AXIAL

DS-CONCEPT
Intelligent Trade Finance

# Trends in Trade Finance: an international perspective

# Trade Finance 101

- Trade Finance is transaction based financing for sales of goods and services between companies (often internationally)
- Trade finance includes such activities as:
  - Factoring, Vendor Financing, Forfaiting
  - Purchase Order Financing
  - Credit Insurance

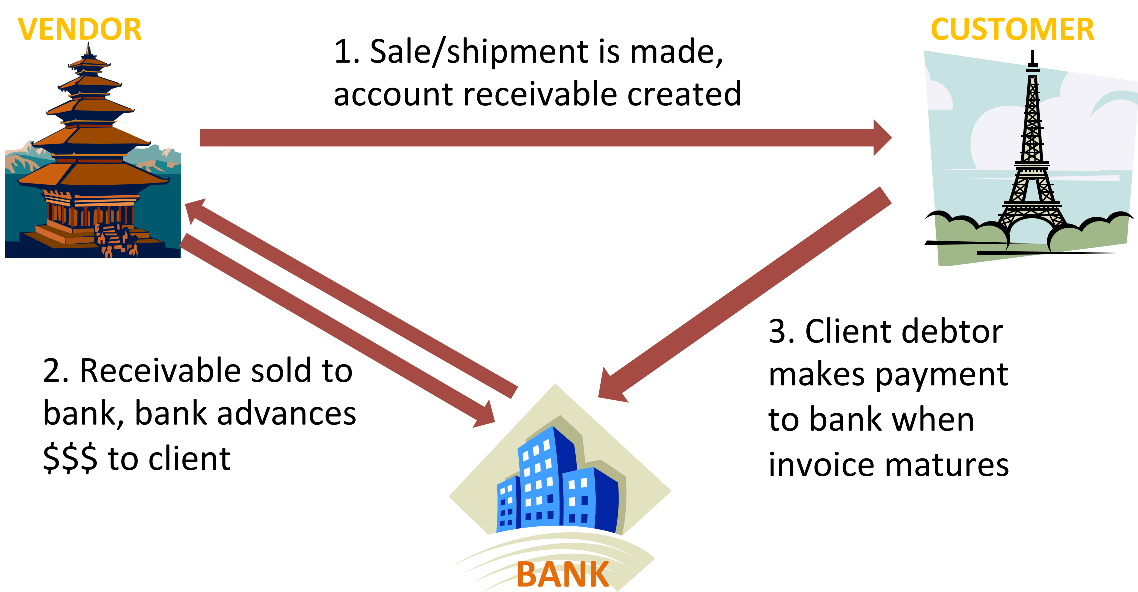
*Across various payment terms: open account, letters of credit (L/C), documentary collections (D/A and D/P)*

# Trade Finance 101

- The World Trade Organization estimates that 80 to 90% of global trade is reliant on trade financing
  - Users of trade finance range from "mom-and-pops" and start-ups, to Fortune 500's (Proctor & Gamble, Pepsico)
  - Providers of trade finance include global money center banks, regional banks, specialty finance companies, and ECA's (EXIM, EDC, ECGC)

# Factoring

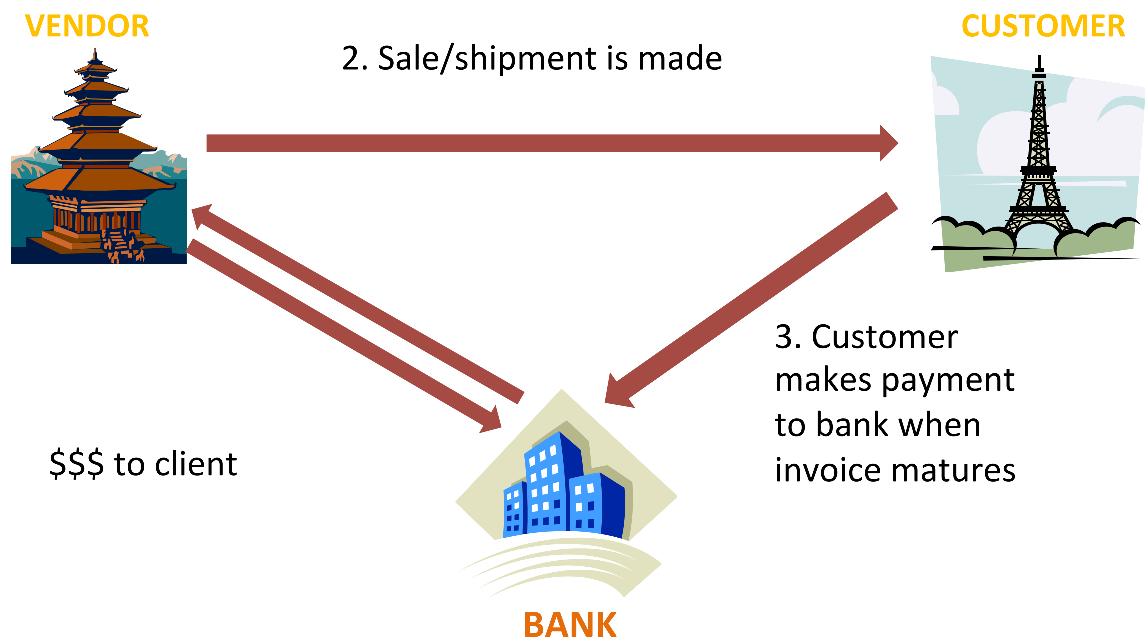
Definition: vendor of goods sells receivables to factor. Factor advances money to vendor/client on a non-recourse basis, collects payment from vendor's customer, and offers bookkeeping/reporting services.



