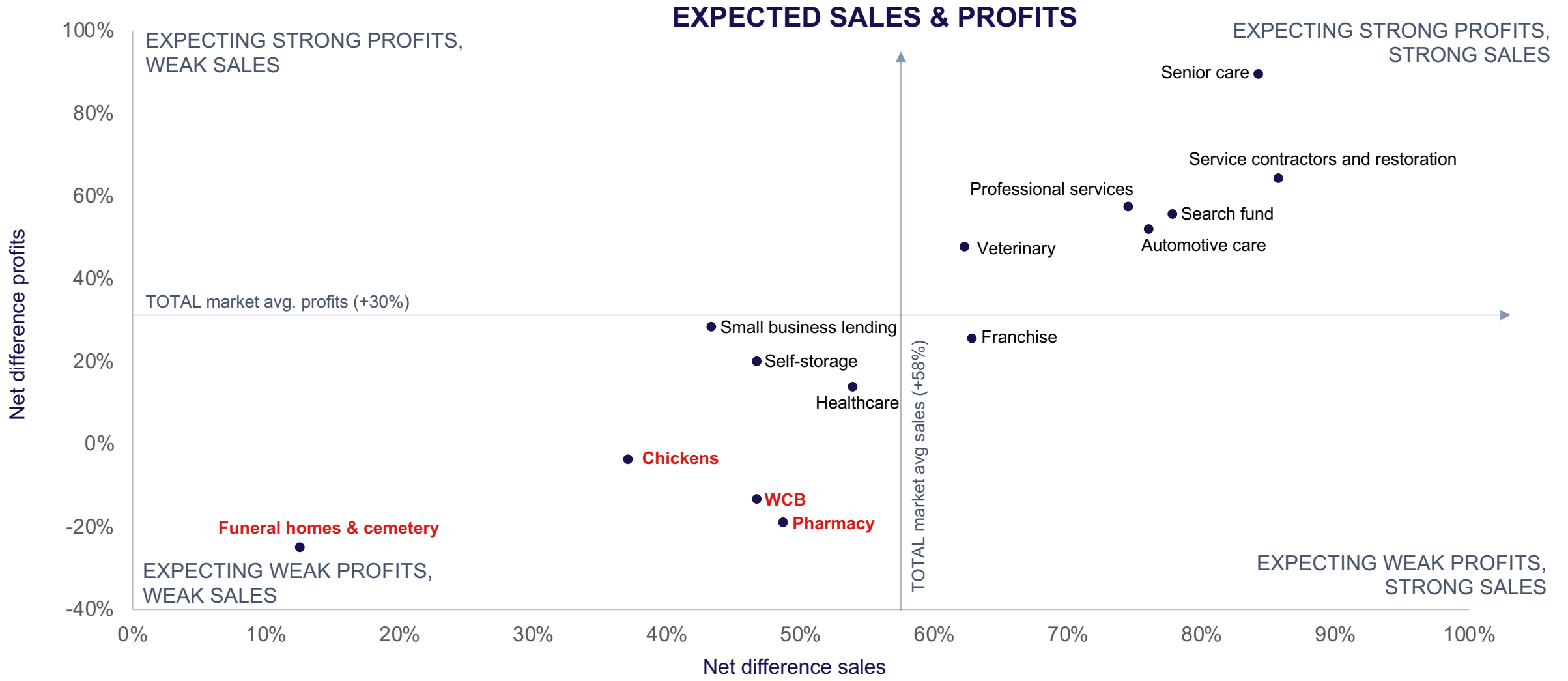
EXPECTED U.S. ECONOMY CONDITION



Q: We would now like to understand your outlook on the future. During the next 12 months, do you expect the U.S. economy to...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

FUNERAL HOMES, PHARMACY, CHICKENS AND WCB VERTICALS HAVE THE WEAKEST SALES & PROFIT OUTLOOKS



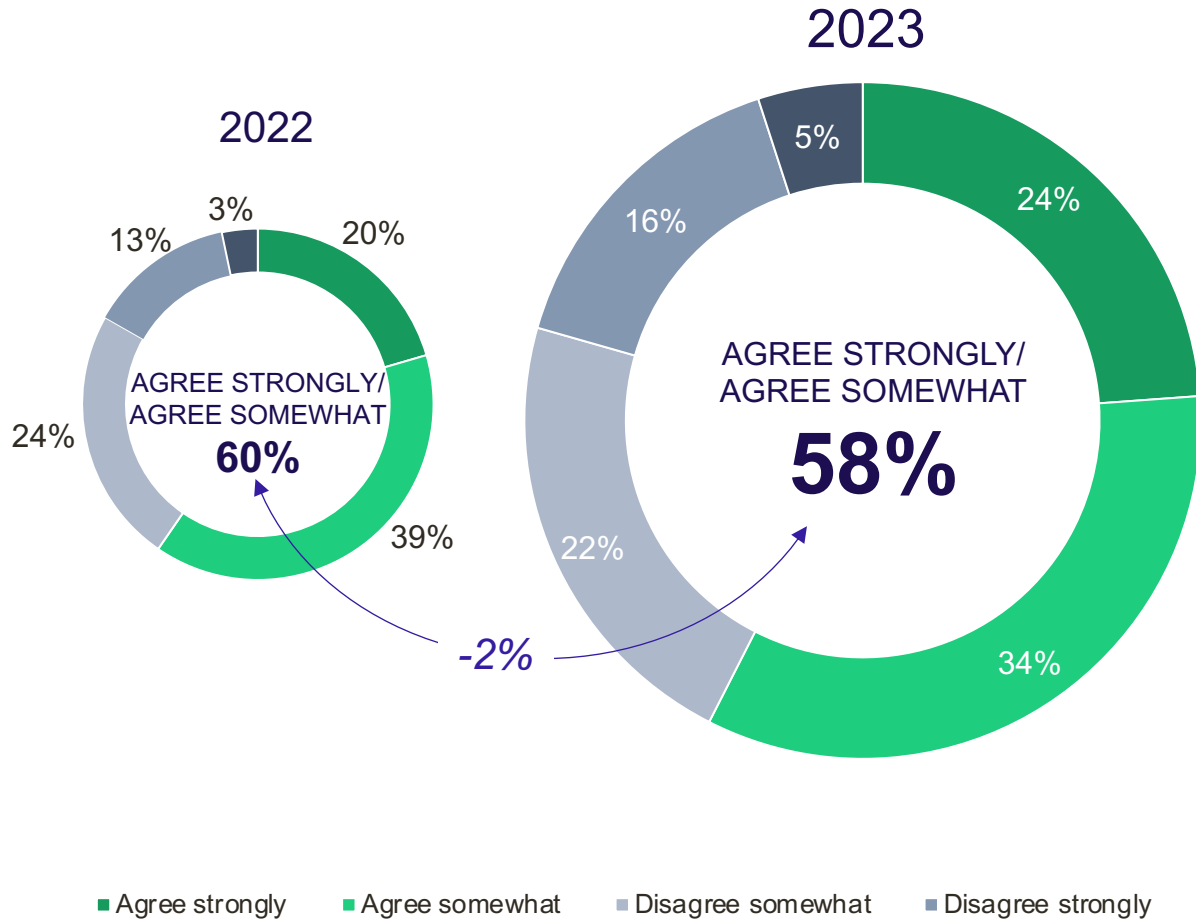
Q: We would now like to understand your outlook on the future. During the next 12 months, do you expect your company's...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

LOOK FOR SPONSOR FINANCE, SERVICE CONTRACTORS AND SENIOR CARE CUSTOMERS TO EXPAND THEIR OPERATIONS

BELIEF THAT NOW IS A GOOD TIME TO EXPAND BUSINESS

Change from 2022
(agree strongly/
agree somewhat)



Industry	Agree strongly	Agree somewhat	Total	Change from 2022
Search fund	22%	67%	89%	+17%
Service Contractors and Restoration	46%	38%	85%	-7%
Senior Care	53%	32%	84%	+13%
Professional Services	32%	42%	74%	+2%
Small Business Lending	29%	42%	71%	-4%
Automotive Care	28%	24%	52%	-24%
Self-Storage	17%	34%	52%	-15%
Veterinary	22%	29%	51%	-1%
Healthcare	14%	34%	48%	+9%
Pharmacy	14%	31%	44%	-1%
Franchise	21%	23%	44%	-6%
Funeral Home & Cemetery	9%	22%	30%	-14%
WCB	7%	20%	27%	-21%
Chickens	8%	16%	24%	+4%

Legend: Agree strongly (dark green), Agree somewhat (light green)

Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to expand our business.

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

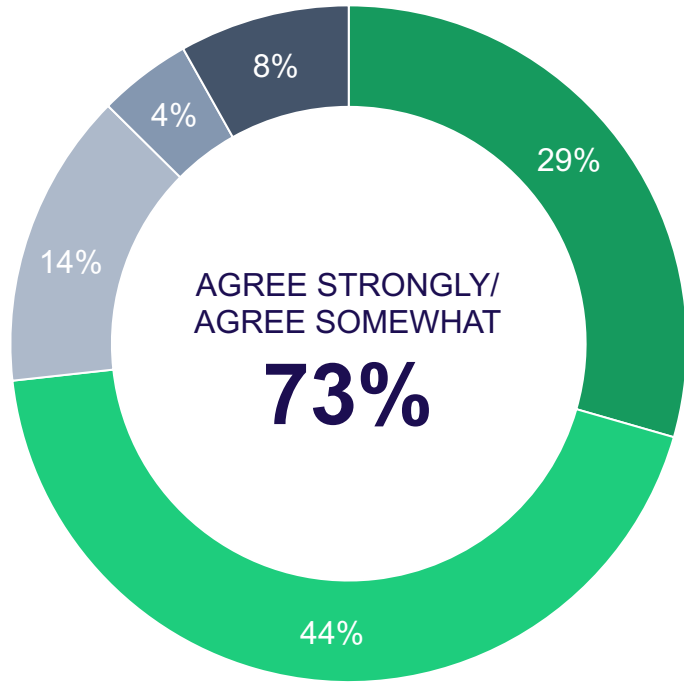
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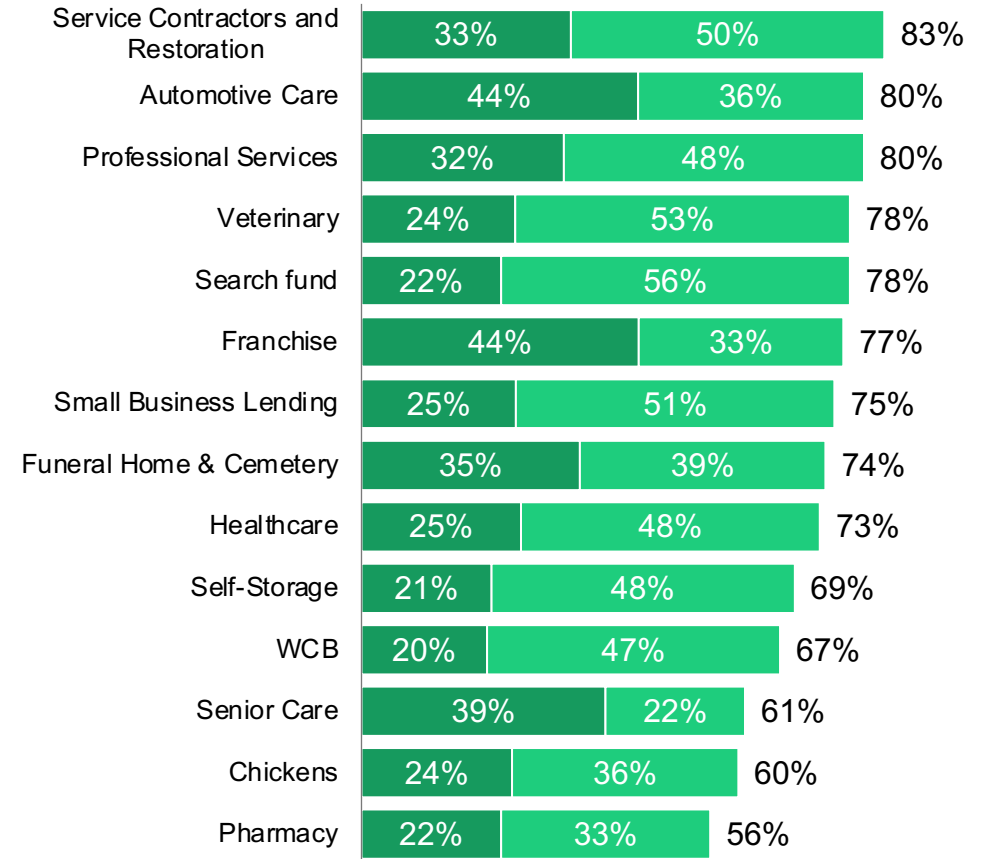


SEVEN IN TEN LOAN CUSTOMERS WILL BE LOOKING TO SAVE OR INVEST EXCESS CASH

BELIEF THAT NOW IS A GOOD TIME TO BEGIN SAVING OR INVESTING EXCESS FUNDS



■ Agree strongly ■ Agree somewhat ■ Disagree somewhat ■ Disagree strongly ■ No opinion



■ Agree strongly ■ Agree somewhat

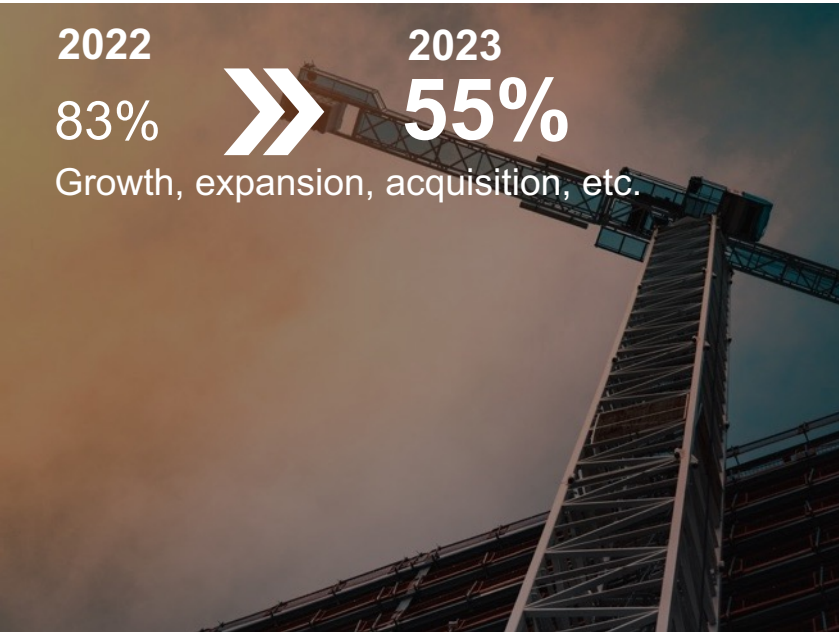
Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to begin saving or investing excess funds.

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

REASONS FOR BORROWING HAVE ALSO SHIFTED, WITH AN INCREASING PERCENTAGE OF CUSTOMERS NOW SEEKING WORKING CAPITAL

REASON FOR BORROWING ACTIVITY

(based to those expecting to borrow)



“We are **considering building another new building** in about a year. We want to payoff our small loan before we borrow more.” *Veterinary customer*

“We are going to **build at least one new store** and hopefully pickup an existing restaurant.” *Franchise customer*

“**Acquisition of more businesses.**” *Senior care customer*



“Help our cash reserves and **working capital to weather the economic downturns.**” *Self-storage customer*

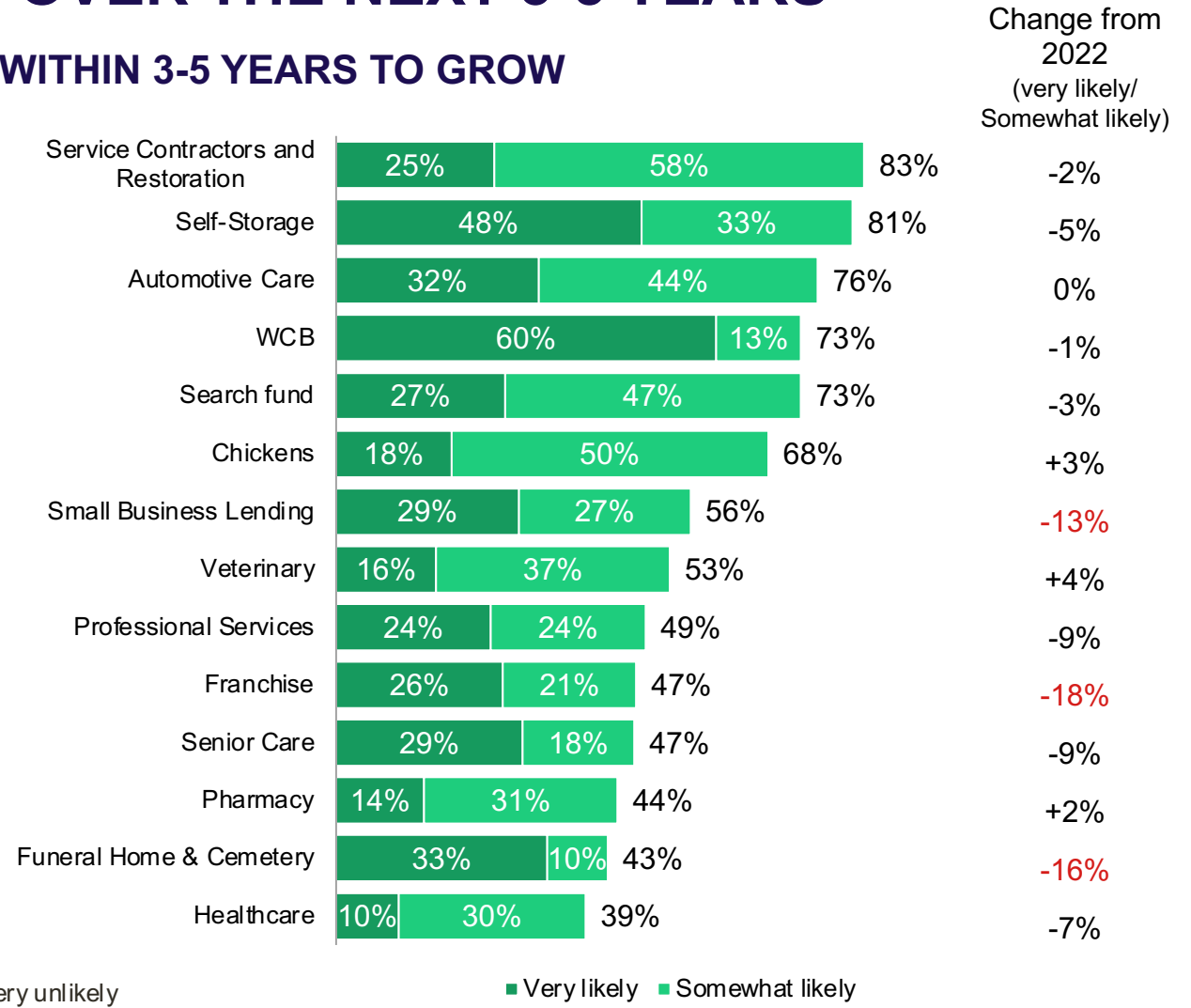
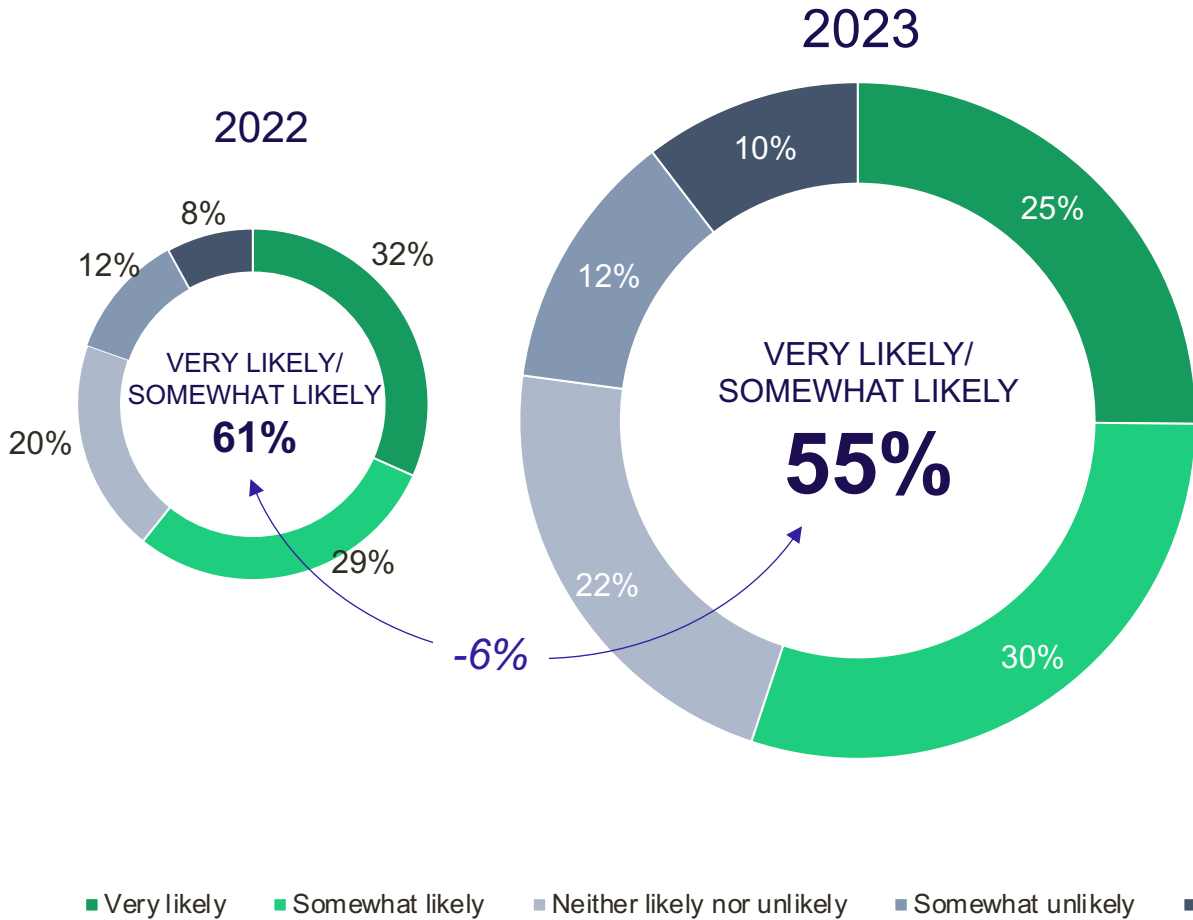
“**Safety net for slow cash flow**, new a/c and possibly a new vehicle.” *Small Funeral home and cemetery customer*

