Getting Past the Paper

April 29, 2020
Welcome

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Product Manager
Agenda

• Receivables Market Overview
• Best Practices
• Expert AR – Automating your Receivables a 5/3 Better!
Receivables Market Overview
<table>
<thead>
<tr>
<th>Receivables landscape</th>
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<tbody>
<tr>
<td><strong>Market problems</strong></td>
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<tr>
<td>% of business converting from paper to electronic receivables creating complex posting needs&lt;sup&gt;1&lt;/sup&gt;</td>
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<tr>
<td>Relies heavily on what the consumer sends resulting in missing account detail</td>
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<td>Remittance detail in addenda or email requires manual posting</td>
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<td>Distributed collection of checks can delay deposit and revenue recognition</td>
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<td>Requires separate communication of remittance detail</td>
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<td><strong>Standard industry response</strong></td>
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<td>Integrated receivables files to consolidate data for posting</td>
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<td>Online web exceptions and high data capture fees</td>
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<tr>
<td>Online research tools to view EDI remittance detail</td>
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<tr>
<td>Desktop remote deposit capture in centralized office</td>
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<td>Email or separate correspondence between businesses</td>
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<sup>1</sup>2015 AFP Payments Cost Benchmarking Study.
### Key pain points

**Q. How would you rate the degree of difficulty for each of the following as your business manages its accounts receivable processes?**

(Percentages represent those stating “somewhat difficult” or “very difficult”)

<table>
<thead>
<tr>
<th>Task</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Logging into multiple banking or in-house systems for a complete picture of receivables across multiple payment types (n=134)</td>
<td>30%</td>
</tr>
<tr>
<td>Receiving payment files from different systems in different formats (n=133)</td>
<td>28%</td>
</tr>
<tr>
<td>Manual data entry of remittance receipt information (n=140)</td>
<td>26%</td>
</tr>
<tr>
<td>Data quality of order-to-cash information as a result of manual entry and manual processes (n=137)</td>
<td>20%</td>
</tr>
<tr>
<td>Receiving customer payments through multiple channels (i.e., paper, electronic; n=139)</td>
<td>24%</td>
</tr>
<tr>
<td>Usage of different channels for ACH payments and remittance information (n=137)</td>
<td>23%</td>
</tr>
<tr>
<td>Cost of manual receivables processes (n=137)</td>
<td>23%</td>
</tr>
</tbody>
</table>

*Source: Aite Group survey of corporate treasury professionals, October 2017*
Q. What percentage of your exceptions could be processed straight through with the right tools or processes in place? (N=145)

- Less than 10%: 20%
- 11% to 25%: 14%
- 26% to 50%: 15%
- 51% to 75%: 13%
- 76% to 100%: 20%
- None: 3%
- Don't know: 15%

Source: Aite Group survey of corporate treasury professionals, October 2017

Need for increased STP rates
COVID-19 macro impact

- 140 countries imposed international travel restrictions\(^1\)
- 60 US retailers temporarily closed, representing $370B in sales and 50,000 locations\(^2\)
- 54.8% of surveyed companies did not have a continuity plan covering a global shutdown\(^3\)
- 48% of surveyed companies continuity plans only cover 2-3 weeks of disruption\(^3\)
- Only 46% of US employees feel their company successfully responded to the pandemic\(^4\)
- China imposed travel restrictions and shelter in place policy lasted over 3 months\(^1\)

Source:
1) Mercator Advisory: Commercial Payments and COVID-19, April 2020
2) McKinsey: Adapting Customer Experience in the time of Coronavirus, April 2020
3) AvidXchange Business Continuity Survey 2020
4) Hinge: Marketing in an age of uncertainty, April 2020
COVID-19 incremental tests & cases per day

United States

Mar 29 - President Trump extends physical distancing measures in the U.S. through Apr 30

Mar 11 - U.S. begins to announce public health entry to foreign nationals who suspend travel from Europe as part of "15 Days had been in 28 EU countries and the UK"

Mar 5 - U.S. Vice President Mike Pence announces there are not enough tests to meet demand

Mar 13 - Drive-through testing in the U.S. begins in New Rochelle, NY

Mar 12 - New York announces stay-at-home order to curb transmission

Mar 20 - Government bars entry to foreign nationals who had been in 28 EU countries within the last 14 days

Mar 16 - President Trump announces public health measures as part of "15 Days to Slow the Spread" campaign

Mar 15 - U.S. begins to suspend travel from European countries, except U.K.

