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ATLANTIC – TAP DIGITAL 2024

Day 5 – January 31, 2024

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ATLANTIC – TAP DIGITAL

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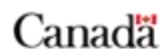
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RECAP ON DAY 4

Dave Archer

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TRADE ACCELERATOR PROGRAM



CANADA'S
TRADE
ACCELERATOR
PROGRAM

TRADE TRIVIA

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TRADE
ACCELERATOR
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GOVERNMENT FUNDING FOR CANADIAN BUSINESSES

RDP ASSOCIATES

Brian Cookson

NATIONAL FOUNDING PARTNERS



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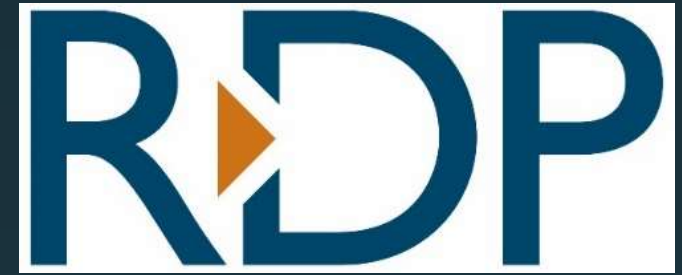


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SR&ED Tax Credits and Grants for Canadian Businesses

WEBINAR

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GOVERNMENT FUNDING for CANADIAN COMPANIES



- **Grants**
- **Tax Credits**
- **Loans**

INNOVATION



- Industrial Research Assistance Program (IRAP)
 - Superclusters
 - SR&ED

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)



\$10M

limit on the funding amount per project

Program Objective: “[to] provide financial support to qualified small and medium-sized enterprises in Canada to help them undertake technology innovation...”



FUNDING FOR:

- Project costs for development and commercialization of innovative, tech-driven products, services or processes



\$500M

in total program funding available over 5 years

OPEN TO INCORPORATED SMEs WITH <500 EMPLOYEES
- One FTE at least



CANADA'S INNOVATION SUPERCLUSTERS



670 “innovation partners”
5 clusters

- digital technology
- data-driven enterprises
- protein innovations in Canadian crops
- manufacturers as the next technology integrators
- artificial intelligence
- supply chains
- ocean and marine (bio)technology

OCEAN SUPERCLUSTER (OSC)



Up to 40%

of project costs
are funded

Minimum OSC
contribution of
\$400,00.

Program Objective:

“to strengthen Canada’s
ocean industries
through collaborative
projects in a wide range
of industries including
aquaculture, defense,
fisheries, shipbuilding,
marine renewable
energy, oil and gas,
transportation, and
more.”



FUNDING FOR:

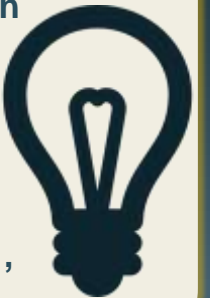
- Minimum of two
industry members
(private-sector)



Total program
funding up to

\$278M

Projects need to focus
on emerging (marine
bio-resources, marine
renewable energy, ocean
frontier oil and gas,
offshore aquaculture)
and established
(maritime defense,
offshore oil and gas,
shipping, ship building,
wild fishery) ocean
sectors.



ACOA – BUSINESS DEVELOPMENT PROGRAM



50-75%

of project costs are funded

No fixed amount for total project costs.

Program Objective:

“provides access to capital in the form of interest-free repayable assistance to SMEs to help them start up, expand or modernize their business.”



FUNDING FOR:

- Starting up, expanding or modernizing your business.



Currently accepting applications (continuous intake)

For entrepreneurs and non-profits



ACOA – ATLANTIC INNOVATION FUND



75-80%

of project costs are funded

The average funding level ranges from **\$500K to \$3M**

Program Objective:

“The AIF is helping Atlantic Canada compete at home and abroad by providing contributions to the private sector that are conditionally repayable based on the commercial success of a project, supporting the development of innovative products and services that lead to commercial success.”



FUNDING FOR:

- Developing and bringing new products and services to market that lead to market success, help grow strategic sectors, or lead to the creation of research and commercialization partnerships.



Currently accepting applications (continuous intake)

Open to business, co-operative, university, college and research institution



ACOA – BUSINESS SCALE-UP AND PRODUCTIVITY



Repayment contributions are unsecured and interest-free.

No fixed amount for total project costs.

Program Objective:

“helps businesses by providing interest-free repayable loans to accelerate their growth and assists with the adoption of innovative technologies that support scale-up, productivity and global competitiveness as well as the development of and entry into new markets.”



FUNDING FOR:

- Growth, adoption, scale-up, and commercialization of innovative technologies.



Currently accepting applications (continuous intake)

Helps Atlantic Canada businesses at various stages of development, including high-growth firms.



AEROSPACE REGIONAL RECOVERY INITIATIVE (ARRI)

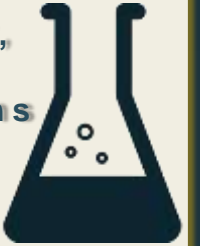


Contributions are repayable and have competitive interest rates and repayment terms.

No Fixed Amount

Program Objective:

“To support projects aimed at maintaining and enhancing innovation, productivity, and competitiveness of aerospace SMEs in regions that support larger supply chains, ensuring the sector emerges from the pandemic with the capacity to compete on the global scene.”



FUNDING FOR:

- Adopting sustainable practices, improving productivity, and strengthening commercialization.



Continuous intake

Incorporated small to medium-sized businesses (SMEs); Not-for-profit organizations that provide essential services to SMEs; Indigenous Organizations.



JOBS AND GROWTH FUND (JGF)



Interest-free
repayable
contributions for up
to 50% of eligible
costs for eligible
businesses.

No Fixed Amount

Program Objective:

“provides funding
to businesses and
organizations to
help create jobs
and position local
economies for
long-term
growth.”



