Financial Modeling

For Credit Professionals

Summary

This course focuses on the design and creation of an interactive financial model for a company with the purpose of analyzing credit capacity and impact of debt.

Course concepts include model design, logic, construction, financial concepts and accounting treatment. Participants will build a model that includes a forecast of a company's income statement, cash flow statement and balance sheet.

Participants will recapitalize a company's balance sheet and then forecast specific pieces of debt and equity so that the model can be used for credit purposes or as an LBO model.

☆ Prerequisites

Participants should have a good working knowledge of Excel and financial modeling prior to taking this course.

🕐 Timing

This course requires 1 - 2 days.

Learning Topics

1. Design and Structure a Financial Model
- ✓ Design a clear and logical financial model
- ✓ Discuss the need for a model to serve as a marketing tool
- ✓ Create clearly defined inputs and assumptions
- ✓ Connect strings of data to create assumptions and footnotes

2. Build Powerful Scenarios and Financial Statements
- ✓ Use switches to create effective scenarios and value drivers
- ✓ Design a company's income statement, balance sheet and cash flow statement
- ✓ Construct all necessary schedules, including:
  - – Revenue and Expenses
  - – Depreciation / CAPEX Schedule
  - – Working Capital Schedule
  - – Income Tax Schedule

3. Model a Company's Capital Structure
- ✓ Build a Sources and Uses schedule in a model
- ✓ Recapitalize a company's balance sheet
- ✓ Properly incorporate Senior Term Debt
- ✓ Create a robust bank operating line (or revolving credit facility) with a cash sweep
- ✓ Incorporate variable interest rates based on pricing grids
- ✓ Build a provision for non-cash Payment in Kind ("PIK") interest on various pieces of debt
- ✓ Create a well-designed equity schedule
- ✓ Properly forecast the company's balance sheet
- ✓ Understand model circularity
- ✓ Learn to create a "circular reference breaker" to rid a model of undesirable error messages if the model crashes
- ✓ Understand and insert operating and credit ratios

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