July 2026

# VAST Ratings Global Corporate Methodology


Authors

Tiina Siilaberg

Chief Ratings Officer

TSiilaberg@vastratings.com

Daniel Um

Chief AI Architect

DanielUm@vastratings.com


## Summary


This methodology applies globally to companies primarily engaged in the manufacturing of goods and providing services to businesses and consumers across a broad range of industries and end markets. The companies produce a diverse array of products and encompass a highly diverse group of service companies. Companies evaluated under this methodology may operate under a wide variety of business models and serve both industrial and consumer-oriented markets.

A company's primary business classification is generally determined based on the preponderance of its business risks, which are typically proportionate to the relative contribution of revenue, earnings, and cash flow generation. Companies evaluated under this methodology may serve a diverse range of end markets, including energy, medical, agriculture, construction, automotive, aerospace and defense, and other industrial and consumer sectors. Additionally, the services sector encompasses a highly diverse group of companies united primarily by the service-oriented nature of their offerings and includes providers of business process outsourcing, information technology outsourcing, healthcare outsourcing, staffing, and real estate-related services, among others.

This methodology outlines the general analytical framework used to assess the credit risk profiles of companies within the sector, including the key quantitative and qualitative considerations that may influence rating outcomes.

VAST Ratings

## Analytical Framework Overview

The methodology is built around four analytical pillars:

(I) Profitability and Size
(II) Scale and Business Profile
(III) Leverage and Coverage
(IV) Financial Policy

Each pillar captures distinct but interdependent dimensions of credit strength. The overall assessment is produced through a multiplicative scoring framework, ensuring that material weaknesses in one area constrain the final outcome. This approach reflects the systemic nature of credit risk, where fragility in one component can compromise overall stability.

This structure provides consistency and comparability across issuers while maintaining flexibility to accommodate sector-specific differences. It is designed to be transparent, replicable and adaptable as the financial landscape continues to evolve.

## Pillar I: Profitability and Size

A company's profitability is an important consideration because it supports the generation of sustainable cash flow and serves as an indicator of the strength of its competitive position. Profitability also provides insight into a company's ability to effectively manage input and operating costs, as well as its capacity to pass through cost increases to customers, which are key indicators of the long-term sustainability of its business model. Strong profitability and operating efficiency may enhance a company's ability to withstand economic pressures and cyclical downturns while maintaining its competitive position and credit profile.

This pillar is based on two metrics:

1) ***EBITA Margin***: the ratio of earnings before interest, taxes and amortization (EBITA) to revenue.
2) ***Revenue***: total reported revenue (in some cases forward-looking expectations)

| | Revenue (in billions of USD) | EBITA Margin (EBITA / Revenue) |
|---|---|---|
| AAA | ≥ $50 | ≥ 40% |
| AA | $25 - $50 | 40%-30% |
| A | $9 - $25 | 30%-20% |
| BBB | $4 - $9 | 20%-15% |
| BB | $1 - $4 | 15%-10% |
| B | $0.75 - $1 | 10%-5% |
| CCC | $0.25 - $0.75 | 5%-0% |
| CC | $0.25 and lower | 0% and lower |

## Pillar II: Scale and Business Profile

A company's business profile is an important consideration because it significantly influences its ability to generate sustainable earnings and operating cash flow over time. In evaluating a company's business profile, we consider the underlying demand characteristics of its service offerings, including the breadth, durability, and resilience of customer demand. Companies with a long-established track record of providing a diversified portfolio of services that are critical to customer operations or consumer needs generally exhibit lower business risk than companies that rely on a narrower range of services with less essential demand characteristics or a more limited operating history.

A company's market position is an important indicator of its resilience to economic downturns and competitive pressures. A leading or well-established market position may reflect successful investments in manufacturing capabilities, technology, research and development, and operational expertise, which can translate into sustainable competitive advantages. Strong market positioning may also indicate differentiated products or services, enhanced pricing power, stronger negotiating leverage with customers and suppliers, and potentially more favorable working capital dynamics, including advance customer payments or improved payment terms. In addition, market leadership may reflect meaningful barriers to entry that help preserve a company's competitive standing over time.

