

## CLIENT-SPOTLIGHT

HELPING A PIONEER CONTINUE TO INNOVATE



i n v e n t

## PROFILE: HP

HP delivers vital technology for business and life. The company's solutions span IT infrastructure, personal computing and access devices, global services and imaging and printing for consumers, enterprises and small and medium business.

HP's \$4 billion annual R&D investment fuels the invention of products, solutions and new technologies, so that the firm can better serve customers and enter new markets. HP invents, engineers and delivers technology solutions that drive business value, create social value and improve the lives of customers.

HP has a dynamic, powerful team of 142,000 employees with capabilities in 170 countries doing business in more than 40 currencies and more than 10 languages.

“Moody's KMV has proved to be a very responsive and flexible credit management partner. Their professionalism, great customer service and attention, plus extensive knowledge of credit risk enabled us to develop a more sophisticated credit program.”

BILL LEHMANN: CREDIT PROCESS DIRECTOR

## SUMMARY

In March 2002, HP partnered with Moody's KMV to enhance HP's global credit program. With numerous credit analysts spread across the world, HP needed an automated and consistent system to perform credit analysis. One that would be easy to implement globally, yet still provide flexibility for more sophisticated operations in the future. To make better use of their current resources, HP wanted a system that would eliminate the need to acquire and enter financial statements manually. They also required a system that would generate objective measures of credit risk for public and private companies in a timely manner. The solution was to integrate Moody's KMV EDF™ (Expected Default Frequency) credit measures into their credit process via CreditEdge® and Moody's KMV RiskCalc®. This allowed for a more thorough analysis with the same number of people, while decreasing the order cycle time through a reduction of time spent on credit analysis.

## THE CREDIT CHALLENGES FACING HP

HP Global Credit Operations needed to streamline and standardize their credit approval process. The group's old manual process was time consuming and inconsistent despite professional analysts. With over a hundred credit analysts, a consistent and efficient method was required to process initial credit checks, set loan loss reserves, and securitize portions of the portfolio. To accomplish this, they needed an industry standard for risk rating customers, particularly for the middle-sized private companies for which lengthy statement analysis was typically performed.

## ADDRESSING THESE CREDIT CHALLENGES

HP and Moody's KMV addressed these credit challenges through the adoption of quantitative credit risk analysis tools, as well as through training and advice on best practices. All delivered through a scheduled series of classes around the world to explain EDF quantitative models and to provide hands-on practice.

Adding RiskCalc to their suite of tools helped HP employ EDF credit measures to better assess the credit risk of private companies, while CreditEdge improved their monitoring and analysis of public firms. As a result, HP is able to consistently quantify and rank the credit risk among the various counterparties, all while reducing the time spent processing credit requests.

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### HP

#### THE IMPACT OF BRINGING MOODY'S KMV TOOLS INTO HP'S CREDIT PROCESS

The benefits and value that Moody's KMV added to HP's credit process were immediate and tangible:

- The new credit process system is automated, consistent, cost-effective and efficient.
- Credit Analysts and management can see creditworthiness of all counterparties on a regular basis.
- All exposures can be tracked in one place with automated daily updates of the risk level of each counterparty and the entire portfolio.
- Analysts have a stronger foundation and better understanding of quantitative credit risk management, which enables them to process more counterparties with the same number of staff and decrease order cycle time by reducing time spent on credit analysis.
- HP is able to scan their largest customers on a regular basis for credit risk and, based on EDF credit measures, reserve an appropriate percentage of receivables.

#### THE CLIENT EXPERIENCE IN WORKING WITH MOODY'S KMV

Moody's KMV is committed to delivering practical solutions, education, and training. This ensures that our clients understand the complex but essential concepts inherent in advanced credit risk analysis and management. Using our innovations and training seminars, HP is equipped with tools to leverage their credit analysis resources and construct better portfolios, allowing HP to focus on their own innovative products.

Bill Lehmann, Credit Process Director, states, "Moody's KMV has proved to be a very responsive and flexible credit management partner. Their professionalism, great customer service and attention, plus extensive knowledge of credit risk enabled us to develop a more sophisticated credit program."

#### THE FUTURE FOR HP AND MOODY'S KMV

HP is already planning for the next level of their credit decisioning processes. They intend to integrate CreditEdge and RiskCalc with their own internal Virtual Credit Professional platform via an XML interface. Such an automated system would allow them to map EDF credit measures directly to their own internal rating criteria, developing risk bands by country, by industry segment, and more. By collaborating with Moody's KMV, they have prepared themselves for the transition to the next generation of credit analysis tools.

#### TO LEARN MORE

Please contact your Moody's KMV client representative, visit us online at [WWW.MOODYSKMV.COM](http://WWW.MOODYSKMV.COM), contact Moody's KMV via e-mail at [INFO@MKMV.COM](mailto:INFO@MKMV.COM), or call:

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