



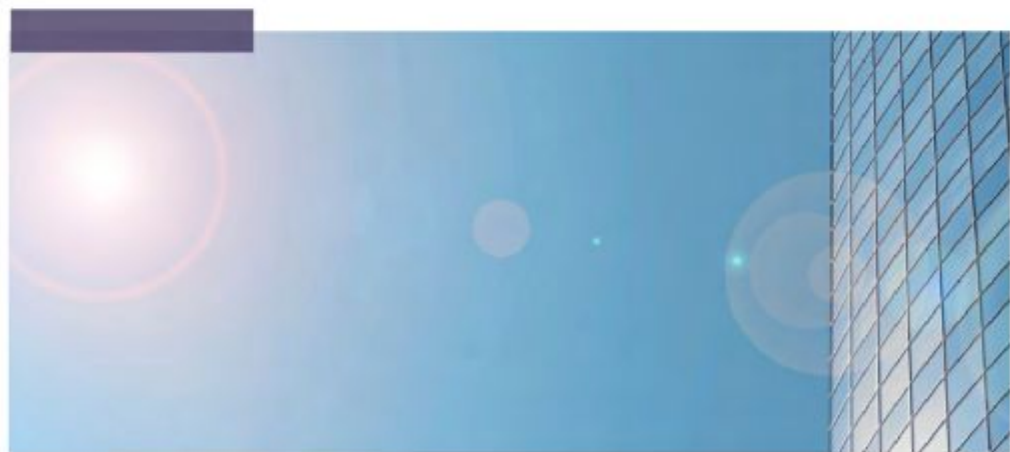
# CREDIT & CORPORATE BANKING

LEARN WITH THE LEADING  
FINANCIAL SERVICES TRAINING &  
EDUCATION PROVIDER

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# Welcome to ZISHI

Committed to unlocking success for your business, we have been empowering our clients to build **resilience through knowledge** for over 25 years.

A recognised global leader, we stand as the preferred and trusted training and education partner for a number of the world's most prestigious financial institutions.

Our cutting-edge, immersive learning experiences support the breadth of the financial industry, from some of the largest asset management firms and global trading exchanges to world-leading universities, sovereign



wealth funds, energy companies, refiners, and investment, commercial and central banks.

Spanning all levels of trading qualifications, the maze of regulatory and compliance training and financial services professional development, ZISHI's expertise is unrivalled.

Our internal faculty of leading trainer-practitioners sets us apart. Delivering solutions uniquely crafted to bridge your business's knowledge gap, our wealth of educator experience and hands-on industry insight ensures your teams receive practical, up-to-date, and contextually relevant training.

Whether one-to-one or multi-faceted group deliveries, entry level or boardroom executives, and from design through to delivery, ZISHI is uniquely placed to become your trusted training partner, developing programmes and learning pathways to meet your specific operational needs.

Enabling informed decision-making and contributing to financial stability and wealth creation, we build **resilience through knowledge** across your business.

# Powerful Learning Solutions

## Blended learning for better results.

We believe in a whole-of-organisation approach to professional development training, and our blended learning approach utilises all the right tools in all the right ways.

### Bespoke Content Creation

Looking for tailor-made learning solutions? We specialise in crafting personalised content that aligns seamlessly with your organisation's objectives.

### Real-World Simulator-Based Learning

Take the learning experience to the next level with immersive, hands-on experiences that bridge the gap between theory and practice.

### Curated Learning Journeys

For clients seeking comprehensive ongoing learning pathways, our digital learning team possesses the expertise and knowledge to support your long-term ambitions.

Our multi-channel delivery options can be mixed and matched and guarantee a seamless experience through whichever methods you prefer.



### Rapid Deployment

Need to quickly roll out bite-sized, focused learning modules? We've got you covered with swift and effective solutions.

### Digitising Existing Content

We excel at transforming your traditional learning materials into dynamic, interactive digital formats, breathing new life into your educational resources.

# Credit & Corporate Banking

Embark on a transformative learning journey with cutting-edge training.

Delivered by practitioners and leading experts, you can be sure your training spearheads the latest thinking and practical insights covering the spectrum of corporate credit and corporate banking topics.

Our training courses will help you navigate the complexities of corporate credit, where you will gain the skills needed to assess risk, analyse financial statements and make informed lending decisions.



In the area of corporate banking, ZISHI will hone relationship management techniques, financial product offerings and the ever-evolving landscape of global finance.

Our ability to seamlessly bridge theory with real-world applications will enable you to thrive in this dynamic financial sector.

# Course Outlines

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Courses listed within this brochure are a representation of those we offer and can curate for your needs. Visit [www.thezishi.com](http://www.thezishi.com) or speak to your sales representative for further information.

Page 52 gives further information about our tailor-made training solutions.



Course outline

Accounting &  
Financial  
Analysis

Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

This training course is designed to equip participants with a deep understanding of the critical elements of accounting and financial analysis. Starting with the fundamentals, it covers the significance of accounting, the statutory framework, and the mechanics of financial statements including income statements, balance sheets, and cash flow statements, alongside the use of financial ratios for comparative and trend analysis.

Tailored for non-finance professionals, it elucidates how companies are financed, the nuances between statutory and management accounting, and the interpretation of financial statements. The programme further delves into identifying signs of financial distress through early warning signals, liquidity, and solvency ratios.



This training course is designed to equip participants with a deep und  
The course offers an in-depth comparison of IFRS, UK GAAP, and US GAAP, including their harmonisations and convergence roadmaps. Advanced topics include consolidated group accounting, accounting for corporate finance and M&A activities, off-balance sheet financing, leasing arrangements, pension accounting, deferred taxation, stock option schemes, and sector-specific accounting considerations.

