# D-Rating

**Rating Agency of
Digital Performance**

## D-Rating Pitch Book

*December 2017*

- This document presents an overview of the D-Rating business case. The company has started to develop the first rating agency specialized in companies' digital performance. It ambitions to rapidly spread its brand and methodology worldwide.

- In 2016, the D-Rating project won the innovation award at the "Concours de l'Innovation Numérique". With the support of the French public investment bank (BPI France) and a secured budget of 1M€, D-Rating was launched early 2017.

- To accelerate its development, D-Rating targets an equity funding of 750k€ through business angels or private funds, with tickets starting at 50k€. It will be completed with a loan from BPI France of 500k€, securing 2018 development and commercial expansion.

- More detailed information can be provided upon signature of a non-disclosure agreement.

# Who we are ?

## Team D-Rating

**Philippe Bailly**
President
*NPA Conseil*

**Dominique Mary**
Co-Founder
*BCG*

**Laurent Bauer**
Co-Founder
*General Councel*

**Didier Farjon**
Chief Executive Officer
*Former Gartner, CSC, AXA, ...*

**Lilit Aghabekyan**
Analyst
*Former Moody's*

**Nicolas Babel**
Chief Rating Officer
*Former Streamdata.io, Neopost*

**Guillaume Vorreux**
Analyst
*Former Mgt Consultant*

### Global Distribution Partner

**Benjamin Grange**
*COO / CEO at Dentsu Aegis Network France*

### D-Rating Platform Design

**Abdel Kander**
*FollowAnalytics, Kurmi, BDNA Corp (USA)*

### D-Rating Rep. in the USA

**Caroline Ollivier-Lamarque**
*exCEO Coimagine,
co-author Reinvent Financial Serv.*

## Scientific Advisory Board
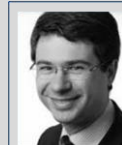
**Bertrand Braunschweig**

**Eric Chaney**

**Pierre-Jean Benghozi**

**Marie-Laure Djelic**

**Vincent Fraitot**

**Robert Vesoul**

**Renaud Monnet**

1. Today, investors cannot rely solely on traditional factors to appreciate a company's value and prospective ; **D-Rating provides all market stakeholders with an independent rating of a company's digital performance and ambitions to become a worldwide leader - the "standard & Poors" of Digital Performance.**

2. Most existing digital assessment approaches are just scratching the surface. **D-Rating combines a solid rating agency methodology with an in-depth 360° digital assessment approach.** D-Rating's measures of Digital performance are **linked to key strategic indicators of companies**.

3. Opposite to the "time-spent" business model of the consulting companies, **our technology-based platform model allows for rapid scalability across sectors and geographies** (e.g. data acquisition bots, rating engines powered by machine learning for calibration, correlation and predictive analysis).

4. Similar to traditional credit rating agencies' one, our **« issuer-pay » business model**, with a typical pricing of ~100k€ for a large corporate, will contribute to **stretch an existing 20-25b$ rating market** by offering new leading indicators and addressing an untapped market segment worldwide.

5. Our **commercial launch and international expansion are planned in early 2018**. A focus strategy and an industrial operating model will allow to accelerate D-Rating Global deployment. We will reach **breakeven** and **return on investment** in 2020.

6. After 11 months of activity **we have onboarded our first adopters (Orange, Société Générale, La Banque Postale, BNP Paribas et HSBC)**, prototyped a state-of-the-art rating engine and published our first industry reports in banking and telecoms.

