

BCMA

Business Credit Management Association

May 2021

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E~ Credit News

"HOW TO MEASURE & IMPROVE CREDIT DEPARTMENT PERFORMANCE" WEBINAR

Thursday | May 20, 2021

TIME: 9:00 AM—10:00 AM Central Time

This program examines the benefits of measuring performance, common and uncommon measurements, how to measure bad debts, how to measure collection performance, how to measure and improve deductions, how to measure and optimize credit holds, and how to measure credit applications.



**Register
Online**



International Credit Executives Group

Administered by Wisconsin Credit Association, Inc.

"CREATING GLOBAL SUCCESS"

May 19, 2021

3:00 - 3:45 PM

The ICE Group and its members are just one organization celebrating May being Global Trade month by looking at the ExporTech Program. ExporTech helps Wisconsin companies tap into new markets with a customized export expansion strategy that has the greatest revenue potential and the least risk. Did you know that Wisconsin has the #1 ExporTech Program in the United States? ICE Board Member, Roxanne Baumann, the Director of the Wisconsin ExporTech Program will lead a panel of ExporTech graduate companies that will be providing real-world examples of how export sales propelled their companies forward! Here is your opportunity to learn from their successes.

MEETING FEES:

If you are an **ICE Group Member Company Representative**, **no fee** to attend the meeting. **Invite others from your company to attend this program at no cost!**

Not an ICE Group Member yet? A \$55 per person attendance fee will be charged to cover fixed costs. Call us for membership details and benefits in becoming an ICE Member!



NEW MEMBER REPRESENTATIVE

Rose Bartkowiak

Drive Source International Inc

Cheryl Tigges

Flexsteel Industries Inc

Jason Becker

Bradley Corporation

If you have something you would like us to announce please send an email to

admin@wcacredit.org

Subject line: Member News

DECOUPLING OF STOCK PRICE AND CREDIT QUALITY

BY: SHIVAM PATEL, ARMS/F&D/CREDITINTEL

Why Fundamentals and Credit Risk Analysis Are More Relevant Than Ever

This white paper discusses the recent irrationalities taking place within the stock market (in stocks such as **GameStop** and **AMC**), what's driving these developments, what's to come, and why significant swings in the stock price may have very little to do with the credit quality or performance of a company. We attribute the surge to a short squeeze initiated by millions of retailer investors coordinating via social media (particularly on Reddit), and the rise in retail trading activity during the pandemic. Further, central bank stimulus has resulted in a low-rate environment, which has propped up stock prices across the board, while government stimulus may also be providing funds for consumers, who may not have otherwise been interested in the markets, to invest/speculate. Ultimately, this lends itself to less efficient markets based more on momentum and less on fundamentals. ***In this environment, a levelheaded approach, with a focus on the fundamental health and credit quality of the underlying business – which is not always reflected in its stock price – has become more important than ever for investors, creditors and landlords.***

Shares of GameStop, which were trading around \$3 to \$5/share during the height of the pandemic in early to mid-2020, surged in January 2021, reaching over \$450/share on January 28. The company is trading like a tech start-up with exponential growth potential, yet it remains a struggling retailer, desperately trying to adapt to the digital age of video games. Similarly, shares of AMC rose to almost \$20/share on January 27, compared to \$2/share in early January (a 10-fold increase), before cooling down to still over \$10/share. ***At one point, AMC's shares were trading at 3x pre-COVID levels, despite the company burning \$1.30 billion in cash throughout 2020.*** The company recently secured much needed liquidity, which helped ease concerns of an imminent bankruptcy. However, the run-up in its share price is greatly disconnected from the reality of its future outlook – which remains very uncertain. If attendance does not pick up significantly as the year progresses, the company will continue burning cash at unsustainable levels. Additionally, the industry's pre-pandemic headwinds – namely the rising popularity of streaming services, a shortening theatrical window, and studios (such as WarnerBros.) going straight to Video-on-Demand or streaming platforms – are still major fundamental concerns that have been totally ignored amid this frenzy. However, a sharp increase in share price could provide some benefit to a company's credit profile. For example, AMC issued over \$300 million in additional equity on January 26, given the irrational demand for its shares. Moreover, on January 29, investor Silver Lake converted its \$600 million in convertible Senior Notes into equity, reducing AMC's indebtedness. This is an example of how a surge in a company's share price can improve its credit risk profile over the short-term, but usually only provides a temporary shot in the arm. GameStop also filed plans with the SEC to issue new equity but has yet to capitalize on its share run-up.

