

Case Study

# Answers Corp

A 3-year prediction of financial distress and downfall.

# Answers

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# Introduction

**O**n March 3, 2017, Answers Corp, the parent company of Answers.com and Multiply websites, filed for a Chapter 11 Bankruptcy with a plan to swap ownership of the company to owed creditors.

The consumer website company, acquired by Apax Partners in 2014, currently owes over \$500 million in debt. The new bankruptcy plan has been approved by nearly all of Answers' creditors and is said to reduce the debt owed by a large sum.

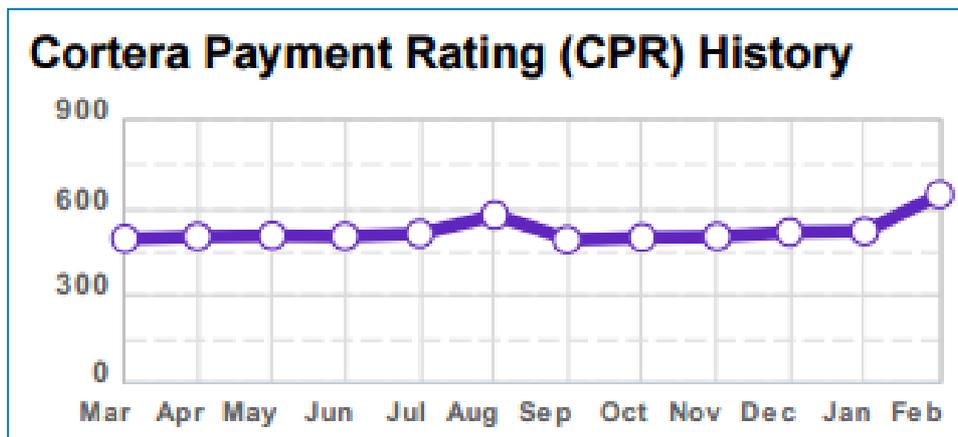
The creditors are now acting proactively rather than reactively. Had they analyzed the trends found in Cortera's unique purchase behavior data, they could have protected themselves years in advance from this financial downfall. In this case study we take a look at the power of predictive analytics in the Answers Corp bankruptcy.



# Payment Behavior

## *A false indication of financial health*

In the past, businesses were measured solely on payment behavior; an antiquated method for evaluating financial health and overall credit risk. Here, we see consistent payment behavior over the past twelve months.



Given their consistent payments month-to-month, traditional credit reporting would have categorized Answers Corp as low risk.

Now let's take a look at the different picture painted by predictive analytics and buying behavior...



# Buying Behavior

## *A predictive indication of a company's true financial health*

What we see here is a significant drop in Answers Corp three major spend categories. Over the past year, their total known spend decreased by a total of 151.2% with the highest percentage drop in Shipping.



\*information sourced from Cortera's Deep Dive Credit Report on Answers Corp

While a company may be paying their providers on time, it is when they stop showing signs of growth, or worse – signs of demise, that the providers should worry. Any company who shows such significant drops in purchasing should be considered high risk.



# Buying Behavior

As we dive even deeper into Answers Corp buying behavior, we can see that it wasn't just a 12 month trend; their buying behavior had decreased consistently for three years in all three major spending categories.

## Materials Index



### One Year Growth

**-16.3%**

**48<sup>th</sup>** Percentile

Growth rate of Materials-related spending for last 12 months versus previous 12 months. Calculated across all Materials categories for the entire corporate family.

This company's growth rate of Materials-related spending against all other companies in Cortera's database.

### Three Year Trend



This company's average annual Materials Spend growth

## Operations Index



### One Year Growth

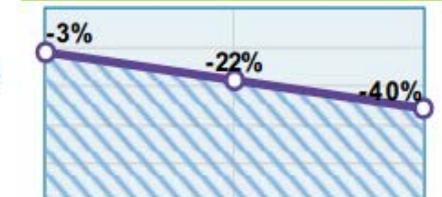
**-40.1%**

**32<sup>nd</sup>** Percentile

Growth rate of Operations-related spending for last 12 months versus previous 12 months. Calculated across all Operations categories for the entire corporate family.

This company's growth rate of Operations-related spending against all other companies in Cortera's database.

### Three Year Trend



This company's average annual Operations Spend growth

## Shipping Index



### One Year Growth

**-94.8%**

**13<sup>th</sup>** Percentile

Growth rate of Shipping-related spending for last 12 months versus previous 12 months. Calculated across all Shipping categories for the entire corporate family.

This company's growth rate of Shipping-related spending against all other companies in Cortera's database.

