SHOW ME THE MONEY.
Financing exports during uncertain times.

MAPIT Alliance
Maryland Partners in International Trade

Webinar
July 16, 2020
Agenda

• Introducing the MAPIT Alliance
  • Pathway to exporting

• Financing your exports
  • Company case study: RIFE International
  • Working with your private bank: Fulton Bank
  • Ex-Im programs: Elizabeth Thomas
  • SBA programs: Bill Houck

• Other local resources
  • USEAC programs: Andrew Glass
  • MDOC programs: Jessica Reynolds
  • DEC programs: Phil Grove
  • Center for Global Business programs: Rebecca Bellinger

• Q&A
MAPIT Alliance

U.S. Export Assistance Center (USEAC)

Center for Global Business, CIBER, University of Maryland

MD Department of Commerce (MD)

MD District Export Council (MD/DC DEC)
Pathway to exporting: manufacturing & services

Tips
- Get interested!
- Get top management buy-in from the beginning and along the way
- Leverage MAPIT resources
- Report your success MAPIT partners
WHO WE ARE:

• Award-winning globally focused energy efficiency, renewable energy and sustainable construction solutions provider.
• Experienced with Local, State and Federal Government organizations. As well as Commercial, Industrial and Environmental projects.

CERTIFICATIONS:

• SBA 8(a)
• MDOT MBE Certified Contractor
• Washington Metro Area Transit Authority DBE
• Metropolitan Washington Airport Authority DBE

WHERE WE WORK:

• United States: Mid Atlantic Region (Maryland Headquarters)
• International: West Africa, Southern Africa
• 5 years Exporting Experience
Important Considerations Before Securing Financing For Export:

New Exporter

- How do I perform the right market research?
- How do I raise about $100,000 in investment for new market entry?
- How do I raise working capital?
- How do I find the right resources to support my export strategy?

Existing Exporter

- How can I scale my export?
- How can I be protected from economical and political risk in this market?
- How do I find the right resources to support my export expansion?
How Did We Do It?

- **Identified target market** as emerging economies and worked with the Maryland Department of Commerce to devise entry market strategies.

- **Commercial specialist support** and provide guidance throughout the process. Commercial specialist introduced us to several resources. *Aisha Jones*

- **TradeWinds** events organized by the U.S Department of Commerce took us to Africa and Southeastern Europe.
  - Cost of attendance was subsidized by Maryland Department of Commerce for Small Businesses.
  - Due diligence and match-making of local companies we met and have now become esteemed partners.

- **Grants and market research services** that we took advantage of.
  - Grants of up to $20,000.00 within the last 4 years of exporting, to support marketing and other international business-related expenses.
  - Commerce provided **free 20 hours** of Specific Market Research to assist us with deployment strategies for market entry.
How Did We Do It? (Continued)

- **Maryland Global Export Consulting** program championed by the **University of Maryland Smith Business School**:
  - MBA consulting team flew overseas to our offices in Ghana.
  - Provided 200 hours on consulting in marketing, operations, financing, logistics, among other critical aspects of international business.

- **ECommerce services** offered by **Department of Commerce**, provides marketing/branding and website services to help the company optimize our website for exports

Our Results

- Established renewable energy export business in Africa.
- More than **$250k value** in support from Mary Department of Commerce.
- Established reputation as a thought leader and sustainable energy expert in Africa with industry recognition board participation. Invited to speak at energy and infrastructure conferences including Africa Utility Week and Power Gen Africa annually.
Other Financial Resources

- **Export-Import Bank**: Multiple Types of Export Funding.

- **Small Business Administration**: Multiple Types of Export Funding.

- **United States Trade and Development Agency (USTDA)**: Feasibility Funding for Large CAPEX Projects.

- **Overseas Private Investment Corporation (OPIC) now Development Finance Corporation (DFC)**: Project Funding & Insurance.

