



THE INVOICE EXCHANGE

The first organized exchange for trading B2B receivables – we enable companies to easily access cash by selling their outstanding invoices to financial investors through a secure on-line trading platform.

"The Invoice Exchange is committed to improving the business environment for small and medium-sized enterprises. Our trading platform is changing the established business practices in factoring and is raising transparency and liquidity in the market for B2B receivables." Marko Rant, CEO and co-founder

ABOUT THE COMPANY

Entrepreneurs, get your invoices paid within 48h!

The Invoice Exchange allows companies and entrepreneurs that have money tied up in outstanding invoices with long maturity dates (30, 60 and up to a 120 days), to quickly and easily convert them to cash by selling them to financial investors through a secure, on-line exchange.

A new asset class for financial investors

Invoice financing has long been the domain of specialized financial companies – factors. Those days are ending! The Invoice Exchange is an on-line organized marketplace for trading in B2B receivables and is accessible to all financial investors. By buying invoices through The Invoice Exchange, financial investors provide direct funding to companies that require liquidity, thereby supporting their business.

Not just an on-line platform – a financial exchange

The Invoice Exchange has been developed based on best industry practice from financial instruments trading, FinTech and factoring. It is designed as an integrated trading and settlement system, enabling auction trading of invoices and real time gross settlement of trades on a delivery-versus-payment basis. Integration with third-party corporate and credit information databases allows The Invoice Exchange to fully automate its credit risk management processes using advanced algorithms.

The Invoice Exchange is the first organized marketplace for B2B receivables and operates on the same basic principles as other established financial exchanges worldwide.

THE STORY SO FAR

The idea to establish an organized marketplace for trading B2B receivables – an invoice exchange – was conceived by entrepreneurs Marko Rant and Tomi Šefman in 2011. After developing a pilot trading platform and testing it with prospective clients, the company attracted the attention of business angels Peter Ribarič and Janez Klobčar who in late 2014 invested 150.000 EUR of seed equity to kick-start the project. The company spent 2015 developing its core product – The Invoice Exchange trading platform – and launched services in Slovenia in November 2015.

By mid-January 2016, The Invoice Exchange had over 100 registered clients – exchange members, and reached a total of 2.7 million EUR of receivables traded on the platform.

The Potential

Financial services are moving on line. Companies and consumers no longer have the luxury to waste their time with bank officers and their lengthy approval processes. New age FinTech companies (FinTech for: Financial Technology) are offering their clients fast, user-friendly and competitively priced financial services. How do they manage that? By using advanced IT technology that allows them to operate more efficiently (process automation). FinTech companies enable their clients to do all of their business on-line, thereby reducing time and administration constraints.

The Invoice Exchange is the first FinTech Company in Slovenia and one of the first such companies in Europe to have developed its own innovative solution for on-line invoice financing, thereby establishing a new alternative to classical factoring. Quick facts:

- There are over 45 billion EUR of B2B invoices issued in Slovenia, of which only 650 million EUR is currently being serviced by the factoring industry.
- The volume of factoring in Slovenia – measured as a percentage of GDP – is 5x smaller than the EU average – a great opportunity for growth.
- Europe is the home of invoice finance – the EU factoring industry represents 2/3 of worldwide factoring volume.
- As yet, the penetration of FinTech in factoring in the European Union is negligible – a great opportunity for The Invoice Exchange!

The Team

Members of The Invoice Exchange team are highly experienced and have successfully worked together on numerous projects in the past. Their fields of experience spans management, corporate finance, banking, securities trading, IT development and marketing.

CONDA Campaign

The campaign aims to secure additional funding for The Invoice Exchange to support the market roll-out and expansion of our product / service. The Invoice Exchange trading platform is already fully developed and was launched in Slovenia in November 2015.

Financial services are moving on-line and The Invoice Exchange is at the forefront of this trend. Beat the banks at their own game, take advantage of this early investment opportunity and become an investor in The Invoice Exchange, the first organized on-line marketplace for trading B2B accounts receivable.


