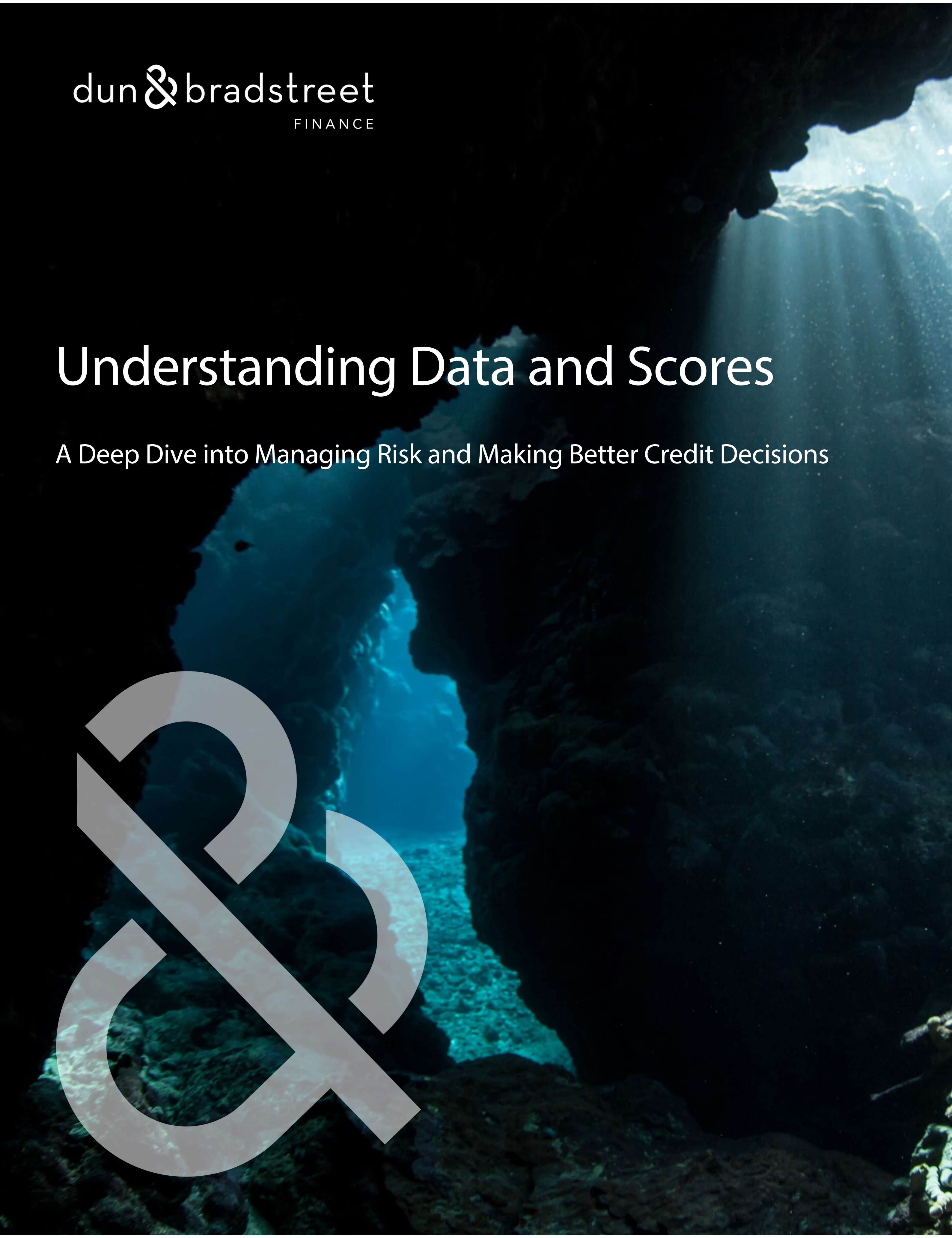
dun & bradstreet
FINANCE

Understanding Data and Scores

A Deep Dive into Managing Risk and Making Better Credit Decisions



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Introduction

When it comes to making business credit decisions, it's hard to know which information to trust. There are millions of businesses around the world generating billions of data points—everything ranging from payment experiences to financial changes to social media activity. The data and analytics you rely on to manage risk and set appropriate credit terms has serious implications for your company's financial health. But unlike consumer credit, there's no one single "credit score" in business credit.

Consulting a business credit report is an important first step in evaluating potential business partners and vendors. This is essential for reducing your exposure to bad debt, avoiding payment defaults, and maintaining a healthy cash flow. A business credit report can contain more than just operational information and firmographic data for verification and background review. Comprehensive credit reports provide multiple types of predictive (future) and performance-based (historical) scores that showcase a company's reliability and financial stability.

Credit decisioning requires a deep understanding of the various types of credit scores and analytics, and how they work together to provide a complete picture of a company's likelihood to pay its bills on time. Dun & Bradstreet's proprietary predictive and performance-based scores let you see clearly and quickly what a business's payment behavior is really like and how that is going to affects its contractual obligations and future health. This allows you to assess risk across an organization to uncover potential hazards and make more intelligent risk decisions.

This guide will walk you through the key sections of a business credit report* to explain what they mean and why they matter. Take a data-inspired deep dive to better understand how to evaluate a company's creditworthiness. After reading this, you'll be able to make more confident credit decisions that can ultimately help you grow better business relationships.

