

# Joint Cluster Webinar: Export Finance

January 2021



# Programme

- 09.30am –Introduction –Gillian Morrison, HIE
- 09.35am – **International Customers in the Offshore Wind Supply Chain** – Paul O’Brien, DeepWind
- 09.45am –**Supporting Working Capital and UKEF** – Colin Walls, Bank of Scotland
- 10.00am – **Support to Win, Fulfil and Get Paid for Export Contracts** - Alistair McMillan, UK Export Finance
- 10.20am – Q & A session with Lynsey Shovlin, Forth & Tay
- 10.30am - End of webinar



# Export Finance

How many of your customers or suppliers are overseas?

January 2021



# International Makeup of Offshore Wind Companies – the Developers

## Ireland



## France



## Spain



## Germany



## Norway

Aker Offshore Wind



## Denmark



# International Makeup of Offshore Wind Companies – the Tier 1 Contractors

Belgium



France



Denmark



Norway



Netherlands



Italy



# Supply Chain for UK Projects



Components from China and Korea are travelling 18,000-20,000 km by sea



# Questions to ponder

If your customer wants invoiced for your products and services in Euros most companies would take steps to minimise the associated risk, yes?

If you win business from an overseas company and deliver to a market outside of the UK then that's export, right? How do you minimise non payment risk?

If you win business from an overseas company and deliver it to their project/facility in Scotland/UK does it matter if the order comes from their overseas office or their UK sales office?

Depending on the deal size, yes it does!

Are you buying goods from a Scottish or UK supplier and, if so, do you know how UK Export Finance can help?



# Colin Walls

Regional Director, Trade & Working Capital Scotland.





COMMERCIAL BANKING

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DEEPWIND AND FORTH & TAY

SUPPORTING YOUR WORKING CAPITAL AND  
SUPPLY CHAIN

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Colin Walls

Regional Director, Trade & Working Capital

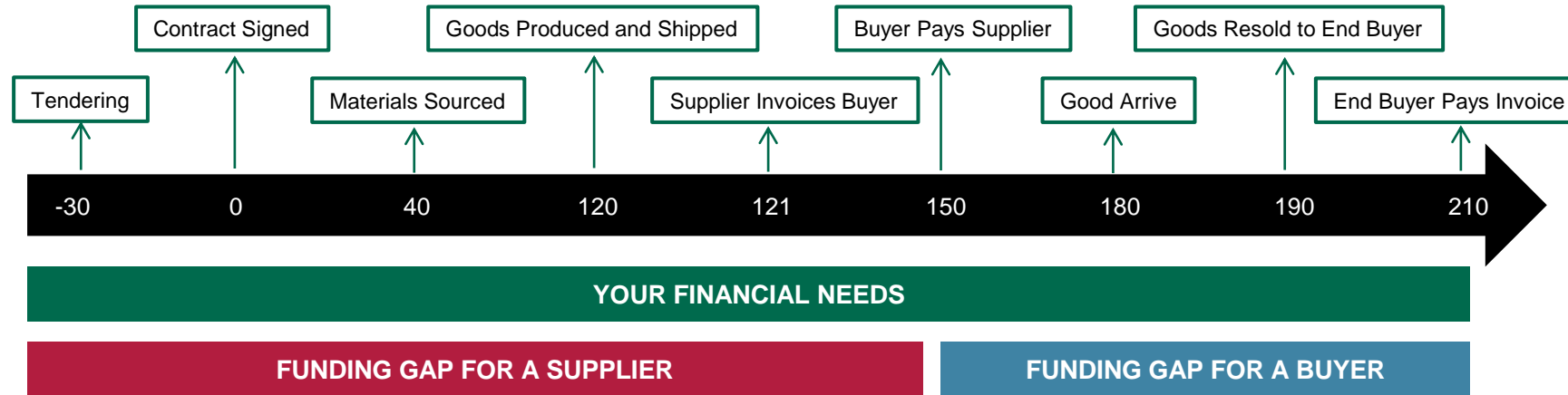
Scotland.