DECOUPLING OF STOCK PRICE AND CREDIT QUALITY (CONTINUED)

As noted above, the surge in these seemingly unrelated names (among others within our coverage universe, such as **Bed Bath & Beyond** and **Express**) was due to a short squeeze, initially coordinated by millions of retail investors on the popular internet messaging board Reddit, specifically “r/WallStreetBets,” using retail trading platforms like Robinhood.

This group of retail investors/speculators, proudly self-described as a community of “degenerates” (gamblers), was essentially able to take advantage of the fact that these names had very high short interest. At one point, GME had over 100% short interest as a percentage of its float; a situation that could only exist because of loopholes that effectively allow an illegal practice called naked shorting (shorting a stock that you don’t own) to occur. Institutional investors, such as Melvin Capital (backed by Citadel) and Citron Research, would short these names, betting they were fundamentally overvalued and would continue declining, given slipping performances and uncertain future outlooks. However, sharp price increases forced the shorts to abandon their positions and seek to buy shares that are required to cover their shorts, which further pushed up share prices, forcing even more shorts to cover their positions. As these short investors have learned – the hard way – the market can remain irrational longer than you can remain solvent.

Looking forward, we suspect this irrationality may continue through the short-term, while regulators investigate these recent events, including whether social media platforms allowed individual investors to act as a “group” to manipulate share prices, and whether brokers like Robinhood responded appropriately by restricting trading in these stocks, in order to protect their own counterparty and liquidity exposures. According to Bloomberg, on January 27, following the surge in GME and AMC shares, 800,000 new users, stimulus checks at hand, joined WallStreetBets. As the equity market approaches its later stages within the current expansion cycle, and cheap credit and stimulus checks embolden retail investors to speculate, certain pockets of the market will likely continue exhibiting bubble-like behavior. We remain concerned with these recent excesses and change in market dynamics, especially once government and central bank stimulus eventually taper down. While equity markets are often volatile and irrational, history shows that the fundamentals always come home to roost. ***During this period, we believe a focus on the fundamentals – including operating performance, balance sheet health and liquidity should lead the way in making objective assessments of credit quality.*** Ultimately, despite all the splashy news headlines, a company’s stock price performance is typically just a small piece of the puzzle.

About the Author: Shivam joined Creditntell as a Retail Analyst in 2019. He covers multiple companies within the retail space. Prior to joining Creditntell, Shivam worked as an analyst in fixed income at Citi. Shivam graduated from Rutgers University with a major in Economics and a minor in Math. He was promoted to Senior Analyst in January, 2020.



*The above article was originally published
in the Credit Research Foundation
1Q 2021 Credit & Financial
Management Review*



Business Credit Management Association / Wisconsin Credit Association announces the opening of a Fox Valley office

The Business Credit Management Association (BCMA) / Wisconsin Credit Association (WCA) announces the establishment of a second office at: 2711 N. Mason St., Appleton, WI 54914.

Wayne J. Crosby, President and COO, and Valerie Oldenburg, Administrative and Client Support Associate, will operate out of the Appleton office. The Association is retaining its existing New Berlin, WI staff and the Appleton office addition will have no effect on its member clients as phone numbers and email addresses will remain the same.

The Association looks forward to this exciting time as it endeavors to provide its high quality clientele with products and services needed by credit, collections and accounts receivable personnel.

Questions can be directed to Wayne Crosby at waynec@wcacredit.org

A recent noteworthy newsletter was sent out regarding two big changes at The Association.

Business Credit Management Association, Wisconsin Credit Association announces Darryl M. Rowinski appointed Chairman & Chief Executive Officer (CEO)

Business Credit Management Association (BCMA) announces Darryl M. Rowinski has been appointed Chairman & Chief Executive Officer (CEO). Darryl will be stepping down as President & Chief Operating Officer (COO) and will hand the reins to Wayne J. Crosby. Darryl Rowinski will remain active in the business in his new role of CEO.



Business Credit Management Association / Wisconsin Credit Association announces Wayne J. Crosby as President and Chief Operating Officer

Following the announcement of Darryl M. Rowinski becoming The Associations' Chairman and CEO the Business Credit Management Association (BCMA) / Wisconsin Credit Association (WCA) announces Wayne J. Crosby as The Association's new President and Chief Operating Officer (COO). Wayne will be responsible for the overall operations and performance of BCMA / WCA.



