

# Emmalyn.

ENHANCING DECISION MAKING IN  
CAPITAL MARKETS.

The World's First AI Risk Analyst.



**BLUE FIRE AI**

# Fundamental Analysis has been under invested

## Active Fundamental Research

- **Has been underinvested** in since the GFC with fundamentals not driving asset price returns.
- Is performed by teams of analysts who spend time **researching a limited number of companies** under coverage.
- Suffers from **capacity constraints, overloading of information** and **structural positive bias**.

## Portfolio Manager

- Has **focused on Macro & Market** to deliver performance because of **diminished research quality** and **capacity constraints**.

## FINANCIAL TIMES

Active managers fail to beat the market again

Two-thirds of US equity funds underperformed benchmarks over last 12 months, report shows

Active European funds deliver worst returns in more than 20 years

UBS analysis for 2022 shows vehicles in aggregate delivered -4.13% of alpha after fees

UK active managers fail to prove their mettle in a bear market

Only half of stock pickers outperformed in 2020's volatile markets



## Automating investment decision making in capital markets

Emmalyn runs an active research process focused on the **recognition of mispricing** in securities with reference to **company fundamentals**.

Emmalyn identifies **unrecognised risk** opportunities, **replicating the behaviour** of an active asset manager's research process **systematically** and **without bias**.

Emmalyn's metadata is used by **quantitative investors**, to generate meaningful investment edge.



# Emmalyn identifies Unforeseen Risk in advance of analogue research processes, with precision & track record

## Coverage

**3000+  
Rated Issuers**

**7500+  
Meta Universe**

## Ratings Downgrade

**81.1%**

Emmalyn alerts users up to  
6 months prior to an  
Agency Downgrade

## Earnings Shock

**77.3%**

Emmalyn alerts users up to  
6 months prior to an  
Earnings Shock



- BlueFire AI proprietary modified KMV-Merton Model
- Proprietary Neider Mead algorithm optimised for credit data distributions
- EMR optimized high performance computing architecture for Numerical Solvers

[illegible]

# Emmalyn's forward-looking outputs

## Credit Stress Measure:

Intrinsic credit risk in an issuer expressed in percentage terms. Superior to incumbent Probability of Default (PoD) models:

- Calibrated to Asset Prices and highly sensitive for trading/investment PNL
  - *[instead of Bankruptcies for PoD models relevant to Bank Loan Capital provisioning]*
- Sector optimized [REITs, Banks, Insurance]
  - *[instead of incumbent models which are sector generic and fail to anticipate regulatory intervention]*
- High Performance Computing Implementation on scaled parallel infrastructure enabling sophisticated convergence algorithms
  - *[instead of traditional infrastructures limiting to basic Newton methods eg: Moody's]*

## Risk Outlook:

Industry's first forward-looking categorization of unforeseen risk in Credit and Equity. AI decision modelling incorporating:

- Fundamental Analysis of financial statements to identify dissonance between operational realities and earnings communicated by management
- Event analysis from publicly available information including professional media, regulatory reporting, investor communications, etc. to identify potential earning shocks
- Behavioral Analysis of buy side positioning and sell side analyst forecasts to identify informed investors anticipate risk increase vs the 'Street'
- Stock & Bond Price Analysis to identify moments when idiosyncratic risk begins to drive price i.e. when the market starts responding to the preciously unforeseen risk



# “Emmalyn’s workflow compresses fundamental analysis from hours to minutes...” CIO Tier 1 AM

## Push to Action Email

Send	Attach	Discard	...
Alcoa USA, Inc. Class A	2022-08-09	Cable/Satellite TV	High High 4.15
Cinebase Global, Inc. Class A	2022-08-08	Packaged Software	Medium Neutral 22.09
Scot SF	2022-08-01	Multi-Line Insurance	Medium High -7.12
Northern Phone SA	2022-06-15	Real Estate Development	Medium Medium -10.24

- **Ubisoft : Low :** Weak top-line growth outlook given ongoing games delays and decline in net bookings, cash flows are under building pressure, leverage (Net debt/Market cap) reached record highs, asset values have more than halved this year, all could translate into a credit downgrade to BB. Watch out for possible corporate restructuring as Tencent now seeks to become its single largest shareholder.
- **PostNL NV : Medium :** Downgraded profit outlook due to the inflationary spiral and lower parcel volumes. Leading analysts also expect weak numbers throughout 2022-23; asset values are under building pressure and elevated leverage put the company in a weaker position vs peer, this will lead to a constrained credit environment with a possibility of a capital increase.]

