



▶ Small Business Credit Habits & Needs

August 2023



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Methodology

Project Overview

Objective: Understand the credit habits and needs of Small Business Owners



GUIDING QUESTIONS

- Overall credit needs
- Overall credit habits
- Awareness and perception of asset-based lending



SURVEY PARTICIPANTS

- 1,000 Nationally Representative US Small Business Owners with 10-200 employees
- Oversample of 100 for those working in Manufacturing and Insurance industries
- Qualifying titles included: SBOs, CEOs, CFOs, Partners, Owners and for companies of 51+, VP+ of Accounting or Finance qualified



SURVEY APPROACH

- Method: Online survey among individuals
- Length: Approx. 15-minutes survey
- Survey Period: 6 days, March 2023
- Confidence Level: 95%

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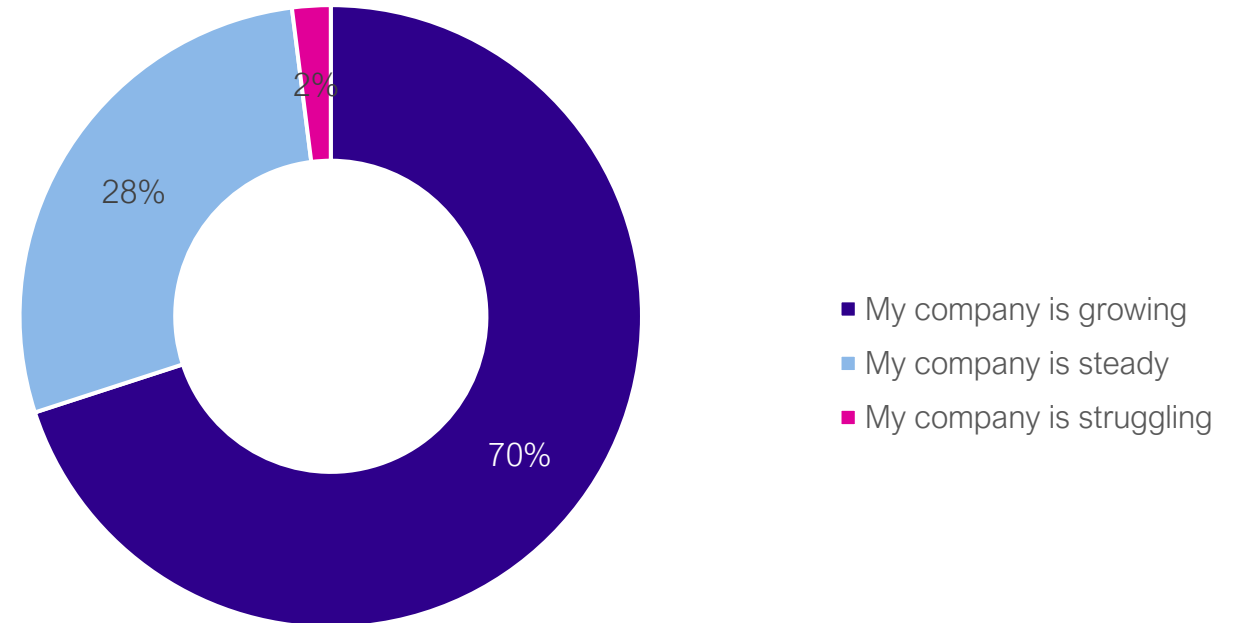
Findings

State of Company

Question

How would you describe the current state of your company?

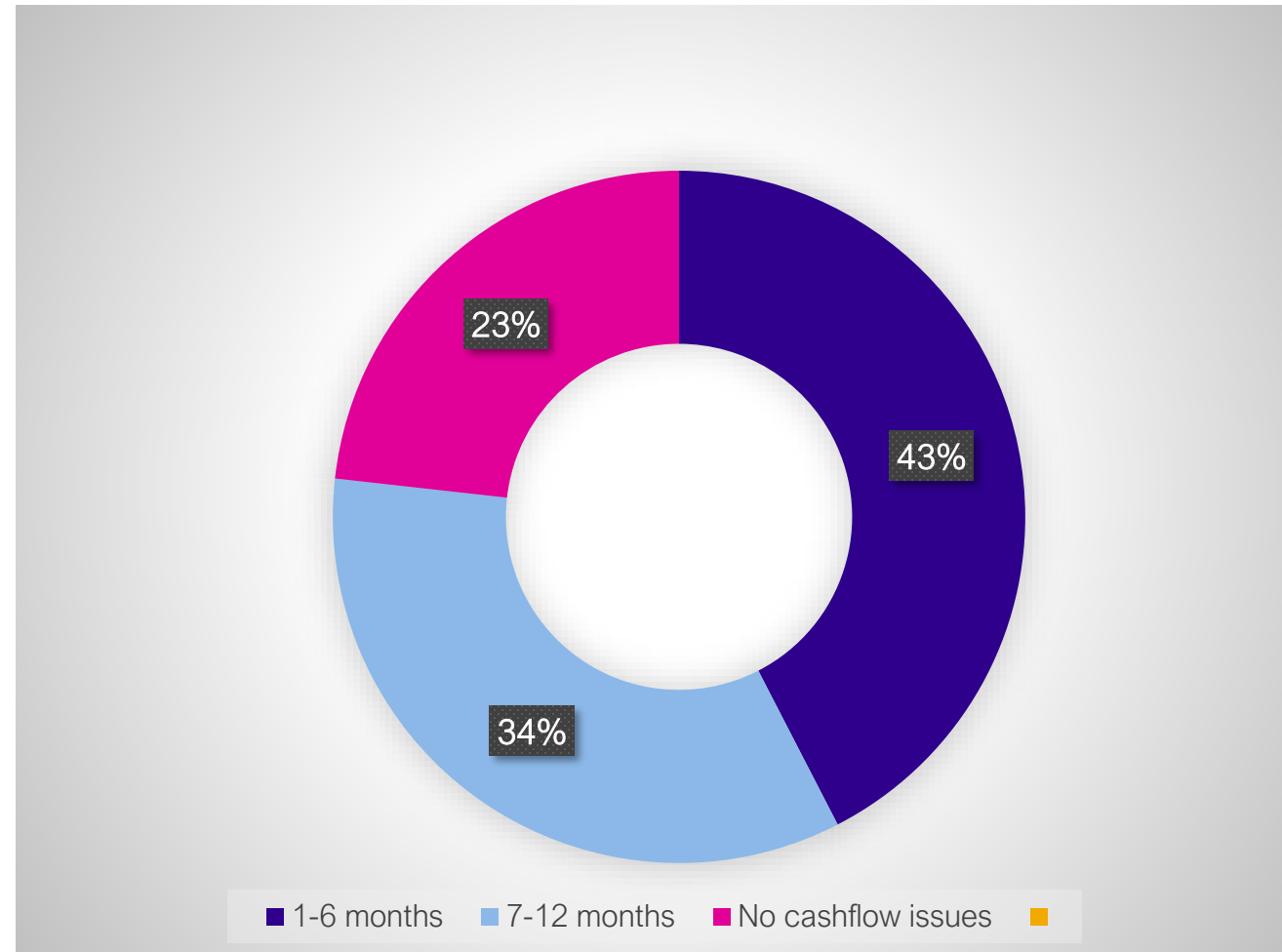
- 70% report their company is in a growth mode
 - The Insurance sector reports 80% are in growth mode
- Only 2% believe their company is struggling



