



BOOSTING MANUFACTURING

TOP 3 WAYS MANUFACTURERS CAN
GROW WITH EXIM SUPPORT

1. EXIM can help you enter new markets and diversify sales.

In the modern economy, access to global markets is essential. Businesses are increasingly spreading their risks across regions, unlocking flexibility to capture demand as economic conditions shift. EXIM equips exporters with the protection and liquidity needed to enter new markets and diversify their portfolio of customers.

At the height of the financial crisis, Sutphen Corporation, an Ohio-based manufacturer of fire trucks, saw its domestic sales plummet. The company turned its eye to the international marketplace for new opportunities. With EXIM's Export Credit Insurance to mitigate nonpayment risk and Working Capital Guarantee to unlock a line of credit, it grew its international presence and forged new relationships, steadying the business in turbulent times. This is how Sutphen diversified and grew.



[Sutphen Corporation](http://www.sutphen.com)¹ is a Dublin, Ohio, fire truck manufacturer established in 1890. Sutphen is the oldest, continuously family-owned fire truck manufacturer in the country. As a small business operating four plants around the Dublin area and one plant in Pennsylvania, Sutphen manufactures a full line of emergency response vehicles to support firefighters around the world.

"Sutphen Corporation's mission is to build the safest, most reliable

fire apparatus in the world, through innovation and customer focus, and we are extremely proud of what we do." said Lynn Rich, International Sales Application Engineer. The lasting success Sutphen enjoys today, however, has not come without challenges.

In 2008, at the height of the global financial crisis, Sutphen saw its purchase orders halve. Sutphen recognized an immediate need to expand to markets outside of the

United States. Sutphen made growing its exports a top priority, dedicating resources to find opportunities overseas. As a small business, however, Sutphen had limited resources to market its products internationally.

Fortunately, Sutphen learned about the [Ohio International Market Access Grant for Exporters](#)² (IMAGE), which is designed to help offset such marketing expenses. The IMAGE grant is funded by the state of Ohio and the

¹ www.sutphen.com

² www.development.ohio.gov/bs/bs_image.htm



“EXIM’s support afforded the company the confidence to pursue new opportunities.”

- Lynn Rich, Sutphen Corporation

[U.S. Small Business Administration](#)³ (SBA) to increase exports and create jobs. It provides a 50% reimbursement up to \$10,000 per year for qualifying activities. Additionally, while trying to grow its international market share, Sutphen had to overcome trade barriers imposed by other countries. China, for example, requires a [Certificate for China Compulsory Product Certification](#)⁴ (CCC) for fire truck imports. China is the largest customer of Sutphen’s products and Sutphen needed to comply with the CCC Product Certification

requirements in order to be eligible to have vehicles exported to China.

To increase liquidity and mitigate the economic and political risks in foreign markets, Sutphen used Export-Import Bank’s (EXIM) [Export Credit Insurance](#)⁵ and [Working Capital Loan Guarantee](#)⁶ (WCLG) products. With the WCLG, EXIM works with the exporter’s private bank to help secure financing for overseas sales. The exporter can use the loan from the bank to pay for the labor, materials and other inputs required in fulfilling export sales.

With Export Credit Insurance, the exporter is protected against nonpayment in the event of a buyer default. In Lynn’s words, “Sutphen has been a direct beneficiary of EXIM’s reauthorization, and having EXIM’s support afforded the company the confidence to continue to pursue new opportunities and open up new avenues in international markets.” ■

³ www.sba.gov

⁴ www.ccc-mark.com

⁵ grow.exim.gov/eci-ebook

⁶ grow.exim.gov/wclg

2. Finance your export sales by borrowing more with the same collateral.

Obtaining financing is the top impediment to global growth for small- and mid-sized manufacturers, according to the U.S. International Trade Commission. For these companies, asset-based lending is the lifeline bridge between a dollar spent and a dollar received. But exporting manufacturers face special challenges accessing much needed cash flow from their lenders. EXIM can help.