## Managing the Trade Cycle

Understanding the **trade cycle** is critical to help understand where cash flow problems may occur for your client:



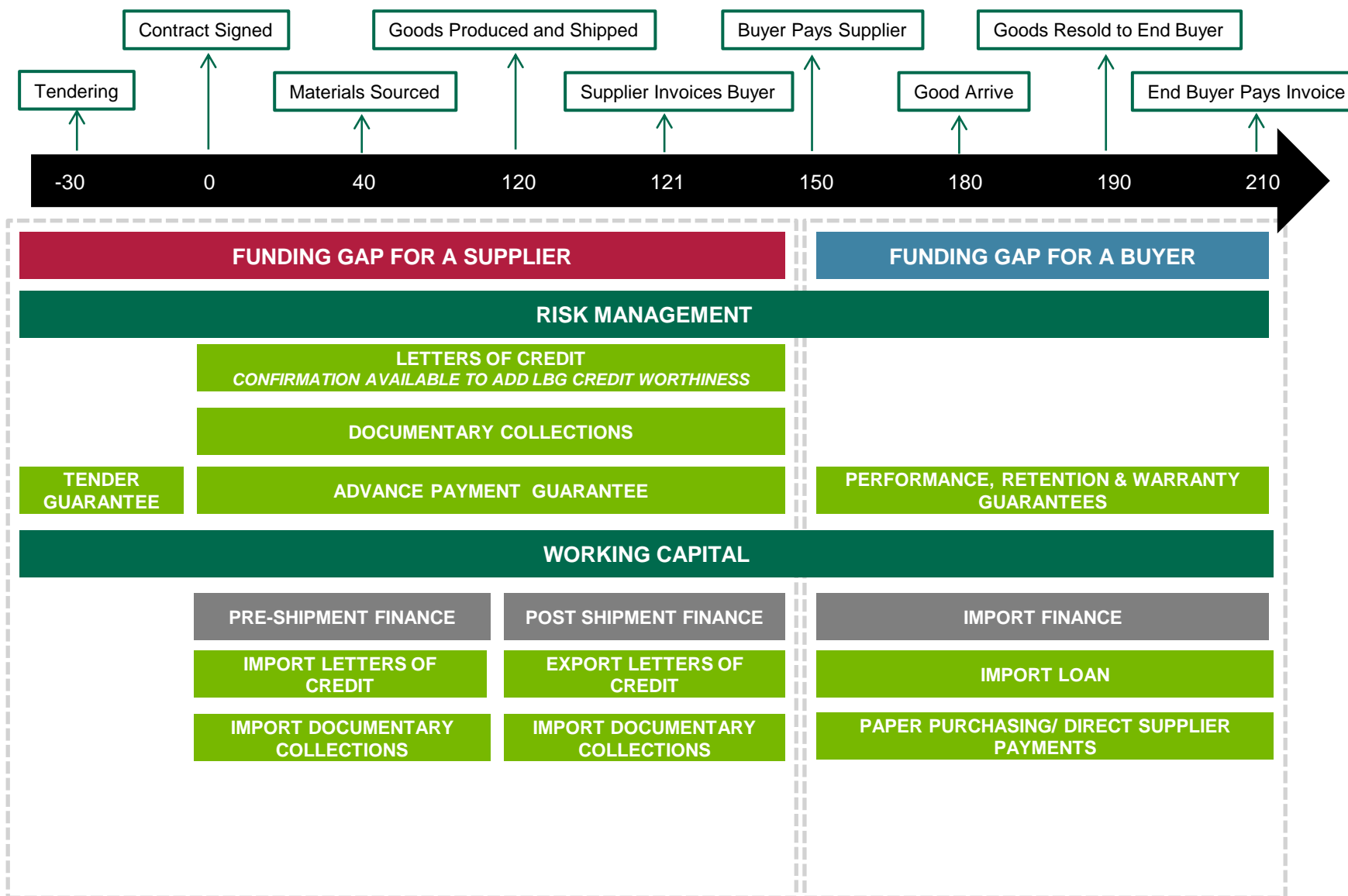
The **working capital cycle** is also central to the overall health and efficiency of your client's business. Even small delays in receiving funds can place considerable pressure on your client's cash flow

