



FIDI - Financial Assessment EY Credit Risk Barometer

2022 Summary Report

February 2023



FIDI Membership in numbers

411 last year: 397
Completed assessments
 representing 92% of FIDI members

88% last year: 84%
Affiliates with low credit risk
 Median: 8,4% (low risk)

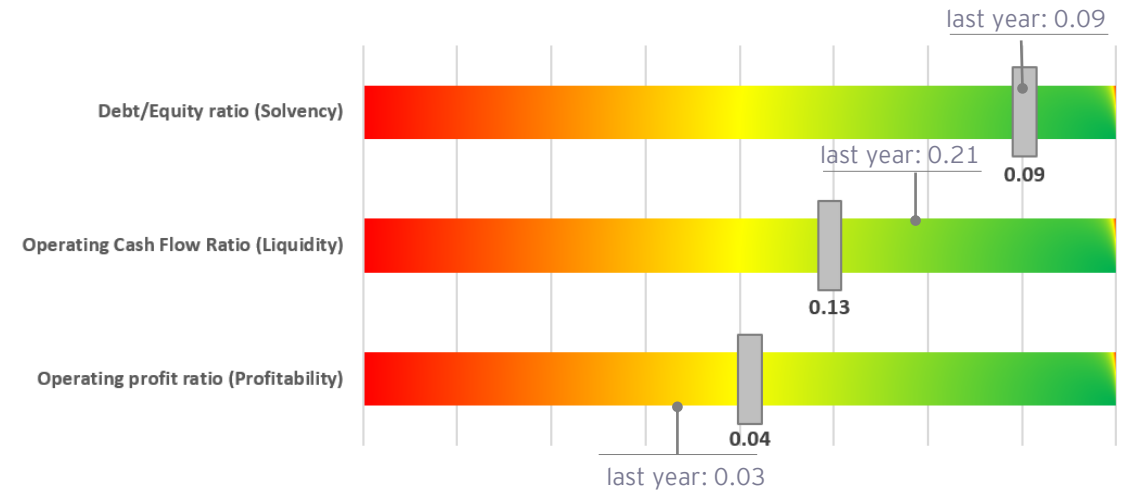
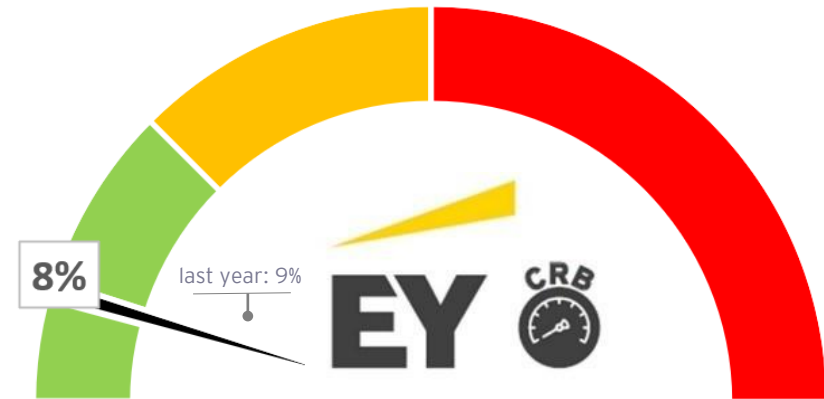
91% of financial results are based on fiscal year ending in
2021

79% last year: 74% low solvency risk
 Median: 0,09 (low risk)

North America
 Lowest risk continent

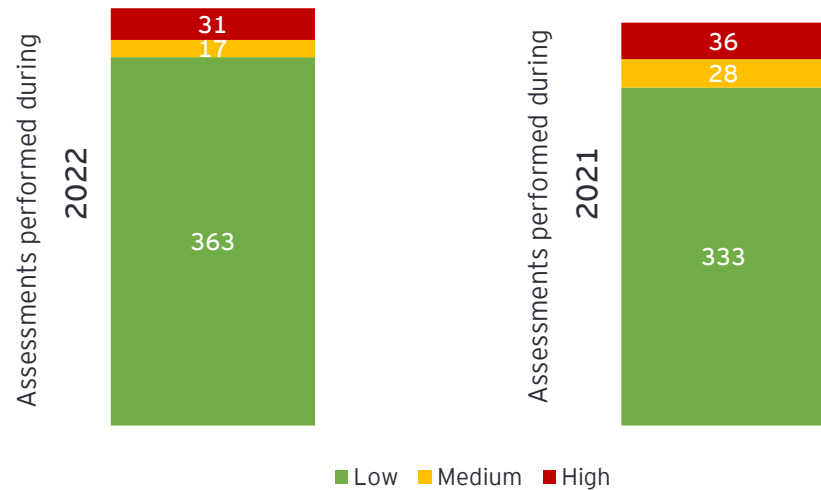
42% last year: 45% low liquidity risk
 Median: 0,13 (medium risk)

22% last year: 18% low profitability risk
 Median: 0,04 (medium risk)

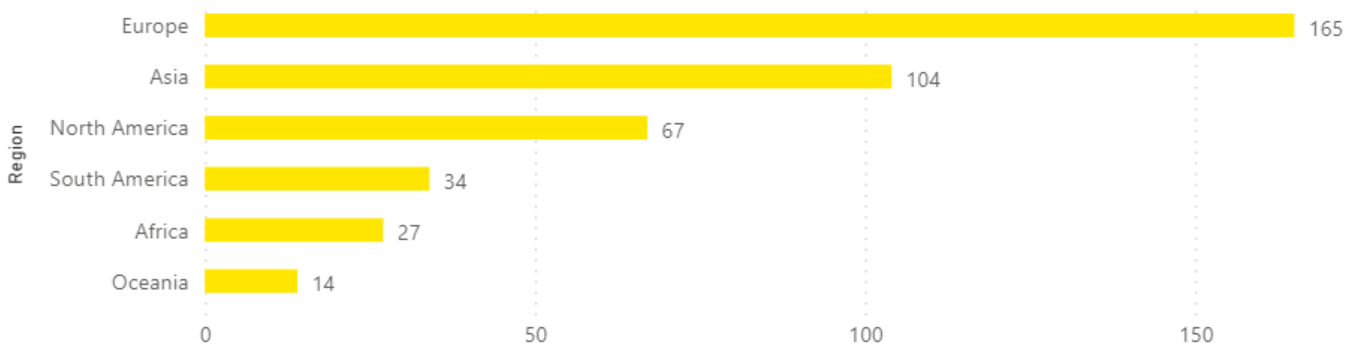


92% of the FIDI membership has been assessed

- ▶ Most of the Affiliates have now been assessed...



... and are distributed around the world.



FIDI Affiliate's footprint



75
different
currencies

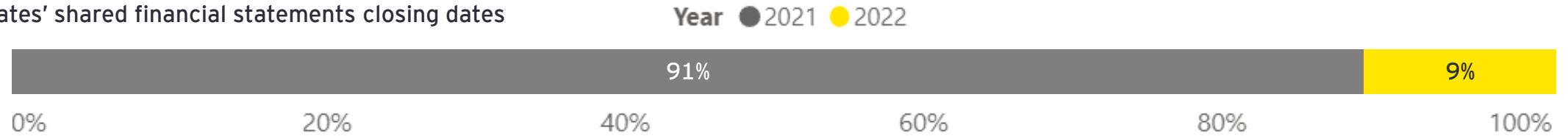
top 5
currencies

Currency	Count
EUR	100
USD	55
GBP	28
CHF	10
SGD	10

91% of financial results are based on fiscal year ending in 2021

- ▶ The majority of the financial statements (91%) are based on fiscal year ending in **2021**.
- ▶ Affiliates are expected to submit their financial reporting package (Financial Statements) within **6 months** after the fiscal year closing date.
- ▶ It takes on average **8 months** after fiscal year closing date for providing the financial data to the FCC (compared to an average of 9 months last year).
- ▶ 11,7% of statements from Affiliates are submitted a year or more after the closing date and are thus submitted more than 6 months late.

