U.S. Small Business Administration

The SBA Office of International Trade

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U.S. Small Business Administration

This New Economy looks Different than the Old

24% Trade	38% Trade	51% Trade	60% Trade
1960	1980	2000	Today

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And the U.S. Economy is no Different

9% Trade	20% Trade	25% Trade	28% Trade
1960	1980	2000	Today

Small Businesses are capitalizing on international sales opportunities

95%

of Consumers live Outside the United States

2/3rd

of purchasing power is outside the United States

98%

of U.S. Exporters are Small Businesses

1/3rd

of U.S. Export Value is from Small Businesses

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New and Better Trade Opportunities

- **USMCA**
  - First trade agreement with a chapter devoted entirely to small business interests.
  - Reduced cross border costs, cut regulations, strengthened IP protections and embraced the digital economy.
  - Strong enforcement procedures through State-to-State dispute panels, allowing a harmed party to seek resolution or take responsive and equivalent action.
  - ITC: U.S. exports to Canada and Mexico will increase by $19.1 B (5.9%) and $14.2B (6.7%) respectively.

**SBA's International Trade Ombudsman hotline (toll free (855) 722-4877 or email international@sba.gov)

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New and Better Trade Opportunities

- **China Phase One**
  - New IP chapter covering trade secrets, pharmaceuticals, trademarks, and counterfeit goods.
  - Reduction in non-tariff barriers for U.S. agriculture and financial services.
  - Strong enforcement procedures through State-to-State bilateral consultations, allowing a harmed party to take proportionate responsive actions it deems appropriate.
  - Increased import commitments from China of no less than $200B above 2017 levels, covering manufactured goods, agriculture, energy, and services.

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Small Business Exporters are an Untapped Market Opportunity for SBA Lenders

