

RapidRatings

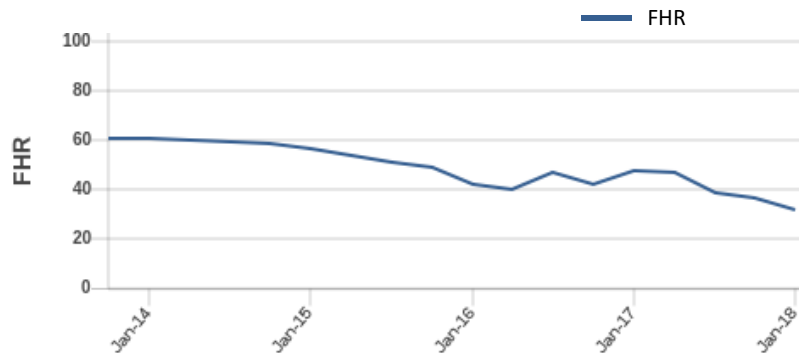
We see what others don't.

Hewlett Packard Enterprise Co

High default risk, with very poor Core Health.

Our View: Hewlett Packard Enterprise Co's Financial Health Rating (FHR™) was an unimpressive 32 (0=worst, 100=best) for the four quarters ending January 31, 2018, and represents a 16 point downgrade as compared to a year earlier. This rating lowers the company to the top half of our High Risk group, with an estimated probability of default of 2.27% over the next 12 months. This FHR and the default risk level are the result of Very Poor Core Health and current weakness in leverage and liquidity.

Figure 1: FHR Trend, YE 2013 to Q1 2018



The FHR™ Report

Corporate Risk Analysis

Financial Period: Jan 31, 2018, (fiscal Q1 2018)

FHR Release Date: March 05, 2018

Ticker: HPE

Sector: Computer Services

Address: 3000 Hanover St, Palo Alto, CA, USA, 94304-1112.

FHR: 32

Risk Level: High Risk

Estimated Probability of Default: 2.27%

Annual Delta: -16 rating points

Core Health: 9 (Very Poor Health)

Table 1: Key Data and Ratio (USD B)

	2016	2017	Q1 2018
Financial Health Rating	42	37	32
Core Health Score	48	20	9
Simulated FHR	37	39	38
	2016	2017	Q1 2018
Total Assets (B)	79.68	61.41	61.62
Total Liabilities (B)	48.16	37.90	37.63
Total Revenues (B)	50.12	28.87	28.99
EBITDA (B)	7.85	3.66	2.12
Total Rev / Total Asset	0.63	0.47	0.47
Op Profit / Total Rev (%)	8.28	2.15	-1.64
Op Profit / Interest Exp	n/a	1.86	n/a
FCF / Total Debt	0.10	-0.16	-0.03
ROCE (%)	8.71	1.50	-1.25

Very Low Risk (80 - 100) Low Risk (60 - 79) Medium Risk (40 - 59)

High Risk (20 - 39)

Very High Risk (0 - 19)

n/a: This data point is either Not Available or Not Applicable

Figure 2: Core Health and Default Risk Quadrant Analysis

■ Hewlett Packard Enterprise Co

Core Health	Default Risk				
	Very High Risk (0-19)	High Risk (20-39)	Medium Risk (40-59)	Low Risk (60-79)	Very Low Risk (80-100)
Very Strong Health (80-100)	D		A		
Strong Health (60-79)					
Medium Health (40-59)	C		B		
Poor Health (20-39)					
Very Poor Health (0-19)					

Quadrant C: These companies demonstrate poor to very poor Core Health (suggesting the need for efficiency improvements) combined with a high to very high risk of default over the next year.

The **Core Health Score (CHS)** is a measure of medium-term sustainability based on operational efficiency and competitiveness.

The **Financial Health Rating (FHR)** is a measure of default risk in the short-term. It is derived from Core Health and Resilience analysis, which incorporates a company's facility to meet internal and external obligations in the short-term.

Section 1: Executive Summary

Name:	Hewlett Packard Enterprise Co
FHR:	32
Risk Level:	High Risk

High Default Risk and Very Poor Core Health: A Core Health Score of 9 suggests very low levels of efficiency and a performance which is not sustainable over the long-term. Within the Resilience Indicators we see weakness, and at this Core Health level these Resilience Indicators are critical in determining default risk. Companies with this combination of Core Health and Resilience have a seriously troubling short and medium-term outlook.

Insufficient Resilience: Hewlett Packard Enterprise Co demonstrates weakness in leverage and liquidity but adequate results in earnings performance. Significant improvement in one or more of these areas is imperative.

Core Health is Very Poor: For the most recent period, the 12 months (rolling quarters) ended Jan 31, 2018, Hewlett Packard Enterprise Co has suffered a substantial decline in Core Health, as evidenced by a 42 point CHS decrease, largely reflecting deterioration in the company's performance in operating profitability, net profitability and cost structure efficiency. Net profitability, operating profitability, capital structure efficiency and cost structure efficiency are at low levels relative to the global data set. The company demonstrates no areas of strength in the current period.

The cash flow story is mixed: While Hewlett Packard Enterprise Co generated positive cash from operations in the most recent year-end period, overall performance was mixed. Although cash flow coverage of capital expenditures was modest, free cash flow coverage of debt was very weak.

