



The Payment Protection Program – Observations in Michigan

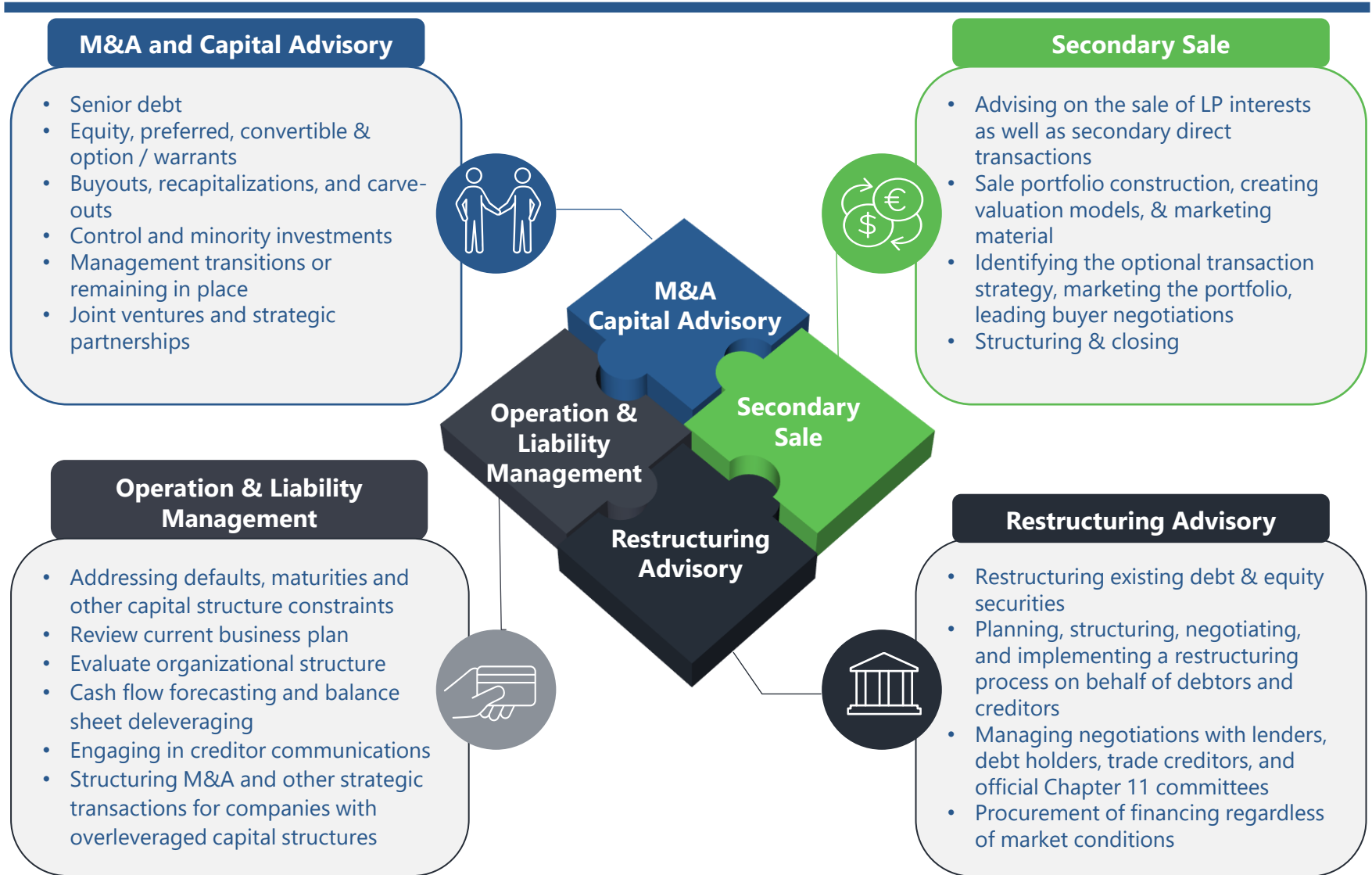


Its 10:00 PM.

