When Opportunity Knocks: Navigating Extended Terms in a Global Economy

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Factors that create the need for extended terms

- Geopolitical conflicts resulting in logistics challenges (increased transit times)
- FX challenges against the dollar
- Project based business
- Special buys – energy compliance. EU is stricter than the US

Factors that create the need for extended terms

- Terms pass through – customer cannot resell within standard terms
- Customer financial problems
  - Borrowing costs
  - Slow collections
  - Cash flow
- Lenders restricting or eliminating access to funds

Strategies to mitigate risk

- Utilize standby letters of credit to secure credit limit
- Use bank guarantees similar to SBLOC
- Where applicable & allowed use security filings similar to PMSI/UCC
- Regular communication is key

Strategies to mitigate risk

- Boots on the ground – utilize sales/agents to be your eyes & ears
- Customer visits
- Require a % prepayment
- Corporate guaranty, parent company gauarantee, personal guarantee

Strategies to mitigate risk

- Work with customer on repayment plan - promissory note
- Create transparency within your company to avoid surprises & insure consensus