


Case Study Library



**SELF-PACED
ONLINE CASE
ANALYSIS**

**4
HOURS**



**CREDIT
SOLUTIONS
ROUNDTABLE**

**2-3
HOURS**

OVERVIEW

Expert lenders are grown through experience—but their learning curve can be long and fraught with risk for their organization. Omega Performance’s Case Study Library provides lenders with an opportunity to gain valuable experience quickly and without exposing their organization to risk. Each case presents learners with a lending scenario similar to one they would encounter on the job. Learners must analyze the information provided about the opportunity in order to formulate—and ultimately submit—a loan recommendation. Once their recommendations have been submitted, they are evaluated by a credit expert. Then, learners meet with that expert and their peers to discuss the strengths and weaknesses of their recommendations and receive real-time feedback.

WHO SHOULD ATTEND

Anyone with commercial lending or small business lending responsibilities, including lenders, credit underwriters, loan reviewers, and branch managers who could benefit from additional experience evaluating a variety of lending scenarios.

RESULTS & BUSINESS BENEFITS

Upon completion, learners will improve their on-the-job performance by:

- Better assessing and managing risk on behalf of the institution, resulting in higher-quality credit decisions
- Evaluating on an individual basis the strengths and weaknesses of a lending opportunity in order to construct thorough, well-organized credit recommendations
- Articulating and justifying their recommendations to a loan committee
- Assessing and improving their recommendations based on feedback from a loan committee
- Responding to challenges related to their recommendations and explaining the “how’s” and “why’s”
- Having been exposed to a variety of lending scenarios that challenge them to consider the unique management, industry, and financial risks that different businesses present

LESSONS

1

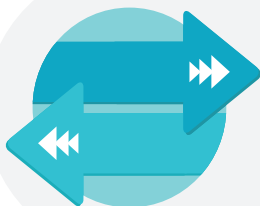
Online Case
Analysis

2

Expert Review

3

Credit Solutions
Roundtable



BLENDED LEARNING BY OMEGA PERFORMANCE

The Omega Performance blended learning experience helps participants learn critical skills, deepen comprehension, and improve on-the-job skill application and sustainment. Self-paced E-Learning courses present learning objectives and enhance understanding in a highly-interactive online environment, while in-person, instructor-led Skills Application Labs (SALs) provide participants with the opportunity to collaboratively apply skills to real-world cases.



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Interactive Case Studies

AGRILON, INC.

Specialty chemicals and manufacturing
Annual sales: \$41,000,000

SCENARIO

AgriLion is a prospective customer looking to establish a more favorable credit relationship than they currently have with their existing bank. Management is requesting additional financing to grow by acquiring other consumer pesticide product registrations or internal R&D in the area of environmentally-friendly products.

KEY ISSUES

The lender will assess the effectiveness of management's actions on historical financial performance, while understanding industry-related risks, including regulatory control of toxic chemicals and registration of formulae. The lender will need to evaluate risk implications and valuation of assets, especially accounts receivable, inventory and intellectual property (patents and registrations) and assess business strategy and projections dependent on growth through acquisitions, new product lines, and internal R&D. The lender will need to understand risks associated with sales to few major retailers and implications of expansion of sales to overseas markets and determine effects of seasonality on the company's business.

BRIDGE NETWORKING SOLUTIONS, LLC

Computer hardware/software distribution and network engineering consulting services
Annual sales: \$8,800,000

SCENARIO

Bridge Networking Solutions, LLC (BNS) is a prospective customer. Launched eight years ago, the company has established a market niche among educational institutions in the Northeast. The two individuals who own the company perceive a growing demand for network security, information database management, and training; as a result, they are shifting BNS's strategy from distribution to network engineering consulting services.

KEY ISSUES

The lender will analyze the following issues in order to make an appropriate recommendation: industry risks regarding technology, dependence, and cyclicity; impact of historical and projected rapid sales growth; management breadth, depth, and experience; viability of the business strategy to provide more engineering and custom services; dependence on original equipment manufacturers (OEMs) and competition from OEMs; quality of financial information; cash flow impact of sales growth, slower turnover, and capital expenditures; personal financial support from owners (guarantees, distributions to owners); collateral value of accounts receivable and inventory; appropriate type and term of credit facilities; potential commercial real estate loan opportunity; competitive situation involving prospect with established banking relationship, no indication of dissatisfaction.

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Interactive Case Studies

CFM, INC.

*Furniture manufacturer
Annual sales: \$11,500,000*

SCENARIO

CFM is an existing business customer. Management is requesting additional financing to add manufacturing capacity and upgrade some equipment.

