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Trade Receivable Financing

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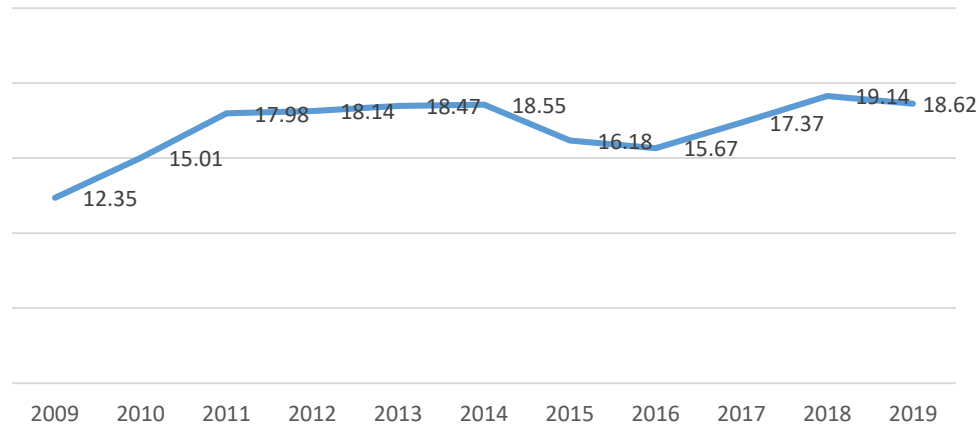
Global Receivables Finance Market

Inspite of geopolitical tensions and cautious global economy slowing the pace of trade growth, Receivables Finance may still represent a huge opportunity

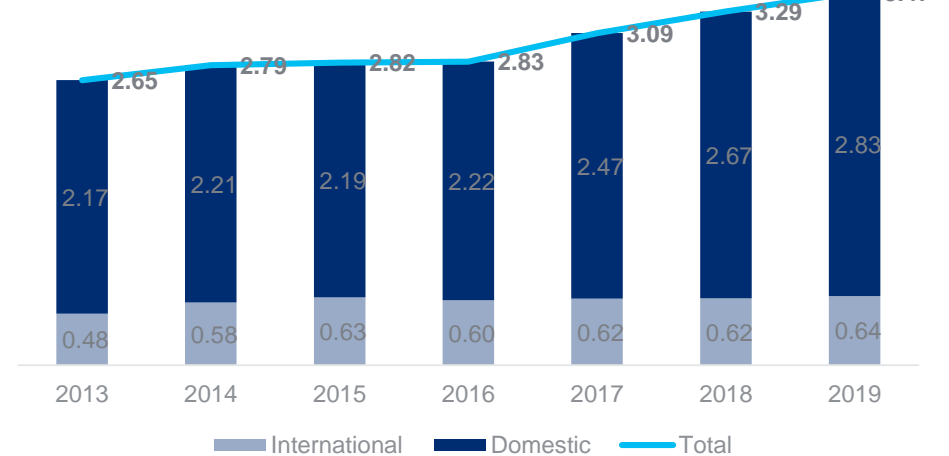
Trends

- The value of Trade Merchandise was down by 3% in 2019, to U\$18.62trillion.
- Global Receivables/Invoice financing volumes are estimated at U\$3trillion. Still a huge gap v/s overall trade merchandise volumes.
- During 2019 the global factoring volumes grew by 5%, however COVID-19 has affected projections for 2020.
- 85% of Invoice factoring is captured by banks, serving mostly corporates, 15% is done by independent factoring firms.³