Q: For what reason(s) do you plan to borrow/take on additional debt? (write-in response)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

WHILE LOWER THAN 2022, A LARGE CONTINGENT OF LOAN CUSTOMERS CONTINUE TO BE LIKELY TO BORROW OVER THE NEXT 3-5 YEARS

LIKELIHOOD TO BORROW WITHIN 3-5 YEARS TO GROW



Q: How likely are you to need additional capital to grow your business over the next 3-5 years?

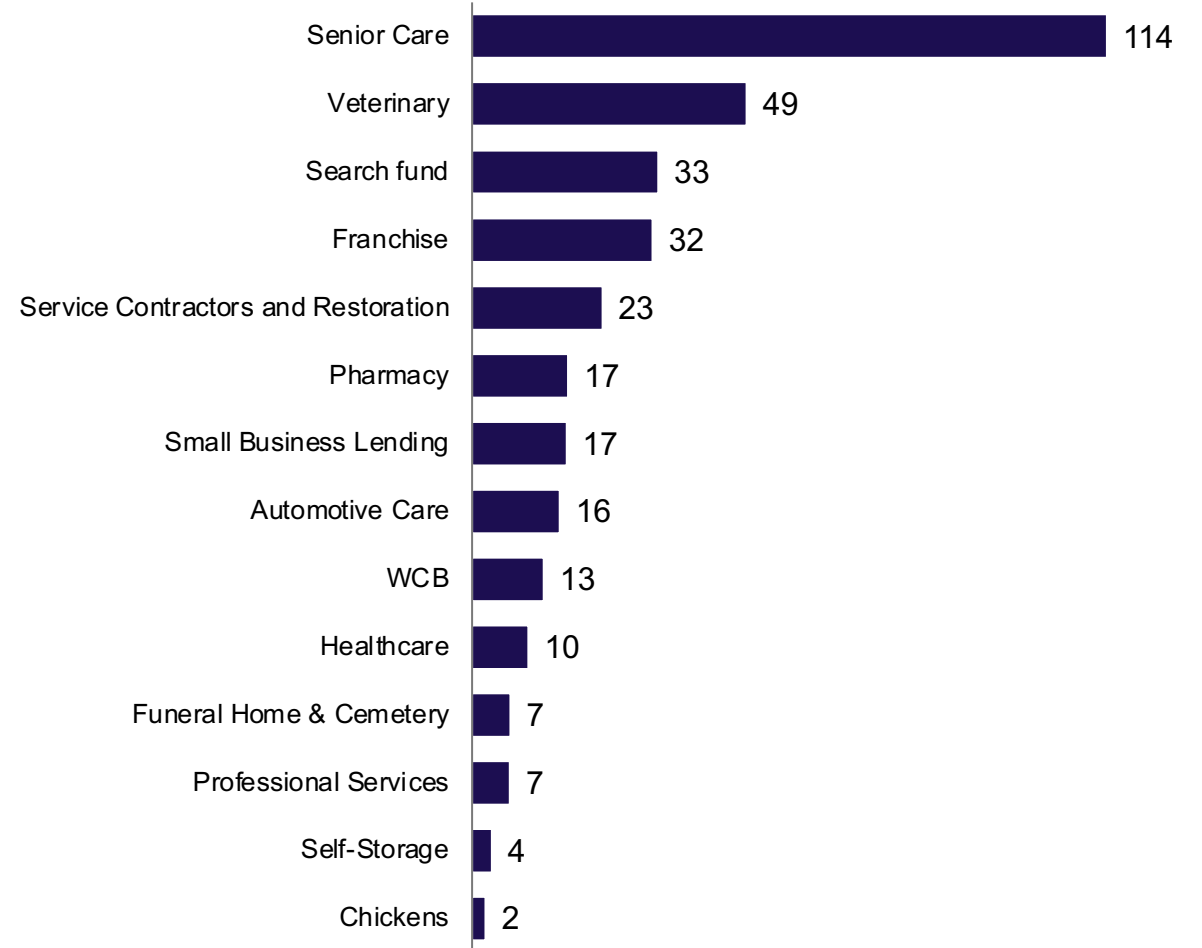
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

THE STATE OF STAFFING

(LOAN CUSTOMERS)

THE AVERAGE LOAN CUSTOMER HAS 22 FULL-TIME EMPLOYEES, WHICH IS SKEWED BY LARGER EMPLOYERS IN THE SENIOR CARE AND VETERINARY VERTICALS

NUMBER OF FULL TIME EMPLOYEES



Average number of employees

Q: How many people does your company employ on a full-time basis?

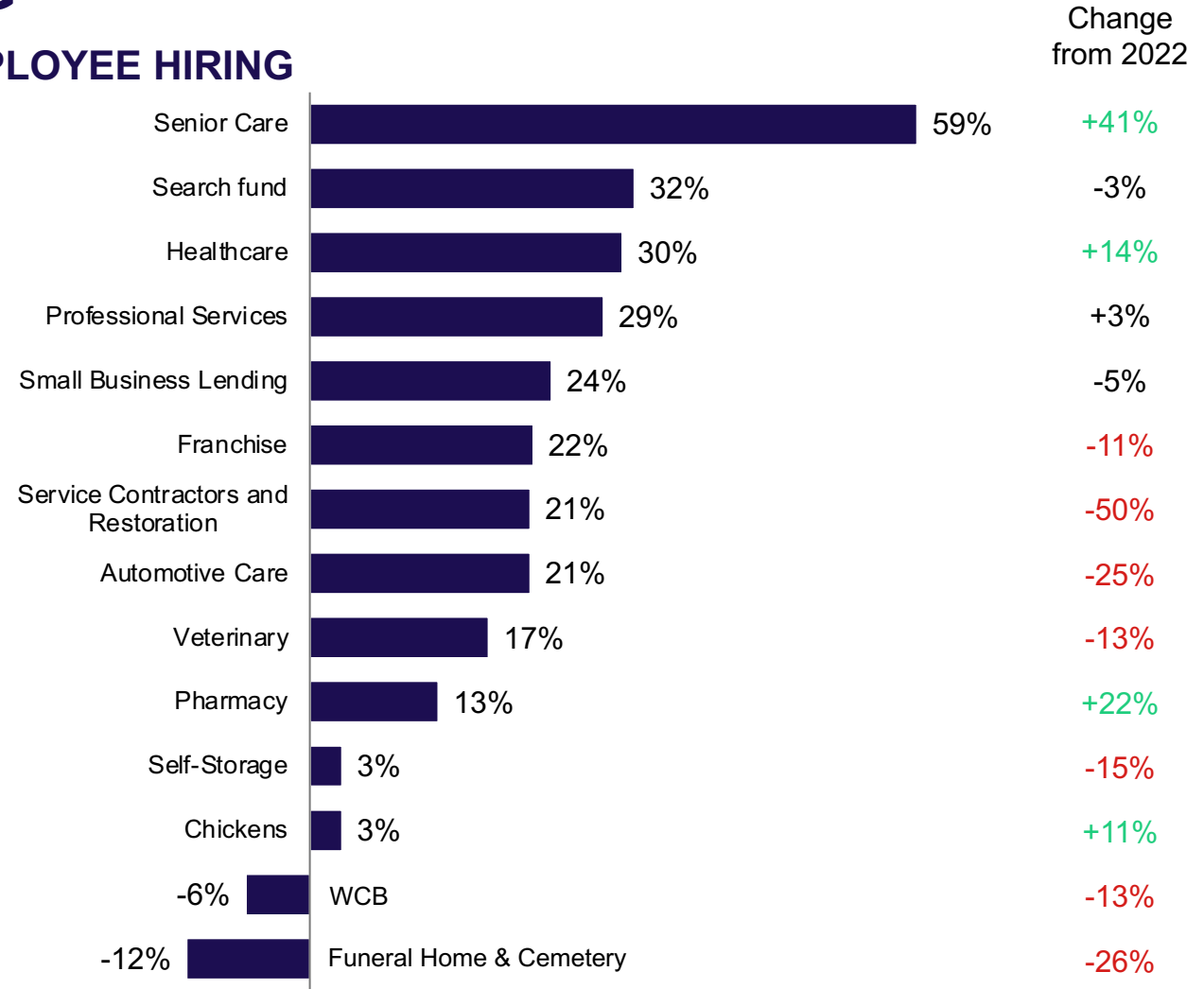
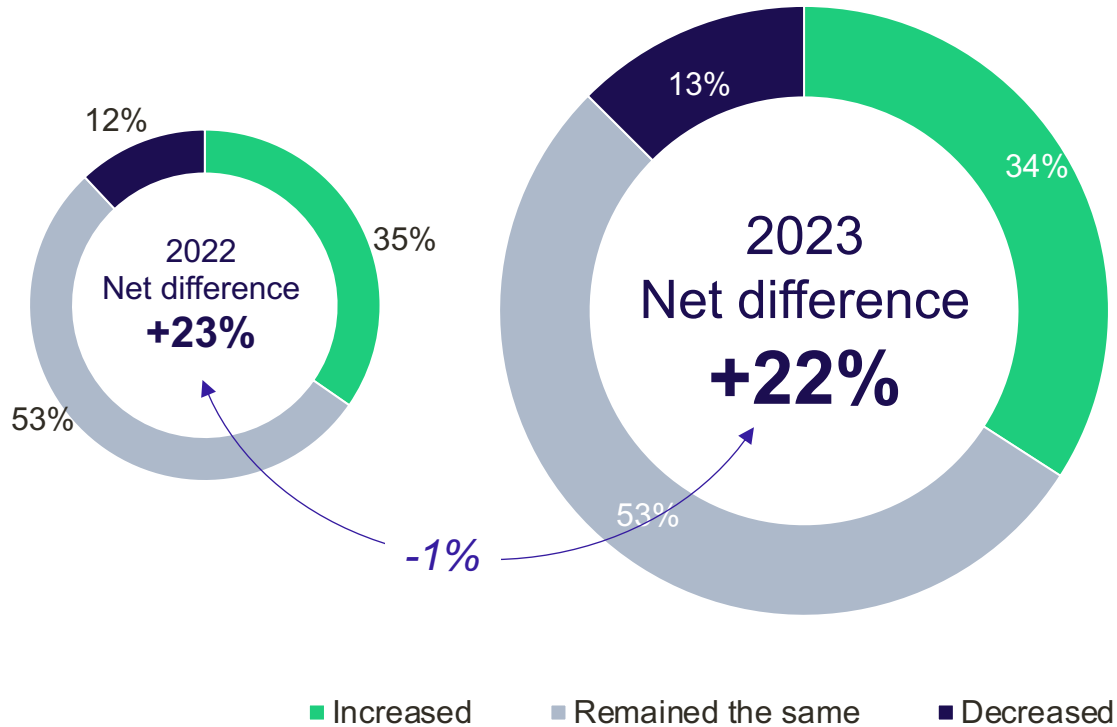
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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AVERAGE'S COVER UP SUBSTANTIAL YEAR-OVER-YEAR VERTICAL CHANGES IN NET DIFFERENCE HIRING

FULL-TIME EMPLOYEE HIRING



Net difference (% increased - % decreased)

Q: We are interested in how things have changed for your company over the last 12 months. During the last 12 months, did your company's full-time employees ...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

FEWER WERE UNDERSTAFFED IN 2023

STAFFING LEVELS

2023

2022

40% BELIEVE THEIR COMPANY IS UNDERSTAFFED

50% BELIEVE THEIR COMPANY IS UNDERSTAFFED

4% Significantly understaffed

5% Significantly understaffed

36% Moderately understaffed

44% Moderately understaffed

48% Just right

44% Just right

11% Moderately overstaffed

6% Moderately overstaffed

1% Significantly overstaffed

<1% Significantly overstaffed

Q: Which of the following best represents your current staffing level?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

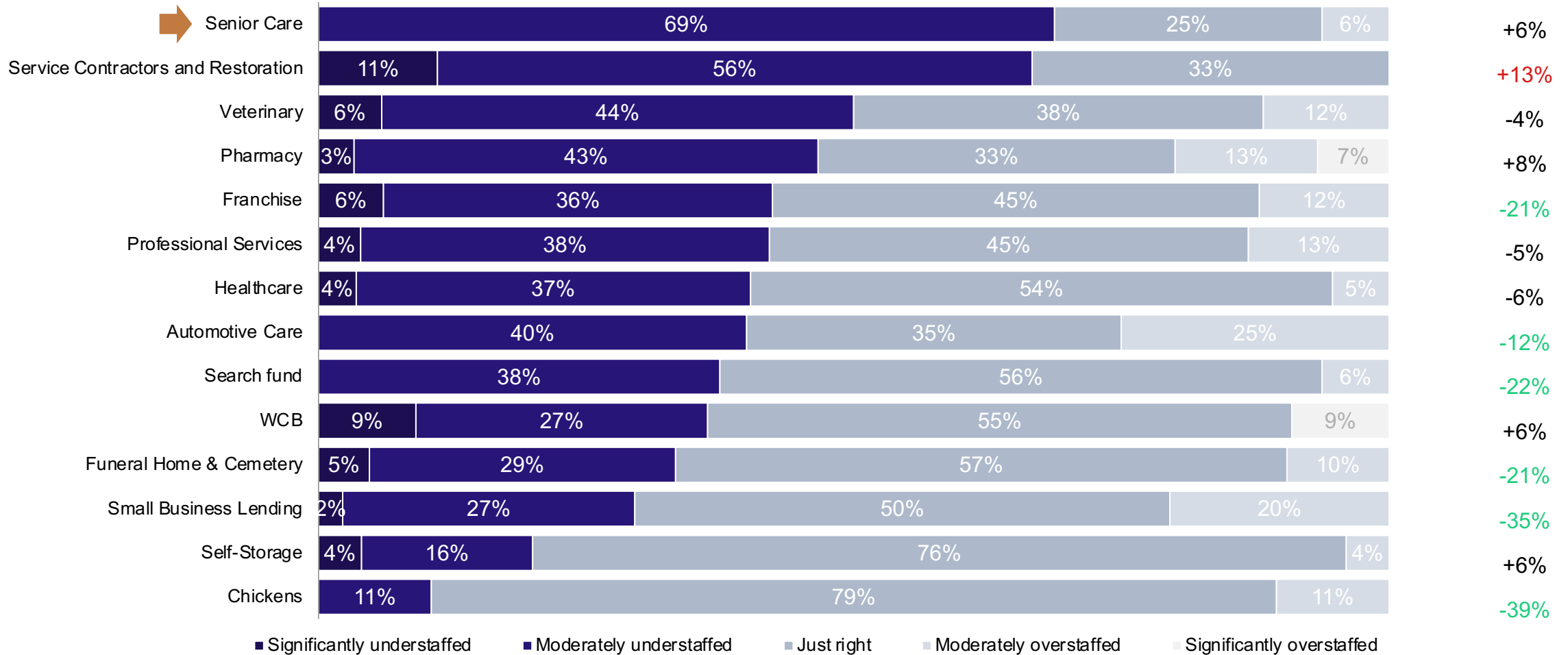
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ALTHOUGH SENIOR CARE HAD THE LARGEST AVERAGE NUMBER OF EMPLOYEES, THIS VERTICAL WAS MOST LIKELY TO BE UNDERSTAFFED

STAFFING LEVELS

Change from 2022
(significantly/
moderately understaffed)



Q: Which of the following best represents your current staffing level?

