



Company Credit Risk Report

Demo Company

CVR number: 54789616

July 21, 2020

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Credit Risk Report

Demo Company

54789616

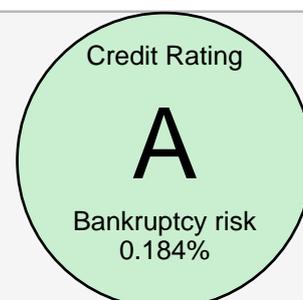
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Credit Overview

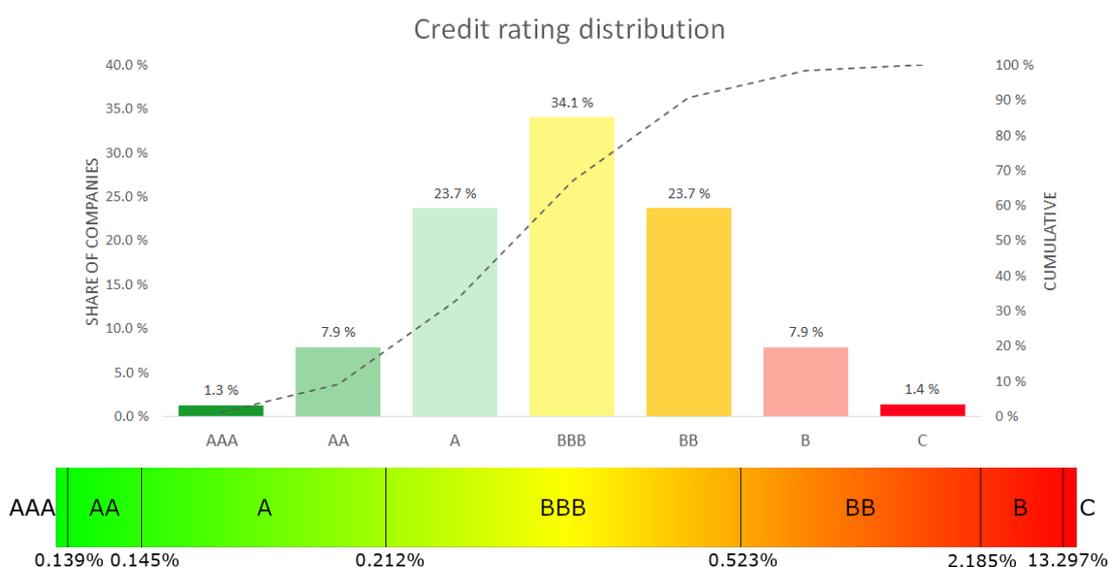
Summary

Bankruptcy risk:	0.184%
Current rating (2018):	A
Previous rating (2017):	A
Industry bankruptcy risk:	0.162%
Industry code:	64.20 Activities of holding companies
Net Sales (mDKK):	208.9
Net earnings (mDKK):	157.3



Credit Limit (mDKK): 9.78

Credit Rating Distribution



The credit rating of a company is based on its bankruptcy risk (for more information about how the credit risk of a company is calculated see the appendix). The picture above depicts the distribution of credit ratings. The companies with the lowest risk will achieve AAA-rating whereas the most risky companies will be given the worst rating of 'C'.

The rating is based on the bankruptcy risk in such a way that a certain share of all companies will receive a certain rating. The chart above visualizes how the credit ratings are distributed, so for example the top 1.3% of companies (or companies at or above the 987th permille) will receive a 'AAA' rating and companies whose bankruptcy risk falls between the 500-767 permilles will receive a 'BBB' rating.

The credit score is simply the rank of the company in question with respect to all other companies. The scale of our credit score is 0-100, where 100 is the company that is least likely to go bankrupt and 0 is the company that is most likely to go bankrupt.

Valuatum Oy does not take responsibility of the validity of the credit limit or any other numbers presented in the report. The limit should be used solely as an indicative credit limit. The credit decisions should be based on a thorough analysis of the company's creditworthiness.

Company Overview & Credit History

Company Overview

Municipality:	-
Postal code:	-
Address:	-
Website:	-
CVR number:	54789616
Registration date:	-
Industry code:	64.20 Activities of holding companies

Credit Analysis

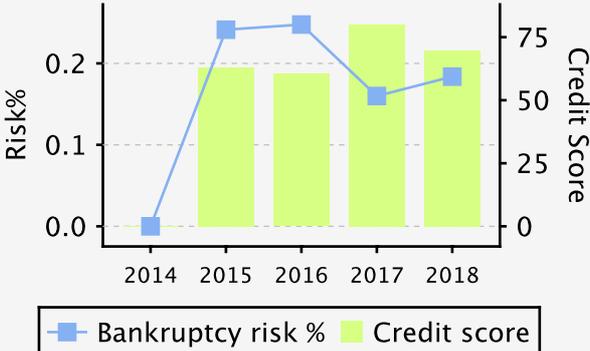
Equity ratio (%)	85.8%	Bankruptcy risk	0.184%
Interest bearing liabilities (mDKK)	0.8	Credit Rating	A
ROA-%	6.9%	Credit Score	70
Net Sales Growth	-40.9%	Industry bankruptcy risk	0.16%

Demo Company are stagnating slightly, since their gross profit growth for the past three years has been low at 0% per year. That said, it is not a significant issue since the other financials, such as indebtedness and profitability, of Demo Company look great; they have an equity ratio of 86% and a ROI of 8%. These good equity ratio and ROI numbers mean that even though Demo Company have not been growing the company is still in a good financial situation.