$$\text{TRADE RECEIVABLES DAYS} + \text{INVENTORY DAYS} - \text{TRADE PAYABLE DAYS} = \text{CASH CONVERSION CYCLE}$$

Trade products are a great way for your client to **increase their bargaining power** with buyers or suppliers and to **unlock valuable working capital**



# Trade Cycle and Solutions



# Working Capital Management Tool



## WCM Tool

- Use the tool live in a meeting or print before-hand
- Three distinct channels to identify opportunity for a working capital improvement
- Present and model different working capital scenarios
- Summarise working capital opportunities with tailored LBG solutions to support clients and prospects

### COMPANY PERFORMANCE

Company Performance | Scenario Analysis | Benchmarking

- Identify working capital days in the total cycle and cash tied up in the business
- Compare current year performance against historical best cycles given in the central green box. What is the opportunity for the client? How could historical best be re-achieved?
- The cash released from achieving historical best is given in the top right corner
- Identify the value of 1 day of cash release in each of the working capital cycles for discussion.



### SCENARIO ANALYSIS

Company Performance | Scenario Analysis | Benchmarking

- Use the "Sliders" to model improvements or deterioration in debtor, creditor or stock days or changes in turnover
- Establish the impact in days of the movements given in the central green box
- Quantify the cash consumed/released if business performs as modelled. This is given in the top right green box
- How can LBG support through the period of growth?



### BENCHMARK VIEW

Company Performance | Scenario Analysis | Benchmarking

- Ensure that competitors pulling through are directly comparable; add key competitors if known
- Assess the clients working capital in relation to its peers. Is the client considerably higher or lower in any of the individual metrics?
- Isolate key metrics for discussion (debtor days, creditor days, stock days) for more specific analysis of each cycle
- Quantify the cash-flow benefit for the client if they match the best performance of each metric within the peer group. Given in the top right green box



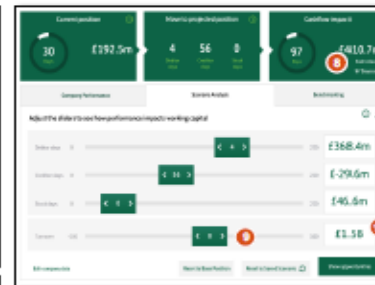
### OPPORTUNITIES

#### Show Opportunities

- Select the profile that is most relevant to the client
- Select which working capital sub-cycle where the opportunity is most relevant for discussion to focus on
- Tailored discussion points will populate to discuss with the client. Potential LBG solutions can be accessed from the page.
- Quantify the cash-flow benefit for the client if they match the performance of each metric within the peer group.
- Conversation should flow into how LBG can support the client release cash from its business.



## KEY CALCULATIONS



$$1 \text{ Debtor Days (D)} = \frac{\text{Trade Debtors}}{\text{Turnover}} \times 365$$

$$\text{Creditor Days (C)} = \frac{\text{Trade Creditors}}{\text{Cost of Goods Sold}} \times 365$$

$$3 \text{ Stock Days (S)} = \frac{\text{Stock (inventory)}}{\text{Cost of Goods Sold}} \times 365$$

$$4 \text{ Working Capital Days} = D + S - C$$

5 The total amount of cash in the Working Capital Cycle

$$D \times \frac{\text{Turnover}}{365} + S \times \frac{\text{COGS}}{365} - C \times \frac{\text{COGS}}{365}$$

