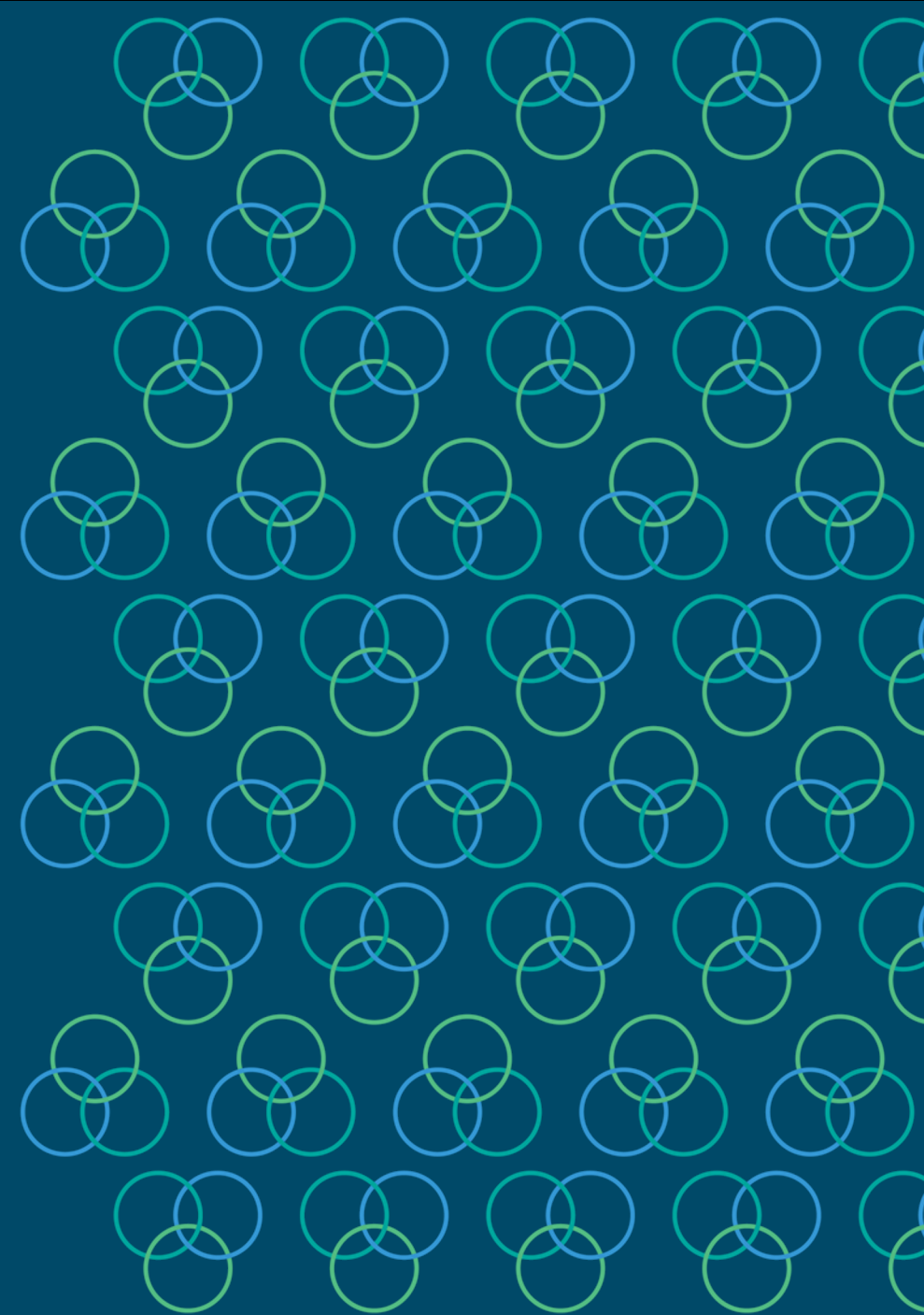




GrowCFO Presentation

David Gualtieri

2020





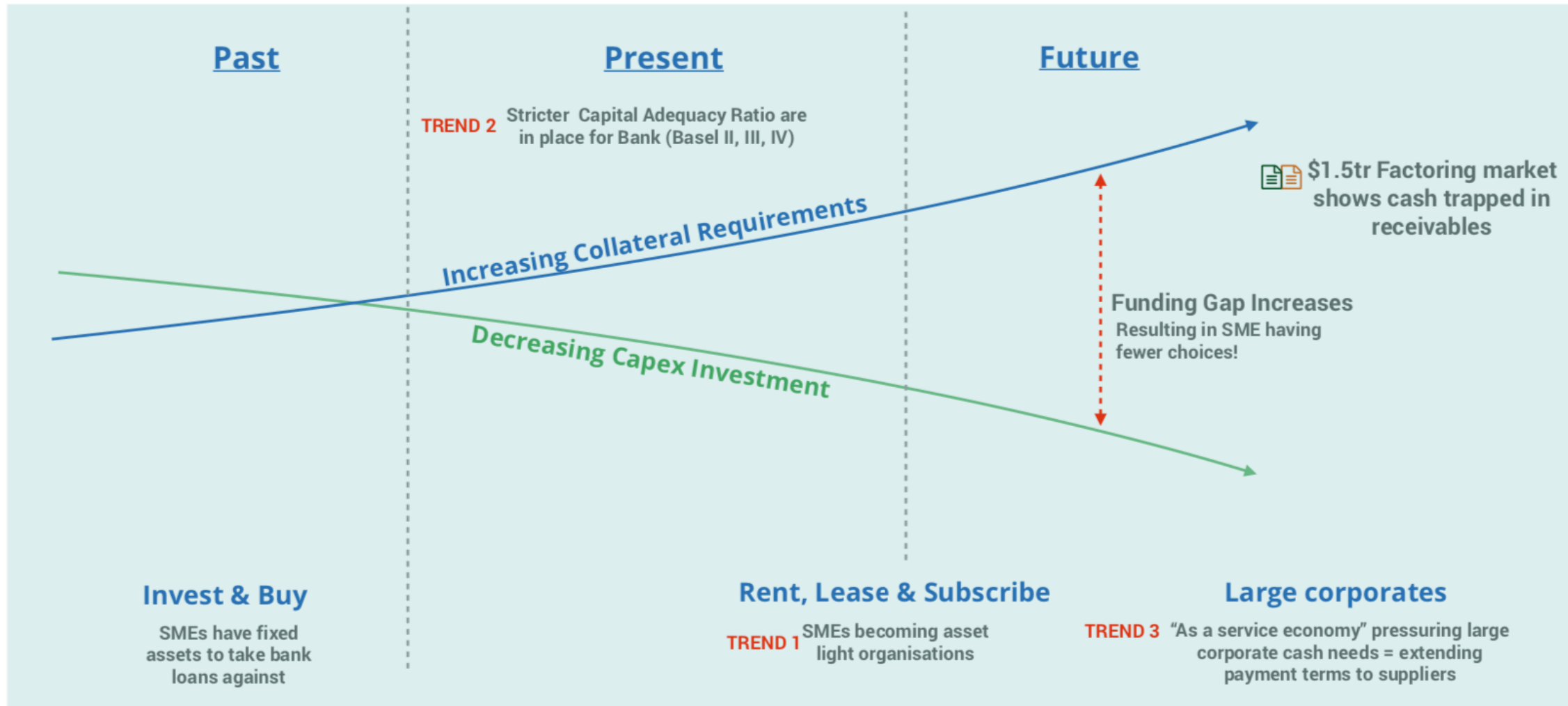
SME financing trends



Can Alternative Financing help companies

AGENDA

Trend in SME demand for short-term financing is growing, but unmet



Trend for SME demand for short-term financing is growing, but unmet why?



Increased working Capital requirements

SME business models are becoming working capital intensive

- SMEs are **no longer required to make significant capital investments** to run their businesses.
- Instead, the companies can **rent/lease the necessary operating assets** (e.g. clouds, buildings, machinery, outsourced off-shore production, etc.)
- The **rising proportion of OPEX** puts a **strain on working capital** and effective cash management becomes a cornerstone for successful business operations and development.
- Rising importance of working capital has incentivized **bigger companies** to use their bargaining power to **demand longer payment terms** from their SME suppliers.
- **These trends combined have** increased SMEs monthly payables and delayed receivables leaving **SMEs cash-trapped**.