# PO Finance

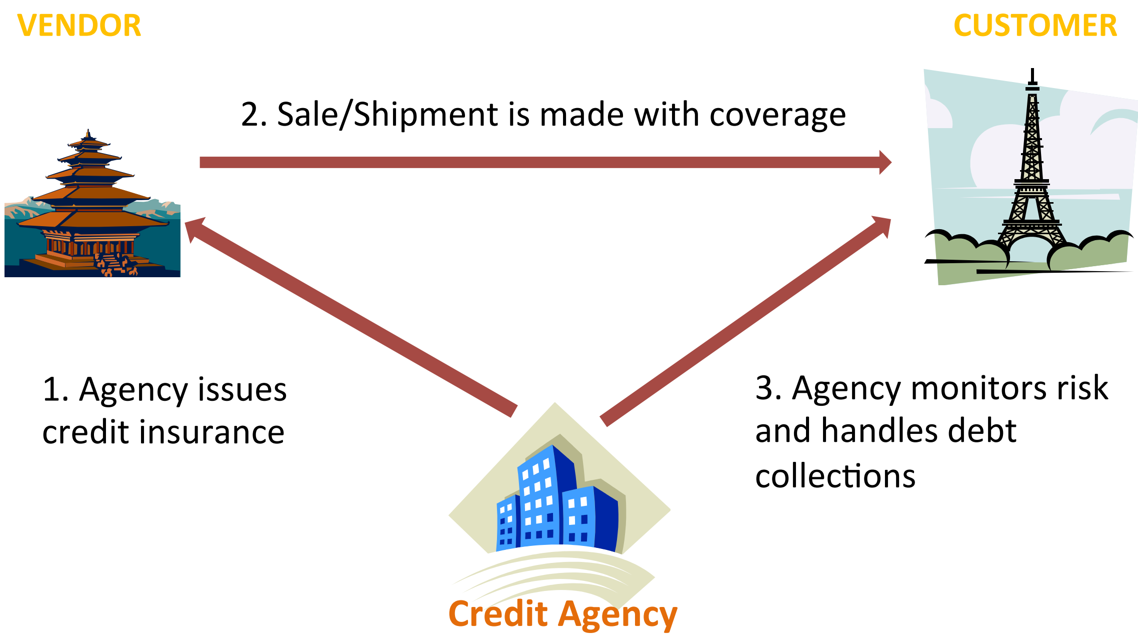
## Definition:

tangible goods that lack the funds to pay their manufacturers



# Credit Insurance

**Definition:** an insurance policy and a risk management product offered by private insurance companies and governmental export credit agencies to business entities wishing to protect their accounts receivable from loss due to credit risks such as protracted default, insolvency or bankruptcy.



