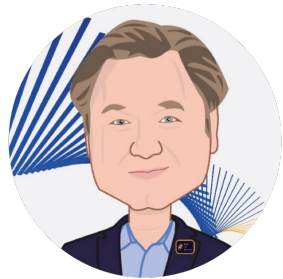




Small Business Outlook

Visa's proprietary Small Business Health Indexes and a nation-wide survey of small business owners show early signs of America's small businesses feeling the pain of COVID-19



"Small businesses are facing unprecedented challenges due to the COVID-19 pandemic. While Congress has enacted large SBA-led lending programs, the loss of demand due to widespread stay-at-home orders has left most small businesses in a very precarious position."

Wayne Best
Chief Economist, Visa Inc.

Small businesses were hit hard in Q1 by the pandemic, and it may be just the beginning

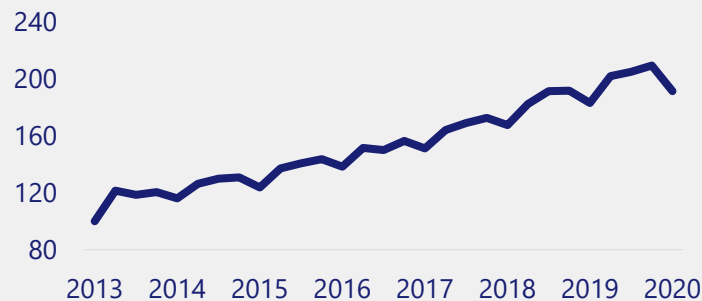
- Small business spending declined sharply in Q1 as the uncertainty of the health crisis unfolded and sales plummeted due to stay-at-home orders. States are beginning to open up, with restrictions gradually being lifted in most places.
- Outstanding balances on Visa business credit cards dropped 2.6 points, but may increase as lost revenues kick in and borrowing becomes more necessary. Risk, on the other hand, ticked up with increases in both delinquencies (+3.3) and charge-offs (+6.6). Whether federal assistance programs and forbearance regulations can help stem the tide remains to be seen.
- Half of small businesses were either at risk of closing (45 percent) or anticipated they would need to close (5 percent) because of the COVID-19 pandemic, according to a Q1 survey conducted by Kelton Global on behalf of Visa. Most small businesses are looking for assistance to stay afloat, either through flexible payment options (81 percent), relief from debt payments (78 percent), or access to loans (73 percent).

Small Business Health Indexes: Based on proprietary Visa small business card data

Small Business Spending Index



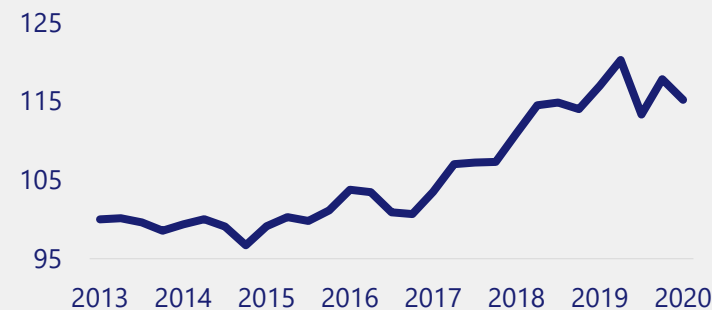
Payment volume on Visa business credit cards,* indexed to Q1-2013



Small Business Borrowing Index



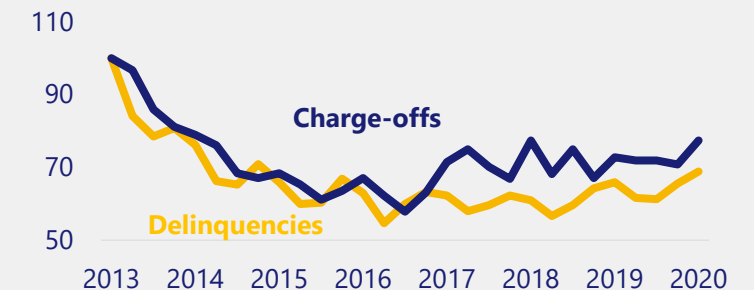
Outstanding balances on Visa business credit cards,* indexed to Q1-2013



