

FUNDING YOUR EXPORT PLANS

MAKE SURE YOUR MONEY
GOES THE DISTANCE

KEY TOPICS

- Building an export budget
- Making cash flow go further
- Common funding options
- Equity funding – what you need to know
- Where to go for help
- Useful tools



**EXPORT
ESSENTIALS
GUIDES**

Exporting can put a big financial strain on your business. You need to make sure you can handle the full cost of your export plans – even when you might not make a profit for some time – as well as covering the day-to-day requirements of running your business. Be realistic, and plan early on for your future capital and investment needs.

Building an export budget

Be realistic when budgeting for your export plans. There's nothing worse than being caught out by unexpected costs, and having to scramble to find cash wherever you can.

Prepare a comprehensive financial plan for your export venture. This needs to take both short- and long-term forecasts into account, so you'll always have access to enough cash or lines of credit to keep operating.

Think about all the costs needed to run your business, as well as all of the costs you're likely to incur when selling your products and services offshore:

- Regular visits to your target markets
- Market entry consultants and professional advisory services (legal, accounting, compliance)
- Samples (if you sell physical items) – including production and transport
- Dedicated export staff – a must-do if you or your team don't have time to do the work
- Production costs
- Working capital

- Currency fluctuations
- Likely freight costs
- Tariffs or charges to get your products into the market
- Insurances required for exporting.

Remember that payment cycles are often longer overseas than you'd expect at home. You might need to pay suppliers for raw materials or services weeks or even months before you get paid by your customers – which can put a strain on your working capital.

Once you know all of your costs you can start to build out your export budget year by year. Make sure you include:

- how long it will take you to break even and start making a profit from exporting
- how much money you need to cover the period beforehand, so the rest of your business is protected and can keep ticking over.

KEEP A ‘WAR CHEST’ HANDY

To sustain your export drive, it helps to have additional funds at the ready in case you need them. You may need more money than anticipated to pay for travel, time away from your New Zealand markets, extra staff to cope while you are away, and other unforeseen expenses.



Making cash flow go further

Your financial advisors may be able to point you towards trade insurance products that can help you to cover payment risks and otherwise make your current cash flow easier to manage. This can make a big difference if you’re dealing with large orders or contracts that can take months to be paid for.

The New Zealand Export Credit Office (NZECO) is another useful option. Part of Treasury, NZECO provides financial guarantee products that can help you cover payment risk (including production costs for cancelled orders), offer longer payment terms to buyers, or access additional funding to cover your costs.

NZECO guarantees work on a deal-by-deal basis, by extending what your current bank or insurer is willing to cover. You can find more information at nzeco.govt.nz

Common funding options

Most export businesses fund their activity in two broad ways:

- Debt funding, including loans, leases, overdrafts and terms of trade
- Equity funding, meaning investment capital from outside sources.

At some stage in your export growth you may have to think about either debt or equity arrangements in order to implement your plans. Before heading down either road, get good financial planning advice as early as possible, to minimise any cashflow and capital difficulties in the future.

Find out which financing options suit your situation best, as there’s a wide range.

Consider talking to:

- Your bank
- Your accountant
- Your lawyer
- Your business mentor or Regional Business Partner.

FURTHER READING ON FUNDING TYPES

The Ministry of Business, Innovation and Employment (MBIE) has a handy guide to business funding online here:

 business.govt.nz/getting-started/funding-your-business/choosing-the-right-types-of-funding



Equity funding – what you need to know

Even with good financing in place, unless you've got a very profitable business already, you'll probably struggle to fund your export budget from cashflow alone – and you may end up straining your finances or having to slow down your export plans.

Equity (or investment) funding is one common option for businesses that need capital for expansion, but there are two important things to bear in mind:

- **It doesn't come instantly.** Expect it to take between 6 months and 2 years to complete a capital raise, plus around 200 hours of management and governance team time – even when using external advisors.
- **It comes with a lot of scrutiny.** Be prepared for potential funders to look very hard at your business and export plans. Investors will want to know all the detail, and they will expect to have future input on the direction of your business in return for helping to finance it.

Make sure you understand, and can explain, your company's financial position by putting some financial plans and budgets together to share with prospective investors. Your financial plans need to include:

- **A cash flow forecast** for your plans over two to three years – highlighting your financing needs, so you understand the ebbs and flows of your cash expenditure

- **A capital forecast** giving a longer-term overview of the money you'll need for your export plans. This should include an operating plan that measures actual expenditure and revenues, and tells you when your export project will generate positive cash flow.

You will need to be able to tell potential funders:

- Your **monthly overheads** (fixed costs)
- Your **monthly variable costs** for exporting
- How your costs change with increased revenue
- Your projected **gross profit margins** on export sales
- Your current and projected **net profit margins**
- How your business has performed against previous forecasts
- Any assumptions you've made in your forecast
- **How you'll use any investment funds** to grow your sales and margins.

This information is essential for approaching investors, but it's extremely useful for your own planning too – so get started on this early, and make sure you know your business and its financials inside out before asking others to invest.

Where to go for help

If you're working out the best way to finance your export plans, start by talking to your personal lawyer, bank and accountant.

Regional Business Partners

The Regional Business Partner Network (RBP) has specialist growth advisors available to provide you with advice, information and connections to support your business.

 regionalbusinesspartners.co.nz

Business Mentors New Zealand

If you employ less than 25 people and your business is more than 12 months old, you can apply for a business mentor through Business Mentors New Zealand. These mentors are experienced and successful business people who are willing to share their expertise with you to help you and your business grow.

 businessmentors.org.nz

Poutama Trust

If you are a Māori organisation or individual, Poutama can help your business with funding and advice through a range of services.

 poutama.co.nz

New Zealand Trade and Enterprise (NZTE)

If you're thinking about raising external capital for your business, contact NZTE's Investment Team for more information and independent advice on what to do next. Our Investment team helps internationalising companies get investment ready, build networks, and grow their knowledge of investment and capital options through its Investment Readiness programme and seminars and events within New Zealand.

 nzte.govt.nz/investment-and-funding



Useful tools

You can find and download useful tools and templates, including an Export Plan template and a monthly cash flow forecast at

 nzte.govt.nz/tools-and-templates

Get a fuller picture of exporting with our other Export Essentials Guides, available for download at

 nzte.govt.nz/export-assistance/export-essentials-guides

The New Zealand Story is a free toolkit that provides a simple set of brand values, images, videos and presentations that can help you define your value proposition and promote your business offshore.

 nzstory.govt.nz



About NZTE

Export Essentials resources are brought to you by New Zealand Trade and Enterprise (NZTE), New Zealand's international business development agency. We exist for one purpose: to grow businesses internationally, bigger, better and faster, for the good of New Zealand.

We're here to help you get the right focus and information at the right time in your exporting journey, whether you need practical help to get started, a deep partnership to develop a fully global business, or anywhere in between.

Find out more at nzte.govt.nz/about or get in touch with us: nzte.govt.nz/contact-us

Go further with Export Essentials Workshops

Wherever you want to take your business next, it's good to know you're on the right track. NZTE's Export Essentials Workshops put you in full control of your export plans, using lessons learnt by New Zealand businesses in markets around the world.

Find out more and register for upcoming workshops at
nzte.govt.nz/essentials



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