



DEHY RESEARCH · METHODOLOGY

# The DEHY Credit Health Model

A transparent, filing-driven read on an issuer's ability to service its debt

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### ABSTRACT

The DEHY Credit Health Model is a 0–100 score that summarizes an issuer’s capacity to service its debt, derived deterministically from as-reported financial statements and live filing events. It is built on absolute, rating-agency-grounded thresholds — so the number means the same thing for one issuer in isolation — and it degrades gracefully when data is incomplete. Like every DEHY signal, it is a triage read for analysts, not a credit rating and not a default-probability estimate.

## 01 Introduction

DEHY structures the public record around an issuer — insider transactions, institutional ownership, activist positions, material events, and a decade of financial statements. The Credit Health Model extends that 360° view to the right-hand side of the balance sheet: a single, interpretable read on whether a company can comfortably carry and refinance its obligations.

The design goal is transparency. The score is computed from disclosed financials and filings with published thresholds; there is no opaque model and no machine-learning black box. An analyst can reconstruct any score by hand from the same inputs we show alongside it.

## 02 Philosophy

- **Triage, not rating** — The score ranks where to look first and flags deterioration. It is not a substitute for a credit rating or a covenant-level credit analysis.
- **Absolute, not relative** — Thresholds are anchored to S&P/Moody's cash-flow-to-debt and leverage norms, so a score of 80 means the same thing in any sector and any year — unlike a purely cross-sectional rank that drifts with the universe.
- **Graceful degradation** — Each component is computed only where its inputs exist; the headline is the weighted average over whatever is available, with thin-data cases flagged.
- **Cash flow first** — The largest weight sits on cash-flow-to-debt — the closest public-data analog to the funds-from-operations-to-debt ratio that anchors agency methodology.

## 03 Model Architecture

The headline is a weighted blend of five sub-scores, each mapped from a financial ratio to a 0–100 value through published piecewise bands, plus an event overlay that caps or penalizes the score for adverse filing events.

Sub-score	Weight	Measure
Cash flow / debt	35%	Operating cash flow ÷ total debt (FFO/debt analog)
Leverage	25%	Total liabilities ÷ total assets
Liquidity	15%	Cash & equivalents ÷ debt
Profitability buffer	15%	Operating margin
Trend	10%	Year-over-year deleveraging and coverage direction

Figure 1 — Sub-score weights and what each measures.

The event overlay reads recent filings: an 8-K reporting bankruptcy (Item 1.03) caps the score near the floor; a debt-acceleration or triggering event (Item 2.04) or a listing-deficiency notice

(Item 3.01) applies a penalty and a cap; negative shareholders' equity caps the score; and recent insider purchases add a small solvency-confidence nudge.

## 04 Data and Analytics

- **Financials** — As-reported annual statements from SEC XBRL company facts, point-in-time, with a reporting-availability lag so no figure is used before it was public.
- **Events** — Structured 8-K items (1.03 / 2.04 / 3.01) and Form 4 insider purchases, matched to the issuer.
- **Computation** — Scores are derived at read time, never stored, so they always reflect the latest as-reported figures and the most recent filings.

## 05 Validation

Without any tuning to fit, the model orders a cross-section of well-known issuers the way a credit desk would — cash-rich technology names at the top, levered media and autos in the middle, and negative-equity or cyclically-distressed names at the bottom.

Issuer	Score	Label	Read
NVDA	94	Strong	Cash flow many multiples of debt
MSFT	87	Strong	Low leverage, deep coverage
AAPL	74	Solid	Levered by buybacks, large coverage
WBD	48	Leveraged	Stretched media credit
GM / F	47 / 27	Leveraged / Stressed	High-leverage autos
AAL	25	Stressed	Negative equity flagged
LUMN / RIG	17 / 2	Distressed	Negative equity / deep losses

Figure 2 — Illustrative scores (latest fiscal year, as of June 2026).

## 06 Strengths and Limitations

- **Transparent** — Every score is reproducible by hand from the disclosed inputs shown beside it.
- **Absolute and comparable** — Rating-grounded bands make scores comparable across sectors and over time.
- **Limitation — coverage** — Some issuers (notably banks and auto-finance arms) report debt under XBRL tags that thin out the cash-flow-to-debt component; those cases fall back to balance-sheet leverage and are flagged.

- **Limitation — annual cadence** — The fundamental base updates on the 10-K/10-Q cycle. Intra-period credit deterioration is captured by the event overlay, not the statements.
  - **Not a rating** — The model has no access to covenants, indentures, ratings, or market-implied default risk. It is a screening read, not a credit opinion.
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## DISCLOSURES

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