

ACT – Global Working Capital Trends

Wednesday, December 4th 2019



DEMICA
UNLOCK POTENTIAL

Demica simplifies the delivery of essential liquidity

Demica is the leading global platform provider for Trade Receivables Finance and Supply Chain Finance solutions. We arrange cross-border working capital finance transactions and manage them on our proprietary technology platform

Key Figures



Team

+160 people

Financial services, technology and operations professionals



Scale

500 corporates

Programmes supported by our technology



Funding

+150 investors

Deep market coverage with 50+ investors that rely on our platform



Platform

MS Azure

Our resilient and scalable cloud solution



Processing

+1 million

Invoices processed per day



Reach

+135 countries

Receivables from around the globe



Assets

+\$15bn

Of receivables and payables financing through the platform



Connectivity

+240

ERPs and P2P providers that the platform Interfaces with



Growth in Open Account
Financing continues to
exceed growth in trade

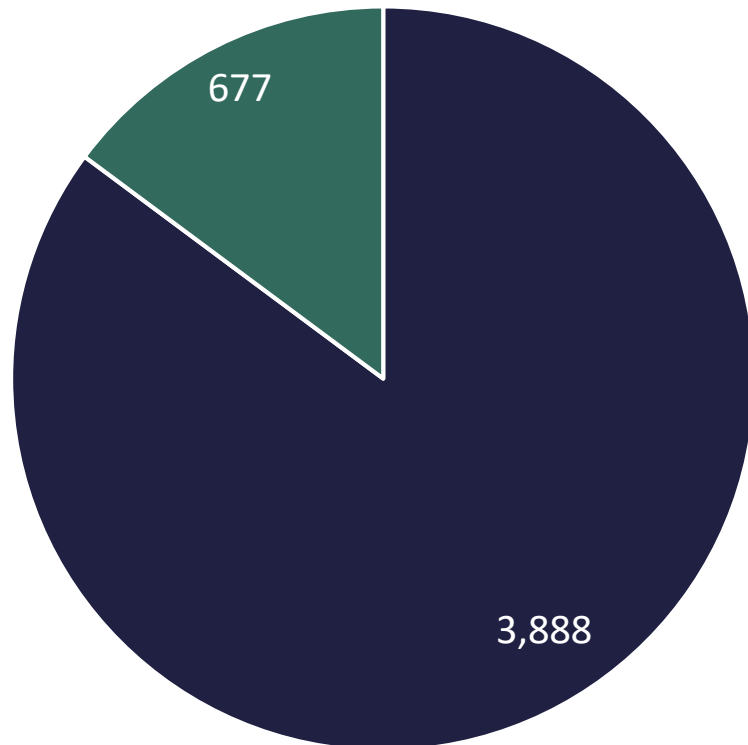
DEMICA
UNLOCK POTENTIAL



Working capital is the 2nd largest financial asset class after real estate

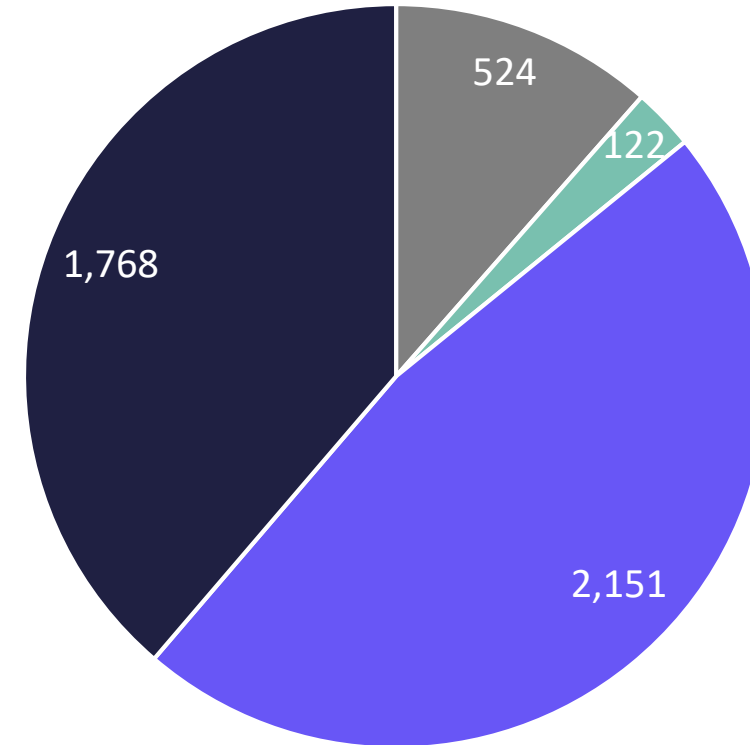
Demica estimates there is over \$10Tr of potential working capital programmes available to fund globally. ICC respondents estimate there is over \$1.5T of unmet demand globally in the trade finance market ⁽¹⁾

