



Mission Statement & Who We Are

SCF Capital ('SCFCAP') is a boutique merchant bank focusing on systemic change in the structuring of financial supply chain flows for global platform companies (e.g. pharmaceuticals, electronics, and retail) with the purpose to:

- a. **reduce** required working capital;
- b. **increase** corporate earnings; and
- c. **provide** working capital 'best practices' consulting.

SCFCAP's team of former financial supply chain and corporate treasury executives - who come from platform companies like HP, Dell, Apple and banks such as Citibank, JPMC, and Barclays - have skills and experience which complement our global bank and hedge fund partners.

Engagement Thesis

We focus on 3 game changing activities in supply chain working capital optimization for platform companies:

- a. **First**, we benchmark working capital and earnings using a best practices scorecard. This consulting service serves as an important prerequisite to our financial structuring engagement work.
- b. **Second**, we help to efficiently unlock new sources of cash beyond the traditional asset pools of ABL and on-balance sheet cash flow debt. We do this via structuring GAAP compliant off-balance sheet programs created around Synthetic Payables, innovative receivable finance structures, Toll Manufacturing, Toll Distribution, and Inventory Management. We also combine possible business change/improvements with more efficient tax structuring.
- c. **Third**, SCFCAP deploys our SCFCAP.com IT procurement utility which connects financial supply chain trade flows from a corporation's ERP system to our structuring programs and ultimately to our global banking and hedge fund partners' conduit. SCFCAP.com separates credit risk from business performance risk; it eliminates business performance risk through "buyer confirmation". Once credit risk is separated from performance risk, it can be sold individually or on a portfolio basis to credit funds. SCFCAP.com also provides links into the credit insurance market to synthetically create an investment grade instrument financable privately (banks or credit funds) or through capital markets.

Engagement Model

SCFCAP typically adopts a 3-phase approach when working with large multi-national platform corporations to focus on generating benefits within 3-6 months:

- a. **Phase One** - 'Benchmark Roll-Out' of \$50-\$200 million (by region, large suppliers, or business unit), which is accompanied by a working capital and earnings analysis before and after the 'Benchmark Roll-Out'.
- b. **Phase Two** - 'Regional Roll-Out' of \$500 million or more (by business unit or geography) to extend the benefits of the 'Benchmark Roll-Out' across an entire business or geography, accompanied by a working capital and earnings analysis.
- c. **Phase Three** - 'Multi-Tiered Roll-Out' of \$500 million or more (by business unit or geography) to extend the benefits of the 'Regional Roll-Out' to multiple tiers of a corporation's supply chain, again accompanied by a working capital and earnings analysis.

Performance Metrics & Deliverables

Since our SCFCAP team come from world class global corporations and banks, we are sensitive to the importance of measuring outcomes in ways that are recognizable and are the basis of executive bonus awards in corporate financial organizations. For example,

- a. **Required working capital** 'SCFCAP Best Practice Scorecard' is measured using the traditional metrics of DSO, DPO, and DIO (Days Inventory Outstanding).
- b. **Earnings improvement** 'SCFCAP Best Practices Scorecard' measures earnings improvement resulting from taking advantage of traditional EPDs (early payment discounts) and volume rebates (captured through higher velocity of trade) available from suppliers at multiple tiers of the supply chain.
- c. **Treasury and Procurement Management** 'SCFCAP Best Practices Scorecard' measures both the working capital improvement and earnings improvement through utilizing best practices in treasury and procurement.

We Target Platform Companies

A 'Platform Company' represents a systemic change in the strategic business model for the global economy.

