

Attractive solution for companies with various A/R programs

Large corporations or vendors with Channel/Distribution Financing programs in place (receivables based) usually need to engage more than a single funder in order to cover the large financing volume and/or the different regions involved. However, having multiple financing programs established with different banks can generate substantial inefficiencies and administrative complexities for the vendor, next to the fact that in some cases true-sale of the receivables (A/R) might not be achievable.

The good news for these vendors is that Alternative Distribution Financing Ltd. (ADF) can be of great support given a number of benefits offered in different areas:

- **Diversified, scalable and secure source of financing**

Given the backing of a varied pool of investors (including banks and non-bank institutions), ADF represents a diversified option for vendors. This diversity allows ADF to offer flexibility in terms of scale, as it can add investors as required to reach more credit capacity, and also financing certainty, as it can change investors as needed with no impact on operational processes. ADF has a neutral approach, with neither dependency nor preference on specific investors.

- **Simplified legal set-up with a single counterparty and contract**

ADF is a fronting entity that acts as sole counterparty towards the vendor. This means that the vendor only executes one Receivables Purchase Agreement (RPA) with ADF, thus eliminating lengthy negotiation processes with different counterparties and bringing simplicity to the program set-up phase.

- **Optimal structure with important advantages**

- Accounting benefits

ADF structures A/R financing programs (or *Distribution Financing*) in a tailored manner that enables a favorable accounting classification for the vendor (A/R true sale¹). Furthermore, ADF has developed *Growth Financing*, an alternative financing structure that does not require vendors to sell A/R and is based on direct financing of buyers. Under both structures, buyers can book the financing as trade payables² as opposed to debt financing, thus not impacting their leverage.

- Credit insurance expertise

When credit insurance is required in a program, ADF acts as the credit insurance policy manager and concentrates all credit insurance related tasks. It obtains the appropriate

^{1 2} Subject to auditors' opinion

coverage from underwriters, negotiates the insurance policies so that they match the RPA conditions and centralizes the administration of the policies, including the changes in credit limits.

Operational flexibility

ADF programs are fully customized to vendors' requirements, as its operational parameters are highly flexible. Furthermore, ADF's team has vast experience in structuring programs for large OEMs designing bespoke technical processes that run efficiently.

- **Reduced administration with comprehensive servicing**

ADF operates with Global Supply Chain Finance Ltd. (GSCF) as servicer for all of its programs, ensuring administrative ease and enhanced efficiency for the vendor and buyers. With almost 30 years of experience, GSCF has developed an advanced technology platform that enables effective administration of A/R processes, assists vendors in their decision making through comprehensive management tools (reports, dashboard and scorecards), provides centralized overview of A/R, supports credit risk management and cash flow forecasting, etc.

- **Extensive geographic coverage**

ADF can handle financing of vendors with buyers in a broad range of countries given its access to a variety of international investors and global credit insurers.

Overall, ADF is an ideal solution for large vendors with sizeable A/R-financing programs whom otherwise would have to invest valuable resources in managing multiple funder relationships, different agreements, as well as diverse processing environments. Single-bank programs, by nature, are quite restricted in their scope and geographic reach. Also, contrary to ADF, banks tend to work within standard legal frameworks and have basic servicing capabilities in addition to limited experience in handling credit insurance, all of which hinders their ability to offer comprehensive, tailor-made solutions to vendors.

With ADF's end-to-end offering, a vendor can greatly reduce the administrative burden as well as benefit from a unified and convenient legal wording. Being a one-stop shop with proven structuring expertise, financing diversity and servicing excellence, ADF brings simplicity and efficiency to vendors' Channel / Distribution Financing programs worldwide.