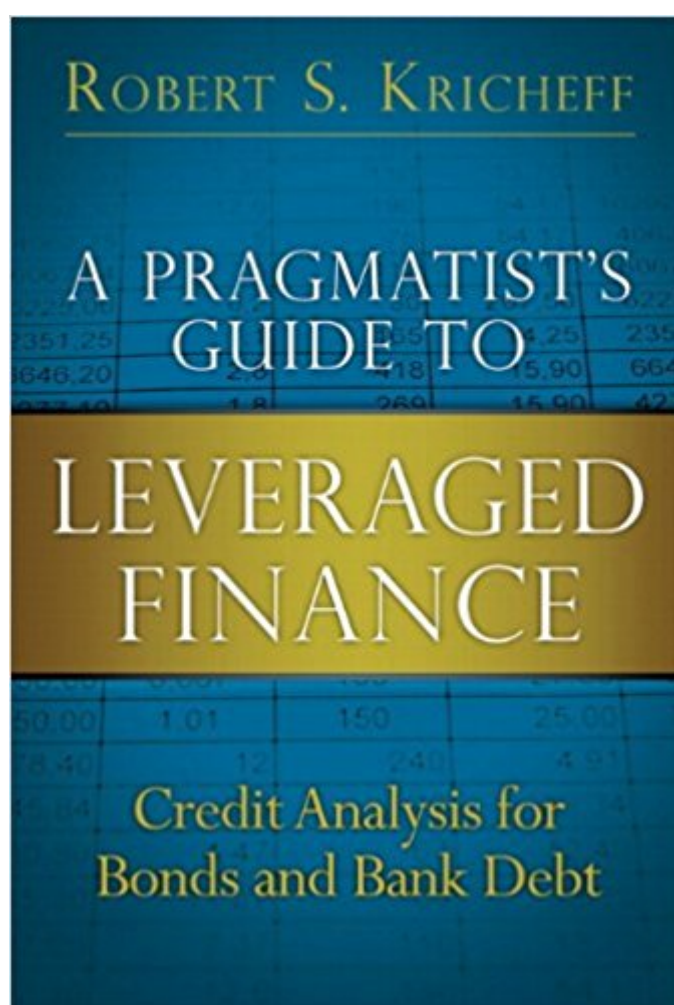


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# A Pragmatist's Guide To Leveraged Finance: Credit Analysis For Bonds And Bank Debt (paperback) (Applied Corporate Finance)



## Synopsis

The high-yield leveraged bond and loan market (the “junk bonds”) is now valued at \$3+ trillion in North America, \$1 trillion in Europe, and another \$1 trillion in emerging markets. What’s more, based on the maturity schedules of current debt, it’s poised for massive growth. To successfully issue, evaluate, and invest in high-yield debt, however, financial professionals need credit and bond analysis skills specific to these instruments. Now, for the first time, there’s a complete, practical, and expert tutorial and workbook covering all facets of modern leveraged finance analysis. In *A Pragmatist’s Guide to Leveraged Finance*, Credit Suisse managing director Bob Kricheff explains why conventional analysis techniques are inadequate for leveraged instruments, clearly defines the unique challenges sellers and buyers face, walks step-by-step through deriving essential data for pricing and decision-making, and demonstrates how to apply it. Using practical examples, sample documents, Excel worksheets, and graphs, Kricheff covers all this, and much more: yields, spreads, and total return; ratio analysis of liquidity and asset value; business trend analysis; modeling and scenarios; potential interest rate impacts; evaluating and potentially escaping leveraged finance covenants; how to assess equity (and why it matters); investing on news and events; early stage credit; and creating accurate credit snapshots. This book is an indispensable resource for all investment and underwriting professionals, money managers, consultants, accountants, advisors, and lawyers working in leveraged finance. In fact, it teaches credit analysis skills that will be valuable in analyzing a wide variety of higher-risk investments, including growth stocks.

## Book Information

Series: Applied Corporate Finance

Paperback: 288 pages

Publisher: FT Press; 1 edition (March 5, 2012)

Language: English

ISBN-10: 0133552764

ISBN-13: 978-0133552768

Product Dimensions: 5.9 x 0.7 x 8.9 inches

Shipping Weight: 14.1 ounces (View shipping rates and policies)

Average Customer Review: 4.5 out of 5 stars 26 customer reviews

Best Sellers Rank: #120,080 in Books (See Top 100 in Books) #22 in Books > Business & Money > Investing > Bonds #42 in Books > Business & Money > Investing > Commodities

## Customer Reviews

“The author applies his vast market experience to detail the underlying tenets of credit analysis in a user-friendly fashion. This is certain to become the go-to book for all participants in the leveraged finance market!”  
—Pat Dyson, Managing Director, UBS  
“Bob Kricheff’s extensive experience in leveraged finance makes him the perfect person to write what is a very helpful and easy-to-use book on credit analysis. He blends the technical aspects, along with the practical, to provide the reader with a thorough understanding of how analysts do their jobs.”  
—Terrence J. Mullen, CFA, Group Head of Public Research, Allstate Investments, LLC  
“This book belongs on the bookshelf of anyone engaged in or considering investing in leveraged finance. It is a must-read for new analysts on the buy side and the sell side of the high yield marketplace. I cannot think of anyone, other than Bob, who is better positioned with deep knowledge and professional experience to pen this book.”  
—Linda Carter, Portfolio Manager and Vice President, Eaton Vance Investment Managers  
“Bob has been involved in a variety of roles in the high yield market since the market’s infancy in the 1980s. This book is an excellent resource for beginners who are trying to learn the intricacies of the high yield market as well as for experienced professionals looking to refine their credit skills. I found the book well written and I highly recommend it.”  
—Richard J. Lindquist, Managing Director, Morgan Stanley Investment Management --This text refers to an out of print or unavailable edition of this title.