*Credit Report designs and data layouts can vary by solution. This document is not intended to feature one specific solution, but instead provide an understanding of the data elements across various finance soltuions

"Everyone from small businesses to large global enterprises depend on D&B to help them find truth and meaning from data and find the best customers."

Company Profile

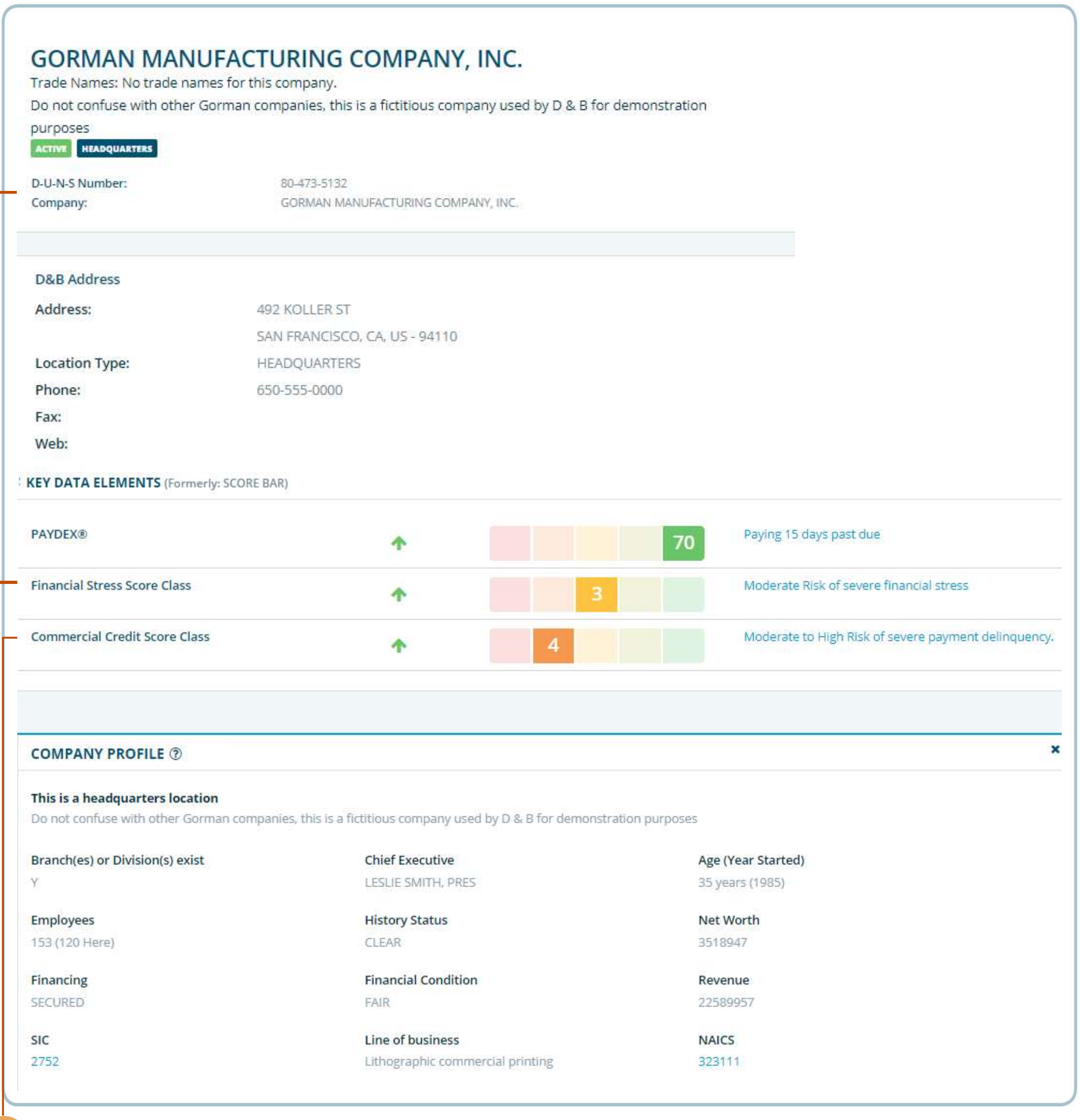
This introductory snapshot summarizes the basic firmographic information about any partner or vendor you need to evaluate. It includes details such as the company's contact information, history, incorporation information, industry classification, and ownership. This information gives you an overview of a business's size and scope, how it's organized, and how it's been managed.

1

The **Dun & Bradstreet D-U-N-S® Number** is a unique nine-digit identifier for businesses that's used to establish business credit. D-U-N-S, which stands for Data Universal Number System, is available at no cost. It identifies, validates, correlates, and links information for businesses anywhere in the world.

2

On a scale from 1 to 5, the **Failure Score** (also called the Financial Stress Score) predicts the likelihood that this business will seek credit relief or worse, go out of business. (Learn more about this indicator in the Risk Assessment section on page 9)



GORMAN MANUFACTURING COMPANY, INC.

Trade Names: No trade names for this company.

Do not confuse with other Gorman companies, this is a fictitious company used by D & B for demonstration purposes

ACTIVE HEADQUARTERS

D-U-N-S Number:	80-473-5132
Company:	GORMAN MANUFACTURING COMPANY, INC.

D&B Address

Address:	492 KOLLER ST SAN FRANCISCO, CA, US - 94110
Location Type:	HEADQUARTERS
Phone:	650-555-0000
Fax:	
Web:	

KEY DATA ELEMENTS (Formerly: SCORE BAR)

PAYDEX®	70	Paying 15 days past due
Financial Stress Score Class	3	Moderate Risk of severe financial stress
Commercial Credit Score Class	4	Moderate to High Risk of severe payment delinquency.