1/3rd

of SB exporters need help with financing

Better Sales Terms

Ability to take on large International orders

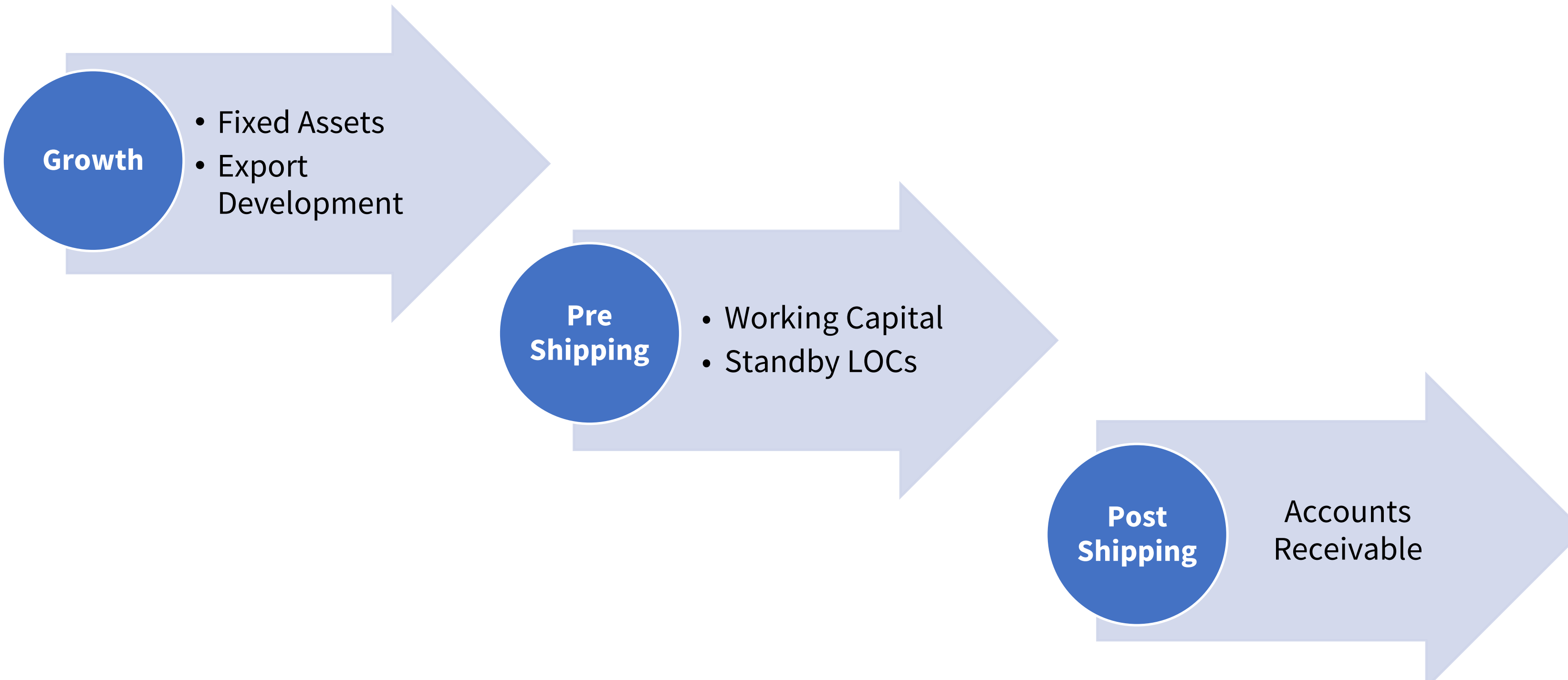
Exporter Strength

10 Yrs. longer

3x employees

2x sales

SBA Export Loans supports businesses through entire international sales cycle



Indirect Exports

- Applicants who produce products or services that enter the export channel, but do not directly export their products:
  - Manufacturers using an Export Trading Company
  - Suppliers to other domestic manufacturers that export directly: **supply chain financing solution**

- Can be supported by all **three** of SBA's core export loan programs: EWCP, Export Express, International Trade Loan

Solution: Export Express

Amounts:

- Maximum Loan Amount: $500,000
- Maximum Guarantee: 90% guarantee on loans ≤ $350,000; 75% on larger loans

Structure:

- Term loan or Revolving line
- Use lender's own underwriting/collateral standards
- Delegated approval authority

Example: Export Express

<u>Company:</u>

- Global communications service provider of satellite cellular airtime.

<u>Order</u>

- $3MM contract from foreign buyer out of Mexico requiring prepay airtime.

<u>Use of Proceeds</u>

- $450,000 to pay various vendors for cellular airtime and other working capital requirements to meet terms of contract.
- Forecasted opportunities include Monarch Telecom – Greece, Canadian Government, and Telford - Netherlands
- Now graduating to the EWCP program.

Solution: International Trade Loans (ITL)

<u>Amounts:</u>

- Maximum Loan Amount: $5.0 million
- Maximum Guarantee: 90%
- Maximum SBA guaranteed portion: Maximum guaranty portion ($4 Million for working capital)

<u>Structure:</u>

- Term loan credit facility
- Standard 7(a) eligibility requirements, **PLUS**
  - The loan proceeds will significantly expand an existing export market or develop new export markets OR The applicant business has been adversely affected by import competition

  <u>AND</u>

  - will improve the applicant's competitive position
  - An Export Business Plan is required

Example: International Trade Loan

Company:
- $5.8 million annual revenue technology-based service provider of Sales Performance Management(SPM) technology.

Opportunity:
- Expand product line and market into other countries through direct and indirect export orders. Partnership with IBM, Beqom, and Softomotive.

Use of Proceeds:
- Funding utilized to purchase equipment and support borrower with working capital demands.

Solution: Export Working Capital Program (EWCP)

Amounts:

- Maximum Loan Amount: $5.0 million
- Maximum Guarantee: 90%
- Maximum SBA guaranteed portion: $4.5 million

Structure:

- Asset-based or transaction-based (purchase order or contract) financing
- Single Project or Revolver for multiple transactions
- Non-PLP: Export Finance Managers underwrite deals with quick turnaround time- 10-day brand promise
- SBA Fee: .25 % per 12 months

Example: EWCP Standby Letter of Credit

<u>Company:</u>

- Research laboratory design and build firm, 20 years in business, annual sales of $13 million/year

<u>Order</u>:

- Two purchase orders with European universities totaling $9.75 million

<u>Transaction</u>:

- *Buyers Provides-*
  - 50% ($4,875,000) advance payment
  - 20%, final shipment
  - 30% Finished installation
- *Seller Provides-*
  - $4,875,000 Standby Letter of Credit