FUNDING FOR:

- Adopting sustainable practices, improving productivity, and strengthening commercialization.



**Continuous
intake**

**Businesses,
including co-
operatives,
not-for-profit
organizations and
community
economic
development
partners.**



CBDC INNOVATION LOAN

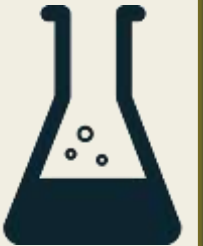


Up to **\$150,000**

All loans are repayable and have competitive interest rates and repayment terms.

Program Objective:

“To encourage business productivity and effectiveness in the communities of rural Atlantic Canada by advancing the adoption of technologies for business”.



FUNDING FOR:

- Adoption of technologies, new products or services, and training.



Continuous intake

Rural-based businesses across Atlantic Canada:
- New or existing entrepreneurs located in rural areas.
- Year-round or seasonal businesses.



SR&ED TAX CREDITS



STATISTICS

- Total number of SR&ED claims annually are roughly 20,000
- Average SME claim size is \$55K per year
- Canadian controlled private company (CCPC) earns over 40% of eligible SR&ED costs (with a few restrictions)



SR&ED INDICATOR

Manufacturing

- Are you developing, or improving upon, a new product?
- Are you creating, or improving upon, a new process?
- Are you developing custom machinery?
- Are you developing prototype equipment?
- Is the development subject to a patent?

CRA's new SR&ED procedures



- WHY & HOW
- Focus moving away from the five questions to WHY & HOW
- Technological uncertainty still king



CRA Reviews



CRA carries out different types of reviews:

1. First Time Claimant (FTCAS)
2. System Review; for companies who have not had a CRA review in past 4 years
3. Full or partial review; can be financial or technical or both
4. Large company SR&ED claims; where SR&ED expenditures exceed \$10M

Current processing standards



- SR&ED accepted as filed is processed within 60 days
- Those selected for review are processed in 180 days

TOP PROBLEMS



- Start Date
 - Technological Uncertainty or Advance not identified upfront
 - Market feasibility carried out, not technical feasibility
- Stop Date
 - Commercial production began
- Breaking out ineligible activities
 - Not necessary to do SR&ED
 - i.e. found out furnace didn't work, raw materials were defective
- Technological Advances not quantified
- Work was done out side of Canada
- Work was done by non-residents of Canada
- Lack of documentation to support work done or support documentation not dated
- Software developed for internal use

Maximizing the SR&ED Claim



- Review list of projects not claimed (can smaller projects be grouped into larger projects?)
- Define projects by technology not product
- Review list of eligible activities
- Think about all costs to resolve a technological uncertainty

CAPITAL INVESTMENT TAX CREDIT



15%

of the capital cost of qualified property.

Each approved project can receive up to \$30M across the duration of the project.

- The “qualified property” is acquired by the eligible corporation between January 1, 2015 and January 1, 2025 and;
- It must be acquired as part of an “approved project” i.e. a single project of an eligible corporation where \$15 million or more is spent on “qualified property.”



Program Objective: “a refundable corporate income tax credit claimed by an eligible corporation for qualified property acquired for use in Nova Scotia on or after January 1, 2015.”



FUNDING FOR:

- Capital Cost as defined in section 1.45 of the Canada Revenue Agency’s (CRA) Capital Cost Allowance.

OPEN to taxable Canadian corporations, particularly those within the manufacturing and processing, farming, fishing, and logging sectors with a permanent establishment in Nova Scotia.



INNOVATION REBATE



25%

is applied to eligible project costs.

The maximum rebate amount cannot exceed \$3.75M over a 24-month period.

FUNDING FOR:

- Increasing innovation capacity through private-sector capital investments or the adoption of new technologies and business processes.

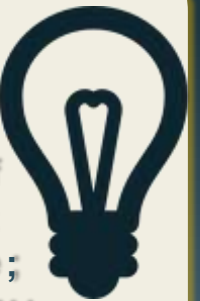
Program Objective:

“to incent high-value investment in Nova Scotia companies with the goal of increasing their competitiveness in global markets. The program will assist existing Nova Scotian companies and inbound Foreign Direct Investment firms.”



An Eligible Project must have a total budgeted Nova Scotia investment (excluding tax) of not less than \$2,000,000.

Targets the following industries: advanced manufacturing and processing; development of non-traditional sources of energy; life-sciences; aerospace and defence; (ICT); ocean technology; and professional, scientific, and technical services.



INTERACTIVE DIGITAL MEDIA TAX CREDITS



*The government of Canada provides tax credits for digital media projects such as game development, educational software, animated simulators and more. Digital media tax credits are offered for qualifying companies permanently located in the provinces of **Alberta, British Columbia, Manitoba, Ontario, Quebec, Nova Scotia, and Prince Edward Island.***

■ What Can You Claim?

- Depending on the province IDMTTC provides a **refundable 17.5% - 40%** tax credit on eligible salary and wages involved in creating interactive digital media (IDM) products. The credit is fully refundable but is first applied to income tax payable
- A qualifying IDM product should be designed to be used interactively by an individual, and consist of a combination of files that are digitally integrated and are intended to be operated together

INTERACTIVE DIGITAL MEDIA TAX CREDITS



Qualifying products must also either educate, entertain, or inform using at least two of the following: text, sound, and/or images. Examples of eligible IDM products includes:

- Video games
- Educational software
- Entertainment (or edutainment) software
- Simulators, such as driving a car

Blogs, online magazines and newspapers, slideshows, videos or presentations that are not made to be used interactively do not qualify.