The Invoice Exchange is the first FinTech Company in Slovenia and one of the first such companies in Europe to have developed a highly innovative, easy to use platform for on-line invoice financing, thereby establishing an alternative to classical factoring:

- Our product is fully developed and was launched in Slovenia in November 2015.
- The company already has existing paying customers.
- First-mover advantage: no direct competition from other FinTech companies.
- An experienced management team with a proven track record in management, finance, marketing and IT development.
- The company is backed by two recognized business angels.
- Great potential for growth and expansion within the EU.



COMPANIES - SELLERS OF RECEIVABLES

- Companies can unlock the money tied up in their outstanding invoices by selling them to financial investors through an on-line organized exchange.
- Competitive bidding guarantees best available market rates.
- Access to cash in as little as 48h (in some cases even 24h).
- 100% online process, zero client administration.
- No lock-in contracts – companies can use the service as often or as little as they like.
- Companies set their own terms for selling receivables, trading is completely anonymous.



FINANCIAL INVESTORS - BUYERS OF RECEIVABLES

- Investors gain access to a brand new asset class – well diversified, short term SME credit.
- Familiar grounds – The Invoice Exchange operates in the same way as traditional financial exchanges.
- Integrated credit risk management system, real-time credit rating information on debtors.
- 100% online process, zero client administration.
- No hassle with asset management – The Invoice Exchange handles the collection of receivables on behalf of investors.
- An automated trading system allowing hassle-free portfolio trading (a push system for buy orders).

Competition analysis

The Invoice Exchange is not facing any direct FinTech competition in Slovenian factoring (i.e. – a similar on-line platform through which companies can sell their receivables). The main competition comes from established factoring companies who operate ‘the old fashioned way’ – market leaders include companies such as Prvi Faktor, Prva Finančna Agencija, S-Factoring, A-Faktor, Alea Finance, Interfinance and APL – these and some other minor players currently handle about 650m EUR in domestic factoring per year.

We expect our competitors to initially show resistance to The Invoice Exchange because our platform fundamentally disrupts established market practices in factoring (an online exchange where any financial investor – not just factors – can participate). In the mid to long term however, we expect factors to join the exchange as investors buying receivables. Because of the first mover advantage enjoyed by The Invoice Exchange and the advanced IT employed by our trading platform, we believe that the risk of other players successfully developing and marketing a copy of our product is limited.

Some similar e-factoring platforms do exist in other EU countries although most do not operate as financial exchanges in the same way as The Invoice Exchange. All of these platforms currently only operate in their respective countries of origin and we do not expect these companies to represent a threat of entering the Slovenian market. In expanding our product and service to other countries, The Invoice Exchange will primarily consider those markets where there is little or no direct existing competition from FinTech.

THE PROCESS OF SALE AND PURCHASE OF RECEIVABLES

SELLERS

INVESTORS



FREE REGISTRATION AND MEMBERSHIP

1.



ENTERING THE SALES ORDER

Enter your invoice information and specify conditions for the sale



DEPOSIT FUNDS

Depositing funds on your Receivables Exchange Trading account

2.



ORDER VERIFICATION

The Receivables Exchange verifies the sales information with the debtor



RECEIVABLES EXCHANGE MARKET OVERVIEW

Determining trading limits, portfolio diversification, editing settings

3.



AUCTION ON THE MARKET

Receiving offers of investors to obtain the best deals on the market



PARTICIPATION IN AUCTIONS

Submission of purchase order
All receivables are verified
Insight into the debtor's credit rating

4.



ACCEPTANCE OF THE OFFER AND PAYMENT

Complete assignment of receivables and payment on your bank account.
The Receivables Exchange takes care of administration



PURCHASE AT A DISCOUNT

Purchase of receivables at a discount
The Receivables Exchange takes care of administration

5.



FULL PAYMENT

Full payment at maturity date

The Invoice Exchange is bringing the factoring industry on-line. We enable easy and transparent trading with B2B accounts receivable through a secure, on-line trading platform.

Factoring v2.0

The Invoice Exchange aims to disrupt the factoring industry in the same way Uber infiltrated the taxi industry and Airbnb shook-up hotels. We are introducing peer-to-peer to invoice finance – an online financial exchange for trading B2B accounts receivable on which anyone can participate.

