New Zealand Export Credit

TE TAI ŌHANGA
THE TREASURY

New Zealand Export Credit (NZEC) is located in The Treasury, within the Financing, Infrastructure and Urban Development directorate.

Experienced team with specialist skills in corporate banking, trade finance, risk management and credit analysis.

What does NZEC do?

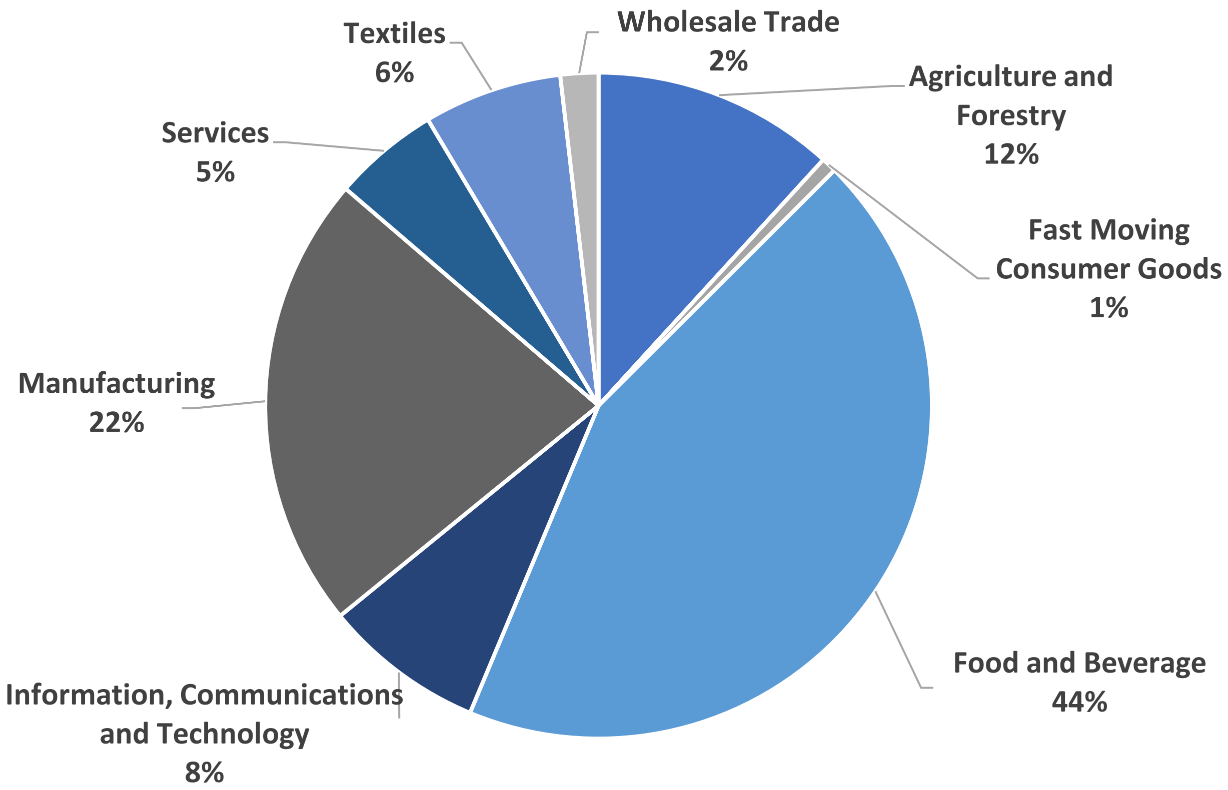
The purpose of NZEC is to promote and support New Zealand exports and the internationalisation of New Zealand companies by helping exporters and their integral domestic suppliers to:

- mitigate repayment risks of foreign buyers,
- secure sales, and
- access finance to enable trade

Risk on overseas buys	Risk on New Zealand exporters
Trade Credit Insurance	General Contract Bond
Export Credit Guarantee	Loan Guarantee

