INDICATIVE RATING REPORT: SAMPLE

Company X*

Indicative Rating: AA/STABLE

**This is a sample of an anonymized indicative rating report. Private information has been removed in order not to reveal the identity of the company.*

COMPANY PROFILE

Company X, founded in between 1970 and 1980, is one of the largest and industry leading companies in the United States. It operates across more than x markets nationwide. In fact, it operates in more markets than most of its peers can even dream of. The company's product line is the broadest in its industry and it caters to lower class to upper class.

The company isn't greedy; its growth strategy is a story of its own. In sum, the company benefits from significant scale, geographic diversification, strong market positions, and conservative financial policies, supporting one of the strongest credit profiles – if not the strongest – in its industry.

RATING GRID & SUMMARY RATING CONSIDERATIONS

Corporate Methodology Grid: FY 2025	Letter Grade
Pillar I: Profitability & Scale	
Revenues	
EBITA Margin	
Pillar II: Scale & Business Profile	
Demand Characteristics	
Competitive and Business Profile	
Pillar III: Scale & Business Profile	
Debt/EBITDA	
RCF/Net Debt	
FCF/Debt	
Pillar IV: Financial Policy	
Financial Policy	
Indicative Rating	**AA**

SUMMARY CONSIDERATIONS

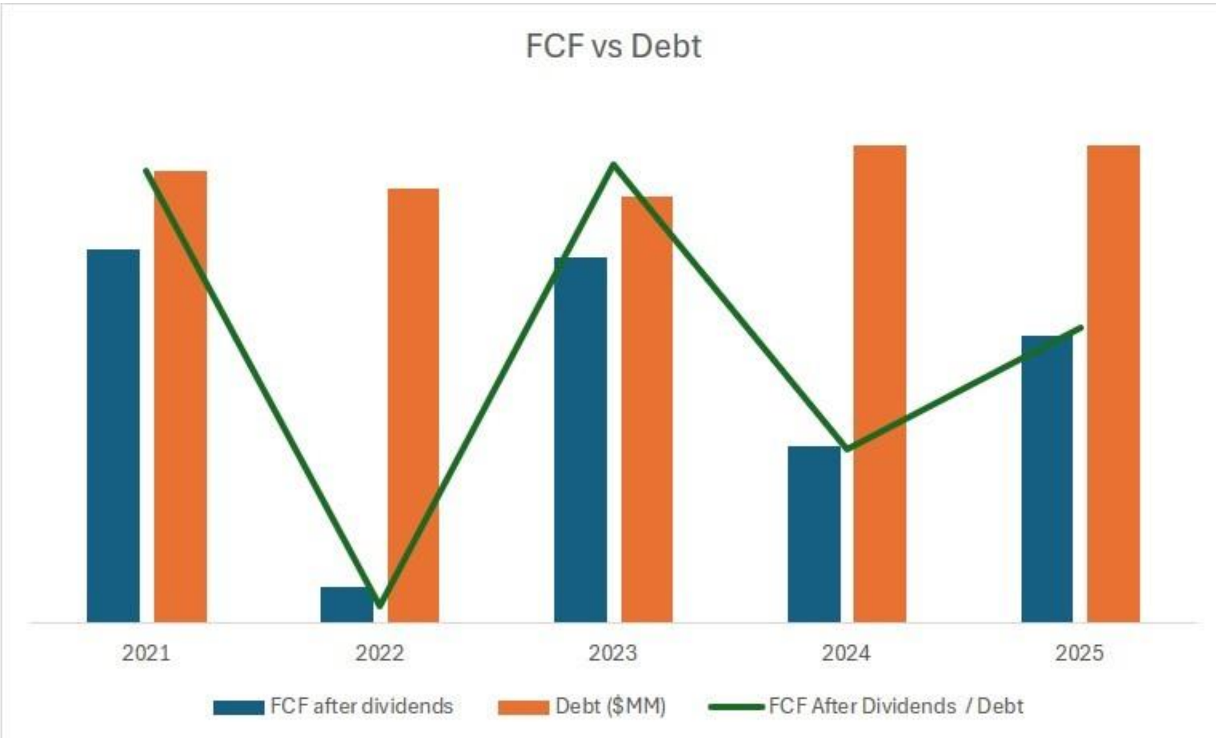
- Superior financial metrics including very high cash flow generation and cash to debt of close to x%
- Industry's leading position
- Prudent financial management
- Stable but cyclical industry
- Has weathered multiple storms in the industry successfully and has expertise that many its peers just don't have.

