

Five Steps to Build a Business Case for Securities-Based Lending

Adopt Supernova Technology as Your
Securities-Based Lending Solution

Securities-based lending (SBL) is a great product that institutions often struggle to scale. The cause for stagnation can be the limitations of institutions' SBL systems with manual and cumbersome procedures that are fraught with pain points for users on the front-end as well as shortcomings on the back-end. So how can you grow SBL revenue through increased adoption AND gain operational efficiencies? By working with Supernova Technology™, the industry's leading fully digital, end-to-end SBL technology solution provider.

Supernova's technology was designed specifically for SBL from the ground up and addresses SBLs' unique characteristics in a way home-grown systems, adapted from other lending products, cannot. But how do you compel your institution to take action?

Inertia can be hard to overcome. Through our work with leading institutions, Supernova has compiled these five steps to build the business case to convince your company to invest in the right 3rd party technology solution.

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1. IDENTIFY YOUR BUSINESS'S BIGGEST CHALLENGES

The first step is to take the time to clearly identify the biggest challenges with your institution's current SBL solution in order to organize your business case. Is your application process cumbersome with a high abandonment rate? Does it take weeks to complete and approve an application? Are your advisors / private bankers in the dark on what is happening with their clients and loans? Is your SBL data in silos making it challenging to monitor loan risk with burdensome manual processes? Do you have difficulty reporting on business performance? Is your operation inefficient and overly reliant on staffing to complete straight-forward tasks?

Supernova's solution is designed so that private bankers / advisors, their clients, and risk professionals can collaborate throughout the life of a loan with full transparency.

Supernova's solution is fully digital and end-to-end, so that operational efficiencies can be gained during the entire loan journey spanning origination, collateral monitoring, reporting / analytics, and servicing. When implementing Supernova's technology, you can start with one module, the full end-to-end solution, or scale over time. It is common to have several challenges that you are trying to solve,

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and by implementing Supernova's technology solution, you will have the flexibility to solve your biggest challenges in a timeline that works for your institution.

2. QUANTIFY YOUR REVENUE GROWTH PROJECTIONS¹

You'll need to gather key data points to quantify your revenue growth projections. Those include:

- What is the size of your current SBL book?
- How many private bankers / advisors have access to your SBL platform and how many actively do SBLs at present?
- What is your application abandonment rate?
- What are your average SBL line-of-credit utilization rate and line size?
- What is your current (AUM) assets under management?

Use your data as a baseline when building the revenue side of your business case. To forecast what kind of adoption growth is possible, know that Supernova's clients' securities-backed lines of credit (SBLOC) have increased 137% in 2020. Our clients have seen their application pull through rates increase by as much as 30%. With an automated, self-service portal and easy access to same-day draws, Supernova's clients have also achieved SBL utilization rates up to 40%. Your business case should include a likely, worst, and best-case scenario to give your projections credibility.

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Calculating AUM growth involves assumptions that are specific to each institution. With an easy-to-use SBL platform, adoption will increase as private bankers / advisors taste success using SBLs to strengthen relationships with their clients. Clients do not have to sell securities to meet their liquidity needs and often consolidate assets—leading to AUM growth.

Please email us at info@supernovacompanies.com if you would like help forecasting how your business could grow with Supernova's state-of-the-art SBL platform.

3. IDENTIFY METRICS AND FORECAST OPERATIONAL EFFICIENCIES

Your business case should also include operational efficiency gains for origination and collateral monitoring. For example:

- In your business case forecast for efficiency gains that could reduce the staff needed to underwrite loans. Supernova's technology automates straight-forward processing allowing staff to work on the truly complicated loans and exceptions. Our clients benefit from an origination process that takes minutes² not weeks with an average cost less than \$50/line.
- Risk teams can monitor more loans with Supernova's easy-to-use yet powerful reporting tools with all necessary data consolidated in one place and advanced predictive and simulation capabilities. With automation, collateral monitoring requires significantly less time and effort with an average cost of \$15/line.

Work through different operational efficiency scenarios and their impacts to include in your business case. Don't forget to include any cost saving from retiring your current SBL systems. Do not hesitate to reach out to us at info@supernovacompanies.com if you would like to speak with us about operational efficiencies and cost savings that could be gained with Supernova as your 3rd party technology provider.

4. TALK TO USERS TO GET FEEDBACK

This step can be done through surveys or by holding roundtables. Quantitative and qualitative feedback will help bring your systems' pain points to life. We recommend engaging with two key groups:

- **Private bankers / Advisors:** If your SBL system is cumbersome and difficult, private bankers / advisors are not going to use it and will not offer SBLs to their clients. Getting private bankers' / advisors' support is the key to growing your firms' SBL book of business.
- **Risk Managers:** Getting risk managers' direct feedback on constraints with the current collateral monitoring, reporting, and predictive capabilities will create a vision of how the business could scale with a more robust back-end solution.

5. MAKE YOUR PITCH

Now you should have a quantified business case, compelling user feedback, and a vision of what is possible to win the hearts and minds of your firm's decision makers.

Sometimes it is difficult to make the case to retire in-house technology systems and there is resistance to change. Consider decision makers' constraints and objections and be prepared for them before you make your pitch.

By working through these steps you should be able to achieve your goal—to get buy-in to partner with Supernova as your SBL technology solution. If you need assistance with any of these steps

or would like a demo of what a state-of-the art SBL solution can do for your business, email Supernova at info@supernovacompanies.com today.

1Figures provided by Supernova are estimates based on historical data and there is no assurance that projected results will be attained.

It is not intended that the Contents contain forward-looking statements. If statements contained anywhere in the Contents, including statements regarding events and financial trends that may affect future operating results, financial position and cash flows, may be found to constitute forward-looking statements within the meaning of the United States federal or other securities laws, all such statements are based on assumptions and estimates by Supernova Lending, LLC and are subject to risks and uncertainties. You can identify these forward-looking statements by the use of words like "strategy," "expects," "plans," "believes," "will," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

2A fully integrated solution with advisor firms and custodians allows for real-time inquiry and pull of client and collateral account data. This makes the application and loan agreement process run faster and more seamlessly than lower levels of integration. Fully integrated solutions to activate collateral account lockdown and e-signature of the collateral account control agreement streamlines the underwriting process for decisioning lines of credit and setting approved lines live.