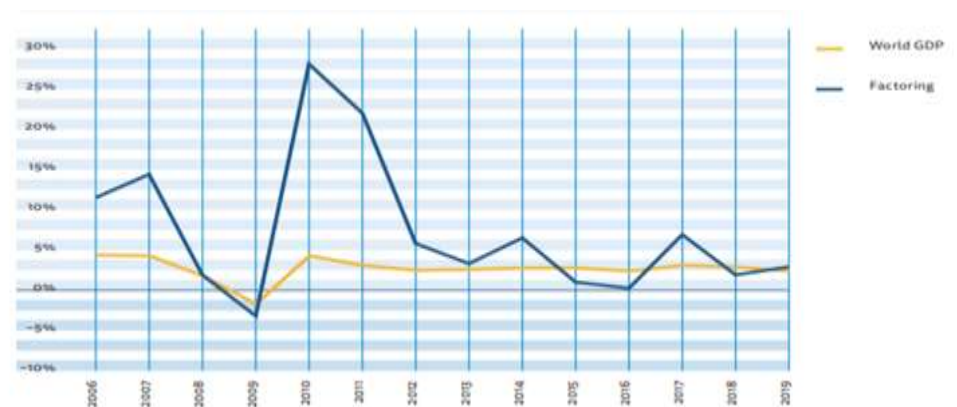
Merchandise Trade Value (U\$Tn)¹



Total World Factoring Volume 2019 (\$tn)²



Total World Factoring Volume 2019 (\$tn)²



Trade Receivables Finance – Key Offerings

Many banks have shifted from a bilateral financing to a portfolio based risk approach

Bilateral Receivables Finance

Receivable True Sale

01

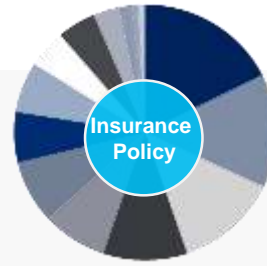


- Simple A/R sale and purchase structure
- Buyer-by-Buyer Analysis
- Availability/pricing driven the Buyer's credit risk
- Credit risk on Buyer(s)
- Structures can be made without (true sale) or with recourse to the Seller

Portfolio Receivables Finance – Synthetic Securitization

Credit Insured AR Finance

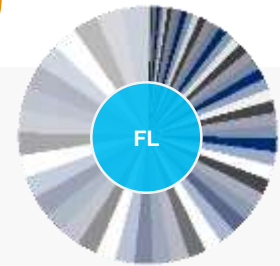
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- A/R purchase
- Medium Portfolio (20+ Buyers)
- Portfolio can be fully or partially insured
- Price is driven by quality of portfolio and level of insurance coverage
- Structure is also driven by insurer's credit appetite