**D-Rating**

## Digital performance as a key driver of value creation: the Domino's pizza case

### Domino's stock price growth vs. Big Tech
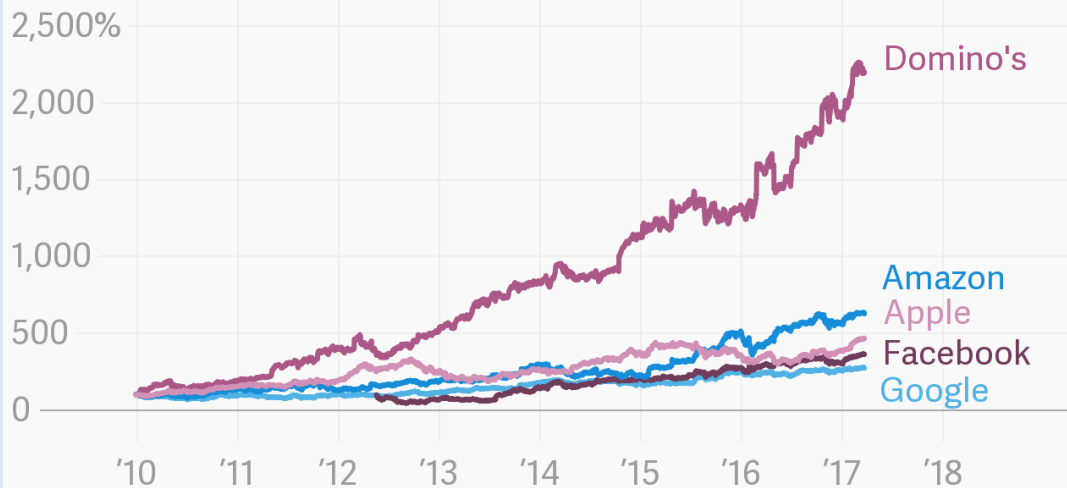


- **In 2010, Domino's Pizza is a 50 years traditional business** with slow growth and a stock price of 8.76

- Under new CEO's leadership, the company went through an **in depth digital transformation**

- Today, Domino's is the 2nd largest pizza chain in the world, with 12,500 locations in 80 countries, and a **share price of x20 its 2010 value**

- Today, investors (PE firms, asset managers and funds …) can not rely solely on traditional factors (market position, cash flows, historical perf., industry trends, capital exp. …) to appreciate the wealth and prospective of companies. In a changing world, understanding where companies and competition stand in terms of digital performance is key.
- **Digital performance has become the new leading indicator to drive predictive analysis in the context of current digital transformation**

Sources: Harvard Business Review, Nov 2016; the Atlas

**D-Rating**

| Rating | Category |
|--------|----------|
| AAA | Digital Champion |
| AA+ AA AA- | Digital Leader |
| A+ A A- | Digital Performer |
| BBB+ BBB BBB- | Digital Transformer |
| BB+ BB BB- | Digital Follower |
| B+ B B- | Digital Aware |
| CCC+ CCC CCC- | Digital Laggard |
| CC C | Digital Denier |

## Examples of questions addressed by D-Rating

**We help investors** assess companies digital value creation potential

- Which stocks/companies hold the most digital value creation potential?
- Which stocks/companies bear the biggest business risk vs. digital transformation?
- Which stocks/companies represent best-in-class (regional, sector,…) digital performance

**We help companies** drive their digital transformation

- Where do we stand in terms of Digital performance
- How do we compare to our peers?
- Where are we strong/ where can we improve?
- Where should we prioritize our efforts?

**D-Rating provides all market stakeholders (buy side, sell side and companies) with an independent rating of a company's digital performance**

## The business model of a rating agency …

| Activities |
| --- |
| Rating |
| Market Intelligence |

| in 2016 | S&P |
| --- | --- |
| Revenue (in USD) | 5.7Mds |
| Recuring Revenue | 64% |
| Operating Margin | 60% |
| 5-Year Growth | +33% |
| # countries | 31 |
| Staff | 20.000 |

