Canadian Companies – INVESTING ABROAD

An EDC perspective…

June 6, 2014

Canada

EDC

Realize a World of Opportunity

CHANGING THE BALANCE FOR CANADA:
why Canadian companies should invest abroad

Foreign Affiliate Sales now exceed Exports

BRIEF OVERVIEW:
WHO WE ARE & WHAT WE DO

- **EDC is:**
- **Federal crown corporation**
- **Mandate**:
  - Support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities. We are Canada's Export Credit Agency (ECA)
- **HOW we do this**:
  - By providing financing and insurance products
    - Loans, guarantees
    - Accounts Receivable, Political Risk Insurance, Contract Bonding
  - Operates on a self-sustaining basis

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EDC BALANCE SHEET

as at December 31 (in millions of Canadian dollars)	2013	2012
Loans receivable	36,357	30,131
Total Assets	**$41,516**	**$36,233**
Loans payable	31,259	25,880
Equity	**8,371**	**8,875**
Total Liabilities and Equity	**$41,516**	**$36,233**

EDC INCOME STATEMENT

for the year ended December 31 (in millions of Canadian dollars)	2013	2012
Net financing and investment income	1,196	1,039
Loan guarantee fees	36	38
Net insurance premiums and guarantee fees	193	196
	1,425	**1,273**
Administrative expenses	310	308
Net income	**$817**	**$1,327**