***Do You Know Where
Your Capital Is?***



DLA's Capital Advisory & Restructuring Practice



Observations on the PPP Program in Michigan



The Payment Protection Program in Michigan

Michigan companies accessed approximately **\$17.8 billion** ⁽¹⁾ in a total of nearly **128k loans** via the Payment Protection Program through August of this year.

Per the SBA website:

“The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.”

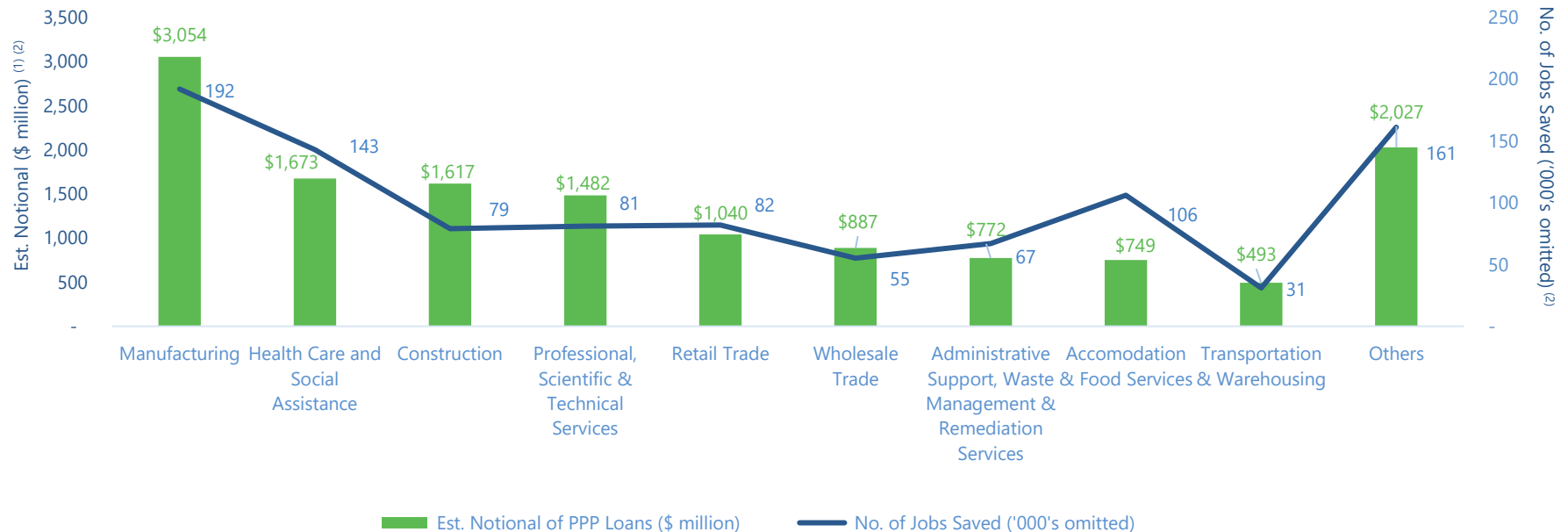
As a part of the application process, **companies were compelled to describe their business, their location, the number of jobs saved, and the lending bank.**

It is impossible to divine too much intel from this program – the reality is that the PPP likely did save certain companies in the short term. Some would have probably survived without the program and some are likely to face distress regardless of this temporary band-aid. But for some businesses who were facing a short-term challenge related to stay-at-home orders, the PPP was the bridge needed to keep them afloat.

Regardless, the SBA data provides an interesting snapshot into the NJ small and mid-size business ecosystem. DLA has analyzed this data and wanted to share our observations specifically for the NJ market.