The First Practical Guide to Credit Analysis for Today’s \$3,500,000,000,000+ High-Yield Leveraged Bond and Loan Markets  
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The high-yield, leveraged bond and loan market now exceeds \$2.3 trillion in North America, \$650 billion in Europe, and another \$600 billion in emerging markets and it’s growing fast. This market combines aspects of conventional fixed income markets, the event-driven volatility typically associated with equities, and structural features present nowhere else. To succeed in this market, you need credit analysis skills and insights specifically designed for it. Now, for the first time, there’s a complete practical guide to performing this analysis. Credit Suisse high-yield specialist Robert S. Kricheff focuses on how financial professionals actually prepare and use leveraged finance credit analysis, offering examples addressing diverse scenarios and a wide spectrum of credit risks, from companies near-investment-grade to firms in bankruptcy. He illuminates credit analysis as a dynamic process, shows how to evaluate both financial liquidity and asset protection, demonstrates how to use the field’s key tools, and explains how to apply the insights that make analysis an art, not just a science.

- Projecting liquidity Will sufficient cash be generated to pay interest and principal?
- Evaluating assets Can the investor be protected by the value of underlying assets?
- Applying financial ratios and metrics How can credit quality be analyzed and investment options compared?
- Evaluating management and ownership Can the company leaders deliver what they promise?
- Investing on breaking news How can you profit from the junk bond market’s volatility?

I am a senior analyst in a buy-side leveraged finance shop and believe the book does a great job of outlining the process of credit analysis and bond assessment for the junior analyst. I read the book to see whether it made sense as a training tool for our new junior analysts and I believe strongly that it does. In addition, while I didn’t think I was the target market, I found the book to be an interesting read and a worthwhile look into the mental systems used by a long-time analyst. I definitely took away a few ideas on how I might alter my own procedures for the better. Mr Kricheff lays out the

nuts and bolts of who the players are in the market, then moves on to the issuance of a new piece of debt and shows the new analyst what pieces of information are important to look for and even how to prioritize between different pieces of information. The book lays out the basics of what a bond is, how they are priced and how to analyze the structure of the security. He looks at how to analyze the underlying company. He covers what he thinks are the two first items to consider (liquidity and asset coverage) and then moves on to discuss which financial measures are important and why; what are the important covenants and how can one use them. How much modeling do you need to do, how can you begin the process and how in-depth should a model realistically be? How can you use your model to adapt to changing newsflow or market pricing? What are some other pieces of information used by an analyst to decide between competing investment choices? These are all of the types of things covered in the book. The book does not target the senior analyst, but if one were interested in reading about another analyst's process, you could find the book interesting. For the new junior analyst, I think the book could accelerate the learning process significantly and give the new analyst a significant leg up in starting his/her career.

I think the title sums up the book perfectly. As someone who works in the credit world but is also working to develop a credit research skill set, I can say that this book connects the dots between theoretical studies and real world application. The book walks the reader through the process of taking financial statements as they are provided by a company and then extrapolating the data necessary to derive key metrics that are used in the marketplace today to value debt securities. The author combines fundamental research with real world scenarios to give the reader an excellent insight into how and why deals are being done. All in all a very enjoyable and informational read.

I feel like a piece have a better understanding of the market, definitely will read again. Great book to keep as a reference guide

Was a nice quick and dirty into leverage finance - I think the price should be about \$20 though. If you can find this book used for cheaper that would probably be your best option.

The book is a great overview of the modern theory of Leveraged Finance. It's very general and easy to read. It's reasonably short. If your goal is to get familiarize with LF, this is the book to start with.

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Easy to read, written in a way that is less about academics and financial formulas, and more about what happens in the daily grind of the market.

Great book! Enjoyable read and very straight to the point for any beginners. Not too Long to finish reading up.

You can't do better than Mr. Kricheff's book if you want to prepare for a career in leveraged finance. You will find it's a refreshing departure from purely abstract financial theory and that it provides you with some truly pragmatic tools for excelling in finance. It is also a great desk reference for those already working in the business. There is no substitute for actual work experience, no matter what field you are in. In his book, Mr. Kricheff deftly compiles and delivers to you what he has learned over his long and successful career in leveraged finance. He blends academic theory with practical real world examples across a breadth of situations -- from pricing risk on steady high quality credits to distressed restructuring scenarios. He's done it all and does an excellent job making complex concepts easy to understand for beginners, yet comprehensive enough to appeal to professionals.

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