Trade Finance by of type financing (\$bn)



■ Traditional Trade Finance ■ Alternative Trade Fiance

Trade Finance by Region (USDbn)



■ N. America ■ LATAM ■ APAC ■ EMEA

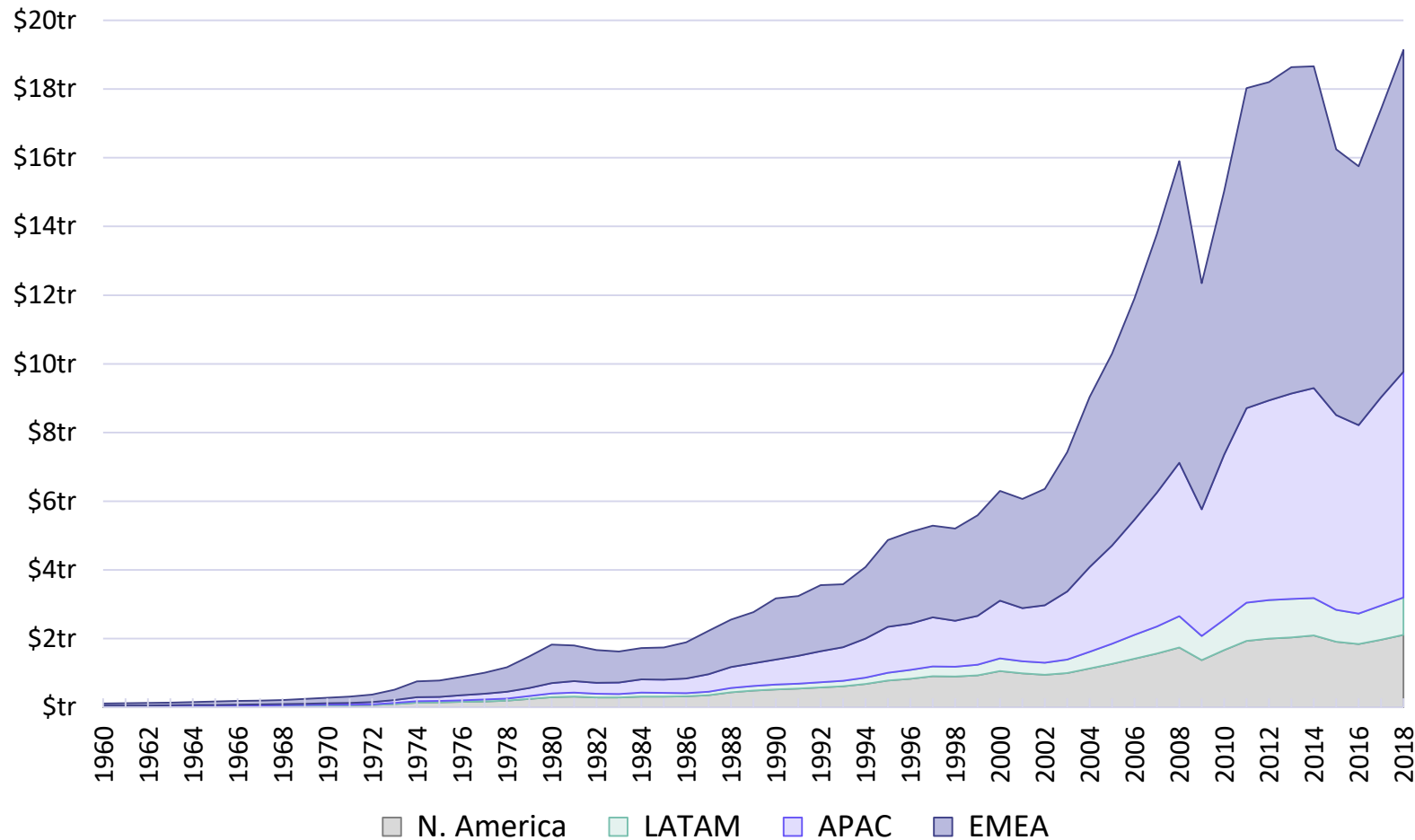
(1) Global Trade – Securing Future Growth 2018 published by ICC states that the value of Trade Financing is \$4.6 trillion

