



Managing Supplier Risk with Financial Health Transparency

Developing an Effective Supplier Risk
Management Program

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Chief Client Officer
October 2019

A blurred, grayscale image of a person's hands, possibly gesturing during a presentation or meeting, located in the bottom-right corner of the slide.

Agenda

- Who We Are
- Financial Transparency & Supplier Risk Management
- Trends in Corporate Financial Health
- Private Company Analysis
- Supplier Partnership



We provide the most sophisticated analysis on the financial health of public and private companies in the world.

Our analytics software predicts financial outcomes for your most important suppliers. We are transforming the way the world's leading companies manage enterprise risk.

We are RapidRatings.



“With RapidRatings... we doubled the scope of suppliers that we had in our program and we eliminated manual work by

80%

— Director of Supplier Risk Management, Philips



150+

MILLION

Number of public and private companies under coverage globally



130+

COUNTRIES

Number of countries in which we've sourced and rated private companies



Access ratings and reports seamlessly with RapidRatings API

RESILINC 👤

RapidRatings Scores

📄 🗃️ 🔍 Search...

Partner	FHR Score	CHS Rating	Simulated FHR	Operating Profitability	Net Profitability	Capital Structure Efficiency
🔍	🔍	🔍	🔍	🔍	🔍	🔍
GREEN PACKAGING ASIA	92	85	92	88	93	83
ROUTEJADE	21	24	21	9	7	17
ATLANTIC TOOL & DIE	42	45	42	10	49	46
LSANGANG OPTOELECTRONIC TECHNOLOGY	63	64	63	46	71	90
CYBERADIGITIVE SRL LIMITED	64	80	64	43	70	80

RapidRatings FHR Score

📌 Max FHR Score

Partner	FHR Score
GREEN PACKAGING ASIA	92
ROUTEJADE	21
ATLANTIC TOOL & DIE	42
LSANGANG OPTOELECTRONIC TECHNOLOGY	63
CYBERADIGITIVE SRL LIMITED	64

RapidRatings Performance

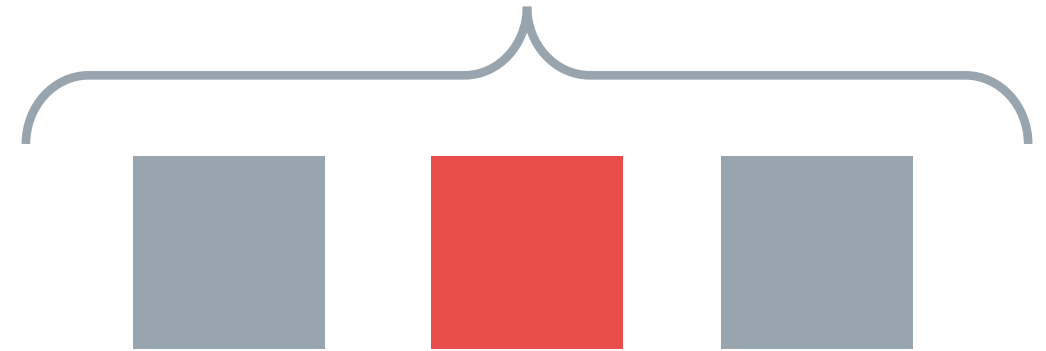
Partner	Rr Leverage	Rr Liquidity	Rr Earningsperfor
🔍	🔍	🔍	🔍
LSANGANG OPTOELECTRONIC TECHNOLOGY	Strong	Weak	Average
ROUTEJADE	Weak	Weak	Weak

? Help

The Case for Supplier Risk Management

- Supply chains are becoming longer & more complex
- Become a strategic imperative for organizations of all sizes and across all industries
- New worries and threats - geopolitical issues, natural disasters, and data breaches