## … applied to a 360° evaluation of digital performance

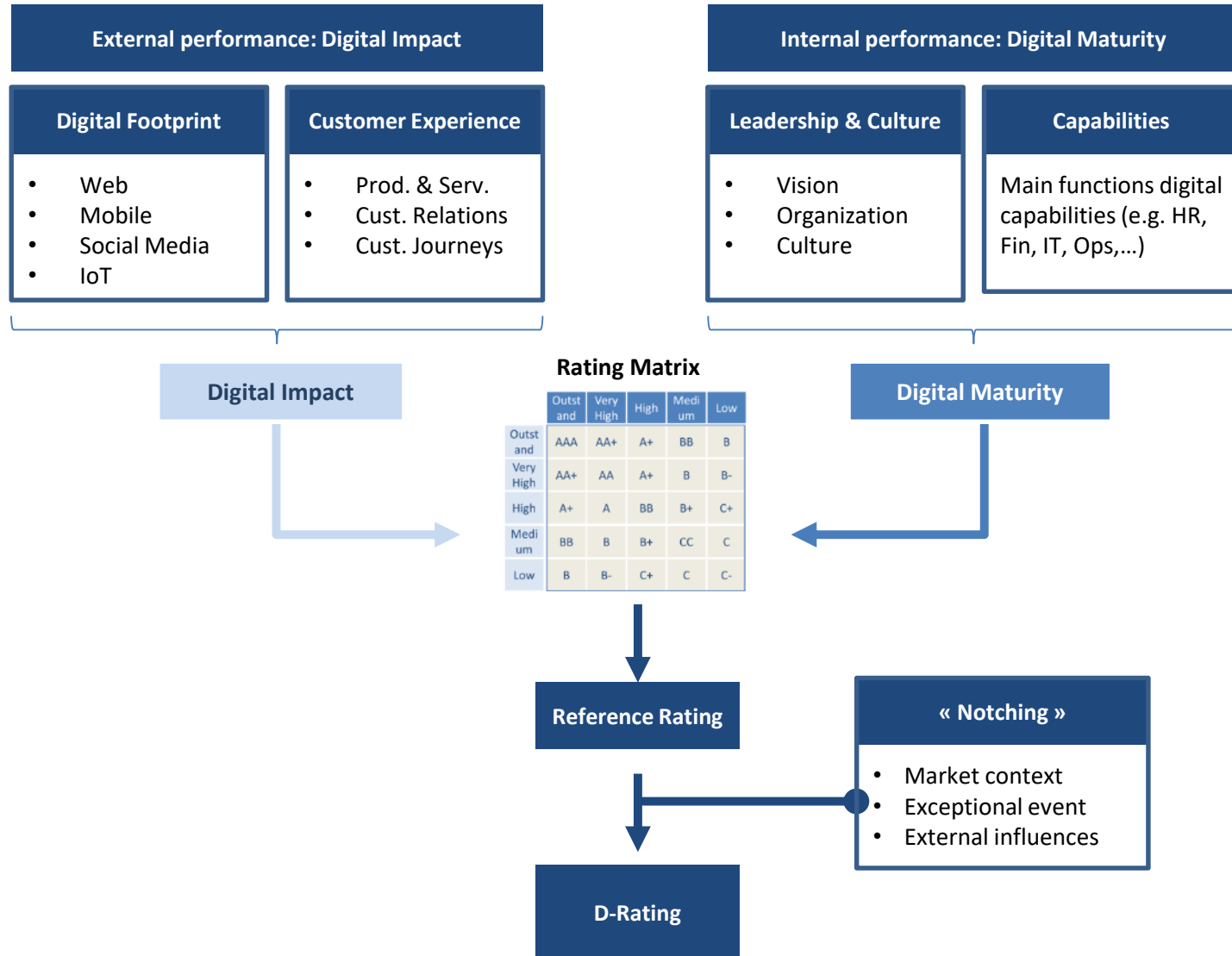| Level of presence and activity on Web / Mobile / Social Network ? | **Digital Footprint** |
| --- | --- |
| Performance of prospect/client journeys & functionalities ? | **Client Experience** |
| Level of agility and innovation capability of the organization ? | **Leadership & Culture** |
| Level of optimization of business functions (Mark./Sales, Prod., HR, Fin., …) ? | **Processes & Tools** |

| | Assessment criteria | | | Inside-out assessment | | Outside-in assessment | | Data type | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of criteria | External Perf. | Internal Perf. | Self-declared | Intrusive (audit-like) | Analyst-based | Auto-mated | Quali-tative | Quanti-tative |
| accenture | • 117 | | ✓ | | | ✓ | | ✓ | |
| McKinsey&Company | • tbc | | ✓ | ✓ | | | | ✓ | |
| BCG | • tbc | | ✓ | ✓ | | | | ✓ | |
| Deloitte. | • 35 | | ✓ | ✓ | | | | ✓ | |
| FORRESTER | • 28 | | ✓ | ✓ | | | | ✓ | |
| Gartner. | • n/a | | ✓ | ✓ | | | | ✓ | |
| L2 | • 600 - 1200 | ✓ | | | | | ✓ | | ✓ |
| D-Rating | • 800 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Existing digital assessment approaches mainly focus on a company's internal performance (digital maturity) using **qualitative self-declared criteria**

