

BUSINESSPULSE

Third Quarter, 2024



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BARLOW RESEARCH ASSOCIATES, INC.



The Live Oak BusinessPulse, fielded by Barlow Research Associates, is an invitation-only economic survey administered online or via fax, fielded for two weeks during the first month of each quarter.

Key findings

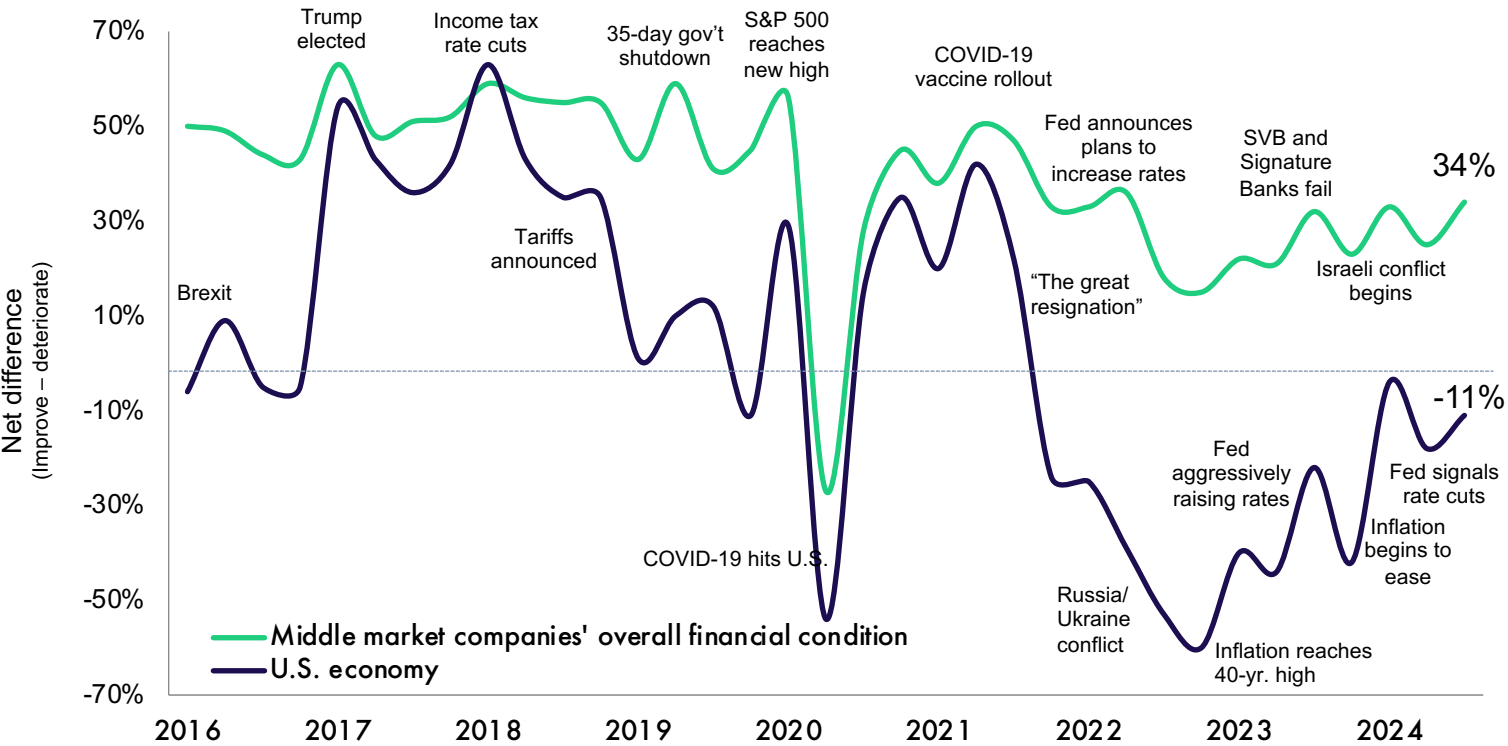
MIDDLE MARKET

Businesses with \$10MM-
<\$500MM in annual sales

1. Middle market companies grew more optimistic about their financial position as many saw upticks in sales and profits. Decreased cash reserves continue to pose a challenge.
2. Middle market financial condition expectations improved to their highest point in 2024. Higher expected sales are driving positive sentiment.
3. Demand for additional credit increased in the middle market to its highest point since the fourth quarter of 2022. Those expecting to apply for additional credit are likely seeking working capital or need credit to support growth.

Middle market companies grew more optimistic in the third quarter of 2024

MIDDLE MARKET EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY
Next 12 months net difference



Third quarter defining event:
Biden drops out of Presidential race

Q: During the next 12 months, do you expect...
\$10MM-<500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

01


Retrospective economic position

6

 LiveOakBank

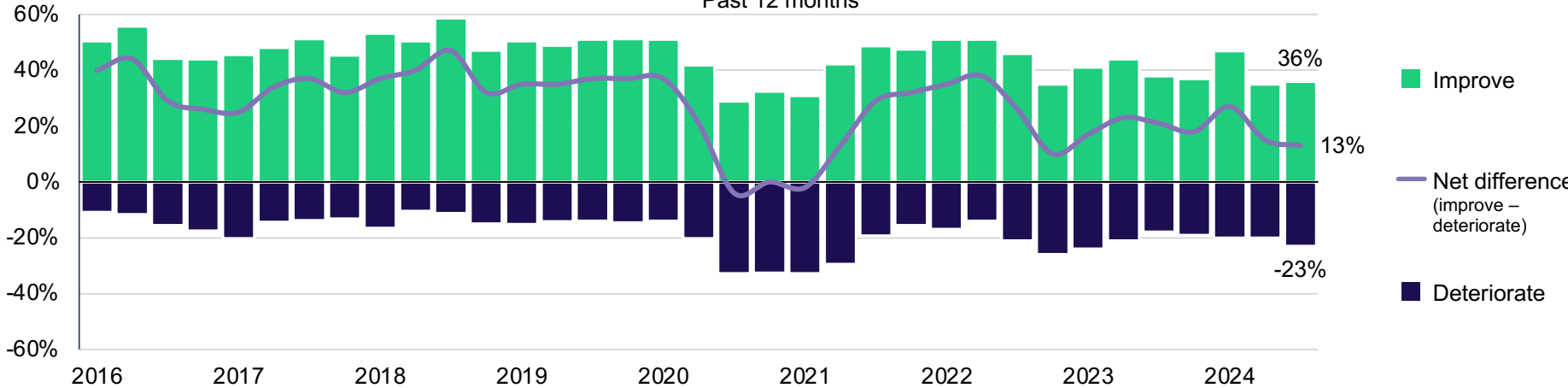
BUSINESSPULSE

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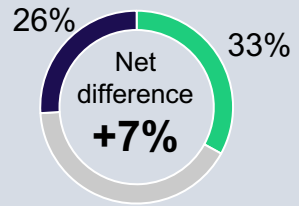
Middle market financial conditions remained flat from the previous quarter