Small Business Risk Index



Delinquencies and charge-offs on Visa business credit cards,** indexed to Q1-2013



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▶ Methodology

Except where otherwise noted, statements herein are based on:

- Visa Small Business Health Indexes, based on proprietary Visa data and calculated as follows:
 - Spending Index: Changes in spending per spend-active small business credit card account.
 - Borrowing Index: Changes in balances per balance-active small business credit card account.
 - Risk Index: Changes in share of balances delinquent and balances charged-off in a quarter on Visa small business credit cards.

All indexes use Q1-2013 as their base period.

- The national small business survey of approximately 1000 small business owners, administered by Kelton once per quarter. The spring survey was fielded April 16-24, 2020.

For any further questions on this report please contact your Visa Account Executive.

COVID-19 Impact: Making cuts to stay in business

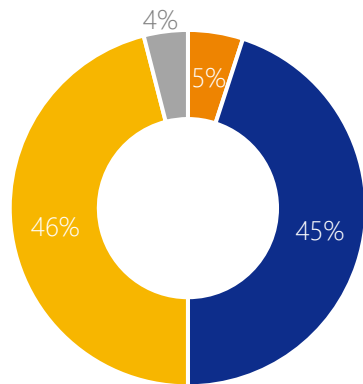
The impact of COVID-19 on small businesses is significant, and its effects are becoming increasingly tangible.



Most small businesses have felt the impact of the COVID-19 pandemic

Nearly all small businesses (83 percent) report that they have been impacted in some way by the COVID-19 pandemic, with half of small businesses saying they were either at risk of closing (45 percent) or anticipated they would need to close (5 percent) because of COVID-19.

COVID-19 impact on small businesses



My business will close

My business will be at risk of closing

My business won't face any noticeable economic changes

My business will expand

Millennial owners (17 percent) were more likely than Gen X owners (2 percent) and boomer owners (4 percent) to say their business will close.

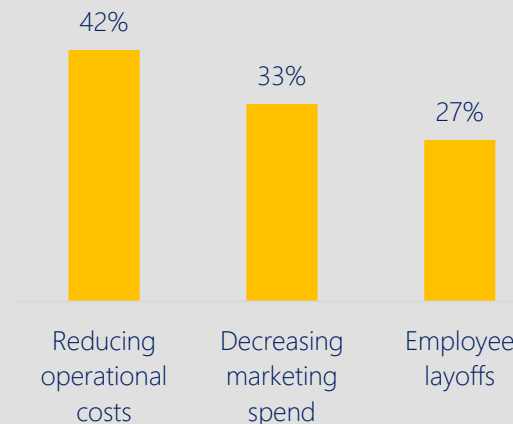
Small businesses that have been in business for more than 15 years were more likely than those who have been in business for 15 years or less to say their business will not face any noticeable economic changes (55 percent vs. 38 percent)

Struggling small businesses have reduced workforces and spending to try to remain afloat

Three-fifths of small businesses (60 percent) have decreased spending overall whether they have directly felt a negative impact from the COVID-19 pandemic or not. Among those who have been negatively impacted, more than one-quarter (27 percent) have had to, or are planning to, lay off employees. Reducing operational costs (42 percent) and decreasing marketing spend (33 percent) are other ways that they have cut back on budget.

