

# Business Information: Early Warning Categories (EWC)

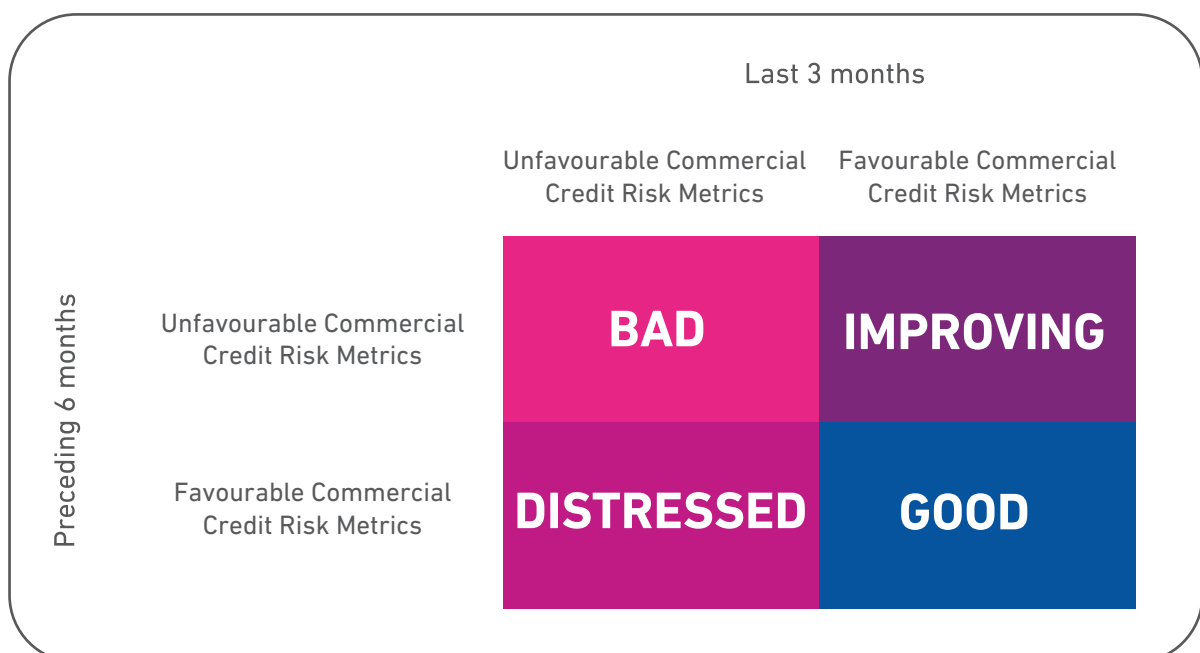
Reduce your ongoing risk by proactively managing your business clients.

Understanding client behaviour has changed significantly. Major economic disruptions affect their ability in paying back their loans and managing cash flow. Business Information EWC Triggers were designed to proactively identify companies that are struggling under adverse conditions, such as a pandemic or public unrest, and require relief discussions or different credit actions.

EWC Triggers are based on researched and behavioural data that facilitates factual calculations to assist internal strategic planning, i.e., no more “gut” feel assessments after market risk events. EWC Triggers also feed into the “market overview” section for IFRS9 provisioning and provides a suitable SME Early Warning tool, which is crucial under IFRS9 requirements.

This unique tool segments your customers into four categories to identify those that indicate an early risk of defaulting. This is information you can share with your company’s management in strategic discussions.

The aim of the solution is to explain and quantify how socio-economic events have impacted financial performance of your debtors: both positive and negative financial impacts. Performance data is used for the current period (defined as the most recent 3 months) and observation period (defined as 6 months prior to the current period). These trigger categories depict early indications of various degrees of risk by calculating repayments in the last 6 months across accounts and incorporate the latest 3 months’ repayment to define businesses as Good, Improving, Distressed or Bad payers.