Each module is designed to provide a holistic understanding of financial analysis, ensuring participants can navigate and analyse financial reports effectively, recognise signs of financial distress, and understand the accounting treatments across different jurisdictions and sectors.

## LEARNING OBJECTIVES

Understand the foundational principles of accounting and financial analysis, including the significance of accounting in business, the legal and statutory framework governing financial reporting, and the role of financial statements in assessing a company's financial health.

Gain proficiency in analysing and interpreting financial statements, including the income statement, balance sheet, and cash flow statement, and apply ratio analysis and other financial analysis techniques to compare a company's performance against its peers or industry standards.

Develop insights into the financial reporting framework differences between IFRS, UK GAAP, and US GAAP, including the impact of these differences on financial statements and the ongoing efforts towards harmonisation and convergence.



Acquire the skills to identify early signs of financial distress in a company through financial and non-financial indicators, understanding key liquidity and solvency ratios, and analysing financial statements for symptoms of distress.

Learn the accounting and financial considerations in corporate finance transactions, including business combinations, mergers and acquisitions, off-balance sheet financing, lease accounting, and pension accounting, alongside their implications on financial statements.

Explore sector-specific accounting practices and principles across various industries such as Oil and Gas, Real Estate, Financial Institutions, Retail and Leisure, Pharmaceutical and Healthcare, Technology and Communications, Transport and Automotive, with a focus on understanding unique accounting policies, conventions, and the analysis of sector-specific case studies.

## COURSE AGENDA

### Fundamentals of Accounting and Analysis

- | What is accounting and why is it important?
- | The statutory framework and legal requirements
- | Financial statement mechanics:
  - Income statement
  - Balance sheet
  - Cash flow statements
- | Ratio and other financial analysis to compare a company to its peers or to identify trends in performance

### Fundamentals of Accounting and Analysis

- | How a company is financed through its life cycle
- | The financial reporting framework: the difference between statutory and management accounting

Accounting fundamentals: what a company's key financial statements show you and how they interlink

- | The importance of non-financial information in the Accounts



### Identifying Signs of Distress in Financial Statements

- | Financial early warning signs
- | Non-financial early warning signs in the ancillary notes
- | Financial symptoms of distress in financial statements
- | Key liquidity and solvency ratios to identify deteriorating trends and enable peer analysis

## COURSE AGENDA

### IFRS vs. UK GAAP vs. US GAAP

- | The major differences between IFRS and US GAAP
- | Use of a case study to demonstrate the consequences of the different rules and the key items on an IFRS/US GAAP reconciliation
- | Latest IFRS and UK GAAP harmonisations
- | The road map to IFRS/US GAAP convergence



### Consolidated Group Accounting

- | Context: consolidation rules and procedures
- | Business combinations and goodwill recognition
- | Acquisition accounting vs. equity accounting
- | Disposal of subsidiaries
- | Associates and joint ventures
- | Foreign exchange translation differences on consolidation

### Accounting for Corporate Finance and M&A

- | Accounting in the entity and the group financial statements
- | Subsidiary vs. associate vs. investment
- | Completion Accounts
- | Due diligence reports
- | Goodwill measurement and impairment reviews

## COURSE AGENDA



### Off balance Sheet Financing and Leasing

- | Off balance sheet financing arrangements
- | Sale of assets, or financing arrangement?
- | Lease accounting
  - Operating vs. finance lease
- | Securitisation programmes

### Pension Accounting

- | Defined benefit vs. defined contribution
- | Funded vs. unfunded
- | Plan assets and plan obligation
- | Income statement impact
- | Actuarial gains and losses
- | Implications of accounting pension deficits

### Deferred Taxation

- | Differences between income statement and tax computation
- | Timing and permanent differences
- | Types of deferred tax
  - Simple timing difference
  - Depreciation differences
  - Tax losses
  - Pension surpluses/deficits



## COURSE AGENDA

### Stock Option Schemes

- | Share-based payment
- | Income statement expense
- | Calculation of charge
- | Market and non-market conditions
- | Stock option adjustments



### Sector-Specific Accounting Modules

| Sector-specific modules looking at key accounting policies and conventions, supported by a detailed case study using the financial statements of a company in any of the following sectors:

- Oil and Gas
- Real Estate
- Financial Institutions
- Retail and Leisure
- Pharmaceutical and Healthcare
- Technology and Communications
- Transport and Automotive



**Course outline**

**Credit**

Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

This dynamic course on Credit Analysis is meticulously crafted to equip participants with the foundational and advanced skills necessary for excellence in the field of credit management. Starting with core credit skills, the course covers a broad spectrum including financial analysis, credit analysis, credit application writing, credit committee presentation skills, loan documentation, credit administration, loan monitoring, and identifying early warning signs.

The curriculum then expands into applied topics, addressing challenges and strategies in managing problem loans and distressed debt both within and outside the OECD, real estate restructuring, innovative lending techniques post-crisis, and approaches to lending to SMEs with limited financial information.



It also explores credit risk associated with treasury products and effective collection of retail problem loans. The program delves into specialist products such as project finance, trade finance, loan syndication, credit scoring, and various types of finance including inventory, receivables, supplier, asset, and structured trade and commodity finance.

Additionally, sector-specific financing modules provide insights into tailored strategies for various sectors such as export manufacturing, construction, real estate development across residential, office, shopping malls, hotels, hospitals, professional services, and retail operations, including investment strategies in these sectors.

