

# D&B<sup>®</sup> Scores and Ratings



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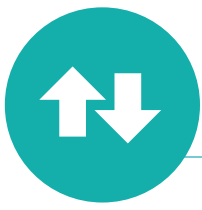
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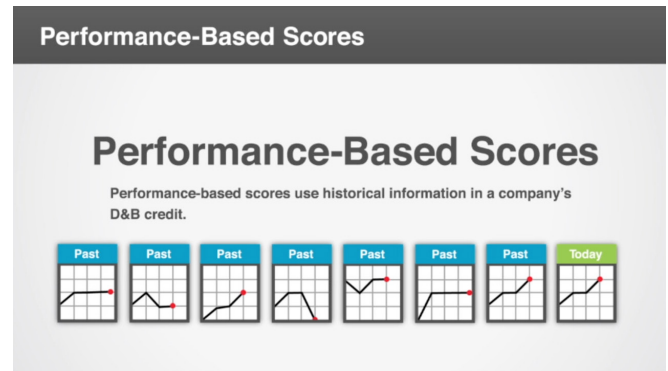
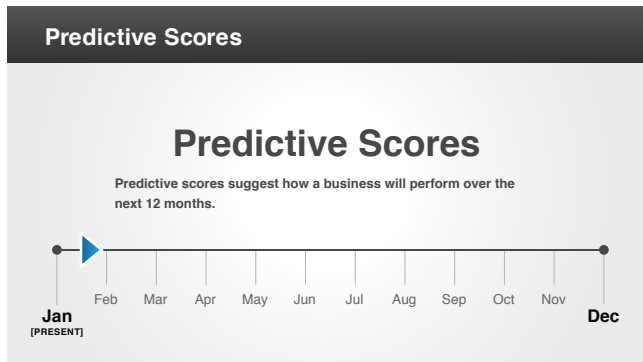


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# D&B® Scores and Ratings Overview

A D&B business credit profile contains 5 critical scores and ratings. These consist of predictive scores and performance-based scores.



## 3 PREDICTIVE SCORES

suggest how a business will perform over the next 12 months:

1. The **D&B® Delinquency Predictor Score** predicts whether a business will pay its bills on time
2. The **D&B® Financial Stress Score** predicts the chance that a business will experience financial distress
3. The **D&B® Supplier Evaluation Risk Rating** predicts whether a business will stop delivering its goods and services

The purpose of predictive scores is to forecast a company's expected performance over the next year.

## 2 PERFORMANCE-BASED SCORES

use historical information in a company's D&B credit profile to help paint a picture of your company's past performance:

1. The **D&B PAYDEX® Score** indicates how a company has paid its bills over the last 24 months.
2. The **D&B® Rating** indicates a company's net worth range based on company financial statements, as well as a company's overall condition. If a company's financial statements are not provided, the score is based on company size, industry, or other related factors.

Taken together, these scores can showcase a company's strengths to potential partners, vendors, suppliers, and lending institutions.

# D&B® Delinquency Predictor Score

The Delinquency Predictor Score predicts the likelihood that a business will make a severely late payment. In other words, this score predicts whether your business will pay its bills on time.

Your Delinquency Predictor Score is influenced by D&B's data about your past payment performance, demographic and financial information, and outstanding suits and liens.

The score ranges from 101 to 670, where the higher the score, the better. This score is then broken into Classes. The classes range from 1 to 5, where 1 represents a low risk of late payment and 5 represents a high risk.



Delinquency Predictor Risk Class	% of Businesses within this Delinquency Predictor Class	Delinquency Predictor Percentile	Delinquency Predictor Score
1	10%	91-100	580-670
2	20%	71-90	530-579
3	40%	31-70	481-529
4	20%	11-30	453-480
5	10%	1-10	101-452

*See Glossary for full definition*

# D&B® Financial Stress Score

The Financial Stress Score predicts whether your business will experience financial distress or failure. The score ranges from 1,001 to 1,875 where the higher the score, the better. The score is then broken into Classes ranging from 1 to 5, where 1 represents a low risk of financial distress and 5 represents a high risk.

Your Financial Stress Score is influenced by D&B’s data about your payment history, demographic and financial information, and outstanding suits and liens.



Potential business partners, banks, other financial institutions, and customers could use the Financial Stress Score to determine whether your company will have the financial resources to handle its expenses.

**D&B defines a financially stressed company as one that:**

- ✓ Ceased operations following assignment or bankruptcy
- ✓ Ceased operations with loss to creditors
- ✓ Voluntarily withdrew from business operation leaving unpaid obligations
- ✓ Is in receivership, reorganization, or has made an arrangement for the benefit of creditors.

