



FGI FINANCE

Going Global:

Things to Consider When Selecting a Foreign Receivables Partner

By David DiPiero

Every day there are more U.S. companies looking to grow their business internationally and capitalize on opportunities abroad. As a result, these businesses are searching for commercial finance companies that they can trust to partner with them. The following article gives lenders a sense of what to look for when seeking an international receivables financing partner.

Every day there are more U.S. companies looking to grow their business internationally and capitalize on opportunities abroad. Successfully expanding a business abroad means addressing a whole new set of operational and financial concerns, including extending more competitive payment terms to clients, accepting multiple currencies and minimizing credit and political risk, just to name a few. As a result, these businesses are searching for commercial finance companies that they can trust to partner with them.

Consequently, international receivable finance has become a hot topic given the increased competition in the lending market today. As competitors search to put something new on the table in order to win new business, many lenders are becoming more interested in meeting the challenge of lending against international obligations.

FGI Finance is the first company to specialize in international receivable financing. As a result, other companies in the industry often ask us where to start and what are the key factors to the successful implementation of a foreign receivable financing program. Those questions are typically followed by “How do you do it?”

The answers aren't simple and the process isn't easy. The key to successful foreign receivable financing begins with a commitment not only to provide clients with liquidity against foreign receivables, but also to maintain and continually enhance the firm's overall expertise in all facets of international business and

the ever-changing environment of foreign markets. In addition, the program must take the time to understand the unique challenges and operational requirements of each client's business. Finally, it must help clients proactively capitalize on opportunities both before and as they materialize.

The last questions (“How do you do it?”) is even more complicated. As with all areas of lending, international receivable financing requires complex underwriting and risk mitigation strategies, as well as unique techniques to perfect the collateral we handle. Insurance policies and personal guarantees will not

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necessarily deter fraudulent practices, nor will it prevent borrowers from overextending themselves into inherently corrupt markets fraught with theft, political concerns and hostile competition. The fact of the matter is that each borrower's business dictates a new set of rules, which, without proper preventative measures and monitoring, can lead to massive losses. From the borrower's perspective, finding liquidity to suit the ever-changing, ever-competitive landscape of international

sales is getting more and more complex. And the need for access to foreign currency and complex inter-company transaction coupled with tax and regulatory demands are not easy hurdles to overcome.

Based on our experience, we can tell you what has made FGI Finance successful and what, in our opinion, you should look for in a partner to provide foreign receivable financing. When founding FGI Finance, we made a conscious decision to focus exclusively on international transactions. We are experts in international business and partner with domestic lenders to serve clients that are expanding their business into the international market. We provide financing for receivables from anywhere around the world, have the ability to work with 17 different currencies, provide our clients with reliable analysis of credit risks and handle complex international transactions.

Whether you are a domestic lender looking for a partner to handle your client's foreign receivable needs, or a U.S. company planning to expand abroad, these are the things to look for in an international lending partner:

Ability to Finance all Countries

This is by far the most important point of all. Many lenders may market their ability to finance foreign receivables, but fall short when faced with unfamiliar foreign markets. The lender's ability to finance receivables worldwide is absolutely crucial when considering long-term growth. For example, our firm provides clients with the flexibility to open up their growing portfolio to accommodate the different opportunities in markets all over the world, as well as the ability to directly finance foreign subsidiaries and operate with more complex structures to capitalize on various tax and trade regulations.

Financing & Accepting Payment in Different Countries

It is imperative that corporations have the ability to offer their sales in various currencies. Currency, tax and tariffs are in constant fluctuation. In some countries the advantage of being able to sell in the domestic currency will affect both trade and tax on the seller. Over the next 20 years, possessing the flexibility to work in various currencies will become absolutely crucial

You will want to find a partner who has significant experience in the complex areas of international business practices, contracts and logistics so that they can help you navigate through the uncharted territory, quickly grasp your needs and challenges, and provide you with the most efficient solutions to safely grow your businesses abroad.

to successfully compete globally, and that is why we provide our clients with access to over 17 different currencies worldwide. This, coupled with our ability to work in every major market, is an extremely effective tool in selling and growing business internationally.

Credit Protection to Minimize Risk

It is important to grow a business as safely as possible and avoid unnecessary risk. That's why we recommend that all our clients protect themselves against the biggest and most common risk: the risk of non-payment. We offer our clients a non-recourse financing program with built-in credit protection. This affords them an increased level of protection against cash flow disruption and potential loss, and allows them to utilize extra liquidity against international receivables to take advantage of supplier discounts, acquire new and better assets and enhance their business.

