

Revolutionizing Fixed-Income Markets with **Credit Rating Securities**



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Forward-Looking Information

Certain information contained herein is forward-looking and relates to the DelphX Capital Markets Inc. (“DelphX” or the “Company”) business strategy, the launch of the DelphX platform, and future events and courses of action. Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future, including words or phrases such as “anticipate,” “objective,” “may,” “will,” “might,” “should,” “could,” “can,” “intend,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” “is designed to” or similar expressions suggesting future outcomes. Forward-looking statements may include, among other things, statements about: our expectations regarding our expenses, sales and operations; our anticipated capital requirements; our plans for our products; our future growth strategy and growth rate; and anticipated trends and challenges in the markets in which we operate. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which DelphX will operate in the future, including the state of capital markets, the demand for our products, anticipated costs and our ability to achieve goals. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, you should not unduly rely on these forward-looking statements.

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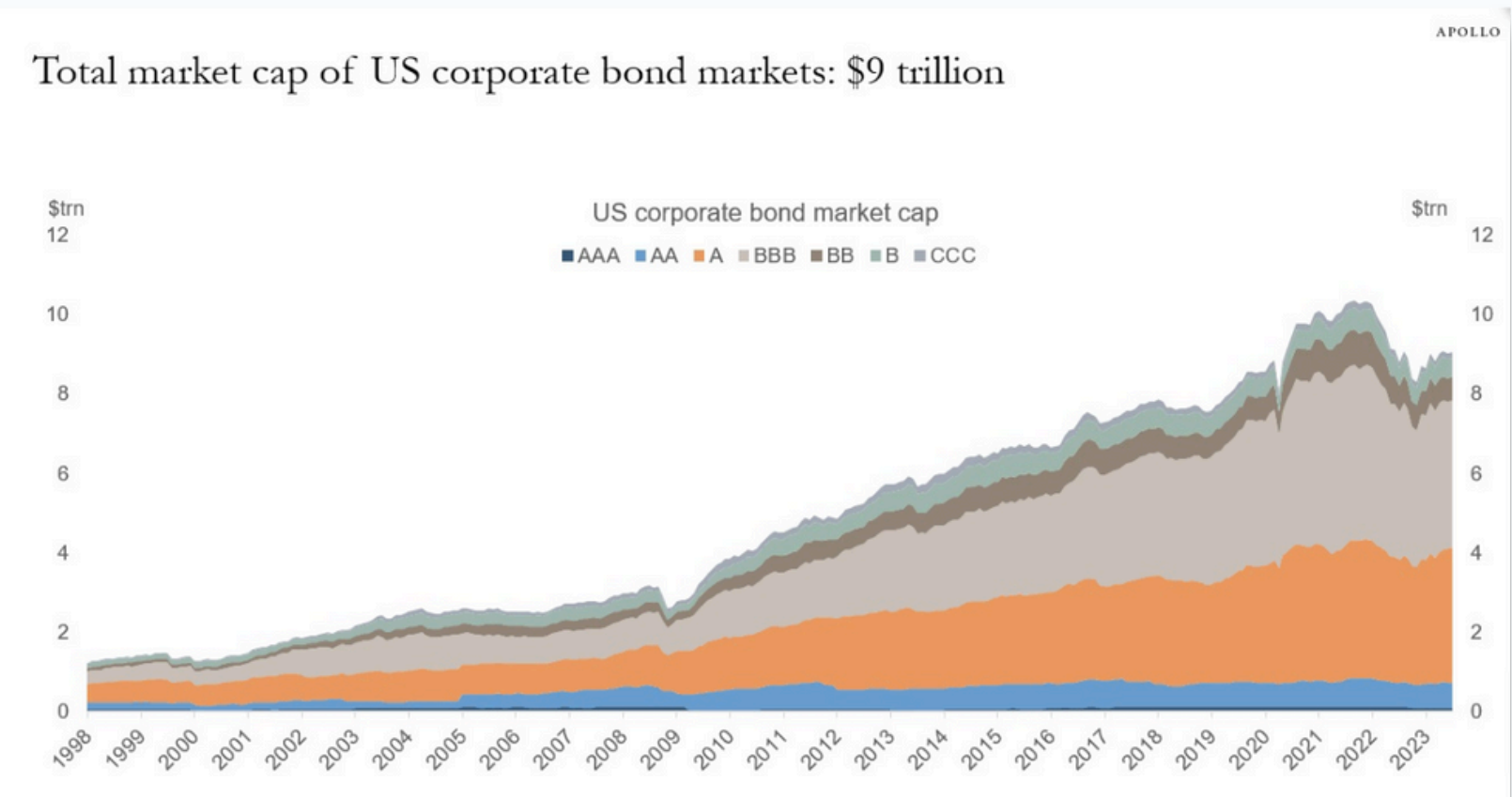
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THE OPPORTUNITY

The US Corporate Bond market exceeds \$9 trillion in outstanding issuance, and almost \$4 trillion is in the vulnerable BBB rating segment, which is the initial Total Addressable Market for CRS.