<u>Working Capital Need</u>:

- Loan Amount: $5 million (SBA Fee: $11,250)
- Use of Proceeds: Support Standby L/C for advance payment, 90% SBA guaranty
- Collateral: $1,250,000 2nd mortgage real estate lien, 1st lien on all foreign purchase orders and export inventory. (25% of L/C collateral required)
- Working Capital Provided: $4,875,000 cash working capital from buyer's advanced invoice

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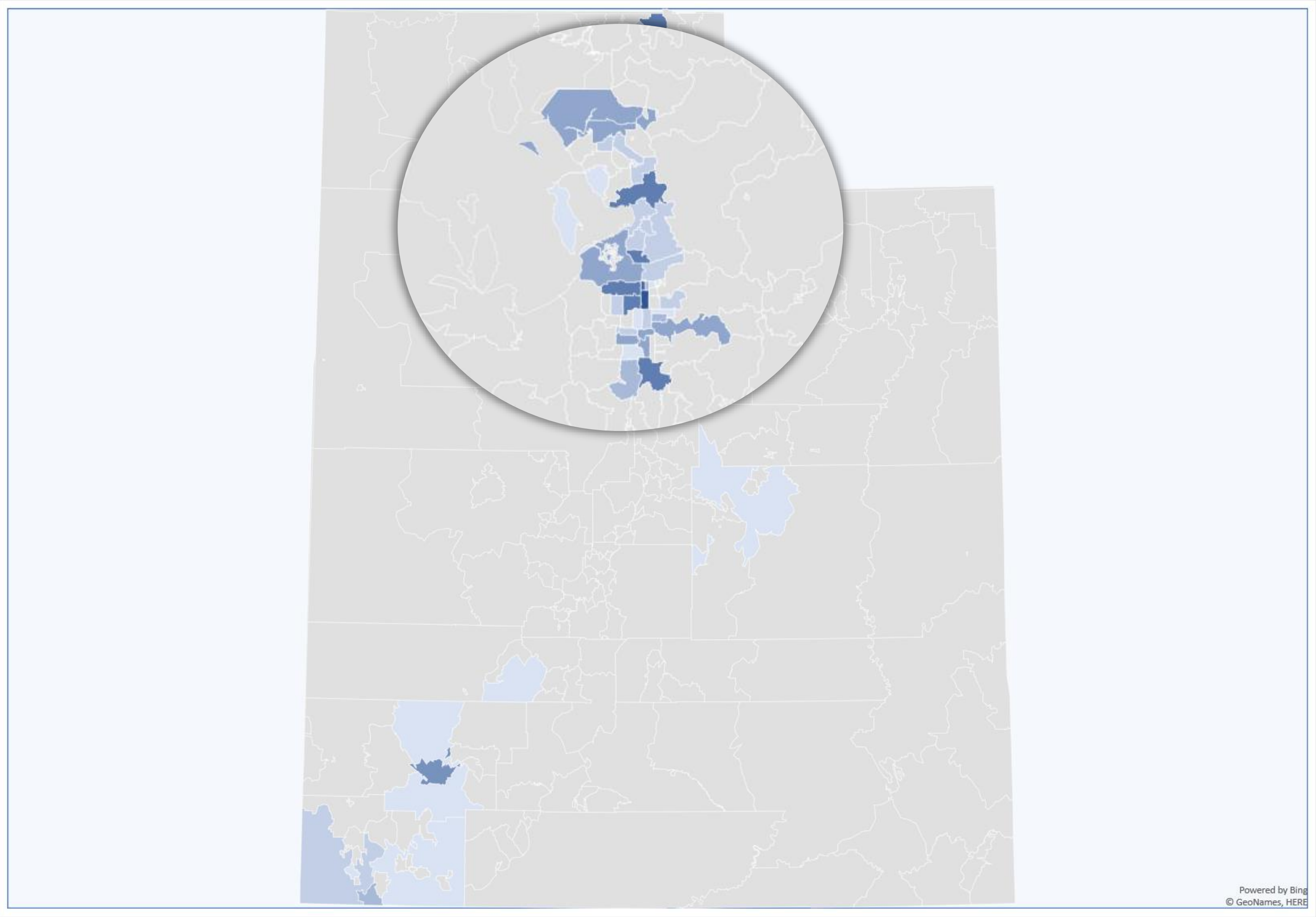
