Phoenix Management Services

"Lending Climate in America"
1st Quarter 2024
Survey Results

(Survey results were tabulated on March 8, 2024)

1. Which macroeconomic headwind is most concerning heading into 2024?

Policy Risk (interest rates)	27%
U.S. Recession	0%
Looming Debt Crisis	0%
2024 Election/Political Uncertainty	55%
Geopolitical Risk/War	18%

2. Debtwire's latest Restructuring Insights report found bankruptcy filings jumped 58% in 2023. Do you believe this trend will continue in 2024, and if so, do you believe this correlates with a looming recession?

Yes, there will be an increase in the number of bankruptcies in 2024, and this increase represents an indication/precursor to a recession.	73%
No, bankruptcies will not increase in 2024 and the U.S. will avoid a recession.	27%

3. For the rest of H1 2024, how do you see the demand for overall loans changing?

Increasing	36%
Staying the Same	46%
Decreasing	18%

4. Highest Senior Debt to EBITDA Leverage Institutions Would Consider

Respondents were asked the highest multiple of Senior Debt to EBITDA their financial institution would consider with regard to a loan request.

EBITDA Level	4Q 2023	1Q 2024
Greater than 3.5x	16.7%	27.3%
Between 3.01x and 3.50x	33.3%	18.2%
Between 2.51x and 3.00x	8.3%	18.2%
Between 2.01x and 2.50x	0%	0%
Less than 2.0x	0%	9.1%
Collateral lenders	41.7%	18.2%
N/A	0%	9.1%

5. Anticipated Change in Senior Debt to EBITDA Multiple

Respondents were asked, over the next six months, how the Senior Debt to EBITDA multiple would change at their financial institution.

Change in Senior Debt to EBITDA Level	4Q 2023	1Q 2024
Increase greater than 0.5x	0%	9.1%
Increase less than 0.5x	8.3%	9.1%
Decrease less than 0.5x	16.7%	9.1%
Decrease greater than 0.5x	0%	0%
No change	16.7%	18.2%
Collateral lenders	41.7%	27.3%
N/A	16.7%	27.3%

6. Factors with Strongest Potential to Affect Near-Term Economy

Respondents were asked, over the next six months, which two factors had the strongest potential to affect the economy.

Factors Affecting Near-Term Economy	4Q 2023	1Q 2024
Unstable Energy Prices	8.3%	36.4%
Other	33.3%	18.2%
Stability of Stock Market	25%	27.3%
Constrained Liquidity in Capital Markets	83.3%	45.5%
U.S. Budget Deficit	50%	36.4%
Sluggish Housing Market	0%	36.4%

7. Industries Expected to Experience Greatest Volatility

Respondents were asked, over the next six months, which industries will experience the most volatility (i.e. Chapter 11 filings, mergers and acquisitions, declining profits, etc.). Respondents were asked to select the top three industries.

Industries Experiencing Most Volatility	4Q 2023	1Q 2024
Retail Trade	33.3%	72.3%
Finance and Insurance	50%	18.2%
Construction	58.3%	72.3%
Educational Services	0%	9.1%
Transportation & Warehousing	16.7%	27.3%
Real Estate & Rental/Leasing	83.3%	27.3%
Healthcare and Social Assistance	8.3%	9.1%
Accommodation & Food Service	0%	9.1%
Arts, Entertainment, and Recreation	0%	9.1%
Information	8.3%	0%
Mining	8.3%	9.1%
Manufacturing	8.3%	0%
Other Services	0%	18.2%
Wholesale Trade	16.7%	18.2%

8. Customers' Plans in the Next Six to Twelve Months

Respondents were asked which of the following actions their customers planned in the next six to twelve months. Lenders were asked to designate all potential customer actions that applied.

Customers' Plans	4Q 2023	1Q 2024
Hiring New Employees	50%	27%
Introducing New Products or Services	33%	27%
Raising Additional Capital	83%	55%
Capital Improvements	50%	45%
Making an Acquisition	58%	36%
Entering New Markets	17%	9%
"Other" Initiatives	0%	0%

9. Economic Indicators

Respondents were asked whether they expected the following economic indicators to be up, down, or remain the same over the next six months.