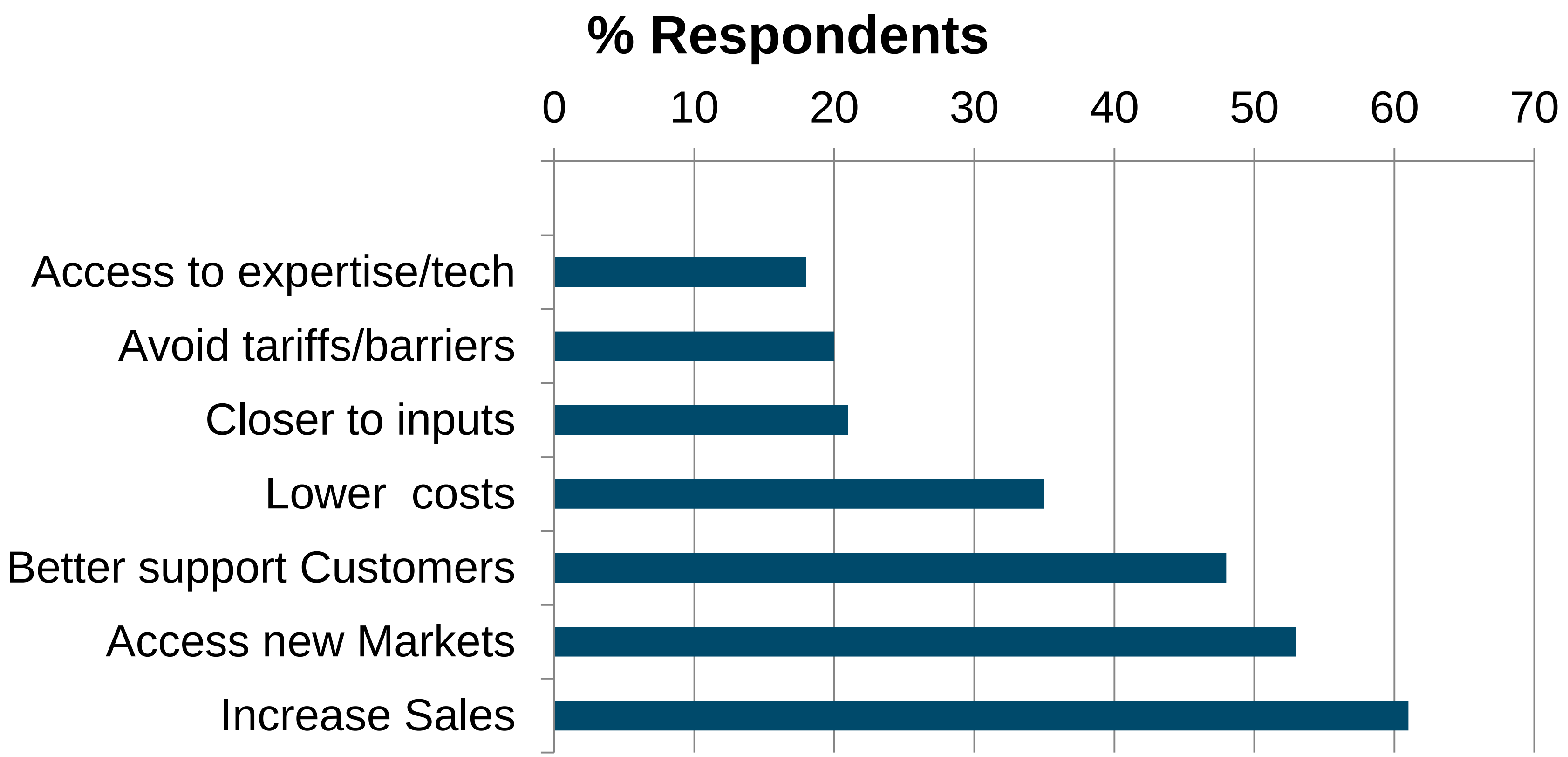
INVESTING ABROAD: Access to Financing

- **Domestic financing landscape is highly competitive right now**
  - **Banks are aggressively competing for mid-market business**

- **BUT….**

- **Most are still unwilling to lend in support of offshore assets through traditional sources**
