

# EMERGING FINTECHS – FRIENDS OR ENEMIES FOR THE BANKS IN THE PAYMENT SPACE?



**DEMICA**

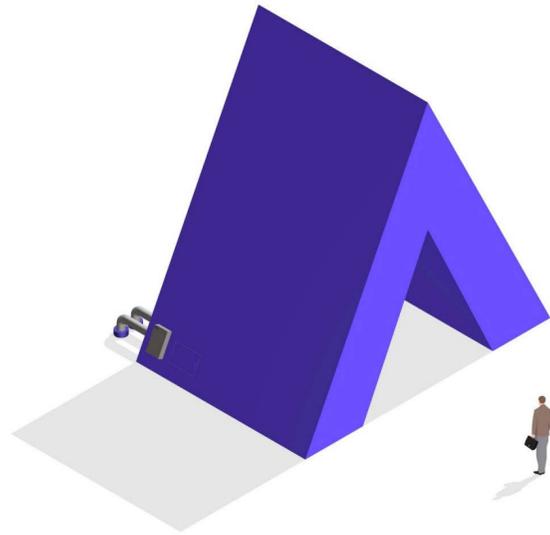
# AGENDA

- ▲ Quick introduction to Demica
- ▲ Official FCI Global SCF platform partner
- ▲ The FinTech ecosystem
- ▲ Cooperations Banks & fintechs
- ▲ Examples of what can cooperation between Fintech and banks can bring to working capital
- ▲ Banks are also investing in Fintechs
- ▲ Fintech investments growing rapidly
- ▲ Conclusion

# INTRODUCTION TO DEMICA

- ^ Demica is the independent market leader working capital solutions provider to large corporates since 2002
  - Supply Chain Finance (“SCF”);
  - Receivables Finance (RF);
  - Trade Receivable Securitisation (“TRS”)
- ^ Clients are typically multinationals with revenues of €500m or greater and minimum of €125m of Trade Payables and €75m of Trade Receivables
- ^ We are uniquely positioned in the market thanks to
  - A specialised team drawn from investment banking industry experts combined with experienced technology implementation professionals
  - 15+ years expertise in executing programmes for large multinationals globally
  - A unique and flexible technology platform providing automated processing, reporting, payments and establishing back-up servicing that minimises risk for all parties
  - Access to global funding sources through established partnerships with main banks and large institutional investors
- ^ Our objective is to simplify, to the best of our capabilities, the assessment, execution, administration, and management of our Clients’ working capital programmes