6 The total amount of cash released/ absorbed to return to historical best in each sub-cycle.

7 One day values:  
Creditor and Stock =  $\frac{\text{COGS}}{365}$   
Debtor =  $\frac{\text{Turnover}}{365}$

8 The total amount of cash released/ absorbed and change in days once adjustments made (current - projected position)

9 The Turnover % increase/ decrease

10 The new absolute value of Turnover - moves in conjunction with turnover slider

$$\text{Cost of Goods Sold (COGS)\%} = (100 - \text{GPM\%})$$

$$\text{COGS } \pounds = \text{COGS\%} \times \text{Turnover}$$

$$\text{GPM\%} = \frac{\text{Turnover} - \text{COGS}}{\text{Turnover}} \times 100$$

## GLOSSARY

**Working Capital:** The amount of day-to-day operating liquidity required to fund a business.

**Debtor Days:** The average number of days it takes a company to receive payment from its debtors, the lower figure the better.

**Creditor Days:** The average number of days it takes a business to pay its debts with its suppliers.

**Stock Days:** The average number of days the company holds its stock before selling it.

**Cash conversion cycle:** Measures the number of days taken between spending cash and its recollection as a result of normal day-day operation of the business.

**1 Day value:** The working capital impact of moving either debtor, creditor or stock days by one day.

**Historical Best:** The year/value in which each metric was at its "best". E.g. Minimum days for debtor days and stock days. Maximum days for creditor days.

**Best in Class:** The maximum days for creditor days out of the peer group selected. The minimum days for stock days and debtor days.

# Clean Growth Financing Initiative

Green Asset Finance (through CGFI*)	Green Trade Guarantees (through CGFI*)
<ul style="list-style-type: none"> <li>▪ Up to 25 basis point discount for Asset Finance relating to green investment and capital expenditure</li> <li>▪ Discount available for 5 years from facility start date</li> <li>▪ £25k minimum transaction size</li> <li>▪ Sterling lending for new/additional UK capex and investment (including second-hand assets)</li> <li>▪ Loan purpose must be on the eligibility list</li> <li>▪ A side letter will be completed alongside the facility agreement to document eligibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to 25 basis point discount for Trade Finance relating to green investment and capital expenditure, for the following Trade products:               <ul style="list-style-type: none"> <li>– Performance Guarantees</li> <li>– Financial Guarantees</li> <li>– Standby Letters of Credit</li> <li>– Payment Undertaking Guarantee</li> <li>– Import Letter of Credit</li> <li>– Export Letter of Credit</li> <li>– Documentary Collections</li> </ul> </li> </ul>
Treasury Services	Payables and Receivables
<ul style="list-style-type: none"> <li>▪ A deposit solution that allows you to progress towards sustainable investing in:               <ul style="list-style-type: none"> <li>– Renewable Energy</li> <li>– Offshore wind farm</li> <li>– Solar Energy</li> </ul> </li> <li>▪ 95 day notice deposit</li> <li>▪ Rate is set at Bank of England Base Rate - 0.05%</li> <li>▪ 100% invested in green and social assets - renewables, energy efficient real estate, social lending to SME's in the 30% lowest income UK postal codes</li> </ul>	<p><b>Intelligent Safes (iSafes)</b></p> <ul style="list-style-type: none"> <li>▪ iSafes offer an end-to-end cash processing solution featuring same-day credit, real-time reporting cash transportation and ultimately cash processing.</li> <li>▪ This means that collections only happen when required rather than on scheduled delivery dates.</li> </ul> <p><b>Remote Deposit Capture (RDC - cheque scanners)</b></p> <ul style="list-style-type: none"> <li>▪ RDC offers a self-serve cheque scanning service suitable for both low and high volume cheque deposits, where the cheque is processed via ICS (Image Clearing System) Remote Deposit.</li> <li>▪ This means that customers won't need to travel to branches to get their cheques scanned into the system.</li> </ul>

