



2022 and Financing Trends

by Jason Sleeman, United Community Bank

When seeking capital, there are a lot of decisions that need to be made and the uncertainty in the market over the last two years has created both challenges and opportunities. As breweries evaluate both establishing and expanding their business, financing is a major step in the process. These decisions can be driven by a number of factors including size of project, current operations, and availability of equity.

Right now, there is a trend to go small when it comes to financing. This is counter to the trend prior to early 2020. A number of breweries are just adding essential equipment, a small canning line, just enough fermentation capacity, and smaller brew houses. These requests range from \$50,000 to add a new product line, to starting a brewery for \$150,000. In some ways this can be a great plan to reduce the risk of the project and the monthly cash flow needed to support the debt, but it does limit your funding sources. For a loan in this range, it could limit lower rate options due to closing costs being proportionally high because of the size of the fixed expenses compared to the loan amount. Rates for requests this size will most likely not be the lowest available, as some lenders have minimum returns they want to achieve to make it worth their allocation of capital. The 'go small' movement has some plus and minuses and will need to be evaluated on what works best for your brewery.

No matter what your funding source, the industry is facing a huge delay in timelines. They range from finding a location, to obtaining equipment and everything in between. Some of these delays are supply chain issues and some are old-fashioned supply and demand. With the real estate portion, there are just not enough attractive locations for a brewery to operate, and this can create a waiting game for them to be built or existing space to become available. Equipment is another area of delay. Though the equipment is being made as fast as possible, shipping times and demand are creating long wait times. Patience is a virtue you must have as you work on the financing of your brewery- including working with all your vendors, lenders, and general contractors.

There are also continued choices for funding options. The SBA and banks like mine have been a popular funding source for breweries. The SBA offers the most traditional feel, including longer terms and amortization, while allowing the owner to keep a large portion of the ownership of the brewery. Leasing is a great option for smaller equipment financing needs. It allows for quick turnaround for lending requests and focuses on specific needs of the brewery.

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With many funding options and unique challenges, taking your time and exploring all options is important. I would suggest surrounding yourself with strong advisors to be able to clearly understand your strengths and weaknesses when it comes to financing your project. Work to understand how each option allows you to maximize your future growth and set your brewery up for success.

For additional information, feel free to reach out to me at Jason.Sleeman@ucbi.com.



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Jason funded his first brewery 9 years ago and enjoyed the challenge of providing the right funding for the project to ensure long term success. Following his passion, Jason has now worked on many brewery, winery, and distillery projects developing an understanding of the specific needs of these businesses and what roadblocks can happen in the lending process.