CREDIT MONITOR QUICK REFERENCE

This guide provides a brief overview of the main features used to analyze a firm in Credit Monitor. Additional information is available from the Credit Monitor Help menu. You can also contact support in the following ways:

Support Website: support.moodyskmv.com
Email: support@mkmv.com
Telephone: 1 866 321 MKMV (6568)

FIND A COMPANY

Begin your analysis by finding a company:
- From the Data Selector window, select the database that contains the desired company or aggregate (e.g., North America) and type the name in the **Search** box.
- If you are unable to locate the company, you can search multiple databases by partial name, ticker symbol (for public firms) or PID. From the **Tools** menu, click **Advanced Search**.

Click **View Details** to see the company and aggregate information, and graph a company against its aggregates.

When you find the company you want to analyze, click the **Set Active** button. (Does not apply to RiskCalc.)

VIEW CHARTS

After you have selected a company, click **EDF Charts** for a graphical representation of EDF data.

The x-axis always shows time, or more specifically, the 60 monthly data points that make up the five years of EDF data displayed by Credit Monitor. The y-axis shows the range of values for the data items being graphed.

The bar below each graph shows the dates of the statements and market data used to determine the current EDF value.

VIEW/EDIT INPUTS

Use the **EDFCalc** or **RiskCalc** window to analyze the EDF or enter new statement data. Check the data to see if you need to correct or update the statement.

You can also calculate EDF credit measures on private companies that are not in any of your Credit Monitor databases. From the **File** menu, click **New|New Private Firm**.

VIEW SETS/UDAS

The SETs and UDAs button displays groups of companies you have saved.
- Click **File|New** to create a new Set or UDA.
- To add a companies or aggregates to a Set, go to the Data Selector window and double-click each name.
- To view the set, click the **View Set** button. (To customize the view, see the following page.)
- To graph items in the set, right-click each item and select **L** (left axis) or **R** (right axis) from the pop-up menu. For the best display of data, graph EDF, Ratings, and Asset Volatility on the left and all other data on the right.

    Click the **View Graph** button on the toolbar.

VIEW COMPARABLES

View comparables by clicking **Comparables Analyzer**. (Not available for RiskCalc companies.)
- Use the **Industry**, **Country**, and **Industry-Country** buttons on the chart to compare a company to its comparables within the same Industry, Country, or both. Then select **Volatility** or **Value**.
- Click any plot to see details about that company.
- Click and drag with your mouse pointer to zoom in on an area of the chart.
- Click **Save Zoom to UDA** to add all the visible companies to a user-defined aggregate.

MODEL TRANSACTIONS

To model the impact of any pending corporate transactions, click **Transaction Wizard**. The available wizards are Update Share Price, Update Financial Statement, Pro forma Transaction, or Mergers and Combinations. Available Pro forma Transactions include Add Liabilities, Buy Back Shares, Asset Sale, Leveraged Buyout, and Spin-off.

Follow the on-screen instructions. (Not available for RiskCalc companies.)

Variable Definitions

The following table gives a summary of the items in Sets and Graphs. The Code column shows how the item appears in the legend when graphing from Sets. See the *Credit Monitor User Guide* for detailed information.

Term	Data Item	Definition
1 Year EDF	EDF	Expected Default Frequency™: The market-based credit measure developed by Moody's KMV. It provides the probability that a company will default within a given time horizon, typically one year, where default means the failure to make scheduled debt payments. Graphs, Sets, and UDAs are built using the first year annual EDF credit measure. Using EDFCalc®, you can view the cumulative, forward, and annual EDF credit measures for horizons up to five years.
Moody's Rating	MDY	Rating provided by Moody's Investors Service. Unrated companies do not have an MDY item.
S&P Rating	S&P	S&P Rating reported by COMPUSTAT or Worldscope. Unrated companies do not have an S&P item.
Asset Value	AVL	Asset Market Value. For public firms, the market value of the firm's assets (as opposed to the book value reported on the firm's balance sheet). Assets refer to the underlying economic assets of the firm, (i.e. the firm itself), independent of its liabilities, evaluated on a going concern basis. Asset value is determined from the equity market value, equity volatility, and the liability structure of the firm.
Equity Value	EVL	Equity Market Value. The market value of the firm's equity. EVL is equal to the price of the firms' equity multiplied by the number of shares outstanding.
Liabilities	LBS	Adjusted Total Liabilities. The sum of short and long term liabilities, excluding deferred taxes and minority interest.
Asset Volatility	ASG	Asset Sigma. The standard deviation of the annual percentage change in the market value of a firm's assets. The riskiness of a firm's assets is measured by the expected variation of the value of these assets over a given time horizon. The higher the asset volatility, the less certain investors are about a firm's value, and the more likely the firm's value will fall below its default point.
Default Point	DPT	The point to which a firm's asset value must fall before the firm is unable to raise capital to meet either a principal or interest payment. It is approximately equal to the total amount of short-term liabilities, plus half of the long-term liabilities (precise definition varies by industry).
Sales	SAL	Gross sales reduced by cash discounts, and by returned sales and allowances for which credit is given to the customer. (Not available for public firms.)
EBITDA	EBD	Sales less cost of goods sold and selling, general and administrative expenses but before deducting interest, taxes, depreciation and amortization.
Quarterly/Annual Date	QAD	Quarterly/Annual Fiscal Dates: The dates of the financial statements used in the determination of the EDF credit measure. The format of the value is quarterly fiscal year (2 digits), decimal point, quarterly fiscal quarter, last digit of the previous annual fiscal year (e.g., 00.39 is 3rd Quarter 2000 or annual statement 1999).
User Defined Rating	RTG	See "User Data Options", in the *Credit Monitor User Guide* to import your internal ratings.
Financial Statement Date	FSD	Date of statements processed in Private Firm Processor. (PFP data only). Cannot be graphed.