Cash Flow

QUESTION: OVER THE LAST 12 MONTHS, HOW MANY OF THOSE MONTHS HAVE YOU FELT YOU HAD JUST ENOUGH CASH ON HAND TO REMAIN OPERATIONAL?

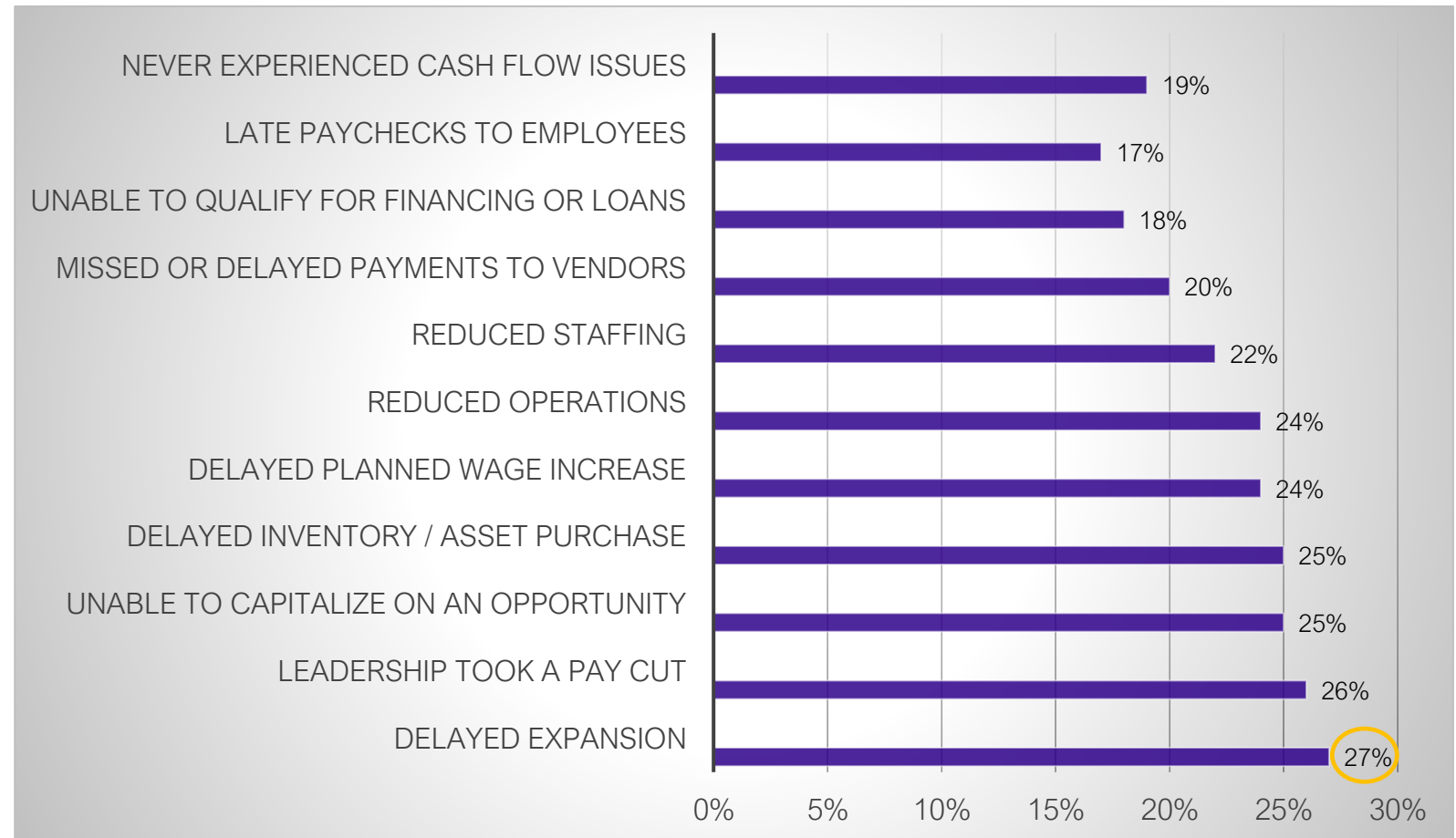
- While most small businesses describe themselves as growing or steady, 34% report that between 6-12 months of last year, they had just enough cash on hand to remain operational.
- 43% report 1-6 months with borderline cashflow



The Cost of Cashflow Challenges

QUESTION: WHICH OF THESE CONSEQUENCES, IF ANY, HAS YOUR COMPANY EXPERIENCED AS A RESULT OF CASH FLOW ISSUES? SELECT ALL THAT APPLY.