Significant underperformance in generating returns: The Return on Capital Employed (ROCE) for the most recent period, which at -1.25% represents a significant underperformance and is a substantial decline as compared to the previous full year at 8.93%, constitutes the low point of the time studied. This measure is substantially below the high point of 9.12% achieved in Q2 2017. The range over the past three years has been between -1.25% and 9.12%.

The bottom line: Hewlett Packard Enterprise Co is situated in our High Risk group, displays weakness in six of our seven performance categories, demonstrates significant underperformance in ROCE and was downgraded in the most recent period. If current trends persist it would be logical to expect that Hewlett Packard Enterprise Co will face serious default risk this coming year and will struggle with serious efficiency and competitiveness problems over the medium-term; thus, the outlook is quite negative.

Section 2: FHR History and Performance Category Analysis

Table 2 presents the FHR and Performance Category trends for Hewlett Packard Enterprise Co. Each rating period is labeled with the financial period end of the most recent financial reports incorporated into that FHR.

Core Health is an analysis of efficiency and competitiveness, whereas Resilience is based on empirical correlations with default probability. The two perspectives may not always be in alignment and they dynamically interact in their contribution to overall Financial Health.

Table 2: Hewlett Packard Enterprise Co's Ratings and Performance Category Trends, YE 2013 to Q1 2018

	Annual				Quarterly				
	YE 2013	YE 2014	YE 2015	YE 2016	Q1 2017	Q2 2017	Q3 2017	YE 2017	Q1 2018
Financial Period End	10/31	10/31	10/31	10/31	01/31	04/30	07/31	10/31	01/31
Financial Health Rating	61	59	49	42	48	47	39	37	32
FHR Annual Delta	n/a	-2	-10	-7	6	7	-8	-5	-16
Core Health Score	43	35	34	48	51	50	26	20	9

■ Very Low Risk (80 - 100)
 ■ Low Risk (60 - 79)
 ■ Medium Risk (40 - 59)
 ■ High Risk (20 - 39)
 ■ Very High Risk (0 - 19)

Core Health Performance Scores: Medium-Term Outlook (0-100)

Operating Profitability	36	29	17	40	41	42	21	10	5
Net Profitability	49	35	44	64	65	59	14	14	5
Capital Structure Efficiency	16	18	10	10	10	10	10	10	10
Cost Structure Efficiency	61	55	55	60	68	69	68	51	29

Resilience Indicators: Short-Term Outlook (W - Weak, A - Adequate, S - Strong)

Leverage	S	S	W	W	W	W	W	W	W
Liquidity	W	W	W	W	W	W	W	W	W
Earnings Performance	A	A	A	A	A	A	A	A	A

Note: n/a indicates that data and ratings for this period are not available. This is either due to critical errors in the financials for that period, or the company not reporting on a quarterly basis at that time.

Section 3: Core Health Deeper Dive: What We Like, What We Don't Like

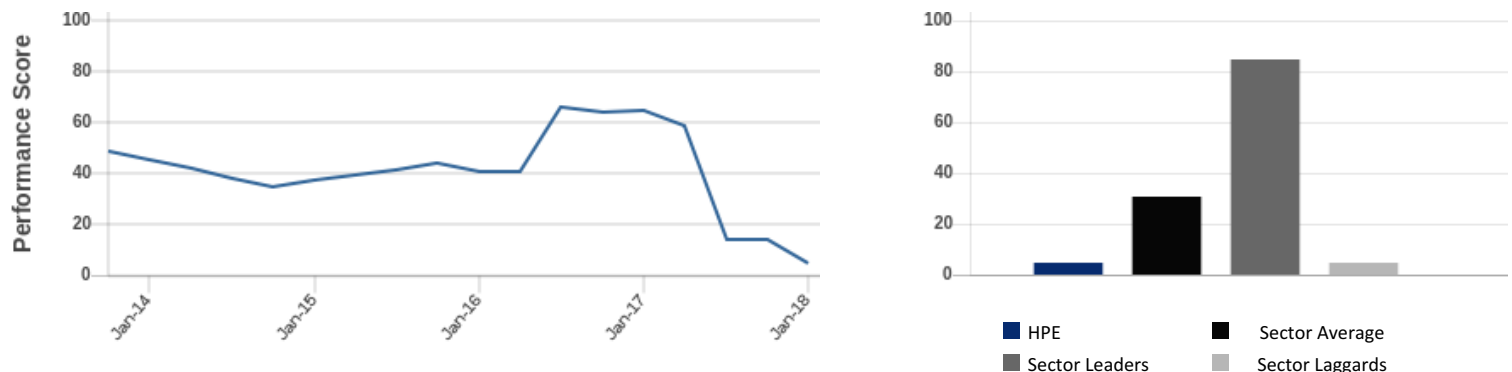
In this section, we take a closer look at Hewlett Packard Enterprise Co, pinpointing current areas of notable strength and weakness in relation to past performance and in relation to other sector participants. The Sector Leaders and Sector Laggards indicate the performance of companies in the top and bottom tenth percentile of the sector for that performance measure.

What We Don't Like

Hewlett Packard Enterprise Co has displayed weak performance across all performance categories measured by Rapid Ratings. As discussed earlier in this report, this clearly indicates the widespread nature of the issues facing this company. Management has a large task ahead to improve Hewlett Packard Enterprise Co's financial health.

