

## Notes on Credit Risk Analysis

### Note on Cyclicalities

*How economic and industry cycles affect a company's operating performance*

- The business cycle • Industry cycles • Capital markets cycles • Cyclicalities and risk

### Note on Competition

*How competition affects a company's operating performance and business strategy*

- Industry competitive structure • Company competitive position • Innovation
- Competition and risk

### Note on the Industry Life Cycle

*How to use industry growth trends to analyze a company's business and finances*

- The phases of the industry life cycle • Use in business analysis • Use in financial analysis

### Note on Operating Results

*How to analyze a company's revenues, income, and working capital efficiency*

- Revenue growth • Profit margins • EBITDA • Working capital efficiency
- The cash cycle • Operating results and risk

### Note on Debt Capacity

*How to analyze a company's debt service capabilities*

- Financial strategy • Leverage • Interest coverage • Debt service coverage
- Debt capacity and risk

### Note on Liquidity

*How to analyze a company's ability to meet financial demands*

- Uses of liquidity • Sources of liquidity • Access to liquidity • Measures of liquidity
- Financial flexibility • Liquidity and risk

### Note on Cash Flow

*How to evaluate a company's sources and uses of cash*

- The cash flow statement • Operating cash flow • Free cash flow • Internal cash flow
- Cash available to repay debt • Cash flow and risk

### Note on Advanced Financial Analysis

*How to use basic and adjusted measures in financial analysis*

- Uses and limitations of ratios • Ratio trends and drivers • Adjustments to ratios
- Adjustments to cash flow

### Note on Aggressive Financial Reporting

*Accounting abuses and how they affect financial risk and debt structuring*

- Aggressive accounting practices • Early warning signs • Liquidity risk and flexibility risk
- Funding, collateral, and position protections

### Note on Credit Ratings

*How ratings measure credit risk and value*

- Meaning and uses • Default, loss, and notching • Assigning a credit rating
- Credit ratings and market value