MIDDLE MARKET FINANCIAL CONDITION
Past 12 months

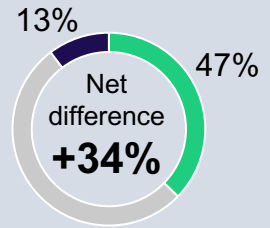


Net difference
+13%
-2 pts. from last quarter
-8 pts. from one year ago

\$10MM-<\$50MM



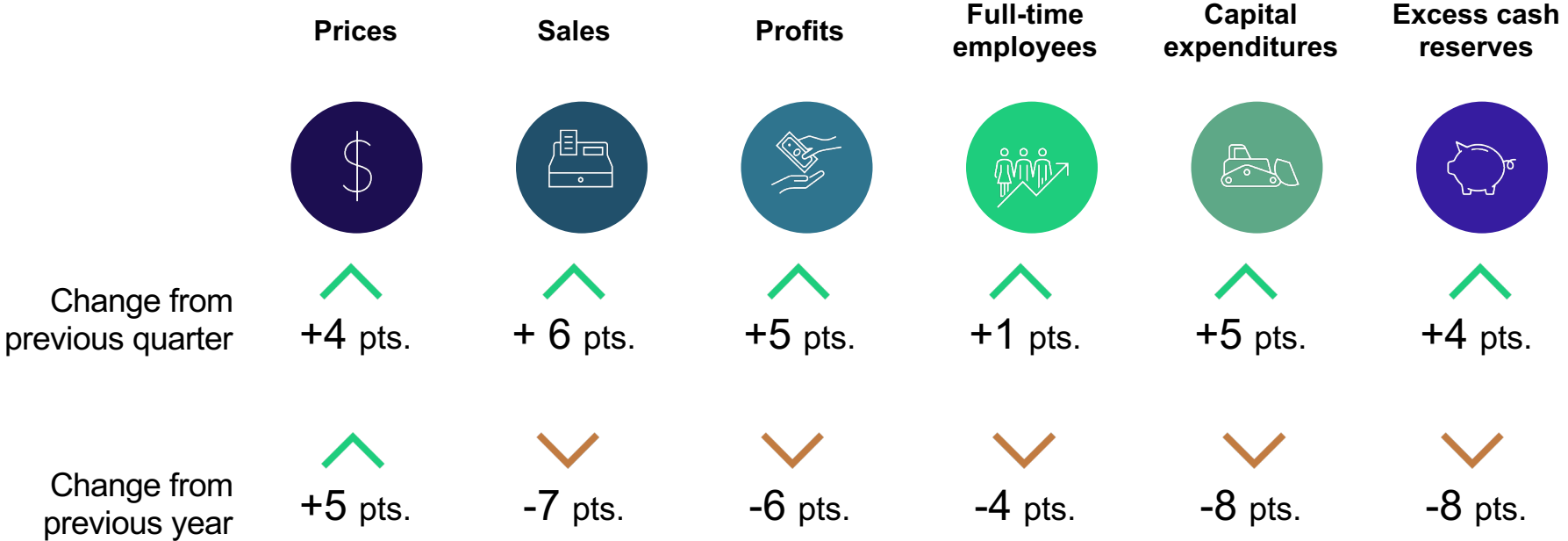
\$50MM-<\$500MM



Q: During the last 12 months, did your company's overall financial condition...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

The middle market saw upticks across all indicators compared to the second quarter 2024

MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months

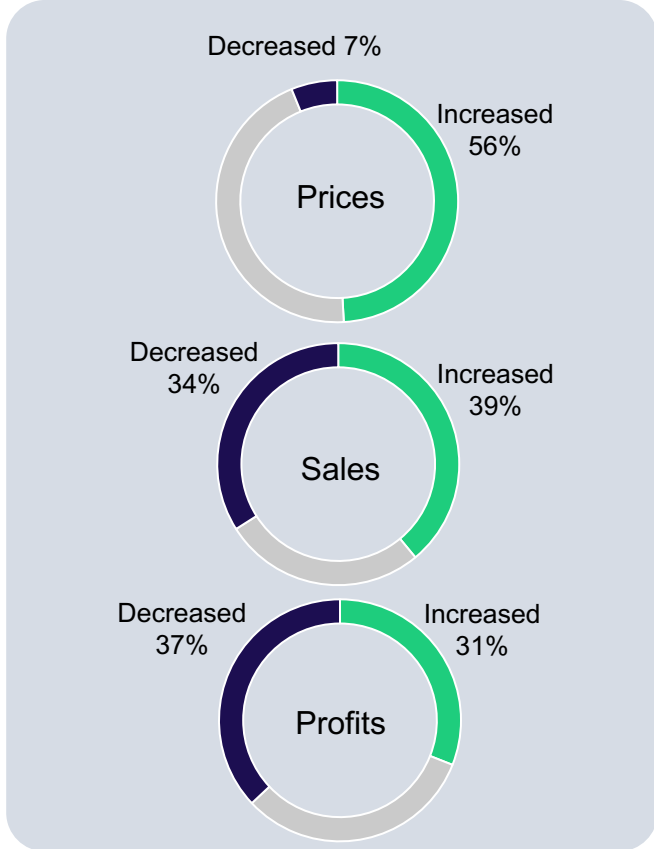
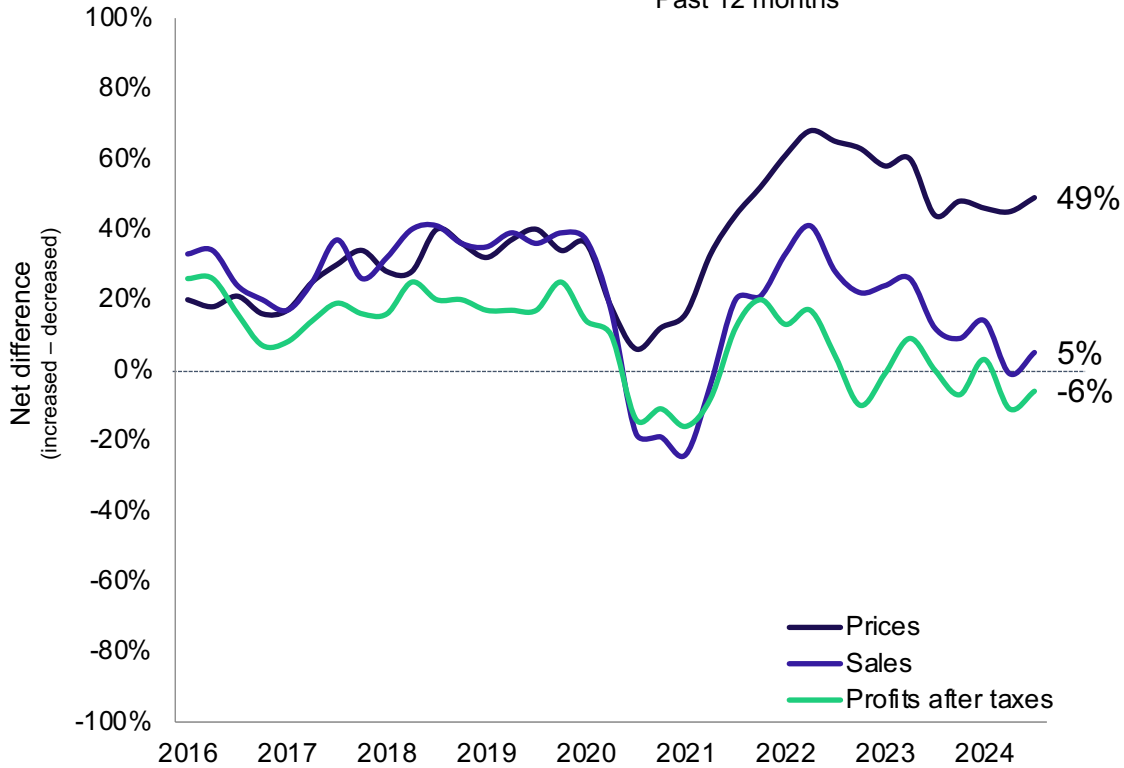


