Trends
Business Information
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HOW INTERPRET THE SCORE PROVIDED BY TRENDS BUSINESS INFORMATION

Purpose of the score

Although our scores are presented as a mark between 0/20 and 20/20, they should not be interpreted as meaning that businesses are bound to succeed or fail.
The score is a way of sorting companies on a scale according to their risk of defaulting.
The definition of defaulting is bankruptcy or an appeal to legal channels to rule on the future of a business.
To remain coherent, the scores that we use automatically take into account objective, published, official, relevant and available factors.
It is not a question of estimating the risk of a company paying on time or late.
The score merely attempts to determine the statistical risk of a company. The higher the risk, the lower the score, but it is just about the probability, it is never a foregone conclusion.

Categories of companies

To make them as relevant as possible, the companies scored are grouped into 3 basic categories:

- Legal entities that have published annual accounts
- Legal entities without annual accounts available
- Self employed

Both the inherent characteristics and the information available justify these distinctions.

Altogether, this covers around 1,000,000 active companies.

Standardisation of the score:

The reference base for the Trends Business Information score is international, so it can be interpreted in the same way whether a company is Belgian or European.

The level of the default risk scored at 10/20 in Belgium can therefore be compared to a score of 10/20 in France or Portugal.

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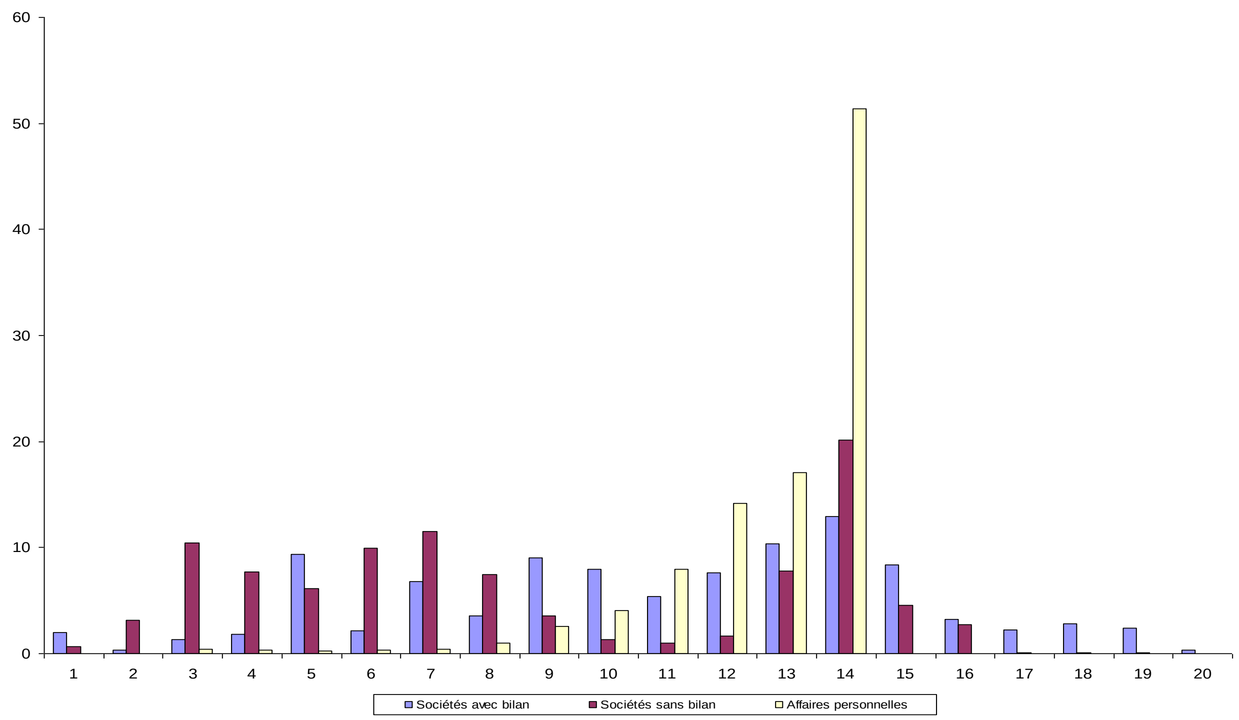
Guide to the main warning signs that might result in a zero or low score:

1. Annual accounts are not published
2. Defaulting directors (see mandates)
3. Late payments to the ONSS
4. Recent or frequent protests
5. The existence of negative profitability (see annual accounts)
6. Lack of share capital (connected to a company's life cycle)
7. The existence of negative solvency (negative capital)
8. Voluntary liquidation/dissolution (to avoid bankruptcy)
9. Requests for temporary deferments
10. Total or partial loss of licence
11. Convictions for activities without authorisation or registration etc.
12. Poor management of working capital and the need for working capital

When these occur, they are included in the body of the Credit Reports.