\*CGFI refers to our Clean Growth Financing Initiative, where we offer a margin discount for green investment and capital expenditures

## COMMERCIAL BANKING

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# UKEF PRIMARY SCHEMES

- Bond Support Scheme
  - Working Capital Support Scheme
  - GEF
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# Alistair McMillan

Export Finance Manager, Scotland  
Renewables and Clean Tech



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Finance





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Finance

# Support to Win, Fulfil and Get Paid for export contracts in Offshore Wind.

Presenter:

Alistair McMillan – Export Finance Manager - Renewables & Clean Tech





# Mission

To ensure that no viable UK export fails for lack of finance or insurance from the private sector, while operating at no net cost to the taxpayer





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# About UK Export Finance

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- The **world's first export credit agency**, established in 1919
- Work with Department for International Trade, Her Majesty's Treasury and over 70 private lenders and credit insurers
- **Complement, not compete with the private sector**
  - **Engagement with your bank or your insurance broker is a critical factor of UKEF support**
- We support UK businesses that export – our **tried and tested product range** includes:
  - Export insurance policies
  - Buyer finance
  - Working capital products
- Named **Best Export Credit Agency** by Global Trade Review and Trade Finance Global

# Renewables / Clean Tech 2020:



**Provided £392m in support for renewable energy projects.**



**Ranked third in a global league table of ECA's supporting sustainable finance deals.**



**Received an additional £2bn in direct lending capacity from HMT for clean growth projects.**



# Clean Growth Objectives

**To continuously adapt and focus our activity on sectors and countries where UKEF support will have the greatest economic benefit for exporters and suppliers of all sizes and across all of the UK.**

Supporting the global transition to a low-carbon economy by:

- responding to the evolving needs of UK companies
- promoting support for clean growth, transition and climate adaptation/resilience technologies
- supporting the cross-government Green Finance and Clean Growth strategies





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# UK Export Finance Product Portfolio



# Products

**All UKEF products can support offshore wind projects**

## Financing

**Win contracts:** attractive financing terms for overseas buyers of UK goods and services can help exporters **make their offering more competitive**

- Buyer Credit Facility
- Direct Lending
- Supplier Credit Financing Facilities

## Guarantees

**Fulfil orders:** help companies access the support they need to fulfil a contract, giving them the confidence to **take on more contracts and increase their turnover**

- Bond Support Scheme
- Export Working Capital Scheme

## Insurance

**Get paid:** help companies and investors manage risks in challenging markets, **ensuring that they get paid** even where the private market is not able to offer insurance

- Bond Insurance Policy
- Export Insurance Policy
- Overseas Investment Insurance (for investors)



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**WINNER**

**TXF Perfect 10 Deals of the Year**

# Formosa 2 – Offshore wind in Taiwan

**Project sponsor:** Macquarie's Green Investment Group and Swancor Renewable Energy

**Buyer:** Taiwan Power Co

**Clean growth features:**

- Taiwan is developing 5.5GW of offshore wind up to 2025 and has an ambition of a further 5GW up to 2030
- Formosa project involves construction of 47 new turbines generating 376 megawatts of green energy
- UK content includes wind turbines, foundations and auxiliary facilities
- many international offshore wind companies, including 18 from the UK, have set up operations in Taiwan to help develop local industry in collaboration with Taiwanese partners



**PROJECT LOCATION:** Taiwan  
**PRODUCT:** Buyer Credit, NT\$9.2 billion (£230m)

**Financing provided over 18 years in local currency to protect buyer from currency fluctuations.**



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# Case study: First Group

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## Opportunity

- First Subsea, part of the First Group, is transitioning from supplying predominantly oil and gas projects to renewable energy
- the business won a contract to design, manufacture and supply cable protection systems for the Saint Brieuc offshore wind farm in Brittany