# WHO ARE DEMICA? (1/2)

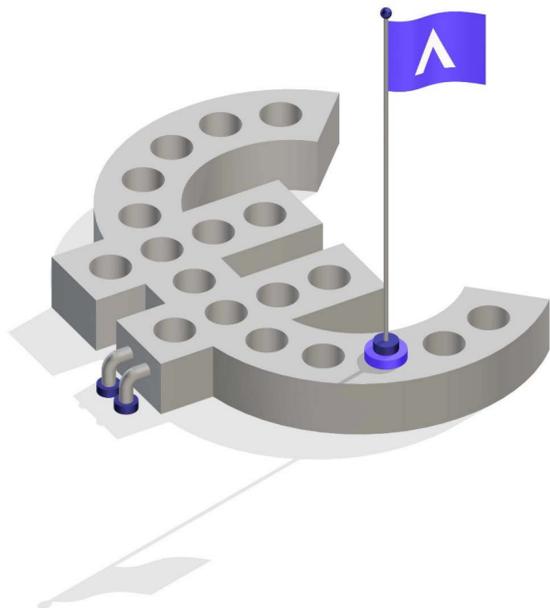


## SCALE

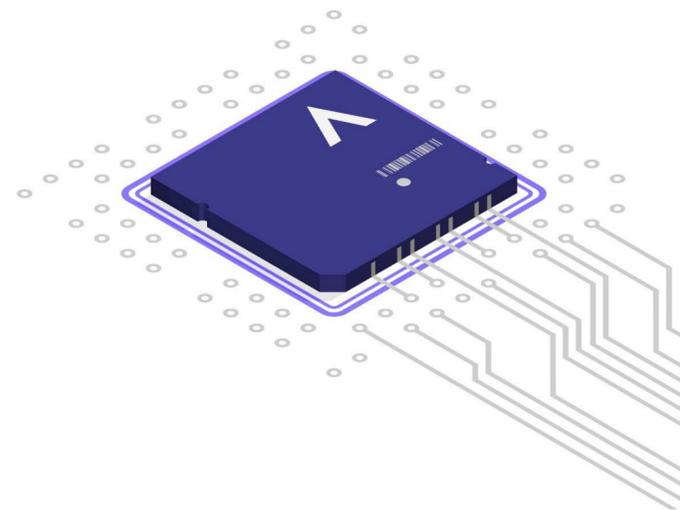
We facilitate the funding of \$60 billion of receivables per year, which nets down to an average of \$6bn



**RISK MITIGATION** World-class technology combined with excellent structuring has led to zero loss for any programme on the Demica platform



**BANK PARTNERSHIP** With access to proprietary pools of capital, we partner with 35 banks and large institutional investors to fund our programmes



**INNOVATIVE TECHNOLOGY** Our platform interfaces to over 240 ERP and accounting packages, providing daily invoice level data to our risk systems

# WHO ARE DEMICA? (2/2)

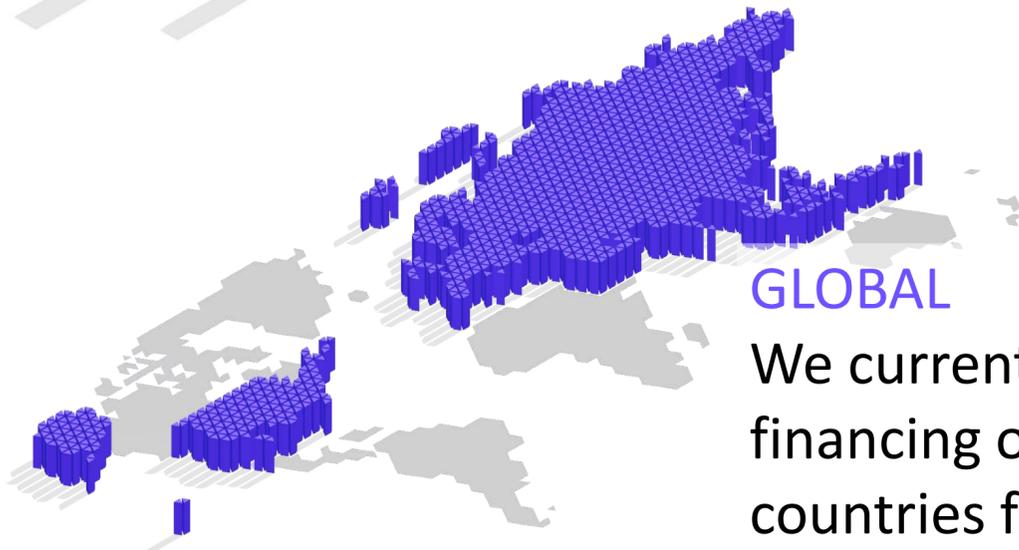
## VALUE

Our unique technology platform enables our clients to achieve optimal advance rates and lowest possible cost of funds



## GLOBAL

We currently facilitate the financing of receivables from 135 countries for clients across Europe, North America & Asia



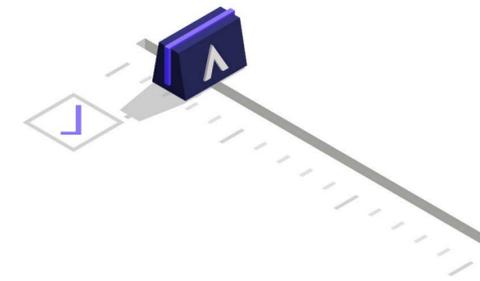
## EXPERTISE

Since 2002, Demica has powered over 280 large receivables finance and supply chain finance programmes worldwide