1 in 3 experienced a supply chain disruption in the **last 24 months**



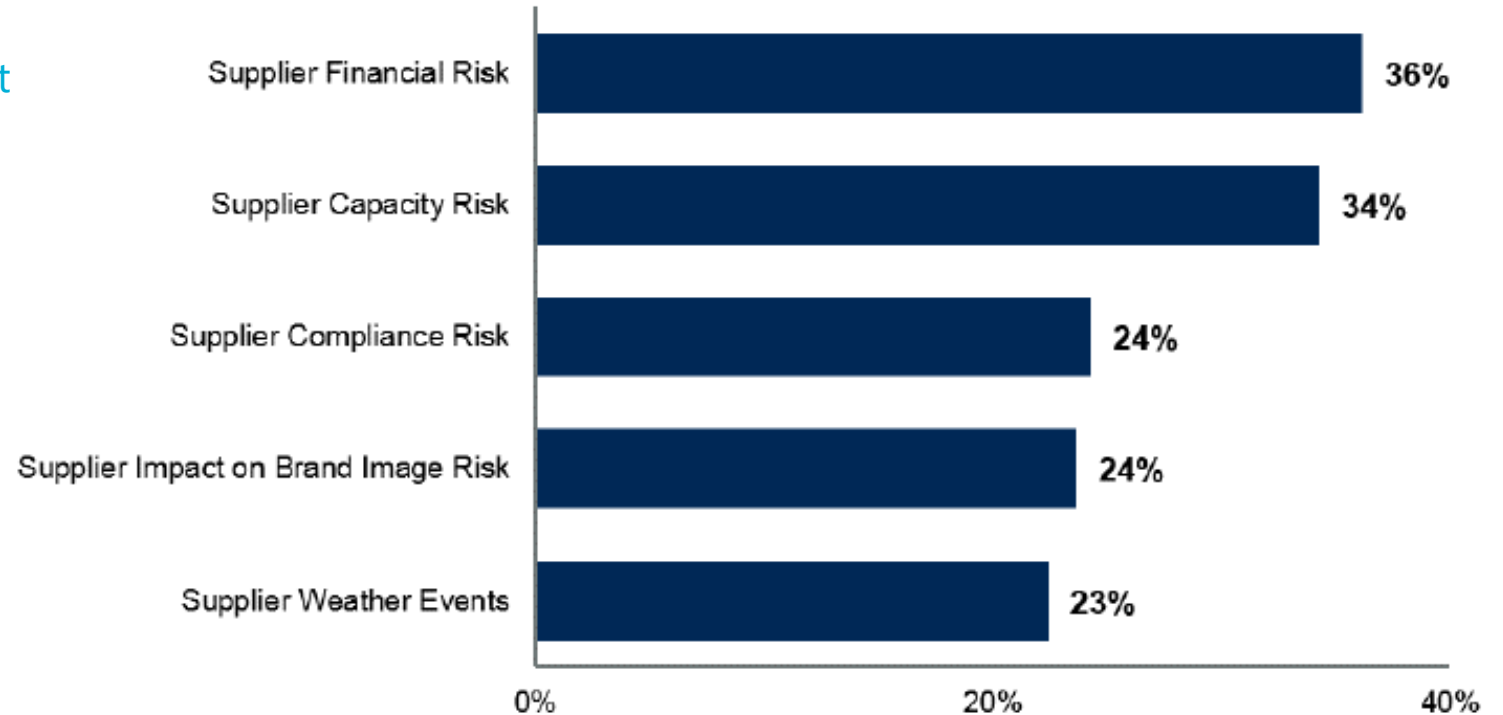
Only **24%** of those companies reported having a **clear strategy** in place

*ProcureCon Benchmark Study: ["The State of Risk."](#)

Supplier financial & capacity issues contribute to disruptions

Although 89% of survey respondents experienced a significant supplier risk event between 2012 and 2017, risk awareness and mitigation plans lack maturity.

Top Supplier Risk Events
(Percentage of Respondents)

