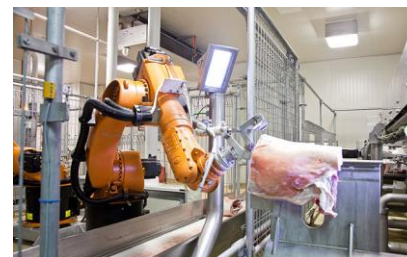


Case study: Scott Technology

NZECO solution: Mitigate Repayment Risk

NZECO product: Export Credit Guarantee

Sector: Manufacturing



Government guarantee key tool for securing hard-to-close sales

In every level of business, from your local fish 'n' chip shop to behemoths such as India's Tata Group, one simple phenomenon breeds success: sales.

In its relentless pursuit of sales, respected New Zealand company Scott Technology is using government-secured payment terms to help seal the deal. Scott Technology chief executive Chris Hopkins says New Zealand Export Credit Office's (NZECO) export credit product has become a valued tool in his sales arsenal.

"It helps us engage our customers, just to open the discussion. Or we can use the fact that there are these finance terms available as an excuse to make a second approach.

"We ask: 'Would extended finance terms make a difference?' A Government guarantee is a very useful sales tool," Hopkins says. "It helps us win jobs."

Dunedin-based Scott Technology began as a small New Zealand engineering firm some 102 years ago. It now boasts 360 staff worldwide and specialises in meat processing and mining equipment and industrial machinery.

Scott Technology offered five-year payment terms in negotiations with Australia Lamb Company. The company wanted an automated lamb boning system but didn't have the money in the current year's budget. So Scott Technology suggested NZECO's export credit product and the sale soon followed.

NZECO's head of business origination Peter Rowe says that offering an extended finance option to a buyer can greatly enhance a Kiwi company's appeal.

"A New Zealand exporter is never going to be the cheapest because we specialise in quality, but a financial solution will make their premier product more attractive."

Hopkins says some of the world's biggest spenders – GE, Rio Tinto, BHP Billiton – have been drawn into sales negotiations with Scott Technology by the prospect of attractive government-backed finance terms. Hopkins has even been known to use the possibility of Government-backed finance terms, which in many businesses requires senior executive consideration, to trigger the elevation of his offer from a company's gatekeepers to its decision-makers.

Under this arrangement, NZECO insured against the risk of non-payment by Scott Technology's buyer. NZECO's guarantee was provided to Scott Technology's bank which enabled the bank to advance payment to Scott Technology upon their buyer's acceptance of the goods. The bank then collects regular repayments from the buyer over the term of the extended credit. The interest rate is relatively low because of the government guarantee provided by the NZECO and it's an appealing off-balance sheet transaction for the buyer.

Despite the appeal, NZECO sees export credits as a tool best reserved for strategic sales. Peter Rowe says NZECO conducts thorough due diligence to ensure a buyer is credit-worthy, and it takes a willing buyer to engage in NZECO's due diligence and invest time into the necessary paperwork.

Hopkins agrees the buyer needs to be hooked on the idea, and willing to be transparent, to see the sale through. The government guarantee only covers 90 percent of the loan, so Hopkins says he is as determined as the NZECO to make sure clients utilising an export credit are solid. "We've got skin in the game. No-one's going to be reckless."

Australia Lamb Company is in the process of purchasing another lamb processing facility from Scott Technology using NZECO's export credit facility. Hopkins is delighted.

"We get a Government-guaranteed income stream every month for the next five years – but most importantly, it's a sale we wouldn't have had otherwise."

Scott Technology

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This document is available at www.nzeco.govt.nz