

LBO and Debt Modelling

Agenda



08:50	Registration and breakfast
9:00	Course assembles and introductory session Andre Lanser, Course Director
9:10	Session 1 – Introduction and Concepts <ul style="list-style-type: none"> • What is an LBO? • What does a buyout firm do? • An LBO balance sheet • Why an LBO? • LBO financing • Sources of funds for an LBO • Senior bank debt • Junior bank debt • Mezzanine finance
10:30	Break
11:30	Session 2 - Leveraged Buyout Deals <ul style="list-style-type: none"> • Private equity fund mandates: their return objectives and investment horizons • What types of companies are candidates for LBO's? • Target company growth and cash generation profiles • Exit routes, exit valuation • Main assumptions • Valuation analysis • Structuring and pricing the deal • Transaction costs • Putting together the financing structure • Structuring benchmarks
12:00	Session 3 - Building the Model: Sources and Uses of Funds <ul style="list-style-type: none"> • Use of funds - share acquisition, debt refinancing, transaction fees • Sources of funds • Senior debt capacity – comparable transactions • Determine the level of debt • Mandatory payments and cash sweep • Mezzanine versus high yield – practical and strategic issues, pricing and execution, PIK coupons and subordinated debt • Other issues: in-the-money share options, vendor financing
12:30 -13:30	Lunch

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13:30	Session 4 - Building the Model: Debt Schedules and Debt Modelling <ul style="list-style-type: none">• Debt: setting up a system for amortization (typical structures)• Calculate cash available for interest and debt amortisation• Build out the debt schedule for the various types of debt, including a revolver• Building the cash sweeps• Link the closing debt and cash balances back into the balance sheet – ‘debt waterfall’• Revolvers and liquidity facilities (using MAX and MIN)• Avoiding circularity• Modelling tax and completing the cash flow• Sensitivity analysis
15:00	Break
15:15	Session 5 – Building the Model: Implementing Return and Credit Metrics - Scaling the Bid to Fit the Fund Return Targets <ul style="list-style-type: none">• Return hurdles for the funds and credit metrics• Measuring the key returns – Equity IRR and Cash on Cash Exit multiple• Tranching equity – using loan notes, preference shares to structure management incentives and deal with roll-over equity• Management ratchets• Analysing value creation – building a value creation “bridge” – disaggregating total return into sales growth, and margin improvement contribution, deleveraging and fees• Exits
17:00	Summary and Close