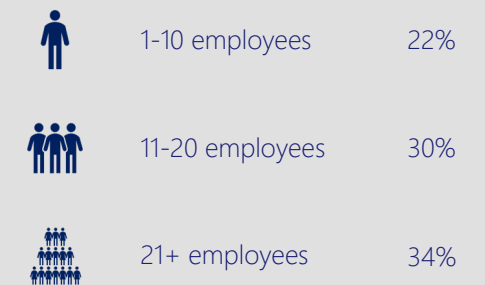
Small businesses are cutting costs by:

(Among those negatively impacted by COVID-19)



Small businesses who have had to lay-off employees (by number of employees):

(Among those negatively impacted by COVID-19)



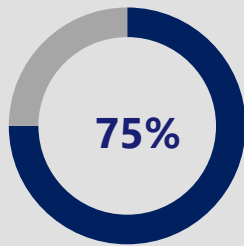
COVID-19 Impact: Changing operational methods

Small businesses are taking action to combat the effects of COVID-19 and find ways to keep employees working effectively.



Small businesses update policies and technology in order to stay in operation

Over half of small businesses (55 percent) have changed internal business practices, such as avoiding unnecessary meetings. Among small businesses that have been negatively impacted by COVID-19, nearly half (47 percent) have allowed employees to work from home.



Three in four small businesses (75 percent) report some type of day-to-day changes



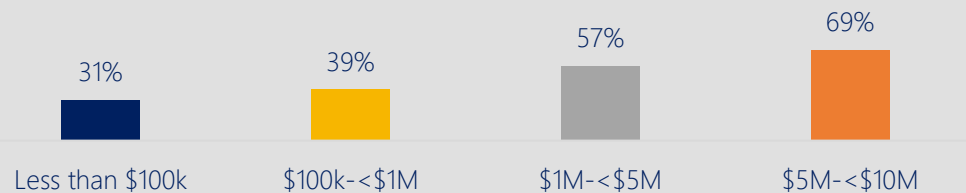
Small businesses with more than 10 employees are more likely than those with fewer to have changed internal business polices as a result of the pandemic (60 percent vs. 52 percent).



Among those negatively impacted, small businesses with revenues over \$1M are more likely than those with less to have allowed employees to work from home (59 percent vs. 37 percent).

Small businesses allowing WFH (by annual revenue):

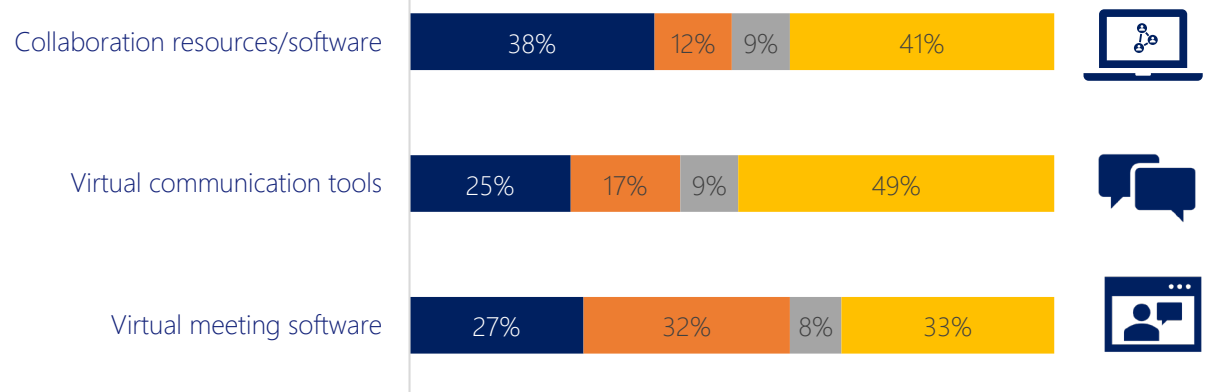
(Among those negatively impacted by COVID-19)



Some small businesses introduce technology tools they haven't previously used as a result of COVID-19

Two-fifths (40 percent) have either begun using or plan to use virtual meeting software as a result of the pandemic. Over a quarter (26 percent) have either begun or intend to begin using virtual communication tools, while 21 percent say the same about collaboration tools.

