

2024 VOICE OF THE CUSTOMER STUDY

In-depth Analysis of Live Oak Customer Sentiment

January 2025



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EXECUTIVE SUMMARY

(LOAN CUSTOMERS)

3

01 LIVE OAK CUSTOMERS GROW OPTIMISTIC POST-ELECTION

The 2024 Live Oak Voice of the Customer Study was conducted over a unique time frame, beginning before and concluding after the 2024 Presidential election. This timing offered valuable insights into shifts in customer sentiment. Notably, the results revealed a marked increase in optimism about the state of the U.S. economy following the election. This renewed confidence extended to various key metrics, including customers' expectations for their overall financial condition, sales, profits, and growth plans.

02 BUSINESS OUTLOOK VARIES SUBSTANTIALLY BY VERTICAL

Sentiment varied widely across the 16 verticals analyzed in the 2024 Live Oak Voice of the Customer Study. Investment Advisory companies showed significant improvement from 2023 and stood out as one of the most financially stable verticals. Other verticals, like WCB, experienced gains in financial health but face challenges from changing environmental factors and rising costs. Meanwhile, the Pharmacy vertical appears to be one of the most strained heading into 2025, with a weak financial and industry outlook.

03 COSTS HAVE COME DOWN, BUT MANY STILL STRUGGLE

The rising cost of doing business remains the most significant challenge for Live Oak customers. In 2024, customers increased their prices by an average of 8.5%. Over half of customers plan to implement further price increases within the next 12 months. Senior Care and Funeral Home verticals are the most likely to increase prices in 2025. However, some verticals, like Agriculture and Search Fund, have struggled to pass higher costs on to their customers.

SURVEY METHODOLOGY

Live Oak Bank partnered with Barlow Research Associates, Inc. to conduct the 2024 “Voice of the Customer” study. After a thorough review and list cleaning, **7,769 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 1,184 responses were collected from September 28 to December 16, 2024. Data was cleaned and tabulated for analysis.

The 2024 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.

SURVEY METHODOLOGY

- This year the survey invitation was sent to current loan and deposit (business) customers.

SAMPLE SIZE

1,184 Live Oak Bank customers

663 Deposit customers

521 Loan customers

RESPONSE RATE

15.2% Deposit customers: **18.9%**
Loan customers: **12.2%**

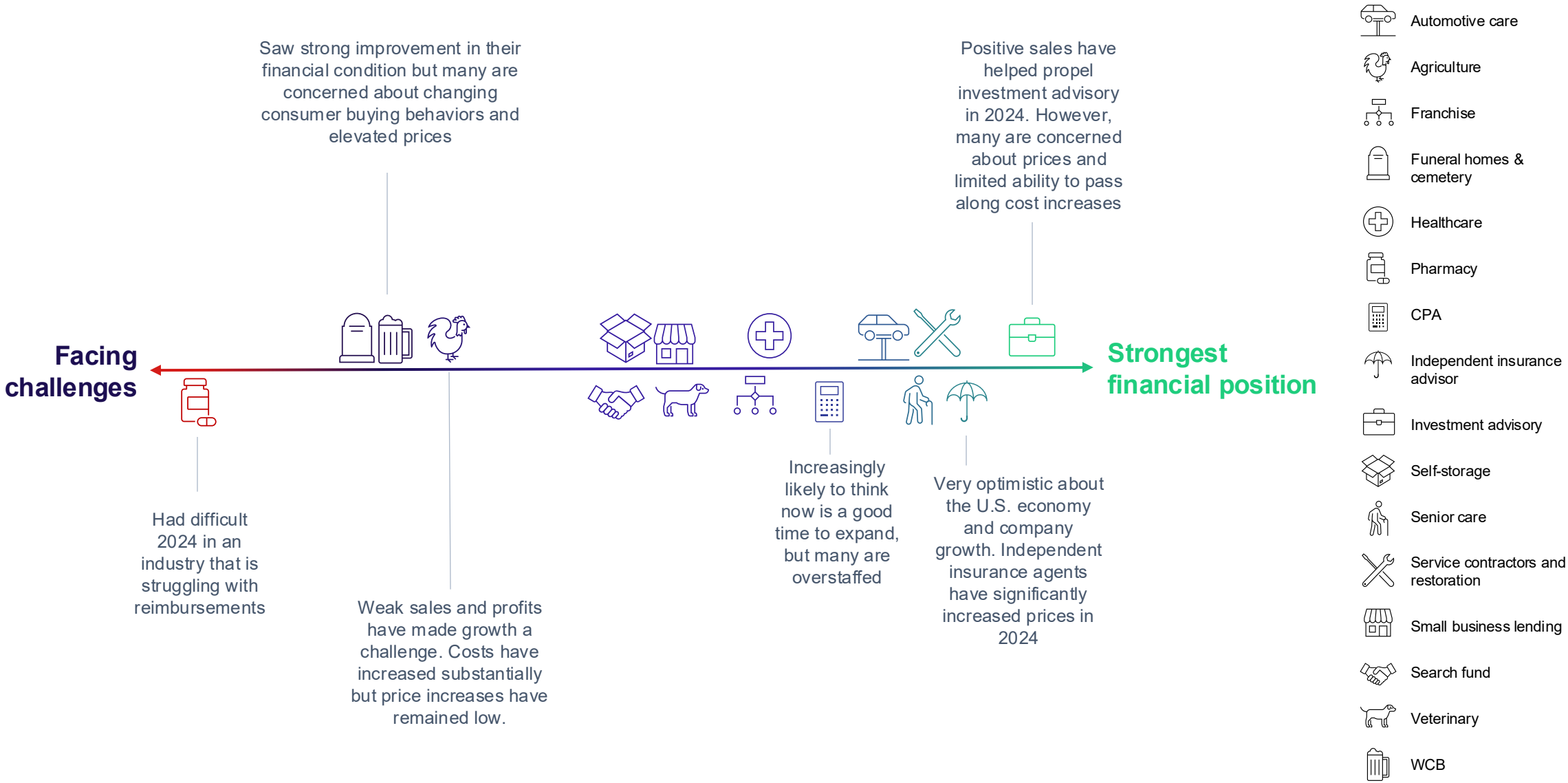
FIELDING PERIOD

September 28, 2024 – December 16, 2024

MAX ERROR FACTOR

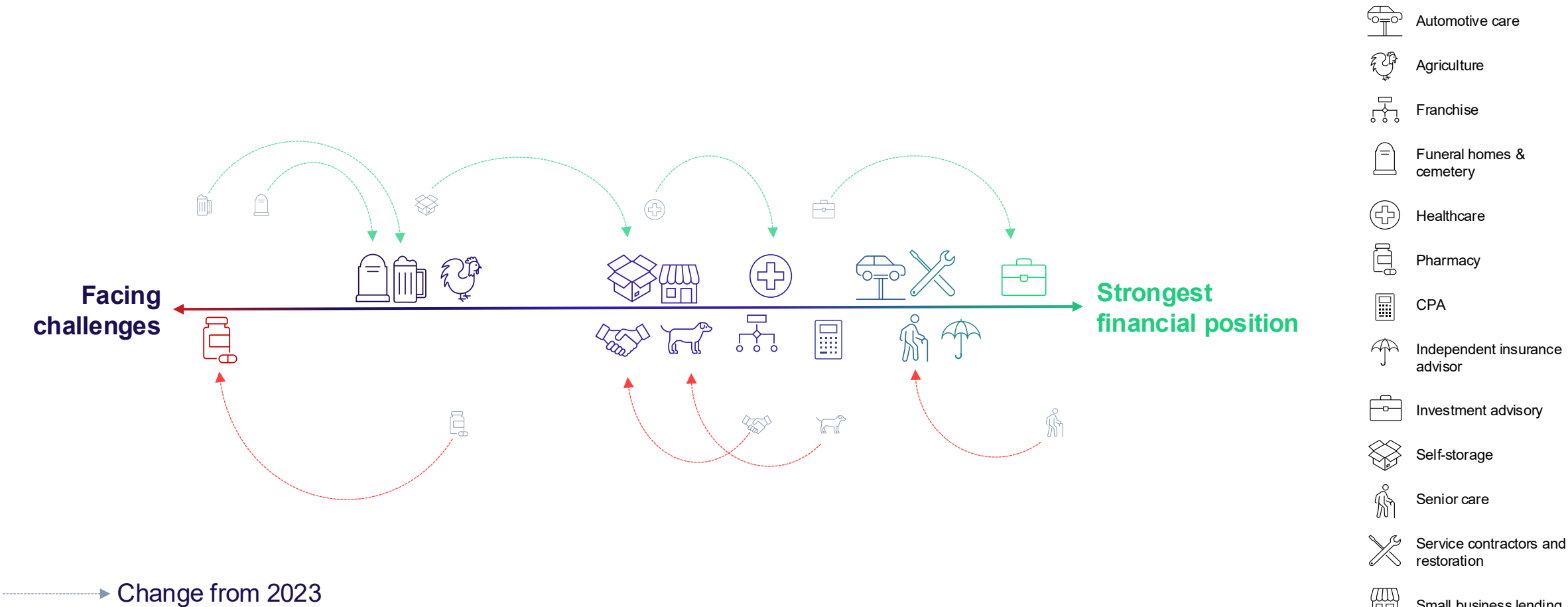
±2.85% at a 95% confidence interval

16 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 2024 Voice of the Customer Survey (Powered by Barlow Research)

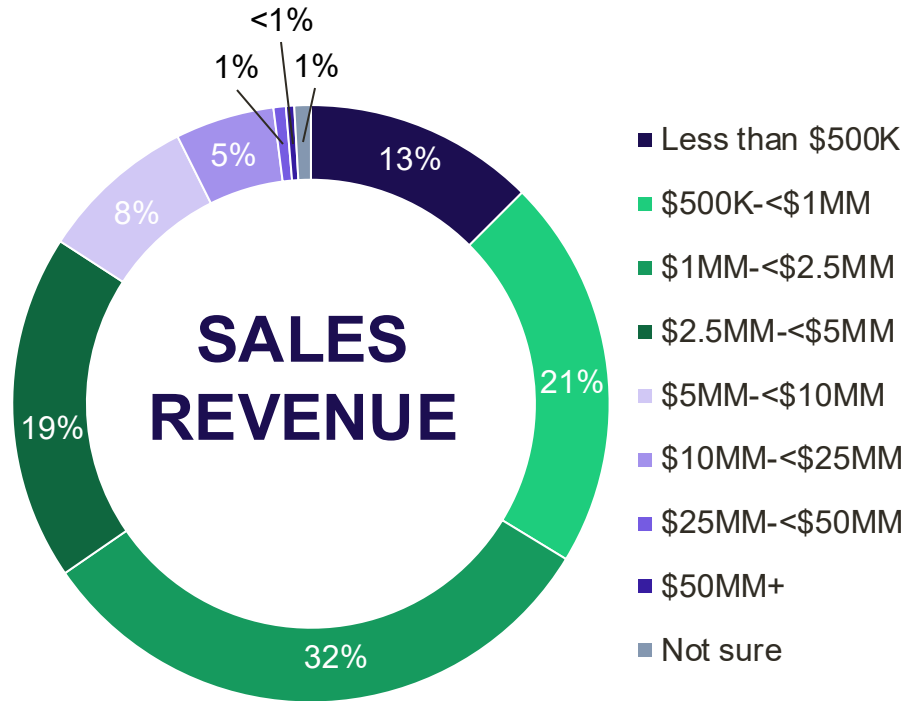
MANY VERTICALS SAW MOVEMENT ACROSS THE FINANCIAL STABILITY CONTINUUM



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 2024 Voice of the Customer Survey (Powered by Barlow Research)

LOAN RESPONDENT PROFILE



TITLE

95%	Owner/President/CEO
1%	CFO
1%	Bookkeeper/Office Manager
3%	Other

OWNERSHIP STRUCTURE

54%	Owned by a single individual
24%	Owned by two or more related individuals
21%	Owned by two or more unrelated individuals
1%	Other

AVG. AGE OF COMPANY

| 17

AVG. NUMBER OF EMPLOYEES

| 16

AVG. AGE OF OWNER

| 49

51%+ WOMEN-OWNED

| 23%

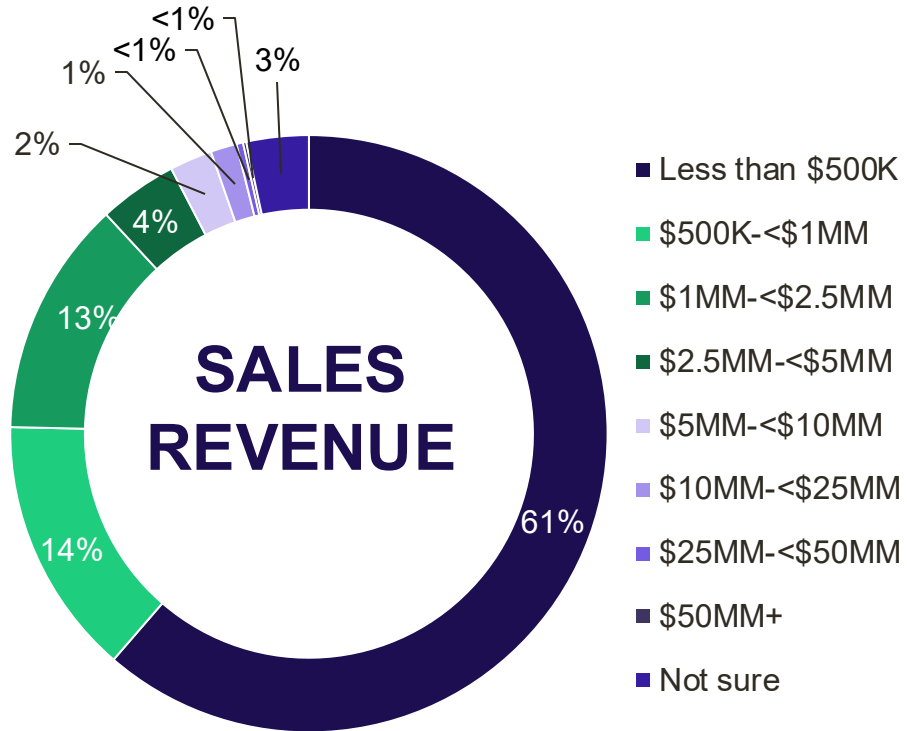
51%+ MINORITY-OWNED

| 12%

51%+ VETERAN-OWNED

| 6%

DEPOSIT RESPONDENT PROFILE



TITLE

78%	Owner/President/CEO
2%	Non-owner President/CEO
5%	CFO
7%	Controller/Treasurer
5%	Bookkeeper/Office Manager
3%	Other

OWNERSHIP STRUCTURE

52%	Owned by a single individual
20%	Owned by two or more related individuals
12%	Owned by two or more unrelated individuals
14%	Not-for-profit
2%	Other

AVG. AGE OF COMPANY

| 15

AVG. NUMBER OF EMPLOYEES

| 6

AVG. AGE OF OWNER

| 47

51%+ WOMEN-OWNED

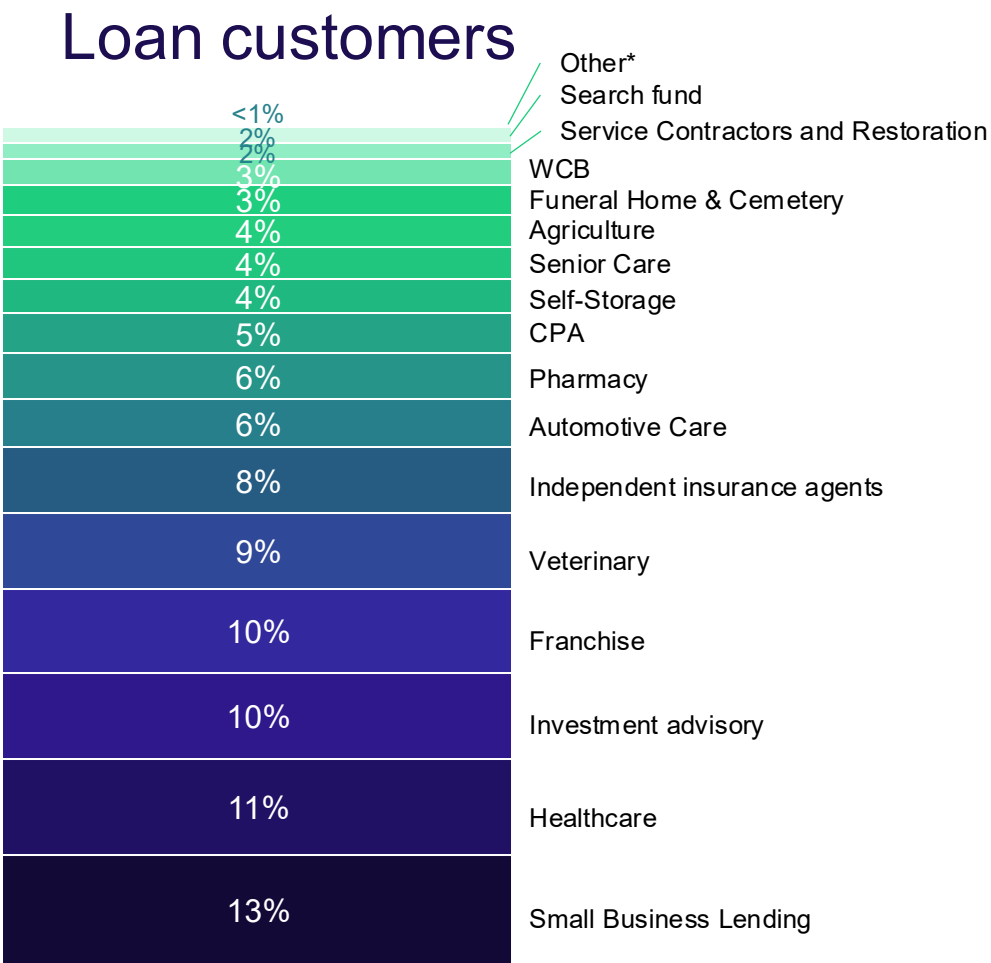
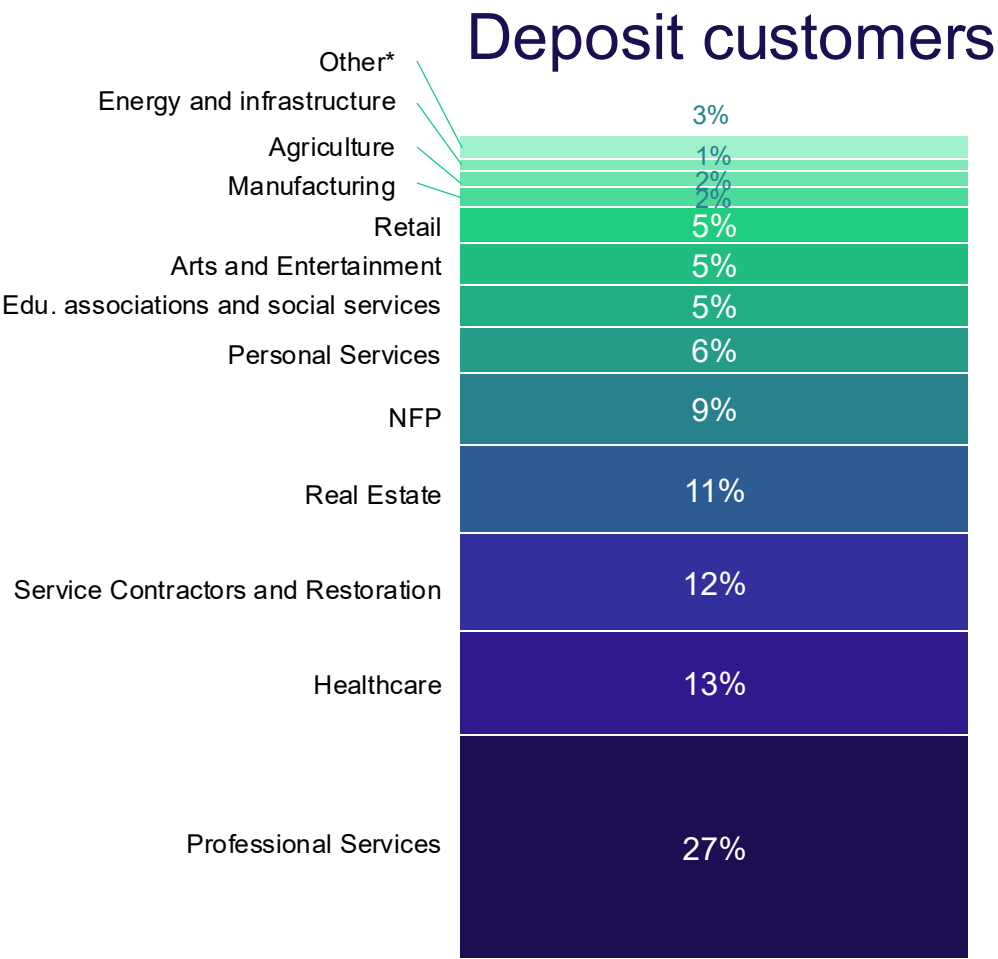
| 29%

51%+ MINORITY-OWNED

| 18%

51%+ VETERAN-OWNED

| 4%

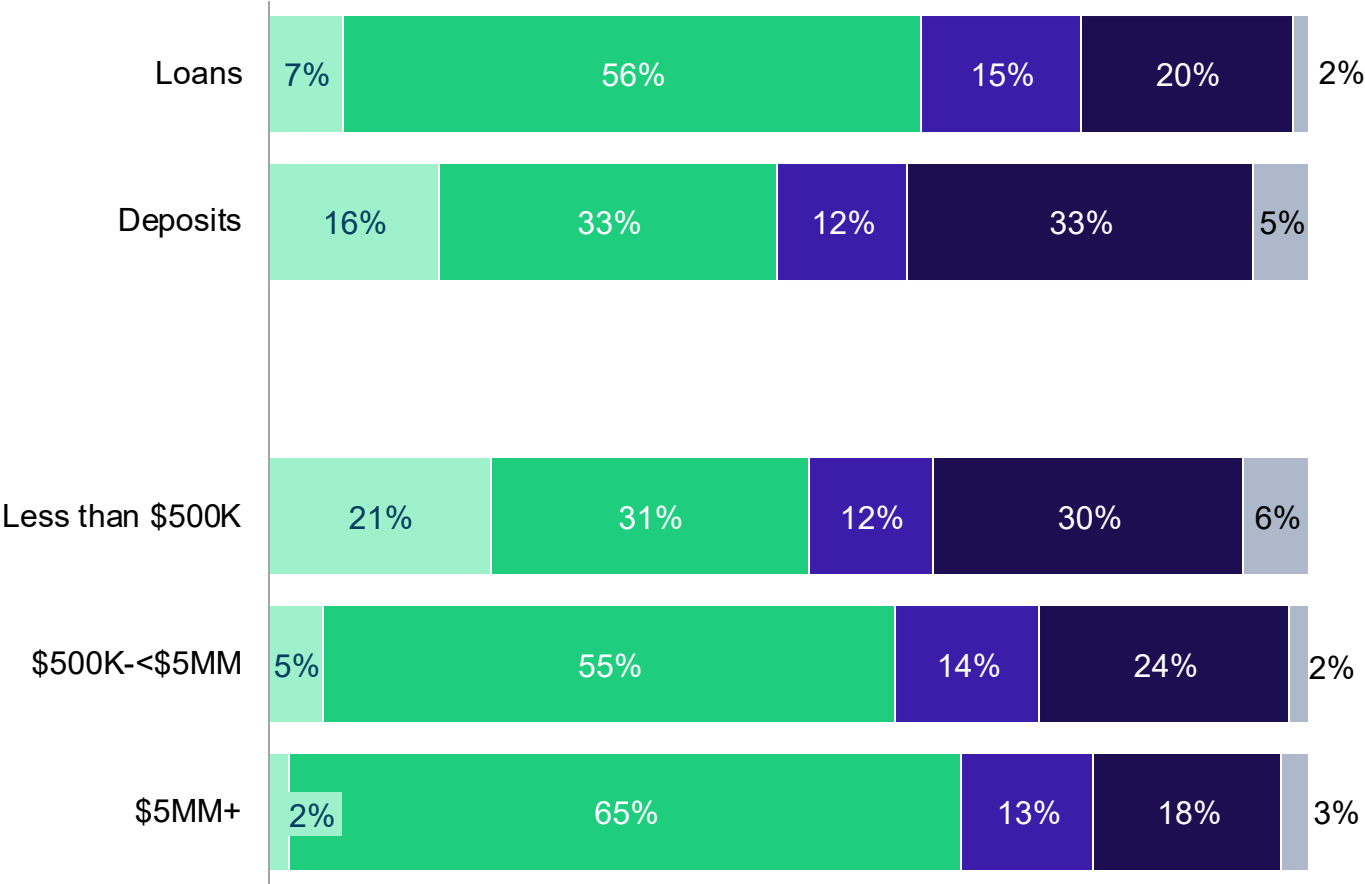
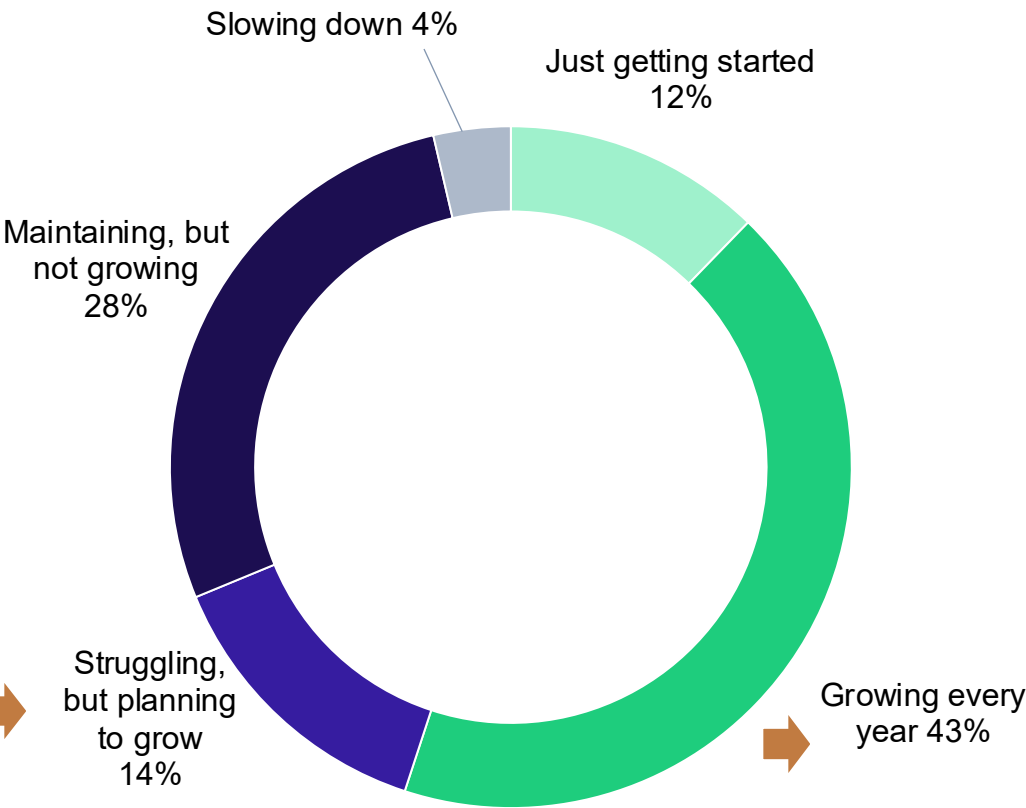


* "Other" (deposit customers) includes industries that comprise less than 1% of the sample; "Other" (loan customers) includes ABL general, hotels and venture banking

Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

THE MAJORITY OF CUSTOMERS ARE IN A GROWTH STAGE OF BUSINESS OR ARE ATTEMPTING TO GROW

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.

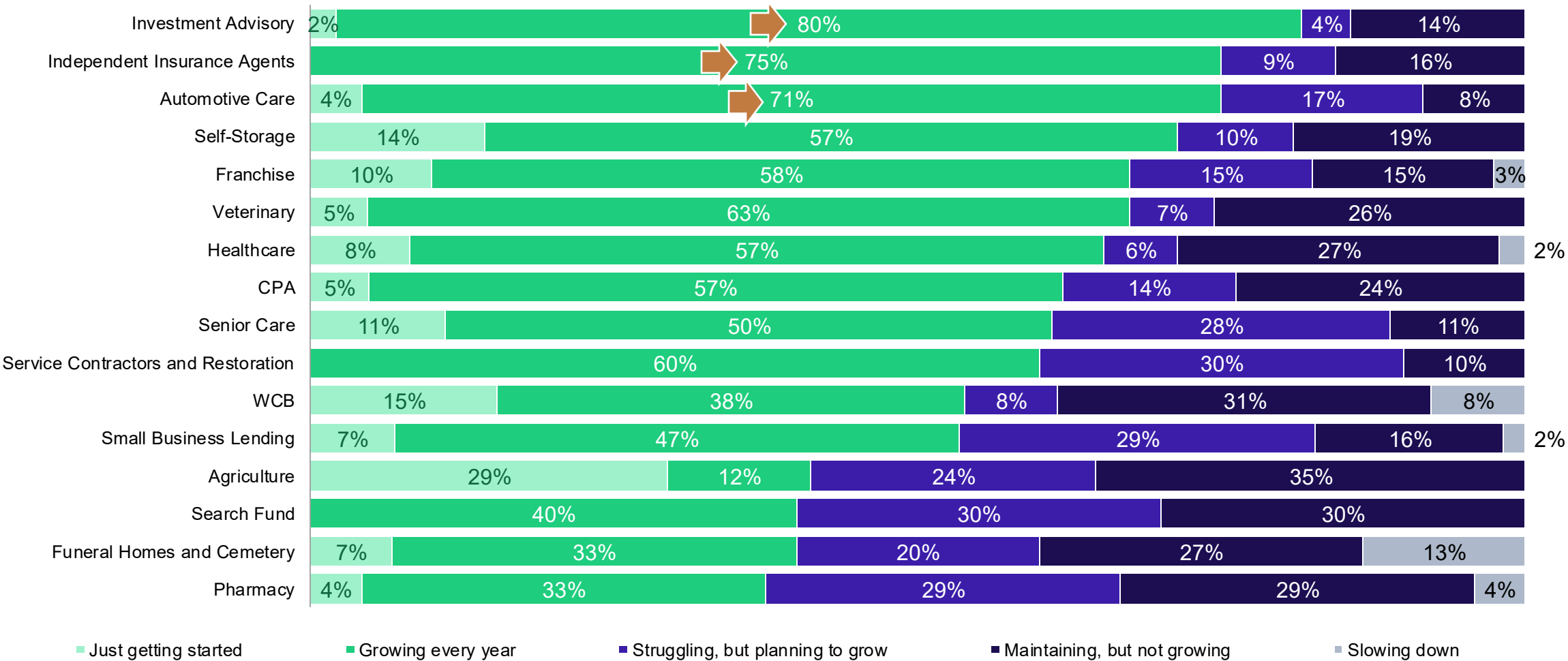
Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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INVESTMENT ADVISORY, INSURANCE AND AUTOMOTIVE CARE CLIENTS WERE MOST LIKELY TO BE IN A GROWTH LIFE STAGE

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

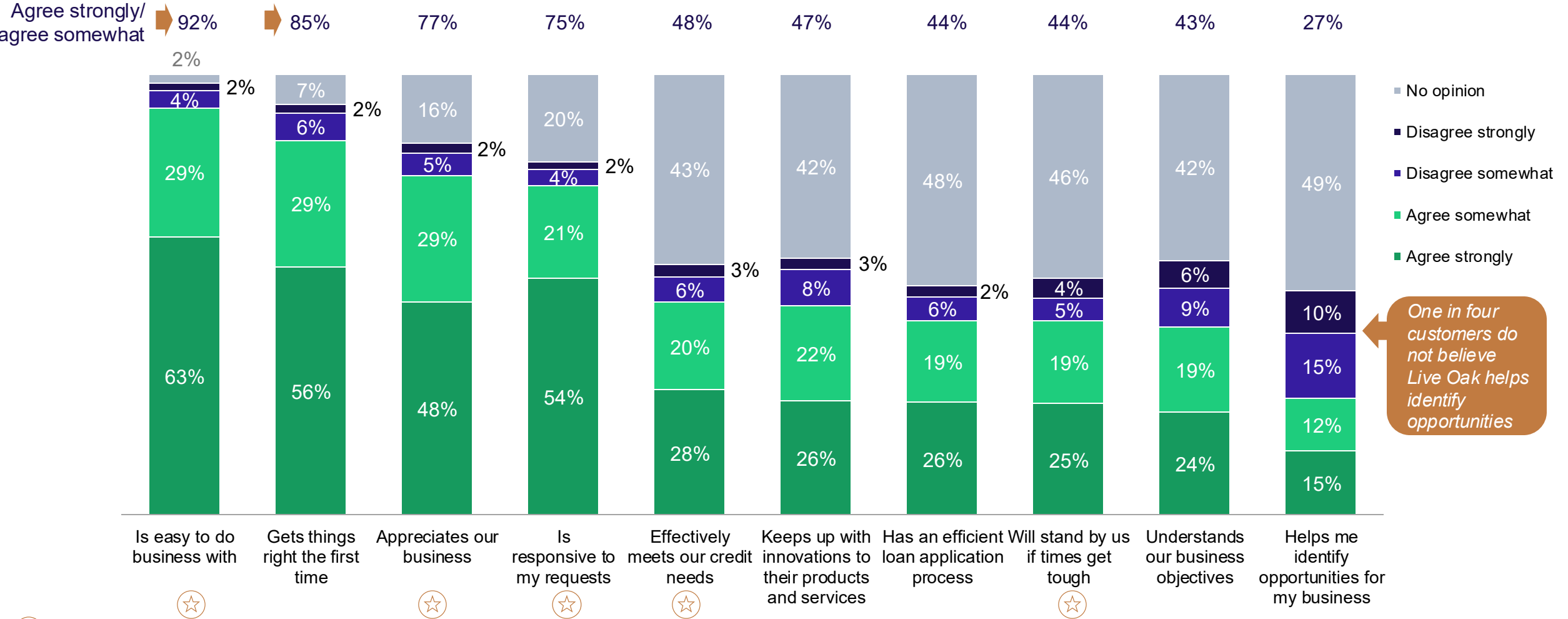
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LIVE OAK IS GENERALLY VIEWED AS BEING EASY TO DO BUSINESS WITH AND A BANK THAT GETS THINGS RIGHT THE FIRST TIME

ATTITUDES & OPINIONS



☆ Driver of overall satisfaction from Barlow norms

Q: Please indicate how strongly you agree or disagree with each statement. Live Oak Bank...

Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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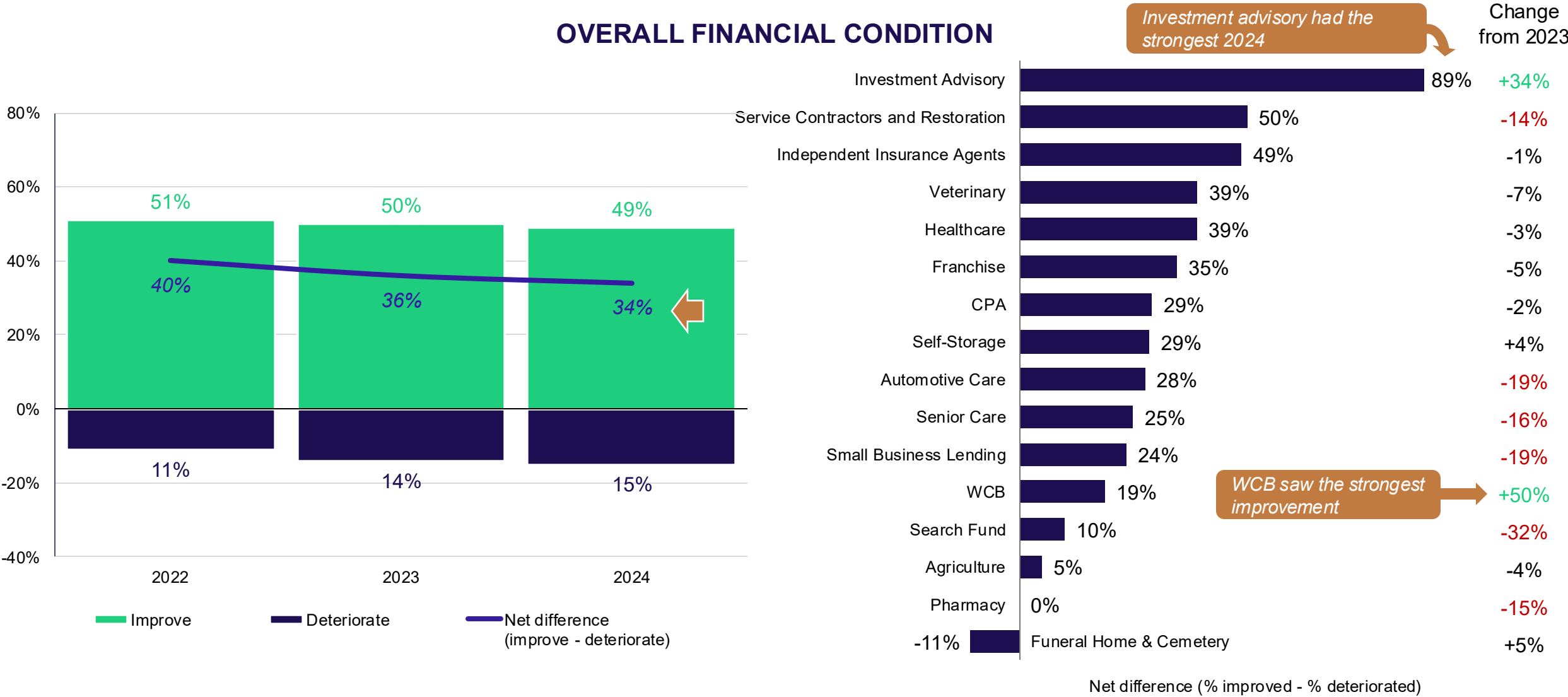


STATE OF THE MARKET: LOAN CUSTOMERS

TEMPERATURE CHECK: CURRENT FINANCIAL HEALTH & CHALLENGES

(LOAN CUSTOMERS)

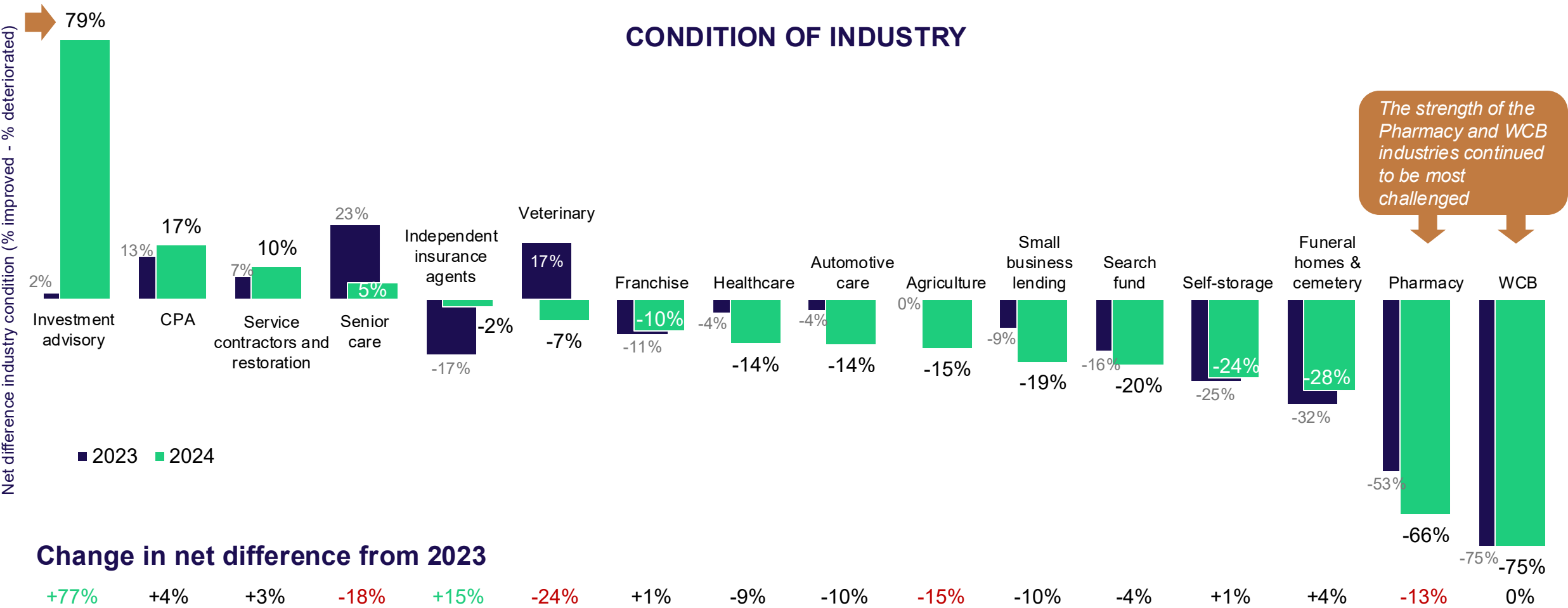
THE STRENGTH OF CUSTOMERS' OVERALL FINANCIAL CONDITIONS CONTINUED TO SLOWLY TICK DOWN IN 2024



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 overall financial condition...

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

INVESTMENT ADVISORY WAS THE ONLY VERTICAL THAT SAW SUBSTANTIAL IMPROVEMENT IN THEIR INDUSTRY'S CONDITION



Q: We are interested in how things have changed for your company over the last 12 months. During the *last 12 months*, the economic condition of your company's industry ...

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

SAMPLE COMMENTARY: INDUSTRY CHALLENGES

MOST IMPORTANT CHALLENGE INDUSTRY IS FACING



WCB

Decreased demand

“Reduced craft beer consumption and interest which makes scaling up sales more difficult.”



Funeral Homes and Cemetery

Decreased demand

“More people are opting to not have a funeral service. The impact is reduced revenues.”



CPA

Lack of qualified workers

“Talent is the biggest factor. Young accountants out of school can't do the work.”



Healthcare

Lack of qualified workers

“Not enough trained employees who actually want to work.”



Search Fund

Decreased demand

“Lack of demand due to high interest rates.”



Small Business Lending

Decreased demand

“Decreased residential customers will cause our residential business to decrease.”



Veterinary

Lack of qualified workers

“Not enough veterinarians; can't grow our business much unless we hire another vet.”



Senior care

Lack of qualified workers

“Single most challenge is finding good employees.”

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

SAMPLE COMMENTARY: INDUSTRY CHALLENGES (continued)

19

MOST IMPORTANT CHALLENGE INDUSTRY IS FACING



Agriculture

Inflation/cost of doing business

“Cost of parts and services.”



Franchise

Inflation/cost of doing business

“Rising cost of everything, including wages which will make us increase prices for families already struggling to pay our tuition rates.”



Self-storage

Challenging interest rate environment

“Interest rates. The moving industry is directly affected.”



Service Contractors and Restoration

Industry becoming more competitive

“Hyper competitive industry.”



Automotive Care

Employee turnover/retention

“Employee retention.”



Independent Insurance Agents

Inflation/cost of doing business

“Inflation is not under control, pricing is still all over the place. Litigation is out of control, claims are at all time highs.”



Pharmacy

Reimbursements decreasing/PBM issues

“Poor PBM reimbursement, decreased profit requiring increased volume to stay equal.”



Investment Advisory

Government restrictions

“Regulation. This will depend vastly on the election, but it has already increased paperwork and continued education.”

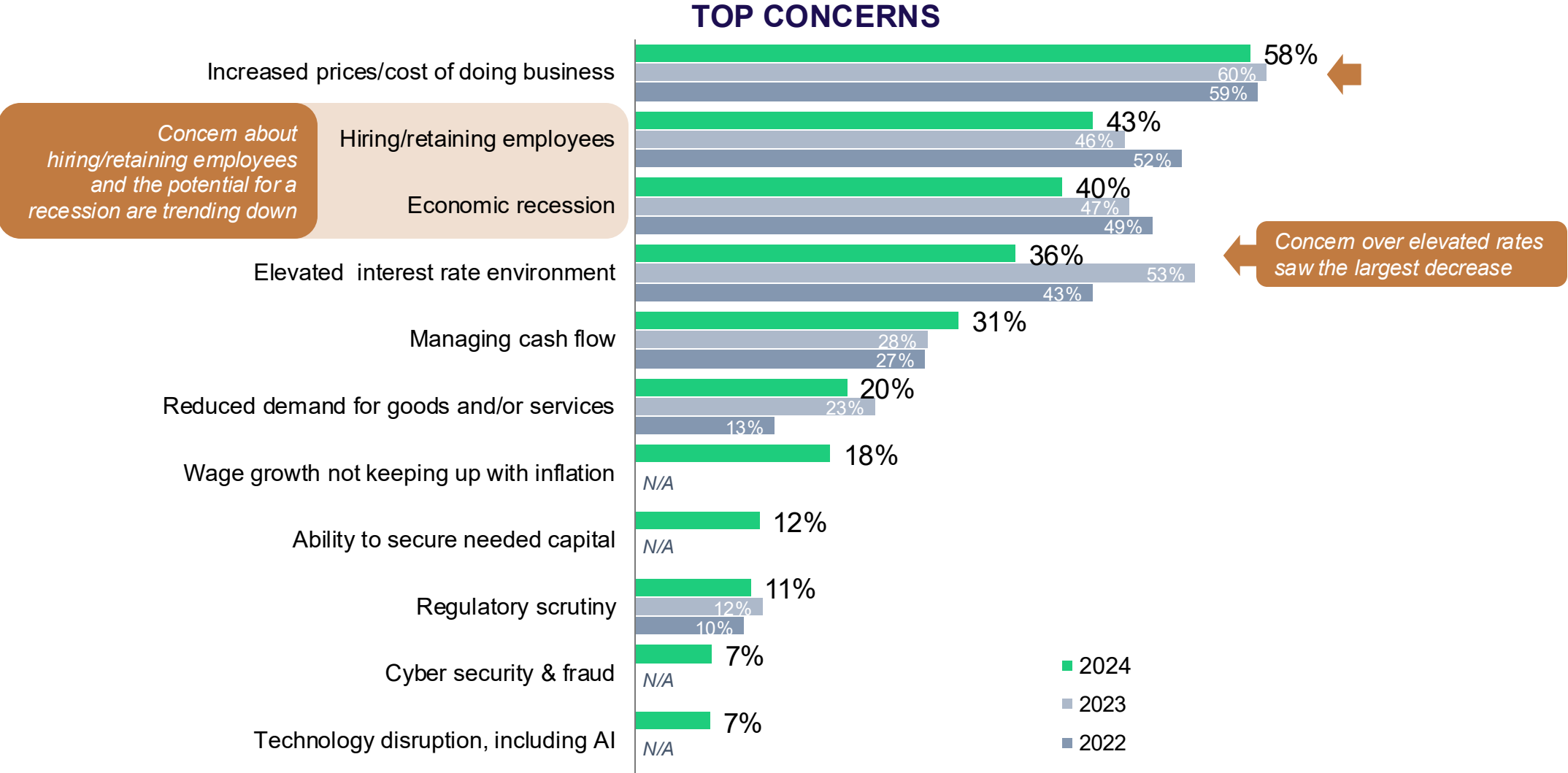
Q: What is the single most important challenge *your industry* faces today, and how will this impact your company specifically over the next 12 months? (write-in response)

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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INCREASED PRICES CONTINUE TO BE THE TOP CONCERN



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.

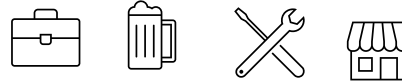
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research); N/A: response option not presented in questionnaire during that year’s study

INCREASED PRICES ARE MOST CONCERNING TO INVESTMENT ADVISORY, WCB, SERVICE CONTRACTORS AND SMALL BUSINESS LENDING VERTICALS

VERTICALS MOST CONCERNED

(more than 10% higher than average)

➔ Increased prices/cost of doing business



Hiring/retaining employees



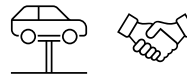
Economic recession



Elevated interest rate environment



Managing cash flow



Reduced demand for goods/services



Concern likely related to struggles with sales/profits in the Agriculture and Pharmacy verticals

"Cost of doing business increased and we have had to pass those increases on to our customers."
~Small business lending customer

"We are offering additional incentives to retain employees."
~Senior care customer

"If we fail to bring in new business, our business will suffer and our revenue will be reduced. We have reduced expenses and are rethinking our service structure in order to retain more clients."
~Investment advisory customer

Automotive care

Agriculture

Franchise

Funeral homes & cemetery

Healthcare

Pharmacy

CPA

Independent insurance advisor

Investment advisory

Self-storage

Senior care

Service contractors and restoration

Small business lending

Search fund

Veterinary

WCB

LiveOakBank.

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

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

HOW CUSTOMERS ARE MANAGING CHALLENGES



“We are **constantly recruiting, and we have raised our wages**, specifically for salespeople. Our only real solution is to continue to grow the company to afford higher-priced salespeople, and we can't grow the company without good salespeople.”

~Search fund customer



“We’re concerned for the economy going forward we are **cutting back many expenses and not over-buying** product that may just sit in inventory for a long period of time.”

~Franchise customer



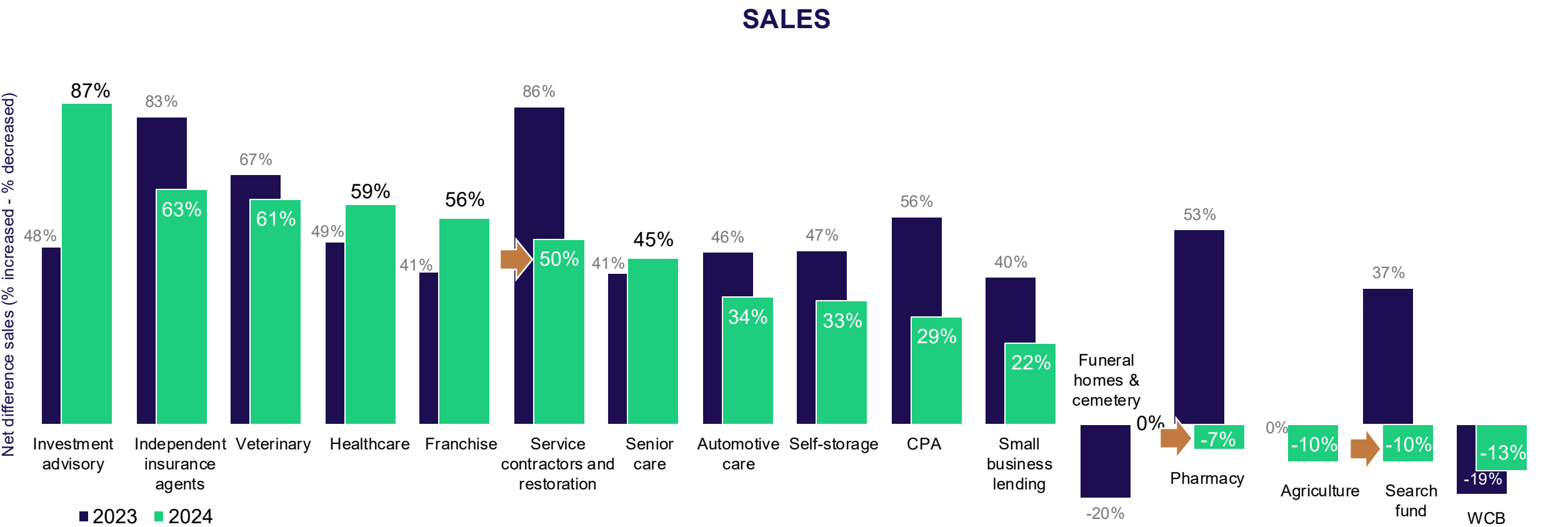
“We have **continued to increase our prices to keep up margins** but are concerned that there will be a breaking point with costs and consumer dispensable income.”

~Veterinary 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 2024 Voice of the Customer Survey (Powered by Barlow Research)

PHARMACY, SEARCH FUND AND SERVICE CONTRACTORS SAW THE MOST SIGNIFICANT DECREASES IN SALES



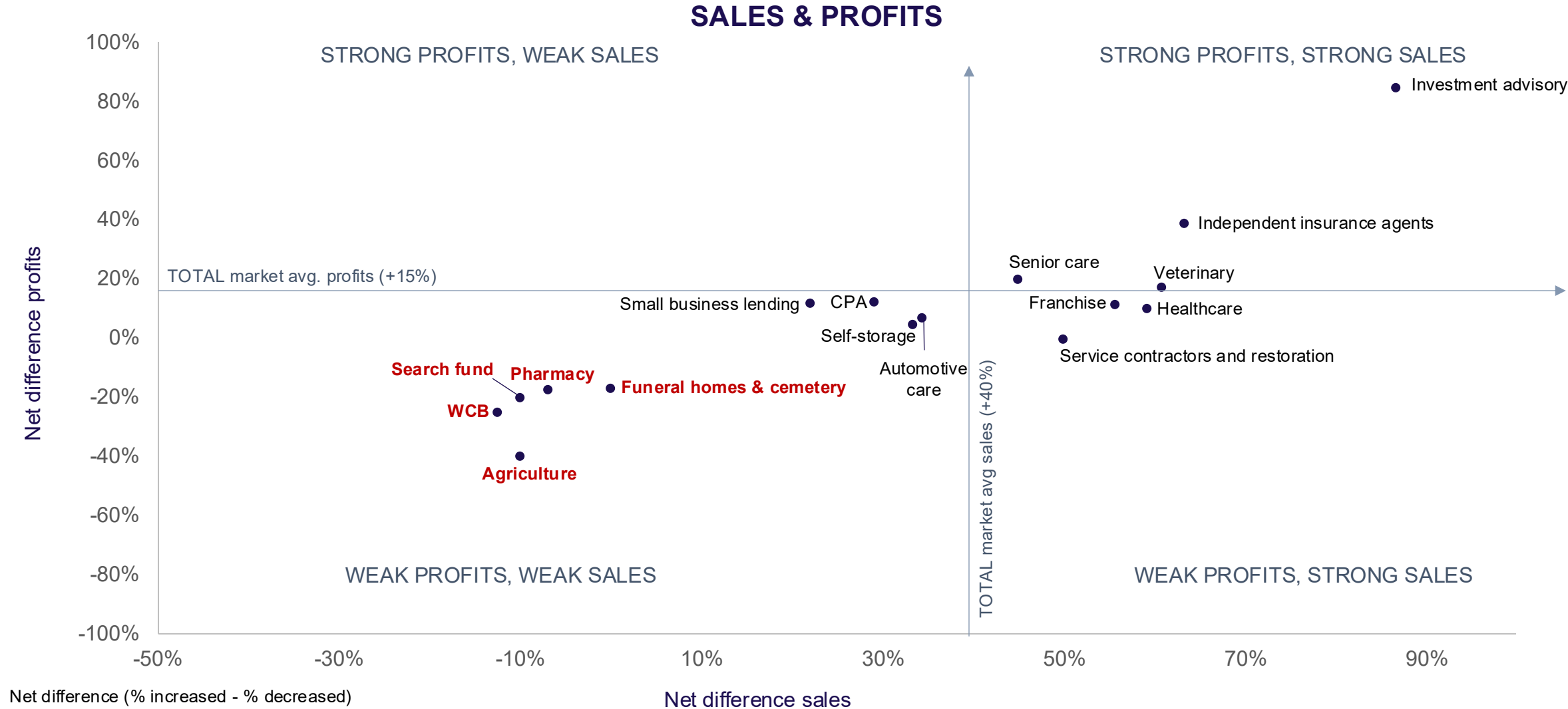
Change in net difference from 2023



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 sales...

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

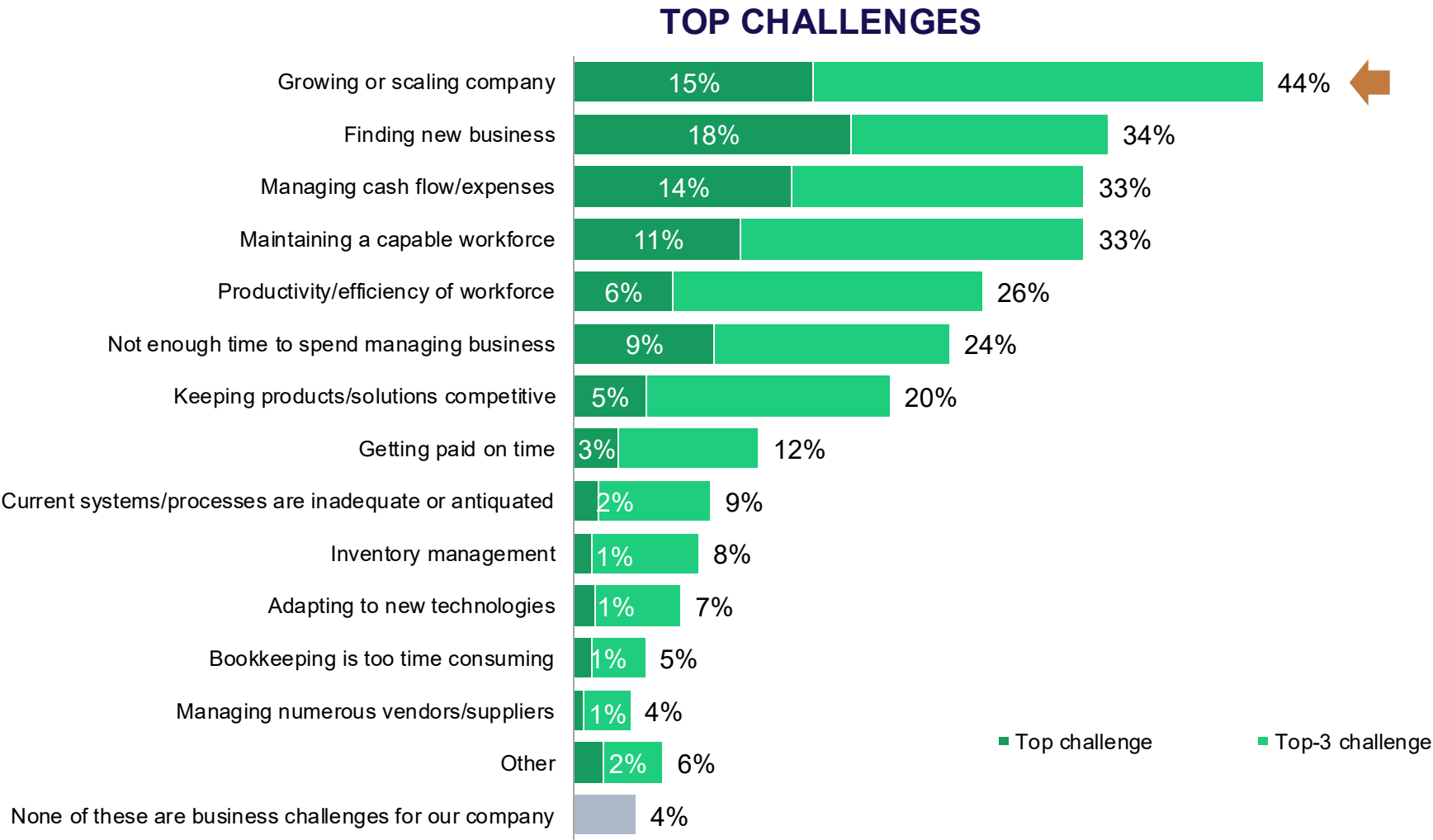
AGRICULTURE, WCB, SEARCH FUND, PHARMACY AND FUNERAL HOMES HAD THE MOST DIFFICULTY BALANCING SALES AND PROFITS



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: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

GROWTH/SCALE IS THE MOST COMMON CHALLENGE CUSTOMERS FACE



Q: What are your business' TOP THREE CHALLENGES Please enter a '1' for your company's top challenge, followed by '2' and '3' for the second and third top challenges.

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

GROWTH IS ESPECIALLY A CHALLENGE FOR THE AGRICULTURE, PHARMACY, FUNERAL HOMES, INSURANCE, SERVICE CONTRACTOR AND VETERINARY VERTICALS

TOP VERTICAL CHALLENGES

(more than 10% higher than average)

Stagnated sales & profits in Agriculture, Pharmacy and Funeral homes verticals is hindering growth

Growing or scaling company



Finding new business



Managing cash flow/expenses



Maintaining a capable workforce



Productivity/efficiency of workforce



Not enough time to spend managing business



Keeping products/solutions competitive



Automotive care



Agriculture



Franchise



Funeral homes & cemetery



Healthcare



Pharmacy



CPA



Independent insurance advisor



Investment advisory



Self-storage



Senior care



Service contractors and restoration



Small business lending



Search fund



Veterinary



WCB

Q: What are your business' TOP THREE CHALLENGES Please enter a '1' for your company's top challenge, followed by '2' and '3' for the second and third top challenges.

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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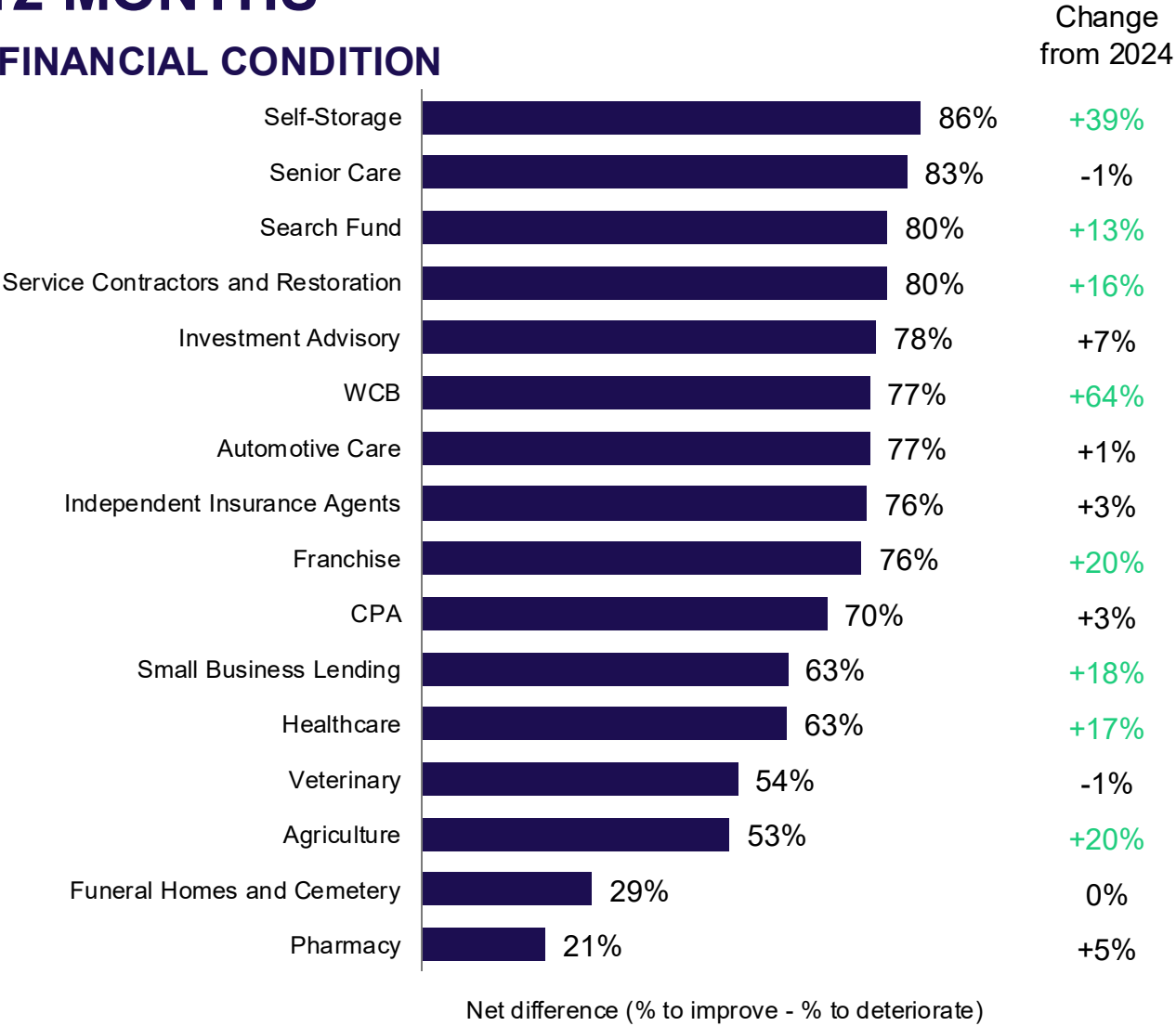
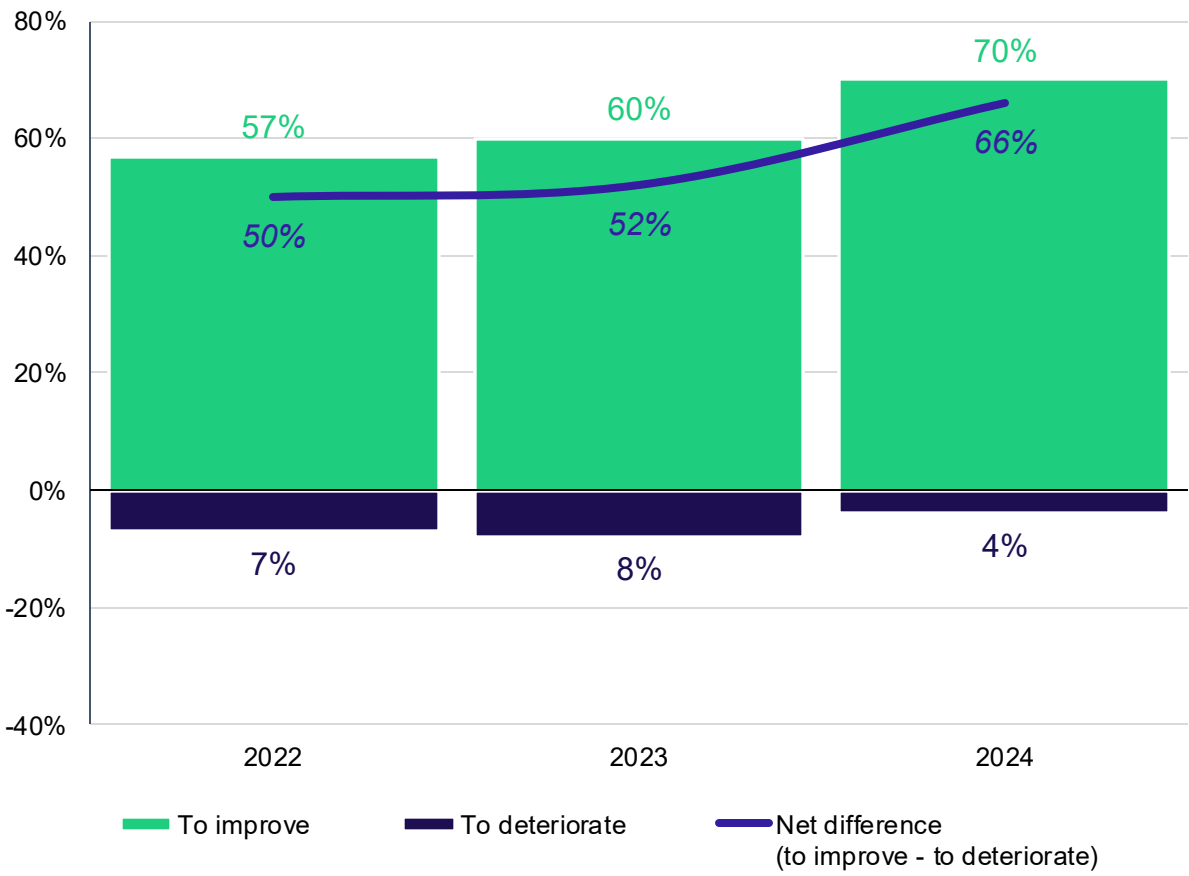
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WHAT'S ON THE HORIZON

(LOAN CUSTOMERS)