# Factoring in International Trade

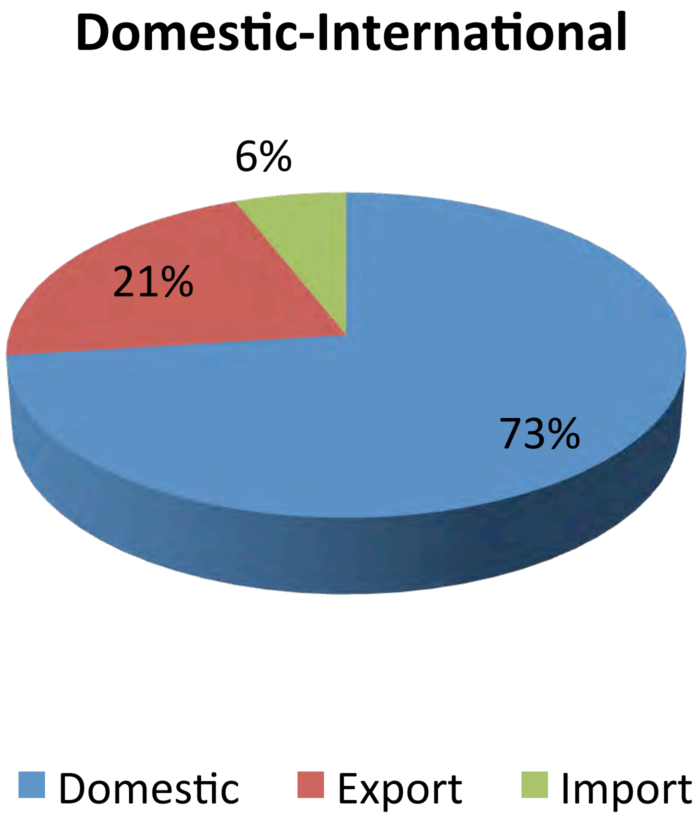
## Factoring Usage:

- 1980 : +/- 50 billion €
- 1990 : +/- 200 billion €
- 2000 : +/- 600 billion €
- 2011 : +/- 2.000 billion €
- 2012 : ? + 4% first half of the year in the EU

## Global Breakdown:

- North America- 5%
- South America- 8%
- Europe- 63%
- Africa & Middle East- 2%
- Asia- 19%
- Australia & NZ- 3%

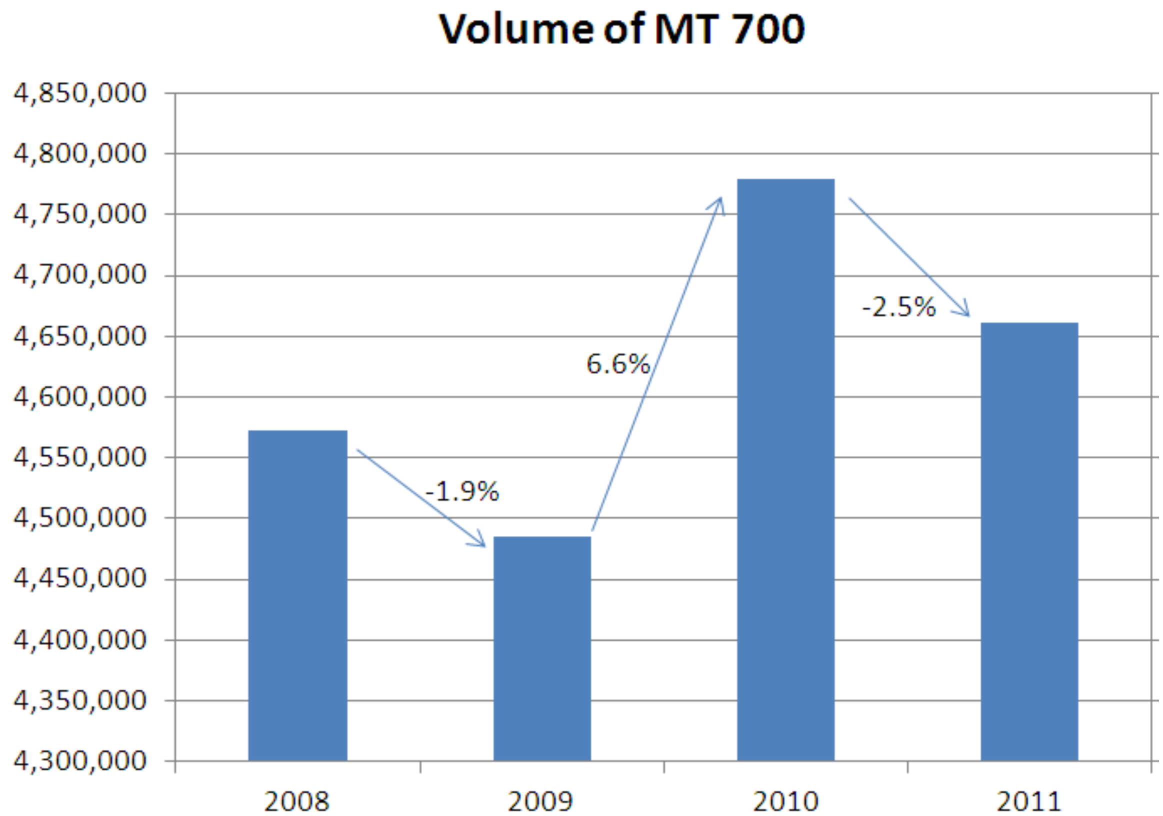
# Factoring in International Trade




- 73 % of World Factoring turnover is Domestic Factoring
- Cross-border factoring continues to grow more rapidly than domestic factoring.