## LEARNING OBJECTIVES

### **Master Core Credit Skills:**

Participants will acquire a deep understanding of the fundamentals of financial and credit analysis, learn the intricacies of credit application writing, develop effective credit committee presentation skills, and grasp the essentials of loan documentation and administration. Additionally, they will learn how to monitor loans and identify early warning signs of potential default.

**Navigate Distressed Debt:** Learners will be equipped with the knowledge to manage problem loans and distressed debt, with a focus on strategies applicable in both OECD and non-OECD contexts. This includes understanding the dynamics of real estate restructuring and adopting innovative techniques for revitalizing lending in post-crisis environments.

**Strategize Lending to SMEs:** The course aims to teach participants effective methods for lending to small and medium-sized enterprises (SMEs) that lack comprehensive financial statements, including evaluating credit risk and structuring loans to mitigate these risks.

### **Understand Credit Risk in Treasury**

**Products:** Participants will gain insights into the assessment and management of credit risk associated with treasury products, enhancing their ability to contribute to the financial stability of their institutions.

### **Explore Specialist Financing**

**Products:** Learners will explore a range of specialist financing products, including project finance, trade finance, loan syndication, credit scoring for consumer lending, and various asset financing techniques such as inventory, receivables, supplier, and structured trade and commodity finance.

### **Develop Sector-Specific Financing**

**Strategies:** The course will enable participants to devise and implement financing strategies tailored to specific sectors, including export manufacturing, construction contracting, real estate development (residential, office, shopping malls, hotels, hospitals), and investment strategies for professional services, retail operations, and investment in real estate and hospitality sectors.



## COURSE AGENDA

### Core Credit Skills

- | Financial analysis
- | Credit Analysis
- | Credit application writing
- | Credit committee presentation skills
- | Loan documentation
- | Credit administration
- | Loan monitoring
- | Early warning signs

### Applied Topics in Credit

- | Problem loans and distressed debt – OECD
- | Problem loans and distressed debt – non OECD
- | Real estate restructuring
- | Techniques for growing lending after the crisis
- | Techniques for lending to SMEs where financials are lacking
- | Credit risk within treasury products
- | Collecting retail problem loans



### Specialist Products

- | Project finance
- | Trade finance and cash management
- | Loan syndication
- | Credit scoring for consumer lending
- | Inventory finance
- | Receivables finance
- | Supplier finance
- | Asset finance
- | Structured trade and commodity finance

## COURSE AGENDA

### Specialist Products

- | Export manufacturer
- | Construction contractor
- | Residential real estate developer
- | Office developer
- | Shopping mall developer
- | Hotel developer
- | Hospital developer
- | Professional services firm
- | Retail operator
- | Office investor
- | Retail investor
- | Hotel investor
- | Hospital investor



Course outline

**Distressed  
Private Debt &  
Restructuring**

Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

Bad Debts have major implications for any bank, both in terms of financial performance and how the bank is perceived by its customers and the public at large.

How proactively and constructively banks deal with Non-Performing Loans is also a key area of focus for regulators across the globe as they pursue their objective of maintaining confidence and stability in the financial system.

This 8-session interactive training course is intended to enhance participants' understanding of the causes and consequences of credit deterioration and how to respond. Its core focus is to help assess the best option to resolve the issues that have been identified and how to achieve an effective consensual debt restructure when that is achievable.



With extensive use of case studies, group exercises and discussions, the course will cover the following core subject areas:

- | The negative effects of adverse credit migration from a lender's perspective
- | A review of the common causes of business failure, and the common indicators that financial distress is emerging
- | The potential options available to a lender in response to adverse credit migration
- | The conditions that are required to facilitate the rehabilitation or restructure of a deteriorating lending asset

Participants will have the opportunity to practice the key learning points covered, and to learn from examples of current best (and worst) practice where appropriate.

Crucially, the group work undertaken as an integral part of the workshop will give participants the opportunity to build a network with other practitioners, supporting exchange of ideas and solutions relative to proactive credit risk management which will be of use in the future.

## LEARNING OBJECTIVES

### **Understand the Causes and Impacts of Credit Deterioration:**

Identify the key factors that contribute to credit deterioration, including macro-economic conditions, industry-specific factors, operational and structural issues, management failures, and overtrading, and understand their implications from a lender's perspective.

### **Identify and Respond to Early Warning Indicators:**

Be equipped to recognise early warning indicators of distress, including macro-economic, management/behavioural signs, fraud, and accounting irregularities, and match early action to these indicators to mitigate potential losses.

### **Evaluate and Implement Resolution Strategies:**

Gain insights into evaluating the risks associated with inaction and the benefits and drawbacks of various resolution options, including debt sales, asset realisations, and court remedies, to address the symptoms and root causes of distress.



### **Navigate the Restructuring Process:**

Acquire knowledge on how to take control during a restructuring process, including the importance of leadership, conducting an independent business review, preserving liquidity, valuing the potential for recovery, and the implications of IFRS 9 on reflecting the bank's risk position.

### **Manage Stakeholders through the Restructuring Phase:**

Cover strategies for stakeholder management, formulating a restructuring plan, understanding insolvency principles, maintaining business management's motivation, and managing relationships with other creditors, employees, regulators, and the media.

### **Execute and Monitor the Restructuring Plan:**

Understand how to effectively deliver and monitor the restructuring deal, including the necessity for post-completion control, the actions to take if the restructuring plan stalls, and the importance of contingency planning based on the INSOL Principles for achieving a collaborative approach.