“The largest trade finance banks reported a rise of more than 30% YoY in alternative financing”



Trade finance market

Trade volumes cumulative growth by region⁽¹⁾



Key metrics

Trade volumes by region⁽¹⁾:

N. America: 11% EMEA: 49%
LATAM: 6% APAC: 34%

Global factoring Market size: \$2.7tr
3.6% CAGR in total volumes⁽²⁾
10.3% in international volumes

Payables finance (SCF) is one of the fastest-growing areas of trade finance growing at 20% YoY⁽³⁾







Domestic US ABL Market volume of \$164B growing at 6/7%

(1) The world Bank (2) FCI Annual review 2019 (3) Global Trade – Securing Future Growth 2018 published by ICC

ICC estimates the trade finance gap at \$1.5 trillion with long term growth continuing to outpace growth in trade



“13 banks account provide about 90% of trade finance”

Banks	Industry awards	% Loans by geography ⁽²⁾		Typical bank pain points
	FIMetrix - Distinguished Provider for USD Global Transaction Services 2019	N. America: 94% LATAM: 1%	EMEA: 4% APAC: 1%	Syndication
	Euromoney - World's Best Bank For Transaction Services 2019	N. America: 48% LATAM: 10%	EMEA: 23% APAC: 19%	Programme configuration
	GTR - Best Trade Finance Bank 2019	N. America: 11% LATAM: 2%	EMEA: 41% APAC: 46%	Derecognition
	GTR - Best Supply Chain Bank	N. America: 10% LATAM: 18%	EMEA: 72% APAC: 0%	Supplier Onboarding
	The Banker - Best Transaction Services Provider in Western Europe 2019	N. America: 3% LATAM: 2%	EMEA: 95% APAC: 0%	Integration
	FIMetrix - Transaction Banking Services in EUR and USD 2019	N. America: 16% LATAM: 1%	EMEA: 74% APAC: 9%	Reporting
				Portfolio management

(1) Based on publicly available information reported on 25/11/2019 (2) Based on publicly available information from FY2018 annual reports

Banks are currently focusing on core customers, rolling back global footprint and reducing costs to improve return on capital



