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## WORKING CAPITAL GUARANTEE

Learn how an Ex-Im Bank working capital guarantee can help your business post performance and bid bonds, improving your business' cash flow.



### THE CHALLENGE

CECA Supply & Services Inc. is a Texas based supplier of oilfield equipment, whose primary customers are Algerian state owned enterprises, which presents an export opportunity and a challenge.

They must secure most of their business through the Algerian public tender system, which requires businesses to secure a bid bond from their lender with every bid and, if they win a contract, a performance bond. Bid and performance bonds require exporters to put cash up front as security, hurting their business' cash flow.

CECA Supply & Services recently secured a \$5 million dollar contract to supply ENAFOR — the Algerian National Drilling Company — with materials from Derrick Corporation a Buffalo, NY based supplier. In order to ship Derrick's equipment, CECA Supply & Services had to provide ENAFOR with a performance bond at 10 percent of the total contract - in this case \$500,000.

### THE SOLUTION

In order to avoid tying up their cash flow, CECA Supply & Services used an Export- Import Bank of the United States (Ex-Im Bank) guarantee to access working capital financing from their commercial lender - Amegy Bank of Texas

An Ex-Im Bank working capital guarantee ensures commercial lenders that if CECA Supply & Services defaults on its loan, Ex-Im Bank will cover 90 percent of the commercial bank's exposure—encouraging the bank to make loans to businesses like CECA Supply & Services that do business abroad.

With an Ex-Im Bank guarantee in hand, CECA Supply & Services was able to secure financing through their bank using their export-related inventory and accounts receivables, as opposed to being required to put down cash that can be used for their operations and business development. Ex-Im Bank's guarantee allowed CECA Supply & Services to improve its cash flow and use its foreign receivables as collateral to secure the financing it needed for the performance bond. This allowed CECA Supply & Services to keep its \$500,000 to use to secure more sales.

### THE RESULTS

Using an Ex-Im Bank working capital guarantee CECA Supply & Services Inc. has been able to improve their cash flow and better navigate the public tender system in Algeria. The working capital guarantee has permitted CECA Supply & Services to bid for more business and bigger deals, without the fear of not being able to support bid and performance bonds, allowing their business to grow.

<sup>1</sup> <http://www.exim.gov/workingcapital>

