

Credit Analysis and Loan Structuring

Seminar objectives

This seminar covers how to analyze a company's business and financial condition and identify the key drivers of its performance. It also deals with how to use ratio analysis and cash flow analysis to evaluate debt capacity and default risk. Lastly it covers how to match borrower needs to the right financing products, structure appropriate repayment schedules, assess intercreditor priority, and design financial covenants.

Seminar outline

Industry analysis

- Demand dynamics: economic and industry cycles, secular drivers, seasonality
- Industry life cycle: impacts on profitability, cash flow, and financial strategy
- Competitive dynamics: industry forces & profitability, cost structure, price & cost volatility

Company analysis

- Market position and competitive strategy
- Evaluating management: strategy, achieving results, managing challenges, integrity
- The impact of company size on risk analysis
- Acquisition drivers and risks

Financial strategy

- Target capital structure
- Competing uses of cash: business strategy vs. financial strategy
- Debt capacity: strategic uses and constraints

Ratio analysis

- Ratio uses and limitations: leverage, coverage, profitability, activity
- EBITDA uses and limitations
- Adjusting ratio calculations for non-recurring and off-balance-sheet items
- Interpreting ratio trends and levels

Financial risk analysis

- Liquidity and financial flexibility
- Market risk: currency, commodity, interest rate
- Public vs. private company risk

Cash flow analysis

- Cash flow measures; getting beyond EBITDA
- Cash available to repay debt
- Adjusting for non-recurring items

Red flags and early warning signs

- Revenue and expense games
- Balance sheet and cash flow games
- Early warning signs

Scenario analysis

- Using projections in the analytical process
- Management forecasts: checking for realism, consistency, and accuracy
- Base and downside cases

Purpose and repayment

- Identifying financing needs and issuer types
- Identifying and evaluating sources of repayment
- Setting repayment schedules
- Review of debt products

Intercreditor priority

- Collateral benefits and limitations
- Subordination: contractual, structural, effective
- Issuer vs. issue credit ratings

Debt terms and conditions

- Defaults and remedies
- Matching covenants to risks
- Setting financial covenant levels

Seminar prerequisites

Before attending this seminar, participants should be proficient with the structure and content of corporate financial statement, including footnotes. Experience reviewing financial forecasts or budgets would be beneficial, but is not required. In addition, participants should review selected *Notes* from the Financial Training Partners *Essentials of Finance* series before attending the seminar.

Financial Training Partners

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