**UK REGION:** Aberdeen

**DESTINATION MARKET:** France

**SECTOR:** Engineering, renewable energy

**PRODUCT:** Bond Support Scheme

## Outcome

- we provided a guarantee through our [Bond Support Scheme](#) to First Subsea's bank, Clydesdale Bank, to free up working capital to fulfil the contract



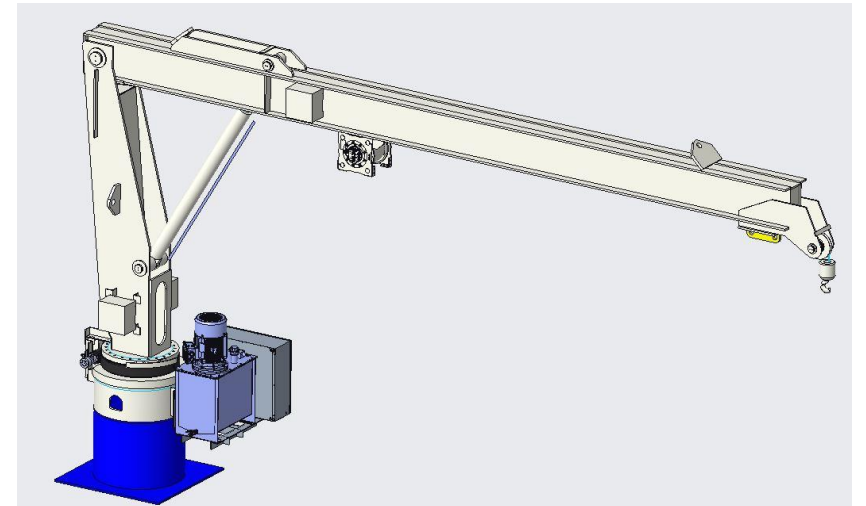
# Case study: PCT Group Sales

## Opportunity

- secured £3 million contract to supply cranes to build wind turbines for the Neart na Gaoithe (NnG) offshore wind farm
- contract required PCT to supply performance and advance payment bonds upfront, which would have placed a strain on the company's resources

## Outcome

- UKEF provided PCT's bank with a [guarantee for 80% of the bond](#), allowing the company to retain working capital for its business operations and fulfil the contract



**UK REGION:** Glasgow

**SECTOR:** Engineering, renewable energy

**PRODUCT:** Bond Support Scheme



# Products

**All UKEF products can support offshore wind projects**

## Financing

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# Case study: Bioguard Hygiene

## Opportunity

- won export order of £90,000 from Middle Eastern pharmacy chain – much larger than usual business and had potential to be repeat order
- Bioguard sought extra financial protection should anything go wrong

## Outcome

- UKEF worked with Bioguard to [tailor bespoke](#) single-market Export Insurance Policy