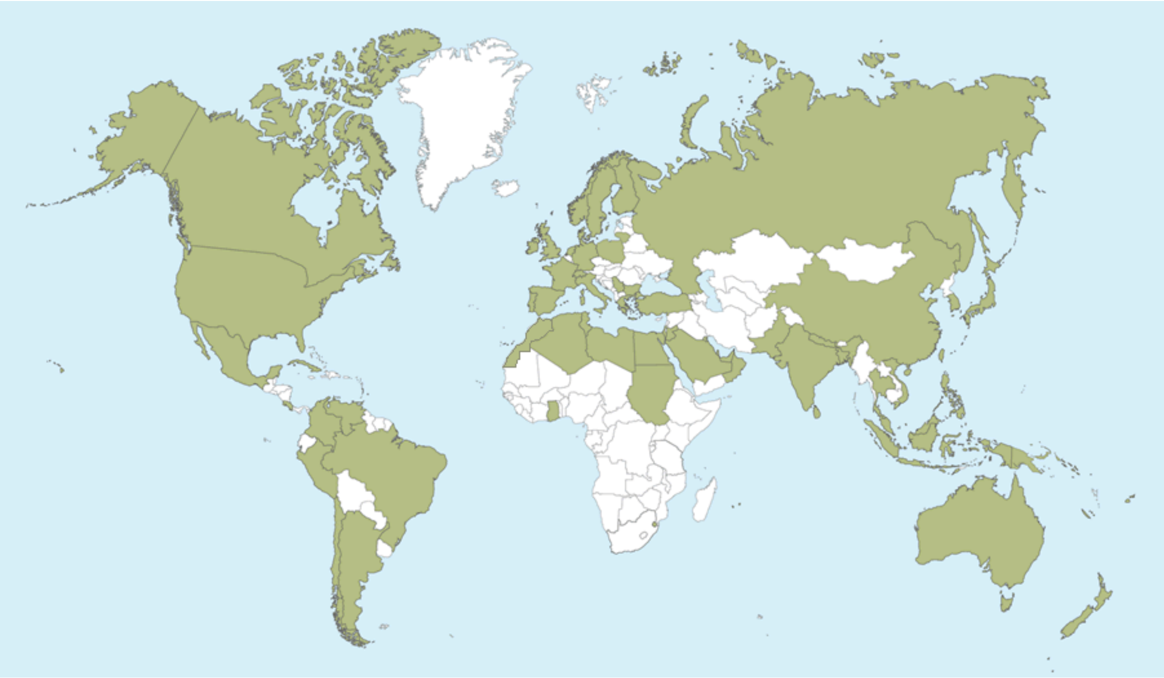
TE TAI ŌHANGA
THE TREASURY

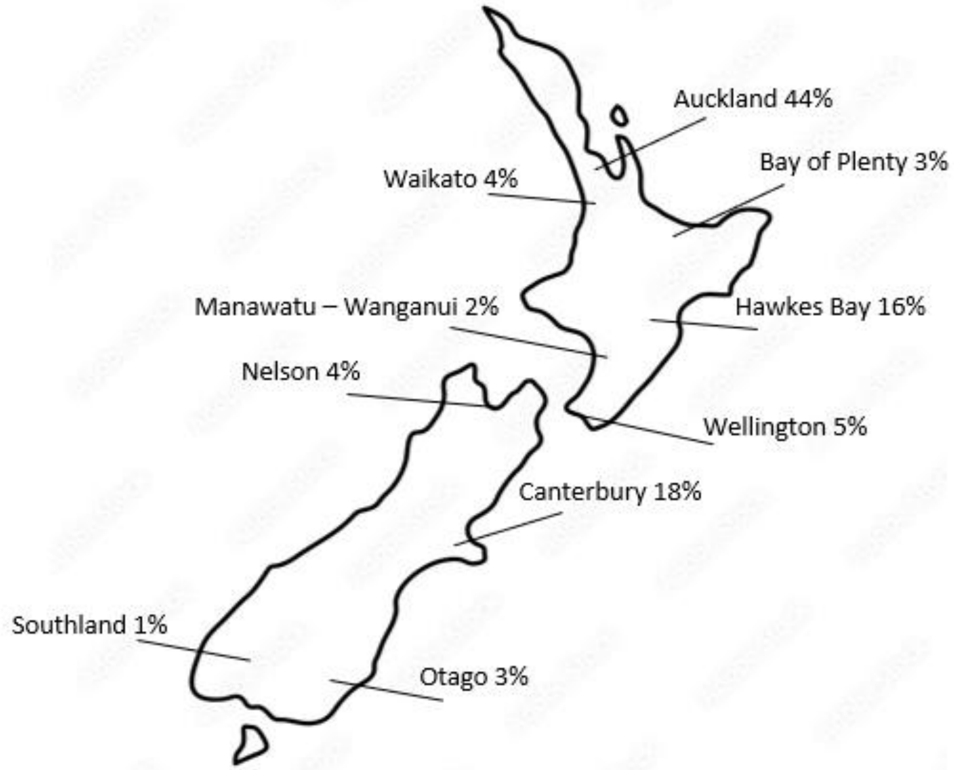
NEW ZEALAND
EXPORT CREDIT



Complement the private market, not compete

Locations Supported



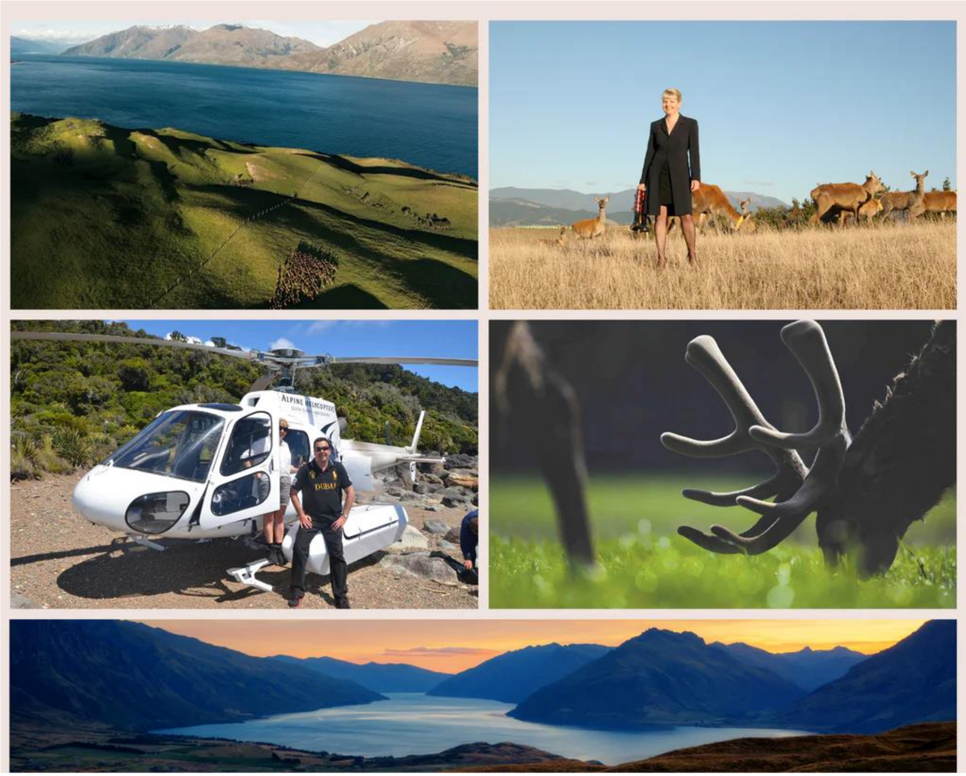


TE TAI ŌHANGA
THE TREASURY

Case Study – Mountain Red

NEW ZEALAND
EXPORT CREDIT

- Secured a contract to supply large quantity of deer velvet powder to a leading New Zealand health and vitality supplement exporter
- MR were required to pay deer farmers upfront, but would not receive payment from their buyers for months after order
- Challenge: How to protect payment risk for a transaction with significant upfront costs.
- Although MR weren't the exporter, they were an integral part of the supply chain
- NZEC's Trade Credit Insurance product provided MR the confidence to go ahead with the contract which was delivered without issue



TE TAI ŌHANGA
THE TREASURY

NEW ZEALAND
EXPORT CREDIT

Insights Into Exporting

TE TAI ŌHANGA
THE TREASURY

Additional Cost of Exporting

NEW ZEALAND
EXPORT CREDIT

Companies looking to begin exporting need to factor in the additional cost that accrue

Paying for market research	Trips to target market	Hiring additional staff	Sales/Income tax in foreign country
Setup costs of exporting	Buying equipment and material for an increase in production	Transport and logistics	Tariffs, export certificates, country of origin labelling

Importance of Market Research

- Establishing business in a new market comes with challenges and strategies that work locally, may not yield the same results overseas

- As an exporter, conducting market research on a new markets is essential
- Businesses on average spend 6.5% of their annual turnover on marketing
- Results are not always immediate - marketing is an investment

- As a new entrant, it's important to understand the overall landscape of the market, what you offer the consumer and the strengths/weaknesses of the competition

Different channels of communication	Establish partners and advocates	Adjusting branding and language used

Localised marketing approach

Website compatibility across different devices	Dedicated website in key market language	Differing sales platforms in new markets