Companies with diversified product and service offerings across a broad range of end markets generally benefit from greater stability in revenue, margins, and cash flow generation, as different products and industries may be subject to varying economic and industry cycles. Companies with a significant proportion of recurring revenue, including revenue derived from long-term contracts or service agreements, may also benefit from greater revenue visibility and reduced cash flow volatility. Exposure to a mix of more stable and more cyclical end markets can provide balance within the business profile by allowing growth opportunities in cyclical industries while mitigating downside risk during periods of economic weakness. Product, customer, and end-market diversification may also reduce dependence on any single customer or industry segment, thereby limiting concentration risk. Geographic diversification further supports stability because economic conditions, currency movements, and demand trends often vary across regions and countries.

A company's cost structure and ability to effectively manage costs are also important indicators of its resilience through industry and economic cycles. Companies with flexible cost structures and effective cost controls are generally better positioned to preserve profitability during periods of changing demand or rising input costs. Manufacturers with strong supply chain management, broad sourcing capabilities, and geographically diversified production footprints may be better able to mitigate fluctuations in labor, transportation, and raw material costs by shifting sourcing or production to lower-cost locations. Companies with broader operational footprints often demonstrate greater flexibility and operational resilience than companies with more concentrated manufacturing operations.

Competitive dynamics within the markets in which a company operates are also important considerations. Factors such as proprietary capabilities, specialized expertise, barriers to entry, and strong market positioning may contribute to enhanced pricing power, revenue stability, and more sustainable cash flow generation. In addition, diversification across business segments, customer groups, and geographic markets may support a company's ability to maintain a stable and competitive market position over time.

This pillar is based on:

1) **Demand Characteristics**
2) **Business and Competitive Profile**

## *Demand Characteristics*

This demand characteristics subfactor/pillar evaluates the durability and stability of demand for a company's offerings. The assessment considers a range of factors that may influence demand, including, but not limited to, demand stability, differentiation of service offerings, and the importance of the services to customers.

Products and services that are considered essential or mission-critical generally demonstrate more stable demand and lower volatility across business and economic cycles. Companies with a long operating history of consistent demand and recurring customer relationships through varying industry conditions are typically viewed more favorably from a credit perspective.

We also evaluate the degree to which a company's product and service offerings are differentiated from those of competitors. Companies with unique, difficult-to-replicate capabilities, proprietary expertise, specialized assets, or strong reputations may be better positioned to retain and expand their customer base, support pricing power, and preserve margins. Strong differentiation can contribute to enhanced revenue visibility, stable cash flow generation, and stronger operating performance. Additionally, differentiated capabilities in one business line may strengthen a company's competitive position across related service offerings. Conversely, companies providing more commoditized or undifferentiated services may face greater competitive pressure, reduced pricing flexibility, and more volatile earnings and cash flows.

We further assess the importance of the services provided to customers and the likelihood that demand will remain sustainable over time, including consideration of technological developments or evolving business practices that could affect long-term demand. Higher assessments are generally associated with services that are essential to customer operations or linked to regulatory requirements, established industry practices, ongoing business necessities, or fundamental consumer needs. We also consider the extent to which customers face operational, financial, or technical barriers to internally replicating the services provided.

## *Competitive Profile*

This subfactor/pillar evaluates the competitive environment in which a company operates, with emphasis on factors such as business and product diversity, the nature of competition, and market position. The analysis typically focuses on the company's most significant competitive characteristics and often includes relative comparisons with key industry peers.

We assess the breadth of a company's business activities, including the number of significant business segments, the range of services offered, and the diversity of its end markets, customer base, and geographic exposure. Companies with broader diversification across services, industries, and regions generally demonstrate greater resilience and stability in operating performance than companies with a narrower strategic focus. In contrast, companies concentrated in a single market, customer segment, or geographic region may be more exposed to competitive pressures, cyclical downturns, or localized economic disruptions, which can contribute to greater volatility in earnings and cash flow.