Risk Class	Score Range	Percentile Range (approx)	% Within Range (approx)	Failure Rate
1	1570-1875	95-100	6%	0.03%
2	1510-1569	69-94	26%	0.09%
3	1450-1509	34-68	35%	0.24%
4	1340-1449	2-33	32%	0.84%
5	1001-1339	1	1%	4.70%

*See Glossary for full definition*

# D&B® Supplier Evaluation Risk Rating

The Supplier Evaluation Risk Rating, or SER Rating, predicts the likelihood that a supplier will cease business operations or become inactive over the next 12 months. In other words, it predicts whether your business will deliver goods and services as promised. The SER Rating ranges from 1 to 9, where 1 represents a low supplier risk and 9 represents a high risk.

Your SER Rating is influenced by D&B’s data about your past payment performance, demographic and financial information, and outstanding suits and liens.

Vendors, suppliers, and other business partners can use the SER Rating to help them reduce the cost and risk of choosing suppliers, and to gain competitive advantage.

“Dun & Bradstreet is a **necessity to help our business meet certain criteria when working with companies such as Home Depot, Lowe’s, Walmart, Sam’s Club, and Costco.** Each one of them has certain standards for scores and ratings that we need to meet to keep our vendor contract current. When we drop below those standards, we’re immediately notified and we work with Dun & Bradstreet Credibility to help get our scores and ratings back up.”

**Playfield USA**  
Lee Bradshaw, Owner



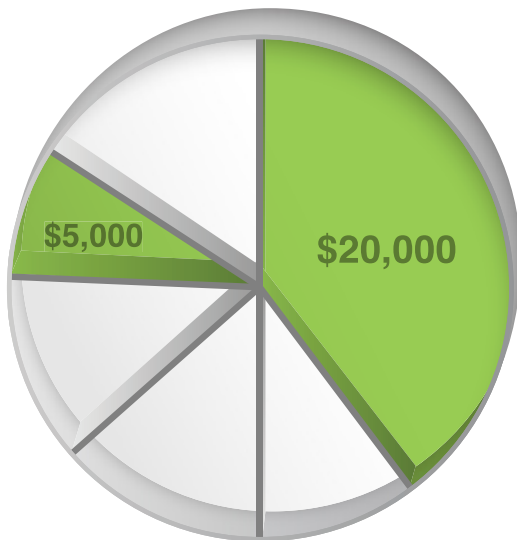
Supplier Evaluation Risk Rating	% of Businesses in D&B Supplier Database (approx.)	Projected Out of Business (OOB) Rate	% of OOBs Identified (approx.)
1	13%	1.28%	3%
2	15%	2.14%	6%
3	12%	3.06%	7%
4	13%	3.74%	9%
5	18%	5.37%	17%
6	11%	8.02%	15%
7	3%	9.27%	6%
8	12%	12.96%	26%
9	3%	21.05%	11%

See Glossary for full definition

# D&B PAYDEX® Score

The PAYDEX Score indicates how quickly your company has paid its bills. The bigger the bill, the more weight it may have on the PAYDEX Score.

**For example, how quickly you paid a \$20,000 invoice may influence your PAYDEX score more than a \$5,000 invoice.**

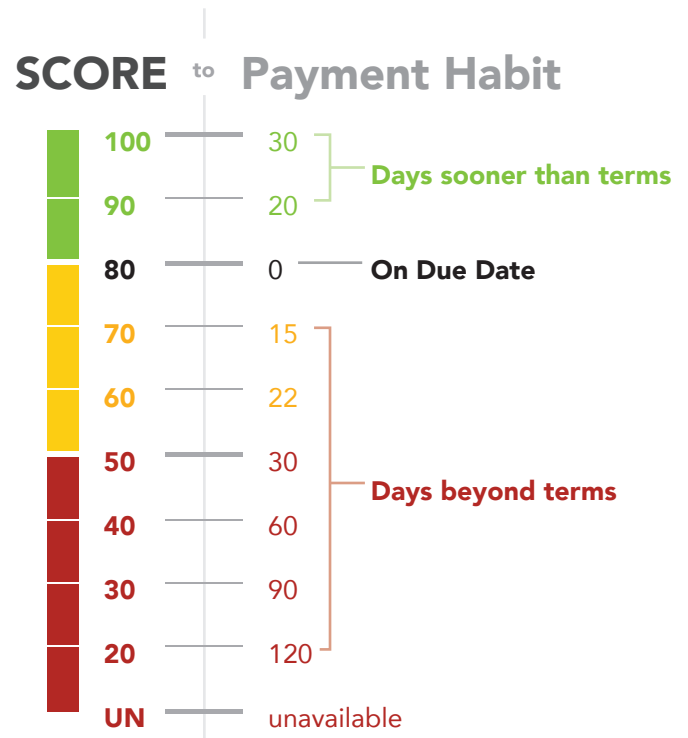


## PAYDEX® SCORE

The score ranges from 1 to 100, where higher scores indicate better payment performance.