### New Risk: Now on BFAI Watchlist

Company Name	Region	Sector	Implicit Rating Credit	Rating Trend	Credit Stress Measure	Equity Risk	Credit Risk
Foot Locker, Inc.	US	Retail Trade	B	Negative	14.19%	Medium	High
Chesley, Inc. Class A	US	Retail Trade	BB	Negative	3.52%	Low	Medium

### Foot Locker, Inc.

**Equity Risk : Medium Credit Risk : High**

**Lagging revenue growth and high leverage will weigh on future cash flows, which along with the CEO's departure, puts further pressure on asset prices.**

Foot Locker faces two main challenges in the near-term: a slowdown in revenues due to lower discretionary spending and weakening market share considering competition with Nike in direct-to-consumer sales channels. In August 2022, the CEO stepped down, which may sound alarming to current shareholders. Sales growth has been downgraded from 7% to 5%, and the near-term profitability is likely to remain weak as Foot Locker stays prone to supply chain headwinds. This is corroborated by an increase in the 12-month trailing yield, signifying higher risk in earnings outlook. Cash generation, a spread between net operating cash flows and net income, is trending at all-time lows, suggesting a cash flow drawdown. This starts translating into a liquidity problem, a Cash/Current Assets ratio is also at extreme levels. With its current cash position, it's not surprising that the company starts borrowing itself out. Debt coverage (Debt/EBIT) is trending higher, suggesting that the debt servicing problem could become acute if EBIT slows down. Looking at the credit side, asset values almost halved this year, \$USD value of leverage is substantially elevated which is pushing the

## Cross Capital Structure Report

Company Name	Ticker	Country	Sector	Region	Industry	Implicit Rating Credit	Previous Rating	Rating Trend	Previous Trend	Credit Stress Measure	CM 6 Month Rolling Avg	Peer group Rating Avg	Equity Risk	Previous Equity Risk	Credit Risk	Previous Credit Risk
Alcoa USA, Inc. Class A	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	4.21%	1.54%	5.45%	Medium	Low	High	Medium
Alcoa USA, Inc. Class B	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	28.93%	18.99%	19.93%	Medium	Low	High	Medium
Alcoa USA, Inc. Class C	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	13.81%	25.26%	13.74%	Medium	Low	High	Medium
Alcoa USA, Inc. Class D	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	12.18%	14.91%	18.95%	Medium	Low	High	Medium
Alcoa USA, Inc. Class E	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	27.88%	19.21%	16.95%	High	Medium	High	Medium
Alcoa USA, Inc. Class F	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	10.02%	11.78%	15.64%	Medium	Low	High	Medium
Alcoa USA, Inc. Class G	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.66%	2.62%	2.89%	Medium	Low	High	Medium
Alcoa USA, Inc. Class H	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	44.83%	41.18%	29.31%	Medium	Low	High	Medium
Alcoa USA, Inc. Class I	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	41.27%	46.43%	14.47%	High	Medium	High	Medium
Alcoa USA, Inc. Class J	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	28.61%	10.02%	3.84%	Medium	Low	High	Medium
Alcoa USA, Inc. Class K	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.12%	2.04%	2.89%	Medium	Low	High	Medium
Alcoa USA, Inc. Class L	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	12.47%	15.17%	14.02%	Medium	Low	High	Medium
Alcoa USA, Inc. Class M	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	11.12%	11.91%	14.95%	High	Medium	High	Medium
Alcoa USA, Inc. Class N	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.47%	1.94%	18.34%	Medium	Low	High	Medium
Alcoa USA, Inc. Class O	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.02%	12.78%	4.08%	Medium	Low	High	Medium
Alcoa USA, Inc. Class P	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	18.11%	21.89%	10.83%	Medium	Low	High	Medium
Alcoa USA, Inc. Class Q	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.40%	0.68%	6.45%	High	Medium	High	Medium
Alcoa USA, Inc. Class R	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	41.14%	41.09%	24.53%	Medium	Low	High	Medium
Alcoa USA, Inc. Class S	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	21.63%	14.36%	13.91%	Low	Medium	High	Medium
Alcoa USA, Inc. Class T	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	18.68%	11.28%	11.94%	Medium	Low	High	Medium
Alcoa USA, Inc. Class U	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	10.51%	14.86%	22.18%	Medium	Low	High	Medium
Alcoa USA, Inc. Class V	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	14.78%	17.44%	7.49%	Medium	Low	High	Medium
Alcoa USA, Inc. Class W	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	51.33%	46.48%	19.93%	Low	Medium	High	Medium
Alcoa USA, Inc. Class X	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	10.18%	14.99%	5.42%	Medium	Low	High	Medium
Alcoa USA, Inc. Class Y	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	10.44%	11.91%	5.51%	Medium	Low	High	Medium
Alcoa USA, Inc. Class Z	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.81%	1.61%	8.89%	Low	Medium	High	Medium
Alcoa USA, Inc. Class AA	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	18.61%	11.41%	18.92%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AB	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	51.18%	11.28%	11.61%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AC	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	21.51%	10.89%	14.91%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AD	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	13.84%	19.09%	19.92%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AE	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.87%	1.20%	8.89%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AF	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	2.82%	0.80%	10.92%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AG	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	4.48%	1.81%	1.61%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AH	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.52%	1.10%	6.76%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AI	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.88%	2.61%	7.09%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AJ	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.33%	0.61%	8.05%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AK	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	1.12%	1.71%	3.26%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AL	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.55%	0.98%	10.67%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AM	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	0.62%	0.00%	0.11%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AN	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	10.99%	11.42%	11.12%	Medium	Low	High	Medium
Alcoa USA, Inc. Class AO	AAO	US	Consumer Services	NA	Aluminum/Primary Metals	BB	BBB	Negative	Positive	24.63%	25.49%	2.36%	Medium	Low	High	Medium

