

Homegrown automation company surging ahead with NZEC support

The challenge: MHM

Automation's buyer requested a large Advanced Payment Bond in return for an up-front payment in the contract. This required additional support from MHM's long-standing banker.

The solution: To support MHM Automation, New Zealand Export Credit (NZEC) offered its Contract Bond Guarantee to their bank,

BNZ, to secure 50% of the Advance Payment Bond in favour of the buyer; essentially a promise to repay the down-payment if the equipment was not delivered.



The benefit: This support enabled MHM Automation to secure another important project and continue to grow its automation business

In October 2021, MHM set itself a goal of achieving \$100m annual revenue within three years. From its head office in Christchurch, and offices in Australia and the United States, MHM is embarking on an ambitious automation push. Sales to some of New Zealand's most established exporters are a key part of that growth strategy.

MHM, through the subsidiaries from which it was built (Mercer Stainless, Haden & Custance and Milmeq), has had a long relationship with NZEC. Over many years, the companies have utilised a range of NZEC's products, to secure deals with buyers in Australia and beyond, with MHM always delivering on those NZEC-supported contracts.

That track record came in handy in 2021, when MHM sought NZEC's help with a deal for a domestic customer. NZEC's Head of Business Origination, Peter Rowe, explains that NZEC is able to help with domestic deals, as long as the deal is integral to the final New Zealand exports.

"People naturally associate New Zealand Export Credit with support for export deals, which is the majority of what we do," Peter says. "But in an instance where the buyer is a Kiwi exporter and the deal centres around a product that is integral to that exporter's business, our mandate allows us to support a domestic deal.

"In this case, we've been able to support two New Zealand exporters."

MHM had secured a sale for a multimillion-dollar chilling tunnel to a New Zealand red meat exporter. The tunnels, which can be more than 40 metres long, 9 meters high and 11 meters wide, are used to quickly bring food products down to a required chill level.

Sales in cutting-edge technology comes with significant risks – for both sides of the deal. MHM’s customer had been burnt in the past by other suppliers not delivering on major orders. So, the customer sought an Advanced Payment Guarantee, issued by MHM’s bank, which protected them prior to the delivery of the equipment to their site.

MHM has an excellent relationship with the BNZ and the bank has been a big supporter of MHM’s growth. But this time BNZ could not provide the requested bond on its own.

“We are long standing supporters of this group of companies and have been thrilled to support the businesses growth in recent years. This was a great opportunity to continue to support MHM Automation and partnering with the team at NZEC to make this happen” says BNZ’s Corporate Client Director Evan White who manages MHM’s relationship at BNZ.

MHM’s Chief Financial Officer Ian McGregor says, “The BNZ and NZEC agreed to take 50 percent of the advance payment risk each”.

“For a business of our size and scale, NZEC is a great avenue. The way they work with our bank is brilliant. It’s pretty seamless,” Ian says.

“In this instance, NZEC’s support has enabled us to broaden our offering to this valued customer. And it’s freed up our existing banking facility, so we can also continue with multiple other sales while this deal is underway.”

The Advance Payment Bond was put in place in August 2021 and the equipment should be delivered by July this year. Covid-era delays and staff shortages can put more pressure on cash-flow, but the bond alleviates some of that stress for both the supplier and buyer.

Imogene Lomax, MHM’s customer manager at New Zealand Trade and Enterprise (NZTE) says MHM makes good use of the Government agency support available through NZEC and NZTE. Together, the agencies have provided export market advice and foreign diplomacy expertise, alongside the financial support which is often required to seal a deal.

If you want to understand more about our [General Contract Bond Guarantee](#), please get in touch:

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