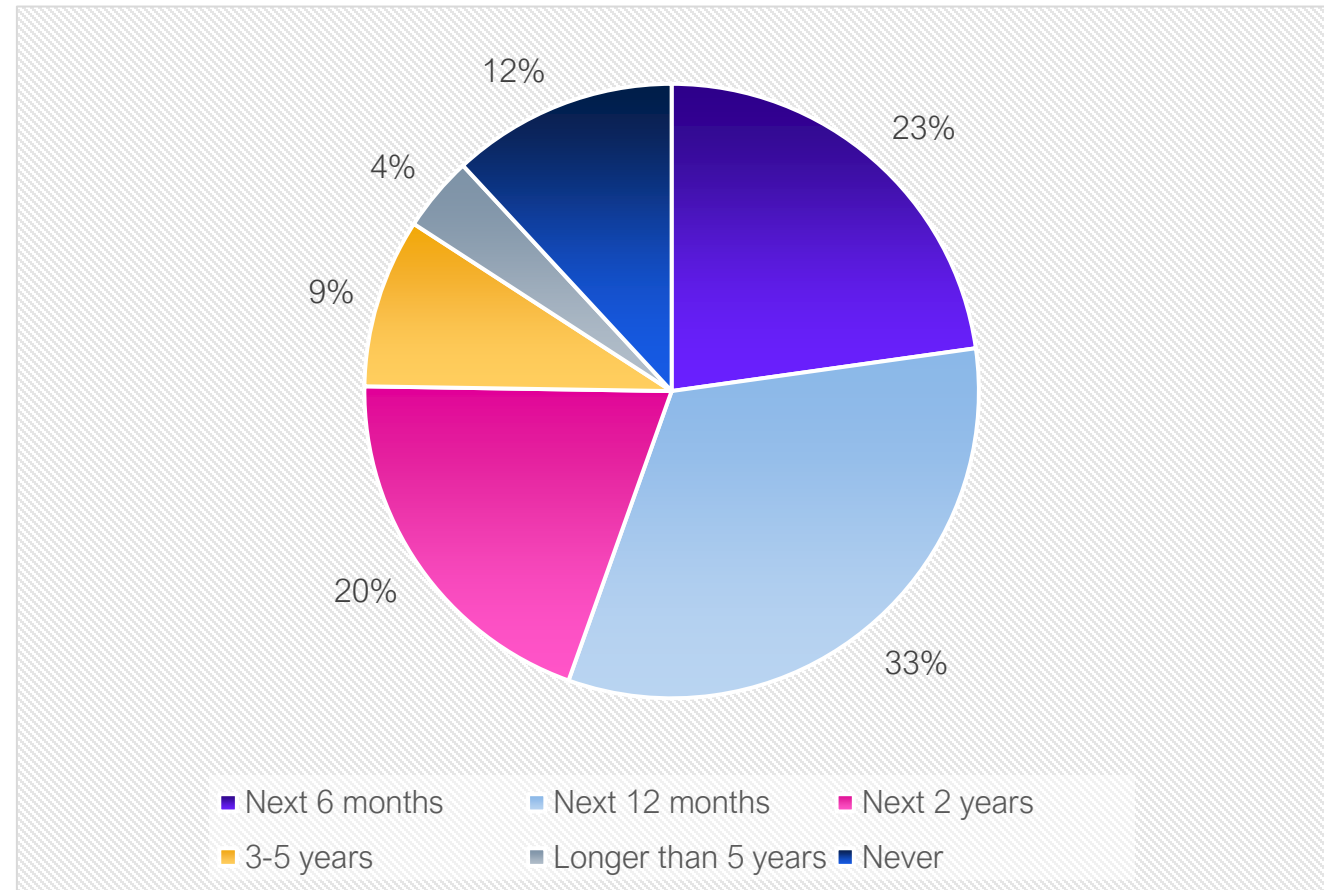
- 81% of companies surveyed expressed tangible impacts of cashflow challenges
- More than a quarter of companies have had to *delay expansion* or were *unable to capitalize on an opportunity*
- There are a myriad of daily operating stresses that occur under cashflow crunches



