PrimeRevenue

Supplier FAQs

In simple terms, what is supply chain finance?

Supply chain finance is a way to help suppliers and their customers optimize cash flow. It leverages two primary approaches:

1. The supplier's customer (the buyer) extends supplier payment terms. For example, instead of being paid in 60 days after invoice submittal, the supplier will be paid in 120 days.

2. The supplier can choose the option to get paid early – as soon as an invoice is approved – by selling its receivables to financial institutions enlisted in the buyer's supply chain finance program.

All of this occurs without negatively impacting the supplier or buyer's balance sheet.

Will it have a negative impact on corporate financials?

No. Unlike other financing alternatives, there is no downside of participating in a supply chain finance program. Because it's an off-balance sheet approach, financial indicators like credit rating and debt ratios are not impacted. Furthermore, suppliers have complete control over which invoices are submitted for early payment.

How do I know if our company is a good candidate for program participation?

Suppliers that have been selected to participate in a customer's supply chain finance program have likely met one or more of the following criteria:

1. They are a strategic supplier to that customer – either in terms of innovation or volume of business

2. Their business is growing and may soon need capital to fund large -scale improvements to infrastructure, facilities, headcount, etc.

3. The customer wants to do more business with the supplier

Suppliers that don't have a need for improved cash flow, or have corporate policies against early payment programs, may not be ideal candidates.

How will it benefit our company?

The benefits of better cash flow and working capital optimization can be transformative! Suppliers become less susceptible to economic or geopolitical volatility. They also have greater access to working capital to make much-needed improvements to the business or to fund new innovation initiatives (e.g. equipment upgrades, investment in IT, etc.).

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How does supply chain finance work?

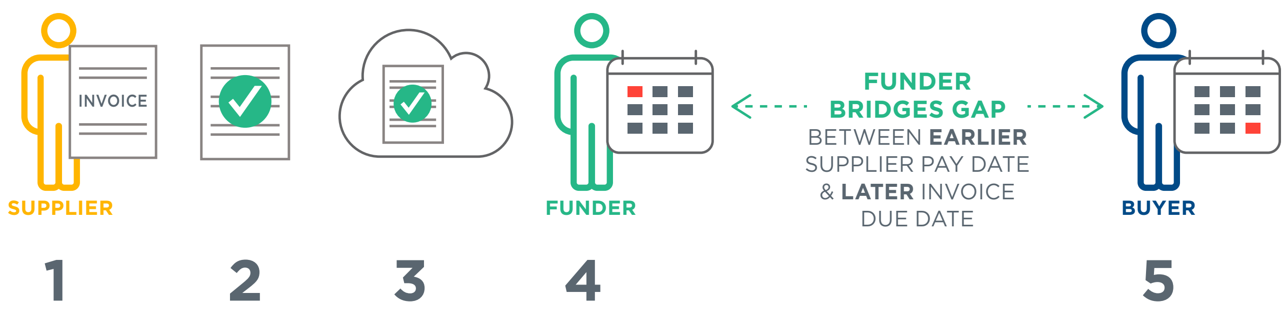
Supply chain finance is comprised of two approaches. The first is the extension of supplier payment terms. In this scenario the buyer extends payment terms with all of its suppliers – for example, from 60 to 120 days.

The second scenario in supply chain finance counterbalances the first. The buyer gives selected suppliers the option to get paid early by selling their invoices to financial institutions (or funders). This enables the buyer to meet its cash flow optimization objectives while providing cash flow optimization benefits to suppliers.

Invoice selling (or trading) is facilitated through PrimeRevenue's Supply Chain Finance platform and program. Once a supplier accepts the invitation, they are onboarded into the program and its finance team is trained on how to use PrimeRevenue's platform. They are also matched to a funding partner or financial institution.

THE SUPPLY CHAIN FINANCE PROCESS

Following onboarding, it boils down to these five simple steps:



1. **Supplier submits an invoice** to the buyer following normal protocol.

2. **Buyer approves the invoice** and uploads it into the supply chain finance platform.

3. **Supplier selects invoices for early payment** from assigned funder(s) via PrimeRevenue's supply chain finance platform portal.