LIVE OAK LOAN CUSTOMERS GREW MORE OPTIMISTIC ABOUT THEIR FINANCIAL CONDITIONS IN THE NEXT 12 MONTHS

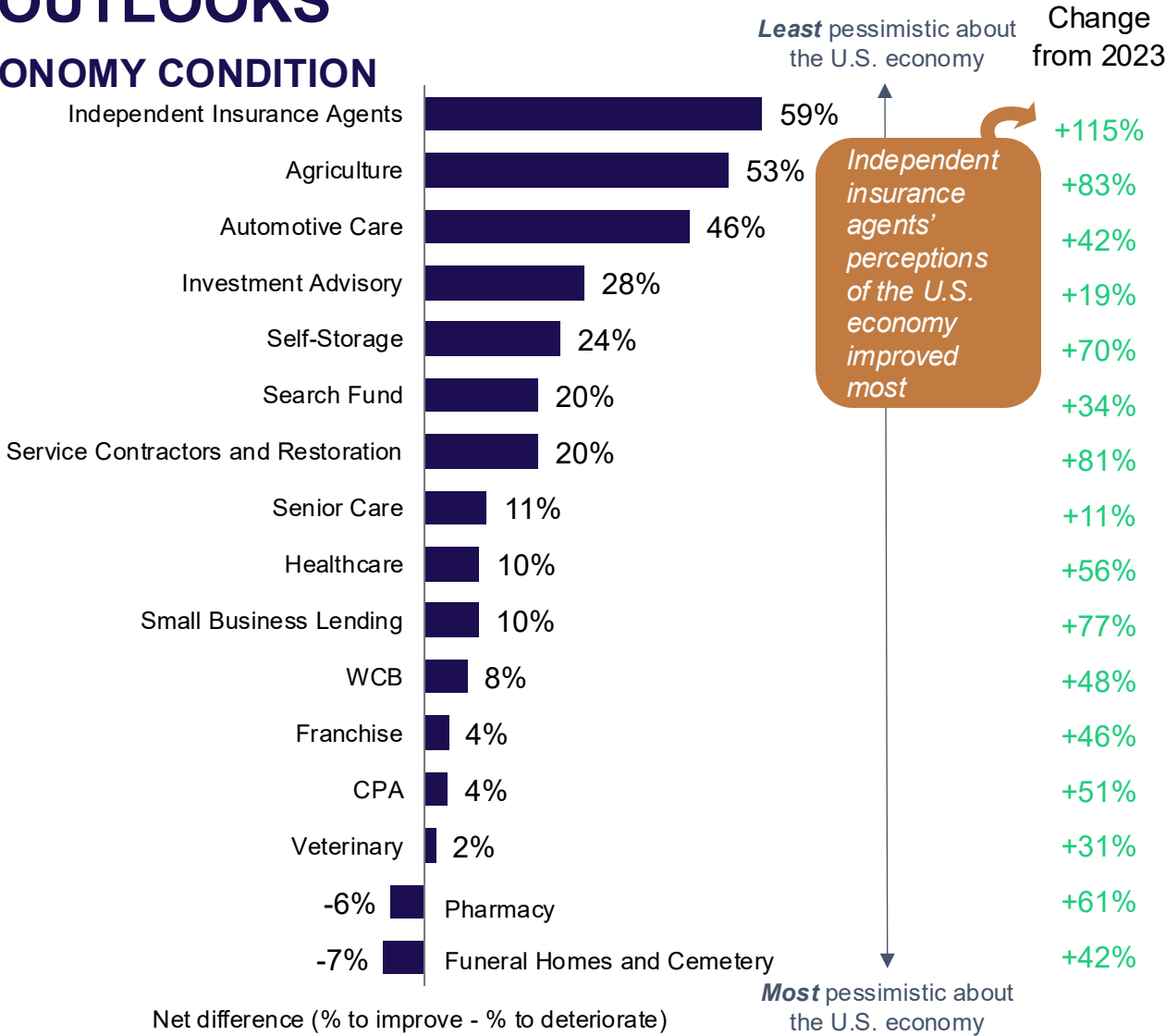
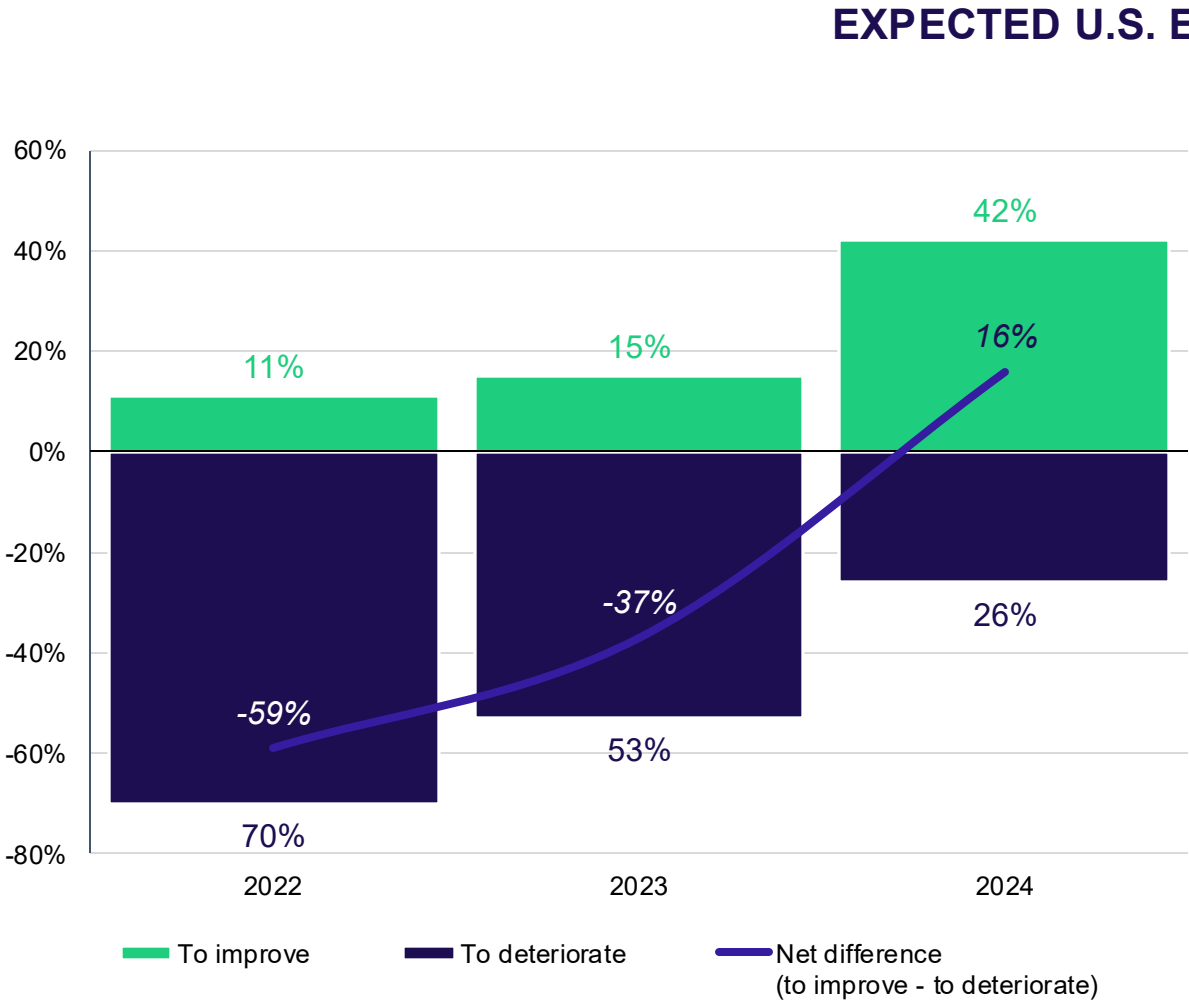
EXPECTED OVERALL FINANCIAL CONDITION



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)

EXPECTATIONS ABOUT THE U.S. ECONOMY IMPROVED; ALL VERTICALS HAD SUBSTANTIALLY MORE POSITIVE OUTLOOKS



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...

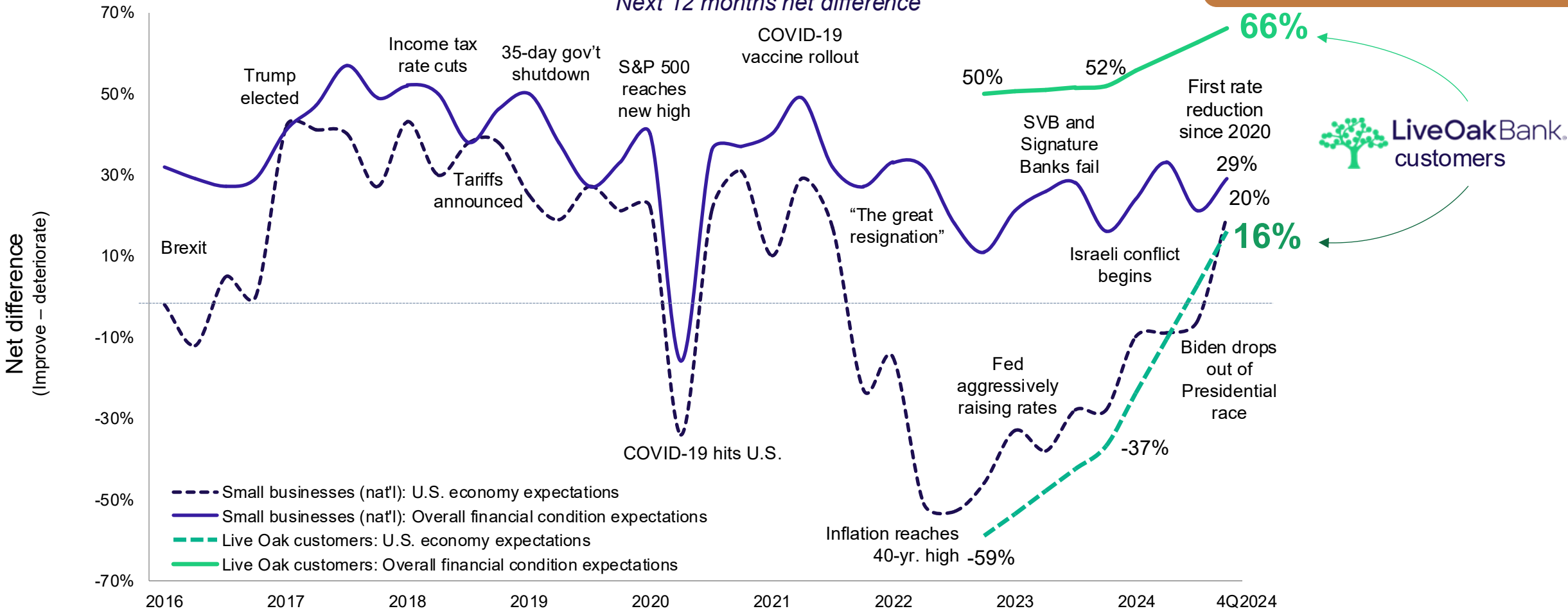
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

LIKE OTHER SMALL BUSINESSES, LIVE OAK CUSTOMERS' PERCEPTION OF THE U.S. ECONOMY IMPROVED

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

Next 12 months net difference

Live Oak customers continue to be more optimistic about their own financial condition compared to the national small business average



Q: During the next 12 months, do you expect...

Base: Loan customers; \$100K-<\$10MM; Source: BusinessPulse Quarterly Trending Data (ending 4Q2024); Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

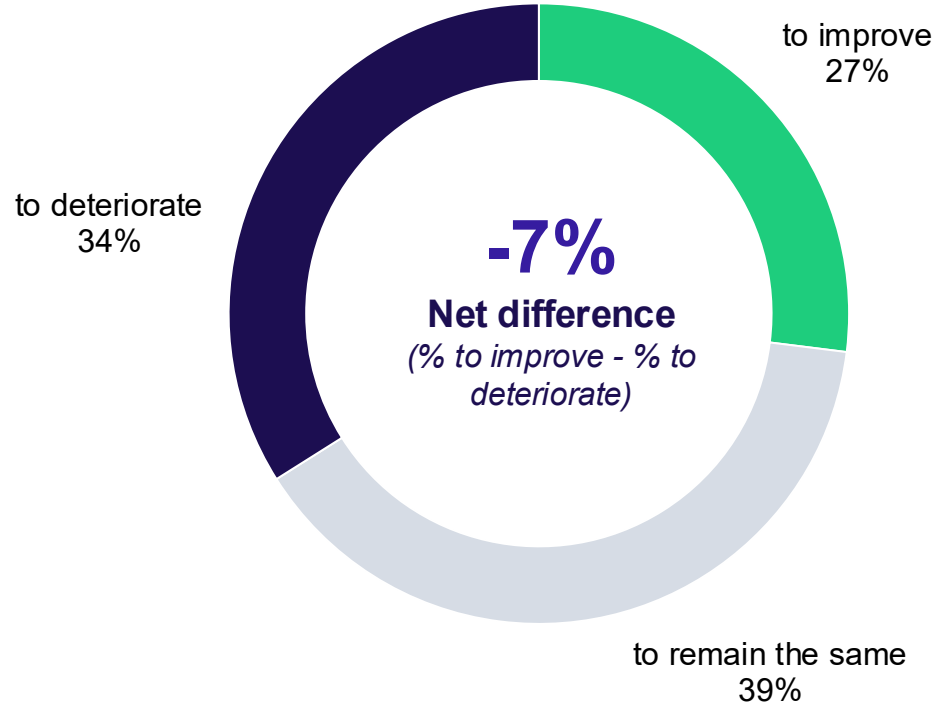
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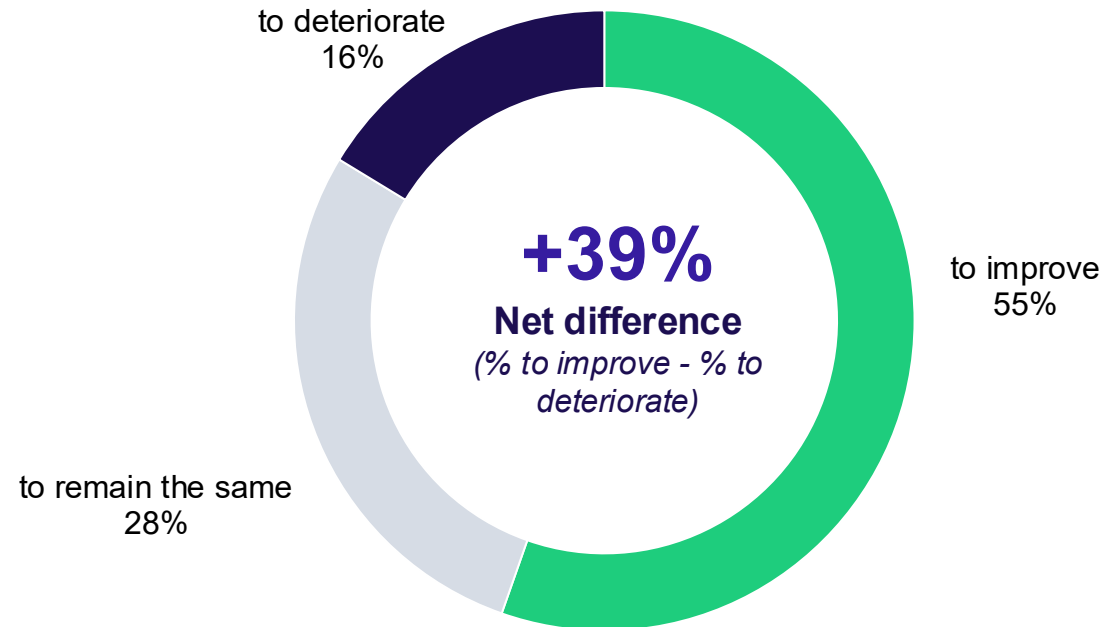
PERCEPTIONS OF THE U.S. ECONOMY CHANGED FOLLOWING THE 2024 PRESIDENTIAL ELECTION

EXPECTED U.S. ECONOMY CONDITION (pre- and post-election)

PRIOR TO ELECTION



POST ELECTION



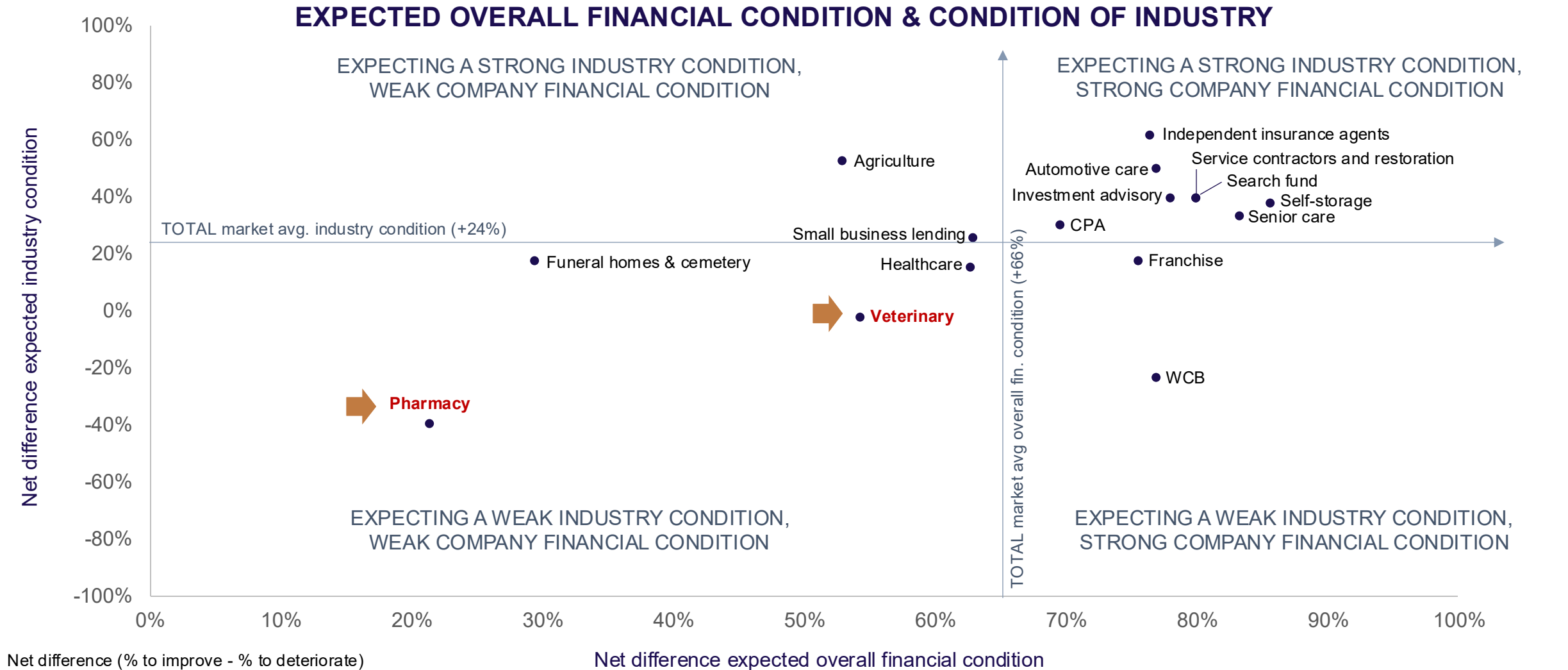
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Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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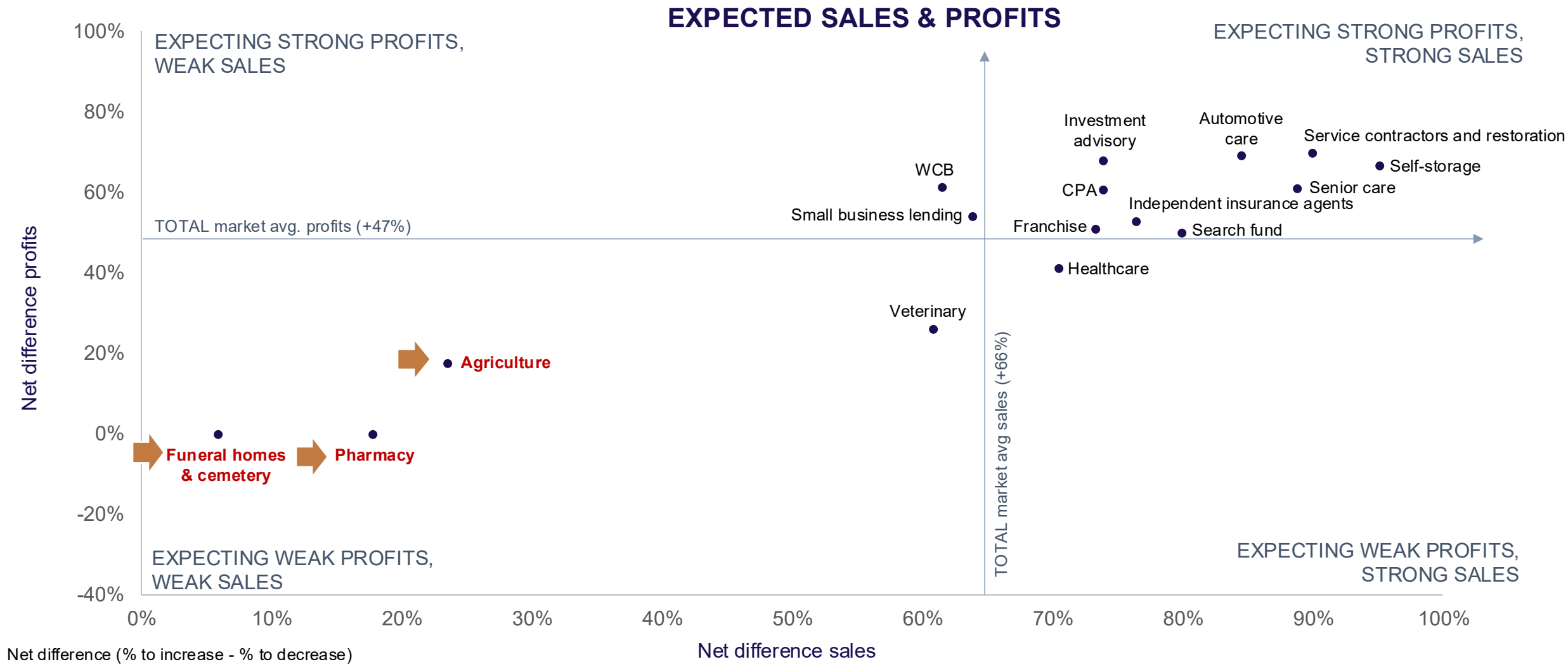
PHARMACY AND VETERINARY VERTICALS WERE LEAST OPTIMISTIC ABOUT THEIR OWN FINANCIAL CONDITIONS AND THE STATE OF THEIR INDUSTRIES



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 2024 Voice of the Customer Survey (Powered by Barlow Research)

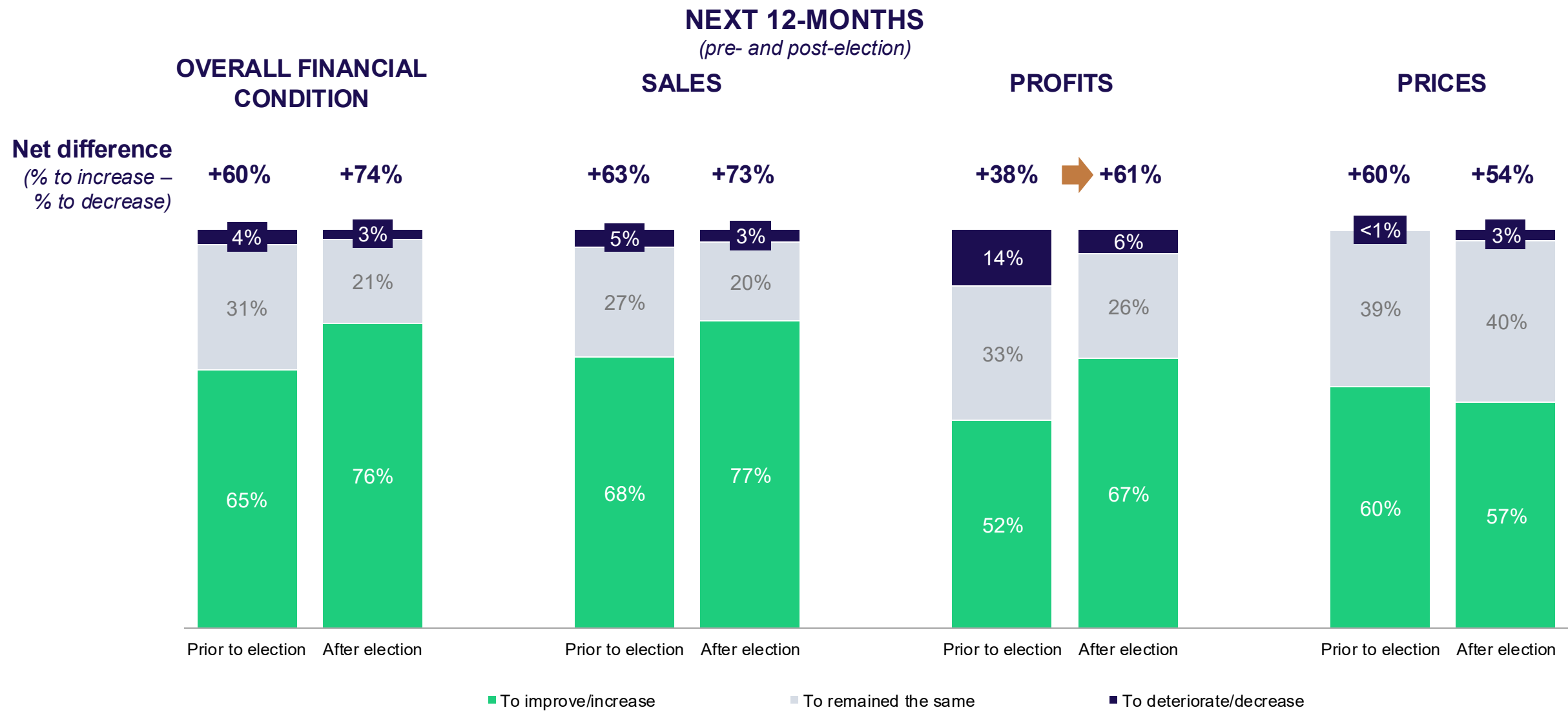
FUNERAL HOMES, PHARMACY, AND AGRICULTURE CONTINUE TO HAVE THE WEAKEST SALES & PROFIT OUTLOOKS



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 2024 Voice of the Customer Survey (Powered by Barlow Research)

PROFIT EXPECTATIONS WERE ESPECIALLY IMPACTED BY THE ELECTION



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

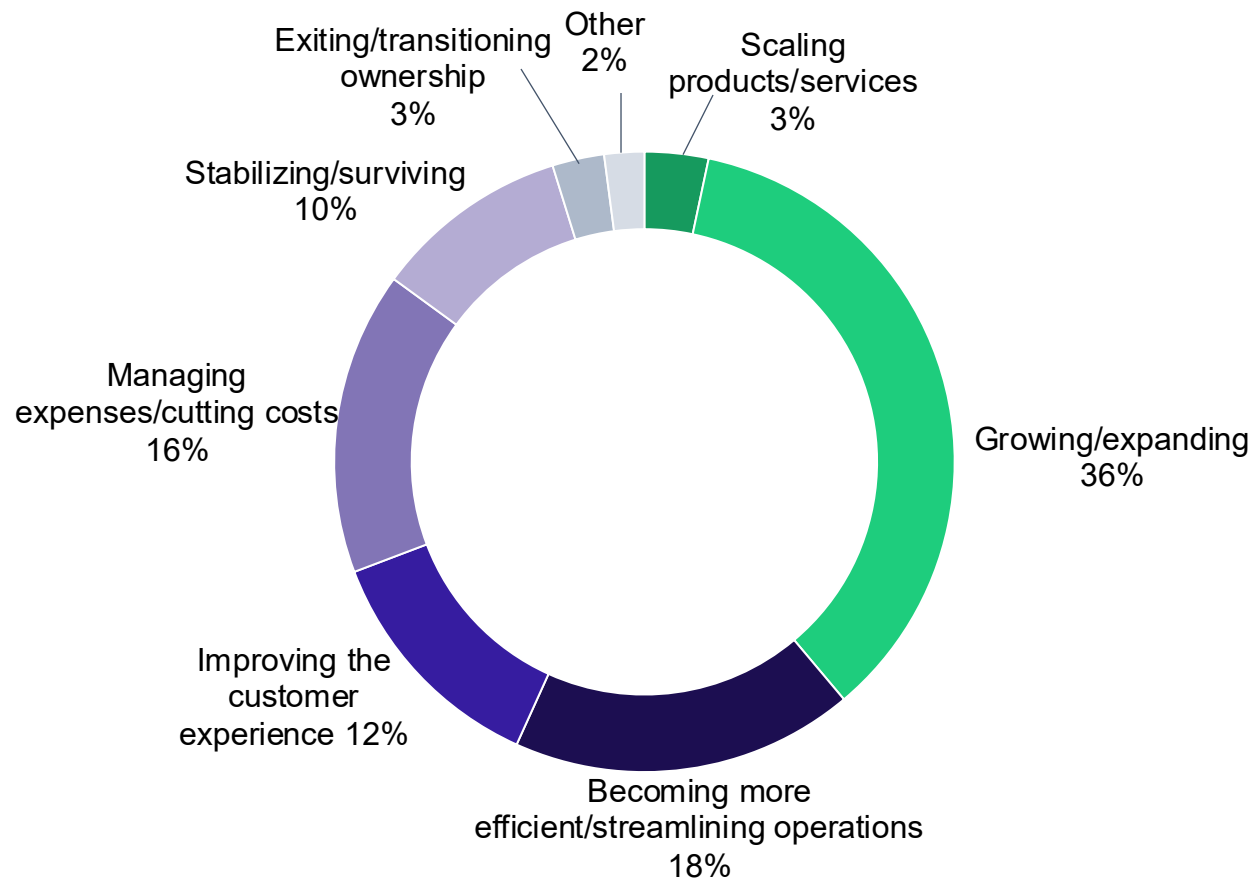
Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)


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GROWTH AND SCALING ARE THE PRIMARY FOCUS FOR FOUR IN TEN LOAN CUSTOMERS


WHERE CUSTOMERS ARE FOCUSED






Growing

39% ←



Improving

30%

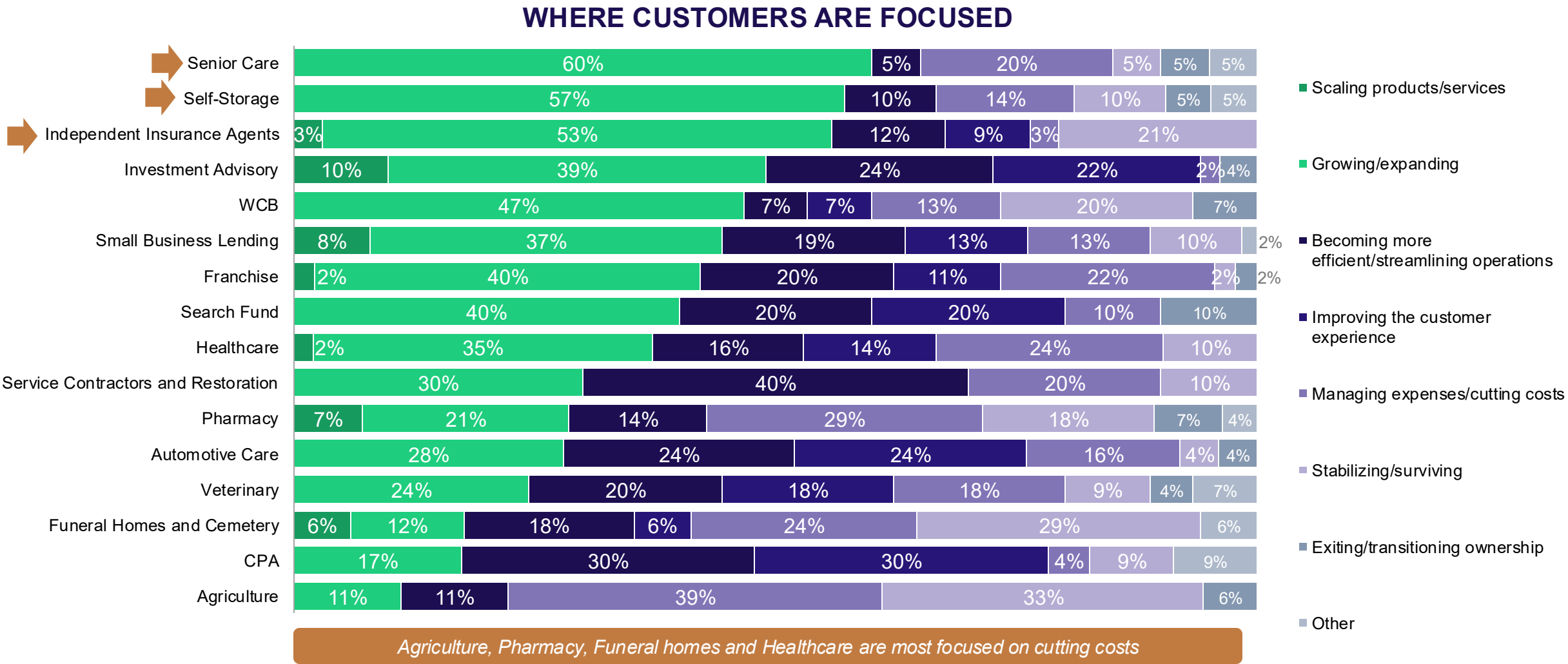


Sustaining

26%

Q: What is your business' primary focus right now?
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

SENIOR CARE, SELF-STORAGE AND INSURANCE AGENT VERTICALS ARE MOST LIKELY TO BE FOCUSED ON GROWTH

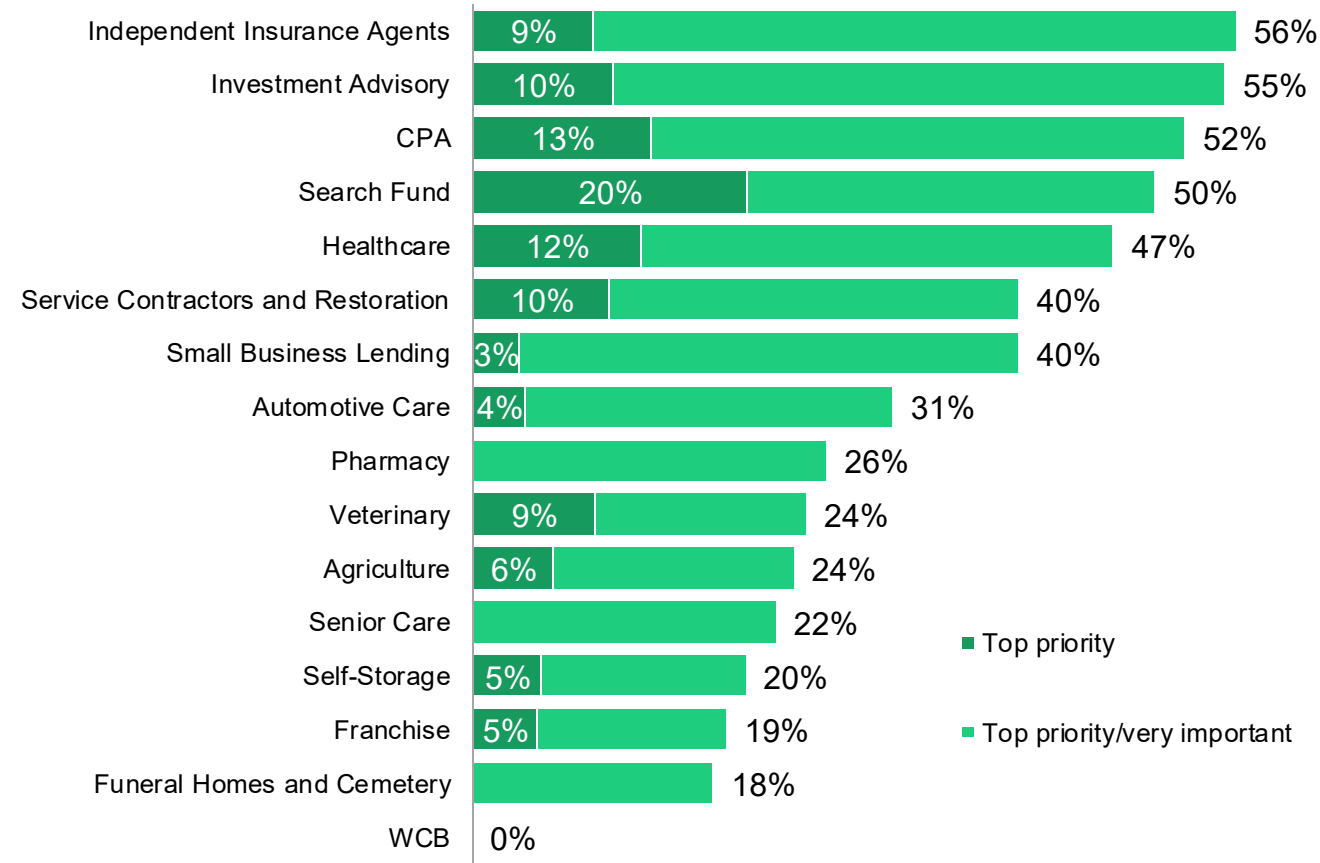


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THE IMPORTANCE OF TECHNOLOGY FOR FUTURE GROWTH VARIES SUBSTANTIALLY BY VERTICAL