COMPANY PROFILE

This is a headquarters location

Do not confuse with other Gorman companies, this is a fictitious company used by D & B for demonstration purposes

Branch(es) or Division(s) exist Y	Chief Executive LESLIE SMITH, PRES	Age (Year Started) 35 years (1985)
Employees 153 (120 Here)	History Status CLEAR	Net Worth 3518947
Financing SECURED	Financial Condition FAIR	Revenue 22589957
SIC 2752	Line of business Lithographic commercial printing	NAICS 323111

3

The **Delinquency Score** (also called the Commercial Credit Score) rates the probability that the business will pay its bills late. Higher scores indicate a lower probability of delinquency. (Jump to page 10 in the Risk Assessment section for a detailed explanation of this score.)

5

Legal Form indicates the type of registration, whether it's a corporation, partnership, or public limited liability company.

4

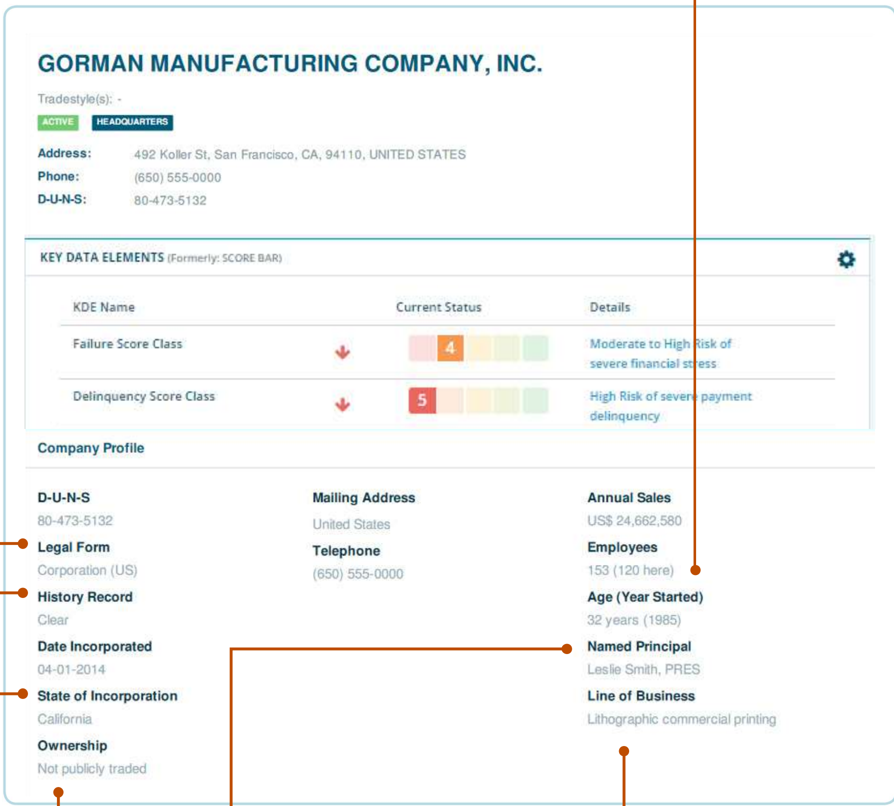
Age of Business and Employees A company's ability to pay on time can be partly determined by its size and number of years in business. The estimated number of employees is a total for all branches and subsidiaries, as well as any overseas personnel. The age of business can differ from the incorporation date if the business has ever reorganized or changed its name.

6

History Record signals whether there is enough information available for D&B's rating consideration, or if the file contains negative information about the business or its principals, like failures or criminal proceedings.

7

Date/State of Incorporation The current business entity's date of incorporation and the state where it was incorporated. This is helpful if you need to confirm a business registration with the Secretary of State.



8

Ownership defines if the business is publicly traded or privately owned.

9

Named Principal indicates the company's senior-most executive, which is usually only available in headquarters reports.

10

Line of Business The company's main industry; larger enterprises can have several different lines of business.

Dun & Bradstreet's business credit reports are trusted by lenders and potential business partners for objective credit analysis.

Business Activities

1

This section lists the fundamental information about the company's business activities. These details can only be confirmed and updated through an independent Dun & Bradstreet commissioned investigation.

BUSINESS ACTIVITIES AND EMPLOYEES

The following information was reported on: 03-06-2017

Business Information

Description	Engaged in commercial lithographic printing (100%). Terms are Net 30 days. Has 240 account(s). Sells to commercial concerns. Territory : United States.
Employees	153 which includes officer(s). 120 employed here.
Financing Status	Secured
Financial Condition	Fair
Seasonality	Nonseasonal.
Facilities	Occupies premises in a one story cinder block building.
Location	Central business section on well traveled street.

2

Financing Status summarizes the company's existing credit guarantees and indicates if assets are available to be pledged to you as a creditor. "Unsecured" shows that the company has unsecured loans that are not collateralized; "Secured" indicates the organization has pledged assets as collateral.

3

Financial Condition denotes the company's overall financial statement: Strong, Good, Fair, or Unbalanced. This indicator is calculated by reviewing up to 11 financial ratios and comparing them to industry averages.