- **Other Financial Partners local & Overseas**: Example, Impact Investors in the case of Renewable Energy and Climate Change.
International Trade Considerations

- Can I trust my overseas vendor / customer?
- When will I receive payment? Before or after shipment?
- Am I guaranteed to receive what I ordered?
- What currency will I pay / receive in?
- How stable / volatile is the market?
- Sovereign Risks
- Commercial Risks
Risk Mitigation Techniques
(With Exporter in mind… For Importer, Reverse…)

- Cash in Advance
- Letter of Credit
  - Confirmed
  - Unconfirmed
- Export Credit Insurance
  - SBA / EximBank
  - Private Export Insurance
- Documentary Collection
- Open Account

More Favorable

Less Favorable
All parties (Bank; Sales; Freight Companies; etc.) should be involved as early as possible in your negotiations.

Do not negotiate solely on price of goods.

Consider available bank / SBA / EXIM financing mechanisms if needed to support export inventory and/or receivables.

Remember available Trade Services when negotiating terms of sale (Open Account, L/C, Collection, etc.). [Terms of shipment (INCOTERMS) should be discussed before quoting the product price.]

Foreign Exchange - Think outside of the USD box; see the deal from your buyer’s or seller’s perspective.
Elizabeth Thomas
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EXIM is a U.S. federal government agency

- **Mission:** Maintain and create U.S. jobs by supporting the growth of U.S. exports
- Established in 1934 with HQ in Washington, DC
- Regional Offices across the country
- Supports all U.S.-based companies
About **90%** of EXIM Bank transactions supported small business exporters

No company or transaction is too small

EXIM has supported sales of just a few thousand dollars
SALES TERMS AS A SPECTRUM OF RISK

- **Cash in Advance**
  - Seller Risk: Low
  - Buyer Risk: High
- **Letters of Credit (L/C)**
  - Seller Risk: Low
  - Buyer Risk: High
- **Cash Against Documents**
  - Seller Risk: High
  - Buyer Risk: High
- **Open Account**
  - Seller Risk: High
  - Buyer Risk: Low
Export credit insurance is an insurance policy covering receivables generated from export sales that protects against nonpayment by foreign buyers.

**Sales Tool:**
Be competitive by offering open account credit terms to foreign buyers.

**Risk Protection:**
Protect against nonpayment by foreign buyers due to commercial risks and political risks.

**Generate Cash Flow:**
Accounts receivable from export sales may be used as collateral to obtain immediate cash.

Export credit insurance policies can cover a single buyer, some of your foreign buyers, or your entire export portfolio.
RISKS COVERED

Commercial Risk

- Insolvency
- Bankruptcy
- Protracted Default

Political Risk

- War, Revolution, Insurrection
- Currency Transfer Risk
- Cancellation of an Import or Export License
EXAMPLE: EXPRESS INSURANCE POLICY RATES

 Sell to a private sector buyer on terms up to 60 days open account

 Premium cost is $0.65 per $100 of the gross invoice value...

 Gross invoice is covered to 95%

 ......on a $30,000 sale, $28,500 is covered for a $195 premium!
Exporters Must:

› Be in business at least one year
› Have DUNS number and financial statements or tax returns
› Sell products that have 50+% U.S. content including labor and overhead but not markup
CASE STUDY: FRITZ-PAK, MESQUITE, TEXAS

- Small business manufacturer of concrete additives
- Experienced layoffs in 2008 downturn
- Expanded into international markets
- Rehired laid off workers
- Today global provider deriving 35% of revenue from exports

“...having EXIM insurance gives me the peace of mind to expand my business into new markets, while mitigating the risks of international sales and changing market conditions,” Gabriel Ojeda, President
CARES Act: SBA DEBT RELIEF PROGRAM

This program provides immediate relief for small businesses with SBA loans; specifically, 7(a), 504, and microloans (disaster loans do not qualify).

For existing loans in good standing, SBA will automatically pay six (6) months of principal, interest, and fees.

For new 7(a), 504, and microloans issued prior to September 27, 2020, SBA will also automatically pay six (6) months of principal, interest, and fees.