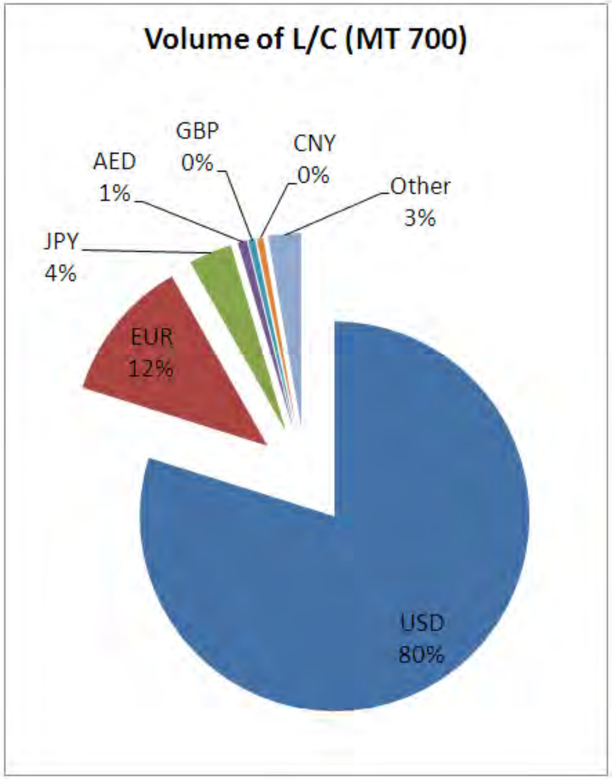
# L/C's in International Trade

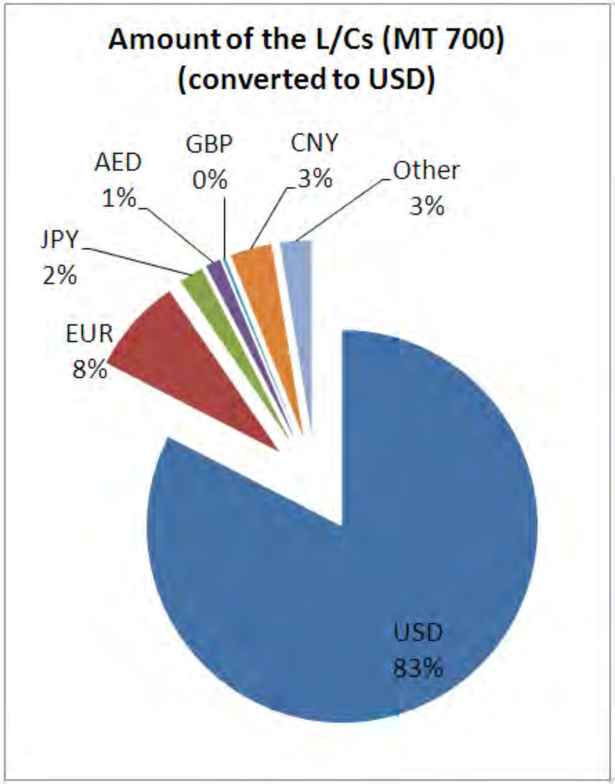
L/C usage currently (90% through SWIFT):



# L/C's in International Trade

L/C usage currently: average L/C is $ 607,000



# Trade Credit Insurance

- 2012 (est.)

*Covers: trade credit default (slow payment & bankruptcy)*

  - 6.5 Billion USD in premiums
  - 3.5 Trillion USD in covered sales

# Typical Trade Finance Clients:

## Fast-growth

- For most fast growth companies, bank financing will be limited, and limiting. Factoring and trade finance provides on-going support with no ceiling or cap.

## Buying and selling internationally

- Domestic factors and finance companies, and even many banks, will not offer financing on international sales.

## Financially stressed or impaired

- In today's economy, banks' and traditional lenders' credit and underwriting standards have become increasingly stringent and unrealistic.


## Asset-light and/or low margin

- Trading companies tend to have few, if any, tangible assets—but may have large purchase orders and receivables. Banks and traditional lenders may not be able to provide the working capital needed to fully capitalize on the opportunities in the marketplace.

