

Bridging the Cash Flow Gap: Funding Options

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April 24, 2020

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Limits that grow with your company



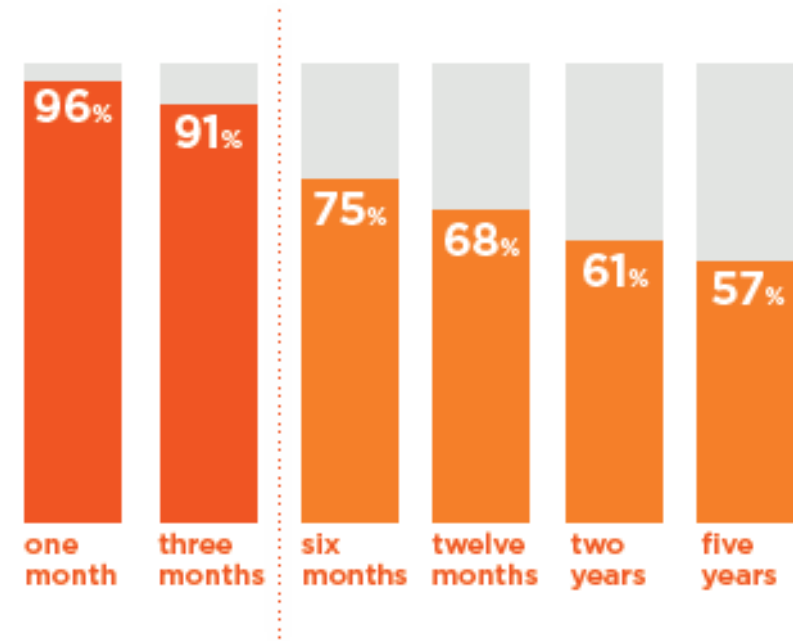
10-20x higher credit limits

Agenda

Context – Recent SMB Data
Business Discipline and Stability
Funding Methods

SMBs confident they can weather the storm in the near future

How long are **businesses** confident they will **survive** under current circumstances?



6 months

confidence levels begin to slip at the 6 and 12 month time frame.

Data collection: April 3-6

Revenue is down and SMBs are looking for liquidity

Revenue is down for 78% of small and medium-size businesses.

How much **cash for operating expenses** do small businesses have on hand? How long **can it last?**

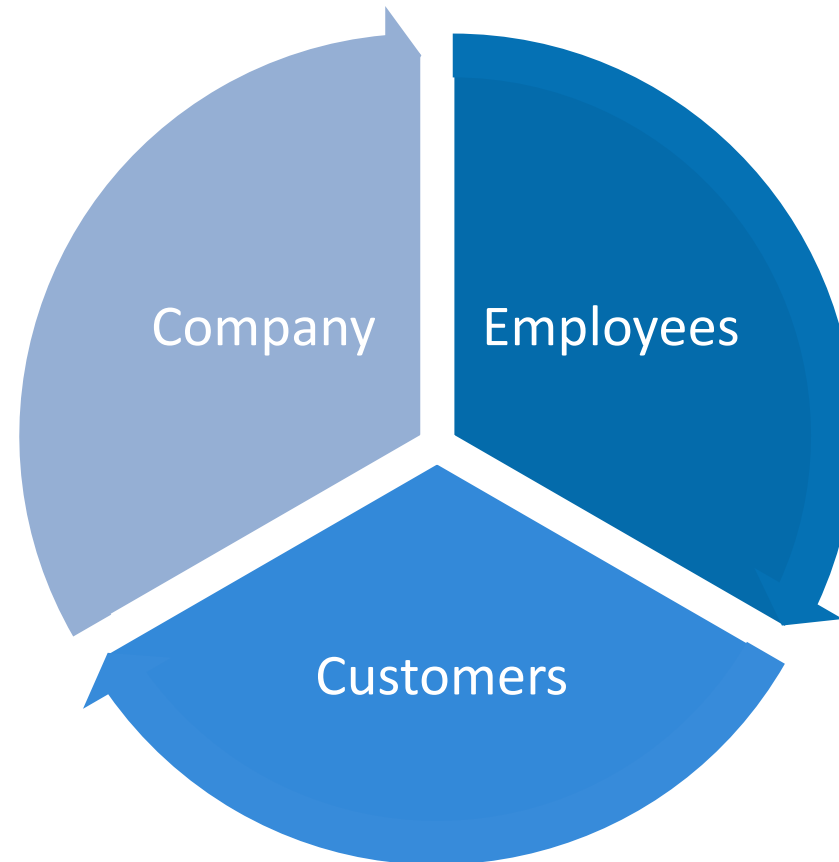


Business Discipline

Business Stability
Financial Planning and Forecasting
Relationship Management

Business Stability

MAINTAIN FOCUS



Financial Planning

Execute financial planning and forecasting with various scenarios of what can happen

