

Credit Capital Markets Overview

Issuing Corporate Debt

Summary

This course provides an overview of the corporate borrowing process from the perspective of an investment bank.

Participants will review the advantages and disadvantages of different forms of debt as well as the internal and external processes undertaken by investment banks in structuring, marketing and pricing debt securities. An overview of fixed income securities, including types of credit risks, determining debt capacity, covenants and credit ratios will be covered.



Prerequisites

None.



Timing

This course requires 4 – 8 hours, depending on the amount of material to be covered.

Learning Topics

1. Understand Borrowing Decisions

- ✓ Review the corporate rationale for using debt as a financing vehicle
- ✓ Examine the market's tolerance for leverage across different sectors and industries
- ✓ Review different forms of debt capital, including term loans, revolvers, senior notes, subordinated notes, mezzanine debt
- ✓ Discuss how important features vary across types of debt, including security, repayments, term, interest rate structure and covenants
- ✓ Understand the advantages and disadvantages of each type of debt

2. Market and Price Debt Securities

- ✓ Analyze the key drivers of credit quality and the relationships between credit quality and pricing
- ✓ Review the internal process of investment banks in approving debt commitments
- ✓ Discuss the analysis performed by investment banks in sizing bank loans and debt offerings
- ✓ Review how pricing ranges are established for marketing purposes in bank loan syndications and bond offerings
- ✓ Review credit comparables analysis for past deals and corporate credits
- ✓ Examine the marketing and pricing process
- ✓ Discuss the role of the rating agencies and corporate debt ratings

3. Structure Debt Covenants

- ✓ Discuss covenants included in debt agreements
- ✓ Perform credit analysis through the use of credit comparables, rating agency evaluations, fundamental research, and ratio analysis
- ✓ Review the differences between maintenance, incurrence and negative covenants
- ✓ Understand how financial covenant levels are determined