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## **WHAT YOU NEED TO KNOW ABOUT CORPORATE CREDIT WORTHINESS**

Libertyville, IL. The monthly report **Credit Risk Watch** from Schonfeld & Associates, Inc. provides corporate creditworthiness information for over 4000 public companies. In today's financial climate, it is more important than ever to be able to accurately assess corporate creditworthiness. One measure in use since 1968 is Altman's Z Score. The Z Score predicts the likelihood of bankruptcy within two years with greater than 70% accuracy. The lower the score, the higher the risk of bankruptcy. Z Scores above 3 indicate bankruptcy is not likely while a score below 1.8 indicates it is likely. Scores between 1.8 and 3 are inconclusive.

In addition to the Z Score, there are additional financial ratios that measure factors contributing to creditworthiness such as liquidity, capital productivity, return on assets, interest coverage, rate of cash generation, capital adequacy and excess cash flow. Each monthly edition of **Credit Risk Watch** provides values for these ratios for each of over 4000 public companies and the industries they represent based on the latest published quarterly financial statements and projections for four fiscal quarters into the future.

Asset ratios measure the ability to meet short term obligations, productivity of capital, earning power of assets and effective interest cost on all capital. Liability ratios indicate the speed at which the firm could retire its debt, the firm's use of debt in its long term capital structure and the rate at which the firm generates excess cash flow. Interest coverage ratio and expected change in net income are also presented. Companies within the financial services sector have ratios presented that are more applicable to their operations. For example, Current Ratio is replaced by Cash as a Percentage of Total Assets, measuring the liquid portion of total assets.

Comparing a company's Z score to the average for all companies in its industry indicates whether the firm is more or less creditworthy than its peers. Comparing the current Z score, based on the latest published quarterly financial statements, to an estimate for four fiscal quarters in the future gives an indication of the direction in which the company's creditworthiness is headed.

**Credit Risk Watch** highlights the least creditworthy firms based on future Z Scores, the most eroding credits based on expected change in Z Score, and the most underperforming company in each industry group based on difference of Z Score from the group average. Every month an updated report containing the highlights is available and complete datafiles are provided so that the user can do additional analysis.

**Credit Risk Watch** provides an invaluable tool to guide business managers to judge the creditworthiness of potential partners, suppliers or customers. It can help credit managers evaluate credit risk and exposure. The report provides valuable insights to financial analysts to aid in identifying and managing investment opportunities.

An annual subscription to **Credit Risk Watch** includes 12 monthly reports and associated datafiles and is available for \$ 149. For more information or to place an order, please contact Schonfeld & Associates, Inc., 1931 Lynn Circle, Libertyville, Illinois 60048, 800-205-0030 or visit the corporate creditworthiness area of expertise on [www.saiBooks.com](http://www.saiBooks.com)