CROWDSOURCING

By tracking the behavior of credit managers and other professionals, crowdsourcing becomes the ccritial advantage that CreditRiskMonitor subscribers gain.

creditrisk
monitor®

Would your approach to risk assessment change if you knew:

- That multiple credit managers were keeping an eye on the same account you had in question
- That you had access to the insights of nearly 40% of Fortune 1000 business leaders, plus thousands more at large corporations worldwide

Obtaining financial insight on a publicly-traded company prior to actual disclosure has always been difficult given restrictions that prevent insider trading. "Fair Disclosure," however, does not apply to credit managers, whose job is to assess a public company's financial health. Crowdsourcing is an extremely important – and legal – way to understand how reliable a company truly is as a partner, supplier, customer or investment.

Leveraging sentiment among credit managers and other CreditRiskMonitor subscribers enables a powerful predictive element that strengthens our proprietary FRISK® Score, which is 96% accurate in predicting public company bankruptcy risk within a 12-month period.

Credit Managers are an often underacknowledged source of expert financial risk insights that help keep companies afloat. Here's why:

- Credit managers control one of the largest sources of working capital going into a company
- Credit managers use a variety of non-public information sources such as their own company's management and sales representatives to be alerted to concerns in a public company's performance

- Credit managers confidentially share information with other credit managers; collectively, their behavior helps to provide advanced warning to financial problems in both public and private companies
- Credit managers are not held to the same "Fair Disclosure" restrictions that prevent non-disclosed information sharing on public companies
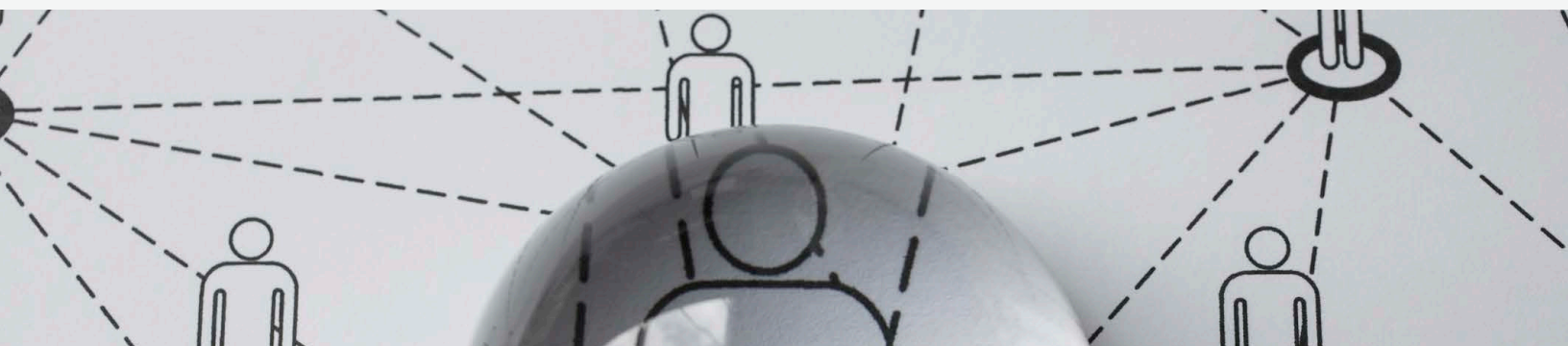
CROWDSOURCING HAS IMPROVED OUR PROPRIETARY FRISK® SCORE, BUT OUR RESEARCH SHOWS THAT CROWDSOURCING ALONE IS A POWERFUL ENOUGH MODEL TO PREDICT BANKRUPTCY

How it works:

Our subscribers are provided a wealth of information on companies within their portfolios, and this information is available all in one place. Our research indicates that when a subscriber is worried about the financial health of a company in their portfolio, the information they access on our site creates a specific "click pattern."

Our website has always been highly structured, enabling us to track these very specific patterns of use through our sophisticated and proprietary algorithms, which means **we've been able to analyze click patterns for the past 10 years, through many financial shifts**.