CRS is the only solution for portfolio managers to protect against capital charge increases as their bond holdings are downgraded, filling a critical and enormous gap in the market.



Macro Trends

- Increasing need for simplified credit risk management.
- Market shifting towards transparency and efficiency in risk mitigation.
- Building worry about spreads being too tight and probabilities of current dynamic changing to much wider spreads

THE PROBLEM

Insurance Company portfolio managers face challenges managing downgrade capital risks with existing tools:

- CDS (credit default swaps) is complex, expensive, and focuses only on defaults.
- No streamlined solution for rating downgrades.

Portfolio managers need precision instruments which are **only** found in credit rating securities.



TRANSPORTATION

Boeing's latest headache: a possible junk downgrade

Shubhangi Goel Oct 9, 2024, 5:13 AM EDT



S&P Global downgrades Intel's credit rating on slow recovery, management changes

By Reuters

December 10, 2024 6:06 PM EST · Updated a month ago

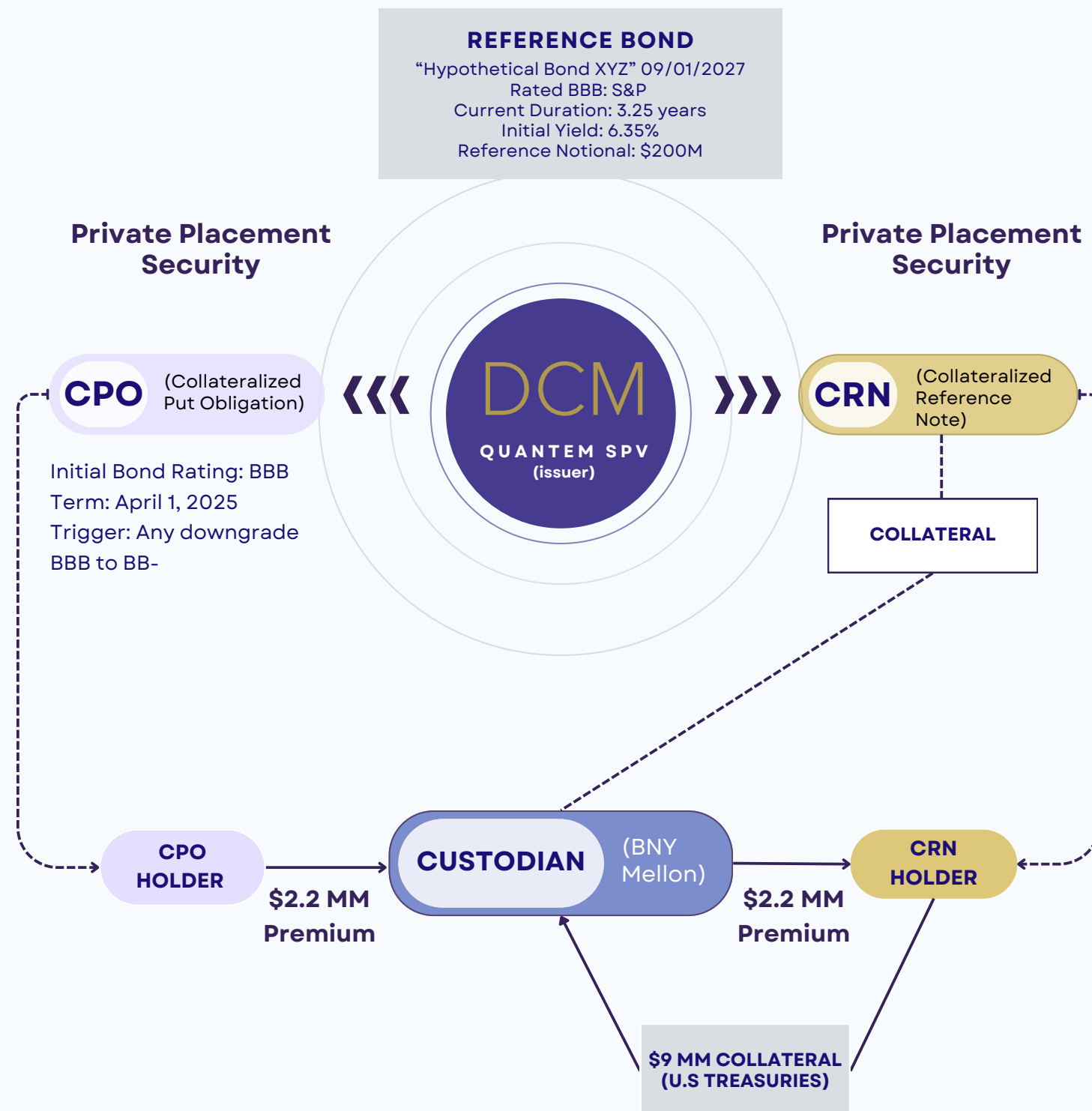


Fallen Angels: Bond Downgrades Ahead?

December 12, 2024

DCM

DCM SOLUTIONS



As a first mover, DCM has invested over \$5MM over the last four years in the development of its final winning solution of Credit Rating Securities. Working with Latham and Watkins as legal counsel and with solicited feedback from Wall Street firms seeking better outcomes the team at DCM has been able to construct the newest structured product solution in which there are no competitors or alternatives. Barriers to entry include: legal time and costs, regulatory work, intellectual property, partnerships, and the benefit of being a neutral party.

