Going Global: Rosenthal & Rosenthal

It is anticipated that most business leaders will face shifting obstacles and emerging opportunities throughout their company's life cycle. Experienced owners and decision makers recognize that, over the years, each stage of the organization's growth will require different resources, new approaches and alternative strategies. *That is exactly why it is so important to understand the many options that are available to address evolving situations*.

This is true in many aspects of the corporate world, especially for those who are engaged in the export community. Because some banks may be reluctant to accept foreign receivables as an asset class, exporters who require financing and rely on foreign receivables need to be aware of all the lending services available to them in addition to traditional banks.

As an active member of the New Jersey District Export Council (NJDEC), Peter Clement, Senior Vice President, International Factoring Business at Rosenthal & Rosenthal, knows first-hand how essential it is to alert business owners about their financing options. "At Rosenthal & Rosenthal, we are able to draw on the resources of a third-generation, family-owned company that has helped businesses flourish for over 85 years. We demonstrate our commitment and stature by lending billions of dollars annually to help companies prosper. In it for the long game, we have a unique perspective on helping the state's exporters."

In a recent interview with Peter, he highlighted some of the challenges banks address regarding their inability in certain circumstances to help their customers. He noted that, while banks can keep the treasury portion of their services, they may not want to serve as lenders.

Recognizing this important distinction, it is important for those in the financial sector to overcome these two critical issues: (1) the lack of awareness of the active role played by non-banks in this space during the short term - even while the bank continues to provide other financial (treasury) services and (2) some natural reluctance of a business owner to go outside of the traditional banking community for lending support.

But as companies grow, expand and differentiate themselves, they will most likely go through phases that necessitate other, more flexible financing possibilities. Non-banking lending can be helpful for companies that are experiencing specific conditions such as:

- Recent losses

- Being too new to have established a successful track record

- Foreign exposure, including a reliance on foreign receivables, that may not be considered as assets for calculating the lending potential for a traditional bank

Quite often, these circumstances are temporary.

With financial support from a non-banking lender such as Rosenthal & Rosenthal, the business leadership can overcome these frustrating issues and ultimately continue and resume a more robust relationship within the banking community.

In the interim, however, it is important to know that, through a relationship with a non-banking facility, the company can continue to function and move toward establishing profitability and credibility.

Here is an example that illustrates this point and provides additional clarity: If a company is in default of its banking covenants, the bank may alert the owners that they are no longer willing to provide a loan to that company. But the bank doesn't want to lose the treasury relationship so they would take this opportunity to introduce the client to a company like Rosenthal. Having previously dealt with a trusted non-banking firm under similar scenarios, the bankers would be confident that through this referral, the company will be well served and will be in good hands as the situation dictates.

Instead of seeing a non-banking lender as a competitor, traditional financial lenders can embrace this bridge as a viable solution for a company they cannot currently serve. It is incumbent upon professionals like Peter to help educate the marketplace and overcome concerns – speaking with professionals across the spectrum from bankers to trade finance brokers to turnaround consultants to logistic carriers, to CPAs and attorneys - while emphasizing the valuable role played by alternative lenders.

For small to mid-size exporters and those entrepreneurs who have not yet established their reputation and don't have sufficient assets and, as a result, may not be eligible for banking services at this time, non-banking firms can provide a helpful way for the company to get back into a bankable situation.

As a business' needs change and transform in response to a shifting landscape, their financing needs may change as well. When that happens, it is good to know that there are non-banking institutions that can offer both liquidity and the protection / risk mitigation that is often critical when conducting business internationally.