## COURSE AGENDA

### The Causes and Impact of Credit Deterioration

- | The implications of problem debt from a lender's perspective
- | Credit cycles and macro-economic considerations
- | Industry and market specific factors
- | Operating and structural issues
- | Management failings
- | Overtrading – a major cause of SME business failure

### Early Warning Indicators

- | Macro-economic indicators
- | Management / behavioural indicators
- | Fraud or suspicious behaviour
- | Accounting Indicators and Creative Accounting



### Matching Early Action to Early Warning Indicators

- | Understanding how a crisis unfolds
- | The impact on liquidity and the cash consequences of distress
- | Value preservation – the key to recovery
- | Immediate considerations to protect the bank's interests

### Evaluating Resolution Options

- | The risks of inaction
- | Distinguishing between the symptoms and true causes of distress
- | Debt sales or asset realisations – potential benefits and risks
- | Liquidation or remedies through the courts – potential benefits and risks

## COURSE AGENDA

### The Restructuring Process in Summary

- | Taking control – leadership and proactive coordination is key
- | Getting to the heart of the problem – the benefits of an independent business review
- | Preserving liquidity – stemming cash blood loss
- | Quantifying the potential for recovery – valuation considerations?
- | The need to ‘fix the business’, not just adjust the debt
- | IFRS 9 and actions required of the bank to reflect its current risk position
- | Pricing issues – matching reward with the increased risk now being carried



### Stakeholder Management

- | Formulating a plan – who do we need and who can we exclude?
- | Insolvency principles – understanding relative seniority and the likely attitude of other creditors
- | The position of business management – maintaining their motivation and commitment
- | Managing other stakeholders and employees
- | Dealing with regulators and the media

## COURSE AGENDA

### The INSOL Principles

- | Achieving a collaborative approach – the 8 principles, their intent and effect reviewed
- | Potential limitations and circumstances where creditors won't comply
- | Liquidation as an alternative – the plan B option
- | The need for contingency planning

### Executing the Restructure

- | Delivering the deal
- | Post completion monitoring and control
- | Stepping in if the restructuring plan stalls
- | Other potential exit options





**Course outline**

# Evaluating Credit Risk

Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

The Evaluating Credit Risk training course has been structured as sixteen modules that build upon one another to enhance and develop the skills that are essential to critical thinking and decision-making in today's market environment.

The programme modules are designed to be highly interactive using a case study, exercises and examples based on real companies and realistic situations. Through these application exercises key learning points are further reinforced and discussion encouraged.



### LEARNING OBJECTIVES

- 1 **Develop a Comprehensive Understanding of Corporate Credit Risk:** Define credit analysis and evaluate the risk/return profile of corporate borrowers, including an in-depth look at documentation, recovery rates, and liquidity in credit markets.
- 1 **Master Financial Statement Analysis for Credit Risk Evaluation:** Gain proficiency in balancing quantitative and qualitative analysis of financial statements.
- 1 **Evaluate the Sustainability of a Company's Business Model:** Acquire the skills to assess the sustainability of revenues, profits, and interest coverage using models like Dupont, and understand the core management competencies of profitability, asset efficiency, and capital structure management.
- 1 **Analyse Debt Products and Capital Structures:** Understand the factors influencing the selection of funding instruments, the impact of credit products on structures and pricing, and the types of debt instruments available in various markets.
- 1 **Conduct Advanced Capital Structure Analysis:** Learn to assess the appropriateness of a company's capital structure, the financial risk within the business model and operating environment, and the implications of leverage from the shareholders' perspective.
- 1 **Understand Priority and Subordination in Credit Arrangements:** Master the concepts of effective, contractual, and structural subordination and their implications for credit risk.

## COURSE AGENDA

### Framework for Evaluating Corporate Credit Risk

#### What is credit analysis?

- | The risk/return profile
- | Documentation and its ability to provide protection
- | Ranking and recovery rates
- | Liquidity in the credit markets

#### Identifying the borrower/legal counterparty and the sources of repayment: refinancing, cash flow, asset sales and/or third-party support

- | Refinancing: anticipating a company's access to capital and its ability to maintain or improve a credit rating
- | Cash flow lending: evaluating the sustainability of a company's operating cash flow and the required level of asset re-investment
- | Sale of assets: determining a company's ability to sell assets and the factors that might impact the value and timing of asset sales
- | Third party support: ability, willingness and the legal obligation to provide support
- | Working capital finance: a short term or permanent need for funds? Differentiating between refinancing and cash flow lending

*Exercise: Identifying the borrower, sources of repayment and risks to repayment*

### Credit ratings and the impact on market access and relative value

- | Understanding the need for credit ratings and the benefits and limitations of ratings
- | Identifying the factors which influence credit ratings and the implied assumptions (probability of default and expected loss rates)
- | Understanding how access to products, markets and pricing are influenced by credit ratings



## COURSE AGENDA

### Framework for Financial Statement Analysis: Effectively Balancing Quantitative and Qualitative Analysis

#### Using qualitative analysis to benchmark performance

- | Macro-economic conditions and their expected impact on performance
- | The basis of competition and the implications for profitability and asset investment requirements
- | Sector volatility and the impact on access to capital
- | ESG and the impact on access to capital



#### Identifying the Key Business Drivers

- | Factors that drive industry success and increase the value of the firm
- | Using the qualitative drivers to determine the "best" measures of performance
- | Understanding how sector specific characteristics are reflected in the financial statements
- | Exercise: Balance sheet recognition
- | Company specific strategies and the impact on financial statements (the life cycle of a firm)
- | Using the qualitative "story" as a framework for evaluating historical financial performance
- | Incorporating the qualitative "story" in forecasts
- | Porter model: a practical tool for forecasting an industry and a company's future cash flow drivers