We also evaluate the structural characteristics of the markets in which the company operates. Companies operating in markets with oligopolistic characteristics or meaningful barriers to entry may benefit from lower competitive intensity and stronger pricing power. Barriers to entry may include high switching costs, proprietary technologies, specialized expertise, unique assets, regulatory requirements, or established customer relationships that limit the threat of new entrants.

Market position and market share are additional considerations in assessing competitive strength. Companies with leading or well-established market positions are generally better positioned to withstand adverse market conditions and sustain operating performance over time. Competitive advantages supported by intellectual property protections, licensing arrangements, technological leadership, or strong brand recognition may further reinforce the durability of a company's business profile and competitive standing.

| | Demand Characteristics | Business and Competitive Profile |
|---|---|---|
| **AAA** | Highly reliable and stable demand with minimal sensitivity to economic cycles. Segments highly differentiated and supported by a long-established track record of performance. Products and/or services are essential. | Dominant market positions across nearly all business segments globally, supported by exceptionally stable and diversified end markets and consistently stable revenue and margin performance. |
| **AA** | Steady demand, with moderate exposure to economic cycles. Segments exhibit very strong competitive differentiation and a well-established track record. Products and/or services are mostly essential. | Strong market positions across most business segments globally, supported by highly stable end markets and consistently stable revenue and margin performance. The company maintains a highly diversified portfolio of products across multiple business segments and operates with a highly efficient and effective cost structure. |
| **A** | Predominantly stable demand, with moderate sensitivity to economic cycles. Service lines are highly differentiated and supported by an established operating track record. Products and/or services are viewed as highly important to customers. | Strong market positions across most business segments globally, supported by highly stable end markets and consistently strong revenue and margin stability. The company maintains a highly diversified product portfolio spanning multiple business segments and benefits from a highly efficient and effective cost structure. |
| **BBB** | Stable demand, with moderate exposure to economic and industry cycles. Product and/or service lines demonstrate meaningful differentiation and are important to customers | Strong market positions across most core business segments, with moderately stable revenue and margins supported by end markets that demonstrate solid long-term demand but experience short-term volatility. The company maintains a diversified product portfolio concentrated within one or two business segments. Input costs show some volatility, though effective cost management substantially mitigates the impact on margins. |
| **BB** | Stable demand expected only in the near term, with significant exposure to economic and industry cycles. Service lines show some differentiation and a relatively recent operating track record. The offerings are viewed as moderately important to customers. | Operates in one or a limited number of business segments with leading market positions but could face longer-term competitive pressures. Revenue and margins are subject to volatility due to end markets characterized by moderate short-term fluctuations. The company maintains a somewhat concentrated product portfolio, while input costs are volatile and cost management only partially offsets their impact on margins. |

| | | |
|---|---|---|
| **B** | Durability across economic cycles remains uncertain. Product and service lines exhibit limited differentiation and are not essential to customers. | Operates in a highly competitive and fragmented market. May face difficulty defending its market position. The company is exposed to high revenue and margin volatility driven by end markets characterized by significant short-term fluctuations. The company maintains a concentrated product portfolio, while input costs are highly volatile and there is limited ability to mitigate their impact on margins. |
| **CCC** | New service offering with an uncertain demand. Limited product differentiation | Operates in an intensely competitive and highly fragmented market marked by significant product substitution risk, resulting in extremely high and highly unpredictable revenue and margin volatility due to weak and highly cyclical end markets. The company has a very limited product offering, often concentrated in a single or a small number of products. Input costs are highly volatile, and the company has virtually no ability to offset or mitigate the resulting impact on margins. |
| **CC** | New service offering with an uncertain demand. No product differentiation. | Unproven and highly uncertain demand outlook over time.  Very competitive market. The products and services are essentially undifferentiated, with no clear competitive advantage or distinguishing features relative to alternatives. It is considered of minimal importance to customers and is unlikely to be critical to their operations or decision-making. |

## Pillar III: Leverage and Coverage

Leverage and debt service coverage are important indicators of a company's financial risk tolerance and overall financial profile. The level of leverage provides insight into a company's financial flexibility, its capacity to pursue growth and investment opportunities, and its ability to meet ongoing debt service obligations. Strong debt service coverage and moderate leverage generally support greater resilience through economic and industry cycles, while elevated leverage may constrain financial flexibility and increase vulnerability to operating or market disruptions.

