Created to meet the international asset-based lending needs of the middle market, FGI Finance was born out of the international finance division of Delphi Petroleum, an international oil company, in response to the direct lack of service providers in international receivable finance. Find out what FGI predicts for the coming year and how they overcome some of the challenges of receivable finance.

BY EILEEN WUBBE

Starting as the finance division of an international company with over 35 years of experience in foreign trade and financing, FGI got a headstart in understanding the nuances of dealing in lending markets around the globe. FGI Finance executive director Sami Altaher makes it clear that, even with significant expertise and an unparalleled infrastructure, dealing globally is no simple task.

"When you deal in as many markets as we do, at any given point a member of the FGI team is working somewhere around the globe," Altaher explained. "We consistently pursue the expansion and refinement of our services, infrastructure and global reach to better serve the needs of our clients."

FGI's continued focus on accounts receivable has been key to its success in both up and down markets. By dedicating more resources to expand its international infrastructure and increase its global footprint, this focus allows FGI to expand in a retracting market.

"We are constantly adding multilingual personnel to our back office with a solid understanding of the diverse cultural nuances of our international clients, as well as the ability to work around the clock to accommodate the different time zones," Altaher said.

Furthermore, FGI partners with well-established banks around the world to ensure that transactions are conducted seamlessly and timely. This helps FGI in handling the significant increase in the flow of deals, as access to capital is harder to come from all sources, including banks, private equity groups and commercial finance firms during the credit crunch.

"The industry has contracted considerably in recent months and I think this trend will continue," Altaher said. "Lenders who, in the previously competitive market, accepted more risk in lending on international assets, are now avoiding this area and I believe everyone has gone back to concentrating on their core products and service offerings. Many of the finance companies and banks we work with are making great efforts to limit exposure and are working with us to take over their international portfolios."

For the first half of 2009, Altaher predicts that deal flow in the ABL market will continue to be strong, but the availability of capital will continue to tighten. Consolidation between small- and medium-sized commercial finance companies will increase as institutions struggle to find capital. "Primary sources of capital for small commercial finance companies have been exiting this line of business as economic pressures have forced many of them to reassess their investment strategies," he explained.

"Workout situations will increase as lenders act more aggressively on borrower defaults and loan covenant breaches, which will result in even tighter guidelines and requirements from asset-based lenders."

Altaher added that syndicated deals have become rare commodities due to lack of confidence during underwriting, which he believes will result in increased joint underwriting.

Although FGI encounters its own share of challenges being a global ABL provider, going forward, the company plans to continue keeping up with complex deals and the legal issues associated with global finance, as well as maintaining an understanding of buyers' behavior and monitoring economic indicators worldwide. FGI also maintains a real-time credit database of global buyers, as more debtors are riskier and have the potential to default. "We continue to follow strict underwriting procedures and make sure our local legal partners are up to date with the changes that are happening in their various regional environments," Altaher added. TSL

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