## Early Warning Categories (EWC)

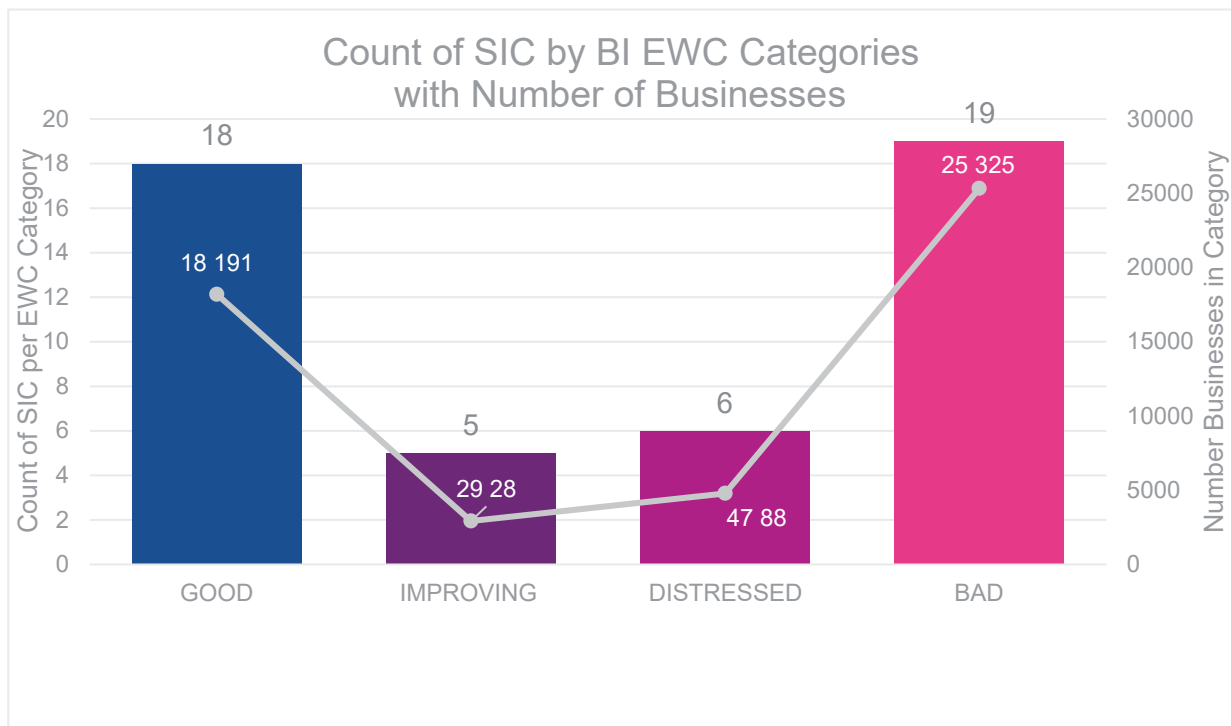
### How it works

Using Experian's commercial credit risk score, which also considers research and ledger submissions on a client's specific debtors, at a time series level, an EWC trigger category is determined. This is done by viewing the time series in two time frames: most recent history (e.g., last 3 months) and more distant history (e.g. 6 months preceding the most recent history period). Using characteristic features derived from the commercial credit risk score, the associated EWC Trigger is then determined at a distinct registered business entity level, as well as higher-level views (e.g., per industry sector, per province or even specifically focussing on Small and Medium Enterprises).

The solution is developed using the client base supplied by you, combined with Experian data, to get an external risk view of your debtor from both a micro and macro angle. For a micro view, we use an internal scorecard, which looks at trade data, adverse data, years trading, links to failed businesses and trade references. For a macro view, we look at SIC code risk, risk by province and risk by size of business (i.e., SME or Non-SME).

### Uses for Business Information EWC

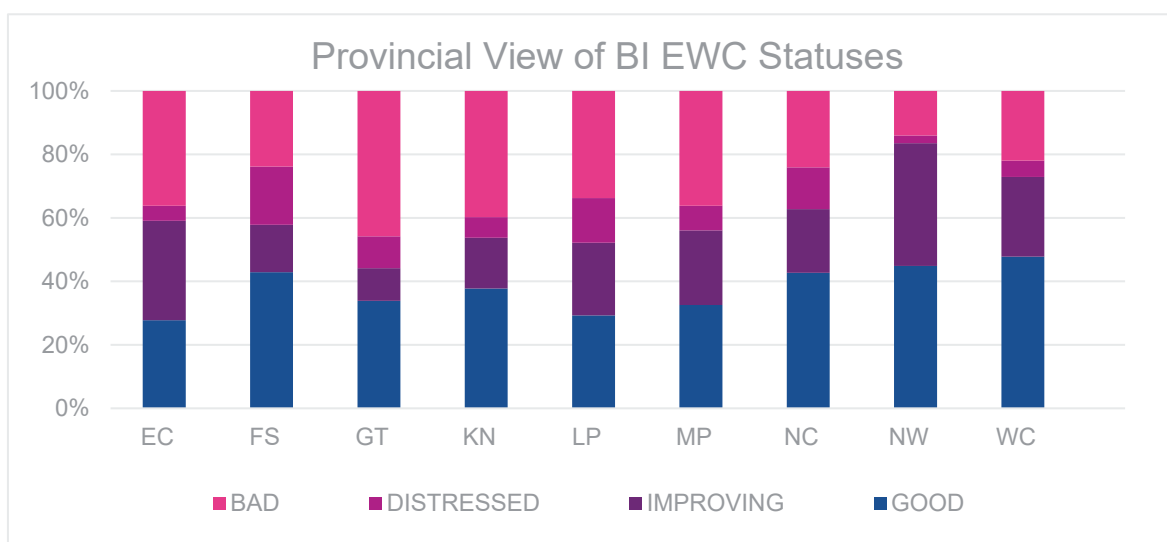
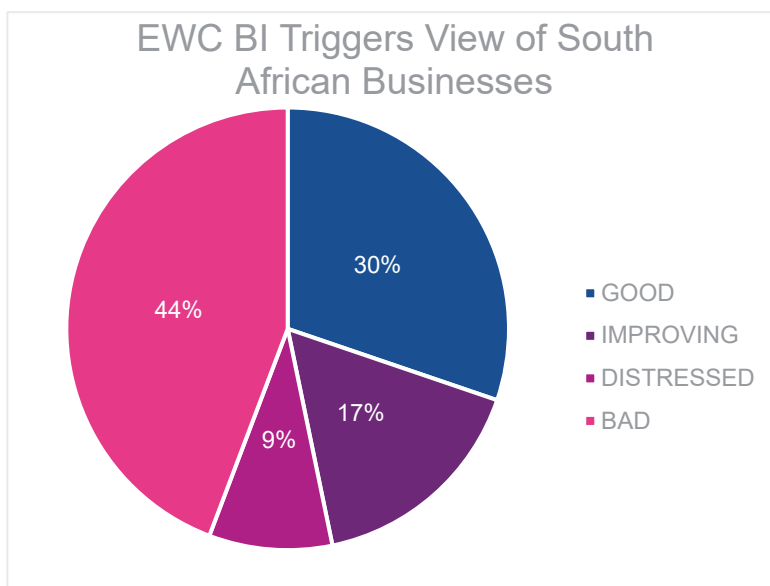
Analyses are done at secondary Standard Industry Classification (SIC code) level, across 50 industries in total, to identify sectors that are performing poorly versus well, but also distinguishing sectors that are showing meaningful improvement or increasing distress.