Predicting Financing Needs

QUESTION: WHEN DO YOU ANTICIPATE YOUR COMPANY WILL NEED SOME KIND OF FINANCING

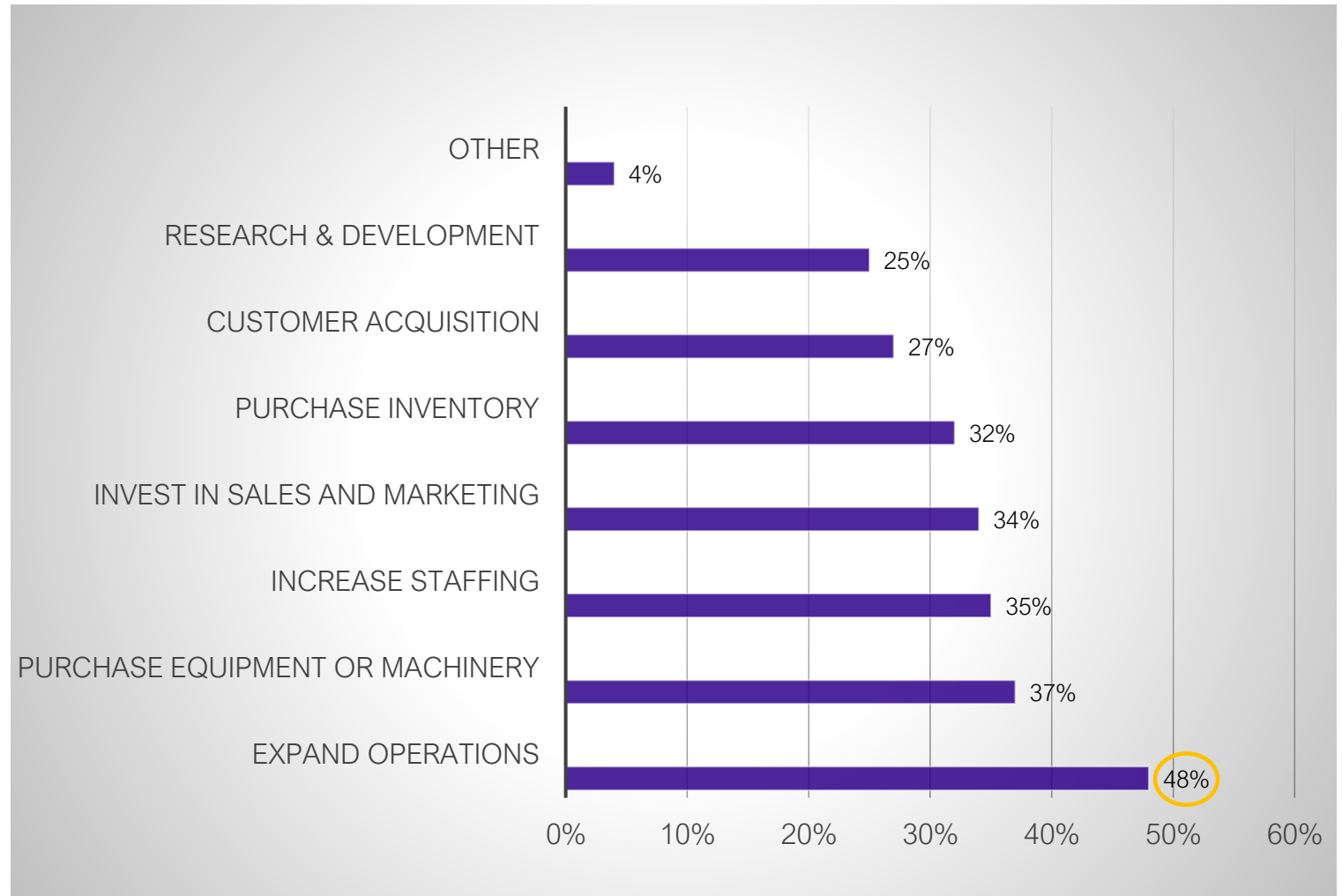
- 56% of small businesses believe they will need financing in the next six to 12 months.
- Only 12% believe they will never need some kind of financing



Financing Benefits

QUESTION: WHAT ARE THE MAIN REASONS YOUR COMPANY MAY NEED FINANCING. SELECT ALL THAT APPLY.

- ➔ *Expansion of operations* is the top reason
- ➔ Close behind that top benefit is the *ability to purchase equipment/machinery, increase staffing* and *investments in sales & marketing*

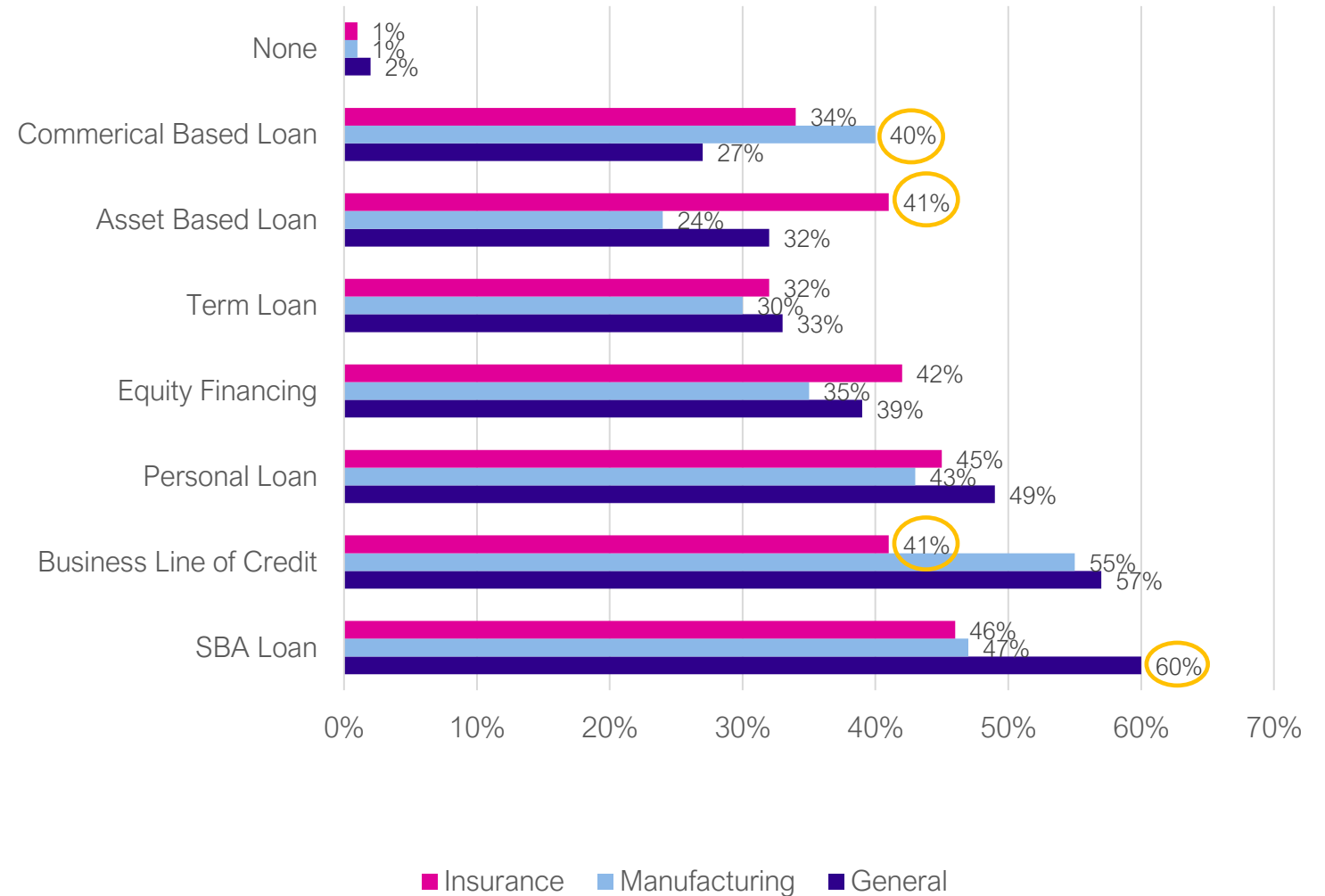


Understanding Loan Choices

Question

Which of the following loan options do you feel knowledgeable enough to explain to another person? Select all that apply.