**Case study:** application exercise

## COURSE AGENDA

### Evaluating the Success of a Company's Business Model – Part I

#### Assessing the sustainability of revenues, profits and interest coverage

- | The Dupont Model and the 3 core management competencies: profitability, asset efficiency and managing the capital structure
- | Avoiding elevator analysis
- | Drivers of revenues growth: volume, price or acquisitions
- | Company revenue growth relative to the market and the implications for changes in market share
- | Operating leverage and the impact on margins and cash flow
- | Forecasting future operating results – differentiating fixed versus variable costs
- | Is EBITDA always a good proxy for operating cash flow?
- | Looking beyond EBITDA
- | EBITDA adjustments
- | Other factors that impact profitability
- | Interest coverage: EBITDA versus EBIT, what is the right measure?
- | The importance of peer analysis in the assessment of financial performance



## COURSE AGENDA

### Evaluating the Success of a Company's Business Model – Part II

#### Going beyond profits: asset efficiency and cash flow

- | Working capital management and the cash conversion cycle
- | Seasonal, growth and permanent working capital needs
- | Is it efficiency or financing (securitization and supply chain finance)?
- | Anticipating changes in working capital needs (e.g., 2009, 2020-2022)
- | The need for expansionary or replacement asset investments; maintenance versus growth capex, organic versus acquired growth
- | Intangible assets versus goodwill
- | Equity method of accounting and the impact on valuations
- | Assets that might be overvalued or undervalued (e.g., when does a company mark-to-market)
- | The importance of enterprise value in credit analysis



### Evaluating the Success of a Company's Business Model – Part III

#### Evaluating a company's cash flow statement

- | Cash flow statement presentations: IFRS versus US GAAP
  - | Assessing EBITDA: is it always a good proxy for sustainable cash flow from operating activities?
  - | Differentiating between funds from operations, cash flow from operations and free cash flow
  - | Using cash flow ratios to assess performance
  - | Identifying the strengths and limitations of accrual based ratio analysis
  - | What are the key drivers of cash flow and are they sustainable?
  - | Forecasting operating performance and cash flow: sales, operating profit, working capital and capital expenditures
  - | Are dividends always discretionary?
- Case study: application exercise

## COURSE AGENDA

### Debt Products and Capital Structures

#### Factors that influence the selection of funding instruments

- | Issuer considerations: the ability to maintain confidentiality, upfront and ongoing costs, ownership dilution, the need for flexibility or stability, etc.
- | Changes in market access
- | High growth versus low growth companies: how do the needs differ and how might it impact the selection of funding instruments?



#### Credit products and the drivers of structures and pricing

- | Types of debt instruments and markets: revolving credits, terms loans, commercial paper, bonds and notes, private/public/144a
- | Secured versus unsecured debt
- | Investment grade versus non-investment grade bonds
- | Who are the buyers of bonds and how does it impact market liquidity?
- | Who are the buyers of bank loans and how does it impact market liquidity?
- | Understanding the factors that drive demand (e.g., credit ratings, interest rate expectations, degree of protection, flow of funds in the market, etc.)
- | Primary and secondary market considerations
- | Liquid versus illiquid instruments, how do the structures and pricing differ

## COURSE AGENDA

### Capital Structure Analysis - Part I: Assessing Risks in the Funding Structure

#### Assessing the appropriateness of the capital structure

- | Assessing the degree of financial risk within the context of the business model and the operating environment
- | What is the company's business strategy and how is it reflected in the funding structure and selection of funding instruments?
- | Understanding the benefits of "leverage" from the shareholders' perspective
- | The characteristics of a "good" leveraged credit
- | Seasonal, growth and permanent working capital and the impact on the selection of funding instruments
- | Do year-end statements really reflect the risks in a seasonal business?
- | Borrowing bases and their impact on available committed credit
- | Covenants and their impact on available committed credit
- | Factors that can change a company's access to capital
- | The importance of liquidity for cyclical, seasonal, low grade, start-up and distress businesses



## COURSE AGENDA

### Capital Structure Analysis - Part II: Distinguishing Liquidity needs from Solvency Issues

#### Distinguishing liquidity from solvency and why it matters

- | Do liquidity issues always result in insolvency?
- | The market's reaction to liquidity concerns, does it create a buying opportunity?
- | What creates the wall of refinancing risk for non-investment grade?
- | Changes in the bank loan market and the impact on security positions, sources of repayment and terms and conditions

#### Assessing liquidity and the degree of refinancing risk

- | Why the current and quick ratios are not measures of liquidity
- | A practical approach to assessing liquidity and the degree of refinancing risk
- | Will there be options available when additional liquidity is required or the company needs to refinance?

**Case study:** application exercise



### Capital Structure Analysis - Part III: Evaluating the Sustainability of the Capital Structure

#### Solvency

- | What does Debt/EBITDA indicate?
- | Assessing the sustainability of cash flow
- | Using cash flow to evaluate repayment capacity
- | Using enterprise value to evaluate debt capacity (benefits and risks)
- | Defined benefit pension obligations and other debt-like obligations
- | Are convertible bonds debt or equity?
- | If securitization is off of the balance sheet is it still debt?
- | Can preferred shares have debt-like characteristics?
- | Evaluating the risks in the funding structure (e.g., type of instrument, maturity profile, terms and conditions, interest rates, etc.)
- | Capital structure differences between investment grade and non-investment grade

## COURSE AGENDA

### Priority & Subordination: How it arises and what it means for creditors

#### The three types of subordination

- | Effective subordination
- | Contractual subordination
- | Structural subordination

#### Effective subordination

- | Subordination through structural features such as maturity dates and put/call options
- | Who gets paid before the senior creditors?
- | Is secured debt always equally secure?
- | Subordinated lien positions
- | Other creditors and their position in the capital structure (e.g., lessors, trade creditors, pension, etc.)