INTERACTIVE DIGITAL MEDIA TAX CREDITS



- **Who Can Claim It?**

- Digital media tax credits are offered for qualifying companies permanently located in the provinces of **Alberta, British Columbia, Manitoba, Ontario, Quebec, Nova Scotia, and Prince Edward Island.**



MARKETING AND EXPORTS



\$50K

limit on the
funding amount
per company

Program Objective:

“Financial support for your small or medium-sized firm’s development of new export opportunities.”



FUNDING FOR:

- International travel
- Trade shows
- Marketing material
 - Document translation
- Market research



\$10M

annual program
funding

OPEN TO SMEs REGISTERED IN CANADA THAT ARE SEEKING TO DEVELOP NEW EXPORT OPPORTUNITIES AND MARKETS



- >\$100K revenue
- 1 FTE

HUMAN RESOURCES and TALENT FUNDING



YOUTH
EMPLOYMENT



WORK-
INTEGRATED
LEARNING



SKILLS
DEVELOPMENT

MITACS ACCELERATE & ELEVATE



\$50K
over 24 mths

limit on the
funding amount
per new hire

Program Objective:

to “deploy top
talent from
Canadian post-
secondary
institutions to
businesses
and not-for-
profits”



FUNDING FOR:

- Hiring new grads in tech-related role at tech-oriented company



\$708M

annual program
funding

OPEN TO
INNOVATIVE
SMEs IN ALL
SECTORS



GRADUATE TO OPPORTUNITY



Year 1: covers
25% - 35% of
the first year's
salary

Year 2: covers
12.5% of the
second year's
salary

Program Objective:

“To build a stronger workforce and retain young people in Nova Scotia with a salary incentive that makes it easier to hire recent graduates.”



**FUNDING FOR:
Hiring new grads.**



The position must be new, permanent, full-time and pay at least **\$37,500** a year.

OPEN TO:

- A small business with fewer than 100 employees
- A start-up company incorporated within 2 years of the application date
- A social enterprise, non-profit organization or registered charity with recognized standing



START PROGRAM



Wage incentive amounts on a case-by-case basis, considering:



- Type of employment offered
 - Wages offered
- Employee's skill level
- How long the employee has been looking for work

Program Objective:

“helps connect employers with unemployed Nova Scotians who can fill their job vacancies.”



**FUNDING FOR:
Hiring an
unemployed Nova
Scotian**



Offers a wage incentive and other types of funding if they hire an unemployed Nova Scotia.

Small or medium-sized employers, including businesses, not-for-profit organizations and social enterprises



WORKPLACE INNOVATION AND PRODUCTIVITY SKILLS INCENTIVE



You can apply for up to **\$100,000** in a fiscal year. The program will fund up to **50%** of eligible direct training costs.

Program Objective:

“provides funding for employers and industry associations for training full-time employees to improve productivity and innovation within the organization.”



FUNDING FOR:
Training,
expanding core
operations, and
promoting growth
and profitability.



The minimum application amount is **\$10,000** in direct training costs. Funding may be available for administration costs as determined on a case-by-case basis.

You can apply as an individual business or as an organization or association on behalf of a group of businesses.



Student Work Placement Program (SWPP)



Wage subsidy of
50% up to **\$5,000**
(or 70% up to
\$7,000 for
underrepresented
students)

Program Objective:

“gives post-
secondary
students in STEM
and business
programs across
Canada work
experience.”



FUNDING FOR:

**Hiring new post-
secondary
students.**



Applications must
be submitted and
approved prior to
the student's
start date.
Placements can
last for up to 16
weeks.

**OPEN TO OPEN
TO ALL
EMPLOYERS**





INDUSTRY SPECIFIC FUNDING

SUSTAINABLE DEVELOPMENT TECHNOLOGY FUND



\$4M

limit over a 5
year period per
project

Program Objective:

**“supporting the
development and
pre-commercial
demonstration of
cleantech
solutions”**



- 1st ever type of
technology in Canada

FUNDING FOR:

- Pre-commercialized clean technology



\$928M

total program
funding

**OPEN TO
Canadian
cleantech
companies
focused on
clean air, clean
water, clean
soil and climate
change**





GOVERNMENT GRANTS: SHOULD YOU APPLY?

OBTAIN APPROVAL BEFORE YOU START



- **Be Strategic**

- Look at grants as a way to leverage initiatives that are already part of your strategy
- Creating a grants canvas can help facilitate this
- Take business plan and assess what grants apply

- **What are your Chances of Success?**

- Simply applying and meeting the grant criteria doesn't guarantee funding
- Timing, and the maturity of the program, can strongly affect the rate of approval
- Benefits to Canada (jobs, environment, impact on community)
- Business plan

- **What is your Timeline/Plan?**



APPENDIX

SR&ED TAX CREDITS: 2024



2024	Eligible Type of Corporations	Credit Rate	Refundable	Non-Refundable
Federal	Canadian Controlled Private Corporations (CCPC)	35% of the first \$3M* in eligible expenditures	x	
		15% on eligible expenditures in excess of \$3M	x (40% max)	
	Other Corporations: <i>Public Corporations, Other Private Corporations & Foreign Owned</i>	15%		x
	Individuals	15%	x (40% max)	
Ontario	CCPC & Other Corporations - <i>Ontario Innovation Tax Credit (OITC)</i>	8% of the first \$3M** in eligible expenditures	x	
	CCPC & Other Corporations - <i>Ontario Research and Development Tax Credit (ORDTC)</i>	3.50%		x
British Columbia	CCPC	10%***	x	
	Other Corporations	10%		x
Alberta	Corporations (SMEs)	8% **** (+ 20% of excess R&D spending)	x	

*The limit is progressively eliminated when the previous year's taxable capital used in Canada is between \$10M and \$50M. For CCPC's with taxation years ending after Mar 18, 2019, the use of the previous year taxable income threshold is removed.

**Ceiling is progressively eliminated when taxable income is between \$500,000 and \$800,000 or taxable capital used in Canada is between \$25M and \$50M.