**External performance: Digital Impact**

**Digital Footprint**
- Web
- Mobile
- Social Media
- IoT

**Customer Experience**
- Prod. & Serv.
- Cust. Relations
- Cust. Journeys

**Internal performance: Digital Maturity**

**Leadership & Culture**
- Vision
- Organization
- Culture

**Capabilities**

Main functions digital capabilities (e.g. HR, Fin, IT, Ops,…)

**Digital Impact**

**Rating Matrix**

|         | Outstand | Very High | High | Medium | Low |
|---------|----------|-----------|------|--------|-----|
| Outstand | AAA      | AA+       | A+   | BB     | B   |
| Very High | AA+     | AA        | A+   | B      | B-  |
| High    | A+       | A         | BB   | B+     | C+  |
| Medium  | BB       | B         | B+   | CC     | C   |
| Low     | B        | B-        | C+   | C      | C-  |

**Digital Maturity**

**Reference Rating**

**« Notching »**
- Market context
- Exceptional event
- External influences

**D-Rating**

① A superior digital footprint contributes to the development of a brand notoriety and have direct impact on prospect attraction and client retention. Pushing new offers on highly active digital channels can also contribute to develop the average revenue per client.

② A superior digital customer experience will make easier and more desirable for a prospect to become a client. It will also contribute to customer satisfaction with direct impact on retention and revenue generation.

③ The overall performance of digital channels will make them more efficient to support operating model optimization objectives

④ Demonstrating superior digital impacts today is a positive signal for the next period. Existing capability should allow to make this digital performance sustainable on the medium and long term.

⑤ A digital-minded and agile organization is more effective and efficient on digital territories, with potential impacts on prospect/client satisfaction and execution excellence

**will have impact on**

| Performing today on | Client Acquisition | Client Retention | Revenue per Client | Operating Cost | Transformation Capability | Performance Sustainability |
|---|---|---|---|---|---|---|
| Digital Footprint | ① ✓ | ✓ | ✱✱ | ③ ✓ | | ④ ✱✱ |
| Customer Experience | ② ✓ | ✓ | ✓ | ✓ | | ✱✱ |
| Leadership & Culture | ⑤ ✱✱ | ✱✱ | ✱✱ | ✱✱ | ⑦ ✓ | ✓ |
| Processes & Tools | ⑥ ✓ | ✓ | ✓ | ✓ | ✓ | ✱✱ |

✓ = Direct Impact   ✱✱ = Indirect or Potential Impact

⑥ High performance in the execution of business operations and internal functions (Marketing/Sales, Production, R&D, Finance, HR, …) by leveraging digital solutions contributes positively to revenue development and cost optimization.

