

Understanding International Export Products

Sarasota Manatee Area Manufacturers Association
April 2019

Agenda

- Why Sell Internationally?
- Risk Considerations for International Sales
- Partners to Consider
- Trade Services
 - Letters of Credit Defined
 - Commercial – Import and Export
 - Standby
 - Documentary Collections
 - Open Account / Insured Foreign Receivables Financing
 - Foreign Exchange
- Trade Finance
 - SBA
 - Ex-Im Bank

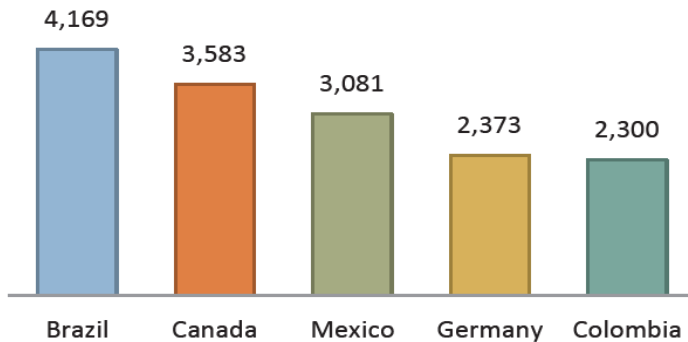
Why Sell Internationally?

Florida depends on World Markets* - Exports from Florida helped contribute to the \$2.33 trillion of U.S. goods and services exports in 2017.

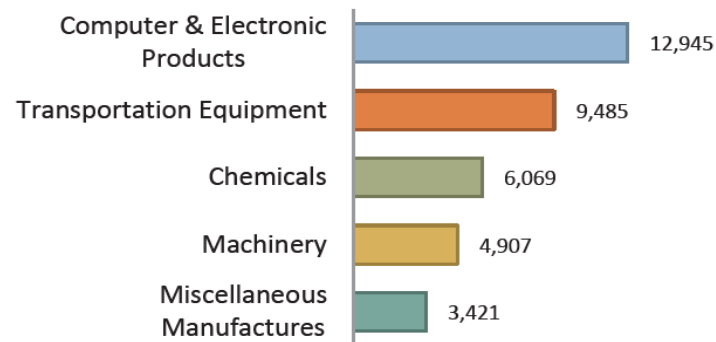
\$55 billion

Florida goods exports in 2017

Florida's Top 5 Export Markets
(Millions of U.S. Dollars)



Florida's Top 5 Export Categories
(Millions of U.S. Dollars)

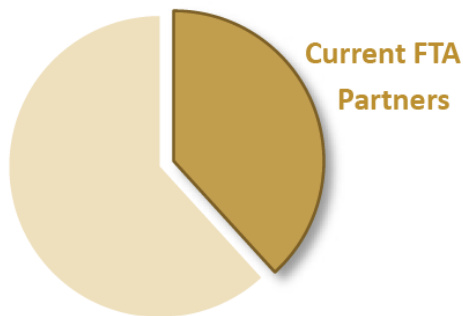


Source: International Trade Administration April 2018 - (www.trade.gov/mas/ian)

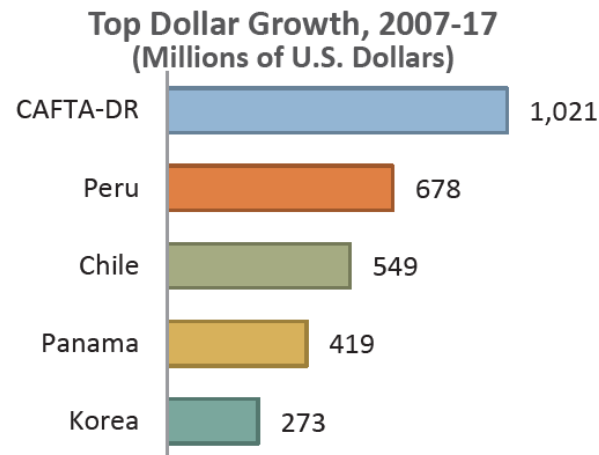
Why Sell Internationally?

