

The ProfitGuard Probability of Default Cheat Sheet

Score Range	Comments
> 70	Focus your resources elsewhere – this company is financially strong (extremely low Probability of Default over next 6 to 12 months). This score range is appropriate for a company having the equivalent to an “investment” grade rating by S&P (AA or AAA) with lower investment grade ratings possible on the low end of this threshold (BBB to A).
50 – 69	Company represents good credit risk characteristics – Medium to low Probability of Default over the next 12 months. The high end of this threshold is appropriate for a company having a low-end investment grade rating by S&P (BBB to A) with non-investment grade ratings (BB) possible for the lower end of this scoring threshold.
31 - 49	You should focus resources / time keeping an eye on this buyer. Not an immediate risk, but one that is not financially strong and may be exhibiting signs of deterioration. The short term Probability of Default is medium; however, certain items could accelerate its risk structure. This scoring range is appropriate for a company with the high-end of S&P’s non-investment grade rating scale (B to BB).
20 – 30	This score represents a company under distress with unfavorable prospects, including signs of possible short term default. You should focus resources / time managing any open exposure with this company (and evaluate your position on open credit for possible transition to restrictive terms). This score is equivalent to a low to middle rung non-investment grade rating by S&P (CCC to B).
10 – 19	If a company’s score moves into this range it is time to completely move from open credit to restrictive credit (eliminate open exposure risk and preference potential) as the company’s short term viability is strongly questioned and default risk is high. This threshold is appropriate for a company with a score that is equivalent to the low-end of S&P’s non-investment grade rating scale (CC to CCC).
BK – 9	This threshold indicates that the company is in default or very close to it. Open credit at this point should be strictly a business decision; however, we would strongly advise Security/Contra Agreement or Cash in Advance. This score is appropriate for a company with an equivalent to the low-end non-investment grade rating or default by S&P (D, SD, or CC).