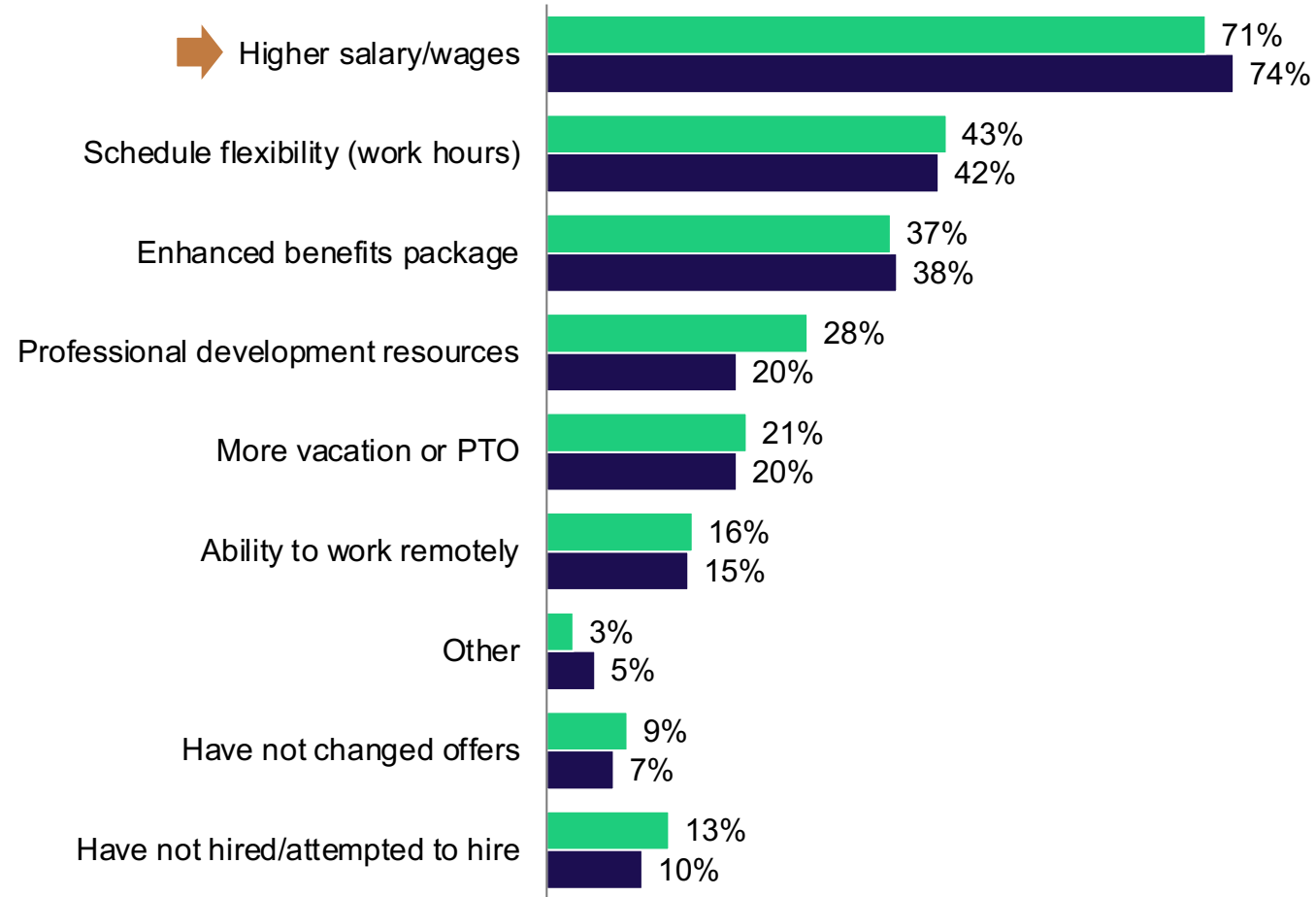
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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INCREASING SALARIES/WAGES WAS THE MOST COMMON WAY TO ATTRACT/RETAIN EMPLOYEES

HOW COMPANIES ARE ATTRACTING/RETAINING EMPLOYEES

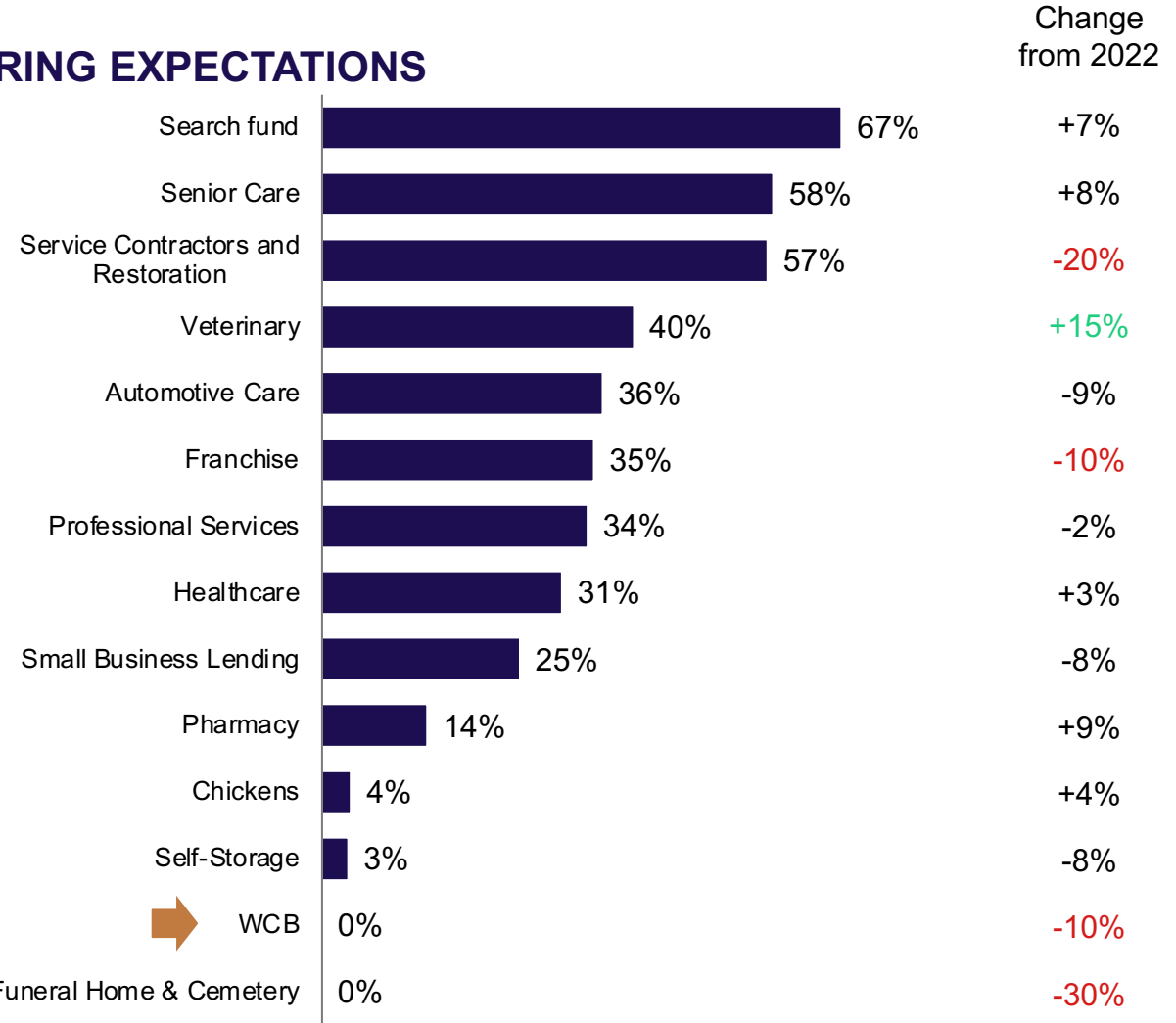
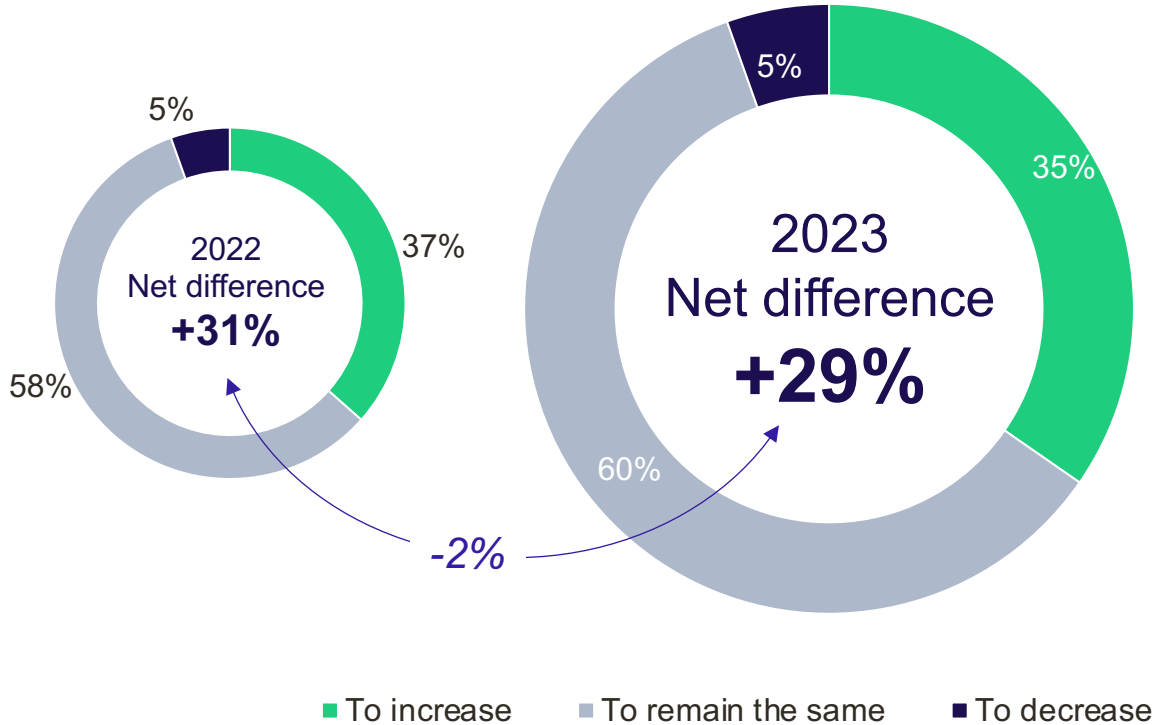


Q: During the last 12 months, which of the following has your company offered to attract new talent and/or retain current employees? (select all that apply)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

WCB AND FUNERAL HOMES DO NOT EXPECT TO HIRE, WHICH IS A CHANGE IN SENTIMENT FROM 2022

FULL-TIME EMPLOYEE HIRING EXPECTATIONS



Net difference (% to increase - % to decrease)

Q: During the next 12 months, do you expect your company's full-time employees...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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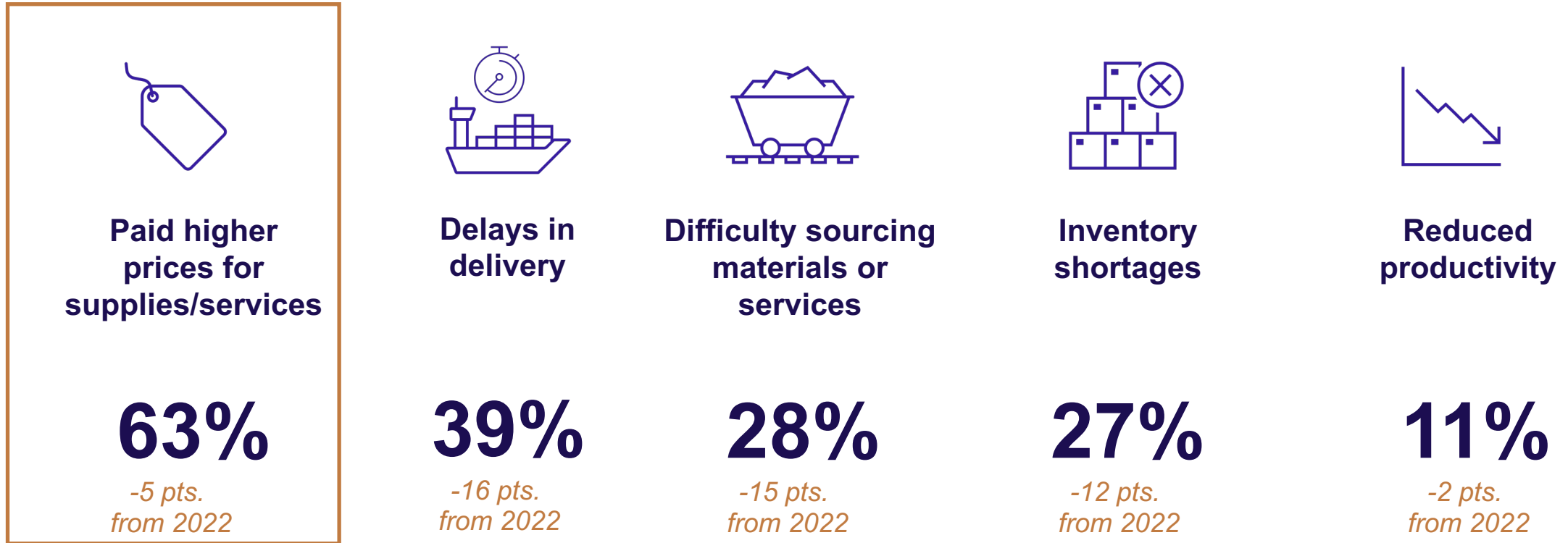
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MANAGING INFLATED PRICES AND SUPPLY CHAIN DISRUPTIONS

(LOAN CUSTOMERS)

SUPPLY CHAIN ISSUES HAVE BECOME LESS DISRUPTIVE, ALTHOUGH MANY CONTINUE TO EXPERIENCE INCREASED PRICES

ISSUES EXPERIENCED DUE TO SUPPLY CHAIN DISRUPTIONS



Has not been impacted by supply chain disruptions: 27% (+7 pts. from 2022)

Q: During the last 12 months, which of the following has your company experienced due to supply chain disruptions? (select all that apply)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

SUPPLY CHAIN CHALLENGES TEND TO BE LOCALIZED IN CERTAIN INDUSTRIES

ISSUES EXPERIENCED DUE TO SUPPLY CHAIN DISRUPTIONS

(verticals highlighted are more than 10% higher than average)

Paid higher prices for supplies/services



Delays in delivery



Difficulty sourcing materials or services



Inventory shortages



Reduced productivity

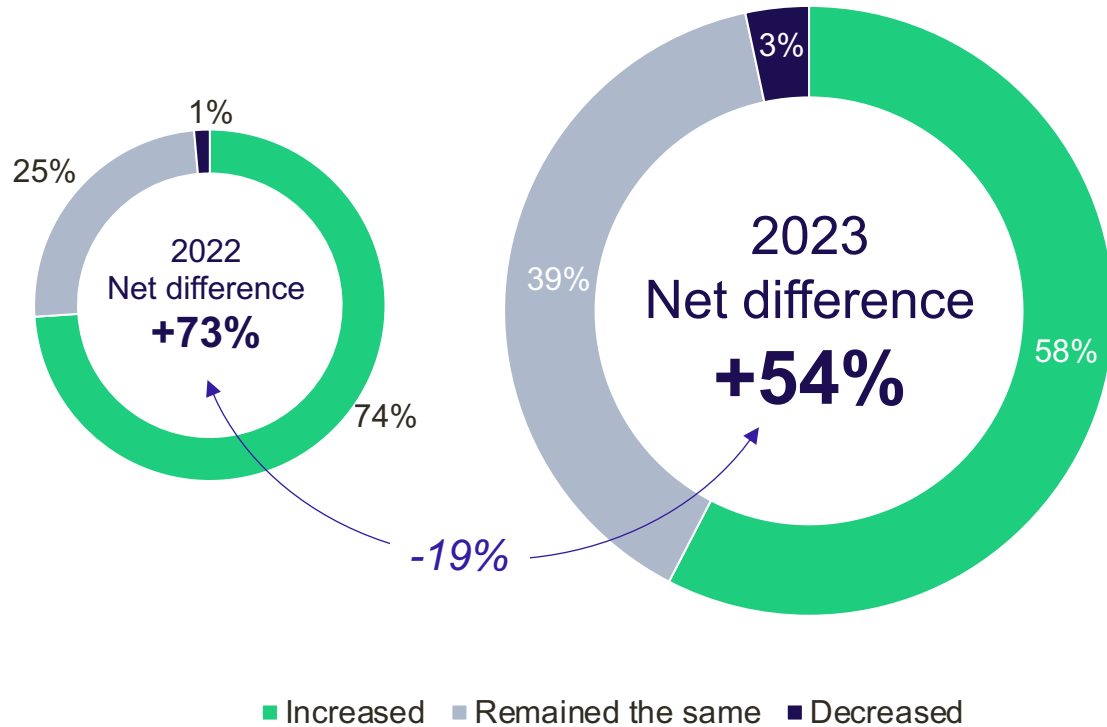


-  Professional services
-  Search fund
-  Healthcare
-  Service contractors and restoration
-  Small business lending
-  Senior care
-  Franchise
-  Automotive care
-  Chickens
-  Funeral homes & cemetery
-  Pharmacy
-  Self-storage
-  Veterinary
-  WCB

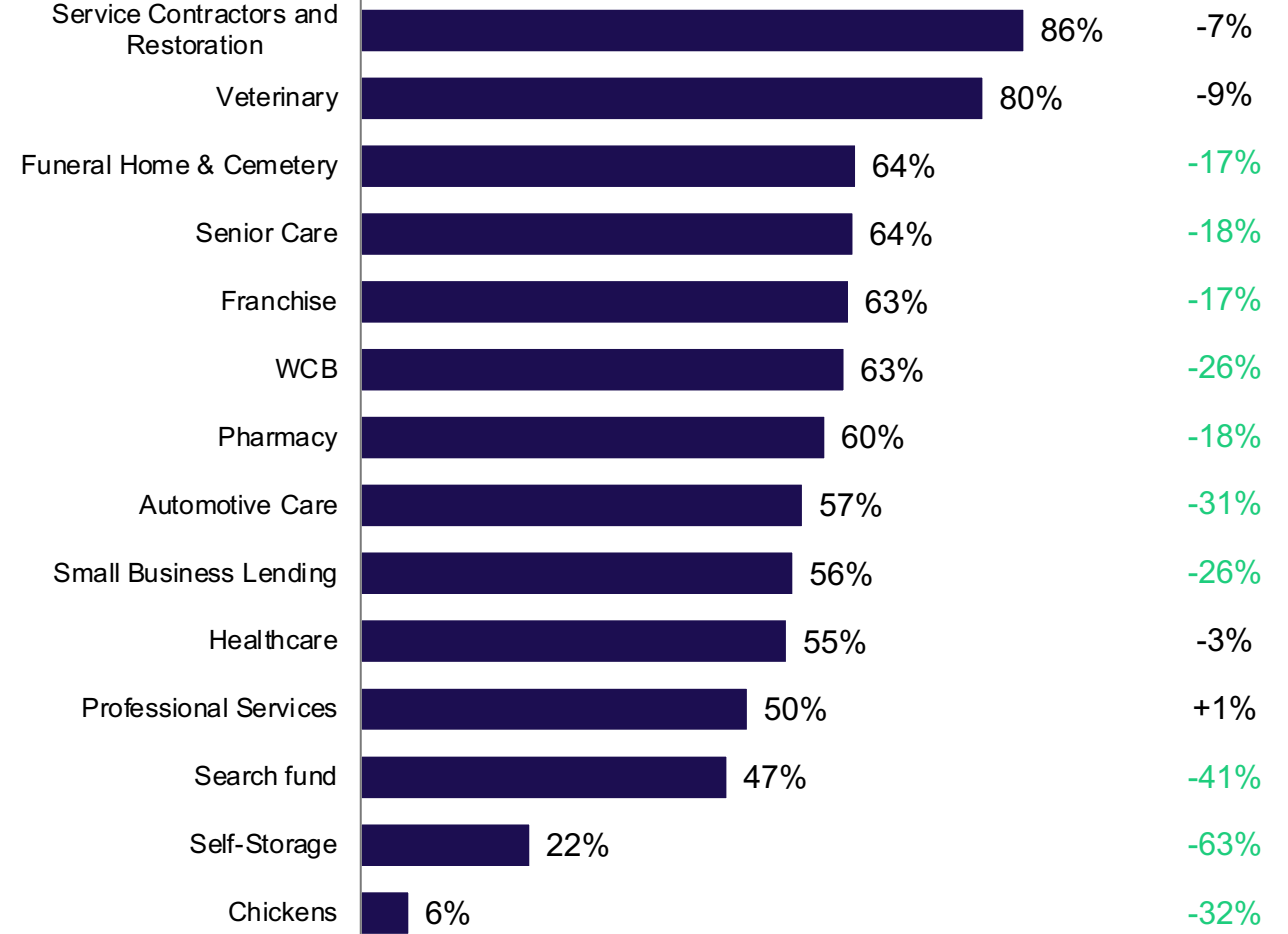
Q: During the last 12 months, which of the following has your company experienced due to supply chain disruptions? (select all that apply)

