

## Advanced Corporate Credit

A three-day programme for experienced bankers, fund managers and credit professionals seeking to build on their existing skill base. The emphasis is on developing critical judgement; participants are required to be focused, practical and realistic in their approach.

### TARGET AUDIENCE

Experienced lending bankers, fixed income professionals and fund managers involved in the provision of credit.

Participants should have a firm grasp of accounting and have credit experience before attending this program.

### COURSE OBJECTIVES

To revise and enhance analytic skills in order that participants will become:

- Structured and focused when analyzing corporate credit risk
- More effective in assessing a company's business model and the appropriateness of its capital structure
- Equipped to critique the terms and conditions of credit instruments to ensure they reflect the company's commercial needs and protect the debt provider's position

The course makes extensive use of case studies, live examples and exercises, drawn from a number of countries and industries. The training is highly interactive, practical, topical and challenging.

### CONTENT

#### STRUCTURED ANALYTIC APPROACH

- Determining the purpose: the potential for subordination
- Payback: Assessing availability of repayment sources
- Evaluating risks to repayment: uncovering the risks that could jeopardize repayment.
- Structure: evaluating the risks in the exposure profile, ranking, safeguards and pricing

#### RATINGS AND RELATIVE VALUE

- Corporate debt ratings – overview of criteria and analytic approaches
- Impact of ratings on market access, refinancing and debt structures
- Impact of cyclicity on default and recovery rates
- Appropriate levels of return: why bonds might trade “outside” their rating

#### STEPS 1 AND 2: PURPOSE AND PAYBACK

- Purpose: Payback: challenges to identifying and analyzing credit risk
- Identifying sources of payback

#### STEP 3: RISKS TO REPAYMENT

##### Operating environment

- The impact of business dynamics on financial statements
- Sector specific drivers and a company's ability to sustain a competitive advantage
- Sector specific measures of performance

##### Evaluating business risk

##### Asset investment and earning dynamics

- Evaluating the business model
- Using peer analysis to bench-mark performance: ratio and cash-flow tools
- Looking beyond EBITDA to quantify performance

- Sustainability of EBITDA and free cash-flow through economic and business cycles

##### Forecasting business requirements

- Key industry drivers and company specific variables
- Assessing forecasts: operating performance and investment requirements

##### Evaluating financial risk

##### Financial strategy

- Using business risk to gauge the appropriate level of financial risk
- Understanding a company's financial strategy: ratings targets, shareholder value considerations and access to markets

##### Liquidity

- A practical approach to evaluating liquidity and financial flexibility
- Causes of liquidity squeezes; anticipating a company's ability to react

##### Solvency (ability to service debt)

- Leverage ratios versus cash-flow tools
- Using discounted cash-flows to quantify a company's debt capacity
- Anticipating future borrowing requirements and potential over-reliance on market access and refinancing

##### The credit implications of different forms of capital

- Debt products: distinguishing features of strong versus weak credits
- The effect of market conditions on capital raising
- Bank debt versus bonds: terms and conditions compared

##### Assessing management and shareholders

- Corporate aims and goals: the effect on creditworthiness
- Management competence: evaluating and measuring performance
- Shareholder structure, support and influence

#### STEP 4: DEBT STRUCTURE

- Framework for assessing debt instruments: profile, seniority, safeguards, pricing
- The potential for legal, structural and economic subordination
- Evaluating terms and conditions.

### Learning Paths