**UK REGION:** Northampton

**DESTINATION MARKET:** Middle East

**SECTOR:** Manufacturing – cleaning products

**PRODUCT:** Export Insurance Policy



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# Eligibility

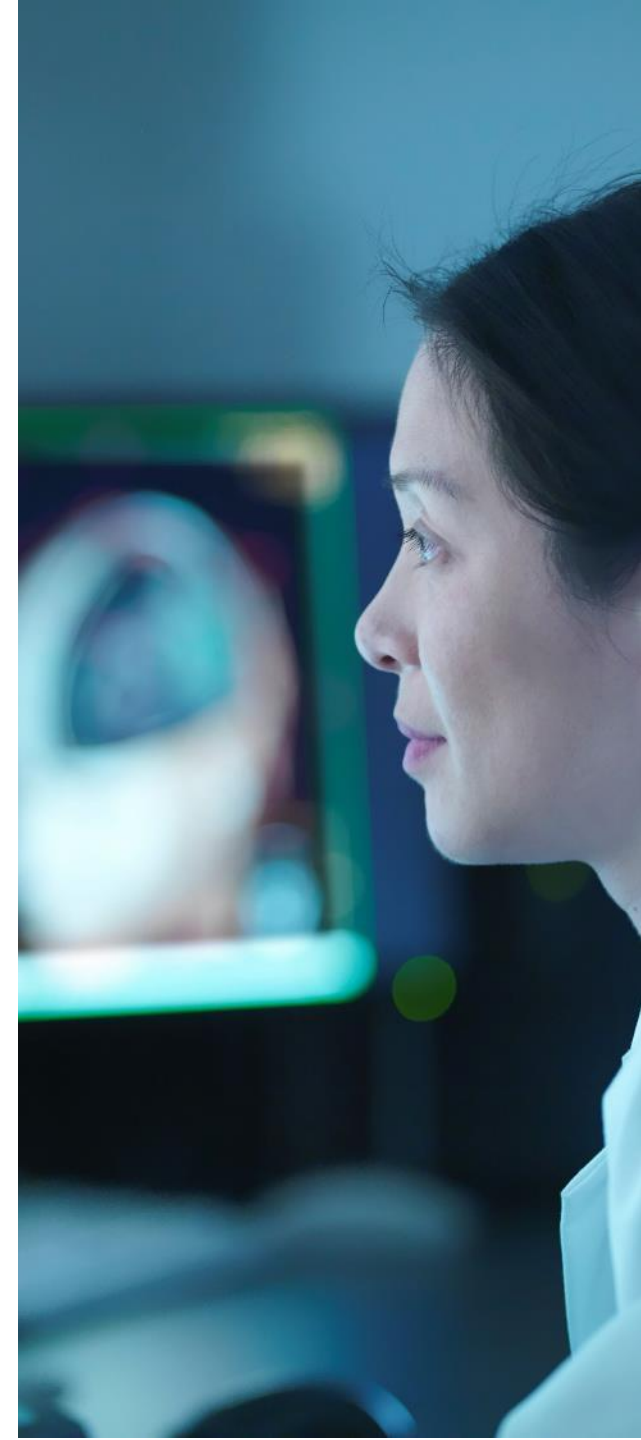


# Eligibility – Guarantee Schemes

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Applicants must:

- Be carrying on business in the UK
- Have entered into a contract for the supply of goods/services with a company that carries on business outside the UK
- Satisfy our foreign content policy (at least 20% UK content)
- Satisfy our anti-bribery and corruption and environmental, social and human rights due diligence processes





# New Products

All UKEF products can support offshore wind projects

## Financing

**Win contracts:** attractive financing terms for overseas buyers of UK goods and services can help exporters **make their offering more competitive**

- Buyer Credit Facility
- Direct Lending
- Supplier Credit Financing Facilities

## Guarantees

**Fulfil orders:** help companies access the support they need to fulfil a contract, giving them the confidence to **take on more contracts and increase their turnover**

- Bond Support Scheme
- Export Working Capital Scheme
- **General Export Facility**
- **Export Development Guarantee**

## Insurance

**Get paid:** help companies and investors manage risks in challenging markets, **ensuring that they get paid** even where the private market is not able to offer insurance

- Bond Insurance Policy
- Export Insurance Policy
- Overseas Investment Insurance (for investors)



# General Export Facility

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Flexible guarantee to cover a range of bank facility types, in order to unlock financial support for the general business activities of UK exporters.

## **General Export Facility (GEF):**

- Can support bank facilities valued below £25 million
- Guarantees up to 80% of the banks' risk
- Maximum guarantee cover period of 5 years
- Accessed directly through a participating bank

# Export Development Guarantee

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Support is often needed at very early stages of development on the innovation to export pathway.

## **Export Development Guarantee (EDG):**

- is **aimed at larger exporters** (minimum transaction size of £25 million)
- Guarantees up to 80% of the banks' risk
- has maximum loan repayment term of up to 5 years (under review)
- Eligibility under review to provide enhanced support to this sector
- Accessed by contacting UK Export Finance





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# Thank you.

Contact:

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# Question and Answer Session