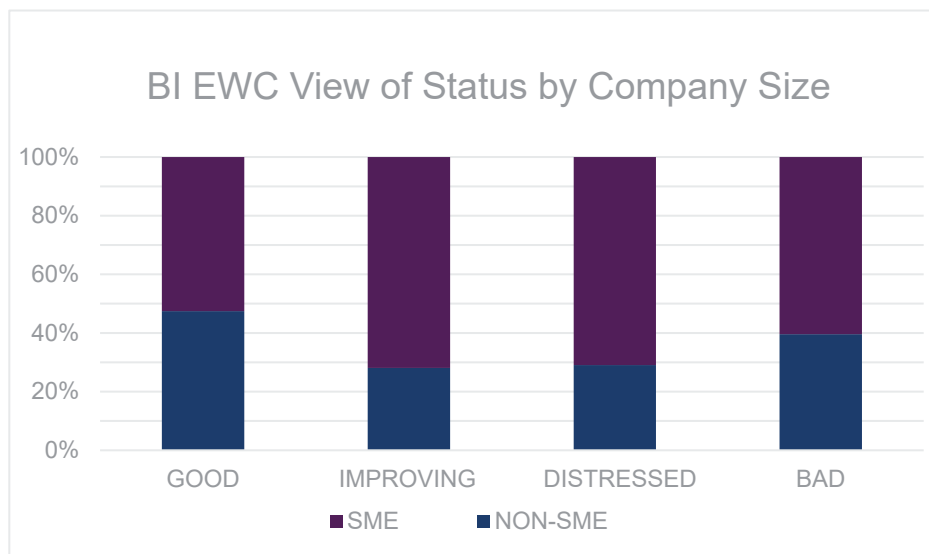
## Early Warning Categories (EWC)

Using this information, you can compare month-on-month or quarter-on-quarter trends to monitor if internal actions are successful and if your book is improving.

Market benchmarking is also included so you can compare your company against similar companies to understand what the norm should be for certain risk categories under current economic conditions, such as the total South African business EWC view, provincial view, and company size comparison.



## Early Warning Categories (EWC)



### Client-specific view

Focussing on your specific debtors' book, will provide you with a view of the status of your individual debtors. This enables you to review the account management strategies in your business. Business Information EWC Triggers delivery consists of the analytical output as well as consultancy services, where our global consultants provide your business with dedicated expertise and insights into the greater business environment and help you develop specific account management strategies for your business.

By combining EWC Triggers with value metrics (e.g., amount overdue), an action prioritisation layer is added to the EWC Triggers, which can be used to guide your business towards focussing interventions where they are needed most.

### Benefits

- Identify who has been financially affected by adverse conditions, such as a lockdown or public unrest. This independent 3rd party risk view by Experian helps identify early on, where businesses have been selecting who they pay first, which is a growing trend under tough economic conditions, i.e., identifies payment priority behaviour.
- Know which companies are struggling and require relief discussions or review of existing facilities.
- Split results by division to see the internal impact within business units.
- Understand where to focus collections, such as on those businesses indicating improved "willingness to pay".
- Internal benchmarking – shows how your book is performing in the separate categories over time.
- External benchmarking – shows how your book is performing against other similar companies.

## Early Warning Categories (EWC)

- Allows for further segmentation within each category as we share all data with you in easy-to-use filters.
- Added benefit and insight of “industry risk” (per secondary SIC code) to the final output report, and breakdown by province to show any region risk.
- Includes consulting hours with each output to review results and apply custom enhancements to the model.

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Contact us to find out how our Business Information Early Warning Categories can help you make better business decisions.

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[Contact Us](#)