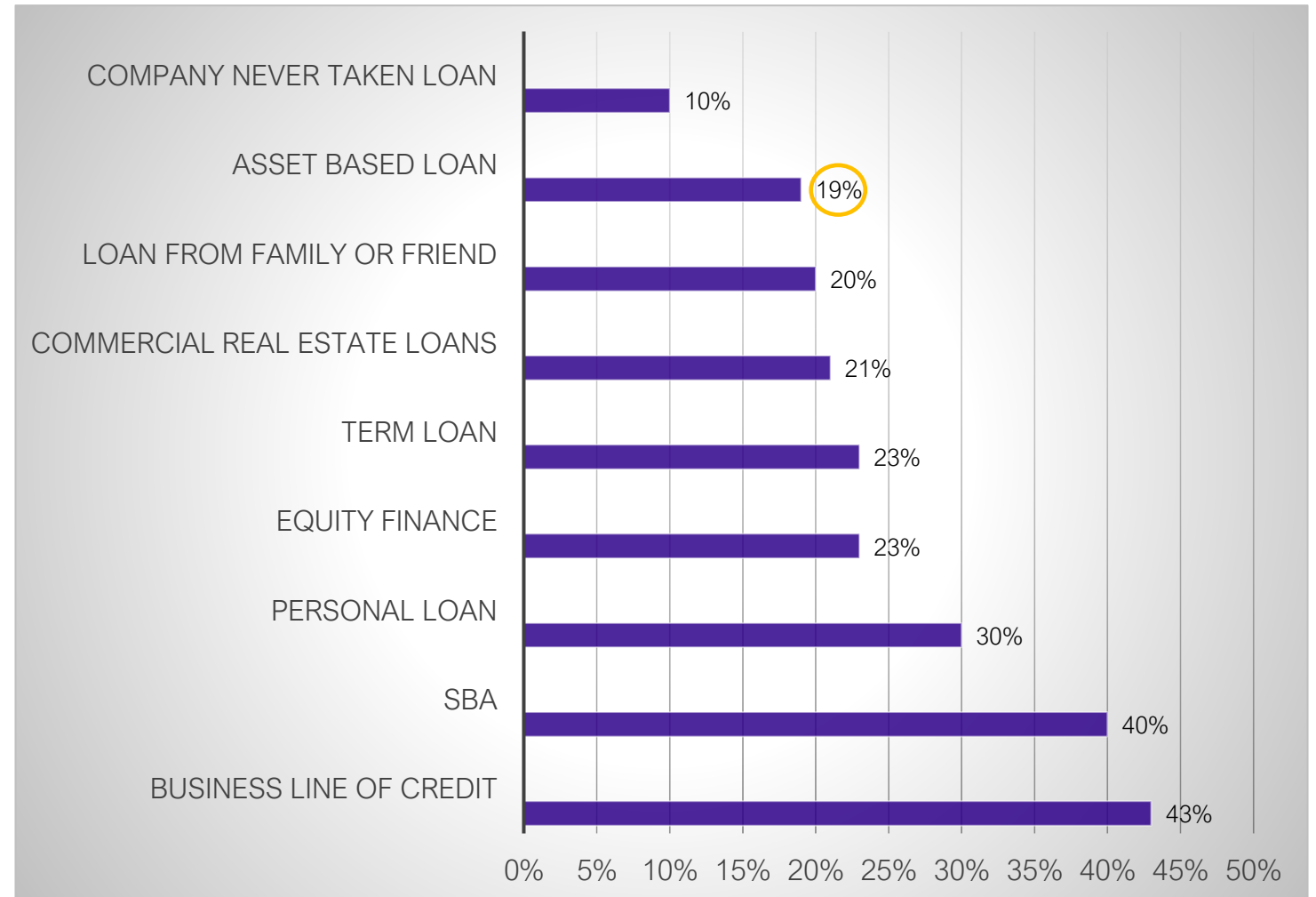
- ➔ Small Business Association (SBA) loans have the strongest understanding; however, the manufacturing and insurance segments have significantly lower understanding.
- ➔ Asset Based Loans have a lower degree of understanding with only 32% of small businesses indicating they understand them well.



Historical Financing

QUESTION: WHAT TYPE OF LOANS, IF ANY, HAS YOUR COMPANY EVER TAKEN? SELECT ALL THAT APPLY.