Credit History

Year	Credit Score	Credit Rating	Bankruptcy risk
2018	70	A	0.184%
2017	80	A	0.160%
2016	60	BBB	0.248%
2015	63	BBB	0.241%
2014	-	-	-

Credit score and risk



The credit score refers to a company's risk relative to other companies. The value ranges from 0 to 100, and the higher the score the lower the risk. For example, a credit score of 78 means that the company in question has a lower risk than 78 % of all companies. A credit score is showed in addition to the rating, as some rating classes can cover a wide range of credit scores.

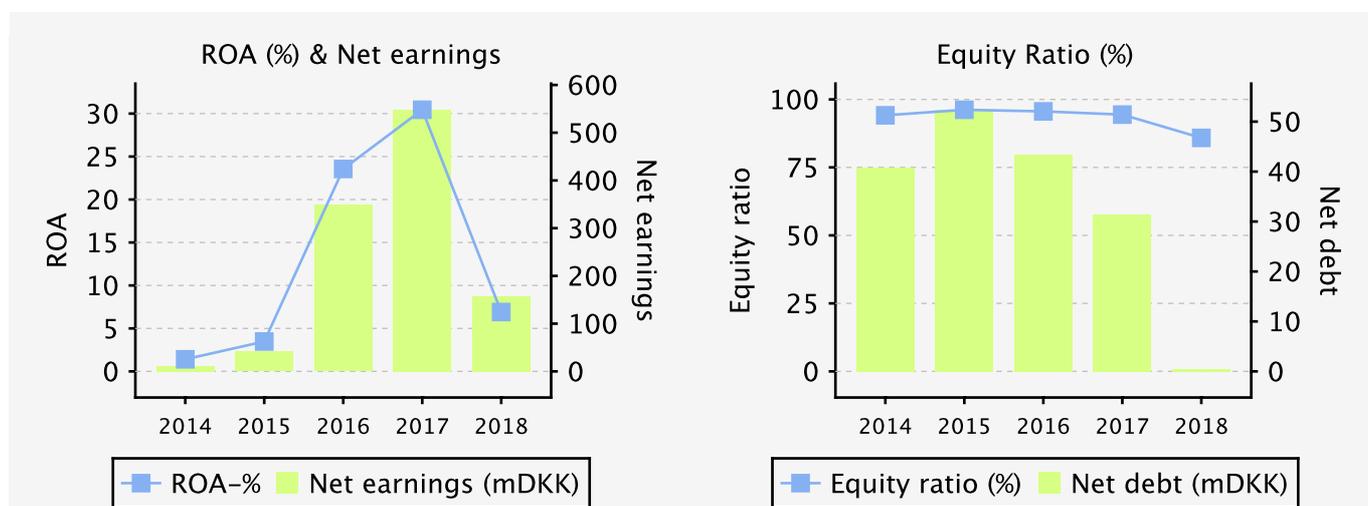
Financial overview

Financial overview (mDKK)

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net Sales	0.0	0.0	0.0	353.8	208.9	160.6	108.2	77.8
EBITDA	-0.0	-0.2	-2.0	352.6	205.1	0.2	26.2	52.2
EBIT	-0.0	-0.2	-2.0	352.6	205.1	0.2	26.2	52.2
Pre-tax profit (PTP)	9.5	36.9	350.4	548.4	158.1	-0.0	26.0	52.0
Net earnings	11.5	41.4	348.8	548.0	157.3	-0.0	20.8	41.6
Net debt	40.8	52.4	43.4	31.4	0.5	443.9	377.1	308.9
Balance sheet total (assets)	1323.8	1375.3	1678.3	1964.4	2721.0	2565.8	2397.8	2300.5

