

David Jeffrey Associates, Inc.

Visit us at <http://www.davidjeffrey.com>

Financial Analysis Of “High-Yield” Transactions

record defaults emphasize need for focused skills

During the 1990's the volume of speculative rated securities increased dramatically becoming a much more important part of the financial landscape. According to FitchRatings "...the high yield default volume reached \$78.2 billion in 2001, resulting in a new record default rate for the U.S. high yield market of 12.9%."¹ This seminar takes a fresh look at the analytical frameworks and the techniques used to assess this high-risk segment of the credit market.

David Jeffrey Associates' *Financial Analysis of “High-Yield” Transactions* seminar focuses on the following areas:

DEFAULT AND LOSS	Provides an overview of trends in default and loss experience; implications of defaults; understanding High-Yield bond ratings.
HIGH-YIELD PROFILES	Develops profiles of issuers to provide useful analytical frameworks to focus analytical work. Common focal points are developed for each high-yield profile.
SPECIAL ASPECTS OF HIGH RISK TRANSACTIONS	Emphasizes analytical focal points such as business risk, cash flow, management capabilities, value considerations, and capital structure and credit structure.
APPLICABILITY OF VALUATION CONCEPTS AND TECHNIQUES	Review of valuation concepts and methods relevant to enterprise value and how enterprise value may be used in analyzing transactions.
CASE EXAMPLES	Illustration of issues and techniques through the use of cases and examples.

¹ FitchRatings, *High Yield Defaults, Spectacular Recovery in 2001, Recovery Projected for 2002*, February 8, 2002.

FINANCIAL ANALYSIS OF “HIGH-YIELD” TRANSACTIONS

David Jeffrey Associates will be teaching *Financial Analysis of “High-Yield” Transactions*, a two-day seminar in New York City on May 6 and 7, 2002. Because of the workshop format, registration is limited to no more than twenty participants. The small class size will encourage participation; increase learning and overall dialogue about this important market segment.

ABOUT THE PROGRAM

The increased importance of high-risk transactions requires that financial professionals focus on the underlying risks. The high volume of speculative debt issued in the late 1990's and the resulting record defaults indicate that there are high returns for better credit analysis. Can professionals do a better job analyzing speculative grade transactions? We think so! This seminar will provide the participants with a framework that can help focus analysis on the risks underlying these transactions. One of the keys to high yield analysis is to understand where the analytical payoff comes. We present a series of case studies that represent the major categories of high yield borrowers. For each category of borrower, there are critical issues and questions to address. The course differentiates the key analytical focal points between “fallen angels,” restructured credits, leveraged buyouts, emerging market, and emerging business concepts. Financial professionals will gain fresh appreciation for cash flow analysis, valuation concepts and credit structure considerations related to these market segments. The linkage between debt and equity analysis will be discussed. Case studies will illustrate how these analytic concepts fit together and help us draw conclusions about the nature of the risks undertaken.

DAVID JEFFREY ASSOCIATES

Since 1979, David Jeffrey Associates has provided quality-training programs to a wide variety of U.S. and international financial institutions. David Jeffrey Associates specializes in credit training for both entry-level and experienced professionals. Most of our courses are customized to meet particular client needs and market segments, including Fortune 1000, middle market and private banking segments. Course content ranges from introductory credit analysis and fixed income analysis to specialized financial topics such as leveraged buyouts, recapitalizations and acquisition financing. This seminar builds on our firm's expertise in the area of bond and bank loan ratings as well as our experience in equity research and analysis.

WHO SHOULD TAKE THIS COURSE

The course is designed for financial professionals who wish to increase their skills and knowledge of High-Yield, high credit risk transactions. This includes lenders, investors, credit analysts and fixed income analysts. The participants should have a working knowledge of financial statement accounting and have a basic understanding of corporate credit analysis.

The seminar explores the underlying risks and provides the participants with frameworks that give important insights about the nature of the risks that underlie these transactions. We believe that there are specific knowledge and skills that are useful to achieve a better understanding of such risks. With a better understanding of the risks, the investor and the lender will be able to make more informed judgments about the risk/reward trade-offs in the transaction and to have a better understanding of how credit structure can or cannot mitigate risk in the credit.

Those individuals who have taken *Corporate Financial Analysis*, a David Jeffrey seminar that emphasizes core analytical skill development and which has been given on an open-enrollment basis for more than twenty years, will find this program to be an excellent follow-on emphasizing specialized skills for a targeted market segment.

FINANCIAL ANALYSIS OF “HIGH-YIELD” TRANSACTIONS

DAY 1

9:00 a.m.	Introduction
9:30 a.m.	Review of Framework for Credit Analysis Central issues of High-Yield analysis Business/financial profiles: models and focal points
10:00 a.m.	Break
10:15 a.m.	Valuation Models/Concepts and Their Relevance Enterprise value Relative value and price earnings ratio concepts Discounted cash flow techniques Economic value added (EVA) analysis
10:45 a.m.	Telefonos de Mexico – The Effect of Sovereign Risk Risk profile and characteristics Workshop and discussion
12:00 p.m.	Lunch
1:00 p.m.	Fruit of the Loom Case – Falling From Grace Focal points of changing profile Workshop and discussion
2:45 p.m.	Break
3:00 p.m.	Tricon Global – Leveraged Spin-Off Industry and business risks Workshop and discussion
4:30 p.m.	Assignments For Next Day

DAY 2

9:00 a.m.	Summary of Key Points
9:30 a.m.	Gaylord Container Case Exercise: Restructured Credit Key risks and issues Basis of core value Capital and credit structure implications
10:15 a.m.	Break
10:30 a.m.	Team Presentations and Class Discussion
11:15 a.m.	Amazon.com Case: Emerging Business Concept Credit strengths Risks Value issues
12:00 p.m.	Lunch
1:00 p.m.	Amazon Team Workshop (Continued)
1:15 p.m.	Presentations and Class Discussion
2:15 p.m.	Emmis Communications Case: Acquisition Strategy Credit strengths Risks Value issues
3:15 p.m.	Break
3:30 p.m.	Presentations and Class Discussion
4:30 p.m.	Wrap-up of Seminar