SIC/NAICS Information

SIC Codes	SIC Description	Percentage of Business
2752	Commercial Printing, Lithographic	-
27520000	Commercial printing, lithographic	-

NAICS Codes	NAICS Description
323111	Commercial Printing (except Screen and Books)

GOVERNMENT ACTIVITY

Activity Summary

Borrower(Dir/Guar)	No
Administrative Debt	No
Contractor	No
Grantee	No
Party excluded from federal program(s)	No

4

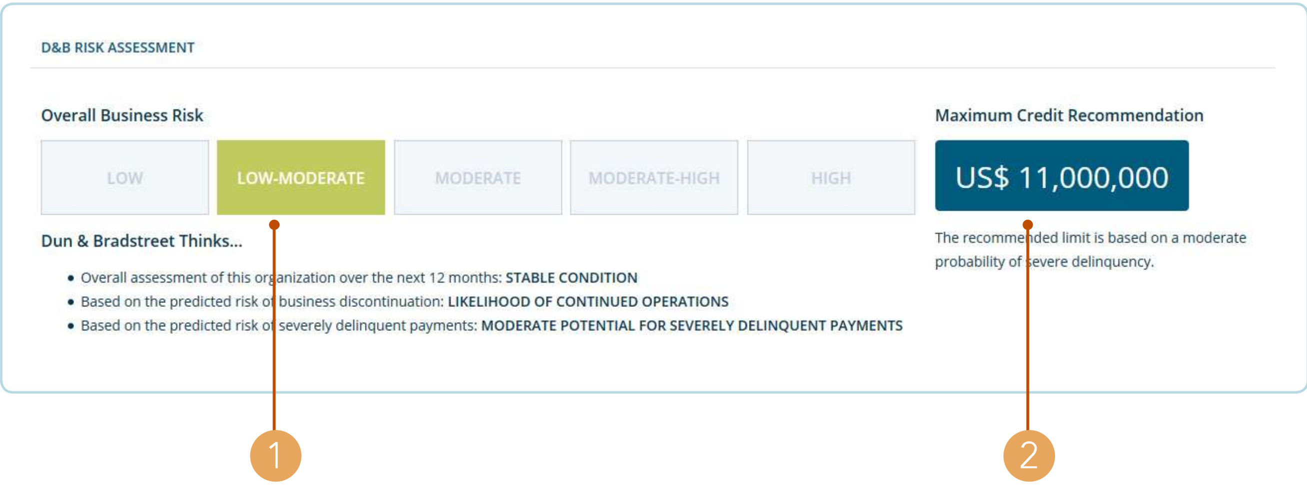
Standard Industrial Classification (SIC) and North American Industry Classification System (NAICS) are government-assigned industry codes. The codes can help recognize industries that are potentially high-risk and ensure that potential partners really operate in the business they're registered to operate in. Industry codes are also important in portfolio management for segmenting accounts by industry for benchmarking and other indexing purposes.

5

Government Activity indicates whether the company has been vetted by and does business with the federal government—a valuable piece of knowledge for making risk assessments of new vendors.

Risk Assessment

This is the section where you will find some of the most in-depth and beneficial intelligence for assessing risk and making credit decisions. It contains D&B's most robust and reliable business credit scores and ratings, alongside comparative analysis with millions of businesses. These tools will give you a clear view of your potential partner's or vendor's financial situation and the exact credit risk they pose.

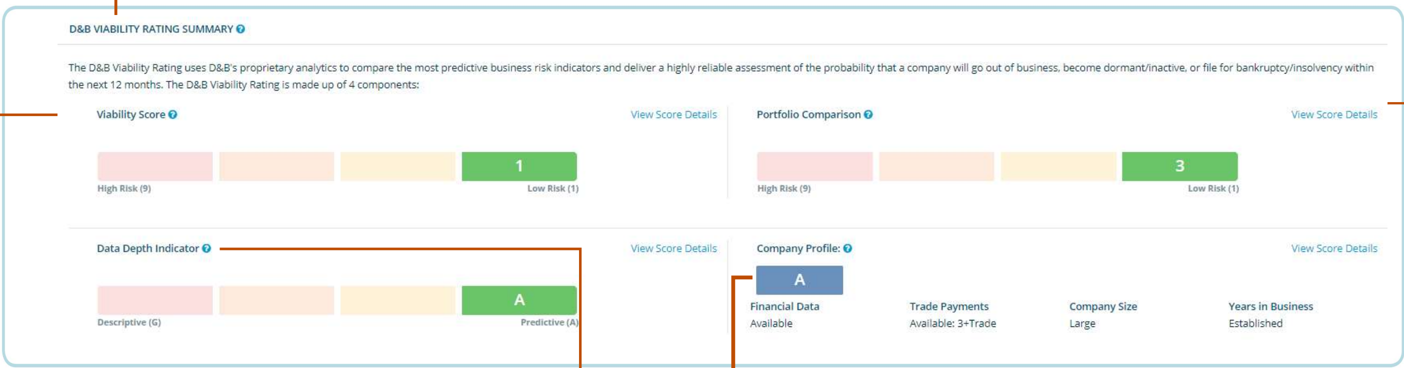


The **Overall Business Risk** is a high-level prediction of the company's risk of paying its bills extremely late, or its likelihood of going out of business. It is a comprehensive evaluation that considers factors such as trade payments, risk indicators, financial data, as well as a business's size and years in operation. It scores businesses on a five-point scale, from low to high risk, with additional statements describing the business's current and future health.