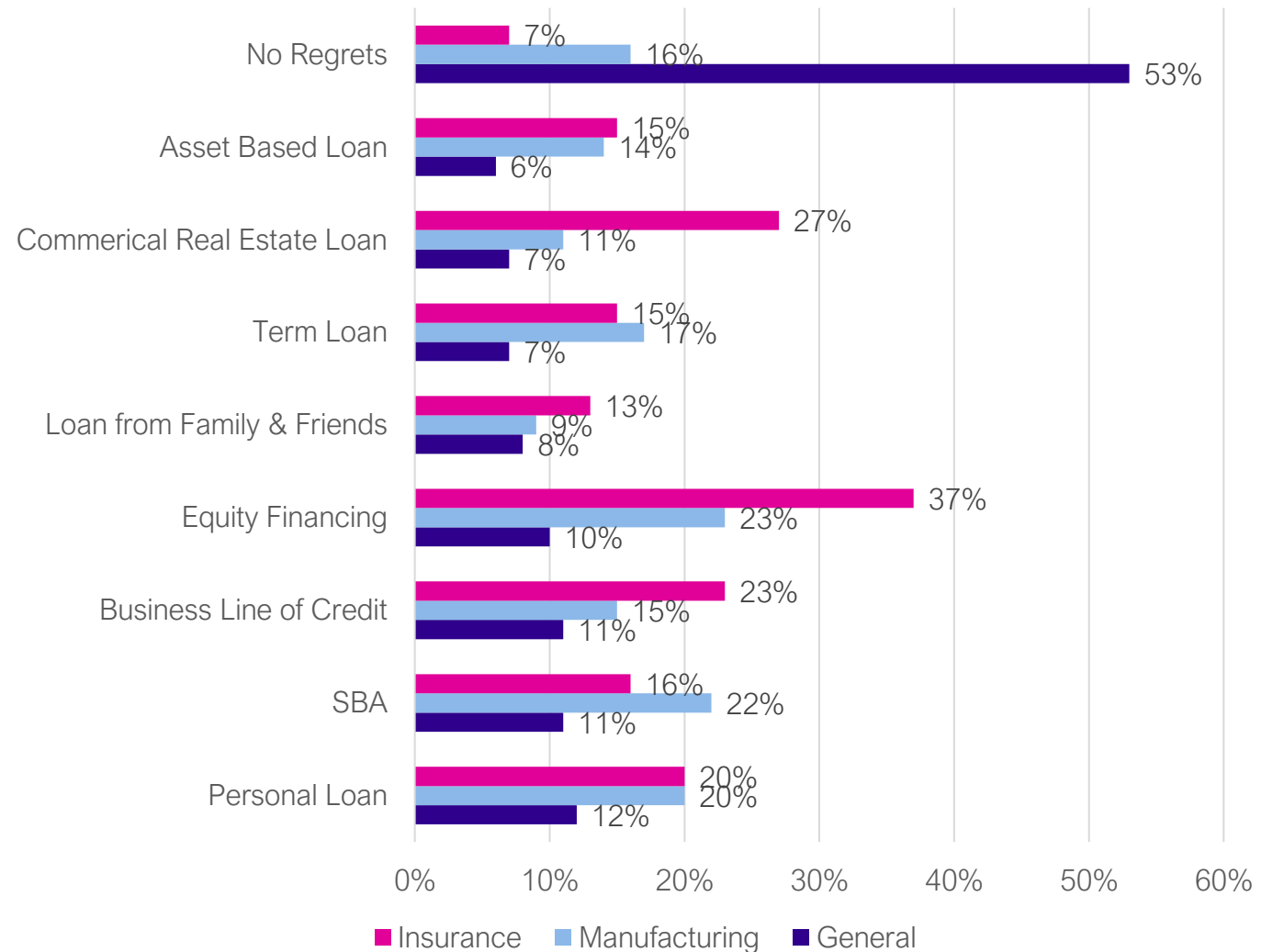
- The business line of credit and SBA loans are the most common type of financing small businesses have used in the past across the general small business population.
- 19% have taken advantage of the asset-based lending opportunity.



Financing Regrets

QUESTION: LOOKING BACK, WHAT LOANS DO YOU REGRET TAKING OUT? SELECT ALL THAT APPLY.

- ➔ A full 53% of the general business population report they have no regrets for taking out a business loan.
 - This number is significantly different in the manufacturing and insurance sectors where the regret indexes much higher.
- ➔ In general, regret is expressed across all loan types at a modest rate. There is no specific loan type that showed an outsized level of regret. However, Equity Financing and Commercial Real Estate loans drive above average regret in the Insurance industry.

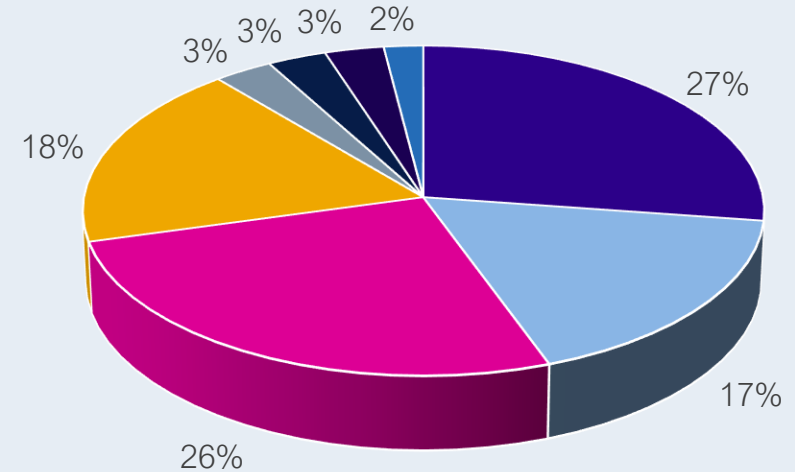


Top Loan Contenders

TOP 3 MOST LIKELY LOANS

QUESTION: Please rank these loans in terms of the top three you would consider for your own company.

- Equity Financing and a business line of credit top the list.
- For the general small business population, a business line of credit is a strong option
- Asset Based loans have limited consideration when presented amongst this array of options, this is likely the lack of awareness and education