DETAILED RATING CONSIDERATIONS

STRONG LIQUIDITY AND CREDIT METRICS

X maintains a strong liquidity profile supported by substantial cash balances, consistent free cash flow generation, conservative leverage, and broad access to capital markets. As of fiscal 2025, the company held approximately x billion of cash and cash equivalents against total debt of approximately x billion, resulting in a manageable net debt position of approximately x billion. This provides the company with significant financial flexibility and a substantial cushion against potential market volatility.

The company generates strong internally funded liquidity, with retained cash flow-to-debt of approximately x%, free cash flow-to-debt (without dividends) of approximately x%, and EBITA-to-interest expense exceeding x times. These metrics indicate a strong capacity to service obligations, fund operations, and absorb cyclical pressures without relying on external financing or asset sales.

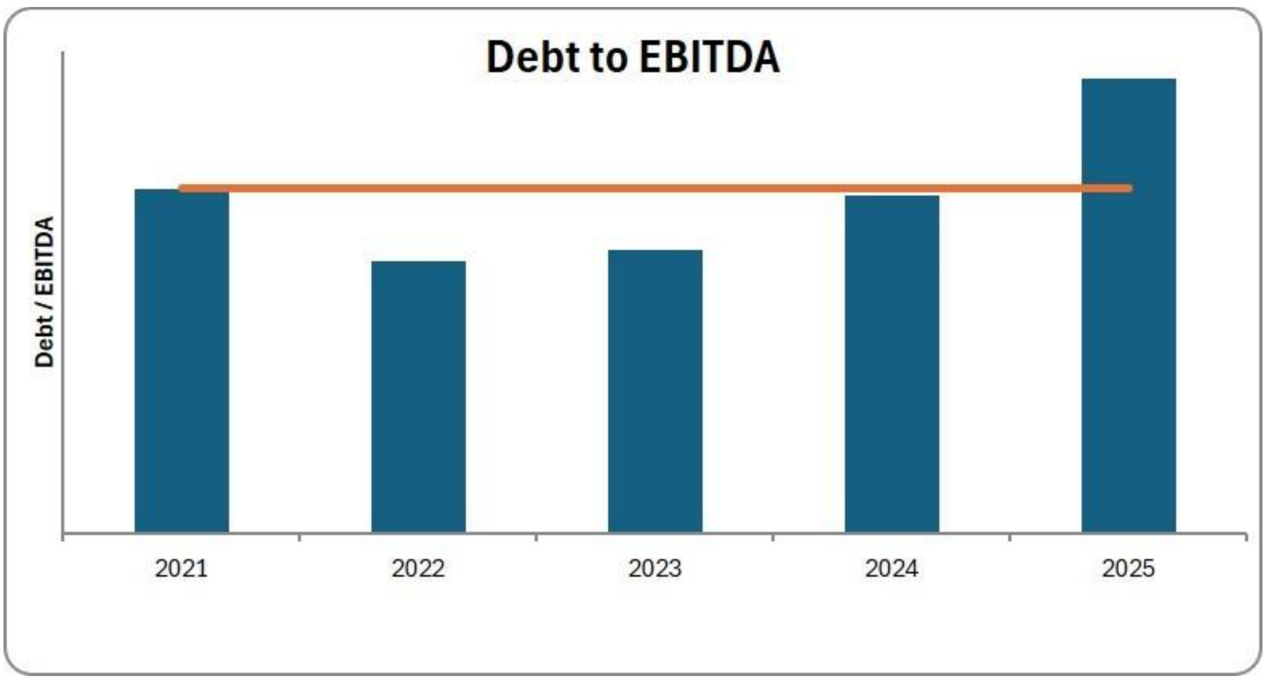


Liquidity is further enhanced by the company's $x billion revolving credit facility, which was undrawn as of fiscal year-end 2025 and provides substantial additional borrowing capacity. The facility matures in year x and serves as a meaningful liquidity backstop. Company maintained ample covenant headroom and was in compliance with all financial covenants, limitations, and restrictions governing the facility, supporting significant financial flexibility and access to contingent liquidity sources. The facility generally does not have traditional