IMPORTANCE OF TECHNOLOGY



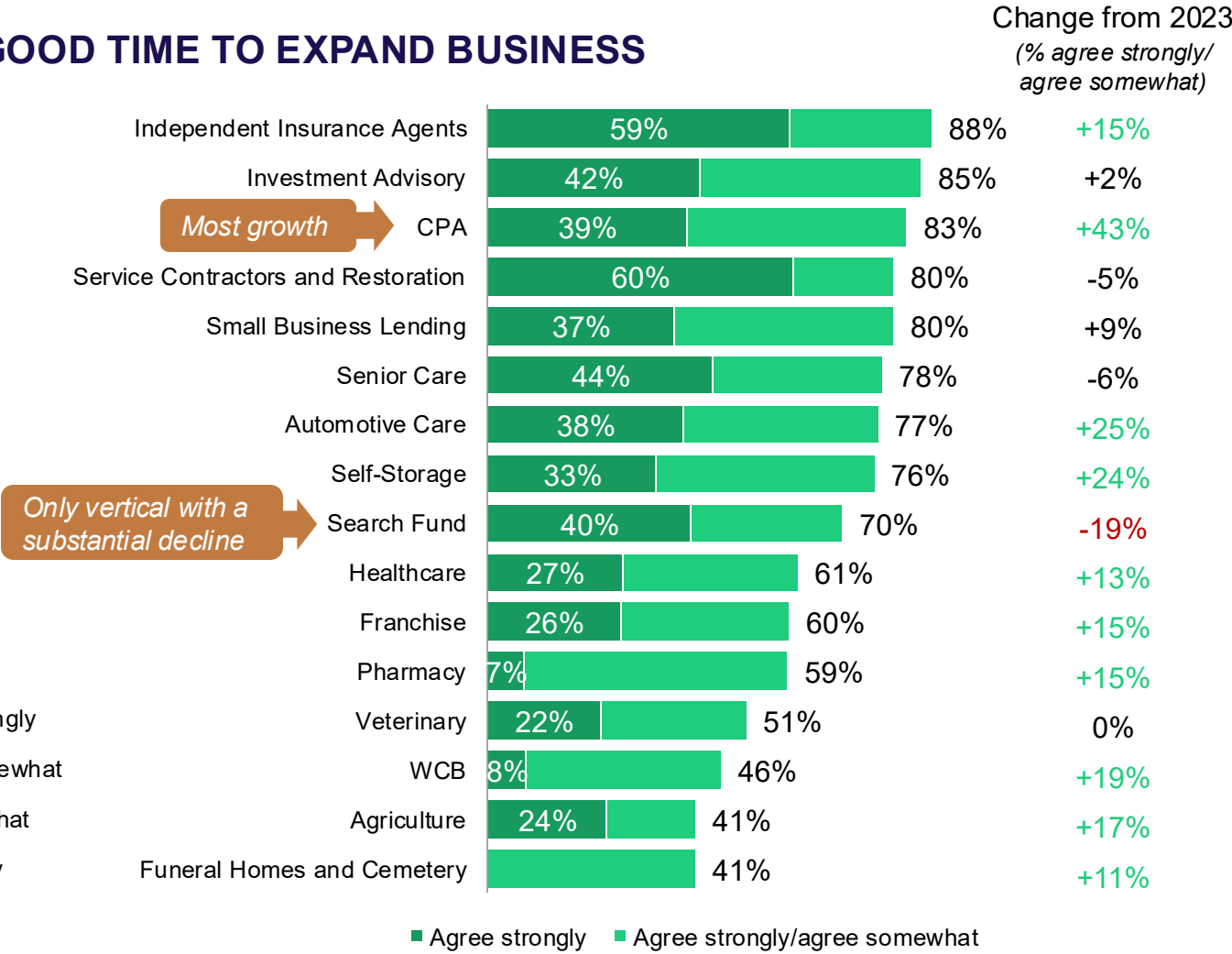
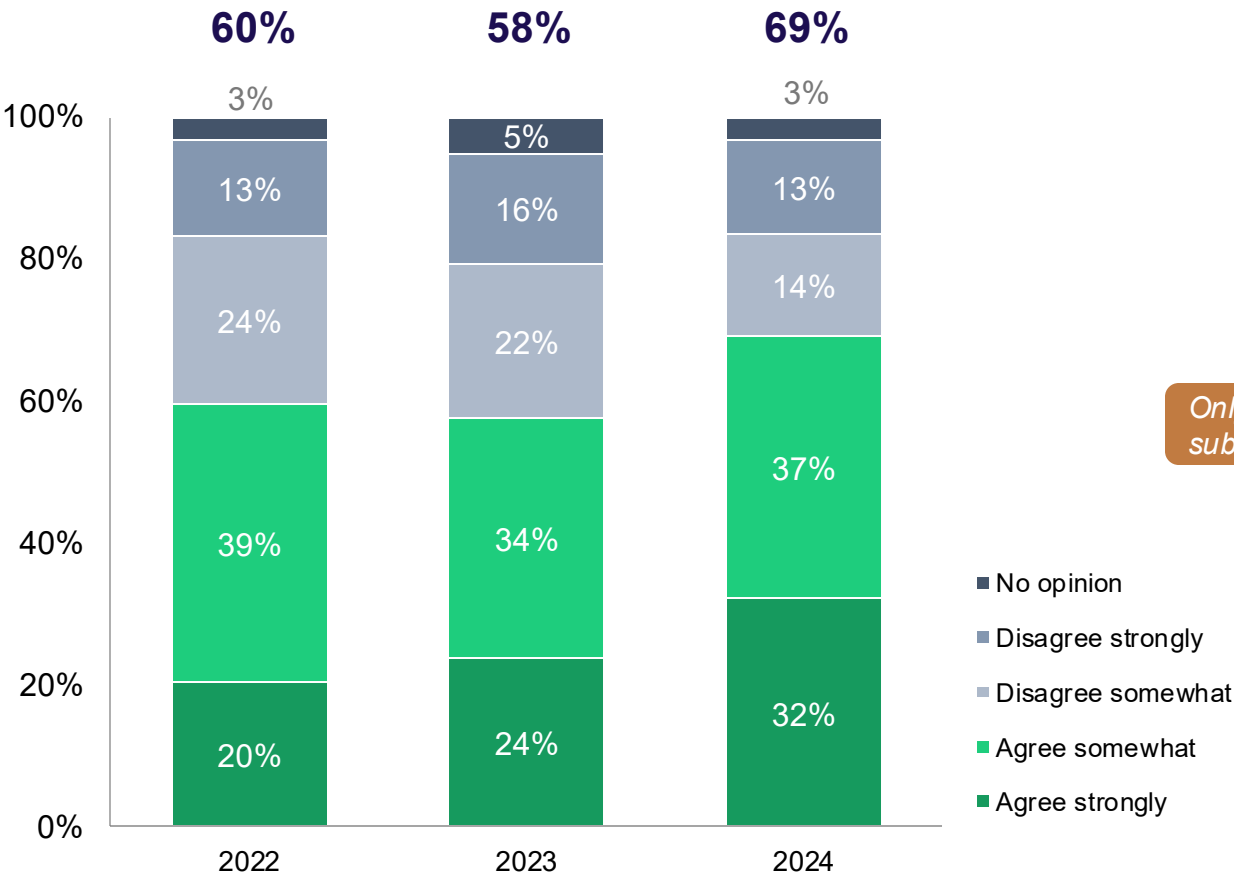
Q: How important is the adoption of emerging technology (e.g., artificial intelligence, digital automation) in your company’s long-term growth/viability strategy?

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

MOST CUSTOMERS BELIEVE NOW IS THE RIGHT TIME TO EXPAND THEIR BUSINESS

BELIEF THAT NOW IS A GOOD TIME TO EXPAND BUSINESS

AGREE STRONGLY/AGREE SOMEWHAT



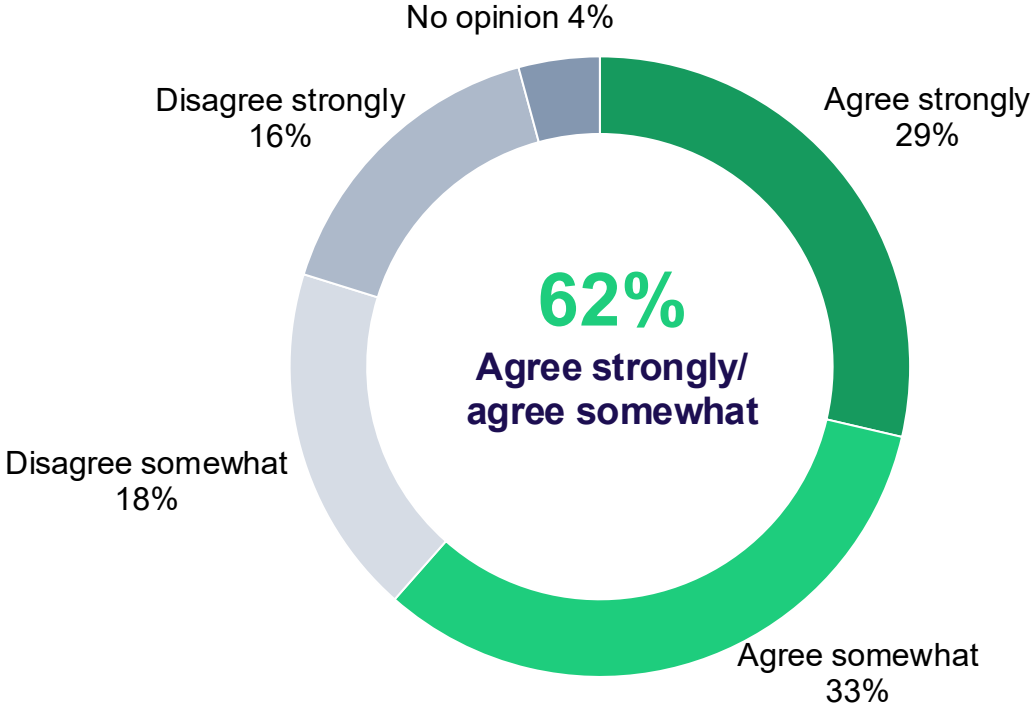
Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to expand our business.

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

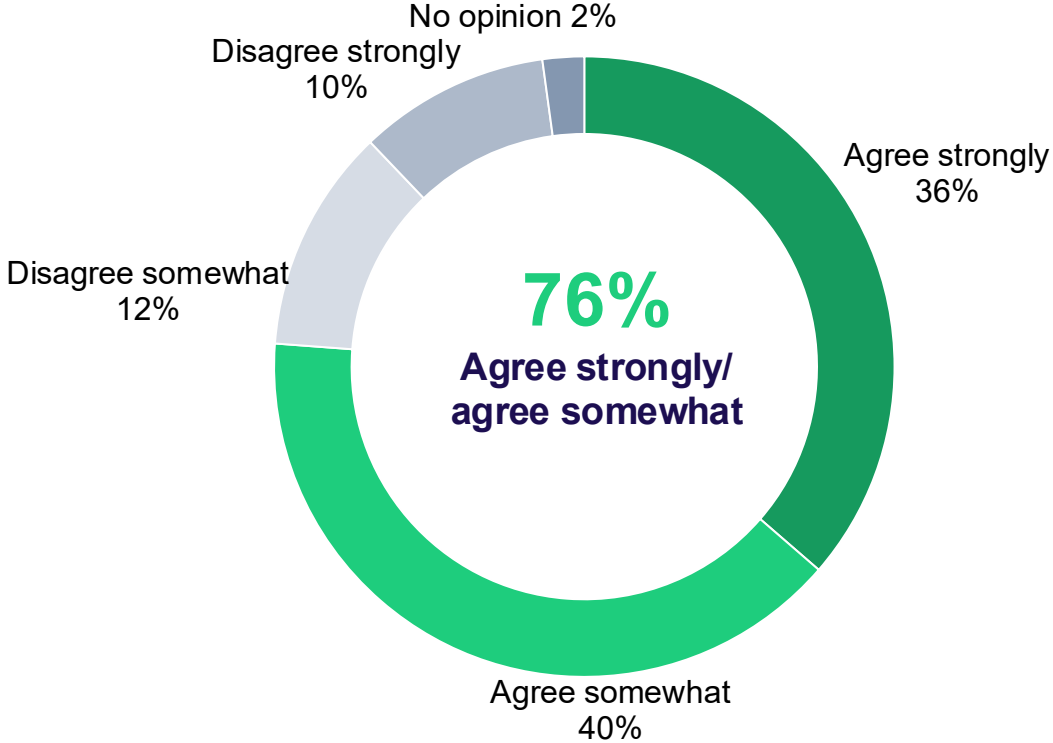
LOAN CUSTOMERS ARE MORE LIKELY TO BELIEVE THE TIME IS RIGHT FOR EXPANSION FOLLOWING THE ELECTION

BELIEF THAT NOW IS A GOOD TIME TO EXPAND BUSINESS
(pre- and post-election)

PRIOR TO ELECTION



POST ELECTION

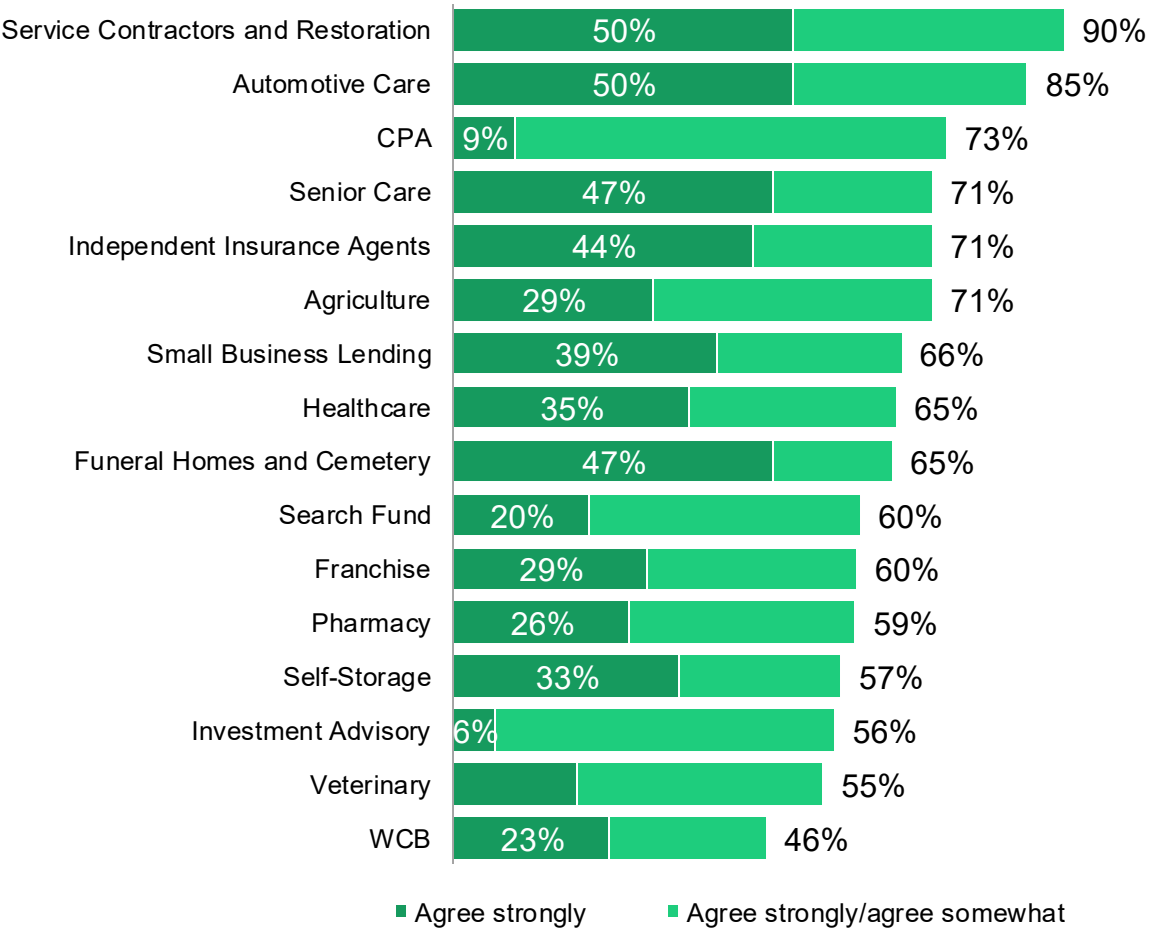
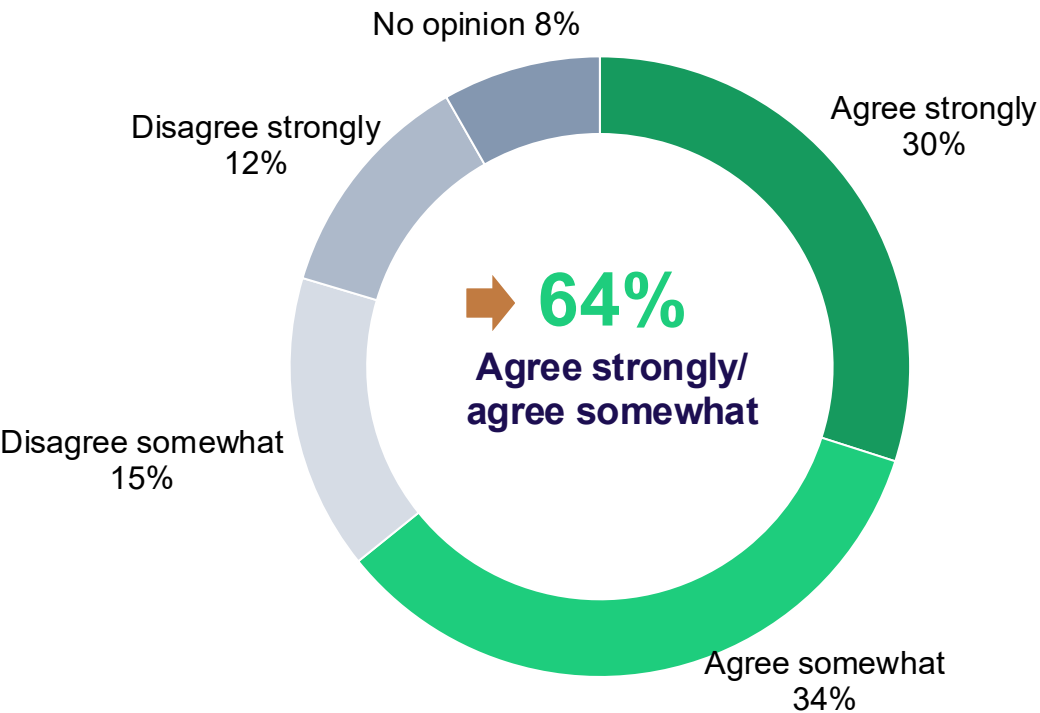


Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to expand our business.

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

NEARLY TWO THIRDS OF CUSTOMERS BELIEVE IT IS AN OPPORTUNE TIME TO TAKE ADVANTAGE OF LOW BORROWING COSTS

BELIEF THAT NOW IS THE RIGHT TIME TO TAKE ADVANTAGE OF LOWER BORROWING COSTS



Q: Please indicate how strongly you agree or disagree with the following statement: Now is the right time to take advantage of lower borrowing costs as interest rates come down.

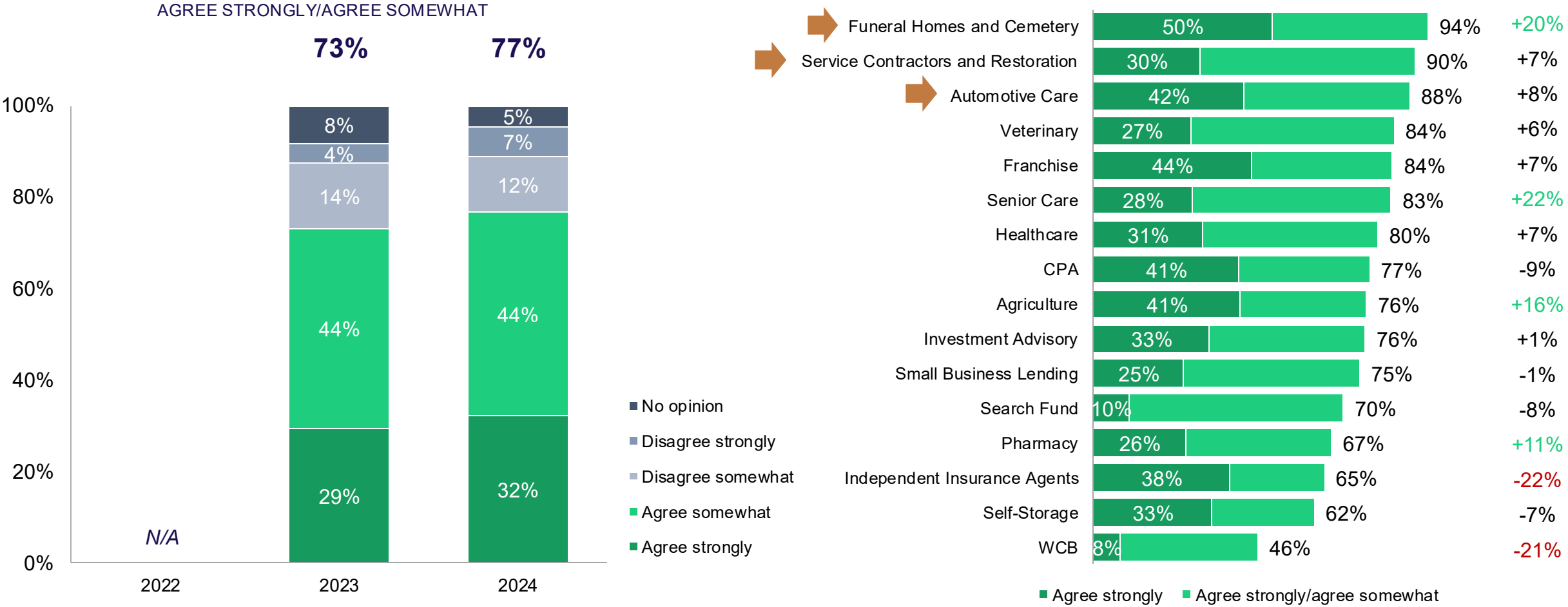
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

FUNERAL HOMES, SERVICE CONTRACTORS AND AUTOMOTIVE CARE COMPANIES WERE MOST LIKELY TO BE LOOKING TO SAVE/INVEST

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

Change from 2023
(% agree strongly/
agree somewhat)

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

LOAN CUSTOMERS ARE LIKELY TO BE MORE ACTIVE IN REFINANCING AND TAKING ON ADDITIONAL DEBT IN 2025

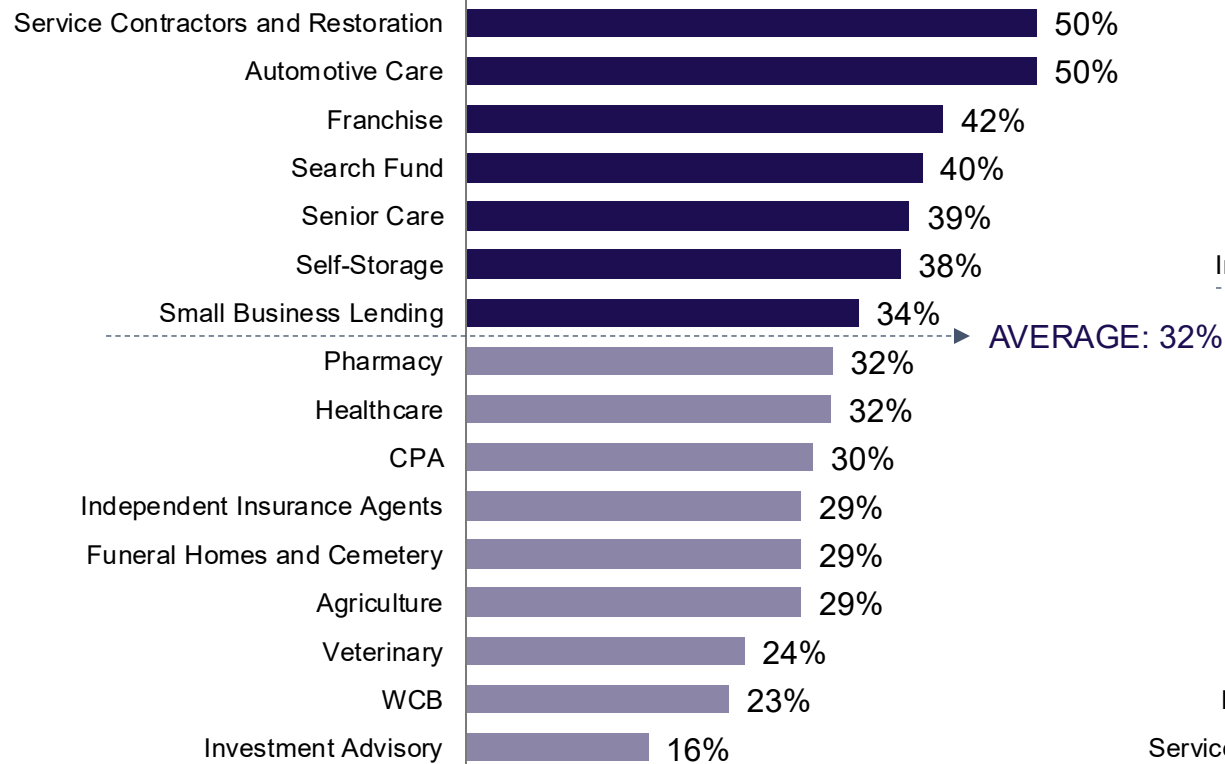
EXPECTED BORROWING ACTIVITY

32%

+9% from 2023



Anticipate consolidating/refinancing current debts

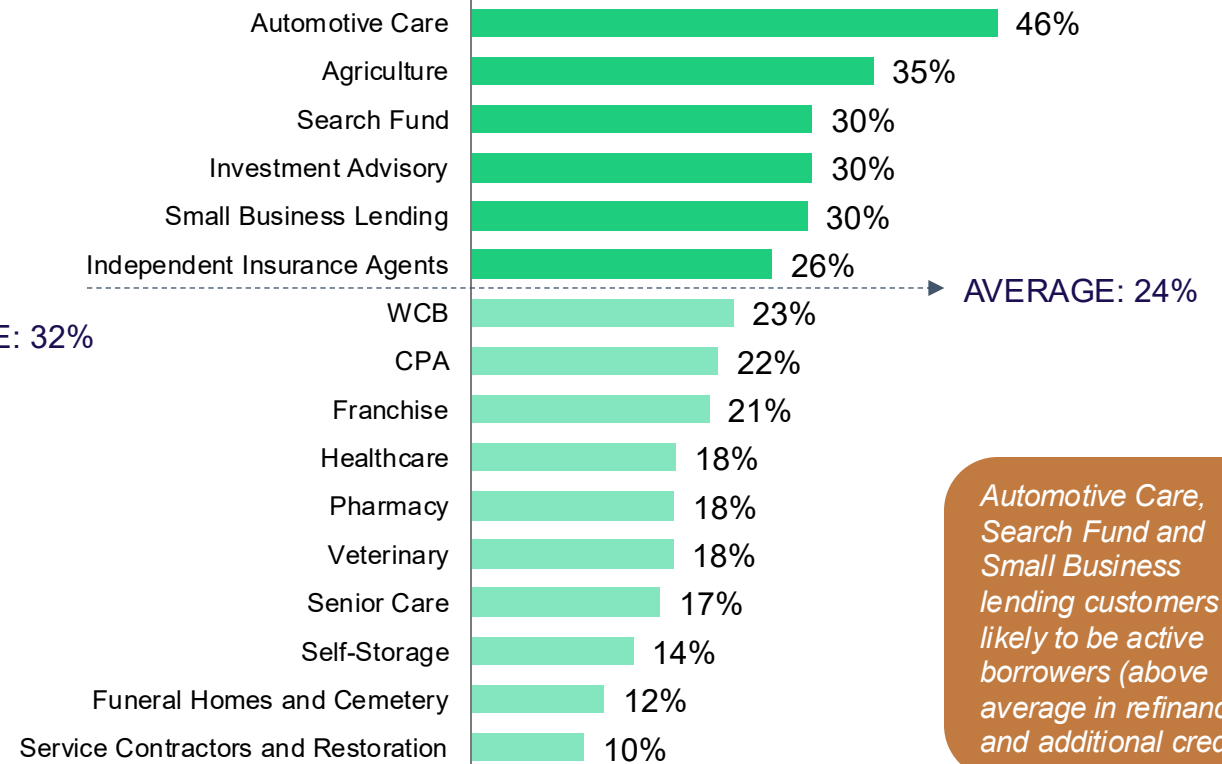


24%

+6% from 2023



Anticipate borrowing/taking on additional debt



Automotive Care, Search Fund and Small Business lending customers are likely to be active borrowers (above average in refinancing and additional credit)

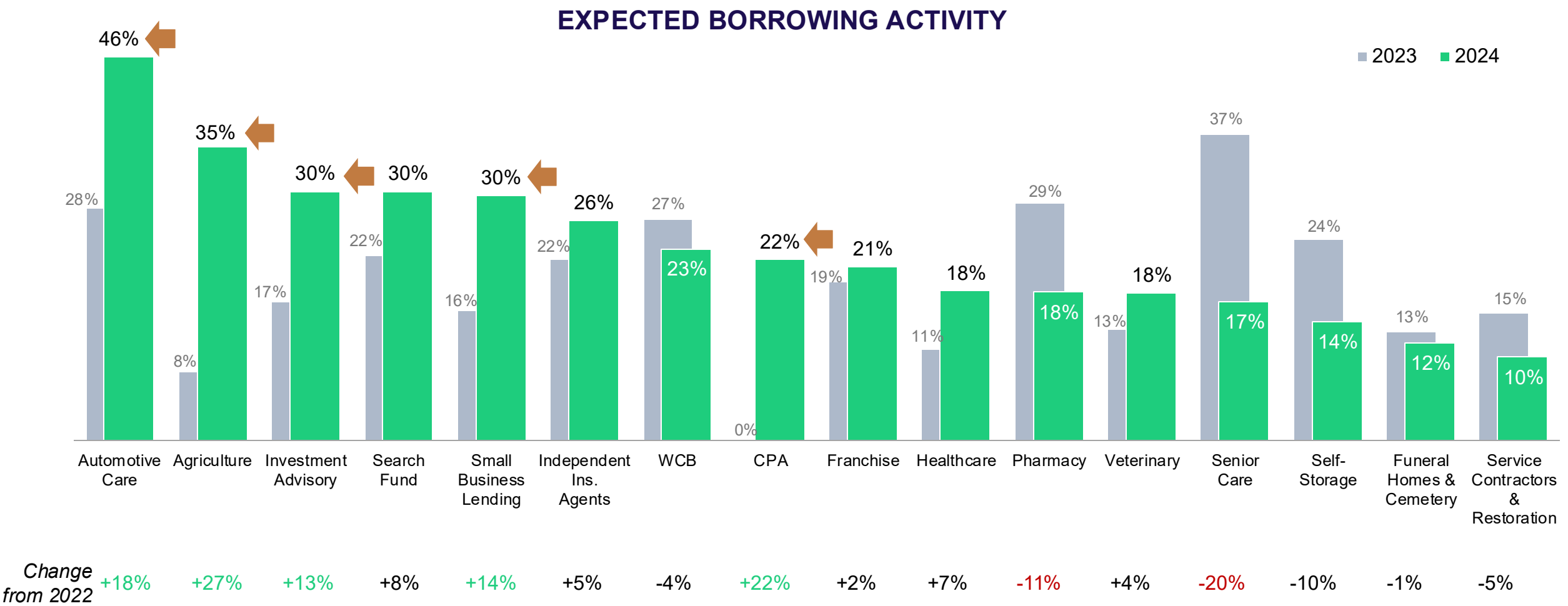
Q: During the next 12 months, does your company anticipate...

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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AGRICULTURE, CPA, AUTOMOTIVE CARE, SMALL BUSINESS LENDING AND INVESTMENT ADVISORY VERTICALS SAW SUBSTANTIAL GROWTH IN BORROWING EXPECTATIONS



Q: During the next 12 months, does your company anticipate borrowing/taking on additional debt for any reason?