  - **Some banks will lend in U.S.**
  - **Very few are able to support assets in Mexico**

CHANGING THE BALANCE FOR CANADA:
Reasons cited for Investing Abroad:

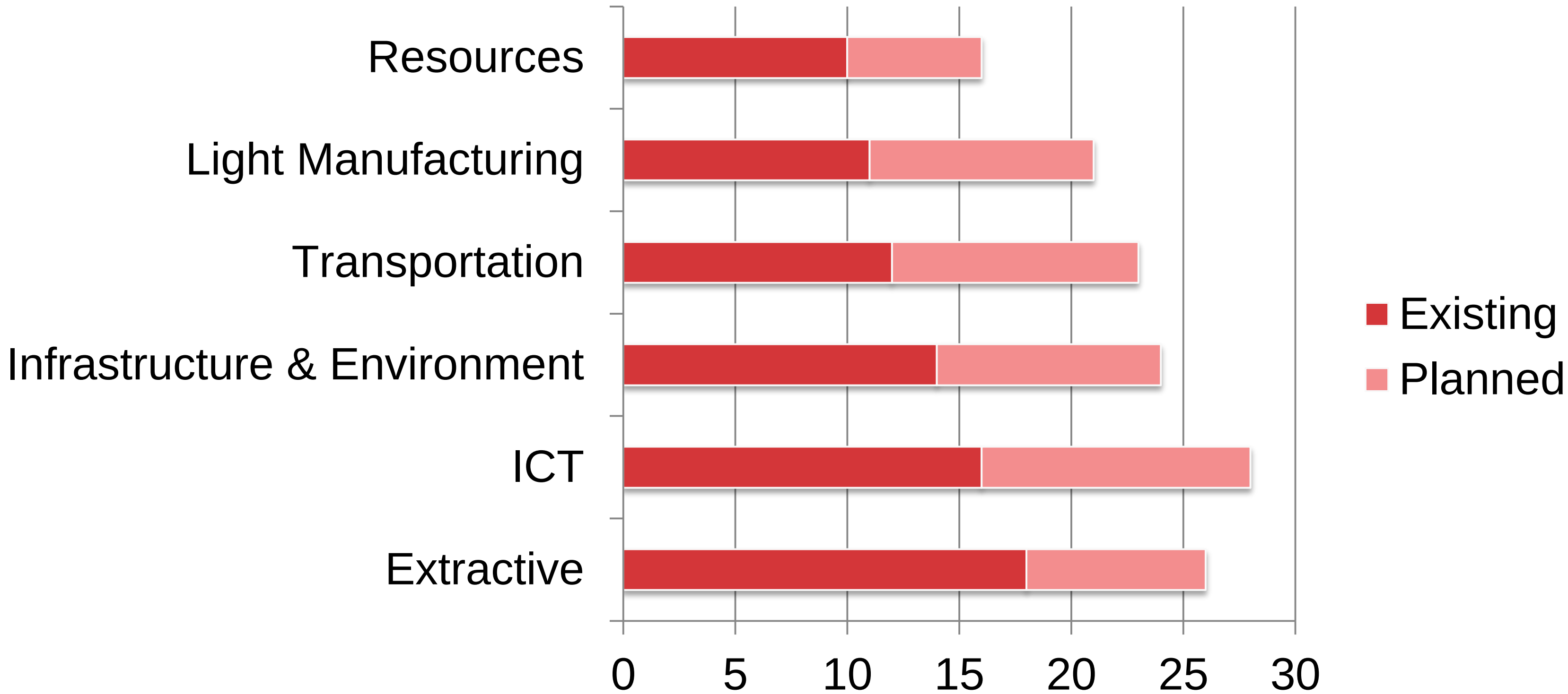


CHANGING THE BALANCE FOR CANADA:
Where are companies investing?