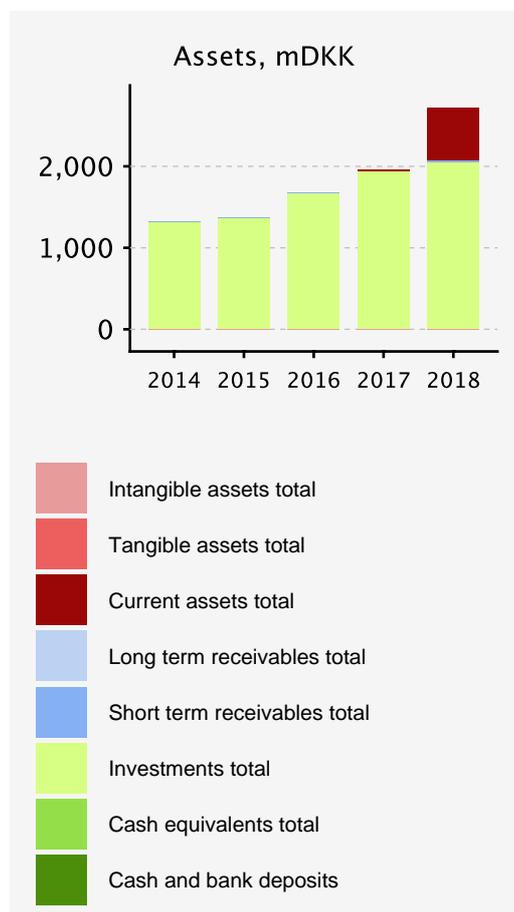
KEY RATIOS

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Equity ratio (%)	94.1%	96.2%	95.6%	94.4%	85.8%	79.0%	81.9%	85.0%
Relative indebtedness (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Relative net indebtedness (%)	0.0%	0.0%	0.0%	29.4%	343.1%	509.3%	581.5%	629.9%
Gearing (%)	3.3%	4.0%	2.7%	1.7%	0.0%	25.4%	21.3%	17.1%
ROA-%	1.4%	3.5%	23.6%	30.4%	6.9%	0.1%	1.2%	2.4%
Financing costs (%)	44.4%	21.5%	19.5%	14.7%	18.4%	1.7%	0.9%	1.1%
Quick ratio	0.0	0.1	0.1	0.3	0.9	1.1	1.2	1.2
Current ratio	0.0	0.1	0.1	0.7	20.9	24.6	24.6	24.6
Cash and cash equivalents (mDKK)	0.0	0.0	0.0	8.2	0.3	0.3	0.2	0.1



Balance Sheet Overview

Assets overview (mDKK)



	2014	2015	2016	2017	2018
Intangible assets total	0.0	0.0	0.0	0.0	0.0
<i>Intangible assets %</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Tangible assets total	0.0	0.0	0.0	0.0	0.0
<i>Tangible assets %</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets total	0.0	0.0	0.0	18.9	641.7
<i>Current assets %</i>	0.0%	0.0%	0.0%	1.0%	23.6%
Long term receivables total	0.0	0.0	0.0	0.0	0.0
<i>Non-current receivables %</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Short term receivables total	2.0	6.5	2.9	7.1	29.7
<i>Current receivables %</i>	0.2%	0.5%	0.2%	0.4%	1.1%
Investments total	1321.8	1368.8	1675.4	1930.2	2049.3
<i>Investments %</i>	99.8%	99.5%	99.8%	98.3%	75.3%
Cash equivalents total	0.0	0.0	0.0	0.0	0.0
<i>Cash equivalents %</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and bank deposits	0.0	0.0	0.0	8.2	0.3
<i>Cash and bank deposits %</i>	0.0%	0.0%	0.0%	0.4%	0.0%
Balance sheet total (assets)	1323.8	1375.3	1678.3	1964.4	2721.0

Liabilities overview (mDKK)



	2014	2015	2016	2017	2018
Shareholders' equity total	1246.4	1322.9	1584.6	1793.4	1747.8
<i>Equity %</i>	94.1%	96.2%	94.4%	91.3%	64.2%
Non-current liabilities total	0.0	0.0	0.0	0.0	0.0
<i>Non-current liabilities %</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Current liabilities total	40.8	52.4	64.9	112.4	717.2
<i>Current liabilities %</i>	3.1%	3.8%	3.9%	5.7%	26.4%
Balance sheet total (liabilities)	1323.8	1375.3	1678.3	1964.4	2721.0