The Invoice Exchange combines best industry practice from financial instruments trading, FinTech and factoring. Companies can use The Invoice Exchange to easily monetize their B2B receivables in just 48 hours with zero administration. Investors gain access to a brand new asset class – short term, well diversified, SME credit. Participating debtor companies can extend the maturity of their debts and enable their suppliers to get paid early. Partners earn fees by referring The Invoice Exchange to their clients.

Revenue & Cost Model

The Invoice Exchange charges trading fees to its clients which in total represent approximately 0.50% of total trading volume.

Trading on The Invoice Exchange is fully automated and super scalable. The main cost drivers include labour costs (including in-house IT development), marketing and certain outsourced services such as access to third-party databases and invoice collection.

Target Markets

The Invoice Exchange launched services in Slovenia in November 2015 and plans to expand its service to international markets, primarily within the EU

PROFIT & LOSS ACCOUNT

PROFIT & LOSS ACCOUNT (in EUR)	2016	2017	2018	2019	2020	2021
OWN REVENUE	123.385 €	403.302 €	763.323 €	1.213.679 €	1.656.073 €	2.054.227 €
Trading account fees	8.964 €	23.068 €	41.761 €	64.585 €	88.126 €	109.314 €
Order processing fees	7.799 €	22.376 €	40.508 €	62.647 €	85.482 €	106.034 €
Sellers' transaction fees	67.230 €	207.608 €	375.848 €	581.263 €	793.137 €	983.823 €
Buyers' transaction fees	94.391 €	222.660 €	366.451 €	566.731 €	773.308 €	959.227 €
Late notice fees	666 €	1.713 €	3.101 €	4.795 €	6.543 €	8.117 €
<i>Revenue conceded trough discounts</i>	- 55.664 € -	74.122 € -	64.346 € -	66.342 € -	90.524 € -	112.288 €
FIDUCIARY REVENUE	484.056 €	1.141.846 €	1.879.238 €	2.906.314 €	3.965.683 €	4.919.114 €
Factoring revenue (exchange turnover)	484.056 €	1.141.846 €	1.879.238 €	2.906.314 €	3.965.683 €	4.919.114 €
OWN EXPENSES	- 186.771 € -	- 331.534 € -	- 424.784 € -	- 500.373 € -	- 593.485 € -	- 632.416 €
Labour costs	- 102.736 € -	- 195.078 € -	- 248.971 € -	- 263.395 € -	- 303.554 € -	- 303.554 €
Affiliate program fees	- 8.081 € -	- 13.432 € -	- 15.602 € -	- 20.285 € -	- 20.923 € -	- 18.830 €
Marketing costs	- 32.000 € -	- 36.000 € -	- 32.000 € -	- 40.000 € -	- 40.000 € -	- 40.000 €
Office rent costs	- 6.840 € -	- 20.520 € -	- 22.320 € -	- 22.320 € -	- 26.040 € -	- 26.040 €
Bank transaction costs	- 2.865 € -	- 4.388 € -	- 6.720 € -	- 9.901 € -	- 13.671 € -	- 16.388 €
Postal, telecon and IT service & licence costs	- 5.221 € -	- 12.030 € -	- 20.076 € -	- 30.428 € -	- 42.189 € -	- 51.530 €
Outsourced services	- 21.389 € -	- 37.681 € -	- 63.113 € -	- 92.502 € -	- 120.752 € -	- 146.176 €
Other operating costs	- 7.640 € -	- 12.405 € -	- 15.983 € -	- 21.544 € -	- 26.357 € -	- 29.896 €
FIDUCIARY EXPENSES	- 484.056 € -	- 1.141.846 € -	- 1.879.238 € -	- 2.906.314 € -	- 3.965.683 € -	- 4.919.114 €
Factoring expenses (exchange turnover)	- 484.056 € -	- 1.141.846 € -	- 1.879.238 € -	- 2.906.314 € -	- 3.965.683 € -	- 4.919.114 €
CAPITALIZED OWN PRODUCTS AND SERVICES	15.000 €	15.000 €	15.000 €	15.000 €	15.000 €	15.000 €
BT platform upgrade	15.000 €	15.000 €	15.000 €	15.000 €	15.000 €	15.000 €
EBITDA	- 104.051 €	12.646 €	289.193 €	661.964 €	987.063 €	1.324.523 €

