THE 96% ACCURACY DIFFERENCE

RELY ON OUR PROVEN, PROPRIETARY PROCESS AND FRISK® SCORE—NOW POWERED BY CREDIT PROFESSIONALS

Uncover, prioritize and monitor your financial risk with our proven process, designed explicitly to uncover the financial stress of public companies.

Driven by the unique, proprietary FRISK® score, our process focuses your efforts on your riskiest public companies—what we call the "red zone" of risk.

The Core of the Process: The FRISK® Score

Our proprietary FRISK® score indicates a company's level of financial stress, based on the probability of bankruptcy over a 12-month horizon. **It's proven 96% accurate in predicting U.S. public company bankruptcy during this time horizon.**

ENHANCED AS OF JUNE 2016

As of June 2016, the score just became even more powerful. We are now using anonymous, aggregate behavioral trend data crowd-sourced from our subscribers as a fourth component of the FRISK® score. When available, it is added to the financial ratios, agency ratings and market cap data already used to calculate the score.

We have found this crowd-sourced activity to make the score even more accurate in predicting public company failure. Our subscribers are primarily credit and risk professionals in large organizations that manage enormous amounts of credit risk every day, performing extensive due diligence on their customers and suppliers in the process. They have their fingers on the pulse of public company risk, a key driver of the economy.

We have discovered that, as the financial risk of a company rises, our subscribers change how they investigate the company. The company is more closely scrutinized, in surprisingly consistent patterns when viewed in the aggregate.

Basically, when viewed as a group, subscriber activity can show when financial risk is increasing. Overall, the score will become more sensitive, highlighting when risky companies become riskier.

We have extensively back-tested these patterns and found they increase the accuracy of the FRISK® score to 96% accurate in predicting North American public company failure.

HOW THE SCORE WORKS

The FRISK® scores are a mathematically-derived opinion, calculated daily with the most recent information in our database, using a proprietary model created by our head of analytics Dr. Camilo Gomez.

The score is unique in the commercial credit space because it does not use payment data, which our research shows to be misleading for predicting public company financial stress. The model incorporates a number of powerful risk indicators including:

- A "Merton" type model using stock-market-capitalization and volatility. Merton models are widely used to measure the credit risk of a corporation's debt and potential for credit default
- Financial ratios, including those used in the Altman Z"-Score Model
- Bond agency ratings from S&P, Moody's and Fitch (when available)
- Crowd-sourced subscriber behavior (when significant)

The FRISK® score is reported on a scale of 1-10, with 1 being the most risky. A FRISK® score of 5 represents average financial stress and risk of potential bankruptcy.

The structural statistical model used for the FRISK® score was developed and back-tested using company data and bankruptcies between 2003 and 2013. This period covers 9,600 unique businesses and includes 580 bankruptcies over a period including the Great Recession.

Public company risk can hide in plain sight, but it doesn't have to take you off guard. Rely on our trusted process, anchored by the FRISK® score, to help you get—and stay—ahead of severe financial stress.

PROBABILITY OF BANKRUPTCY WITHIN 12 MONTHS

	FRISK®	FROM	TO
BEST	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
	5	0.87%	1.40%
WORST	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
	1	9.99%	50.00%

> With so many options and sources of information available to Credit and Finance executives, I've found **CreditRiskMonitor** to be critical in my everyday decision making process.

Richard Jude Matis | Manager, Global Credit and Collections | Ferro