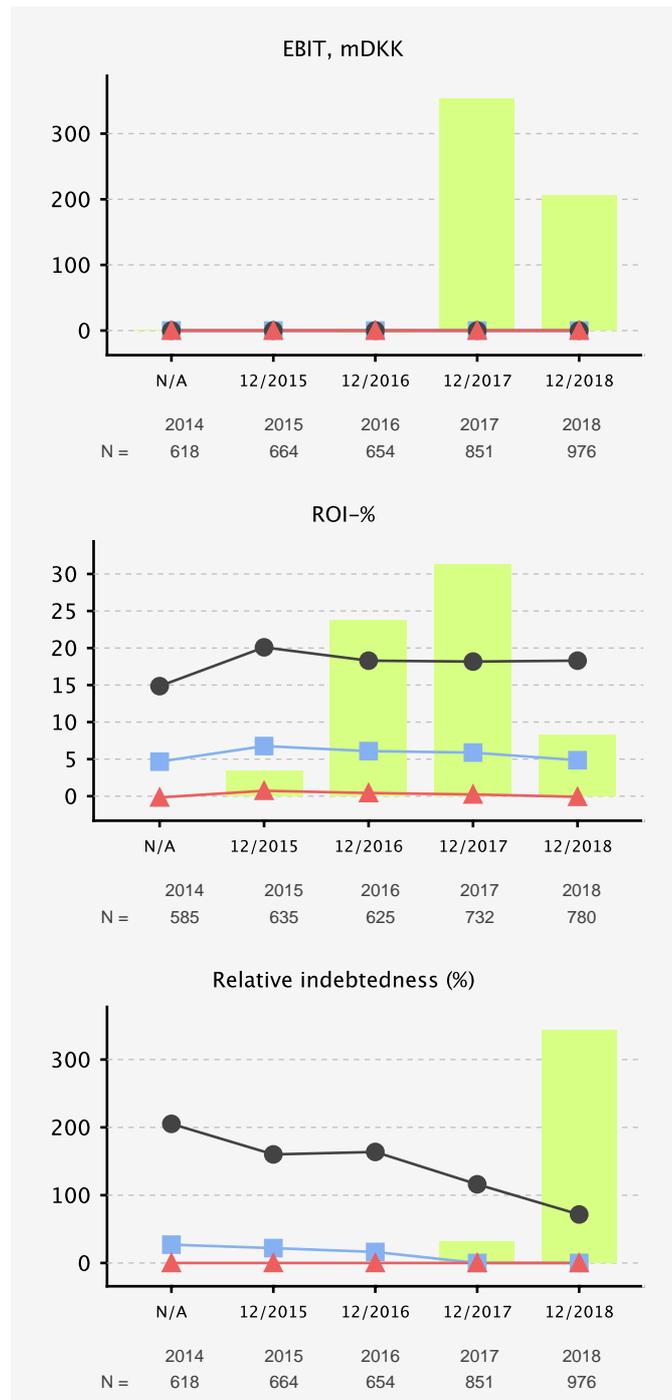
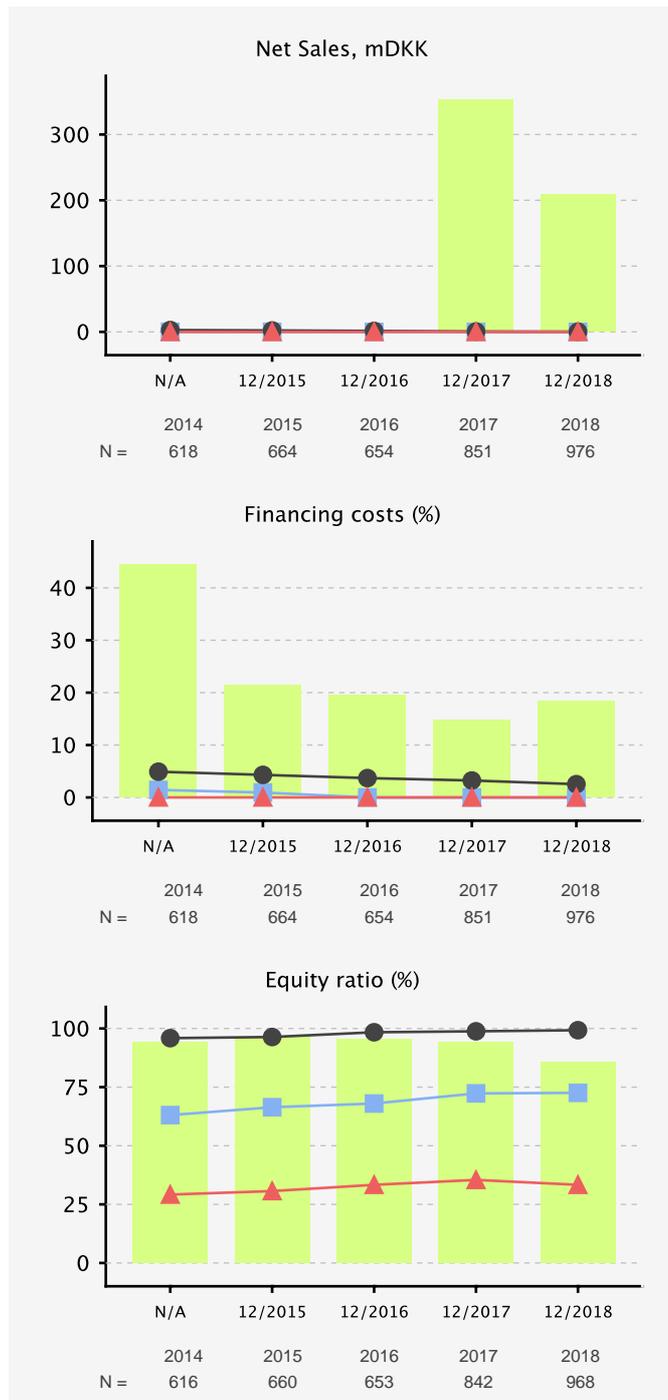
Industry Comparison

Demo Company

64.20 Activities of holding companies

Comparison group

64.20 Activities of holding companies



N = size of the comparison group in each year

mm/yyyy = fiscal year end (company), yyyy = fiscal year (comparison group)

- **Company**
- **Upper quartile** The number above which lies the top 25% of the data (largest values)
- **Median** The midmost observation (or average of two observations) in the data set, i.e. 50% of observations
- ▲ **Lower quartile** The number below which lies the bottom 25% of the data (smallest values)