Distribution Finance

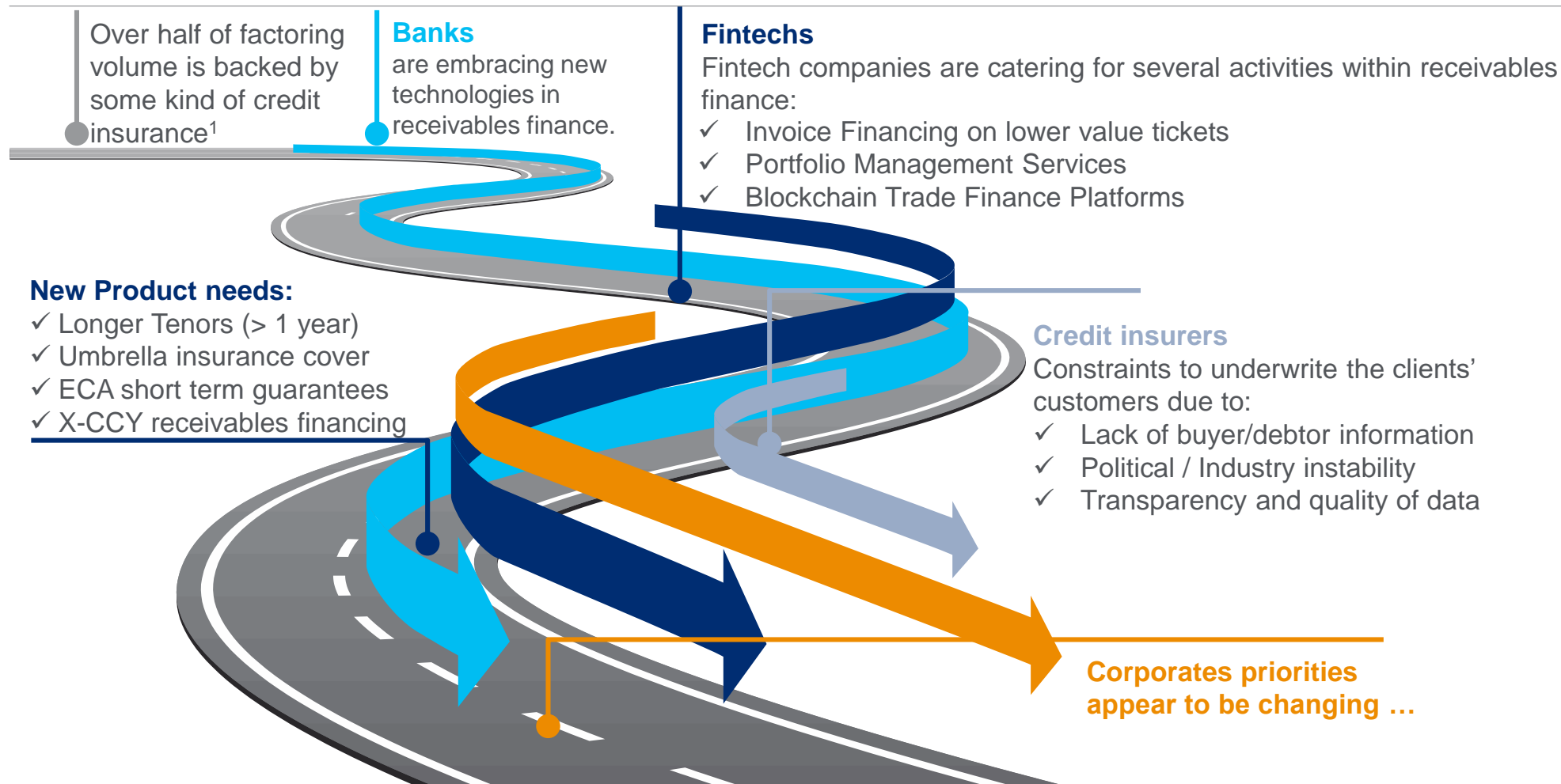
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- A/R Purchase or Finance
- Large Portfolio (50+ Buyers)
- Structure driven by Seller objectives and its A/R portfolio profile
- Requires risk sharing with Seller and/or third party
- Solution applies to a very broad set of buyers

Changing Landscape

The increasing demand for receivables can be seen as driven largely by their shorter tenor and the potential to link to high-quality counterparty risks and structural credit enhancements



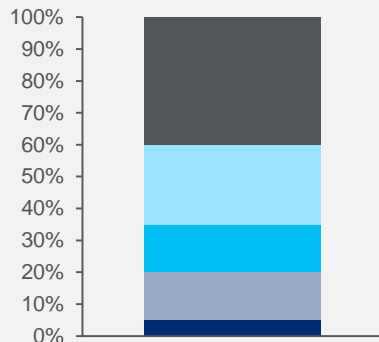
Corporates priorities appear to be changing...

In an uncertain macro environment, corporates may have shifted their priorities towards risk management, liquidity & funding optimization, and balance sheet enhancement.

Receivables Finance can be a strong tool to assist Treasury, Sales and Risk functions within the organization to help meet their goals by potentially:



Some possible reasons for establishing a Receivable Finance program



- Help Improve Free Cash-flow** – increasing Operating Cash Flow (OCF) which can be used to fund CAPEX and other strategic spending priorities
- Balance Sheet and P&L improvement** across various items (potentially improve financial covenants by reducing debt levels)
- Aid in Counterparty Risk Reduction** – Common driver when high value flows are involved
- Potential FX Risk Reduction** – Common driver where client operates across multiple currency jurisdictions
- Possibly Access Funding at Attractive Interest Rate** – Typically less expensive than standard RCF or a bank loan

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