



THE CREDIT DEPARTMENT, INC.

The Credit Department, Inc (TCD) Client Engagement Example (3)

Client is a global \$800 million engineering services company. The business has customers throughout North America, Europe, Latin America, Australia, and Asia. The company has a de-centralized billing and receivables management function. They were surprised by a few, large customer bankruptcies where the risk had not been properly vetted; and the various subsidiary risks unknown across the globe. The company sought a solution to identify the risks prior to the contract engagement and to manage the large/extremely past due accounts where routine efforts in the de-centralized locations were ineffective.

Solution: Client hired TCD to credit qualify customers, to manage the past-due accounts, organize the major collection efforts, and oversee the customer bankruptcy process:

- TCD immediately began setting up credit parents for all the subsidiaries so that total global risk was clearly identified.
- The customer instituted a credit application process to involve the TCD underwriting early in the contract negotiation stage for unsecured credit lines from \$10,000 to \$20 million.
- TCD negotiated secured payment notes on the severe past due accounts.
- TCD set up a credit monitoring system to watch over 5,000 global customer risks to actively renew lines on a quarterly and semi-annual basis.
- TCD instituted a bankruptcy work-out program to process claims, negotiate preference payment demands, and prepare settlement agreements.

Results: TCD's ongoing management of the trade receivables process resulted in:

- Secured credit risk resulting in cash receipts for formerly uncollectible severely past-due balances.
- Free cash flow for Client to acquire companies due to the increased capital attained through dramatically improved receivables management.
- Reduced past due balances from Regular cash flow from the \$1.5 million in installment notes written; 85 percent of notes were paid without third party intervention/cost.