

# International

## BUSINESS

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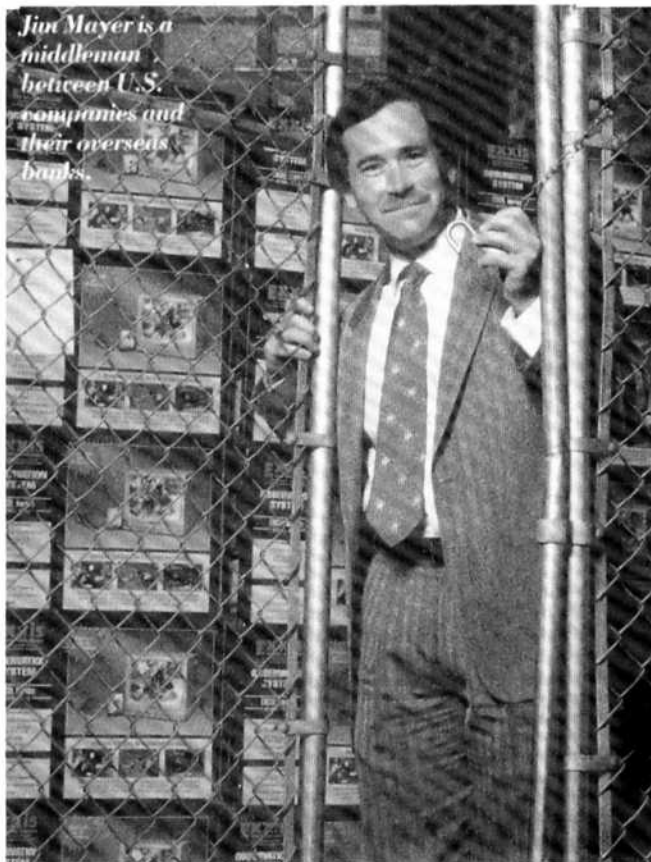
### SEPTEMBER

## DiversiCorp's Razzle-Dazzle

By Andy Sears

**Y**ou might think that when your overseas sales are growing, your banker would be happy. Think again. For many a midsize company, the flow of money to finance exports dries up if it looks as though you're getting stretched too thin in foreign markets.

LES WOLLAN/GAMMA LIAISON



Jim Mayer is a middleman between U.S. companies and their overseas banks.

With that kind of dilemma so commonplace, DiversiCorp Inc., a Dallas financial-services company, is doing a land-office business these days helping exporters coax loans from their bankers. It's playing the alternative-financing game with every twist going, from factoring to old-fashioned "certification" of inventories.

**CERTIFIED SUCCESS.** Take the case of Lakeland, Fla.'s Juice Bowl Products Inc., a \$40 million company that sells orange and grapefruit juices in Belgium and France. When it needed \$4 million to finance an increase in sales to its Belgian affiliate, it went to its bankers in Brussels. No luck. The amount was too far over Juice Bowl's credit line, as vice president and controller Richard V. Miller found out. Besides, the juice the company was planning to sell was sitting in a Florida warehouse more than 3,000 miles away. And that made the bankers nervous.

Even Juice Bowl's parental connection — it's a subsidiary of Jamesbury, N.J.'s ABA Holding Inc., an \$80 million holding company — failed to budge its bankers.

In the midst of all this, Mr. Miller came across Jim Mayer, president and CEO of DiversiCorp, who had been working with credit-hungry corporate clients and top banks like Chemical and Banque Brussels Lambert since 1985. His fast solution: a technique called "certification," in which a third party — such as DiversiCorp — takes control of the inventory and releases it only as it's paid for. It was all that Juice Bowl needed to get three Belgian bankers to make the loan.

"Mayer took an old technique and used it in a new mode — and bridged the waters," says Mr. Miller, still marveling at DiversiCorp's financial footwork. Certification, in fact, has been around for more than a century in both Europe and the U.S., but mostly as a domestic financing tool.

The way Mr. Mayer sees it, there's no reason not to apply the financing tool to international trade, where, until recently, its use has been pretty much limited to an occasional commodity transaction. "I find that in six out of every 10 conversations I have with midsize exporters, they bring up the need to find alternative fi-

nancing for letters of credit," he comments.

**GUARANTEED RECEIVABLES.** With barriers on credit and duties coming down in the European Community, U.S. companies will have to offer just as favorable terms, prices and deliveries to European customers as EC suppliers do, Mr. Mayer points out.

To help smooth the way, DiversiCorp is launching Credit Support International this fall in a joint venture with SA Warrant NV, a Belgian company. With a staff of 70 and projected revenues of \$6 mil-

lion, it will cater to American exporters and importers that want to establish an ongoing relationship with distant customers.

By using inventory certification instead of rolling letters of credit, for example, a midsize company can increase sales to distributors without actually putting inventory in a European warehouse, says Pierre Bacquelaire, Warrant's general manager. And it puts the company on more even footing with European competitors using just-in-time management strategies.

What happens on the other side of a sale — when a customer proves to be insolvent? Mr. Mayer's DiversiCorp is tackling this by setting up a working arrangement with Maryland Netherlands Credit Insur-

ance, jointly owned by NCM of Amsterdam and Fidelity & Deposit Company of Maryland. Credit insurance guarantees payment of receivables in an insolvency and, as Maryland Netherlands president Glen J. Heckathorn puts it, "buttresses your banker's confidence in making a loan on an international credit."

The next arrow in DiversiCorp's creative quiver apparently is inventory factoring for overseas sales. Again, it's a new twist on a time-honored domestic technique of accounts receivable factoring — in this case, selling export inventories to a factor or middleman. In DiversiCorp's setup, seller and buyer would split the costs about evenly, with the seller paying for the inventory certification that would make it possible. Observes Mr. Mayer, "This is a totally new concept that would primarily benefit companies that can't float letters of credit — or have no other options available."

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