- U.S. currently has 14 Free Trade Agreements (FTA) in force with 20 countries.
- Florida's exports to U.S. FTA partners totaled \$21 billion in 2017

In 2017, exports to FTA markets accounted for **38%** of Florida exports



Since 2007, exports from Florida have grown to several FTA markets



Risk Considerations for International Sales

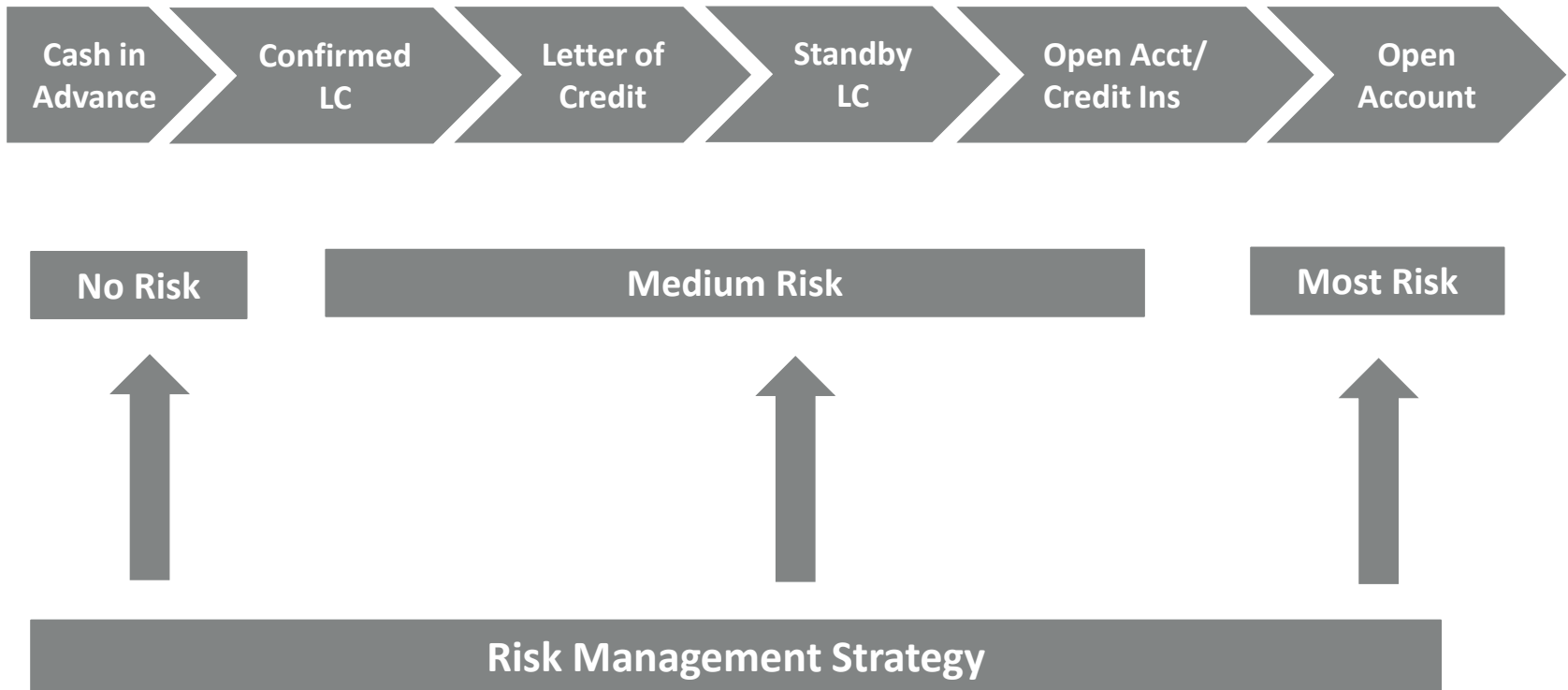
Political and Commercial Risks

- Country – civil unrest, sanctions, embargo
- Currency – devaluation, inflation
- Language barriers
- Regulations – legal, banking
- Credit terms and payment risks
- Trade Practices – industry norms
- Market Potential – niche product or market; entry barriers, if any