quarterly maintenance covenants such as maximum leverage or minimum interest coverage that are continuously tested. The facility is primarily covenant-lite from a financial maintenance perspective, reflecting the company's strong credit profile and substantial liquidity.

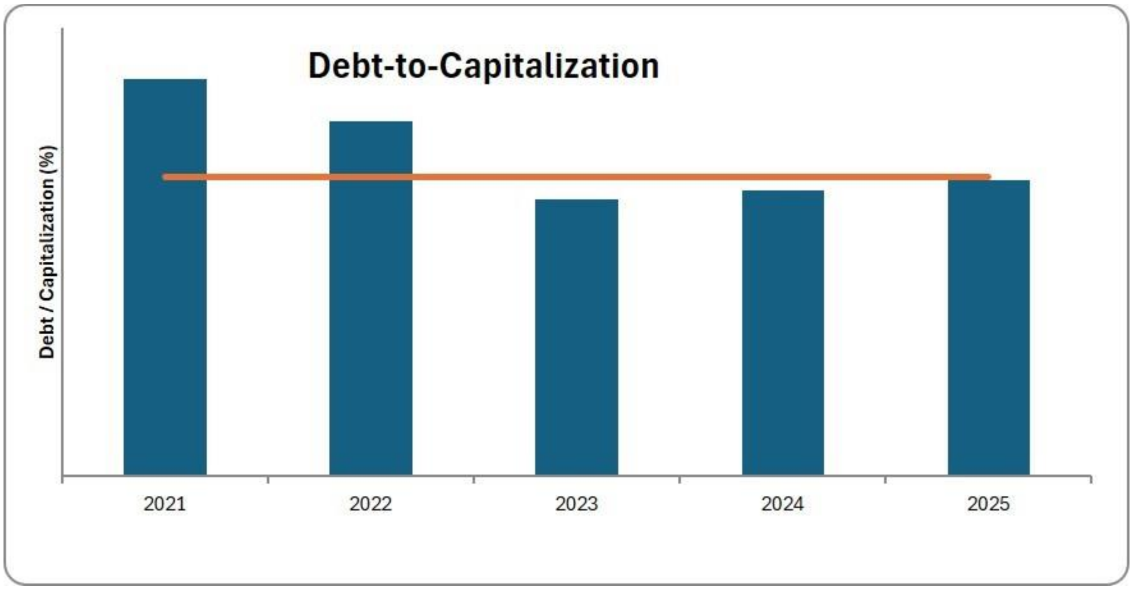
The company's debt maturity profile is well managed, with no significant near-term refinancing pressure.

Liquidity is further supported by demonstrated access to both bank and capital markets, diversified operations across more than x U.S. markets, and a long track record of disciplined financial management. While the company's industry remains inherently cyclical and sensitive to macroeconomic trends, the company's substantial liquidity reserves, conservative balance sheet, and strong cash flow generation position the company favorably relative to peers. Overall, liquidity is considered a key credit strength and provides meaningful protection against adverse industry conditions. Additionally, the industry the company currently operates in is stable.

Furthermore, supporting the company's AA outcome is its ability to consistently maintain its debt to EBITDA at a very narrow and low range. It demonstrates prudent financial management coupled with conservative financial policies and cautions acquisition strategy. For any company in a cyclical industry that is in the midst of consolidating, maintaining leverage at or near 1.0x through is a remarkable credit strength and supports the company's strong financial risk profile.