DCM SOLUTIONS

Credit Rating Securities (CRS):

- Fixed payout instruments addressing rating downgrades and the associated increased capital charges.
- Collateralized Reference Notes (CRNs) provide strong returns for hedge funds .

Key Benefits:

- Transparency and quick settlement.
- No counterparty risk.
- Seamless integration into existing bond portfolios.

Partnerships:

- US Bank ensures secure administration; Castle Placements as placement agent for transactions and Bloomberg providing support for visibility

CPO Pricing:

Premium = 1.10%
 Max payout during option period = 4.50%

Coverage: BBB to BB- hedge funds guarantee any downgrades by agencies down to BB-

If CPO holder waits to exercise and at time of exercise the rating has increased than the CPO holder has lost that payoff*.

*The payoff only occurs upon exercise and whatever the rating is at that time will dictate the payout (even if the rating was lower at an earlier period)

Rating	NAIC	RBC
AAA	1.a	0.16
AA+	1.b	0.27
AA	1.c	0.42
AA-	1.d	0.52
A+	1.e	0.66
A	1.f	0.82
A-	1.g	1.02
BBB+	2.a	1.26
BBB	2.b	1.52
BBB-	2.c	2.17
BB+	3.a	3.15
BB	3.b	4.54
BB-	3.c	6.02
B+	4.a	7.39
B	4.b	9.54
B-	4.c	12.43
CCC+	5.a	16.94
CCC	5.b	23.80
CCC-	5.c	30.00
Below CCC-	6	30.00



MARKET DYNAMICS

Fixed-income market dynamics

Rising demand for risk management tools (Wall Street has not innovated a new bond market product in the last +10 years). A new bond market product is long overdue!

Growth Projections

Market potential exceeding \$20 trillion when we expand the product to other categories ie private debt, municipal and sovereign.