## CLIENT SATISFACTION

Since our launch as a working capital solutions provider in 2002, we have never lost a client to a competitor



# OFFICIAL FCI GLOBAL SCF PLATFORM PARTNER



DEMICA

## FCI MEMBERS IN EUROPE



### FCI:

- ^ Founded in 1968 FCI is the global representative body for factoring and financing trade receivables, today, FCI has over 400 banks in 90 countries
- ^ In 2016 FCI entered into a union with International Factors Group creating a global factoring network representing 90% of worldwide cross-border factoring revenues

### The Partnership:

- ^ Demica has been selected as the partner for FCIreverse connecting Demica's multi-funder SCF solution to a network of over 400 banks
- ^ After an extensive 2 year selection process, Demica was chosen based on the quality of our technology, including functionality, resilience, connectivity and scalability
- ^ Demica's solution will enable FCIreverse member banks and factoring companies a unique technology and distribution channel for SCF transactions globally

BULGARIA



# THE FINTECH ECOSYSTEM

Payments & Transfers	Lending & Financing	Working Capital
<h3>Financial Management</h3>	<h3>Retail Banking</h3>	<h3>Markets &amp; Exchanges</h3>
	<h3>Insurance</h3>	

# COOPERATIONS BANKS & FINTECHS



## Capital

- **Lowest** cost of capital

- No capital

- Partnership

## Clients

- **Access to clients worldwide** within their relationship model
- Banks can offer **large range of financials services** and be a **one stop shop for financing needs**

- Able to connect to large numbers of clients without having historical relationship
- Strong focus in **niche services which banks can not provide**

- Collaboration can provide alternative financial services to their clients
- **Fintech can offer banks to invest in their transactions**

## Data

- Access to **big amount of information** on their customers base
- **Strong portfolio** and simple obligor clients

- Advanced **technology** able to analyse information in flexible and quickly manner and bring unique rates models

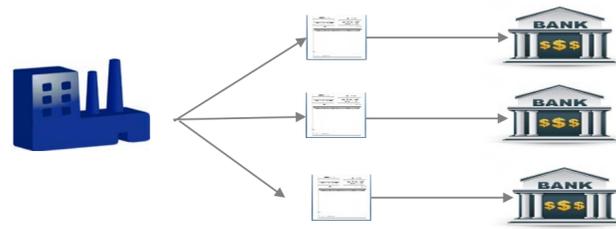
- **Unique pricing** at a customer level and rapid decision making

# EXAMPLES OF WHAT CAN COOPERATION BETWEEN FINTECH AND BANKS CAN BRING TO WORKING CAPITAL

## BANKS

## BANK + FINTECH

### Factoring



- Risk analysis based on individual counterparties
- Only known debtors can be accepted