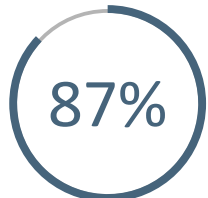
Banks are scale businesses >> Expensive to service smaller companies

SMEs do not have access to the financing they need

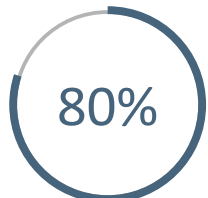
- **Post credit crunch** Basel III means **banks require more collateral** against money lent.
- **Due to "As a Service" economy companies do not own fixed assets** that bank would accept as a collateral for a loan.
- Therefore **banks often require personal guarantees**, which are not sufficient and which SME owners are reluctant to give as it breaks the idea of limited liability company.
- Due to above mentioned reasons **SMEs are increasingly turning to alternative lending platforms**.
- Resulting for example **UK factoring market to grow at a 7% CAGR** from 2014-2019.

Recent trends mean SMEs increasingly turn towards alternative financiers

Recent events (covid / Brexit) have increased SME demand for financing even further



Of SMEs have a **negative outlook of their future prospects** in 2020



Of SMEs have experienced a **revenue decline in 2020**

*“57% of businesses indicate **lower turnover** leading to major cashflow issues”*

*“Recent events have resulted in **negative sentiment among SMEs**, and caused an increase in demand for alternative financing.”*

British Business Bank

Alternative financiers can meet this demand through being more agile



Alt. financiers' bus. models allow **higher-risk lending**



Alt financiers can lend **without collateral**



Alt. financiers use **alternative methods to build credit history**

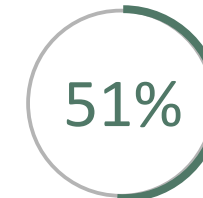


Alt financiers have **lower cost to serve**, can service smaller loans

Resulting in extremely fast growth in alternative financing



Growth in alternative lending volumes in last 5 years (vs 0% in bank financing)



Growth in marketplace lending in last 12 months



Of SME CEOs are considering alternative financing



What does this all mean for companies?

How does AREX differ?

What it is



Flexible cashflow management – ability to finance any invoice, no minimums or cap



Fast turnaround time – **24 hours to receive cash. Seamless on-boarding**



Low financing cost – lower rates than banks and other financial institutions, with no limitations



Credit risk transfer – can effectively transfer the counterparty risk, associated with the trade receivable (built in credit insurance). Reduced Payment collection costs.

What it isn't, compared to traditional lenders



Loan – it's not borrowing against collateral



Inflexible – no minimums or cap



A credit facility – does not affect credit rating



High financing cost – does not sting the SME

Seamlessly Integrated Invoice Financing Solutions with AREX Markets

OUR NUMBERS

£300M+
60K+ invoices

financed through the platform

+15%

month over month
growth during 2019

96.5%

of submitted invoices
got financed

5+

Countries present
and counting

World-renowned investors



Our clients finance invoices from



Some of our partners



Awards



Gold Winner

Lending Platform

Fintech & Payments Awards 2020

Presented by
JUNIPER
RESEARCH

OUR GOAL AND COMMITMENT

“Ethical Financing”



Enable access to short-term financing on market terms for businesses all through a transparent, cost-efficient and easy solution.



Provide trading access and market data for a new asset class and the tools to efficiently scope, manage and execute successful investment strategies defined by the investor.

AREX's value-add and competitive advantage

- **Lower rates** than competitors
- **Higher % of invoices** financed

- Ability for Partners **to offer service under their own brand**, using AREX back-end

- **Sell to channel** (accounting sw /firm) rather than directly to company – **lower cost of cust. acquisition**
- **Attractive for partners** through commission-sharing and increased stickiness



- **>90% of invoices funded** on same day
- **~94% approval** rating

- Invoices turned into **financial instruments** with independent credit rating
- Opens AREX to **professional / institutional investors**

- **Any invoice size** can be funded
- Ability to **integrate into systems** to pull data using custom API
- Investors matched to invoices using **trading bots**



Thank you

David Gualtieri @ dg@arex.io

