



Crowe Portfolio Analyzer for Sureties and Agents solution

Built by construction CPAs to help you navigate your portfolio with precision and speed

Sureties and agents face an array of challenges and pressures related to the early identification and management of risk. The Crowe Portfolio Analyzer™ solution can deliver timely and comprehensive reporting about each contractor's financial situation while significantly reducing manual data entry. This solution's comprehensive analysis and benchmarking capabilities can greatly enhance visibility across the company's entire portfolio.

The importance of proactive monitoring of contractors

Though the economic recovery might be a relief for some businesses, it can put extreme pressure on contractors' cash reserves if they try to ramp up too quickly, draining their available lines of credit and working capital. A 2013 study shows that contractors are three times more likely to go bankrupt during a recovery than during a recession.¹

In order to manage this risk, it's critical for sureties and agents to have complete and timely data for all of the contractors in their portfolios. However, the process of gathering and analyzing the necessary data can be extremely resource-intensive, especially when complex and detailed financial analysis is required.

In response to these challenges, Crowe has developed the Crowe Portfolio Analyzer solution. Designed to support more automation and provide a comprehensive credit-risk tool, this solution helps sureties and agents better manage their contractor portfolios and allows them to:

- Perform comprehensive analysis with automated trending on financial statement metrics
- Systematically analyze changes in WIP schedules, including margin pickup or fade
- Deliver reports about each contractor's comprehensive financial situation
- Analyze their contractors' performance against industry-specific peer data
- Automate financial statement and WIP schedule input through an integrated solution

- Utilize a guided workflow to automate the underwriting process, creating additional time for management consultation
- Track bonded projects
- Standardize contract reconciliations and detailed job analysis
- Gain better visibility into risk exposure across the entire portfolio

The straightforward interface provides a logical and comprehensive financial reporting template configured to accommodate contractor-specific metrics while still providing a consistent basis for comparison and analysis across an entire portfolio.

DEMO CONTRACTOR, December 2015													
		Last Month		Summary Results									
Job Number	Job Name	Job Status	Final Profit	Prior Year Actual Cost	Actual Prior Year % Complete	Prior Year Profit Recognized	Prior Year Actual Profit	Over / Under YTD Recognized	FY Est Gross Profit %	OY Est G Profit			
4250	Demo Job 15	Closed	1,440,258	24,587,394	100.00%	1,418,308	1,441,347	(22,541)	5.48%	5,48%	5		
4269	Demo Job 17	Closed	3,108,768	18,339,062	99.88%	3,098,893	3,126,699	(47,806)	10.29%	10			
4268	Demo Job 11	Closed	2,070,478	14,524,342	99.63%	2,127,340	2,042,140	84,900	12.71%	12			
4275	Demo Job 4	Closed	2,174,723	19,999,862	99.39%	2,120,948	2,237,988	(117,040)	16.17%	17			
4258	Demo Job 8	Closed	(584,198)	8,436,767	98.88%	(542,491)	(564,986)	22,497	-8.87%	7			
4277	Demo Job 16	Closed	1,001,707	3,811,942	94.65%	705,507	673,589	31,918	15.82%	15			
4253	Demo Job 35	Closed	1,308,193	3,935,348	98.79%	3,276,420	3,262,768	(33,948)	24.58%	24			
4229	Demo Job 40	Closed	129,271	3,306,343	64.21%	196,111	103,319	95,582	5.58%	2			
TOTALS			13,256,114	110,663,972		18,009,909	15,361,298	(4,641,662)					
View Documentation													

Exhibit 1: Key industry ratios, including WIP report metrics such as job profit fade, are provided using the Crowe Portfolio Analyzer solution

Critical industry concerns

Limited or inconsistent visibility into contractors' WIP and financials

For a myriad of reasons, sureties and agents often struggle to obtain consistent, timely, and accurate WIP data. As a result, important analysis can be delayed or never completed, and warning signs may be overlooked until the situation becomes critical.