GO-TO-MARKET STRATEGY AND RISK FACTORS

Sales and Outreach

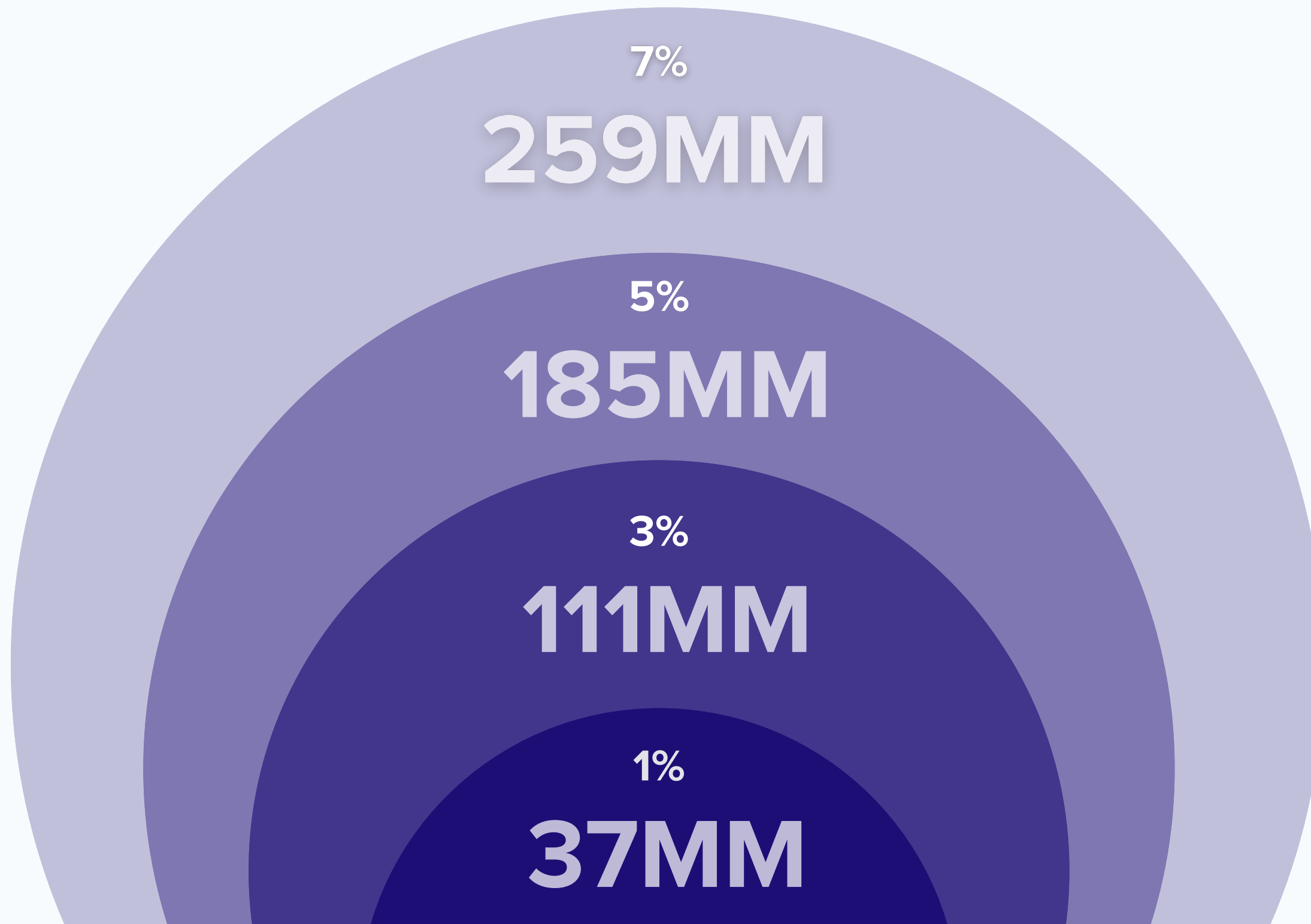
Together with partners like Castle Placements and others, DCM has been able to secure two recognized hedge fund relationships and expose this new market solution to the largest insurance companies in the US. Leveraging the first transactions, DCM is aware that there will be significant follow through by other institutional investors post-launch

Risk Factors

The largest identifiable risk is market adoption. Using in house sales, recognized advisors and partnerships, DCM has been able to secure the first term sheets for CRS.

REVENUE AND CASH FLOW FORECAST

Market Capture



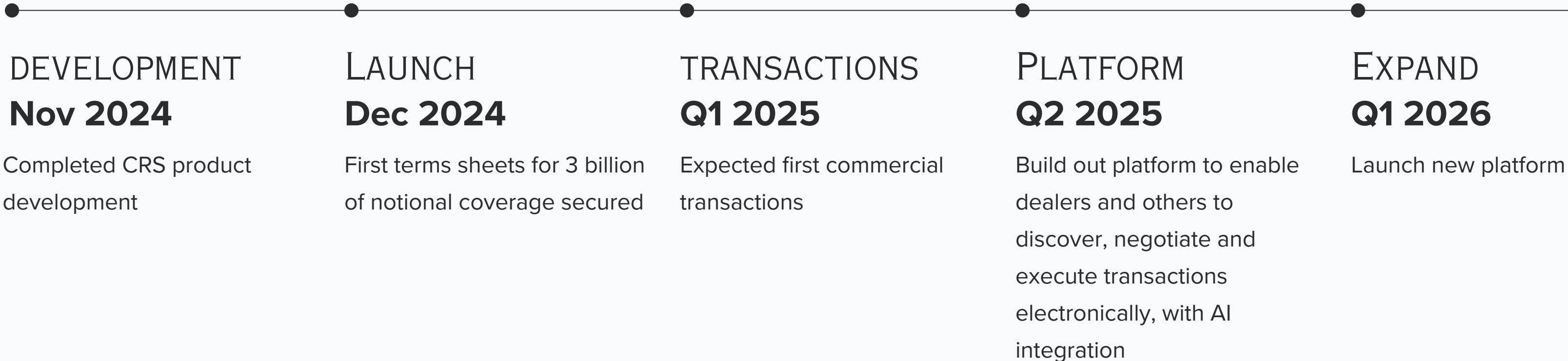
On each transaction, two new securities are created, a CPO and a corresponding CRN. Our revenues are based on a minimum charge of USD \$50,000 per security, or USD \$100,000 per transaction. The total direct fixed costs to DCM are USD \$25,000 per transaction.

