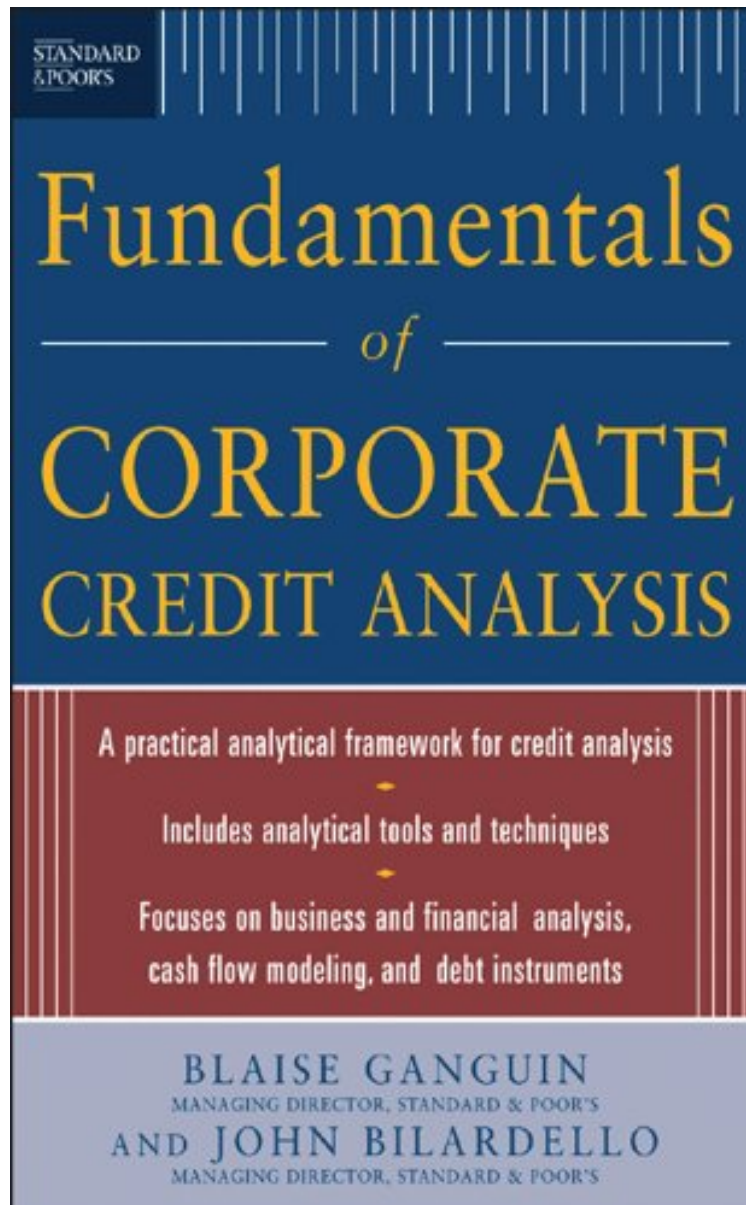


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Standard Poor's Fundamentals of Corporate Credit Analysis

Blaise Ganguin, John Bilardello
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appreciate the scope and effort put into this book. We will use it as an outline for how our analysts should approach analyzing a credit. Chapter 3 alone is worth the price of admission as the authors list the elusive "qualitative" factors that go into a credit rating, beyond what the ratios tell you it should be. While the book barely scratches the surface of certain analytical methods (the Merton Model got 1/2 a page), and it is written more for the layman or student, I still learned many things. And I've been in the business 20+ years. The prior reviewer, and many others will say they wished they wrote this book. I will too. I even briefly started my own version recently. But I first turned to SP's ratings criteria as an outline. As such, the right people wrote this book. The authors fully used the vast resources and data mining of SP. This certainly feels like a team effort. The telecom analyst wrote a piece on the rapid decline of telecom credits in 2000-2002, and other professionals added real life examples. The book organizes itself in the top down approach to analysis. It starts with sovereign risk, then moves to industry, then company business/competitive risk. It then highlights the ratios to look for, and also gives data on seniority and recovery values for specific levels of debt. It then uses these tools to analyze a fictional company. It ends with case studies that cover MA, sovereign risk and other topical reviews that act as a real life summary to what you just learned. Highly recommended. Well done. 20 of 24 people found the following review helpful. Excellent Resource for Corporate Bankers Credit Analysts By Writer/Producer/Director This book is long overdue. It typically takes a credit or corporate banking professional several years and several levels (analyst, senior analyst, associate/assistant vice president, and finally, vice president) to piece together the knowledge and analytical skills presented within this wonderful book. The book offers a comprehensive foundation in business, financial, and strategic analysis (among several other related topics) in a very easily digested and understood manner. I guess my only complaint is that I didn't have the opportunity to write it myself!! I would advise every credit or relationship management team leader to purchase this book for their entire team -- particularly for their analysts and associates (although... on second thought, perhaps everyone on the team should have a copy in their desk drawer.) Bottom line: Highly-recommended. AAA+++ 1 of 2 people found the following review helpful. Great Book, Understand Why You're Buying It By James If you need a basic guide to credit analysis this book is great. Understand that it is a practitioner's guide more so than an academic textbook which means it's shorter and less detailed. I would recommend supplementing it with an actual textbook on financial statement analysis and financial risk management if you do not have a financial background. Overall though it's worth the price.

