

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 program.

COURSE OBJECTIVES

Participants will be equipped to:

- Apply a 4-step model to assess the creditworthiness of a borrower
- Evaluate the performance of a company based on a qualitative approach, backed by quantitative analysis (ratios and cash-flow tools)
- 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
- Sensitize 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 programme makes extensive use of case-studies, live examples and exercises drawn from a range of countries and sectors to ensure that the training is highly interactive, practical, topical and challenging. Participants are encouraged to become more time efficient, focused and concise in articulating credit judgement.

CONTENT

ANALYTIC OVERVIEW

Quantifying credit risk

- Cost of credit: probability of default and loss given default
- Migration risk: focusing on the credits with the highest risk of migration

Structured approach to analysis

- 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
- Credit Ratings: rating trend and outlook
- Debt market: bond spreads versus rating curves
- Equity signals: share price movements and key multiples

RISK I: MACRO CONSIDERATIONS

The operating environment

- Impact of key macro variables on company performance

Sector

- Understanding the structure of an industry and key players
- Growth dynamics and potential of a sector
- Using the Porter Model to assess sector profitability
- Evaluating and quantifying main industry risks
- Critical success factors: sustaining a competitive advantage
- Key sector drivers: sales, margins, working capital, capex

RISK II: COMMERCIAL VIABILITY

Business strategy and earnings dynamics

- Understanding a company's business dynamics and market strategy
- Anticipate how these are likely to be reflected in the financial statements
- Evaluating performance: ROE, EVA and market indicators
- Quantifying performance looking beyond EBITDA
- Key ratio and cash-flow benchmarks for evaluating earnings and operating cash-flow
- Accounting considerations: IFRS, off-balance sheet, etc.
- Forecasting and sensitising key variables: sales, EBITDA

Asset investment

- Using the business conversion cycle to create expectations about performance
- Key ratio and cash-flow indicators to evaluate asset efficiency
- Use of peer analysis and industry bench-marks
- Forecasting / sensitising key variables: working capital and capex

RISK III: FINANCIAL RISK

Financial strategy

- Using business risk to gauge levels of financial risk
- Understanding corporate treasury objectives

Financial flexibility and liquidity

- Refinancing risk: payment readiness, liquidity and maturing debt
- Measuring liquidity: ratio and cash-flow tools

Solvency and debt service capability

- Defining, measuring and evaluating solvency
- Using rating medians to benchmark financial standing
- Forecasting cash-flow to assess debt service capability
- Debt capacity: PV of cash-flow available for debt service

RISK IV: MANAGEMENT AND OWNERSHIP

- Assessing management competence
- Corporate aims and goals: their effect on creditworthiness
- Evaluating shareholder support and influence

STRUCTURE

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

- Debt profile: amount, term, currency and maturity
- Ranking: how subordination can be achieved
- Safeguards: covenants and other techniques **mitigate risk**
- Credit pricing: risk ~ return profiles.