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

NET DIFFERENCE PRICES HAVE COME DOWN SUBSTANTIALLY, SIGNIFYING A SLOWING OF INFLATION



PRICES

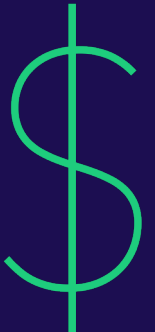


Net difference (% increased - % decreased)

Q: We are interested in how things have changed for your company over the last 12 months. During the last 12 months, did your company's prices...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

AS INFLATION SLOWED, THE AVERAGE PRICE OF GOODS CAME DOWN 2 POINTS

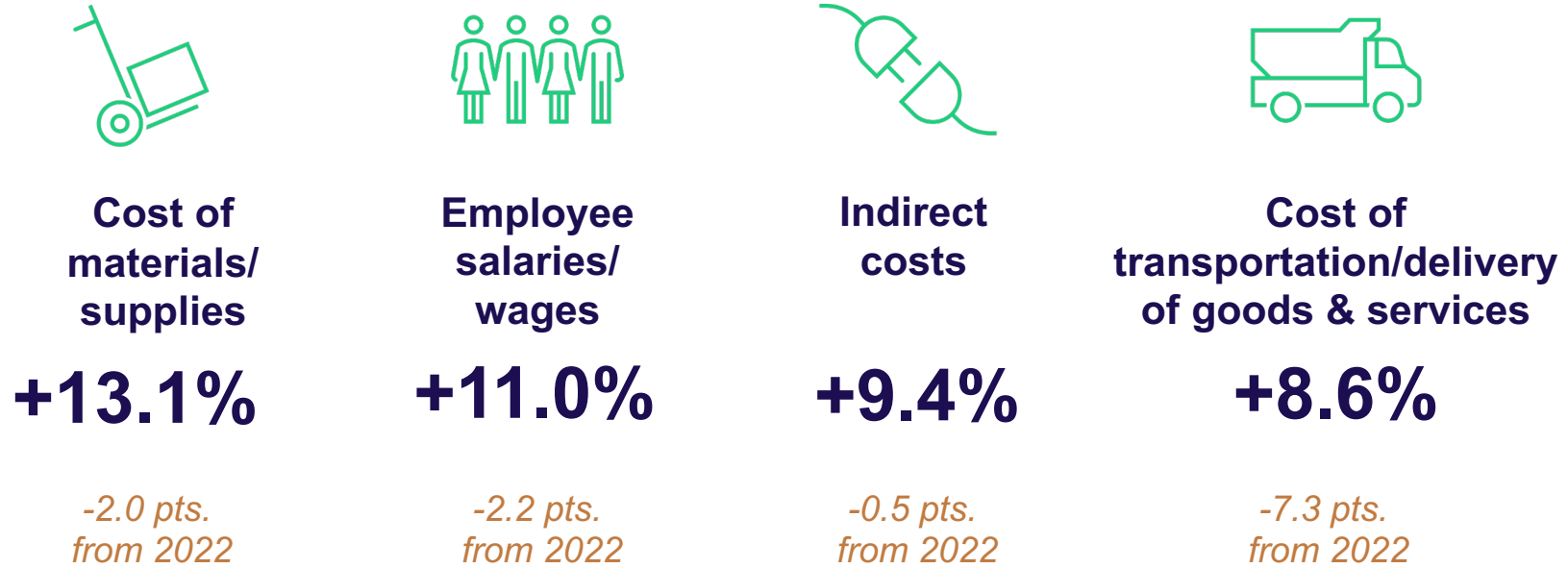


+7.9%

Price of goods/services companies sell

➔ *-2.0 pts. from 2022*

AVERAGE PRICE/COST INCREASES



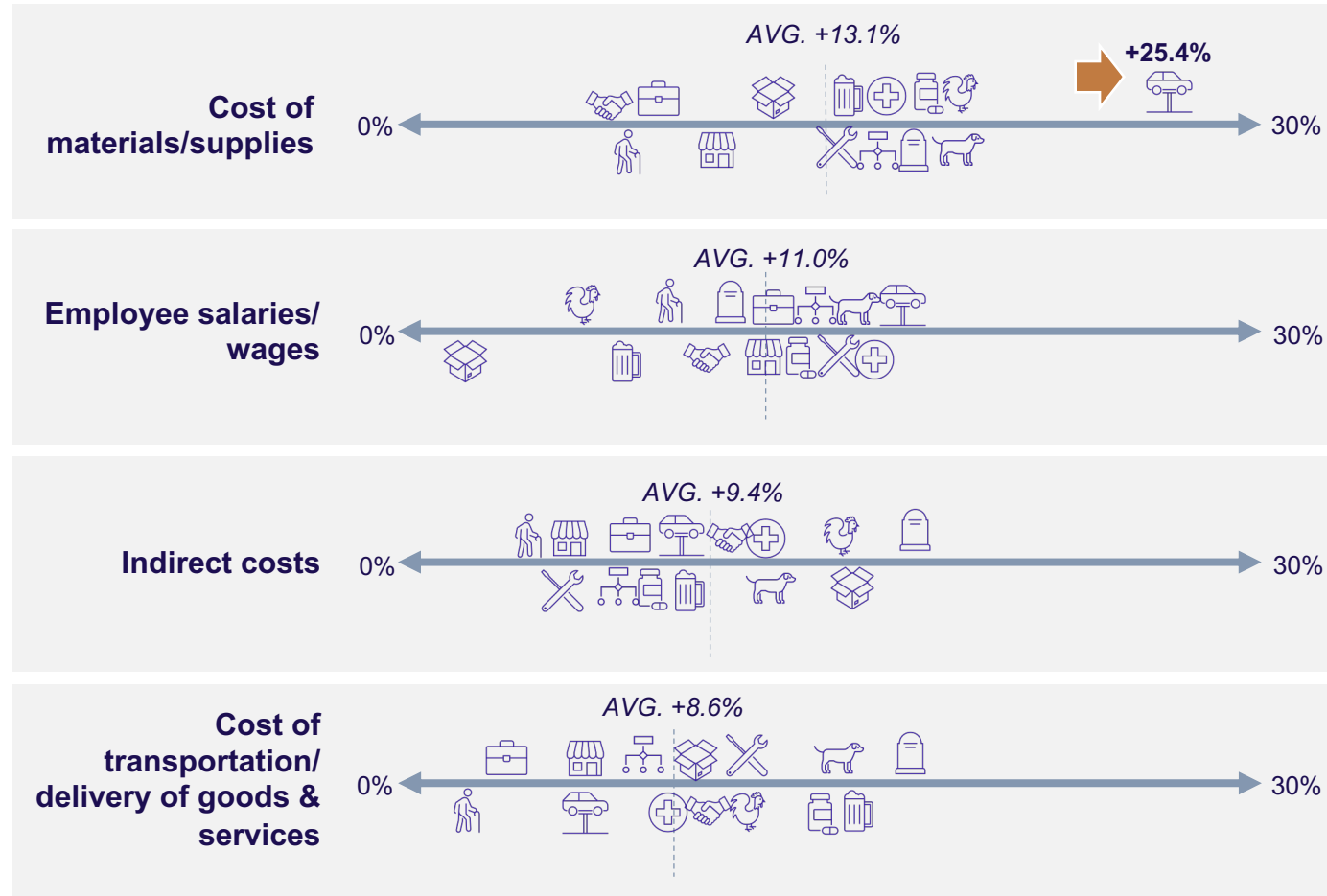
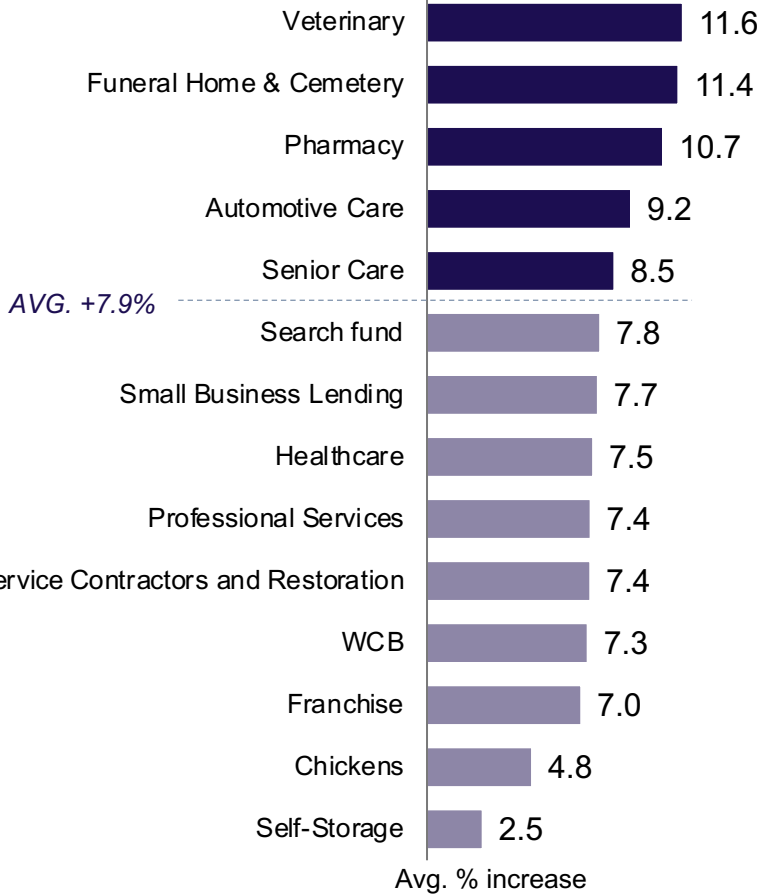
Q: How much would you estimate the following (in total) increased during the last 12 months?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

THE COST OF MATERIALS/SUPPLIES CONTINUES TO BE AN ISSUE FOR THE AUTOMOTIVE CARE VERTICAL

AVERAGE PRICE/COST INCREASES

PRICE OF GOODS/SERVICES COMPANIES SELL (avg. increase)



- Professional services
- Search fund
- Healthcare
- Service contractors and restoration
- Small business lending
- Senior care
- Franchise
- Automotive care
- Chickens
- Funeral homes & cemetery
- Pharmacy
- Self-storage
- Veterinary
- WCB

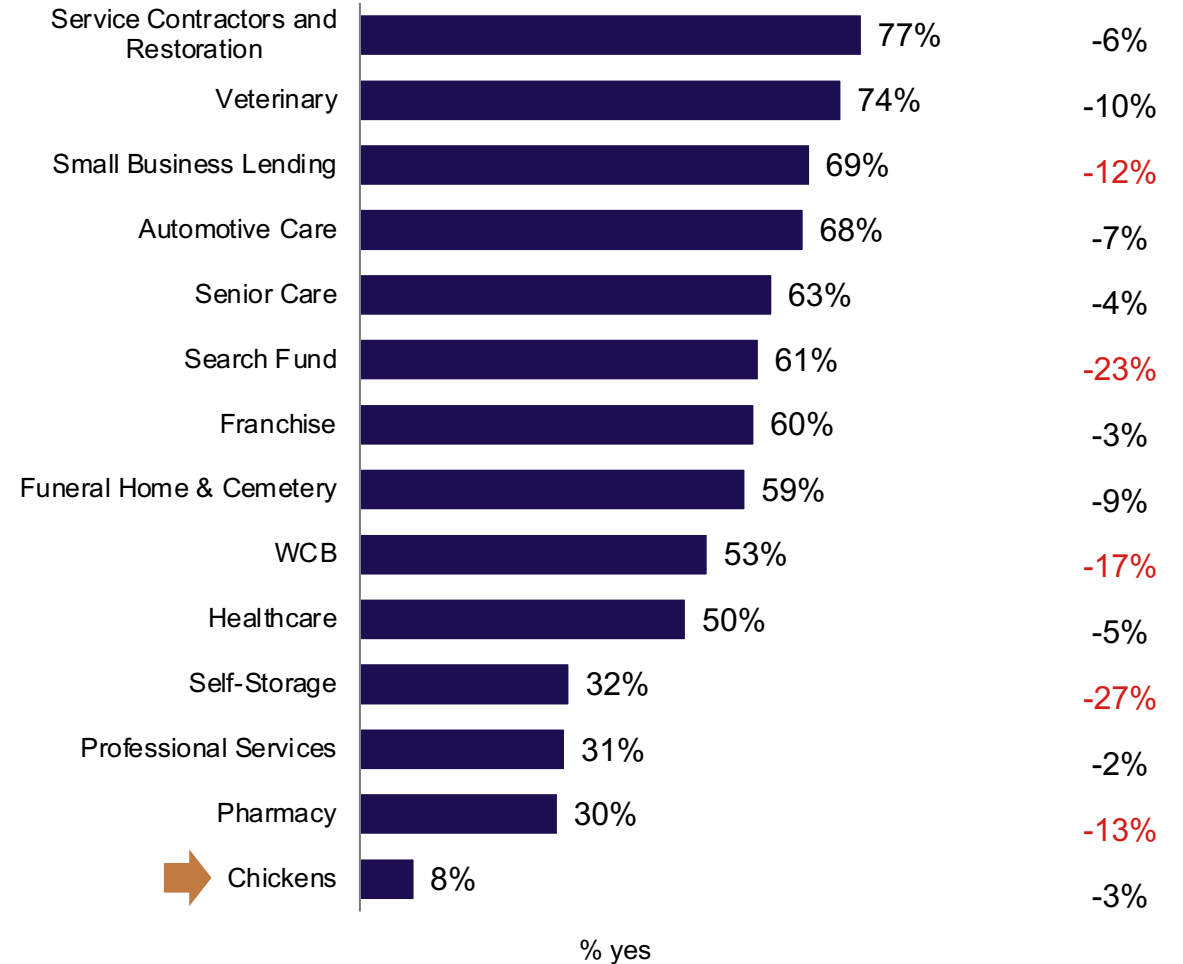
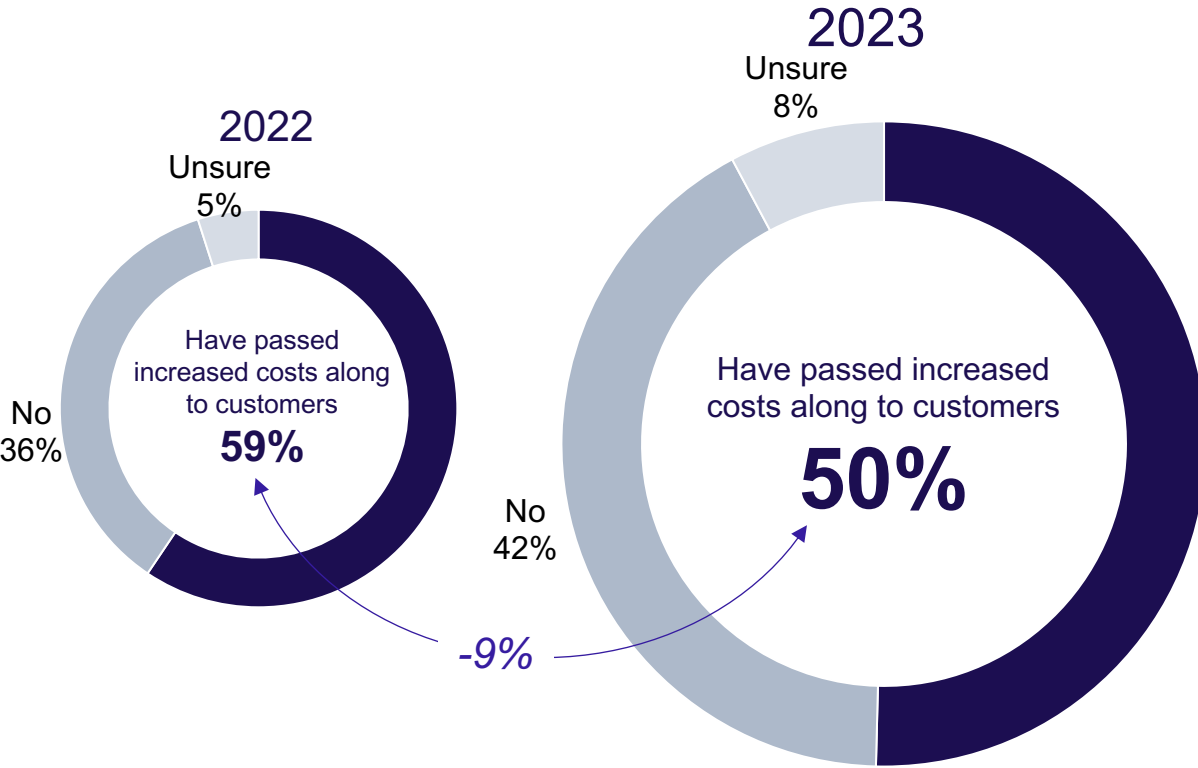
Q: How much would you estimate the following (in total) increased during the last 12 months?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

THE CHICKENS VERTICAL CONTINUES TO STRUGGLE WITH NOT BEING ABLE TO PASS ALONG INCREASED COSTS TO CUSTOMERS

ABILITY TO PASS INCREASED COSTS TO CUSTOMERS

Change from 2022
(passed along costs)