Partners to Consider

- International Attorney – jurisdiction issues, local law issues
- International Accountant – tax issues, tax laws; recognizing income
- Government Entities
 - Dept of Commerce - (www.trade.gov)
 - Small Business Development Corp - (www.floridasbdc.org)
 - Export-Import Bank of the US - (www.exim.gov)
 - SBA - supports exports from the US (www.sba.gov)
- Freight forwarder/customs broker – understands documentation needed in foreign countries
- Banks – offer products to maximize working capital

International Methods of Payments



Cash in Advance

- Payment received before shipment takes place.
- Buyer may not trust to send money without knowing if shipment will take place
- Seller may lose out on sales

Letters of Credit

- Substitutes the credit of the bank issuing the Letter of Credit for that of the buyer. Contractual agreement between a bank (issuing bank) on behalf of its customer (buyer) which authorizes another bank (advising/confirming) to make payment to the beneficiary (seller)
- Types of Letters of Credit
 - **Commercial** – used in international transactions; self-liquidating; expected to be drawn upon; governed by the Uniform Chamber of Commerce Uniform Customs and Practice for Documentary Credits
 - Import – local bank would issue to supplier overseas to guarantee payment on shipment(s)
 - Export – foreign bank issues letter of credit to seller/beneficiary/exporter on behalf of buyer/applicant/importer
 - **Standby** – provides guarantee; not expected to be drawn upon unless there's a default

Documentary Collections

- Documents are sent through the banks but are not reviewed like a letter of credit. Think of a documentary collection as an international COD (cash on delivery) presenting shipping documents to the buyer through banking channels.
- The buyer (a) makes a cash payment (DP), or if the collection order allows, signs an acceptance (promise to pay at a future date) (DA) and (b) receives the documents required to take possession of the shipment.
- Documentary Collections are a simpler and less expensive alternative to letters of credit for the exporter in collecting payments from foreign buyers.
- Alternative to either pre-payment or open-account financing for international trade transactions.

Open Account

- Sale terms based on industry norms, company credit appetite, or through formalized credit process
- Payment is received from buyer at a designated time frame after product has shipped (30, 60, 90 days, etc.)
- Payment risk is greatest due to uncertainty of funds being available from buyer at invoice due date
- Credit insurance is available to cover 90-95% of the face value of the invoice in the event of default
 - Available with public sector (ExIm Bank) and various private sector carriers (i.e. Euler Hermes, Coface, FCIA, AIG, QBE, Zurich, etc)
 - Banks can include insured foreign accounts receivables into borrowing capacity

Foreign Exchange - Trading Desk

- Transaction Types
 - Spot Transactions – Delivery within 1-2 days
 - Forward Transactions – Delivery up to 18 months
- FX Traders
 - responsible for buying and selling of foreign currency on behalf of all Synovus customers
 - assist with questions related to market movement and pricing
- Exchange rates
 - Rates are affected by the amount to be converted and by the type of instrument - cash, checks, wires. Wires get better rates than checks & checks get better rates than cash
 - Tiered pricing: Better rates on larger amounts; Customers can qualify for exception pricing
 - Internet & newspaper rates are set for large dollar transactions (\$1,000,000+) therefore do not apply to most of our customers

Export Lending – Trade Finance

Small Business Administration (SBA)

- Created in 1953
- Extensive field offices and partnerships with public and private organizations
- Aids, counsels, assists and protects the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation.
- Provides services to people in US, PR, USVI, and Guam

Mission: Helps Americans start, build and grow businesses

SBA Programs for Exporters

- SBA Export Express – up to \$500K; allows for any type of international expansion (conversion of brochures to different language, participation in trade shows in new markets, etc.)
- SBA International Loan – up to \$5MM; To acquire, construct, renovate, modernize, improve, or expand facilities and equipment in the United States to produce goods or services involved in international trade.
- SBA Export Working Capital Program – provides working capital for export related inventory (raw materials, work in process and finished goods) and foreign accounts receivable; allows for the issuance of standby-letters of credit for guarantee bids, performance bonds, or advance payment guarantees