Net difference: increased – decreased

Q: During the last 12 months, did your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

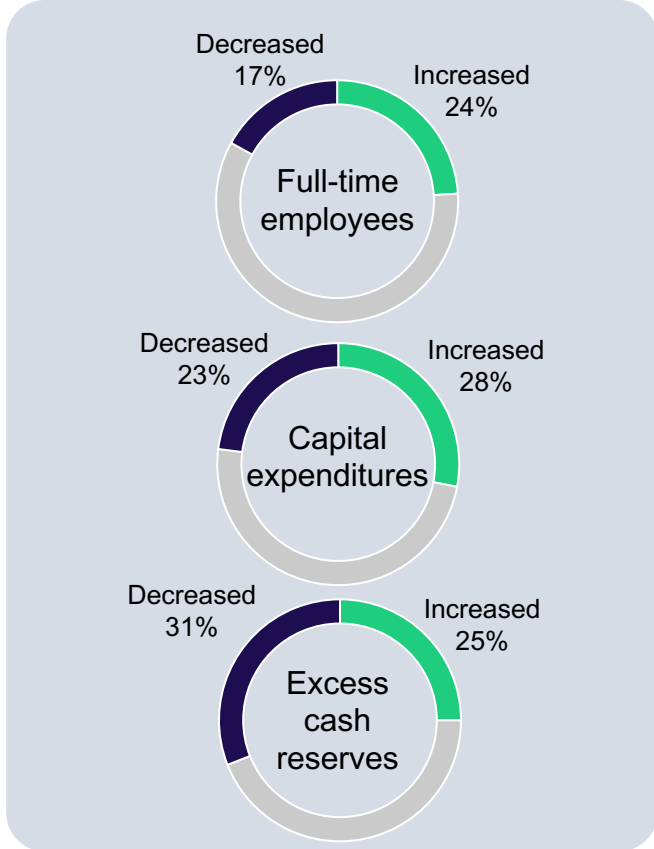
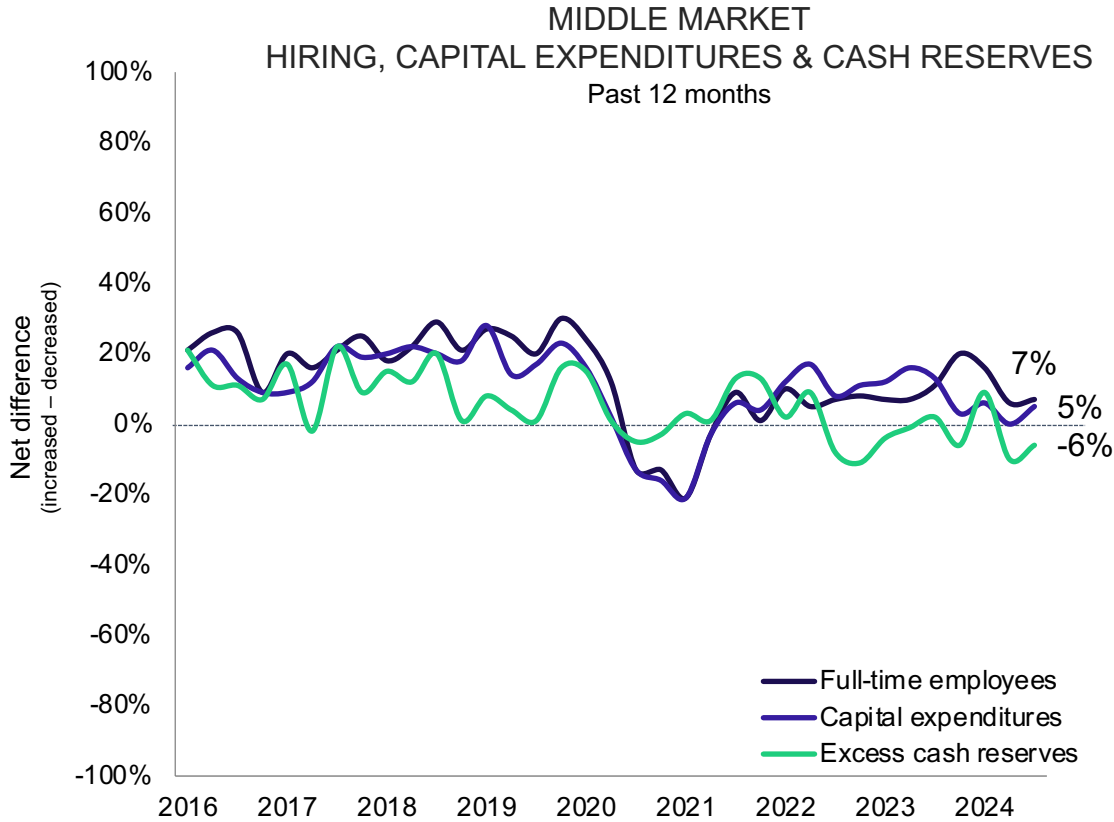
After entering negative net difference territory in the second quarter, middle market sales turned positive once again

MIDDLE MARKET PRICES, SALES & PROFITS
Past 12 months



Q: During the last 12 months, did your company's...
\$10MM-~\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

Decreased excess cash continues to be a challenge for many middle market companies



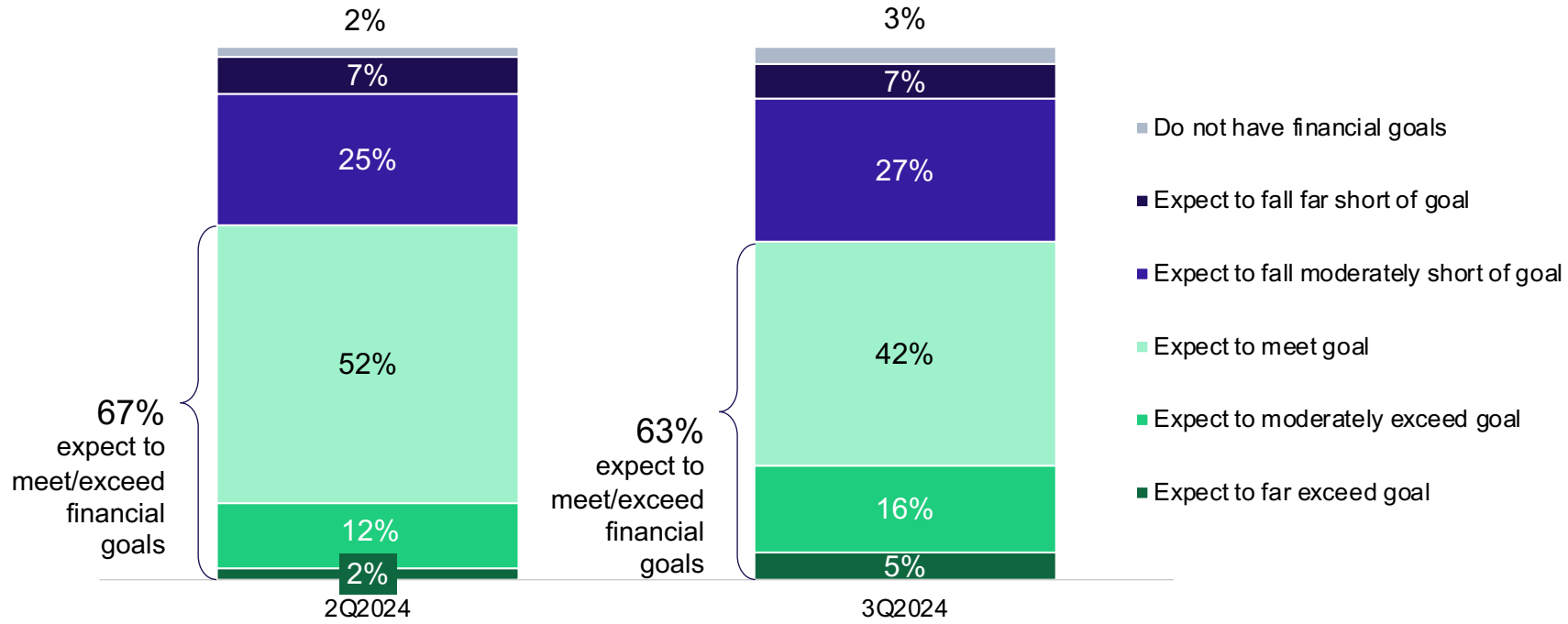
Q: During the last 12 months, did your company's...
 \$10MM-~\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