Variable Locations

Variable	EDFCalc	Set	EDF Charts	
			EDF	Capital Structure
EDF Credit Measure	✓	✓	✓	✓
Ratings		✓	✓	
Asset Value	✓	✓		✓
Equity Value	✓	✓		✓
Liabilities	✓	✓		✓
Volatility	✓	✓		
Default Point	✓	✓		✓
Financial Statement	✓			
Statement Date	✓	✓		
Market Date	✓			
Industry	✓			
EDF Term Structure	✓			

Customizing the Set View

To...	Click...
view by datatype instead of company	Group by	**Group by Datatype**
collapse the view of a company	the **minus sign** next to the company name
collapse the view of all companies in the Set	Group by|**Collapse all Companies** or right-click and then click **Collapse all Companies**
filter your view	the arrow next to the **P** (Database code) or **Datatype** column and then choose the type you want to see
restore the view	the arrow next to the **P** (Database code) or **Datatype** column and then choose **All**
delete a company from the Set	on any data item for that company, and then click the **Remove item** button

Report Designer Options by Database Type

You can customize printed reports by selecting **Tools|Report Designer** and choosing from the building blocks listed below. Print the reports by selecting **File|Custom Reports**.
You can also print basic reports from the different windows (e.g., EDF Calc/Risk Calc) by selecting **File|Print**.

Report Building Block	Public	User Public	RiskCalc Private	User RiskCalc
EDF Credit Measures, plus the items from the Output tab	✓	✓	✓	✓
EDF Financial Inputs (includes RiskCalc Pro-forma)			✓	✓
Industry Input	✓	✓	✓	
Notes (paperclip)	✓	✓	✓	✓
Chart: EDF (and Ratings)	✓		✓	
Chart: EDF and Industry	✓		✓	
Chart: EDF and Moody's				
Chart: EDF and Region	✓		✓	
Chart: EDF Drivers	✓		✓	
Chart: Capital Structure	✓			
Chart: Financial			✓	
Chart: Selected	✓		✓	

EDF Theory Overview

The structural approach to modeling default risk for a borrower assumes that there are three major drivers of the company's default probability: market value of assets, asset volatility, and default point.

When the market value of assets falls to a level in which it is insufficient to repay the liabilities (default point), the firm is considered to be in default. MKMV combines this framework with its own default database to derive the probability of default for a company, called Expected Default Frequency (EDF). The figure below illustrates how MKMV derives the EDF credit measure.

The **market value of assets** is estimated from the **equity market value** and the **capital structure** of the firm using the option valuation framework.

Asset volatility represents the business risk of the firm (i.e., the variability of the market value of assets).

Based on long term and short term liabilities, the **default point** captures the amount of obligations due in case of distress.

Distance to default is defined as the distance in standard deviations of the asset value at horizon from the default point.

Through MKMV's empirical default database, the Distance to Default is **mapped** to the EDF credit measure.

The Expected Default Frequency (**EDF**) is the probability that the firm will default within the specified time horizon.

Flow diagram: Equity Market Value and Capital Structure feed into Asset Volatility, Market Value of Assets, and Default Point, which feed into Distance to Default, then DD-EDF Mapping, then EDF.

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