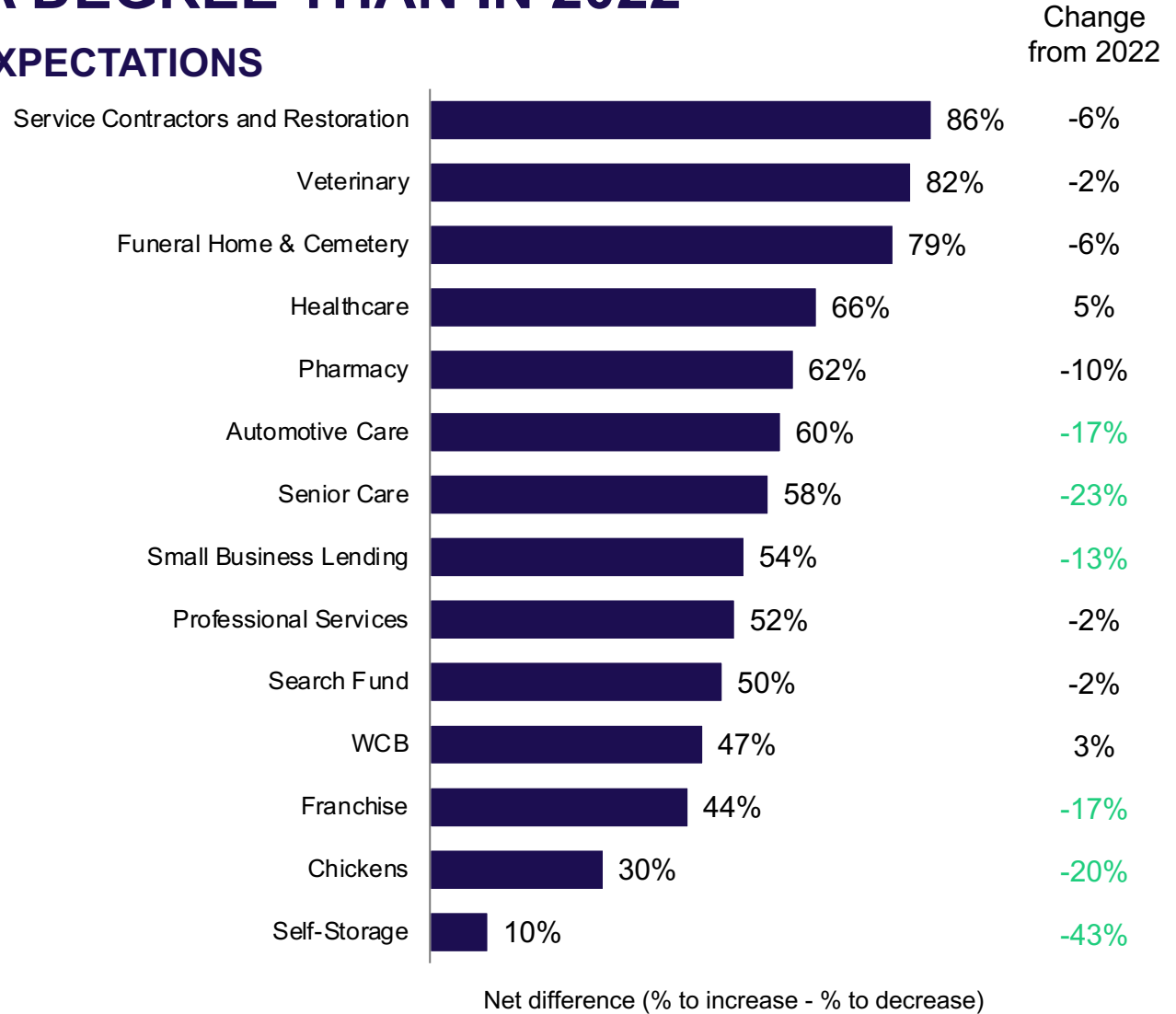
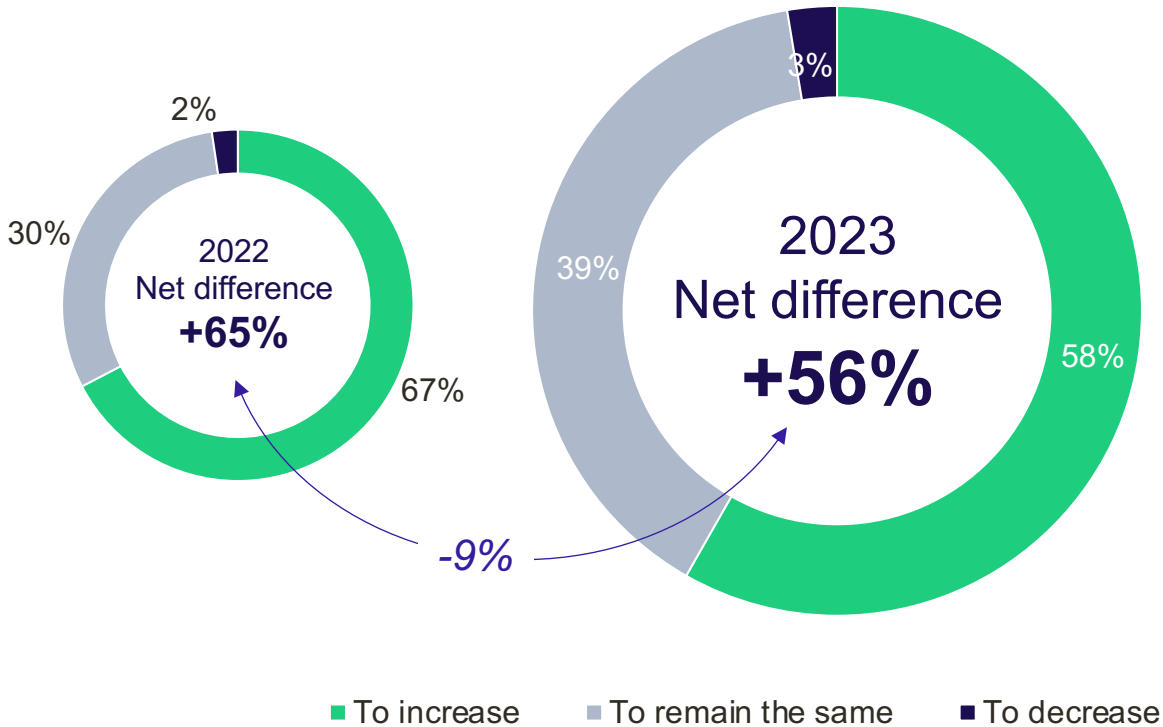


Q: Have increased costs your business incurred been passed along to your customers?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

LOOKING FORWARD, LOAN CUSTOMERS WILL CONTINUE TO EXPECT PRICE INCREASES, BUT TO LESS OF A DEGREE THAN IN 2022

PRICING EXPECTATIONS



Q: During the next 12 months, do you expect your company's full-time employees...

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

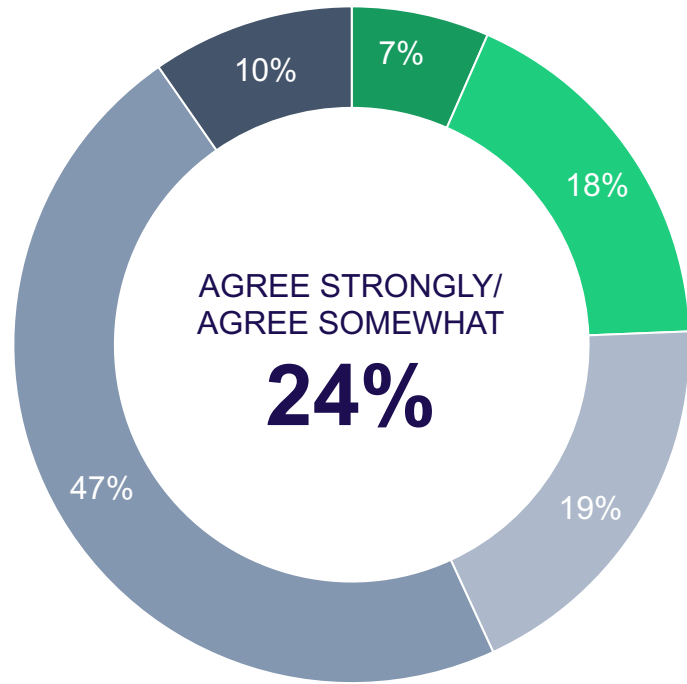
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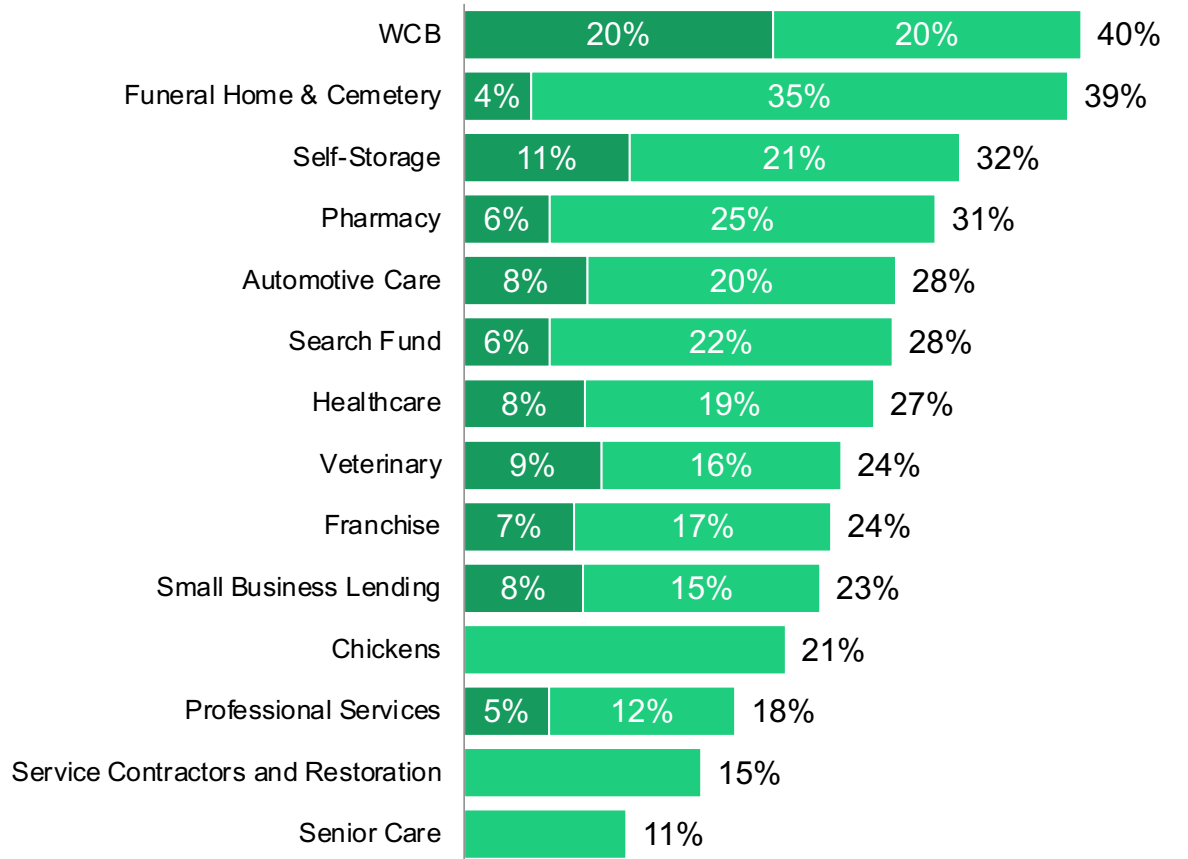
PLANNING AHEAD: COMPANY OWNERSHIP TRANSITIONS *(LOAN CUSTOMERS)*

A QUARTER OF LOAN CUSTOMERS BELIEVE NOW IS THE RIGHT TIME TO BEGIN PREPARING THEIR BUSINESS FOR SALE

BELIEF THAT NOW IS A GOOD TIME TO PREPARE OUR BUSINESS FOR SALE



■ Agree strongly ■ Agree somewhat ■ Disagree somewhat ■ Disagree strongly ■ No opinion



■ Agree strongly ■ Agree somewhat

Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to prepare our business for sale.

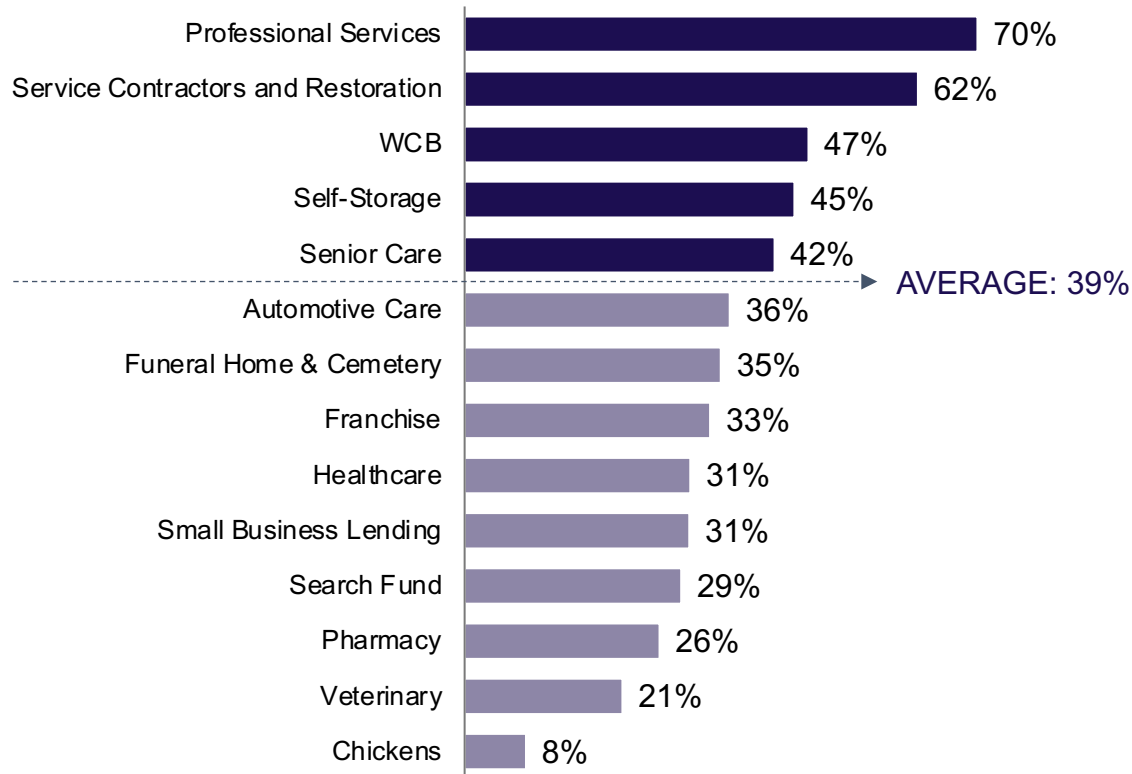
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

AN INCREASING PERCENTAGE OF CUSTOMERS HAVE BEGUN TAKING STEPS TO TRANSITION OWNERSHIP ⁴⁷

SUCCESSION PLANNING & PREPARING FOR AN OWNERSHIP TRANSITION

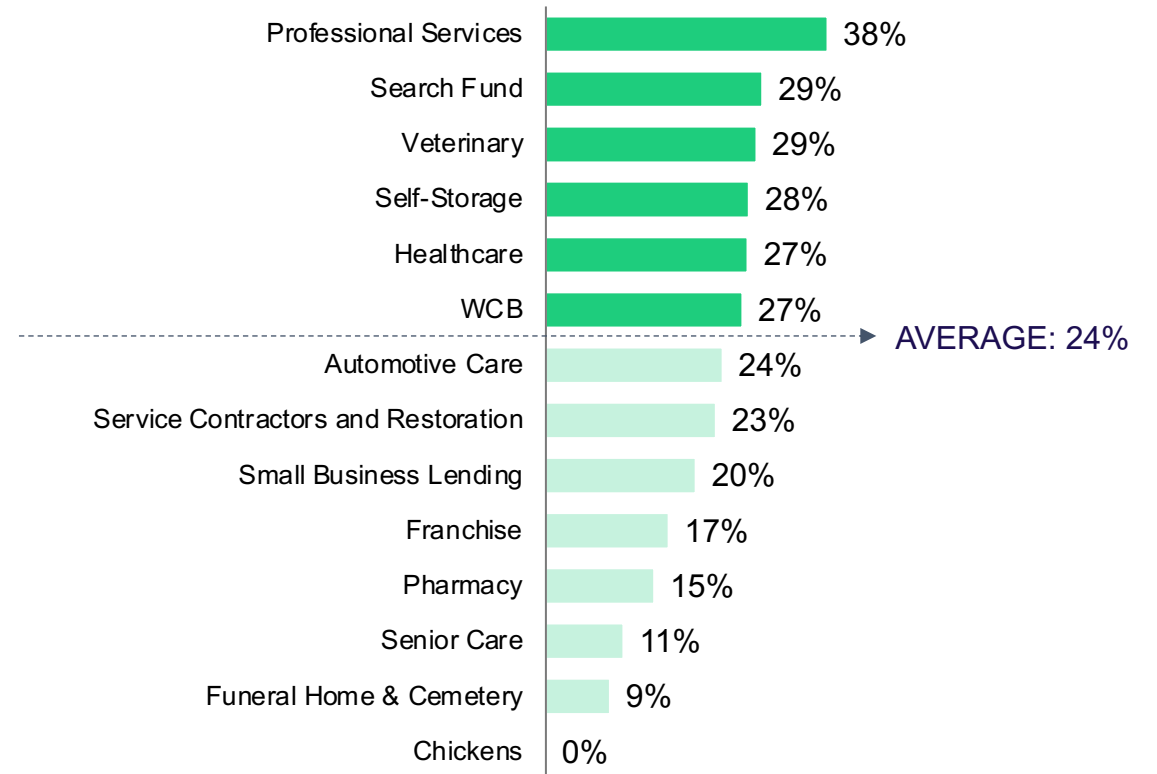
39%

Have a succession plan



24% +5 pts. from 2022

Have taken steps to begin preparing for ownership transition



Q: Does your company have a succession plan (e.g., sell, merge, be acquired, transition ownership, liquidation)?

Q: Has your business taken any steps to begin preparing for a transition in company ownership?

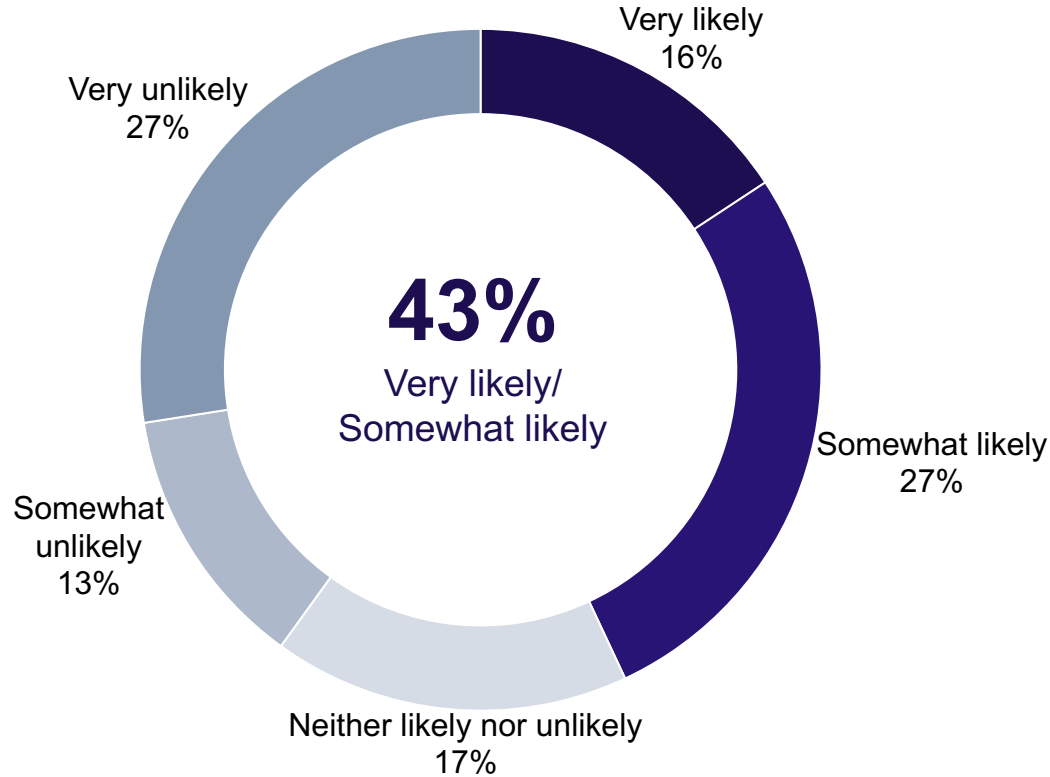
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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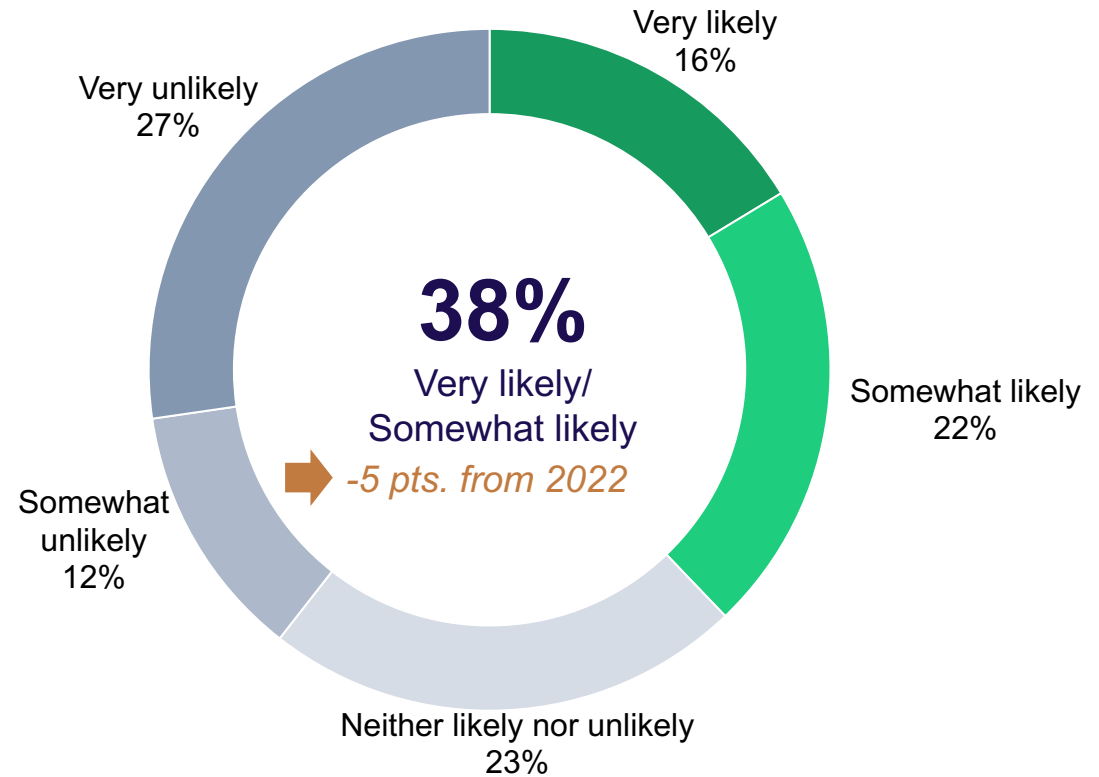
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...YET FEWER CUSTOMERS ARE LIKELY TO USE AN INTERMEDIARY

LIKELIHOOD TO ENTERTAIN OFFERS TO BUY BUSINESS



LIKELIHOOD TO USE AN INTERMEDIARY



Q: How likely are you to entertain offers to purchase your business?