***B.C. refundable tax credit for CCPC's is 10% of the lesser of eligible B.C. R&D expenditures and the federal \$3 million expenditure limit. The credit is non-refundable beyond the \$3 million limit.

****8% payment for eligible R&D spending carried out in Alberta, up to the corporation's base level of spending + an enhanced 20% payment for eligible R&D spending that exceeds the corporation's base spending level. A firm's base level of spending is determined by calculating the corporation's average qualifying R&D spending over the previous 2 years.

SR&ED TAX CREDITS: 2024



2024	Eligible Type of Corporations	Credit Rate	Refundable	Non-Refundable
Saskatchewan	CCPC	10%* (refundable) + 10% of excess (non-refundable). \$1m limit on total tax credits claimed per year	X	
	Other corporations	10% of qualifying expenditures capped at \$1 Million in Tax Credits		X
Manitoba	Corporations	15%**	X	X
Quebec	CCPC	<ul style="list-style-type: none"> • 30% of the first \$3M in eligible expenditures*** • 14% of excess 	X	
	Other Corporations & individuals	14%	X	
New Brunswick	Corporations	15%	X	
Nova Scotia	Corporations	15%	X	
Newfoundland & Labrador	Corporations & individuals	15%	X	
Yukon	Corporations & individuals	15%****	X	
Prince Edward Island	N/A	0%*****		

*CCPCs will be eligible for a 10% refundable R&D tax credit for the first \$1 million annual qualifying expenditures made on or after April 1, 2017; Qualifying R&D expenditures in excess of the annual limit, as well as qualifying expenditures by other corporations are eligible for a 10% non-refundable R&D Tax Credit; The total refundable and non-refundable R&D Tax Credits that may be claimed by a corporation will be limited to \$1 million per year.

**Qualified expenditures continue to include eligible capital expenditures after 2013. Manitoba ITC's are fully refundable on ly for eligible Manitoba R&D activities carried out under an eligible contract with a qualifying research institute. 50% of ITC's are refundable for in-house R&D expenditures.

***The \$3M ceiling is reduced by the excluded expenditures threshold. Rate gradually decreases from 30% to 14% when world assets exceed \$50M

****Yukon's rate is 20% on R&D expenditures made to the Yukon College.

*****PEI does not offer SR&ED Tax Credits



Thanks for watching!

QUESTIONS?

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TRADE ACCELERATOR PROGRAM

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INTRO TO EXPORT DEVELOPMENT CANADA EDC

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CAPITAL MARKETS

RBC

Geoffrey Bellemore

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Global Capital Markets



> RBC Capital Markets is a top 10 investment bank in the world

Coverage Highlights



- Comprehensive coverage of G10 & EM Macroeconomic developments & themes
- Award-winning fundamental and technical currency strategy
- In-depth coverage of G10 RBC PMI Index - Canada

Global Client Service Model



Awards & Recognition



Best Bank in Canada in 2021



Best Bank for Fixed Income and FX Research (2022)



Foreign Exchange (FX) Risk

FX risk arises as a result of transactions, assets, & liabilities that are denominated in a foreign currency.

As exchange rate fluctuates, working capital will vary accordingly, affecting the overall liquidity of a firm.

Types of FX Risks

1. **Economic Risk:**

The long-term effect of changes in exchange rates

2. **Transaction Risk:**

When a company records receivables, payables, & other cash flows denominated in foreign currency

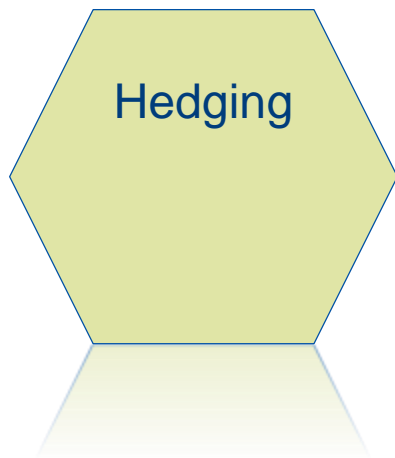
Managing FX Risk

Steps for dealing with FX fluctuations:

- 1 Identify your exposure to foreign exchange risk
- 2 Quantify your exposure to foreign exchange risk
- 3 Create a foreign exchange exposure management strategy
- 4 Implement your strategy
- 5 Monitor & evaluate the performance of your strategy

Case Study

Foreign Exchange



Scenario

You agree to sell USD forward, the forward locks you in to sell a specific amount of USD at a specified time in the future, at a pre-set rate of exchange.

The forward rate is simply the spot rate of exchange adjusted by the forward points for the period.

Forward points are derived from the interest rate differential between the two countries in the currency pair. If the base currency (i.e. USD) interest rates are higher, forward points will be negative and the forward rate will be priced at a discount.

Conversely, if the base currency (i.e. USD) interest rates are lower, forward points will be positive and the forward rate will be priced at a premium.

If the USD depreciates: you are fully protected against the adverse move.

If the USD appreciates: you have no participation in the favourable move

Example

Company Sells: USD 100,000

Company Buys: CAD 133,040

Spot Rate: 1.3350

Forward Rate: 1.3304

Maturity Date: 6 months

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QUIZ

CAPITAL MARKETS

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Foreign Exchange Quiz Question

You have received an export order to a UK financial institution in GBP but your input costs will be largely CAD related.

How do you mitigate the risk of adverse currency movements that could erode your profit margins?

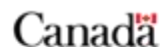
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FINANCIAL CONSIDERATIONS

RBC

Jeremy Kelly

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Financial Considerations



How Will International Expansion Impact My Business?

Organizational Needs and Resources

- Human resources
- Physical space
- Equipment
- Software

Financial Impact

- Increased working capital
- Capital Expenditures
- Foreign Exchange



Planning Your Growth

Questions to consider:

- ?
 - ?
 - ?
- How do you plan to finance your growth?
- Have you considered your short-term and long-term growth?
- Do you need support to finance any upfront costs?