- Understand your unit economics, margins, etc.
- Expense forecasting
- Revenue forecasting
- Scenario planning, recessionary environment assumptions
- Cash planning

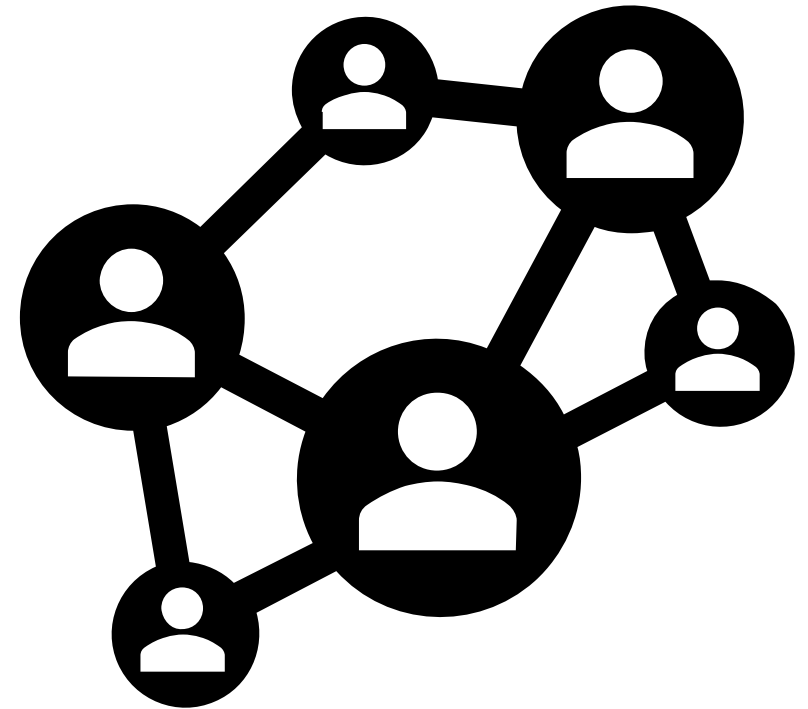
Table 1: J.P. Morgan US economic forecast summary

	1Q20	2Q20	3Q20	4Q20	2020 (%q4/q4)	2021 (%q4/q4)
Real GDP growth (%q/q, saar)	-10.0	-40.0	23.0	13.0	-6.9	5.7
<i>Prior estimate</i>	-10.0	-25.0	11.0	7.0	-5.4	5.5

Relationship Management

PRIORITIZATION FOR CAPITAL PROVIDERS

1. Existing relationships
2. Prior relationships
3. Prior communications and introductions
4. New introductions



Funding Options

Government Programs
Credit Cards
Bank Loans
Venture Capital

Federal loan programs

	What is it?	How do I use it?	Do I qualify?	How much do I get?	Do I need to repay?
CARES Paycheck Protection Loan (PPP)	<p>Loan on favorable terms for 8 weeks of payroll and op exp</p> <p>100% federal guarantee</p> <p>Automatic 6 month pay deferral (extendible to 1 year)</p>	<p>Use for payroll costs and op exp for the eight-week period following loan disbursement</p>	<p>Employer with 500 or fewer employees</p>	<p>250% of qualifying average monthly payroll up to \$10M</p>	<p>Loan can be forgiven if funds used for payroll and operating costs during loan period. No more than 25% may be used for non-payroll costs</p>
SBA Economic Injury Disaster Loan (EIDL)	<p>Disaster relief SBA loan</p> <p>Grant of \$10,000 possible</p> <p>Low interest rates (3.75% for businesses, 2.75% for nonprofits)</p> <p>Automatic one-year deferral on repayment</p>	<p>EIDL loan amount determined by SBA</p> <p>\$10,000 grant for working capital does not need to be repaid even if EIDL loan is ultimately rejected</p> <p>Timing for grant remains subject to change by SBA</p>	<p>Employer with 500 or fewer employees</p>	<p>Up to \$2 million for working capital needs such as fixed debt and payroll.</p>	<p>\$10,000 grant does not need to be repaid</p> <p>The loan must be repaid, but an automatic payment deferral is available</p>

