July 01, 2025

Corporate Credit Opinion Regression Model (CCORM)

Model Summary Document (MSD)

1. Model Purpose and Description

The purpose of the Corporate Credit Opinion Regression Model (CCORM) is to obtain the ordinal logistic regression parameters from the relationship of a series of key financial variables described in the criteria report to the historical credit opinions. The coefficients are then used in the associated Rating Model: Corporate Credit Opinion Model (CCOM).

The final model includes four variables: total leverage; average interest; the EBITDA margin; and revenue. Coverage was considered but rejected due to counterintuitive coefficient signs.

2. Model Assumptions

The assumptions in the model are described in Fitch's criteria

- Corporate Rating Criteria

3. Model Inputs

The model inputs are obtained from Fitch's internal database. They include historical financial information and credit opinions available from 2018 to 2023 inclusive across 28 CLO sectors. The model development focus on five financial variables:

- Leverage = Total Debt / Fitch Adjusted EBITDA
- Coverage = Fitch Adjusted EBITDA / Interest Expense
- EBITDA Margin = Fitch Adjusted EBITDA / Revenue
- Average Interest = Interest Expense / Total Debt
- Revenue, in 100s

4. Model Development Data

See Model Inputs section above.

5. Model Limitations

The model is intended only to be applied to industrial (i.e. non-financial) leveraged finance companies, typically in the mid-market in the US, for Credit Opinion purpose.

6. Material Changes

The current model version is 1.2.x. Any future material changes will be disclosed in this section.

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