

## Financing a surge in export growth during COVID-19

**The Challenge:** COVID-19 did little to stop the upwards trajectory of international demand for Mons Royale's merino clothing. However, a three-month lag between paying its suppliers and selling its exported stock created a significant cashflow issue, exceeding the limits of their working capital facility.

**The Solution:** New Zealand Export Credit provided its Loan Guarantee to BNZ, which supported Mons Royale's higher working capital requirements.

**The Benefit:** Having sufficient working capital to keep pace with international orders in 2020 enabled growth for Mons Royale, with forward orders for 2021 surpassing expectations.



Wanaka-based merino clothing company Mons Royale was established 12 years ago with clear international ambitions. The COVID-19 pandemic brought with it an immediate threat to international business, however the recovery and subsequent growth of the Mons Royale brand has outstripped expectations.

Mons Royale's Head of Finance, Lisa Gemmell says a loan guarantee to BNZ from New Zealand Export Credit (NZEC) was key to the company overcoming seasonal cashflow issues to capitalise on its growing popularity with snow sports and mountain biking communities.

Lisa says "Every season, the people who make our products need to be paid up-front. But we don't get paid for a long time after that."

The company enjoys strong support from BNZ but in 2020, as the market defied pandemic prophecies and overseas orders kept coming, the amount of working capital required to bridge that seasonal cashflow requirement stretched beyond what the Bank was capable of offering.

Lisa explains that Mons Royale can be an uncomfortable business for traditional bank lenders to support because it is based on a broad distribution of stock around the world. Shipments vary from large wholesale orders to individual parcels zipping around the world to e.com customers.

It was satisfying for Kate Skeggs, BNZ Commercial Partner to be able to collaborate with NZEC and to provide Mons Royale with some financial certainty during these COVID-19 impacted times. It meant that Mons Royale could head into their peak buying period with the confidence that BNZ would fund their stock; whether it flew off the shelves or ended up being held for longer than expected due to COVID-19 dampening offshore demand.

Lisa says the loan guarantee is an “awesome facility” but it was not easy to meet the bar for NZEC’s support. In fact, Mons Royale had an application turned down in 2018. However, when Mons Royale applied again in 2020, NZEC’s Senior Business Originator Phil Quinn was impressed to find a business that had made significant changes.

“Mons Royale demonstrated clarity around its goals, better systems, more established sales channels, a great governance structure and a more balanced shareholder base. They were open with information and offered up smart contingency plans” explains Phil.

Mons Royale had to put a lot of work into its 2020 application. “Some of the questions were really challenging, and there was a lot of effort required from us to drill down and explain our business to people outside the industry,” Lisa says.

Mons Royale and BNZ have had a partnership for many years and BNZ worked alongside Mons Royale during the application process to present a united proposal for NZEC to consider. Several Teams meetings were held involving Mons Royale, BNZ (Commercial Partner and International Trade Specialists) and NZEC to help provide a good understanding of the business’s trade cycle, funding requirements and to formulate a solution which provided funding certainty and required accountability.

The application was successful, and NZEC offered a 90-day loan guarantee. In effect, BNZ was able to fund a percentage of the onshore stock and global debtors under their existing facility and NZEC’s guarantee kicked-in to fund stock located offshore.

Lisa says the loan guarantee enabled the opening of important doors for the Company.

“Ultimately, if we didn’t have the loan guarantee it would have constrained our growth. It would have held back our ability to buy stock.”

“Instead, what it’s led to is higher growth than forecast for this year, with offshore orders now accounting for 65 percent of sales. Our forward orders for this year are the highest they’ve ever been.”

As Mons Royale continues to grow, further collaboration between Mons Royale, BNZ and New Zealand Export Credit looks likely.

<https://monsroyale.com/>

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**Call us: 04 917 6060** Email: [export.credit@treasury.govt.nz](mailto:export.credit@treasury.govt.nz)

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