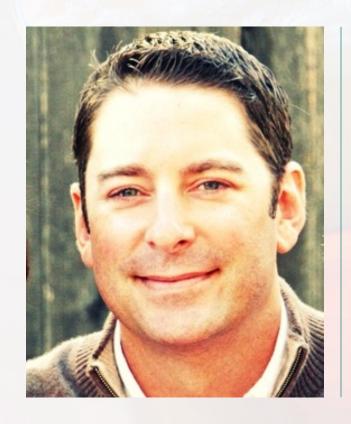


CREATIVE FINANCING SOLUTIONS IN A POST-COVID WORLD

Presented by: Randall Behrens – Live Oak Bank



RANDALL BEHRENS

Vice President – Craft Beverage Lending
LIVE OAK BANK



BANK FINANCING



"Banks only lend you money when you don't need it"



WHAT IS THE SBA?

- The SBA is a Federally funded program that gives the lender a guaranty of up to 75% of the net loss after liquidation of collateral
- Allows the lender to expand their credit policy and consider loans that may not meet conventional guidelines
- Allows for longer terms and higher leverage
- Lender can consider projection-based repayment; ideal for start-ups
- Typically, less expensive than private money or leases
- SBA funds can be used for real estate, construction, leasehold improvements, equipment, working capital, acquisition and refinance
- Preferred Lenders can approve SBA loans in-house under delegated authority, resulting in quicker approvals and closings



COMMON USES OF LOAN PROCEEDS

Growth through capacity expansion

- Larger brewhouse
- Additional tanks
- Add/Improve packaging line
- Working capital

Growth through acquisition

- Merge with an existing brewery or acquire the assets of a shuttered brewery
- Up to 100% financing available for acquisition (for existing businesses)
- More information on acquisition financing can be found at: https://info.liveoakbank.com/expansion-through-acquisition-download

Operating line of credit

- 10-year term, 5-year revolving followed by 5-year P&I term out, excellent terms
- Great for acquiring packaging materials and ingredients or small equipment purchases



COMMON USES OF LOAN PROCEEDS CONTINUED

Improve cash flow through debt re-structuring

Recent example:

- Original Conventional Loan of \$2,000,000 on a 5-year term
- Monthly payment of \$37,000
- 2 years into loan, principal balance of \$1,200,000

Brewery needed additional capital for upgrading packaging line, adding tank capacity and working capital. Total need of \$1,250,000.

LOB refinanced the existing \$1,200,000 conventional loan and provided \$1,250,000 in additional expansion capital for total loan of \$2,450,000 over a 12-year term. New loan payment of \$22,000. Resulted in successful brewery expansion and reduced monthly debt service by \$15,000.



WHAT IS A LENDER LOOKING FOR?

Equity

- As little as \$0 equity from borrower
- Up to 100% financing available

Revenue Trends

Positive revenue and NOI trends. Is the brewery converting additional revenues into profit?

Business Plan

Are the projections consistent with historical ratios?

Collateral

- Tangible business assets (i.e. equipment)
- Outside collateral from guarantors (i.e. real estate) not required, but helpful

The 5 C's of Credit

- Character: Honesty, integrity, background, experience, personal credit
- Capital: "Skin in the game"
- Condition: What will the loan be used for? What is the purpose of the loan request?
- · Cash Flow (also refereed to as "capacity": How will the loan be repaid?
- Collateral: If you can't pay the loan back, what is the secondary repayment source?



DOWNLOADABLE RESOURCES

Expansion Through Acquisition Downloadable:

https://info.liveoakbank.com/expansion -through-acquisition-download

Expansion Through CRE Purchase Downloadable:

https://info.liveoakbank.com/expansion -through-cre-download

Expanding Your Business FAQs:

https://info.liveoakbank.com/expanding-your-business-faqs-download



QUESTIONS?