Products are often managed within silos

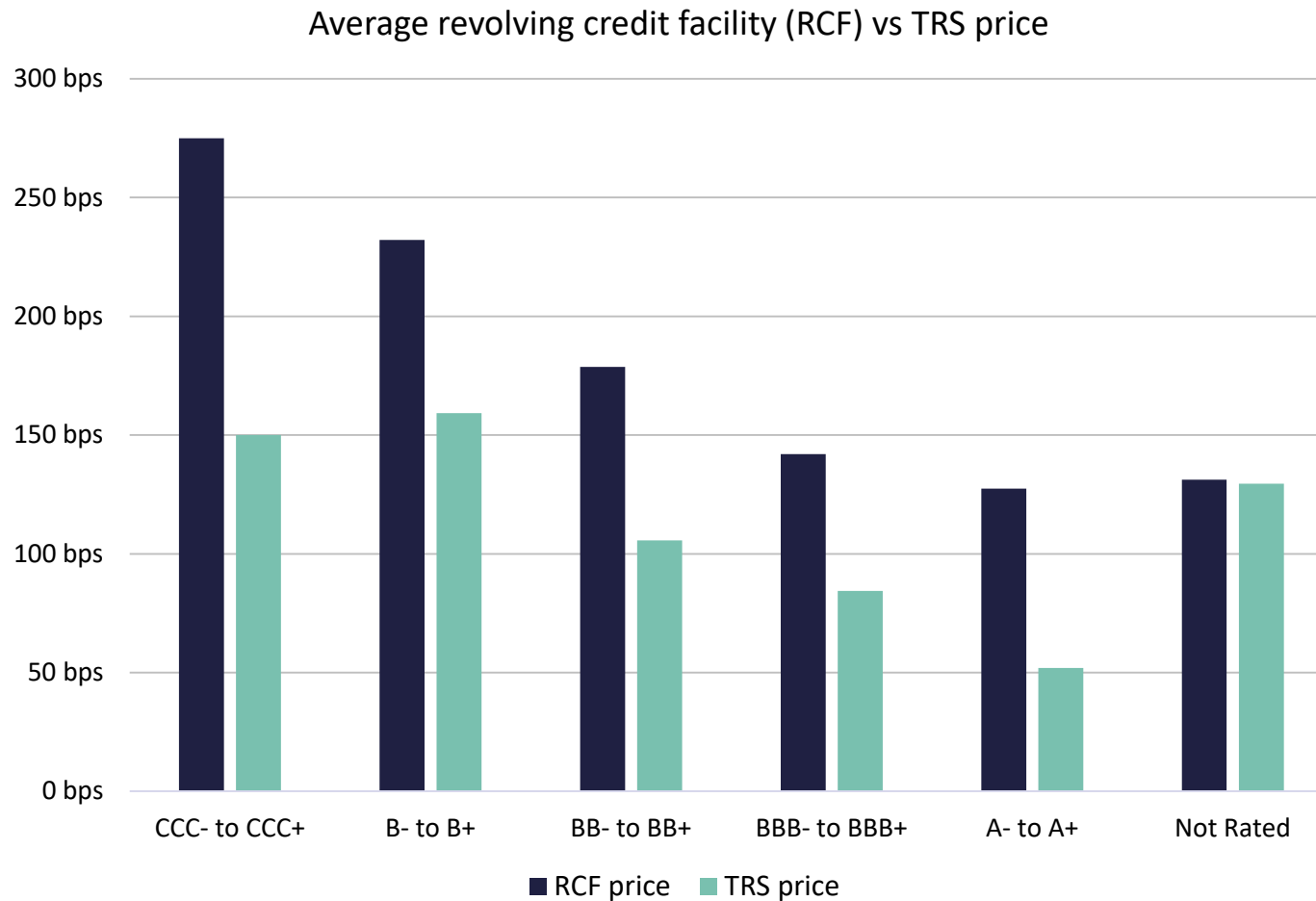


The market needs to move from being product to solutions driven to generate growth



Example : Trade Receivables Financing

Benefits of Trade Receivables Securitisation (TRS)⁽¹⁾



Pricing & term

Average difference between RCF and TRS is 86 bps.
Term ranges from 1 to 3 years on average.

Comparable universe

TRS transactions range between 50 bps & 200 bps, and between \$40mn & \$1.2bn.

Accounting treatment

TRS facilities can be structured as off-balance sheet transactions.

(1) Based on publicly available information from a sample of 41 transactions of publicly traded companies. Term loans data used when RCF data is not available

Pricing for Trade Receivables Securitisations seem to be less effected by credit rating than pricing for Revolving Credit Facilities



Platforms are emerging to address the needs of large corporates

Stakeholders



Corporates



Funders



Debtors/
Suppliers

Platform benefits

- Supports a wide range of financial products
- Enables simplification of processes
- Dynamic & flexible reporting
- Matches funder appetite to currency and country risk

- Automated onboarding and collection of KYC material
- Leverage technology to cross sell product
- Improved workflow tools to replace email and excel

Challenges facing incumbents

- Historic underinvestment
- Competing priorities
- Functional silos
- Regulatory pressures
- Regional champions
- Innovation
- Time to market
- Alternative Debt Funds



New entrants increasingly
will drive growth

DEMICA
UNLOCK POTENTIAL



FinTechs are facilitating the delivery of trade finance products

Technology

Technology is now unlocking this major asset class, with fintech platforms enabling streamlined digital processes across buyers, suppliers and funders

Artificial intelligence

Pioneering platforms will leverage AI across underlying transaction data to drive network effects, with superior outcomes for all platform users

Demica is well placed to lead the market, based on outstanding team, unique technology platform, expert global operations, and multi-funder network model