% CDIA by Region		
	2001	**2011**
U.S.	47%	40%
Europe	20%	25%
Emerging Markets	24%	28%

CHANGING THE BALANCE FOR CANADA:
What sectors are most active?

› % of companies with existing or planned investment abroad:



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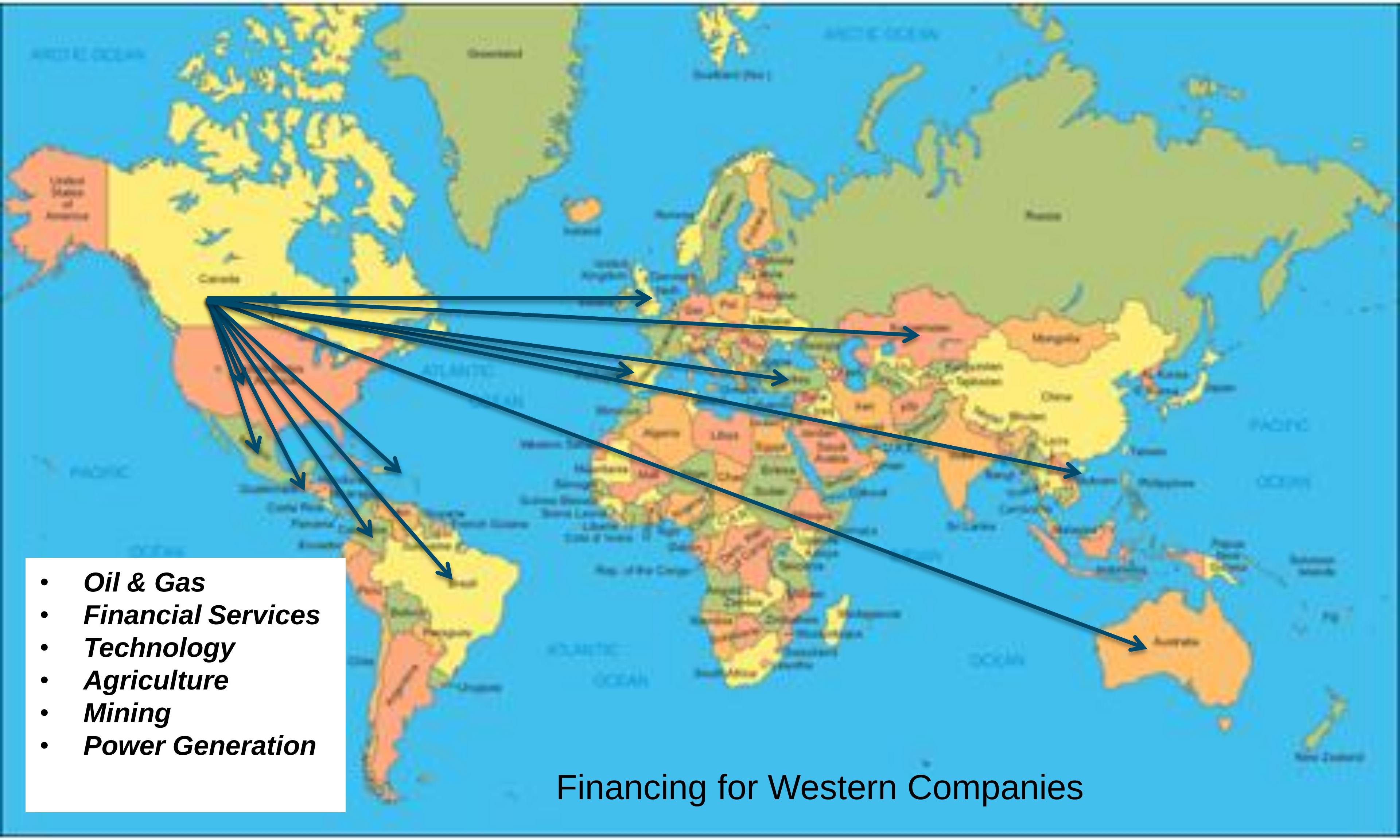
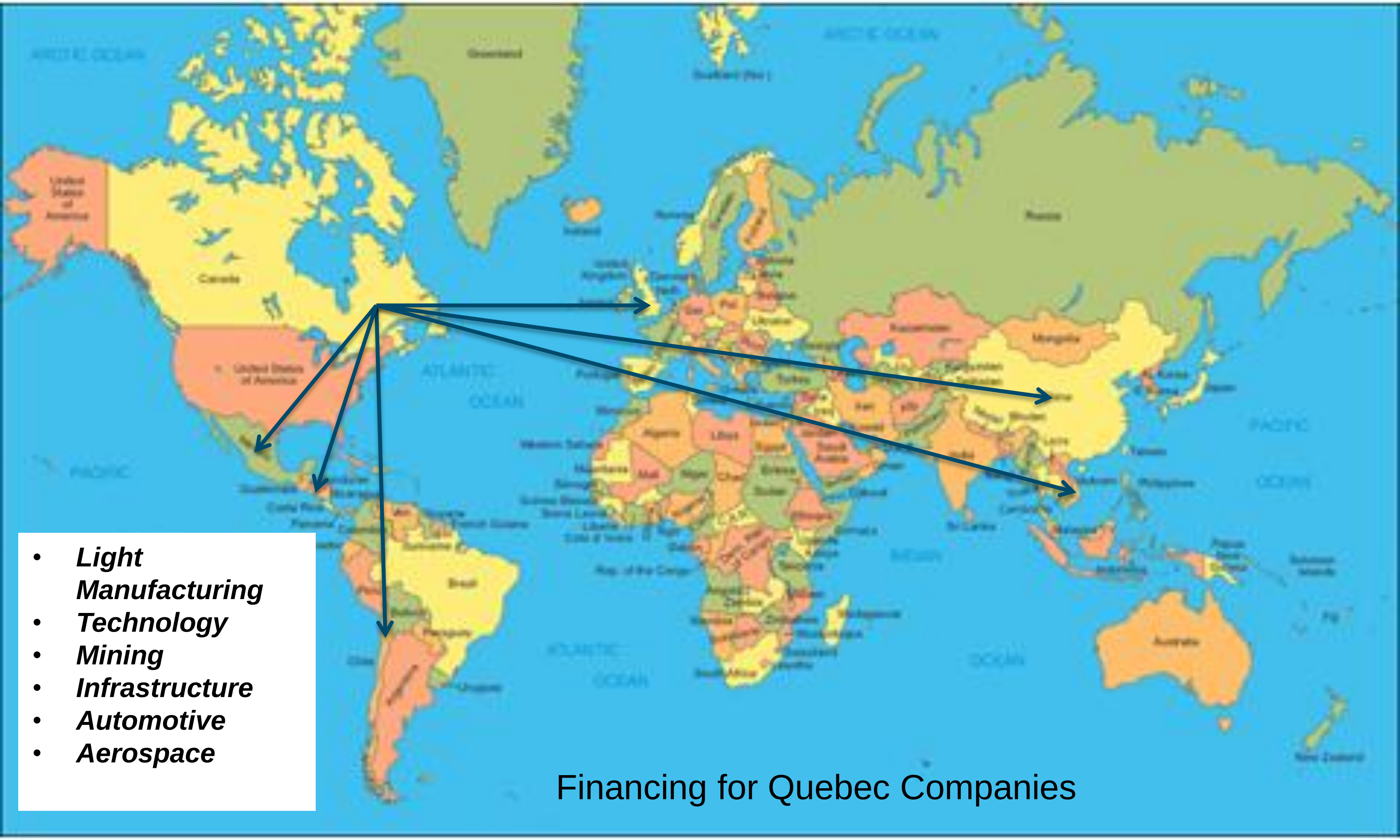


