

Data-driven insights are a valuable early warning tool. While some may have called out concerns around Probuild a couple of months before its collapse, that is just not enough notice, and is typically too late for stakeholders to protect their position and exposure. However businesses do not collapse overnight, there are early warning signs well in advance. Here are some of the red flags showing that construction giant Probuild was in trouble years before its demise.

2019

Clear signs of risk

2.5 bronze stars, Medium to High Risk
Below "trustworthy" benchmark*

- Project delays impact profitability
- Limited working capital, dividend payouts & creditor exposure
- Low net asset backing and contagion risk to other parties with higher risk scores
- High-value litigation relating to their Abbotsford development.

Warning signs escalate

2 bronze stars, Medium to High Risk
Risk rating drops

- Brisbane Queen St development losses
- Reduction in net assets and equity
- Operating losses and limited borrowing capacity
- Higher risk commercial scores: Probuild, Probuild's officeholders, the Aust holding company & officeholders
- Significant funds extended to a sister entity with a high risk score.

2020

Risk rating plummets

1 bronze star, Very High Risk
Lowest possible risk rating**

- Significant sales contraction, thin margins, concentration risk & project delays
- Net operating cash outflow of -\$85m
- Lower working capital levels & significant creditor exposure
- Limited asset backing
- Funds extended to other parties that eroded capital adequacy levels
- Default judgement on Probuild
- Material court judgements on director-related parties
- Director commercial scores impacted by recent administration of a director-related entity.

2021

This data-driven assessment of the danger signals was undertaken using the new Independent Construction Industry Rating Tool, iCIRT, endorsed by the NSW government.

iCIRT's predictive capability was tested across thousands of construction firms. iCIRT was able to provide at least 12 months early warning for more than 90% of construction insolvencies, relying solely on public and proprietary data available to Equifax. These cases were shown to have achieved only one or two star-rating at least 12 months before their collapse.

Get in touch at helloAU@equifax.com or check out the iCIRT website buildrating.com to discover what to look out for, and avoid being stung by the next construction collapse.

Equifax Australasia Credit Ratings is the issuer of iCIRT.

*The NSW Government has been calling for industry to obtain and publish their iCIRT rating on the soon-to-be-released public-facing register. Probuild would have been excluded from the register of trusted construction firms as it requires a minimum of 3 out of 5 gold stars.

**This bottom rating indicates to other industry players that they would substantially increase their risk exposure by doing business with Probuild.

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