Affiliates' shared financial statements closing dates

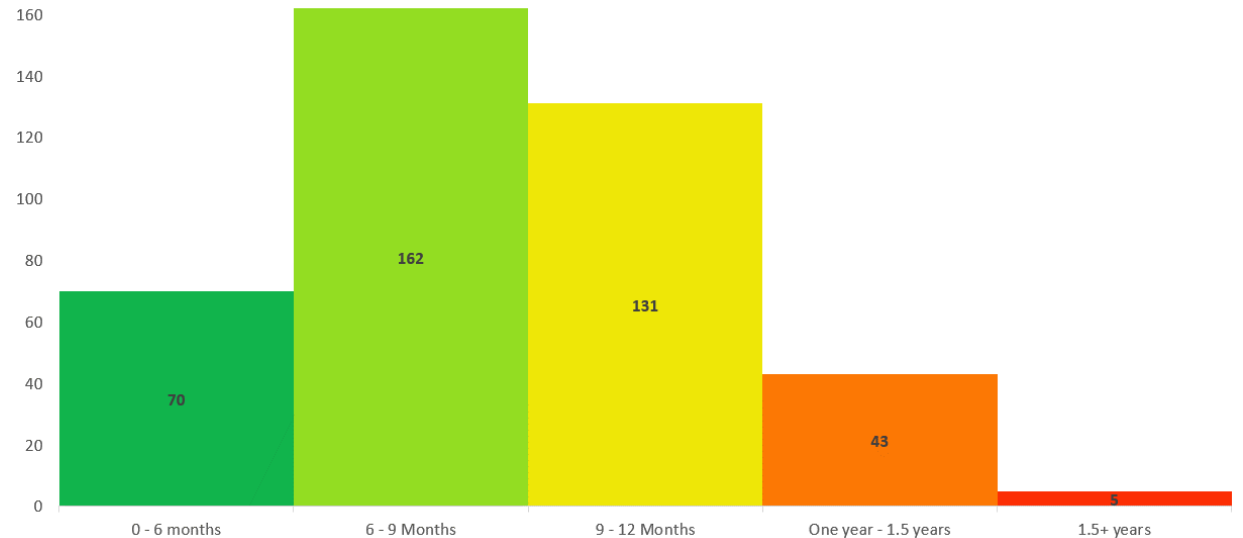


Median score per year

- ▶ The table on the right shows Affiliates whose fiscal year closing dates of this years' financial assessments are respectively in 2021 and 2022.
- ▶ The median risk has slightly decreased from 8,2% to 7,4% for Affiliates with fiscal closing dates in 2022 compared to 2021.

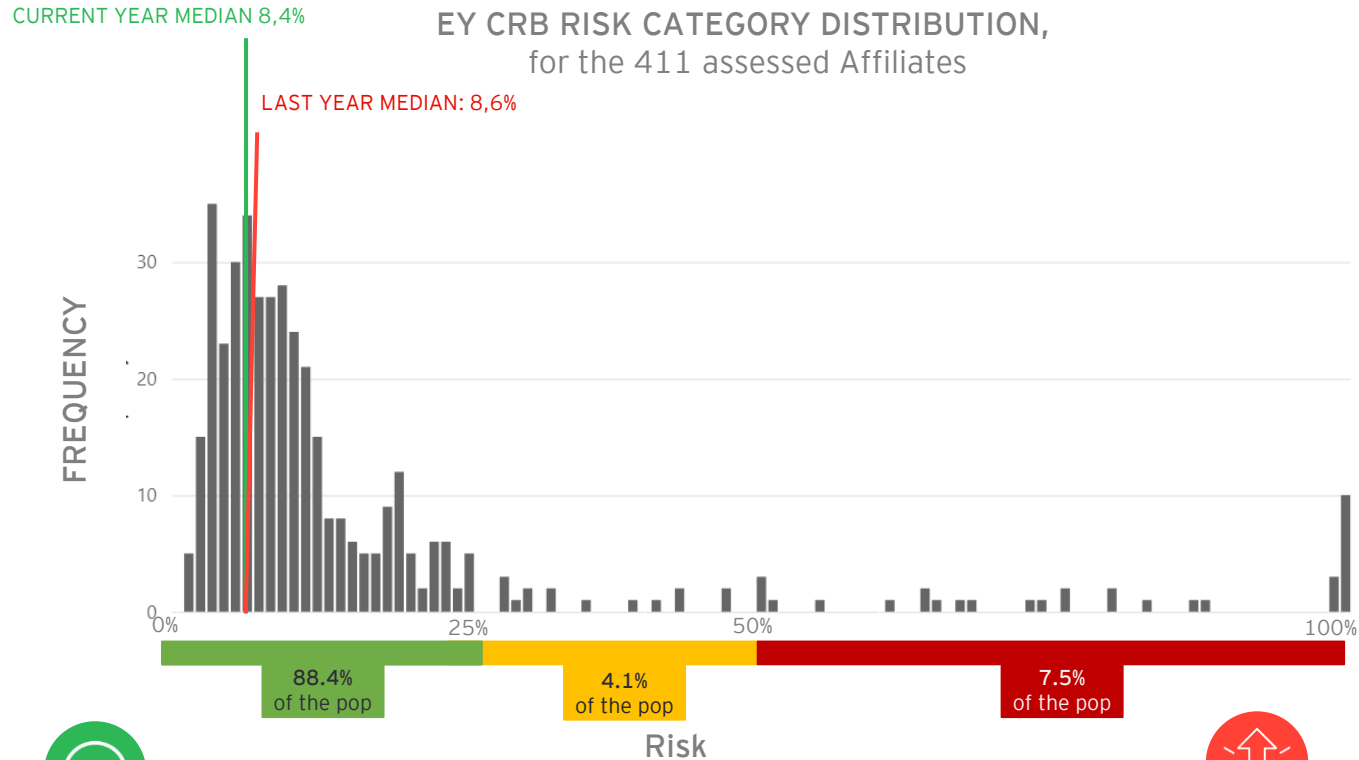
	Median risk score	No. (*)
2021	8,2%	371
2022	7,4%	40

DISTRIBUTION OF AFFILIATES' SUBMISSION DATE, as amount of months between fiscal year closing date and submission date.



* number of Affiliates in this category.

Low risk EY Credit Risk Barometer score is by far the largest category



- ▶ The EY Credit Risk Barometer (EY CRB) is a unique tailor made solution for FIDI, taking into account both long term and short term financial ratios, in order to **assess the risk of a FIDI Affiliate not being credit worthy**.
- ▶ It uses the financial statement of the previous year and returns one single value to indicate the credit worthiness of an Affiliate. That single value is being calculated based on three different types of ratios: solvency, liquidity and profitability.
- ▶ The risk is computed for each FIDI Affiliate and is assigned a category based on three brackets as follows:

	Low risk	Medium risk	High risk
Credit Risk Barometer	< 25%	25% - 50%	> 50%

- ▶ The details of the components on the EY CRB are detailed in the next slide.



- ▶ 88% of the Affiliates are categorized as low risk, with a median EY CRB score of 8,4%.
- ▶ First Time Applicants (FTA's) that joined the affiliation in 2021 or 2022 present a lower median EY CRB score of 6,8%.
- ▶ Insolvency is the least risky ratio, with 79% of the Affiliates presenting low solvency risk exposure (more details on the next slide).

