

A very common and simple way to monetize account receivables is to obtain an asset-based loan (ABL). In this strategy, the bank makes a loan to the company backed by company's accounts receivable and becomes a loss payee's TCI policy if insured.

- Simple to put in place.
- Can result in 80–90% funding.
- Can often use existing lender relationships.
- Low cost of funding.
- Company controls TCI and risk mitigation strategy.
- No impact on client relationship.



- Increases debt.
- Requires borrowing base reporting.
- Must maintain a borrowing base
- Subject to audit by bank

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Accounts Receivable Program

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The diagram illustrates the BankUnited Invoice Factoring Process Flow. It shows the interaction between a Seller, a Buyer, and BankUnited.

Process Flow:

- Ordering Invoice Creation:** The Seller places an order with BankUnited.
- Negotiate full or partial advance, invoice to the Buyer:** BankUnited negotiates the advance and sends the invoice to the Buyer.
- Buyer agrees to the invoice:** The Buyer agrees to the invoice.

Transaction Details:

- Purchase Orders:** Sent from Buyer to Seller.
- Good and Invoices:** Sent from Seller to Buyer.
- Discounted finance provided:** Sent from BankUnited to Seller.
- Request for discount:** Sent from Seller to BankUnited.
- Invoice Payment:** Sent from Buyer to BankUnited.

- ✓ Allows the seller to provide extended credit terms to its customers
- ✓ Quicker cash conversion cycle
- ✓ Balance sheet management via 'true sale' of the receivables
- ✓ Reduction of the concentration risk
- ✓ Lower collection costs

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Program Structure

✓

With or without recourse to the Seller

✓

Disclosed or Silent to the Buyer

✓

Payments can be channeled into an account of BankUnited

✓

Sales of receivables is structured on a "True Sale" basis

✓

Negotiable Instruments: Invoice/Bill of Exchange/Promissory Note

✓

Commercial Disputes are managed outside of the program

✓

UCC Filing (if applicable)

Facility Documents

✓

Seller: Receivables Purchase Agreement

Factoring

Factoring in its true-form involves the sale of accounts receivable to a third-party whereby the company is paid for its receivables and the Factor collects from Company's customers directly.

Advantages

• Simple to put in place.

• Can result in 90% -100% funding.

• Does not interfere with existing lending relationships.

• All the work is done by the factored.

• Allows for off-balance sheet treatment.

• Does not require the purchase of TCI.

Disadvantages

• Is usually more expensive than account receivables purchase programs.

• Company does not control collection process.

• Factor interacts with company's clients.

Working Capital Finance

Optimize Cash Conversion Cycle

Extend DPO or Shorten DSO

Expand Universe of Customers

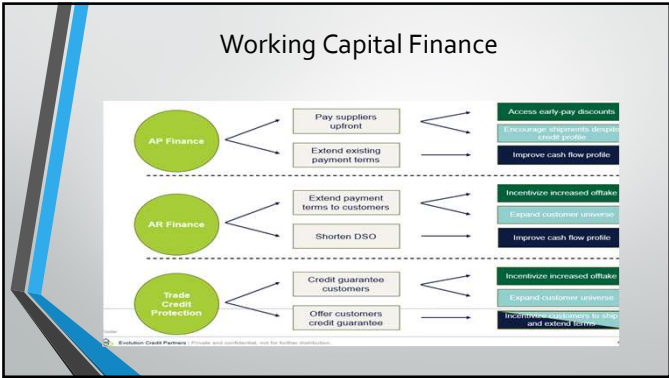
Transact with customers of all credit profiles

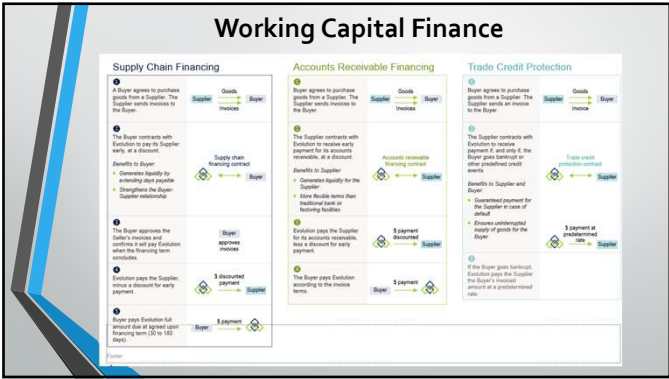
Access Best Commercial Terms

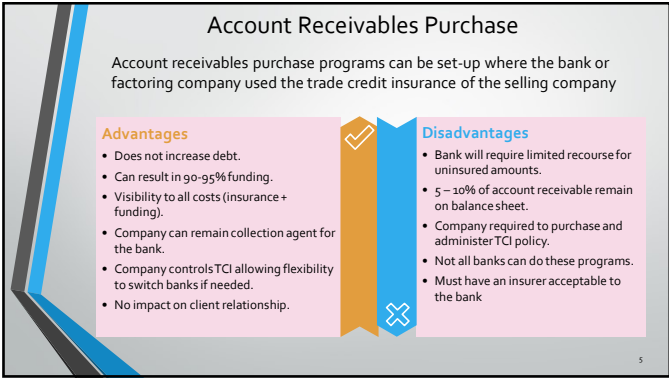
Use net terms or upfront payment to access better pricing

For companies going through transition, it is crucial to maintain strong supplier and customer relationships to ensure no business interruption. ECP's Working Capital Finance helps companies negotiate from a position of strength while improving free cash flow.