Q: How likely are you to consider working with a broker/intermediary/sell-side advisor if you were to consider selling your business?

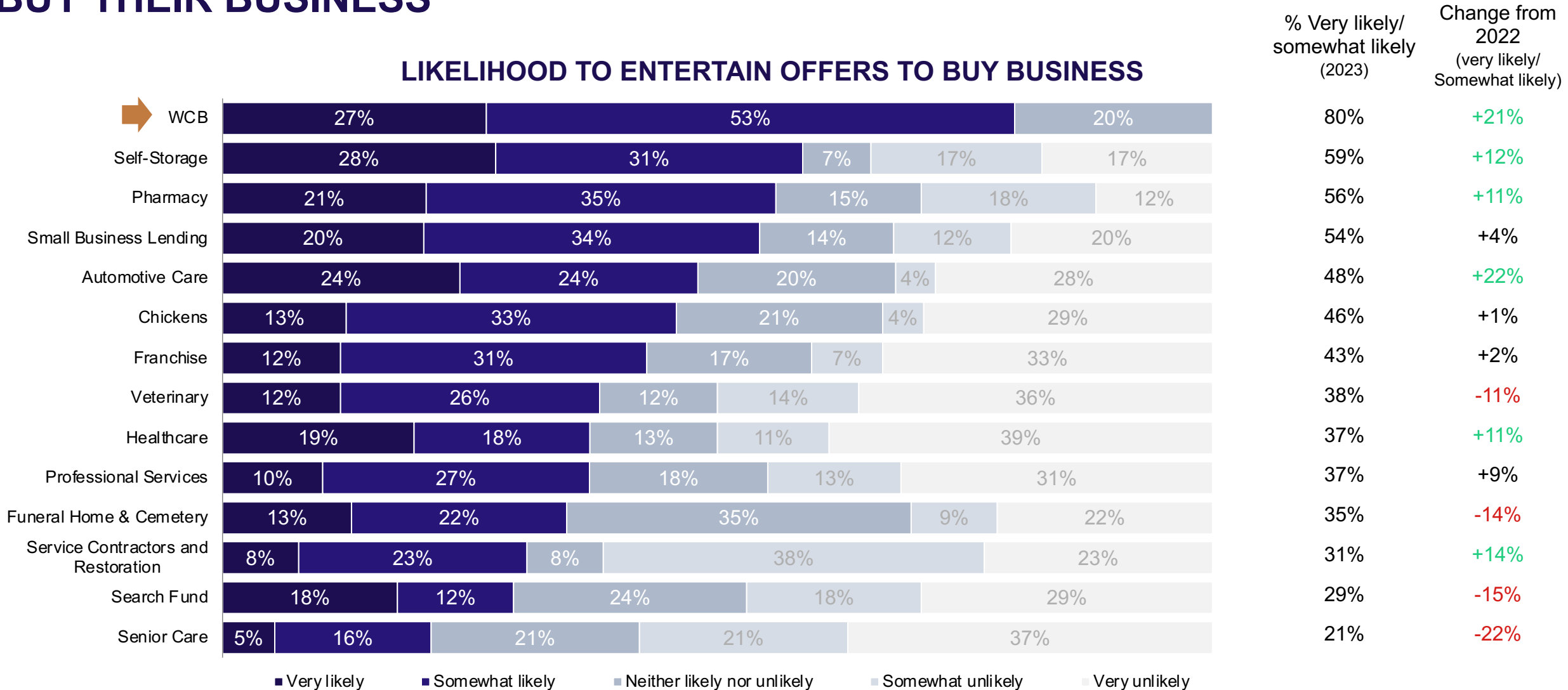
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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THE WCB VERTICAL IS, BY FAR, THE MOST LIKELY TO CONSIDER OFFERS TO BUY THEIR BUSINESS ⁴⁹

LIKELIHOOD TO ENTERTAIN OFFERS TO BUY BUSINESS



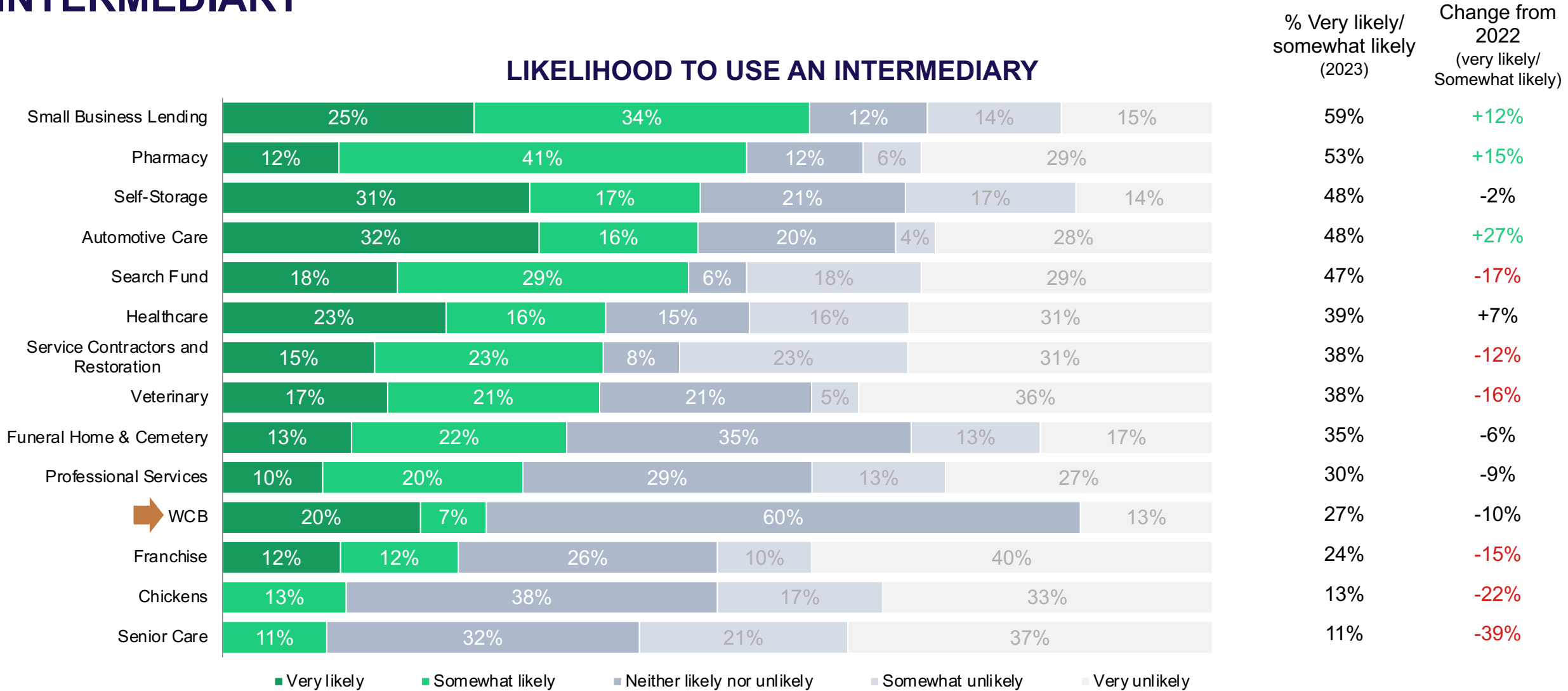
Q: How likely are you to entertain offers to purchase your business?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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...YET WCB CLIENTS WERE AMONG THE LEAST LIKELY TO USE AN INTERMEDIARY



Q: How likely are you to consider working with a broker/intermediary/sell-side advisor if you were to consider selling your business?

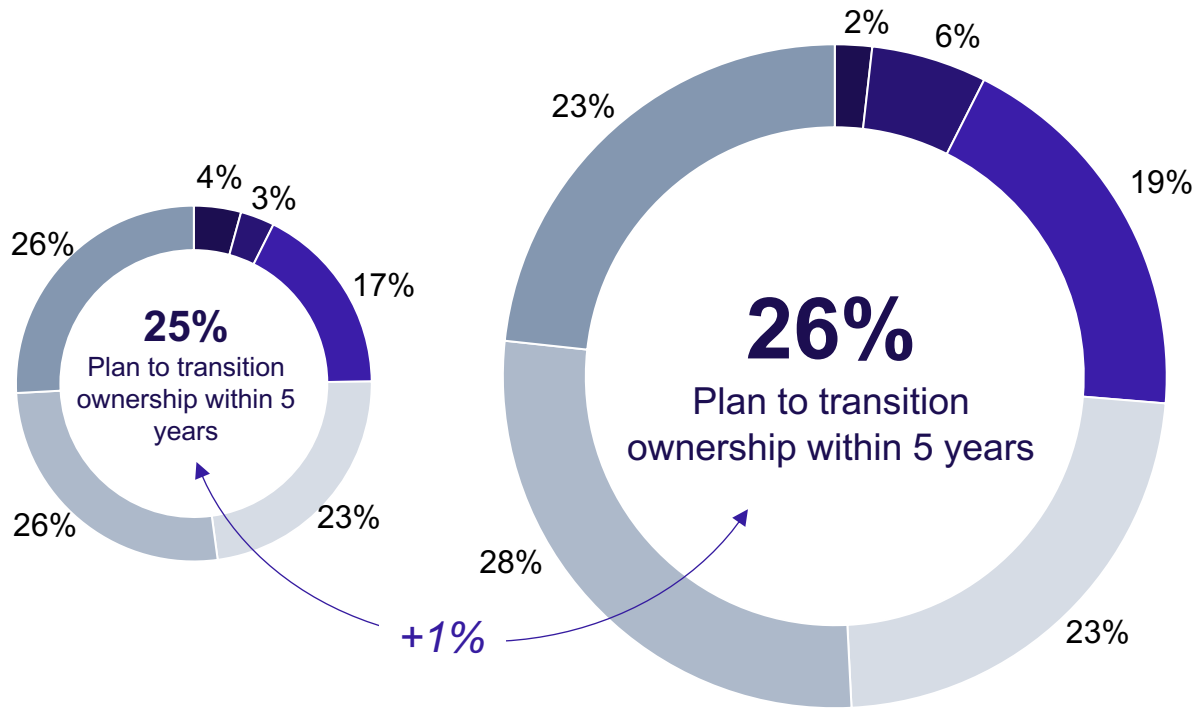
Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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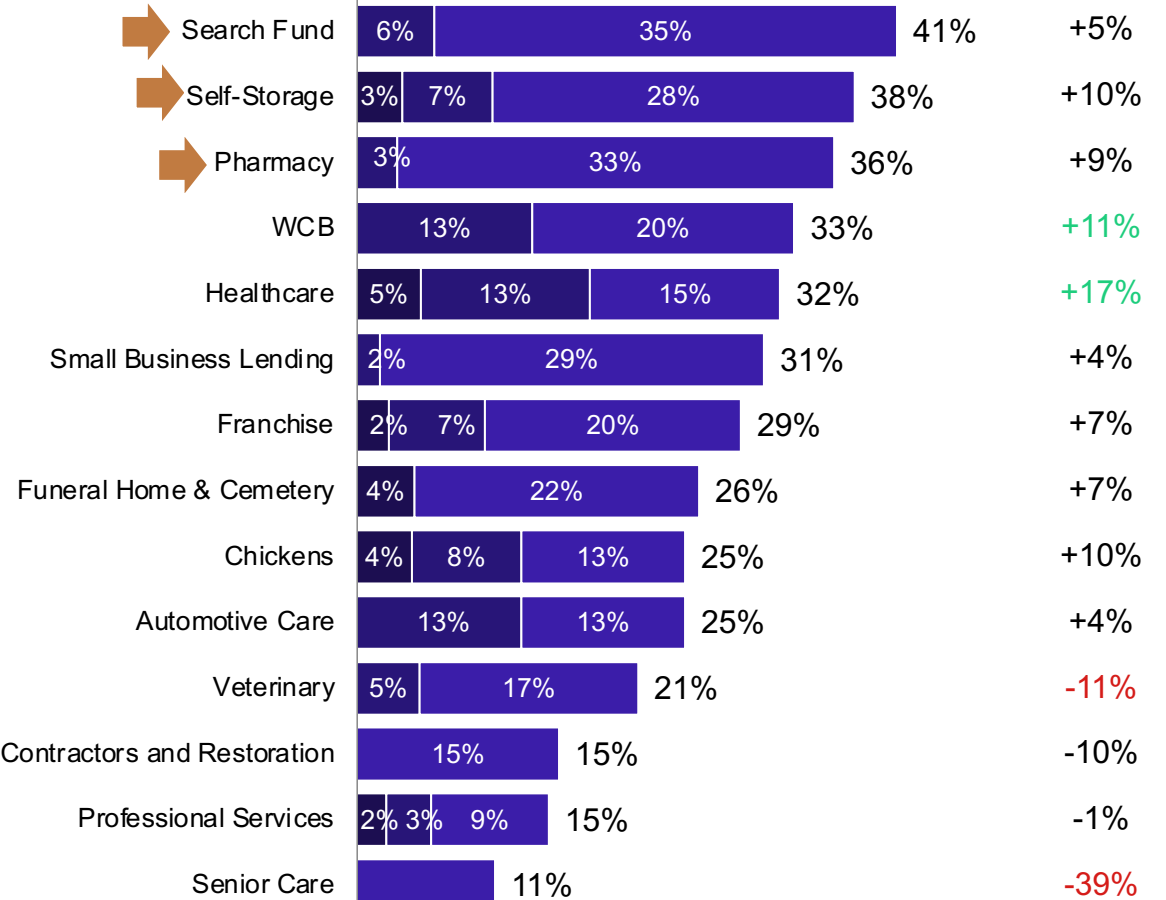
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MORE THAN A THIRD OF SEARCH FUND, SELF-STORAGE AND PHARMACY CLIENTS EXPECT OWNERSHIP CHANGES WITHIN FIVE YEARS

WHEN OWNERSHIP TRANSITIONS ARE EXPECTED



- We have already begun an ownership transition
- In the next 12 months
- In the next 1-5 years
- In the next 6-10 years
- In more than 10 years
- We have no intention to transition our company's ownership



- We have already begun an ownership transition
- In the next 12 months
- In the next 1-5 years

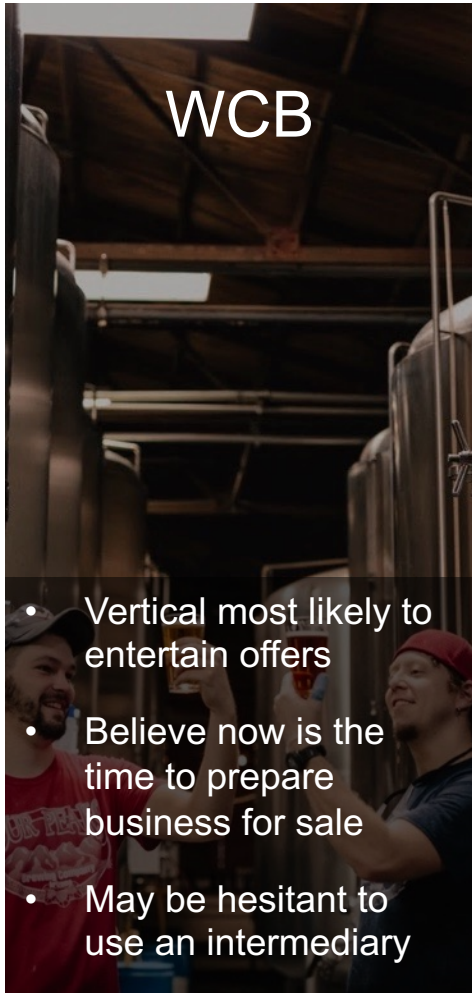
Q: When, if at all, do you expect the ownership of your company will transition (e.g., sell, merge, be acquired, liquidation)?