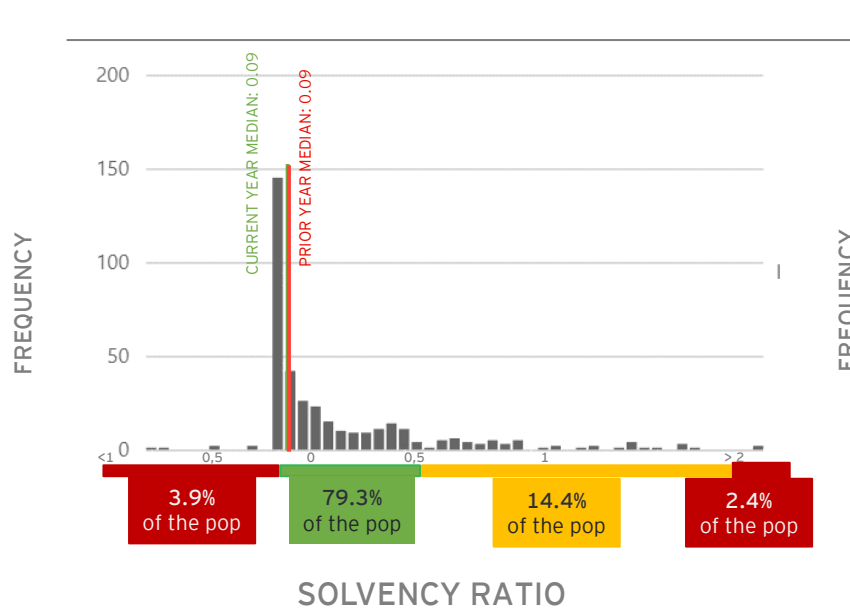


- ▶ Around 7,5% of the Affiliates are categorized high credit risk according to the EY CRB, which is lower than previous year (9%).
- ▶ Lack of profitability is the most common risk, with 77% of the Affiliates presenting high or medium profitability risk exposure (more details on the next slide).

Solvency, liquidity and profitability as input for the EY CRB

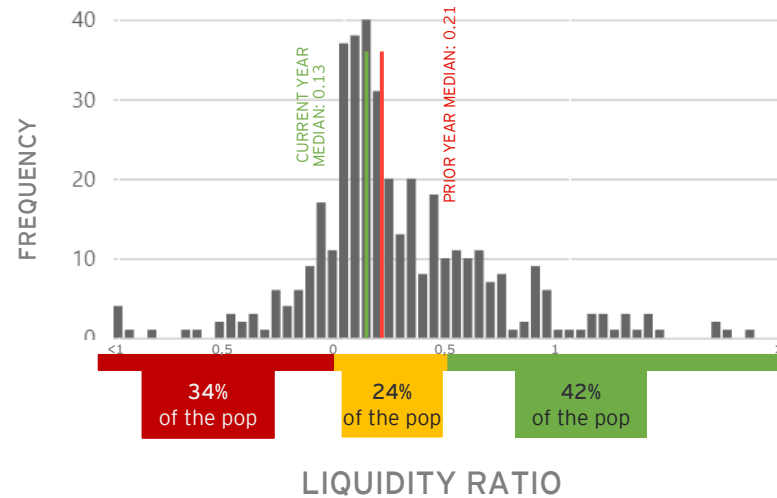
	Low risk	Medium risk	High risk	
Solvency	0 - 0,5	0,5 - 2	> 2 or < 0	Debt/Equity ratio
Liquidity	> 0,2	0,05 - 0,2	< 0,05	Operating Cash Flow ratio
Profitability	> 0,1	0,025 - 0,1	< 0,025	Operating profit ratio
Credit Risk Barometer	< 25%	25% - 50%	> 50%	

- ▶ The EY CRB is computed from three financial ratios: solvency, liquidity and profitability.
- ▶ Each of the ratios have brackets corresponding to risk categories, as detailed on the table on the left.

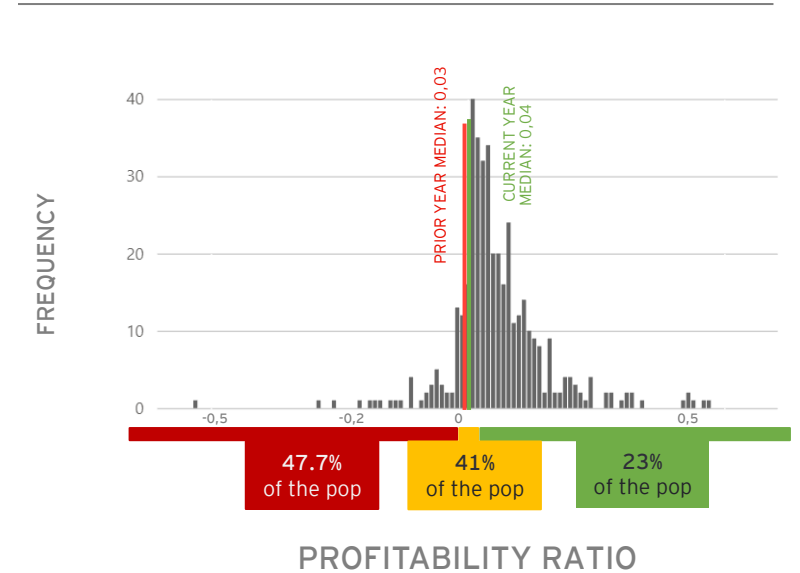


Solvency is the ability of a company to meet its long-term financial obligations. This is calculated by the Debt/Equity Ratio (Medium and Long term debt divided by owners' equity). The solvency of a company would be considered high risk if Debt/Equity Ratio is higher than 2 or lower than 0.

RATIOS DISTRIBUTION, MEDIAN AND AVERAGE for the 411 assessed Affiliates



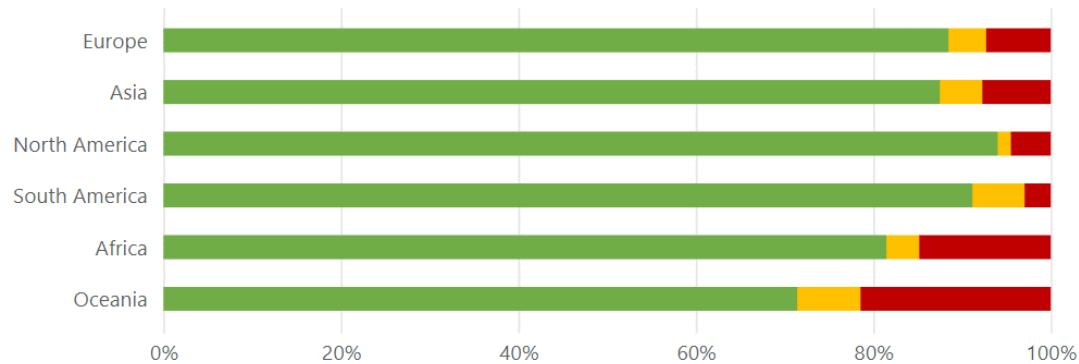
Liquidity is the ability of a company to meet its short-term financial obligations. This is calculated by the Operating Cash Flow Ratio (Cash flow from operations divided by current liabilities). The liquidity of a company would be considered high risk if Operating Cash Flow Ratio is lower than 0,05.



Profitability is the ability of a company to generate earnings compared to its relevant costs. This is calculated by the Operating Profit Ratio (Operating profit divided by net sales). The profitability of a company would be considered high risk if Operating Profit Ratio is lower than 0,025.

Geographical Risk Distribution in numbers

DISTRIBUTION OF RISK CATEGORIES, according to continents.