Value of a Financial Plan

- Balance Sheet
- Income Statement
- Cash Flow
- Projections



Value of a Financial Plan - Financial Statements

Balance Sheet

- Consists of Assets, Liabilities, and Equity
- Point in time assessment of financial health
- Items to consider:
 - Composition of your balance sheet (debt vs equity)
 - Deferred Revenue
 - How is cash moving in/out of your business?
 - Sources of cash

Income Statement

- Income earned, expenses incurred during a period
- Consists of Revenue, Cost of Goods Sold (COGS), Operating Expenses, Profit
- Items to consider that may need further clarification:
 - Large contract/ sale – is revenue growth sustainable?
 - One-time expenses – is the decline in profit temporary or permanent?
 - Is your business growth seasonal?

Cash Flow

- Consists of cash inflows and outflows over a given period of time.
- Forecasting cash flow helps:
 - Understand the timing of cash flows in and out of the business
 - Determine amount and timing of any additional funding requirements
 - Understand cash flow impact of business decisions

Value of a Financial Plan - Projections

Projections

- Realistic
- 3-5 years, monthly for 1st year
- Provide key assumptions
- What are biggest cash drivers and when are largest cash needs?
- If it doesn't work, what is Plan B?

Factors that Banks Consider

- Financial
 - Key financial metrics/ratios
- Management
 - Experience/Track record
 - Succession
 - Key person
- Industry and Competitive Risk
 - Market Position
 - Diversification (markets and customers)



Key Financial Metrics

- Sales growth
- Gross margin
- Operating expense %
- Cash flow
 - Debt Service Coverage
 - Current Ratio
- Leverage
 - Total Debt: Tangible Net Worth
 - Funded Debt: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

Talking To Your Banker

- Be prepared
- Explain your business objectives and plans
- Clearly outline risks and how to mitigate
- Access to capital
- Be realistic

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Case Study

- Company profile: manufacturer, forecasting to grow from \$7MM to \$9MM in revenue
- Needs: working capital financing for AR and Inventory to support forecast + PO financing
- Challenges: high leverage ratio, forward looking credit structure, high risk
- Solution: introductions to BDC Capital to raise \$2MM of patient capital and improve the capital structure + \$2MM line of credit with EDC guarantee, margined quarterly against AR and Inventory + \$1MM pre-shipment cost financing with EDC guarantee
- Security: first ranking General Security Agreement on company assets, EDC guarantee 75%

Financial Ratio Calculation Examples

There are three key ratios used to assess financing requests

1 Current Ratio

Current Ratio (CR) is used to determine a company's ability to meet or pay its short-term obligations (due within the next 12 months). Also known as a Liquidity ratio.

- Calculation =
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- Higher Number = Lower risk
- Typical minimum: 1.10:1

2 Leverage

Measures the proportion of debt a company has used compared to equity, as a source of funding for its assets.

- Calculation =
$$\frac{\text{Total Liabilities}}{\text{Tangible Net Worth}}$$

- **Total Liabilities:** Short Term Liabilities + Long Term Liabilities – Postponed Shareholder/Related Party Loans
- **Tangible Net Worth:** Retained Earnings+ Share Capital + Postponed Shareholder/Related Party Loans – Intangible Assets (Goodwill, Leaseholds, Due from etc.)
- Lower Number = Lower Risk

3 Debt Service Coverage

Debt Service Coverage (DSC) measures the amount of cash flow available to service debt

- Calculation =
$$\frac{\text{EBITDA-Cash Taxes-Corporate Distributions}}{\text{Scheduled Principal and Interest}}$$

- **EBITDA:** Earnings (Net Income) BEFORE Interest, Taxes, Depreciation, Amortization. To Calculate: Net Income + All Interest Paid + Taxes Paid + Dep./ Amort. expense
- **Corporate Distributions:** Repayment or borrowing from related parties (shareholder, sister company) and dividend payments to shareholders
- **Scheduled Principal and Interest:** Scheduled principal payments on term loans and leases and the associated interest on all your credit facilities (leases, term loans and lines of credit)
- Higher Number = Lower risk (*If the number is less than 1, the business is unable to generate enough cash flow from its operations to cover its debt obligation.*)
- Typical ratio: 1.25:1



1 Current Ratio – Calculation Example

$$\text{Current Ratio 2018} = \frac{1633}{1050} = 1.56$$

Suggests strong liquidity & ability to meet short term obligations through current assets

2 Leverage – Calculation Example

$$\begin{aligned} \text{Total Liabilities} &= \text{Total Liabilities} - \text{Postponed S/H Loan} \\ &= 1550 - 250 \\ &= 1300 \end{aligned}$$

$$\begin{aligned} \text{Tangible Net Worth} &= \text{Equity} - \text{Intangible Assets} + \\ &\text{Postponed S/H Loan} \\ &= 733 - 250 (\text{Due From Affiliated Co}) + 250 \\ &= 733 \end{aligned}$$

$$\text{Leverage Ratio 2018} = \frac{1300}{733} = 1.77$$

Balance Sheet

Fiscal Year	Dec 31 2018 (\$'000)	Dec 31 2017 (\$'000)
Assets		
Inventory	600	550
Account Receivable	1033	773
Total Current Assets	1633	1323
Due from Affiliated Co	250	200
Fixed Assets	400	350
Total Assets	2283	1873
Liabilities		
Accounts Payable	300	250
Operating Loan	600	550
Income Tax Payable	50	50
Current Portion of LTD	100	75
Total Current Liabilities	1050	925
Long Term Debt	250	200
Shareholders Loans (Postponed)	250	300
Total Debt	1550	1425
Retained Earnings	733	448
Total Equity	733	448
Total Liabilities and Equity	2283	1873