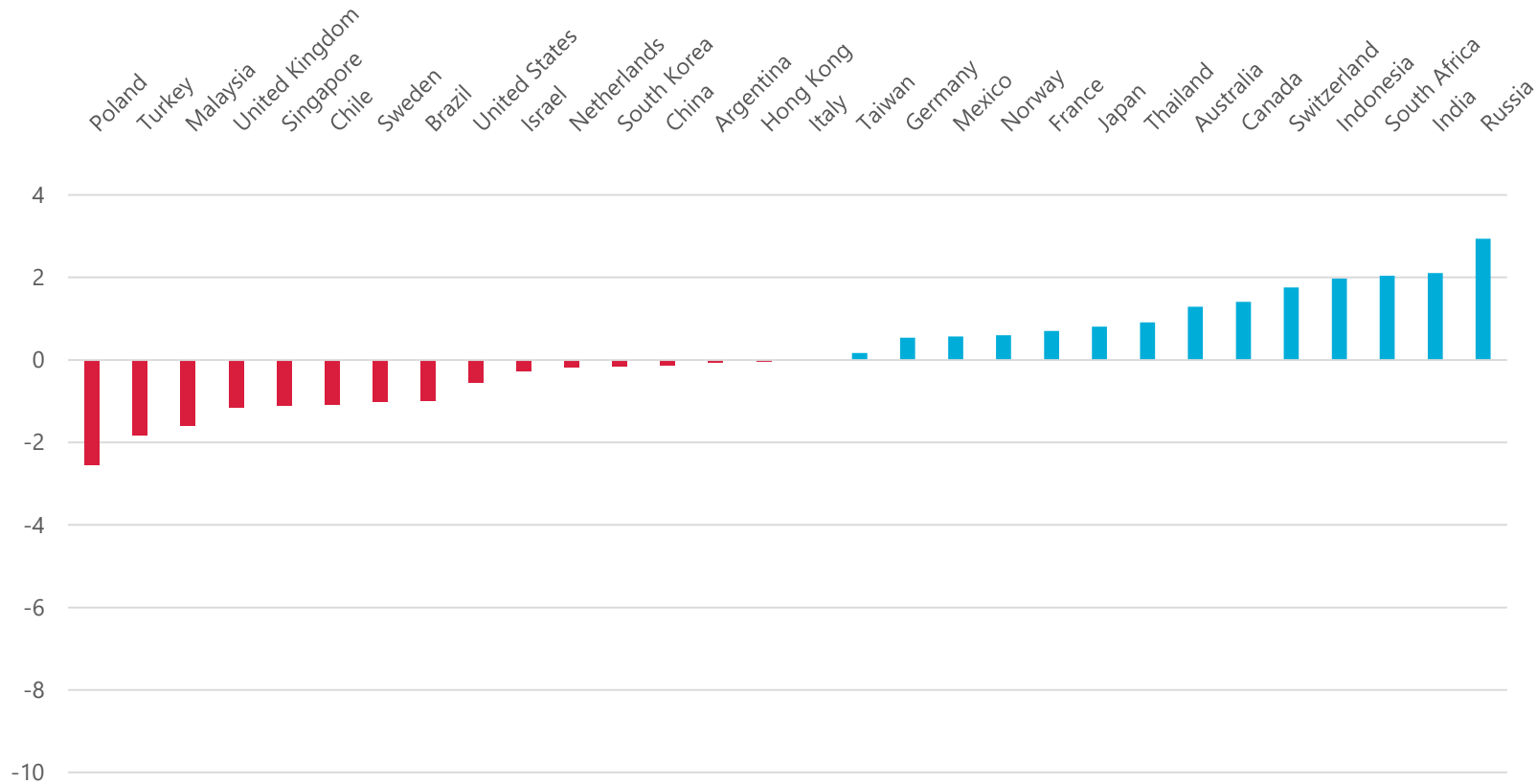


*Gartner "Leverage External Partners to Mitigate Supply Chain Risk and Build Organizational Resilience." 2019



