

COURSE OUTLINE:

# Corporate Ratings: Credit Demystified for Equity Analysts

4 days 13:00-18:00  
24 CPE credits

## Overview

This seminar is designed for experienced equity analysts whose roles have been expanded to include credit. It will also appeal to experienced credit professionals who would like a ratings perspective. Using the publicly available Moody's Investors Service credit rating process and methodologies, the course will provide delegates with an in-depth understanding of the financial analysis practices and investor protection analysis employed by our sister company, Moody's Investors Service, for assessing corporate credit risk. Using real life examples the course will also take an in-depth look at the debt structures/instruments employed by listed and private companies as well as examining various causes and solutions for corporate distress.

## Learning Objectives

Upon completion of this seminar delegates will be able to:

- » gain insight into Moody's Investors Service credit rating process
- » apply appropriate key indicators to a selection of industries
- » calculate and interpret key adjustments and financial ratios used in the credit rating process
- » understand complex structures and structure risk
- » notch debt tranches using Moody's Investors Service LGD methodology
- » understand the causes of corporate distress
- » anticipate non-credit factors that affect recovery

## Who Should Attend

Equity analysts and other experienced finance professionals who require corporate rating expertise

## Program Level

**Program Level:** Advanced

**Delivery Method:** Group-Live. Interactive with exercises and real case examples throughout.

## Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

## WHY MOODY'S ANALYTICS?

### Current and Consultative

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### Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

### Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

# Corporate Ratings: Credit Demystified for Equity Analysts – Agenda

## Session 1: Credit Ratings Explained

- » What does a rating mean?
- » Sovereign ratings
- » Concepts of probability of default, loss given default, and expected loss
- » Default and recovery statistics
- » Ratings performance
- » Moody's Investors Service default definitions vs events of default
- » Investment grade vs High Yield

## Session 2: Industry Analysis & the Rating Process

- » Introduction to Moody's Investors Service rating methodologies for selected industries
- » Finance company captives
- » OEM and supplier relationships
- » Business, financial & structure risk
- » Debt capacity and volatility
- » New equity – pros and cons
- » The credit rating process

## Session 3: Cash Flow & Financial Ratio Analysis

- » What's different from equity analysis?
- » Financial statement adjustments
  - Operating leases
  - Pensions
  - Capitalised costs and interest
  - Hybrids
  - Securitisation
- » Key cash flow concepts
- » Key financial ratios used in the rating process
- » Dividend policy
- » Treatment of off-balance sheet items

## Session 4: Liquidity

- » Liquidity risk and analysis
- » Cash: tax implications of repatriation, pledged cash, cash & minority shareholders
- » Short term vs long term projection variables
- » Commercial paper
- » Speculative Grade Liquidity ("SGL") Ratings
- » SGL Stress Index

## Session 5: Structure Risk

- » Contractual, Structural & effective subordination
- » Right of payment & Asset claims
- » Restricted/unrestricted groups & risk of change
- » Consolidation policies
- » Related parties

## Session 6: Debt Instruments

- » Bilateral & syndicated loans
- » Uni-tranche structures
- » Investment grade and high yield bonds
- » Mezzanine, PIK and other customized debt
- » Institutional and private investment funds

# Corporate Ratings: Credit Demystified for Equity Analysts – Agenda (Cont...)

## Session 7: Debt Capital Markets

- » Volumes and trends
- » Syndicating loans: primary and secondary markets
- » Bond markets and investors
- » SEC Registration, exchange listing & bearer bonds
- » Global vs definitive notes
- » Europe vs US
- » Bond trustees

## Session 8: Investor Protection

- » Offering memorandum walk-through
- » High yield covenants
- » Maintenance covenants
- » Inter-creditor agreements: LMA vs US

## Session 9: Moody's Notching Principles for Corporates

- » Moody's Investors Service Expected Loss Framework explained
- » LGD methodology
- » PDRs and LGD assessments
- » Getting to the Issue rating

## Session 10: Distressed Debt

- » Common causes of credit deterioration
- » Early warning signs
- » Distressed exchanges – mechanics
- » Restructuring issues – jurisdiction, trading prices, new money
- » Trading distressed debt

## Session 11: Case Study

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### Multiple Bookings

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