

Finance & Leasing Companies Analysis

A one-day workshop offering an insight into the credit analysis of captive and independent finance companies and specialist leasing companies.

The workshop uses a structured approach and cases are tailored to the market where it is run.

TARGET AUDIENCE

An intermediate credit course for experienced commercial, investment banking and fixed income professionals responsible for credit risk management, origination, or fixed income investment, sales / trading. Participants with less experience in the analysis of financial statements may wish to attend the two-day Introduction to Bank Financial Statements course, which leads into this workshop.

COURSE OBJECTIVES

Participants will be equipped to:

- Distinguish the key business and financial risks for the different types of finance and leasing company: captive, consumer, sales finance, credit card, mortgage and operating and finance lease companies
- Identify strong and weak performers using benchmarks for the key asset quality, earnings, liquidity and capital adequacy indicators
- Use market indicators, quantitative and qualitative analysis to and detect early signals of changing credit quality
- Evaluate financial statements to uncover key credit issues and the impact of differing accounting policies.

CONTENT

ANALYTIC OVERVIEW

- Perspective on finance and leasing companies - rating agencies, debt and equity investors
- Purpose payback model - dependence of finance companies on debt capital markets for refinancing
- Risks to repayment - sector and company-specific analysis
- Structure - Protecting lender's interests: warehouse and borrowing base facilities and other structural issues

OPERATING ENVIRONMENT

- Key risks and competitive issues by sub-sector - sales finance, direct finance, equipment finance, credit cards and mortgages etc.
- Impact of minimal regulation and supervision; legal framework of secured lending

MANAGEMENT, FRANCHISE AND OWNERSHIP

- Franchise - assessing the validity of the business model, residual marketing and reliance on parent company, where relevant
- Critical management issues - strategy, risk appetite, processes and systems, market knowledge etc.
- Shareholders - quality of financial and business support; risks and benefits of cross subsidies

FINANCIAL FUNDAMENTALS

- Statement logic; accounting policies for income, receivables, delinquencies and leases (finance versus capital leases etc.)
- Business risk - use of financial tools to assess quality of lease and loan book; reserve adequacy, owned versus managed book; residual risk
- Funding risk - stability and variety of wholesale funding sources, gap management, availability of contingency funding, liquidity and capital adequacy
- Securitization - benefits and risk of off balance sheet funding vehicles; residual risk, mortgage servicing rights and gain on sale accounting
- Performance risk - balancing risk and return; income stability and expense control
- Early warning signals - lessons learned from failed finance companies.

Learning Paths



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