## Comprehensive Risk Report Per Company



# Emmalyn's Metadata powering Systematic Edge

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
date	bbg_ticker	bfa1_ticker	proper_name	sector	iso_country	currency	csn	market_value	leverage	volatility	6month_csn	equity_peer_csn	credit_peer_csn	implied_rating	risk_outlook
7/5/2023	000001.CH	000001.CH	Ping An Bank Co. Ltd. Class A	Finance	CN	CNY	0.050926	76118420502	0.589047	0.151301	0.052198	0.014921	0.010638	A	Neutral
7/5/2023	000002.CH	000002.CH	China Vanke Co., Ltd Class A	Finance	CN	CNY	0.08442	48078730274	0.59457	0.174213	0.07711	0.073599	0.086415	BBB	Neutral
7/5/2023	000270.KS	000270.KS	Kia Corp.	Consumer Durables	KR	KRW	0.000598	30618009142	0.141674	0.262964	0.002913	0.003474	0.175382	BBB	Neutral
7/5/2023	000660.KS	000660.KS	SK hynix Inc.	Electronic Technology	KR	KRW	0.005082	77589701116	0.193277	0.277758	0.006287	0.020624	0.003299	A	Neutral
7/5/2023	000720.KS	000720.KS	Hyundai Engineering & Construct	Industrial Services	KR	KRW	0.00999	4239441650	0.21713	0.284496	0.010369	0.039326	0.009233	BB	Neutral
7/5/2023	000858.CH	000858.CH	Wuliangye Yibin Co., Ltd. Class A	Consumer Non-Durables	CN	CNY	0	91998732538	0.002246	0.399019	0	0.001764	0	AA	Neutral
7/5/2023	001040.KS	001040.KS	CJ Corporation	Consumer Non-Durables	KR	KRW	0.010657	12466354445	0.821	0.038512	0.013753	0.006326	0.076459	B	Neutral
7/5/2023	001979.CH	001979.CH	China Merchants Shekou Industri	Finance	CN	CNY	0.082093	33648503740	0.579117	0.179825	0.074096	0.073599	0.086415	BBB	Elevated 1
7/5/2023	002142.CH	002142.CH	Bank of Ningbo Co., Ltd. Class A	Finance	CN	CNY	0.044476	42369212069	0.435439	0.215701	0.040593	0.018783	0.022192	A	Neutral
7/5/2023	002352.CH	002352.CH	S.F. Holding Co., Ltd. Class A	Transportation	CN	CNY	0.00748	39014703528	0.159327	0.318878	0.007109	0.046493		A	Neutral
7/5/2023	002371.CH	002371.CH	NAURA Technology Group Co Ltd	Producer Manufacturing	CN	CNY	0.002091	23102329061	0.016821	0.572331	0.004827	0.040005	0.001358	BBB	Neutral
7/5/2023	002475.CH	002475.CH	Luxshare Precision Industry Co. L	Electronic Technology	CN	CNY	0.024767	34309592091	0.13928	0.408122	0.022749	0.020177	0.008031	BBB	Elevated 1
7/5/2023	002493.CH	002493.CH	Rongsheng Petrochemical Co., Lt	Distribution Services	CN	CNY	0.104669	34992173997	0.540166	0.217413	0.103362	0.058739		A	Elevated 1
7/5/2023	002594.CH	002594.CH	BYD Company Limited Class A	Consumer Durables	CN	CNY	0.002648	69189169242	0.043685	0.459761	0.009182	0.054287		A	Neutral