Loan forgiveness and availability

- **Bringing back employees or restoring wages**
 - Any reduction in the amount of loan forgiveness will be completely avoided if the employer re-hires all employees laid off (going back to February 15, 2020) and increases their previously reduced wages, no later than June 30, 2020.
 - These provisions are designed to provide an incentive to employers to not lay off workers (or rehire them) and to not decrease wages, and instead utilize the loan amounts to pay payroll and other expenses.
 - This exception only applies to layoffs and salary reductions occurring between ***February 15 and April 27***.
- **Additional \$310B in funding for the Paycheck Protection Program, signed this morning, after the original \$350B ran out in a matter of weeks**

Credit cards

- Credit cards are a payment method not a funding method
- Reserve use of credit cards as a method of last resort



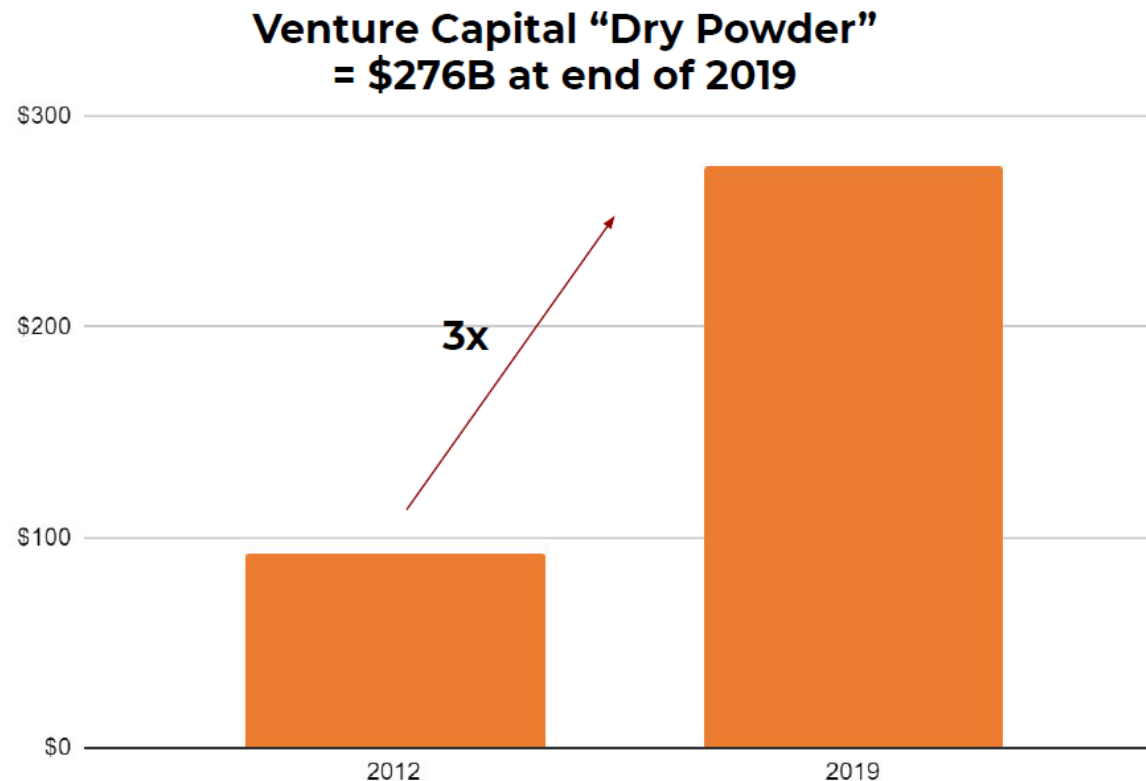
Bank lending

- "The Fed is doing everything they can to keep financial markets functioning and credit available to households and firms,"
—*Janet Yellen, former Fed Chair*
- The Fed has purchased more than \$1.2 trillion in Treasuries and mortgage-backed securities, making it clear that it will continue buying to keep credit markets from seizing up
- "What the Fed is trying to do is provide as much liquidity and capital that's requested in markets, so businesses can continue to function, banks can continue to lend and consumers can still have access to credit,"
—*Greg McBride, chief financial analyst for Bankrate.com*

Source: <https://www.npr.org/2020/04/06/826894304/fed-goes-all-out-to-keep-economy-alive-during-coronavirus-shutdown>

Venture capital

THE MONEY IS THERE!