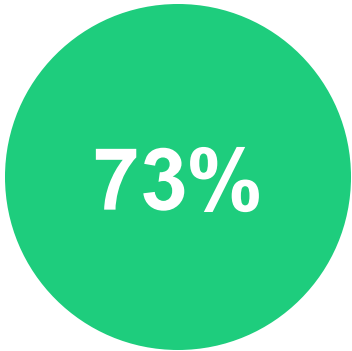
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

MOST CREDIT APPLICATIONS WILL BE TO SUPPORT GROWTH ACTIVITIES

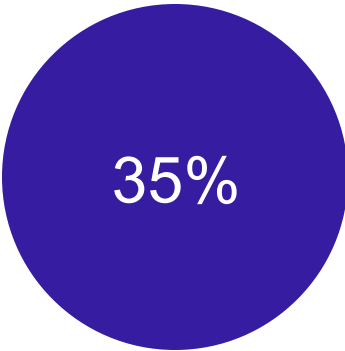
REASON FOR BORROWING ACTIVITY *(based to those expecting to borrow)*



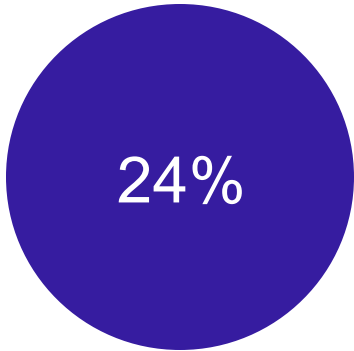
To support growth



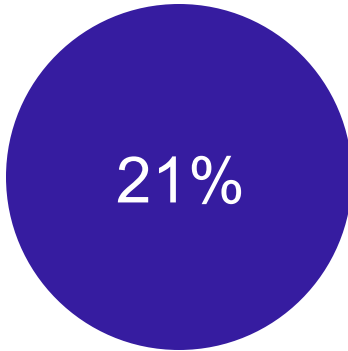
Working capital



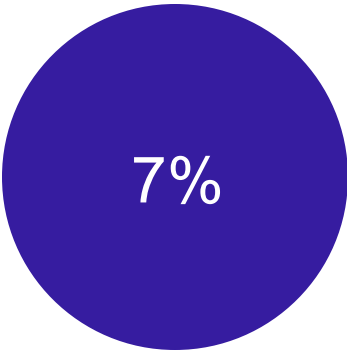
Debt consolidation



Equipment purchase



Purchase inventory



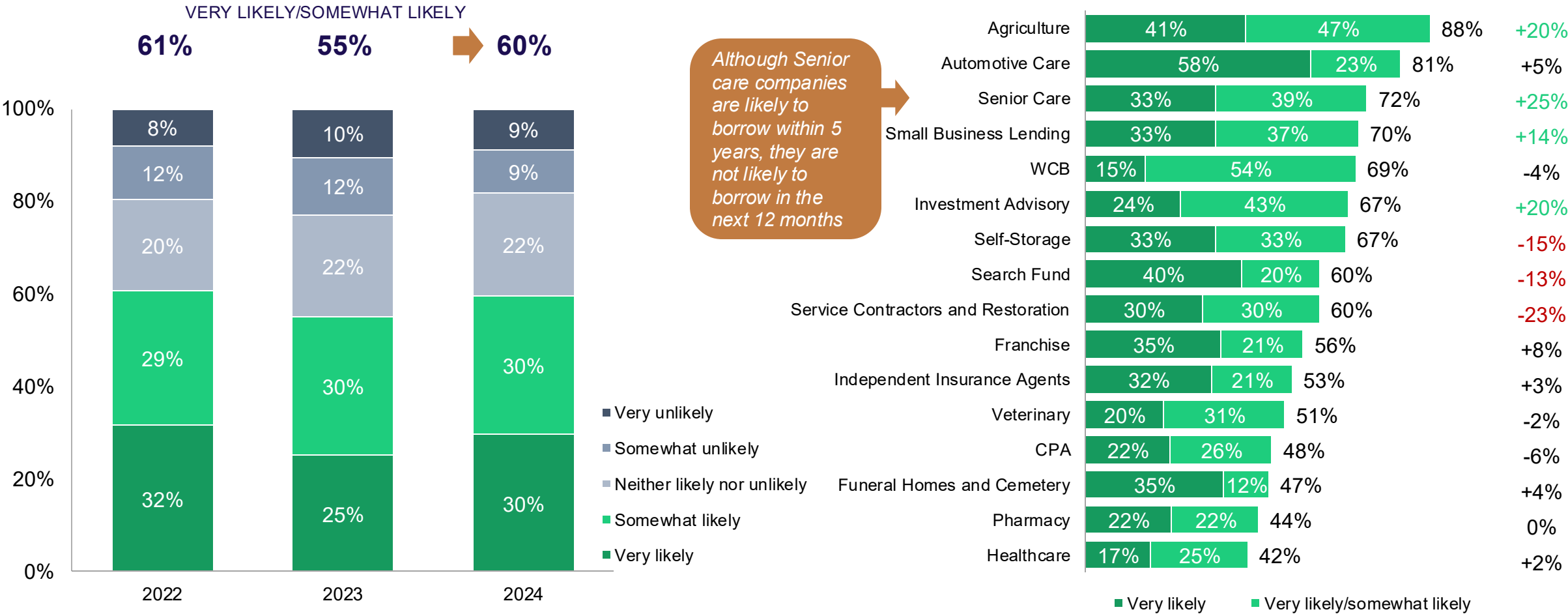
“Other”: 14%

Q: For what reason(s) do you plan to borrow/take on additional debt?
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

THE PERCENTAGE OF LOAN CUSTOMERS THAT PLAN TO BORROW OVER THE NEXT 3-5 YEARS TICKED BACK UP

LIKELIHOOD TO BORROW WITHIN 3-5 YEARS TO GROW

Change from 2023
(% very likely/
somewhat likely)



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

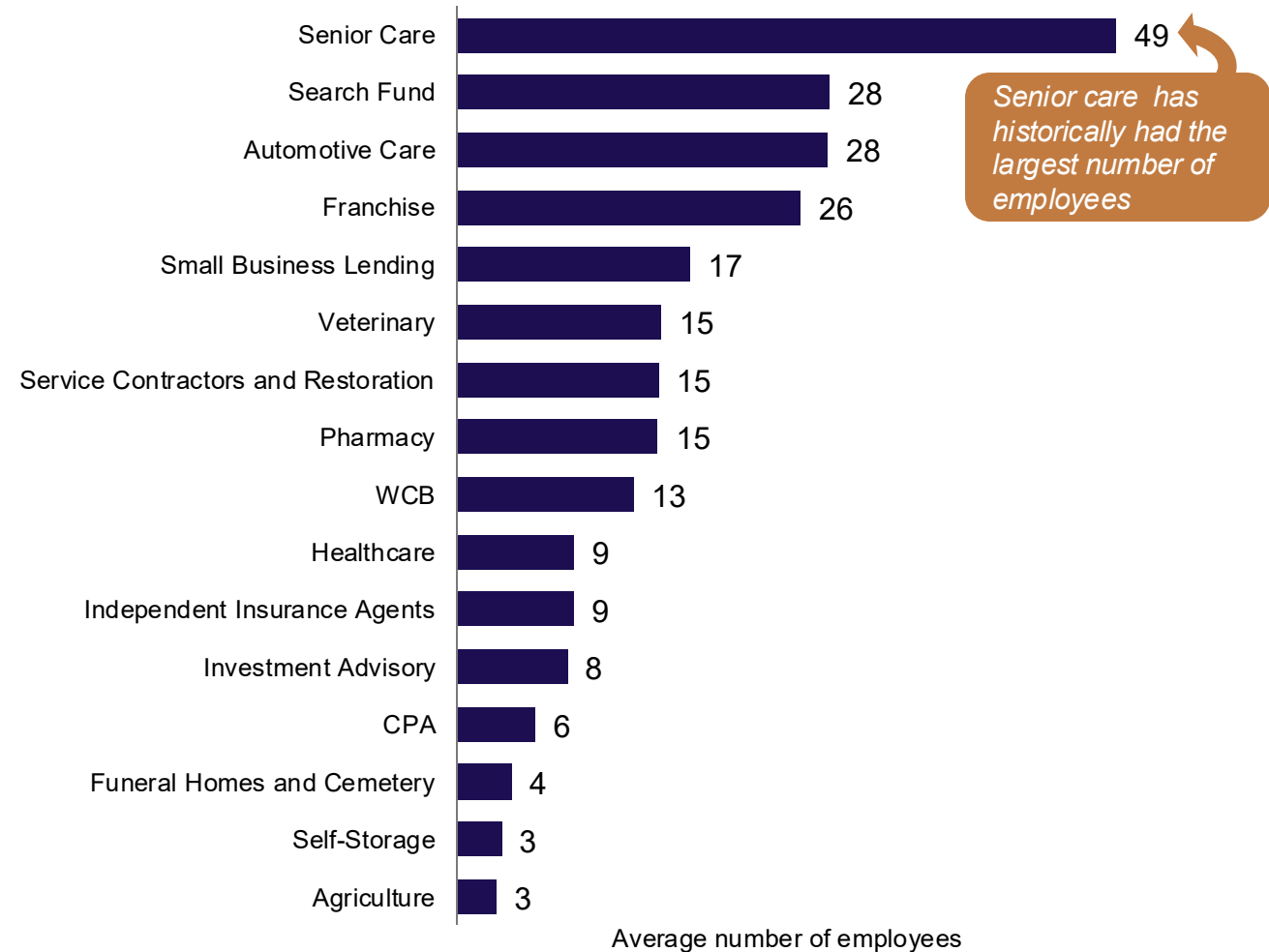
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

THE STATE OF STAFFING

(LOAN CUSTOMERS)

THE AVERAGE LOAN CUSTOMER HAS 16 FULL-TIME EMPLOYEES

NUMBER OF FULL TIME EMPLOYEES (average)



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

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

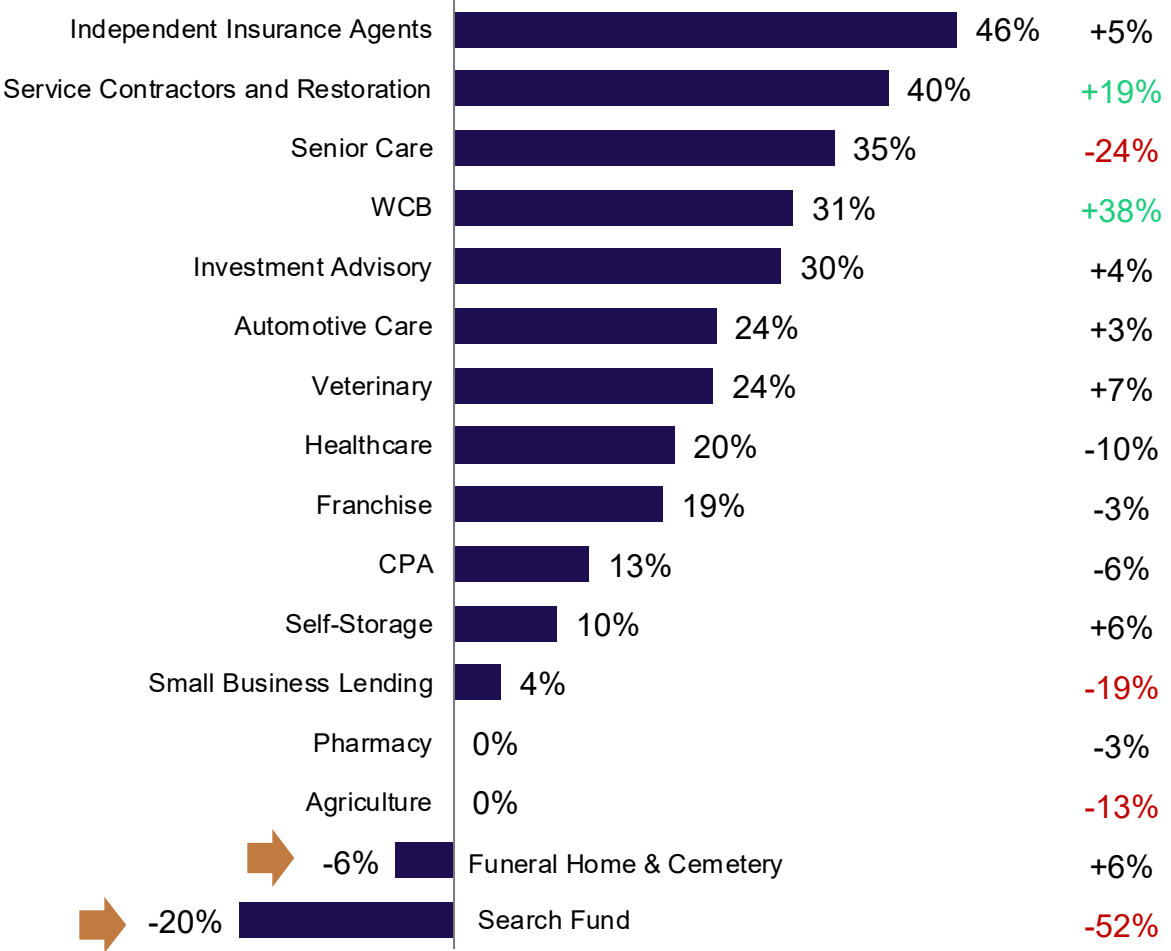
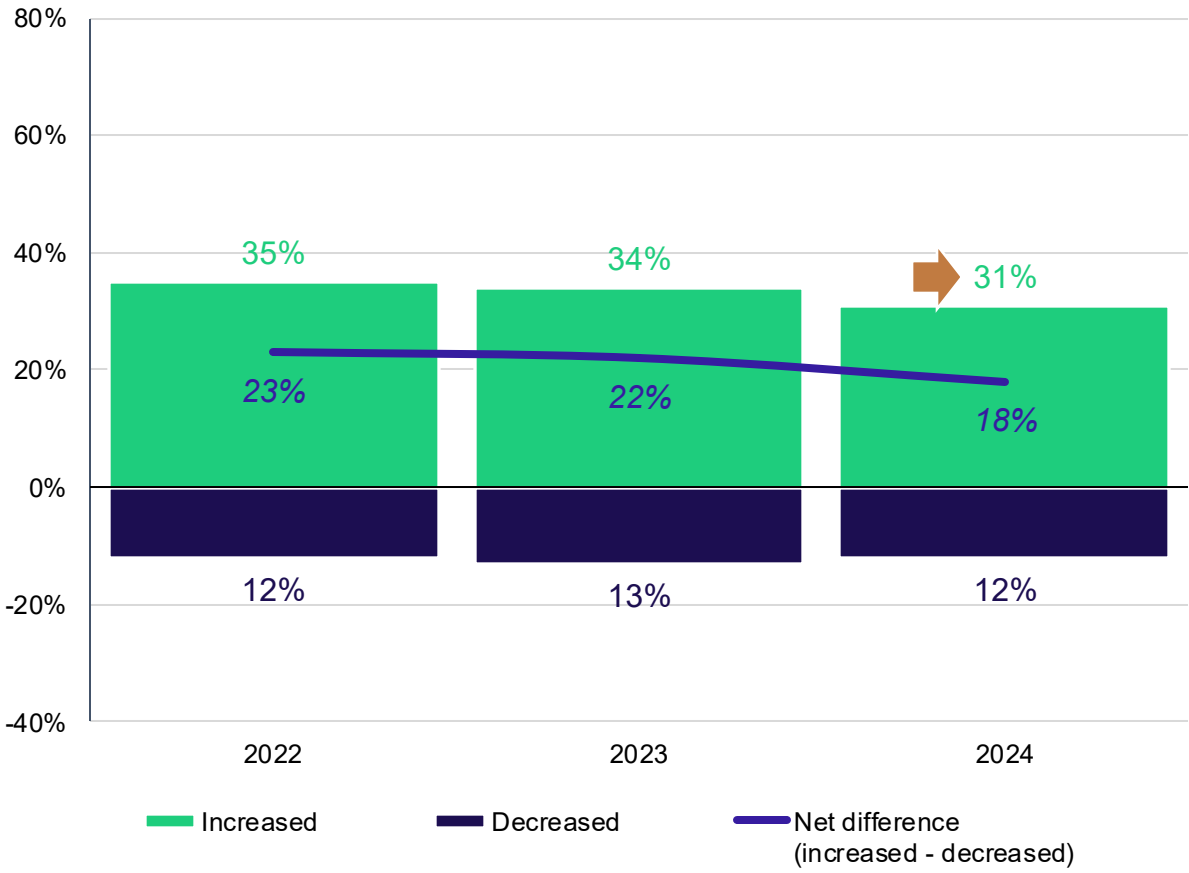
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FEWER CUSTOMERS HIRED IN 2024; FUNERAL HOMES AND SEARCH FUND VERTICALS WERE MOST LIKELY TO REDUCE THEIR HEADCOUNTS

FULL-TIME EMPLOYEE HIRING

Change from 2023

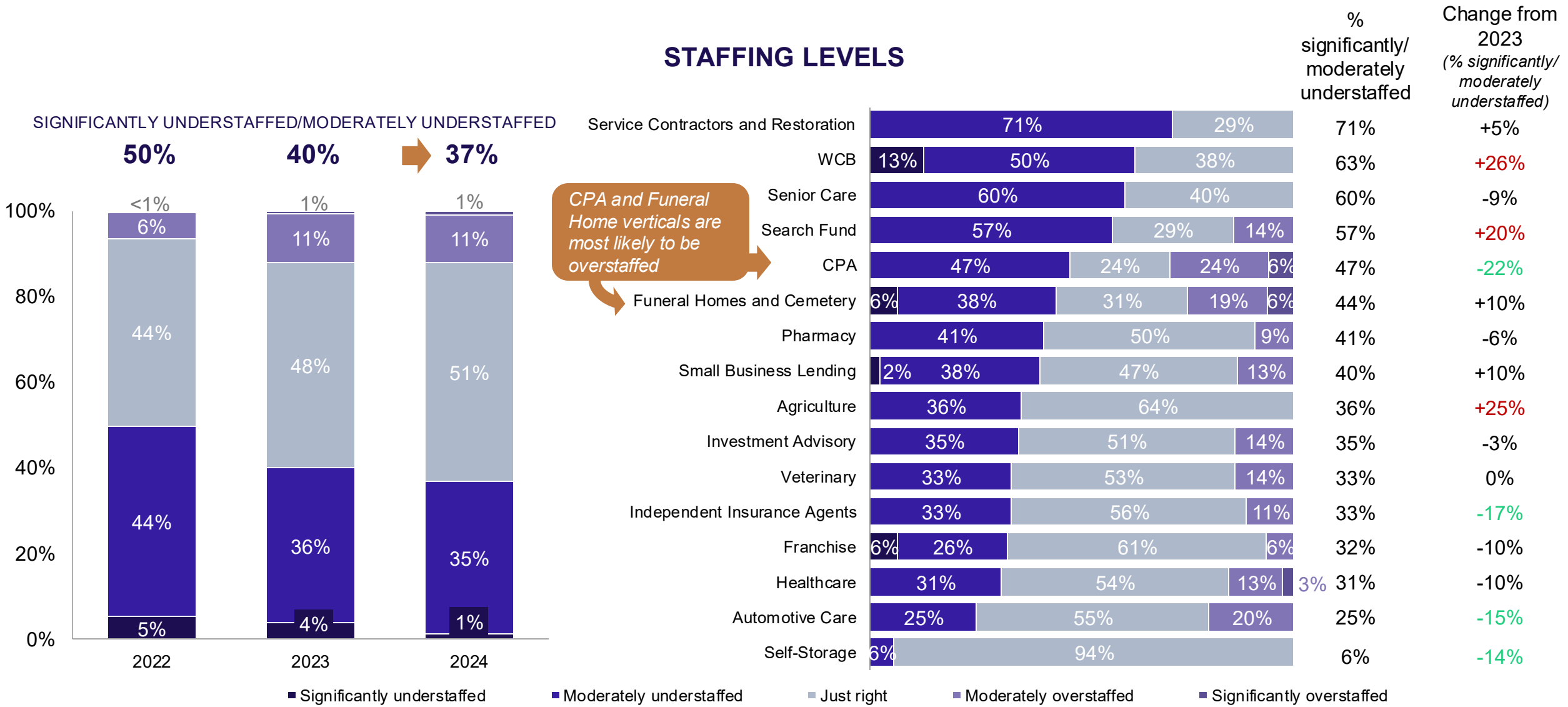


Net difference (% increased - % decreased)

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

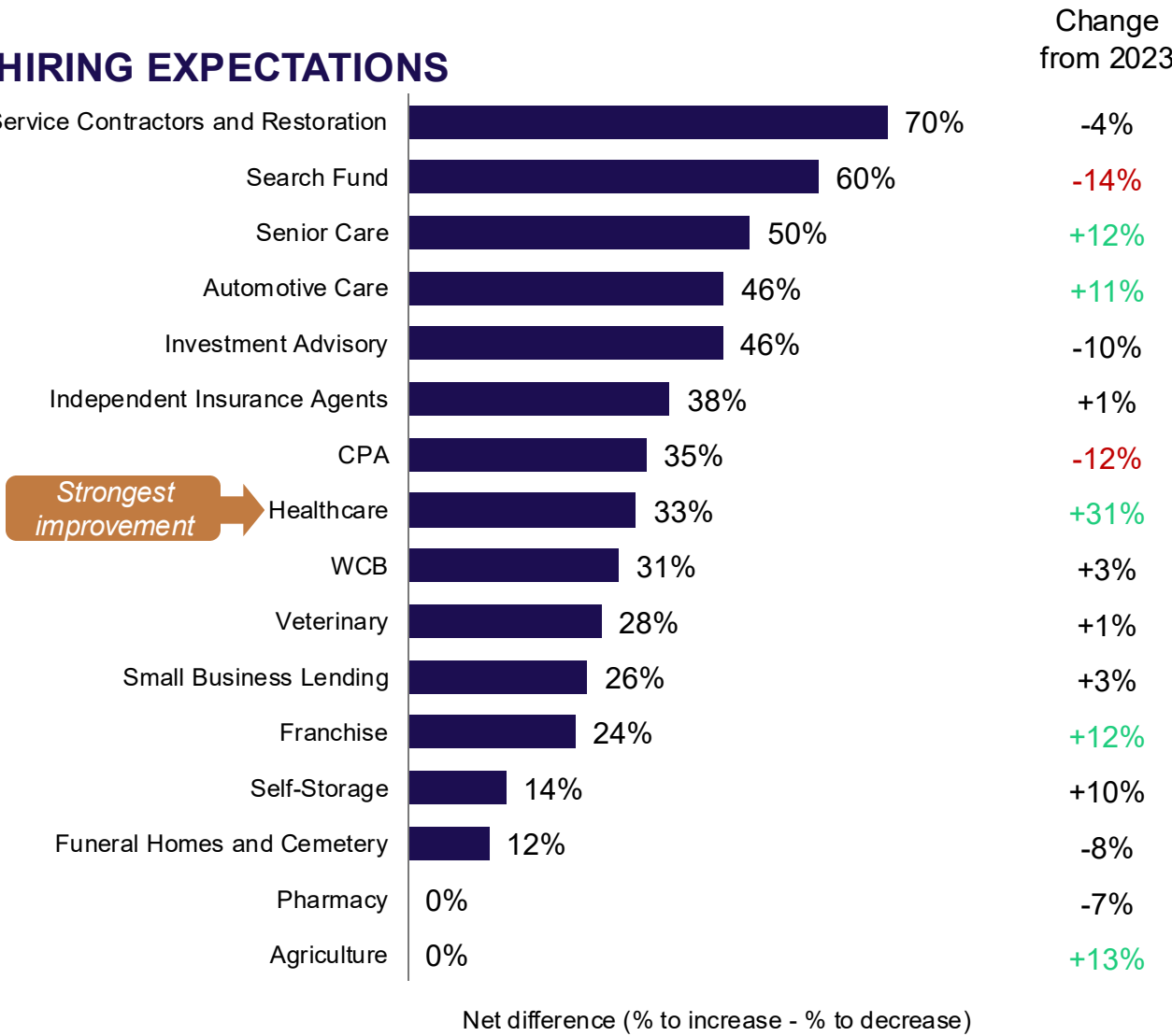
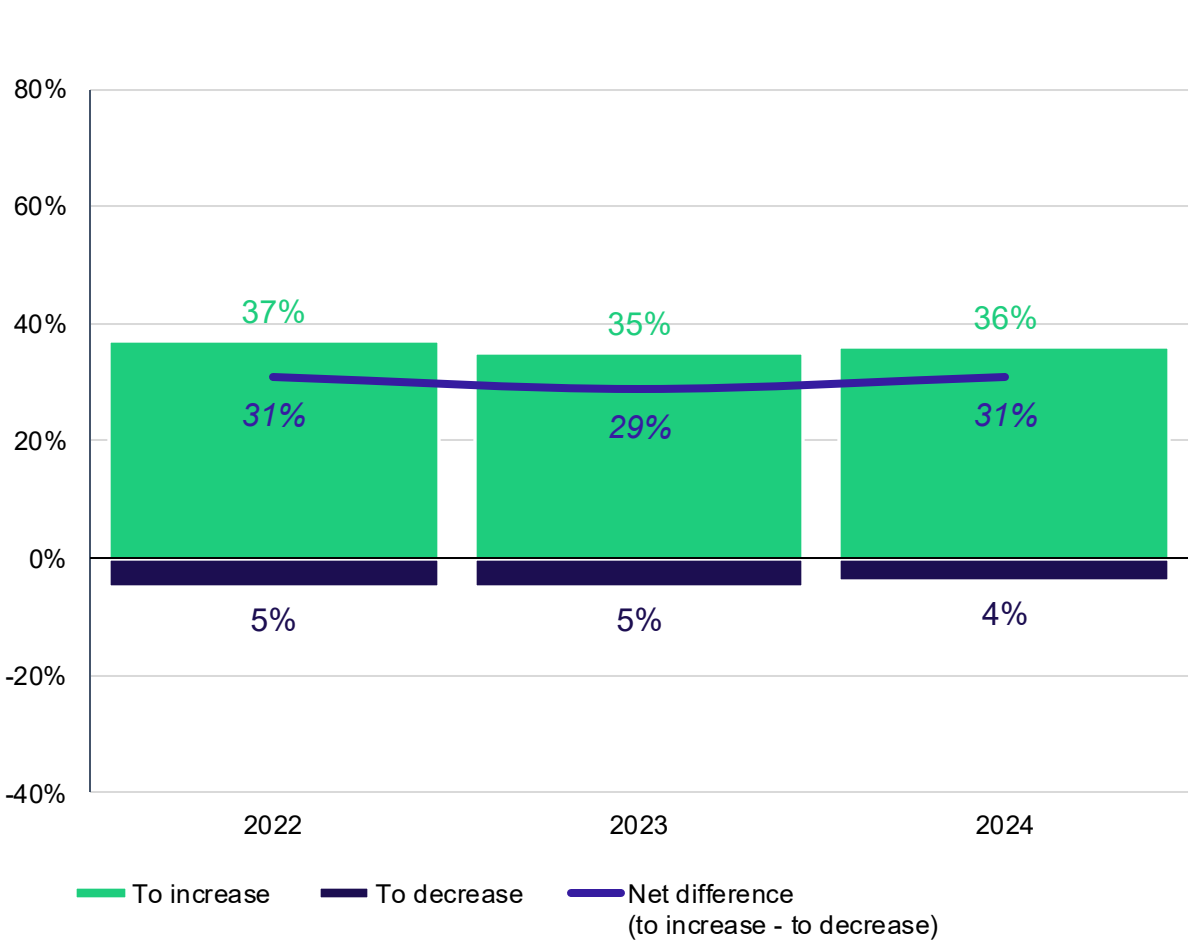
FEWER LOAN CUSTOMERS ARE OVERSTAFFED



Q: Which of the following best represents your current staffing level?
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

HIRING EXPECTATIONS REMAINED STABLE FROM 2022 AND 2023

FULL-TIME EMPLOYEE HIRING EXPECTATIONS

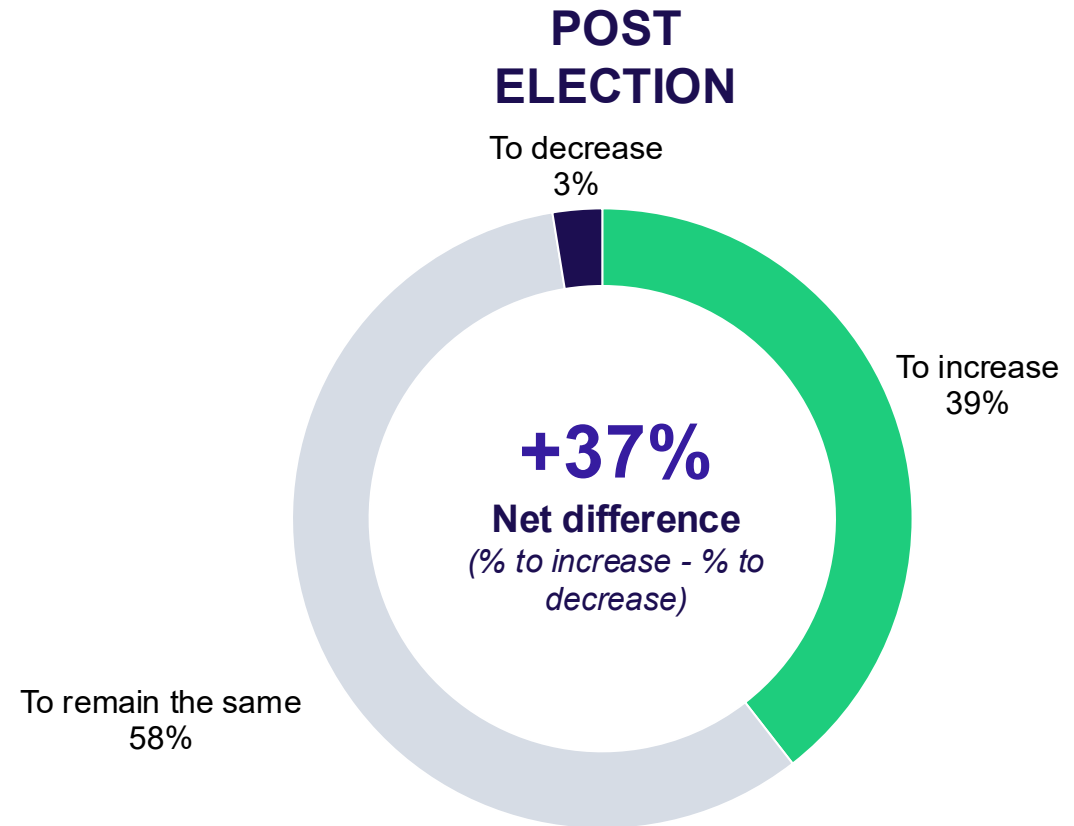
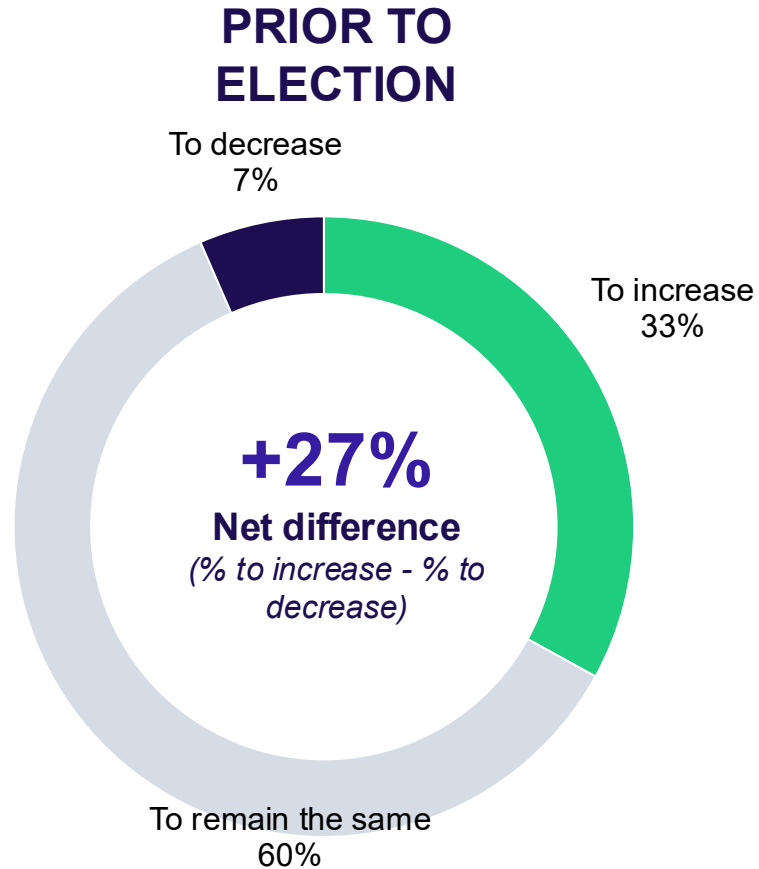


Q: During the next 12 months, do you expect your company's full-time employees...

