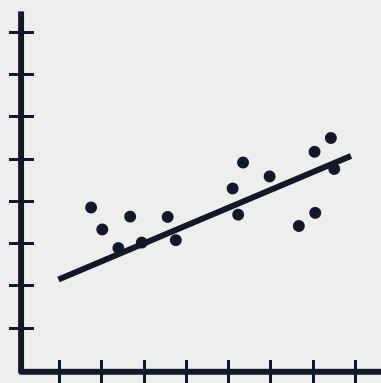




Intercompany Financing

Three Comparability Adjustments

Term/ Tenor



Addressing Term Differences

- *Calibrate Selection*: Pick comparables with terms aligned to the tested transaction.
- *Adjust via Yield Curves*: estimate a yield curve for selected comparables using a regression, then adjust selected comparable yields to match the tested transaction's term.

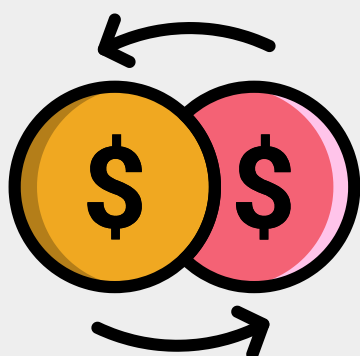
Fixed vs Floating Interest Rates



Interest Rate Swaps

Most corporate bonds are fixed-rate. For floating-rate intercompany financing, start with a fixed-rate benchmark and use a fixed-to-floating swap to determine the spread over the floating benchmark (e.g., SOFR, EURIBOR).

Currency



Cross-Currency Swaps

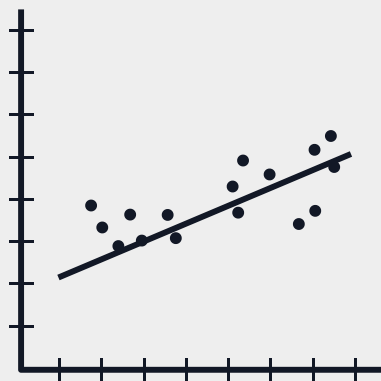
The USD bond market is the most liquid. When local currency data is lacking, cross-currency swaps can convert USD benchmarks into arm's length rates for harder-to-benchmark currencies by swapping cash flows at market swap rates for the same maturity.



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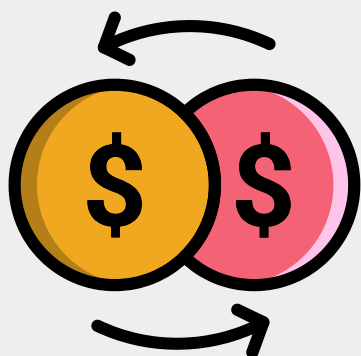
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