⑦ A digitally mature organization is better prepared for future change and has more chance to maintain digital performance on the long term.
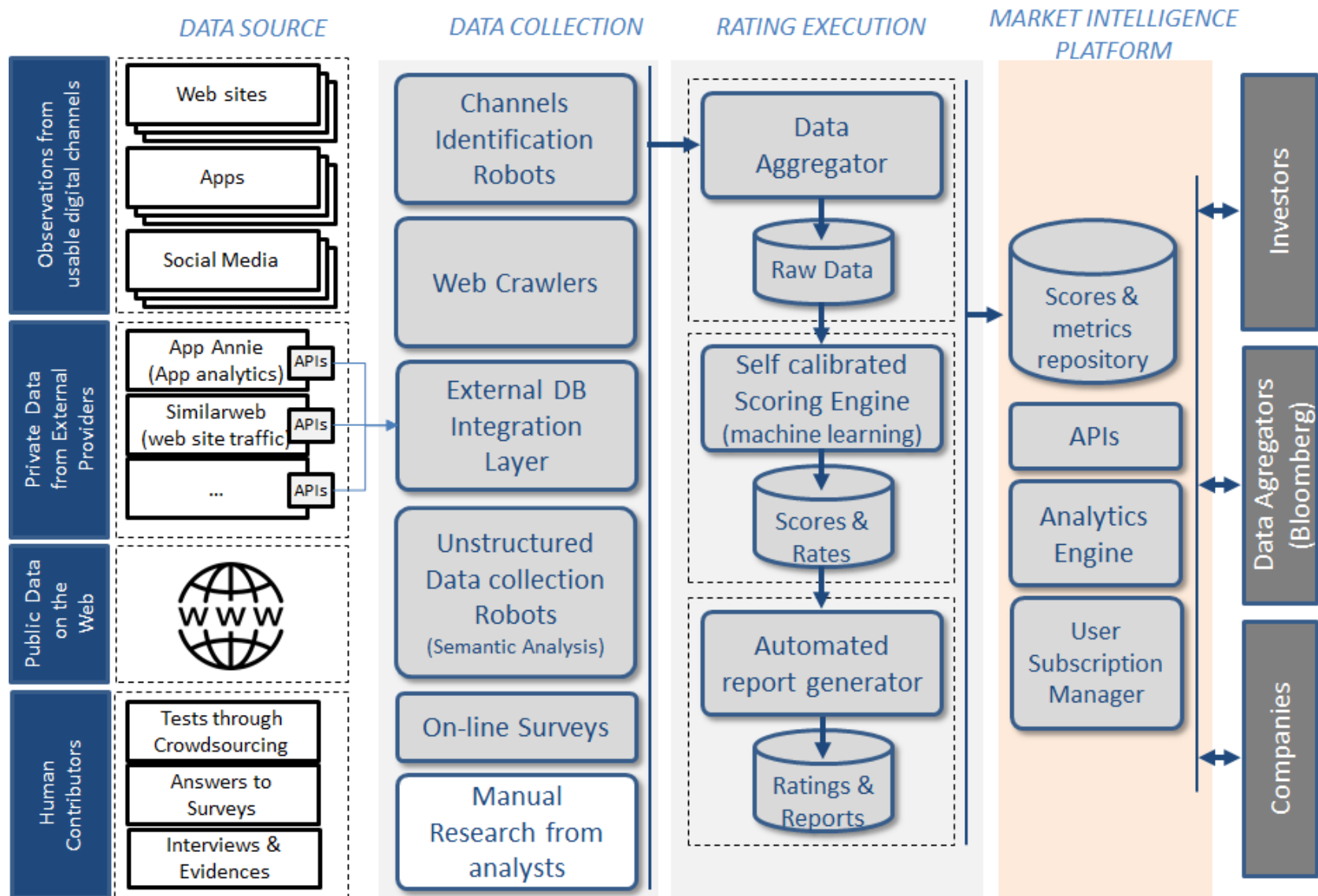
## Traditional indicators

## New digital leading indicators

- Debt indicators supplied by Credit Rating Agencies
- S&P ( 5.7 b$) and Moody's (3.6 b$) account for 80% of the market

**Debt market 10+ b$**

- Equity indicators historically supplied by Equity Research arms of sell side players (brokers, investment banks)
- Trend shows internalization of activity by buy side players (asset managers and investment funds)