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



Receivables Finance Platforms



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



Receivables Finance Platforms



Procure to Pay Platforms



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



Receivables Finance Platforms



Procure to Pay Platforms



Installed Software Vendors

Core Bank Systems & Factoring Software



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



Receivables Finance Platforms



Procure to Pay Platforms



Installed Software Vendors

Core Bank Systems & Factoring Software



Funders / Arrangers

Specialist Funders/Arrangers



The working capital finance market can be segmented into six categories

SaaS Platforms

SCF / Dynamic Discounting Platforms



Receivables Finance Platforms



Procure to Pay Platforms



Installed Software Vendors

Core Bank Systems & Factoring Software



Funders / Arrangers

Receivable Funders/Arrangers



Banks & Institutional Investors



Non bank funders have actively started investing in trade finance

Alternative funders/ Private Debt Funds

Client profile

Highly transactional

Looking for special situations

Will play across jurisdictions

Flexibility with respect to structure

Price for risk

Typical deal size: €30mn to €100mn

Funder examples



MORE
Finance



KKR



Next generation technology
decisions are now being
taken for tomorrow

DEMICA
UNLOCK POTENTIAL



Next generation technology decisions being taken for tomorrow (1/4)

Trade networks: Blockchain technology

Industry initiatives

Creation of networks:

This allows corporates and their bank partners to exchange information seamlessly

Key challenges

Data simplification

Social network

Collaboration between these networks



Next generation technology decisions being taken for tomorrow (2/4)

Robotic process automation

Applications

Remove the need for manual exchange

Allow automatic verification of data

Benefits

Cost reduction

Simplification

Speed



Next generation technology decisions being taken for tomorrow (3/4)

Machine Learning: Managing risk and calculating advance rates

Adoption

Need a large amount of data and time consuming to recognise and learn behaviours

Applications

Such as reconciliation and allocation of payments to invoices and improving biased credit model

Benefits

Machine learning helps to reduce costs, increase speed and reliability and provide better tools for risk management



Next generation technology decisions being taken for tomorrow (4/4)

Cloud: Platforms to analyse cashflows

Adoption

Slow adoption due to security and data ownership concerns

Delay of bank adoption of the cloud

Data sovereignty laws in certain countries prevent data being stored outside of the country which hinders global banks in the creation of global management reports

Solution

Public cloud providers such as Microsoft Azure are slowly expanding their global presence by creating local data centres



What do corporate treasurers want ?

DEMICA
UNLOCK POTENTIAL



Multi-product offering delivered through a state of the art SaaS technology platform