Leaner internal operations

Sureties and agents face their own operational challenges as they work to “do more with less”

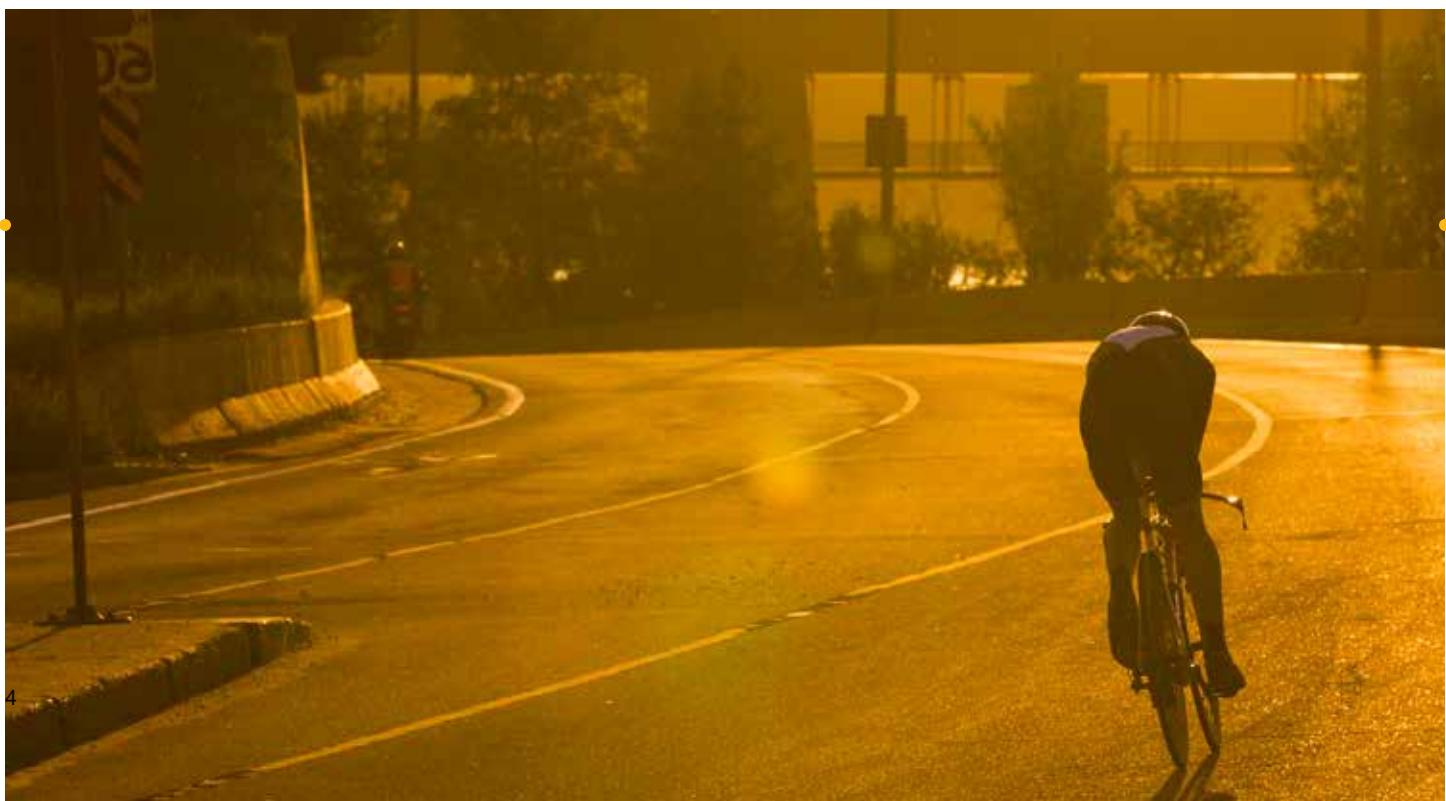
and minimize costs to maintain profitability. This can lead personnel to take shortcuts and only enter partial data, especially given the resource-intensive data collection and processing needed to normalize highly detailed reports in varying formats.

Regulatory pressure

As sureties and agents try to cover more ground with fewer personnel, regulators and reinsurers are expecting more. Consequently, underlying financial strength and attention to processes for monitoring and assessing risk are essential.

Customer compliance and capital constraints

In the face of tightened credit, prerequisites associated with common covenants and required financial metric thresholds have strengthened. As a result, credit providers can no longer offer their customers significant flexibility. For contractors, this often results in a need for additional capital. Both credit providers and their customers benefit from clear, early alerts to any potential compliance issues based on balance sheet metrics.