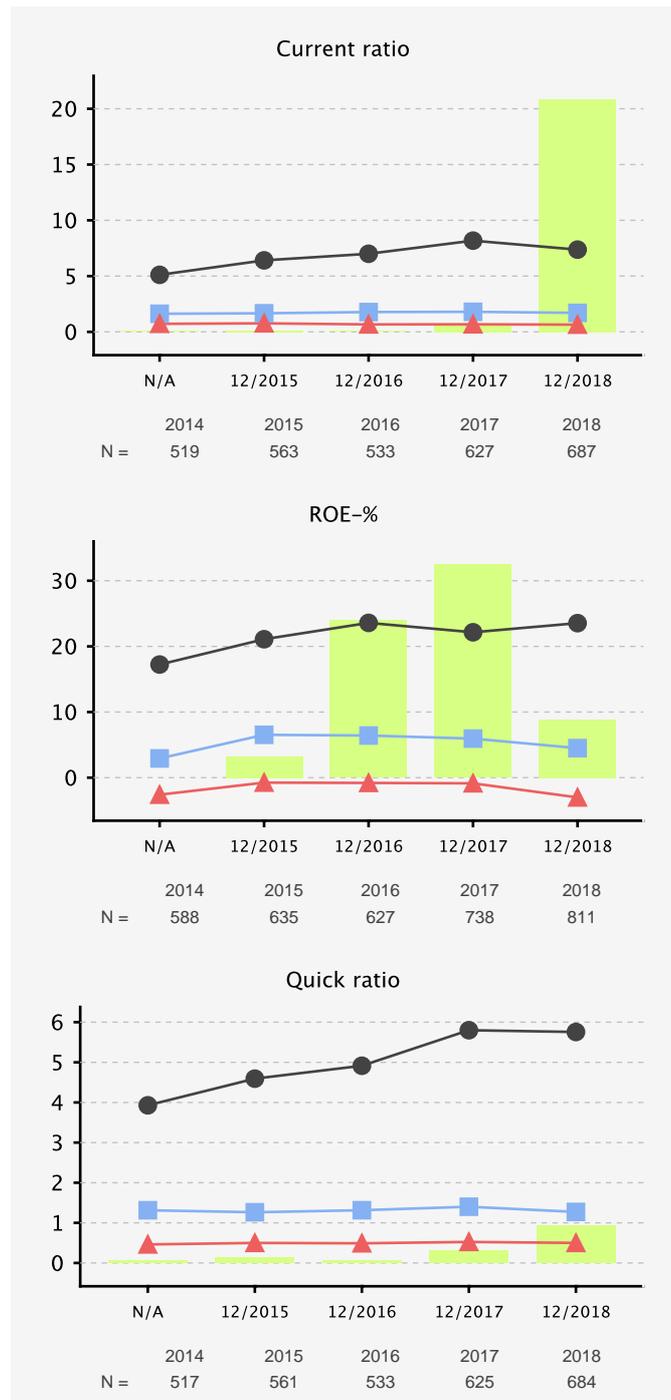
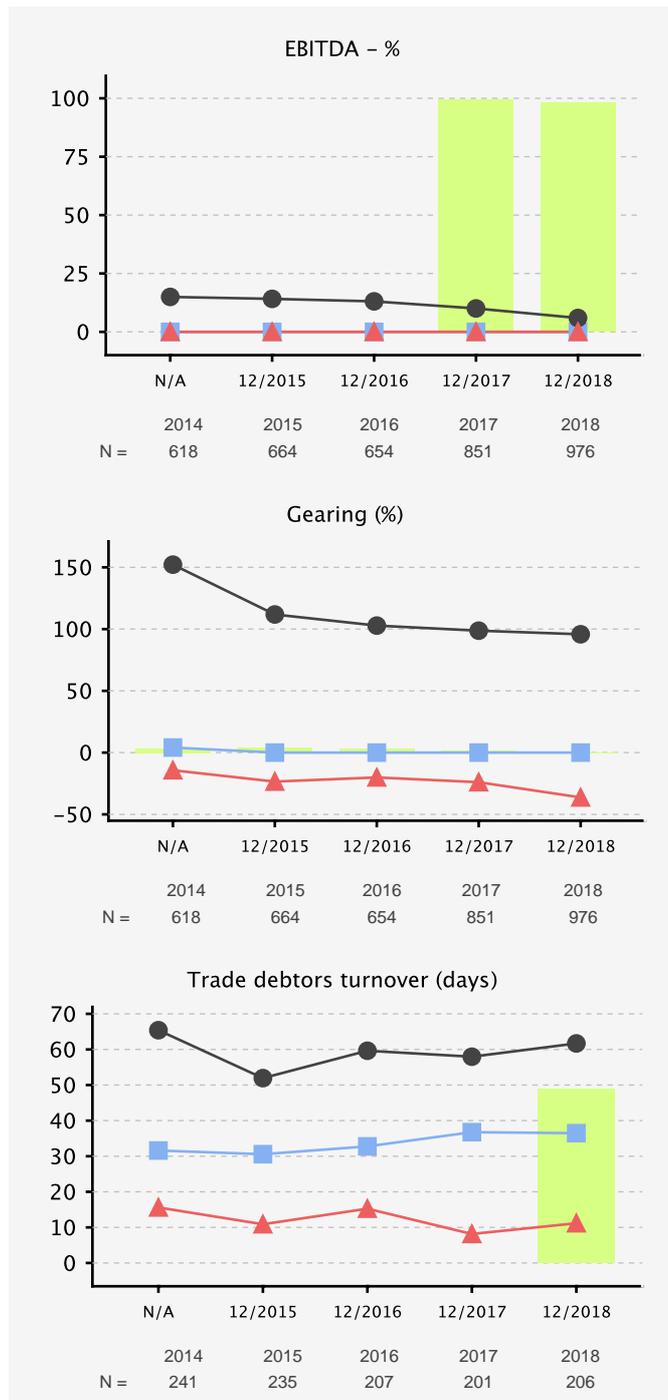
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Key Ratios