The **Maximum Credit Recommendation** is the greatest amount of credit that Dun & Bradstreet suggests extending. The amount is the total value of goods and services that the average creditor should have outstanding—not necessarily
the maximum amount it can afford. The recommendation is based on a historical analysis of similar companies (though not industry-specific) in D&B's payments database.

Viability Rating

The **D&B Viability Rating** holistically evaluates a company's current and future health, and forecasts what the next year may look like - whether it will still be in business or end up inactive or bankrupt. (A company stops being "viable" when it goes out of business, becomes inactive, or files for bankruptcy or insolvency.) It's a highly reliable and multidimensional rating that lets you compare predictive business risk indicators against similar businesses, and the amount of data that is available on that company.



2 The **Portfolio Comparison Score** is a component within the Viability Rating that assesses the company's viability compared to similar businesses within the same industry and same model segment classification. Scores are based on a scale of 1-9 (1=low risk, 9=high risk). Businesses are classified into model segments based on the availability of the following data:

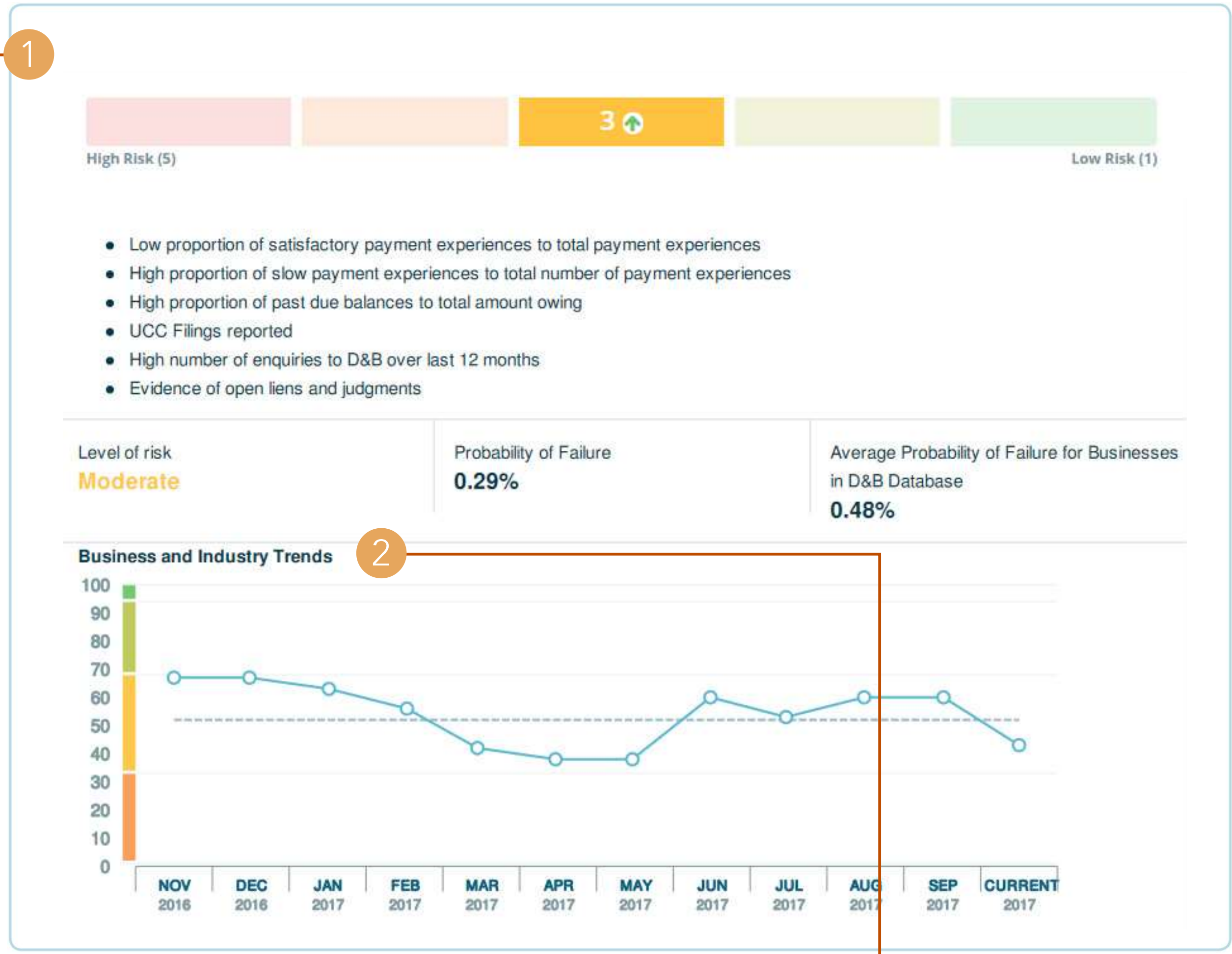
- Available Financial Statement Data
- Established Trade Payments
- Limited Trade Payments
- Firmographics and Business Activity

1 **Viability Score**
Assesses the probability that a company will no longer be in business, within the next 12 months, compared to all U.S. businesses within the D&B database.
Going out of business is defined as:
– Voluntary or involuntary close of business
– Becoming dormant or inactive
– Filing for bankruptcy

3 **Data Depth Indicator**
Presents the level of predictive data available on a business that was used to score its viability. Data depth includes how much business intelligence is known about a business based on the availability of predictive information such as:
– Commercial trading activity
– Financial attributes
– Firmographic data

4 **Company Profile**
Assesses the probability that a company will no longer be in business, within the next 12 months, compared to all U.S. businesses within the D&B database.
Going out of business is defined as:
– Voluntary or involuntary close of business
– Becoming dormant or inactive
– Filing for bankruptcy

Failure Score



The **Failure Score** predicts the likelihood that the company will seek legal relief from creditors in the next year or cease operations and leave creditors on the hook. The score is based on a company's business history, payment habits, and industry norms. The score is ranges from 1 to 5, where higher scores indicate a higher probability of failure. D&B also provides a bulleted list outlining the conditions used to determine the score. This is a helpful spot to learn if there are any circumstances such as UCC filings or slow payment experiences reported.