Technology tool introduction



- Used prior to COVID-19
- Began using as a result of COVID-19
- Plan to start using as a result of COVID-19
- Don't use/don't plan to use

COVID-19 Impact: Requesting third party help

Small businesses are seeking information and guidance from third parties to navigate the impacts of COVID-19



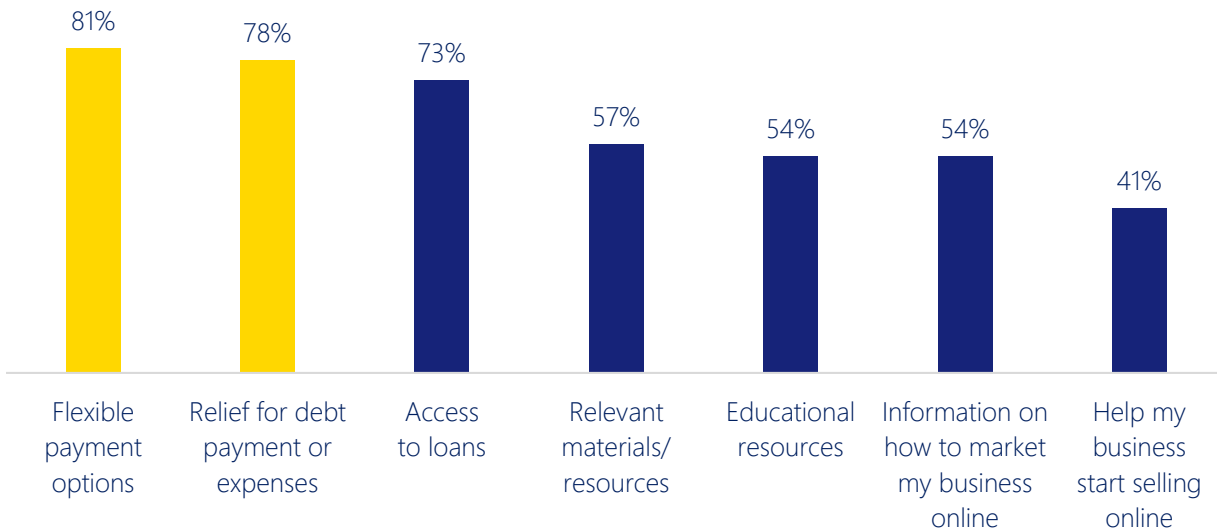
"While COVID-19 has created significant challenges for small businesses, they continue to seek guidance and support from third parties to recover. Working across the ecosystem, we can identify opportunities to partner and create new paths forward to help them survive and thrive."

David Simon
Global Head of Small and Medium Businesses, Visa Inc.

Small businesses are looking for assistance from third parties

More than four-fifths of small businesses (81 percent) say that flexible payment options by third parties would help them to stay afloat during the COVID-19 pandemic, with most (78 percent) saying relief from debt payments or expenses, and access to loans (73 percent) would be helpful. In fact, over two-fifths of small businesses (41 percent) who have been negatively impacted by COVID-19 have already applied for emergency funding.

How third parties can help small businesses stay afloat during COVID-19:



Compared to small businesses with 20 employees or less, businesses with more than 20 employees are more likely to welcome help from third parties in the following areas (by share of small businesses with 20+ employees):



71%
Relevant reading materials/resources (vs. 52 percent)



64%
Information on how to market business online (vs. 50 percent)



65%
Educational resources (e.g., financial planning) (vs. 50 percent)



55%
Help business to start selling online (vs. 37 percent)



Small businesses who have been in business for 20 years or less are more likely than small businesses who have been in business longer to say flexible payment options by third parties (85 percent vs. 74 percent) and relief for debt payments or expenses (83 percent vs. 71 percent) would help them stay open through the pandemic.

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