Darryl Rowinski CCP, CPC X222

CEO

Membership
 Director of Professional Service Firm Solutions
 Resume Referral Services
 Employment & Outsourcing Services

Chrys Gregoire X221

Administrative Support
 General Questions or Information
 Data Transmissions Group Services
 Communications
 Credit Reporting

**Wayne J Crosby CCP, CPC X224**

President & COO

Membership
 Director of Professional Service Firm Solutions
 Resume Referral Services
 Employment & Outsourcing Services
 International & Industry Group Administrator

Patty Hughes X227

Recovery Specialist
 Credit Reporting

Phone: (262) 827-2880

Toll Free (888) 546-2880

Web: www.wcacredit.org**Valerie Oldenburg X225**

Appleton Administrative Support
 Industry Group Support
 General Questions or Information

Gail Venne, X223

Credit Reporting
 Industry Group Administrator



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 PO Box 510157
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 2711 N. Mason Street, Suite C
 Appleton, WI 54914

Would you like to contribute to the BCMA
 Newsletter? Just write to us at
admin@wcacredit.org with your idea!

Board of Directors

Executive Committee:

Chairperson

Penny Conaty CCP, CPC, CBA

CEO

Darryl Rowinski CCP, CPC

Counselor

Adriana Sertich CCP, CPC

President

Wayne Crosby, CCP, CPC

Directors:

Davy J. Tyburski

Rob Lawson

Stu Sturzl, CCP, CPC

Barry Elms

Need credit card payment solutions for your business? Whether large or small, TSYS has the customized solutions to fit your business needs. BCMA partners with TSYS because they are focused on creating more value in our client relationships than ever before, and their voice has emerged as one of the most trusted in the payments industry. This true spirit of partnership, and the accompanying understanding that our success is determined by our clients' success, infuse everything we do. Whether you're LOOKING TO BEGIN ACCEPTING CREDIT CARDS, or LOOKING TO LOWER YOUR CREDIT CARD SURCHARGE FEES...TSYS will help. Contact the Association at 262.827.2880. We'll put you in touch with a representative that will assist you. **TSYS was named to Ethisphere's 2013, 2014-2018 World's Most Ethical Companies List!**

- ◆ [NACS Credit Services, Inc](#)
- ◆ [The Business Credit Management Association Wisconsin](#)
- ◆ [Business Credit Intelligence](#)
- ◆ [Mountain States Commercial](#)
- ◆ [NACS Credit Services, Inc.](#)
- ◆ [SWB Credit Services](#)





UPCOMING INDUSTRY CREDIT GROUP MEETINGS

MAY 17, 2021

Western Electrical Suppliers Industry Credit Group
Teleconference Call

MAY 18, 2021

Building & Construction Materials Credit Group
Teleconference Call
Minnesota Fine Paper Credit Group
Teleconference Call

MAY 19, 2021

Food Service Supply Hospitality Industry Credit Groups
Teleconference Call
Minnesota Electrical Suppliers Credit Group
Teleconference Call

MAY 20, 2021

Construction Industries Credit Group
Teleconference Call

MAY 21, 2021

IL Fine Paper Industry Credit Group
Teleconference Call

No Meeting this month

Iowa Plumbing Heating Electrical & Construction Industry
Credit Group

MAY 11, 2021

Fine Paper/Graphic Arts Industry Credit Group
Book of Reports Only
Regional Paper & Packaging Industry Credit Group
Teleconference Call

MAY 12, 2021

Plumbing & Heating Industry Credit Group
Teleconference Call

MAY 13, 2021

Metals & Industrial Suppliers Credit Group
Teleconference Call

MAY 14, 2021

Electrical Suppliers Industry Credit Group
Teleconference Call

BCMA

Business Credit
Management Association

Education Events

May 19 | 3:00-3:45 PM

“ICE Breaker Webinar ~ “Creating Global Success

May 20 | 9:00 –10:00 AM

How To Measure & Improve Credit Department
Performance” Webinar

June 16, 2021 | Time TBD

“Credit Decision Making” Webinar

July 20, 2021 | Time TBD

“How the Credit Department can Damage Its
Relationship With Sales” Webinar

August 25 2021 | Time TBD

“Common Mistakes Made In The Credit
Department” Webinar

October 14 | 9:00 –10:00 AM

“How To Increase Sales Without Increasing Risk”
Webinar

CHECK OUT OUR [CALENDAR](#) FOR MORE UPCOMING EVENTS.

YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [COLLECTION RECOVERY](#) FROM YOUR
DEBTORS ANYWHERE IN THE WORLD.