Managing your export cashflow



export finance australia

Managing your export cashflow

If your business is new to exporting or planning to expand internationally, it's crucial that you effectively manage cashflow. We know you need trusted information, support and advice to help you succeed.

Grow your business with Export Finance Australia

We are the Government's export credit agency, helping Australian exporters for more than 60 years. With our long and proud history, we are an integral part of Australia's international trade focus, supporting businesses, jobs and the community.

We support the innovators, the ambitious and the game changers. Working with banks, other government agencies and our partners, we provide loans and guarantees to enable Australian businesses to take on export-related opportunities.

This guide will help you understand:

- The positive cashflow process, → Pg. 3
- how to prepare your finances for export, → Pg. 4
- managing export risks, → Pg. 5
- managing the payment process, → Pg. 7
- resources and support available to help you. → Pg. 10



"They've been great, really helpful and easy to deal with. Export Finance Australia basically funded our vineyard operation by helping us manage our cashflow."

William Downie
Director, Turbid & Bretty

Positive cashflow process

The key to exporting successfully is to understand what financial resources are required to cover the costs along your export journey.

STEP 1 Research, research, research!

Not having adequate exporting knowledge can be the difference between failure and success in your export journey. Seek advice from agencies, bankers, accountants and advisors to guide you through the process.

STEP 2 Forecasting

Create a forecast outlining incomes and expenses from both your current domestic and future export plans. This will help you understand what stages of exporting will require additional cashflow without impacting other areas of your business.

STEP 3 Export risk management plan

Planning ahead to avoid undesirable outcomes is vital to exporters. Develop a risk assessment plan that outlines any potential risks to your business, the consequences of these risks and how they can be managed. This will help you to identify the measures that need to be in place to mitigate these risks in the future and the associated costs.

STEP 4 Customer payment process

What payment process has been agreed upon with your customers? Will these conditions negatively impact your cashflow? Ensure that the payment processes are in line with your forecasting.

STEP 5 Financing the cashflow gaps

Once you've set up your forecast, risk management and payment processes, where do the cashflow gaps lie? Do you have sufficient funds to manage your cashflow or do you need help with finance?

STEP 6 Preparing for growth

You've achieved your exporting goals and now want to grow your business further. Do you have enough staff, stock and an adequately sized facility to accept additional orders?

If you need finance to grow your business, we could help.
Call us on 1800 093 724 or visit our **website** for more information.

Preparing your finances for exporting

Before you start exporting, get a clear understanding of where your domestic business stands. That way, you'll know what resources you have and be able to identify any funding gaps.

› Create a cashflow forecast

A cashflow forecast helps you find out if your business can cover its running costs and identify any periods when you will have more cash going out than coming in. You can then decide if you need finance to cover funding gaps.

› Building the creditworthiness of your business

Establishing strong financial systems is key to building the credit profile of your business, and this will make it simpler to secure finance when the time comes.

Efficient accounting systems that help you understand your financial position, good relationships with reputable accounting and financial advisers and a clear, accurate business case will help.

› Outlining your export objectives and action plan

Clearly outlining what goods and/or services you're planning to export and your long-term goals will help you prepare the right funds for different stages of your export journey. Every country comes with different export processes, timings and costs, which is why it is so important to define your target market and incorporate their requirements into your action plan.

› Budgeting

Allocating the funds to your exporting activities start at early stages: the research and planning phase. After this, budget for your long-term goals to support your export endeavours, ensuring your budget is in line with your timeframe. Budgeting items can include logistics, staffing, resources, travel and marketing expenses.

› Operational readiness

Have you got the infrastructure and organisational funding in place to execute both domestic and international operations, without running the risk of neglecting other parts of the business? Understanding your operational requirements will prevent any unexpected costs along the way.

Does your business need a cashflow boost?

Visit our website to learn more about our finance options.