This pillar is based on four subfactors:

1) **Debt / EBITDA**: ratio of total debt to earnings before interest, taxes, depreciation and amortization (EBITDA).

2) **FCF / Debt**: ratio of free cash flow (FCF) to total debt.
3) **RCF / Net Debt**: retained cash flow (RCF) to net debt.
4) **EBITA / Interest Expense**: ratio of earnings before interest, taxes and amortization (EBITA) to interest expense.

| | Debt / EBITDA ~12.5% | RCF / Net Debt ~12.5% | FCF / Debt ~12.5% | EBITA / Interest Expense ~12.5% |
|---|---|---|---|---|
| AAA | $\leq$ 0.5x | $\geq$ 70% | $\geq$ 25% | $\geq$ 20x |
| AA | 0.5x - 1x | 50% - 70% | 20% - 25% | 15x - 20x |
| A | 1x - 2x | 50% - 40% | 15% - 20% | 10x - 15x |
| BBB | 2x - 3.5x | 40% - 25% | 10% - 15% | 6.5x - 10x |
| BB | 3.5x - 4.75x | 15% - 25% | 7.5% - 10% | 3.5x - 6.5x |
| B | 4.75x - 6.5x | 7.5% - 15% | 5.0% - 7.5% | 1.25x - 3.5x |
| CCC | 6.5x - 8.5x | 0% - 7.5% | 0% - 0.5% | 1.25x - 0.25x |
| CC | 8.5x and higher | 0% and lower | 0% and lower | 0.25x and lower |

## Pillar IV: Financial Policy

Financial policy is an important determinant of credit quality because it directly influences a company's debt burden, strategic direction, exposure to financing risk, and overall capital structure stability. It reflects management's and the board's tolerance for financial risk as well as their commitment to maintaining a strong and sustainable credit profile over time.

A company's financial risk tolerance also serves as a key guide for investment decisions and capital allocation priorities. Liquidity management is an important component of financial policy and can provide insight into risk appetite.

We evaluate a company's financial policy based on its targeted or desired credit profile and capital structure, as well as its demonstrated ability to achieve and maintain those objectives. We also consider factors such as organizational complexity, transparency, historical discipline in risk and liquidity management, and the consistency of management's actions relative to stated financial commitments. In addition, we assess how management deploys operating cash flow across different phases of economic and industry cycles, and how it responds to key external developments, including changes in credit markets, liquidity conditions, legal or regulatory pressures, and competitive dynamics.

In assessing event risk within financial policy, we consider the likelihood and potential impact of transformative transactions such as mergers and acquisitions or other balance-sheet-altering activities. This includes evaluating management's appetite for M&A, the nature of transactions pursued (for example, core business expansion versus diversification into new areas), and related financing choices. We also consider the frequency and materiality of past acquisitions and financing decisions, where a pattern of debt-funded or credit-transforming transactions may weigh negatively on the assessment. In addition, we may consider a company's openness to being acquired and the potential implications of such an outcome, including leveraged buyout scenarios.