Profitability

	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA - %	0.0%	0.0%	0.0%	99.7%	98.2%	0.1%	24.2%	67.0%
EBIT - %	0.0%	0.0%	0.0%	99.7%	98.2%	0.1%	24.2%	67.0%
Net Earnings %	0.0%	0.0%	0.0%	154.9%	75.3%	-0.0%	19.2%	53.4%
Profit before dep. and eo. items (%)	0.0%	0.0%	0.0%	154.8%	73.6%	-2.2%	11.2%	35.5%
Pre tax profit less eo. %	0.0%	0.0%	0.0%	155.0%	75.7%	-0.0%	24.0%	66.8%
ROA-%	1.4%	3.5%	23.6%	30.4%	6.9%	0.1%	1.2%	2.4%
ROI-%	0.0%	3.5%	23.7%	31.3%	8.3%	0.2%	1.4%	2.6%
ROE-%	0.0%	3.2%	24.0%	32.4%	8.9%	-0.0%	1.2%	2.3%

Solvency

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Equity ratio (%)	94.1%	96.2%	95.6%	94.4%	85.8%	79.0%	81.9%	85.0%
Relative indebtedness (%)	0.0%	0.0%	0.0%	31.8%	343.3%	509.5%	581.7%	630.0%
Relative net indebtedness (%)	0.0%	0.0%	0.0%	29.4%	343.1%	509.3%	581.5%	629.9%
Gearing (%)	3.3%	4.0%	2.7%	1.7%	0.0%	25.4%	21.3%	17.1%
Financing costs (%)	44.4%	21.5%	19.5%	14.7%	18.4%	1.7%	0.9%	1.1%

Liquidity

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Quick ratio	0.0	0.1	0.1	0.3	0.9	1.1	1.2	1.2
Current ratio	0.0	0.1	0.1	0.7	20.9	24.6	24.6	24.6
Cash and cash equivalents (mDKK)	0.0	0.0	0.0	8.2	0.3	0.3	0.2	0.1
Cash ratio	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%

Capital use efficiency

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Trade debtors turnover (days)	0.0	0.0	0.0	0.0	49.0	49.0	49.0	49.0
Current assets / Net Sales (%)	0.0%	0.0%	0.0%	5.3%	307.1%	307.1%	307.1%	307.1%
Net working capital (mDKK)	-38.8	-45.9	-62.0	-78.2	-45.5	142.3	96.3	69.7
Net working capital (%)	0.0%	0.0%	0.0%	-22.1%	-21.8%	88.6%	89.1%	89.6%

Turnover ratios

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Assets turnover	0.0	0.0	0.0	-0.6	-0.3	-0.5	0.1	0.0

Financial statements

Income statement (mDKK)

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net Sales	0.0	0.0	0.0	353.8	208.9	160.6	108.2	77.8
Social security expenses	-0.0	-0.2	-2.0	-1.2	-3.9	-3.0	-1.5	-0.5
EBIT	-0.0	-0.2	-2.0	352.6	205.1	0.2	26.2	52.2
Net income from associates	17.7	47.2	359.8	201.8	-46.8	0.0	0.0	0.0
Other financial income	0.9	0.0	1.8	0.2	3.5	3.5	3.5	3.5
Other financial expenses	-9.1	-10.0	-9.3	-6.1	-3.7	-3.7	-3.7	-3.7
Pre tax profit less extra ordinaries	9.5	36.9	350.4	548.4	158.1	-0.0	26.0	52.0
Pre-tax profit (PTP)	9.5	36.9	350.4	548.4	158.1	-0.0	26.0	52.0
Income taxes	2.0	4.5	-1.6	-0.4	-0.7	0.0	-5.2	-10.4
Net earnings	11.5	41.4	348.8	548.0	157.3	-0.0	20.8	41.6

Financial statements

Balance sheet - Assets (mDKK)