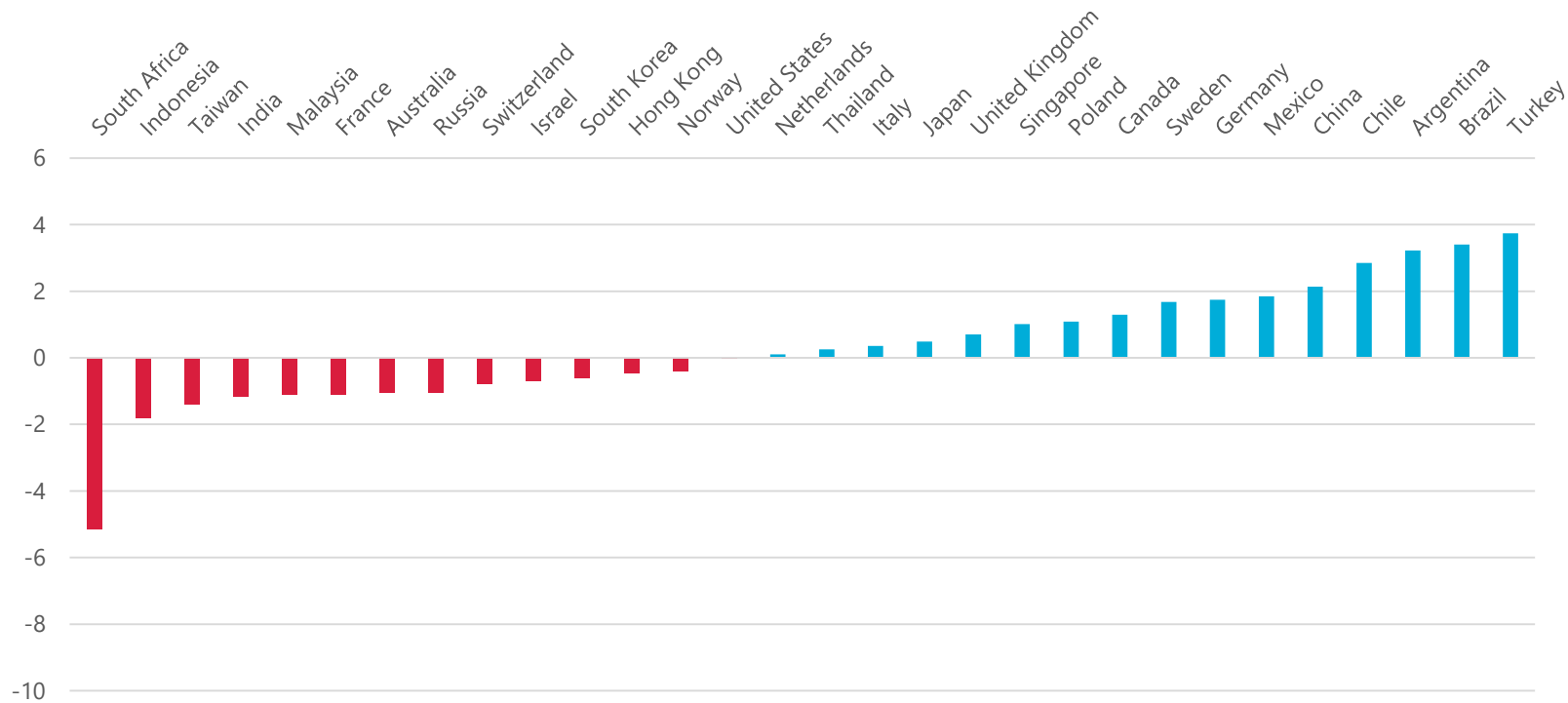
Economies with worsening financial health