Ex-Im Bank

- EXIM Bank is an independent agency of the U.S. Government
- Established in 1934
- Headquartered in Washington, D.C
- Regional Export Finance Centers:
 - Eastern:** Miami, New York, Atlanta
 - Central:** Chicago, Detroit, Minneapolis, Houston, Dallas
 - Western:** Orange County CA, San Francisco, Seattle, San Diego

Mission: support U.S. exports in order to create and sustain jobs

Ex-Im Bank Programs for Exporters

For Exporters:

- Insured Receivables
- Export Working Capital

For Foreign Buyers:

- Financial Institution Buyer Credit (FIBC) – line of credit for purchase of US goods on short term financing basis
- Medium Term Financing – up to 5 years term financing for the purchase of capital goods and equipment
- Long Term Financing – up to 10 years term financing for the purchase of capital goods and equipment

Indirect Exports

- Note: Both SBA and Exim Bank export loans can support “indirect exports.”
- Indirect exports occur when the borrower ships a product to another domestic company that in turn incorporates it into a final product for export or to an export trading company that exports it directly.
- Documentation must be provided by the exporter-of-record to the lender that the borrower’s product is being exported.

Recap

- What is the risk tolerance of your firm?
- What export market(s) will you target?
- Can your business afford the loss if the transaction is not paid?
- Can the sale be made only by extending credit?
- Has your business sold successfully to the buyer before?
- Are there reasonable alternatives for collecting if the buyer does not pay?
- Will extending credit and the possibility of waiting several months for payment still make the sale profitable?

QUESTIONS?

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Important Information

Banking products are provided by Synovus Bank, Member FDIC. Equal housing lender. All credit and loan products require credit approval.

Industries Served

Quotes regarding the number of industries served and their combined revenues are from the Dun and Bradstreet Market Insight database 2017. Numbers quotes are subject to change.

Treasury Management Services

Additional balances and/or fees may apply for Treasury Management products and services. All products subject to approval. Some services require Business Internet Banking.

Credit Approval Required – Credit approval required for the following services: Merchant Services, ACH Origination for Direct Deposit and Credit Cards.

Remote Vault Deposit Service - Provisional credit is given the following business day when end of day processing is completed by 4:30 ET. Cash pickups are regularly scheduled events between the customer and the armored car service.

Check Recovery Service – This service is provided by a third party service provider (“Vendor”). Synovus Bank and the Vendor are independent, unrelated, and unqualified companies. By using this service after automatic enrollment, you agree to accept the terms and conditions of the Vendor.

Payroll Services – All payroll services are provided by Inova Payroll, Inc. By choosing to enroll in payroll services, you will be required to agree with and accept all of Inova Payroll, Inc.’s terms and conditions for use and provision of the payroll services which will govern the payroll services. Synovus Bank and Inova Payroll, Inc. are independent, unrelated and unaffiliated companies, and Synovus Bank is not responsible for nor guarantees the services of Inova Payroll, Inc. Synovus Bank is not responsible for the content, guarantees, products, services, privacy or security practices that are offered or expressed by Inova Payroll, Inc. Synovus Bank shall not have any liability of any kind arising out of the selection or use or non-use of the Inova Payroll, Inc.’s payroll services or any other alternative products or services. In no event shall you be entitled to recovery of any damages of any kind against Synovus Bank arising out of your selection or use or non-use of Inova Payroll, Inc.’s payroll services or any other alternative products or services. Once enrolled in payroll services, all problems, questions or concerns regarding such payroll services should be directed to Inova Payroll, Inc.

International Banking Services

Additional balances and/or fees may apply for all International Banking Services. Some services require Business Internet Banking.

International Check processing – Items deposited are subject to final payment. Subject to credit approval and SBA eligibility.

International Finance – Subject to credit approval and SBA eligibility

Letters of Credit – All letters of credit require credit approval.

See important information at the close of this document