

Exporting is the Way of the World

Global Trade Finance Solutions

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Presented in Partnership with:

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Northumberland Manufacturer's Association
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RBC Royal Bank

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- Conducting Business Abroad Overview
- Financing Solutions for Exporters
- Q & A

Business Risk Related to Trade Aboard

Doing business internationally can be very rewarding, but there are also risks that can be minimized with advanced planning

5 major risks of with International Trade

1. Payment risk
2. Foreign exchange risk
3. Performance risk
4. Documentary risk
5. Country and political risk

**Risk should be
viewed as a
challenge to global
business, not a
deterrent**



OPPORTUNITY

Some of the world's developing economies represent extraordinary growth opportunities for Canadian business over the next 20 to 30 years

KNOW THE RISKS

You can improve your chances of success in global ventures by being aware of the risks and taking appropriate steps in advance to protect your business interest

ADVICE

Over the years, we have developed valuable experience helping companies work through the challenges, and rewards, of global business – experience we can share with you!

Situation	Challenges
<ul style="list-style-type: none"> • Distributor of product in Canada and the US expanding into foreign markets outside of North America. • The company has an opportunity to produce a time limited licensed product that will result in a significant increase in sales. • Working capital is tight due to significant up front licensing and packaging costs plus increased Accounts receivable 	<ul style="list-style-type: none"> • Opportunities for growth of the line of credit are restrained by standard financing guidelines which limits the amount of financing available for Accounts Receivable outside of North America (range from 0-65% depending on the country).

OPTION A

- Bank to increase line of credit – through typical margin calculations would be problematic due to the high value of foreign receivables.

OPTION B

- RBC and EDC work together to provide unique facilities with a tailored margin formula that recognizes the financing needs of this business.

SOLUTION

Solution Details:

- RBC – EDC Solutions to add working capital
- Line of Credit, larger than would typically be offered and that allows for the margin of EDC insured foreign receivables up to 90%.

BENEFITS

- Client is able to accept large orders for new business based on the availability of financing.
- Client is able to pre-order packaging materials in quantities to enhance profitability.
- No need for large injections of new equity.
- Working capital is now free to use to go after other contracts.
- Client feels more comfortable shipping product around the world knowing its receivables are insured.

Situation	Challenges
<ul style="list-style-type: none">• Need to establish a physical presence abroad – to have a physical location, equipment or inventory closer to customer.• May need to establish a separate legal entity or subsidiary.• Need for increased working capital to finance growth.• Need for financing of plant and equipment in a foreign company.	<ul style="list-style-type: none">• RBC unable to lend on the value of inventory or equipment held in other countries due to inability and/or high costs of establishing and realizing on collateral security.• Foreign banks unable to assist as no ownership/management residency.

OPTION A

- Client would need to self finance the foreign held assets through equity or scale their operations back to Canada.

OPTION B

- Partner with RBC and EDC to use the EDC Export Guarantee Program to increase lending capabilities.

SOLUTION

Solution Details:

- EDC provides Bank with guarantee on foreign inventory subject to key conditions:
 - Inventory margin at same level as if it were in Canada.
 - Property security registration by RBC (UCC Filings).
 - Warehousing agreements required.
- EDC provides RBC with a guarantee on a Revolving Term Loan for ongoing fixed asset purchases in the foreign country.
 - EDC to provide a 75% guarantee to the RBC revolving facility (renewed annually).
 - Bank registers a security interest in the foreign country on the financed assets.

BENEFITS

- Export Guarantee Program allows the company to leverage their assets in the foreign country.
- Additional financing facility provides increased working capital to support growth in both companies.

EDC allows you to say “yes” to your buyer requests, even to those where you might normally say “no” , by offering up EDC’s:

- Payment risk mitigation
- Working capital support
- Financing support to expand operations internationally
- Ability to fulfill contract financial obligations
- Political risk mitigation

Talk to us about how we can work with RBC to help you with your continued success.



- ❑ Global Supply Chain
- ❑ Working Capital Financing
- ❑ Risk mitigation



Please share your thoughts and questions

AND

contact your Commercial Account Manager
for further information and requests

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