Managing export risks

You're export-ready and have received interest from international customers. However, with every opportunity comes risk. Some out of your control; others you can overcome if identified and managed early on.

Some risks to consider:

Non-payment (credit or non-performance risk)

Your buyer may be unable to pay, or refuse to pay. This risk is greater with a new customer.

Currency risk

The exchange rate could move against you between the time you negotiate the contract and the time your customer pays you in a foreign currency.

Country and transfer risk

A change of government policy could change trade laws or restrict the amount of cash leaving the country, impacting your ability to do business.

International laws

Operating in a new jurisdiction means that there could be laws you are not aware of or fully understand.

Banking abroad

The international banks you deal with may be unstable.

Logistical risks

Your business could be disrupted by unreliable shipping or delivery schedules. For example, international customs holding up your goods or refusing to let them into the country.

Want to find out more?

Visit the **Austrade** website for more information on exporting risks.

Case Study:
YBell Group

YBell Group (Trading as YBell Fitness) is an innovative fitness business with a flagship product; its patented 4-in-1 fitness tool, the YBell.

Before the COVID-19 pandemic, **YBell Fitness** had started expanding into North America, Europe and Asia. According to David Sigler, Interim CEO, Chief Commercial Officer and General Counsel, everything had been going well for the business. There were regular sales to global distributors and dealers, as well as to the direct-to-consumer market. However, as a result of COVID-19, this changed very quickly.

"Everything suddenly stopped," said David. "Shipping was disrupted and lots of things ran off the rails. We were in a very tight cashflow situation."

At the same time, a popular US gym franchise placed a large order for YBells. To fulfil the order, David's team had to find enough working capital to manufacture and ship the products.

The support the business needed

YBell Fitness applied for support through Export Finance Australia and was approved for a direct loan to help it fulfil the contract with the US gyms. This also freed up enough cashflow to help the business adapt to meet the pandemic's changing marketing conditions.

"We could see the shift to people buying online – there was a huge opportunity there for us," said David.

"The loan not only helped us to fund the purchase and manufacture the product for the big contract we'd won, but it also allowed us to conduct a major pivot to the home fitness market."

"We launched our US e-commerce site in June 2020, which was a lifesaver for us. It gave us a method of selling our product straight to customers to get cashflow back into the business."



> "Export Finance Australia has been a fantastic choice for us. We were too young and too much of an emerging business to get any sort of serious financing from our bank. However, we were lucky that Export Finance Australia could see the growth potential of our business."
>
> **David Sigler**
> **Interim CEO, Chief Commercial Officer and General Counsel, YBell Group**

Managing the payment process

Having a strong payment system in place is vital, particularly for exporters. This is because international payment terms can be much longer than Australian cycles.

Lock in terms

Clearly outline your payment process with your customers. For instance, will you require a part payment before sending any goods? How long are your terms from the time your customer receives the goods or services to the time you get paid?

Agree on methods

Find out how your buyer intends to make payments. Will they use a credit card, a bank transfer or another type of transfer system?

Understand systems and regulations

Your bank can advise you on the most appropriate payment system for your situation. You should also understand the regulations governing each payment method and any additional costs they have, such as international transfer fees.

Stay in control

Before you sign a contract, it's important to have all aspects of the payment process in place. Ensure you understand your current cashflow position and have your forecast ready so that when required, you can adjust as the business and your contracts change and evolve to ensure stable cashflow.

Do you need finance to support your cashflow?

If you've identified a cashflow gap, and are unable to secure finance from your bank, Export Finance Australia may be able to assist. Visit our **website** to learn more about our finance solutions.

Case Study: Microbric

With support from Export Finance Australia, Microbric have grown their business in the US market.

Microbric provides school students with hands-on experience in STEAM (science, technology, engineering, and applied mathematics). The company's palm-sized robot, Edison, is a highly affordable way to introduce electronics, programming and robotics in a fun and imaginative way in the classroom.

