

# € TRAINING

Corporate Credit Analysis





# Corporate Credit Analysis

## Introduction:

This training program offers in-depth instruction on evaluating credit risk in corporate environments. Participants learn to analyze complex financial structures, including adjustments to financial statements and the impact of various securities. By mastering these techniques, individuals gain the skills to conduct thorough and insightful credit assessments.

## Program Objectives:

At the end of this program, participants will be able to:

- Understand how firms may manipulate GAAP and non-GAAP figures.
- Identify recommended adjustments to financial statements.
- Recognize complex group structures and their implications for credit analysis.
- Assess the credit impact of different consolidation methods.
- Analyze the credit impact of legal and structural subordination, as well as security arrangements.
- Evaluate the credit implications of various types of hybrid securities and their impact on credit quality.

## Targeted Audience:

- Market-side credit analysts, credit counterparty risk specialists, and fund managers assess credit risks in fixed income markets.
- Investing bankers, investors, and managers of debt capital markets utilize credit analysis for informed decision-making.
- Directors of private equity, treasurers, and business finance attorneys apply credit analysis in investment evaluation and risk management.
- Securities analysts, internal auditors, and compliance officials ensure financial performance and regulatory compliance through credit analysis.
- Sales professionals in fixed income and equity trades rely on credit analysis for risk assessment and decision-making support.

## Program Outline:

### Unit 1:

### Advanced financial analysis for complex credits:

- How income statement entries affect credit analysis and necessary adjustments.
- Revenues, costs, and segmental analysis implications.
- Understanding adjustments to reported numbers, including adjusted EBITDA and underlying EBITDA.
- Examination of off-balance sheet vehicles and lease expense post IFRS 16.
- Taxation considerations: effective, statutory, and marginal rates.
- Items in the statement of other comprehensive income.

### Unit 2:

#### Balance sheet forecasts and adjustments:

- Analysis of balance sheet entries and required adjustments.
- Treatment of non-current tangible assets, intangible assets, and equity accounted entities.
- Consideration of deferred tax assets, current assets, and liabilities.
- Impact of discontinued items and seasonality on Net Working Capital NWC.
- Management of provisions, deferred revenues, and unfunded liabilities.
- Handling leases post IFRS 16 and distinguishing leases from service agreements.

### Unit 3:

#### Cash flow statement forecasts and adjustments:

- Understanding complex group structures and their credit impacts.
- Analysis of consolidation methods, subordination types, and security packages.
- Credit and rating implications of partial ownership, off-balance sheet entities, and subordination.
- Examination of debt ownership, assets, earnings, and cash flows within group structures.

### Unit 4:

#### Parent and subsidiary rating linkage:

- Credit assessment of groups and importance of ownership analysis.
- Treatment of non-recourse projects, non-guaranteed subsidiaries, and captive finance subsidiaries.



- Understanding Fitch criteria for associates, joint ventures, and subsidiaries.
- Evaluation of credit support mechanisms such as guarantees, collateral, and credit enhancement.

## Unit 5:

### Debt structuring:

- Setting financial objectives and achieving optimal capital structures.
- Assessment of debt capacity, tranches, and distressed firms.
- Identification of early warning signs of distress and potential restructuring solutions.
- Summary of course content and conclusion.