The **Business and Industry Trends** historically charts the company's Failure Score over the past 12 months and lets you see how it compares to similar business in the same industry. This type of industry-specific reporting and analysis help benchmark a company against its peers to see how they stack up in the big picture.

Delinquency Score

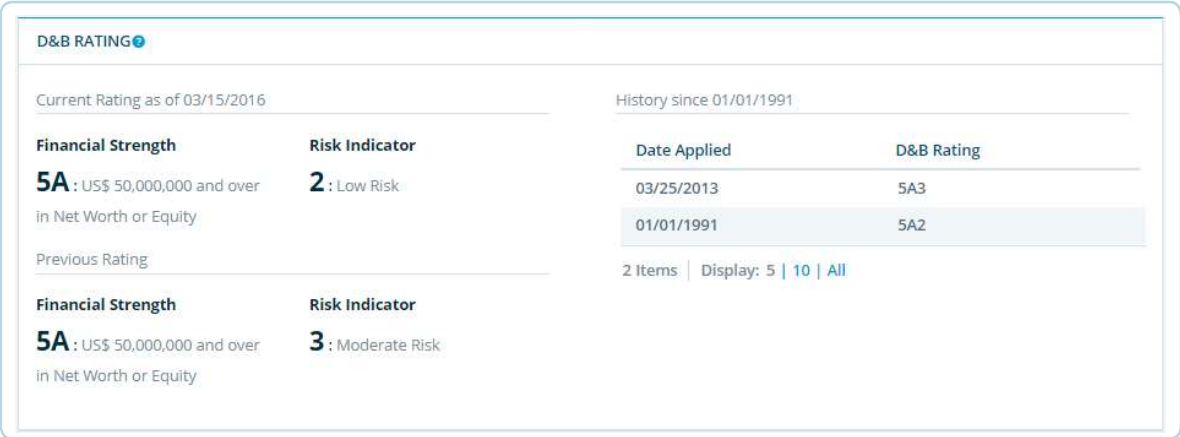
The **Delinquency Score** looks at the next 12 months and rates the business on the likelihood of it making severely delinquent payments, seeking legal relief from creditors, or ceasing operations without paying creditors. The score is ranges from 1 to 5, where higher scores indicate a higher probability of severely delinquent payment. It's calculated using such variables as available trade data, firmographic data, public records, and available financial data. A severely delinquent firm is defined as a business with at least 10% of its dollars more than 91 days past due. In general, fewer than 10% of businesses in the US are considered severely delinquent payers.

Like the Failure Score benchmarking index, the **Business and Industry Trends** maps this performance over the past 12 months in comparison to other companies in the same industry.

PAYDEX

The **PAYDEX**® score is a payment index – a unique dollar-weighted assessment of the business's credit history and payment performance over the past two years. The score is based on trade experiences reported by vendors and is derived from a weighted average of a company's combined individual payment experiences (so larger invoice amounts weigh heavier in the overall index). A company needs at least three pieces of trade reported by at least two different vendors in order to have a PAYDEX®. It's based on a scale of 1-100 (where 100=best and 0=worst). A score of 80 is the benchmark; it means that a company pays its bills on time, or promptly, according to its suppliers. The PAYDEX® score differs from the Delinquency score in that it only considers past payment performance.

D&B Rating



The **D&B Rating** is D&B's very own measurement system that evaluates a company's financial strength and size, along with its Composite Credit Appraisal. The rating is based on factors such as company payments, financial information, public records, and business age.

a. The **Financial Strength** rating classification is based upon information from a company's interim or fiscal balance sheet.

b. The **Risk Indicator** expresses the business's Composite Credit Appraisal and overall assessment of that firm's creditworthiness, on a scale of 1 to 4.

Trade Payments

Trade Payments provide valuable insight to credit professionals – these records of payment behavior offer objective evidence of how the company has paid other partners. D&B has thousands of partners in its Global Trade Exchange Program that share monthly trade payment data in exchange for complimentary access to exclusive D&B tools and data.

1

Trade Payments

TRADE PAYMENTS SUMMARY

Overall Payment Behavior		% of Trade Within Terms		Highest Past Due	
16 Days Beyond Terms		**59%**		**US$ 10,000,000**	
Highest Now Owing:	US$ 15,000,000	**Total Trade Experiences:**	253	**Total Unfavorable Comments:**	1
		Largest High Credit:	US$ 20,000,000	Largest High Credit:	US$ 250
		Average High Credit:	US$ 331,057	**Total Placed in Collections:**	1
				Largest High Credit:	US$ 0

Trade Payments indicate how quickly a company is likely to pay its bills in the future by reviewing its payment performance with other vendors based on aging, amount of trade, and dollar amounts. The **Trade Payment Summary** offers an overview of trade experiences, displayed by key trade elements including average DBT (days beyond terms), highest credit amount currently owed, the highest credit amount received, the highest past due amount and the average high, based on the total number of tracked trade experiences.