02

Expected economic position

Nearly a third of middle market companies continue not to expect to meet their financial goals in 2024

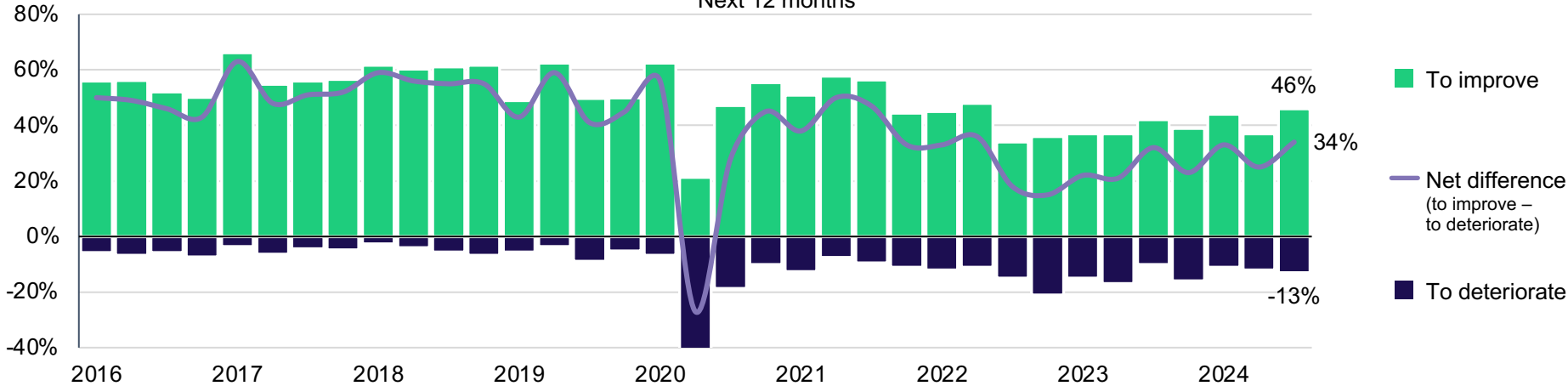
MEETING FINANCIAL GOALS: MIDDLE MARKET



Q: Do you expect that your company will exceed, meet or fall short of its financial goals by the end of your current fiscal year?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

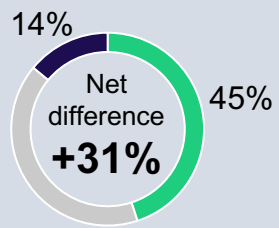
Middle market financial condition expectations improved to their highest point in 2024

MIDDLE MARKET FINANCIAL CONDITION
Next 12 months

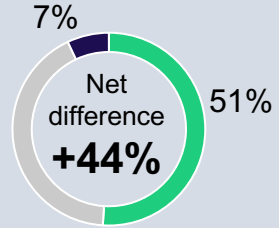


Net difference
+34%
+9 pts. from last quarter
+4 pts. from one year ago

\$10MM-<\$50MM



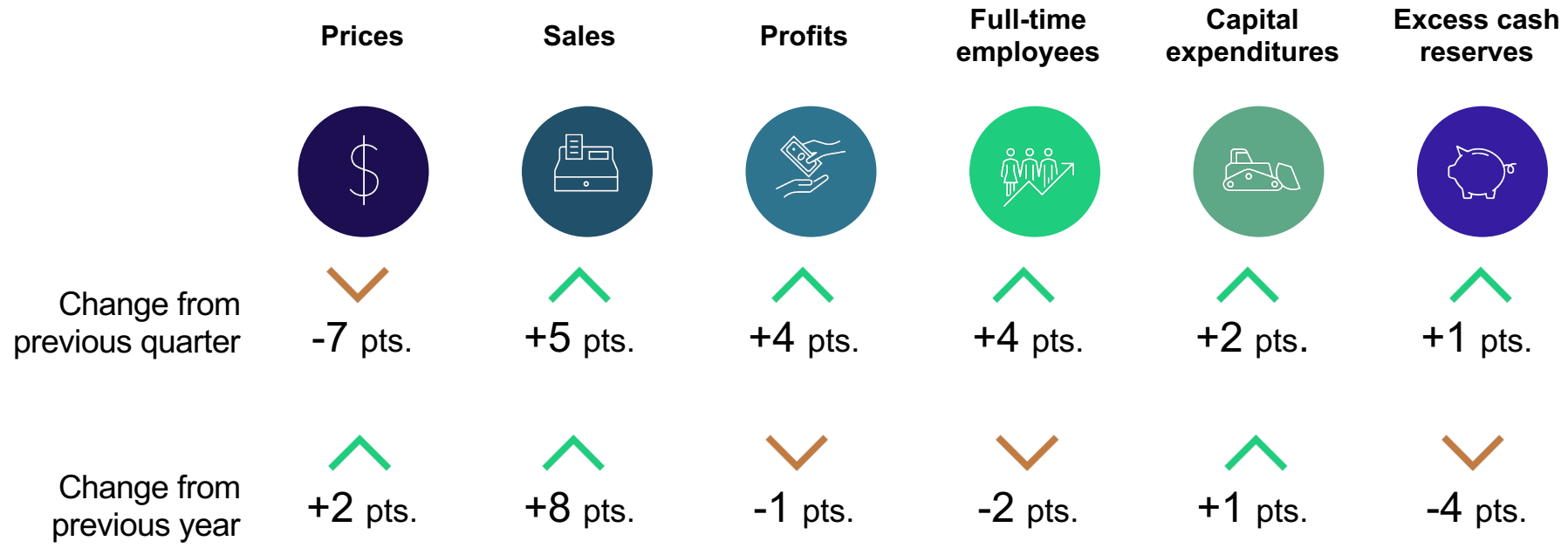
\$50MM-<\$500MM



Q: During the next 12 months, do you expect your company's overall financial condition to...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