**Equity market 10-15 b$**
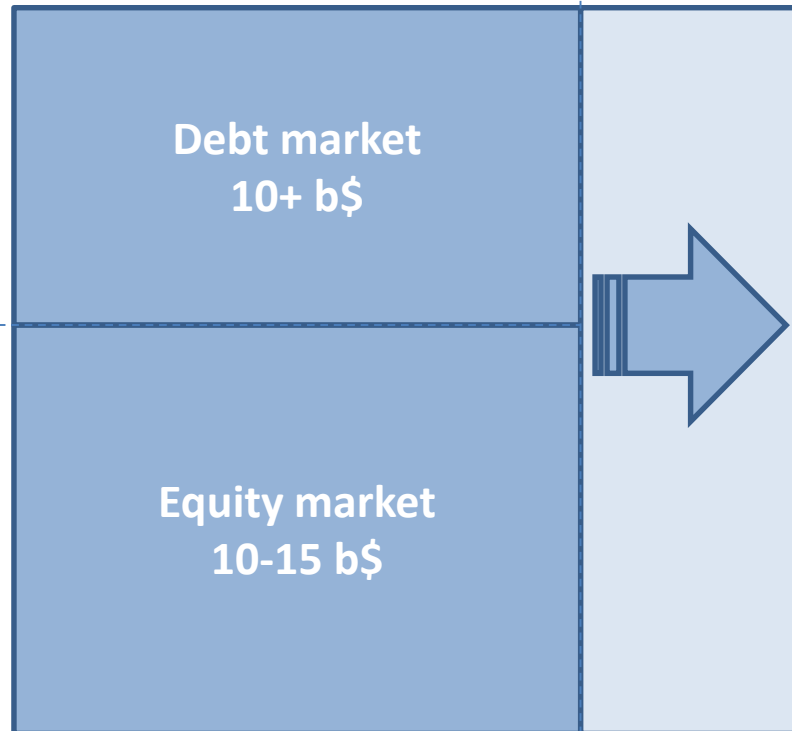
- We aim to **stretch the existing market** by offering new leading indicators and **address an untapped segment** worldwide

**Prescribers**

- Investment Funds
- Asset Managers
- Brokers

**Subscribers**

- Banking
- Insurance
- Telecom
- Retail
- Manufacturing

**1** — Rating investors' portfolio per country or Sector

60 – 120 k€ — Additional Revenue

Develop expectations for D-Rating inputs

Develop need to be rated

**2** — Rating targeted sectors (peer benchmark)

15 – 25 k€ — Additional Revenue

Develop interest for D-Rating analysis

**3** — Rating operational entities & groups

80 – 100 k€ — Main Revenue

Provide full explanation report & potential rating adjustments

- In order to accelerate its global deployment, D-Rating will focus first on B2C operational entities in the financial services sector: Retail Banking, Personal Insurance
- Other sectors will be addressed opportunistically – In particular Telecoms
- Then, the targeting strategy will be tuned by taking into account market stakeholders' priorities

## 1. An initial focus on a limited set of industries

### Accelerated Global Deployment



- Deployment strategy by targeting buy-side/sell-side priorities:
  - 2018: 2 locations (Europe, US)
  - 2019: 3 locations (Europe, US, ASIA)
  - 2020: 4 locations (EMEA + US + ASIA)
- A mixed operating model (central/regional/local) for leveraging mutualized resources
- Targeted partnerships for accelerating deployment (Market Data providers, Investment Banks)