Mar 9 - Italy begins national lockdown; travel banned

Mar 6 - Authorities begin testing all 3,300 residents of northern town of Vo (new cases now zero)

Feb 23 - Officials lock down 10 towns in Lombardy after spike in cases

Feb 19 - Italy testing at rate of ~3500 per million, amongst highest in western Europe

Feb 21 - Cluster of 16 cases identified in northern Italy

Feb 7 - All students asked not to return to school following Chinese New Year

Jan 27 - City of Wuhan is locked down and travel from nearby cities is restricted

Jan 23 - City of Wuhan is locked down and travel from nearby cities is restricted

Jan 24 - All tourist activity in Hubei canceled

Jan 17 - China begins to sustain daily new case reports below 2,000

Jan 21 - Government goes all in on 14 border control points

Jan 6 - Hong Kong closes all N/3 of 14 border control points

Source: Johns Hopkins University, COVID Tracking Project, NY Times, press release

China

Fifth Third Bank
COVID-19 impact on employees

**Successful response**¹

- Frequent communication
- Detailed plan of action
- Proactive decision making

**Increased energy levels**²

- Frequent communication
- Clear set objectives
- Efficient remote processes
- Right tools & technology

**Decreased energy levels**²

- Mixed home/work roles
- Anxiety of unknown
- Insufficient tools/processes

Source:
1) Hinge: Marketing in an age of uncertainty, April 2020
COVID-19 impact on payments

• 53.4% of companies surveyed stated working remotely would significantly impact their ability to process invoices¹

• Only 54% of companies surveyed stated they could make all their payments remotely¹

• 73% of banking US adults will use digital payment options through the crisis²

“Bad actors thrive in times of chaos and uncertainty, and are quick to capitalize”⁴

Impact of economic crisis on non cash payments³

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2009</th>
<th>CAGR*</th>
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</thead>
<tbody>
<tr>
<td>Total (billions)</td>
<td>95.2</td>
<td>109.0</td>
<td>4.6%</td>
</tr>
<tr>
<td>Checks (paid)</td>
<td>30.5</td>
<td>24.5</td>
<td>-7.1%</td>
</tr>
<tr>
<td>ACH</td>
<td>14.6</td>
<td>19.1</td>
<td>9.4%</td>
</tr>
<tr>
<td>Credit card</td>
<td>21.7</td>
<td>21.6</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Debit card</td>
<td>25.0</td>
<td>37.9</td>
<td>14.8%</td>
</tr>
<tr>
<td>Prepaid card</td>
<td>3.3</td>
<td>6.0</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Figures may not add due to rounding.
*CAGR is compound annual growth rate.


Source:
1) AvidXchange Business Continuity Survey 2020
2) Aite: COVID-19 impact on payments, April 2020
3) Mercator Advisory Group, April 2020
4) Aite: COVID-19: Challenges and Opportunities in Financial Services, March 2020
Summary of COVID-19 impact on payments

• Social distancing measures likely to last longer than initially anticipated
• Shifting short term business continuity plans to scalable BAU processes critical
• Proactive decisions about changes to tools and workflows directly impact employee morale
• Rise in electronic payment usage as purchases shift to online platforms
• Fraudsters will evolve as new opportunities present themselves with COVID-19
Receivables matching solutions

- Reduce costs
- Increase revenue recognition

What should you expect?
- Significant reduction of the number of posting exceptions for your receivables
- Historic details of each resolution
- Reduction of back office costs and days sales outstanding
Expert AR
Automating your Receivables
a 5/3 Better!
Expert AR receivables matching

Customer Data
- Accounting System Load File (Open Payments)
- Invoice Related Emails

Matching Technology

Fifth Third Payment Data
- EDM Payments
- Lockbox
- Electronic Payments (ACH/Wire)
Expert AR receivables matching

Feature
• Automated matching of all incoming payments, including Lockbox, ACH, and EFT to open invoices within your ERP application
• Utilize historic transactions to match check MICR line detail to incoming payments
• Single Click action for fast resolution to any exceptions
• Our pre deposit Lockbox workflow provides access to unmatched remittance records near real time to reduce reconciliation and adjustments to your account
• Machine learning for advanced payment matching which increases straight through processing rates

Value
• Significantly reduce the effort on your staff to manually post remittance detail, allows you to scale for the future and allow your staff to focus on higher value projects within your business
• Reduced DSO (Days Sales Outstanding) with improved payment support and tracking results in fewer AR credit write offs
• Transactions viewable within Fifth Third Direct™ Integrated Search for Ad Hoc research and reporting with updated remittance detail. Provides better research of historic activity.
Q&A