PROFIT & LOSS ACCOUNT (in EUR)		2016	2017	2018	2019	2020	2021
Depreciation of tangible & intangible assets	-	3.439 € -	25.138 € -	28.388 € -	30.763 € -	33.700 € -	36.950 €
Write-off of accounts receivable (0,5% of annual revenue)	-	649 € -	2.100 € -	3.968 € -	6.302 € -	8.600 € -	10.667 €
EBIT	-	108.139 € -	14.592 €	256.837 €	624.899 €	944.763 €	1.276.905 €
CONDA 5,0% arrangement fee	-	7.500 €					
CONDA 4,5% interest costs	-	4.500 € -	4.500 € -	4.500 € -	4.500 € -	4.500 €	- €
CONDA equity kicker					-	204.873 €	
Pentalty interest charged		6.498 €	16.722 €	30.274 €	46.820 €	63.886 €	79.245 €
A vista interest (cash accounts)		38 €	96 €	173 €	268 €	366 €	453 €
EARNINGS BEFORE TAX	-	113.603 € -	2.274 €	282.784 €	667.486 €	799.641 €	1.356.603 €
Corporate tax (17% rate)		- €	- € -	28.992 € -	113.473 € -	135.939 € -	230.622 €
NET PROFIT / LOSS FOR THE PERIOD	-	113.603 € -	2.274 €	253.791 €	554.013 €	663.702 €	1.125.980 €

STARTING POSITION

The Invoice Exchange trading platform is already fully developed and was launched in Slovenia in November 2015. By mid-January 2016, The Invoice Exchange had acquired over 100 registered clients (companies and financial investors) with total trading volume reaching 2.7m EUR

MARKETING AND GOALS

Sellers of receivables

Our target clients for selling receivables are SMEs with revenues of 0.5m - 20m EUR (there are approximately 12.000 such companies registered in Slovenia). Main marketing channels:

- On-line advertising, direct mailing and telephone contacts.
- Partnership program - contacting SMEs through partners: accounting firms, tax advisors, banks, credit bureaus, etc. that have a large pool of SME clients and offer complimentary advisory / tax / financial services.
- Referral system – members of The Invoice Exchange can refer the service to their business partners and earn fees.
- Direct marketing to large enterprises – the reverse factoring use case: access to suppliers of large enterprises.

Buyers of receivables

Target clients for buying receivables: financial investors (insurance companies, pension funds, asset managers), large enterprises (debtors buying back their own debts - reverse factoring use case) and private high net worth individuals. We are currently observing great demand from potential buyers of receivables – with interest rates at historic lows, investors are searching for alternative high-yielding investments. The Invoice Exchange already has a significant pipeline of investors in receivables.

Key marketing targets

300 registered active SME clients selling a total of 50m EUR of receivables by 2017 (breakeven point). At total trading volumes exceeding 250 million EUR of receivables per annum, The Invoice Exchange expects to earn a gross margin on its revenues of approximately 50%. Detailed projections are available in the attached financial plan.

Slovenia

- There are a total of 155,000 registered companies in Slovenia of which approximately 12,500 are companies with annual revenues of over 500,000 EUR. (-> breakeven: ~300 registered exchange members).
- There are a total of 45 billion EUR of B2B invoices issued in Slovenia each year, of which only 650 million EUR are currently served by the factoring market. (-> breakeven: ~50 million EUR annual exchange turnover).
- The average factoring penetration for EU countries is 9.6% of GDP. In Slovenia, factoring penetration is only 1.8% of GDP (-> significant growth potential).
- As yet, there is no FinTech competition in Slovenian factoring. Existing industry players are old-school factoring companies.

European Union

- Companies within the EU issue over 25 trillion EUR of B2B invoices each year.
- EU factoring is on the rise – total European factoring volume in 2014 amounted to 1.5 trillion EUR, an 80% increase relative to 2008.
- Factoring is well established in Europe – EU countries represent 2/3 of the overall global factoring market.
- Limited penetration by FinTech – in 2014, online 'e-factoring' platforms accounted for only 0.1% of the total EU factoring market.