Higher expected sales are likely driving positive sentiment in the middle market

MIDDLE MARKET NET DIFFERENCE CHANGES Next 12 months

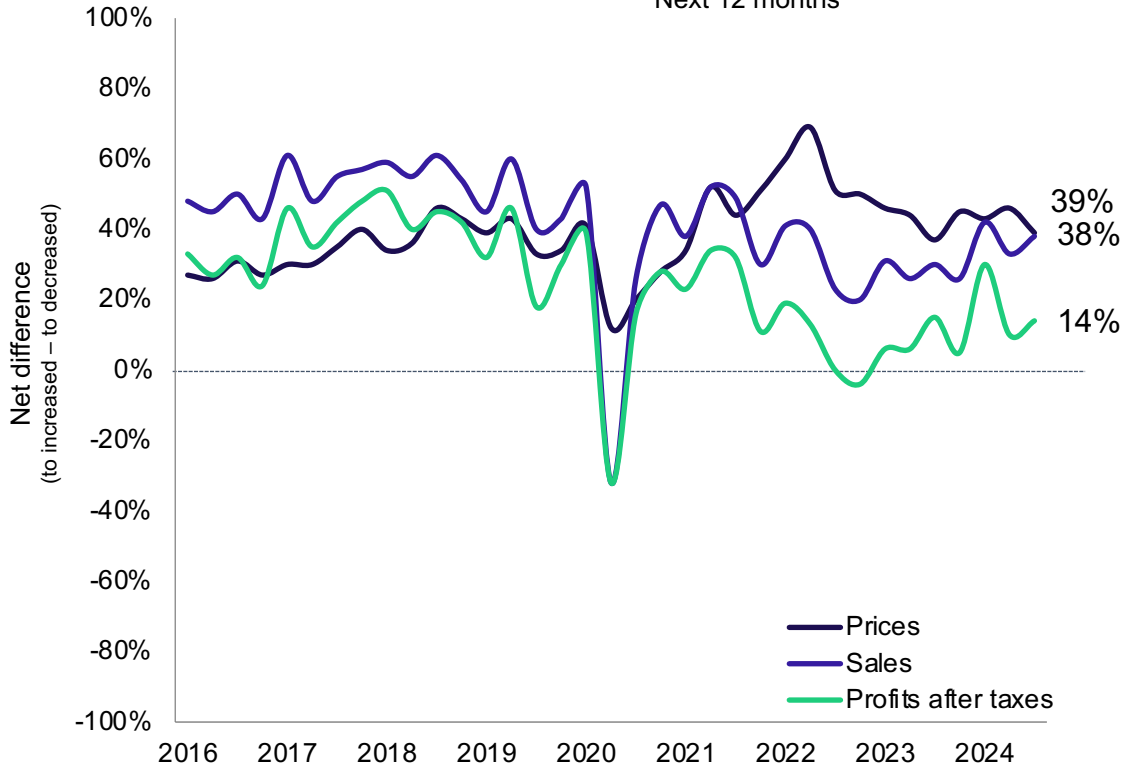


Net difference: to increase – to decrease

Q: During the next 12 months, do you expect your company's...
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

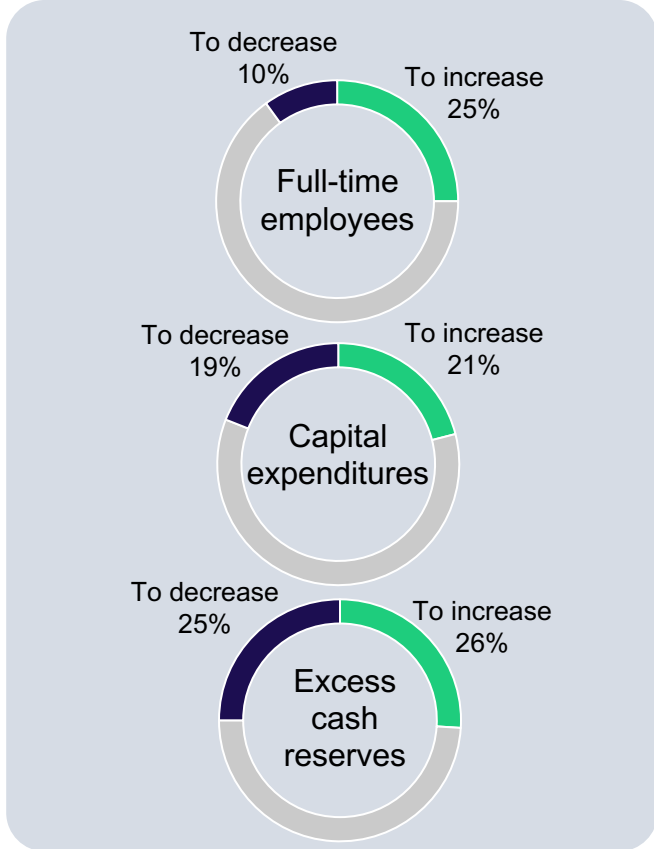
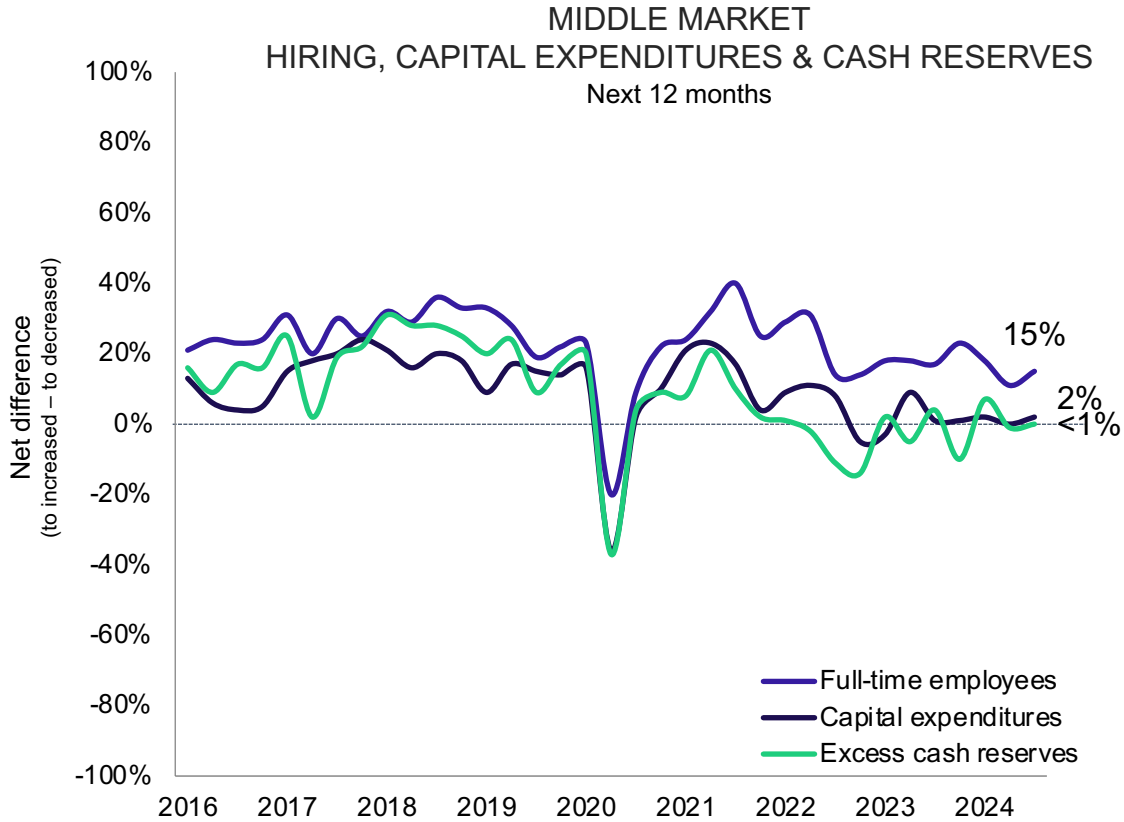
Net difference price expectations, while still elevated, ticked down in the third quarter of 2024