Take Howe Corporation, for example—a Chicago-based manufacturer of refrigeration equipment. When the company lost the ability to advance against its foreign receivables, it was in a pinch. Its borrowing base had shrunk. How would it unlock the cash flow to finance its lengthy lead times? Howe Corporation worked with Mike Howard, its local EXIM specialist and Managing Director of the Central Region, to insure its foreign receivables. With EXIM backing Howe Corporation's invoices, the lender allowed the company to borrow against its export assets. Learn how EXIM support helped solve the company's liquidity problem.



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. Support performance guarantees required to win projects without straining cash flow.

In order to take on international business, manufacturers often have to post performance bonds or guarantees, instruments that protect foreign buyers against nonperformance. These can be 10 percent of the contract or more, and generally need to be fully cash collateralized. This creates cash flow headaches for exporters, who need working capital to finance fulfillment of the order.

EXIM's Working Capital Loan Guarantee Program is the solution. It provides a guarantee to a business' private lender that enables the bank to issue a standby letter of credit serving as a performance guarantee. Since EXIM backs the exporter's bank, the cash required to secure the guarantee is a fraction of what it would be otherwise, freeing up working capital for the exporter to finance operations. See how Zeeco, an Oklahoma-based manufacturer of combustion equipment, leveraged EXIM's Working Capital Guarantee Program to collateralize performance bonds for cents on the dollar and win international sales.



[zeeco, Inc.](http://www.zeeco.com)¹—headquartered in Oklahoma—is a worldwide source for the design and manufacture of combustion and environmental solutions. Zeeco serves customers in just about every nation that has a petroleum industry. “We create fire on an industrial scale,” said John McDermott, CFO.

Zeeco's transactions range from \$500,000 to tens of millions of dollars,

according to McDermott. Cycle times tend to be anywhere from six months to two years, depending on the project.

The company's customers often demand the protection of [performance and advance payment guarantees](#)² to award larger projects—contracts that safeguard buyers against suppliers' failure to abide by agreed terms. Zeeco's ability to

provide potential customers with such assurance is integral to its international competitiveness.

The challenge? Banks and insurance companies require these guarantees to be collateralized by the exporter, often at 100%. This ties up precious working capital that could otherwise go toward creating value and fulfilling export orders. Additionally, exporters like Zeeco face special challenges, as

¹www.zeeco.com

²grow.exim.gov/blog/surety-bonds-for-exporters-what-is-a-performance-bond



“The impact for us was the ability to go after larger projects and take on more projects concurrently.”

- John McDermott, Zeeco, Inc.

lenders are often unable or unwilling to accept export-related assets (e.g., foreign receivables, export inventory) as collateral, given the difficulty of collection outside U.S. jurisdiction. Fortunately for Zeeco, its lender—[J.P. Morgan](#)³—partners with EXIM to assist exporters through the [Working Capital Loan Guarantee Program](#)⁴. As an authorized lender, J.P. Morgan can underwrite and issue loans against export-related assets, backed by a 90% guarantee from EXIM on the borrower’s repayment. Facilities with an EXIM guarantee can be used

to support the issuance of standby letters of credit serving as bid, performance and advance payment guarantees. Such guarantees need only be collateralized at 25%—a significant benefit to exporters seeking to maximize their liquidity.

EXIM worked with J.P. Morgan to equip Zeeco with the tools to meet buyers’ demand for protection and win projects that would have otherwise been out of reach. “EXIM’s Working Capital Loan Guarantee enabled us to take our level of collateral and

increase the facility available to us,” McDermott said. “Without EXIM, we would have to collateralize standby letters of credit dollar-for-dollar. With EXIM, it’s (a fraction of that).” Flexible financing under the program empowered Zeeco to increase its international market share.

“The impact for us was the ability to go after larger projects and take on more projects concurrently,” McDermott said. “Without EXIM, our growth would be a fraction of what it is today.” ■

³www.jpmorgan.com/country/US/en/cib/trade/export
⁴grow.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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