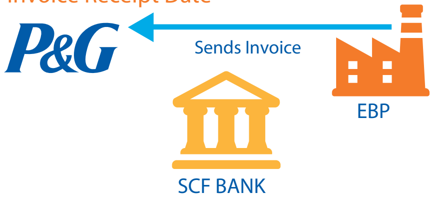
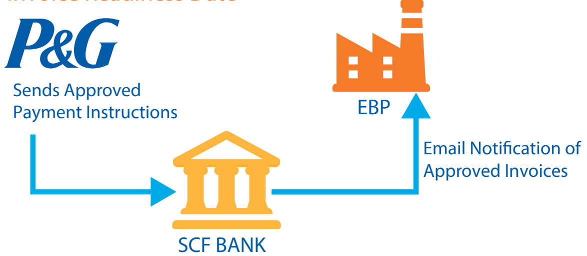
How does the SCF Process Work?

Invoice Receipt Date

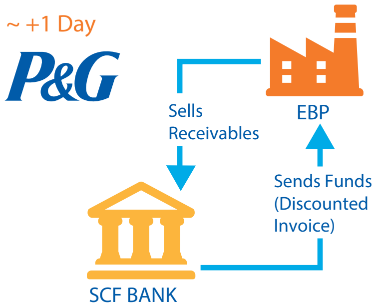


Invoice Readiness Date



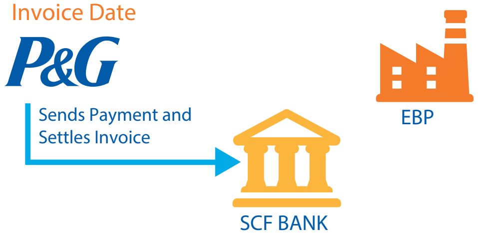
- EBPs and P&G will continue using existing process for submitting and processing invoices
- P&G instructs SCF bank to electronically pay the EBPs on the due date.
- EBPs is notified of the upcoming payment via email and a web-based system

~ +1 Day



- EBPs has the option to discount the underlying receivables to cash immediately after invoice approval, and up to the due date.
- EBPs will typically receive funds next business day into your existing bank account (electronic deposit)

Invoice Date



- P&G pays SCF bank on invoice due date
- Invoice due date is determined by the payment term that has been agreed between P&G and EBP

- P&G's Whiteboard Video: "What is SCF?"

- How is the SCF Discount Charge Calculated?
  (sample calculation; actual rates might differ)

$$\text{Payment Amount} \times \underset{\text{(Libor + Bank spread)}}{\text{Annual Rate}} \times \frac{\text{Days Left in Term}}{360} = \text{Discount Charge}$$

$$\$100 \times \underset{(2.2\% + 0.75\%)}{2.85\%} \times \frac{120-15^*}{360} = \$0.83$$

$0.83

Key Assumptions:
120 Day Payment Terms
15 Day Approved Invoice Date (From date of receipt of correct invoice)

Key Point:
The annual rate will likely be significantly lower than your company's WACC! (Weighted Average Cost of Capital)

Note: Annual Rate should be compared to WACC and not short term debt interest rates!

- What would an example look like?

	Old Terms	New Terms	New Terms w/SCF Program
Assumed Invoice Amount	$1,000,000	$1,000,000	$1,000,000
Payment Terms	Net 45 days	Net 120 Days w/out SCF	Net 120 Days, w/SCF
Days Sales Outstanding	45 days	120 days	15 days
Days to Invoice Approval	15	15	15
Days Additional Financing	30	105	105
Assumed Cost of Money after invoice approval (Day 15)*	7.00%	7.00%	LIBOR + Bank Spread % (2.1% + 0.75%=2.85%)
Total Cost of Financing	$5,833	$20,417	$8,313
Total Payment Made to EBP	$1,000,000 on day 45	$1,000,000 on day 120	$991,687 on day 15*
Cash Gain vs. Old Terms		-75 Days	+105 Days
Savings with SCF Program (vs. Extended Terms without SCF)			$12,104

*15 days is used only for illustrative purposes

What are the Benefits to Our EBP's?

- SCF is attractively priced (see example)
  - Leverages P&G's strong credit rating
  - Likely reduces EBPs WACC (Weighted Average Cost of Capital)
- SCF provides an early payment option
  - Discount spend automatically or choose the level of discount manually
  - Increases Cash Flow, Lowers Receivables, and Lowers Days Sales Outstanding
- SCF gives access to liquidity and does not increase your company's debt (non-recourse AR)
  - Does not increase debt on your financial statements like many other sources of cash generation
  - Frees up credit lines to capture additional business with lenders
  - Creates diversification of sources of cash
- SCF allows for better cash flow planning
  - Offers visibility of approved payments and their timing
  - Provides remittance information for each payment
  - Works over the web – in report format (text or excel)
- SCF can be a great risk mitigation tool
  - EBP gets to discount P&G's receivables during times of crisis leveraging P&G's credit rating