

THE KEYS TO CASH FLOW

3 WAYS TO KEEP YOUR EXPORT
BUSINESS COMPETITIVE



American businesses are increasingly turning to the international marketplace for opportunity and diversification. But competition is stiff and obstacles abound. Here are three ways EXIM can equip your export company to compete abroad and win sales on the quality of your product.

1. EXIM Bank support can unlock a working capital line of credit for your export business.

Trading companies in Japan, the Netherlands and elsewhere were offering potential customers longer credit terms than Resin Technology could handle. By leveraging EXIM's Working Capital Loan Guarantee program, Resin Technology unlocked critical cash flow to grow its export business. The company's bank is an authorized lender under the EXIM program, meaning it can underwrite and issue loans against export-related assets, with a 90% guarantee from EXIM on the borrower's repayment.

Continue reading to find out how EXIM equipped Resin Technology, a Massachusetts-based exporter, to unlock a working capital line of credit.



[Resin Technology, LLC](http://www.resintek.com)¹—

a Massachusetts-based company—buys and sells PVC resins used in siding, piping and other specialty products. In 2006, the company faced a potentially devastating drop in business due to the decline in the housing market and, as a result, the

demand for its products and services. “When I started, we were mostly in the U.S. and Canada,” said Carly Seidewand, Direct of Sales and Marketing/Global Markets.

The looming crisis forced the company to look abroad for growth,

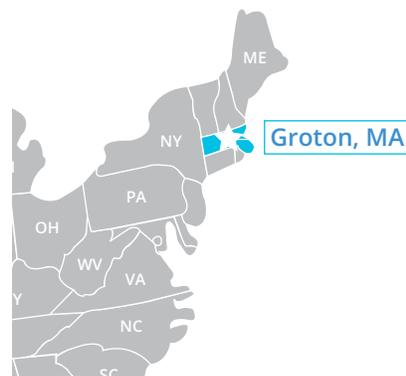
but competition was stiff. Trading companies in Japan, the Netherlands and elsewhere were offering potential customers longer credit terms than Resin Technology could handle. To make matters more challenging, the company's lender was unable to extend working capital loans

¹www.resintek.com

²grow.exim.gov/capital-grow



Resin Technology, LLC



“We needed liquidity to compete.”

- Carly Seidewand, Resin Technology, LLC

against foreign receivables, due to the difficulty of collection outside U.S. jurisdiction. “We needed liquidity to compete,” Seidewand said.

By leveraging EXIM’s [Working Capital Loan Guarantee](#)² program, Resin Technology unlocked critical cash flow to grow its export business. The company’s bank—Bank of America—is an authorized lender under the EXIM program, meaning it can underwrite and issue loans

against export-related assets, with a 90% guarantee from EXIM on the borrower’s repayment.

An EXIM guarantee acts as protection for lenders, providing the confidence to extend loans they would otherwise be hesitant to make. With the safety net of a guarantee, Bank of America³ allowed Resin Technology to borrow against its foreign receivables and access the liquidity it needed to expand into international markets. Resin Technology used exports

to diversify its portfolio of buyers, allowing it to thrive despite the housing crisis’ adverse impact on domestic end users of its products. Since shifting its focus to international markets, the company has doubled its exports every year. Resin Technology now exports petrochemical products to more than 100 buyers in more than 30 countries, including a significant presence in Latin America. ■

2. EXIM insurance can increase your borrowing power with your existing line of credit.

“Due to the regulatory climate, I got the dreaded call from my bank that they could no longer accept my foreign receivables as collateral,” said Mary Howe, President of Howe Corporation. Howe’s borrowing power diminished with that call, which presented the company with a serious liquidity challenge, given its lengthy production cycle.

Continue reading to learn more about how the Howe Corporation unlocked export working capital to finance its production cycles.



William Howe started [Howe Corporation](http://www.howecorp.com)¹—a Chicago-based company—in 1912. Howe recognized the need for improvement in the refrigeration industry while working as a mechanic at a small dairy and ice cream plant. Soon Howe and his three sons were designing, producing and servicing state-of-the-art refrigeration equipment on their own. Today, this fourth generation, woman-owned business manufactures and ships commercial and industrial

refrigeration equipment around the globe.

Howe Corporation had decades of experience exporting prior to working with EXIM. The company used accounts receivable from its export sales as collateral for working capital loans. Suddenly, the company’s bank stopped accepting those assets and they were no longer eligible for inclusion in the borrowing base. “Due to the regulatory climate,” said

Mary Howe, President and great-granddaughter of founder William Howe “I got the dreaded call from my bank that they could no longer accept my foreign receivables as collateral.” Howe’s borrowing power diminished with that call, which presented the company with a serious liquidity challenge, given the nature of its operations.

