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FOCUS: *FGI Finance*

By, David DiPiero

FGI Finance works with public and private companies around the world to meet their international sales financing needs. The company provides international non-recourse financing to mid-sized exporters and manufacturers. They provide a full-service non-recourse financing programme for exporters and manufacturers to compete successfully in the international marketplace.

Bridget Rattigan talks to David DiPiero, president and co-founder of FGI about their hybrid financing programs, which are tailored to client's needs, and their focus on exporters.

FGI focuses on mid-sized corporates, can you tell me more about the background to that?

Mid-sized corporations experiencing rapid growth in the international marketplace are currently under served by existing banks and commercial finance companies. These companies require expertise in international finance and capital to ensure their success. FGI Finance fits in this space because it works exclusively with international finance and provides clients with financing, due diligence, credit services, risk mitigation and transfer tools, as well as foreign currency management.

FGI's focus is on non-recourse factoring. This seems to be a feature of the US market also, as opposed to invoice discounting which is becoming increasingly popular in the UK. Can you expand on the reasons for this?

Although FGI Finance does offer non-recourse factoring, that is not our exclusive focus. Our financing programs include everything from invoice discounting to non-notification factoring, to asset-based lending (including equipment and inventory financing), to negotiable instrument discounting. Each client's program is specifically designed to address their needs. This includes regional preferences and expectations. While invoice discounting is certainly preferred among UK based clients, it is interesting to note that we are beginning to see a greater curiosity for exploring options that more closely resemble traditional US asset-based lending structures.

Since FGI tailor-makes financial packages for clients, does this usually include a factoring element? ABL is the new watchword in the UK. Is this effectively what you are doing?

The specific program offered to any client will be driven primarily by market preferences or expectations, followed by what type of financing may be the 'best-fit' for the client. However, more times than not, what is best for the client does not fit neatly into any single bucket such as an asset-based loan or invoice discounting. This is why we offer individually tailored hybrid programs containing features of several different traditional financing structures. Depending upon each client's needs, other service components such as credit services, risk mitigation, transfer tools, and foreign currency management may be added to the overall financing program in order to enhance the overall success of the FGI-client relationship.

Which market sectors are most prominent in FGI's portfolio?

Our portfolio is made up of a variety of different companies across many industries. Currently we have seen an increase in OEM's based in Asia and Latin America.

Does FGI deal purely with export financing?

Yes. This is our speciality. FGI Finance was developed specifically to meet the needs of exporters worldwide. In addition, we've structured our services to complement the domestic lending programs of traditional banks and financial institutions.

Where do you see the strongest growth potential for the factoring market in the US (sectors/products)?

There is potential for growth in the US across all sectors and products, since it is still a relatively untapped market. However I believe there is much greater growth potential in Asia and Europe.

Who are your closest competitors?

FGI Finance fills a very specific niche in the commercial finance industry, and as such, we currently have few obvious competitors. There are several finance companies in the market that dabble in the export receivable arena, but none focus exclusively on international finance. It is unlikely (at this time) that one would find a finance company other than FGI that only caters to companies that are exporting, and offers programs and services developed specifically to address the needs and demands of such organizations.

Do you see any increase in the incidence of fraud or is that not an issue since your involvement in factoring your client's receivables is always disclosed to buyers?

All financing structures, including factoring, could be fraudulent. In fact, some factors have been defrauded. If someone intends to defraud a finance company the structure of the deal is not an issue because the fraudulent act is almost always designed to work within the parameters and procedures of the deal structure or type. Therefore, the key to avoiding fraud is to conduct extensive due diligence prior to commencing any financing relationship.

Do you see developments in IT changing the factoring market (particularly in terms of promoting more invoice discounting type business)?

I believe that there are IT developments that can add flexibility and facilitate the control and exchange of information, especially on the credit side. However, essentially it will always come down to people and procedures.