#### Contractual subordination

- | Payment versus lien subordination
- | Where does subordinated debt actually rank?
- | The importance of evaluating the subordination provisions



#### Structural subordination

- | Accounting for subsidiaries and investments versus legal liability
- | Multinationals and the added layer of risk
- | Group structure and the impact on ranking
- | Mitigating group structure risk
- | Creating terms and conditions to mitigate risks in the group structure (e.g., guarantees, limitations on dividends and intercompany loans and transfers, limitations on indebtedness, etc.)

#### Other importance considerations

- | Guarantees and other forms of third-party support; legal challenges and potential tax issues

#### Other important considerations

- | Geographic/jurisdictional differences highlighted
- | What it means to perfect a security interest and what are some of the challenges (i.e., intangibles like brands, customer lists, etc.)?
- | What is the purpose of Inter-Creditor Agreements?
- | Can silence provisions be challenged?

## COURSE AGENDA

### Covenants and Documentation: The Purpose and the Risks- Part I

#### The need for covenants in lending arrangements

- | Creating the contractual ability to protect lenders/investors from changes in a borrower's financial position or prospects
- | Maximizing the likelihood of timely repayment: protecting claims on asset values and cash flows, access to capital and/or third-party support
- | Protecting credit quality: credit ratings, seniority, strategy, ownership, etc.
- | Creating the ability to act: timing, waivers, cure periods and legal considerations
- | Using credit analysis to Identifying the risks and potential forms of "structural" protection

#### Differing degrees of protection

- | Liquid versus illiquid markets and investments
- | Investment grade versus non-investment grade
- | What are some of the implications of buying the debt of a fallen angel?
- | Revolving credit facility versus term loans
- | Why high-yield bonds had financial covenants
- | Maintenance, springing maintenance and incurrence covenants
- | The convergence of institutional leveraged loan and high yield bond structures

### Covenants

- | Affirmative covenants
- | Negative covenants
- | Financial covenants
- | Maintenance versus incurrence financial covenants
- | Springing terms and condition – liens, financial covenants and maturity dates

### Covenants-Lite

- | Cov-lite: what is it and what are the risk?
- | Cov-lite in the bank loan market
- | Why high yield bonds had financial covenants
- | Cov-lite in the high yield bond market
- | The convergence of the non-investment grade bond and bank loan markets.



## COURSE AGENDA

### Covenants and Documentation: The Purpose and the Risks- Part II

#### Factors that can weaken covenant protection

- | Definitions and their ability to weaken covenant protection
- | Carve-outs and baskets: why they exist and the risks

#### The key financial covenants in non-investment grade

- | Restricted payments and the builder basket
- | Debt limitations
- | Investments
- | As value and risks change, does the degree of protection get stronger or weaker



#### Some important non-financial covenant issues

- | Identifying the borrower and other legal counterparties
- | Guarantor releases - why they exist and how they can be used against creditors
- | Restricted versus unrestricted subsidiaries; what are the risks?
- | Exercise: J Crew walk through
- | Conditions precedent
- | Events of default: cross-default versus cross acceleration

#### Other important considerations

- | Lender voting rights and conflicts - unanimous or majority decision issues
- | Cross default versus cross acceleration
- | Up-tiering transactions
- | Payment blockage provisions
- | Covenant releases
- | Waivers versus events of default

## COURSE AGENDA

### Case study

- | Review a company and apply skills acquired during modules 1-9
- | Makes a recommendation that considers:
  - Key investment considerations (strengths and weaknesses)
  - A review of historical financial performance
  - Projected future performance
  - Key structural considerations (terms and conditions)

### Recovering Value Through Corporate Restructuring - Part I: Diagnosing the Causes of Distress and the Options

#### Primary causes of financial distress and common early warning signs

- | Event risk
- | Changing macro-economic conditions
- | Structural changes within an industry
- | Business issues
- | Lack of adequate liquidity
- | Unstable capital structure



### Taking control of the crisis

- | What will it take to trigger an event of default?
- | Potential issues on the road to default
- | Response/options to events of default
  - | Cash management: ensuring ability to continue operating, headroom in the revolving credit facilities, need for new money, etc.
  - | Establishing the company's value as a going concern

### Value leakage on the road to default

- | Identify the key stakeholders and their economic interests
- | Assess the ways that value can escape existing creditors (e.g., fees, asset transfers, asset sales, more senior collateral positions, dilution of existing claims, other non-debt claims)
- | Are there other potential claims and can they be quantified?
- | Is there room in the existing documents to transfer value? Who might benefit?
- | Will the business continue to decline, and value continue to erode?