Local Norms

Risk Management

Potential risk and disruptions

- Extreme weather events
- Contractual disputes
- Political events
- Fluctuations in foreign exchange rates
- Disease outbreaks
- Supply chain disruptions

Steps to mitigate potential risk

- Negotiating upfront payments
- Due diligence – utilise credit reporting agencies
- Ensure contract is enforceable in the event of non-payment
- Trial shipments to establish a trusting trade relationship
- Insure payment terms
- Contact NZEC to discuss our Trade Credit Insurance options

Due Diligence

TE TAI ŌHANGA
THE TREASURY

NEW ZEALAND
EXPORT CREDIT

Common mistakes of early exporters

- Entering too many markets at once
- Difficulties defending business model against competition
- Having too many channels to manage
- Over production in early stages

Red flags

- Refusal of upfront payments
- Requesting abnormally long payment/credit terms
- Extending of credit terms with existing buyer

Observations

Opportunities of exporting

i. Growth in business
ii. Increased sales to new customers and overseas markets
iii. Increase in production reducing cost per unit
iv. Demand for your product could be higher away from home

Risks of exporting

i. Exposes your business to increased competition
ii. Additional costs for customs and logistics
iii. Different local regulations and compliance requirements
iv. Legal risk of operating in a new country

Observations

Key lessons

i. Cannot export your way out of trouble - Benefits of exporting also come with additional risk

ii. Understanding the market you're looking to expand into is essential

iii. Having risk management processes in place in case of commercial or political events out of your control

iv. Ability to pivot and move away from strategies that have worked locally

TE TAI ŌHANGA
THE TREASURY

Case Study – Chitogel

NEW ZEALAND
EXPORT CREDIT

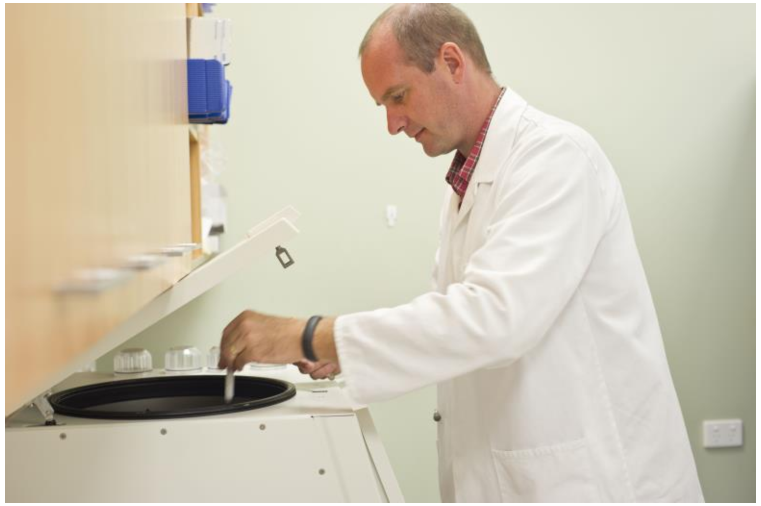
- Chitogel received US Food and Drug Administration (FDA) approval and an eight-year contract with the world's largest medical device distributor Medtronic for their product that replaces that use of gauze in nasal surgery
- Their first large order of 10,000 units would take 6 months to fulfil and they would have to carry of the cost of their manufacturing due to payment terms of the contract
- The challenge: How to finance six-months of manufacturing costs after securing a significant US contract
- NZEC completed due diligence, underwrote the US buyers repayment obligations and provided short-term trade credit insurance. Chitogel received the funding they required
- The support from NZEC made the deal do-able and Chitogel was able to launch into the US market successfully

TE TAI ŌHANGA
THE TREASURY

Case Study – TRG Pharmaceuticals

NEW ZEALAND
EXPORT CREDIT

TRG
Natural
Pharmaceuticals



- TRG produce medical products using natural ingredients and signed a deal with an American pharmaceutical company which drastically increased their revenue
- Challenge: TRG faced a long working capital cycle and required a bank facility to pay their suppliers
- NZEC stepped in as a guarantor and provided security to TRG's bank for the loan amount required
- As a result, TRG were able to increase their production rates and pay invoices as they came in
- Once an exporter has demonstrated their ability to deliver, banks are often more likely to support them in the future

Contact Us

If you're interested in learning more, contact us via:

exportcredit.treasury.govt.nz

exportcredit@treasury.govt.nz

www.linkedin.com/company/new-zealand-export-credit/