



WORKING CAPITAL FINANCING
THAT WORKS



State of the Union

- ❖ How We got here: A Recap
- ❖ SMEs Drivers of Growth

Post 2008 Aftermath...

ECONOMIC ENVIRONMENT

- Recession followed by weak economic recoveries
- Uncertainty from austerity impacts
- European peripheral crisis

REGULATORY ENVIRONMENT

- Inconsistency of regulatory responses
- Closer regulatory scrutiny
- Higher capital/liquidity requirements

CUSTOMERS & COMPETITION

- Deleveraging by individuals and corporates
- Lack of trust in industry
- Increasingly competitive markets

FUNDING MARKETS

- Lack of available credit
- Lack of alternatives
- Higher funding costs

Impact of Deleveraging

- ❖ Deleveraging of an economy refers to the simultaneous reduction of leverage level in multiple private and public sectors
- ❖ According the McKinsey, almost every major financial crisis in modern history has been followed by a significant period of deleveraging, which lasts six to seven years on average
- ❖ The need to deleverage causes financial intermediaries to stop lending, resulting in a credit crunch and tighter borrowing constraint for business, especially the small to medium sized enterprises

Importance of SMEs

❖ Jobs

- According to the SBA, Employer firms with fewer than 500 employees account for over 99% of businesses and 65% of new job creation
- SME market: Latest estimates of over \$1 Trillion

Today

- ❖ Financial crises tend to hit small firms harder than large firms
- ❖ According to Karen Mills, former head of the SBA, access to capital for SMEs was in steady decline at traditional financial institutions prior to the financial crisis and has not recovered
- ❖ Number of financial institutions has shrunk to <7000, the lowest level since the Great Depression
- ❖ Large companies putting pressure on their supply chain by unilaterally extending out payments

What People are Saying

“The Internet is doing to this industry what it’s done to every other industry — create efficiencies, competition and price transparency”

New York Times

Can’t Get a Bank Loan? The Alternatives Are Expanding,
March 2014

“...access to bank credit for small businesses was in steady decline prior to the crisis, was hit hard during the crisis, and has continued to decline in the recovery as banks focus on more profitable market segments.”

Karen Mills, former SBA Administrator

The State of Small Business Lending: Credit Access during the Recovery and How Technology May Change the Game.
July 2014

“Small US banks have been disproportionately hurt by post-financial crisis regulation...These small banks are estimated to provide 70 per cent of US agricultural loans and 50 per cent of small business loans”

Financial Times

Regulations hit smaller US banks hardest,
February 2015

SMEs: Capital Structure Flexibility

- ❖ No longer geographically constrained
- ❖ Adjust to changing payment terms
- ❖ Availability of funds for growth
- ❖ Building Blocks of organization

Capital Options

❖ **Traditional Sources**

- Commercial & Community Banks
- SBA Loans
- Credit Cards
- Venture Capital
- Friends & Family

❖ **Non-Traditional / Alternative Sources**

- Trade Finance
- Crowdsourcing
- Online/Marketplace Lending

Use of Technology by SMEs

❖ **Marketing Tools**

- Website
- Social media
- SEO

❖ **Financial Products...Today**

- QuickBooks
- Payroll
- Online banking
- Ecommerce

❖ **Financial Products...Tomorrow**

- Digital Wallet / Apple Pay
- Fully automated e-invoicing / procurement systems
- Access to Capital

Online/Marketplace Lending is Born

- ❖ Today, technology enables direct connection between borrowers and non-traditional/private capital sources
- ❖ Facilitates the flow of credit to consumers and small businesses
- ❖ Technology and data mapping streamlines the application, vetting and approval process
- ❖ Legitimacy: Lending Club
- ❖ Signs of Optimism and importance to SMEs

Technology is Leveling the Playing Field

“Inadequate access to financial capital is an important constraint on the growth of minority-and-women-owned businesses”

Brookings Institution, Hamilton Project
Minority and Women Entrepreneurs: Building Capital, Networks and Skills, March 2015

- ❖ **By coupling technology and data mapping, with traditional asset-based lending metrics, The Credit Junction can better assess the health of a small business**
 - ❖ No FICO based driven model
 - ❖ Non formulaic checklist mentality
 - ❖ Anonymous, uniform due diligence

The Credit Junction

❖ Who We Are

- A technology-enabled, online lending platform focused on providing working capital and supply chain financing solutions to small and mid-size businesses.

❖ How we are different

- First to market with true ABL product
- First to market in loan size: \$200K - \$2M
- Revolver and Term structures
- Use data and technology to support the pre origination process and post-origination monitoring

❖ Mission: Transform how SMEs finance working capital

Market Opportunity

SMEs

MARKETPLACE LENDERS

- ✓ All sub - \$250K
- ✓ Unsecured or PG secured
- ✓ FICO Focused
- ✓ Term Only
- ✓ Cash flow/Merchant cash focused

THE CREDIT JUNCTION

- ✓ \$200K - \$2M
- ✓ Asset-Based/Secured
- ✓ Hybrid tech-enabled underwriting process
- ✓ Fast, Flexible, Efficient
- ✓ Revolver or Term

ABL

- ✓ \$2 million plus
- ✓ Asset Based/Secured
- ✓ Manual underwriting process
- ✓ Long lead time, monthly



Value Proposition

	The Credit  Junction	Banks	ABL	Specialty Lenders	Marketplace Lenders	VC
\$200K-\$2M	✓	?		✓		✓
<20%	✓	✓	✓			✓
<24 months	✓		✓	✓		
< 2 weeks to approval	✓			✓	✓	
No ownership	✓	✓	✓	✓	✓	
Collateralized	✓	✓	✓			

Borrowers



Revolver: I/O matched to Borrowing Base

Company has Inventory and A/R-based working capital challenges

Company wants to optimize “cash-to-cash” cycle

Suppliers and A/R payment terms that don't match

Company is in high-growth mode

Term: Monthly Amortization

Primary collateral is equipment or steady state A/R and Inventory

Company looking to finance additional equipment purchase

Loan term is typically shorter in duration

Consistent monthly payments

Executive Team

- ❖ **Michael Finkelstein, Chief Executive Officer**
 - Operational and financial executive at primarily high-growth companies
- ❖ **Sergio Rodriguera, Jr., Chief Strategy Officer**
 - U.S. House Financial Services Committee ; Department of Treasury Special Advisor
- ❖ **Jim DeSantis, Chief Credit Officer**
 - Senior Vice President, GE Commercial Finance
- ❖ **Daniel Seltzer**
 - CTO and information technology & business systems architect for over 30 years
- ❖ **Matt Halpin, EVP, Technology**
 - Executive Director of Technology, Amplify



WORKING CAPITAL FINANCING
THAT WORKS

