

COMPASS Q SCORE. The Construction Credit Score.

2026 Q Score Default Study



Huston Loke

Chief Strategy Officer

Derrick Decloe

Chief Innovation Officer, Head of Analytics

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Overview

This default study analyzes the historical COMPASS Q Score transition trends, and default rates for the 150,000+ subcontractors registered on the COMPASS prequalification platform.

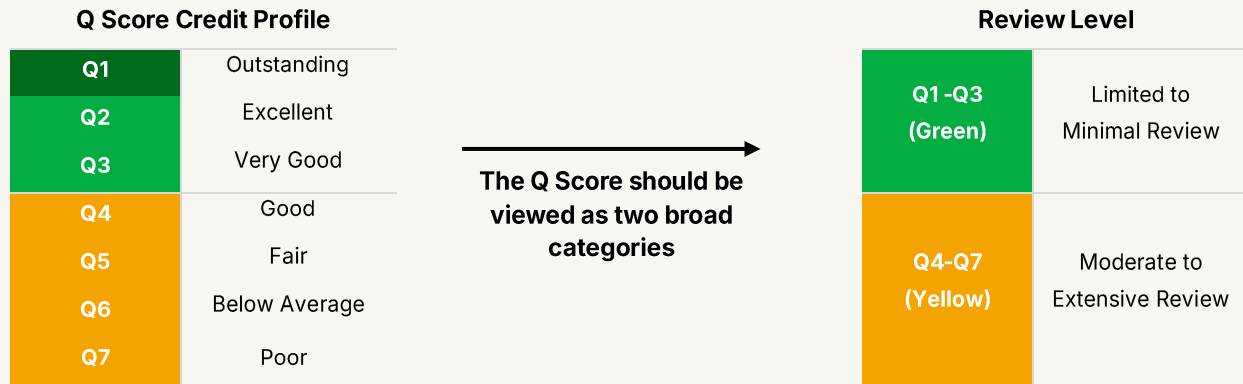
The COMPASS Q Score is the construction credit score that provides a standardized, independent assessment of a subcontractor. The Q Score is based on a subcontractor's operational expertise, financial capacity, and health & safety track record. This annual study evaluates how subcontractor Q Scores change over time. By comparing Q Scores across multiple observation periods, the study provides insight into the stability, responsiveness, and performance of the Q Score framework.

The study serves three primary purposes.

- 01.** It provides transparency into the historical performance of the Q Score by demonstrating how subcontractors migrate between Q Scores over time.
- 02.** It supports the ongoing validation of the Q Score by evaluating Q Scores as subcontractor data changes.
- 03.** It provides the quantitative basis for usage of the Q Score for risk management purposes.

This study focuses on the one-year transition matrix. In response to stakeholder input, the Q Score methodology was modified in early 2025 and results may not be directly comparable. A two-year averaged matrix, and a five-year averaged matrix are provided for full transparency.

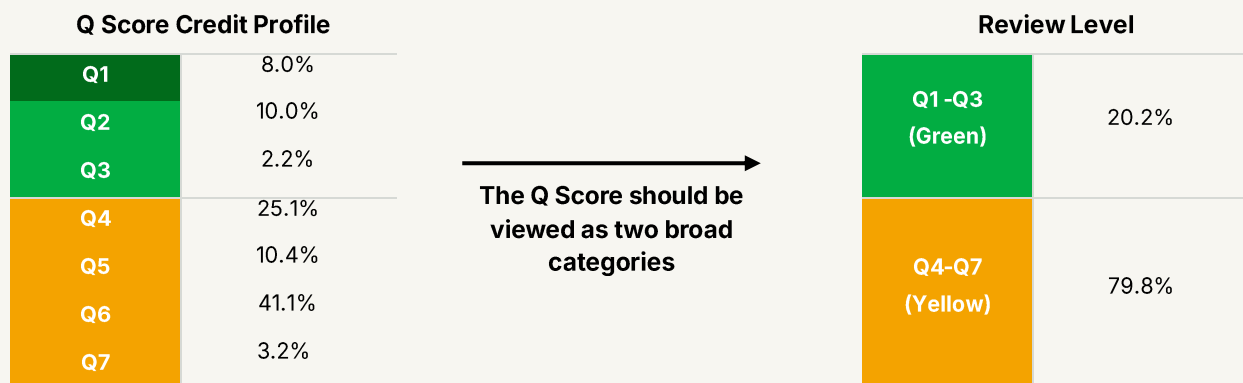
Background



The Q Score reflects a Subcontractor's Credit Profile, ranging from Q1 (Outstanding) to Q7 (Poor). Together, the Q Score and its associated color coding distinguish subcontractor Credit Profiles and indicate the appropriate level of review.