After launching Edison, Brenton and Partner Adriana O'Brien began exporting immediately to overseas customers. But two large orders from the US' second-largest school district, meant Brenton and Adriana had to ensure that they had enough inventory to meet demand – creating working capital issues.

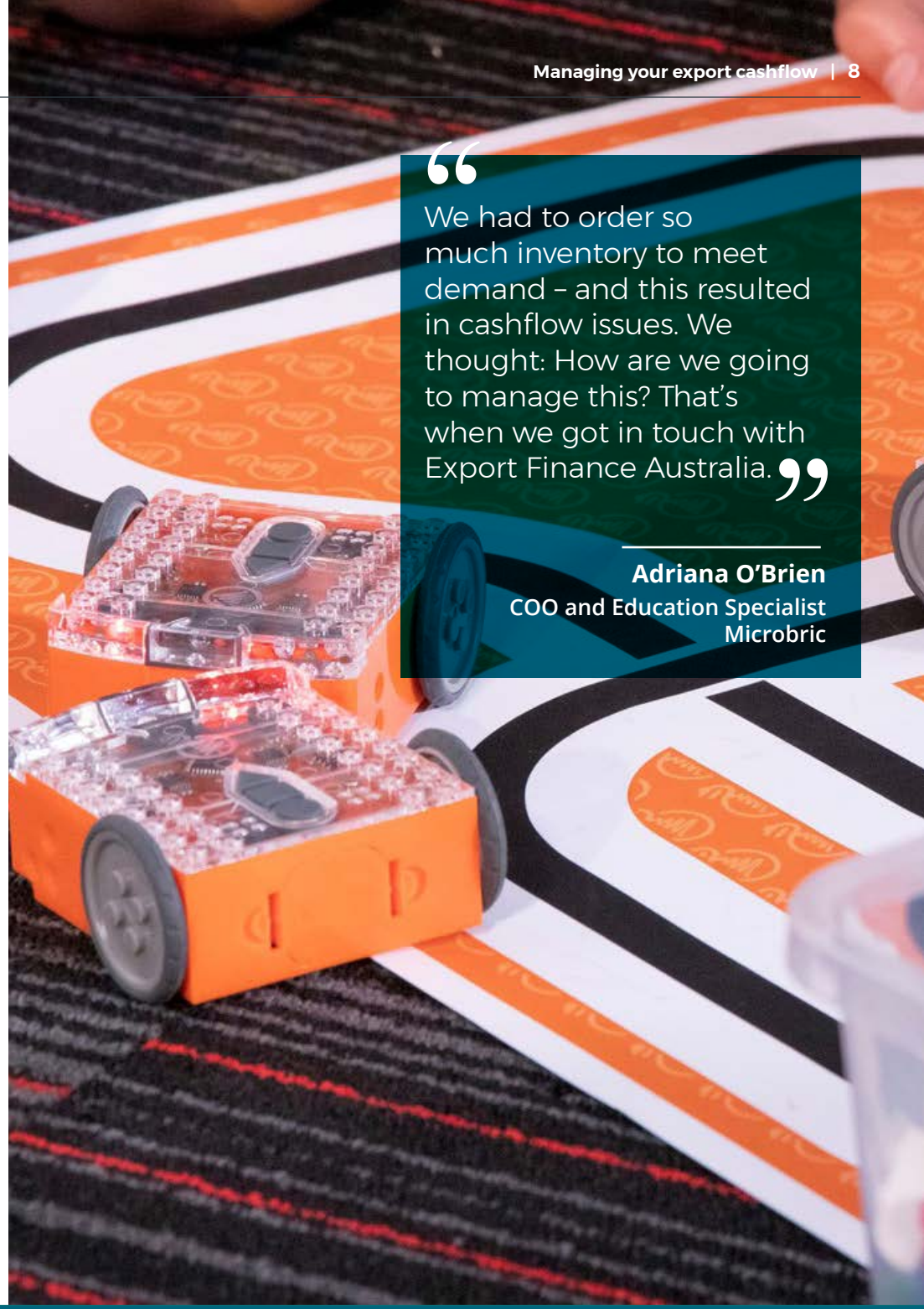
Unable to secure an overdraft from their bank, they approached Export Finance Australia for support.