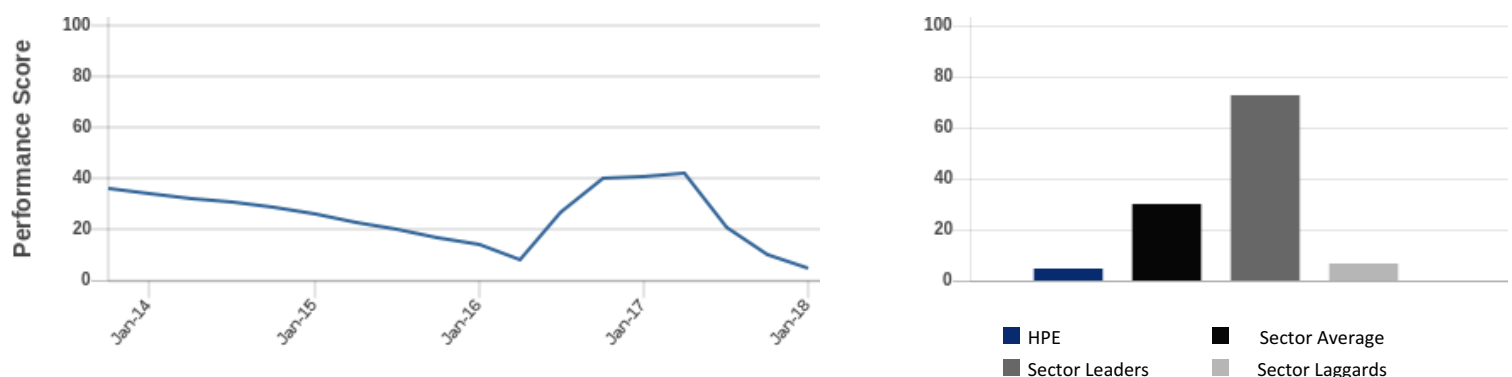
Net Profitability (5): Net Profitability provides a downstream scan of the efficiency in generating profitability and includes Net Operating Profit After Tax, Net Profit After Tax and Net Profit Before Tax relative to several important denominators, notably total capital employed, equity, total assets, and operating revenue. Hewlett Packard Enterprise Co depicts a company which represents a 5% best practice profile match against its global reference set over the last 12 months ending January 31, 2018.

Figure 3: Hewlett Packard Enterprise Co's Net Profitability Performance Score over time and Sector Measures for the Q1 2018 period



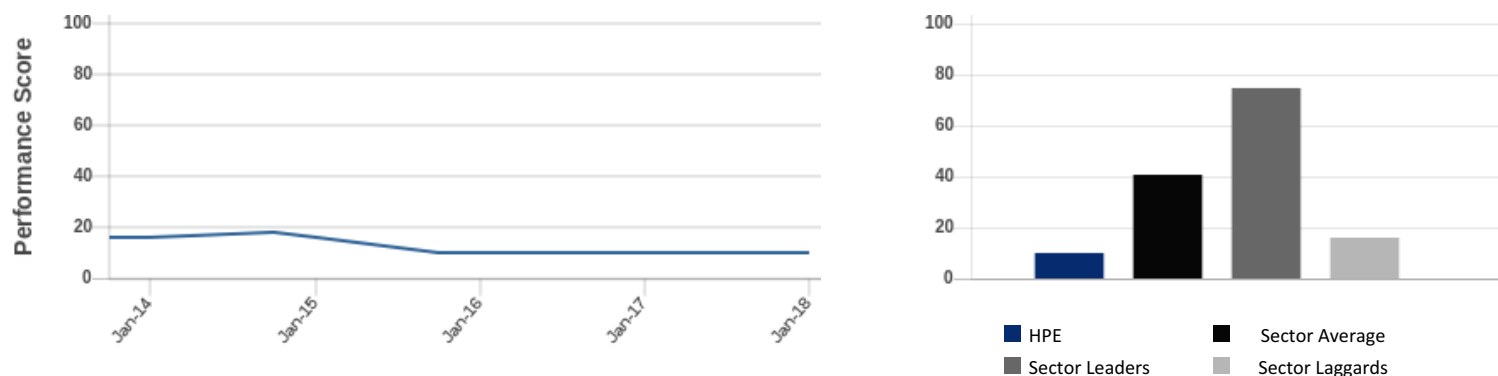
Operating Profitability (5): Operating Profitability provides an upstream scan of the efficiency in generating profitability and encompasses gross profit, EBIT and EBITD relative to several important denominators, notably capital employed, equity, total assets, and operating revenue. Hewlett Packard Enterprise Co depicts a company which represents a 5% best practice profile match against its global reference set over the last 12 months ending January 31, 2018.