We further evaluate the historical balance between shareholder returns and protection of debtholder interests. A consistent track record of prioritizing shareholder distributions at the expense of creditors is generally viewed negatively in the assessment of financial policy.

| | |
|---|---|
| AAA | Expected to maintain extremely conservative financial policies, with consistently very stable credit metrics and a clear public commitment to sustaining a very strong credit profile over the long term. |
| AA | Expected to maintain very conservative and stable financial policies over time, supported by consistently stable credit metrics and disciplined capital allocation. Event risk is minimal and unlikely to result in a material change to the rating. The company maintains a clear and sustained commitment to preserving a strong credit profile over the long term, with financial decisions aligned to credit stability. |
| A | Expected to follow generally predictable financial policies that prioritize the protection of creditor interests and financial stability over time. Although modest event risk may exist, any resulting impact on leverage or credit metrics is expected to be contained and temporary in nature. The company maintains a clear and sustained commitment to preserving a solid credit profile, with financial decisions broadly consistent with that objective. |
| BBB | Expected to pursue financial policies that seek to balance the interests of both creditors and shareholders, with capital allocation decisions reflecting a moderate trade-off between financial discipline and shareholder returns. However, there is some risk that debt-funded acquisitions, share repurchases, or other shareholder distributions could weaken the credit profile if executed more aggressively or during less favorable conditions. |
| BB | Expected to pursue financial policies that tend to prioritize shareholder returns over creditor protection, reflecting a higher tolerance for financial risk. This may lead to increased leverage or more aggressive capital allocation through shareholder distributions, acquisitions, or other significant changes to the capital structure, potentially resulting in elevated pressure on the credit profile over time. |
| B | Expected to follow financial policies that clearly prioritize shareholder returns over creditor protection, reflecting a high tolerance for financial risk. This stance may result in sustained elevated leverage and a greater likelihood of aggressive shareholder distributions, acquisitions, or other material capital structure changes, which can place ongoing pressure on the credit profile and increase the risk of deterioration over time. |
| CCC | Expected to maintain financial policies that expose the company to a high likelihood of debt restructuring under a wide range of economic conditions. This reflects an aggressive financial risk posture that leaves limited capacity to absorb shocks, increasing the probability that financial stress could necessitate significant balance sheet adjustments, including potential restructuring of obligations. |
| CC | Expected to follow financial policies that result in a persistently elevated risk of debt restructuring, even during periods of generally supportive economic conditions. This indicates an extremely aggressive financial risk profile with very limited financial flexibility, where leverage and capital structure decisions leave little buffer to absorb shocks, making distress-driven refinancing or restructuring more likely even in stable environments. |

## *Other Credit Considerations*

Ratings may reflect additional factors that are not explicitly captured in the rating pillars and subfactors. Such factors may include the quality of financial reporting and internal controls, corporate legal structure, management quality and experience, governance practices, and environmental and social considerations. Other influences may include exposure to uncertain regulatory or licensing regimes, potential government intervention in certain jurisdictions, as well as risks related to litigation, liquidity, technology disruption, reputation, evolving consumer and business demand patterns, competitor behavior, and broader macroeconomic conditions.

### *Key factors included in "other credit considerations"*

***Liquidity:*** liquidity is a key rating consideration across all companies, and weak liquidity can materially constrain ratings. Liquidity analysis is particularly important in sectors with significant short-term funding requirements, including those driven by seasonality or working capital volatility. We assess liquidity by evaluating both internal and external sources of capital and cash.

***Environmental, Social and Governance (ESG) Impact:*** If ESG factors are material to credit profiles, we incorporate them into the analysis. Even where ESG risks are not directly reflected in scorecard metrics, or cannot be reliably quantified, they may still be incorporated qualitatively when they are relevant to credit outcomes. Regulatory frameworks in developed markets may reduce the likelihood of unexpected environmental liabilities, while operations in jurisdictions with less stringent standards may face lower compliance costs but higher long-term remediation risk.

The ability to pass through regulatory or compliance-related cost increases varies by business model. Companies focused on high value-added products and services generally have greater pricing flexibility, whereas manufacturers of more commoditized products may need to absorb such costs. In addition, some sectors may face elevated environmental exposure due to evolving emissions standards and shifting demand toward lower-carbon technologies. Social considerations primarily relate to labor conditions, workforce availability, and product safety. A shortage of skilled labor, including engineers and technical specialists, may constrain operational capacity or innovation. Certain industrial activities may also involve occupational health and safety risks. Product recalls, design defects, or supply chain disruptions may further affect performance.