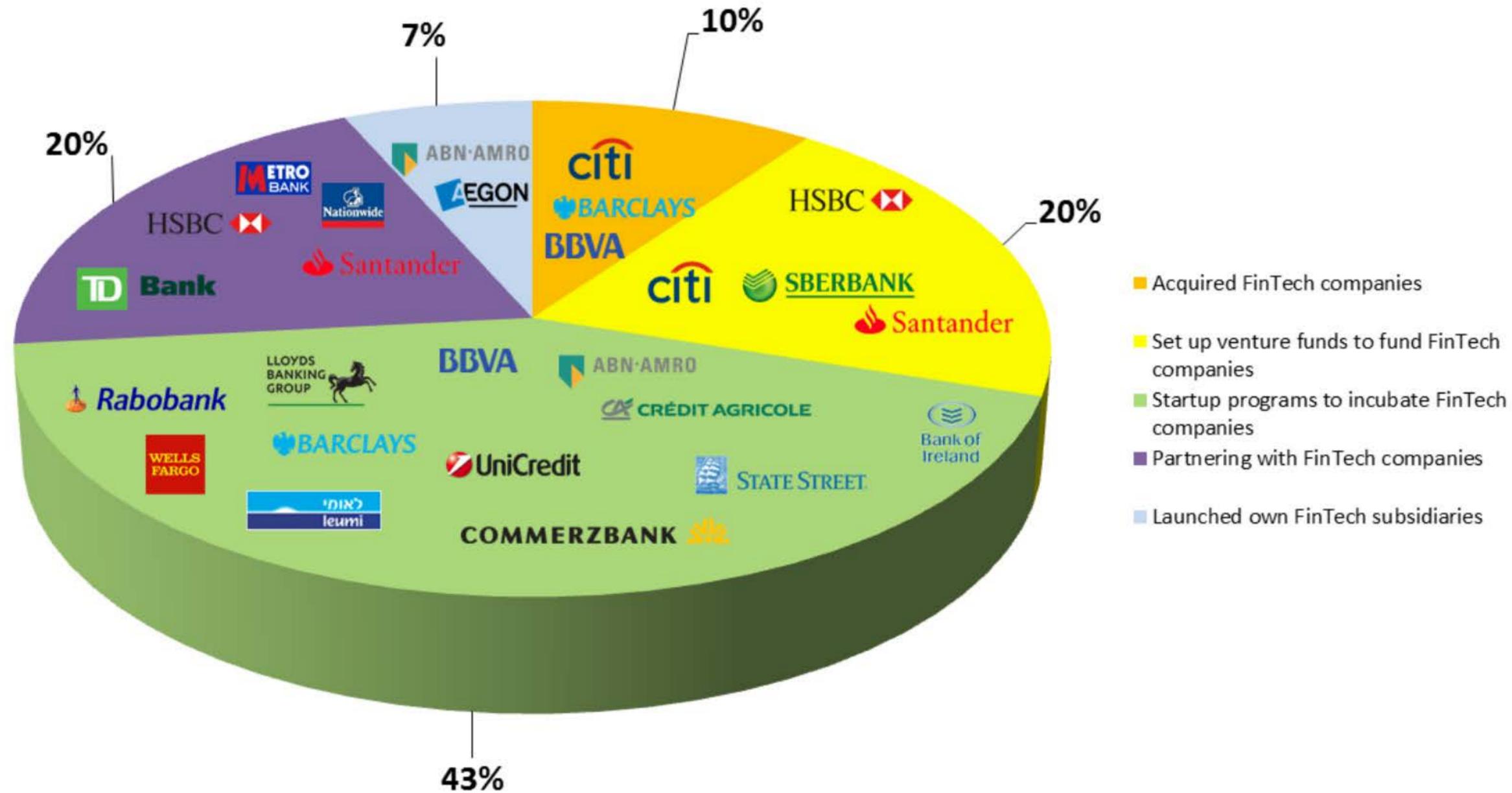
### Securitisation



- Risk analysis based on portfolio
- Known and unknown debtors can be discounted
- Model gives better rating of transaction which is translated in more competitive Price
- Credit enhancement is better adjusted which is translate in lower discounts

- ▲ Purchase Order Finance supported by analysis of PO > Payment conversion rates
- ▲ Integrated FX into SCF programs (Demica estimates c.15% SCF revenue)
- ▲ Transaction level credit insurance to support single invoice discounting
- ▲ Blockchain to mitigate seller risk and use customers credit rating to support suppliers payments