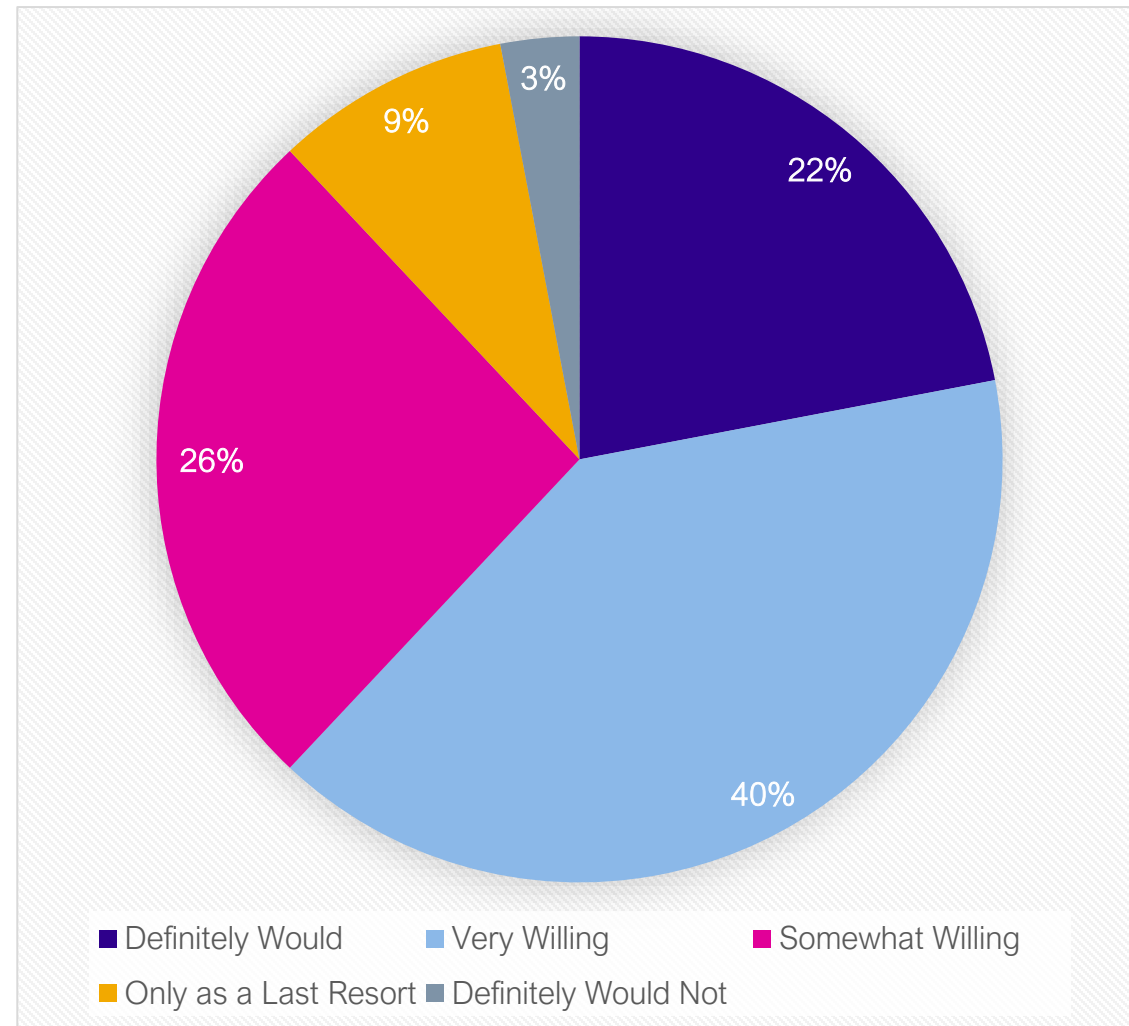


- Business Line of Credit
- SBA
- Equity Financing
- Commercial Real Estate
- Term Loan
- Asset Based Loan

Asset Based Lending Appeal

QUESTION: IF YOU NEEDED FUNDING, HOW WILLING ARE YOU TO CONSIDER AN ASSET BASED LOAN?

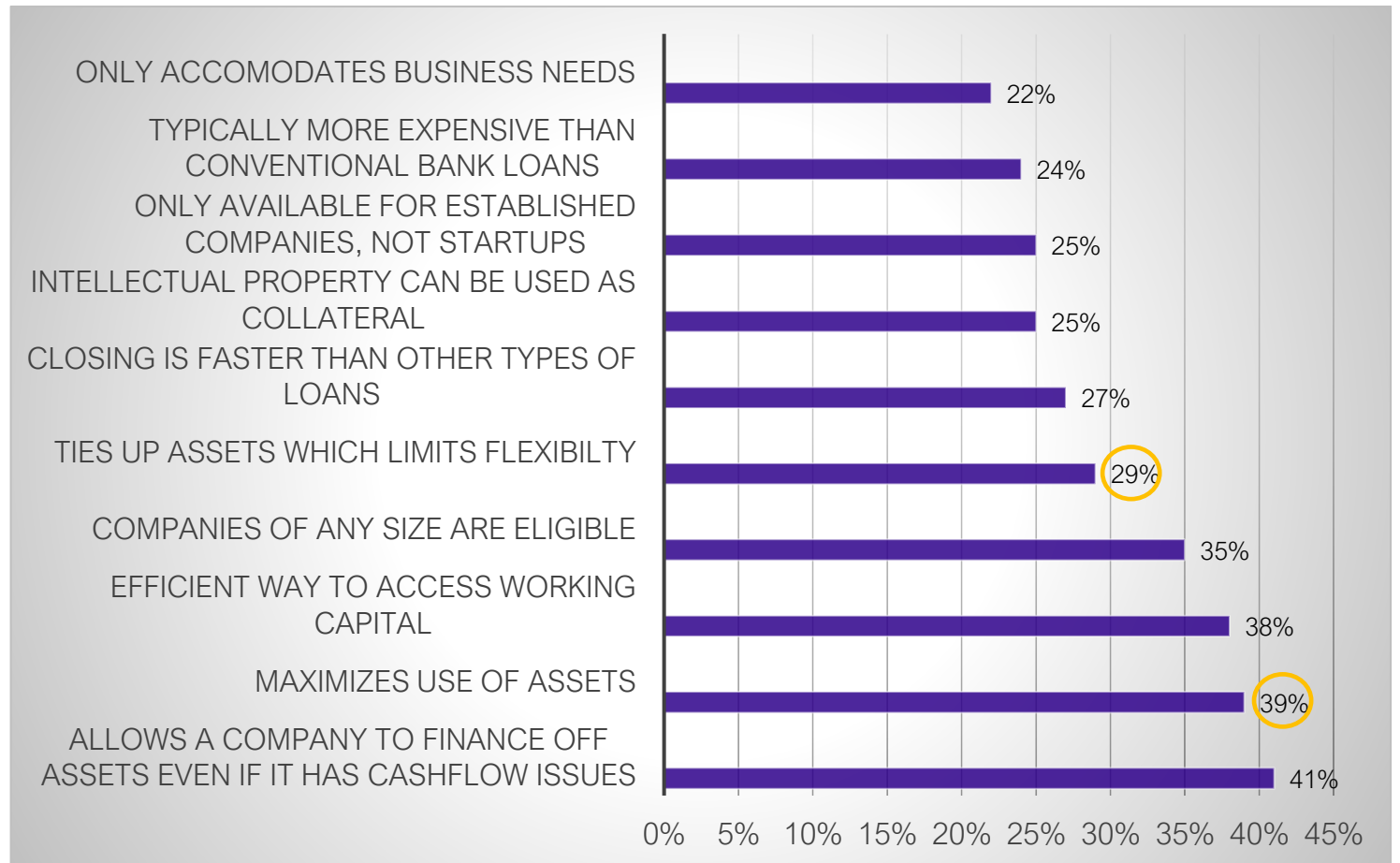
➔ 62% of small businesses are open to considering an asset-based loan (Definitely + Very)



