





Interview with Bank of America's **SETH BENEFIELD**

In this installment of our series of executive interviews, Charlie Perer sits with Seth Benefield, head of Bank of America Business Capital and Asset-Based Financing, to hear his perspective on the state of the ABL market, challenges of running one of the biggest ABL groups, ABL as a product or business, leadership and competition, among other things.

BY CHARLIE PERER

Charlie Perer: Thank you for your time, Seth. To begin, can you please talk briefly about your background?

Seth Benefield: Thanks, Charlie. It's hard for me to believe, but I am approaching 23 years with Bank of America. Except for a short stint in healthcare finance, I have worked in the ABL business my entire banking career and have had the opportunity to work in underwriting, portfolio management and leading our originations team. For the last two years, I have led Bank of America Business Capital, our Asset Based Finance Business, which includes our general industries ABL team, the Retail Finance Group, Dealer Financial Services, and our A/R securitization business. Prior to joining the bank, I was a CPA in public accounting and then an FBI Special Agent. I work with great people, and I am truly grateful for the relationships made throughout my career.

What have you learned from prior economic cycles that you plan to implement this next cycle?

Regardless of the economic backdrop, our approach is to be consistent with how we manage risk and serve clients. During expansion periods and in times when the economy is softening, we want to support our clients and drive responsible growth. The strength of our balance sheet provides us this flexibility. Our focus on client selection and maintaining underwriting standards doesn't deviate materially through the cycles. I will say that in periods of higher volatility, we ask our teams to spend even more time with clients to understand the challenges and opportunities they are facing. We want to be proactive in how we manage asset quality and the better we understand our borrowers' businesses, the quicker we can respond to their needs.

What is the most important challenge facing bank ABLs right now?

For us, it always starts with our people. This is a tight labor market, and we are fully committed to maintaining our competitive advantage with the quality of our associates. We continue to invest in our team and look to attract new talent to our organization. I hope that the culture we have built is appealing to our associates and future teammates. But we have to work at it every day and continue to make our employee satisfaction a top priority.

Is BABC positioned as a product of the commercial bank, its own business or a combination of both?

One of the things I love about our business is the breadth and importance of our ABL franchise to the bank. We cover many different groups including Business Banking, Global Commercial Banking, and Corporate Banking. We also partner closely with our sponsor coverage teams, leveraged finance and investment banking. It is a dual-coverage model with our ABL team and bankers jointly covering client relationships. In addition to our internal coverage, we place

a heavy emphasis on external calling on sponsors, prospects and other referral sources. I do have a separate P&L for our asset-based finance businesses that I am responsible for managing.

Most large banks are integrating ABL as a product within the commercial banks. How are you shaping this strategy point?

We really benefit from the coverage provided by our banking teams. Our partners do a tremendous job serving their clients across the globe. We lean into this coverage model and enhance it with our ABL expertise and external calling effort. We pride ourselves on how well we collaborate, and joint pitches by the teams of different credit solutions are common and encouraged.

Can you please talk about the breadth of borrowers BABC serves from business banking to large corporates?

Our transaction sizes range from as small as \$5MM to up to over \$5B. I love the diversity of our clients, both in terms of size and industries represented.

How do you segment and prioritize the many client segments that your group has to serve?

We prioritize both core middle-market sole lender type transactions and on executing large complex multi-national transactions. Both markets are equally important and strategic to our long-term plan. Our business is international with associates in the US, Canada and the UK, covering sponsors and clients around the globe. We do have dedicated teams covering our business banking clients and the ABL leveraged finance opportunities, which allows us to better match our team's experience level and skill set with the clients we serve.

Which is the most under-penetrated constituency in ABL and how are you approaching this segment differently?

It is highly competitive across the ABL spectrum, particularly for high-quality borrowers. Lenders are focused on overall relationship returns, which drives up competition to agent transactions. For us, we have an industry leading dominant market share position in the large ABL syndicated loan space. Our share in the sole lender middle-market space is not as dominant, but equally important. We are highly focused on growing both markets and believe we have the right teammates, capabilities and appetite to accomplish continued growth.

Has your approach to originations changed since becoming president of BABC from your prior role as head of originations?

I don't believe much has changed about how I think about and

approach our originations efforts. I continue to be focused on driving responsible growth with the right prospects and clients. I do have more responsibilities now and probably the biggest difference is how my time gets allocated as head of the group. As you know, we do have a dedicated ABL originations team that is fully focused on driving responsible growth. That group has deep experience, and I love how they represent our brand in the market.

What is the biggest change from going from a team lead of a function to actually running a business?

