

“Game Changers”:

The next opportunity for Private Equity

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SCF Capital

Supply Chain Financial Services

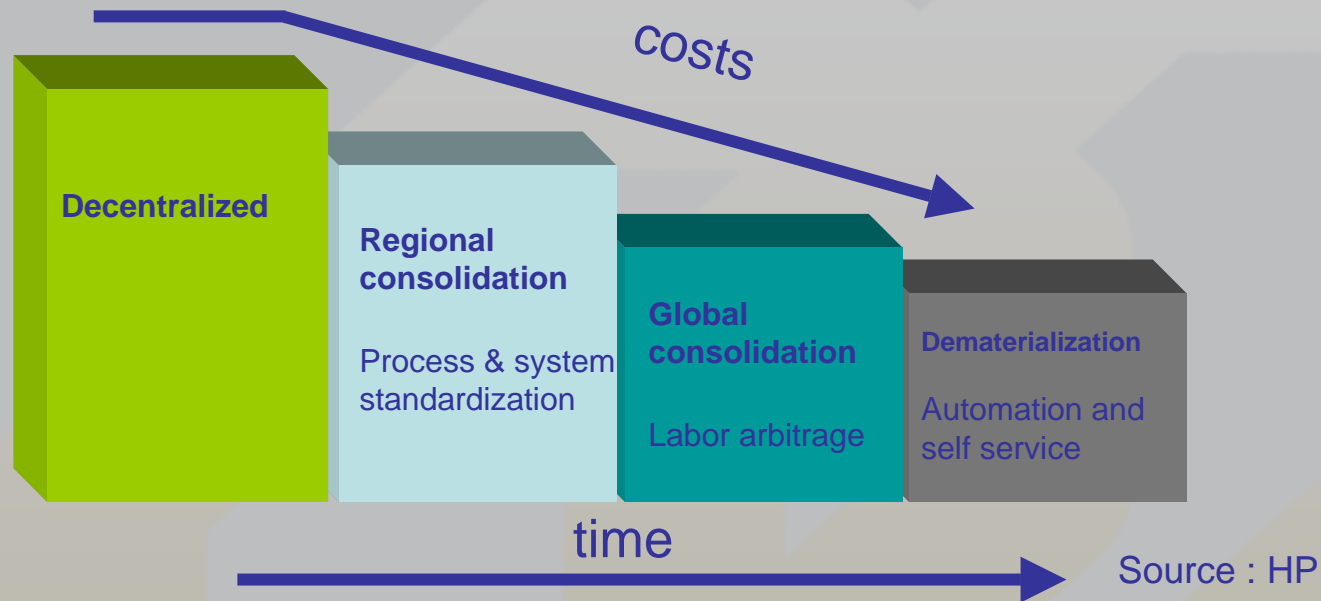
1. Why Supply Chain?
2. Platform Companies
3. Industry Procurement Utility (SCFCAP.com)
4. What outcomes:
 - Synthetic Payables/Receivables
 - Inventory Finance (Toll Distribution, Toll Manufacturing)