*Non-Wholly Owned Subsidiaries and Joint Ventures*: Partial ownership of subsidiaries can affect financial flexibility and cash flow availability at the parent level. While consolidated financial statements may reflect full revenue and EBITDA, minority interests may reduce the parent's share of cash flows and increase structural subordination. Restrictions on dividends, cash pooling, or governance arrangements may further constrain flexibility. If material, we may adjust analytical views using proportional consolidation or other approaches to better reflect credit implications at the parent level.

*Parent Support:* ownership structures may provide rating uplift where a financially strong parent is likely to provide support in times of stress. The assessment considers strategic importance, historical support behavior, and financial capacity of the supporting entity. Conversely, strong dividend requirements or financial dependence on the subsidiary may weaken credit outcomes.

## *Surveillance and Ongoing Monitoring*

### *Upgrades and Downgrades*

Upgrade Triggers: Sustained improvements across multiple pillars, such as longer/stronger committed funding, reduced leverage with better coverage and durable franchise strengthening (e.g., market-share gains, governance enhancements).

Downgrade Triggers: Weakening liquidity coverage or maturity bunching without credible remedies, rising leverage or capital quality deterioration, risk-appetite drift, governance setbacks, or adverse regulatory/judicial actions. Model-indicated lower bands, corroborated by forward indicators, typically precede rating changes.

### *Frequency and Scope*

All rated corporates are subject to surveillance. The annual cycle typically involves a full update of financial statements, capital metrics and funding profiles, along with a refreshed assessment of qualitative pillars such as governance and franchise strength. Between formal review cycles, interim updates may occur as new information becomes available. Enhanced frequency, e.g., quarterly or due to company specific events, may apply to issuers with heightened credit sensitivity, complex funding structures, or rapid growth trajectories.

### *Data Collection and Review Process*

Surveillance begins with the submission and validation of the "data pack," which includes audited and interim financial statements, debt maturity ladders, covenant-compliance certificates, portfolio-level statistics and management commentary. Where feasible, quantitative data (e.g., asset quality ratios, leverage, liquidity coverage) are programmatically ingested to refresh model outputs and flag deviations from baseline projections. Analysts reconcile these updates against prior expectations, with particular attention to funding diversification, capital buffers and asset-liability mismatches. Qualitative inputs including management turnover, strategy shifts, regulatory changes are captured through periodic issuer engagement and industry monitoring.

### *Event-Driven Reviews*

Outside the normal cycle, ratings are subject to immediate re-evaluation if developments arise that could reasonably alter the issuer's creditworthiness. Triggers may include significant debt issuance or repayment, covenant breaches, deteriorating portfolio performance, regulatory investigations, mergers or divestitures, or systemic market dislocation. Such reviews may result in a rating affirmation, change, or placement on watch. Placement on a Rating Watchlist signals an elevated probability of near-term rating action and includes an explicit directional bias (Positive, Negative, or Evolving). Ratings that are placed on watchlist should be resolved within 90-days.

### *Credit Outlooks*

Outlooks provide forward-looking guidance on the likely rating direction over the next 12 to 18 months under base-case assumptions. A Stable outlook reflects balanced risks, Positive indicates improving fundamentals, and Negative points to emerging pressures on fundamental performance, on liquidity, capital, or governance. Outlook revisions are typically based on structural, rather than transitory, developments and are accompanied by a written rationale describing the key assumptions and catalysts that could lead to future rating changes.

### *Governance and Consistency*

Each surveillance action affirmation, outlook revision, placing on watchlist, upgrade, or downgrade is subject to internal peer review and rating-committee approval. Committees ensure consistent application of criteria and weighting frameworks, especially across comparable corporates with similar business models or geographic exposure. This governance process strengthens transparency, mitigates analyst bias and ensures ratings remain anchored in the methodology's quantitative and qualitative parameters.

***Contact***

info@vastratings.com

***Authors***

Tiina Siilaberg

Chief Ratings Officer

TSiilaberg@vastratings.com

Daniel Um

Chief AI Architect

DanielUm@vastratings.com