### Three Year Trend



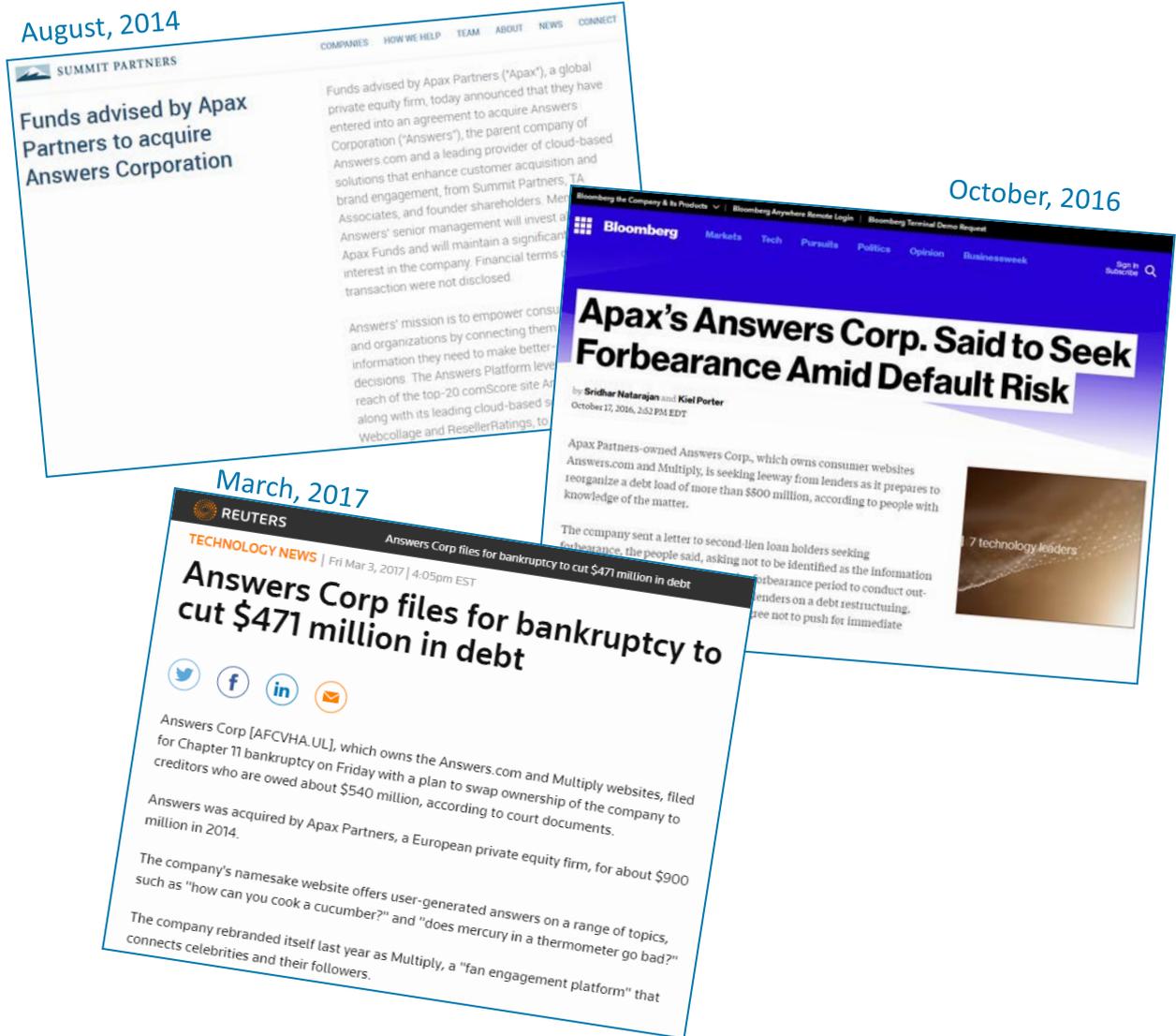
This company's average annual Shipping Spend growth



# News Alerts

*Powered by Cortera Pulse®*

Cortera Pulse's news monitoring capabilities picked up on these articles related to Answers Corp overall credit and financial risk.



Cortera Pulse customers who worked with Answers Corp were notified of these news articles within their daily alert emails.



While traditional credit reporting methods would have never seen it coming, the predictive analytics power of purchase behavior recognized a risk years in advance.

Traditional payment behavior alone does not paint a clear enough picture to determine the financial health and overall credit risk of businesses.

Purchase behavior, including what a business buys and how much, serves as a leading indication of health and risk, allowing credit managers to act proactively and protect their business.

Learn how predictive purchase behavior analytics can help you mitigate potential risk.

Call **877-569-7376** or visit  
**[see.cortera.com/get-more-information](http://see.cortera.com/get-more-information)**

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