An up-to-date, accurate framework for credit analysis and decision making, from the experts at Standard Poor's "In a world of increasing financial complexity and shorter time frames in which to assess the wealth or dearth of information, this book provides an invaluable and easily accessible guide of critical building blocks of credit analysis to all credit professionals." --Apea Koranteng, Global Head, Structured Capital Markets, ABN AMRO "The authors do a fine job of combining latest credit risk management theory and techniques with real-life examples and practical application. Whether a seasoned credit expert or a new student of credit, this is a must read book . . . a critical part of anyone's risk management library." --Mark T. Williams, Boston University, Finance and Economics Department "At a time when credit risk is managed in a way more and more akin to market risk, Fundamentals of Corporate Credit Analysis provides well-needed support, not only for credit analysts but also for practitioners, portfolio managers, CDO originators, and others who need to keep track of the creditworthiness of their fixed-income investments." --Alain Canac, Chief Risk Officer, CDC IXIS Fundamentals of Corporate Credit Analysis provides professionals with the knowledge they need to systematically determine the operating and financial strength of a specific borrower, understand credit risks inherent in a wide range of corporate debt instruments, and then rank the default risk of that borrower. Focusing on fundamental credit risk, cash flow modeling, debt structure analysis, and other important issues, and including separate chapters on country risks, industry risks, business risks, financial risks, and management, it guides the reader through every step of traditional fundamental credit analysis. In a dynamic corporate environment, credit analysts cannot rely solely on financial statistical analysis, credit prediction models, or bond and stock price movements. Instead, a corporate credit analysis must supply loan providers and investors with more information and detail than ever before. On top of its traditional objective of assessing a firm's capacity and willingness to pay its financial obligations in a timely manner, a worthy credit analysis is now expected to assess recovery prospects of specific financial obligations should a firm become insolvent. Fundamentals of Corporate Credit Analysis provides practitioners with the knowledge and tools they need to address these changing requirements. Drawing on the unmatched global resources and capabilities of Standard Poor's, this valuable book organizes its guidelines into three distinct components: Part I: Corporate Credit Risk helps analysts identify all the essential risks related to a particular firm, and measure the firm through both a financial forecast and benchmarking with peers Part II: Credit Risk of Debt Instruments explains the impact of debt instruments and debt structures on a firm's recovery prospects should it become insolvent Part III: Measuring Credit Risk presents a scoring system to assess the capacity and willingness of a firm to repay its debt in a timely fashion and to evaluate recovery prospects in the event of financial distress In addition, a fourth component--Cases in Credit Analysis--examines seven real-life studies to provide examples of the book's theory and procedures in practice. Senior Standard Poor's analysts explore diverse cases ranging from North and South America to Europe and the Pacific Rim, on topics covering mergers (ATT-

Comcast, MGM-Mirage, Kellogg-Keebler), foreign ownership in a merger (Air New Zealand-Ansett-Singapore Airlines), sovereign issues (Repsol-YPF), peer comparisons (U.S. forestry), and recovery analysis (Yell LBO). Industry "Keys to Success" are identified and analyzed in each case, along with an explanation on how to interpret performance and come to a credit decision. While it is still true that ultimate credit decisions are...

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Focusing on fundamental credit risk, cash flow modeling, debt structure analysis, and other important issues, and including separate chapters on country risks, industry risks, business risks, financial risks, and management, it guides the reader through every step of traditional fundamental credit analysis. In a dynamic corporate environment, credit analysts cannot rely solely on financial statistical analysis, credit prediction models, or bond and stock price movements. Instead, a corporate credit analysis must supply loan providers and investors with more information and detail than ever before. On top of its traditional objective of assessing a firm's capacity and willingness to pay its financial obligations in a timely manner, a worthy credit analysis is now expected to assess recovery prospects of specific financial obligations should a firm become insolvent. 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About the Author Blaise Ganguin is a managing director in Standard Poor's Corporate Government Ratings. Ganguin supervises teams of corporate credit analysts in Europe. John Bilardello is a managing director in Standard Poor's Corporate Government Ratings. Bilardello manages SP's global corporate ratings business. Standard Poor's is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research, data and valuations. An essential part of the world's financial infrastructure, Standard Poor's has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions.