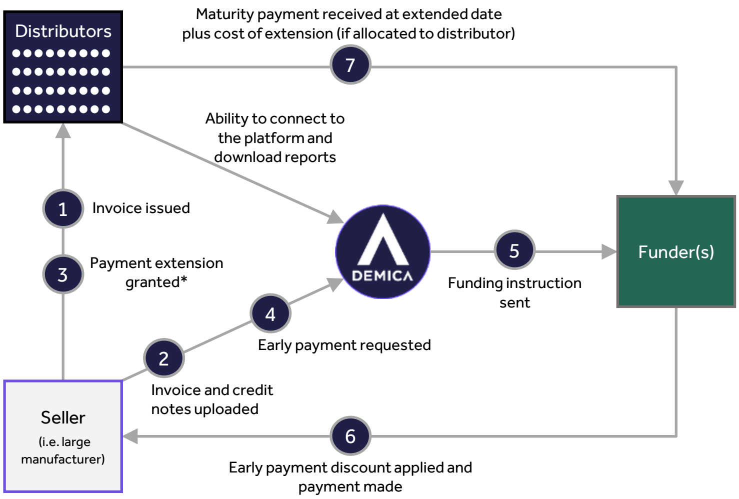
What is Distribution Finance?

Distribution Finance, also known as Dealer Finance or Channel Finance, is an alternative solution for sellers (i.e. large manufacturers) to grow sales and reduce DSO while supporting their distributors improve their working capital positions. Distribution Finance is the provision of financing for a seller who wishes to extend credit terms to its distributors. These credit term extensions provide distributors with increased liquidity to bridge their liquidity gap until the receipt of funds from receivables following the sale of goods to a retailer or end-customer.

This solution is particularly suited for sellers such as large manufacturers willing to grow their sales and reduce their DSO while supporting their distribution partners by improving their working capital position.

How does Distribution Finance work?



*Cost of extension can be fully allocated to distributor/seller or split among the two

What are the benefits?

Distributor

- Close liquidity gap
- Improve working capital and DPO via extension
- Potentially access alternative financing

Seller

- Opportunity to grow sales
- Strengthen relationships with distributors
- Reduce DSO

Funder(s)

- Generate fees based on the discount
- Long term programmatic revenues

What points to keep in mind?

Programme

- Financing reserved at purchase order stage and the system helps with the management of the lifecycle of the invoice
- This programme can be offered via direct financing or SPV securitisation structure

Risk mitigation

- Distributors have access to the platform and receive reports including payment notifications and have the ability to request extensions
- Platform provides tools to manage disputes

Operational simplification

- The platform simplifies the reconciliation processes among parties via the provision of automated tools and reporting
- Large manufacturer seamlessly uploads ledger file data at the desired frequency

Credit extension

- Sellers can manually grant credit term extensions on the platform
- The cost of these extensions can be partially or fully allocated to either party

What factors of success?

Programme should be based on trustworthy relationships between manufacturer and distributors. **Participation should be voluntary** if extension costs are to be absorbed by distributors

Seller should **have clear objectives** in mind and therefore is willing to grant credit term extensions to its distributors

Understand the impact of growing sales via extending credit terms to distributors and of financing invoices/purchase orders

How to get started

Following the signature of the non-disclosure agreement, a first evaluation of the transaction is required in order to gauge its complexity and viability. We would need to receive a description of the business model of the seller including details of the current distribution channels and partners, a first set of its financials (on consolidated level and single entity level), and an organisational chart.