7/5/2023	002714.CH	002714.CH	Muyuan Foods Co., Ltd. Class A	Process Industries	CN	CNY	0.030777	41356537845	0.218672	0.338057	0.030332	0.042241	0.007687	A	Elevated 1
7/5/2023	003490.KS	003490.KS	Korean Air Lines Co., Ltd.	Transportation	KR	KRW	0.020111	12120175411	0.469775	0.17174	0.027936	0.045038	0.016111	BB	Neutral
7/5/2023	004020.KS	004020.KS	Hyundai Steel Company	Non-Energy Minerals	KR	KRW	0.065321	9908522480	0.663818	0.137384	0.071108		0.038757	B	Elevated 3
7/5/2023	005380.KS	005380.KS	Hyundai Motor Company	Consumer Durables	KR	KRW	0.013034	90089376856	0.655105	0.097935	0.024128	0.003474		A	Neutral
7/5/2023	005830.KS	005830.KS	DB INSURANCE CO. LTD	Finance	KR	KRW	0.005513	3139218479	0.209531	0.268263	0.005513	0.005513	0.000368	B	Neutral
7/5/2023	005930.KS	005930.KS	Samsung Electronics Co., Ltd.	Electronic Technology	KR	KRW	0	3.33E+11	0.01796	0.215264	0	0.03131	0.042885	AA	Neutral
7/5/2023	006400.KS	006400.KS	Samsung SDI Co., Ltd	Electronic Technology	KR	KRW	0.000946	41140645166	0.09455	0.325252	0.000756	0.071167	0.001033	A	Neutral
7/5/2023	006800.KS	006800.KS	MIRAE ASSET SECURITIES CO., L	Finance	KR	KRW	0.004725	39144642193	0.827	0.023927	0.003991	0.02567	0.00164	BB	Elevated 2
7/5/2023	008770.KS	008770.KS	HOTEL SHILLA CO., LTD.	Consumer Services	KR	KRW	0.002977	3070737436	0.266532	0.214544	0.002187	0.03401	0.022104	BB	Neutral
7/5/2023	009150.KS	009150.KS	Samsung Electro-Mechanics Co.,	Electronic Technology	KR	KRW	0.000773	9352581098	0.109012	0.301987	0.000704	0.020624	0.021478	BBB	Neutral
7/5/2023	009540.KS	009540.KS	KOREA SHIPBUILDING & OFFSHO	Producer Manufacturing	KR	KRW	0.019335	8296268906	0.290942	0.261499	0.036314	0.166212	0.047514	BB	Neutral
7/5/2023	009830.KS	009830.KS	HANWHA SOLUTIONS CORPORA	Electronic Technology	KR	KRW	0.076577	9854175378	0.376731	0.29407	0.083231	0.020624	0.020327	BB	Neutral
7/5/2023	010130.KS	010130.KS	Korea Zinc Co., Ltd.	Non-Energy Minerals	KR	KRW	0.000382	8189432300	0.093191	0.304069	0.0006		0.001481	BBB	Elevated 2
7/5/2023	010140.KS	010140.KS	Samsung Heavy Industries Co., Li	Producer Manufacturing	KR	KRW	0.012278	6226495345	0.296746	0.239204	0.020414	0.166212	0.047514	BB	Neutral
7/5/2023	010620.KS	010620.KS	Hyundai Mipo Dockyard Co., Ltd	Producer Manufacturing	KR	KRW	0.001553	2621308476	0.05302	0.414968	0.001726	0.166212	0.0343	BB	Neutral
7/5/2023	010950.KS	010950.KS	S-Oil Corporation	Energy Minerals	KR	KRW	0.028533	9399562868	0.341088	0.249741	0.030565		0.001499	BB	Neutral
7/5/2023	011070.KS	011070.KS	LG Innotek Co., Ltd	Electronic Technology	KR	KRW	0.021353	6819325459	0.177849	0.357735	0.025703	0.023665	0.008924	BB	Neutral