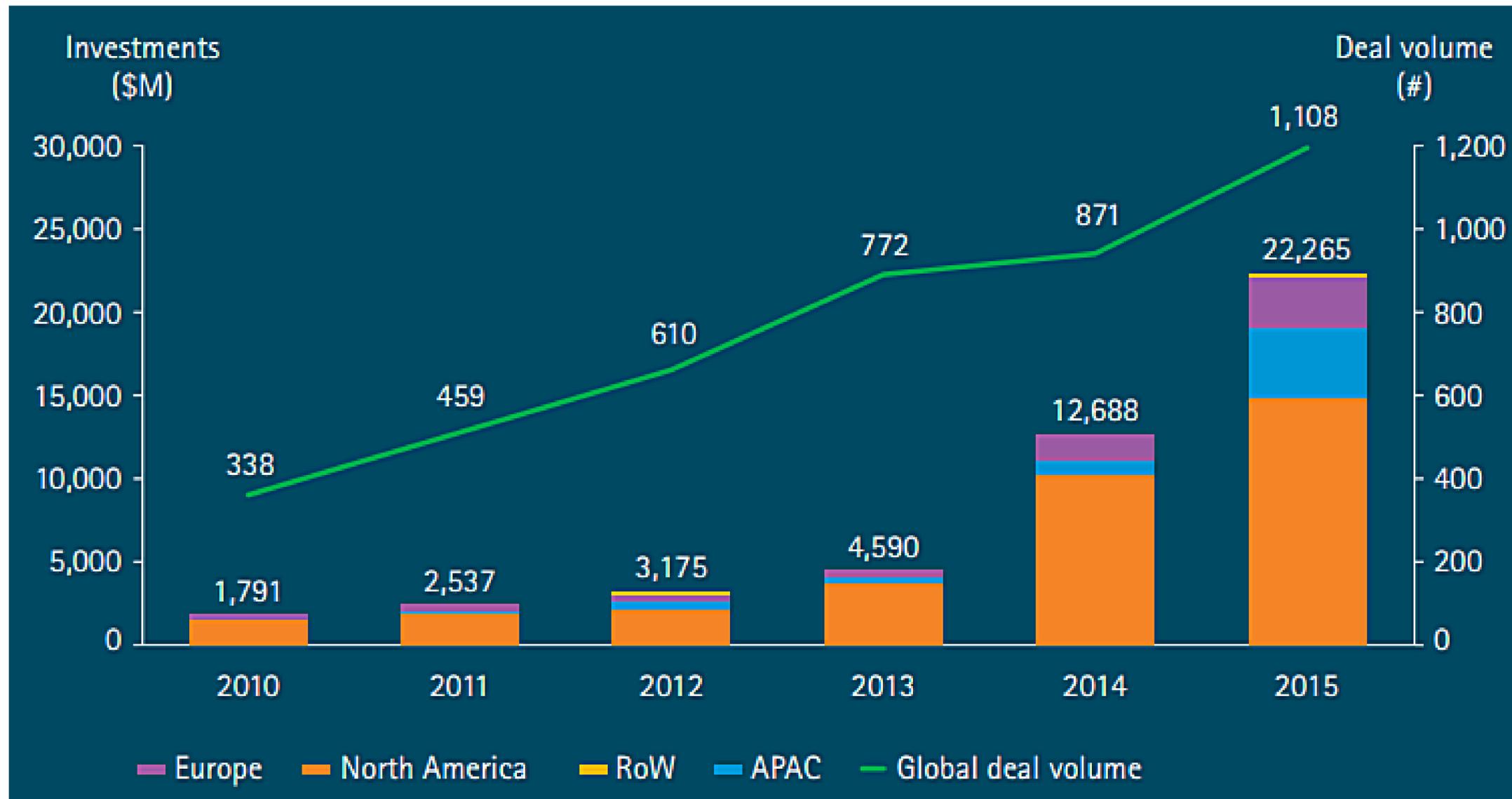
# BANKS ARE ALSO INVESTING IN FINTECHS



Source: Trade Financing Matters (23.4.2015)

# FINTECH INVESTMENTS GROWING RAPIDLY

Exhibit 1: Global Fintech Financing Activity (2010-2015)



Source: Accenture analysis on CB Insights data

# CONCLUSION: FINTECHS AND BANKS: FRIENDS OR ENEMIES?

## ▲ FRIENDS:

- Banks bring capital and relationships. Fintechs bring technology and product innovation > match made in heaven!

## ▲ (Perhaps we are) ENEMIES:

- Fintech can expose and target profitable bank niches, having slower banks with unprofitable divisions.
- Risk of regulatory arbitrage. Fintechs are less regulatory and play on a newer play field.

# CONTACT

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**WORKING CAPITAL  
POWERED BY DEMICA**

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