This proprietary crowdsourcing data makes up one of the four key metrics used in the FRISK® Score, adding to its already critical arsenal of financial indicators:

1. A "Merton"-type model using stock market capitalization and volatility
2. Financial ratios, including those used in the Altman Z" Score Model
3. Agency ratings
4. Aggregate insider sentiment (Crowdsourcing), and the above, makes the FRISK® Score a proven tool in predicting public company bankruptcy risk

In summary, why CreditRiskMonitor crowdsourcing is so powerful:
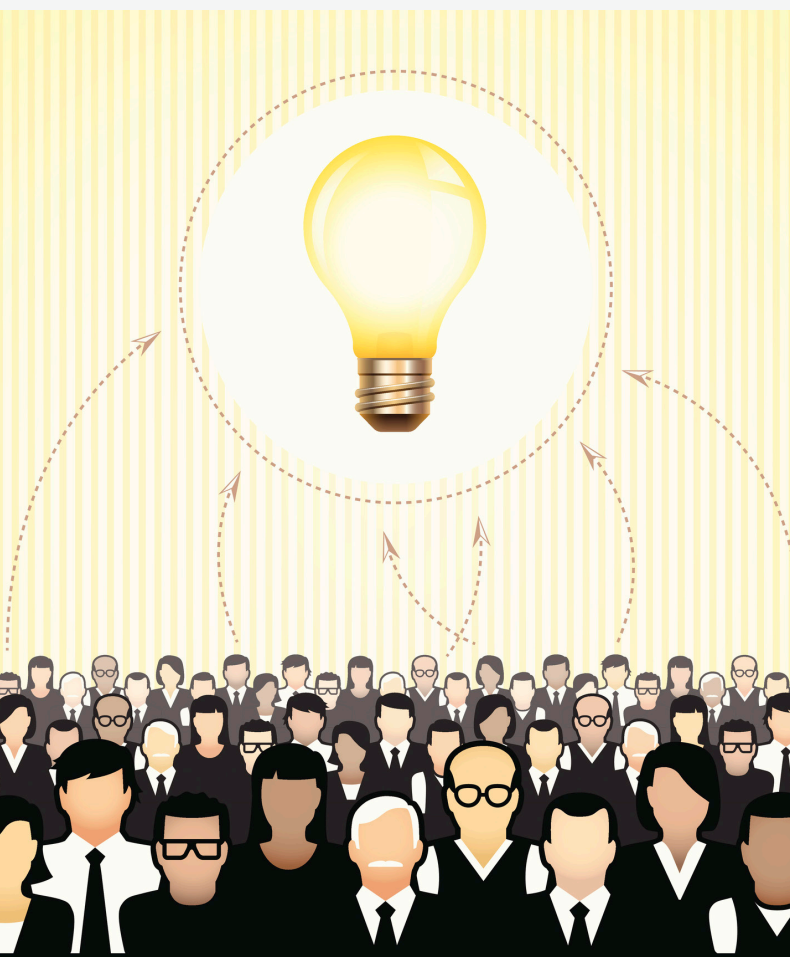
Accuracy. Since we've incorporated the click patterns of our subscribers, our FRISK® Score has become more accurate than ever before, predicting public company bankruptcy risk with 96% accuracy within a 12-month period.

Value in leadership. Our subscribers are highly influential in the daily commerce of some of the world's largest corporations, making either credit or procurement decisions affecting billions of dollars of purchase and sale transactions every month.

Unique advantage. Crowdsourcing is unique to CreditRiskMonitor, providing our subscribers with insights that they can't get anywhere else.

Powerful on its own. We've added crowdsourcing to our proprietary FRISK® Score to improve the score's ability to predict bankruptcy, but our research shows that crowdsourcing alone is a strong enough model to predict bankruptcy.

READ MORE IN CREDIT RESEARCH FOUNDATION'S QUARTERLY JOURNAL ARTICLE, "ASSESSING PUBLIC COMPANY FINANCIAL RISK BY CROWDSOURCING THE RESEARCH OF CREDIT PROFESSIONALS"