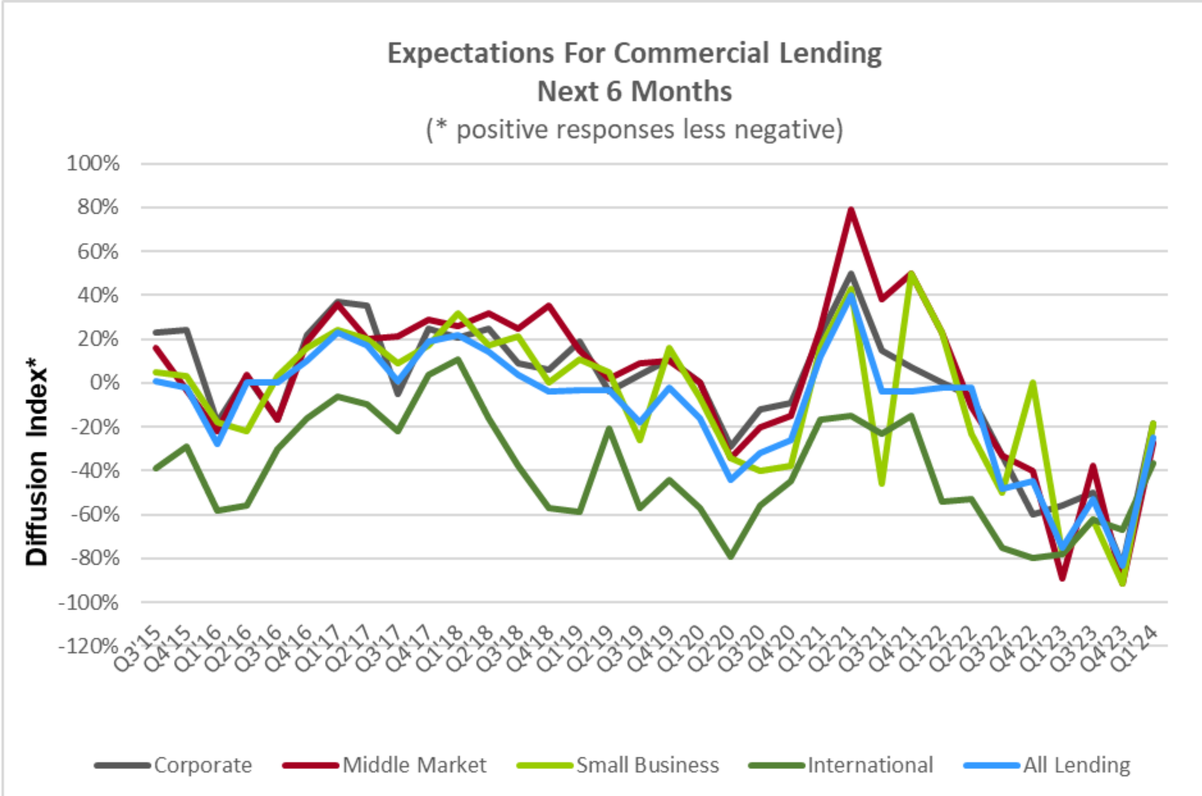
- In Q1 2024, lenders optimism increased in all lending markets.

4Q/2023

	Up	Down	Same	Diffusion Index
Corporate Lending	0%	83%	17%	-83%
Middle Market Lending	0%	92%	8%	-92%
Small Business Lending	0%	92%	8%	-92%
International Lending	0%	67%	33%	-67%

1Q/2024

	Up	Down	Same	Diffusion Index
Corporate Lending	18%	36%	46%	-18%
Middle Market Lending	18%	46%	36%	-27%
Small Business Lending	18%	36%	46%	-18%
International Lending	0%	36%	64%	-36%



- In Q1 2024, there was an increase in the all non-lending diffusion indices from Q4 2023 by varying degrees. All lending diffusion indices (Corporate, Middle Market, Small Lending, International) increased in Q1 2024 by 65-74% outside of international lending, which increased by 31%.

	4Q/2023					**1Q/2024**			
	Up	Down	Same	Diffusion Index		Up	Down	Same	Diffusion Index
Loan Losses	92%	0%	8%	92%	Loan Losses	64%	9%	27%	55%
Bankruptcies	100%	0%	0%	100%	Bankruptcies	70%	0%	30%	70%
Interest Rates	0%	25%	75%	-25%	Interest Rates	10%	50%	40%	-40%
Unemployment	42%	0%	58%	42%	Unemployment	40%	0%	60%	40%
Bank Failures	42%	0%	58%	42%	Bank Failures	20%	20%	60%	0%

10. U.S. Economy Grade – Next Six Months

Respondents were asked how they expected the U.S. economy to perform during the next six months on a grading scale of A through F.