Figure 4: Hewlett Packard Enterprise Co's Operating Profitability Performance Score over time and Sector Measures for the Q1 2018 period



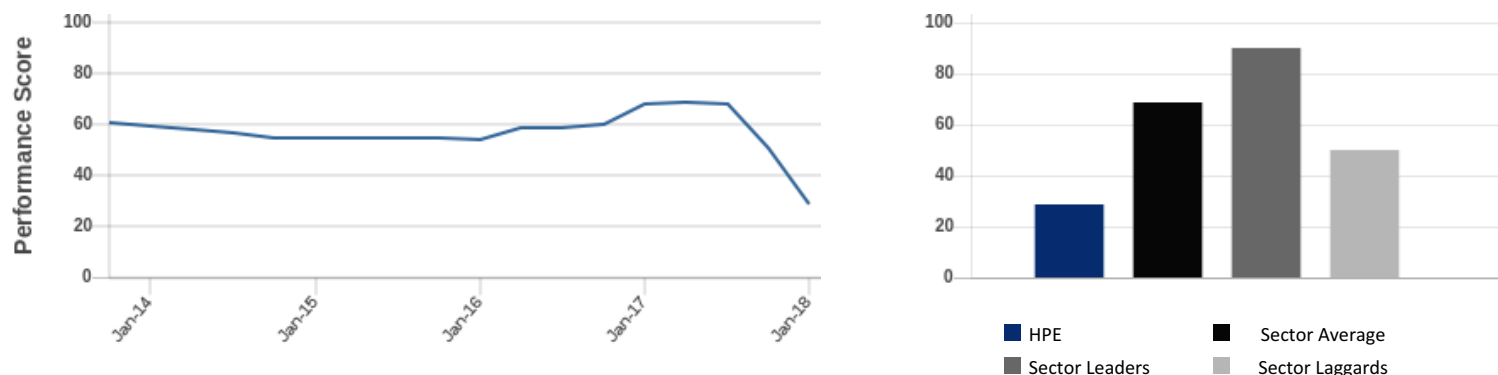
Capital Structure Efficiency (10): Capital Structure Efficiency examines the main elements of the capital structure (current liabilities, term liabilities, total liabilities, equity, current assets and total assets) relative to various bases such as total capital employed, operating revenue, total liabilities and total assets. Hewlett Packard Enterprise Co's score depicts a company which represents a 10% best practice profile match against its global reference set over the last 12 months ending January 31, 2018.

Figure 5: Hewlett Packard Enterprise Co's Capital Structure Efficiency Performance Score over time and Sector Measures for the Q1 2018 period



Cost Structure Efficiency (29): The overall cost structure rating is based on a number of ratios incorporating variables such as cost of goods sold, staff costs, other operating expenditures, depreciation, interest expense, and corporate income tax relative to a base such as total revenue and total expenditures. Hewlett Packard Enterprise Co's score depicts a very weak cost structure.

Figure 6: Hewlett Packard Enterprise Co's Cost Structure Efficiency Performance Score over time and Sector Measures for the Q1 2018 period



Section 4: Hewlett Packard Enterprise Co's Simulated FHR to adjust for Abnormal Items

Hewlett Packard Enterprise Co's current rating is materially affected by abnormal items.

Current FHR:	32	High Risk
Simulated FHR:	38	High Risk

Simulated FHR is 38, High Risk: This period includes an abnormal item. When the rating for this period is simulated with the abnormal item excluded, the company's health is materially better suggesting the line item is having a meaningful effect on the rating for this period.

However, after simulation the risk category still remains High Risk.

The company's year-on-year rating delta using the simulated rating is -7 compared to the published delta of -16.

Hewlett Packard Enterprise Co's current trailing twelve month financial period includes an abnormal loss of \$2.17 billion USD. This item represents 127.88% of pre-item operating income, but has had a material effect on the rating.

Table 3: Simulation Factors and Results

FHR Simulation Review	Annual				Quarterly				
	YE 2013	YE 2014	YE 2015	YE 2016	Q1 2017	Q2 2017	Q3 2017	YE 2017	Q1 2018
Financial Period End	10/31	10/31	10/31	10/31	01/31	04/30	07/31	10/31	01/31
Actual FHR	61	59	49	42	48	47	39	37	32
Actual Annual Delta	n/a	-2	-10	-7	6	7	-8	-5	-16
Simulated FHR (adjusted for abnormal item)	65	64	53	37	45	44	43	39	38
Simulated Annual Delta	n/a	-1	-11	-16	-3	2	-5	2	-7
Financial Item Review (USD B)									
Pre-Abnormal Item Operating Profit	4.27	3.92	3.96	3.42	3.59	3.26	3.51	1.88	1.70
Abnormal Item	-1.00	-1.48	-2.20	0.72	0.64	0.66	-1.62	-1.26	-2.17
Abnormal Item / Pre-Ab. Item Op. Profit (%)	24%	38%	56%	21%	18%	20%	46%	67%	128%
Post-Abnormal Item Operating Profit	3.26	2.44	1.76	4.15	4.23	3.92	1.89	0.62	-0.47

n/a: This data point is either Not Available or Not Applicable

General Information Regarding Abnormal Items.

While there is temptation to disregard the actual rating in favor of the simulated rating, this should only be done with consideration to the potential cost should the abnormal item prove symptomatic of larger issues within the organization.

An isolated negative abnormal event may only be a temporary setback and hence should be put in perspective in terms of your relationship with the firm. It is common for firms to occasionally report abnormal items. Abnormal Items can generally be found under operating expenses as Other Gains/Charges. They include non-recurring one-time items such as goodwill impairment charges, restructuring charges, non-recurring legal fees and expenses related to natural disasters. The key is how management handles the shock if there is a loss and whether or not the company returns to financial health quickly if there is a loss. Thus, closer scrutiny is called for if the abnormal leads to a loss.

This simulation does not account for the tax implications of excluding the abnormal item from the company's performance.