MIDDLE MARKET PRICES, SALES & PROFITS
Next 12 months



Q: During the next 12 months, do you expect your company's...
\$10MM-~\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

Middle market hiring is expected to improve in the next 12 months



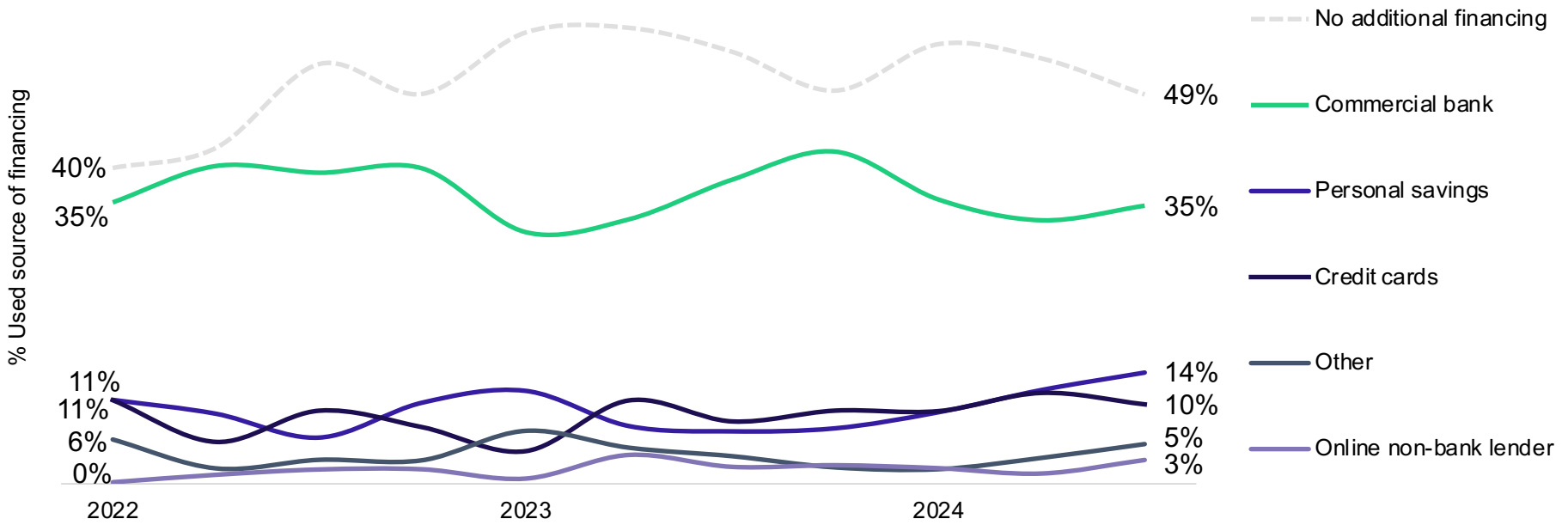
Q: During the next 12 months, do you expect your company's...
 \$10MM-~\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

03

Credit outlook

Commercial banks continue to be the top source of financing for middle market companies

MIDDLE MARKET SOURCES OF FINANCING
Past 12 months

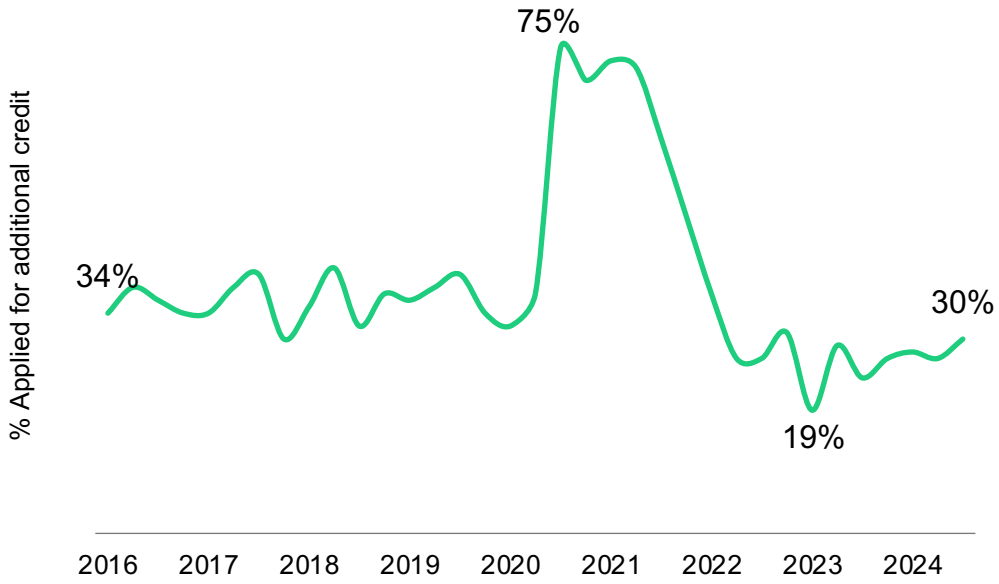


Q: During the last 12 months, in addition to company equity and cash flow, how has your company financed its business operations? (select all that apply)
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

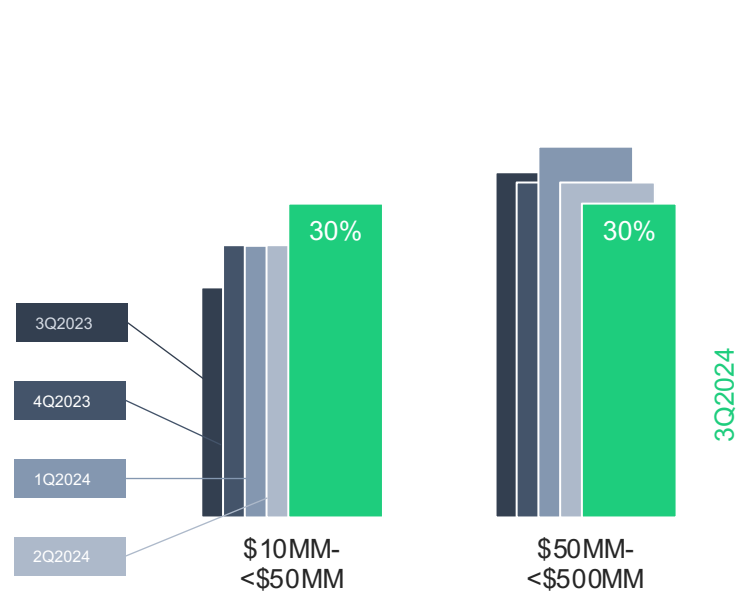
Demand for additional credit increased in the middle market to its highest point since 4Q22

MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

ADDITIONAL CREDIT APPLICATION TREND



CHANGE FROM 3Q2023



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?