PPP Industry Observations for Michigan

Largest Recipient Industries of PPP Loans & No. of Jobs Saved



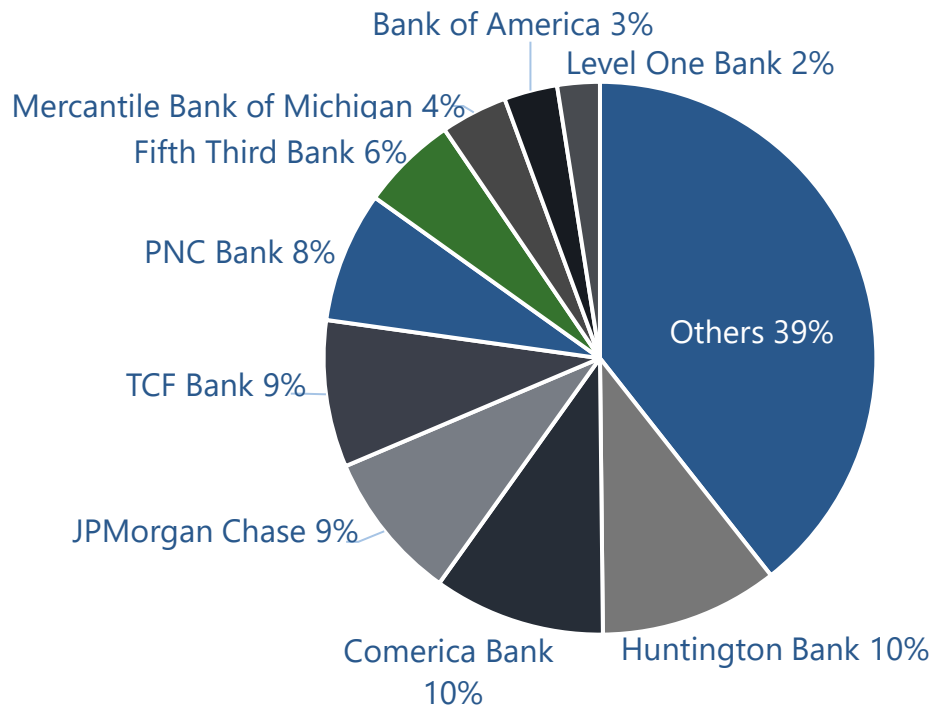
Note : (1) PPP loan nationals are calculated via mid-range of the funding buckets reported by SBA (2) PPP loan & job saved data does not include loan data less than \$150,000
 Source: www.sba.gov

PPP Industry Observations for Michigan

- Manufacturing industry was the largest recipient of PPP Loans. They were the recipients of roughly \$3.1B and in total saved its 192k jobs, highest in the state. Automotive machine shop manufacturers were the largest recipient in this group collecting \$129M in PPP loans saving its 7.4k jobs. Awnings, rigid plastics and fiberglass manufacturers comprised by the next tranche in this group collected \$124M in PPP loans saving its 9.5k jobs.
- Health Care and Social Assistance was the second largest recipients of PPP Loans. They were the recipients of roughly \$1.7B, and this group included physician's offices, dentist offices, childcare, nursing care facilities, assisted living, rehab facilities, amongst others. The industry could save its 143k jobs
- Construction received \$1.6B in PPP loans. This was a combination of commercial and retail services. This industry saved its 79k jobs due to PPP loans.
- Professional, Scientific, and Technical Services received \$1.5B. Included in that definition are law firms, computer programmers, engineering services, accountants, architects. The industry could save 81k jobs.
- Retail Trade, Wholesale Trade, Administrative Support, Waste Management & Remediation Services and Accommodation & Food Services altogether garnered about \$3.5B in PPP loans and in total saved 310k jobs. New car dealers were the largest recipient in this group, collecting approx. \$440M in PPP loans saving its 28k jobs. Full-service restaurants comprise the next tranche of recipients collecting 371k and saving 51k jobs.