Division of scores by sub-model:

The graph below shows the distribution (in percent) of the scores achieved by the 3 categories.



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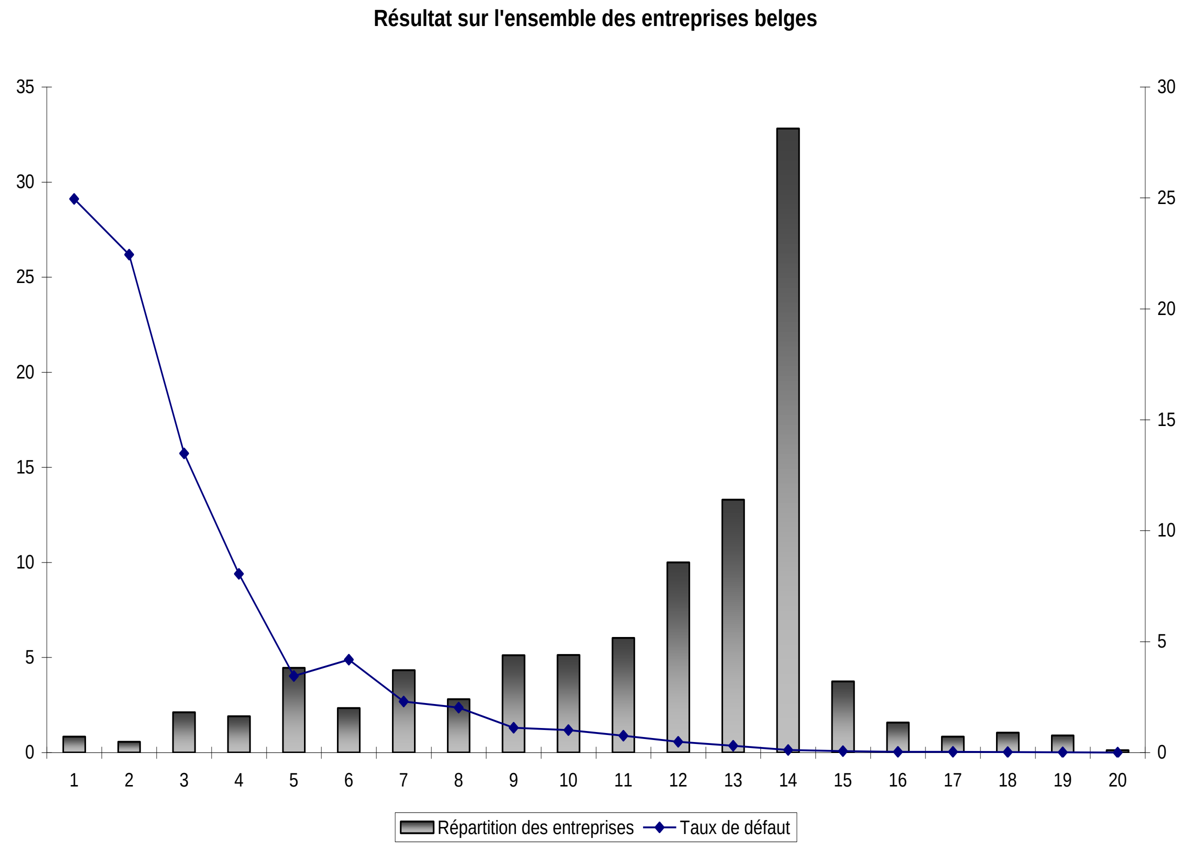
The theoretical default rate of our model:

	Very high risk			Reasonably high risk		Low risk				
Score /20	1 2	3 4	5 6	7 8	9 10	11 12	13 14	15 16	17 18	19 20
Default rate(*) at 1 year	25%	10%	4%	2%	1.3%	0.7%	0.4%	0.15%	0.05%	0%

(*)The default rate refers to legal defaulting, in other words receivership or liquidation

The default rate by score in Belgium:

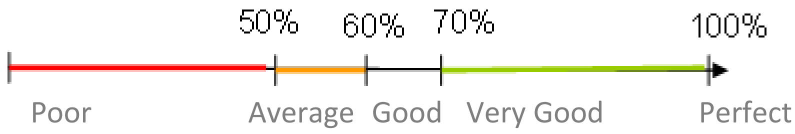
The graph below shows the default rate for companies by the scores they were given.



The performance of our score:

The overall performance of the score can be measured by calculating an index comparing our model to the ideal theoretical model.
We have taken the Gini index as a reference base for the calculation.

The following scale can be used to define the quality of the Gini index:



The ideal model would be the one that unfailingly detects all defaults and gives them a score of 0/20. Clearly no model is ideal.
A model with a Gini index of 70% would be deemed to be effective.
With an index of 76.80%, our score is deemed to be very effective.
With 10% of the worst scores, the model recognises over 65% of future defaults; and with 20% of the worst scores, the model recognises over 80% of future defaults.

Performance curve for the Gini test model