7/5/2023	011170.KS	011170.KS	Lotte Chemical Corp.	Process Industries	KR	KRW	0.04077	10298647785	0.464781	0.201854	0.0371	0.050322	0.022729	BB	Neutral
7/5/2023	011200.KS	011200.KS	HMM CO.,LTD	Transportation	KR	KRW	0.087835	10277697967	0.285725	0.377873	0.110415	0.043212	0.10926	BB	Elevated 2
7/5/2023	011780.KS	011780.KS	Kumho Petrochemical Co., Ltd.	Process Industries	KR	KRW	0.01376	3532131031	0.155567	0.355332	0.022445	0.050322	0.080129	B	Neutral
7/5/2023	011790.KS	011790.KS	SKC Co., Ltd.	Process Industries	KR	KRW	0.077897	4657410897	0.338526	0.32248	0.084029	0.050322	0.080129	B	Elevated 2
7/5/2023	012330.KS	012330.KS	Hyundai Mobis Co., Ltd	Producer Manufacturing	KR	KRW	0.000186	18473911221	0.124271	0.255714	0.000918	0.037217		BBB	Neutral
7/5/2023	015760.KS	015760.KS	Korea Electric Power Corporation	Utilities	KR	KRW	0.019157	66047395241	0.828	0.04288	0.02017		0.029948	BB	Neutral
7/5/2023	016360.KS	016360.KS	Samsung Securities Co., Ltd.	Finance	KR	KRW	0.00787	17112942873	0.821	0.037208	0.008861	0.02567	0.021137	BB	Neutral
7/5/2023	018260.KS	018260.KS	SAMSUNG SDS CO., LTD.	Technology Services	KR	KRW	0	7757789405	0.05447	0.24433	1.00E-06	0.015199	0.016768	BBB	Neutral
7/5/2023	020150.KS	020150.KS	ILJIN MATERIALS CO., LTD.	Producer Manufacturing	KR	KRW	0.004088	2127638651	0.056555	0.448195	0.002273	0.017866	0.006711	BB	Elevated 2
7/5/2023	021240.KS	021240.KS	COWAY Co., Ltd.	Consumer Durables	KR	KRW	0.002472	3376751674	0.228861	0.232133	0.001312	0.009138	0.033467	BB	Neutral
7/5/2023	023530.KS	023530.KS	Lotte Shopping Co., Ltd	Retail Trade	KR	KRW	0.027866	9294657174	0.828	0.056141	0.035258	0.02442	0.165952	B	Elevated 1
7/5/2023	028050.KS	028050.KS	Samsung Engineering Co., Ltd.	Industrial Services	KR	KRW	0.002602	4662665547	0.078689	0.382879	0.000993	0.039326	0.009233	BB	Elevated 3
7/5/2023	028260.KS	028260.KS	SAMSUNG C&T CORP	Industrial Services	KR	KRW	0.000561	19500572312	0.213387	0.211092	0.0009	0.039326		BBB	Neutral
7/5/2023	028300.KS	028300.KS	HLB Co., Ltd.	Health Technology	KR	KRW	0.006241	3293908074	0.022312	0.603608	0.00686	0.007251	0.003034	BB	Neutral
7/5/2023	032640.KS	032640.KS	LG Uplus Corp	Communications	KR	KRW	0.001679	7014987629	0.491021	0.116362	0.001824		0.007208	BB	Elevated 2
7/5/2023	033780.KS	033780.KS	KT & G Corporation	Consumer Non-Durables	KR	KRW	0	8851315601	0.012728	0.137258	0	0.02896		NR	Elevated 2
7/5/2023	034220.KS	034220.KS	LG Display Co., Ltd	Electronic Technology	KR	KRW	0.071122	12921157589	0.670523	0.138442	0.071818	0.023665	0.065128	B	Neutral



