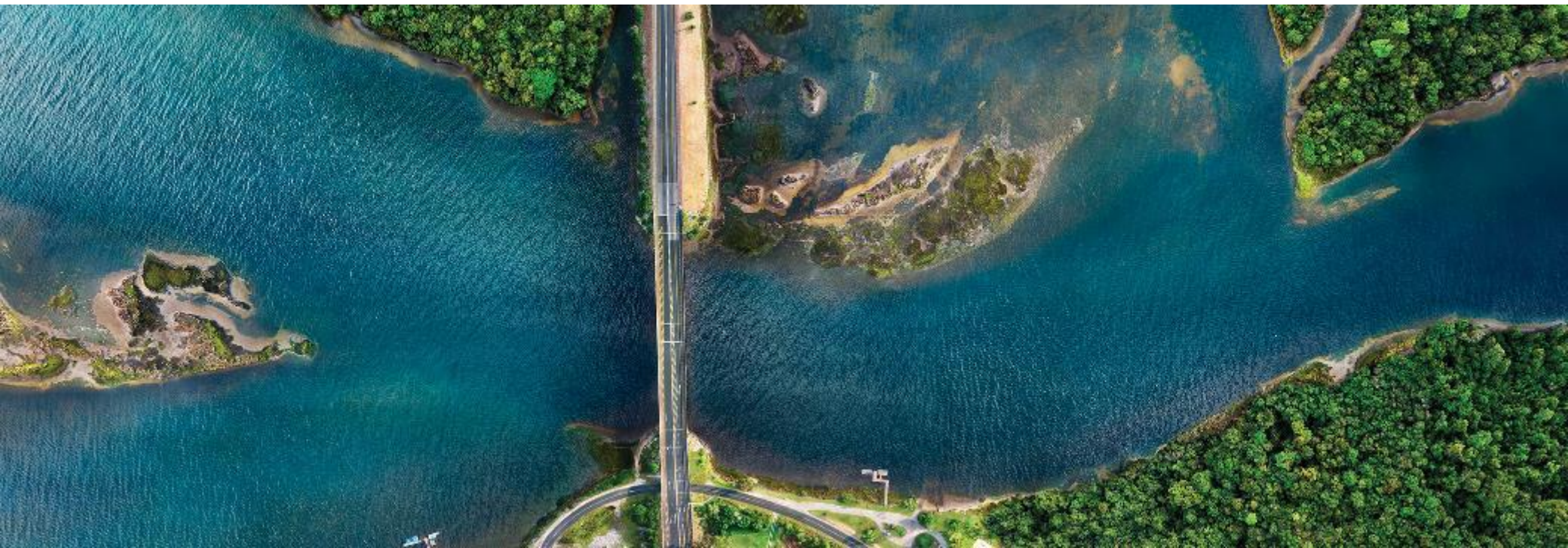


AUGUST 2020



NATIONAL ASSOCIATION OF AUTOMOTIVE COMPONENT AND ALLIED MANUFACTURERS

SHORT TERM FUNDING SOLUTIONS THAT UNLOCK BUSINESS VALUE



PRESENTATION AGENDA

- 1 Members Objectives
- 2 Supply Chain Finance
- 3 Debtors Finance: Selective Invoice Discounting
- 4 Importation of Capital Equipment: Asset Based Finance Imports

MEMBERS OBJECTIVES

Introduction



Simplicity and flexibility in working capital solutions



Cost effective structure based on actual utilization requirements



Customised working capital solution focused on optimization of DPO (Creditors) and DSO (Debtors)



Value added trade products and services to support the Member's business growth



A sustainable, **forward looking and long-term solution** to support the growth of the Members



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SUPPLY CHAIN FINANCE

SUPPLY CHAIN FINANCE

DPO Extension



Days Payable Outstanding is one of the core working capital levels that can be used to optimise the cash conversion cycle in a business.