- *Oil & Gas*
- *Financial Services*
- *Technology*
- *Agriculture*
- *Mining*
- *Power Generation*

Financing for Western Companies

- **Automotive**
- **Media**
- **Light Manufacturing**

Financing for Ontario Companies



- ***Light Manufacturing***
- ***Technology***
- ***Mining***
- ***Infrastructure***
- ***Automotive***
- ***Aerospace***

Financing for Quebec Companies

CHANGING THE BALANCE FOR CANADA:
why Canadian companies do not invest abroad

- LACK OF:
  - TIME
  - $$$
  - KNOWLEDGE
  - RESOURCES
- FEAR, INERTIA
- CONFIDENCE in DOMESTIC BUSINESS

EDC FINANCING SUPPORT

- Financing provided by EDC in support of offshore expansion of commercial & small business customers
- Support in two primary manners:
  1. Export Guarantee Program
     - provides support where the house bank is willing to lend against foreign assets if EDC is willing to guarantee the loan
     - Financing largely for working capital (inventory held by foreign operations), some term loans

- 2. Direct Lending
  - Provide loan in support of foreign assets (to parent or affiliate), where house bank is unwilling/unable to lend against foreign assets
  - Financing largely for capital investment (plant & equipment), acquisitions; some working capital

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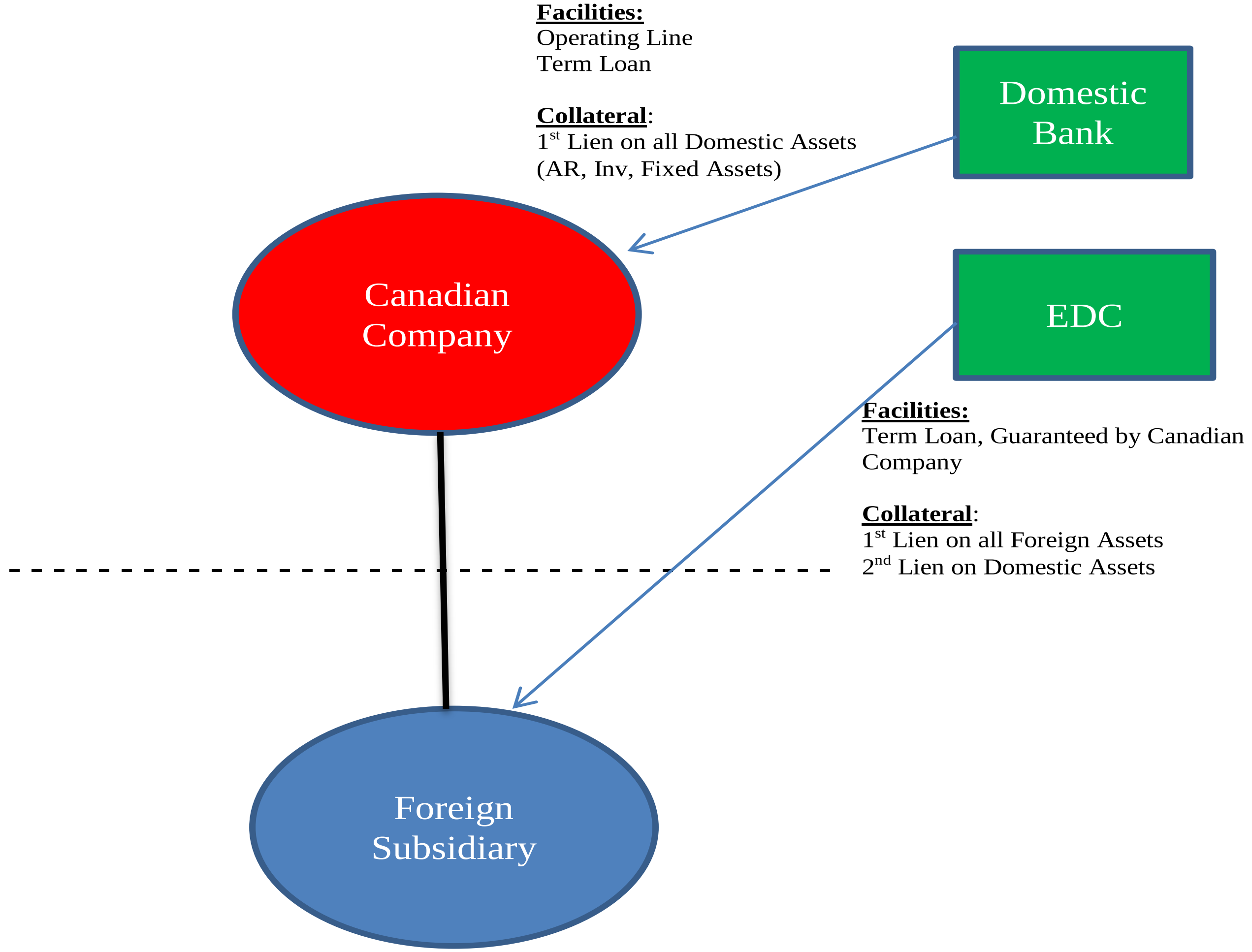
EDC FINANCING SUPPORT – TYPICAL STRUCTURE



LENDING CRITERIA

Company profile:

- established company, record of earnings, positive equity
- Normally has house bank providing operating lines

- Typically $15 - $150m in revenues, loan size of $1m - $10m

Features:

- - typically try to match financial covenants to primary lender
- - pricing > domestic bank pricing, but less costly than sub debt or equity
- - balancing collateral value vs. cash flows
- - recognize that lending in emerging markets takes more time/effort than a typical domestic loan…
- - can provide some working capital support (through term loans) but don't have administrative capacity to provide normal operating lines,

QUESTIONS?