2016



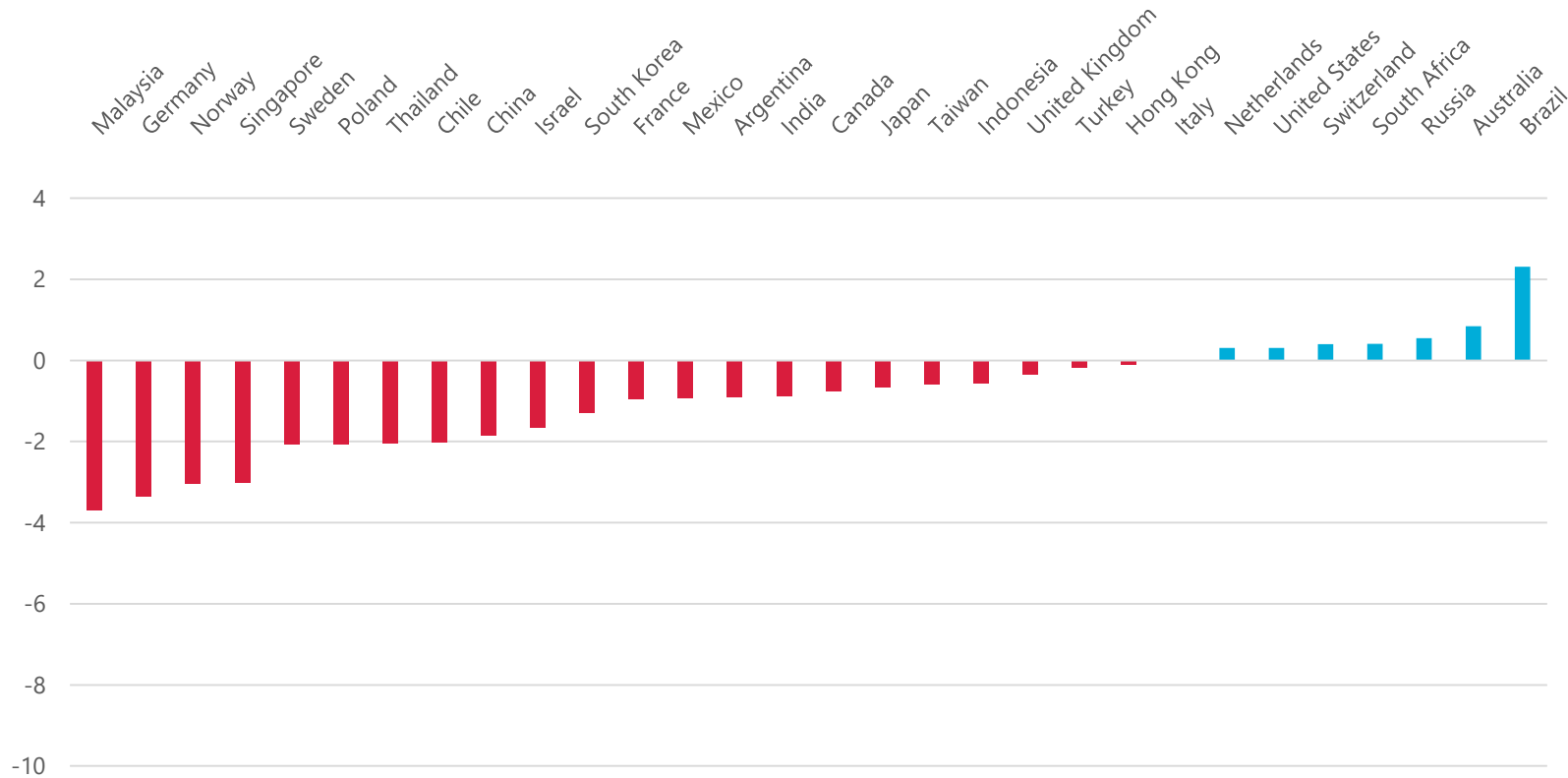
Economies with worsening financial health

