



HOUSE OF
TRAINING



CREDIT RISK & CASH FLOW ANALYSIS

**ON-LINE COURSE (LIVE SESSION)
INSPIRING CASES**



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG

CREDIT RISK & CASH FLOW ANALYSIS

CONTEXT & OBJECTIVES

Banks play a crucial role in allocating financial resources. Many companies in a country are dependent on the loans and credit facilities that banks provide. Meeting the demand of these companies for financial resources in a sustainable way will support social and economic developments. The workshop is intended to help staff to do their job efficiently and thoroughly. After finishing the programme, all participants should be able to:

- Systematically determine the operating and financial strength of a specific borrowing company. Linking operational and financial issues gives a strong analysis and protection against unreliable financials and weak business plans. Finally, the participants will be able to judge the level & predictability of **future cash flows** and to assess a risk rating by hand
- **Help the borrower** to set reasonable goals in terms of financial condition and growth and proposing/discussing a strategy when a borrower is facing potential future financial difficulties
- Give **concise and clear conclusions** and recommendations to credit committees/management

TARGET GROUP

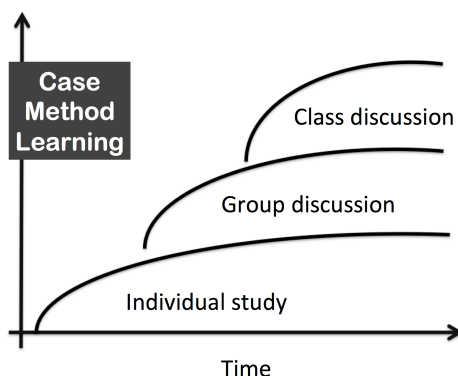
The workshop is created for professionals involved in extending and monitoring business loans and who are interested in tricks and tips to improve their efficiency. Both senior and junior staff will enjoy the real-life examples and the lively discussions. It is exciting and fun. Max. 15 participants.

METHODOLOGY

The morning session of Day 1 will be used to refresh knowledge, especially about cash flows. Thereafter, each morning and afternoon session will be spent on a case, applying a **five-step learning process**:

1. Introduction in the virtual classroom (max. 15 participants)
2. Read and consider each case on your own in a virtual break-out room (= teams of +/- 5 participants)
3. Share your ideas with your team and resolve areas of uncertainty
4. Discuss the case in the class
5. Reflect on how your initial ideas changed

The ATTF-expert can be contacted any moment of the day.



SUBJECTS

Our goal is to judge the level & stability of **future cash flows** of a company and to assess its creditworthiness. The following subjects are needed to make this judgment and will be covered in the workshop:

- Identifying warning signals in the cash flow statement
- Measuring the debt burden
- Judging liquidity
- Preparing a financial projection to assess future cash flow quality
- Drafting an industry analysis
- Assessing management quality and reliability of financial information
- The impact of the corporate strategy and business plans
- Parent/subsidiary issues and structure risks
- Assessing a risk rating by hand (=not by computer)

THE PROGRAM CAN BE TAILORED TO YOUR WHISHES

- Pre-tests and final exams can be included
- Cases from your institution can be included
- A Credit Committee Simulation can be organized, where managers from your institution can play an active role

WHEN IS THE WORKSHOP NOT USEFUL?

Cases about small, medium-sized and big companies are part of the program. The lessons learned are **not** useful to analyse very small / micro companies, financial institutions and commodity traders. The participants' list of your institution can be discussed in advance to ensure that everyone will benefit.

ATTF EXPERT

Erik de Jong MSc is a professional trainer with outstanding knowledge, expertise and teaching skills, based on many years of international experience in the financial sector. Being a financial storyteller, Erik has the ability to clarify in an easy and understandable way complex financial structures of any organization. But above all, participants appreciate his contagious enthusiasm, paired with profound knowledge of the financial sector as a whole.



Erik has worked at ING Bank for 22 years in the area of international credit risk management as full time trainer, manager and analyst. Since 2010, he has been a freelance trainer, and is an external consultant to the House of Training Luxembourg / ATTF in order to train credit staff in emerging markets. Erik trained credit staff in Vietnam, Mongolia, China, Kazakhstan, Germany, Poland, Italy, Spain, Malta, The Netherlands, Belgium, Brazil, Switzerland, Armenia, El Salvador, Georgia, Albania, Romania, Bosnia, Azerbaijan, Egypt, Kosovo, Rwanda, and Moldova.

PROGRAM OVERVIEW (example)

Suggested timing of the 4 training days:

Week 1: Monday + Tuesday

Week 2: Monday + Tuesday

This allows for some recovery time for the participants. But alternatives are also possible.

DAY 1

The toolbox

A practical analytical framework and a 10-step approach

Cash flow analysis

Calculating & analysing cash flows and identifying warning signals

Measuring the debt burden and liquidity

How to do it properly

Industry analysis and "Product Life Cycle ⇔ Cash Flows"

The impact of the type of business on future cash flows

Case "A profitable retailer going bankrupt"

What went wrong?

DAY 2

Financial projection "Back to the Future"

We go back in time and find a solution to avoid the bankruptcy of the retailer

Bad Loans: Voluntary Debt Restructuring

The World Bank & U.N. about out-of-court debt restructuring, discussions

Case "A Wholesaler with a Need for Growth"

Will its strategy actually work?

Management's Attitude & Reliability of financials

Learning an easy and effective tool to assess these items & warning signals

DAY 3

Case "Company Easy Bikes Ltd. is being sold"

Are the financials reliable?

Maintaining an efficient credit process

Writing tips & efficient co-operation

Case "Engineering & Agriculture"

Do we accept this new customer?

Case "Technological Disruption in the Car Industry"

What is the impact on two selected companies?

DAY 4

Case "A Franchise Organization & Aggressive Management"

Is the management reliable?

Parent/subsidiary issues and structural subordination

Theory & small exercises about analysing our priority of claim to the borrower

Case "Change of Ownership of a Transport Company"

Group exercise & Credit Committee Simulation

Conclusions & Evaluation

Your findings

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