CRB	Africa	Asia	Europe	North America	Oceania	South America
Low	22	91	146	63	10	31
Medium	1	5	7	1	1	2
High	4	8	12	3	3	1



- ▶ 94,3% of Affiliates in North America fall within the low risk category.
- ▶ Pakistan is the country with the lowest median risk of 2,9%.
- ▶ Last year, Pakistan, Ireland and Brazil were already in the top 5 countries with lowest risk.



- ▶ Oceania became the continent with the largest share of Affiliates in medium and high risk (compared to Africa last year).
- ▶ Malaysian affiliates median risk increased significantly this year to show up for the first time in the highest risk countries.

LOWEST RISK COUNTRIES¹

Country (n reports)	EY CRB Median	... vs last year	Country	EY CRB Median
Pakistan (3)	2.9%	↓ 0.5pp	Norway (3)	3.1%
Brazil (9)	3.1%	↓ 0.2pp	Brazil (9)	3.3%
Ireland (6)	3.9%	↑ 0.5pp	Hungary (3)	3.3%
Romania (5)	4.0%	↓ 3.0pp	Pakistan (6)	3.4%
Venezuela (4)	4.3%	↓ 3.7pp	Ireland (5)	3.4%

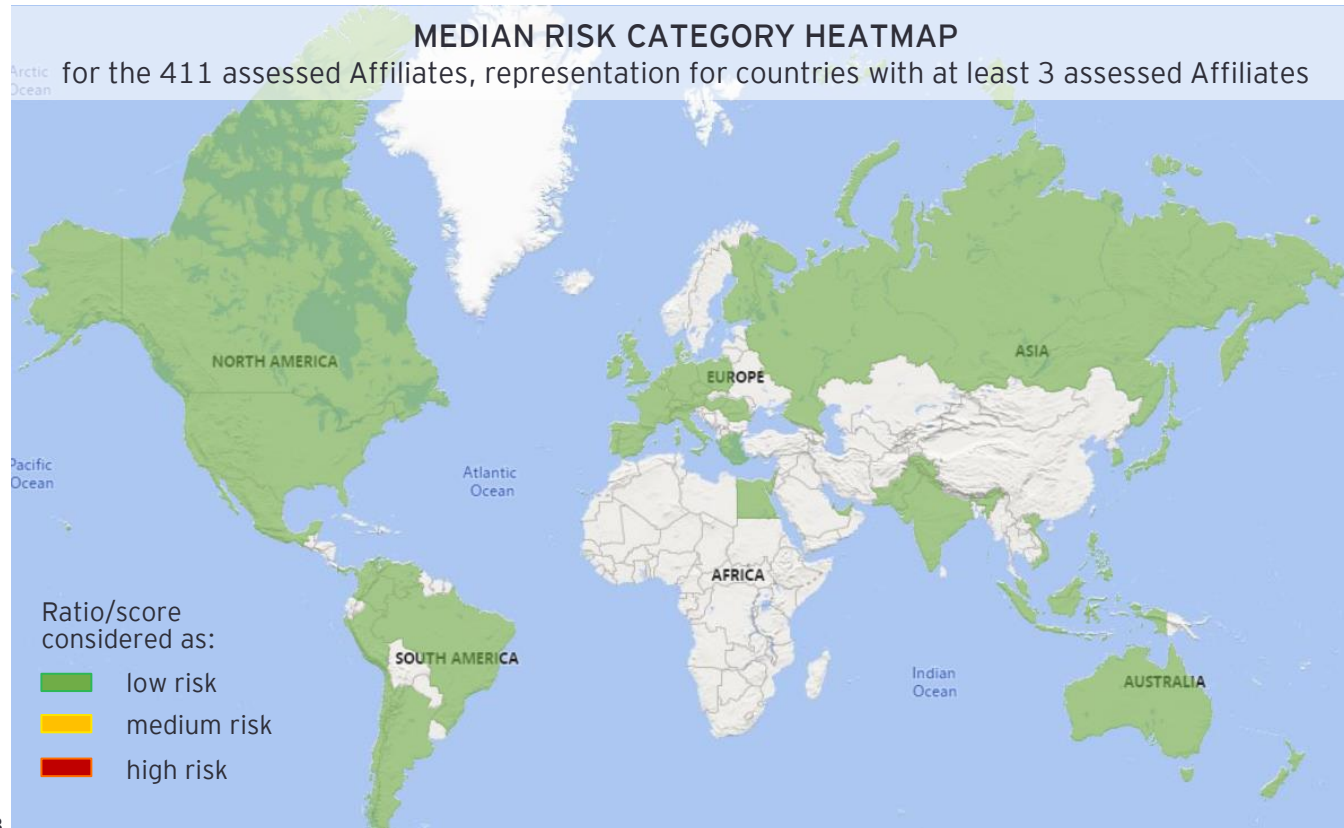
HIGHEST RISK COUNTRIES¹

Country (n reports)	EY CRB Median	... vs last year	Country	EY CRB Median
Malaysia (5)	22.1%	↑ 14.3pp	Greece (3)	15.5%
Indonesia (3)	18.8%	↑ 8.5pp	Colombia (4)	13.8%
Israel (4)	15.7%	↓ 1.3pp	South Africa (5)	13.1%
Poland (4)	15.4%	↑ 5.3pp	Germany (19)	12.7%
Peru (3)	14.3%	↓ 1.2pp	Chile (3)	12.6%

¹ among countries with minimum 3 reports available

Geographical Risk Distribution on the world map

- ▶ The median risk category and average financial ratio categories for each Affiliates' country have been placed on world maps.
- ▶ The all green risk map reflects the low average credit risk score for countries with at least 3 affiliates assessed.
- ▶ Just as last year, most countries' **solvency risk** stayed low, while a significant increase in overall **liquidity risk** is noted throughout the globe. This can potentially be explained by payment terms pressure in the supply chain of Affiliates.



