

Vision Critical – keeping it real



VISIONCRITICAL
EFFORTLESS DATA TRANSPARENCY

Since Business Money last interviewed Oliver Chadwick, CEO of Vision Critical, the environment for receivables finance and Asset Based Lending has changed beyond recognition. The subject of risk has become the number one item on every boardroom agenda. Qualification of opportunity has never been under such intense scrutiny than during this extraordinary transitional period between downturn and emergence. During this time, it would be an understatement to conclude that the team at Vision Critical has been busy. As well as transferring tens-of-billions of pounds through its revolutionary business transfer and extraction service, OSMO®, Vision Critical's developers have been actively creating a new suite of breakthrough services to meet lenders' present and future demands.

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Oliver Chadwick explains: "Right now, there is a real danger that lenders are working on Unreal-Time Information, in contrast with real-time management reporting that should form the foundation of predictive analysis. For most businesses, the historical view contained within their reports and accounts in no way reflects their current trading status. The data yields limited management value and this will almost certainly be the case for the next two years. Accounts filed now for a December 2008 year end will inevitably paint a completely different picture than that of present trading conditions.

"By the same token, in a year or more, when businesses are emerging from the downturn and expanding, the report filed will reflect the recessionary environment – not the conditions they are experiencing during the time of emergence. This cycle of inaccuracy, based on historical records, naturally limits the value of the audited or prepared statements."

He continues: "Businesses prepare management accounts but these are very

often inconsistent and generally not vetted or validated by professional accountants. Many businesses that prepare management information do so using spreadsheets in order to predict their cash flows. These are created by re-keying core information from their accounting package and adding their anticipated payments and sales in an attempt to understand their working capital and ultimately their cash flow. The fundamental downsides include the time-consuming nature of producing these documents and arguably more importantly, the fact that this double-key entry is prone to error.

"Lenders need real-time, accurate information to make business decisions and to predict potential fraud at an early stage not only across a portfolio but on an individual account basis, with detailed invoice granularity. The only reliable source of predictive financial information is within the accounting package. Vision Critical is now able to access this information effortlessly, rendering the real-time financial picture of a business. Using the sum of this information we can predict the financial position going forward with far greater certainty."

Asset Based Lenders also need to understand the value of their security before making a loan. Prior to releasing the funds they will investigate the delivery process, invoicing process and sales ledger management. Some will investigate the stock, work in progress and raw materials.

Vision Critical can provide information of the cash flow and funds movement to build a comprehensive view of the past and current trading patterns of a business. In addition, they can build a picture that will predict the cash flow and funds flow movements of the business in the coming 30 to 60 days.

The information produced by OSMO® now identifies if a business is right to move from conventional funding to Asset Based Lending and the effect on the cash flow and funds flow. The new suite of OSMO® CashCaster reports can also show at a glance if a business is buying or selling more than it needs for its trading and if sales are being pre-invoiced or simply fresh air. Lenders will see if cash is being washed through the trust account, giving the lender time to react to pending problems. OSMO®

Oliver Chadwick, CEO,
Vision Critical



has evolved from the extraction and transfer of data into the key management information source for Asset Based Lenders.

The lesson we have learned from past downturns is that, inevitably, recovery will prove exciting for the Asset Based Lending industry. Recent acquisitions have meant that space is being created at different levels and niches of

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the market. Those who lead the market today may not be the leaders of tomorrow. Some opportunistic ABLs have moved in on some experienced people and a number of excellent deals. New asset valuations are looking more realistic, boding for a promising future for the industry in preparation for entering a period of economic recovery. On the client side, we are seeing more start-ups as talented people create their own opportunities, rather than waiting to be re-employed.

Oliver Chadwick comments: "An even closer control of asset movement and a focus on using technology to empower lenders will lead to significant gains for those who have the commercial foresight to adopt it. OSMO®, for example, gives lenders the ability to improve visibility and control, lend more, offer higher levels of funding and reduce operational costs – all at the same time. It provides the optimum way in which data can be extracted from the borrowers' accounting packages cost-effectively, eliminating the potentially high rate of error risk through manual intervention. The ability to extract relevant data to monitor debtors down to detailed invoice level, will give lenders a true competitive edge at this time.

"The final thing to note is that markets will be different after the recession. New opportunities will emerge, the competitive environment will have altered significantly and technologies will drive change still further. Management needs a highly flexible, opportunistic mindset. There can be no doubt that lenders who adopt future-proof technologies will emerge as leaders."