Trade Payments by Credit Extended offers a sense of how this business handles its obligations across a range of payment categories. The chart shows the number of experiences and the total dollar value of credit extended to this business within each category.

2

TRADE PAYMENTS BY CREDIT EXTENDED

Range of Credit Extended (US$)	Number of Payment Experiences	Total Value	% Within Terms
100,000 & over	213	US$ 251,450,000	70
50,000 - 99,999	57	US$ 3,970,000	59
15,000 - 49,999	146	US$ 3,720,000	53
5,000 - 14,999	117	US$ 815,000	54
1,000 - 4,999	124	US$ 214,000	49
Less than 1,000	129	US$ 42,100	50

Trade Payments by Industry is an overview of a company's past payment performance across various industry categories, as reported to D&B. This level of distinction can help assess how you'll be paid based on the line of business, which can vary. For example, a new restaurant can be more vulnerable to risk compared to an established manufacturing firm.

3

Trade Payments By Industry

Industry Category	Number of Payment Experiences	Largest High Credit (US$)	% Within Terms (Expand to View)	1 - 30 Days Late (%)	31 - 60 Days Late (%)	61 - 90 Days Late (%)	91 + Days Late (%)
15 - Building Construction - General Contractors and Operative Builders	1	25,000					
1531 - Operative builders	1	25,000	50	50	0	0	0
17 - Construction - Special Trade Contractors	3	7,500					
1796 - Erects building equip	3	7,500	11	0	39	0	50
20 - Food and Kindred Products	2	15,000					
2087 - Mfg extracts/syrup	1	1,000	100	0	0	0	0
2099 - Mfg food preparations	1	15,000	100	0	0	0	0
24 - Lumber and Wood Products, Except Furniture	1	40,000					
2448 - Mfg wood pallets	1	40,000	50	0	50	0	0
26 - Paper and Allied Products	2	2,000,000					
2631 - Paperboard mill	2	2,000,000	0	100	0	0	0