Base: Loan customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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FIVE VERTICALS TO WATCH – OWNERSHIP TRANSITIONS ON THE HORIZON



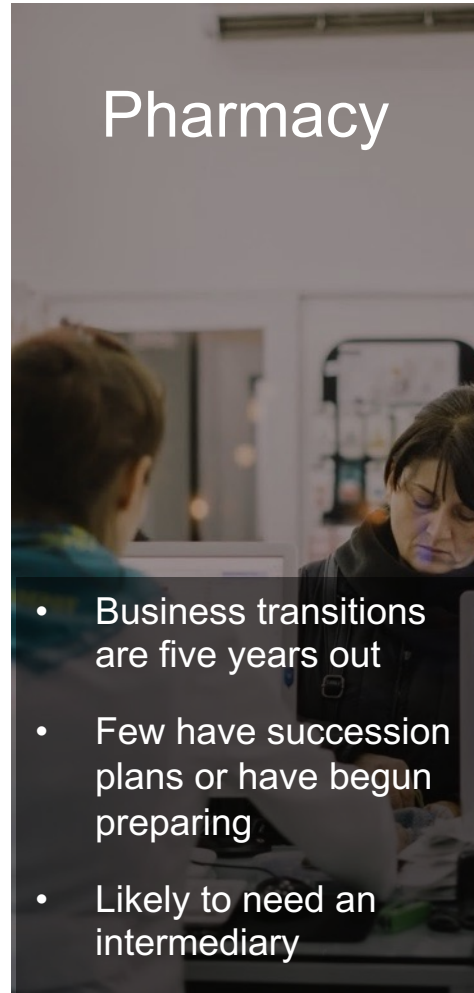
WCB

- Vertical most likely to entertain offers
- Believe now is the time to prepare business for sale
- May be hesitant to use an intermediary



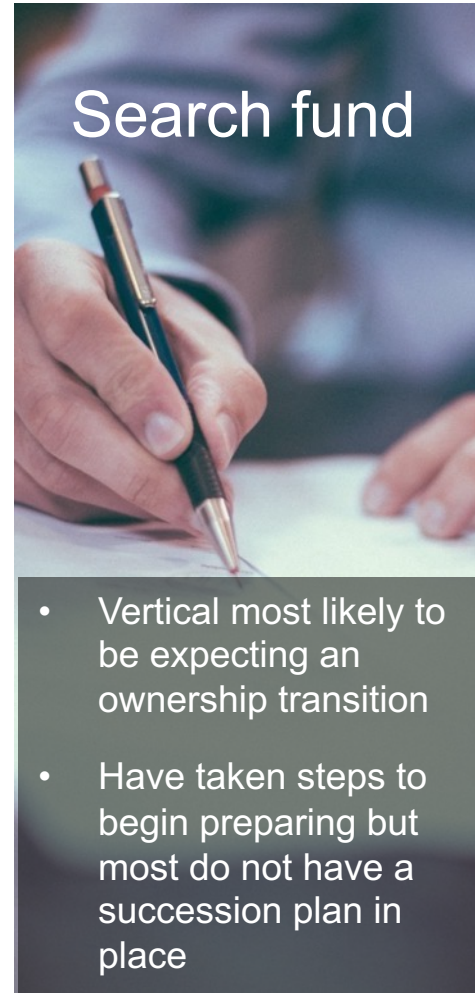
Self-storage

- Four in ten expect to transition ownership within five years
- Most are likely to be entertaining offers
- Strong likelihood to use an intermediary



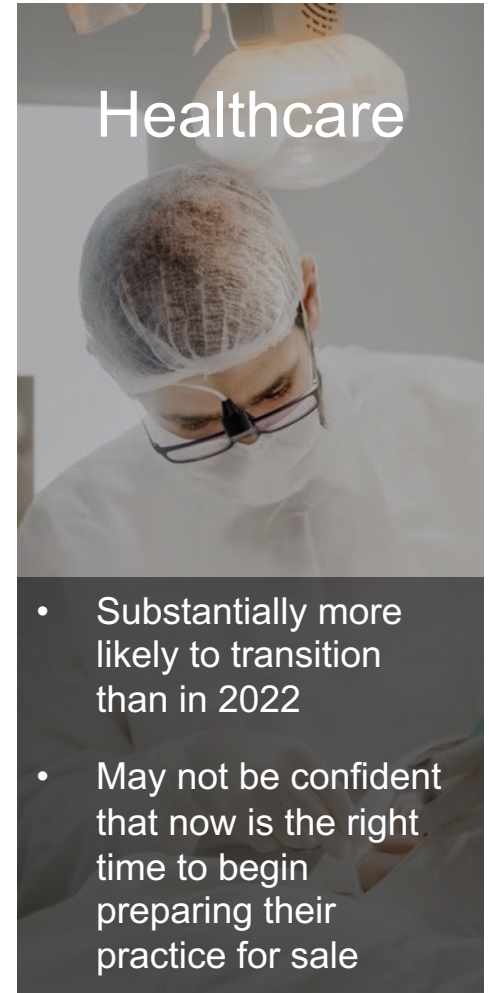
Pharmacy

- Business transitions are five years out
- Few have succession plans or have begun preparing
- Likely to need an intermediary



Search fund

- Vertical most likely to be expecting an ownership transition
- Have taken steps to begin preparing but most do not have a succession plan in place



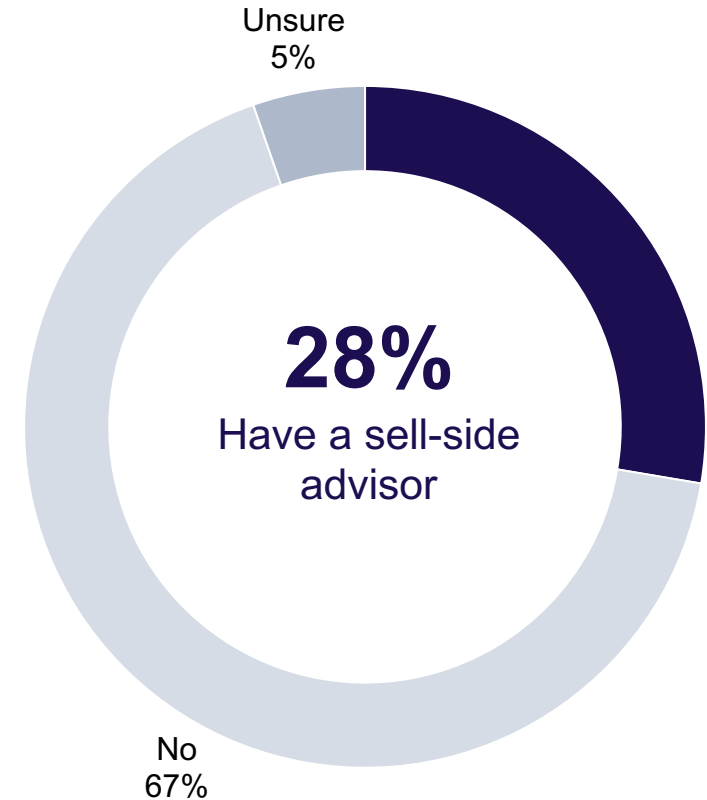
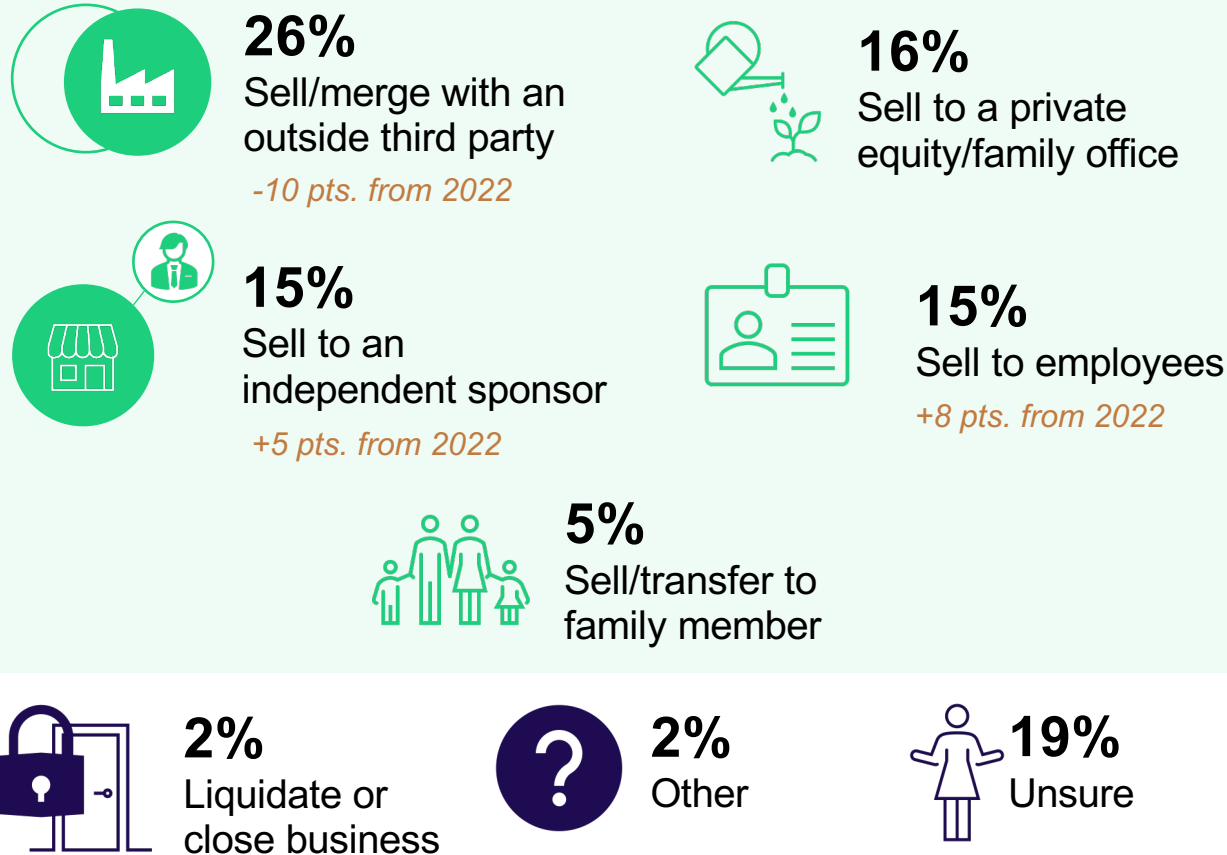
Healthcare

- Substantially more likely to transition than in 2022
- May not be confident that now is the right time to begin preparing their practice for sale

COMPARED TO 2022, CUSTOMERS ARE LESS LIKELY TO SELL TO A THIRD PARTY AND MORE LIKELY TO SELL TO EMPLOYEES OR INDEPENDENT SPONSORS

HOW CUSTOMERS WILL TRANSITION OWNERSHIP*

% WITH SELL-SIDE ADVISORS*



Q: Regarding your company's ownership, does your company plan to...
 Q: Does your company have a broker/intermediary/sell-side advisor who is helping you structure the deal?

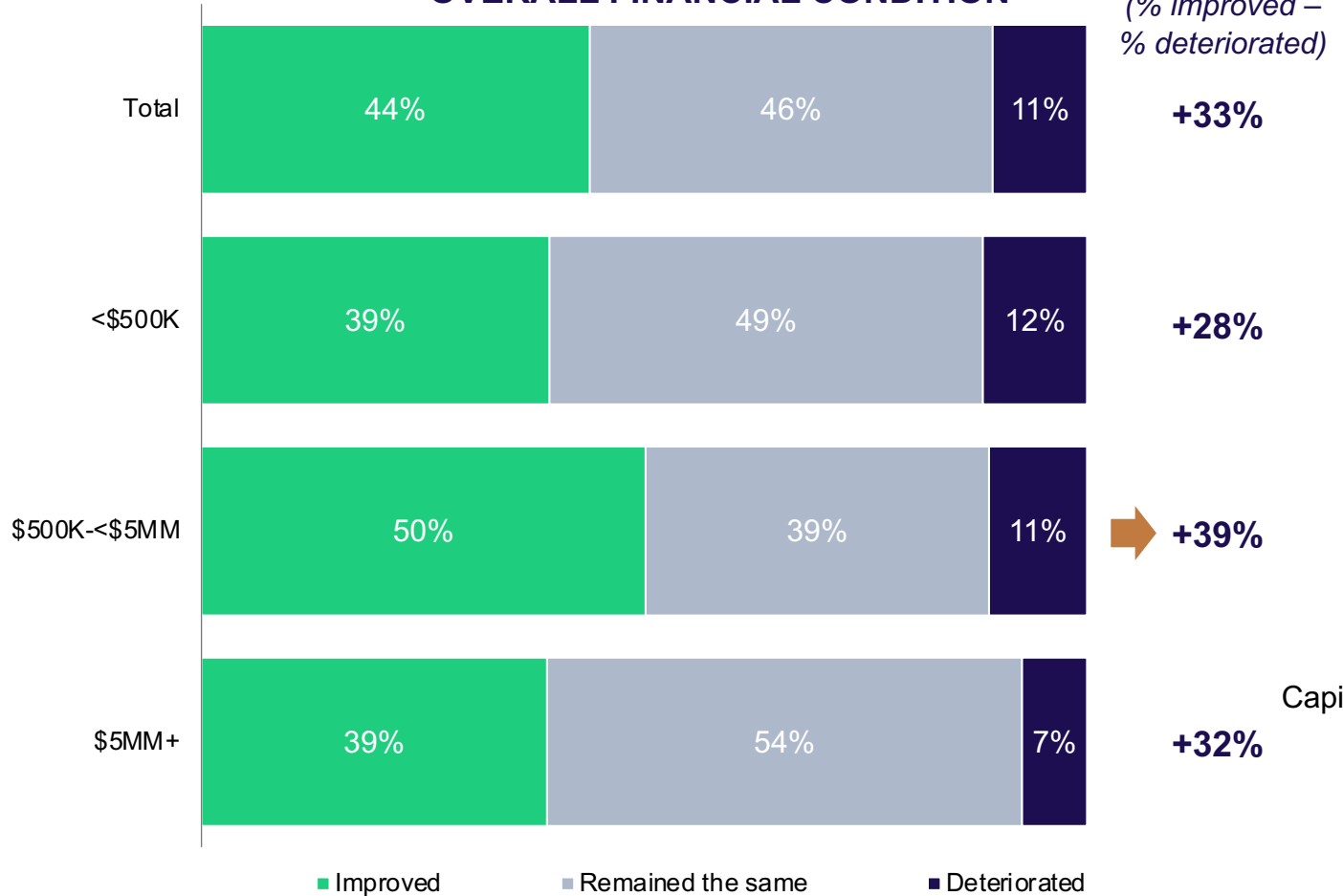
*Base: Loan customers that are currently transitioning their business ownership or planning a business ownership transition in the next five years; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

STATE OF THE MARKET: DEPOSIT CUSTOMERS

DEPOSIT CUSTOMERS WITH \$500K-<\$5MM IN SALES HAVE THE STRONGEST FINANCIAL POSITIONS

PAST 12-MONTHS

OVERALL FINANCIAL CONDITION



Net difference
(% increased - % decreased)

	TOTAL BANK AVG.	<\$500K	\$500K-<\$5MM	\$5MM+
Sales	+26%	+22%	+31%	+24%
Profits	+9%	+8%	+11%	+7%
Prices	+41%	+36%	+51%	+34%
Hiring	+5%	+1%	+10%	+34%
Capital expenditures	+20%	+17%	+23%	+24%
Cash reserves	+14%	+12%	+16%	+10%

5+ points above avg. | 5+ points below avg.

Q: We are interested in how things have changed for your company over the last 12 months. During the last 12 months, did your company's...

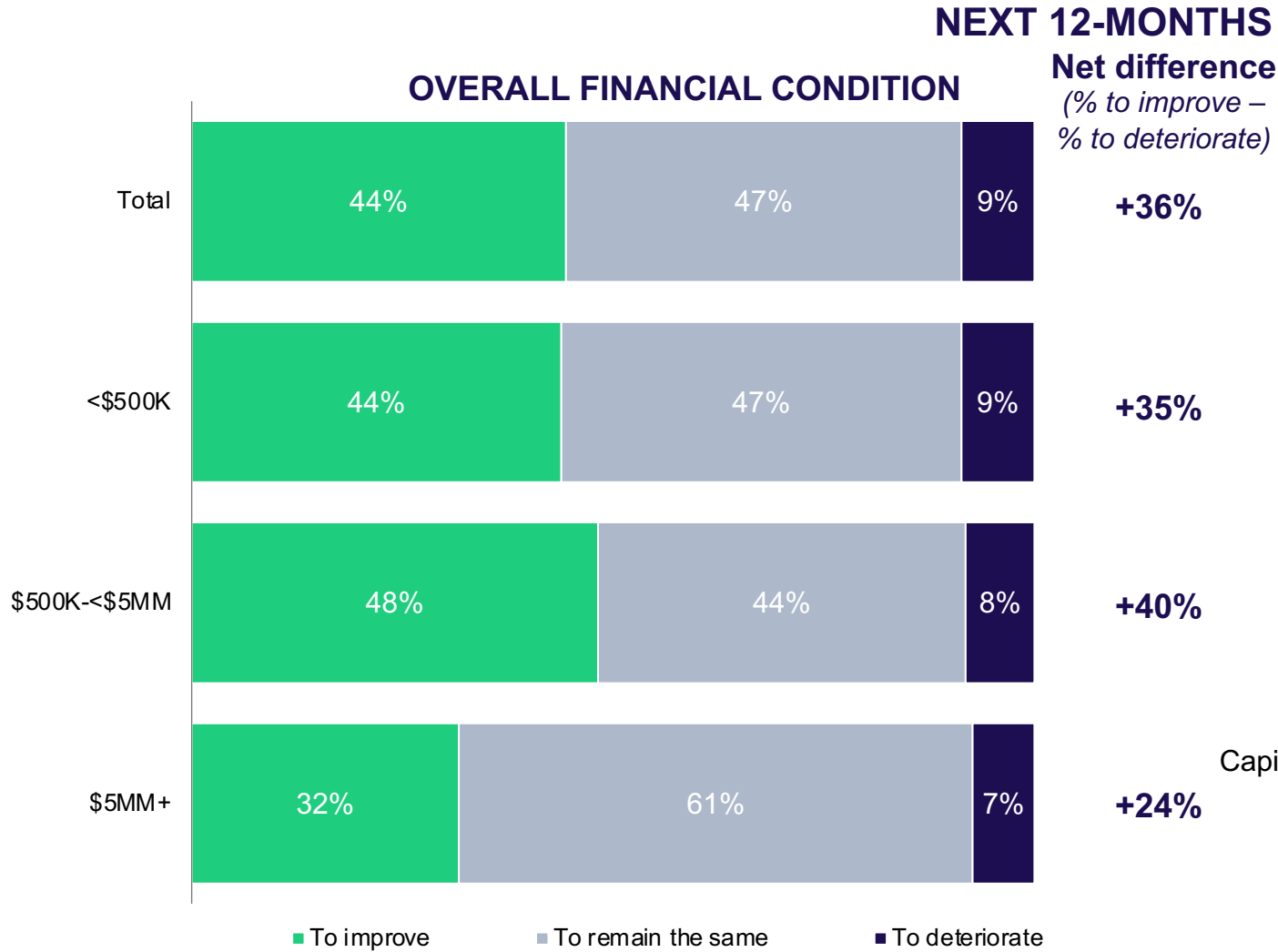
Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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COMPANIES WITH \$5MM+ IN SALES ARE ANTICIPATING FURTHER PRICE INCREASES AND LIMITED PROFIT GROWTH



Net difference (% to increase - % to decrease)

	TOTAL BANK AVG.	<\$500K	\$500K-<\$5MM	\$5MM+
Sales	+32%	+29%	+36%	+37%
Profits	+15%	+15%	+19%	+2%
Prices	+39%	+37%	+42%	+49%
Hiring	+14%	+8%	+24%	+24%
Capital expenditures	+13%	+12%	+14%	+15%
Cash reserves	+14%	+14%	+15%	+5%

5+ points above avg.

5+ points below avg.

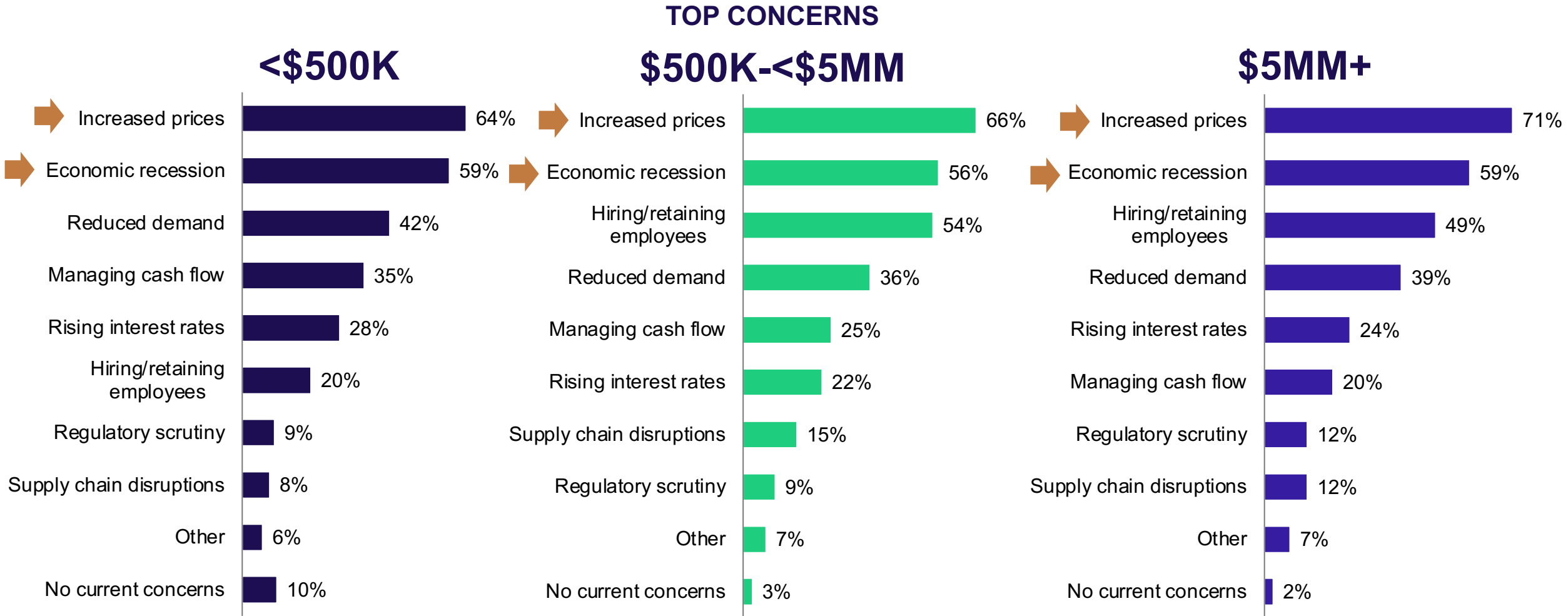
Q: We would now like to understand your outlook on the future. During the next 12 months, do you expect your company's...