The company has maintained a conservative capital structure over the last five years, with debt to capitalization generally ranging between 20%-30%. In addition, debt to capitalization has been in a declining trend – albeit rising slightly recently due to several factors but we are confident the company's pro forma debt to capitalization shows numbers that are pari passu with its historical norms. It's debt to capitalization reflects earnings retention, growth in shareholders' equity, and disciplined balance sheet management. Debt represents less than x% of total capitalization in recent years, providing substantial capacity to absorb cyclical downturns and supporting the company's strong financial flexibility.



The company has consistently maintained exceptionally strong interest coverage. Coverage remained well above levels typically associated with strong investment-grade issuers, reflecting the company's conservative leverage profile, robust profitability, and modest financing costs. Even during periods of industry and macroeconomic and elevated interest rates, the company generated more than twenty times the operating earnings required to service its interest obligations, demonstrating substantial financial flexibility and earnings resilience.

INDUSTRY'S LEADING POSITION

The company is among the strongest credits in its sector supported by its industry-leading scale, broad geographic diversification, and disciplined financial management. The company operates nationwide and produces more products than any of its competitors. It provides greater diversification and operating scale than most peers. Credit metrics remain conservative, with debt-to-EBITDA of approximately x, debt-to-capitalization below x%, and

EBITA-to-interest expense exceeding xx, comparing favorably with the majority of publicly traded peers.

Liquidity is a key rating strength. The company maintains approximately $x billion of cash and cash equivalents, an undrawn $x billion revolving credit facility, strong free cash flow generation, and no significant near-term debt maturities. Combined with a conservative financial policy and substantial financial flexibility, these factors position the company to effectively navigate its cyclical industry - albeit currently stable – with relative ease.

PEER GROUP LEADER

Company X compares favorably with its peer group due not only to its conservative financial profile but also its unmatched scale and diversification. The company operates in more markets than any of its peers and in almost all states. It produces more products than any of its peers. By comparison, its closest competitor (company B) produces approximately x products annually across roughly x markets, third closest competitor, company C produces approximately x products across y markets, and company D approximately produces only 10% of products of what company X produces. Rest of the players are even smaller.

FINANCIAL MANAGEMENT

Company X demonstrates a more conservative and disciplined financial management approach than most of its peers. The company has consistently maintained debt to EBITDA near x, debt to capitalization below x%, and strong interest coverage while generating substantial free cash flow through varying housing market conditions. Management has historically balanced growth initiatives, shareholder returns, and balance sheet strength, avoiding excessive leverage even during periods of strong housing demand.

The company’s financial policies are generally comparable to those of only few of its peers, which are also recognized for maintaining conservative balance sheets and strong liquidity. However, company X distinguishes itself through its combination of industry-leading scale and financial discipline, maintaining substantial cash balances, an undrawn revolving credit facility, and limited refinancing risk. The company has demonstrated a willingness to moderate land acquisition activity and preserve liquidity during periods of market uncertainty, reflecting a prudent risk management culture.

The company's conservative leverage profile, strong liquidity position, consistent cash flow generation, and disciplined capital allocation provide significant financial flexibility and support one of the strongest financial risk profiles in this sector. These characteristics position company X favorably relative to peers and enhance its ability to withstand cyclical downturns while continuing to invest in growth opportunities.

The company's acquisition strategy has historically been disciplined. Management's acquisition strategy has generally been conservative and financially disciplined, with transactions funded without materially increasing leverage. The company has focused on acquiring well-established regional operators, experienced management teams. This approach has supported long-term growth while preserving the company's strong balance sheet and liquidity profile.

INDUSTRY CONDITIONS

The industry is stable and benefits from favorable long-term fundamentals.

Despite these favorable long-term dynamics, near-term industry conditions remain

WHAT CAN CHANGE THE INDICATIVE RATING UP/DOWN

Company X indicative rating is currently AA/Stable, and we do not expect it to change in the next 12 to 18 months. If the company can continue to reduce costs in order to expand margins and continue to demonstrate prudent financial policies, this could favorably impact the rating outcome.

The indicative rating could be downgraded if, for example, the company makes a large, transformative debt-financed acquisition with truly achievable synergies 2-3 years away. In addition, any aggressive changes in financial policies may change our view about the company.