Income Statement

Fiscal Year	Dec 31 2018 (\$'000)	Dec 31 2017 (\$'000)
Sales	6500	6250
Cost of Goods	3250	3000
Gross Profit	3250	3250
Expenses		
Amortization	100	75
Interest	40	37
SG&A	2500	2300
Income Before Tax	610	838
Tax	75	90
Net Income	535	748
Dividend	250	300

3 Debt Service Ratio (DSC) – Calculation Example

EBITDA = Net Income + Interest + Taxes + Depreciation & Amortization

$$\begin{aligned} &= 535 + 40 + 75 + 100 \\ &= 750 \end{aligned}$$

Cash Taxes = 75

Corp. Distributions

$$\begin{aligned} &= \text{Dividends (IS)} + \text{Changes to} \\ &\text{Shareholder Loans (BS)} \\ &= 250 + (250 - 200) - (250 - 300) \\ &= 350 \end{aligned}$$

Scheduled P + I

$$\begin{aligned} &= \text{CPLTD (BS)} + \text{I (IS)} \\ &= 100 + 40 \\ &= 140 \end{aligned}$$

$$\text{DSC} = \frac{(750 - 75 - 350)}{140} = 2.32$$



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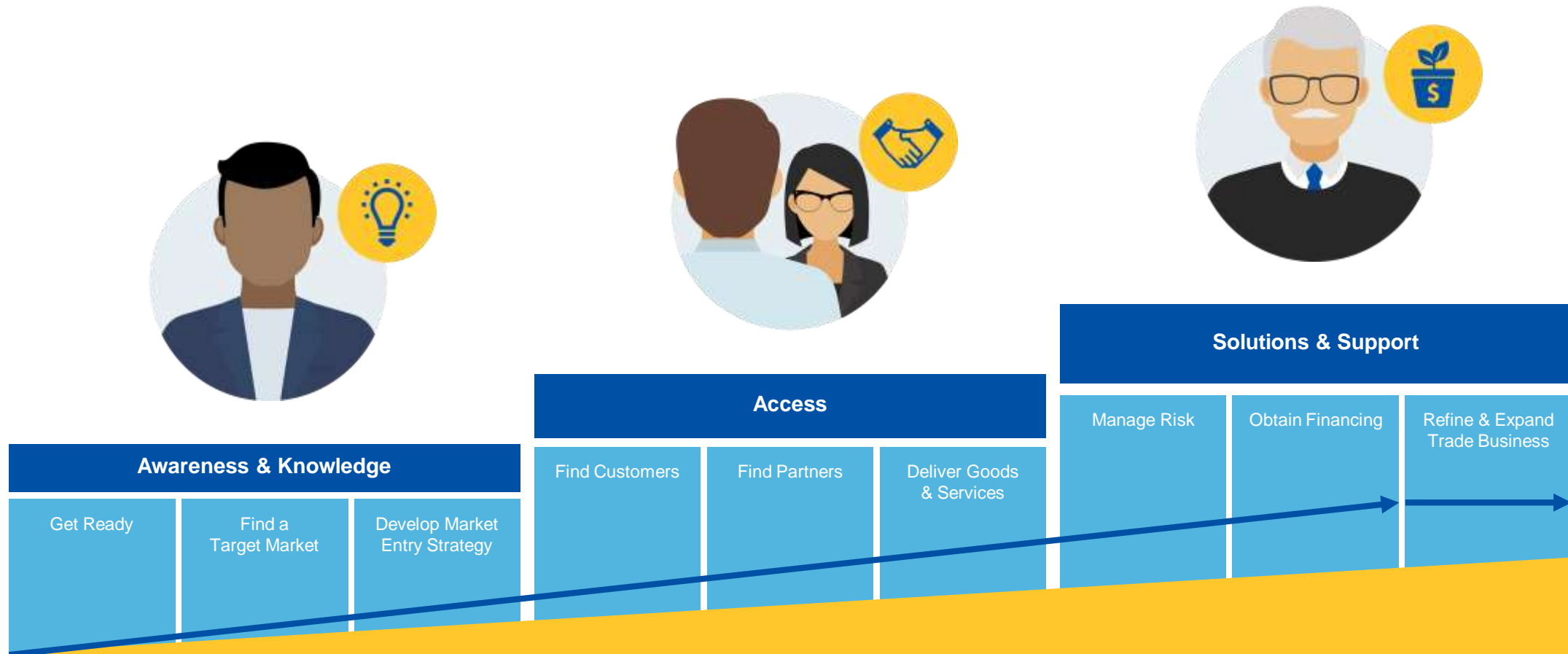
Exploring New Markets



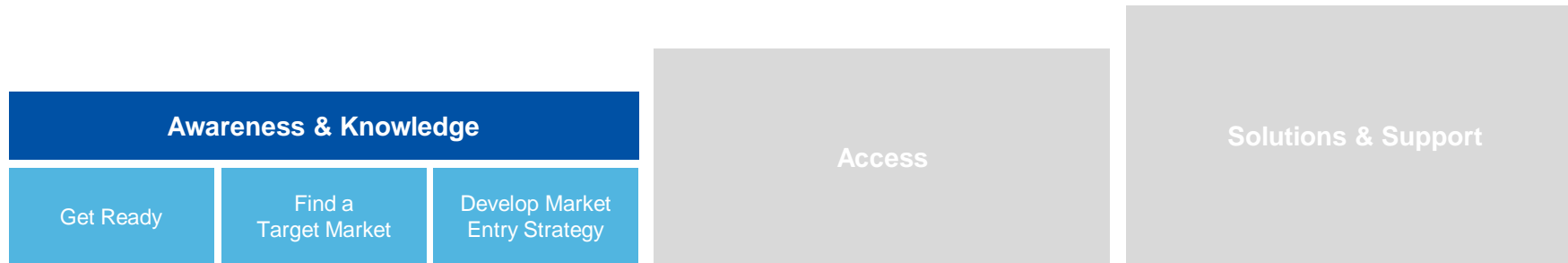
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Doing Business Outside Canada



Trade Journey: Awareness & Knowledge



QUESTIONS

What is your 12-18 month growth plan?

