

EFIC - Financing Contracts

13th June 2012



Australian Government



Overcoming financial barriers for exporters

About EFIC

- Australia's export credit agency
- Purpose is to support growth of Australian business internationally
- Provide financial and insurance solutions for Australian exporters and offshore investors
- 100% owned by the Government of Australia
- AAA rating (S&P)
- Over 50 years experience

Our role

- Fill 'market gap' when commercial finance unavailable/insufficient
- Role complementary to commercial lenders
- Operate on a commercial basis
- Support Australian involvement in:
 - export of goods or services
 - domestic export-related transactions and projects
 - overseas investment
- Customers range from SMEs to large listed companies

Client profile

- Australian based companies and their export customers
- Successful track record
- Financially stable
- Experiencing financial challenges in growing their business
- Sizeable export related contract/s requiring support
- Bank unable to assist further without EFIC support

How does EFIC assist?

Pre-shipment finance:

- Contract specific via Export Working Capital Guarantee

Finance to overseas buyers:

- Direct Lending
- Export Finance Guarantees
- Project Finance

Post-shipment finance:

- Financing of overseas receivables
- Documentary Credit Guarantees

Bonding:

- Advance Payment Bonds
- Performance & Warranty Bonds

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Export working capital guarantee

Export working capital guarantee

- An on-demand guarantee from EFIC to the exporter's bank
- Secures funding for specific contract/s
- Where working capital / pre-shipment finance need is >\$0.5m
- The funding requirement is determined from the contract cash flow
- EFIC undertakes detailed risk assessment
 - contract, technical, financial and payment risks

When is it relevant?

- The firm has a contract, purchase order or letter of intent
- Funding need is more than \$0.5 million
- Negative cash flow during the contract performance period
- Substantial Australian content or net benefit to Australia
- Customer unable to obtain funding from bank, or transaction risk exceeds bank's appetite

Bonds

Bonds

- A guarantee of contract performance (usually unconditional)
- When exporter can access pre-payment from the buyer (APB)
- May be from EFIC to the buyer, or via a bank
- Performance, advance payment and/or warranty bonds. (Not bid or tender bonds)
- Performance bonds usually 10% of contract value, but market practices vary
- Risk assessment same as for EWCG :-
 - contract, technical, financial and payment risks

When is it relevant?

- When called for by the contract (Performance, Warranty)
- A guarantee of contract performance (usually unconditional)
- Available where bank cannot provide, or would only if fully cash-backed which would not be feasible for the company
- Minimum \$500k bond for six months preferred

Case study – Lean Field Developments, 2011

Customer

Lean Field Developments is a civil construction company that specialises in coal seam gas pipelining and services the Australian and North American resources industries.

Need

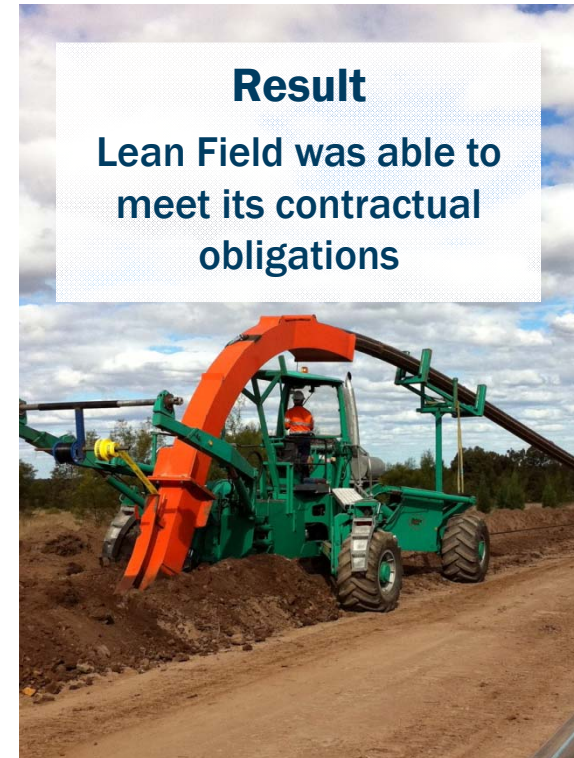
Lean Field was required to provide performance bonds to QGC Pty Limited, the project principal, in support of its contractual obligations under a pipe laying contract. The company also needed additional liquidity for existing and proposed contracts.

Solution

EFIC provided a bonding line for Lean Field to draw on as required, and also an export working capital guarantee facility to support a standby loan facility from the company's bankers.

Result

Lean Field was able to meet its contractual obligations



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