CUSTOMER PROFILE

Formosa Plastics Keeps Large Risks Manageable with CreditRiskMonitor

Plastics is the third largest manufacturing industry in the United States—and a fast-growing driver of the economy, employing nearly 900,000 people and accounting for $374 billion dollars in annual shipments in the U.S. alone in 2014. From health to food products to shelter, transportation and countless innovations, plastics make our everyday life possible.

Formosa Plastics Corporation, U.S.A. (Formosa Plastics) is one of the leaders driving that growth. A rapidly expanding affiliate of Taiwan-based Formosa Plastics Group, a global giant in plastics and related industries, Formosa Plastics is a vertically integrated supplier of plastic resins and petrochemicals.

The company is headquartered in Livingston, NJ and has six business divisions—Olefins, Polyolefins, Vinyl, Specialty Polyvinyl Chloride, Chlor-Alkali, and Oil and Gas. It's a critical supplier to household-name manufacturers around the world.

Large Accounts, Large Risk

Managing the risks and relationships of those huge customers is a huge job—and falls to the leadership of **Joe Colangelo, Director of Credit**. Joe reports to the CFO and leads a credit team of 10. His team is an integral part of making sure sales flow smoothly while keeping risk levels as low as possible.

"Most of the companies we deal with are very substantial," Joe says. "Their credit lines are equally large and we are usually a major supplier to their businesses. For example, one of the largest manufacturers of bricks in the world is a customer. Our resin is a critical input to their process. They are important to us, and we are important to them."

> *"Any time I see a company is in the FRISK® red zone, I will investigate. I want to know more."*

AT A GLANCE

$5B division of $85B global manufacturing company

One of the world's largest suppliers of plastic resins

User:
Joe Colangelo,
Global Director of Credit

Challenges:

- Manage large company accounts with extremely high-dollar volumes
- Approve new accounts and set credit limits
- Monitor risk and report benchmarks to the CFO

Solution:

- Manage all processes from quote to cash through an inhouse workflow tool
- CreditRiskMonitor is their primary external information source for assessing credit risk
- Use financials, ratios and agency ratings to assess new accounts
- A FRISK® score in the red zone triggers further analysis
- Monitor for alerts, especially management and other changes that affect the debt profile

Results:

- Team spends less time gathering and analyzing external financials
- Bad debt is minimal
- Sales have increased steadily, doubling over the past 10 years

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"Our aim is to be better than the best," he continues. "We have minimal bad debts in relation to sales and we regularly measure our progress to make sure we remain ahead."

Because most of their accounts are large—and largely public—meeting those high standards means a heavy focus on financial statements and analysis. That's why CreditRiskMonitor is their primary source for credit and financial information for publicly-listed companies and companies with public debt. Because of the company's global footprint, they use the worldwide service.

> "*CreditRiskMonitor is a step above all the others. It's immediate, and it's always there, all in one place, an efficient snap-shot of the financials we need. It helps keep our turnaround times quick, our risk down and our sales up.*"

Stay Ahead of the Red

The team uses CreditRiskMonitor across their process, which includes approving new accounts, monitoring ongoing risk and turning over receivables to reduce bad debt. They use all aspects of the service.

They rely on the agency ratings—primarily S&P and Moody's—for an indication of an overall creditworthiness. The credit manager who reports to Joe comments on the convenience of that access, saying: "It's hard to find all that information all in one place." They also review the company's history, financial statements and ratios to analyze trends and inform the company's risk profile.

The CreditRiskMonitor FRISK® score, which estimates the probability of severe financial stress, through bankruptcy, is an essential piece of the process. A red score is a sign to the team to look further. "Any time I see a company is in the FRISK® red zone, I will investigate," Joe says. "I want to know more."

They have a portfolio set up to monitor all of their accounts for potential changes to risk. Joe is a big fan of the news alerts he receives from the monitoring. "The alerts are very informative, especially on management changes and new debt coming on. They work well because they are timely and financially focused. I am very happy with them."

Key Advice: Use the News

In fact, using the alerts to stay ahead of risk is Joe's key advice to other CreditRiskMonitor customers. "Use the news alerts to stay ahead," he says. "Really use them, don't just look at them. Always review anything in the FRISK® score red zone. That shows us when further evaluation is needed.

"CreditRiskMonitor is a step above all the others," Joe concludes. "It's immediate, and it's always there, all in one place, an efficient snapshot of the financials we need. It helps keep our turnaround times quick, our risk down and our sales up."

The credit manager concurs. "We are really happy with CreditRiskMonitor," he says. "It's a really good product. There's nothing comparable to it."

Large customers are a large responsibility. We thank Joe and his team for trusting CreditRiskMonitor to help them stay a step ahead of risk!

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