NOTE: SBA payments start after any deferment period offered by the lender.
SBA Export Financing Programs

• Export Express
  – 90% guarantee for amounts up to $350,000 (for up to 7 years)
  – 75% guarantee for amounts between $350,000 and $500,000 (for up to 7 years)
  – Lender uses its own loan approval process and documents
  – For financing of inventory, accounts receivable and export development activities
  – Fixed assets, permanent working capital and real estate

• Export Working Capital Program
  – 90% guarantee for amounts up to $5,000,000
  – Use of funds for purchase order financing, accounts receivable and inventory financing, advance rates ranging from 75% (inventory) to 90% (AR)

• International Trade Loan
  – 90% guarantee for amounts up to $5,000,000
  – For working capital term loans for financing and refinancing of fixed assets used for exporting (loan tenures up to 10 years for plant & equipment and 25 years for real estate)

• Developing an Export Business Plan
  – www.sba.gov/exportbusinessplanner
Resources: U.S. Export Assistance Center

• **Trade.gov/finance** –
  • Resources on SBA and Ex-Im Bank’s *business development financing* and *export working capital*
  • **Project finance** resources available at various USG agencies
  • **Export credit insurance** options and pricing
  • Managing **foreign exchange risk**
  • Steps to take to **get paid by your foreign buyer**

• **Export University**
  • Webinar on how to set foreign **payment terms**
  • Webinar on **SBA loans to fund export sales**
Resource: ExportMD Grant Program

• Up to $5,000 in 2/3 reimbursement for expenses ($7500 spent for full reimbursement)
• Eligible expenses: trade show fees, travel expenses, translation, website localization, shipping marketing & sample products, digital marketing, compliance testing for export markets, export research tool subscription
• Qualifications:
  • Have business operations in Maryland
  • In good standing with the Maryland Department of Assessments and Taxation
  • In existence for at least one year
  • Has not received an ExportMD Award in the last 12 months
  • Is a “small business” as defined by the SBA
  • Is planning an eligible international business initiative
  • For digital marketing activities: must have existing website
• Deadlines: First of every month
Who we are

The Maryland-DC District Export Council is one of more than 60 District Export Councils or "DECs" throughout the United States. Members are volunteers, appointed by the Secretary of Commerce.

Members include successful exporters, accountants, lawyers, freight forwarders, bankers, trade professionals, academics, and members of local government.

Resources

The DEC pools its knowledge to provide a source of professional real-world advice to exporters and to the Maryland international trade community.  NEW WEBSITE:  www.mddcdec.com

Events

Regular host of export promotion and “how-to” events. Signature event - ExporTech™ - applies a structured export strategy development process that assists companies to accelerate growth. It is a nationally recognized program where each company develops an expert vetted written export plan.
Resources: Center for Global Business

MARYLAND GLOBAL EXPORT CONSULTING

LEAD WITH A GLOBAL MINDSET

• Work with a student team to expand your global business, solve a challenge, or get a consultant’s perspective

• Get actionable recommendations customized for your company

• Consulting projects may be aligned with a traditional functional area (logistics, marketing, etc) or cross-functional areas involving data analytics or strategy

• Teams are supervised by highly ranked Maryland Smith faculty and MD’s team in the Office of International Investment and Trade (MD Dept of Commerce joint program)

DEADLINE FOR FALL PROJECTS: AUGUST 1

FALL
$2,000 - MBA team (up to 200 hours)

SPRING
$2,000 - MBA team (up to 200 hours)
$1,000 - Undergraduate team (up to 100 hours)
Resources: Center for Global Business

MARYLAND BUSINESS: REBOOTED
FREE WEBINAR SERIES
Helping Businesses and Residents Recover and Thrive
STARTS JULY 13

• Address challenges facing MD companies
• Sharpen key business skills
• Interact with peers in industry and faculty at UMD

• Delivered live, via Zoom.

go.umd/marylandbizreboot
Questions?

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