KEY ISSUES

The lender will assess risks associated with operating a small company in an industry dominated by large entities and consolidations, while understanding risks related to: demand for the new product line, demographics and style trends; profitability and cost structure; and, risk implications and valuation of assets, especially accounts receivable, inventory and equipment. The lender will also need to assess depth and breadth of management, analyze cash flow to support debt repayment, analyze personal financial support provided by owner/guarantors, and determine effects of economic cycles on the company's business.

CORAL COVE DIALYSIS CENTERS, INC.

*Regional provider of dialysis services
Annual sales: \$7,450,000*

SCENARIO

Coral Cove Dialysis Centers, Inc. (CCDC) is a regional company jointly owned by two physicians. Though the business is profitable, revenue growth has been erratic: For CCDC, increasing demand from an aging population has been tempered by growing competition from much larger companies. Compounding matters, CCDC's co-owners continue to maintain their private practices, which consume the bulk of their time and attention. Your organization currently provides working capital financing to CCDC and commercial real estate financing to the owners themselves. CCDC is requesting a renewal of and increase in its line of credit.

KEY ISSUES

In order to make a sound credit decision, the lender must evaluate industry-related risks—from consolidation to technological advances to the regulatory environment—and business-related risks—from the owners' obligations to their private practices to management's aggressive expansion plans. Additional issues include high dividend payments; investments outside the core business; a lack of dedicated financial management; the assignability of accounts receivable; and the business's erratic revenue and declining margins, which together make future cash flow difficult to predict. The lender must also consider whether the relationship can be expanded into non-credit areas.

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Interactive Case Studies

ENERGY CONTROL SYSTEMS, INC.

Electronic components and energy control equipment manufacturing
Annual sales: \$19,700,000

SCENARIO

Energy Control Systems (ECS) is an existing customer that has a line of credit that is up for renewal. Management has requested that you consider alternatives to how the credit is structured.

KEY ISSUES

The lender will review the industry characteristics and business strategies for ECS as it transitions from an engineering firm to a manufacturing company and as it enters new markets. A relatively new CEO is faced with the challenge of sustaining the company's sales growth while optimizing cash flow by managing accounts receivable, inventory, and capital investments. The lender will assess the credit and repayment risks and present a recommendation for structuring the credit facility.

LIFE CYCLES, INC.

Manufacturing bicycles and accessories
Annual sales: \$81,700,000

SCENARIO

Life Cycles, Inc. (LCI) is a prospective customer—a 40-year-old, closely-held family business. Management is seeking both a line of credit (an increase over the amount provided by its current lending institution) and a new term loan facility. The industry is changing due to consolidations, international competition, and aggressive retailing practices, and LCI recently entered into an agreement to assemble bikes for a major international brand.

KEY ISSUES

The lender will analyze the following issues in order to make an appropriate recommendation: impact of the new assembly agreement; management breadth, depth, and experience; impact of larger, brand-name competitors; strategies to deal with foreign competition and globalization; new just-in-time inventory program and extended sales terms, and their projected effect on balance sheet and borrowing needs; appropriateness of request for increase in line of credit; support for line of credit (collateral value and other forms of support); appropriate structure for the credit facilities; competitive situation involving prospect with established banking relationship, no indication of dissatisfaction.

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Interactive Case Studies

WING ENGINEERING, INC.

*Engineering services firm specializing in seismic-resistant structures
Annual sales: \$70,000,000*

SCENARIO

Wing Engineering, a prospect of your financial institution, is a privately held, family-owned and -operated C corporation specializing in the design and—more recently—construction of seismic-resistant structures. Thanks to increased regulations governing the construction of buildings in seismic-activity prone areas, particularly along the West Coast, the company's revenue growth and margins have been steady. This, combined with the company's sound reputation, have enabled Wing to broaden its market to the Pacific Rim.

KEY ISSUES

While the company's historical performance is strong, deciding whether to bid on the relationship and structuring a fair and reasonable financing package are not without challenges. Among the issues that must be addressed are management's ability to manage both domestic and international growth, and capitalize on opportunities in the business's relatively new—and lower-margin—construction segment. The lender also must assess challenges inherent to the industry, from the impact of near-constant technological advances to the risks associated with a complex bidding process that typically results in long-term, fixed-price contracts subject to performance and completion guarantees. Additional points of consideration include the impact of percentage-of-completion accounting on the lender's financial statement analysis, the impact of uneven cash flow due to the nature of contract terms, and the owners' preference not to personally guarantee any corporate debt.

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