## Case Study: Emmalyn on Silicon Valley Bank (SVB) Four Early Warnings of Unrecognised Risk During 2022

This was continually flagged on our client's risk reports for 40 weeks, during 2022 as a name that needed to be reviewed.

- **Early warning 1:** 24<sup>th</sup> January 2022, remained for 18 weeks on client's weekly report.
- **Early warning 2:** 8<sup>th</sup> September 2022, remained for 5 weeks on client's weekly risk report.
- **Early warning 3:** 17<sup>th</sup> October 2022, remained for 17 weeks on client's weekly report.
- **Early warning 4:** 16<sup>th</sup> January 2023.



# Blue Fire AI on Silicon Valley Bank (SVB) Supported by Explainable Auto Generated Quick Note

## Emmalyn (AI) 16<sup>th</sup> January 2023, Quick Note on SVB

### Risk “Elevated 2” Review Name

Following on from multiple early warnings since January 2022, the Net Interest Income outlook has been under building pressure as the cost of deposits and borrowing expenses continued to accumulate. As a major lender to start-ups, SVB was adversely impacted by the reduction in venture capital investment activity, coupled with higher interest rates and high cash burn among its clients. Thus, the biggest red flag was the sudden drop in funding stability (Deposit-to-Total Funding ratio), as these factors highlighted its inability to retain deposits and led to a significant increase in wholesale funding in the second half of 2022. Over the last year, the risk outlook highlighted that the company's ability to generate core capital has severely deteriorated since the start of 2022. This trend is reflected in the spike of CSM for that year, resulting from some extraordinarily high leverage and the collapse in the value of assets (-\$29.5 Bio in FY22). Currently sitting on BBB- rating, the company may find it extremely difficult to raise funds at favourable conditions and could easily dilute current shareholders by raising more capital. Leading analysts forecast more downside risk, with a potential drop of 10% in EPS by 2024.

## Major Global Investment Bank Analyst Note on SVB

### Over-Weight - Price Target Dec 2023 \$375

We recently hosted a deep dive webinar with SVB's CFO Dan Beck where we addressed several risk factors that have been at the forefront of investors attention. Since reporting 3Q22 earnings three weeks ago when the company indicated that 3Q22 likely represented a peak for NIM/NII, prompting us to reduce our 2023 EPS estimate by nearly 50%, the focus of investors rapidly shifted to the company's \$16B of unrealized losses in its HTM securities to meet cash needs, thereby reducing tangible common equity. With this in mind, however, we walked away from our webinar with a view that (1) deposit outflows appear very manageable, (2) even if a worst case scenario plays out, SVB has multiple liquidity sources and (3) the inflection point for the balance sheet will likely be measured in quarters (and not years) On deposit outflows, while deposits to early stage customers (37% of total) would be considered less sticky, helping to temper pace of outflows from this cohort are substantial organic inflows from the sales of later stage start-ups.

# Our Awards



Recognised for excellence in the deployment and management of financial information and technology within Asia's capital market community. Winners of the Best AI-Based Solution 2021.



Winners of the IA Velocity Program Awards. Selected by 25 London Asset managers for transforming China A-Shares investment.



The United Kingdom Department of International Trade (DIT) awards BlueFire AI as a Fintech player enabling UK based Investors access to Chinese Markets.



BlueFire AI Mandarin AI and Natural Language Processing technology achieves global #1 rankings in multiple task. Published in AAAI and EACL.



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Winners of the IMAS Digital Program Awards. Players' Player awarded by Asset Manager CEOs who see BlueFire AI solving a real industry problem.



Winners of the Symphony Innovation Awards for Risk Signals: the early identification of unforeseen risk and the unique delivery over bots.



BlueFire AI wins FinTech Artificial Intelligence Award. Specific recognition of outstanding Hong Kong based companies leading with new tech in this field.



Blue Fire AI awarded the MUFG Innovation Partners Award for Early Warnings of Unforeseen Risk in a B2B application.



The Government of Singapore identifies BlueFire AI as one of the future deep tech companies in the Asia region. Awards a significant R&D Grant.



BlueFire AI wins Best Mature Stage Start Up at the Next Money Global FinTech Finals 2018 - January 2018.





# Thank you



[www.BlueFireAI.com](http://www.BlueFireAI.com)



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