PPP Participating Banks in Michigan

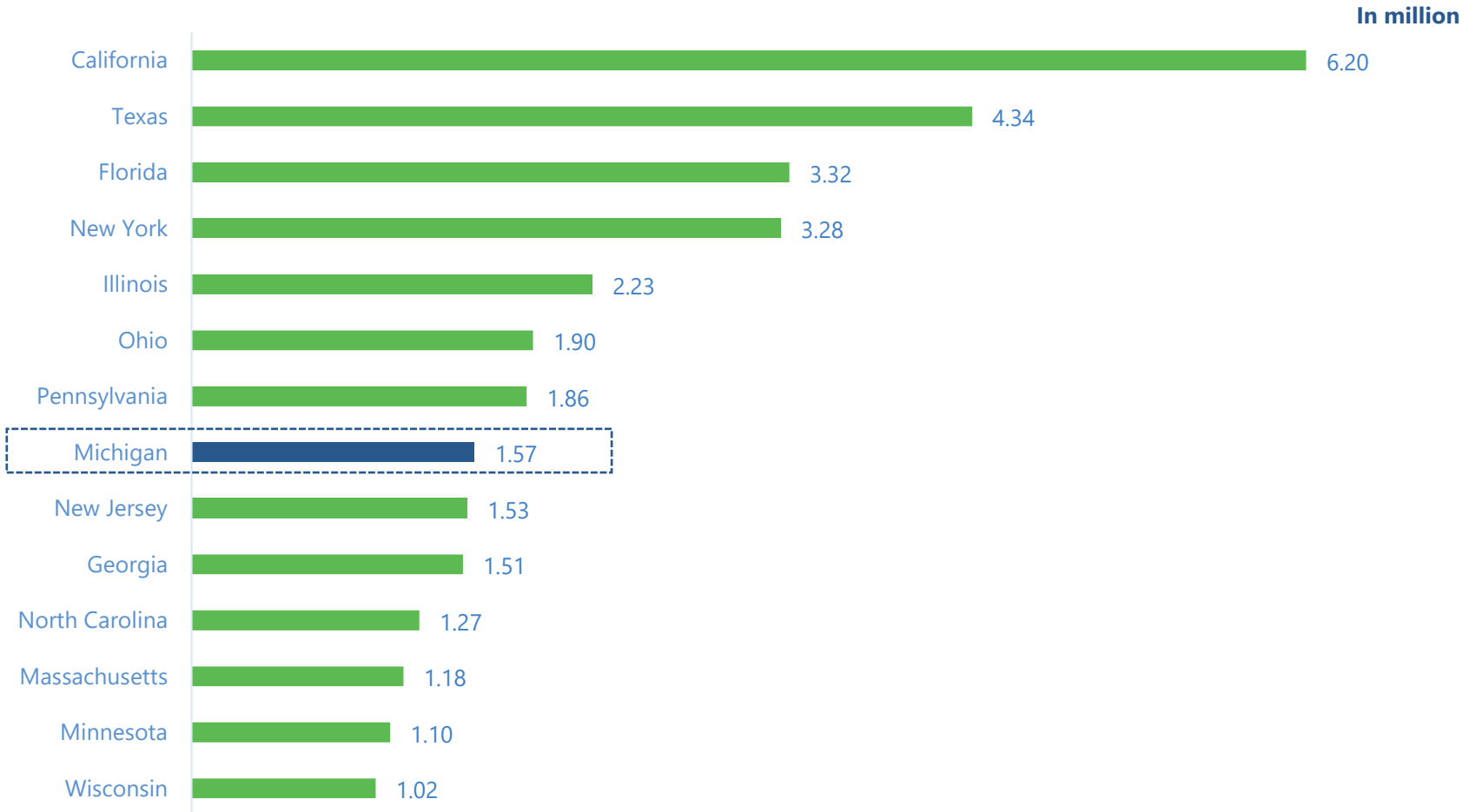
Largest Lenders of PPP Loans



- Of the \$13.8B lent via the PPP program, \$6.3B came from five banks: Huntington Bank, Comerica Bank, JP Morgan Chase, TCF Bank and PNC Bank
- The next \$3.1B in PPP loans came from the following banks: Fifth Third Bank, Mercantile Bank of Michigan, Bank of America, Level One Bank, Macatawa Bank, Bank of Ann Arbor, Oxford Bank and Independent Bank

Jobs Saved Across North America

In total, 14 states recorded job savings of 1 million or more, with California leading the way with 6.2 million jobs saved. Michigan saved 1.6 million jobs and ranked 28th in jobs retained as a percentage of population



Jobs Saved Observations for North America (1/3)

As per SBA data PPP loans have helped support approximately 51 million jobs.