Section 5: Cash Flow Section

As of October 31, 2017, The cash flow story is weak: While Hewlett Packard Enterprise Co generated positive cash from operations in the most recent year-end period, levels were unimpressive. Cash flow coverage of capital expenditures was weak, and free cash flow coverage of debt was very weak.

Coverage of capital expenditures by internally generated cash flow was weak at 28%. Capital expenditure levels appear appropriate, as such outlays represented 1.03X the current period's depreciation and amortization.

Free Cash Flow (FCF) is cash that a company is able to generate after accounting for the cost of maintaining or expanding its asset base. Hewlett Packard Enterprise Co's FCF switched from positive to

negative in the current period. Over the past 5 years the company has ranged from a peak of \$8.74B (2013 YE) to a low of \$-2.25B (2017 YE). For the most recent 12 months, FCF flipped from a positive \$1.68B to a deficit of \$-2.25B.

The debt load fell, from \$16.14B at 2016 YE to \$14.03B at 2017 YE. As FCF has now fallen to negative levels, the company was unable to cover any of the debt load with FCF. FCF/TD levels of this magnitude can indicate a challenged solvency profile.

Table 4: Hewlett Packard Enterprise Co's Cash Flow Summary, as of the most recent annual period

USD Billions	2013	2014	2015	2016	2017
	10/31/2013	10/31/2014	10/31/2015	10/31/2016	10/31/2017
Net Income	2.05	1.40	2.46	3.16	0.44
Adjustments to reconcile net earnings:					
Depreciation	4.40	4.14	3.95	3.77	3.05
Other Non-cash expenses	-	-	-	-3.34	-
Total Non-Cash Working Capital Changes	-	-	-	1.36	-
Accounts Receivable *	-	1.23	-0.06	0.99	0.46
Inventories *	-	0.19	-0.31	0.03	-0.54
Accounts Payable *	-	0.55	0.94	0.12	0.99
Other changes in WC	-	-	-	0.22	-
Net Cash from Operations	8.74	6.91	3.66	4.96	0.89
Net Cash from Investing Activities	-	-	-	0.42	-4.91
Net Cash from Funding Activities	-	-	-	-2.23	0.61
Net change in Cash and Cash Equivalents	-	-	-	3.15	-3.41
Capital Expenditure	-	-	-	-3.28	-3.14
Free Cash Flow	8.74	6.91	3.66	1.68	-2.25
Total Gross Debt	1.68	1.38	15.79	16.14	14.03

* These figures may be estimations derived from balance sheet inputs in some cases

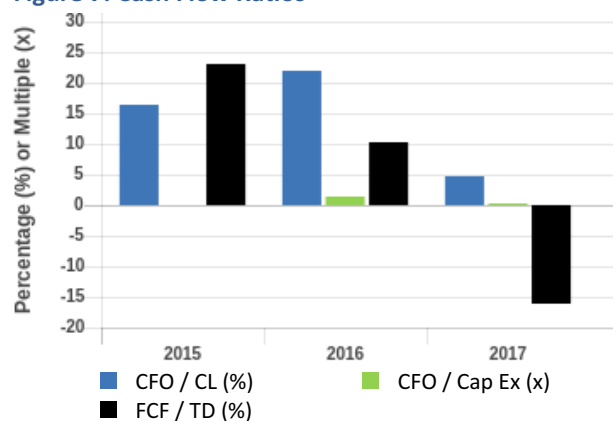
Hewlett Packard Enterprise Co's CFO to Current Liabilities (4.7%) and CFO to Cap Ex (0.28x) indicate Weak levels of cash flow coverage, but the FCF to Total Debt (-16.02%) indicates Very Weak cash flow coverage.

Table 5: Cash Flow Ratios

	2015	2016	2017	Level
CFO / CL (%)	16.53	22.01	4.7	Weak
CFO to Cap Ex (x)	n/a	1.51	0.28	Weak
FCF to Total Debt (%)	23.18	10.4	-16.02	Very Weak

n/a: This data point is either Not Available or Not Applicable

Figure 7: Cash Flow Ratios



Section 6: Liquidity Module

Liquidity: Hewlett Packard Enterprise Co's liquidity position is weak, and additional strengthening is desired given the company's Very Poor Core Health. The company's working capital and its Cash Ratio have both decreased. The Cash Ratio shows that the firm has \$0.40 in Cash for each \$1.00 of Current Liabilities.

Figure 8: Liquidity Ratios

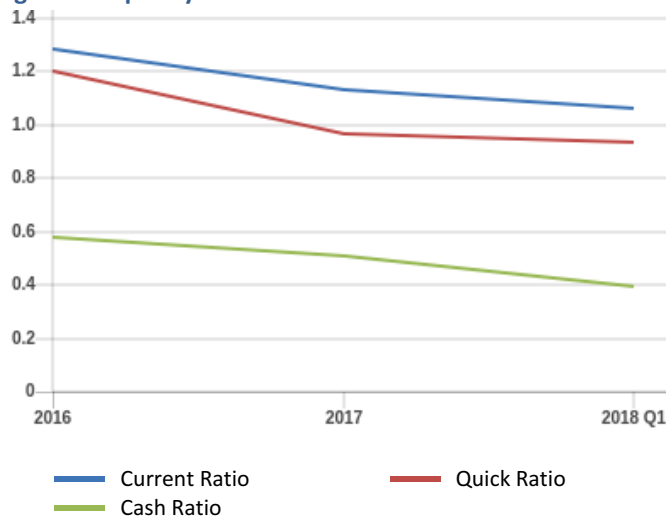


Table 6: Liquidity Ratios

	2016	2017	Q1 2018	Direction
Current Ratio	1.28	1.13	1.06	FALLING
Quick Ratio	1.2	0.96	0.93	FALLING
Cash Ratio	0.58	0.51	0.4	FALLING
WC to Assets	0.08	0.04	0.02	FALLING

Definitions

In each case, the higher the better.