Accordingly, transitions across the Green/Yellow boundary are particularly meaningful as a transition from a Green Q Score to a Yellow Q Score represents an entirely different level of review.

Table 1.1: Q Score Distribution (2026)



Annual Cohorts

COMPASS calculates transition rates by comparing Q Scores year over year. Averaged multi-year transition rates are calculated by weighting each year's transition rates by the number of eligible Q Scores.

Primary Focus: One-Year Transition Matrix (2025-2026)

The methodology was changed early 2025 as a result of stakeholder input and thus Q Scores are not comparable over periods that cross this threshold. However, we are providing the two-year and five-year matrices for information purposes only. The one-year matrix is therefore the primary focus of this study. It compares the changes in the Q Score for a given subcontractor year over year on an unweighted basis.

Table 2.1: One-Year Transition Matrix (2025-2026)

From/To	Q1	Q2	Q3	Q4	Q5	Q6	Q7
Q1	74.2%	8.1%	0.1%	14.3%	1.5%	1.8%	-
Q2	7.9%	71.2%	1.8%	15.7%	1.5%	1.8%	-
Q3	2.5%	13.5%	64.2%	15.5%	1.8%	2.4%	-
Q4	3.6%	5.0%	1.2%	73.0%	14.7%	2.5%	-
Q5	2.0%	2.4%	0.5%	8.9%	82.5%	3.7%	-
Q6	1.0%	1.3%	0.3%	4.4%	0.6%	92.4%	-
Q7	0.4%	-	0.1%	1.0%	0.1%	2.6%	95.8%

In the table above the blue-shaded diagonal shows the percent of subcontractors that have maintained the same Q Score over the period. Figures above and to the right of the diagonal represent downgrades. Figures below and to the left of the diagonal represent upgrades.

Table 2.2: One-Year Transition Matrix (2025-2026)

From/To	Q1	Q2	Q3	Q4	Q5	Q6	Q7
Q1	74.2%	8.1%	0.1%	14.3%	1.5%	1.8%	-
Q2	7.9%	71.2%	1.8%	15.7%	1.5%	1.8%	-
Q3	2.5%	13.5%	64.2%	15.5%	1.8%	2.4%	-
Q4	3.6%	5.0%	1.2%	73.0%	14.7%	2.5%	-
Q5	2.0%	2.4%	0.5%	8.9%	82.5%	3.7%	-
Q6	1.0%	1.3%	0.3%	4.4%	0.6%	92.4%	-
Q7	0.4%	-	0.1%	1.0%	0.1%	2.6%	95.8%

The red circle highlights the subcontractors who have moved from Green Q Scores to Yellow Q Scores, indicating a move from a limited to minimal level of review to a moderate to extensive level of review.

Key Takeaways: One-Year Matrix

- High one-year stability across all Q Scores. (blue diagonal)
- ~15% of subcontractors with a Green Q Score moved to a Yellow Q Score after one year, indicating a shift from a Limited to Minimal level of review to a Moderate to Extensive level of review. Most of these transitions are driven by Significant Risk Indicators. These indicators represent risks so severe that they require immediate attention and, when triggered, function as a cap that limits a subcontractor's ability to achieve a Green Q Score. (red circle)
- 20.2% of subcontractors have a Green Q Score (Q1-Q3)

This reinforces the importance of annual reviews (such as general contractor prequalification), ensuring that significant changes requiring immediate attention are identified and reflected in risk management and prequalification decisions.

Default Performance

Default rates represent the percentage of subcontractors that filed for CH.11 bankruptcy during the one-year observation period. Bankruptcy filings were identified through the Public Access to Court Electronic Records (PACER) system, providing a consistent source of U.S. federal bankruptcy court records as of September 1, 2026.

Table 3.1 One-Year Defaults (2025-2026)		Table 3.2 One-Year Defaults (2025-2026)	
From/To	Default	From/To	Default
Q1	-	Q1-Q3 (Green)	0.015%
Q2	0.03%		
Q3	-		
Q4	0.06%	Q4-Q7 (Yellow)	0.044%
Q5	0.07%		
Q6	0.03%		
Q7	-		



The Q Score should be viewed as two broad categories

Key Takeaways: Default Performance

- Subcontractors with a Yellow Q Score are 3x more likely to default compared to subcontractors with a Green Q Score.
- Defaults remained rare across the one-year period.
- Across the default population, common characteristics included missing or outdated financial information or financial metrics that did not meet key thresholds.

