

## Credit Analysis: 1 Day

**Delegate Profile:** This course is targeted at delegates working in corporate finance, credit, research and investment management, who are relatively new to finance and seeking to learn how to evaluate corporate credit risk.

### Key Learning Outcomes

- Delegates will learn how to evaluate corporate credit risk, from both an operating and financial perspective
- They will learn how to calculate and apply financial covenants in order to monitor credit risk and the role of rating agencies in debt capital markets
- Finally, they will examine the capital structures and credit ratings of three highly leveraged UK groups, highlighting different debt instruments used and levels of subordination

**Pre-requisite Knowledge:** No prior knowledge of credit analysis is assumed, however, delegates should already be familiar with financial statements through having attended the 3-Day Financial Statement Analysis course (or equivalent).

**Our Approach:** In this course we facilitate the learning process through a combination of:

- Presentation of core knowledge and concepts using power point slides
- Press articles and real life case studies, demonstrating different capital structures and credit risk profiles
- Short 'single worksheet' excel exercises to enable delegates to calculate financial ratios and analyze credit risks
- Regular summaries, to remind delegates of the key points of each session
- End of Day quizzes, to confirm the achievement of the learning outcomes
- One page course summary, as a take away and reminder of the key learning points

Each delegate should be provided with a laptop, which is pre-loaded with some exercises in excel format. (Note: the course may be delivered in either Excel 2003 or 2007, however, all delegates should use the same version of excel in the training room.)

**Training Fees:** £2,500 plus VAT (£2,500 per training day). This covers all research, design and delivery of the training by James Gilpin, for up to 20 delegates.

**Expenses:** All incremental travel and accommodation expenses will be charged separately, however, we will work hard to ensure all costs are kept to a minimum. With regard to materials, JGFT can provide 2 options:

- JGFT can arrange for all materials to be professionally printed and couriered to the training centre for which we would recharge the cost (for 20 delegates approximately £200 - £300)
- All materials will be sent electronically to the client with instructions to print internally (at no additional cost)

With regard to excel exercises, JGFT can provide all these materials electronically, which must be loaded onto delegate laptops in advance of the course.

## Day One

### Session 1

#### Corporate Risk Management

- Commercial Risks
- Operating vs. Financial leverage
- Liquidity
- Solvency
- Management
- Financial Risks: Credit, FX and Interest Rate

### Session 2

#### Measures of Liquidity

- Cash Conversion Cycle
- Debt, Stock and Creditor days
- Positive vs. Negative working capital position
- Current, Quick and Cash Ratio
- Borrowing Facilities
- Refinancing Risk and Access to Capital
- Headroom, seasonality and peak borrowing requirements

### Session 3

#### Assessing Credit Quality, Financial Covenants and Debt Capacity

- Debt / Equity and Debt / Capital Ratios
- Debt / EBITDA Ratios
- Debt Service Coverage and Interest Coverage Ratios
- Cash Flow Profile: stability vs. cyclical
- Group Structure: OpCos. vs. FinanceCos.
- Senior vs. Subordinated creditors: Pension funds
- The Role of Rating Agencies

### Session 4

#### Case Studies

- BAA (UK airports operators)
- National Grid (UK gas transmission and distribution)
- BT (UK telecoms)