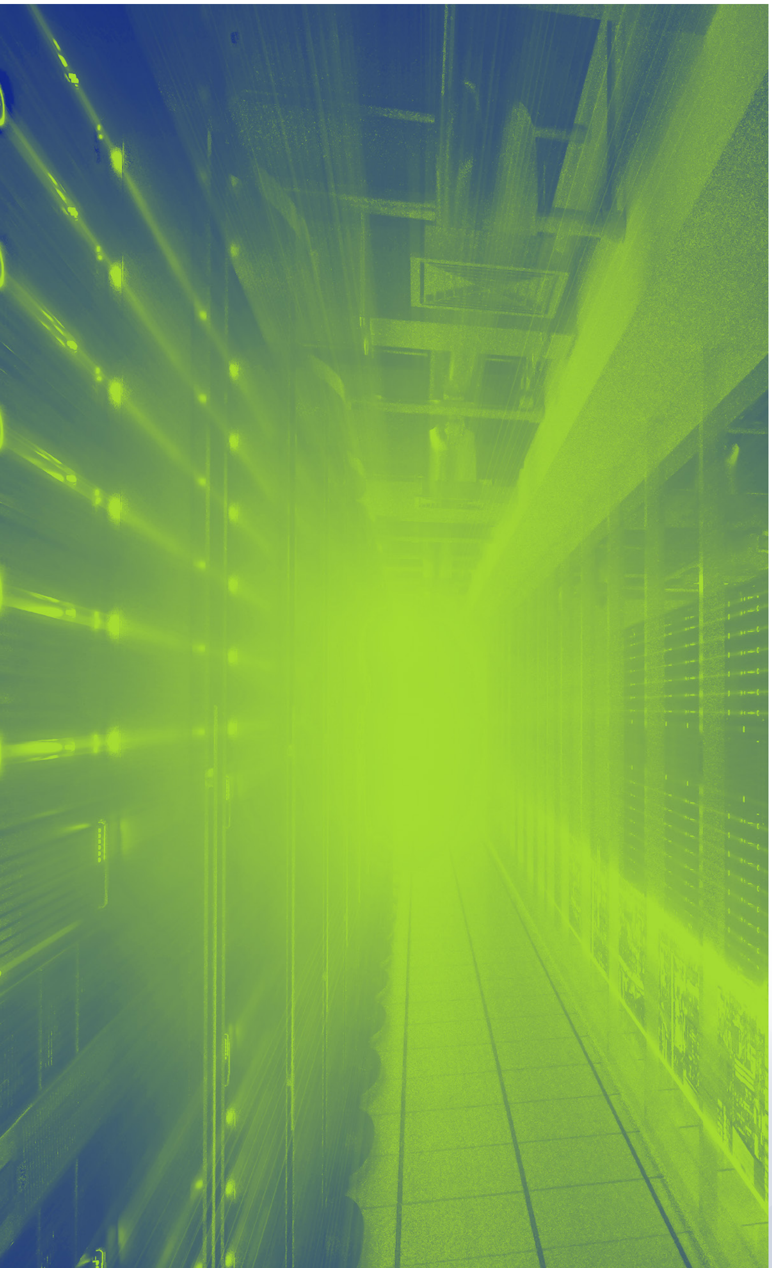
Canaccede Financial Group

Maximize debt recovery effectiveness.

Building a Flexible Capacity Operating Model

Is your current debt management operational model ready for the pending debt surge? It might be the right time to review your current model and see if you have the built-in flexibility to expand and contract as the market dictates.

A flexible operational model allows you to manage volatile debt volumes by adjusting resources to meet your needs. This reduces the potential cost impact of a more rigid fixed overhead model. We believe flexible capacity is a recession-proof strategy worth considering. It can address the build-up in fixed overheads and help manage both rising delinquencies and shifting default volumes.



What is Flexible Capacity?

Flexible capacity is the ability to process units at different rates by varying resource levels. In a recession, you need to assess the risk of managing surging non-performing volumes with limited internal resources or external agencies without sufficient scale. This risk could be externalized to a third party, either completely by selling in forward flows, or partially by outsourcing processing to a leading servicer provider with sufficient economies of scale.

Flexible capacity includes the integration of an outsourcing solution from a service only to a service-and-sale model that provides the most comprehensive solution for capturing value for both the buyer and the seller.

- A fully wrapped solution blends the economics of multiple functions, optimizing the value to creditors.
- By blending the economics of multiple solutions, servicing and investment activities allow for higher asset values.
- For insolvency, front end management allows for greater transparency into underlying proposals, enabling a lower required risk premium and therefore higher pricing. Once established, there are distinct benefits to various functions within the financial institution.

Operations & Collections

- Improves cost-to-income ratio by decreasing/eliminating operating expenses associated with recoveries.
- Achieves a superior NPV (vs a retained ownership model) via discount rate arbitrage.
- Provides a more efficient platform for management and reporting than alternatives.
- Reduced compliance requirements and the associated costs.

Finance & Treasury

- Achieves a higher ROE than asset retention due to capital allocation requirements.
- Allows for more explicit valuation of assets on the balance sheet given pricing in place.
- Generates a stable and lower net credit loss rate against the corporate income statement.
- Reduced operational risk flows through to lower capital requirements.

Risk Management

- Allows for smoothing of PCL rates during periods of economic downturn.
- Eliminates operational risk associated with filing and realizing on filings.
- Ensures optimal, predictable and matched realization of assets against their default values.

Technology

- Ensures all security, privacy and data integrity standards are properly prioritized.
- Utilizes current and sophisticated integration points for more efficient data transfer.
- Provides virtually unlimited flexibility and extensibility to meet volume fluctuations.

Our partners that pursue this option see an average of a 25-35% increase in the present value of their insolvency assets, and a decrease in the operating costs of 80-90% associated with the recoveries.[1]

When a fully wrapped solution is combined with sale of existing receivables, the creditor generates a one-time benefit from warehouse sale, an instant benefit from the establishment of a forward flow arrangement, and a sustained and consistent over-performance in its recoveries against losses on a go-forward basis.

Canaccede Financial Group is the largest multi-asset acquirer in Canada and we are part of the global Jefferson Capital Systems team. We are a debt servicing and purchasing solutions provider that helps companies accelerate corporate cash flow.

1 Estimated based on Canaccede's historical experience on insolvency recovery and servicing cost, as well as industry pricing intelligence.

Our expert valuation team will work with you to size the debt recovery potential for your organization. If you, or someone in your organization, would like us to set up a review meeting, please contact Mark Daprato at **+1 (416) 775-9628** or mark.daprato@canaccede.com.