The recent advent of solutions focused on Creditors management in the South African market, driven by **advances in technology**, has highlighted the benefits of Creditor management in structuring holistic working capital solutions



Nedbank is at the forefront of these developments and is successfully onboarding clients onto Supply Chain Finance (“SCF”) through various world leading electronic platforms



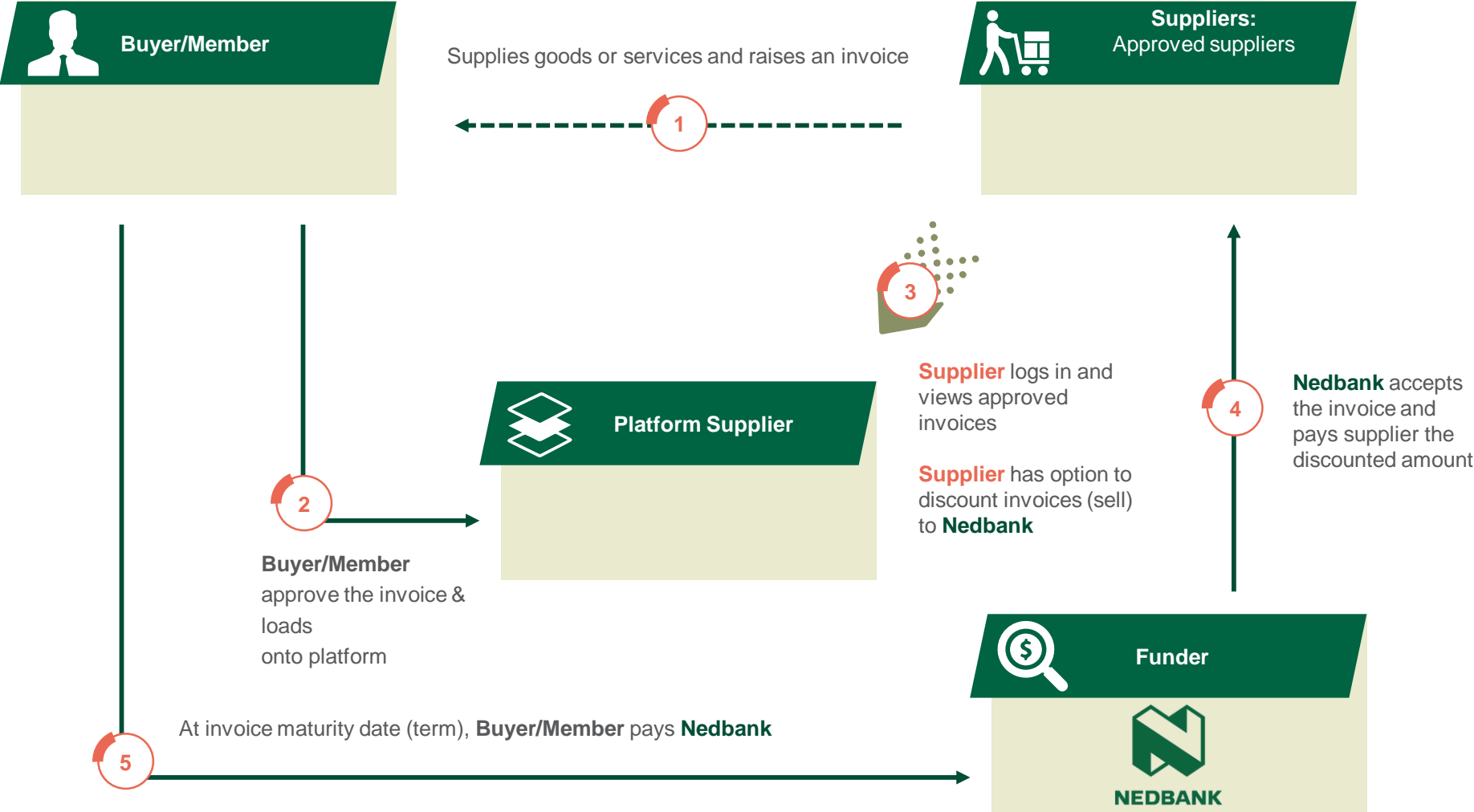
The key features and benefits of the Nedbank solution will be presented, however we highlight that Nedbank is able to solution using the platform providers, or depending on the volume of invoices in scope it can structure a manual solution