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Intangible assets total	0.0							
Tangible assets total	0.0							
Holdings in group member companies	1321.8	1368.8	1675.4	1930.2	2049.3	2049.3	2049.3	2049.3
Investments total	1321.8	1368.8	1675.4	1930.2	2049.3	2049.3	2049.3	2049.3
Finished products/goods	0.0	0.0	0.0	18.9	641.7	493.1	332.2	239.0
Current assets total	0.0	0.0	0.0	18.9	641.7	493.1	332.2	239.0
Long term receivables total	0.0							
Current trade debtors	0.0	0.0	0.0	0.0	28.1	21.6	14.5	10.5
Current amounts owed by group member comp.	0.0	0.0	0.0	0.3	1.6	1.6	1.6	1.6
Current other receivables	0.0	0.0	0.3	6.1	0.0	0.0	0.0	0.0
Current deferred tax assets	2.0	6.5	2.6	0.7	0.0	0.0	0.0	0.0
Short term receivables total	2.0	6.5	2.9	7.1	29.7	23.2	16.2	12.1
Cash equivalents total	0.0							
Cash and bank deposits	0.0	0.0	0.0	8.2	0.3	0.3	0.2	0.1
Cash (generated)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance sheet total (assets)	1323.8	1375.3	1678.3	1964.4	2721.0	2565.8	2397.8	2300.5

Financial statements

Balance sheet - Liabilities (mDKK)

	2014	2015	2016	2017	2018	2019e	2020e	2021e
Share capital	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Other reserves	0.0	18.0	287.6	496.7	451.7	451.7	451.7	451.7
Retained earnings	1186.4	1244.9	1237.0	1236.7	1236.1	1236.1	1236.1	1256.9
Shareholders' equity total	1246.4	1322.9	1584.6	1793.4	1747.8	1747.8	1768.6	1810.2
Provisions	36.7	0.0	28.8	58.6	255.9	0.0	0.0	0.0
Appropriations total	0.0							
Non-current liabilities total	0.0							
Advances received	0.0	0.0	20.7	64.8	685.0	353.3	238.0	171.3
Current trade creditors	0.0	0.0	0.8	7.7	17.4	13.4	9.0	6.5
Current owed to group member	40.8	52.4	43.4	39.6	0.8	0.4	0.3	0.2
Other current creditors	0.0	-0.0	0.0	0.0	13.9	7.2	4.8	3.5
Current liabilities total	40.8	52.4	64.9	112.4	717.2	374.3	252.2	181.5
Balance sheet total (liabilities)	1323.8	1375.3	1678.3	1964.4	2721.0	2565.8	2397.8	2300.5

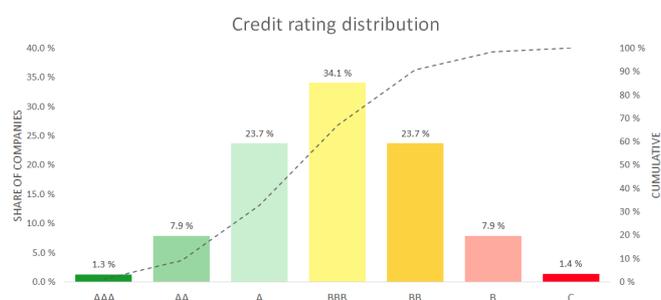
Credit Rating, Score, and Limit

Appendix

Credit Rating

Credit rating is a way to classify companies into larger groups, making it easy to quickly compare a given company to all the others in our database. In our system, the credit rating is based on the bankruptcy risk of a company. The companies with higher risks have lower credit ratings and the low-risk companies have high ratings. We use the standard seven rating categories that range from AAA-C where AAA is the category containing companies with the lowest bankruptcy risks and C is the category containing companies with the highest bankruptcy risks. Each rating class contains of a certain fixed share of all companies in the system. The distribution of companies to different rating classes is illustrated in the graph below. It must also be noted that if the company has data for only few historical years, then the estimation of bankruptcy risk will be more imprecise.

Credit Risk Distribution



Credit Score

The credit score refers to a company's risk relative to other companies. The value ranges from 0 to 100, and the higher the score the lower the risk. For example, a credit score of 78 means that the company in question has a lower risk than 78 % of all companies. A credit score is showed in addition to the rating, as some rating classes can cover a

Credit Limit

The credit limit provided in the report is an approximation on how much credit should be extended to a company. It is based on the bankruptcy risk of a company, but also its potential to meet the credit obligations. Thus, it also takes the solvency as well as the company's ability to generate cash flows into account.

Bankruptcy risk

While bankruptcy risk models based on logistic regression are relatively easy to understand and are good for visualizing the bankruptcy risk, they have the downfall of using constant weights for variables that are included in the model. That is why we have invested countless of hours into the development of state-of-the-art machine-learning models for bankruptcy risk estimation. Compared to regression models, machine learning models are much more versatile and can observe more complex and dynamic relationships between different variables.