What makes a good PAYDEX score? Generally speaking, any score of 70 or above. A score of 80 represents prompt payment, while a score of 70 represents payments within 15 days of terms. Scores of 50 or lower indicate 30 or more days past terms.

Higher PAYDEX scores may result in better payment terms, insurance premiums, or credit limits, allowing you to better manage your company cash flow.



[ Reference next page for detailed average days to pay ]

“ At Vision Dynamics, LLC. we work with a large retailer that requires our business credit scores to be maintained at a certain level. When we first talked to our Dun & Bradstreet Credibility Concierge®, our credit scores were too low to get the contract we needed. Since that date a little over a month ago, our Credibility Concierge has helped us get our trade references in place and our report in order. **We’ve seen our business credit scores improve to above and beyond where we needed them to be!** ”

**Vision Dynamics, LLC**  
Bill Lawrence, CFO

See Glossary for full definition

PAYDEX	Average Days to Pay
100	30 days sooner than terms
99	29 days sooner than terms
98	28 days sooner than terms
97	27 days sooner than terms
96	26 days sooner than terms
95	25 days sooner than terms
94	24 days sooner than terms
93	23 days sooner than terms
92	22 days sooner than terms
91	21 days sooner than terms
90	20 days sooner than terms
89	18 days sooner than terms
88	16 days sooner than terms
87	14 days sooner than terms
86	12 days sooner than terms
85	10 days sooner than terms
84	8 days sooner than terms
83	6 days sooner than terms
82	4 days sooner than terms
81	2 days sooner than terms
<b>80</b>	<b>ON TERMS</b>
79	2 days beyond than terms
78	3 days beyond than terms
77	5 days beyond than terms
76	6 days beyond than terms
75	8 days beyond than terms
74	9 days beyond than terms
73	11 days beyond than terms
72	12 days beyond than terms
71	14 days beyond than terms
70	15 days beyond than terms
69	16 days beyond than terms
68	17 days beyond than terms
67	18 days beyond than terms
66	19 days beyond than terms
65	19 days beyond than terms
64	19 days beyond than terms
63	20 days beyond than terms
62	21 days beyond than terms
61	22 days beyond than terms
60	22 days beyond than terms

PAYDEX	Average Days to Pay
59	23 days beyond than terms
58	24 days beyond than terms
57	25 days beyond than terms
56	26 days beyond than terms
55	26 days beyond than terms
54	27 days beyond than terms
53	28 days beyond than terms
52	29 days beyond than terms
51	29 days beyond than terms
<b>50</b>	<b>30 days beyond than terms</b>
49	33 days beyond than terms
48	36 days beyond than terms
47	39 days beyond than terms
46	42 days beyond than terms
45	45 days beyond than terms
44	48 days beyond than terms
43	51 days beyond than terms
42	54 days beyond than terms
41	57 days beyond than terms
40	60 days beyond than terms
39	63 days beyond than terms
38	66 days beyond than terms
37	69 days beyond than terms
36	72 days beyond than terms
35	75 days beyond than terms
34	78 days beyond than terms
33	81 days beyond than terms
32	84 days beyond than terms
31	87 days beyond than terms
30	90 days beyond than terms
29	93 days beyond than terms
28	96 days beyond than terms
27	99 days beyond than terms
26	102 days beyond than terms
25	105 days beyond than terms
24	108 days beyond than terms
23	111 days beyond than terms
22	114 days beyond than terms
21	117 days beyond than terms
20	120 days beyond than terms
<b>1 to 19</b>	<b>Over 120 days beyond than terms</b>



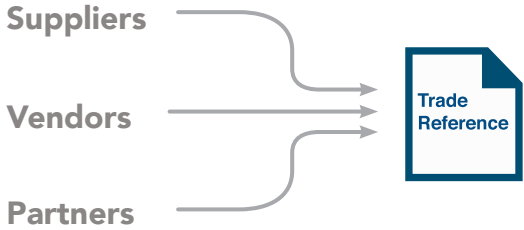




# Trade References

## What are Trade References?

Many of D&B’s scores and ratings are calculated using information on how your company pays its bills. Do you generally pay your bills on time, or are you consistently behind on payments? D&B collects this information from suppliers, vendors, and other partners. These credit references or payment experiences are called “trade references” and are a major factor in scores such as the D&B PAYDEX® Score.\*



For example, **D&B needs 3 trade references to calculate a PAYDEX score.** That means if you don’t have 3 suppliers reporting payment experiences to D&B, D&B may not be able to assign a PAYDEX score to your company. Not having a PAYDEX score could contribute to an incomplete business credit profile which may result in higher premiums, higher interest rates, lost business, or challenges in raising capital.



