



HERBERT  
SMITH  
FREEHILLS

# UK Export Development Guarantee scheme: supporting UK exporters to access liquidity

---

An increasing number of UK manufacturing and industrial companies including Rolls-Royce and the UK's two largest airlines have recently turned to UK Export Finance (**UKEF**), the UK government's export credit agency for trade finance and insurance, to provide guarantees to assist with accessing commercial loans.

## Export Development Guarantee

The Export Development Guarantee (EDG) helps UK exporters access high value loan facilities for general working capital or capital expenditure purposes. UKEF can provide support for finance provided by one or more commercial lenders, which does not need to be linked to a specific export contract.

UKEF can provide partial guarantees covering up to 80% of the risk to lenders for a maximum repayment period of up to 5 years. Transactions start at a minimum of £25 million with UKEF expecting the average value of EDG transactions to be between £100 million and £500 million (although noting that the recently announced transactions for British Airways and easyJet have both significantly exceeded this).

Whilst the guarantees will usually support lending in GBP, lending in US dollars, Euros or Japanese yen may also be considered.

## Eligibility criteria

The applicant must satisfy UKEF's eligibility criteria namely that either:

- export sales represent at least 20% of its annual turnover in any one of the last three financial years; or
- export sales represent at least 5% of its annual turnover in each of the last three financial years.

In addition the applicant must be carrying on business in the UK, either by manufacturing goods in the UK, delivering services from the UK or providing intangibles from the UK. The applicant must have both premises and employees in the UK. Importantly UKEF's expectation is that all EDG applicants will be UK-based entities.

## State aid/conditions

The EDG scheme does not constitute state aid (even before Brexit) and the commercial loans do not carry preferential rates. There is an extensive due diligence and compliance process to be followed (as is usual when dealing with government) as well as UKEF's standard conditions set out in its template documentation. In addition, applicants can expect to negotiate certain non-financial covenants, for instance restrictions on dividend payments.

## Conclusion

For those UK companies which meet the necessary export criteria, the EDG provides a welcome new avenue to strengthen balance sheets and access liquidity.

**Herbert Smith Freehills is advising easyJet on its recently announced EDG funding.**

If you have any questions, or would like to know more please get in touch.

### Key contacts



**Jahnavi Ramachandran**  
Partner, Finance  
T +44 20 7466 2408  
[jahnavi.ramachandran@hsf.com](mailto:jahnavi.ramachandran@hsf.com)



**Rex Rosales**  
Partner, Finance  
T+ +44 20 7466 2586  
[rex.rosales@hsf.com](mailto:rex.rosales@hsf.com)



**Robert Moore**  
Partner, Corporate  
T +44 20 7466 2918  
[robert.moore@hsf.com](mailto:robert.moore@hsf.com)

For a full list of our global offices visit [HERBERTSMITHFREEHILLS.COM](https://www.herbertsmithfreehills.com)

---