

Intensive Corporate Credit

A five-day workshop to build analytic skills, using a structured and systematic approach to evaluate the credit standing of a company and the relative attractiveness of the risk ~ return profile of the investing / lending proposition.

TARGET AUDIENCE

For fixed income professionals, lending bankers, and other finance professionals working in credit risk management and credit products areas, including relationship management and debt origination.

Participants should have a firm grasp of accounting before attending this programme.

COURSE OBJECTIVES

Specifically participants will be equipped to:

- Apply a 4-step model to assess the creditworthiness of a borrower - Purpose, Payback, Risks and Structure
- Evaluate the performance of a company based on a qualitative approach, backed by appropriate quantitative analysis
- Use appropriate market indicators, where available to understand refinancing risk and the market view on a credit
- Anticipate a company's future performance and credit outlook using a cash-flow approach
- Sensitise forecasts for key variables and interpret the results
- Critique bond and loan structures to assess both the ability to meet the commercial needs of the borrower and protect the lender's interests.

This workshop makes extensive use of case studies, live examples and exercises to ensure that the training is highly interactive, practical, topical and challenging.

CONTENT

ANALYTIC OVERVIEW

Structured approach to analysis

- A framework for credit assessment - purpose, payback, risks and structure
- Purpose- identifying the borrower and use of funds
- Payback- linking credit assessment to primary and secondary sources of repayment
- Risks to repayment- the need for a sector and company analysis to evaluate debt servicing ability
- Structure- assessing the ability of the debt to meet the commercial needs of a company while protecting lenders' interest.

Market indicators of credit risk

- Market indicators as early warning signals of refinancing risk

RISK I: MACRO CONSIDERATIONS

The operating environment

- Impact of key macro variables on company performance
- Cyclicalities - economic, commodity, technology etcetera

Sector

- Understanding the structure of an industry and the key players operating within it
- Growth dynamics and potential of a sector
- Evaluating and quantifying main industry risks
- Key sector financial drivers - expectations for sales growth, operating profit margins, working capital requirements, and capital expenditure needs
- Critical success factors and a company's ability to sustain a competitive advantage in the future.

RISK II: COMMERCIAL VIABILITY

Business strategy and earnings dynamics

- Understanding a company's business dynamics and market strategy to anticipate how these are likely to be reflected in their financial statements.
- Key ratio and cash-flow benchmarks for evaluating earnings and operating cash-flow
- Assessing the strategic direction of the firm - sales and operating profitability, sources of operating cash-flow, trend and peer analysis
- Quantifying performance; looking beyond EBITDA

Asset investment

- Using the business conversion cycle to create expectations about balance sheet and income statement performance of companies in the same sector
- Use of peer analysis and industry bench-marks to assess and compare performance

RISK III: FINANCIAL RISK

Financial strategy

- Using business risk to gauge the appropriate level of financial risk
- Analysing target capital structures - the effect of leverage on shareholder returns.

Financial flexibility and liquidity

- Refinancing risk - evaluating payment readiness, contingency liquidity and maturity profile of debt
- Determining financial flexibility - measuring liquidity

Solvency and debt service capability

- Key ratio and cash-flow benchmarks for evaluating solvency and debt servicing ability
- Defining, measuring and evaluating solvency using ratios and the cash-flow statement
- Assessing debt capacity based on present value of cash-flow available for debt service.

RISK IV: MANAGEMENT AND SHAREHOLDERS

- Management competence - what are we looking for, how is it measured?
- Corporate aims and goals - their effect on the company's future creditworthiness

STRUCTURE

Assessing the structure of the transaction - debt, ranking, safeguards and pricing

- Debt profile - assessing the appropriateness of the structure in terms of amount, currency and maturity
- Ranking - understanding different ways subordination can be achieved
- Safeguards - the use of covenants and other techniques to mitigate risk
- Credit pricing - evaluating the risk ~ return profile of the transaction.