2017



Economies with worsening financial health

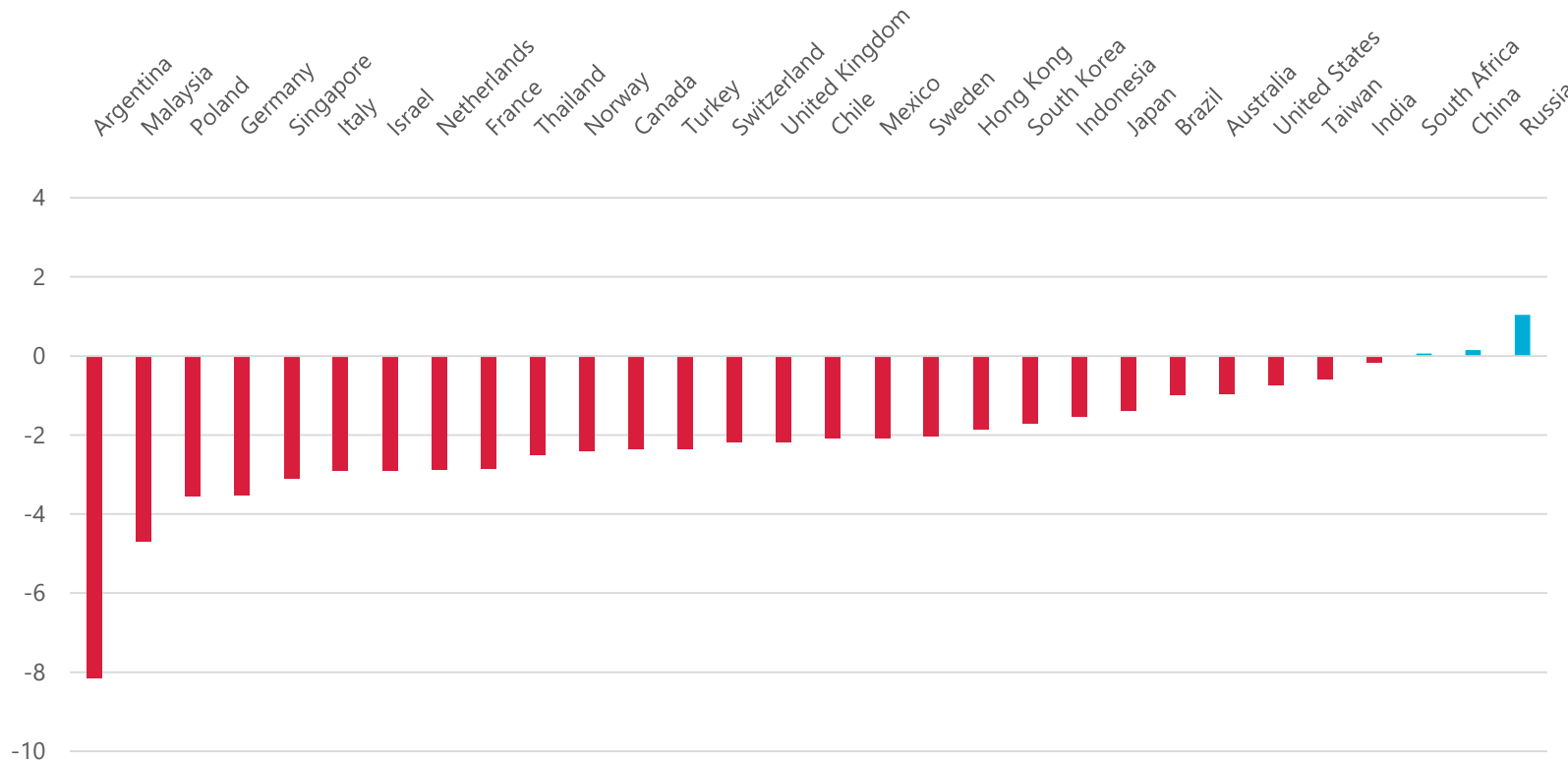
2018





Economies with worsening financial health

2019



- 28 out of 30 largest countries we cover have saw corporate financial health decline in the past year.
- This is a negative indicator for the next 12-24 months, and among the worst we have seen in several years.

Broader financial health coverage to predict supplier performance

Deeper supplier collaboration to improve supplier performance

“Successful supply chain management is anchored on excellent commercial relationships with critical suppliers. The benefits of close relationships include... improved supplier performance in the areas of quality and on-time delivery.”

—Supply Chain Dive
July 11, 2019

Why Financial Health?

Health Matters: Good financial health means less disruption and default. Suppliers with **poor financial health** are:

2.0x

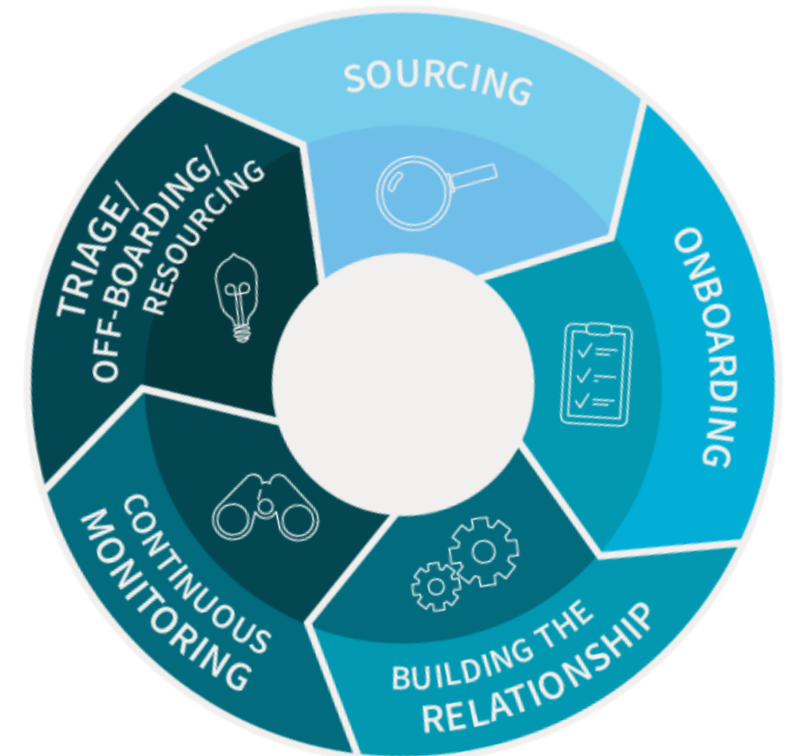
More likely to provide
“Very Poor Quality”
performance