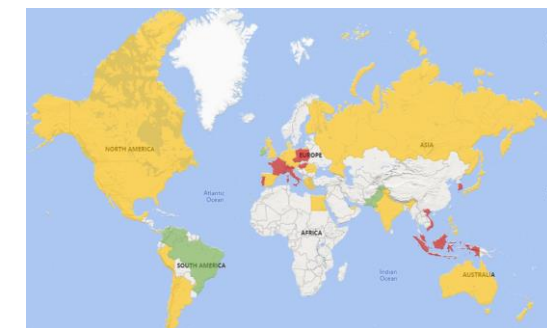
Solvency ratio



Liquidity ratio



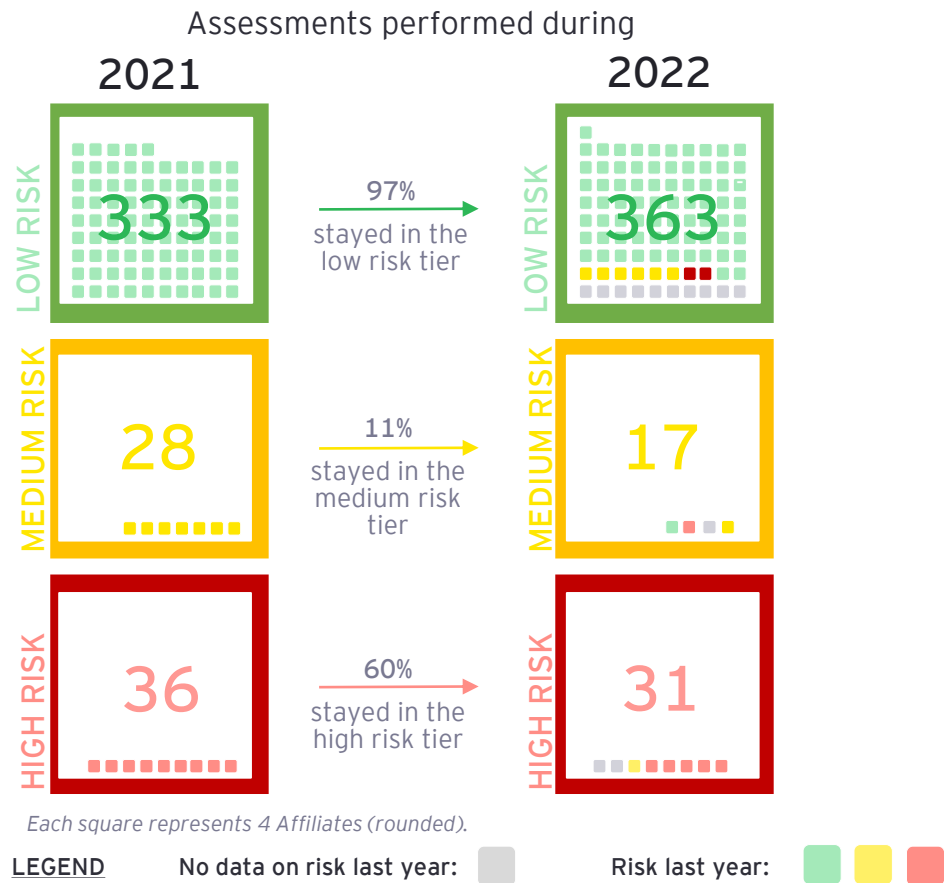
Profitability ratio



Comparison of Affiliates' risk category with last year assessment

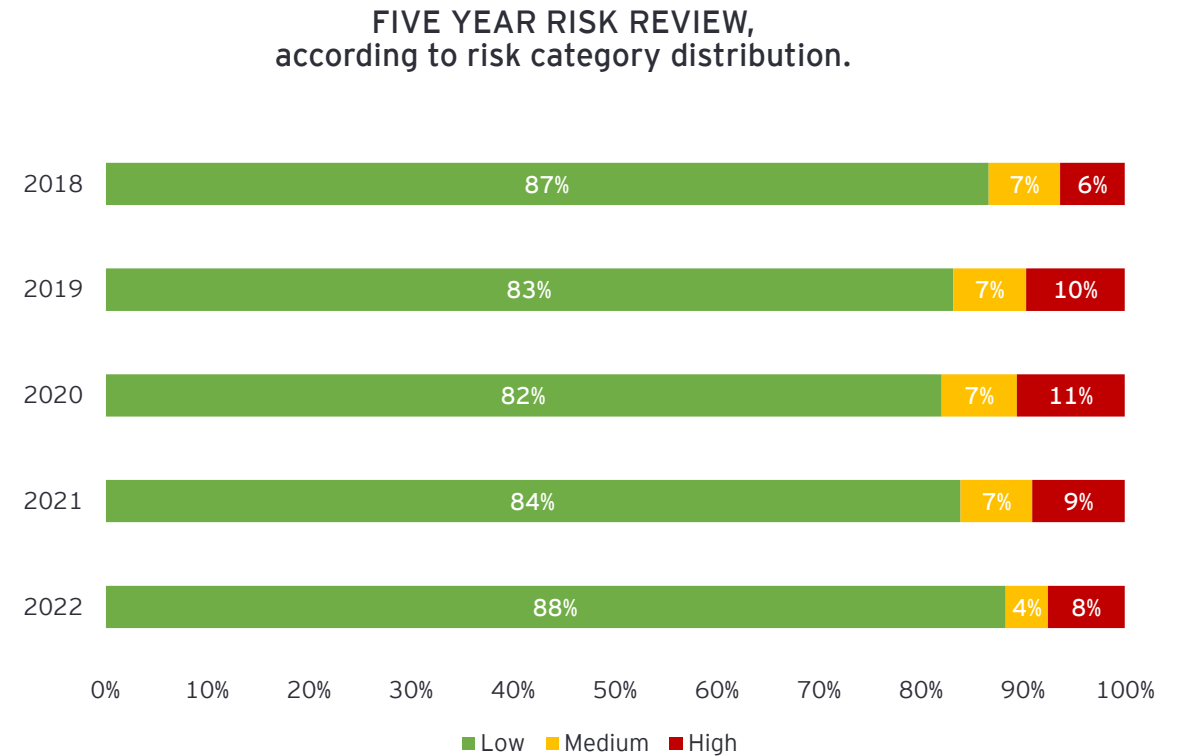
Did the Affiliates change risk category since last year?

- ▶ Only 3% of the low risk category distribution moved to another category between the 2021 and 2022 assessments.
- ▶ Only 11% of medium risk Affiliates have remained in this category between 2021 and 2022. The majority moved to the low risk category.



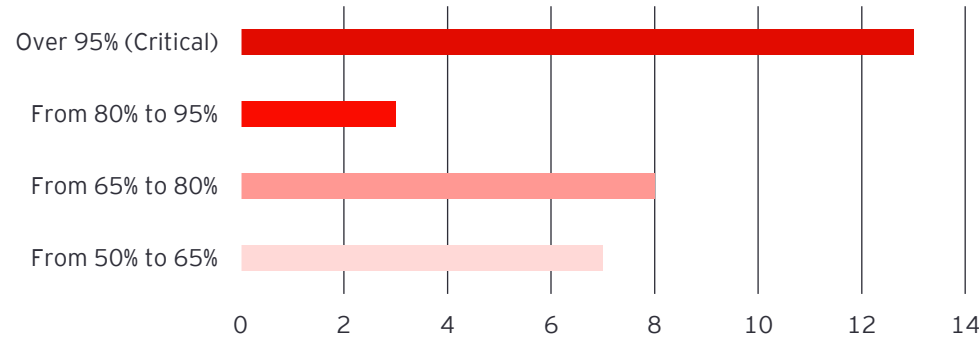
Did overall risk distribution change over the past years?

- ▶ The general distribution between low, medium and high risks did not significantly change over the past years.
- ▶ The low risk category is by far the largest category, fluctuating between 80% and 90% of FIDI membership.



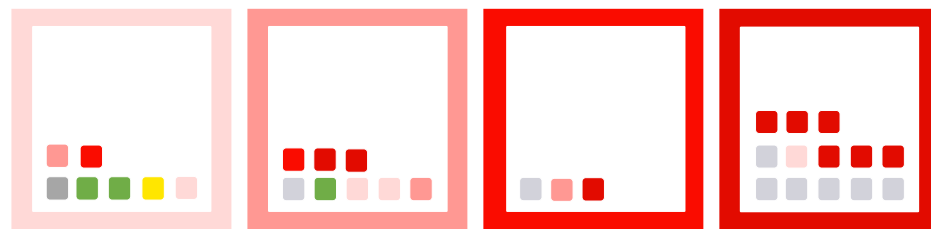
7% of FIDI membership received a high risk report

Number of high risk Affiliates per risk group



- ▶ 31 Affiliates assessed in 2022 obtained a high risk report (score above 50%).
- ▶ Similar to last year, **high solvency** risks is the most frequent within the high risk Affiliates.
- ▶ However, **high liquidity** risk has increased significantly this year. This can potentially be explained by payment terms pressure in the supply chain of Affiliates.

High Risk Affiliates' category compared to previous year



From 50% to 65% From 65% to 80% From 80% to 95% Higher than 95%

Each square represents 1 Affiliate.