A personal and helpful approach

"Export Finance Australia made a point of understanding our business," said Adriana. "This meant the team knew the best way to help us. They also took a very personal, case-management style approach to working with us, which we valued."

We provided Microbric with a A$128,000 Small Business Export Loan. Without this support, Microbric would not have been able to fulfil the large US orders, which would have impacted its ability to grow the business.

"We're very confident about the market and the products we've developed. Export Finance Australia is going to be a very big help with our future growth."



> "We had to order so much inventory to meet demand – and this resulted in cashflow issues. We thought: How are we going to manage this? That's when we got in touch with Export Finance Australia."
>
> **Adriana O'Brien**
> **COO and Education Specialist**
> **Microbric**

How to manage growth

Your export business is up and running; now there are opportunities to take on larger contracts. Before you commit to new customers, be sure that you have a growth plan for your export business.

Planning for growth

While it may be tempting to take on a large contract without a second thought, if you don't have the time, money or equipment to ramp up your resources, you could end up unable to meet your orders.

To ensure you can take advantage of new opportunities without over-extending, make sure you have:

- enough staff to deliver your goods/services
- additional equipment to take on all domestic and international orders
- the required working capital to set up operation growth
- outlined how you intend to fund logistical growth.

Sourcing export finance

Where should you secure the finance to grow your business?

If you decide to borrow money to support the growth your business, your first port of call should be your bank.

However, if your business can't meet your bank's lending terms, we may be able to help.

Call us on **1800 093 724** or **visit** our **website** to find out how we could support your export growth plans.

Support available

Want more information?

We've developed a range of export-related **eBooks**:

- Accessing export-related finance
- Protecting your intellectual property overseas (IP)
- Developing your export strategy

Visit: **exportfinance.gov.au/ebooks**

Export Finance Australia

The Australian Government's export credit agency, providing finance solutions to Australian exporters including businesses within an export-related supply chain.

Visit **exportfinance.gov.au**
Call **1800 093 724**
Email **info@exportfinance.gov.au**

Austrade

The Australian Government's trade and investment agency, providing you with practical advice, support, and insight into many of the countries to which you're looking to attract visitors from. Austrade provides information and advice to assist Australian companies to reduce the time, cost and, risk associated with growing your international business, as well as Export Market Development Grants (EMDG) to support your export growth.

Visit **austrade.gov.au**

The Department of Foreign Affairs and Trade (DFAT)

DFAT promotes and protects Australia internationally. One of the ways it does this is by helping Australian businesses, in partnership with other agencies like Austrade and Export Finance Australia.

Visit **dfat.gov.au**

Export Council of Australia (ECA)

ECA provides education and assistance to help Australian companies succeed internationally.

Visit **export.org.au**

Discover how Export Finance Australia could help your business take on the world.

As Australia's export credit agency, we offer options by working with your bank to provide supplementary finance or support when your bank may be unable to help.

To find out more about how we could help your business, go to exportfinance.gov.au or call 1800 093 724.

This information is of a general nature and has been prepared without taking account of your business needs, financial situation or objectives. The information does not comprise advice or a recommendation. You should consider seeking independent legal, financial, taxation or other advice to check how this information relates to your unique circumstances. While Export Finance Australia endeavours to ensure this information is accurate and current at the time of publication, Export Finance Australia makes no representation or warranty as to its reliability, accuracy or completeness. To the maximum extent permitted by law, Export Finance Australia will not be liable to you or any other person for any loss or damage suffered or incurred by any person arising from any act, or failure to act, on the basis of any information or opinions contained in this document.

Australian Government

export finance australia