## 2. An industrial model designed to support High Scalability

- Industrialization objective has been anticipated in the rating methodology, from the beginning.
- The development of Tools is planned for automating data collection, increasing the productivity of non automated operations and ensuring the compliance with a standard rating process.
- Partnership with research labs to leverage on last generation technology (semantic analysis, machine learning).
- Productivity gain is included in the business model : 10% in 2018, 20% in 2019, 30% in 2020, 40% in 2021.
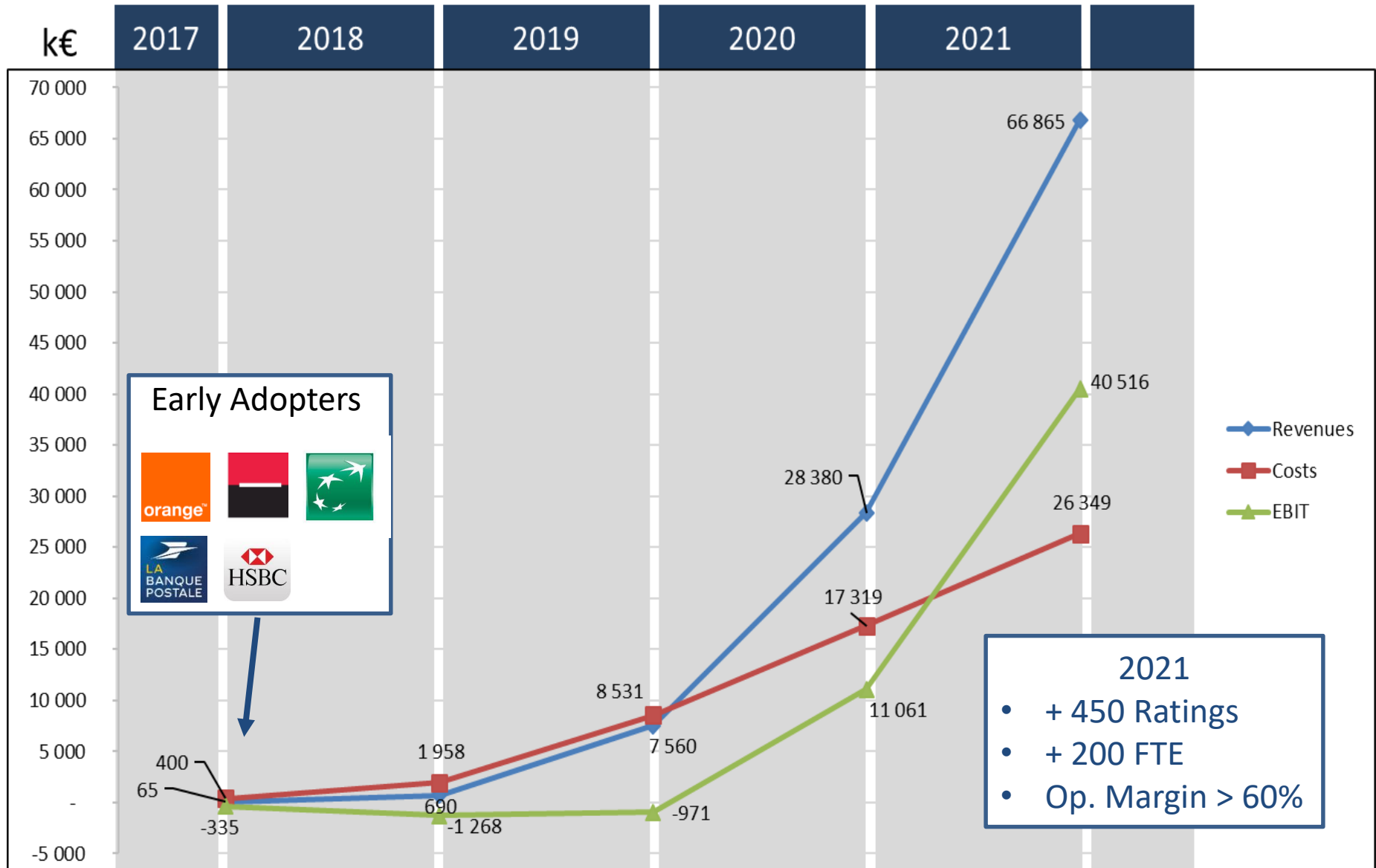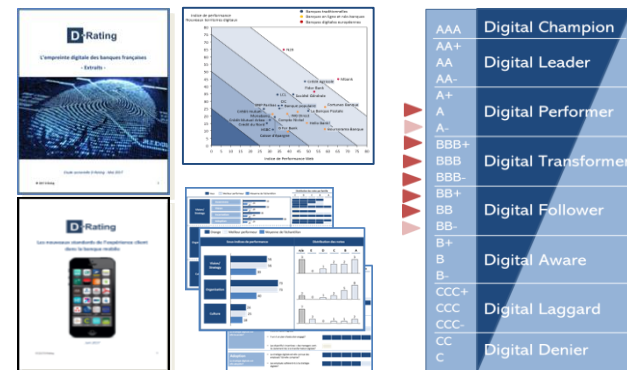
## Early adopters

- We have on-boarded a small group of companies to pilot our digital rating approach

- Now we will look for a similar sized group of investors to pioneer our investment services and tools



## Initial Achievements

- Leveraging our prototyped state-of-the art rating engine, we have published first industry reports in banking and telecom

- We achieved in 11/2017 a digital evaluation of 50 European banks and the initial rating of retail banks in France.



https://www.d-rating.com