SCF is typically offered on an **unsecured** basis

SUPPLY CHAIN FINANCE

High Level Process





SUPPLY CHAIN FINANCE


Features and Benefits: Members

 The ability to negotiate better payment terms with suppliers and extend DPO, resulting in **improved liquidity, cash flow management and enhanced financial ratios**


 To standardise and **optimise supplier terms** leading to operational efficiencies

 To preserve competitive advantage by focusing suppliers on delivery and by reducing costs in the supply chain through **negotiation of lower prices and settlement discounts**

 A SCF may be marked as **off balance sheet finance** from an accounting perspective, this needs to be verified with Members auditors

 The discount rate applied to invoices are based on the **credit rating of the Members**, thereby creating a credit arbitrage opportunity that can be leveraged to generate rebates

 SCF is operated at **no cost to the Members** as the supplier pays the discount

 SCF is facilitated over an electronic platform and allows for **integration with the Members' ERP**

SUPPLY CHAIN FINANCE

Features and Benefits: Suppliers



SCF helps suppliers improve cash flow and overcome credit constraints in order to **increase capacity and enhance product/service quality**



SCF enables suppliers to obtain **early settlement at a competitive discount rate** (based on the Member's credit rating) without impacting existing banking facilities



SCF allows suppliers to offer **extended payment terms** to the Members without having to increase prices to compensate for the additional funding costs associated with term extension



SCF facilitates the building of **long-term Supplier relationships**



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SELECTIVE INVOICE DISCOUNTING

SELECTIVE INVOICE DISCOUNTING

DSO Extension



The Member's debtors book may lend itself to various forms of discount depending on key Members requirements i.e. **non-recourse** receivables finance, on a **on selective invoices** depending on seasonal requirements

