



eFaktor Inc Introduction

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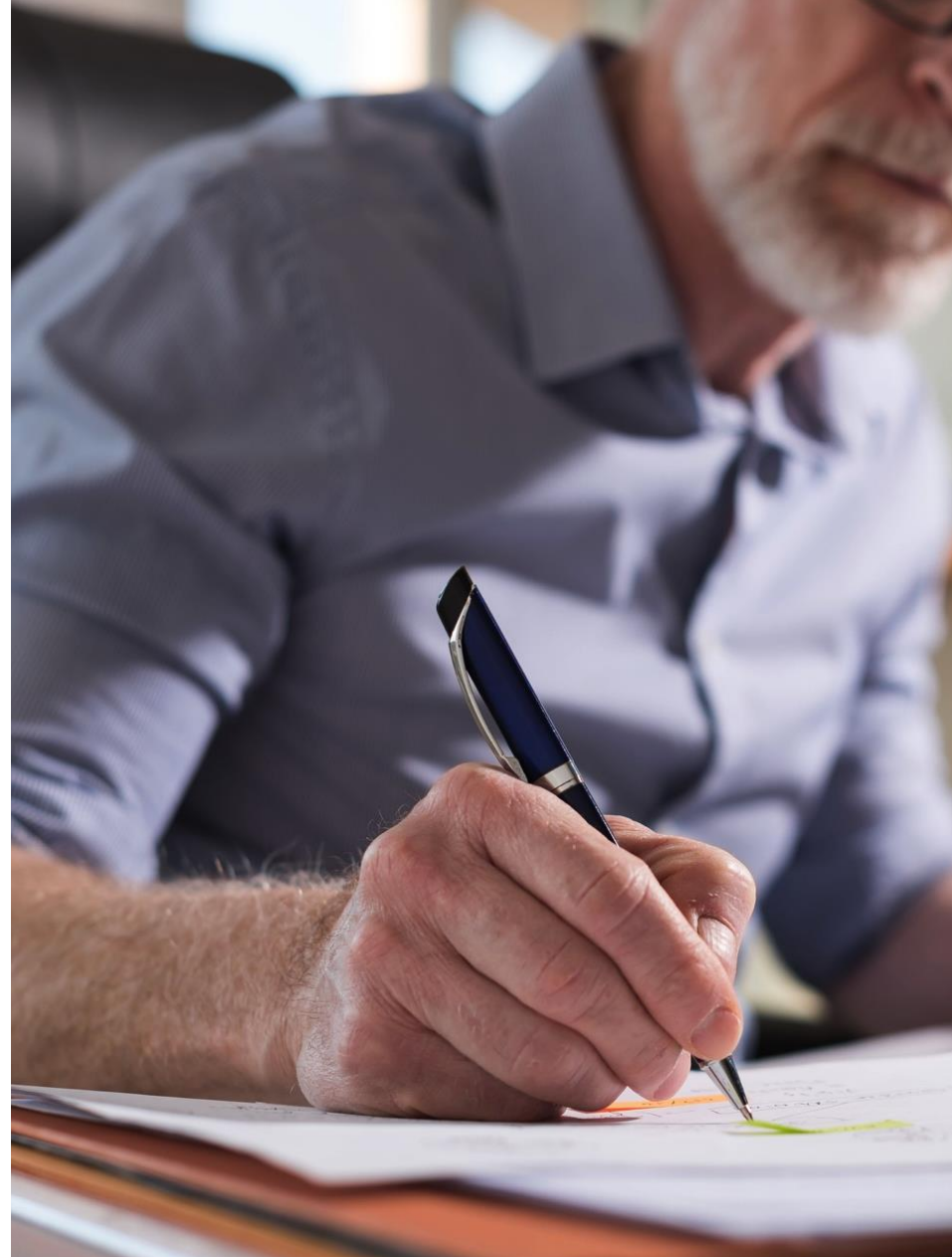
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eFaktor Inc

eFaktor Inc is the factor providing small and medium-sized enterprises with financing alternative to banking products, such as credits and loans. The predominance of our company is high flexibility in financing construction, maximally simplified way of calculating commissions and professional support in case of cash flow disruptions.

Our mission



Fulfilling short-term financial needs of our clients so they can meet their expectations such as project implementations, financial liquidity, their growth and development or increases in market value.

Our vision



To be a leader in national market, pioneering institution in the non-banking factoring sector by coming up with professional team of specialists and effective management.

