



INTERVIEW

STRATEGIC SOLUTIONS ROMANIAN ENTREPRENEURS CAN ADOPT ON ECONOMIC LEVEL DURING THE PANDEMIC

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1. With AKCENTA launching a new type of financial service 23 years ago, the fintech industry is very clearly still at the beginning of its development. This year marks the 6th anniversary of your activity on the Romanian market. How do you see the evolution of the industry in the next 5-10 years and what changes do you foresee for the Romanian market?

The Romanian financial market has experienced an important evolution in recent years, partly due to the increase in the number of non-banking organizations that have stimulated competitiveness on several levels, such as prices, quality of services, and, last but not least, digitalization. The increase in trust that companies now place with fintech organizations is particularly noteworthy, especially in the key cities for the national economy.

Looking ahead, I believe Romania now is in a favorable position in order to gain new foreign investments, thanks to the E.U. policies, which aim

to shorten supply chains and reorient production capacity towards eastern Europe, where the workforce is significantly cheaper and underused. If foreign investment increases, the industry has a strong chance of positively evolving. This is a scenario from which the financial environment naturally has something to gain.

2. As for any other business, the pandemic we are going through has changed the way we think and anticipate strategic progression. What are the main strategic recommendations you have for the B2B area?

One of the effects of the pandemic is undoubtedly the insecurity regarding cash flow. Of course, the pandemic has made each of us pay closer attention to our spending, including business spending. Our recommendation for customers is to try, as much as possible, to plan their cash flow. For example, let's take exchange operations: exchange rate orders can be placed through AKCENTA so that when the needed currency reaches the desired value, the

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exchange of a predefined amount is automatically performed based on the existing online Banking setup. We offer this service for free and it appears to be increasingly appreciated and used by our customers.

3. In Romania, AKCENTA does not have commercial branches but operates only through agents. What kind of changes do they observe? Did you notice any new challenges or, on the contrary, more opportunities? And how do you help your agents cope with a process that is certainly more limited compared to pre-pandemic times?

It is true that we don't have local branches, because our business philosophy is to maximize the value we give to our customers. Therefore, we invest the money saved with workspaces and other implicit logistic costs in the services we offer, thus being able to offer unparalleled exchange rates. This has been AKCENTA's strategy for the last 23 years, namely since the company was founded. We have agents that cover all of Romania and who, due to the situation generated by the pandemic and the imposition of social distancing protocols, are affected in terms of the number of face-to-face meetings. The advantage is, however, that our business model was built for remote work and thanks to that, we can easily perform a remote identification in a maximum of 2 hours. This allows a rapid signing of new contracts under any given conditions. Moreover, in order to speed up this process and provide even more comfort to the sale of our services, we're currently undergoing digitalization which aims to improve our current platforms and expand to new solutions, features and benefits for our customers and agents.

4. We're talking about a non-banking financial institution, which is conditioned by the European regulations to operate through banks. How do these partnerships work and what benefits do they bring to AKCENTA's customers?

As fintech, it's indeed mandatory for us to carry out our operations through banks. Due to the financial

market's regulations, at least declaratively, banks must support fintech companies' activities, thus creating a healthy competitive market that generates increased benefits for customers. In Slovakia, Czech Republic, Poland and Hungary we have solid and long lasting partnerships with many banking institutions which supported our activity since the beginning.

In Romania, we're currently collaborating with BCR and BRD, which, for our common customers, is translated into increased payment speed, as the intra-bank transfers are made instantly. For clients of other banks, the transfer speed of the payments depends on the Transfond round under which they are executed, taking into consideration that in Romania the Transfond runs 3 times/day. In other countries (like Hungary, for example), these inter-bank transfers are made in 2 hours maximum.

5. What are AKCENTA's plans for a potential second wave during the pandemic? Is there a crisis strategy that you've already put on paper for another potential European lockdown?

As previously mentioned, our advanced digitalization allows us secure access to internal systems so that our entire team can remotely operate from home without affecting our availability or the quality of our provided services. At the moment we work partly from home, partly from the office, according to the legal requirements of the Czech Republic, where we are headquartered.

6. Among your Romanian customers, which ones do you feel are most affected by the current situation?

Our customers are mostly from the mid-size area and, unfortunately, most of them have been affected, with the most notable differences noticed in the catering and hospitality industry. Take, for example, the wine or meat importers who used to deliver to restaurants and hotels, and which have not received orders anymore; the travel agencies, transportation and also logistics, or the companies in the automotive industry (given that local car manufacturers have stopped production for a while). Some

manufacturing companies as well, traders importing goods from China and so on. Some companies have obtained emergency situation certificates (blue or yellow) in order to be able to apply force majeure clauses included in collaboration agreements and/or to benefit from applicable governmental facilities.