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Timeline of US Tariff Announcements in 2025

Ongoing announcements regarding tariffs create a dynamic and unpredictable trade environment

Effective Date	Target Countries/Sector	Action
4 February 2025	China	10% on all goods imports
4 March 2025	Canada, Mexico, China	29% on goods not USMCA compliant (c50%), 10% for Canadian energy Raise effective tariffs to 20%
12 March 2025	Steel & Aluminium	25% on all imports
2 April 2025	Venezuelan Oil importers	25% tariffs on all goods (biggest buyers: China, Spain, India)
3 April 2025	Autos	25% on all imported vehicles
5 April 2025	All	10% baseline tariff on all goods imports into the US
9 April 2025	"Reciprocal" tariffs China	Individual tariffs on countries with the biggest trade deficit Raise effective tariff to 125% as China has placed tariffs on 84%
10 April 2025	All individual tariffs	All countries (ex China) have tariffs lowered to 10% baseline for 90 days - not clear what will happen after that.
3 May 2025	Car parts	25% on all imported car parts
4 May 2025	Foreign films	100% tariff on all films "produced in foreign lands"
8 May 2025	U.S.-UK Trade Deal	Reduction and adjustment in several tariffs areas as part of broader efforts to mitigate the impact of earlier reciprocal tariffs
12 May 2025	China De-escalation	90-day pause in escalating tariffs between the U.S. and China. U.S. tariffs on Chinese imports were reduced from 145% to 30%, while China lowered its tariffs on U.S. goods from 125% to 10%
TBD	Pharmaceuticals	Expect tariffs on pharmaceuticals with uncertainty on scope and timing

YTD US Corporate Bankruptcies Remained at a Historically Elevated Level in April

- Record Highs:** U.S. corporate bankruptcies reached a 15-year peak in Q1 2025 driven by high interest rates, inflation and tariff pressures.
- Sector Impacts:** Industrials and consumer discretionary led Q1 2025 bankruptcies, reflecting vulnerabilities in manufacturing and retail- key trade related sectors.
- Notable Cases:** Companies like Forever 21, Nikola, Joann Fabrics and 23and Me filed Chapter 11, highlighting challenges for firms with high debt and trade exposure.
- Economic Context:** Tightening credit conditions, rising debt refinancing costs, and tariff-induced cost pressures are exacerbating financial distress.

US bankruptcy filings by year

▲ Year-to-date through April | ▼ Rest of the year

Year	Q1	Q2	Q3	Q4	YTD	Rest of Year
2010	1,000	1,000	1,000	1,000	4,000	4,000
2011	1,000	1,000	1,000	1,000	4,000	4,000
2012	1,000	1,000	1,000	1,000	4,000	4,000
2013	1,000	1,000	1,000	1,000	4,000	4,000
2014	1,000	1,000	1,000	1,000	4,000	4,000
2015	1,000	1,000	1,000	1,000	4,000	4,000
2016	1,000	1,000	1,000	1,000	4,000	4,000
2017	1,000	1,000	1,000	1,000	4,000	4,000
2018	1,000	1,000	1,000	1,000	4,000	4,000
2019	1,000	1,000	1,000	1,000	4,000	4,000
2020	1,000	1,000	1,000	1,000	4,000	4,000
2021	1,000	1,000	1,000	1,000	4,000	4,000
2022	1,000	1,000	1,000	1,000	4,000	4,000
2023	1,000	1,000	1,000	1,000	4,000	4,000
2024	1,000	1,000	1,000	1,000	4,000	4,000
2025	14,500	10,000	10,000	10,000	44,500	30,000

US bankruptcy filings by month

Month	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Jan	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Feb	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Mar	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Apr	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,500
May	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Jun	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Jul	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Aug	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Sep	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Oct	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Nov	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Dec	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000

Trade Credit Market Update

TCI Market Update Q2 2025

TCI premium rates remain soft despite geopolitical tension and the tariff war mainly due to increased capacity brought by new insurers (particularly in USA) and historically low (last 8 years) loss ratios.

This trend, coupled with the increase in total potential exposure and risk appetite, means that buyers continue to see high value in the product. Marsh is seeing a significant up tick in interest in the product due to the following takeaways:

Market Takeaways

Premium rates are at all-time lows with a 2.5% rate reduction seen in 2024 (per Marsh benchmarking)

Capacity and risk appetite remain strong for the moment

In 2024, one out of two countries saw a double digit increase in insolvencies (per Atlantic Research)

There is concern over impact of tariffs, geopolitical risk, & debt refinancing (Debt Bubble)

Global Insolvency Index

(Change compared to a Basis of 100 (2018-19))

Year	North America	Western Europe	Africa	Latin America	Central & Eastern Europe	Asia	Global
2018	100	100	100	100	100	100	100
2019	100	100	100	100	100	100	100
2020	100	100	100	100	100	100	100
2021	100	100	100	100	100	100	100
2022	100	100	100	100	100	100	100
2023	100	100	100	100	100	100	100
2024	100	100	100	100	100	100	100
2025	100	100	100	100	100	100	140