The illustration opposite depicts the typical cycle of business activity, and consequently which aspects of financial information lenders currently use.

If you are a full service factor you are only interested in three core areas, with delivery process being considered at survey/audit only.

Comparatively if you are an Asset Based Lender (including Invoice Discounting) your interest is in six core areas of the business.

If you are a commercial lender your interest is the funds flow (bank account movements). What you would like is transparency of the cash flow (born of the ABL's view to compare funds flow with business activity and trends).

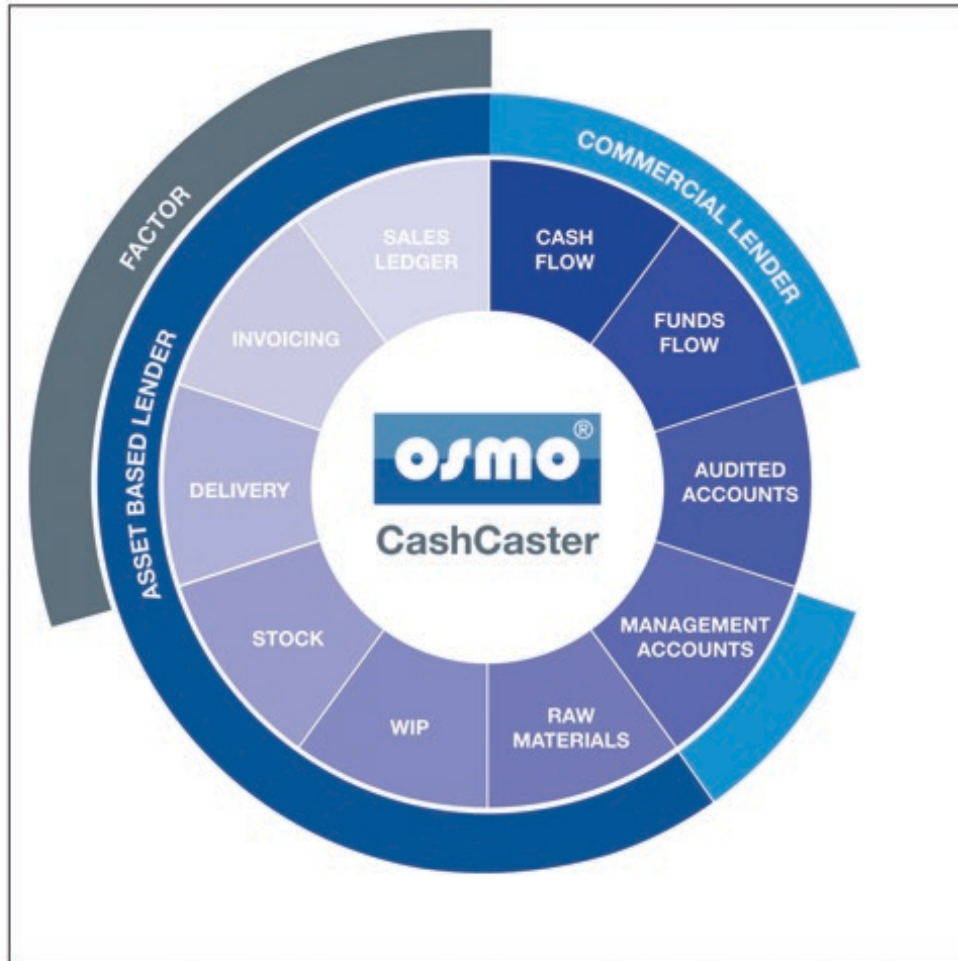
Vision Critical can effortlessly access all core aspects of financial information that is of interest to all lenders. This builds a comprehensive view of the past and current trading patterns of a business.

In addition by using OSMO® CashCaster, Vision Critical can build a picture that will predict the cash flow and funds flow movement of a business in the coming 30 to 60 days.