4

TRADE LINES

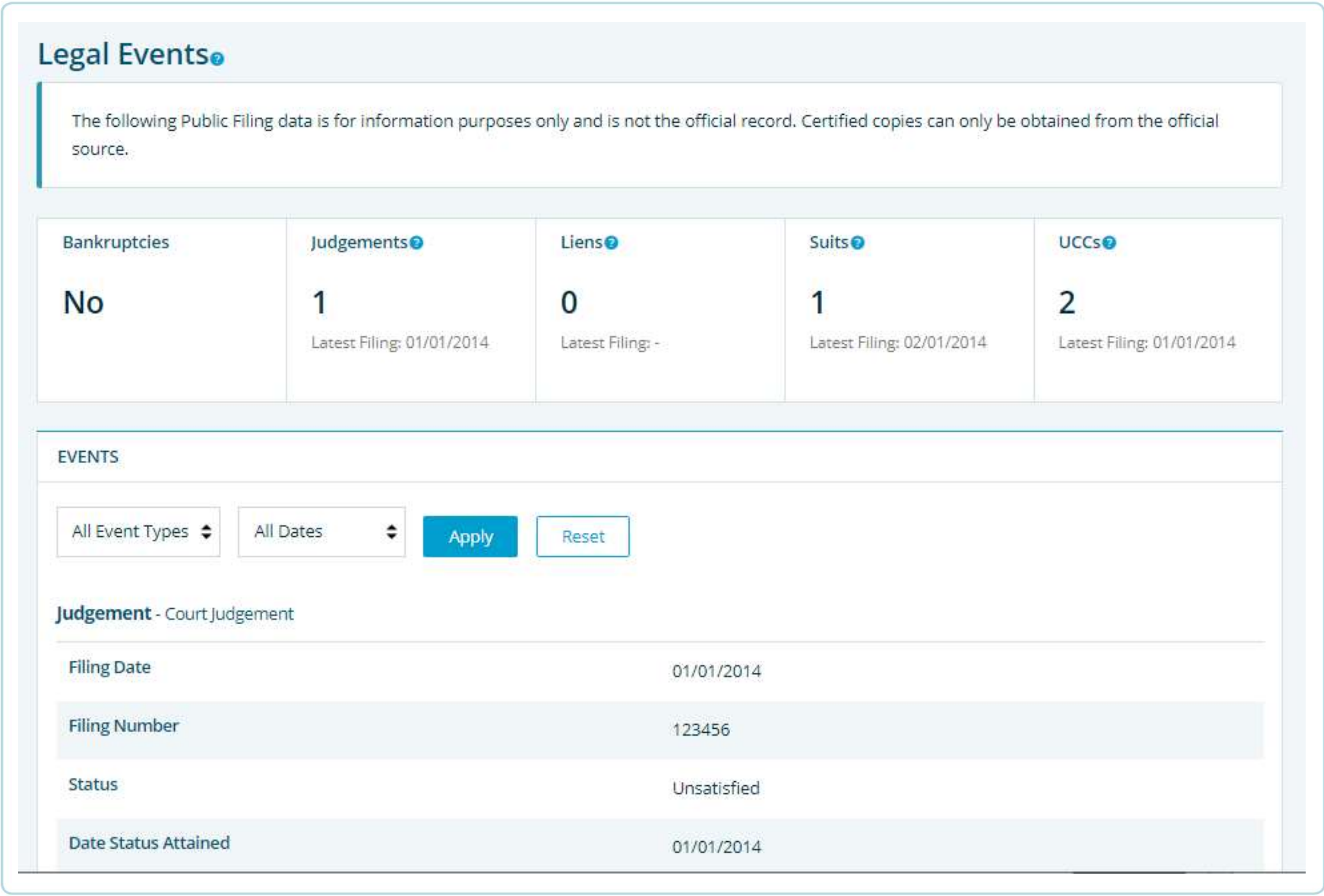
Select Date Range

Date of Experience	Payment Status	Selling Terms	High Credit (US$)	Now Owes (US$)	Past Due (US$)	Months Since
11/20	Pays Promptly	-	5,000	2,500	1,000	
11/20	Pays Prompt to Slow 30+	-	10,000	2,500	1,000	
11/20	Pays Prompt to Slow 30+	-	7,500	5,000	1,000	
11/20	Pays Prompt to Slow 30+	-	5,000	2,500	1,000	
11/20	Pays Prompt to Slow	-	2,500	1,000	750	

Trade Lines list the most recent 80 trade experiences from individual suppliers. The list reflects how bills are paid in relation to the terms granted.

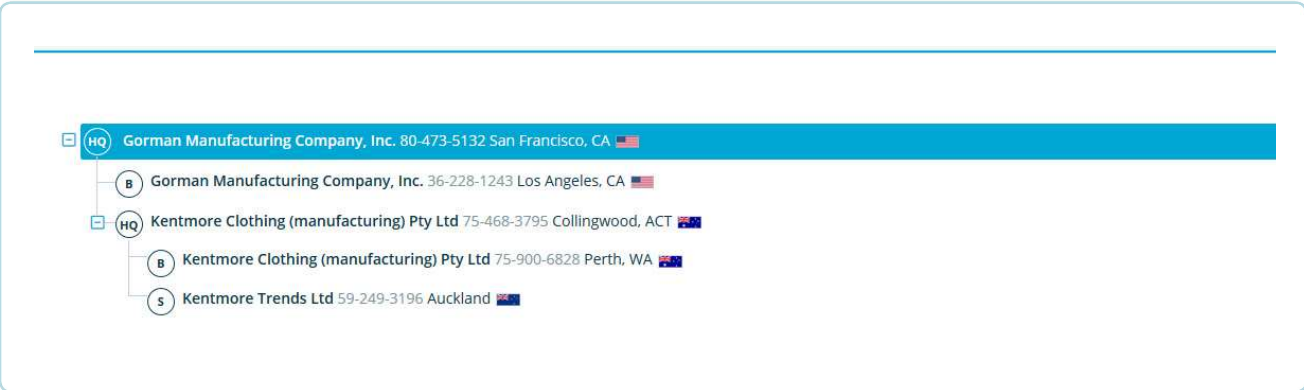
Legal Events

Understanding legal activity is crucial in identifying risk. Legal Events covers past and present legal activities that could impact a company's financial stability and operations. Examples of legal activities that could affect your business include bankruptcies, lawsuits, liens, judgements, Uniform Commercial Code (UCC) filings, and Personal Privacy Security Act (PPSA) statements. Dun & Bradstreet collects business-related bankruptcy information from bankruptcy courts in the US, and each bankruptcy is investigated and confirmed by an analyst before being posted to a business credit report. Also, Dun & Bradstreet is one of the few providers to feature lawsuits in its business credit reports. Lawsuits may signal an impact to a business' credibility, liens may indicate difficulty to pay, and judgments may mean it has large outstanding financial obligations.



Ownership

The Dun & Bradstreet Family Tree lets you assess risk across different parts of a corporate family by viewing the linkage relationship between different companies and their majority-owned subsidiaries and branch locations. From multinationals with thousands of global locations to small businesses with a second branch office, the Family Tree provides insight into relationships among the millions of active companies in the global Dun & Bradstreet database. Seeing a visual representation of a corporation's different businesses and locations can help you assess a company's size, understand its real estate footprint, identify potential conflicts of interests, and create more accurate reporting on large suppliers. Remember, branch locations have no legal responsibility for debt, and understanding company relationships helps to better identify risk hotspots to make sure you can properly evaluate credit limits, prioritize collections, and recognize growth opportunities.



Conclusion

Whether you're engaging a new partnership or extending credit to an existing customer, proper risk management requires a comprehensive understanding of credit data and analytics. Dun & Bradstreet's business credit reports are trusted by lenders and potential business partners for objective credit analysis. Other credit reporting tools - such as portfolio risk management and automated credit decisioning - are also available for more advanced credit needs.

Risk management is a multi-faceted discipline, and Dun & Bradstreet believes strongly in sourcing multiple datasets to tell the full story of risk. It's important to know everything you can about the companies you do business with and make sure your decisions are backed by reliable data and intelligent insight. Dun & Bradstreet aggregates more than 30,000 sources of data to provide the insight needed to determine appropriate credit terms today – and tomorrow. Our data includes sources from trade payments, suits, legal filings, private company financial statements, and even news and social media activity. Thousands of companies, from small businesses to large global enterprises, depend on Dun & Bradstreet to help them discover truth and meaning in their data, and to find the best customers, partners, and vendors to do business with.

To learn more about D&B's Business Credit Reports and how you can make better credit decisions for your business, call (877) 727-0664 or visit **www.dnb.com**.