4. **Funder receives and processes that request and provides early payment** to the supplier. The full sum of the invoice – less a small financing fee or discount – is transferred electronically to the supplier's bank account.

5. **Once the invoice has matured,** the buyer is instructed to pay either the funder (if the supplier has sold the invoice) or the supplier (if they have not sold the invoice).

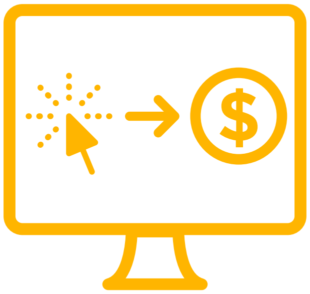
How does this increase visibility into cash flow for invoices that aren't traded to funding partners?

Once the invoice/receivable data has been uploaded to the supply chain finance platform, the due date (maturity date) listed is the date the supplier will receive payment unless they choose to be paid early. There is no longer any question as to the date of payment. This creates added transparency and increased cash flow visibility.

Why is supply chain finance a better alternative to direct lending?

There are two reasons why supply chain finance is better than direct lending. First, the interest rate a supplier will pay for a loan will most likely be much higher than the discount/finance fee paid in a supply chain finance scenario. That's because supply chain finance funding is based on the customer's credit rating rather than the supplier's (which tends to be higher given the financial health of the largest, multinational buyers).

Second, a loan impacts the supplier's financial metrics by contributing to debt outstanding. When properly implemented, supply chain finance is a true sale of receivables and has no negative effect on the supplier's balance sheet.



Our company already offers an early payment program and/or factors its receivables. What are the advantages of supply chain finance over these options?

Early payment programs, like dynamic discounting, are buyer-initiated programs where buyers offer suppliers a discount on invoices in exchange for early payment. That means suppliers get paid less than they would in a supply chain finance scenario. Factoring works in a similar way. Suppliers sell their invoices to a bank in return for earlier, but partial, invoice payment. Different than supply chain finance, the interest rate is not only based on the buyer's crediworthiness, but also on the supplier's typically lower credit rating and all factored receivables count as debt.

How do we get started?

Once suppliers accept the invitation to participate in a buyer's supply chain finance program, the rest is easy. They will be directed to a customized cloud-enabled platform powered by PrimeRevenue to complete registration and submit the required financial documentation.

PrimeRevenue will train the supplier's team on how to use the cloud-enabled platform to submit and select invoices for early payment, as well as how to get the maximum benefit from the program. The platform is highly intuitive and easy to use.

As a participant, what does our company's time commitment look like?

Suppliers only need to make a small time commitment to participate in their customer's supply chain finance program.

Do I need to augment our accounting processes or IT infrastructure to participate?

No change in accounting processes or IT infrastructure is required. All that is needed to participate is access to a web browser. The registration and onboarding process is easy and doesn't require any investment in software or technology. Simply login, select invoices for early payment – and get paid.

Are there any additional costs or fees?

No. There are no additional costs or fees. A nominal discount (fee) is applied only when a supplier selects early payment. Suppliers are able to get paid on their own terms to help unlock working capital.

As a program participant, do we have to trade all of our receivables?

No, you have complete control over which invoices are submitted for early payment. You can select all, some or none of your receivables for trading.

What if our company has liens against our receivables?

PrimeRevenue uniquely provides electronic time drafts, a patent-pending legal solution that allows banks to purchase a trade draft from the PrimeRevenue platform without the requirements of lien searches and release issues. Electronic trade drafts are already in use by thousands of suppliers.

Does this count as debt on our balance sheet?

No, as mentioned earlier, participation in PrimeRevenue's supply chain finance programs do not count as debt (unlike traditional factoring or bank loans).

About PrimeRevenue

PrimeRevenue is the leader in supply chain finance solutions, managing and optimizing cash flow for more than 20,000 customers in over 70 countries. Each year, PrimeRevenue processes more than $100 billion in supplier transactions through its cloud-enabled platform, helping companies unlock significant amounts of working capital.

www.primerevenue.com

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