Have you considered entering new markets?

Do you have a market entry strategy?

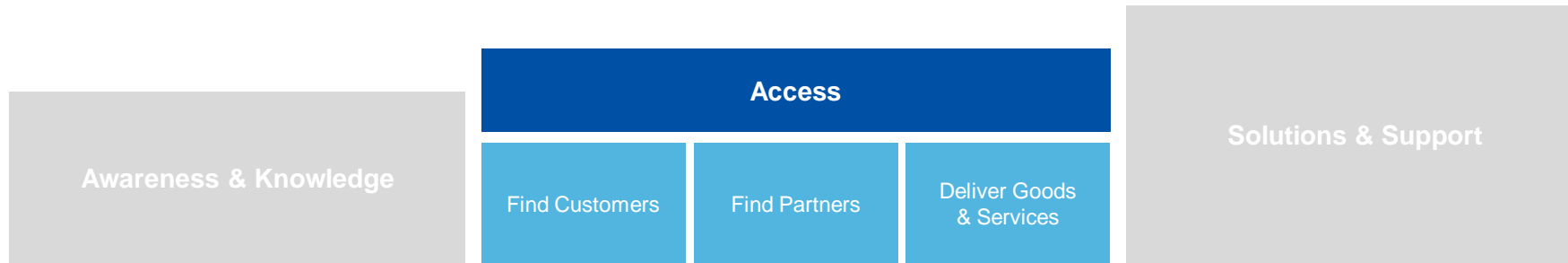
SOLUTIONS



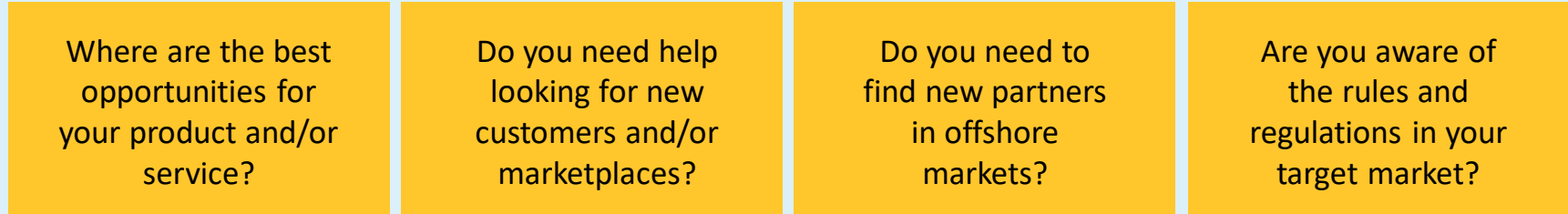
National Trade Accelerator Program



Trade Journey: Access



QUESTIONS



SOLUTIONS



RBC Global Connect™



RBC Trade Finance



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Diversify safely and confidently with RBC Global Connect

RBC Global Connect

- Has the tools to assist our clients during this time of supply chain disruption when clients and business partners are negatively impacted.
- Clients have already noted its usefulness in sourcing potential new buyers and suppliers
- We can offer quick access to Trade Resources for clients to expand and benefit, plus exclusive access to the Trade Club for select clients. RBC Global Connect is a unique, differentiated solution to address our client's business needs during this pandemic.



Trade Resources

- ✓ **Enables and supports clients** in extending their reach and expanding their business networks.
- ✓ **Identify the best countries for your product or service** and find your next trading partner through our **global network of over 190,000 importers and exporters.**
- ✓ **Get the latest business and trade intelligence through our robust online library** – 100,000+ pages of information including shipping documentation, import/export information, and over 25,000 reports.



Trade Club

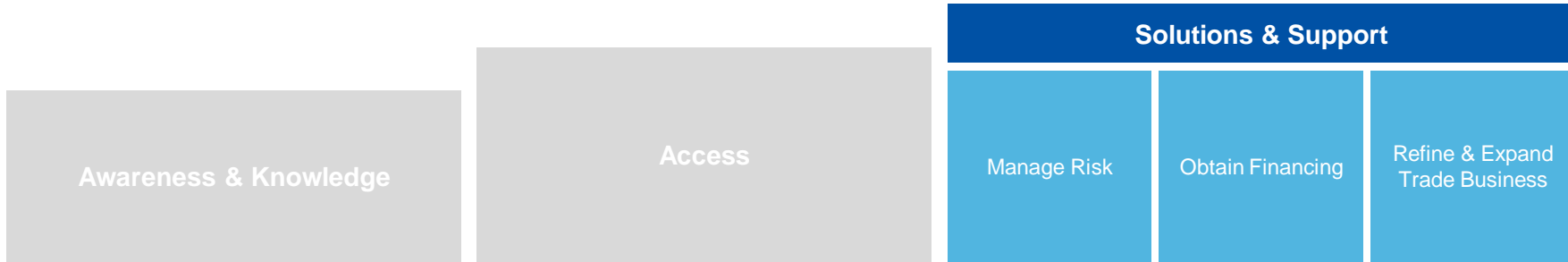
- ✓ Easily **connect with almost 20,000 like minded, vetted businesses** through the Trade Club Alliance of 11 global banks.
- ✓ Diversify and promote your buyer and supplier brand on **one platform to over 40 countries.**
- ✓ RBC is the only Canadian partner bank within the Trade Club Alliance, providing **exclusive access to international businesses.**