\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2024)

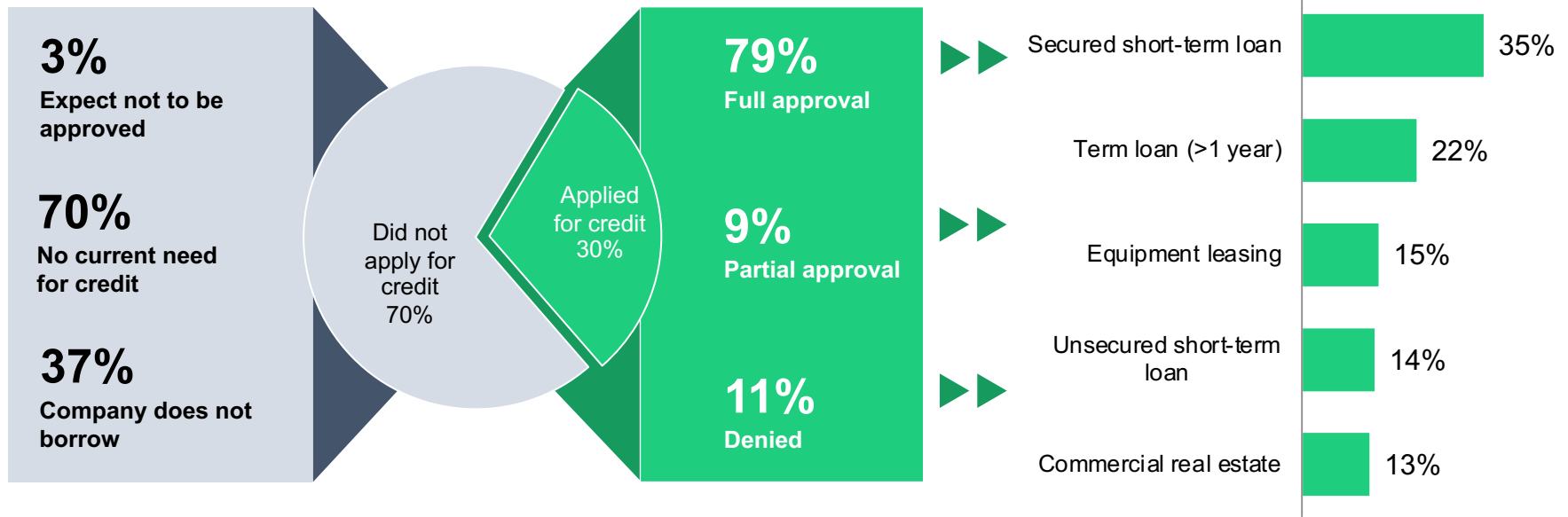


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Nearly one in five middle market companies that applied for additional credit were not approved for all credit requested

MIDDLE MARKET CREDIT APPLICATION OUTCOME

TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*

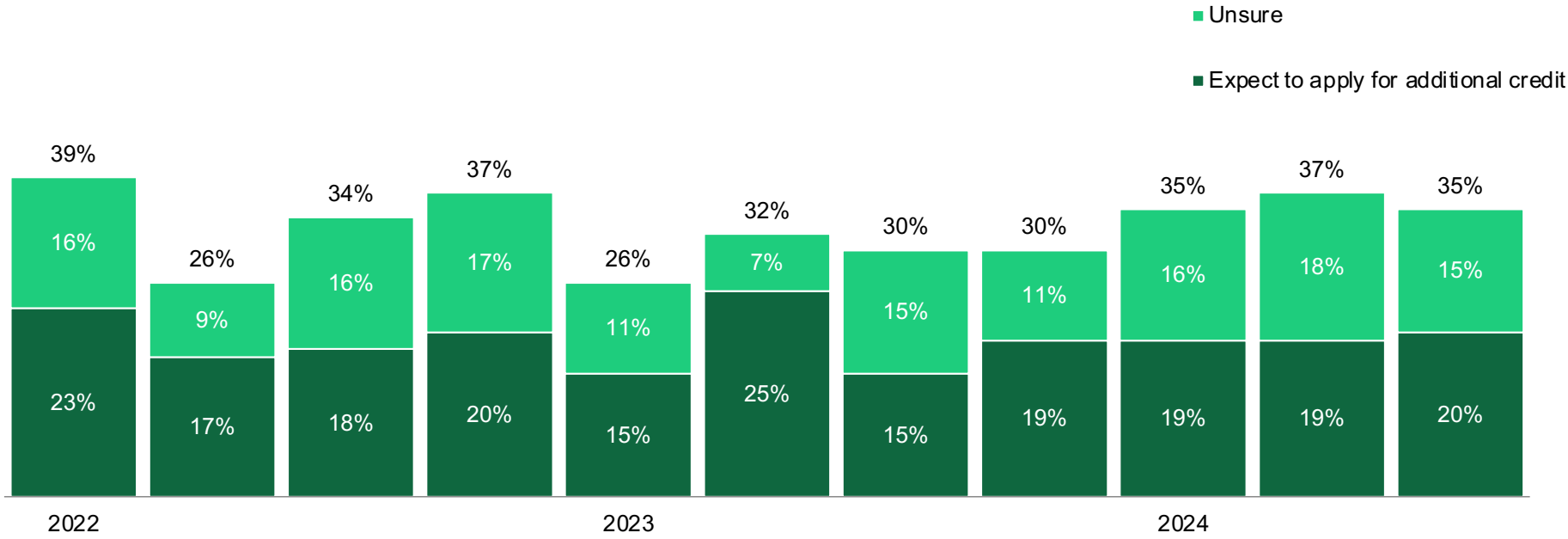


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
 Q: What kind(s) of additional credit was your company attempting to acquire?

*Base: those that applied for additional credit
 \$10MM-~\$500MM
 BusinessPulse Quarterly Data (3Q2024)

The percentage of middle market companies that anticipate borrowing or are unsure has remained stable

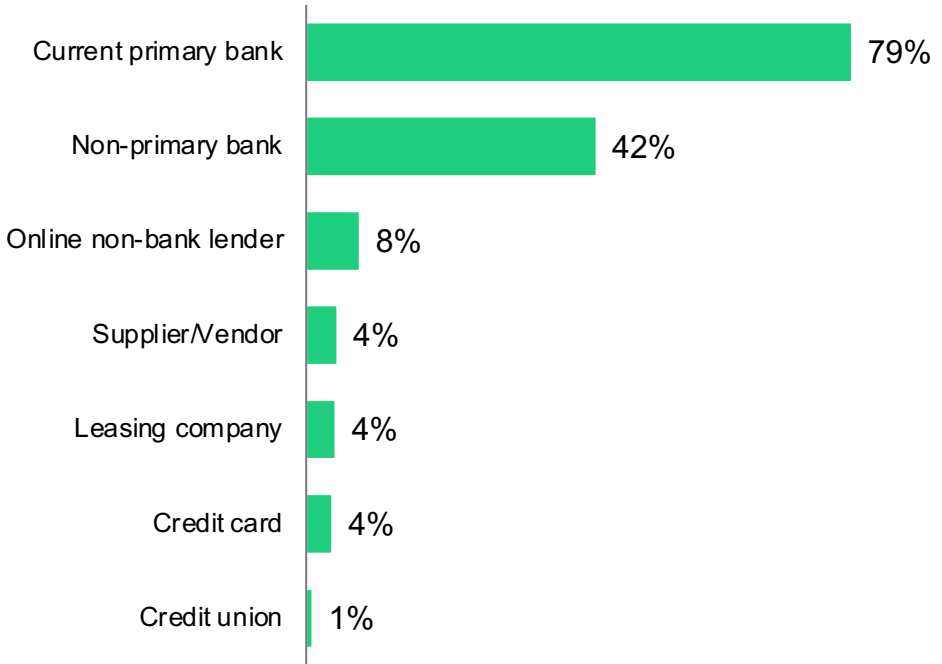
MIDDLE MARKET EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



