Scaling our business, new models of financing

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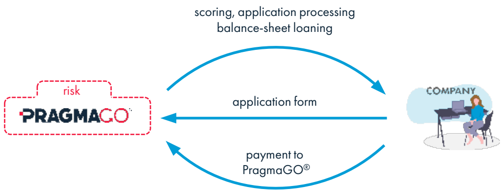
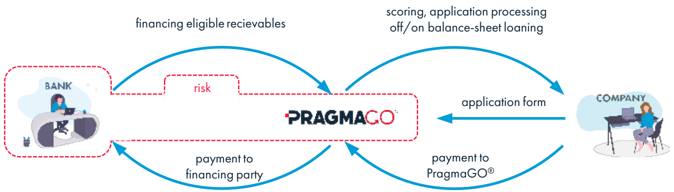
PragmaGO® – financing models

Traditional model



Traditional model of financing, where PragmaGO® finances entities directly, assuming all the credit risk. Capital from shareholders, bondholders and banks gives space and elasticity in building loan portfolio.
+ none or flexible eligibility criteria of financed receivables
+ margin remains on the side of PragmaGO®
- financial covenants limit the scale of operations

Hybrid model



Hybrid model, where PragmaGO® transfers part of credit risk on financing party in return for giving up full control of credit decision and/or cash flows.
+ a few times higher financial leverage compared to traditional model
+ margin remains on the side of PragmaGO®
- less flexibility and control
- complex and challenging from legal, organizational and financial perspective

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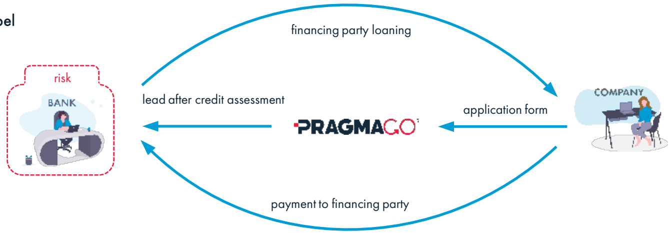
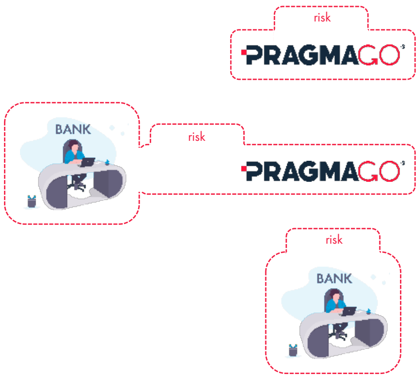
White label model



Financing party provides a loan (buys an invoice) directly to a business customer. PragmaGO® transfers all the credit risk and is responsible for lead generation and creditworthiness assessment along with guidelines of financing party. Management of receivables portfolio may remain on the side of PragmaGO®.
+ the highest scalability
- margin is divided between PragmaGO® and financing party
- possibility of limited space for upselling and cross-selling

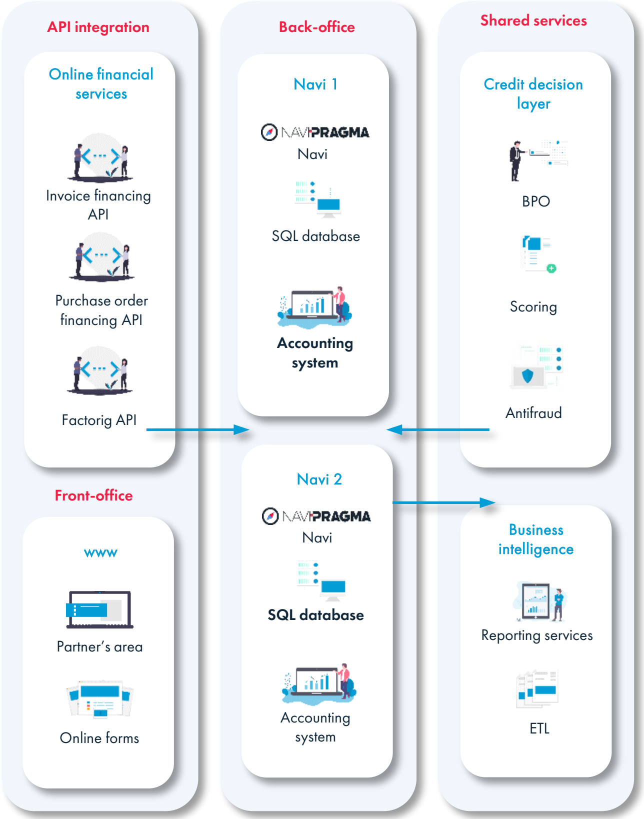
PragmaGO® – model’s mix

Presently majority of our revenues is generated within traditional model of financing. Hybrid model has been used by PragmaGO® for over two years during which it has been tweaked and enhanced. Our next goal is white label model, especially as faas (factoring as a service) with receivables portfolio management. Our custom-made IT platform is ready for this challenge.