Current Ratio: Current Assets / Current Liabilities

Quick Ratio: (Cash + Accounts Receivable) / Current Liabilities

Cash Ratio: Cash / Current Liabilities

WC to Assets: Working Capital (CA - CL) / Total Assets

Section 7: Activity Module

Activity: Days of Payables have been falling and the firm currently has 104.16 days of payables. Currently, Hewlett Packard Enterprise Co collects from its customers in only 39.0 days, but waits an average of 104.2 days to pay its suppliers, a cash advantage of 65.1 days. The Cash Conversion Cycle shows that the firm is taking -22.58 days to convert its inputs into cash. In terms of how effectively the firm is utilizing its assets, Asset Turnover shows that in the most recent 12-month period, the firm has generated \$0.47 for each dollar of assets. Performance on this metric has been stable.

Figure 9: Activity Ratios

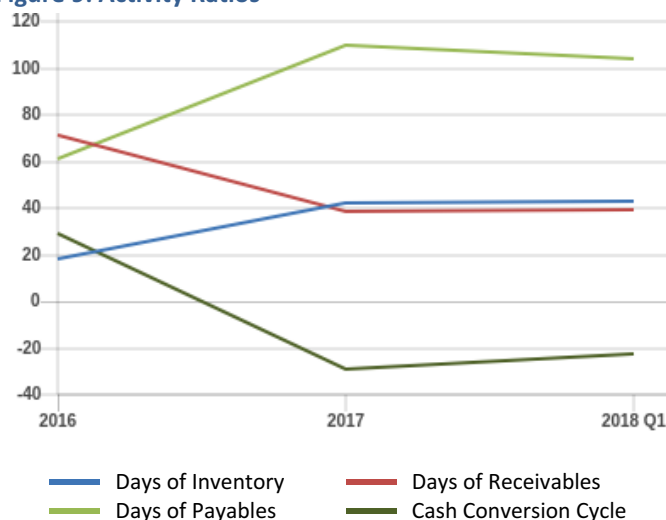


Table 7: Activity Ratios

	2016	2017	Q1 2018	Signal
Days of Invent.	18.2	41.9	42.6	RISING
Days of Receiv.	71.6	38.9	39.0	RISING
Days of Pay.	61.1	109.8	104.2	FALLING
Cash Conv. Cyc.	28.7	-29.1	-22.6	RISING
Asset Turnover	0.63	0.47	0.47	STABLE

Section 8: DuPont ROA Analysis

The Operating Margin measures how much operating profit a firm generates for each dollar of revenue. This excludes interest, tax and any investment expenses or income. Hewlett Packard Enterprise Co has an Operating Margin of -1.64%, indicating that it produces an operating loss of \$1.64 for each \$100 of revenue.

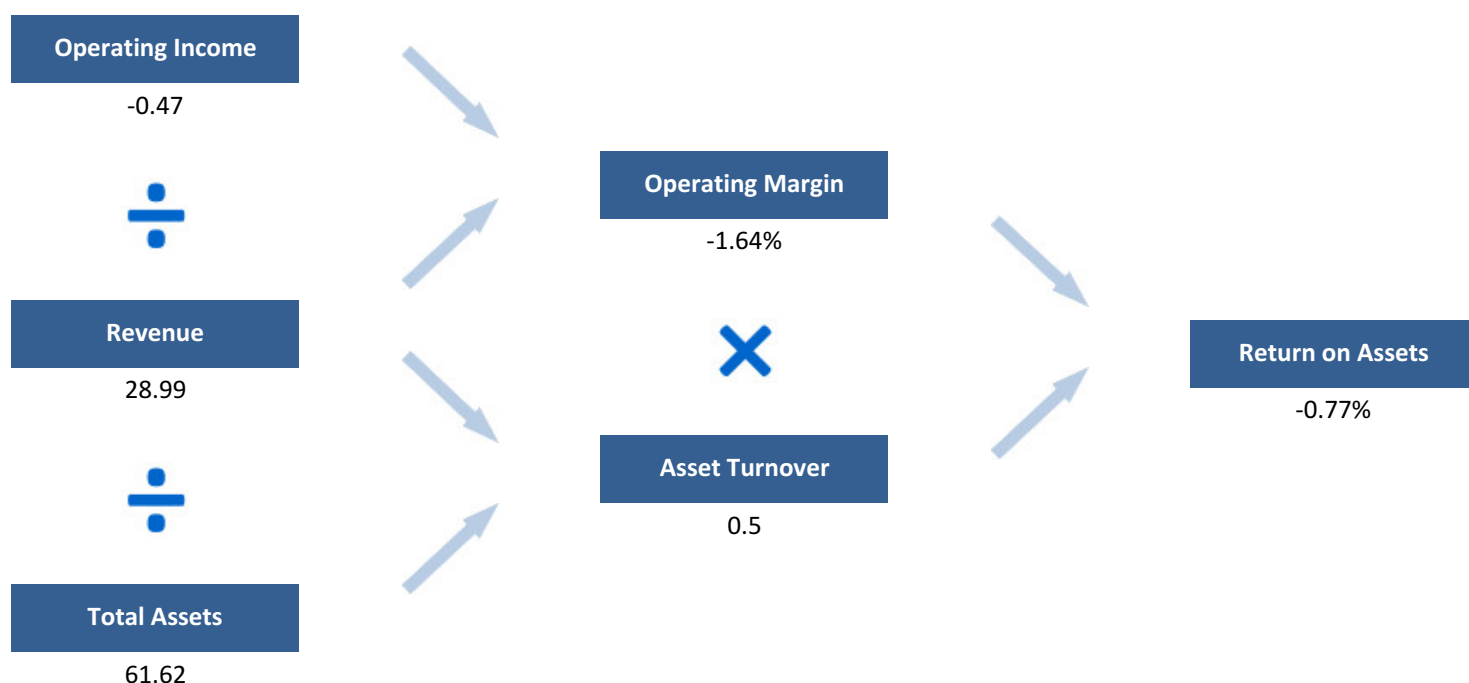
Asset Turnover measures how much revenue a firm generates for each dollar in total assets. Hewlett Packard Enterprise Co has an Asset Turnover of 0.47, indicating that it generates \$47 in revenue