## How do Trade References impact my business credit?

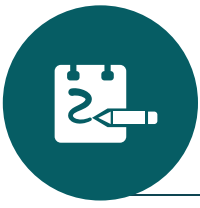
D&B works with thousands of U.S. companies that regularly report payment experiences. But not all companies automatically report their payment experiences.

If you are paying your bills on time and working with suppliers that don’t report payment experiences to D&B, your business credit profile may not be telling the full story of your business creditworthiness or financial strength.

\* Trade References will be added subject to D&B® verification and acceptance. Please see <http://www.dandb.com/glossary/trade-references/> for eligibility, process and other information regarding Trade References.

“ My D&B® business credit file was incomplete and I couldn’t gain the business credit I needed. Thereafter, I built my D&B credit file, and **was able to get approval for \$10K per week in gas cards** for my trucking business. Not only will this help improve my cash flow but it will help save my company a bundle. ”

**American Orange Trucking**  
Herbert Lorfing, President



# How Can I Avoid or Fix Mistakes in my D&B® Credit File?

## How can I avoid or fix mistakes in my D&B® credit file?

Occasionally, people notice inaccuracies or omissions in their business credit profile. Fortunately, mistakes and omissions can be fixed through the “Company Update” portal on Dun & Bradstreet’s website. With Company Update, you can modify your company’s demographic information, dispute reported slow payments, and request investigations on your legal and public filings at any time, free of charge. We also have a team of Credit Advisors who would be happy to speak with you on the phone at **1-866-584-0283**.

You can update information in your company’s credit profile for **FREE**.

You can access Company Update at [www.CompanyUpdate.com](http://www.CompanyUpdate.com)



# Glossary

## **D&B® Delinquency Predictor Score Defined:**

The Delinquency Predictor Score predicts the likelihood of a business paying its bills in a severely delinquent manner (91 days or more past terms), obtaining legal relief from creditors or ceasing operations without paying all creditors in full over the next 12 months. D&B defines a severely delinquent firm as a business with at least 10% of its dollars 91+ days slow. Dollars are weighted based on total balance of 91+ accounts compared to total balance owed, based on the information in D&B's commercial database. The score ranges from 101 to 670, where 101 represent the highest probability and 670 represent the lowest probability of delinquency.

A Delinquency Predictor Risk Class of 1-5 is a segmentation of the scorable universe into five distinct groups where a one (1) represents businesses that have the lowest probability of delinquency, and five (5) represents businesses with the highest probability of delinquency. This Class enables a customer to quickly segment their new and existing accounts into various risk segments to determine appropriate marketing or credit policies.

## **D&B® Financial Stress Score Defined:**

D&B's Financial Stress Score was designed to help you predict a business's potential for failure. It is designed to predict the likelihood that a company will obtain legal relief from creditors or cease operations without paying all creditors in full over the next 12 months. The score uses the full range of D&B information, including financials, comparative financial ratios, payment trends, public filings, demographic data and more.

A Financial Stress Class of 1- 5 is a segmentation of the scorable universe into five distinct risk groups where a one (1) represents businesses that have the lowest probability of financial stress, and a five (5) represents businesses with the highest probability of financial stress. This Class enables you to quickly segment new and existing accounts into risk groupings to help determine appropriate marketing or credit policies.

## **D&B® Supplier Evaluation Risk Rating Defined:**

The Supplier Evaluation Risk (SER) Rating predicts the likelihood that a supplier will cease business operations or become inactive over the next 12 month period based on the depth of predictive data attributes available on the business. The SER Rating scoring system uses statistical probabilities to classify public and private companies into a 1-9 risk rating, where 1 represents low risk and 9 represents high risk.

## **D&B PAYDEX® Score Defined:**

D&B's unique dollar-weighted numerical indicator of how a firm paid its bills over the past year, based on trade experiences reported to D&B by various vendors.

## **D&B® Rating Defined:**

The D&B Rating can help you quickly assess a firm's size and composite credit appraisal, based on information in a company's interim or fiscal balance sheet and an overall evaluation of the firm's creditworthiness.

The "5A" to "HH" Rating Classifications reflect company size based on worth or equity as computed by D&B. Company size can be an effective indicator of credit capacity. These Ratings are assigned to businesses that have supplied D&B with a current financial statement.

The "1R" and "2R" Rating categories reflect company size based on the total number of employees for the business. They are assigned to company files that do not contain a current financial statement.

Employee Range (ER) Ratings apply to certain lines of business that do not lend themselves to classification under the D&B Rating system. Instead, we assign these types of businesses an Employee Range symbol based on the number of people employed. No other significance should be attached to this symbol.