	revenue breakdown by financing models	expected changes in model’s participation
Traditional model	88%	↓
Hybrid model	12%	↑
White label model	0%	↑↑

PragmaGO® – advancement through IT



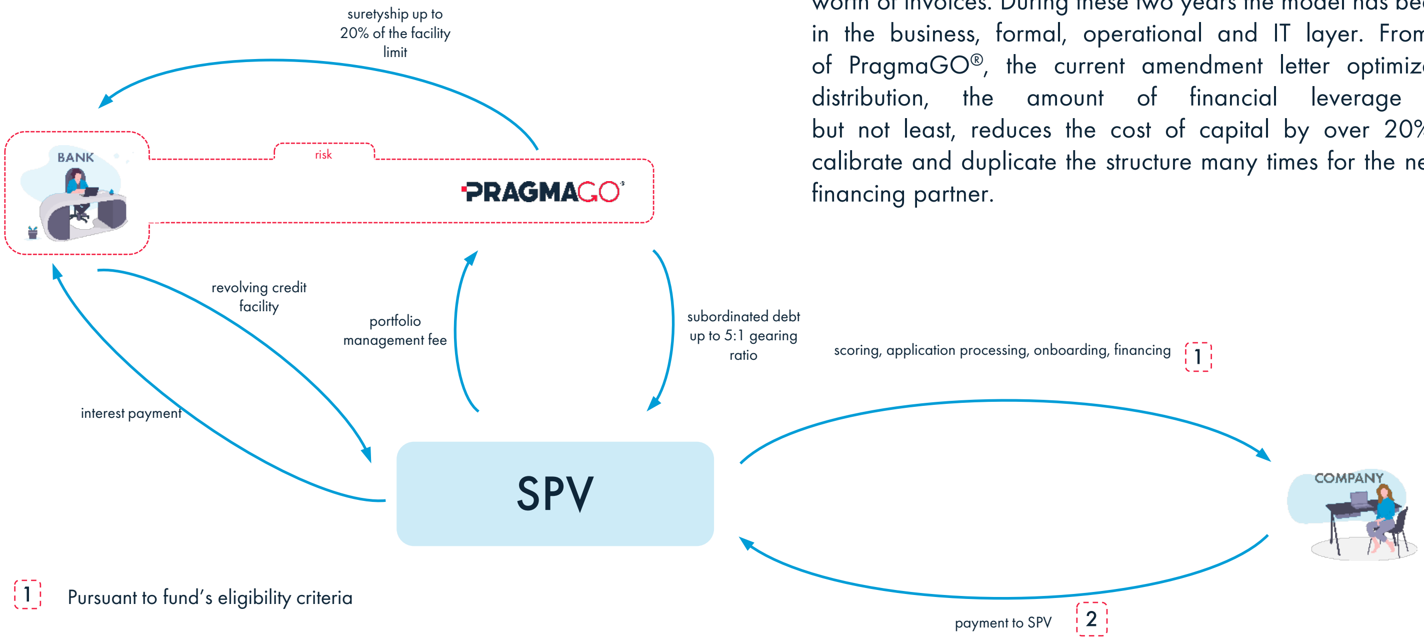
The chart is an example of an IT architecture configured for the implementation of the first project under the hybrid model.

- one integration interface (new business acquisition) together with partner and broker panel, leads can be redirected between instances or distributed along with API business logic;
- two NAVI instances (customers' library, workflow, clearing and settlement engine, separate accounting systems);
- joint decision engine and business intelligence layer.

Depending on the specifics of subsequent integrations with partners and the requirements of new financing entities, it is possible to separate the integration interfaces, create new Navi instances, as well as separate some shared services. Work is currently underway on the development of a universal and flexible scoring engine, which can be quickly calibrated to a specific flow of business and the appetite for risk of financing party.

PragmaGO® – hybrid model in practice

Since its launch in the mid of 2018 (current report number 41/2018), within hybrid model has been financed more than PLN 100 million worth of invoices. During these two years the model has been tweaked in the business, formal, operational and IT layer. From the point of PragmaGO®, the current amendment letter optimizes the risk distribution, the amount of financial leverage and last but not least, reduces the cost of capital by over 20%. We can calibrate and duplicate the structure many times for the needs of any financing partner.



1 Pursuant to fund's eligibility criteria

2 Segregated bank accounts, joint control of cash-flows

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