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

LOAN CUSTOMERS HAD A MORE POSITIVE HIRING OUTLOOK FOLLOWING THE ELECTION

FULL-TIME EMPLOYEE HIRING EXPECTATIONS (pre- and post-election)



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

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

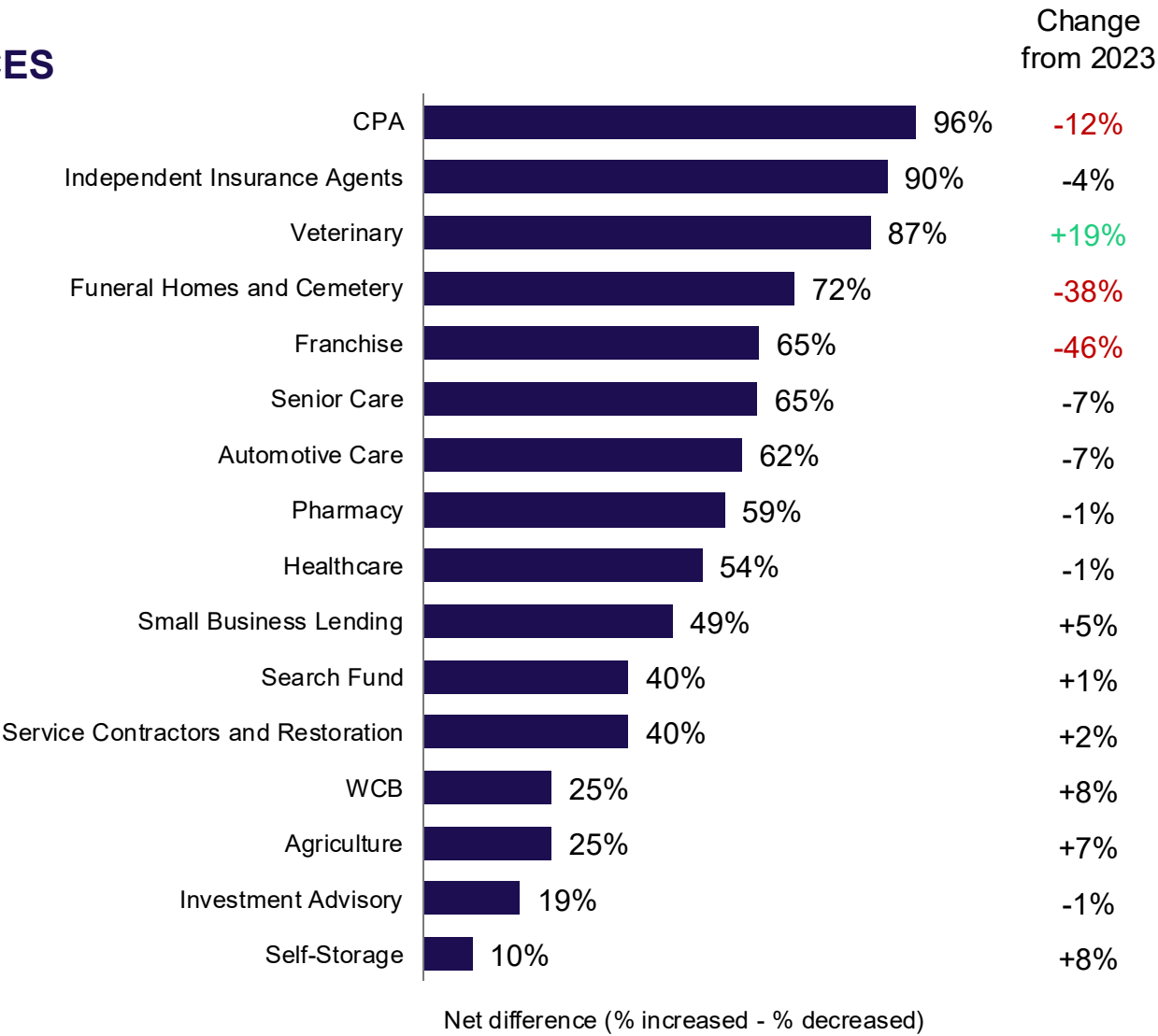
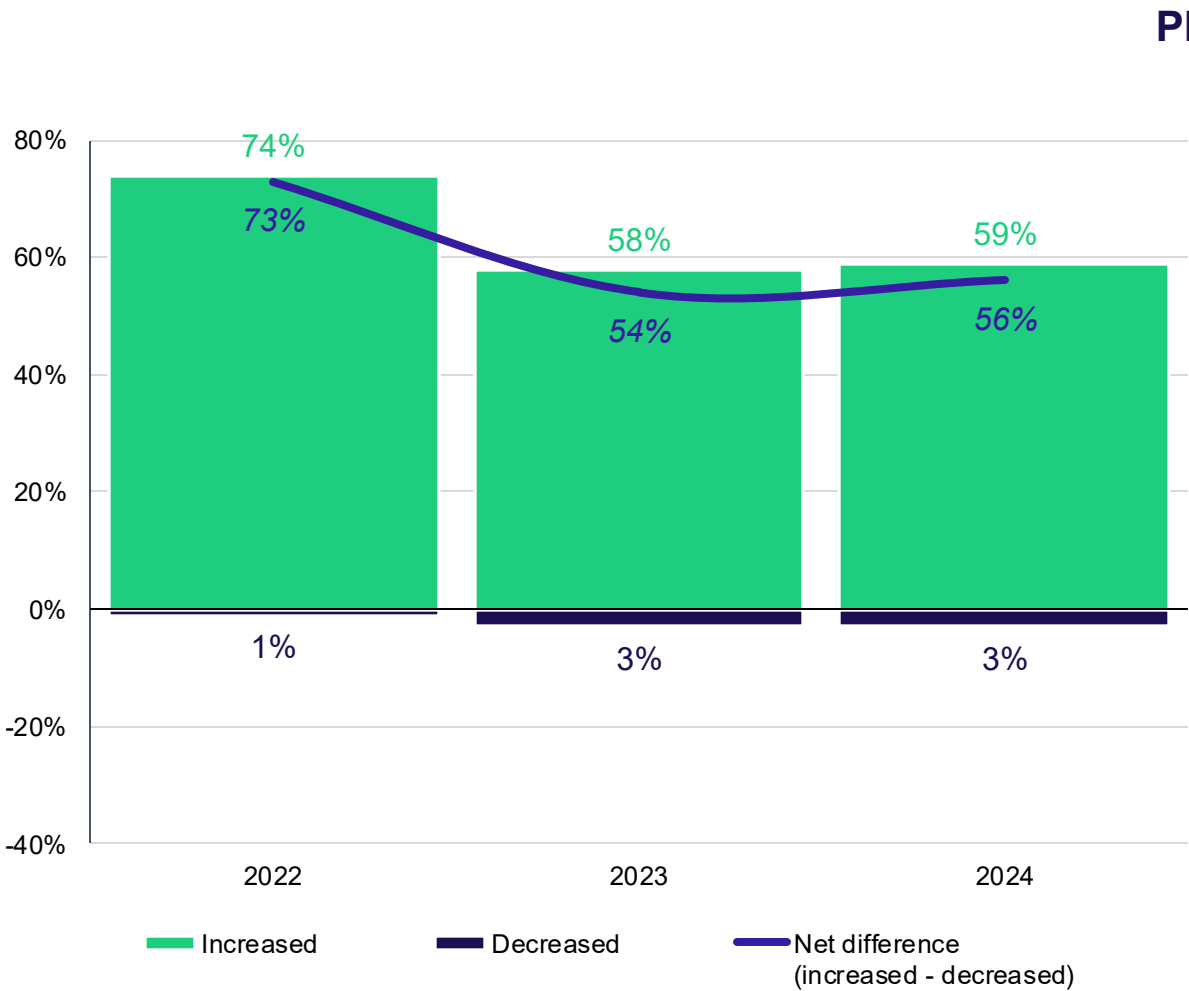
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MANAGING PRICES

(LOAN CUSTOMERS)

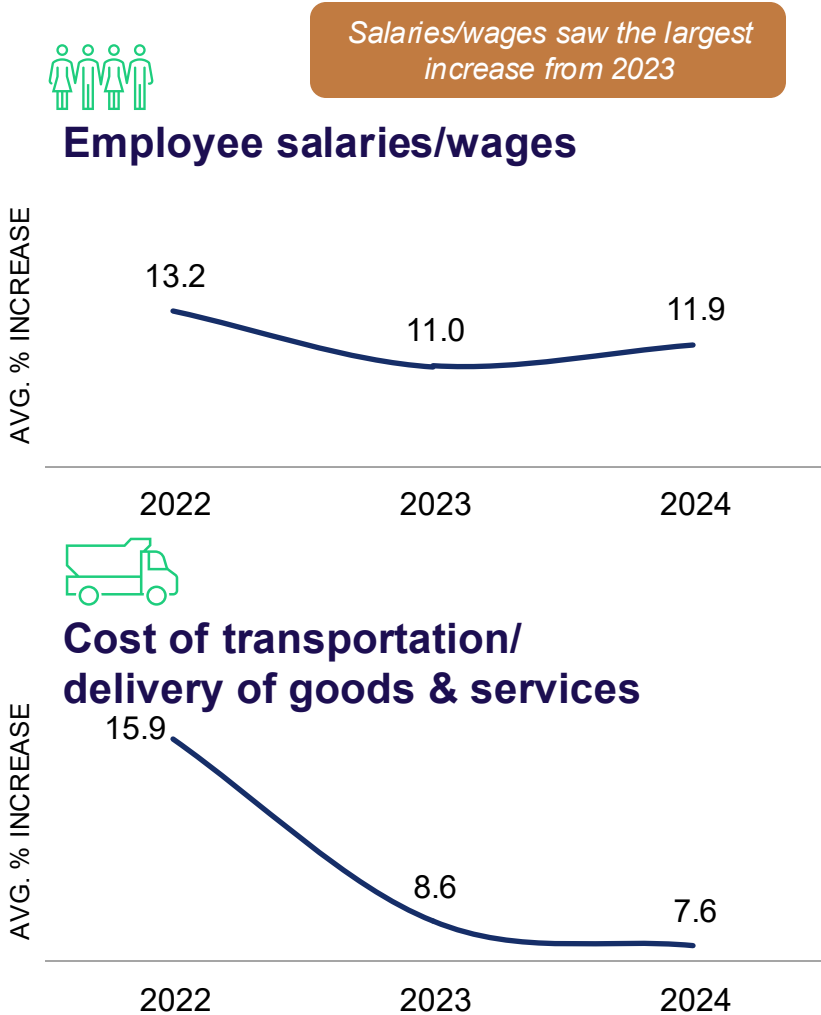
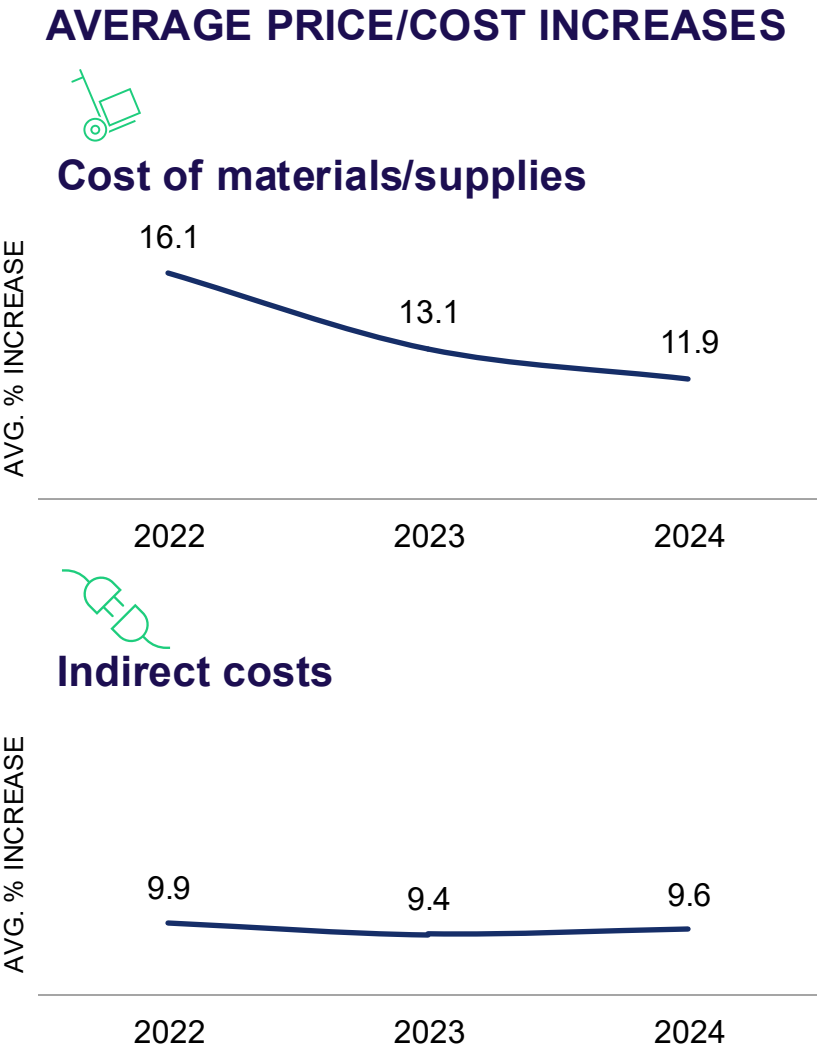
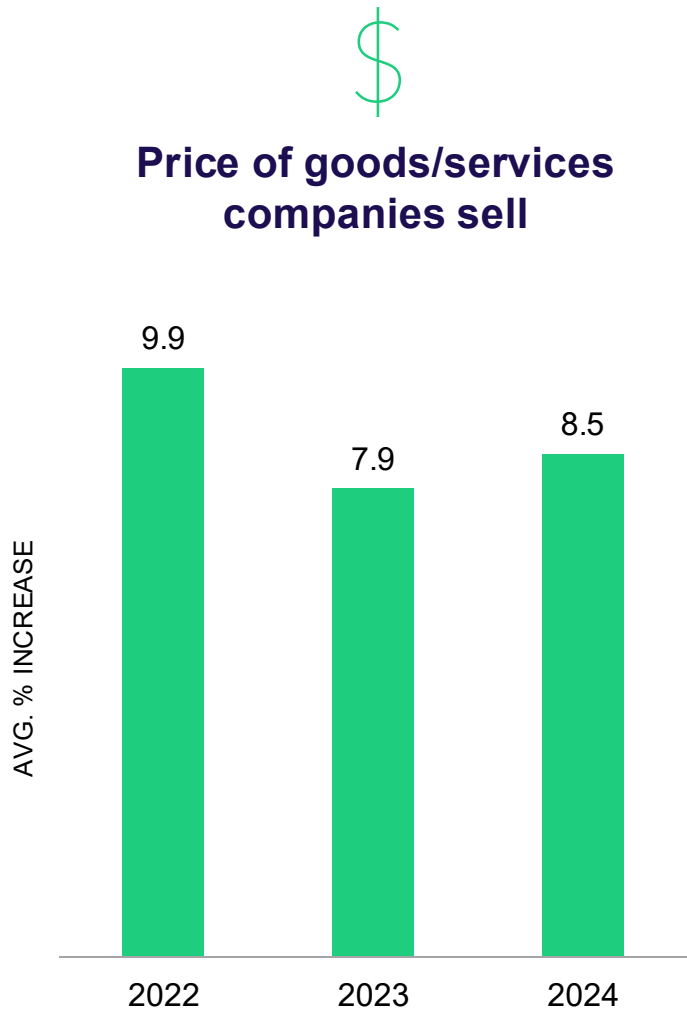
WHILE NET DIFFERENCE PRICES REMAINED ELEVATED, THEY HAVE STABILIZED FROM 2023



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...

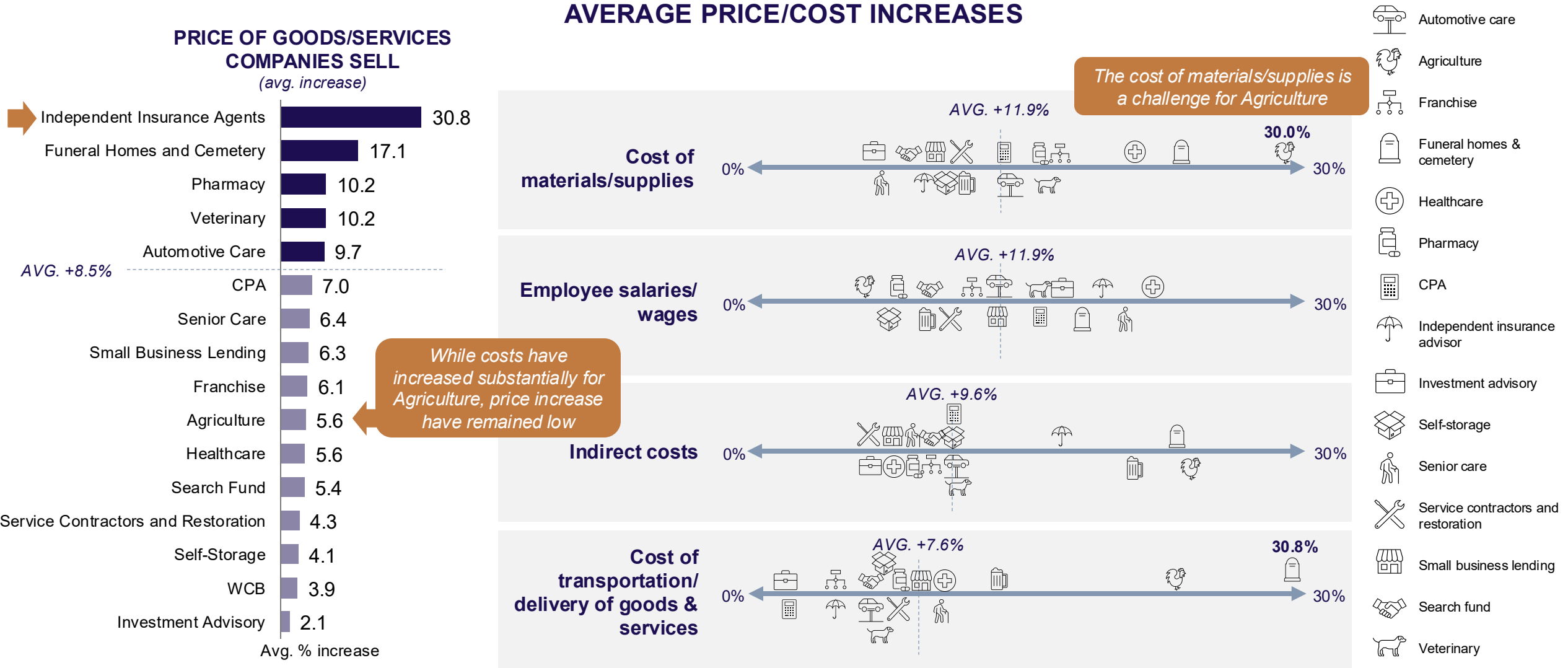
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

PRICES HAVE INCREASED BY 8.5% IN 2024



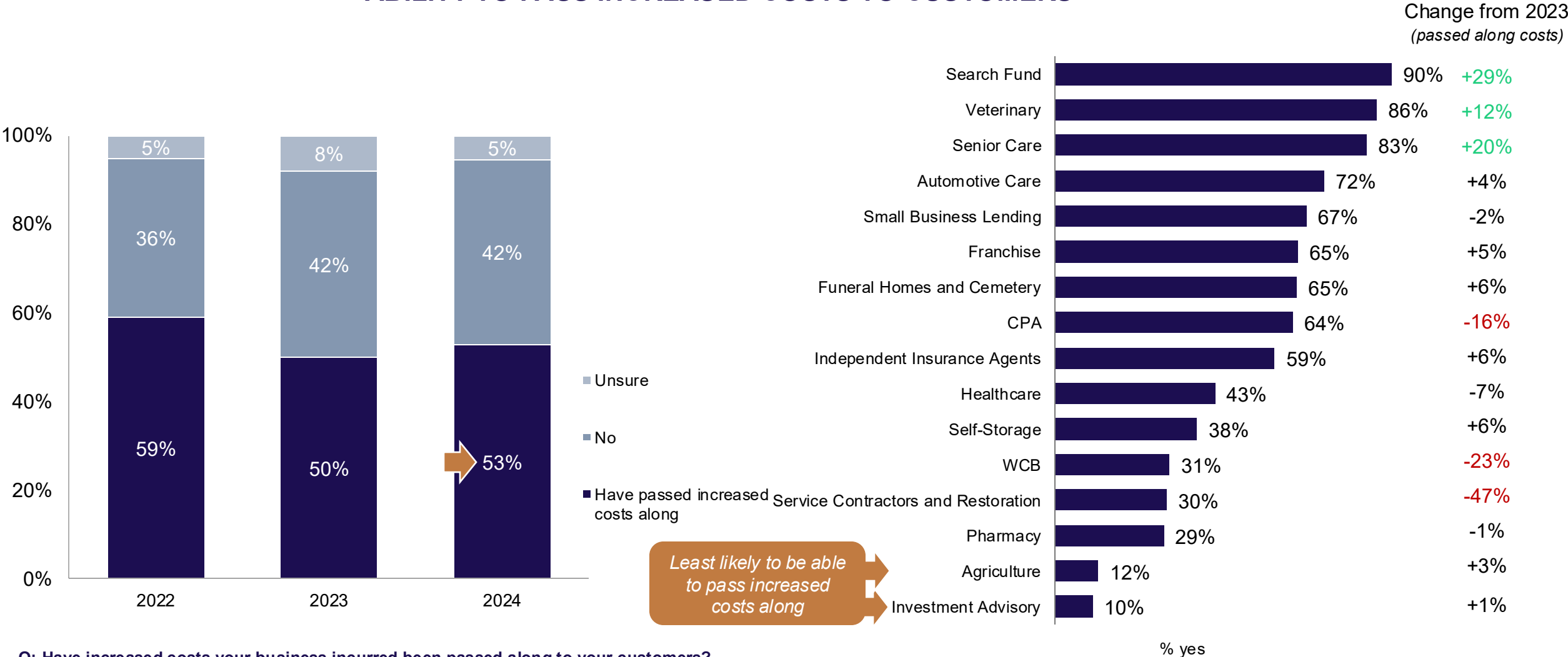
Q: How much would you estimate the following (in total) increased during the last 12 months?
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)
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INDEPENDENT INSURANCE AGENTS HAD THE STEEPEST PRICE INCREASES IN 2024



OVER HALF OF CUSTOMERS HAVE BEEN ABLE TO PASS INCREASED COSTS ALONG

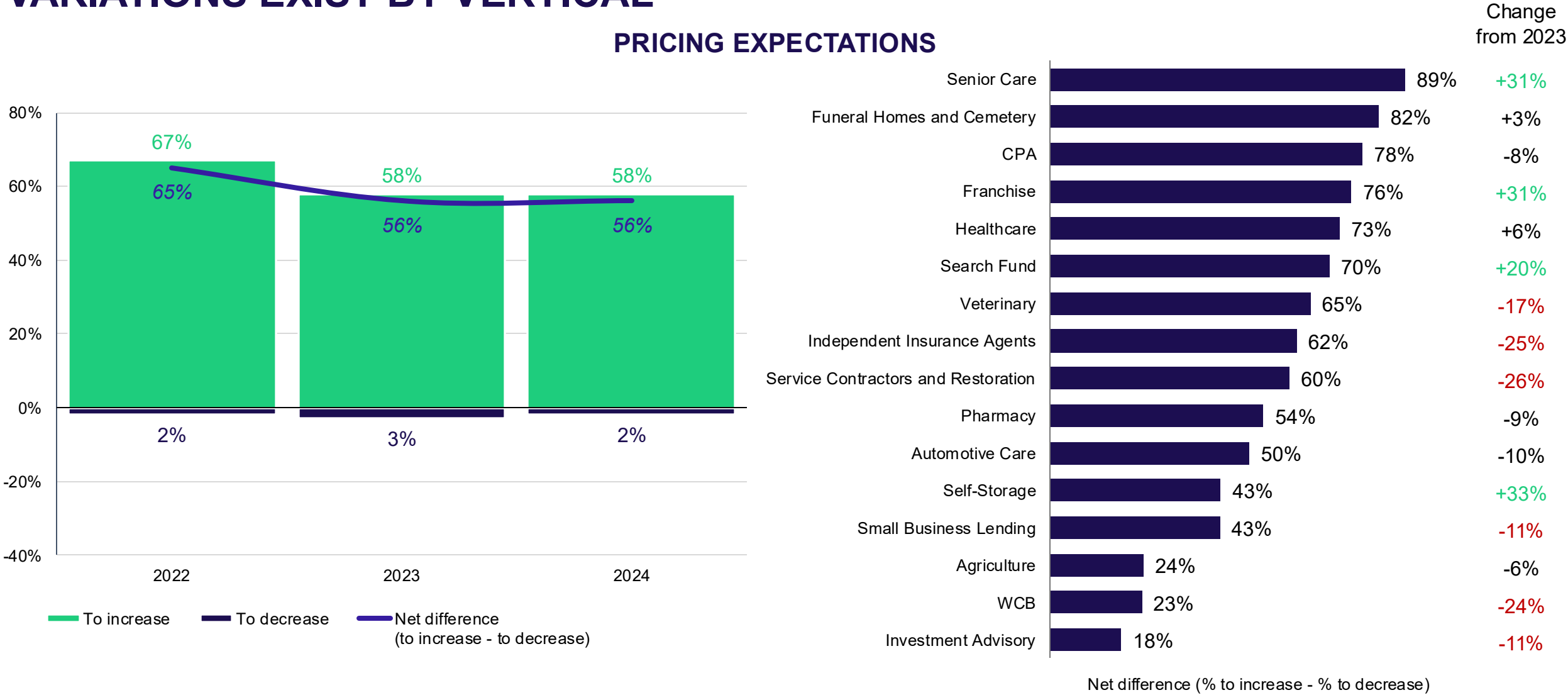
ABILITY TO PASS INCREASED COSTS TO CUSTOMERS



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

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

PRICE EXPECTATIONS LOOK VERY SIMILAR TO 2023, YET SUBSTANTIAL VARIATIONS EXIST BY VERTICAL



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

Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

PLANNING AHEAD: COMPANY OWNERSHIP TRANSITIONS

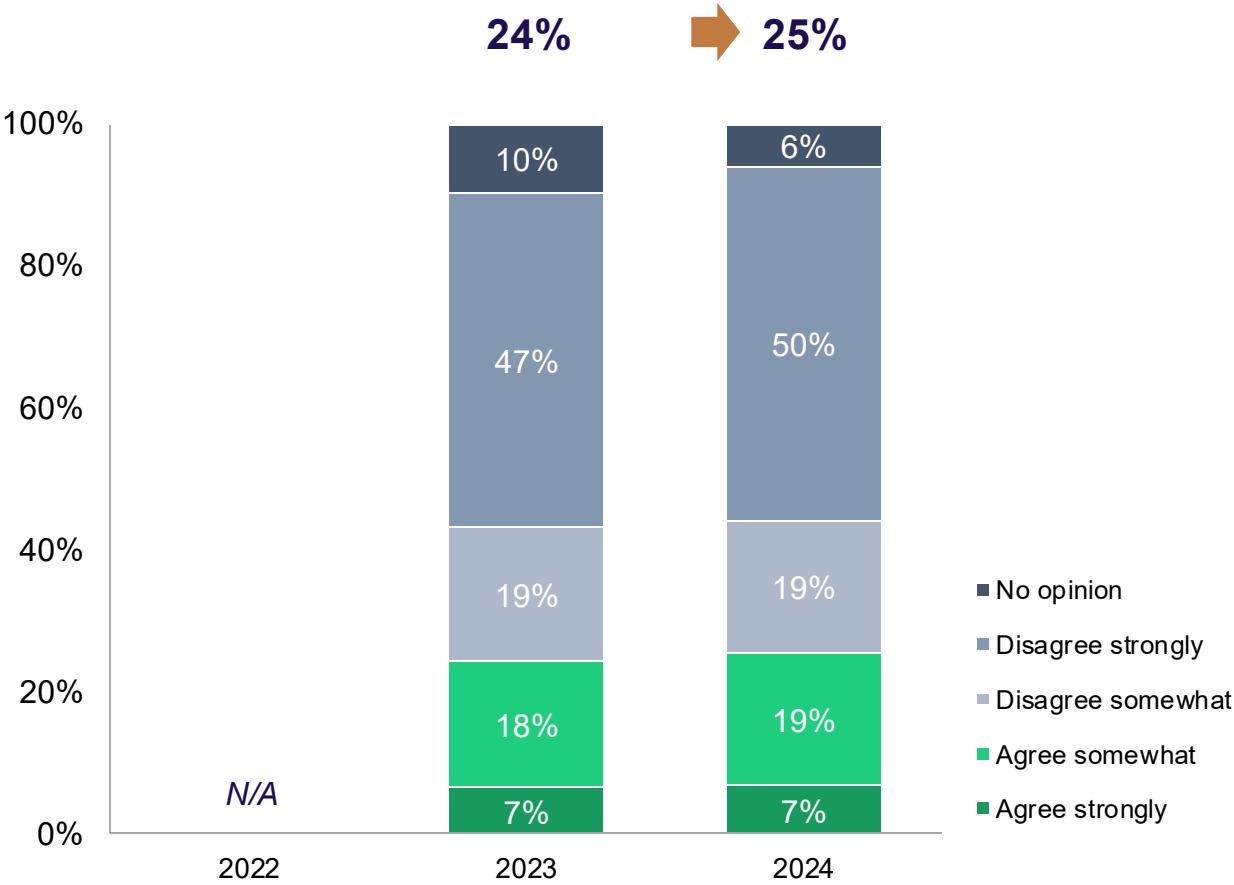
(LOAN CUSTOMERS)

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

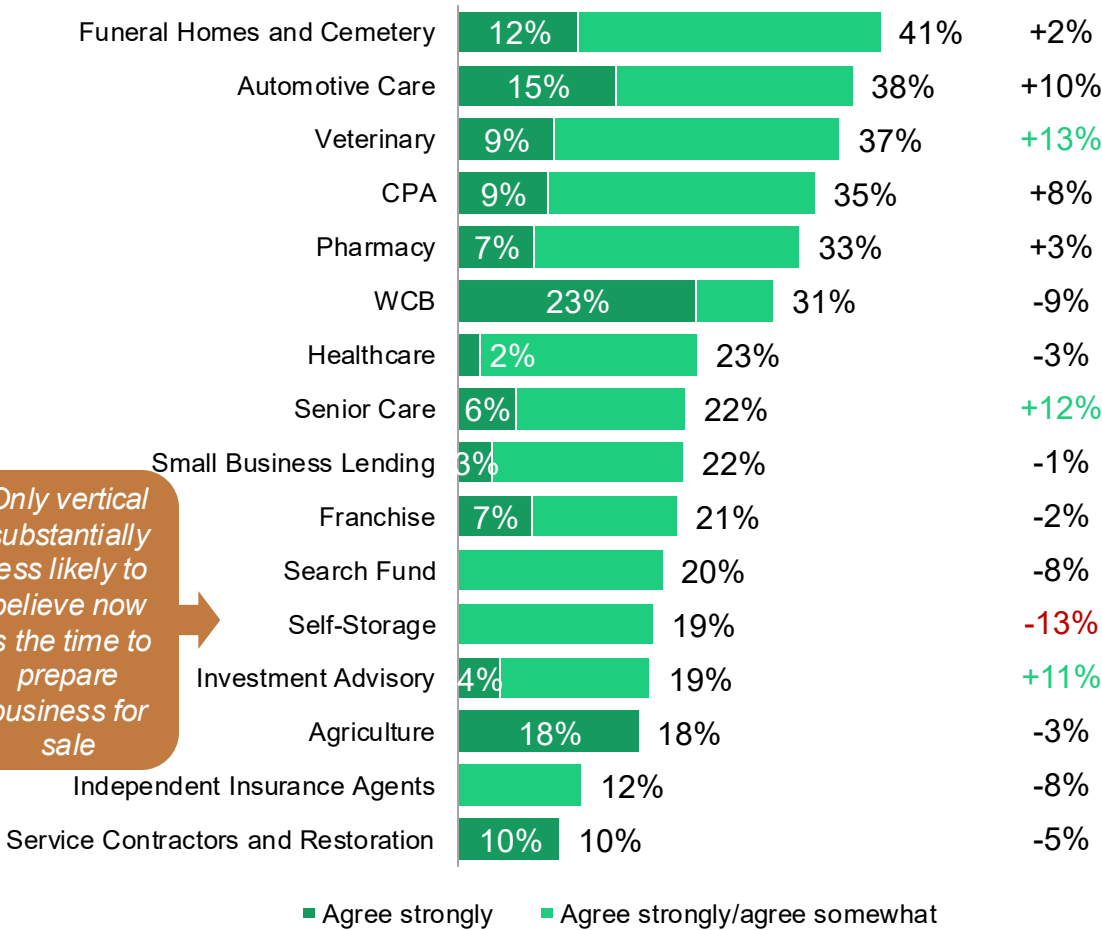
BELIEF THAT NOW IS A GOOD TIME TO PREPARE OUR BUSINESS FOR SALE

AGREE STRONGLY/AGREE SOMEWHAT

Change from 2023
(% agree strongly/
agree somewhat)



Only vertical substantially less likely to believe now is the time to prepare business for sale



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 2024 Voice of the Customer Survey (Powered by Barlow Research)

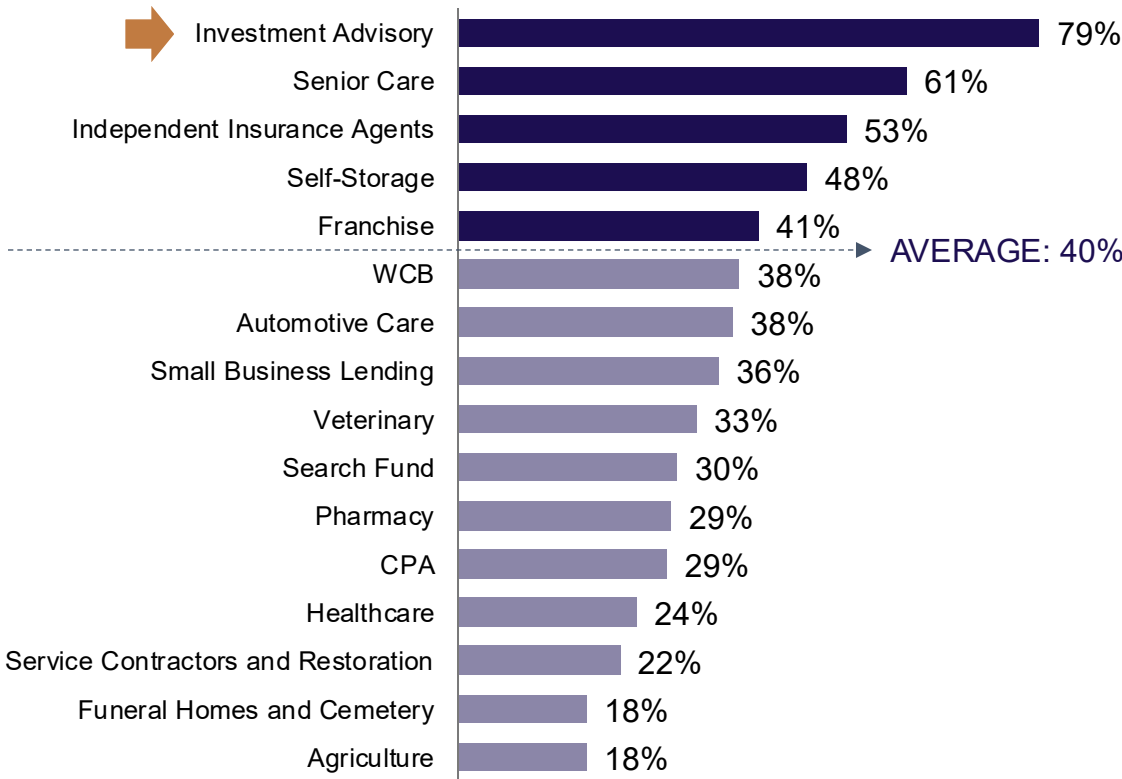


INVESTMENT ADVISORY COMPANIES ARE MOST THE LIKELY TO HAVE SUCCESSION PLANS AND TO HAVE BEGUN PREPARING FOR A TRANSITION

SUCCESSION PLANNING & PREPARING FOR AN OWNERSHIP TRANSITION

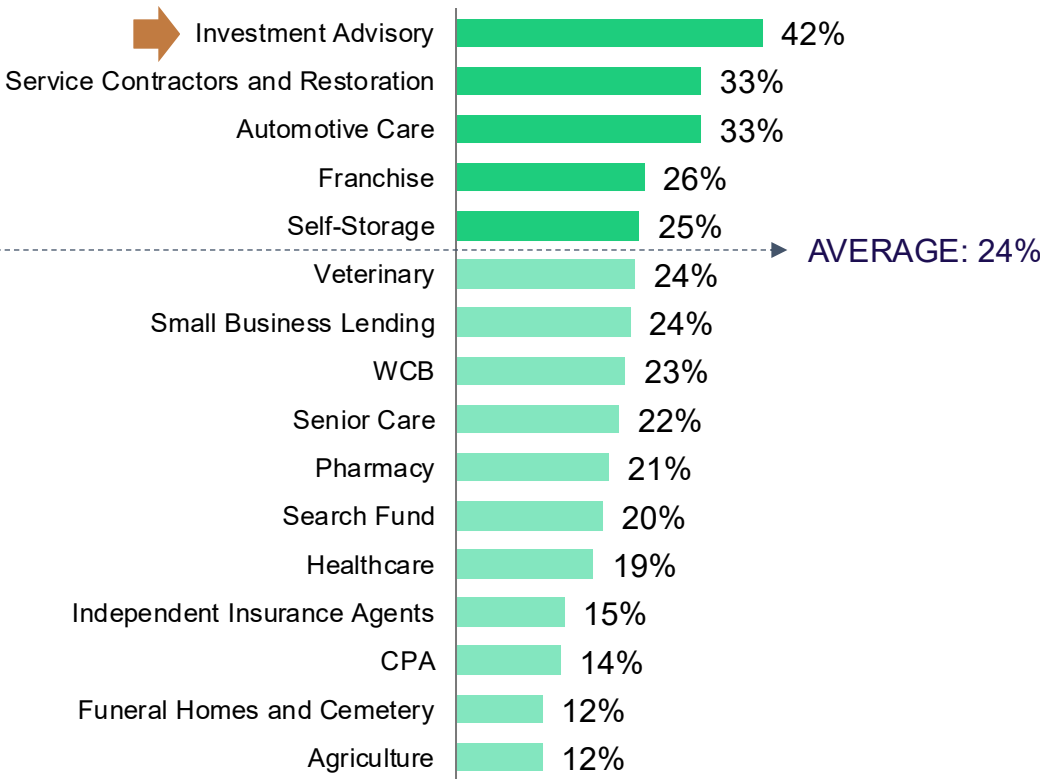
40%

Have a succession plan



24%

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?

