

# TOP 5 SUPPLY CHAIN RED FLAGS

Companies that default have distinct profile differences from companies who don't. Do you know where the red flags are in your supply chain?

## DEBT: TOO MUCH TOO EASY

Defaulters had 3x the amount of leverage

**3X**

Higher cost of debt

**125%**  
higher on average

Lower capacity to pay



## DETERIORATING PROFITABILITY

Median return on assets declined from -17% in 2017 to -33% in 2018

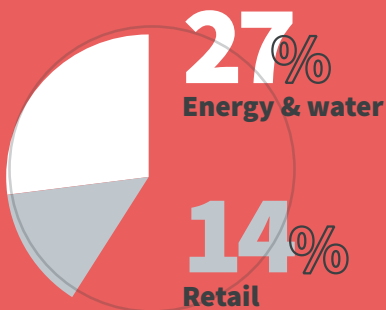
**-17%**  
ROA



**-33%**  
ROA

## INCREASING VULNERABILITY TO MARKET INFLUENCES

Of 2018 defaults:



Energy & water companies represented the most defaults, while retail companies were on the rise.

## LACKING IN CASH FLOW

Defaulters had

**< 15%**

cash to current liabilities

## WEAKENING FHRs

Weakening financial health identified

**≥ 2 years**

prior to default

Easy credit means more weakened companies propped up—identify your ticking time bombs