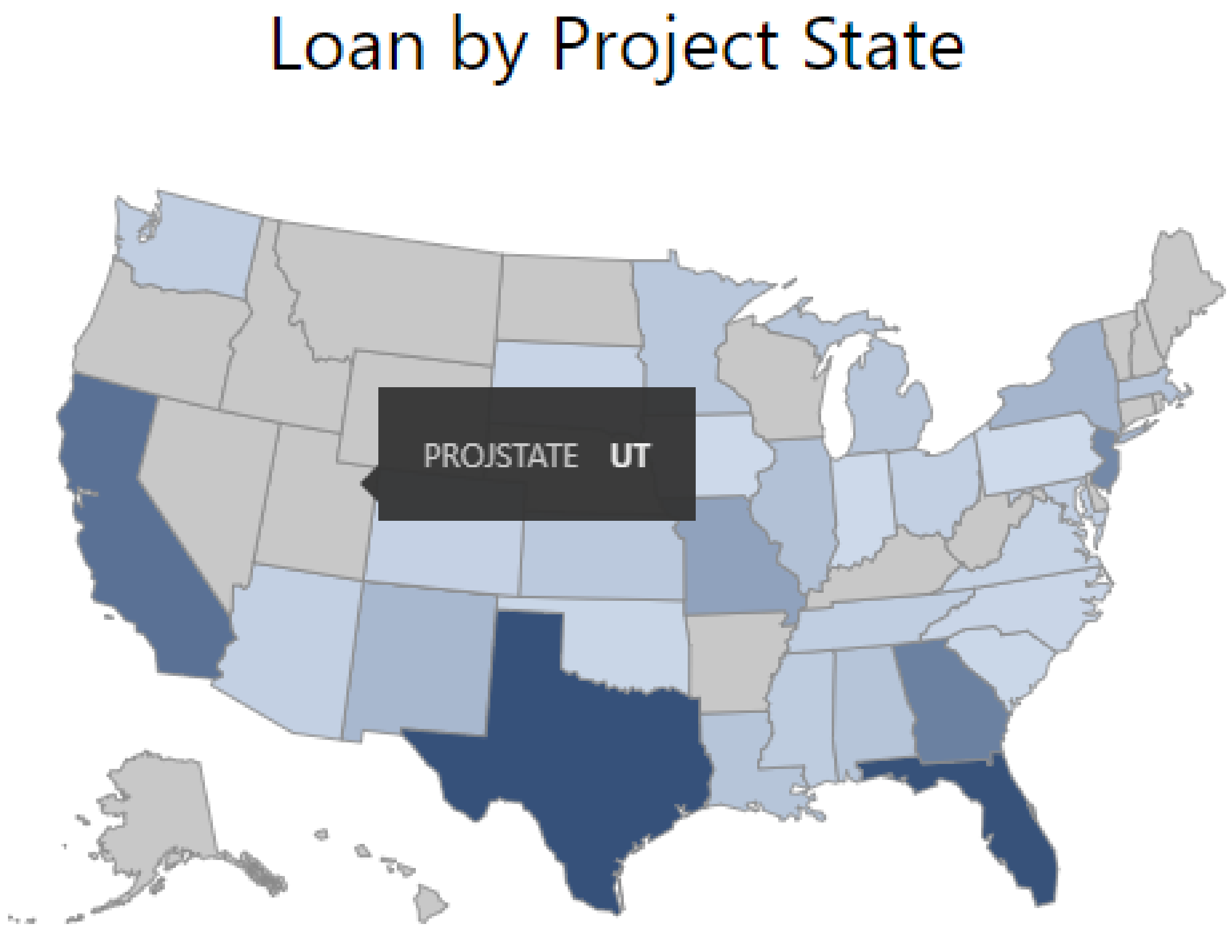
What does this look like in Utah?



There's a Massive Disconnect



SBA/OIT has a New Sales-Support Operating Model

- Example-based training for lenders to understand what these deals look like
- Client profiling and acquisition opportunities
- Joint business calls and lender referrals
- Back-end deal structure support

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Thank You!

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