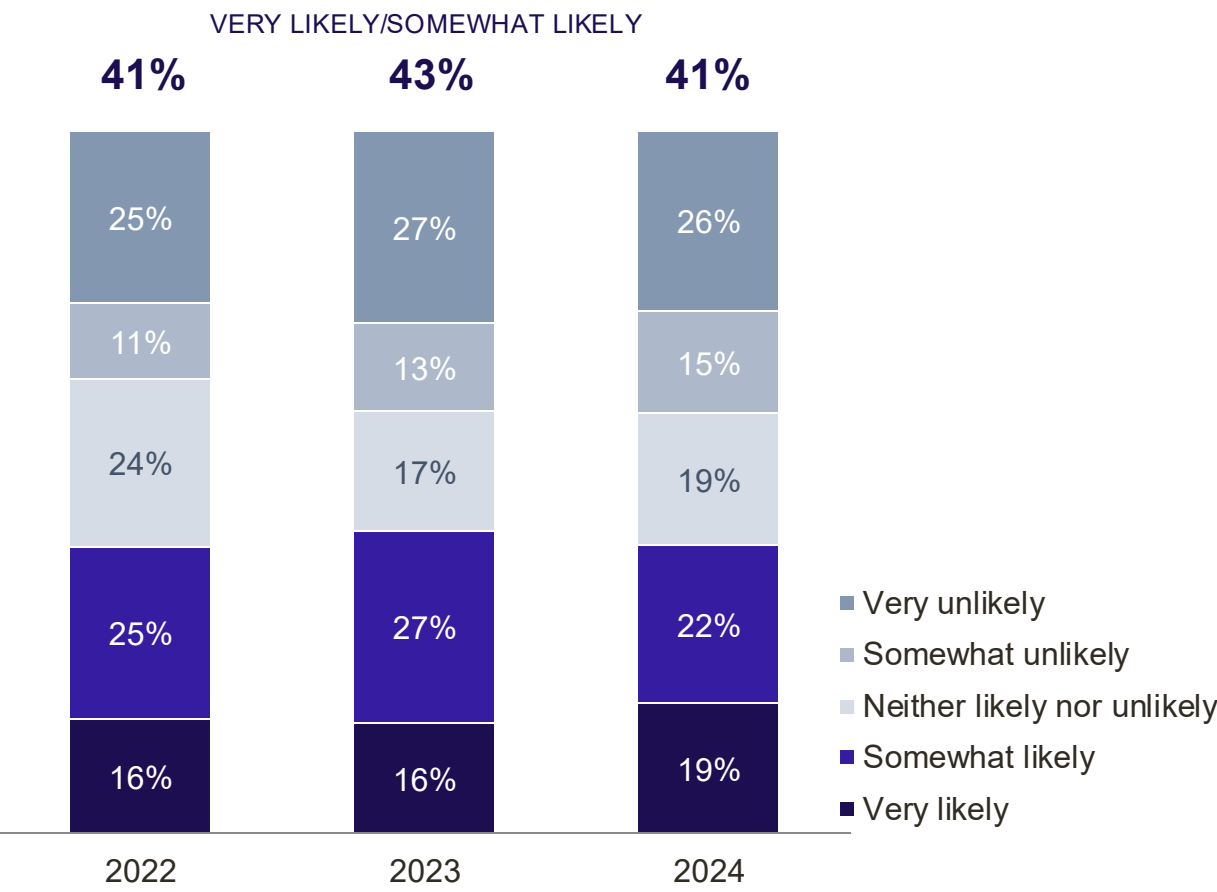
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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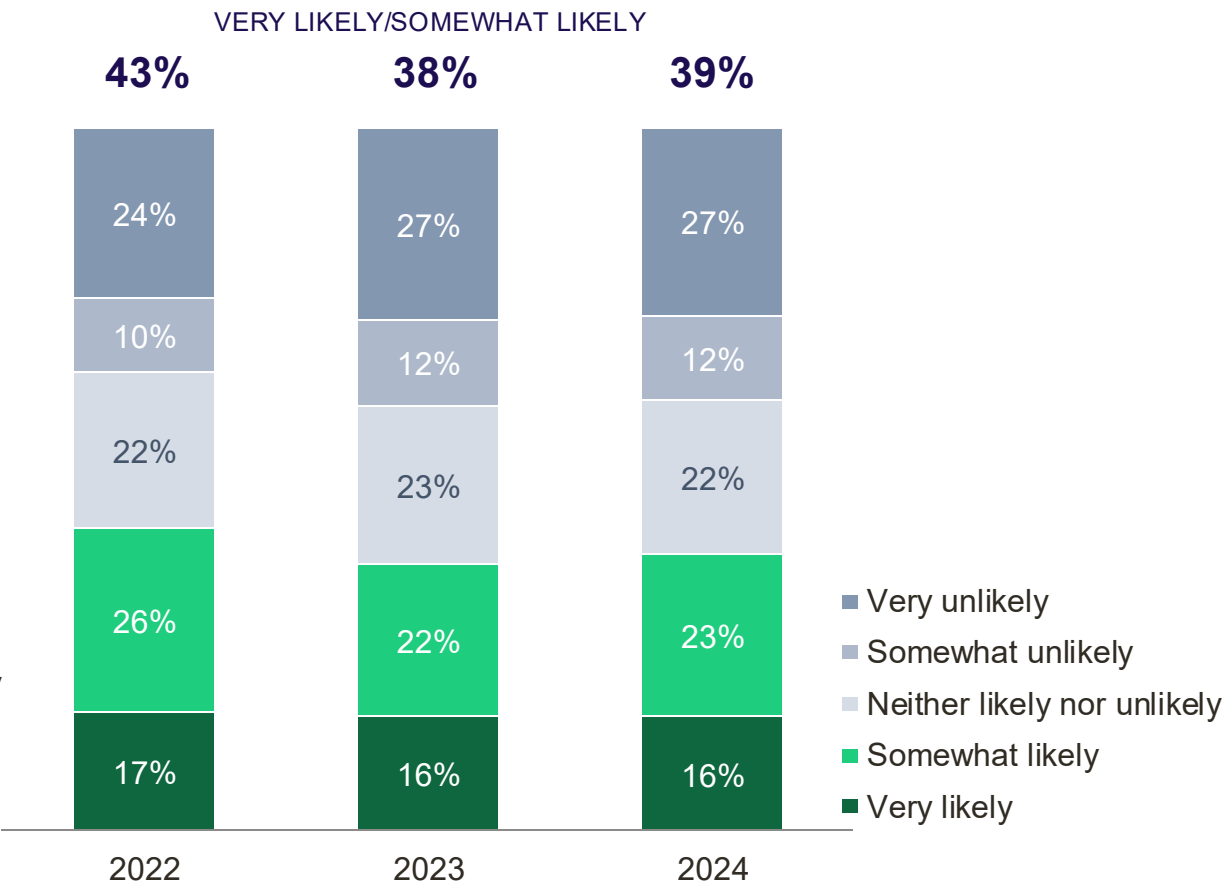
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THE LIKELIHOOD TO ENTERTAIN OFFERS AND USE INTERMEDIARIES REMAINS CONSISTENT FROM 2023

LIKELIHOOD TO ENTERTAIN OFFERS TO BUY BUSINESS

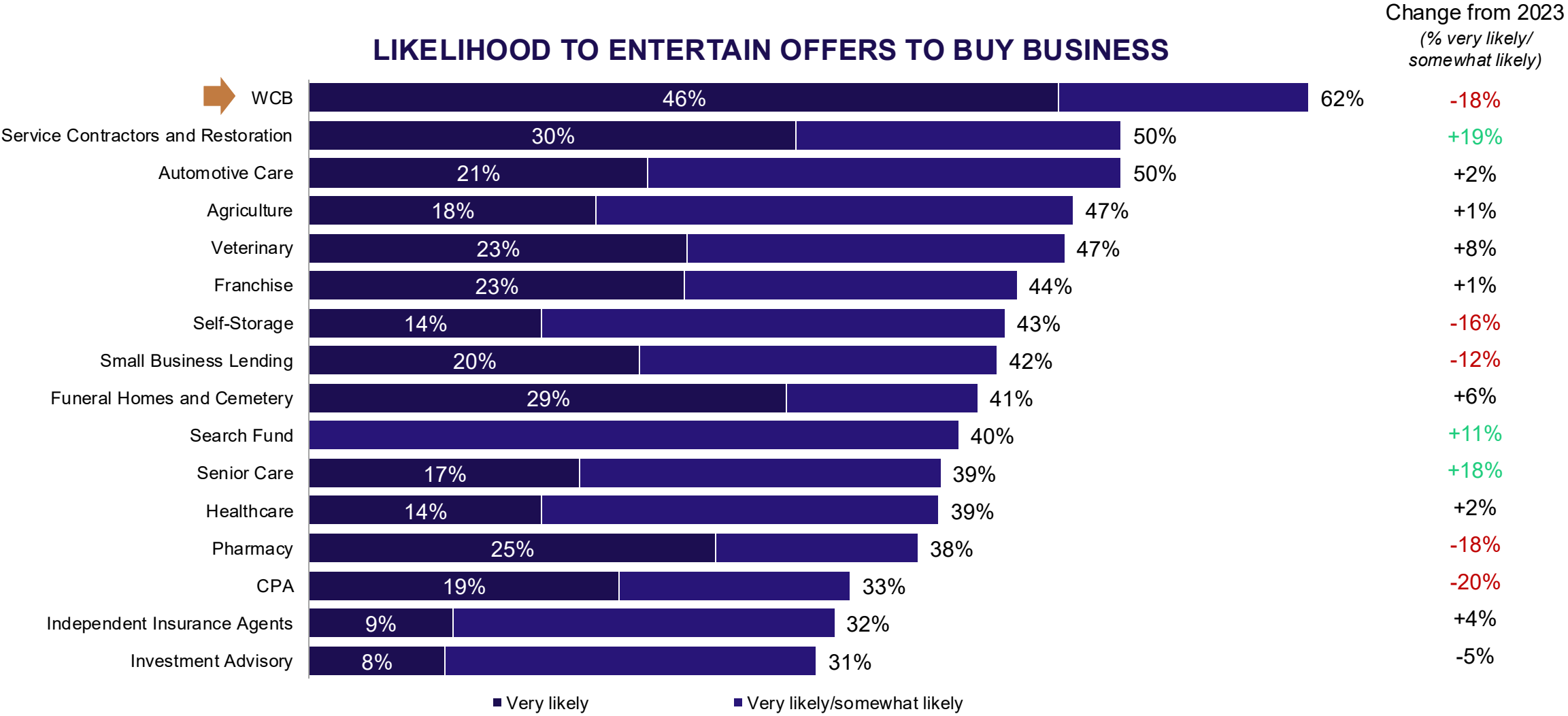


LIKELIHOOD TO USE AN INTERMEDIARY



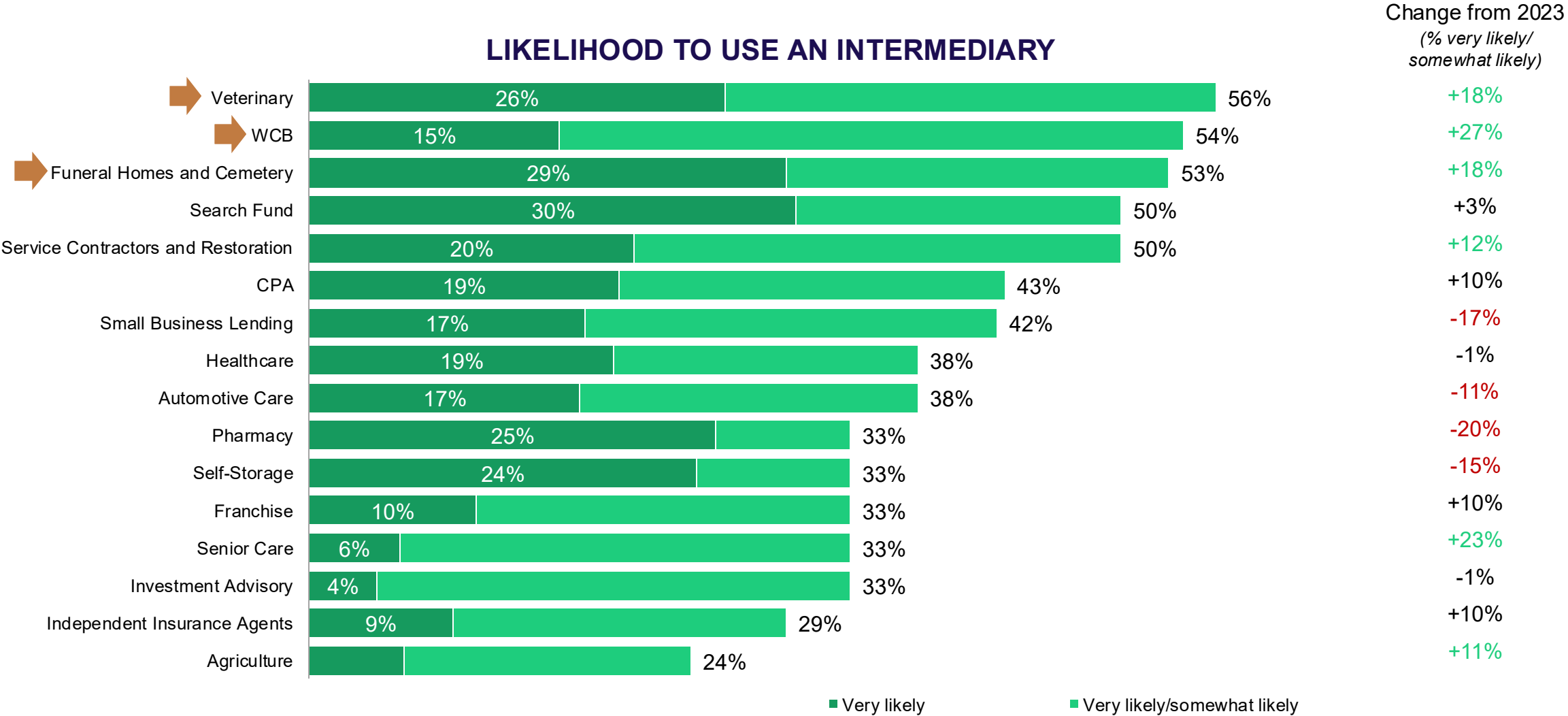
Q: How likely are you to entertain offers to purchase your business?
Q: How likely are you to consider working with a broker/intermediary/sell-side advisor if you were to consider selling your business?

THE WCB VERTICAL CONTINUES TO BE THE MOST LIKELY TO CONSIDER OFFERS TO BUY THEIR BUSINESS



Q: How likely are you to entertain offers to purchase your business?
Base: Loan customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)
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VETERINARY, WCB AND FUNERAL HOMES WERE THE MOST OPEN TO USING 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 2024 Voice of the Customer Survey (Powered by Barlow Research)

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THE PERCENTAGE OF LOAN CUSTOMERS ANTICIPATING AN OWNERSHIP TRANSITION WITHIN FIVE YEARS CONTINUES TO SLOWLY INCREASE

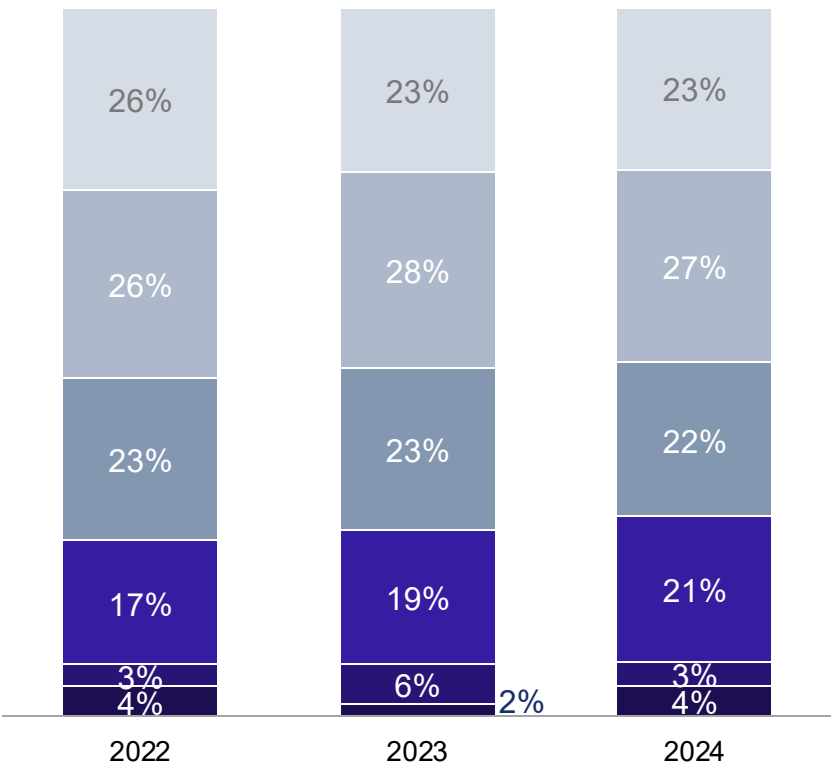
WHEN OWNERSHIP TRANSITIONS ARE EXPECTED

PLAN TO TRANSITION OWNERSHIP WITHIN 5 YEARS

25%

26%

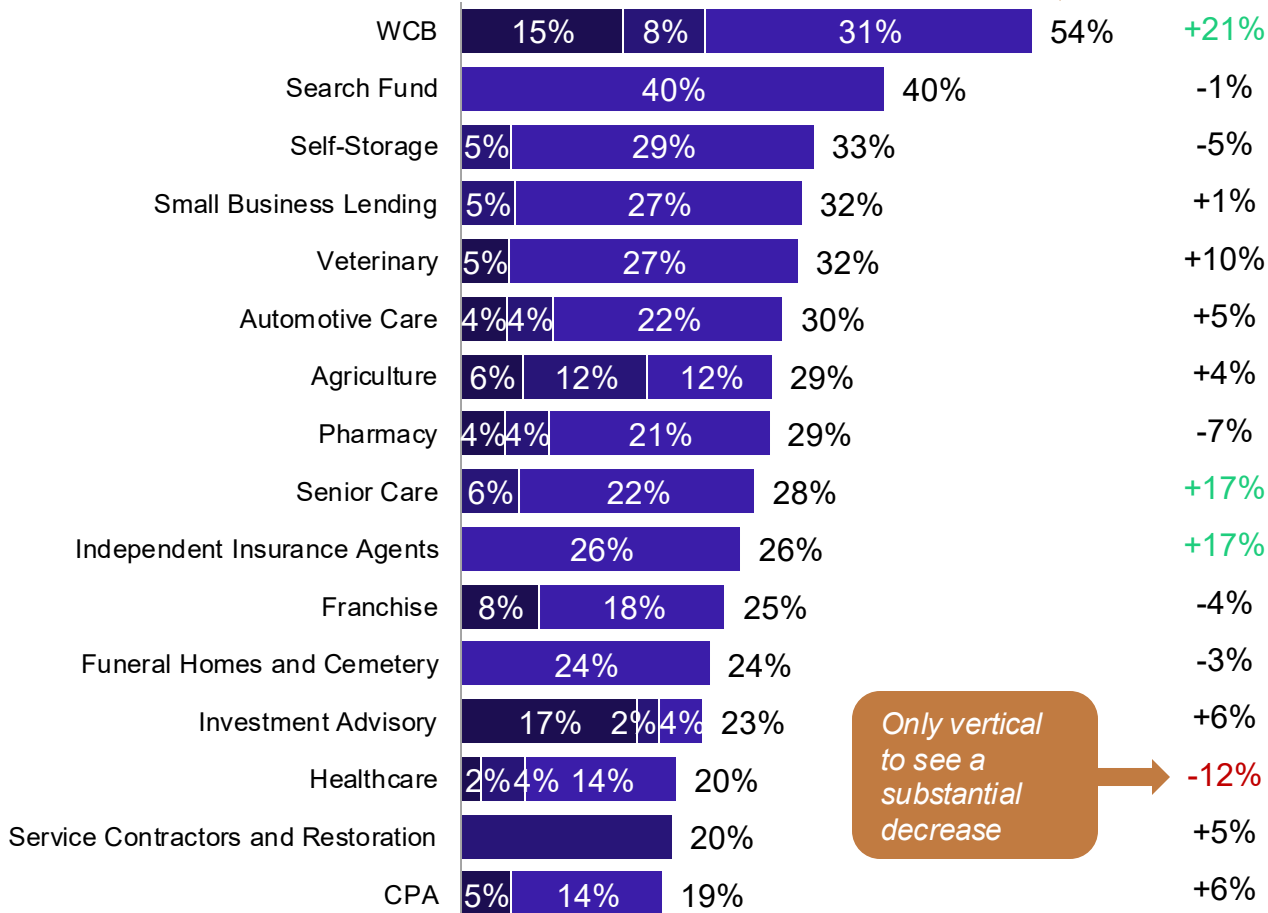
28%



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

WCB had the high percentage anticipating a transition and the largest increase from 2023

Change from 2023
(% plan to change in the next five years)



Only vertical to see a substantial decrease

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

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FIVE VERTICALS TO WATCH – OWNERSHIP TRANSITIONS ON THE HORIZON

65

WCB

- Vertical most likely to entertain offers
- Believe now is the time to prepare business for sale
- Likely to need an intermediary

Veterinary

- Increasingly likely to believe that now is the time to prepare business for sale
- Below average percentage with succession plans
- Most likely to need an intermediary

Automotive Care

- Likely to believe that it is time to prepare their business for sale
- Many are likely to be entertaining offers
- May be an opportunity to assist with succession planning

Search Fund

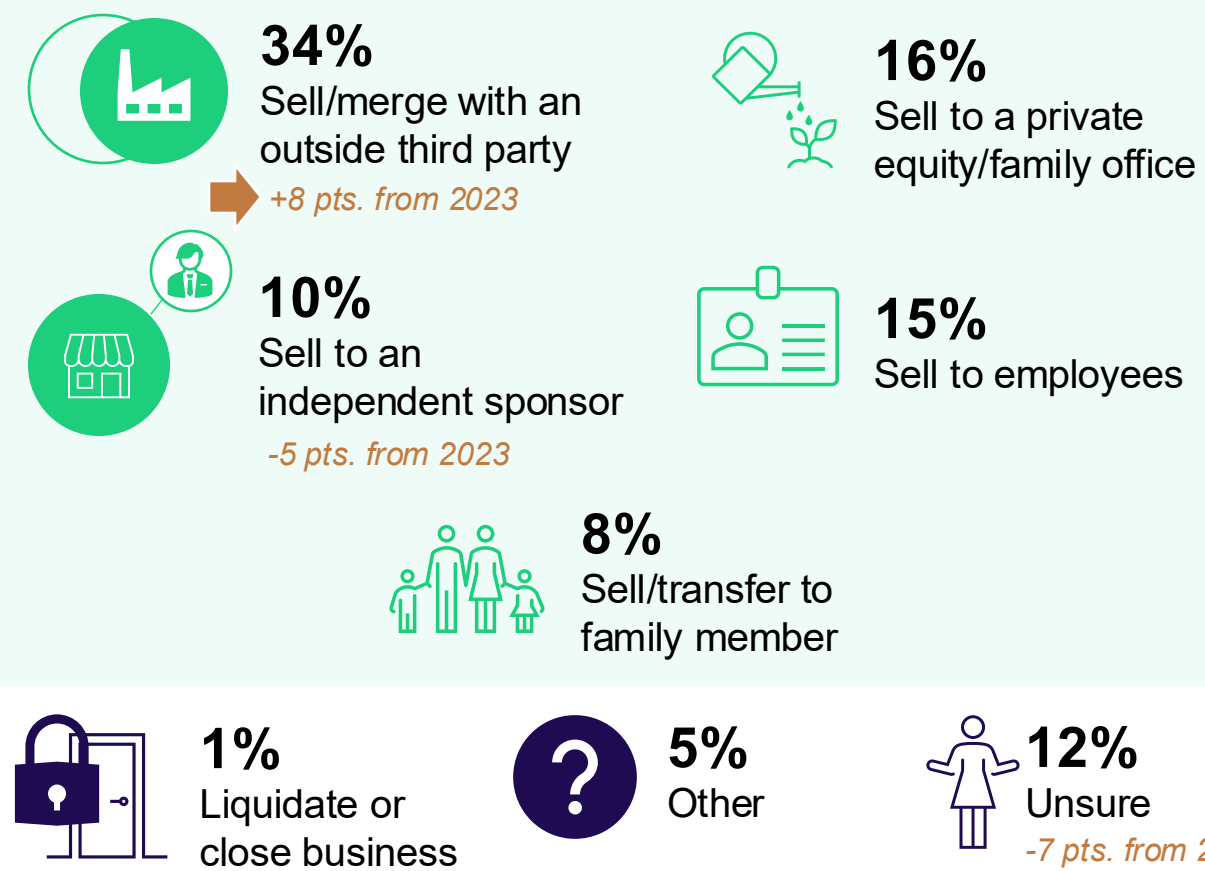
- Four in ten expecting an ownership transition within five years
- Transitions are likely a few years away, few have begun the process of transitioning their business

Self-storage

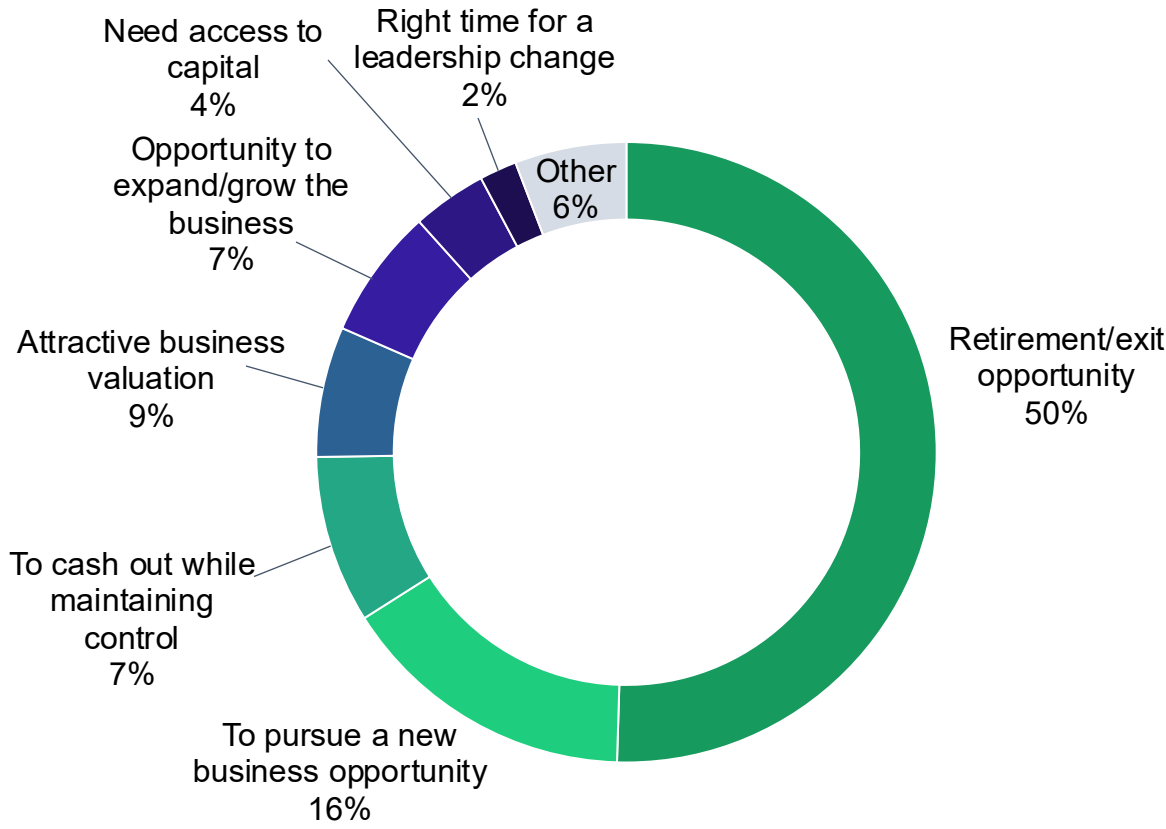
- Likely have succession plan
- While a third plan to transition ownership within five years, self-storage companies may wait a few years to begin the process

CLIENTS PLANNING AN OWNERSHIP TRANSITION ARE INCREASINGLY LIKELY TO SELL TO A THIRD PARTY, PRIMARILY BECAUSE THEY WANT TO RETIRE ⁶⁶

HOW CUSTOMERS WILL TRANSITION OWNERSHIP*



REASON FOR TRANSFERRING BUSINESS OWNERSHIP*

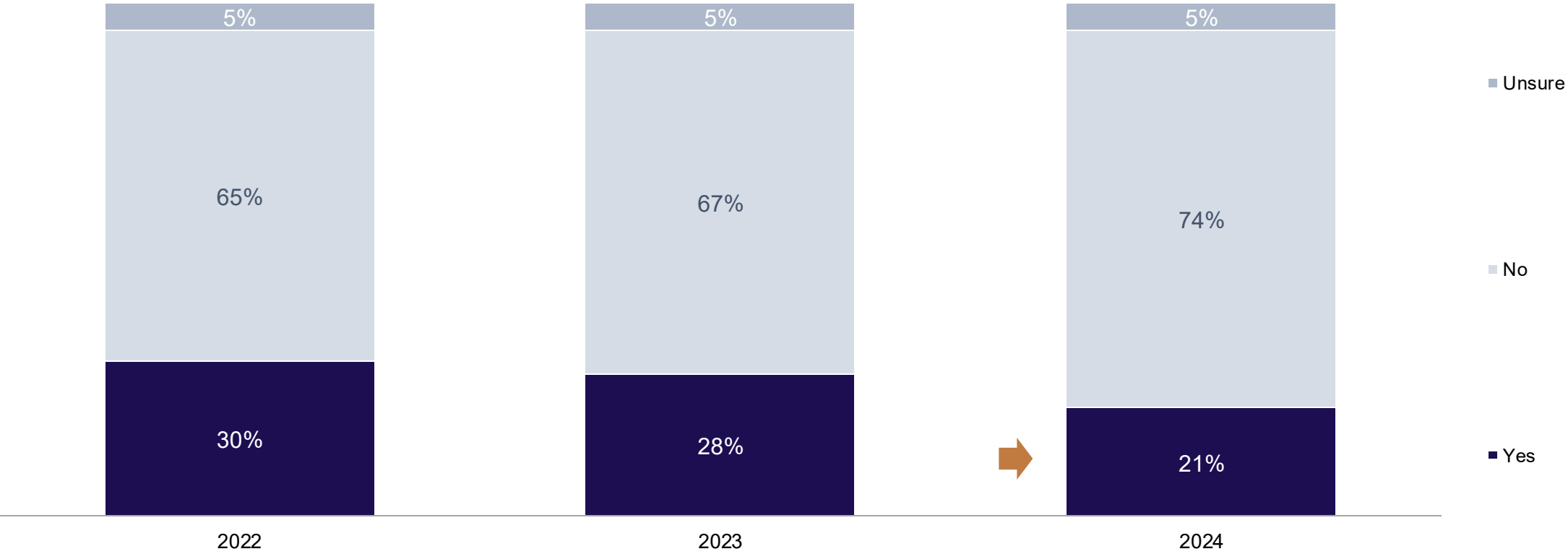


Q: Regarding your company's ownership, does your company plan to...
Q: What is your primary reason for selling/transferring your business?

*Base: Loan customers that are currently transitioning their business ownership or planning a business ownership transition in the next five years; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

FEWER CUSTOMERS HAVE SELL-SIDE ADVISORS

% WITH SELL-SIDE ADVISORS*



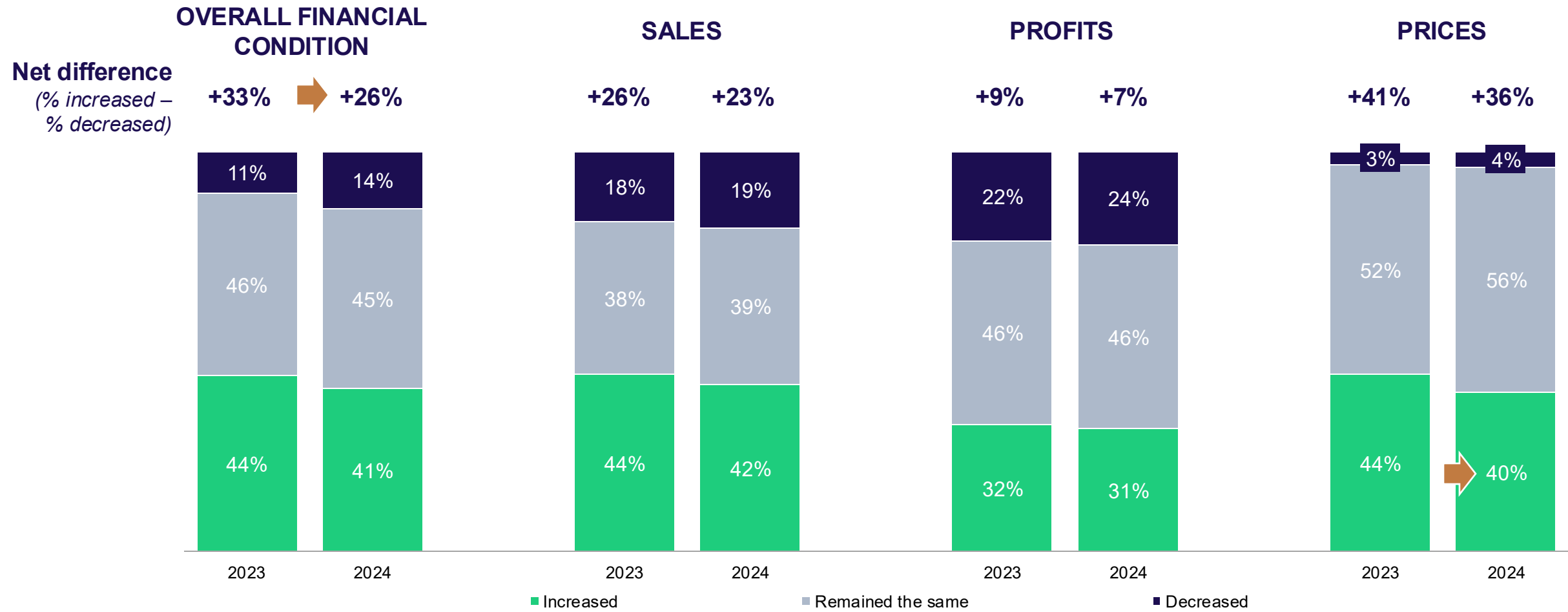
Q: Does your company have a broker/intermediary/sell-side advisor who is helping you structure the deal?