The Invoice Exchange is perfectly positioned to seize the first-mover advantage and quickly expand to key EU markets. In this context, the company already carried out initial market screening and feasibility studies for Poland, Germany, Czech Republic, Slovakia and Croatia.

MANAGEMENT AND THE TEAM

The Invoice Exchange team is led by Marko Rant and includes seasoned professionals who have successfully worked together on various projects for a number of years. Team members complement each other in their experience and expertise in management, corporate finance, banking, securities trading, IT development and marketing. The project team is additionally supplemented by business angels Janez Klobčar and Peter Ribarič who provide their support and business network to The Invoice Exchange.



Marko Rant (36), CEO and co-founder | business development and finance

Co-founder and CEO of The Invoice Exchange, Marko got the original idea for an online receivables exchange when buying discounted receivables on a real estate project. Before founding The Invoice Exchange with Tomi Šefman, Marko worked in numerous managerial positions in real estate, corporate finance, investment banking and private equity. Marko holds a MSc in Real Estate Investment & Finance from Henley Business School in the UK.



Tomi Šefman (40), Procurator and co-founder | business development

Co-founder of The Invoice Exchange, Tomi played a pivotal role in developing the pilot platform and promoting the initial trading on the exchange. He has previously headed Deloitte's regional management consultancy practice, a Dutch internet bank, as well as numerous other finance and management engagements in the region. Tomi concluded his undergraduate studies at Wharton and got his MBA from INSEAD.



Gašper Rant (27), IT development

Gašper is responsible for IT development, security and maintenance of The Invoice Exchange trading platform. He has extensive knowledge and experience in developing and optimizing web applications, working with php, xhtml, css and javascript and is skilled in complex database management. Gašper is currently finishing his BSc in Business Informatics at the Faculty of Economics of the University of Ljubljana.



Mateja Šefman (35), *marketing and customer relations*

Mateja handles marketing and client support as well as customer service design for The Invoice Exchange trading platform. She has many years of experience working in marketing, public relations and client support, and has in the past also led the development of complex web-based projects. Mateja holds a BSc in Translation from the Faculty of Arts of the University of Ljubljana.



Janez Klobčar (47), *business angel*

Janez has made a career in banking and financial services and has held managerial positions with Societe General, Publikum securities brokerage house, Nova Banka and Moldova Agroind Bank. In 2004, he played a pivotal role in establishing one of the first private equity funds in the SEE region, Poteza Adriatic Fund, and later acted as the fund's lead manager.

Since 2008, Janez has been active as a private investor working in Slovenia and the Czech Republic. In 2014, Janez Klobčar invested in The Invoice Exchange together with Peter Ribarič, contributing 115.000 EUR in seed equity.



Peter Ribarič (43), *business angel*

Peter is a private investor with extensive experience in the areas of start-ups, seed financing and corporate governance. As an investor and entrepreneur, he funded and co-founded the companies HRM storitve (HR services) and Solvis (receivables collection) and has advised numerous other start-ups in their go-to-market and scaling phases.

In 2014, Peter Ribarič invested 35.000 EUR in seed equity to support the early development of The Invoice Exchange trading platform. Peter is also acting as the managing director of Silicon Gardens seed capital fund and until recently managed Poteza Innovation and Growth Fund (venture capital).

The need for resources

The Invoice Exchange plans approximately 200,000 EUR of operating expenses in 2016. The company intends to finance these costs using cash on hand from past equity investments, the company's increasing revenue stream and the additional funds from the planned CONDA campaign.

The Invoice Exchange aims to raise up to 150,000 EUR in mezzanine funding through CONDA on a 5-year maturity basis. This funding is expected to cover all of the company's financing requirements in order to achieve breakeven.

Short description of the major assets

The company's main and most significant asset is its proprietary trading platform (an intangible asset). As of 30.09.2015, this asset was valued at 72.709 EUR, representing the total cost value of developing The Invoice Exchange trading platform up to the end of Q3 2015.

The Invoice Exchange also has a registered trademark, but currently does not assign it any explicit accounting value.

Current financing

The Invoice Exchange is currently financing its operations with equity sources provided by the company's existing shareholders as well as its existing revenue stream. Total shareholder equity contributions to date amounted to 165,000 EUR.