Information about the issuer



Shareholders

Shareholder	The number of shares	Total nominal value	The number of votes	The percentage of the shares number	The percentage of share capital
Robert Barański	16.700	167.000,00 PLN	16.700	33,(3)%	33,(3)%
Piotr Gąsiorowski	16.700	167.000,00 PLN	16.700	33,(3)%	33,(3)%
Jarosław Nowicki	16.700	167.000,00 PLN	16.700	33,(3)%	33,(3)%

Piotr Gąsiorowski – the President of the Management Board

trained as a lawyer (a solicitor for 16 years), a specialist in contract law, negotiable instrument law, bankruptcy regulations, civil procedure and arbitration. He has an 11 years' experience in factoring services, has been participating in managing companies in this field for 10 years.

How factoring works

There are three parties directly involved:

Factor

Funding source that pays the enterprise the value of the invoice less a discount for commission and fees

Factorer

Enterprises who sell goods and services, issuing an invoice with deferred payment term

Counterparty

Debtor who has a financial liability that requires him or her to make a payment to the owner of the invoice

1

Shipping the approved orders to its retailers and billing them by the Factorer.



2

Indicating on the invoices that the invoices have been assigned to the factoring company instead of waiting on Customer payment.



3

Providing the supplier with cash advances by the Factor -typical advance rates are up to 90% of the value of the invoice.



4

Sending invoices by the Factorer onto customers for processing and payment.



5

Sending payment to the factoring company by Customer.



6

After collecting the proceeds of the invoice from customer, the Factorer forwards the outstanding balance of the invoice to the Factor, minus fees.

How factoring works

Advantages of factoring

Factorer

- Cash is realised as soon as orders are invoiced
- Possibilities of shifted payment dates
- Smoother cashflow and financial planning
- Factoring reduces balance sheet debt resulting in a lower debt to equity ratio
- The Factor checks your customers and can help your business trade with better quality customers

Customer

- Extended payment dates
- Progress in financial liquidity
- No need for bank loans
- No financial guarantee required
- Progress in financial ratio
- Increases in turnover

Who is factoring aimed at?

- Enterprises that set deferred payments terms of invoices
- Enterprises that need progress in financial liquidity

- Enterprises being refused by bank or do not want to use loans
- Enterprises that have bad experience with bank factoring

How factoring works

Factoring is characterised by relatively low operational costs, what we try to achieve by:

- implementing internal sales network payment schemes based on success fee to the greatest extent possible,
- implementing external distribution network payment schemes based on success fee only,
- precise budgeting in key cost fields.

The challenge in non-banking factoring is access to relatively inexpensive capital for the needs of factoring, hence our striving to diversify the sources of financing (bank loan, bonds, shareholders' equity).

The biggest burden is the cost of capital. That is why on one hand, we aim at diversification of funding sources and on the other hand we build our brand in order to gain the trust of investors.

PRODUCT OFFER

Recourse factoring

– the factoring provides all types of facilities except debt protection. This type of service is offered most often and makes up 100% of eFaktor's portfolio.

Reverse factoring – The buyer sells its debt to the factoree.

Factoring for microenterprises – financing system that allows businesses with 250 000 PLN in revenue to finance their receivables with financing costs at the level of 2,5-3% monthly (depending on financial situation of the factoree and transaction risk).

Upfront fee – fee for granting the limit to factoree at the level of 1-4% of the limit paid when the contract is signed.

Default charge – the charge for financing invoices calculated after maturity date, 40-100% higher than discount rate.

Full Factoring– This is also known as „Non-Recourse Factoring”. The risk or loss on account of non-payment by the customers of the client is to be borne by the factor.

Classical factoring– eFaktor buys accounts receivable and makes a cash advance (75-90%) and forwards a statement to the client. At present, it makes up about 80% of eFaktor's portfolio.

Factoring for small and medium-sized enterprises – financing system that allows business with more than 250 000 PLN in revenue to finance their receivables with financing costs which stand at 2-2,5 % monthly (depending on financial situation of the factoree and transaction risk).

Discount rate – the discount rate is the fee a factoring company charges to provide the factoring service set out in agreement as a percentage of the nominal invoice value (usually from 2 up to 3% monthly).

Additional charges – more than 20 charges for extra services.

Product types

Product segmentation

Sources of income

COMPETITIVE ADVANTAGE

Products

- **Financing possibilities:**
 - Part of turnover (some invoices), or only some part of invoice,
 - contracts and single transactions,
 - invoices from only one contractor.
- **No procedural limitations enabling financing for:**
 - every business branch with no exception,
 - startups,
 - 1:1 transactions,
 - Non-standard transactions.

Quality of service

- Immediate launch of funds,
- The easiest way to calculate fixed commission - only commission calculated on the invoice value; no other fees (for the unused limit, contract extension, advantage over competitors for assessing the credibility of current and new customers),
- Immediate reaction to possible problems, most decisions are made on the same day,
- No rigid templates of factoring agreements, the ability to change, terminate the contract without any additional fees,
- A dedicated IT system that supports 100% of procedures.