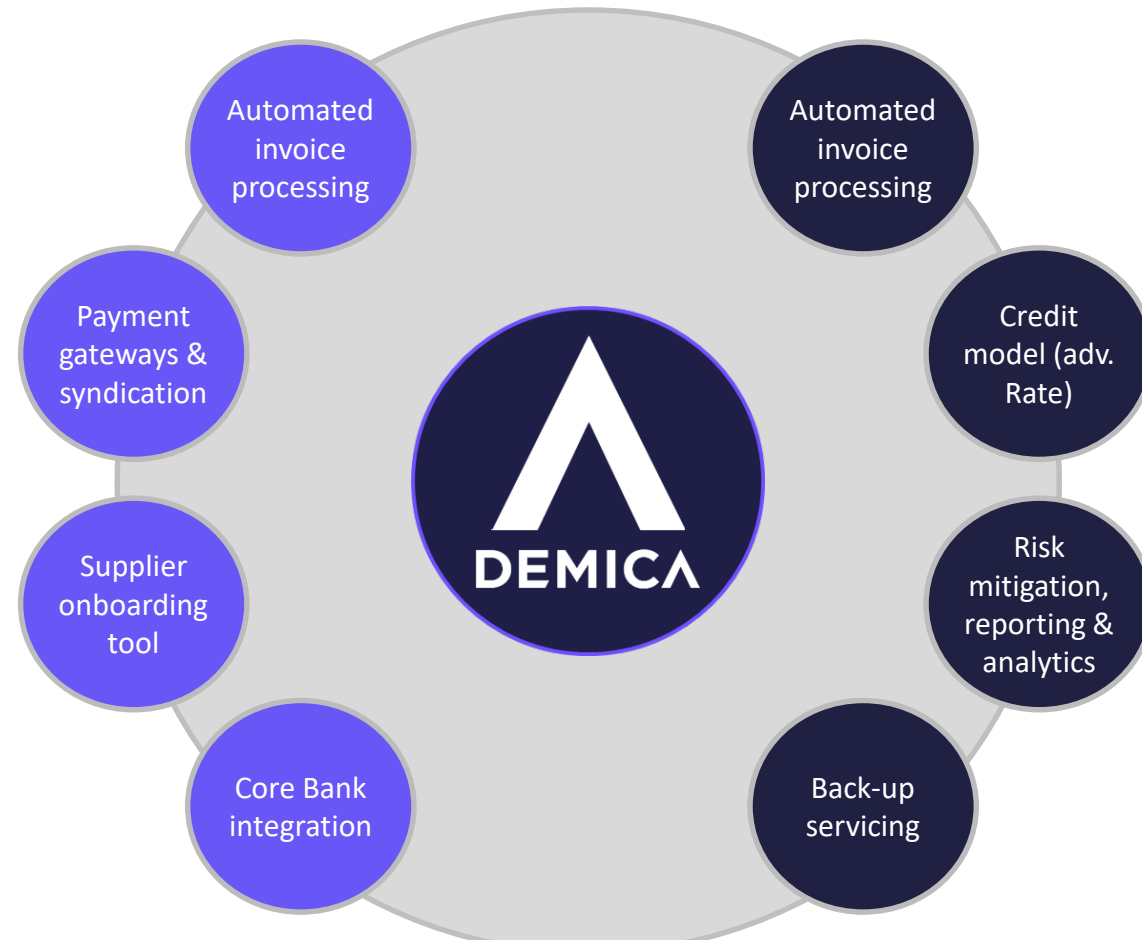
SCF Platform

SaaS technology platform

TRF Platform

Supplier dashboard

Supplier onboarding dashboard



Portfolio monitoring

Transaction set-up

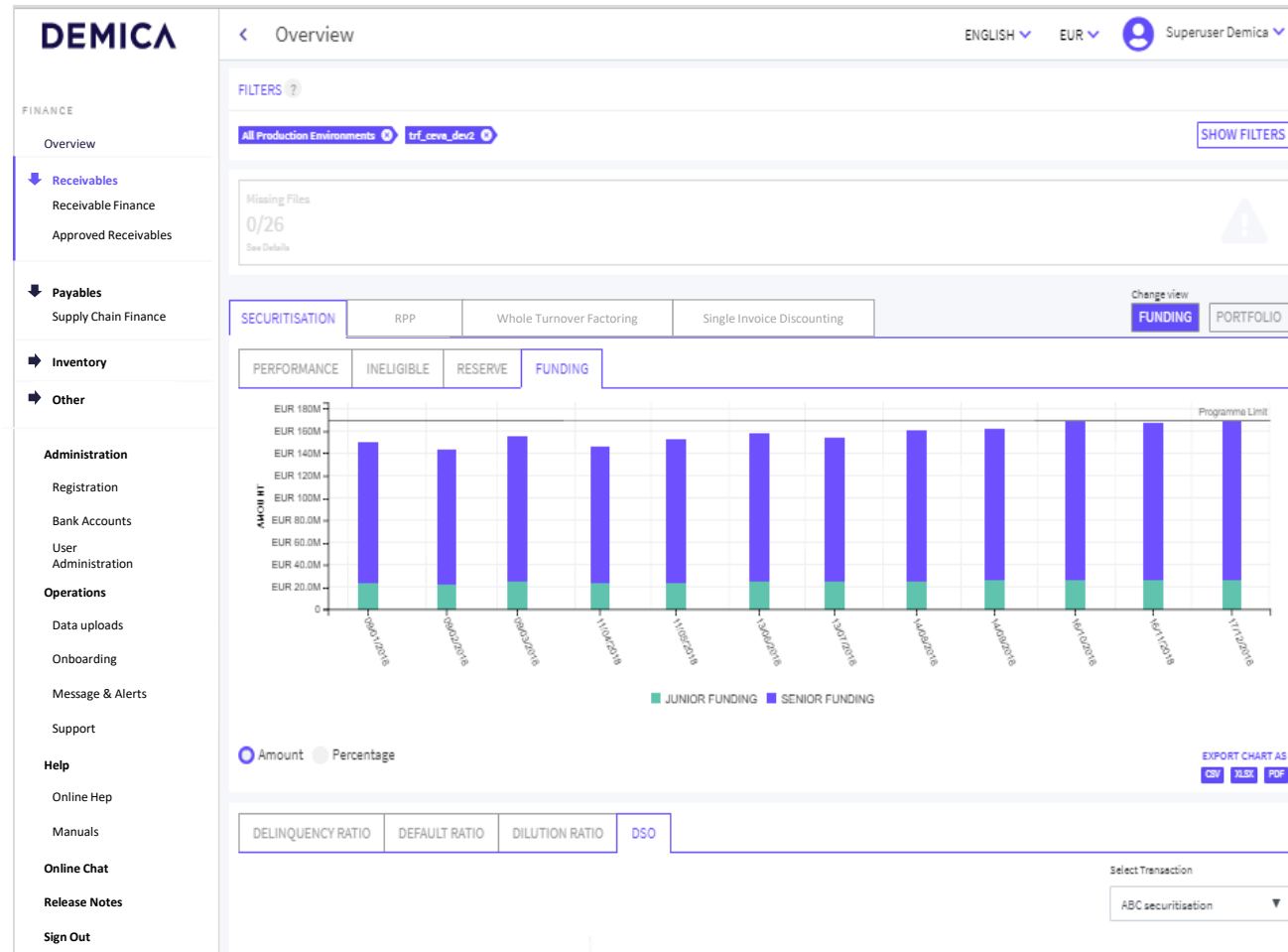
Technology in trade finance exists today to solve major corporate and bank pain points



