

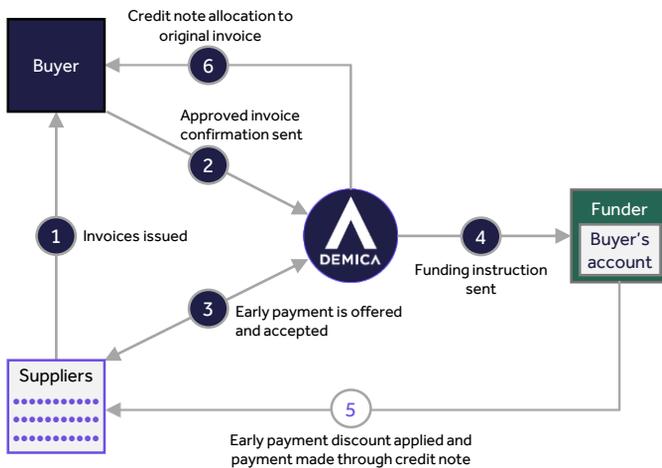


What is Dynamic Discounting?

Dynamic discounting, also called buyer funding, is a supply chain finance solution that provides the buyer with full flexibility for using their own funds to make early discounted payments to their own suppliers through a credit note. It differs from a standard payables finance programme in the sense that the buyer negotiates directly with their suppliers a discount price.

Buyers with an excess of cash can release significant value for themselves as well as their suppliers. It allows them to generate higher yields on the excess cash they hold by paying suppliers early, upon request at any point before invoice maturity, and at a discounted price while suppliers improve their liquidity situation.

How does it work?



What are the benefits?

Buyer

- Generate higher yields
- Improve P&L
- Strengthen relationship with suppliers

Suppliers

- Accelerate collection of receivables
- Improve liquidity and reduce DSO
- Better relationship with buyer compared to a marketplace (auction process)

How to maximise a dynamic discount programme?

From Buyer's perspective

- Team alignment
- Onboarding strategy
- Spend channelled

From Suppliers' perspective

- Onboarding experience
- Discounting options
- Pricing

Best practises when executing a programme

- Procurement and treasury team training
- Project management
- Buyer must negotiate discount price with their suppliers

What are the key points to keep in mind?

Programme	Discount	Suppliers	Funder
<ul style="list-style-type: none"> Buyer's rationale is to generate higher yield by using their own cash 	<ul style="list-style-type: none"> Negotiated between buyer and their suppliers 	<ul style="list-style-type: none"> Strengthen relationship with buyer allowing to have a quick access to liquidity 	<ul style="list-style-type: none"> Does not advance payment but uses the buyer's account instead
<ul style="list-style-type: none"> Buyer to decide when and how much to fund 	<ul style="list-style-type: none"> Discount is based on buyer's target return 	<ul style="list-style-type: none"> Suppliers are not engaged in a marketplace auction with funders improving cashflow visibility 	<ul style="list-style-type: none"> May be available within a hybrid standard payables finance programme

How to get started

Following engagement with one of Demica's experts, a demo of the platform and the signing of a non-disclosure agreement, the first step would be for Demica to undertake a supplier analysis to measure the benefits for the buyer. A supplier analysis data template is sent to the buyer for them to provide a list of their suppliers, their country location and quantitative information ([Click here for information request](#)).

About Demica

Demica is one of the largest independent global providers of working capital solutions. Demica has facilitated the funding of over \$16 billion of payables and receivables programmes. Our multi-funder platform enables large corporates to access funding from a wide network of global banks and institutional investors.

Transforming working capital finance



Platform

Award winning

2019 RFlx Award Winner
SCF Technology Solutions Provider
of the Year



Scale

\$16bn funded assets

Over 500 programmes supported
across 135+ countries



Funding

+50 global banks

Active on our award-winning
platform and funding our
programmes

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