Product distribution

- **Unique product distribution on a factoring scale by:**
 - Nationwide internal sale network based on 20 area managers,
 - Nationwide external structure based on business partners
 - Target for several thousand entities
 - Organizing sale events,
 - Dynamic marketing (including cooperation with the effective PR agencies).

Achievements and aims

Achievements

Our 2016 achievements:

- 140 active factoring agreements,
- 37.500.000,00 PLN – the value of financed invoices,
- Growth in the value of financed invoices at the level of 559% y/y,
- increase at the level of 770% in income per year,
- Sales network structure – 180 business partners nationwide.

Our 2017 achievements:

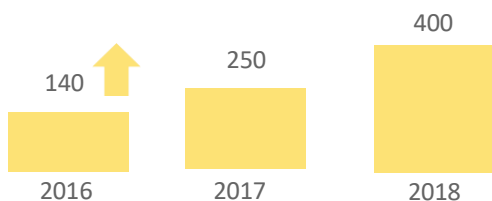
- 11 area managers and 250 business partners,
- implementation product distribution agreements with the biggest financial intermediary networks: Open Finance, Expander, Notus (7000 financial advisers in total),
- Implementation of unique CRM system.

Aims

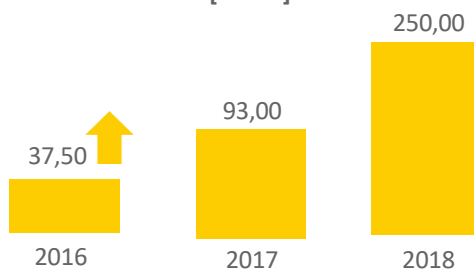
Our aim is to play a key role in non-banking factoring in 3 years:

- 20 Area Managers nationwide till the end of 2018, taking into account size and potential of each voivodeship,
- 400 business partners nationwide till the end of 2018,
- 400 clients with active factoring agreements till the end of 2018,
- Repurchase of invoices at the level of 250 mPLN – in 2018.

Active factoring agreements

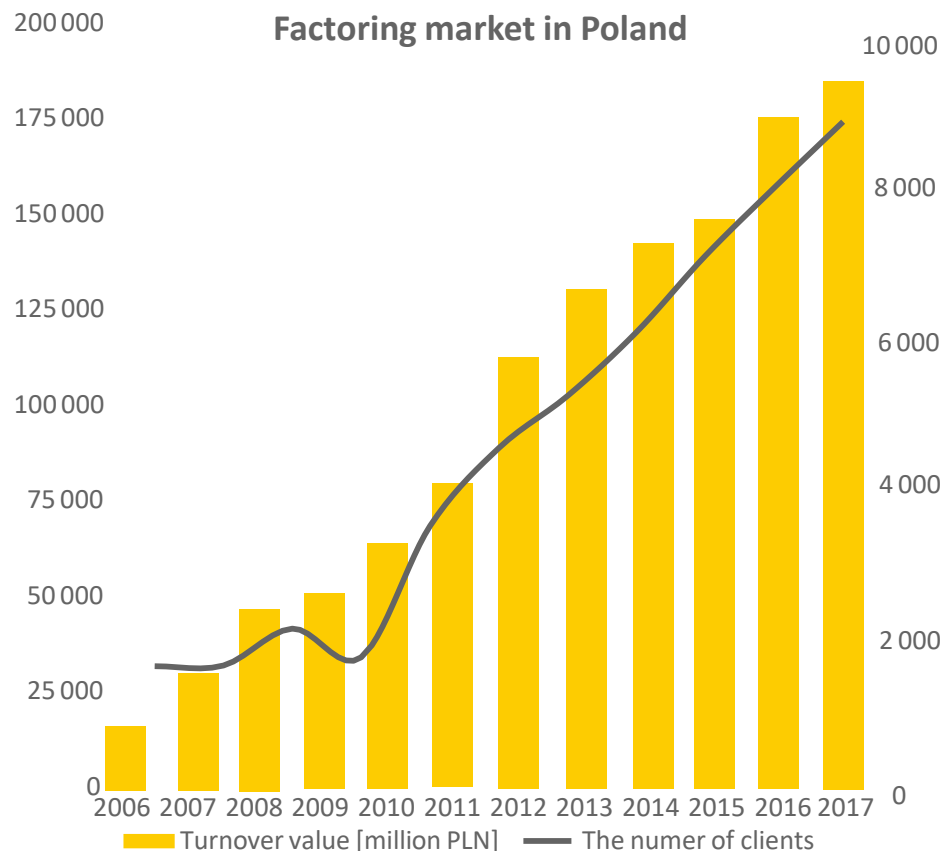


Repurchase of invoices [mPLN]



Market environment

Factoring market in Poland



Source: Polish Factors Association

Factoring is the fastest-growing branch of financial services sector in Poland.