The Crowe Portfolio Analyzer solution

Building on deep knowledge and leadership in the financial services and construction marketplaces, Crowe offers a comprehensive solution to effectively monitor and analyze contractor credit risks.

The need

Sureties and agents expressed a need for a solution that could:

- Provide **timely visibility** into the full contractor portfolio
- Allow companies to **compare normalized data** that can be compiled from commonly used business reporting formats
- Provide **clear execution of monitoring and analytical steps** in order to demonstrate regulatory compliance
- **Cut internal data-entry tasks** to lessen the demands on internal resources and reduce opportunities for error, especially with WIP reports
- Provide **early indicators** of potential financial covenant compliance issues or significant project fade

- Extend – **through integrations** – to other systems such as origination and risk rating systems
- Provide them with **improved management tools and useful construction-specific benchmarking**

Our approach

Culling best performance management practices, our construction, financial, and performance teams worked to develop a solution to help sureties and agents improve their performance and analysis capacity. Effective risk monitoring and management can be achieved through:

- **Fast implementation** with in-depth support throughout the entire process
- **Automated submission** of customer financial statements and WIP schedules
- **Automatic recurring adjustments** to normalize the financial data in adjusting values from “as given” to “as allowed”
- **Interactive dashboard** reporting, analysis, and program risk evaluation that are customizable to serve the needs of your organization

- **Portfoliowide visibility and analysis** of key trends and risk exposure to enhance your organization’s ability to monitor and react to risk
- **Side-by-side analysis** of customer performance data against industry-specific peer data, including detailed financial, operational, and credit risk indicators
- **Portfolio peer data analysis**, which enables companies to perform internal comparisons using their own custom-developed benchmarks
- **Benchmark group opt-in capabilities** to allow companies access to broader benchmarking data outside the portfolio
- **Automated WIP analysis**, including exception reporting, to evaluate developing patterns and trends
- **Early identification** of potential problem credit, with detailed drill-down analysis to help gauge individual company performance attributes and issues
- **Proactive risk mitigation**, including alert capabilities, workflow review, and an electronic audit trail to help with regulatory compliance
- **Integration of data** to or from other internal systems

WIP Actions

DEMO CONTRACTOR, December 2015

WIP Detail WIP Totals

Page Size Job Search for a job... Project Manager (Please Select) Division (Please Select) i

Bond Number	Job Number	Job Name	Contract Amount	Estimated Costs	Ext Gross Profit (Loss)	Ext Gross Profit %	JTD Revenues Earned	JTD Costs Incurred	JTD Gross Profit (Loss)
□ m3203	4370	Demo Job 76	47,846,618	40,217,952	7,628,666	15.94 %	10,795,569	9,074,323	1,721,2
□ n4407	4360	Demo Job 68	22,958,822	18,094,384	4,864,438	21.19 %	21,192,540	16,702,336	4,490,2
□ n4991	4320	Demo Job 33	22,849,327	19,375,154	3,474,173	15.21 %	8,757,958	7,426,336	1,331,6
□ m3826	4373	Demo Job 116	20,681,908	18,197,559	2,484,349	12.01 %	2,867,593	2,523,132	344,4
□ m3928	4313	Demo Job 39	20,550,327	16,082,895	4,467,432	21.74 %	19,070,304	14,924,614	4,145,6
□	4390	Demo Job 144	15,947,000	12,697,000	3,250,000	20.38 %	131,258	104,508	26,7
□	4343	Demo Job 51	15,404,633	14,050,580	1,354,053	8.79 %	15,227,628	13,889,134	1,338,4
□	4383	Demo Job 133	14,843,630	11,944,825	2,898,805	19.53 %	128,844	103,682	25,1
□	4369	Demo Job 110	14,300,816	11,800,816	2,500,000	17.48 %	7,572,750	6,248,918	1,323,6
□	x1183	Demo Job 71	14,015,855	8,215,855	5,800,000	41.38 %	6,225,127	3,649,063	2,576,0
□	x1298	Demo Job 9	12,020,855	11,807,710	213,145	1.77 %	11,918,056	11,706,734	211,3
□	x2815	Demo Job 137	11,832,633	10,093,850	1,738,783	14.70 %	125,487	107,047	18,4
□	4359	Demo Job 67	11,017,973	9,006,406	2,011,567	18.26 %	3,192,784	2,609,873	582,6
□	4372	Demo Job 114	9,692,569	8,547,677	1,144,892	11.81 %	4,659,791	4,109,374	550,4
□	4307	Demo Job 25	8,680,872	6,539,602	2,141,270	24.67 %	7,167,831	5,399,776	1,768,6
□	4337	Demo Job 47	8,603,096	9,456,256	(855,160)	-9.94 %	8,526,120	9,381,280	(855,11
TOTALS			347,973,824	289,686,388	58,287,436		179,192,970	150,088,693	29,104,276