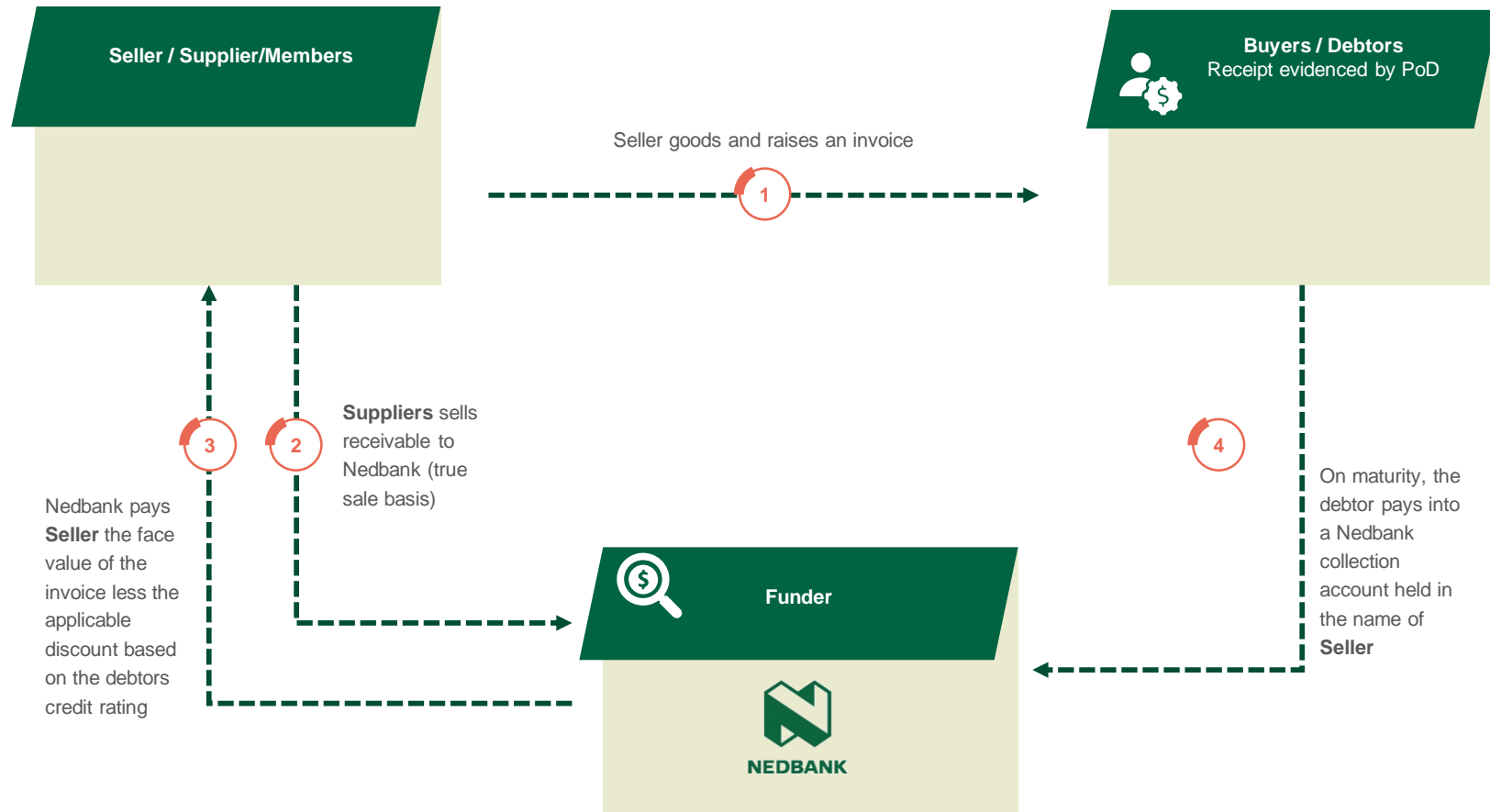


The key benefit through the true sale/ selective structure is that the discount **converts the debtor to cash immediately** with the discount calculated on the **debtor's risk rating**. This option is typically offered on a disclosed basis



The key benefit of providing an advance based on the underlying debtors book carrying value is that the limit can be provided on a **fluctuating basis** depending on the underlying value of the book at the time without the need for complex documentary intervention

SELECTIVE INVOICE DISCOUNTING – NON RECOURSE



SELECTIVE INVOICE DISCOUNTING

Features and Benefits: The Members



Selective Invoice Discounting (“SID”) helps the Members improve working capital through the **true sale of qualifying invoices on a Non-Recourse basis.**



SID enables Members to obtain **early settlement at a competitive discount rate based on the debtors risk profile** without impacting existing banking facilities



SID provides the Members an opportunity to improve the working capital cycle by converting Debtors to cash on an **off balance sheet basis**



Payment under purchased invoices is into a **ringfenced collection account** with the Members acting as Nedbank’s collection agent



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ASSET BASED FINANCE IMPORTS

ASSET BASED FINANCE IMPORTS (ABFI)

Financing of imported capital equipment



The solution facilitates the finance of imported capital equipment on a pre-shipment and asset base finance basis



Nedbank purchases the equipment on behalf of the member (pre-shipment finance) and sells it back upon arrival of the equipment at its final destination with further extended finance terms (asset based finance)



Whilst the member concludes the contract of purchase and movement of equipment with the supplier the transaction is managed on an end to end basis by a specialized sales and operations team

