

# Citi Sales Finance

A Global Trade Solution

Treasury and Trade Solutions





## Leverage the power of Citi Sales Finance.

A new solution, **Sales Finance** can provide a company's distribution networks and end-customers with access to alternative sources of liquidity when traditional sources aren't available or adequate. Now, multinational companies are often leveraging sales finance programs to gain market share, increase sales in regional and global markets, reduce counterparty risk, and strengthen relationships with key customers.

In emerging markets, where sales are often constrained by the limited credit available to buyers, Sales Finance can be an especially important tool for achieving sales targets. By offering end-customers and distribution channels a new source of liquidity via extended payment terms or direct bank lending, Sales Finance can help companies improve their competitive value and win both additional and new business.

### Start with clear strategic objectives.

Sales Finance can help deliver gains for corporates from all sectors. But it's critical to start with clear strategic objectives—including sales volume growth targets and working capital ratios— to ensure that the program is structured to achieve its targeted goals.

## Sales Finance can deliver the following potential benefits.

### For sellers

- Improve liquidity
- Improve working capital ratios
- Mitigate risks
- Optimize balance sheet
- Grow sales
- Strengthen relationships with clients and distributors

### For buyers

- Working capital relief
- Extended payment terms
- Increased purchasing power



# When can Sales Finance be effective?

Leveraging sales finance can offer a competitive strategy when a company needs to:



Expand market share without compromising capital



Improve working capital ratios



Reduce counterparty risk on the balance sheet

# Sales Finance: How it works.

## Solution overview

- Citi purchases receivables owned by its clients, due from a diversified pool of buyers, and usually at extended terms; and/or Citi provides distributors with direct financing to purchase goods and services from Citi clients
- The seller can decide to be paid in advance or at agreed payment terms
- Supplier-buyer interdependency leads to a better underlying credit risk profile

## Credit enhancement

- Portfolio risk-based approach and credit analysis
- Citi clients can provide risk support in several ways:
  - First loss (Seller or third party)
  - Credit insurance and/or ECA coverage
  - Guarantees or ancillary acceptable collateral, etc.

# An example of extending payment terms with Sales Finance.



# Why partner with Citi?

In sales finance, there is significant variation—even among global banks—in terms of execution, experience and global capabilities. Choosing the right banking partner is critical.

- **1000+** buyers across **65+** countries and 25 currencies
- **Global product framework** provides a standardized approach
- **Experience** in structuring complex customer finance transactions, including cross-border and multi-currency programs under a single program framework
- **Global and local execution capabilities** in more than 30 markets, with teams of seasoned professionals in Hong Kong (Asia), London (EMEA), New York (North America) and Miami (LATAM)
- **Citi's leadership in trade finance** is built on its global network in 100+ countries, and its extensive relationships with local corporates and investors
- **Industry leading distribution/syndication capabilities**, enabling Citi to customize investor pools and maximize capital availability



## Case Study

Citi Sales Finance at work in agribusiness.



### Client challenge

A large, diverse agricultural corporation sells planting and harvesting solutions to farming suppliers in Argentina and Uruguay. Planning the right timing of the sales is critical, as it can make or break a season's sales targets. The company wanted to offer its buyers efficient financing solutions to help facilitate additional sales, but short growing cycles that only last several months made it even more challenging to achieve.

### Citi solution + result

To meet the client's complex and unique needs for a strategic financing solution, Citi designed a distribution finance purchase facility with a first loss indemnity from the company based on its sales targets for the optimal phase of the growing season.

Citi and the company agreed to a pre-approved credit limit based on buyers' track record with the company and program. Citi pays the company upon the presentation of checks and cashes them in upon check maturity, utilizing the check custody infrastructure present in both countries. The facility is key to the company's sales strategy in both countries, as it supports the offer of sales in local currency. The solution also allows the company to optimize its exposure to the buyers, which enables sales growth and helps the company achieve its strategic goals.



To learn more about Citi Sales Finance solutions, contact your Citi representative.

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