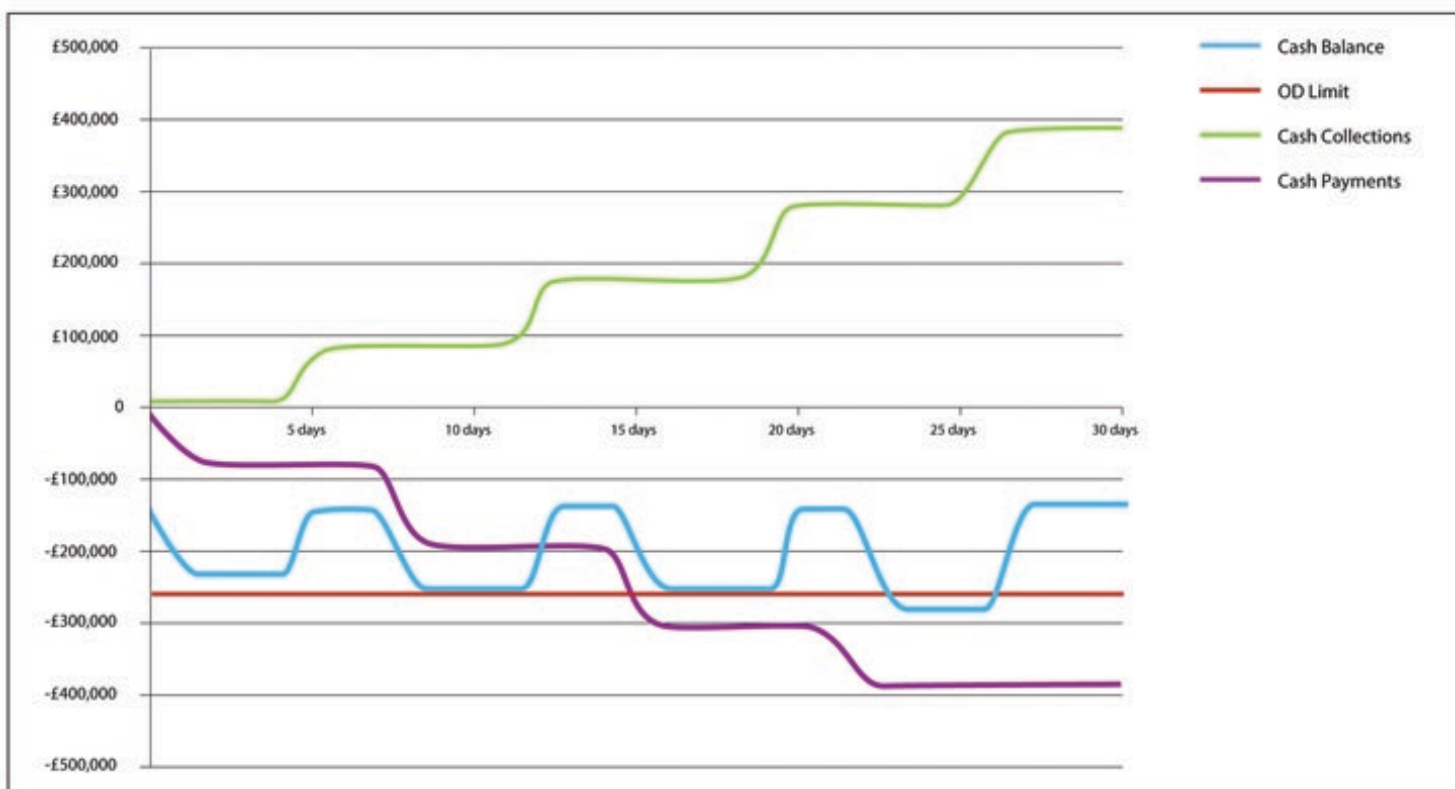
A visual representation is illustrated below.

OSMO® CashCaster can see if a business is buying or selling more than it requires for its trading purposes and picks up on sales that are pre-invoiced or simply fresh air – pointing to cash being washed through the trust account.

More importantly OSMO® CashCaster gives both borrower and lender time to react to pending problems, enhancing relationships and improving client retention.



“OSMO® has evolved from the extraction and transfer of data into the key management information source for Asset Based Lenders.”



What the team thinks



Vision Critical Q&A

How has the business changed since you joined?

Russell Taylor: When I joined Vision Critical, we had 200 clients using OSMO[®]. Today, we have several thousand. Vision Critical has several major high street banks using OSMO[®] and are gaining extra benefit from the superior management information that OSMO[®] provides.

Roger Coleman: The business has changed dramatically since I joined. Then, there were the four directors and I was one of the first two employees. Between the six of us we did everything – it was manic. Now there are whole departments of people to look after things. The growth has been amazing.

Chris Mann: Since I joined in 2006, we have completely rebranded as Vision Critical, moved to larger premises and our head count has more than trebled. We've significantly expanded our OSMO[®] range, adopted a swathe of new technologies and attracted some very high-profile customers.

When did it become clear to you that OSMO[®] was making a difference to the ABL market and how?