Demica is building the world's first multi-product working capital finance platform



20,000 medium to large corporates with revenues over US\$500m



250 global and regional banks active in trade finance

Providing treasurers a consolidated view of their working capital position and access to the world's banks to finance



Disclaimer

This is not a formal offer of services and is subject to contract, due diligence and all necessary internal approvals.

This document has been prepared by Demica Limited and Demica Finance Limited (collectively "Demica") for information or discussion purposes only and shall not be construed as and does not form part of an offer, nor an invitation to offer, nor a solicitation or recommendation to enter into any transaction, nor is it an official or unofficial confirmation of terms. Regulated activities are carried out by Demica Finance Limited only. To the extent that this document constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000, it is issued by Demica Finance Limited which is authorised and regulated by the UK Financial Conduct Authority ("FCA") and is intended only for persons who are Professional Clients or Eligible Counterparties for the purposes of the FCA rules.

This document and the information contained in it is highly confidential and is the valuable commercial property of Demica. It is provided on the basis that it is kept confidential. Any reproduction, dissemination, disclosure, modification or publication is prohibited.

Demica has presented you this document in its capacity as a potential counterparty acting at arm's length. Demica is not, and no action of Demica shall be construed to be, acting as your financial, legal, tax or regulatory advisor nor in a fiduciary capacity in respect of the proposed transaction, or any other transaction with you unless otherwise expressly agreed by Demica in writing. Accordingly, neither Demica nor any of its directors, officers, employees or agents (each a "Relevant Person") shall incur any responsibility or liability with respect to any action, omission, recommendation or comment made either by them or by any other Relevant Person in relation to any such matter or anything contained in this document, and each individual or entity which receives this document or participates in the Transaction (together the "Client") shall be responsible for obtaining all such independent advice as it thinks appropriate on such matters.

This document may contain forward looking statements which may include statements regarding Demica's intent, belief or current expectations with respect to Demica's businesses and operations, market conditions, results of operation and financial condition, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Demica does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Demica's control. Past performance is not a reliable indication of future performance.

This document may include data, forecasts, company and/or product descriptions and other information received from a third party or parties ("Third Party Content"). Demica has not created, does not control and has not verified any Third Party Content. Demica makes no representations, warranties or guarantees (whether express or implied) about the completeness, accuracy, timeliness or reliability of any Third Party Content. Demica has no responsibility to update any Third Party Content or to ensure that Third Party Content is updated. Demica shall incur no responsibility or liability with respect to any Third Party Content or provision thereof.

You alone shall be responsible for making your own independent investigation and appraisal of the risks, benefits and suitability of any transaction, and Demica shall incur no responsibility or liability whatsoever to you in respect thereof.