- Lender optimism on the U.S. economy increased to 1.91 in Q1 2024 from 1.75 Q4 2023. In this current quarter, a larger portion of lenders (73%) believe the economy will perform at a "C" level during the next six months. Another 18% of lenders surveyed believe the economy will perform at a "D" level, while the remainder of the surveyed (9%) believe the economy will perform at a "B" or "A" level.

Grade	4Q/2023	1Q/2024
A	0%	0%
B	0%	9%
C	75%	73%
D	25%	18%
F	0%	0%
Weighted Average Grade	1.75	1.91

11. U.S. Economy Grade – Beyond the Next Six Months

Respondents were asked how they expected the U.S. economy to perform beyond the next six months on a grading scale of A through F.

- Lenders' expectations for the U.S. economy's performance in the longer term increased significantly from the prior quarter. The weighted average GPA increased 47 points from a 2.08 in Q4 2023 to 2.55 in Q1 2024. Of the lenders surveyed, 27% feel as though the U.S. economy will perform at a "C" level beyond the next six months, while 64% expect the economy to perform at a "B" level, over double the expectation of Q4 2023.

Grade	4Q/2023	1Q/2024
A	0%	0%
B	25%	64%
C	58%	27%
D	17%	9%
F	0%	0%
Weighted Average Grade	2.08	2.55

12. Customers' Future Growth Expectations

Lenders assessed their customers' growth expectations for the next six months to a year.

- The percentage of respondents indicating their customers have "moderate" growth expectations for the next six months to one year decreased 19 percentage points to 64%. In Q1 2024, there was no change in the percentage of lenders that ascribed to very strong growth (0%). Additionally, 27% percent of lenders ascribed to no growth, with the remaining indicating a level of strong growth.

Indication	**4Q/2023**	**1Q/2024**
Very Strong	0%	0%
Strong	0%	9%
Moderate	83%	64%
No Growth	17%	27%

13. Loan Structure

Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.) in each of four different-sized loan categories.

A majority of the surveyed lenders (57%) plan to tighten their current loan structure. In Q1 2024, the minority (43%) of lenders plan to maintain their loan structure and 0% plan to relax their loan structure.

	4Q/2023			**1Q/2024**		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	50%	50%	0%	56%	44%	0%
$15 – 25 million	50%	50%	0%	56%	44%	0%
$5-15 million	67%	33%	0%	56%	44%	0%
Under $5 million	58%	42%	0%	60%	40%	0%
Overall Average	56%	44%	0%	57%	43%	0%

14. Interest Rate Spread

Lenders were asked whether their financial institutions planned to reduce, maintain, or increase their interest rate spreads and fee structures on similar credit quality loans.

A majority of lenders (78%) plan to maintain their interest rate spreads and fee structures. In Q1 2024, the percentage of lenders that plan to increase their interest rate spreads decreased to 5%, and 18% plan to reduce their interest rate spreads.

	4Q/2023			1Q/2024		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans > $25 million	0%	67%	33%	30%	70%	0%
$15 – 25	0%	67%	33%	30%	70%	0%
$5-15 million	0%	50%	50%	10%	90%	0%
Under $5 million	0%	42%	58%	0%	82%	18%
Overall Average	0%	56%	44%	18%	78%	5%

15. The Fed and Interest Rates

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months.

0% of respondents in Q1 2024 believe the Fed will increase interest rates in the upcoming six months. 27% and 36% of lenders believe the Fed will decrease interest rates by – 1/4 points and – 1/2 points respectively. The remaining 36% believe there will be no short-term change.

Bps Change	4Q/2023	1Q/2024
+ 1/2 point or more	0%	0%
+ 1/4 point	0%	0%
Unchanged	58%	36%
- 1/4 point	25%	27%
- 1/2 point or more	17%	36%
Weighted Average	-0.27bps	-0.32bps

16. Current Competition

Respondents were asked to identify the segment of the industry from which they were experiencing the most competition.

- Commercial Finance Companies place at the top of the survey, garnering 36% of responses. Regional Banks garnered the next highest amount of responses with 27%.

	4Q/2023	1Q/2024
Regional Bank	33%	27%
Commercial Finance Co.	50%	36%
Local Community/Commercial Bank	0%	0%
Money Center Banks	8%	9%
Other	0%	18%
Factors	8%	9%