

Being Successful in International Markets

Or.....Grow your business beyond
(the declining budgets of) the United States

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Unique Vantage Point & Insights

- Worked in the Pentagon



- Special Advisor to Under Secretary for Acquisition, Technology and logistics

- Worked in the UK MoD for 20 years

- 2009 – 2012 Counselor for Defence Acquisition and Technology within the UK Embassy in DC



MINISTRY OF DEFENCE

- Responsible for procuring from USG – Direct Commercial Sales (DCS) and Foreign Military Sales (FMS)
- Responsible for obtaining all necessary approvals from USG for sales to non-UK customers
- Responsible for helping UK companies sell to the USG

Show me the Opportunity!

- US federal \$ are in decline
 - Deficit reduction, sequestration, draw down from Afghanistan.....
- International defense and security spending continues....
 - *“Poland defense budget increases over 7% since 2012”*
(The Economist, 17th August 2013)
 - *“African defense spending will surpass \$20 billion”*
(Defense News, 15th July 2013)
 - *“Britain logs best overseas defense sales in 5 years”*
(Defense News, 24th June 2013)
 - Israel, India, Philippines, Turkey, Indonesia, UK, Brazil, Chile are all buying.....
- Foreign Military Sales doubled between FY11 and FY12



As an SME, where do I start?
Are there some helpful do's and don'ts?

The international market

- Know your market;
 - Africa – low technology; OTS; armoured vehicles; comms
 - South America – medium/high technology; MOTS; comms; weapon systems; transport
 - Europe – high technology; MOTS; sensors; systems
 - Asia – high/low technology; OTS and MOTS; platforms; weapons; sensors
- Know the route
 - Direct Commercial Sale
 - Between you and the Customer
 - Price/terms negotiated by you
 - More work/risk = higher margins
 - Foreign Military Sale
 - Between you and the US Government
 - Price/terms negotiated by US Government
 - Less work/reduced risk = lower margins

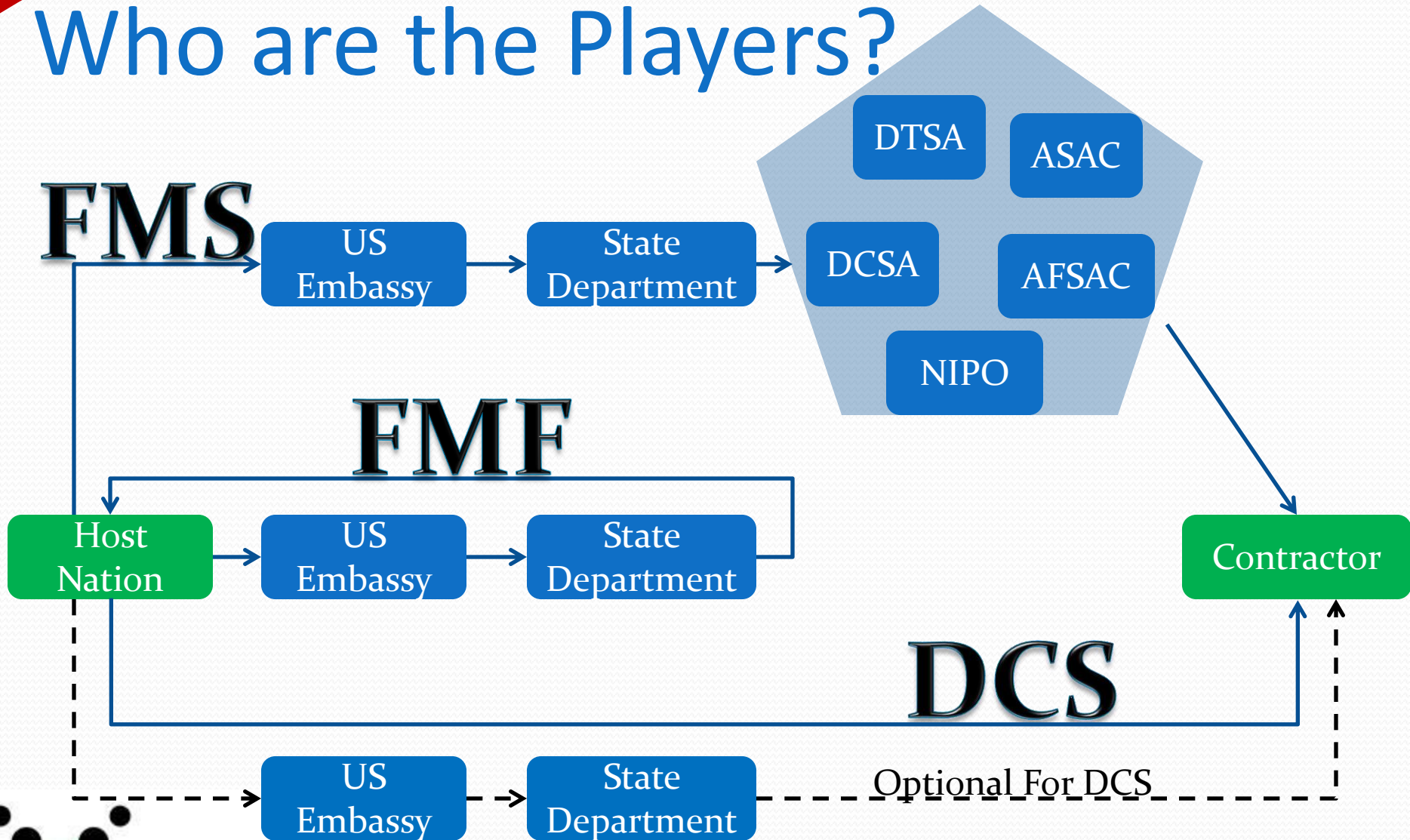


What is FMF and FMS?

- Foreign Military Financing (FMF) provides Countries with grants or loans to purchase military equipment
 - Funds allocated by State Department (using Embassy knowledge)
 - FY12 - \$6.3 Billion
- Foreign Military Sales (FMS)
 - Agreement between USG and Host Nation
 - Contract between USG and Contractor
 - Can use Host Nation Funds or FMF
 - Managed within DoD by Defense Security Cooperation Agency (DSCA)
 - Approval process involves Army Security Assistance Command, Air Force Security Assistance and Cooperation Directorate, Navy International Programs Office and State Department
 - FY12 - \$63 Billion



Who are the Players?



Where do I start?

- Consider the market you are in:
 - What is the likely demand from international Customers?
 - Existing Partners already operate in these international markets?
 - Is there a Major Defense Contractor already there?
- Which route best suits you and the Customer?
 - FMS or DCS?
 - Remember the pros and cons of each...
- Consider the expertise that you need:
 - Understanding the potential Customer
 - Understanding the Government (PEO, International Program Office, DDTC, DTSA, DSCA)
 - Negotiating FMS/DCS process, including ITAR
- Check that the margins will be sufficient to make it worthwhile



Do's and Don'ts.....

- Do get expert advice/guidance – the earlier the better
- Do engage all the relevant USG offices early
 - They can often help from the outset
- Do leverage your existing Partners and assets
- Do use the changing US Export Controls to your advantage



- Don't be afraid
- Don't cut corners
- Don't miss the opportunity to grow...when the US market is in decline
- Don't forget to consider building/assembling in-country
- Do recognize that growth in defense/security sector only means the international market



Questions

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