## COURSE AGENDA

### Corporate Restructuring - Part II: Determining the Right Plan and the Likelihood of Its Success

#### Deriving a remediation plan

- | Identifying the issues – business, funding structure or both
- | What changes to the operating model are required to meet the critical success factors of the industry and resolve internal operational or management issues?
- | What changes are required in the capital structure?
- | Quantifying performance: establishing and sensitising a sustainable EBITDA run rate and the optimal financial structure
- | Obstacles to restructuring: legal, social, regulatory, operational and financing challenges that arise when a company is in distress

#### The consequences of calling a default

- | Ramifications of triggering cross-default
- | The direct and indirect costs of financial distress
- | Reasons for and against acceleration
- | Debt versus equity conflicting interests – the likely agenda / attitude of different stakeholders across the capital structure
- | Chapter 11 versus out-of-court restructuring

#### What are the exit options?

- | Sale of exposure
- | Hedging of exposure

#### Managing stakeholders

- | Establishing the relative claims and negotiating positions of various creditors
- | Who still has a real economic interest?
- | Stakeholders with special negotiating positions: employees, suppliers, pension trustees/regulators, other regulators, leaseholders, shareholders etc.
- | Situations where claims are not pro-rata: structural subordination, cross guarantees, etc.
- | Impact/influence of existing lenders on restructuring alternatives
- | Cram down rights: forcing confirmation of a plan over the objections of dissenting classes
- | Assessing and dealing with management – who do we need and who should go and post restructure incentivisation





**Course outline**

# Financial Statement Analysis

Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

This course is designed to provide a deep dive into the essentials of financial analysis, blending theory with practical Excel-based applications.

Starting with a quick review of accounting elements, the course sets the stage by discussing market benchmarks, value creation for company managers, and dissecting the balance sheet, income statement, and statement of cash flows through hands-on accounting exercises. It progresses into advanced Excel modelling, teaching participants essential tips, tricks, and shortcuts for efficient model construction, including three-statement modelling and the dynamics of circular referencing.

The course emphasises ratio analysis, offering a thorough review and application of financial performance, liquidity, activity, leverage, profitability, growth, and risk metrics, incorporating the DuPont model for a detailed understanding of corporate risk.



Forecasting methodologies and financial modelling techniques are covered to prepare participants for generating probabilistic forecasts and valuations. The journey continues through valuation techniques to understand enterprise value from fundamental and market perspectives, diving into trading comparables, discounted cash flow, and transaction comparables.

The programme concludes with a critical examination of credit analytics and rating processes, providing insights into the role of credit in financing the economy, the dynamics of credit risk, and an evaluative look at the performance and methodologies of credit rating agencies.

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## LEARNING OBJECTIVES

**Master Financial Statement Analysis:** Learn to navigate through financial statements with confidence, understanding the implications of balance sheet items, income statements, and cash flow statements.

**Excel in Excel Modelling for Finance:** Gain proficiency in Excel, mastering essential functions, shortcuts, and modelling techniques that enhance efficiency in financial analysis.

**Deep Dive into Ratio Analysis:** Become equipped to conduct comprehensive ratio analysis using historical data and forecast models.



**Forecast Financial Performance with Accuracy:** Learn methods for forecasting financial statements, exploring various sources for sales forecasts, and developing probabilistic outputs for better forecasting and valuation accuracy. Differentiate between fixed and variable costs and to develop forecasting relationships based on historical financial statement decomposition.

**Understand and Apply Valuation Techniques:** Learn to calculate and understand enterprise value through fundamental analysis and market values, exploring the components of enterprise value calculations and the major valuation methods.

**Navigate the Landscape of Credit Analytics and Rating Processes:** Gain insights into the role of credit in the economy, the workings of credit rating agencies, and the accuracy of credit ratings, especially in light of the 2008 financial crisis. Explore credit risk parameters and the significance of liquidity risk, preparing them to assess and manage credit risk effectively.



## COURSE AGENDA

### Quick Review of Accounting Elements

- | Daily agenda/setting the scene
- | General markets discussion; Where we are the markets today? What benchmarks are important to follow?
- | A company as a nexus of contracts among stakeholders
- | Understanding value creation and focus for company managers
- | Left- and right-hand sides of the Balance Sheet – What is really there?
- | Accounting for cash flows
- | Income statements
- | Statement of cash flows



### The most useful shortcuts in Excel

- | The most useful shortcuts in Excel
- | How pivot tables can be used to provide quick answers from large datasets
- | Using Excel visually; conditional formatting
- | Using excel efficiently in model construction
- | How the flow of financial elements is used in three statement modelling
- | Why circular referencing occurs and how to properly use it

## COURSE AGENDA

### Review of Ratio Analytics

- | Historical ratios and forecast models
- | Financial Performance Metrics – The Magnificent Seven
- | Liquidity Metrics
- | Activity Metrics
- | Leverage Metrics
- | Profitability Metrics
- | Growth Metrics
- | Risk Metrics
- | Market Values
- | Risk Tools for use in Excel

### Using Ratio Analytics

- | Cross-sectional ratio comparisons
- | Time Series Ratio analytics
- | Using Ratio Analytics for decision making
- | Decomposition of historical financial statements to develop forecasting relationships



### Forecasting Methodologies

- | Forecast of financial statements
- | Where can I get forecasts for sales? Is the past a good predictor of future performance?
- | Other ways of getting better forecasts
- | Developing probabilistic outputs for forecasts – and valuation

### Financial Modelling Techniques

- | Modelling cash flow
- | Preparing forecasts
- | Using Excel for financial modelling
- | Dealing with financial statements

## COURSE AGENDA

### Valuation: Arriving at Enterprise Value

- | Enterprise Value from fundamental Analysis
- | Enterprise Value from market values
- | Basic calculations of EV – debt plus equity
- | What components belong in an EV calculation?
- | Why do I exclude some data?
- | Overview of the major valuation methods
- | Trading Comparables
- | Discounted Cash Flow
- | Transaction Comparables

### Liquidity and Credit Risk

- | The importance of valuation in investment banking and financial transactions
- | The role of market values in reliability “trust market prices”
- | What determines the price of a transaction
- | Looking at Book Values and Market Values: the purpose of each value
- | “Watch Cash Flow” quote the banker
- | Understanding the importance of liquidity



### Credit Analytics – Credit Rating Agencies – framed via 2008


- | Review of the big three
- | What models are used? Why did they fail during 2008?
- | How accurate are the rating agencies?
- | Reviewing the Business Risk score
- | Reviewing the Financial Risk score
- | How are these combined to determine a rating?

