

Borrower's
Financial Discipline Guardian
Can lenders exercise real time and better control?

Loan/Grant covenants monitoring
Early warning to lenders

Challenge Statement

Financial control over borrowers - too little, too late

Today's standards

1. Lenders control borrowers via loan covenants.

Lenders can discover breach of covenants through (audited) P&L, BS and CF statements.
2. Borrower must inform lenders about breach of the covenants and ask for a waiver.
3. Lenders can monitor cash flows of the borrower via accounts to spot suspicious activity.
4. If and when the borrower is in trouble, the lender may appoint a director to run the business or dispose of assets.



Source of pain

1. All accounting information is outdated. By the time lenders observe account statements the borrower may be in breach of covenants for months.
2. Borrowers are reluctant to advise lenders about problems as it leads to paying the waiver fees. Borrowers may hope to recover the situation before the benchmark time for reporting.
3. A lender does not get a global view on the cash flows of the Borrower, who may use accounts within other banks to circumvent loan covenants.
4. It takes time (court decision, etc.) to have in charge a person who is controlled by the Lender. By that time, a borrower may syphon assets and leave a legal entity empty.

Pain killers

- Appoint a monitoring agent, with direct access to borrower's ERP to get an instant view on the borrower's financial position.
- A monitoring agent can spot unusual payments or transactions, unusual counter parties.
- A monitoring agent will alert the lender about breach of covenants as soon as it becomes evident.
- A monitoring agent (in capacity of Supervisory Board member or deputy CFO) has a power to veto certain transaction or payments.
- In case of emergency, the lender has a full picture of borrower's financial situation and can ensure a smooth transition of power from CEO to a temporary administrator.

Risk Management

1

Monitor
real time

Before inception of borrowing appoint a **monitoring agent** with direct access to borrower's ERP (SAP, 1C, etc) to get an instant view on the borrower's financial position in addition to (audited) P&L, BS and CF statements.

2

Control
effectively

- Ensure correct implementation and execution of the covenants
- Spot and screen unusual transactions by borrower
- Inform lender on a regular basis and ad-hoc if breach is evident

3

ACT
immediately

- Veto unusual transactions or payment that are in violation of the covenant.
- Where needed improve financial reporting, risk and liquidity management of the borrower
- In case of severe breach of covenant ensure a smooth transition to a temporary administrator

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Fiscal control

Corporate control



Monitoring and
analysis of
business activity

Analysis of management
accounts, business processes,
counterparties



Financial
control

Access to the client's ERP
Right to veto payments above
certain threshold if in breach of
financial covenants



Pro-CFO
functions
(Optional)

Setting up efficient system of financial reporting,
analysis and risk management
Assistance in planning, budgeting and liquidity
management



Supervisory
Functions (Member
of Supervisory
Board, optional)

Right to veto certain deals
Challenge corporate decisions in breach of
corporate governance procedures
Ability to replace owner in case of default
(Mezzanine finance structure)

Monitoring Service Algorithm

1

EXPERTS

Westland Finance Advisory (WFA) provides services via experts in the field of business and finance with international and local background



2

AGREEMENT

Borrower signs a **monitoring agreement** with WFA as a condition precedent for a loan draw down



3

ACCESS

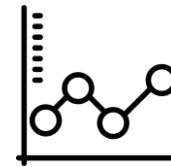
WFA acquires **access to borrowers ERP and financial system** to monitor and control. Controls remotely and via field trips



4

MONITORING

WFA begins to **monitor cash flows, movement of stocks and assets** and detects unusual transactions, takes part in corporate governance



5

CONTROLLING

WFA observes **breach of covenants, unusual activity** reports to the lender and blocks transactions as per need



Value Proposition



For a Bank

- Banks has improved protection of its interests via corporate control, similar to shareholders of the borrower.
- Bank has much better insight into borrower's business.
- Bank has real time picture of borrower's financial health.
- Banks may unlock new client segments, work with clients, which without monitoring agent seem risky.
- **Bank does not employ extra resources** to get all the benefits, it is outsourced to WFA, a monitoring agent.
- **Bank pays nothing** for the services of WFA. The borrower pays therefore. (Similarly, the borrower must pay for the services of an audit agency to produce IFRS statements).

For a Borrower

- Borrower's improved fiscal discipline and transparency will result in cheaper funding and better access to funding.
- Borrower will receive financial and business knowledge from successful experts of WFA.
- Borrower will have better corporate governance and not tempt for speculative deals.



As a result, the borrower will eventually decrease cost of funding, strengthen its position and increase chances for successful growth

Westland Finance Advisory - Fiscal Guardian

Team Leaders



O. Dobronravov, CFA

over 25 years experience in finance. Corporate and transactional banking debt restructuring including senior positions in MeesPierson, Fortis, HSBC. Founder of Westland Finance Advisory.



