

# 3 BENEFITS

## of the Working Capital Loan Guarantee

1

**Increase your borrowing base**

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2

**Access capital to accept large orders**

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3

**Streamline after an acquisition or merger**

[Learn More >](#)

Working capital and its lifeblood, cash flow, are essential to any business enterprise. However, traditional commercial bank financing may not always be sufficient in scope to meet the needs of U.S. exporters, given the repayment risk associated with export sales.

Through EXIM's **Working Capital Guarantee Program** (WCGP), U.S. exporters can obtain financing from participating lenders when traditional commercial financing is not available, or when the borrowing needs are greater than the lenders' credit standards will allow.



For the lenders, the program provides a significant credit enhancement: a U.S. government direct, conditional guarantee of 90 percent of principal and accrued interest on the credit facility to the U.S. exporter.

## Who Should Apply?

All U.S. businesses with a need for:

- Growing export revenues with relatively tight liquidity, cash flow, or resources that has caused missed U.S. export sales
- More favorable credit terms for foreign buyers, up to 180 days from date of invoice/shipment
- Creditworthy U.S. based operations (can be foreign-owned) with goods manufactured shipped and services performed from the U.S.
- At least 50 percent U.S. content incorporated into export items
- Additional working capital funding availability
- A large export contract in relation to the exporter's balance sheet
- Export-related working capital support in relation to work-in-process inventory or to costs over billings less billings over costs under percentage of completion accounted for export orders
- A requirement to issue performance related standby letters of credit and/or bid bonds

> Benefit of the Working Capital Loan Guarantee:

# INCREASE YOUR BORROWING BASE WITH EXPORT A/R



## Before EXIM

*Hypothetical Scenario:*

**ACME Industrial** is an international distributor of intermediate chemicals. The company buys from major chemical manufacturers in the U.S. and sells to buyers in emerging economies. With a distributor profile made up of concentration suppliers, pre-sold inventory, diversified foreign receivables, and relatively thin margins, working capital was key to the successful operation of the business.



 Based In: Northeast United States

## How It Works:

1

ACME Industrial was accustomed to uncommitted bilateral credit lines/programs from a variety of international banks.

2

Their credit programs dried up in the current credit cycle.

3

The company was forced to greatly reduce its borrowing to pay for its inventory of chemicals; having less inventory then caused missed sales.

4

Understanding the benefits of the EXIM Working Capital Guarantee, the company's U.S.-based bank could offer:

- > a **committed, 1-year, \$5 million, asset-secured borrowing base structure** to lend against the export-related accounts receivable and inventory on the company's balance sheet
- > an EXIM Multi-Buyer Credit Insurance policy on its account debtors (their customers)

## Results

The company is now able to **offer competitive, credit-insured, terms** to both new and existing international customers.



The company was able to get an EXIM Multi-Buyer Credit Insurance policy at a time when credit capacity for emerging countries was tight in insurance markets and when foreign buyers would be hard pressed to accept letter of credit sales terms.

**EXIM** EXPORT-IMPORT BANK OF THE UNITED STATES

> Benefit of the Working Capital Loan Guarantee:

# ACCESS THE CAPITAL YOU NEED TO **ACCEPT LARGE ORDERS**



## Before EXIM

*Hypothetical Scenario:*

**ACME Transport Systems** manufactures specialized tooling trucks for use in harsh environmental conditions. The company historically operated as an OEM (original equipment manufacturer) to large, U.S. multinational companies selling overseas. As with many growing businesses, the company started out by self-funding its working capital on one-off export orders. They typically required 50% down payment on an order and 50% upon delivery.



 Based In: Southwest United States

## How It Works:

1

During the latest economic downturn, their domestic sales dropped. An opportunity presented itself to bid directly on a large, international public contract in Asia.

2

ACME Transport Systems knew its equipment would be highly competitive and that the margins would be better on a direct sale, but it needed to address the working capital implications of such a large order.

3

ACME Transport Systems contacted EXIM, who then worked closely with the company's primary bank.

4

The company and their bank were able to structure an **18-month, \$10 million credit line** using the EXIM Working Capital Guarantee Program to support the capital needs for producing the large order. This credit program allows for:

- > the issuance of bid and performance standby letters of credit required under the order at only 25% collateralization in the borrowing base
- > the funding of working capital through the lifecycle of the underlying project.

## Results

With the large order in hand, the company **brought back its furloughed workforce** and the employees are looking forward to a good bonus upon project completion for a job well done.



As an OEM, the company's traditional indirect exports to the larger U.S. multinationals further qualifies for support under the EXIM Working Capital Guarantee program.

**EXIM** EXPORT-IMPORT BANK OF THE UNITED STATES

> Benefit of the Working Capital Loan Guarantee:

# STREAMLINE YOUR WORKING CAPITAL POST-ACQUISITION



## Before EXIM

*Hypothetical Scenario:*

**ACME Subsystems, Inc.** manufactures and sells advanced assembly line equipment and systems used by world-class manufacturers. It has access to a large, syndicated, asset-based credit program with its primary bank as the agent.



 Based In: Midwest United States

## How It Works:

1

Given the current economic environment, with consolidations ramping up, the bank wanted to be ready for any upcoming permitted merger or acquisition event at ACME.

2

The bank, using an EXIM Working Capital Guarantee (WCG), created a **\$25 million credit allowance** for permitted indebtedness into the covenants/parameters of the credit agreement.

3

When a great opportunity to acquire a complimentary business presented itself, the deal team was able to understand what the opening borrowing base availability would be under the EXIM Working Capital Guarantee by quickly identifying in the combined balance sheet the export-related:

- > Accounts receivable
- > Finished goods
- > Work-in-process and raw materials

4

Supportive to the overall financing, the EXIM Working Capital Guarantee was structured as a sub-facility to the overall 5-year, asset-based lending, revolving credit facility.

## Results

The deal closed in record time and ACME Subsystems was able to execute a successful business acquisition.



The key to the transaction was the fact that EXIM could move as fast as the asset-based lending deal team in considering the customization that was necessary to fit the EXIM Working Capital Guarantee component into the overall deal structure.

**EXIM** EXPORT-IMPORT BANK OF THE UNITED STATES

# GET IN TOUCH

For more information regarding the Working Capital Guarantee Program guidelines, contact:

EXIM welcomes your inquiries and looks forward to working with you!



This is a descriptive summary to be used as a general introductory reference tool. The complete terms and conditions of the policy are set forth in the policy text, applications, and endorsements.

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