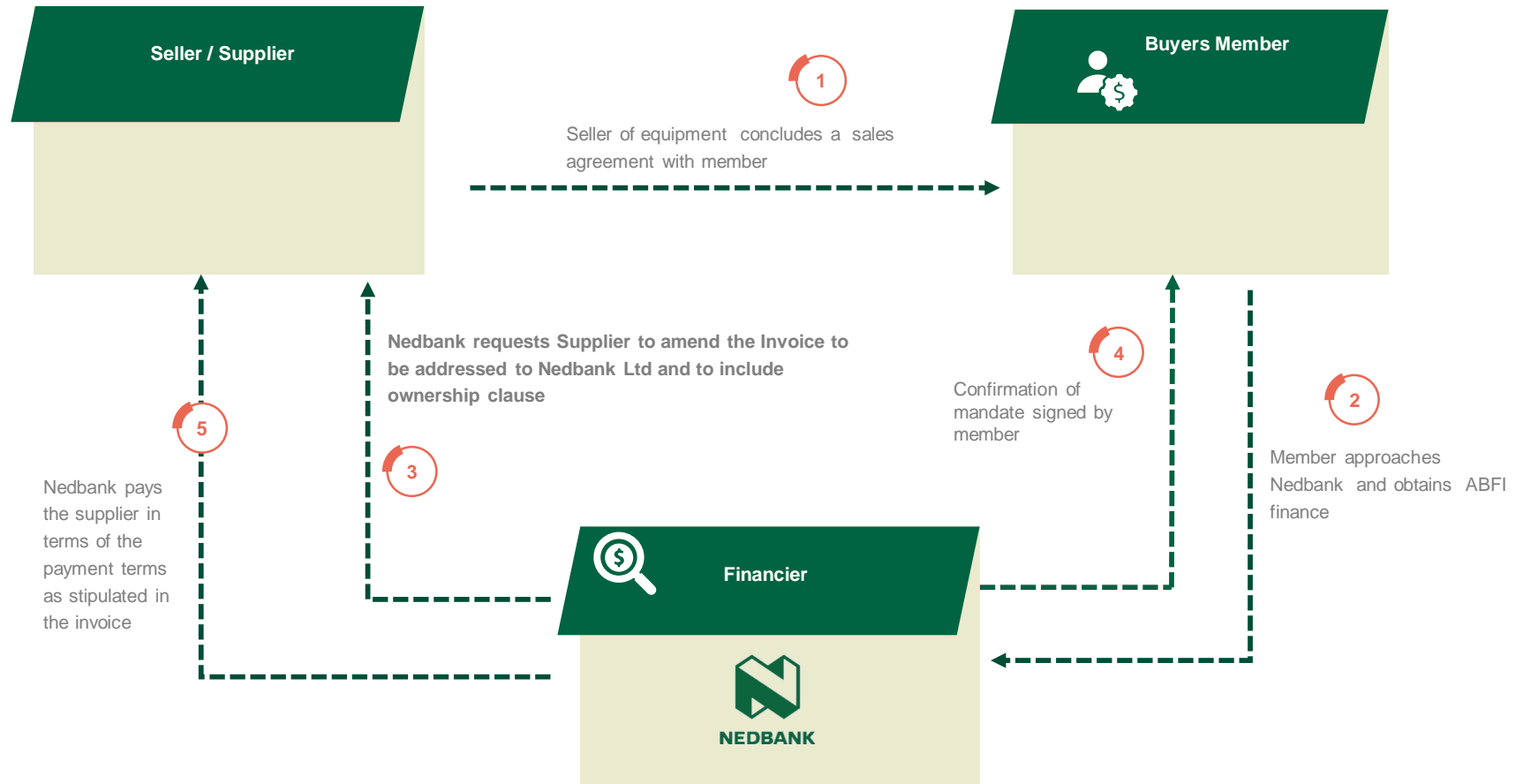


Cash flow relief to the member is a key benefit provided by this solution as Nedbank finances the purchase of equipment from cradle to grave