Exhibit 2: A contractor-specific WIP report can be configured to highlight tendencies for at-risk jobs, using the Crowe Portfolio Analyzer solution to consolidate, monitor, and analyze credit risk.

Crowe

Crowe Portfolio Analyzer for Sureties & Agents

Financial Statement Analysis WIP Analytics Reports

Workflow List + Analysis Package + New Contractor X

Entity Name	Period	Analyst	NAICS Code	Review Type	Review Frequency	Status
Alpha Contractor	Jun 2015	John Smith	(235220) Commercial and Inst. Equipment Contractors	Financial Statement Only	Quarterly	WIP Analysis
King Construction	Dec 2015	Russell Will	(235210) Industrial Building C	Full Review	Annually	WIP Upload
Lincoln Construction	May 2015	John Smith	(237310) Highway, Street, and Bridge Construction	WP Only	Monthly	Review Complete
X-Ray Builders, Inc.	Jun 2016	Adam Sharp	(238210) Electrical Contractors	WP Only	Semi-Annually	Select Report Package
Delta Contractor	Mar 2016	John Smith	(238990) All Other Specialty Contractors	Full Review	Quarterly	Review Not Started
Easy Building, Inc.	Dec 2015	Patrick Charles	(235210) Industrial Building C	Full Review	Annually	FS Analysis
Peter Construction	Dec 2015	Jake Amor	(237990) Other Heavy and Civil Engineering Contractors	Full Review	Annually	Review Complete
New York Roofing	Dec 2015	Jake Amor	(238160) Roofing Contractors	Financial Statement Only	Annually	Review Complete
Oscar's Construction Company	Jun 2016	Russell Will	(235210) Industrial Building C	Full Review	Annually	Review Complete
Romeo Construction	Dec 2015	John Smith	(237990) Other Heavy and Civil Engineering Contractors	Full Review	Annually	WIP Upload
Hotel Builders	Dec 2015	Stacie Strong	(235220) Commercial and Institutional Building C	Full Review	Annually	Review Complete
Bruno Construction	Jun 2016	John Smith	(237990) Other Heavy and Civil Engineering Contractors	Full Review	Quarterly	Review Complete
Sierra Contractor	Dec 2015	Russell Will	(238210) Electrical Contractors	Full Review	Annually	FS Analysis
Charlie Construction Co.	Jun 2016	Patrick Charles	(238130) Framing Contractor	Financial Statement Only	Quarterly	Review Not Started
Mike and Mary Builders	Jun 2016	Stacie Strong	(238210) Electrical Contractors	WP Only	Quarterly	Review Not Started
Whiskey Building, Inc.	Dec 2016	Jake Amor	(238990) All Other Specialty Contractors	Full Review	Annually	Review Not Started

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Exhibit 3: A guide to analysis, utilizing a workflow list with an entire portfolio view for easy to access status updates and credit monitoring.

Fast, ongoing operations and support

After a Crowe Portfolio Analyzer system launch, Crowe remains closely involved with the ongoing operation of the system through regular reviews and monitoring. When issues arise, Crowe specialists can respond quickly to answer questions or resolve user challenges.

Crowe is also dedicated to learning from its users, whose feedback is instrumental in identifying and driving important enhancements that can benefit all users. In addition to software upgrades, regular reviews, and periodic follow-up interactions, the tool provides ongoing access to Crowe thought leadership.





Learn more

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¹ Thomas C. Schleifer, "Beware the Recovery: What History Teaches Contractors and Sureties," *Engineering News-Record*, Jan. 14, 2013.

About Crowe

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