Asset Based Financing Perceptions

QUESTION: WHICH OF THESE ARE TRUE ABOUT ASSET-BASED LOANS? SELECT ALL THAT APPLY.

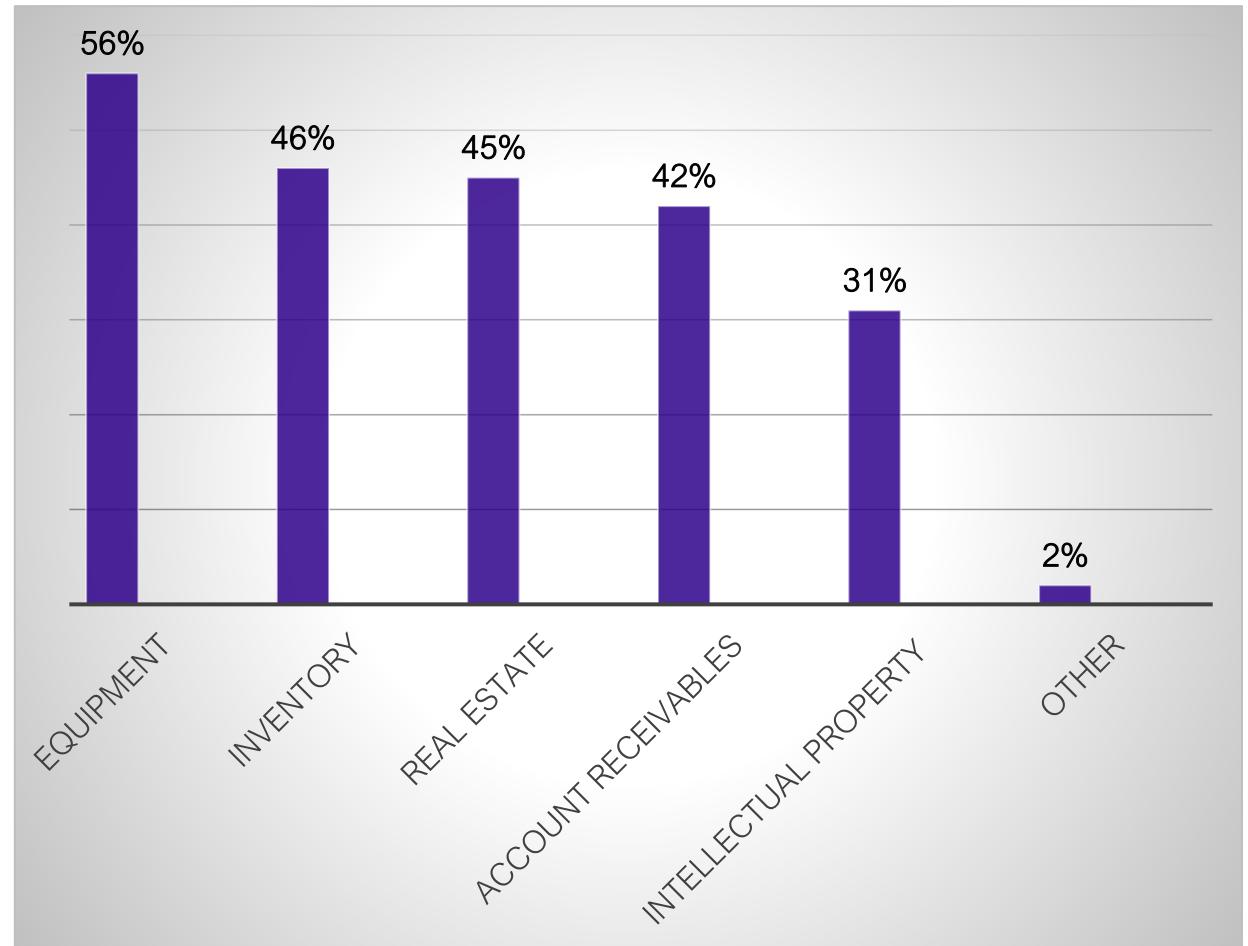
- ➔ There are some misperceptions around asset-based loans. Education around the myths and benefits of asset-based loans is critical.
 - In particular, 29% of small businesses misunderstand that an asset-based loan ties up their assets
 - Only 39% of small businesses understand these loans maximize the use of assets



Most Likely Asset to use as Collateral

QUESTION: IF YOU WERE CONSIDERING AN ASSET-BASED LOAN, WHICH ASSET WOULD YOU CONSIDER USING AS COLLATERAL? SELECT TOP THREE.

- ➔ Equipment tops the charts for most likely collateral choice.
- ➔ Inventory, real estate and account receivables have similar appeal.



Lead Sources

QUESTION: IF YOU WERE CONSIDERING AN ASSET-BASED LOAN, WHICH SOURCE(S) MIGHT YOU USE TO LEARN ABOUT APPLYING FOR ONE. SELECT ALL THAT APPLY.

- Small businesses are using a mix of sources to find business resources.
- Its important to create awareness directly via online sources but also amongst professional influencers like bankers, CPA, lawyers, etc