LEGEND No data on risk last year: Risk last year:

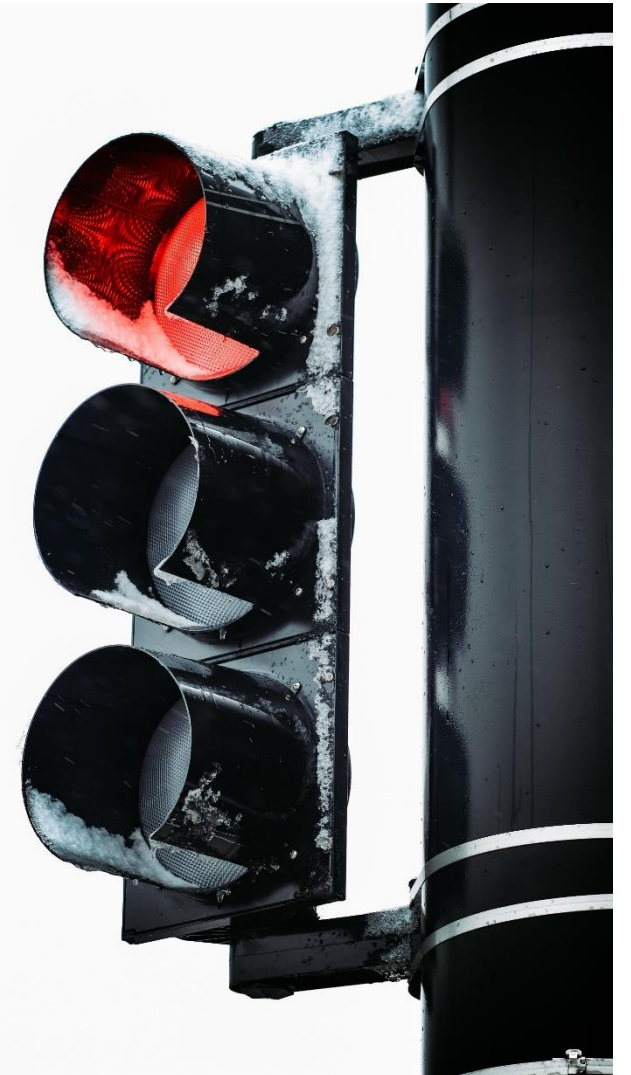
- ▶ All of the current Affiliates with a risk score of more than 95% have also been assessed as high risk last year (more details on that group on the next slide).
- ▶ Previous low and medium risk Affiliates are both similarly represented in this year's high risk Affiliates.

Deep diving into the critical risks

A high risk report is considered as **critical risk** if the EY CRB score is **above 95%**.

13 Affiliates obtained a score above 95%, of which:

- ▶ All of the Affiliates from that group that were also assessed last year (7), already had a high risk score (> 50%) in the prior year.
- ▶ 92% of Affiliates have a negative Solvency ratio (compared to 94% last year) due to a negative equity (reason: accumulated losses over the years).
- ▶ 69% of Affiliates have a negative operating cash flow (Compared to 44% last year), where operating assets are insufficient to meet short term obligations.
- ▶ 54% of the Affiliates have a negative profitability ratio (compared to 61% last year) due to a loss in the operating result (EBIT).
- ▶ The median turnover (net sales) equals 6,4 million USD (compared to 5,9 million USD for all Affiliates). The median turnover last year for critical risk affiliates was 3.6 million USD.
- ▶ No geographical concentration; critical risk Affiliates are dispersed around the world map, with no location clustering concluded.



FIDI - Financial Assessment EY Credit Risk Barometer

Annexes



Building a better
working world.

Annex 1a. Risk category heatmap (Median per country) - representation for countries with at least 3 assessed Affiliates

