

Case Study

Sports Authority

The Early Warning Signs that Traditional
Credit Reporting Missed.



Contents

3		Introduction
4		Risky Business
5		Buying Behavior
6		News Alerts
7		Conclusion



Introduction

On March 2, 2016, Sports Authority filed for a Chapter 11 Bankruptcy in Wilmington, DE. Once the nation's largest sporting goods retailer, Sports Authority's demise left many wondering what happened.

While consumers across the country reaped the benefits of heavy, store-wide sales, Cortera looked into the early warning signs and predictive scoring models included in Sports Authority's credit report over the course of the previous year.

For too long, businesses have relied on a single credit score to determine risk and the likelihood of severe delinquency. Cortera's data is different. We incorporate purchase and payment trends along with financial news and other key risk factors that predicted Sports Authority's demise far before traditional credit bureaus.



Risky Business

Risk Behavior Scorecard		
Cortera Score 511	Based on the data available, this company has a moderate likelihood of paying its bills in a severely delinquent manner (90+ days late) in the next 12 months. Risk of severe delinquency = 4.10% <i>(Scale: 100 to 900. Predictive of severe payment delinquency. High score = low risk)</i>	
Payment Rating (CPR)	241 87 days past due	This company has paid relatively slow over the past 3 months (Cortera Payment Rating (CPR) ranges 100 to 900).
Payment Risk Segment	1 Higher Risk, Trending Down	This company has been a higher payment risk and is showing signs of further slowing.
Industry Benchmark	86.7 vs. 7.0	This company pays slower than others in its industry peer group.
Spending Growth Index	Large Decline -59% (Index = - 0.42)	Cortera's data indicates a large decline in year-over-year spending in this company's known key spend categories. The spending may have moved to providers outside the Cortera network.

The first clue signaling Sports Authority's financial distress was the slowing of payments. In this particular case, there was a major increase in DBT, nearly 79 days higher than the industry average. The Cortera Payment Rating translates to the average DBT through a simple conversion, where any company averaging more than 45 days will have a score less than 300.

Pro Tip: Any business who slows or stops paying their key suppliers should be considered extremely risky. Sports Authority was paying their Packaging, Textiles and Truckload Shipping providers at 105 DBT each. Their overall DBT was 86.7, nearly 79 days above the industry average.



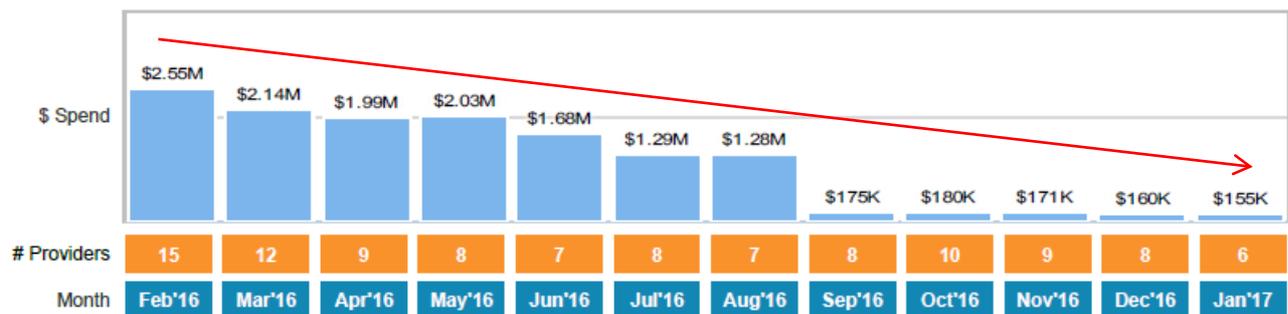
Buying Behavior



The second major giveaway is the large decline in spending growth index. Here we see a 59% decline in spending over the past 12 months. For a company like Sports Authority, whose business depends on buying and shipping product, a major decrease in both the materials and shipping sector is cause for major concern.

Shipping Trend

Entire corporate family - last 12 months



Materials Trend

Entire corporate family - last 12 months



News Alerts

Cortera's news monitoring picked up on articles from local and national publications over the course of 12 months. These articles provided leading indication of changes in payment behavior and increased overall risk.

Date	Most Recent Headlines
1/29/2016	Sports Authority slashes 100 jobs
2/19/2016	Both Omaha Sports Authority stores to close, employees tell shoppers
2/23/2016	Sports Authority to file for bankruptcy as early as March, report says
2/26/2016	Sports Authority closing Denver distribution center, cutting 72 jobs
3/1/2016	Sports Authority Reportedly Close To Ch. 11 Filing
3/2/2016	Sports Authority to close 140 stores, lay off 3,400
3/7/2016	Sports Authority to close 3 stores in south suburbs
3/18/2016	Sports Authority May Shape Future Of Retailer Ch. 11s
3/24/2016	Lake Zurich Sports Authority closing after all
4/1/2016	Sports Authority Floats Consignment Vendor Deal In Ch. 11
4/13/2016	Judge Denies Bid To Stop Some Sports Authority Ch. 11 Sales
4/13/2016	Judge Denies Bid To Stop Some Sports Authority Ch. 11 Sales

Cortera monitors over 10,000 media outlets daily providing significant financial alerts within the Pulse emails and Business Intelligence Reports. Companies who worked with Sports Authority would have seen this.



While traditional credit reporting never saw it coming, Cortera was able to predict the Sports Authority bankruptcy filing well in advance.

Traditional payment behavior alone does not provide sufficient insight into the financial health of B2B customers or prospects – it serves as a lagging indicator.

Business behavior – what companies buy, and how that behavior changes over time – is a leading indicator of a company's overall financial health.

Learn how business behavior insights can help you predict and avoid the demise of the companies you do business with.

Call **877-569-7376** or visit
see.cortera.com/get-more-information

Copyright © Cortera, Inc. 2017