Currently we utilize the Gradient boosting model using XGBoost library, which was used to obtain the best results in testing. Other models we studied include neural networks and random forest models. To learn more about our bankruptcy risk assessment methodology visit <https://cr.valuatum.com/credit-risk-assessment-methods/>

Vocabulary

Appendix

Accounting period	A period over which a financial statement is made. Usually 12 months starting from January and ending in December, but other options are possible.
Accounts payables turnover	Tells how many days it takes on average for a company to pay back its supply purchases.
Asset turnover ratio	The ratio between a company's net sales and the average total assets.
Assets	The side of a company's balance sheet that tells what it owns. Divided into current and non-current assets.
Balance sheet	Balance sheet provides information about what a company owns and how it is financed at the end of its accounting period.
Bankruptcy risk	The probability of a company going bankrupt. Calculated using statistical models.
Cash ratio	The ratio of cash and cash equivalents to current liabilities.
Credit limit	A suggested maximum limit of credit for a company based on its credit risk profile.
Credit rating	An evaluation of the credit risk of a company. Usually in grade letter form, e.g., A or B.
Credit risk	The risk of a company not being able to meet its financial obligations, leading to defaults.
Credit score	An evaluation of a company's credit risk, based on different risk measures and functions.
Current assets	Assets which are meant to be owned by the firm for a maximum of one accounting period. E.g. inventories.
Current ratio	Measures a company's ability to cover its short-term debts with liquid assets. Calculated by dividing current assets by current liabilities.
EBIT	Earnings before Interest and Tax. Net sales minus expenses excluding tax and interest.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization. Net sales minus expenses excluding taxes, interest and depreciation & amortization.
Equity	Equity is the amount of money invested into a company plus its retained earnings.
Equity & Liabilities	The side of the balance sheet which tells how assets are financed.
Equity ratio	The ratio between equity and balance sheet total.
Financial assets	Tangible assets in a liquid form that is used in the daily operations.
Financial costs	The costs associated with the company's financing. For example, interest payments and other costs related to loans.
Financial ratio	Measures used to assess a company's financial position.
Gearing	Measures a company's financial leverage. Interest-bearing net debt divided by equity.
Goodwill	An intangible asset which provides a competitive advantage, such as a strong brand or reputation. In an acquisition, goodwill appears on the balance sheet of the acquirer in the
Gross investment	The monetary value of investments made within an accounting period.
Gross margin	A measure of profitability calculated by subtracting variable and fixed costs from net sales.
Industry	Companies that operate in a similar line of business form an industry. In practice, industry definitions and boundaries are vague.

Vocabulary

Appendix

Intangible assets	Assets which do not physically exist but are valuable nonetheless, e.g., brand value.
Interest coverage ratio	The ratio between EBIT and interest expense. Measures how easily a company is able to pay interest on
Interest expense	Interest payments incurred by debt financing.
Interest income	Interest payments received from lending to other entities.
Interest-bearing debt	A debt which requires interest payments. E.g. a bank loan.
Interest-bearing net debt	A company's total interest-bearing debt minus cash and cash equivalents.
Inventories	Goods ready to be sold or to be sold later; in other words finished and unfinished goods + raw materials used to produce them.
Inventory turnover ratio	The ratio between cost of goods sold and average inventory. Measures how many times a company has
Liabilities	Financing obtained from outside the company and must be paid back.
Liquidity	Company's liquidity describes its ability to meet its financial obligations with liquid assets.
Long term	In business accounting measures long-term often refers to a time period longer than 12 months. In investment measures long-term refers to a time period longer than 7-10 years.
Long term receivables	Receivables which are due in more than 12 months.
Medium term	In investment measures medium-term often refers to a time period lasting up to ten years.
Net earnings	A company's total earnings. Revenues minus all the expenses. The amount left for shareholders.
Net investment	The amount of investments which increase the capacity. Gross investments minus depreciations.
Net sales	The monetary value of sales during an accounting period minus value-added tax.
Non-cash charge	Charges which do not have a cash flow effect but affect the income statement and/or balance sheet.
Non-current assets	Assets which are intended to be owned by the company for more than one accounting period.
Non-interest-bearing debt	Debt for which a firm does not have to pay interest. E.g. accounts payable.
Operating profit	Net sales minus variable and fixed costs and depreciation & amortization. See EBIT.
Operative cash flow	The cash flow generated by a company's operations.
Quick ratio	Measures a company's ability to cover its short-term debts with liquid assets. Calculated by dividing liquid assets by current liabilities.
Receivables turnover	Tells how many days it takes on average for customers to deliver the cash payment for their purchases.
Relative indebtedness	Measures the extent to which a company's operations are financed with debt. Total debt divided by sales.
Retained earnings	Earnings that are not paid out to shareholders but kept within the company and used to finance its operations.
Return on assets	Measures how much returns are generated to capital providers (both equity and debt). Calculated by dividing net earnings by total assets.

Vocabulary

Appendix

Return on equity	Measures the rate of return for an equity investment. Calculated by dividing net earnings by equity.
Risk	The uncertainty involved in every business. In practice, risk can be observed from the unexpected fluctuation in a company's returns.
ROA	See return on assets.
ROE	See return on equity.
ROI	Tells us how much returns an investment generates.
Shareholder's equity	The amount of equity on the balance sheet. Constitutes of invested money and retained earnings.
Short term	A period less than 12 months.
Short term receivables	Receivables which are due in less than 12 months.
Tangible assets	Assets that are physical in nature. E.g. machinery. Compare to intangible assets.
Tax rate	The tax rate used to calculate annual taxes.
Working capital	The part of a company's capital that is needed to maintain day-to-day operations. Calculated as the difference between current assets and current liabilities.

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