Services

When selecting a foreign receivables partner, you will want to find a company that can provide additional services such as credit evaluation, underwriting potential risks in foreign markets and, if necessary, payment collection. FGI Finance has found that these services are very important to successfully grow a business internationally. Not only do we provide these services to our clients, but also our quick turnaround

in evaluating foreign buyers translates into our clients' ability to operate and take advantage of new opportunities quickly. Our clients save time in complex evaluations and costly underwriting due to our timely credit evaluations.

Access and Responsiveness

A good foreign receivables partner will be set up to handle the operational demands dictated by the 24/7 nature of the international marketplace, including online access to account information and quick credit response for new buyers. FGI Online offers clients access to information 24 hours a day, seven days a week, and provides 48-hour credit response for new buyers, in any country around the world. FGI continuously monitors foreign buyers' credit and trade practices, and offers in-country reporting on factors that may affect payment or credit.

FGI Develops Smart Financing Solutions for ELG Media

Flexible Financing Program Provides Key to Doubling Annual Sales Revenue

Thanks to financing solutions provided by FGI Finance, ELG Media has capitalized on new business opportunities and doubled their annual sales revenue within the past year.

ELG Media, a multinational media company, reached a crossroads in the middle of 2005. The company, which specializes in the production, distribution, and post-production of animated and live programming, finally gained the attention of the world's largest media companies, such as Viacom, Time Warner, and MGM studios' yet it lacked the available resources to close new deals as quickly as they initiated them.

"It was critical for us to find a financing partner who had a firm grasp on international communications and could deal with businesses located in any country or region," ELG COO Juan Bernardo Alvarez said.

"FGI's flexibility and exclusive focus on international markets distinguishes them from the asset-based financing companies we've dealt with in the past," Alvarez said. "FGI has an excellent comprehension of our industry and the diverse international markets we work in, which is unparalleled in the financing industry."

Since August 2005, when it began working with FGI Finance, ELG saw its revenues double. ELG has maximized FGI's suite of services, taking advantage of the firm's ability to handle 17 different currencies,

provide reliable analysis of credit risks, and handle complex international transactions on ELG's behalf while advancing funds to ELG to continue its current growth phase.

The streamlined procedures FGI has put in place for ELG have helped to increase the efficiency of ELG's back-office operations, allowing them to continue to grow without fear of not recouping revenues from its widespread customer base. According to Alvarez, "FGI's credit management and collection services on our behalf have been flawless. In many cases, our customers have thought that FGI is actually an internal part of our company. They have become, in effect, our in-house finance department." Alvarez also noted, "The online access to real-time account information provided by FGI has been indispensable to ELG's ability to track its growth and plan accordingly."

While working with FGI, ELG expanded operations into new countries, and the company is now doing business in the United States, United Kingdom, France, Germany, Italy, Spain, Greece, Russia, Portugal, Colombia, Argentina, Japan, and Israel.

"FGI is more than a financing source. They are financial advisors in every sense," said ELG CEO Adrian Marcelo Sicilia. "Without FGI, we would not be where we are today, working with some of the biggest media companies in the world and providing them with valuable services to put their product in front of millions of new customers."

Experts in International Business

Expanding internationally is never easy and always poses many risks. Finding a partner who will lend against your foreign receivables is simply not enough. You will want to find a partner who has significant experience in the complex areas of international business practices, contracts and logistics so that they can help you navigate through uncharted territory, quickly grasp your needs and challenges, and provide you with the most efficient solutions to safely grow your businesses abroad. In addition, we've found that an in-depth understanding of the cultural subtleties involved in conducting international business will provide you with a huge competitive advantage.

Working with Domestic Lenders

As you are selecting your partner for international receivables, you will want to find a company that can work with your already existing bank or domestic lender,

one that simply complements your current bank's services. This will simplify your transition and strengthen your relationship with your bank for all of your domestic needs.

In summary, there are several important items to consider when selecting your ideal partner for foreign receivable financing:

- Ability to finance all countries
- Capability to finance and accept payment in different currencies
- Credit protection to minimize risk
- Value-added services such as credit evaluation and underwriting potential risks in foreign markets
- Access and responsiveness
- Experts in international business
- Ability to partner with your domestic lender

But what makes a commercial finance company truly exceptional? A company that acts as your true partner.



David DiPiero is the co-founder, president and CEO of FGI Finance (www.fgifinance.com), an asset-based financing

company based in New York City that focuses exclusively on the international market. Prior to FGI Finance, DiPiero was head of International Business Development for Delaware Terminal Company and Delphi Petroleum, both international oil companies operating worldwide, and participated in over three billion dollars in financial transactions in over 75 countries. DiPiero earned his MBA in Finance from Drexel University in Philadelphia. He can be reached at info@FGI Finance.com