

# Case study: TracPlus

NZECO solution: Access Trade Finance

NZECO product: Trade Credit Insurance

Sector: ICT



## NZ Inc at work: Dunedin company gets a big break

New Zealand's emergency services are called on to help tackle big emergencies around the world, and now our technology is in demand too.

Dunedin-based TracPlus had secured a massive opportunity to sell to one of the world's largest fire departments, the California Department of Forestry and Fire Protection (CAL FIRE).

TracPlus sells tracking systems so organisations can see the whereabouts of all their vehicles, planes and boats at one glance. Founder Chris Hinch was spurred to develop the tracking solution following the miscommunication surrounding a triple fatality boating tragedy in North Otago in 2003. Today, TracPlus' global clientele include the military, rescue operators, emergency services, tourism operators and large infrastructure companies.

The CAL FIRE deal was a game-changer, but CEO Trevor McIntyre says payment terms created a crippling scenario. A significant hardware bill had to be paid five days after the goods landed in California, yet CAL FIRE's terms meant the government agency could not pay its bill for up to 75 days.

TracPlus needed a loan to see it through the potential 70-day lag between paying the supplier and being paid by the client. Banks are often unable to lend to capital-burning tech companies, which traditionally have asset-weak balance sheets, and this was no exception.

But in an example of NZ Inc at work, New Zealand Trade and Enterprise (NZTE) collaborated with the Treasury's New Zealand Export Credit Office (NZECO) to find a solution.

"This is a typical situation for small exporter companies" according to NZECO's Phil Quinn.

"Trade credit insurance can mitigate repayment risk and help the exporter access trade finance" said Phil.

NZTE Otago Southland Regional Manager Ken Aitcheson had worked alongside TracPlus for seven years, supporting the fledgling business to grow in to a robust, thriving enterprise.

"They are a great little company that had cracked the big time with this massive CAL FIRE deal," Ken says.

"This contract had the potential to take them to another level and we wanted to find a way to make it happen".

That's where the NZECO came in.

The breakthrough came when a bank suggested approaching Pacific Invoice Finance (PIF) and Managing Director Michael Bushell entered the conversation. Within 10 days of TracPlus realising it faced a payment problem, the various parties had found a solution - a trade loan.

In order to make this work, PIF required that TracPlus obtain trade credit insurance to mitigate against the risk of non-payment by CAL FIRE.

PIF approached Steve Lowe, Manager - Head of Credit Specialties at Marsh. Steve confirmed that the private market would struggle to offer trade credit insurance to TracPlus because this was a modest transaction and a one-off shipment.

With the private market unable to provide insurance, NZECO offered TracPlus trade credit insurance— a promise to pay if, for some reason unrelated to TracPlus' performance, CAL FIRE didn't pay its bill.

Tracplus shipped its goods to California in early August, used its loan from Pacific Invoice Finance to pay its supplier five days after delivery, and was paid by CAL FIRE 40 days after that.

The deal has catapulted TracPlus into a new league. It is now being approached by other large organisations who see the contract with CAL FIRE as evidence of TracPlus' ability.

"It's a significant step for us," says Trevor McIntyre. "This one deal alone is transforming not only our financials but also how the market see us."

TracPlus and Pacific Invoice Finance have now entered an ongoing relationship, working together so TracPlus can pursue the opportunities arising from the successful CAL FIRE contract.

Trevor McIntyre says the ongoing relationships with NZECO and Pacific Invoice Finance give his team "surety" to push forward with TracPlus' bold growth ambitions.

"We don't have to scramble anymore," he says. "We can write this sort of business with confidence."

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