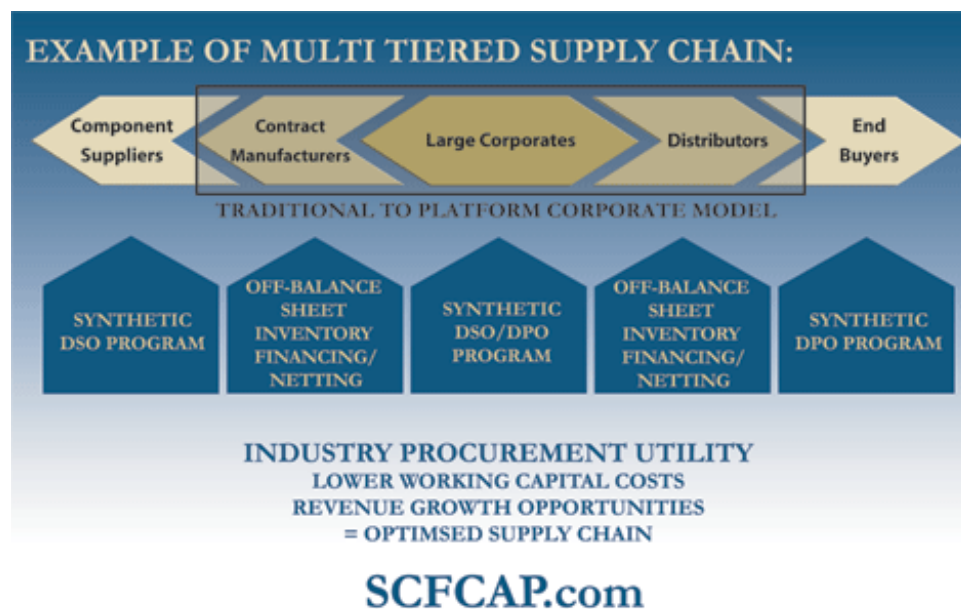
- a. **Outsourcing:** Companies like HP, Apple, Dell and Pfizer are more and more focusing on R&D, brand marketing, sales channels, customer acquisition/retention programs, and supply chain financing/logistics. 'Platform Companies' are outsourcing everything else to their supply chain partners including end-customer support.
- b. **Working Capital:** The result is that a 'Platform Company's' primary asset is the working capital to support their supply chain ecosystem. Competitive advantage is being determined by who can create the most cost effective supply chain ecosystem. For example, it is typical that tier II suppliers may be paying greater than 20% p.a. weighted cost of finance for their business. In addition, distributors and resellers in high growth opportunity emerging markets are often capital constrained due to Basel II limitations.
- c. **Best Practices:** SCFCAP's 'Best Practices Supply Chain Scorecard' and our ability to structure unique supply chain finance programs can help unlock new sources of lower cost capital while also help create a more cost advantaged financial supply chain for a 'Platform Company'.

Private Equity Offering

SCFCAP can significantly reduce the weighted cost of finance for portfolio companies of a Private Equity firm in three important ways:

- a. **Replace Debt:** Replace on-balance sheet debt with less expensive off-balance sheet working capital replacement (e.g. Synthetic Payables) which is less expensive than junior debt.
- b. **Portfolio Effect:** Create new sources of capital for non-credit worthy portfolio companies through 'Portfolio Effect' credit enhancement via bundling together companies payables (to credit enhance all of them by a number of notches) and then wrapping this debt with credit insurance in order to create an investment grade instrument that is much less expensive than trying to finance any single company.
- c. **Increase Margin:** Simultaneously allow improved margins (through capturing EPD) and extend working capital.

Multi-tiered Supply Chain



Supply Chain EVA enables both balance sheet (equivalent extended DPO) and stronger NOPAT on the corporate's P&L resulting from a more advantaged multi-tiered supply chain

That's how the back-end of the supply chain can be managed differently. But **SCF Capital** also provides financing services to a global corporate's best distributors who may have already maximized out their traditional working capital sources; yet could still expand volume growth if they had access to additional working capital.

SCF Capital provides tier 1 distributor financing the same way we provide tier 2 SME supplier financing, which is by means of a combination of structured financial products we market to alternative capital sources such as hedge funds and credit insurance.

Supply Chain EVA is a potentially powerful disruptive profit and growth generating strategy, and **SCF Capital** has a team of experts in 3 primary disciplines: (1) Corporate finance including treasury and supply chain financing; (2) Supply chain logistics and automation of financial transaction systems; (3) A experienced team who create and market alternative capital, structured financial products.