Financing the Supply Chain

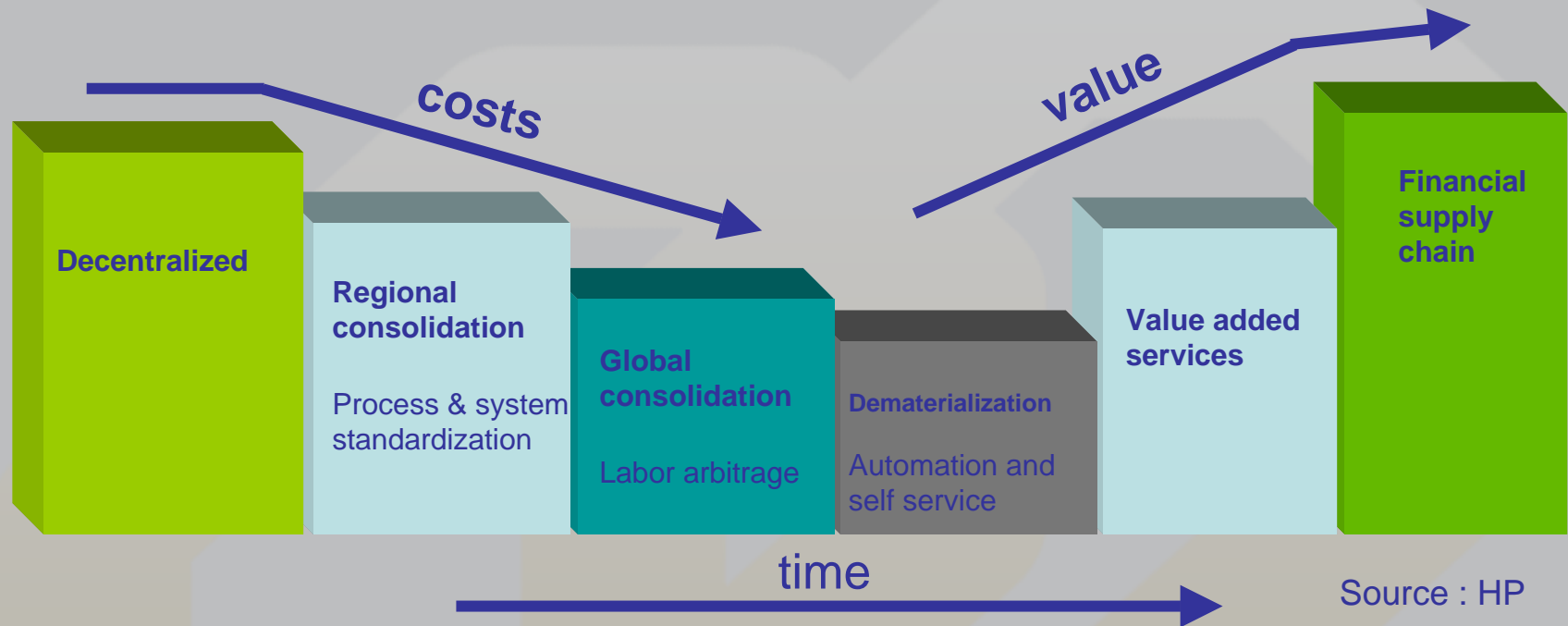
- Financial supply chain lags physical by at least a decade.
- Value-chain outsourcing is changing the balance sheet away from PPE hard assets to mostly working capital.
- Emergence of “platform company model” of design + R&D + marketing + channel.

Corporates Today



➔ Companies have focused on cost reduction initiatives ...

Potential with Transformation



Financial supply chain transformation occurs when focus moves away from pure cost reduction to revenue and EBITDA growth and requires a shift from traditional working capital metrics such as DSO/DPO ...



“Old Way” Corporate Hedging

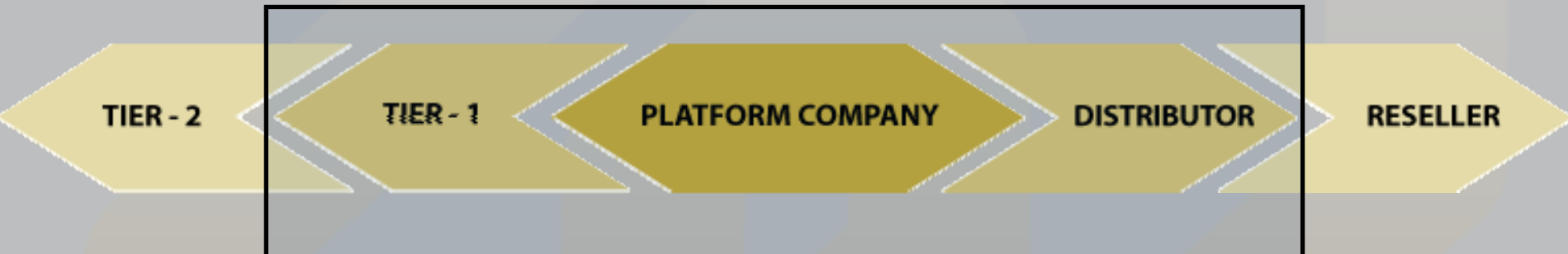
- Supply Chain managers hedge by holding more inventory
- Finance managers hedge by holding more cash
- Results in higher working capital required and reduced cash flow certainty
- Millions of euros trapped in the “order-to-pay” cycle