Source: Preqin and Wall Street Journal

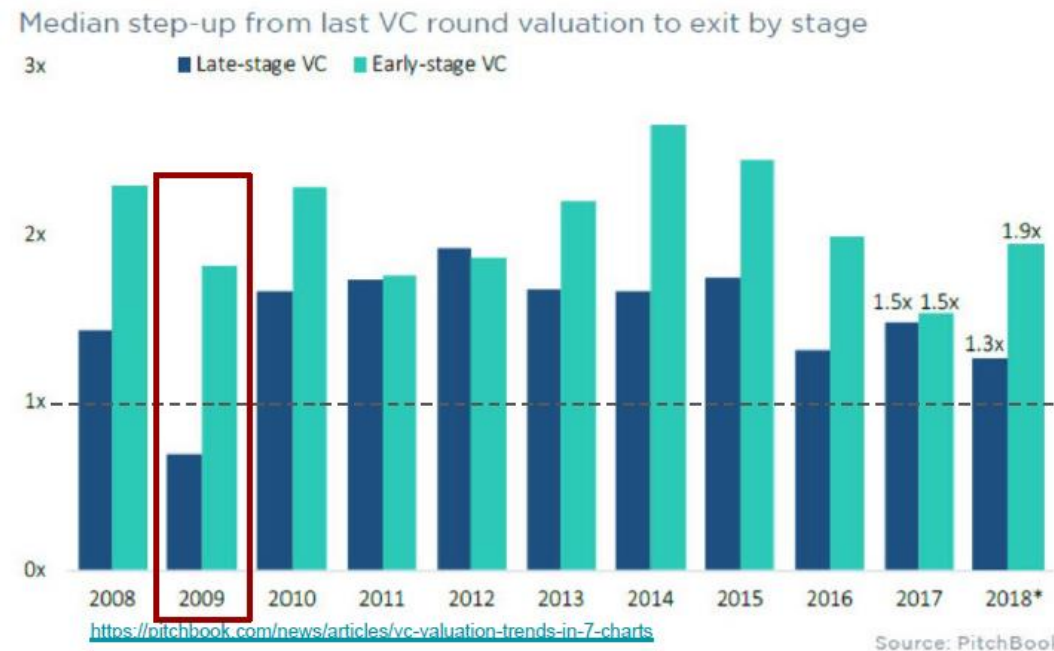
Context on the \$276B

- 1.8M of the standard YC investment = \$150k
- 184K of the median venture-backed seed round in 2019 - \$1.5M
- 35K of the median series A round in 2019 \$8M

Venture capital

A TALE OF TWO MARKETS

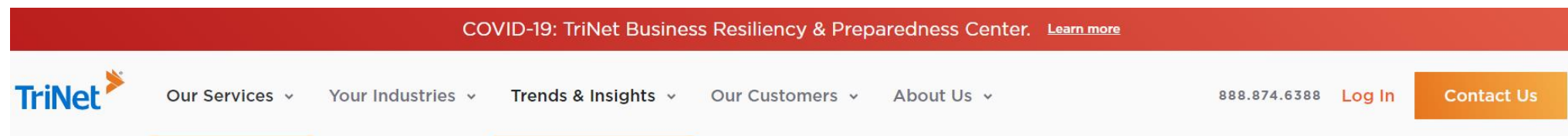
- Early stage fundraising is about team, TAM, tech; success is not dependent on global GDP
- Late stage fundraising, likely impact as expectations for revenue traction, unity economics, cash burn and path to profitability are all impacted by a changing economic environment



Q&A

Webcast Replay & Additional Resources

trinet.com/covid-19



COVID-19 Resources



Message from our CEO

As we come together to navigate this challenging global event, our thoughts go out to those impacted by COVID-19. TriNet continues to closely monitor the situation and is...



Information on new legislation

Watch a collection of videos that explain the CARES Act, the Payroll Protection Plan (PPP), and learn what steps you can take to protect your business finances.



Upcoming and on-demand webcasts

Watch as we share expert advice and explore salient issues impacting SMBs with legal and business advisors.