- District of Columbia had the highest percentage of jobs retained as a percentage of population i.e. 23.9% . It received PPP loan of \$ 2,414 million which helped save nearly 169k jobs. Loan per job saved in this state is \$14,321, which is second highest only after state of Washington
- In four states or territories, SBA data shows at least 20% of the population kept their jobs thanks to PPP loans: District of Columbia, North Dakota, South Dakota and Montana. In every state PPP loans were credited with saving at least 11% of jobs. The territory of American Samoa said just 7.8% of jobs were retained thanks to PPP loans

State	Total PPP (\$ million)	Jobs Retained ('000's omitted)	Population ('000's omitted)	PPP (\$ per Job Retained)	Jobs Retained as a % of population
District of Columbia	2,414	169	706	14,321	23.9%
North Dakota	1,979	178	762	11,096	23.4%
South Dakota	1,842	184	885	10,033	20.8%
Montana	1,943	218	1,069	8,935	20.4%
Minnesota	12,530	1,104	5,640	11,352	19.6%
Guam	213	32	166	6,632	19.4%
Wyoming	1,171	112	579	10,464	19.3%
Maine	2,520	256	1,344	9,831	19.1%
Vermont	1,362	117	624	11,629	18.8%
Utah	5,828	601	3,206	9,701	18.7%
Kansas	5,576	526	2,913	10,602	18.1%
Illinois	25,368	2,229	12,672	11,382	17.6%

Jobs Saved Observations for North America (2/3)

State	Total PPP (\$ million)	Jobs Retained ('000's omitted)	Population ('000's omitted)	PPP (\$ per Job Retained)	Jobs Retained as a % of population
Wisconsin	11,061	1,023	5,822	10,814	17.6%
Louisiana	8,262	814	4,649	10,150	17.5%
Connecticut	7,463	618	3,565	12,069	17.3%
New Jersey	19,358	1,532	8,882	12,638	17.2%
Nebraska	3,836	332	1,934	11,560	17.2%
Massachusetts	15,949	1,178	6,893	13,543	17.1%
New York	42,799	3,276	19,454	13,064	16.8%
Iowa	5,697	530	3,155	10,757	16.8%
New Hampshire	2,869	221	1,360	12,985	16.2%
Ohio	20,580	1,899	11,689	10,840	16.2%
Virgin Islands	136	17	107	7,918	16.0%
Hawaii	2,724	226	1,416	12,033	16.0%
Alaska	1,458	117	732	12,494	16.0%
Oklahoma	6,076	625	3,957	9,721	15.8%
Maryland	11,233	954	6,046	11,779	15.8%
Michigan	17,818	1,573	9,987	11,325	15.8%
California	76,274	6,198	39,512	12,306	15.7%
Florida	35,644	3,324	21,478	10,724	15.5%
Missouri	10,270	947	6,137	10,842	15.4%
Colorado	11,543	887	5,759	13,019	15.4%
Idaho	2,890	273	1,787	10,588	15.3%
Rhode Island	2,129	162	1,059	13,181	15.2%

Jobs Saved Observations for North America (3/3)