“The product we make is a relatively long lead time product,” Howe

¹www.howecorp.com/index.html



"EXIM's support has given us more confidence going into new markets and offering credit terms."

- Mary Howe, Howe Corporation

explained. Extended lead times mean longer cash conversion cycles for manufacturers. That is, the longer the lead time, the longer the period between a dollar spent on materials and a dollar received from a buyer. A working capital line of credit is crucial to bridging this gap. Howe's was gone.

"When you watch \$500,000 of working capital evaporate, it decreases your confidence," Howe said. Howe Corporation turned to its broker for advice on how to address the situation and access cash flow. The broker introduced the company to EXIM and

its [export credit insurance](#)² program. Export credit insurance protects an exporter's accounts receivable against foreign buyer nonpayment. If a foreign buyer fails to pay its invoice, EXIM pays the exporter a percentage of the amount owed (up to 95%).

The upshot for Howe Corporation? Banks otherwise unable or unwilling to lend against foreign receivables will often do so if the receivables are insured by an EXIM policy. The foreign collection risk to the lender is mitigated by the full faith and credit of the U.S. government. Insured

exporters can often assign the proceeds of an export credit insurance policy to their lenders, which will amend existing lines of credit to include foreign receivables backed by EXIM.

With its foreign receivables insured, Howe Corporation was able to secure the working capital it needed from its lender. "It was well worth every penny," Howe said. "EXIM staff members are experts at risk management. It's given us more confidence going into new markets and offering credit terms." ■

²grow.exim.gov/export-credit-insurance-video

3. EXIM empowers exporters to post performance bonds, without tying up cash flow.

CECA Supply & Services recently secured a \$5 million dollar contract to supply ENAFOR — the Algerian National Drilling Company — with materials from Derrick Corporation a Buffalo, NY based supplier. In order to ship Derrick's equipment, CECA Supply & Services had to provide ENAFOR with a performance bond at 10% of the total contract.

Continue reading to learn how the company secured the required performance bond without tying up cash.



[CECA Supply & Services](https://www.cecaserv.com/home.shtml)

[Inc.](https://www.cecaserv.com/home.shtml)¹ is a Texas based supplier of oilfield equipment, whose primary customers are Algerian state-owned enterprises, which presents an export opportunity and a challenge.

The company must secure most of its business through the Algerian public tender system, which requires businesses to secure a bid bond from their lender with every quote and, if

they win a contract, a performance bond. Bid and performance bonds require exporters to put cash up front as security, straining their business' cash flow. CECA Supply & Services recently secured a \$5 million dollar contract to supply ENAFOR—the Algerian National Drilling Company—with materials from Derrick Corporation a Buffalo, NY based supplier. In order to ship Derrick's equipment, CECA Supply &

Services had to provide ENAFOR with a performance bond at 10% of the total contract—in this case \$500,000.

In order to avoid tying up its cash flow, CECA Supply & Services used a Working Capital Loan Guarantee from the Export-Import Bank of the United States (EXIM) to access working capital financing from its commercial lender —Amegy Bank of Texas.

¹www.cecaserv.com/home.shtml



CECA Supply & Services Inc., has been able to improve their cash flow and better navigate the public tender system in Algeria.



An EXIM [Working Capital Loan Guarantee](#)² ensures commercial lenders that if CECA Supply & Services defaults on its loan, EXIM will cover 90% of the commercial bank's exposure—encouraging the bank to make loans to businesses like CECA Supply & Services that do business abroad.

With an EXIM guarantee in hand, CECA Supply & Services was able to secure financing through its bank using its

export-related inventory and accounts receivables, as opposed to being required to put up cash that could be used for its operations and business development.

EXIM's guarantee equipped CECA Supply & Services to use its foreign receivables as collateral to secure the financing it needed for the performance bond. This allowed CECA Supply & Services to keep its \$500,000 to use to secure more sales.

Using an EXIM Working Capital Loan Guarantee, CECA Supply & Services Inc. has been able to improve its cash flow and better navigate the public tender system in Algeria. The Working Capital Loan Guarantee has empowered CECA Supply & Services to bid for more business and bigger deals, without the fear of not being able to support bid and performance bonds. ■

²grow.exim.gov/capital-grow

Request a Free Consultation

EXIM has experienced export finance professionals throughout the United States. A local EXIM Export Specialist can help determine whether you qualify, and get you started on your path to growing your business abroad!

Fill out our short questionnaire and an EXIM Export Specialist will respond shortly!

grow.exim.gov/contact-a-trade-finance-specialist



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