2.6x

More likely to provide
“Very Poor Delivery”
performance

What does it mean to evaluate financial viability?

- Using financial statements to see **deeply** into a company
- Understand **short-term resiliency** and **long-term viability**
- Financially strong companies have:
 - Flexibility and skill to **react to unforeseen** adverse events
 - **Resources to invest** in risk management best practices
 - Ability to **meet increasing demand** or invest in joint efforts



Companies that achieve strong, efficient financial results are generally well-run and managed, and don't need to cut corners.

Gaining financial insight into private suppliers is difficult

70-80% suppliers are private, making up a majority of your supply chain

Common misconceptions for private suppliers:



You can't get financials from private suppliers

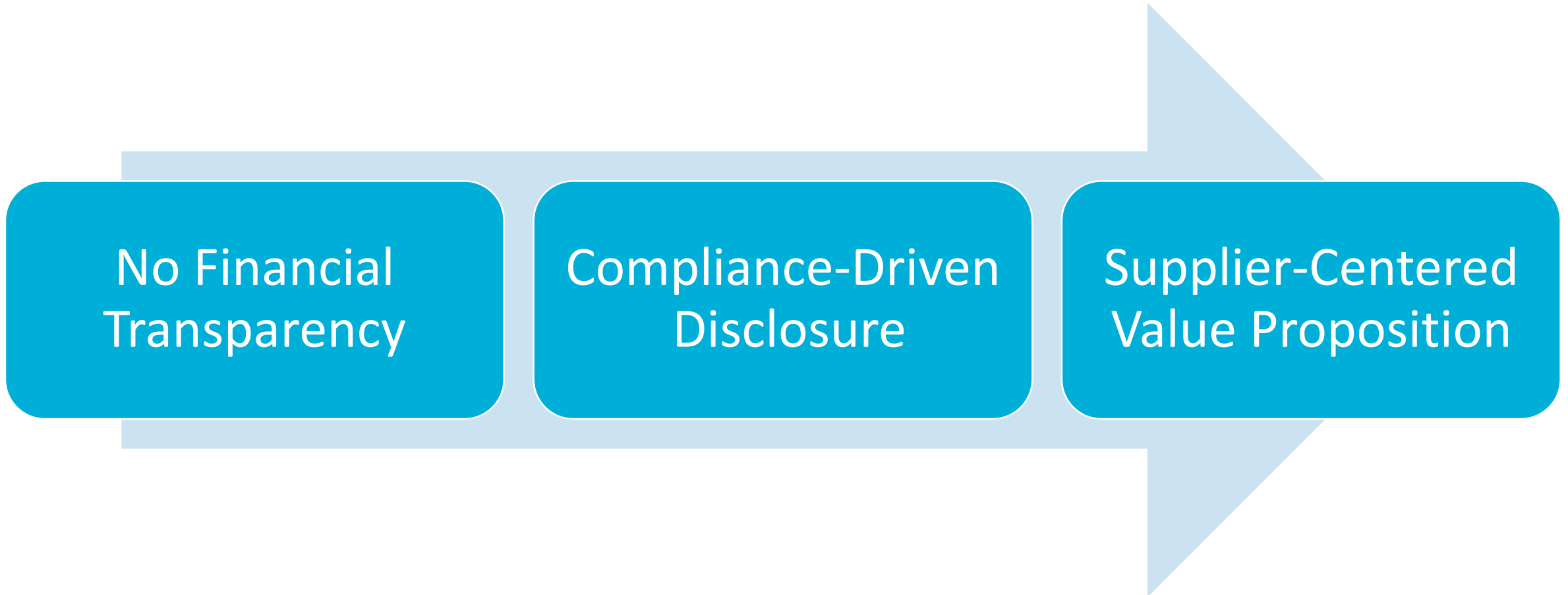


Old or partial financial information suffices



Credit checks provide insight into financial strength

Transformation of Suppliers Participating in Risk Management Programs



Suppliers should benefit from the risk management process



Gain insights into their own risks and benchmark performance.