### Credit Rating Processes

- | The role of credit for financing the economy
- | The role of banks as economic actors
- | Overview of the actors in need of credit
- | What is credit risk?
- | Credit risk main parameters, exposure, default and recovery
- | The role of liquidity risk



## Course outline



# The Credit Analysis of SMEs



Available as  
**In-house**  
**In-person**  
**Digital**  
**Blended**

## COURSE OVERVIEW

This interactive course is designed for individuals who wish to learn how to apply a structured and comprehensive approach towards the assessment of the credit risk associated with SME borrowers (i.e. small and mid- sized entities with revenues typically below {\$50m}).

Using case studies, exercises and group discussions, the course content covers the end-to-end analysis of credit risk from deal origination through to documentation signing. It will enhance participants' understanding of why companies borrow, before showing them how to systematically review the business and commercial risks associated with a borrower's trading activities. The objective of this review is to assess the potential impact on future debt service capability of the specific risks that are identified, and to consider how those risks might be mitigated and controlled. Time will also be devoted towards the objective assessment of a borrower's management team to analyse their likely reaction and ability to deal with financial distress.



Having completed the commercial analysis referred to above, the training course will continue by providing instruction on how to approach the review of a borrower's financial statements and projected future cashflows in a similarly objective and risk focused fashion; to establish the likely ability of the borrower to continue to meet its debt obligations throughout the life of a credit facility.

Finally, the programme will improve participants' skills in relation to debt structuring; with instruction provided on how to use appropriate tools and controls to effectively protect a lender's interests during the life of a loan.

Importantly, the group work undertaken as an integral part of this course will give delegates that opportunity to build a network with other practitioners within the Bank, supporting the exchange of ideas and solutions on credit risk analysis that will be of use in the future.

## LEARNING OBJECTIVES

Gain the ability to apply an organised and consistent approach to the credit assessment of a potential borrower.

Acquire the ability to demonstrate a robust understanding of both the financial and non-financial drivers of a business and their potential impact on its future performance.

Gain solid understanding of the importance of cashflow as the key driver of the borrower's ability to repay debt obligations.

Identify specific risks applicable to an individual business, and to establish tools and methods to protect the lender's position against those risks.



Gain the knowledge to develop a strategy to effectively monitor transactions to capture early warning signals of credit quality deterioration.

Develop an understanding of the different legal business structures that may be adopted by borrowers, and how this might impact on the bank's recovery options in the event of default.

Acquire the ability to write and present a clear credit rationale that is appropriately risk focused and which is clear, concise, complete and consistent.

## COURSE AGENDA

### An Introduction to the Structured Approach of Credit Risk Assessment

- | What is Credit Risk and how is it measured?
- | What are the potential consequences for a Bank if credit risk is not managed effectively
- | An introduction to the General Principles of Good Lending
- | An introduction to the various methods in which credit risk can be assessed
- | The structured approach to Fundamental Credit Analysis explained in detail
- | Different SME financing needs discussed
- | Sources of repayment
- | The importance of matching the lending product to the borrowing purpose



### Business Risk Analysis

- | The big picture; macro-economic, political and country risk considerations
- | Regulatory and Sustainability influences
- | Industry analysis and the competitive positioning of companies
- | Product/service analysis – Does the borrower have real USP's?
- | Supplier and Buyer Analysis – consideration of potential for concentration, delivery and payment risks
- | The assessment of Management in the context of an SME borrowing entity

## COURSE AGENDA

### Financial Risk Analysis

- | The correlation between Economic / Commercial Risk and a borrower's Financial position
- | Understanding the role and reliability of accounting records
- | Accounting policies and relative transparency
- | The principles of Ratio Analysis – the key tool to support the assessment of financial trends
- | The principles of Solvency and Liquidity – their drivers and impact on debt repayment capacity
- | Demystifying revenues and profitability – sustainability, what areas to focus on and what they really reveal
- | Understanding cash flow drivers and the importance of working capital management
- | Assessing future investment needs
- | Evaluation of how a business funds itself, and the appropriateness of balance sheet composition
- | Analysing and sensitising financial projections



### Structural Risk And Risk Mitigation Techniques

- | Understanding the principles of structural risks posed by lending into group companies
- | An explanation of potential subordination risks related to other lenders or stakeholders
- | The Use of Collateral – the potential benefits and dangers
- | The use of Loan Covenants and transactional controls – what they and what they achieve
- | Effective monitoring during the life of a loan
- | The principles of effective loan documentation

## COURSE AGENDA

### Option 1 – Presenting Credit Assessments

- | What does an approver need to know and what may influence the decision making process
- | How to write an effective credit application using a practical methodology
- | Presenting for results – techniques to support presentation of proposals to credit officers or other sanctioning bodies



### Option 2 – Early Warning Signs Of Financial Distress

- | The Impacts of Problem Debt from a lender's perspective
- | Credit Cycles and Common Causes of Financial Distress
- | Early Warning Indicators of an emerging Problem
- | The time crisis line and the principles of problem resolution

# In-House Training



All ZISHI courses can be customised to your unique requirements.

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Whatever your professional development training requirements, we have the expertise, knowledge and ability to deliver first-class results at every level, every time.

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