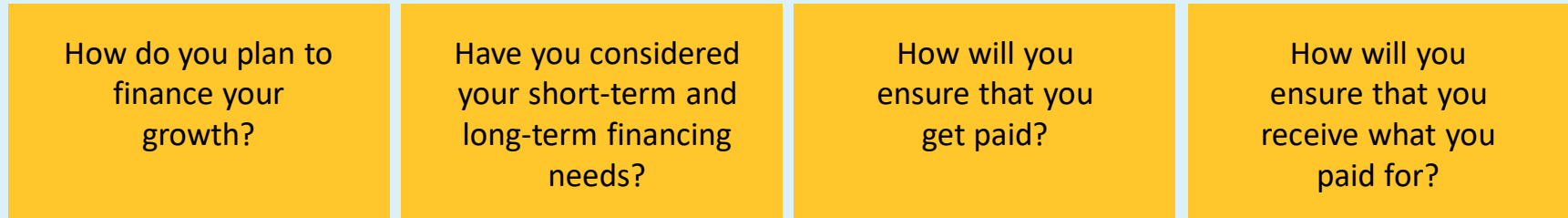
RBC Global Connect™ – A Platform Dedicated to Helping Businesses Go Global



Trade Journey: Solutions & Support



QUESTIONS



SOLUTIONS



How to Manage Risk

Risks that come with doing business internationally can be minimized with advance planning.

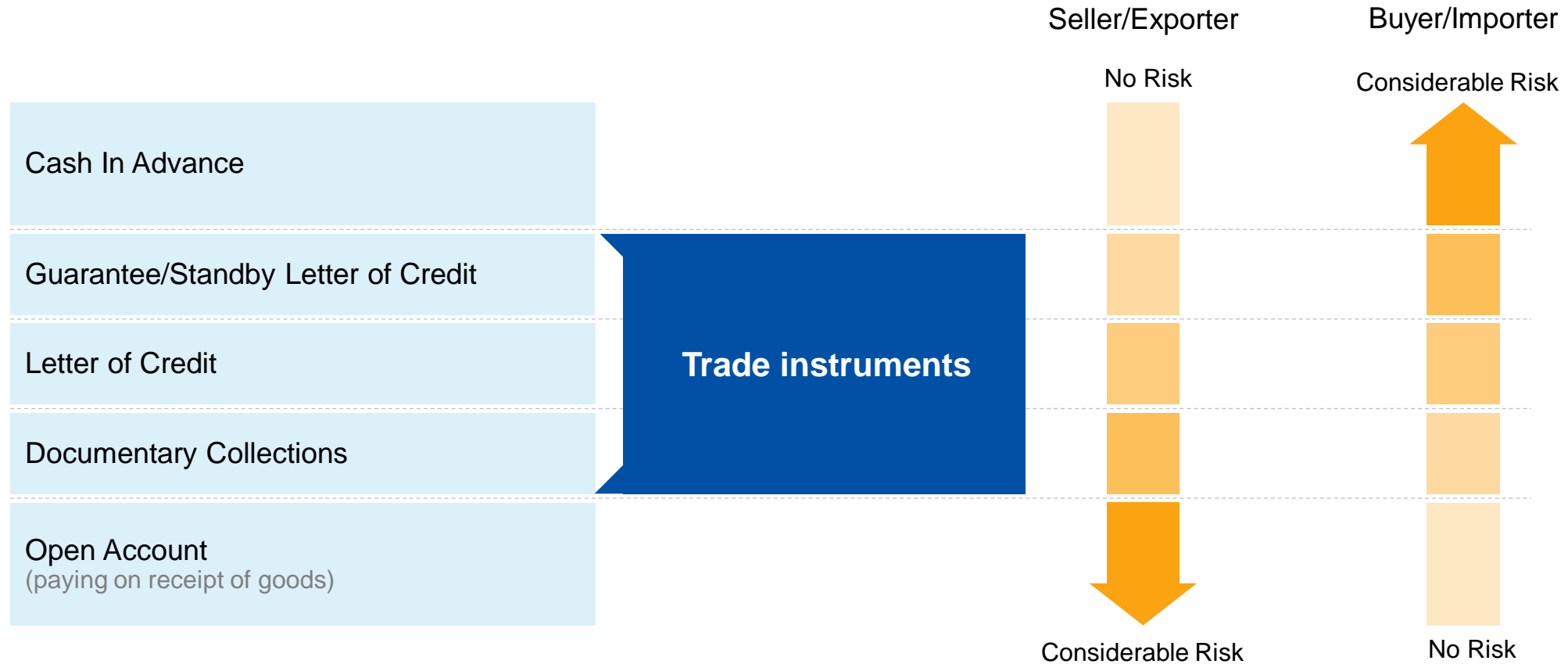
Some inherent risks:

- Payment risk
- Performance risk
- Documentary risk
- Foreign exchange risk



**View risk as a challenge,
not as a deterrent**

Managing Payment Risk, Performance Risk and Documentary Risk



Case Study

Jane Software Inc. won a contract in the Middle East



Jane Software Inc. needs to:

- Provide a performance guarantee to project owner
- Minimize use of working capital as security to performance guarantee

Recommended Solution:

- Counter guarantee to a local bank for issuance of a local guarantee to project owner
- Apply for an Account Performance Security Guarantee program through EDC, which would provide 100% security to RBC



WORKSHOP: International Trade Finance

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WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 1

You are negotiating a sale with a potential client abroad.

What are the financial tools you have at your disposal to finalize the transaction?

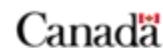
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WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 2

What are the key considerations your financial institution/investors will look for before approving the additional funding you are seeking?

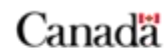
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WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 3

What are the main risks companies face when they are expanding internationally?

How can you mitigate those risks?

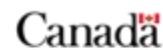
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Next Session's Topics

- **Keys to a Successful Logistics Strategy**
- **Digital Marketing**
- **Brand Awareness**
- **Ecommerce**
- **Mentor Week process**
- **Export Plan Focus: Logistics /Supply Chain Management and Digital Marketing**

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