*Base: Loan customers that are currently transitioning their business ownership or planning a business ownership transition in the next five years; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

STATE OF THE MARKET: DEPOSIT CUSTOMERS

DEPOSIT CUSTOMERS HAVE A MODERATELY WEAKER FINANCIAL CONDITION THAN 2023, AND THEIR PRICE INCREASES HAVE SLOWED

PAST 12-MONTHS



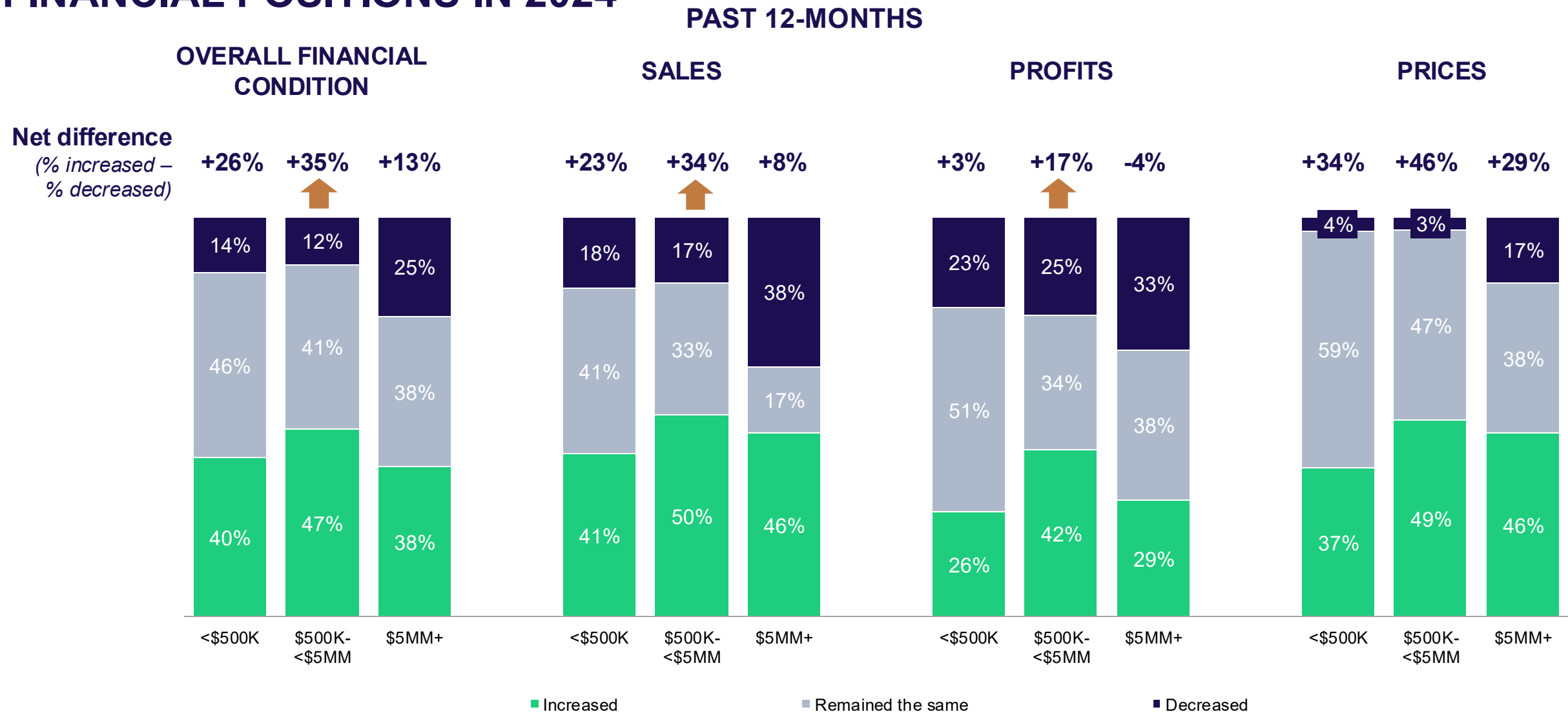
Q: We are interested in how things have changed for your company over the last 12 months. During the *last 12 months*, did your company's...

Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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DEPOSIT CUSTOMERS WITH \$500K-<\$5MM IN SALES HAD THE STRONGEST FINANCIAL POSITIONS IN 2024



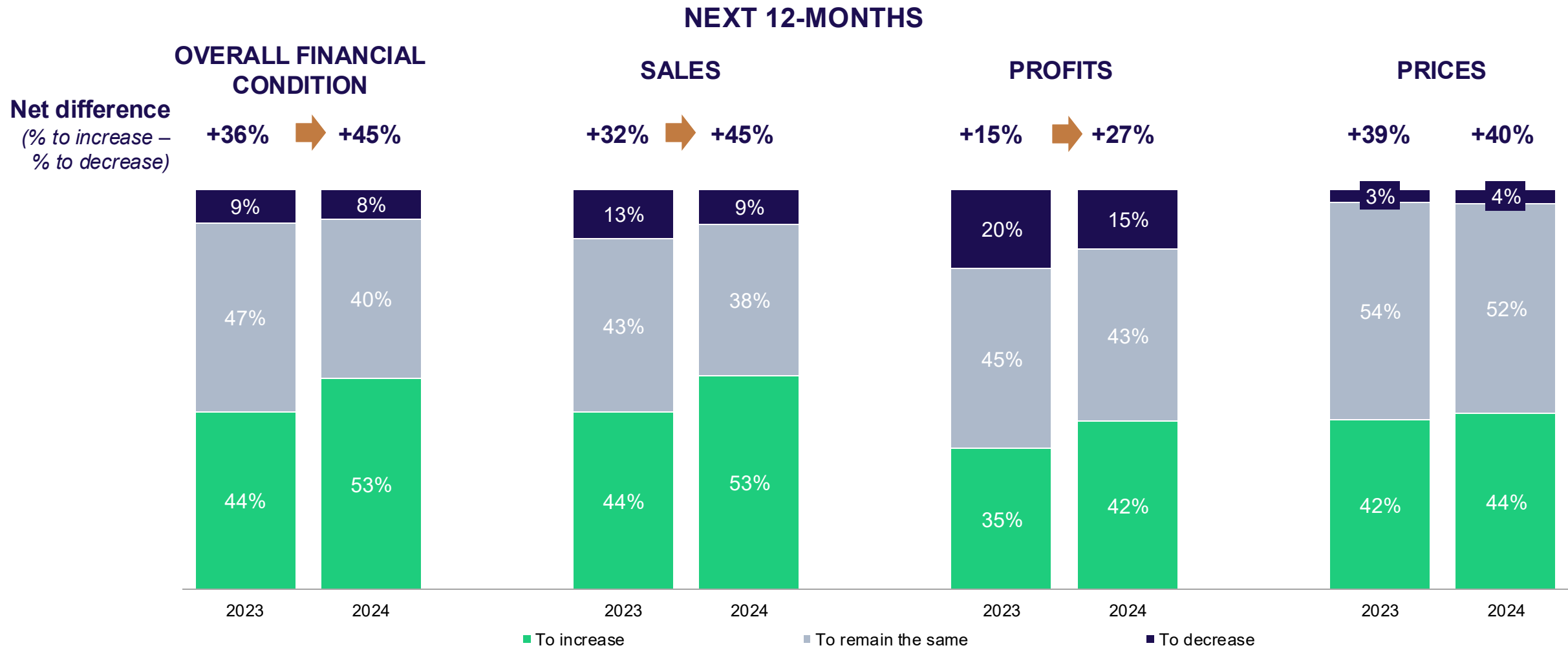
Q: We are interested in how things have changed for your company over the last 12 months. During the *last 12 months*, did your company’s...

Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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DEPOSIT CUSTOMERS' OPTIMISM ABOUT THEIR EXPECTED OVERALL FINANCIAL CONDITION, SALES AND PROFITS HAS INCREASED FROM 2023



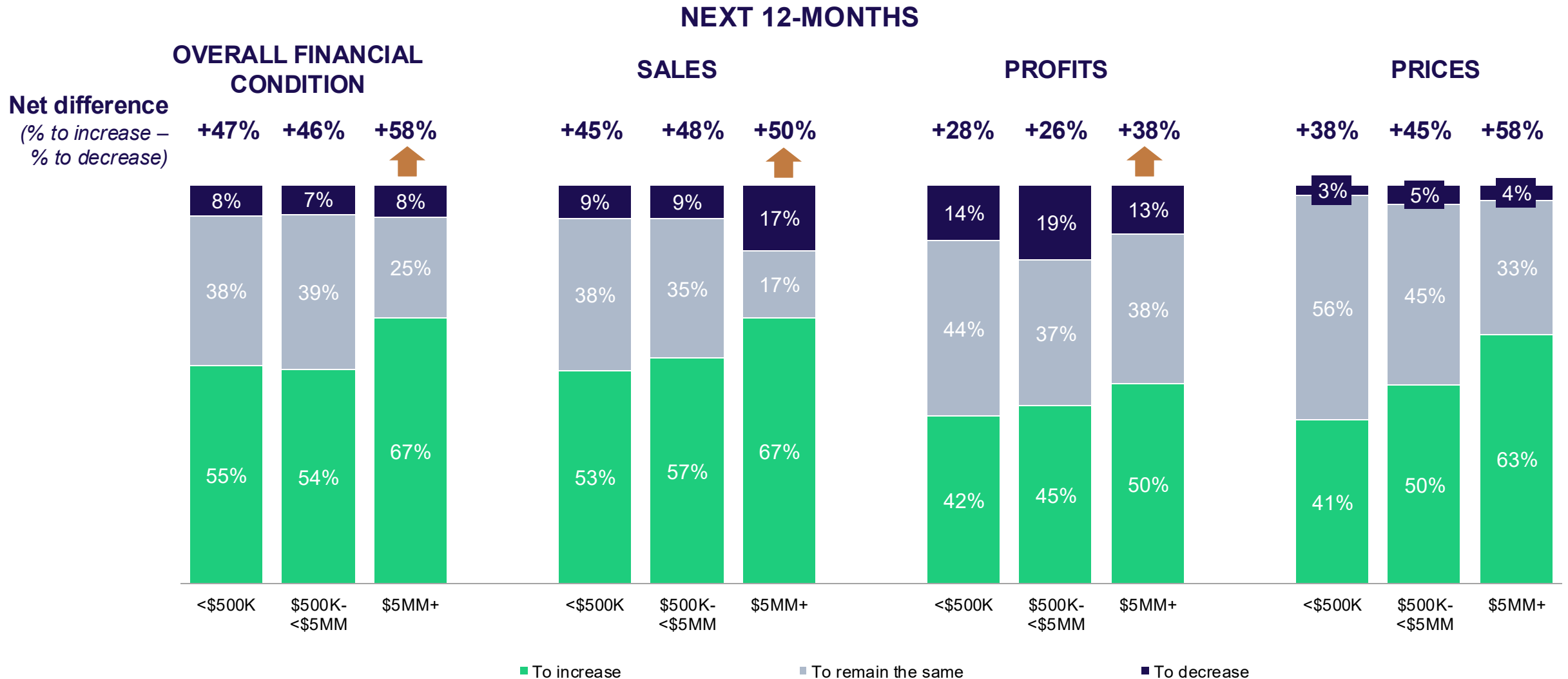
Q: We would now like to understand your outlook on the future. During the *next 12 months*, do you expect your company's...

Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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DEPOSIT CUSTOMERS WITH \$5MM+ IN ANNUAL SALES ARE CLEARLY THE MOST OPTIMISTIC ABOUT THE NEXT 12 MONTHS



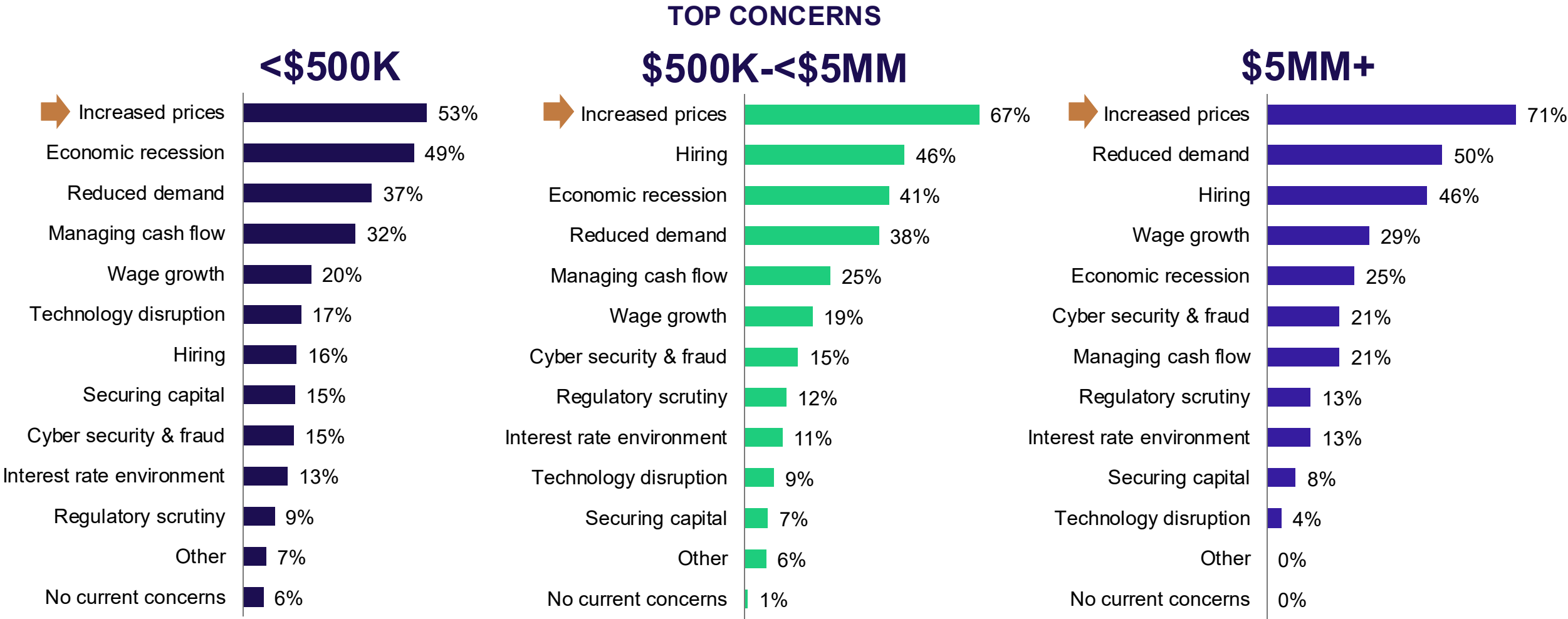
Q: We would now like to understand your outlook on the future. During the *next 12 months*, do you expect your company's...

Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

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INCREASED PRICES ARE TOP CONCERN REGARDLESS OF SALES SEGMENT

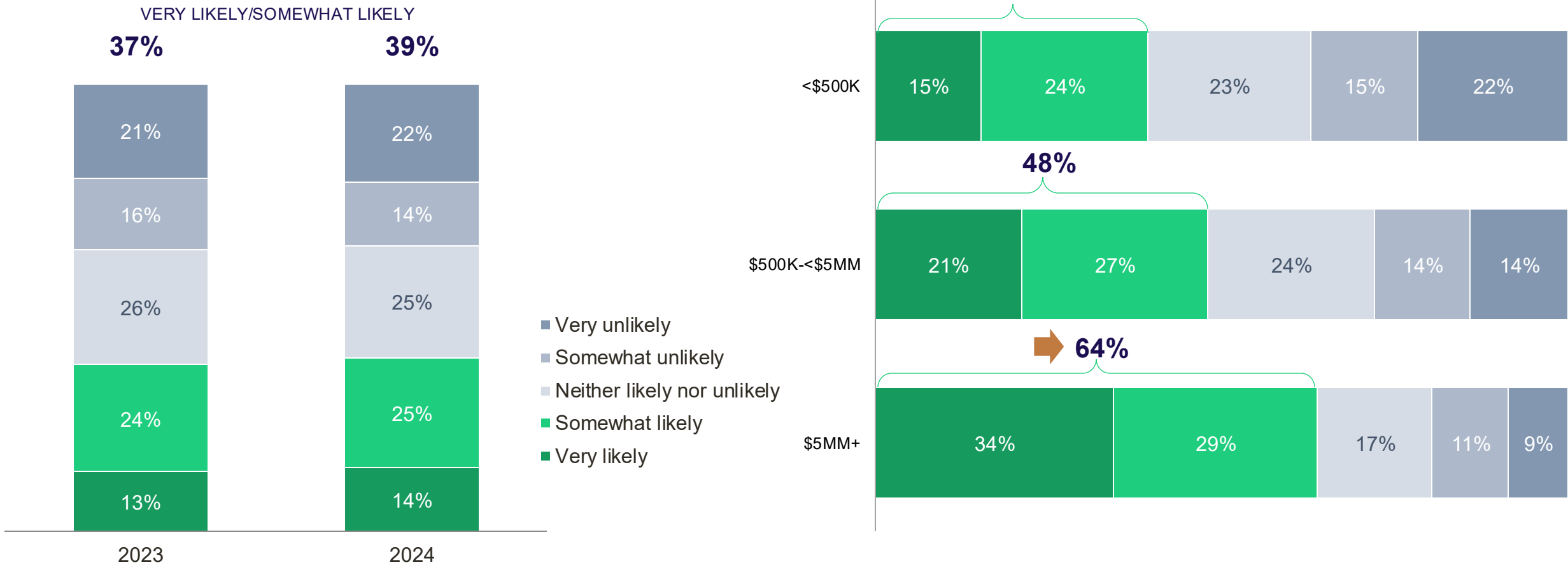


Q: What are your THREE biggest concerns for your company today? Please enter a ‘1’ for your most concerning, followed by ‘2’ and ‘3’ for the second and third most concerning.

Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

NEARLY TWO IN THREE DEPOSIT CUSTOMERS WITH \$5MM+ IN SALES ARE LIKELY TO BORROW OVER THE NEXT 3-5 YEARS

LIKELIHOOD TO BORROW WITHIN 3-5 YEARS

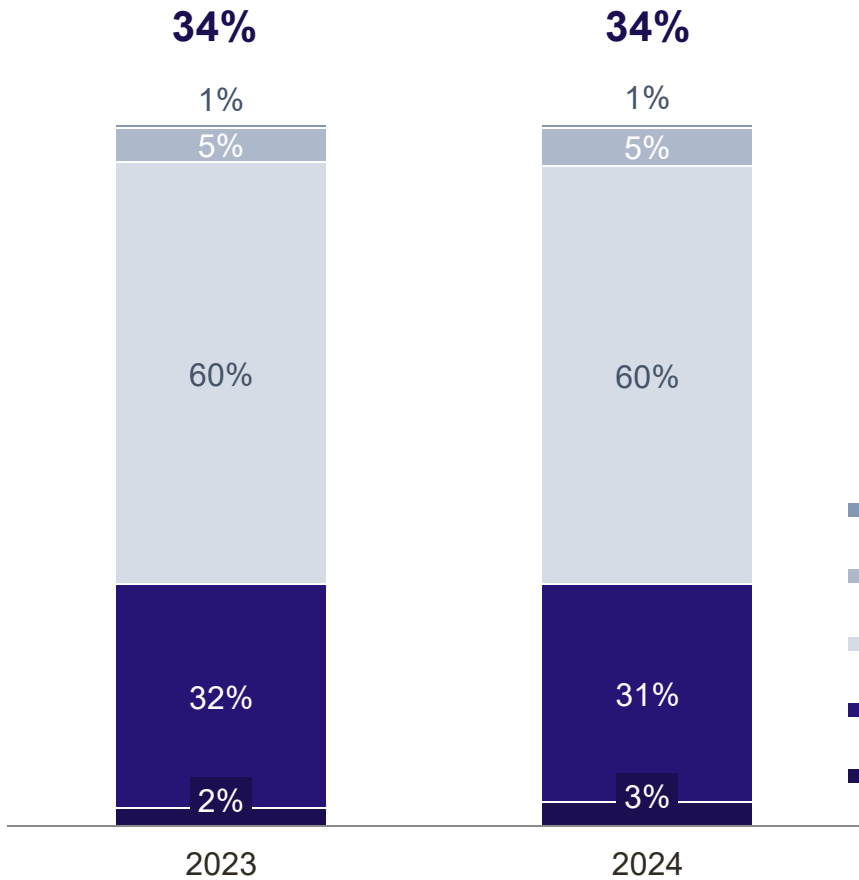


Q: How likely are you to need additional capital to grow your business over the next 3-5 years?

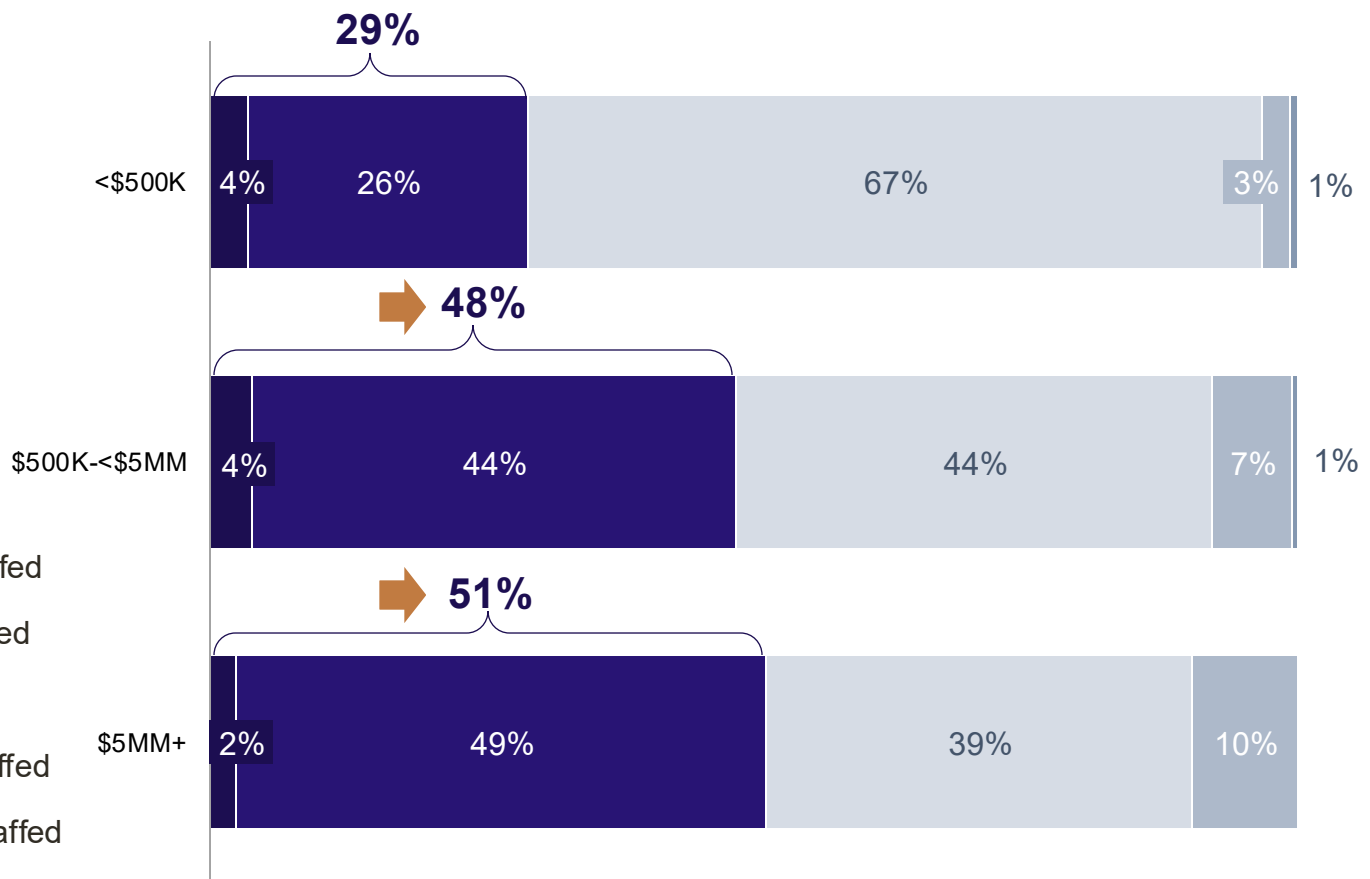
Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

APPROXIMATELY HALF OF DEPOSIT CUSTOMERS WITH OVER \$500K IN SALES ARE UNDERSTAFFED

SIGNIFICANTLY/MODERATELY UNDERSTAFFED

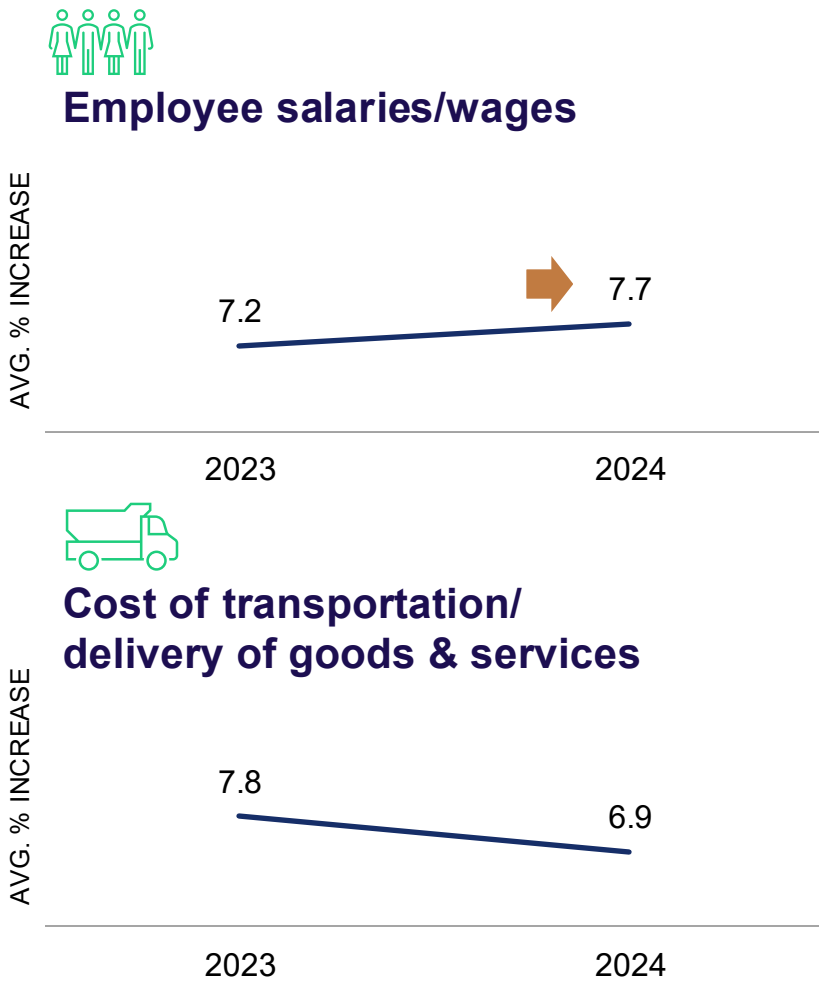
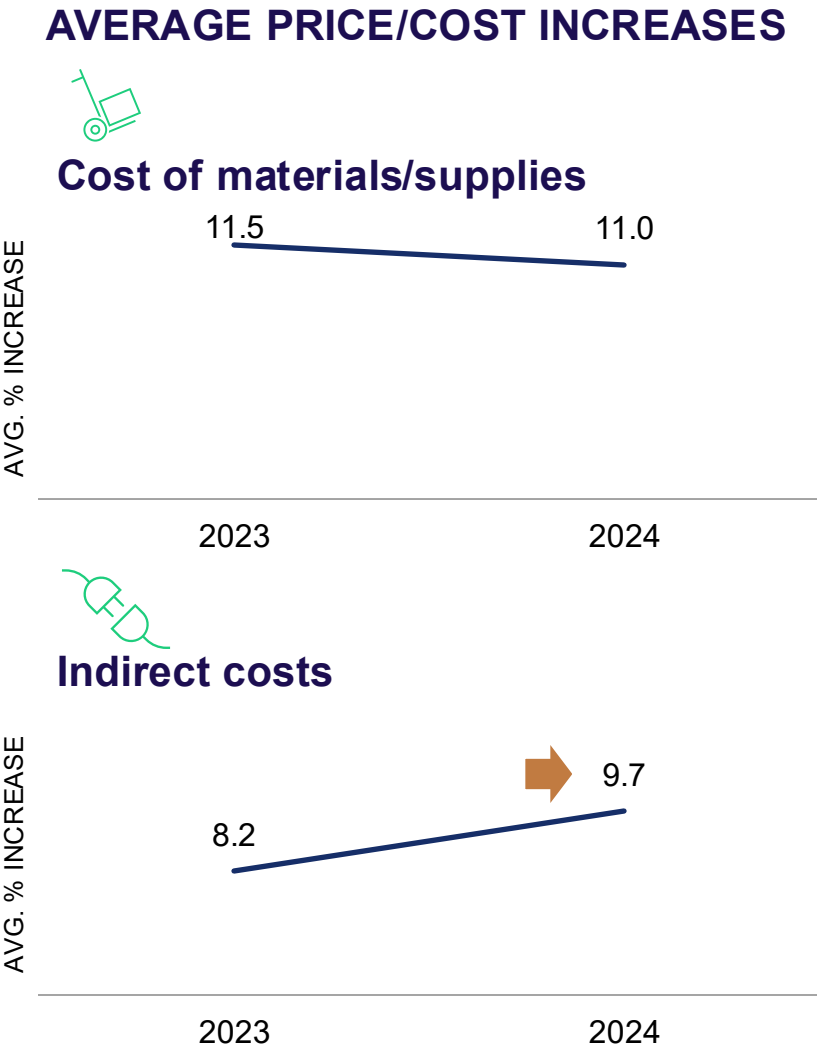
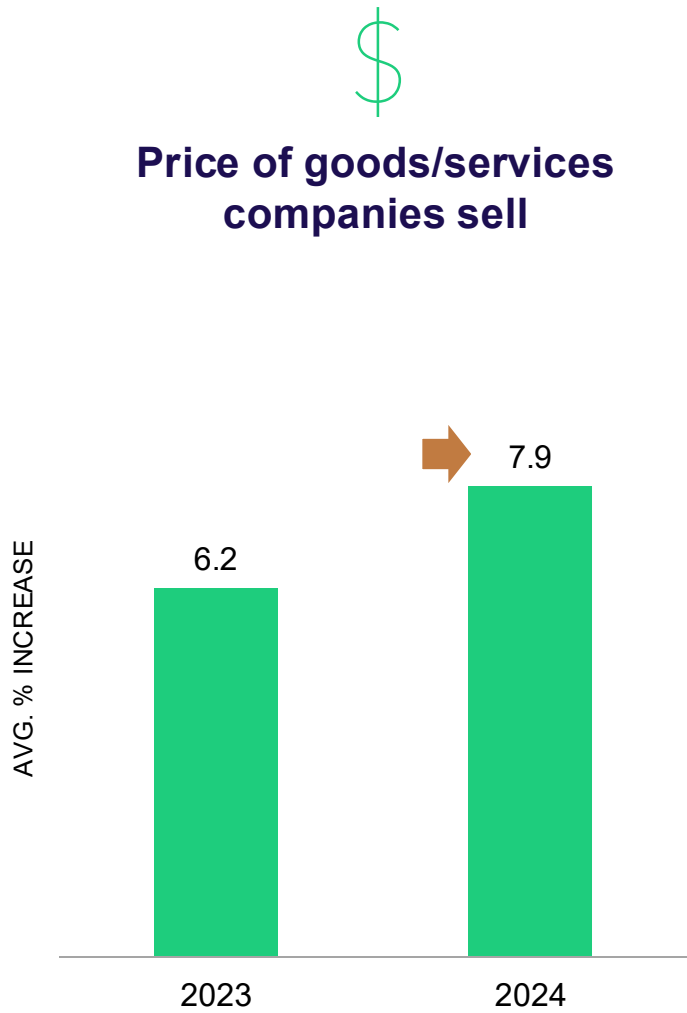



STAFFING LEVELS



Q: Which of the following best represents your current staffing level?
Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)

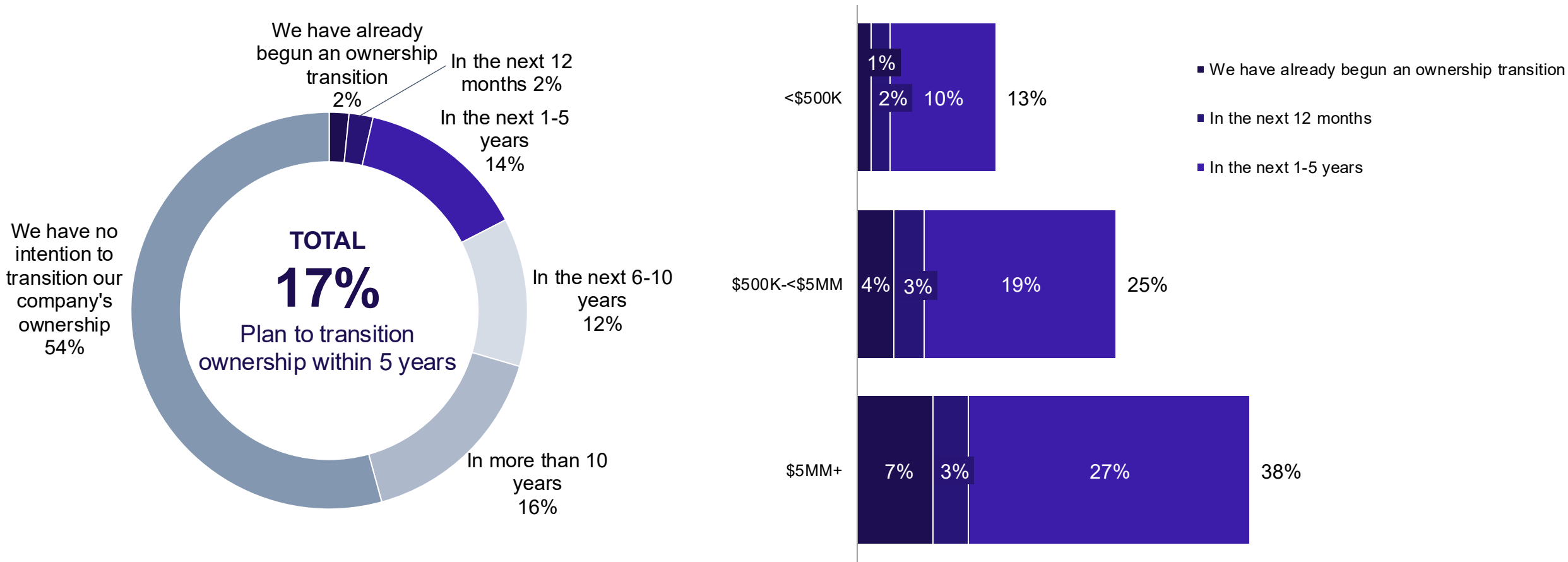
DEPOSIT CUSTOMERS INCREASED THEIR PRICES BY NEARLY 8% IN 2024, AS INDIRECT COSTS AND SALARIES GREW ⁷⁶



Q: How much would you estimate the following (in total) increased during the last 12 months?
Base: Deposit customers; Source: Live Oak 2024 Voice of the Customer Survey (Powered by Barlow Research)
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THE LARGER THE DEPOSIT CUSTOMER IS IN ANNUAL SALES, THE MORE LIKELY THEY ARE TO BE PLANNING A BUSINESS TRANSITION

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 2024 Voice of the Customer Survey (Powered by Barlow Research)

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