Charlotte Chadwick: When a lender told us that if they didn't have OSMO[®] they'd have to rent another building to house the people they'd need to perform the work that OSMO[®] automatically delivers. Also, more generally, when the number of people attending meetings and the level of seniority of those people rose, we realised that we truly have something special and unique in OSMO[®].

Andy Brown: After one of the first few installations I did, the client got back in touch to say how pleased they were, because OSMO[®] was saving them so much time and effort.

Chris Mann: Watching the rapid adoption of OSMO[®] by some of the market-leading financial service providers. We started counting the number of weekly installations of OSMO[®] in the hundreds. That was when the shift from niche application to industry standard became clear to me.

How does OSMO[®] make life easier for Asset Based Lenders?

Oliver Chadwick: Simple, it delivers vital data on how a borrower is performing straight to where it is needed and all without the borrower or lender lifting a finger.

Peter Hall: Visibility is the key for lenders and this is where OSMO[®] excels. OSMO[®] provides fully up to date and accurate visibility of a customer's ledger. There is now no need for copious amounts of paper – OSMO[®] offers complete transparency between customer and lender. This also reduces risk – banks can lend money based on the true picture of their customer's ledger.

How has OSMO[®] evolved since the product was first launched?

Mat Heritage: The amount of data that OSMO[®] extracts has increased but the main change has been the increased value of the information that a lender derives from each import. Because the information is granular and can be extracted daily, lenders have become more innovative with how it can provide benefit across all divisions.

James Beeches: OSMO[®] has evolved steadily to include more features and configurability, ease of use and a slicker installation process.

Russell Taylor: OSMO[®] has evolved considerably both in technology and functionality. OSMO[®] is now built on the .NET platform. Automated build processes rule out human error. On the client side, OSMO[®] has never been easier to install or faster to extract data. OSMO[®] can even update itself automatically, configurable on the lender's website.

Is OSMO[®] being used to its full extent by lenders?

Oliver Chadwick: Lenders can transform the way they do business with OSMO[®]. Fraud and compliance are two areas ABL's could benefit from using OSMO[®]. Feeding Risk Factor Solutions, contra matching, pre-population of audit/automation of pre-lend survey completion are all areas where OSMO[®] could do more, predicting cash flow is another.

Angela Otton: I would say not. There are always improvements and savings that can be made by bespoke calculations and reporting for particular business processes, removal of manual overheads and data accuracy. Importantly, this capability exists for the factoring and Invoice Discounting markets. Particular business units such as audit, risk and compliance with some analysis of their day-to-day requirements could take the product offering to another level.

What other markets has OSMO[®] helped and how?

Oliver Chadwick: There are several markets where we have been lighting fires. Some are burning extremely brightly right now, including:

- Overdraft lending – predicting cash flow with future lending requirements based on accurate data
- Electronic invoicing – picking up and sending invoices direct from the accounting package without need to re-key them into a portal
- Supply chain finance
- FX advisory – because we know the dates and currency

What is the most innovative use of OSMO[®] you have seen?

Oliver Chadwick: Where do I start? As it stands, the list is fairly long:

- Anti money laundering and blacklist compliance – using contra management data
- FX advisory – using due dates and values combined with currency type
- Supply chain finance take on and management
- Stock movement and management
- Automate corporate purchasing departments deployment of OSMO[®] in suppliers
- Automated cash flow forecasts for businesses

Chris Mann: I have seen OSMO[®] used in a collect out scenario. In less than an hour, we installed OSMO[®], extracted the customer's ledger information and pre-populated an audit spreadsheet that would normally have taken a small team of people several days to complete.

Charlotte Chadwick: OSMO[®] is now being used to populate our CashCaster – a forward facing view of a company's accounts, predicting lending or overdraft requirements against future short-term cash flow.

Where next for Vision Critical and OSMO[®]?

Oliver Chadwick: Where not for OSMO[®]? Automation of the process of sending invoices. Changing the way that banks lend and borrowers borrow. Stripping out waste and printed documents from business processes that rely upon financial information to start.

Mat Heritage: The aim is for the company's growth to continue and to work with lenders to optimise processes still further for their benefit and for that of their clients.

The Vision Critical team interviewed were:

Oliver Chadwick CEO, **Charlotte Chadwick** managing director, **Mat Heritage** operations director, **Andy Brown** development director, **Roger Coleman** senior technical analyst, **Angela Otton** senior project manager, **Chris Mann** project manager, **Peter Hall** technical team leader, **Russell Taylor** technical team leader, **James Beeches** customer service manager