V. Ensing

over 25 years experience in business development, turn around management, including senior positions in Microsoft, Nokia, HDM



E. Ristavaara, MBA,

over 22 years experience in HR business and real estate developments, including senior positions in Morgan Hunt, Kempinski Hotels



S. Zhiltsov, MBA

over 25 years experience in corporate finance and M&A including senior positions in Goldman Sachs, UniCredit Bank ABNAMRO Bank,



T. Kalacheva, CFA, CGMA

over 17 years experience in risk management and corporate finance and including senior positions at Renaissance Capital and Altech Investments



D. Betanelli, PhD

over 20 years experience in corporate finance and banking, including senior positions in Morgan Stanley, Merrill Lynch, Deutsche Bank



V. Podolski, MBA

over 25 years experience in corporate finance and turnaround management, including senior positions in ABNAMRO Bank, X5, LSR, Alfa Group



V. Shulmeister, PhD

over 23 years experience in trade finance, corporate finance, including senior positions in MeesPierson, Fortis, Ministry of Infrastructure and Transport of Ukraine



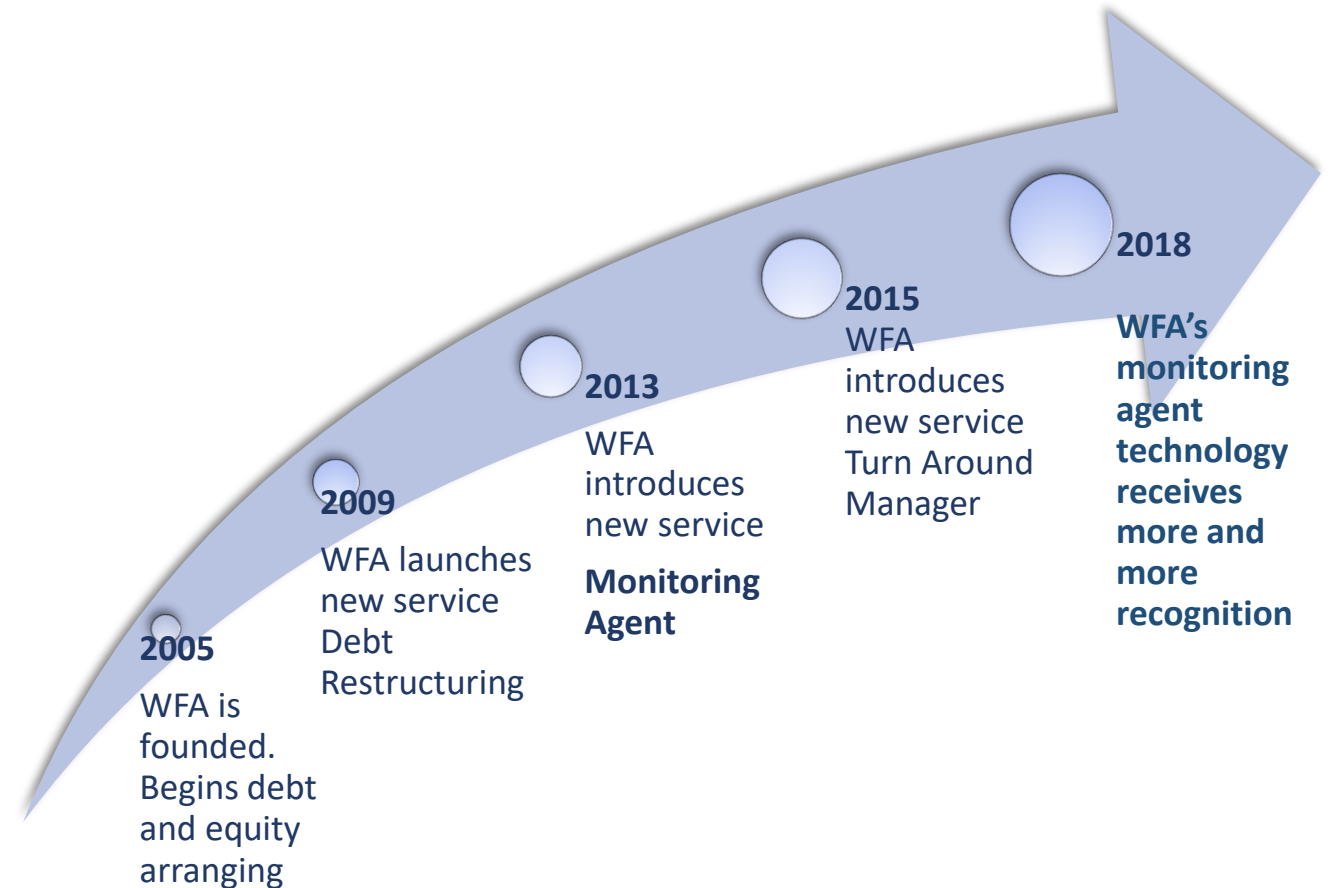
T. Crooijmans, MBA,

over 25 years experience in banking, including senior positions in KPMG, ABNAMRO Bank, Royal Bank of Scotland and Trade Finance Bank

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Track record

- WFA is a team of bankers, corporate finance managers, turn around managers and business managers.
- Working in extreme and tense situations, negotiating deals requires experience and confidence. WFA outsources to corporate clients risk management and business expertise.
- WFA structures and negotiates international debt and equity deals since 2005 for borrowers, including corporate clients and banks, who outsourced to WFA arranging syndicated loans, bonds issuance, private equity deals, etc.
- In total, WFA specialists have structured loans and M&A deals for billions EUR and USD.
- Since 2009 WFA actively develops new service- restructuring of distressed loans.
- Since 2013 WFA introduces new service – fiscal and corporate monitoring in Russian Federation.
- Since 2015 WFA begins a new service – Turn Around Manager.
- Investors and owners begin to utilise monitoring agent' service to control business efficiency.
- Monitoring mandates in telecom and retail chains



THANK YOU!

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