State	Total PPP (\$ million)	Jobs Retained ('000's omitted)	Population ('000's omitted)	PPP (\$ per Job Retained)	Jobs Retained as a % of population
Texas	45,640	4,341	28,996	10,515	15.0%
Oregon	7,880	620	4,218	12,703	14.7%
Pennsylvania	23,120	1,862	12,802	12,414	14.5%
Delaware	1,721	140	974	12,287	14.4%
Indiana	10,620	963	6,732	11,024	14.3%
Georgia	16,234	1,508	10,617	10,764	14.2%
Mississippi	3,539	422	2,976	8,396	14.2%
Nevada	4,693	430	3,080	10,914	14.0%
Alabama	6,918	682	4,903	10,148	13.9%
Tennessee	9,924	928	6,829	10,690	13.6%
Kentucky	5,838	606	4,468	9,639	13.6%
Northern Mariana Islands	44	7	57	5,816	13.2%
South Carolina	6,386	671	5,149	9,516	13.0%
Arkansas	3,695	379	3,018	9,745	12.6%
Arizona	9,610	887	7,279	10,833	12.2%
Puerto Rico	1,957	389	3,194	5,028	12.2%
Washington	13,847	920	7,615	15,045	12.1%
North Carolina	13,625	1,266	10,488	10,761	12.1%
New Mexico	2,528	252	2,097	10,025	12.0%
Virginia	13,980	988	8,536	14,149	11.6%
West Virginia	2,013	207	1,792	9,716	11.6%
American Samoa	14	4	55	3,232	7.8%

About DLA – Capital Advisory & Restructuring



What's Next?

MAIN STREET BLUES

Following the well received PPP program, the Fed established the Main Street Lending Program to keep middle market firms who either were unable to access the PPP and/or needed further support to remain afloat. However, **only about \$2B of a potential \$600B in funding has been approved** by the Federal Reserve so far.

WHAT WENT WRONG?

An **overwhelming number of banks** have shown an increasingly **reluctance to participate**, citing concerns about borrower's financial condition, and overly restrictive loan terms.

WHAT NOW?

Companies facing capital constraints have options. While many banks have chosen not to participate, certain others have readily embraced the program. **DLA's knowledge and relationships with participating institutions facilitates a smoother funding process.**

HOW ELSE CAN DLA HELP?

Additionally, DLA stands ready to advise on a comprehensive solution – **from capital raising (debt or equity) to divestitures to bankruptcy advisory, DLA has a solid understanding of operational restructuring, capital strategies and structuring across various sectors.**

DLA offers one-stop advisory to the middle market– restructuring services along with seasoned investment bankers to raise capital and facilitate M&A if needed.



What should companies do when facing distress?

Cash is King



- Assess immediate liquidity needs
- Review loan agreements, lease agreements and other obligations
- Prepare a 13 week and six-month cashflow

Assess EBITDAC



- Was business distressed before Covid?
- If pre-Covid-19 fundamentals were strong, can the company survive through restart and beyond?
- Does the existing business model fit expected post-pandemic consumer behaviors?
- Are there feasible changes which could enable the company to survive?

Communicate with Stakeholders



- Communicate with owners, management, employees, lenders, landlords, trade vendors, customers, and regulators

Develop Business Action Plan



- Evaluate the situation
- Stabilize operations
- Conduct analysis
- Formulate Strategy
- Plan Implementation



Companies should engage with a financial advisor as early as possible and in advance of any potential negotiations with creditors.

Why do Clients Choose DLA?

Solid understanding of capital strategies & structures across various sectors, with deep relationships with strategic & financial investors in the lower middle market space

Criteria	DLA Qualification
Focus on Middle Market Companies	Singular focus on advising small and mid-sized privately held companies.
Seasoned Team of Trusted Advisors	A boutique advisory firm in business for nearly two decades, and a dedicated team with a combined total of 35+ years of capital markets experience.
Direct Access to Senior Bankers	We pride ourselves on building trust and establishing close relationships with our clients. The senior bankers you meet on the pitch will be the ones you will be interacting directly with going forward.
Local Firm with International Reach	A NJ based firm with a network of clients and investors throughout the United States and globally.
Uncompromising Commitment to Ethics	We have a duty of loyalty to our clients and are obliged to act with reasonable care and exercise prudent judgement. At DLA, we always act for the benefit of our clients and place our clients' interest before our own.

We transform organizations and take businesses to the next level, giving you the chance to have a good night's sleep.

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