If DCM were to capture just 1% of the BBB segment of the US Corporate Bond Market of USD \$3.7 trillion, that would equate to 37 billion of notional coverage, or approximately \$37MM in revenues for DCM. The first transaction being contemplated with term sheets between both parties is for 3 billion of notional coverage, which in normal circumstances is between USD \$3-6MM of revenues for DCM, depending on the number of bonds being covered.

*First transaction(s) will have some concessions on fees.

DCM

KEY MILESTONES



LEADERSHIP TEAM

PRESIDENT & CEO

Patrick Wood

Driving CRS innovation. Patrick is a successful capital markets veteran with a career spanning over 25 years in Canada and the United States. Pat's career has included fixed income asset management, structured product creation, and advisory roles at Canadian-owned broker-dealer Midland Walwyn, Vice President roles at both BMO Nesbitt Burns and CIBC World Markets.

CHIEF FINANCIAL OFFICER

Bill Hahn, CPA, CA

Bill has over 18 years of experience in financial leadership, capital markets, financial accounting, and performance management across multiple sectors.

HEAD OF CAPITAL MARKETS AND SALES

Jon Deeter

Jonathan has a strong background in the financial technology industry and extensive experience with business development, revenue growth, enhancing operational efficiencies, and implementing reporting metrics in the financial services industry.

OPERATIONS DIRECTOR

George Wentworth

George has more than 20 years of experience in driving operational processes to align with company culture and growth strategies. His experience includes handling business operations for multiple companies, including start-ups as well as more established organizations.

BOARD MEMBERS

CHIEF ACTUARY AND
RISK OFFICER

Gordon Jardin

Fellow and past board member of the Society of Actuaries, a Fellow of the Canadian Institute of Actuaries and a member of the American Academy of Actuaries.

NON-EXECUTIVE
DIRECTOR

Salim Hasham

Google executive specializing in business transformation.

NON-EXECUTIVE
DIRECTOR

Steven Mannik

Former CEO of General Re Life Corporation, expert in analytics.

THE NUMBERS

17,613,000

options issued and
outstanding today

184,574,296

Common Shares Outstanding

69,698,469

warrants

2,018,118

finders warrants

STOCK SYMBOLS: DELX(TSXV) DPXCF(OTCQB)

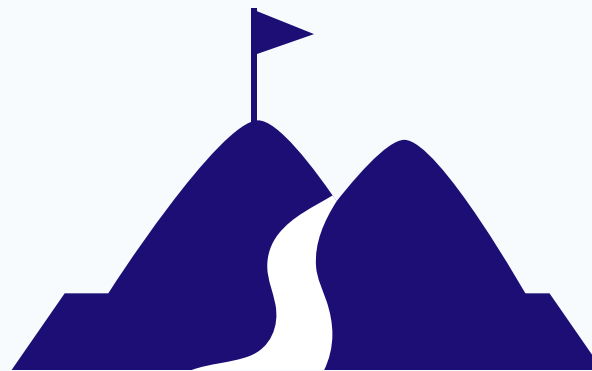
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CLIENT BENEFITS AND RISK FACTORS



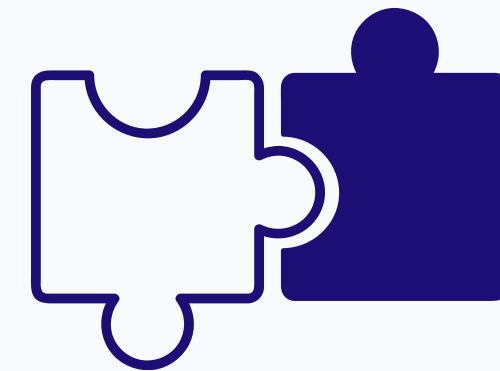
Institutional Benefits

- Simplified management of bond portfolio risks.
- Enhanced returns with precision instruments.
- Transparency through trusted partnerships.



Challenges

- Volatility in credit markets.
- Regulatory changes affecting financial instruments.



Mitigation Strategies

- Strong compliance and partnerships with established institutions.

Thank you

**FOR INQUIRIES,
PLEASE CONTACT**

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DCM