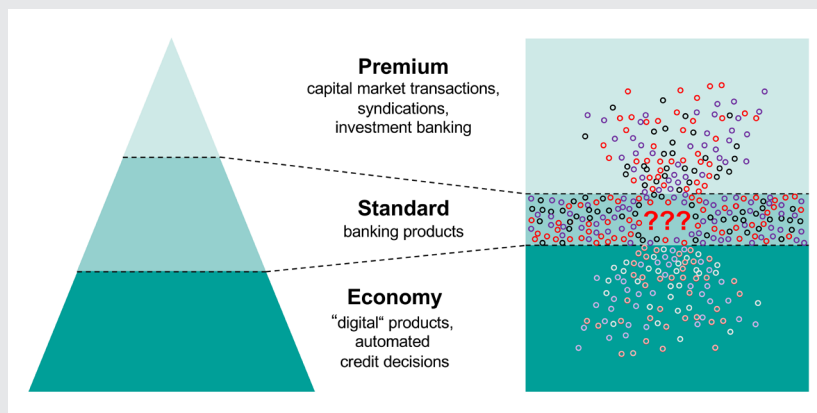




## The most important topic in 2016:

Digitalisation and Industry 4.0 will change corporate financing forever.  
Tips for the transition to new financing structures

I stated in the last newsletter (March 2016) that digitalisation will modify corporate financing for ever and that the standard segment of banks, where most companies are still debt financed, will disappear. Already in September 2016, Commerzbank announced the disappearance of the “Mittelstandsbank” (i.e. Commerzbank for small and mid-sized business) and Deutsche Bank announced the sale of a credit package of several billions for corporate customers. In addition, the replacement of the existing business model is one essential cause for these measurements. Bank financing is standardised and essential parts are replaced by different financing concepts. This process in progress is accelerated by the decisions at Deutsche Bank and Commerzbank. A transition into digitalized financing structures will become inevitable.



into consideration? How does the CFO find his way around the issue of other requirements at special institutions, who evaluate the assets of a company higher than its prospects and further securities? How does the CFO tender financing and protect sensitive data of the company at the same time?

### Draft of a general control slip for a bank-oriented financing structure:

- Check credit agreements for transfer clauses
- Put declarations of purpose and collateral agreements together and list references
- Identify possibilities of capital repatriation
- Determine potentials to release securities
- Update reports on real estate values
- Determine amounts of withdrawal from shareholders’ funds and if necessary, use them
- Establish financing target structure
- Detect an alternative use of collateral provided to raise liquidity

How can the transfer take place without losing liquidity?

Which contractual and price-related traps must be taken



- Identify the synchronization of transfer and if necessary, implement it with external experts
- Reject consortium funds consequently or accept them only with covenant reserves
- Prepare capital market viability and if necessary, external rating
- Review the company's representation used within bank presentations and for credit insurance agencies

Important:

Digitalized suppliers decide on the placement of liquidity in automated processes, and at the same time they are subjects to the rules of the BaFIN (Federal Financial Supervisory Authority). Every decision must be documented and be comprehensible.

Do not hand over these decisions regarding your company. Keep control over the sensitive data of your company and its representation to financing partners. Keep in mind, that a further consequence of the digitalisation of decision processes, evaluations once stated of your company cannot be deleted in future. As a result, it is very complex to review these evaluations on the data bases in the course of time by new information received. It is absolutely essential to avoid contradictory representations, due to different sources.

A further fact that is probably new for you:

Digitalized suppliers do not need the sales department anymore. The comprehensive introduction into the usage of their systems is pushed by agents and consultants. Tender processes are quite obvious. Every business person who enquires by himself pays a part of the difference that agents and consultants can save with their clients. For mid-sized companies, this fact is at first annoying. Financial Projects encounter this topic with fair and transparent remuneration models. Performance reimbursements we receive from financing institutions for e.g. loan applications, are disclosed and to a significant extent are returned to your companies.

For questions and requests, please contact me directly – +49 178 137 6000.

Confidentiality for every enquiry is confirmed personally and in writing.

With best regards

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