In my current role, it is not unusual for me to bounce regularly throughout the day between the four LOBs that I am responsible for running. Plus, I am now responsible for all facets of our business from underwriting, portfolio management, and originations. On top of that, more of my time gets allocated to the administrative side of running a business including HR, finance, regulatory reporting, operations, forecasting, and executive business reviews. However, I still enjoy spending time with clients, prospects, and sponsors. It is a demanding position, but I love my job and am so fortunate to have a tremendous team that I get to work with on a daily basis.

Is there a fundamental difference in leadership between leaders who came from the sales side vs. credit/underwriting?

Probably so, Charlie, but all of our senior leaders have both a credit background and client-facing experience. We need well-rounded leaders and senior associates that are empowered to speak for the bank, which enables them to be a trusted and valued partner to our sponsors, prospects, and

clients. This includes our salesforce, with all of our marketing heads and BDOs having significant credit experience and a deep understanding of the bank's capabilities and risk appetite. We also invest significant resources and time with our junior associates to make sure they develop the credit skills necessary to be successful in our organization.

Is the liquidity of your borrowers a lagging or leading indicator of our current economic cycle?



Mentorship is important to me. I have benefited from great mentors in my career. The impact they have had on my career cannot be measured. I still work with many of my mentors including former heads of BABC Jeff McLane and Karen Sessions. Jeff currently runs credit for all of Global Commercial Banking and Business Banking. I speak to him almost daily and continue to benefit greatly from his guidance. Karen is a Pacific Southwest Region Executive for Global Commercial Banking, and we still talk regularly.

There is a long list of potential drivers of liquidity including changes in working capital levels and profitability. We are able to monitor loan outstandings and liquidity of our borrowers on a daily basis. This provides real-time insight into borrowers' operating performance in advance of receipt of financial statements and allows our portfolio teams to proactively manage relationships.

How closely are your commercial banking counterparts working with your group to transition clients to ABL structures?

Our BABC originations team has defined routines with our banking partners to go through the bank's pro-rata book looking for opportunities where we can be helpful. Our BDOs are typically familiar with the bank's cash-flow structure borrowers and have

established relationships with management teams well in advance of a potential transition.

Do you foresee more consolidation in the non-bank vs. bank ABL market?

Not in the near term. It is a challenging M&A environment for all sectors. Longer term, I would expect to see more regional

bank consolidation driven by the need for scale to improve efficiencies and drive technology spend.

What's the fundamental difference between being a team leader and running a division?

I don't find the jobs all that different. It still comes down to the people on your team and how you set and communicate priorities. I do have a broader scope running the division and get pulled in a few more directions, but ultimately still try to define what are our objectives and work with my team to lay out a plan to accomplish those priorities. I am extremely lucky to have a seasoned and talented leadership team, whom I lean on heavily.

How has the role of exercise affected your career?

Well, not sure I can quantify the impact to my career, but some form of exercise is part of my daily schedule. For me, I am almost exclusively a morning workout person. I enjoy the routine and feel like it helps put me in right frame of mind before the workday starts. But I have definitely slowed down over time, and the intensity of my workouts has been replaced with a goal of being consistent.

How do you approach mentorship?

Mentorship is important to me. I have benefited from great mentors in my career. The impact they have had on my career cannot be measured. I still work with many of my mentors including former heads of BABCO Jeff McLane and Karen Sessions. Jeff currently runs credit for all of Global Commercial Banking and Business Banking. I speak to him almost daily and continue to benefit greatly from his guidance. Karen is a Pacific Southwest Region Executive for Global Commercial Banking, and we still talk regularly. Additionally, I have many current teammates that have been and continue to be important to my development. These are relationships that I treasure and one of the reasons I enjoy my job. In terms of me being a mentor, I try to always find the time to invest in the next generation of bankers. It is something that I enjoy.

Has technology changed the way you approach lending?

We continue to invest heavily in our business on the tech front to automate processes and streamline client reporting. We are also focused on exploring how we can better use the bank's data to assist in our prospecting efforts and decision making.

Lastly, tell us something you are worried about that the rest of the market has yet to figure out.

Overall asset quality remains strong and management teams have navigated the volatility well with strong balance sheets. However, we are watching closely certain sectors and have seen inventory levels generally building across the consumer

and retail portfolios. Holiday season sales will be interesting and important for some of our borrowers. 📈

Charlie Perer is the co-founder and head of originations of SG Credit Partners, Inc. (SGCP). In 2018, Perer and Marc Cole led the spin out of Super G Capital's cash flow, technology, and special situations division to form SGCP.

Perer joined Super G Capital, LLC (Super G) in 2014 to start the cash flow lending division. While there, he established Super G as a market leader in lower middle-market second lien, built a deal team from ground up with national reach and generated approximately \$150 million in originations.

Prior to Super G, he co-founded Intermix Capital Partners, LLC, an investment and advisory firm focused on providing capital to small-to-medium sized businesses. He graduated cum laude from Tulane University. He can be reached at charlie@sgcreditpartners.com.