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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INCREASED PRICES AND FEARS OF A RECESSION ARE TOP CONCERNS REGARDLESS OF SALES SEGMENT

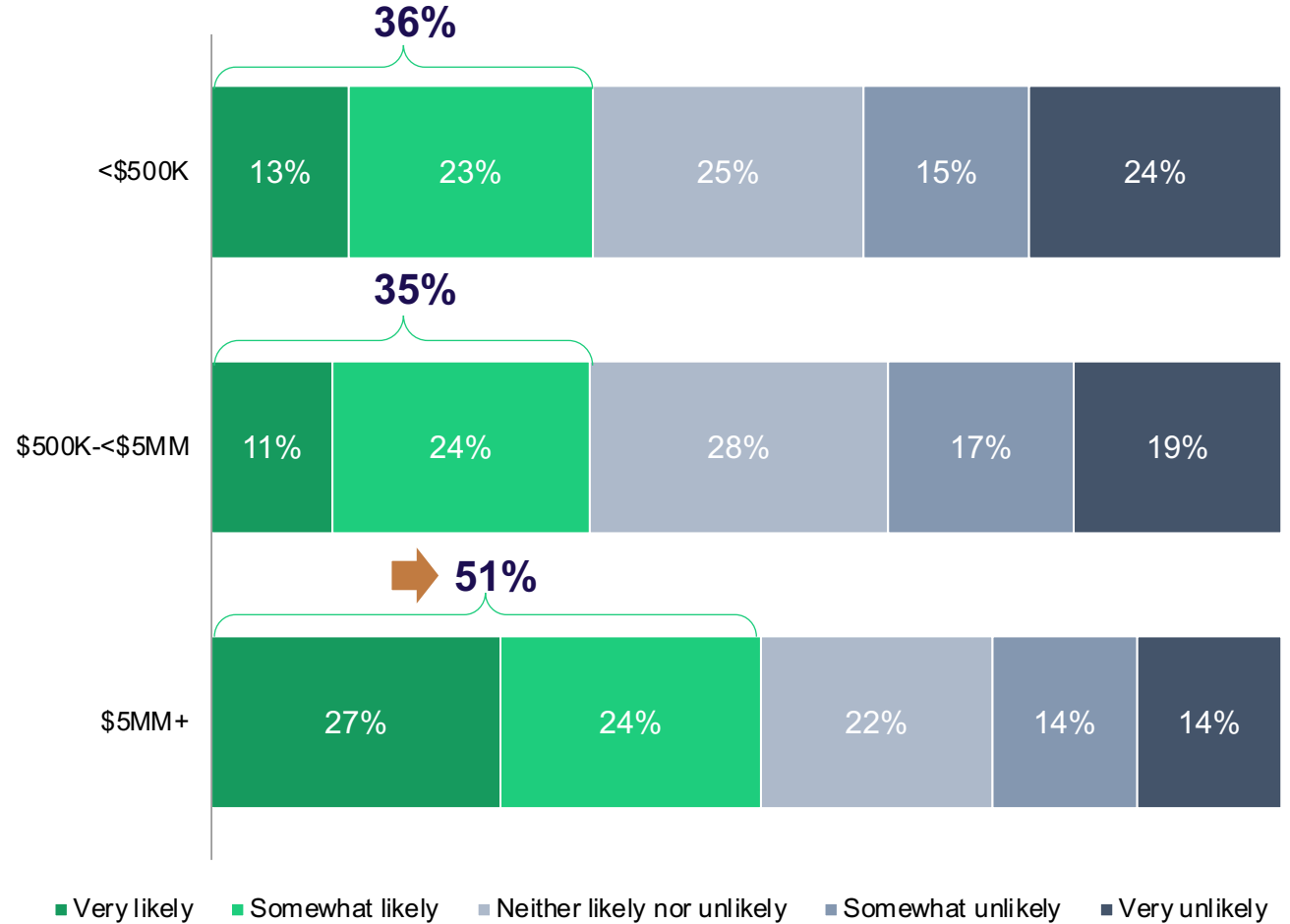
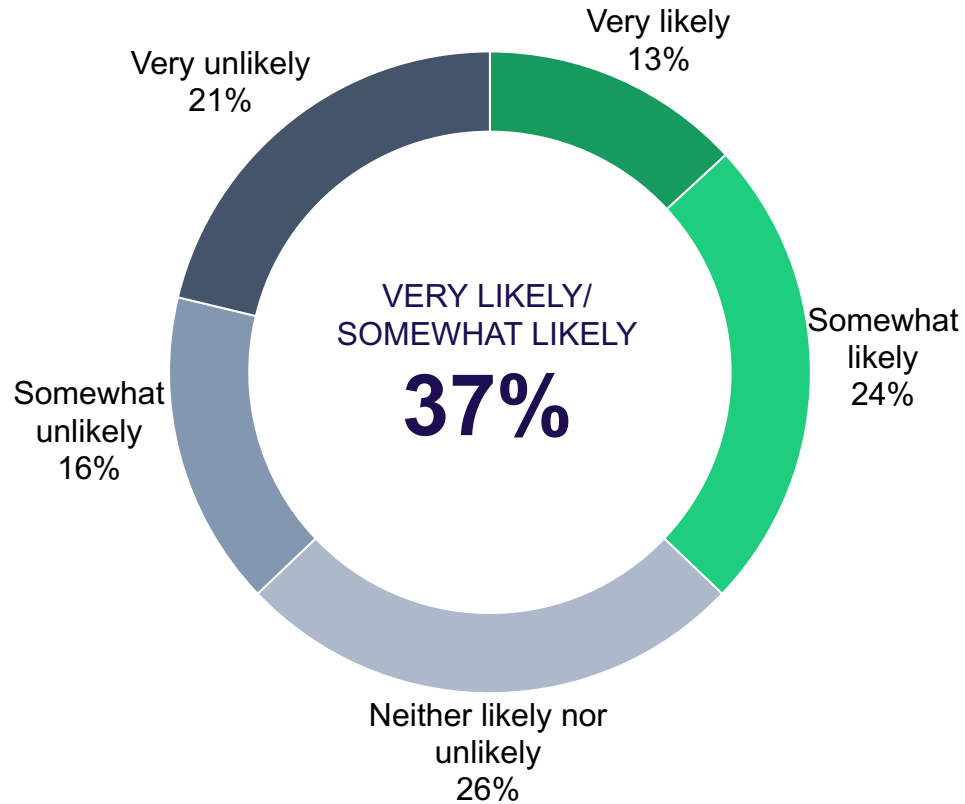


Q: What are your THREE biggest concerns for your company today? Please enter a '1' for your most concerning, followed by '2' and '3' for the second and third most concerning.

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

DEPOSIT CUSTOMERS WITH \$5MM+ IN SALES ARE, BY FAR, THE MOST LIKELY TO BORROW OVER THE NEXT 3-5 YEARS

LIKELIHOOD TO BORROW WITHIN 3-5 YEARS



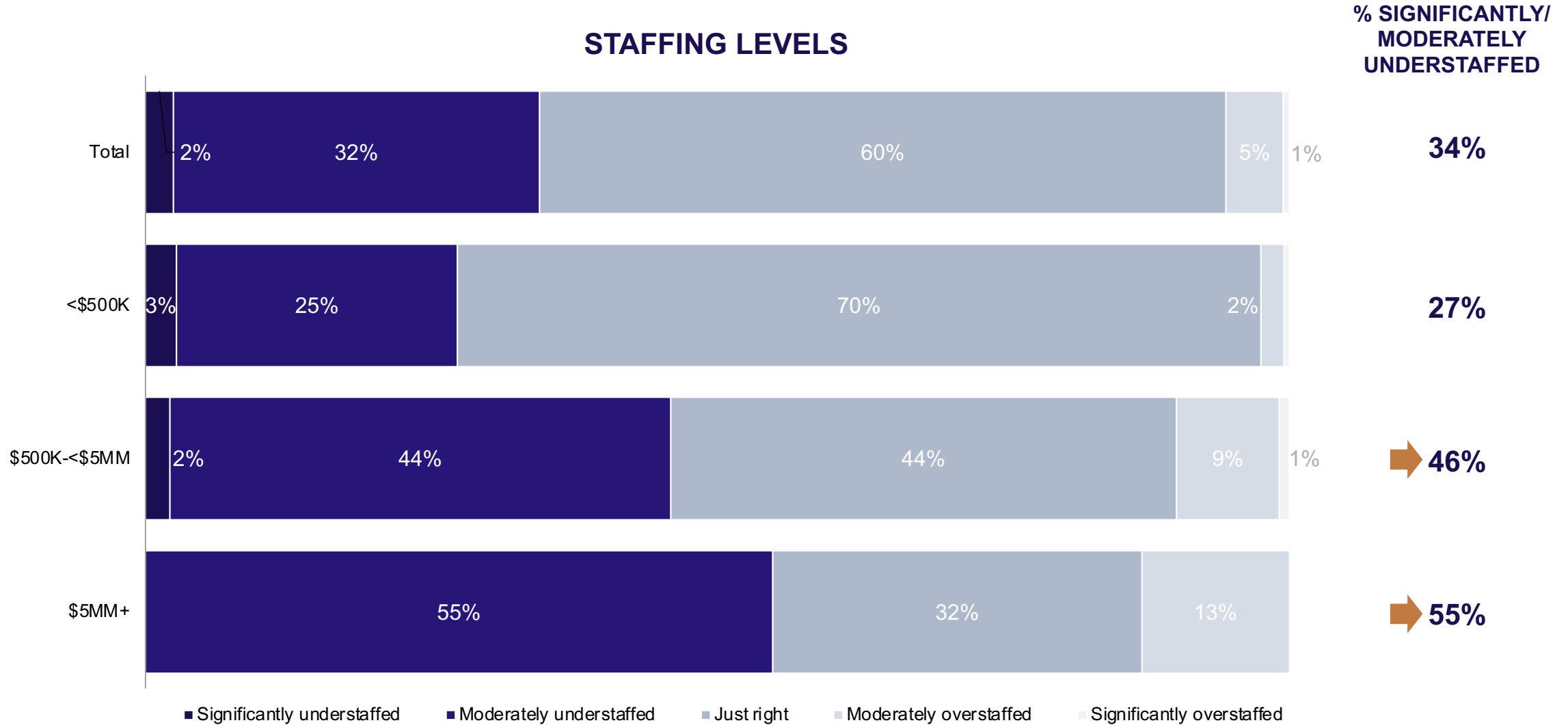
Q: How likely are you to need additional capital to grow your business over the next 3-5 years?

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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UNDERSTAFFING IS A MUCH MORE COMMON ISSUE AMONG BUSINESSES WITH OVER \$500K IN SALES



Q: Which of the following best represents your current staffing level?

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

THE AVERAGE PRICE INCREASE OF DEPOSIT CUSTOMERS' GOODS AND SERVICES IS SMALLER THAN THEIR AVERAGE COST INCREASES

AVERAGE PRICE/COST INCREASES

Price of goods/services companies sell



+6.2%



Cost of materials/supplies

+11.5%



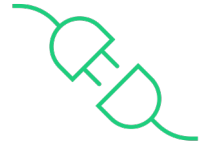
Cost of transportation/delivery of goods & services

+7.8%



Employee salaries/wages

+7.2%



Indirect costs

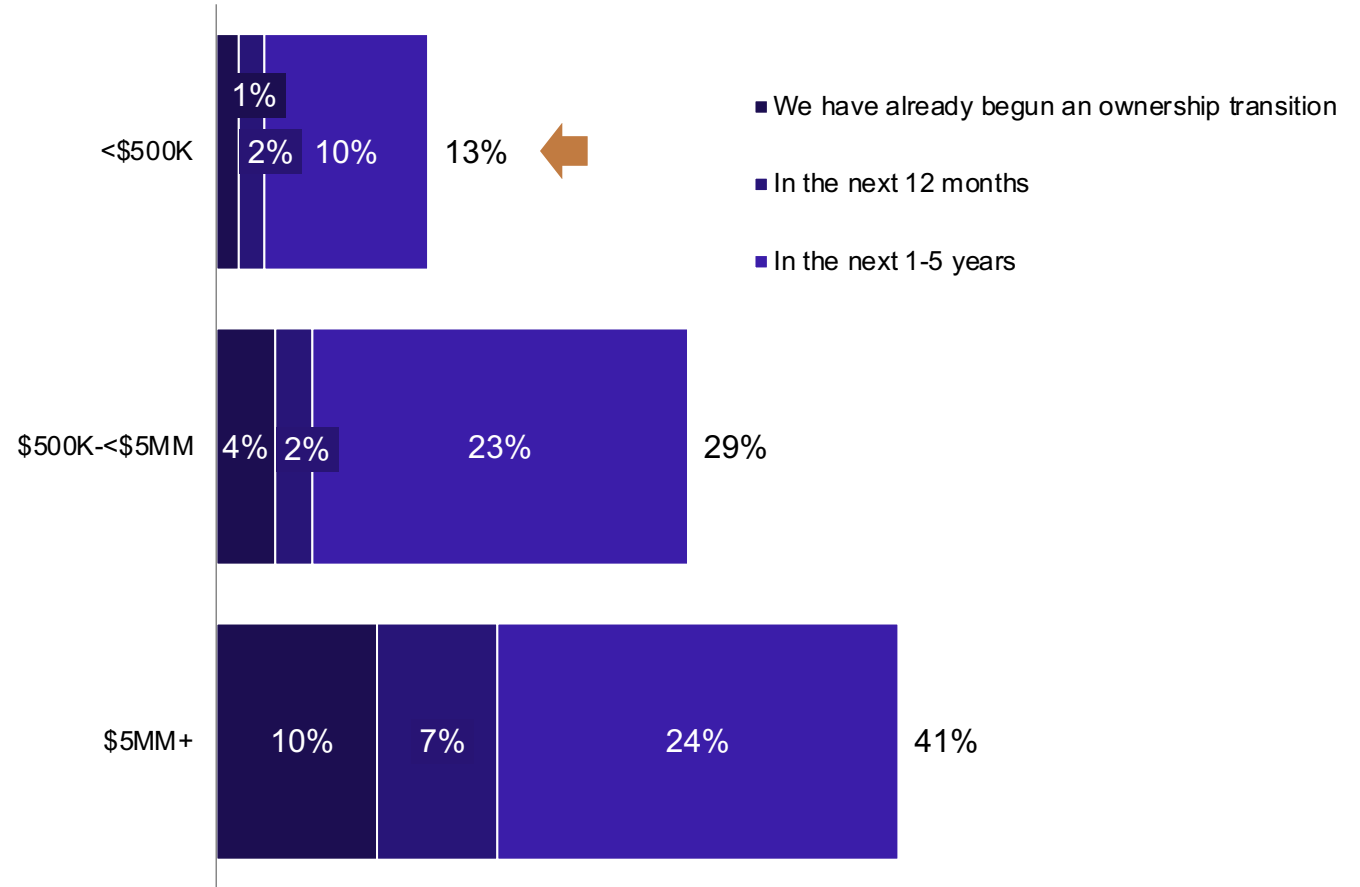
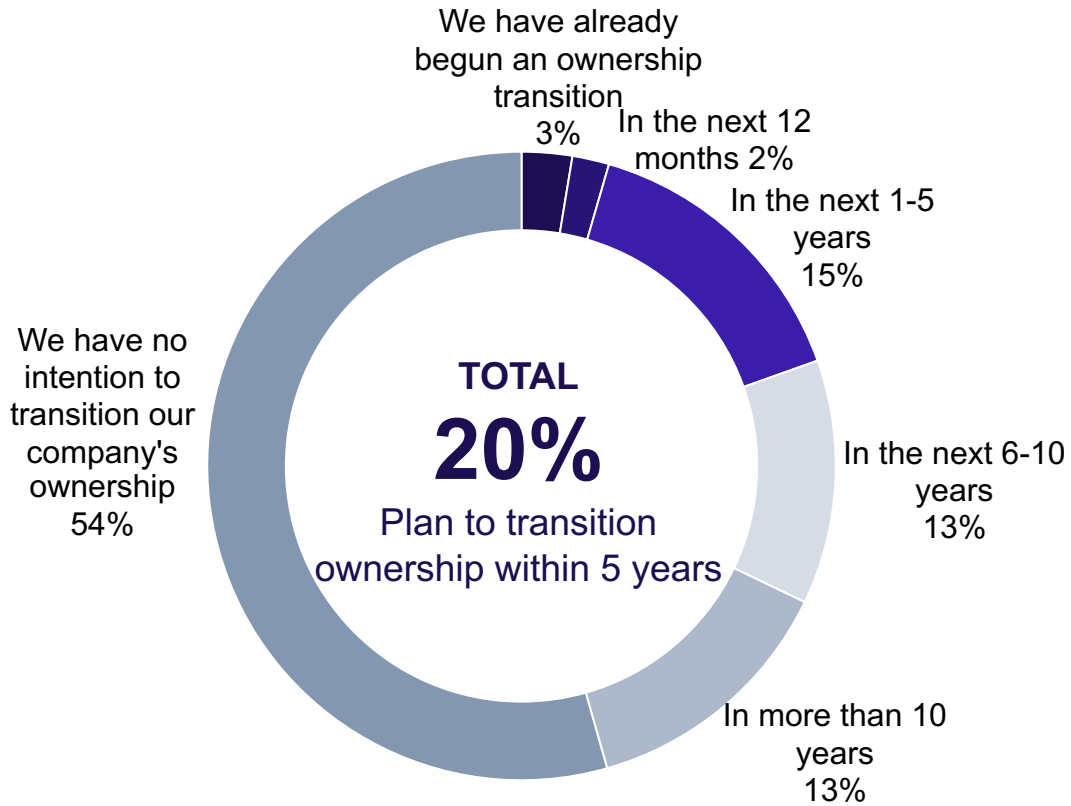
+8.2%

Q: How much would you estimate the following (in total) increased during the last 12 months?

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

FEW MICRO BUSINESSES ANTICIPATE TRANSITIONING THE OWNERSHIP OF THEIR COMPANY

WHEN OWNERSHIP TRANSITIONS ARE EXPECTED



Q: When, if at all, do you expect the ownership of your company will transition (e.g., sell, merge, be acquired, liquidation)?

Base: Deposit customers; Source: Live Oak 2023 Voice of the Customer Survey (Powered by Barlow Research)

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THANK YOU