for every \$100 of total assets.

Operating Margin and Asset Turnover can be multiplied to obtain Return on Assets, which measures the Operating Profit generated for each dollar of total assets. Hewlett Packard Enterprise Co has a Return on Assets of -0.77%, which means the firm has an operating loss of \$0.77 for each \$100 of total assets.

Currency:	USD Billions
Period:	Jan 31, 2018

Figure 10: Hewlett Packard Enterprise Co DuPont Analysis, 12 months ending Q1 2018



DuPont Analysis permits a quick overview of a firm's financial position and performance. It provides valuable insights into the efficiency of firm performance by separating operations (how effectively does the firm convert sales to profit) and financing (how effectively does the firm convert its assets into sales). The Operating Margin and Asset Turnover provide us insight into these two dimensions of efficiency. When multiplied, we can see how they combine to produce Return on Assets, which is a sound measure for comparing the financial performance of this firm to its peers. DA serves many different purposes and as such, many variations exist on the core tools. We present a version here that is focused on operational efficiency, an important driver of Financial Health.

Section 9: Hewlett Packard Enterprise Co Balance Sheet

The company's headquarters are located at 3000 Hanover St, Palo Alto, CA, USA, 94304-1112.

Table 8: Hewlett Packard Enterprise Co balance sheet as of January 31, 2018

(in USD B)	2013	2014	2015	2016	2017	Q1 2018
Assets						
1. Bank, Cash Balances	2.18	2.32	9.84	12.99	9.58	7.67
2. Accounts Receivable	12.63	11.40	11.46	9.83	3.07	3.10
3. Total Inventories	2.08	1.88	2.20	1.77	2.31	2.43
4. Prepayments	-	-	-	-	0.88	-
5. Other Current Assets	7.49	6.43	7.68	4.32	5.60	7.30
6. Total Current Assets (1+2+3+4+5)	24.38	22.03	31.17	28.92	21.44	20.50
7. Fixed Assets	8.51	8.52	9.89	9.64	6.27	6.34
8. Financial Assets	7.00	6.50	11.02	13.22	9.58	16.30
9. Intangible Assets	28.88	28.02	29.19	25.26	18.56	18.48
10. Other Term Assets	-	-	-	2.65	5.55	-
11. Total Term Assets (7+8+9+10)	44.40	43.04	50.10	50.76	39.96	41.12
12. Total Assets (6+11)	68.78	65.07	81.27	79.68	61.41	61.62
Liabilities						
13. Bank Overdraft	0.00	0.00	0.00	0.00	0.00	0.00
14. Accounts Payable	4.33	4.89	5.83	5.94	6.07	5.95
15. Debt owed within one year	1.06	0.89	0.69	3.53	3.85	3.92
16. Short-Term Provisions	0.00	0.00	0.00	0.00	0.00	0.00
17. Other Current Liabilities	15.52	13.98	15.63	13.06	9.00	9.48
18. Total Current Liabilities (13+14+15+16+17)	20.91	19.76	22.15	22.53	18.92	19.34
19. Term Loans	0.62	0.48	15.10	12.61	10.18	10.04
20. Provisions	-	-	-	-	-	-
21. Deferred Taxation	0.00	0.00	0.00	0.00	3.86	-
22. Other Term Liabilities	8.87	7.65	10.10	13.02	4.94	8.25
23. Total Term Liabilities (19+20+21+22)	9.49	8.14	25.20	25.63	18.98	18.29
24. Total Liabilities (18+23)	30.40	27.90	47.35	48.16	37.90	37.63
Shareholders' Equity						
25. Retained Earnings	37.99	36.78	33.53	2.78	-7.24	-6.06
26. Subscribed Capital	0.00	0.00	0.00	35.27	33.60	32.96
27. Minority Interests	0.39	0.40	0.38	0.07	0.04	0.04
28. Other Equity Items	-	-	-	-6.60	-2.90	-2.96
29. Total Shareholders' Equity (25+26+27+28)	38.38	37.17	33.92	31.52	23.50	23.99

Section 10: Hewlett Packard Enterprise Co Income Statement

Table 9: Hewlett Packard Enterprise Co Income Statement for the 12 months ending January 31, 2018

Note: Rapid Ratings employs a trailing 12 month perspective with regard to income statement data. Hence, the 2018 Q1 period represents the sum of the four quarters ending with 2018 Q1.

