

COURSE OUTLINE:

Problem Credits

Early Warning Signs & Effective Actions

2 days
16 CPE credits

Overview

This course covers the range of concerns and activities related to debt during periods of financial distress. The program proceeds from a discussion of the basic causes of business and financial failure, through recognition of early warning signs, to the development and execution of a plan of response. It deals in depth with various threats and key issues in this process, as well as detailing methodologies for predicting default and measuring recovery. The course is the basis of a four-part series presented by Moody's Analytics on the subject of troubled credits.

Learning Objectives

Upon completion of this seminar delegates will be able to:

- » recognize deterioration of credit quality early enough for efficient response
- » build structures that will signal decline in a timely manner
- » create an effective plan of action to address troubled situations and maximize recovery
- » develop on-going systems to deal with problem credits as they arise

Who Should Attend

The course is beneficial for:

- » Bankers
- » Bondholders
- » Underwriters
- » Private Placement Investors
- » Professionals Recently Assigned to Workout Groups
- » Debt or Equity Analysts

Program Level

Program Level: Intermediate

Prerequisites: None

Advance Preparation: None

Delivery Method: Group-Live

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.

WHY MOODY'S ANALYTICS?

Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

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.

Problem Credits – Agenda

Session 1: Introduction to Financial Distress

- » Economic and credit cycles
- » Business cycles and cash flow drivers
- » From cash crunch to illiquidity
- » Speculative Grade liquidity ratings

Session 2: Causes & Signs of Business Failure

- » Range of business failure causes: management, operations, financial, market
- » Operational and structural indicators
- » Financial statements and financial reporting
- » Managements, boards, corporate governance
- » Business and financial market conditions

Session 3: Management Issues in Detail

- » Behaviour of managers under financial distress
- » Attitude to debt holders vs. equity holders
- » Targeting and maintaining credit ratings
- » Management vision and corporate culture
- » Ownership and succession

Session 4: Key Ratio Analysis by Ratings and Industry

- » Metrics by rating category
- » Correlation between intrinsic risk and revenue volatility
- » Baa investment grade category comparison of credit metrics for companies with varying intrinsic risk
- » Leverage and operating margin ratios by industry and rating
- » How to use borrower credit metrics in detecting early warning signs

Session 5: Review of Credit Types and Inherent Risks

- » Short and long term financing instruments
- » General and instrument specific risks inherent in different types of credits
- » Bank groups and bond syndicates and their interaction with borrowers
- » Credit Insurance

Session 6: Structural Issues Affecting Recovery

- » Issuer group structure
- » Impact of parent/subsidiary creditworthiness
- » Parent support determining factors
- » Seniority and subordination of claims
- » Guarantees and other enhancements
- » Collateral and group lender security issues
- » Covenants, covenant limitations, and documentation quality
- » Special Purpose Entities

Session 7: Accounting as Problem Indicator

- » Hiding negative financial trends
- » Creative accounting temptation
- » Event presentation/tricks
- » Creative accounting questions
- » Identifying creative accounting
- » Risks to consider/not reflected in accounting
- » Moody's Investors Service Standard Adjustments to Financial Statements

Session 8: Action Plan

- » Remedies taken with co-operation or consent of client
- » Individual actions with permission of other debt providers
- » Who has authority to act in syndications or lender groups
- » Conflicting interests among participants in group credits
- » Stabilizing operations, defending cash flow, maintaining collateral value

Problem Credits – Agenda (Cont...)

RELATED COURSES

- » Fundamentals of Bank Credit Risk Analysis
- » Islamic Bank Analysis
- » Insurance Company Analysis
- » Hedge Funds Analysis
- » Economic Capital: Pillar II and ICAAP under Basel II

Tailor Any Seminar for Your Organization

Moody's Analytics offers customized training and eLearning solutions to help you maximize your training investment. Our hands-on approach benefits companies of all sizes and requirements – from those with just a few local employees to those with staff dispersed around the globe. Contact us to learn more and to work with one of our training consultants to design the right program for your organization.

Multiple Bookings

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

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