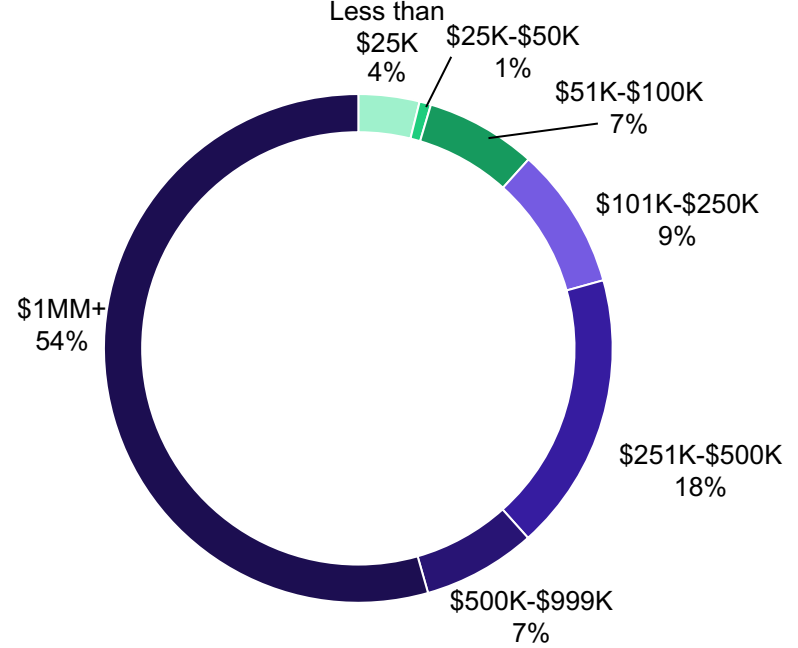
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
 \$10MM-<\$500MM
 BusinessPulse Quarterly Trending Data (ending 3Q2024)

Of the middle market companies that expect to apply for additional credit, over half anticipate borrowing \$1MM+

WHERE MIDDLE MARKET COMPANIES EXPECT TO APPLY FOR ADDITIONAL CREDIT*



AMOUNT OF ADDITIONAL CREDIT MIDDLE MARKET COMPANIES ANTICIPATE BORROWING*

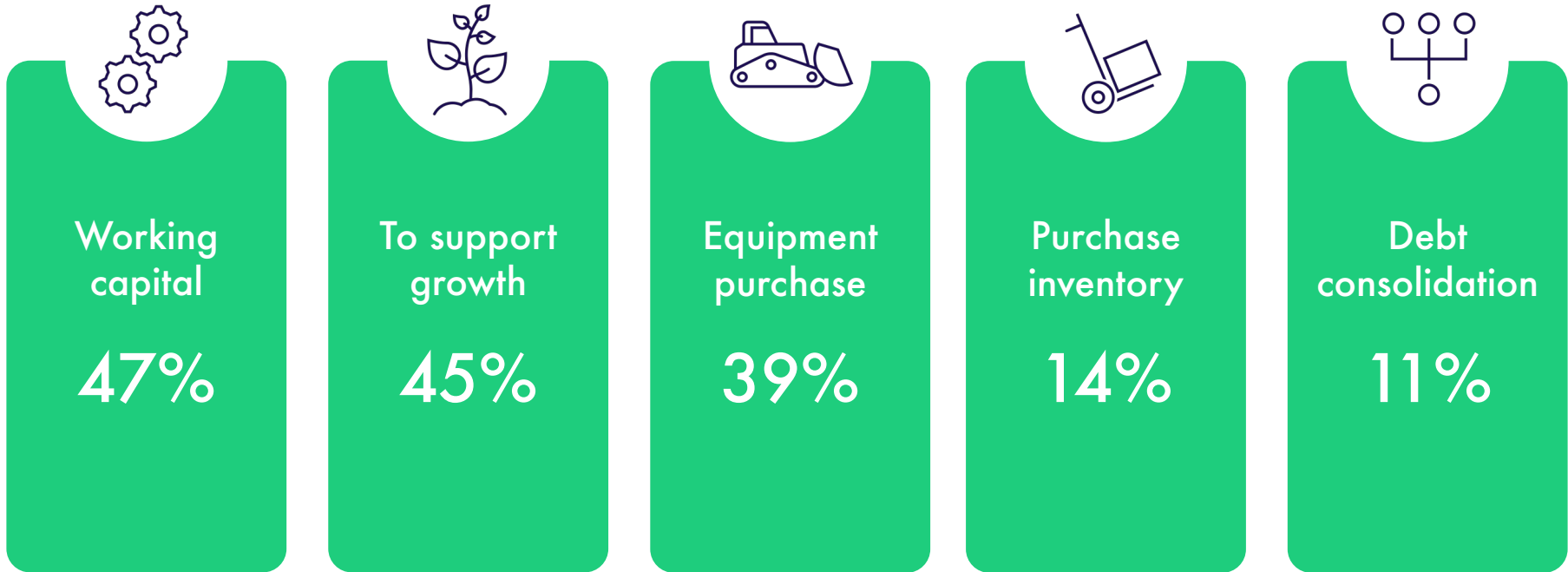


Q: Where do you expect to apply for additional credit? (select all that apply)
 Q: If you expect your company to apply for additional credit or loans in the next 12 months or are unsure, approximately how much do you anticipate borrowing?

*Based to those that expect to apply for additional credit or are unsure
 \$10MM-<\$500MM
 BusinessPulse Quarterly Data (3Q2024)

Additional credit will likely be for working capital or to support growth in the middle market

MIDDLE MARKET COMPANIES' REASONS FOR EXPECTING TO APPLY FOR ADDITIONAL CREDIT*



Q: For what reason(s) would you expect to borrow? (select all that apply)

*Based to those that expect to apply for additional credit or are unsure
\$10MM-<\$500MM
BusinessPulse Quarterly Data (3Q2024)

This BusinessPulse report contains data from surveys conducted in the third quarter of 2024 by Barlow Research, involving a sample of 380 small businesses and 366 middle market companies. Companies surveyed include all SIC categories except depository institutions, U.S. postal services, private households, bank holding companies and commercial non-physical research. (All Pulse Survey respondents previously participated in Barlow Research's small business or middle market banking surveys.)

Middle Market
(\$10MM-<\$500MM)

366

Respondents
by mail or online

32.1%

Response rate

±5.12% at 95%
Max error factor

Weighted
By geography and sales volume