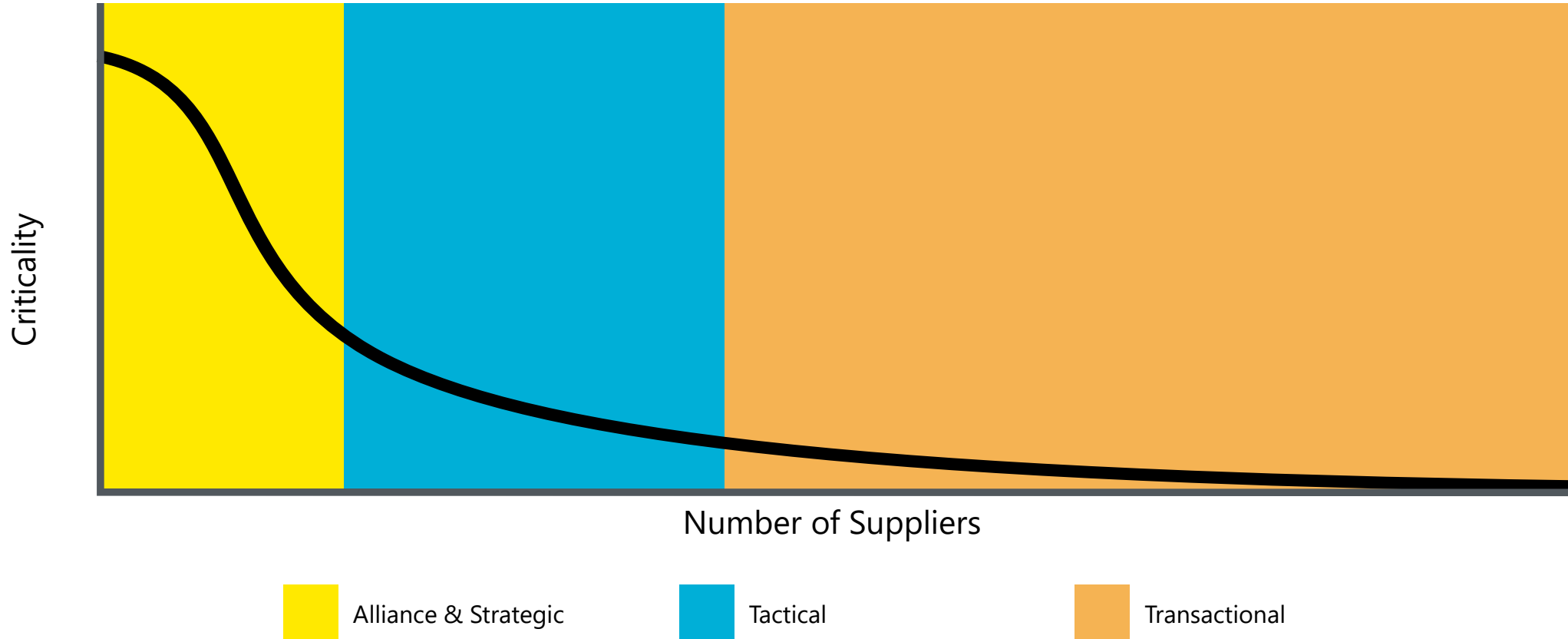
Win new or grow existing business with strong risk assessments and collaboration.



Safeguard own brand and bottom line by implementing a risk management program.



Using a spectrum of risk analytics



Key Takeaways

- Supply Chain disruptions happen to most companies, and are usually the result of either **financial or capacity** issues. The global economy is slowing, so you can protect your business by looking for **known indicators of financial risk**.
- **Financial health is the most important**, recurring risk pillar in your supply chain & unquestionably influences other areas of risk in your supply chain
- **Private companies are vital**, making up 70-80% of most companies critical suppliers, and you should not be afraid of expecting or mandating them to provide you with the information you require & deserve
- Risk analytic strategies should cover a spectrum based on **supplier criticality**



Thank You — Q&A

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