(in USD B)	2013	2014	2015	2016	2017	Q1 2018
Revenue						
1. Sales Revenue	57.37	54.81	52.11	50.12	28.87	28.99
2. Other Income	-	-	-	0.00	-	-
3. Total Revenue (1+2)	57.37	54.81	52.11	50.12	28.87	28.99
Cost of Goods Sold						
4. Cost of Goods Sold	41.63	39.38	37.17	35.51	20.18	20.84
5. Gross Profit (1-4)	15.74	15.43	14.94	14.62	8.69	8.14
Operating Expenditure						
6. Salaries and Wages	0.00	0.00	0.00	0.00	-	-
7. Depreciation	4.40	4.14	3.95	3.02	2.73	2.53
8. Amortization	0.00	0.00	0.00	0.76	0.32	0.32
9. Other Operating Expenditure	7.08	7.37	7.03	7.42	3.76	3.60
10. Total Operating Expenditure (6+7+8+9)	11.47	11.51	10.97	11.19	6.81	6.45
11. Total Cash Expenditure	49.90	47.55	43.47	43.84	24.11	23.86
12. Other Income (as per item 2)	-	-	-	0.00	-	-
13. Abnormal Items	-1.00	-1.48	-2.20	0.72	-1.26	-2.17
14. Other Operating Items (12 + 13)	-1.00	-1.48	-2.20	0.72	-1.26	-2.17
15. Operating Profit (5-10+14)	3.26	2.44	1.76	4.15	0.62	-0.47
Net Investment Income						
16. Investment Income	0.00	0.00	0.00	-0.07	-	-
17. Interest Received	-	-	-	-	-	0.13
18. Interest Expense	0.37	0.32	0.27	-	0.33	-
19. Other Investment Expense	0.02	0.23	0.02	0.00	0.02	0.38
20. Net Investment Income Total (16+17-18-19)	-0.39	-0.56	-0.29	-0.07	-0.35	-0.25
21. Net Profit Before Tax (NPBT; 15+20)	2.87	1.88	1.47	4.08	0.27	-0.72
22. Company Tax Expense	0.82	0.49	-0.99	0.92	-0.16	-0.59
23. Net Profit After Tax (NPAT; 21-22)	2.05	1.40	2.46	3.16	0.44	-0.14
24. Minority Interests	0.00	0.00	0.00	-	-	-
25. Net Extraordinary Income	0.00	0.00	0.00	0.00	-	1.65
26. Net Surplus (23-24+25)	2.05	1.40	2.46	3.16	0.44	1.51

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Rating Scale Explanation

FHR Range	Average EPD (%)	Risk Category
95-100	<0.001	Very Low Risk
90-94	0.001	
85-89	0.002	
80-84	0.005	
75-79	0.01	Low Risk
70-74	0.02	
65-69	0.04	
60-64	0.08	
55-59	0.14	Medium Risk
50-54	0.24	
45-49	0.42	
40-44	0.73	
35-39	1.28	High Risk
30-34	2.31	
25-29	4.35	
20-24	8.71	
0-19	>11.40	Very High Risk

Core Health Score (CHS)	Core Health Category
80-100	Very Strong Health
60-79	Strong Health
40-59	Medium Health
20-39	Poor Health
0-19	Very Poor Health

Rapid Ratings' financial health rating scale defines a range of performance from worst practice at 0 to best practice at 100. The scale is separated into 20 vintiles of 5 points each, and with four vintiles per quintile. The quintiles are our main risk assessment categories, notably very low risk from 80-100, low risk from 60-79, medium risk from 40-59, high risk from 20-39 and very high risk from 0-19. While the Rapid Ratings scale appears to be linear, this is not really the case. Owing to the way the statistical distributions underlying the models for each sector have been constructed, and the sector specific-weights for each variable, companies make non-linear movements over time on Rapid Ratings' scale.

	Very High Risk (FHR 0-19)	High Risk (FHR 20-39)	Medium Risk (FHR 40-59)	Low Risk (FHR 60-79)	Very Low Risk (FHR 80-100)
Very Strong Health (CHS 80-100)	Quadrant D – These companies have medium or better Core Health, however challenges remain in the short-term given their elevated level of default risk.		Quadrant A – Companies in this quadrant demonstrate levels of operational efficiency likely to be sustainable over the medium-term combined with an acceptable to very low level of default risk over the next 12 months.		
Strong Health (CHS 60-79)					
Medium Health (CHS 40-59)					
Poor Health (CHS 20-39)	Quadrant C – These companies demonstrate poor to very poor Core Health (suggesting the need for improved efficiency), and a high to very high risk of default within the next 12 months.		Quadrant B – While default is unlikely in the short-term, the level of Core Health suggests a need for efficiency improvements in order to reach medium-term sustainability.		
Very Poor Health (CHS 0-19)					

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