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# THE KEYS TO CASH FLOW

International markets can represent both tremendous opportunities and special challenges for U.S. exporters. A primary obstacle is the inability to secure financing—the risks associated with international sales can prevent lenders from providing the working capital needed to fulfill export orders.

A Working Capital Loan Guarantee from the Export-Import Bank of the United States (EXIM) gives lenders the confidence to provide U.S. exporters with the financing to generate new business abroad. EXIM works with a U.S. company's lender to provide a loan guarantee that backs the exporter's debt. With this guarantee in place, the lender can extend a working capital loan to improve the company's cash flow.

# BUSINESS BENEFITS:

## Larger Borrowing Base and Higher Advance Rates

A Working Capital Loan Guarantee allows U.S. businesses to borrow against assets that lenders would otherwise be unwilling to include as collateral, such as foreign accounts receivable and export-related inventory. In addition, the advance rates (the percentage of the collateral value a lender is willing to extend for a loan) are higher, giving the company a larger borrowing base and more access to the funds they require.

	<i>Raw Materials</i>	<i>In-Progress Inventory</i>	<i>Finished Goods</i>
Value	\$200,000	\$200,000	\$600,000
Borrowing Base <i>Standard</i>	\$40,000	\$0	\$300,000
Advance Rate <i>Standard</i>	20%	0%	50%
Borrowing Base <i>With Guarantee</i>	\$150,000	\$150,000	\$450,000
Advance Rates <i>With Guarantee</i>	75%	75%	75%

## Supports Standby Letters of Credit

Lenders usually require standby letters of credit be fully collateralized. An EXIM Working Capital Loan Guarantee enables exporters to get a loan from their lender to support these bonding needs at 25% collateralization, giving the U.S. exporter an advantage over the competition.

## How Does it Work?



### Step 1:

You want to grow export sales, but need to finance export accounts receivable and inventory destined for export.



### Step 2:

You apply for a working capital loan, but your lender won't approve it because your collateral is export-related.



### Step 3:

Lenders with [delegated authority](#) process your working capital loan under established EXIM criteria.



### Step 4:

Your lender loans you the money.



### Step 5:

You use the funds to fulfill your export sale.

# KEEP YOUR BUSINESS COMPETITIVE

American businesses are increasingly turning to the international marketplace for opportunity and diversification, but the current environment presents many obstacles and heavy competition.

EXIM empowers you to post performance bonds without tying up cash flow, equipping your company to compete abroad & win sales.

## CECA SUPPLIES & SERVICES, INC.



Houston, TX



Exports to Algeria



Uses Working Capital Loan Guarantee

## Opportunity

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. CECA Supply & Service Inc. is a Texas-based supplier of oilfield equipment, whose primary customers are Algerian state-owned enterprises. 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. 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.

## Results

Bid and performance bonds backed by an EXIM Working Capital Loan Guarantee are collateralized at 25%. This guarantee to CECA Supply & Services's bank enabled the company 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.

*CECA Supply & Services, Inc. has been able to:*



Improve its cash flow



Better navigate the public tender system in Algeria



Bid for more business and bigger deals while preserving more of its capital

The company's fear of being unable to support these types of surety bonds is all but alleviated.