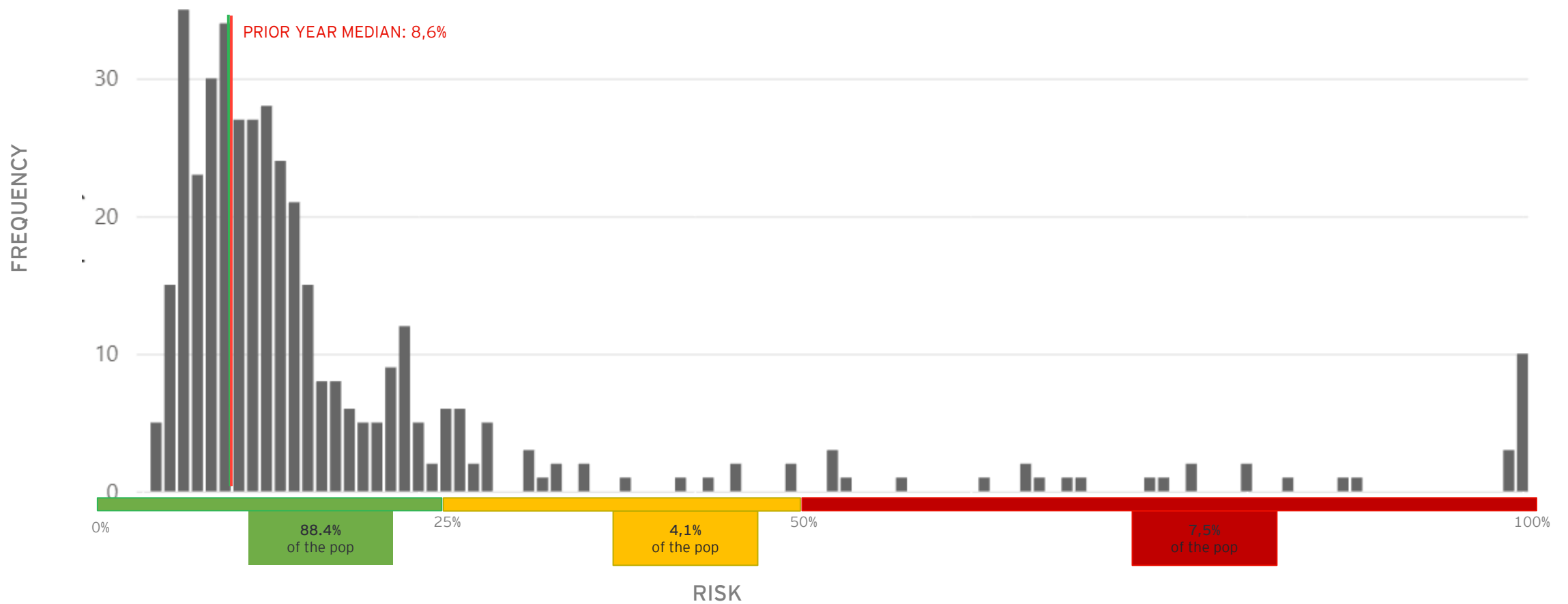


Annex 1b. Risk category distribution

RATIO RISK CATEGORY DISTRIBUTION,
for the 411 assessed Affiliates

	Low risk	Medium risk	High risk
Credit Risk Barometer	< 25%	25% - 50%	> 50%

CURRENT YEAR MEDIAN: 8,4%



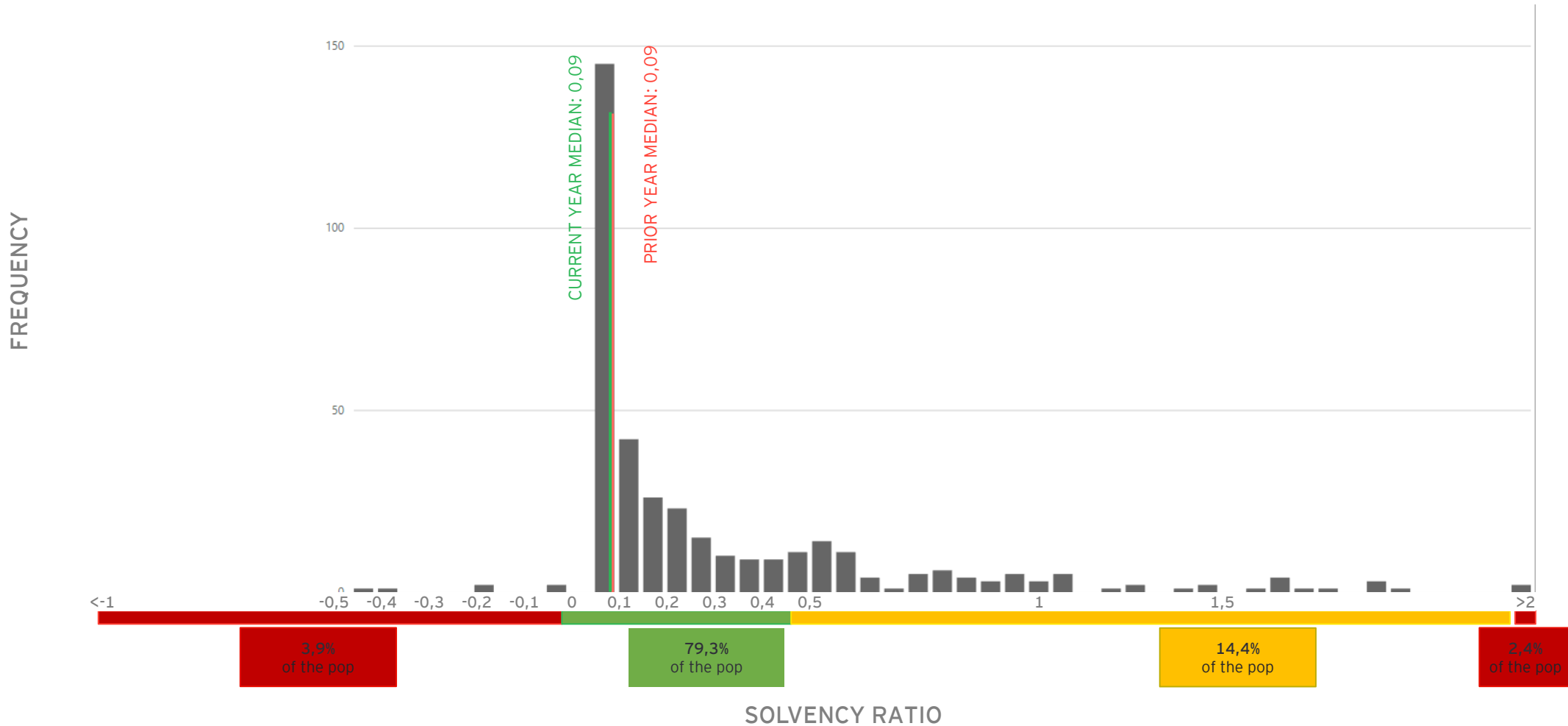
Annex 2a. Solvency ratio category heatmap (median per country) - representation for countries with at least 3 assessed Affiliates



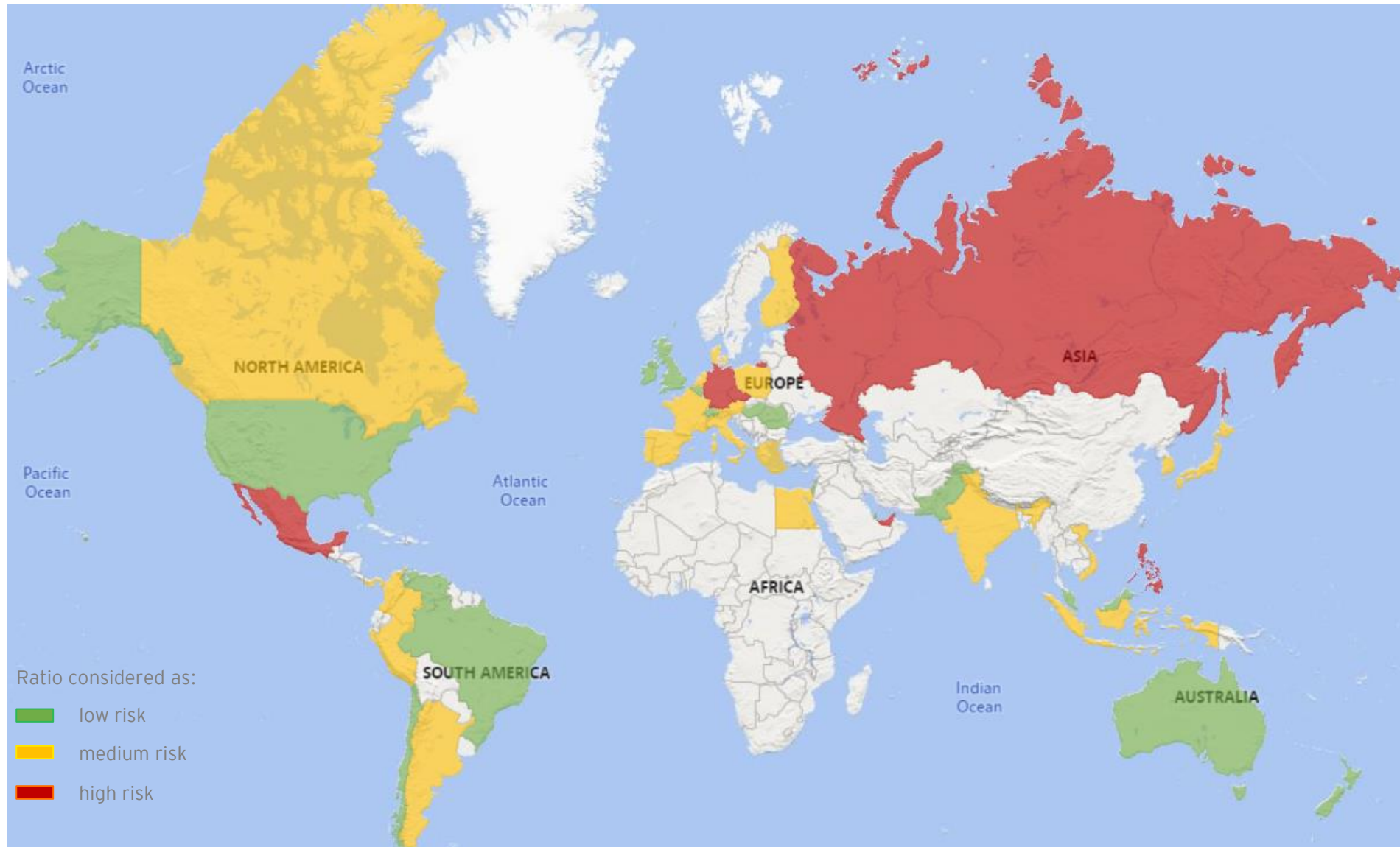
Annex 2b. Solvency ratio category distribution

SOLVENCY RATIO RISK CATEGORY DISTRIBUTION, for the 411 assessed Affiliates

Solvency Debt/Equity ratio	Low risk	Medium risk	High risk
	0 - 0,5	0,5 - 2	> 2 or < 0