During the latest decade factoring market in Poland has increased twofold in respect of turnover value. In 2017 it reached 185 billion PLN - taking into account members of PAF only.

In 2017, 9k entrepreneurs benefited from factoring – it is 12,6% more than in 2016.

At the end of 2017, 25,5 billion PLN put in national entrepreneurs' bank accounts came from factoring companies.

It is estimated that the number of potential factorers in Poland stands at 200k. Therefore, the growth potential of this market is actually unlimited.

Market environment

According to Central Statistical Office' data, there are 54 factoring companies in Poland, including 41 non-banking ones and 13 commercial banks.

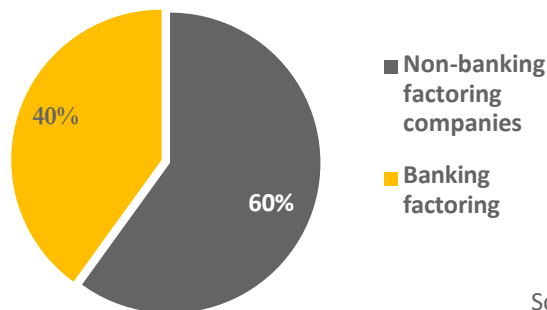
Among non-banking factoring companies, 26 of them belong to capital groups, 21 are subsidiaries, 3 are parent companies and 2 of them – parent and subsidiary at the same time, whereas among banks 10 of them belong to capital groups.

Among 30 non-banking factoring companies – domestic capital is predominant, among 10 – foreign capital. In the case of one enterprise, domestic and foreign capital go halves. Public limited and limited liability companies play a dominant role in non-banking factoring. There are only 2 enterprises of another business form.

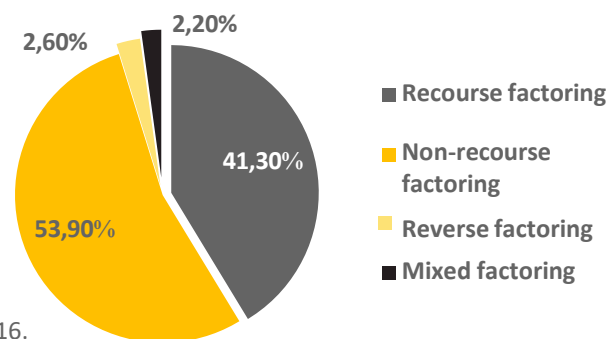
Most often form of domestic factoring is non-recourse factoring (53,9%) recourse factoring (41,3%), reverse factoring (2,6%) and mixed factoring(2,2%).

Market share (calculated as the value of financed invoices) of non-banking factoring companies stands at 60%, whereas banking factoring comprises 40% of financed invoices.

Market share



Factoring type



Source: Central Statistical Office, 2016.

Financial results

To analyze eFaktor Inc.'s financial situation the following aspects should be considered:

- The company started its operating activity in January 2015,
- Dynamic progress in factoring activities – growth in receivables,
- Dynamic growth of revenues – in the increase in revenues amounted to 664% y/y, continuation of growth clearly visible in 2017,

Operating profitability from the beginning of the company's activity ~ 33-40%.

PLN

	2015	2016	2017
Total assets	4.726.111	13.446.254	30.383.999
Fixed assets	16.136	20.850	199.085
Current assets	4.709.975	13.425.404	30.184.914
Receivables (factoring portfolio)	3.007.436	11.618.917	27.131.345
Cash	1.698.092	1.802.745	3.053.569
Total liabilities	4.726.111	13.446.254	30.383.999
Equity	80.536	266.489	1.714.219
Long-term liabilities	4.097.000	3.858.000	11.332.000
Incl. financial liabilities	4.097.000	3.858.000	11.332.000
Short-term liabilities	533.874	9.306.212	17.322.226
Incl. financial liabilities	0	6.091.548	10.283.123
Revenues	300.789	2.298.864	6.298.153
Profit on operating activities	102.445	775.413	2.531.998
Operating profitability	34,1%	33,7%	40,2%
Net profit	-39.464	185.952	1.066.730
Net profitability		8,1%	16,9%



Increase in equity

PLN

	2016	2017
Total equity	266 489	1 714 219
Share capital	120 000	501 000
Previous years' profit (loss)	-39 463	146 489
Net profit (loss)	185 952	1 066 730

*Increase in share capital up to
501k PLN*

After the first half of 2017, share capital of eFaktor Inc grew up to 501k PLN. As a result of generation of profit as well as new shares issuance and their subscription by previous shareholders, total equity increased from 266 489 PLN at the end of 2016 up to 1 714 219 PLN at the end of 2017.

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