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**TELUS: Capital
Structure
Management**

Conclusion
The case study of TELUS Capital Structure Management is a classic example of a company that has successfully managed its capital structure. The company has been able to maintain a low level of debt and a high level of equity, which has allowed it to maintain a strong financial position. The company has also been able to maintain a high level of profitability, which has allowed it to pay dividends to its shareholders. The company's success can be attributed to its strong financial position and its ability to manage its capital structure effectively.



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Conclusion

Capital structure is one of the major
considerations in financial management.
It involves the choice of
equity and debt financing and
the mix of the two.

Proper knowledge regarding factors
affecting the choice of financing
decisions is essential for capital structure

**The Modigliani & Miller
(MM) Theory**

Was developed by 2 professors, Franco
Modigliani and Merton Miller, in 1958.
Advances capital structure irrelevance
theory.
Firm's value is determined by its
operating income and not its value is
independent of the way it chooses to
finance its investments or distribute
dividends.

Credit Rating
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What is Credit Rating?

An evaluation of the ability of a company
to service its debt. It is based on the
company's financial strength, operating
performance, and the economic
conditions in which it operates.

What is Capital Structure?

It is how a firm finances its overall
operations and growth by using different
sources of funds.
Sources of funds include debt, common
stock, preferred stock, or preferred
stock.

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Conclusion

- Capital structure is one of the major investment-quality measurement
- Provides key indicators of investment opportunities and potential of companies
- Ample knowledge regarding factors and theories related to influences decisions made on capital structure

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TELUS: Capital Structure Management



What is Capital Structure?

- It is how a firm finances its overall operations and growth by using different sources of funds.
- Sources of funds include debts, common stocks, retained earnings or preferred stocks.
- Affected by business risk, financial flexibility and market conditions.

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What Influences Capital Structure?

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- Agency Theory
- Credit Rating
- Modigliani-Miller (MM) Theorem
- Pecking Order Theory

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Credit Rating

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What is Credit Rating (CR)?

An estimate of the ability of a person or organization to fulfill their financial commitments, based on previous dealings
An assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation.
Assigned to any entity that seeks to borrow money – an individual, corporation, state or provincial authority, or sovereign government.

The Effects of Credit Rating Grades' Changes on Capital Structure: S&P 500

- Discrete Cost
 - relevant and associated with decision on capital structure
- Trade-Off Theory
 - Costs and benefits relating to financing with debt will affect decisions for capital structure of companies
- Pecking Theory
 - increases in asymmetric information with the increase in financing costs

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The Effects of Credit Rating Grades' Changes on Capital Structure: S&P 500

Effect of Credit Rating on Capital Structure: A Study on Non-Financial Firms in Pakistan

- Discrete Costs
 - Benefit to the firm is not as high as benefit of credit rating
 - Change in credit rating will cause a change in discrete costs of the company
 - Discrete costs are capital structure
 - Discrete costs are (Discrete costs) (Discrete costs) (Discrete costs)

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- Why Use CR?
 - determines the likelihood that the borrower will pay back a loan within the confines of the loan agreement, without defaulting
 - affects the entity's chances of being approved for a given loan, or receiving favorable terms for said loan
 - High credit rating
 - High possibility of paying back loans
 - Lower
 - Trouble paying back loans in the past

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- Factors affecting CR
 - Entity's past history of borrowing and paying off debts
 - Entity's future economic potential
 - Payment history, assets received, length of credit history, new credit, and types of credit

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Factors affecting CR

- Entity's past history of borrowing and paying off debts
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The Influence of Credit Ratings on Capital Structure

Credit Rating-Capital Structure (CR-SR)

Hypothesis

- if a company is near a potential downgrade/ (upgrade) in its credit rating is more likely to adjust their capital structure to avoid/ (achieve) that downgrade/(upgrade)

Violation of Debt covenant

- increase in collateral, interest rate, future covenant restrictions, demand for prompt repayment of the amount of cash owed or termination of the lending agreement by the creditors.