Evolution to Platform Company

SUPPLY

DISTRIBUTION

Traditional to Platform Corporate Model



- Manufacturing
- R & D
- Distribution
- Design
- Marketing
- Supply Chain

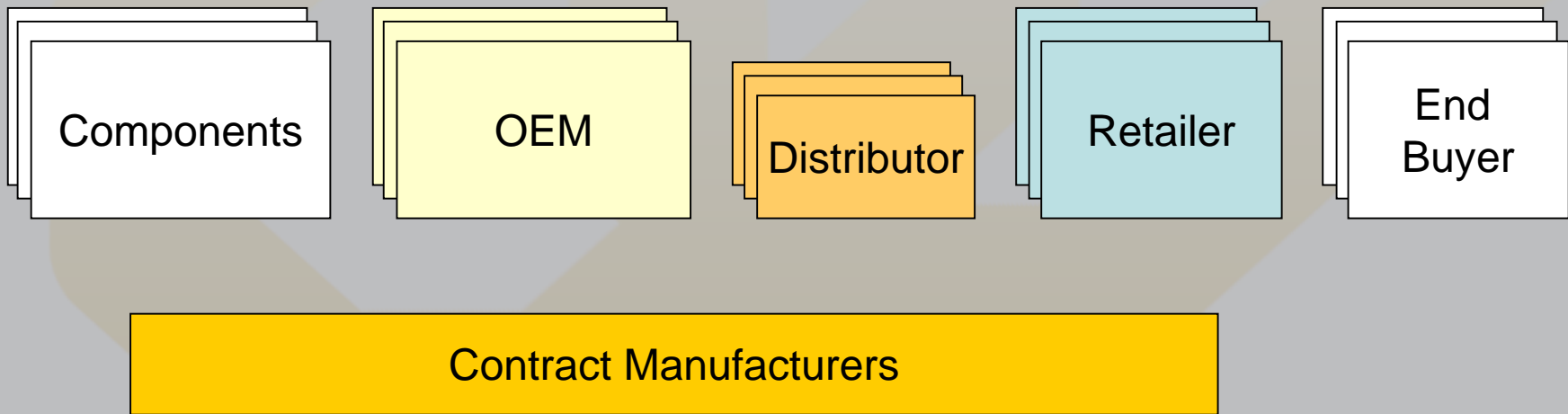
Platform Companies

New issues to Solve

Receivables/Payables

OEMs for contract manufacturers pay later to mitigate credit risk

Retailers and End Buyers push contracts as far as possible back to OEMs and Distributors



Platform Company Solutions

SCFCAP.com

Synthetic Receivables/
Synthetic Payables

Inventory Financing (Toll
Manufacturers, Toll
Distribution)

Components

OEM

Distributor

Retailer

End
Buyer

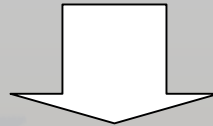
Contract Manufacturers



SCFCAP.com Creates Off-Balance Sheet Funding

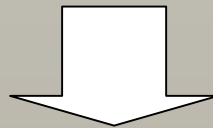
Invoice or receivable

(co-mingled performance and credit risk)



**SCFCAP.com
Synthetic Receivables**

Structure/Credit Enhancement
(separate performance and credit risk)



**Hedge Fund or
Rated Commercial Paper**



Off Balance Sheet Supply Chain Financing

- Less expensive than junior debt
- Programs can increase net earnings through lower reduced DSO and extended DPO programs
- Lower cost of working capital through separation of Performance and Credit Risk
- Reducing taxes through the supply chain



Toll Manufacturing

- No transfer of goods, only paying a “service fee”
- Avoid unnecessary customs and excise tax

- Electronics Distributors (Avnet, Arrow) traditionally take finished goods on their balance sheet, vs.
- Logistics Service Providers (UPS, DHL) don't take finished goods on their balance sheets



Synthetic Receivables is an Off-Balance Sheet Concept

- 3rd Party agent
- Uses conduit as an SPV
- Achieves GAAP compliance
- Performance risk is separated from credit risk

Unsecured Payables Structures

Answer: SCF Capital can arrange “synthetic” payables by utilizing procurement utility

Totally unsecured synthetic payables have no special covenants on the debt

Replacing junior debt with less expensive debt

Buyer gets Early Payment Discounts (EPD) while still extending their real DPO



Corporate Game Changer

Silo

- Transaction
- Logistics
- Units
- Money

VS.

System

- Value Chain
- Advantaged Ecosystem
- Industry Procurement Utility
(SCFCAP.com)



SCF Capital
Supply Chain Financial Services

Thank you