Conclusion

One-year transitions demonstrate that the Q Score remains stable while responding to meaningful changes in subcontractor information. Because the Q Score methodology was enhanced in early 2025, the one-year transition matrix provides the most representative view of the current framework.

Although most subcontractors maintain their Q Score from one year to the next, approximately 15% transition from a Green Q Score to a Yellow Q Score within one year. Many of these transitions reflect significant risk indicators requiring immediate attention, limiting the Q Score a subcontractor can achieve.

These findings reinforce the importance of annual prequalification. Regular reassessment helps ensure that meaningful changes in subcontractor information are identified and reflected in prequalification decisions.

Appendix A: Two-Year & Five-Year Averaged Transition Matrix

NOTE:

Any transition period exceeding one year includes observations generated under different versions of the Q Score methodology. Accordingly, these results are not intended to evaluate the stability of the current Q Score and should not be interpreted as evidence of its long-term stability.

Historical Transitions Over Methodology Changes

Methodology changes over multi-year observation periods impact the results of the two-year and five-year transition matrices. By definition these matrices compare different methodologies and are not indicative of the stability of the current Q Score framework.

In earlier observation periods approximately 25% of subcontractors had a Green Q Score (Q1-Q3). Through methodology changes, made to align the Q Score more closely with GC prequalification decisions and industry risk management practices, we made the Q Score more conservative. Over the most recent observation period (2025-2026) the share of Green Q Scores (Q1-Q3) declined to 20% of all subcontractors.

These transition matrices have been attached for information purposes only and are not indicative of Q Score stability.

Table 4.1: Two-Year averaged Transition Matrix (2024-2026)

From/To	Q1	Q2	Q3	Q4	Q5	Q6	Q7
Q1	64.5%	10.0%	0.2%	19.4%	2.8%	3.1%	0.0%
Q2	14.1%	53.8%	2.1%	22.8%	3.2%	3.9%	0.0%
Q3	3.7%	17.6%	43.6%	25.7%	4.2%	5.2%	0.0%
Q4	4.8%	8.1%	1.8%	57.0%	14.1%	14.3%	0.0%
Q5	2.1%	3.9%	1.6%	13.3%	55.8%	23.3%	0.0%
Q6	0.8%	1.2%	0.3%	4.7%	1.9%	90.7%	0.4%
Q7	0.3%	0.2%	0.1%	1.5%	0.8%	12.9%	84.2%

Table 5.1: Five-Year Averaged Transition Matrix (2021-2026)

From/To	Q1	Q2	Q3	Q4	Q5	Q6	Q7
Q1	54.6%	12.5%	1.3%	27.0%	2.5%	2.1%	-
Q2	14.0%	44.3%	5.5%	27.9%	5.2%	2.9%	0.1%
Q3	4.0%	16.8%	36.3%	29.2%	9.3%	4.3%	0.1%
Q4	4.8%	7.3%	2.8%	60.8%	13.3%	10.9%	0.1%
Q5	1.9%	3.7%	2.2%	14.7%	59.0%	18.2%	0.3%
Q6	1.0%	1.7%	0.9%	7.2%	3.4%	84.6%	1.1%
Q7	0.5%	0.6%	0.5%	4.0%	2.1%	10.8%	81.5%

****These tables are not representative of Q Score stability, for information purposes only****

Contacts

Huston Loke

Chief Strategy Officer

416.716.0700

hloke@bespokemetrics.com

Derrick Decloe

Chief Innovation Officer, Head of Analytics

416.919.9031

ddecloe@bespokemetrics.com

About COMPASS by Bespoke Metrics

COMPASS by Bespoke Metrics is the construction industry's definitive standard for subcontractor prequalification and risk management. The platform connects over 400 general contractors with a network of subcontractors representing over \$1 trillion in annual construction volume. Subcontractor-submitted and verified data is analyzed to generate the COMPASS Q Score, the construction credit score. The Q Score is based on a subcontractor's operational expertise, financial capacity, and health & safety track record. It is used as a consistent benchmark that can be used alongside other information when assessing a subcontractor. COMPASS empowers CFOs, risk management teams, surety underwriters, insurers, and lenders to automate custom risk policies, enforce audit trails, and manage default exposure.

Disclaimer

The information upon which COMPASS Q Scores are based is obtained by COMPASS from sources COMPASS believes to be reliable.

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