ABFI FINANCE

High Level Process

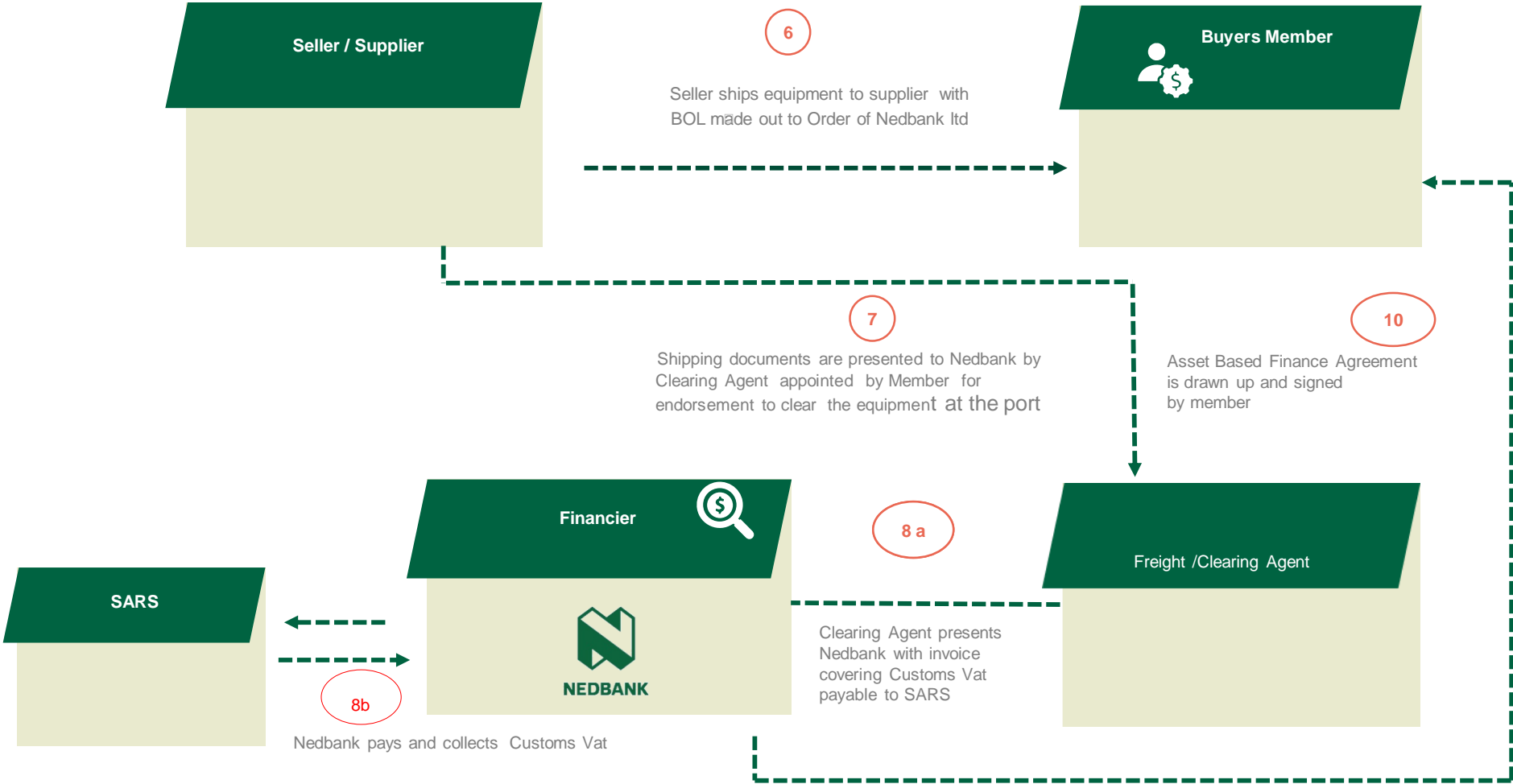
Stage 1



ABFI FINANCE

High Level Process

Stage 2



ASSET BASED FINANCE IMPORTS (ABFI)

Features and Benefits: The Members



Nedbank manages the importation of equipment from cradle to grave and ensures that Exchange Control Regulations are adhered to



Customs Vat is paid and collected by Nedbank and financing of the clearing agents costs may be considered thereby providing cash relief



The repayment of finance provided occurs once equipment is at members premises as per the agreement concluded with Nedbank



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