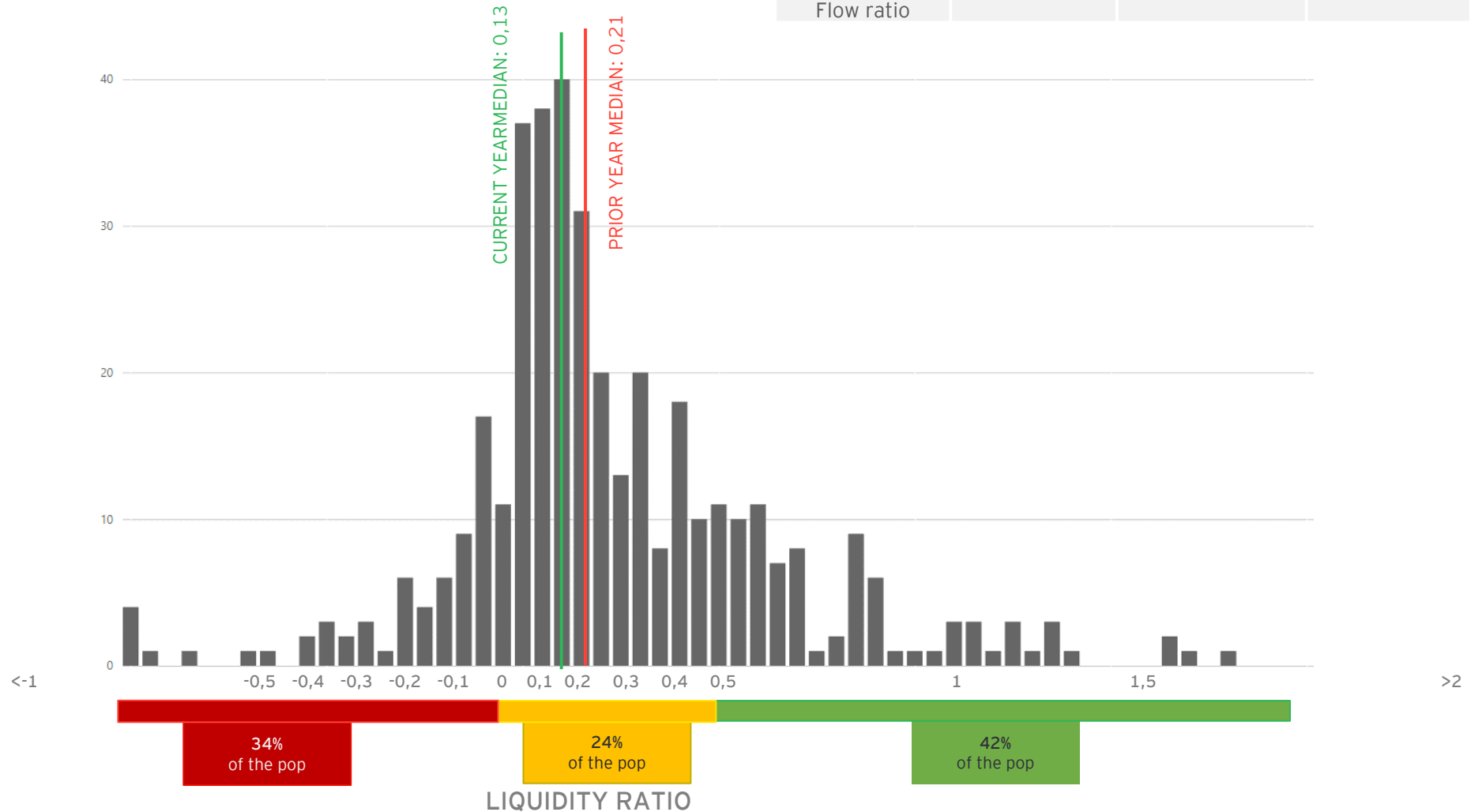
Annex 3a. Liquidity ratio category heatmap (median per country) - representation for countries with at least 3 assessed Affiliates



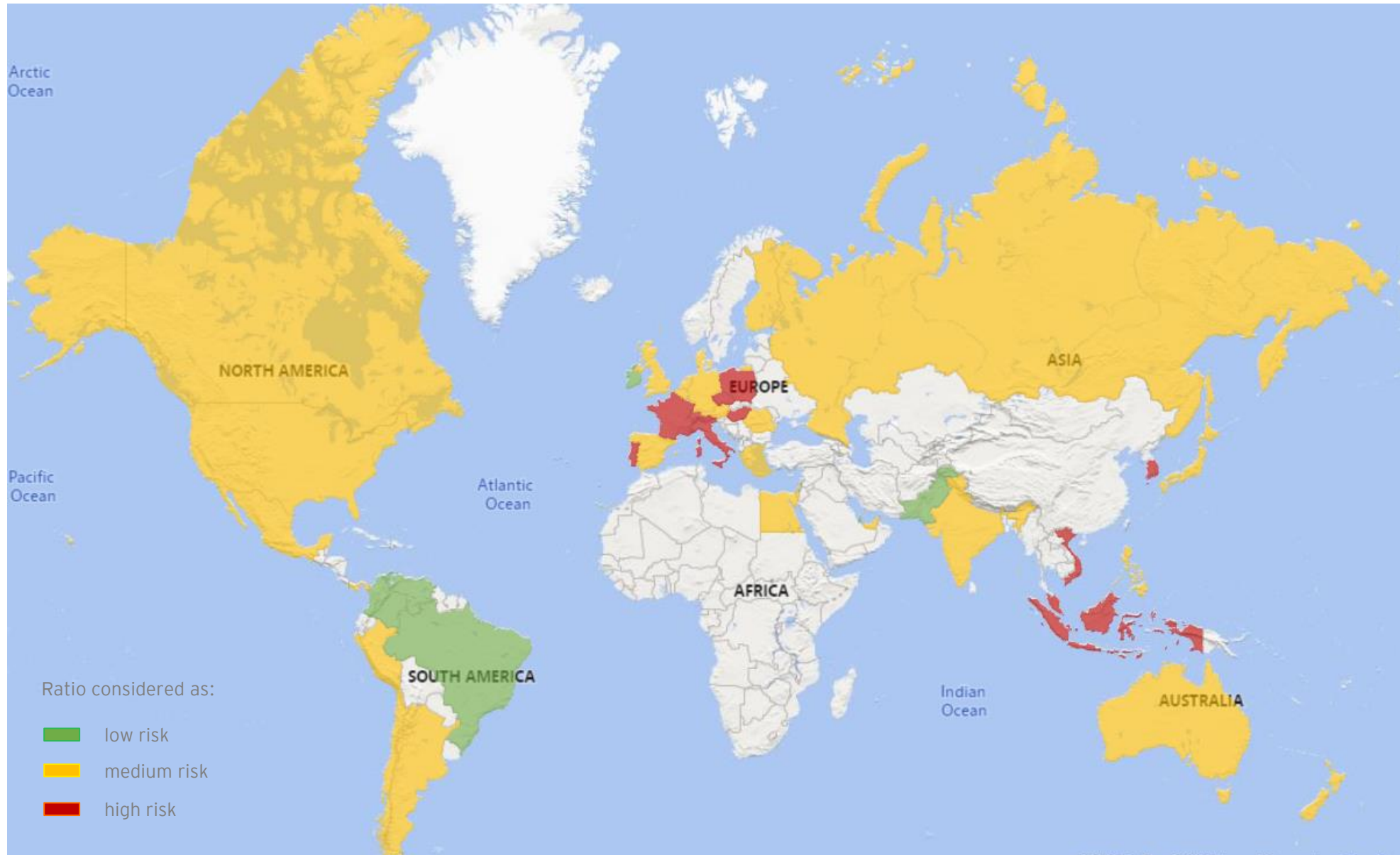
Annex 3b. Liquidity ratio category distribution

LIQUIDITY RATIO RISK CATEGORY DISTRIBUTION, for the 411 assessed Affiliates

	Low risk	Medium risk	High risk
Liquidity Operating Cash Flow ratio	> 0,2	0,05 - 0,2	< 0,05



Annex 4a. Profitability ratio category heatmap (median per country) - representation for countries with at least 3 assessed Affiliates



Annex 4b. Profitability ratio category distribution

PROFITABILITY RATIO RISK CATEGORY DISTRIBUTION, for the 411 assessed Affiliates