7 ■ You have repeatedly mentioned in previous articles that importers and exporters form the majority of customers for AKCENTA. What can you offer to them in order to help with their current international trading needs, in addition to the services we already know you're providing?

Following a major investment made by our headquarters in the Czech Republic, AKCENTA is piloting a new financial product locally, namely a non-bank invoice financing (known as factoring). This is a financial instrument that allows companies to collect their payments earlier than the due date, thus covering current cash flow needs. This modern trading method is widely used and appreciated in other European markets in which we operate, and we've noticed a growing demand from our local customers as well. So after testing it on the local Czech market, the plan is to start offering this type of service to our Romanian customers as well.

8 ■ If we look at what analysts across Europe estimate, the euro currency looks very unstable. What can we expect for the next quarter? What is AKCENTA's view on the European currency fluctuations and what should we expect in the future?

The pandemic has had the most significant impact on the progression of the global economic situation and, obviously, it directly affects the evolution of the foreign exchange market. Following the estimates of the European Central Bank, our team of analysts formulated two possible scenarios for the evolution of RON currency:

The baseline scenario (with 80% probability) takes into account a new pandemic wave that brings new restrictive measures from European governments. For Romania, this means that the economic recovery from Q3 will stop completely in Q4, with negative

effects on the evolution of the quarterly GDP. The negative impact of these restrictive government measures on output, consumer/business sentiment and investment activity illustrates the need for additional fiscal and monetary policy incentives to support the economy. 1 euro is estimated to reach the value of 5 RON in Q4.

The alternative scenario (with 20% probability) takes into account the situation in which the pandemic will be kept at manageable levels in most countries, including Romania, without the need to introduce new severe restrictive measures. The recovery of the economic activity will continue between Q3 and Q4, but it will not reach pre-coronavirus GDP levels this year.

Both the consumer and business sentiment will continue to improve in the fourth quarter and the supplier-customer relationship will keep normalizing. Partial improvement is also expected in the most affected sectors of the pandemic, such as tourism. Romania won't need further interventions and rescue measures from the Government and Central Bank. In this scenario, the Euro is estimated to remain around RON 4.88 for Q4. Obviously, fluctuations may be even bigger due to the upcoming elections in December 2020.

9 ■ What is the biggest challenge you identify in the local financial market?

Strictly speaking, in the current reality created by the coronavirus pandemic, the biggest challenge is certainly managing the sense of uncertainty looming in the local business environment. There are leaders who managed to innovate and quickly adapt their business model to the lockdown, even showing increases in their revenue. Most companies, however, are in extremely uncertain situations and their main objectives and efforts are put into the company's survival, trying to keep their employees, renegotiating existing business partnerships, accessing facilities through government programs, and so on and so forth. For all of them, even though any savings during this pandemic are welcome and felt (and keep in mind that for multiple transactions the financial benefits

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are growing even more), optimizing such operations is not a priority on their agenda. We, therefore, focus on transparency and the best possible information for our small and medium-sized business segment, where some entrepreneurs do not yet have experience in using advanced financial instruments, which is why they are still reluctant to use some of the services we offer.

10. What is the most useful advice you can give to Romanian entrepreneurs related to international transactions, to help them anticipate the future of their business?

One of the most important goals every leader has, is to ensure sustainable financial planning. When it comes to external relations, it is important to build an honest dialogue between the commercial parties involved, in order to identify the best payment options and openly discuss the force majeure clauses, which are increasingly invoked in the

context of restrictions imposed by governments to stop the spreading of COVID-19. In order to maximize the financial results gained from trade, we recommend the use of financial instruments for tracking the exchange rate (mentioned above) and also the use of our Forward operations, which allow the setting of a certain exchange rate for a future payment, thus eliminating the currency risk for situations when the exchange rate has an unfavourable evolution.

AKCENTA is the first fintech in Europe to exclusively address the B2B segment. Founded 23 years ago in the Czech Republic and operating on the Romanian market for over 6 years, AKCENTA serves over 40,000 customers, of which over 2,000 are Romanian companies. To start saving money for your business, we invite you to access our website www.akcenta.ro where you'll discover unbeatable exchange rates, cheap and fast external payments and financial planning services.