# Fast Growth

## USA Food Distributor

- Company expanding overseas sales
  - Selling to European/Middle East debtors
- Taking on PO's in foreign markets
- Doesn't have adequate working capital to fulfill new orders
- Trade Finance Provided:
  - PO funding
  - Non-Recourse Export factoring

Results:

- Company now able to meet their growth potential by selling in new markets that were previously out of reach.
- Annual Revenues:

  2011: $4.5 MM
  2012: $11 MM
  2013: $17 MM YTD

# Asset Light

## US Wholesale Distributor

- Industry: Consumer Electronics
- Introduced by PE Firm
- Situation:
  - Strong sales history but "light" balance sheet
  - Major vendors in China
- Trade Finance Provided
  - Reverse Factoring Facility
    - -85% Advance on Chinese invoices at FOB
    - -15% Provided by client
- Results:
  - Increased sales volume by 15% over 18 months
  - Company continues to utilize supply chain finance for long-term growth

# Financially Stressed

## Dutch Parent / US Subsidiary:

- Industry: Stainless Steel Products
- $7.5MM Non-Recourse Domestic / Export Facility
- 30%+ customer concentration
- Major global bank introduced factor to client in order to “carve out” concentrated and foreign A/R, allowing the credit to pass through committee
- DS-Concept was able to work with both the US Sub and German Parent to accelerate their domestic (EU / US) and foreign (UAE, China, and South African) receivables.
- Results:
  - The company expects to return to a traditional banking facility within the next 12-18 months.
  - Agreement states that client is able to return to the referring bank as soon as they are again bankable.

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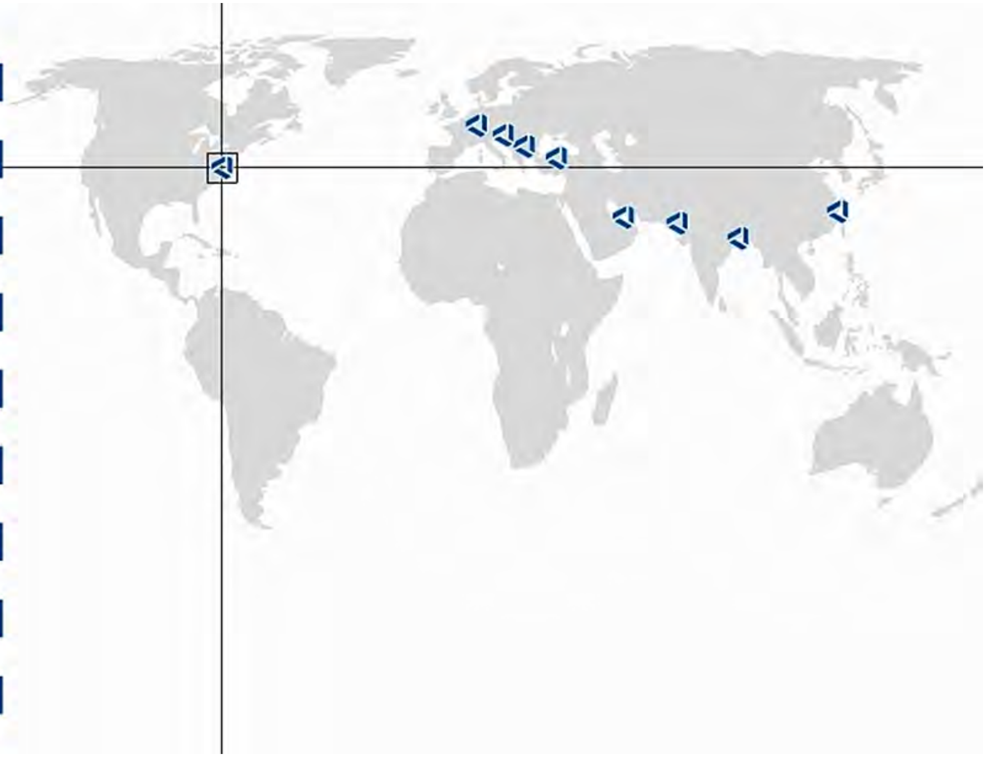
# Worldwide Network

**USA**
New York
**Turkey**
Istanbul
**Bulgaria**
Sofia
**Pakistan**
Karachi
**Bangladesh**
Dhaka
**Germany**
Mönchengladbach
**Hungary**
Budapest
**UAE**
Dubai
**China**
Shanghai



John Stillwaggon- VP Sales
j.stillwaggon@ds-factoring.com
Direct: 646.380.7766
Skype: john_stillwaggon

DS-Concept USA
650 Fifth Ave 24th Floor
New York, NY 10019
212.765.4349