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Advanced LBO Modelling

Course Agenda

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08:45	Registration and breakfast
9:00	Course assembles and introductory session Andre Lanser, Course Director
9:10	Session 1 – Introduction and Concepts • 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
10:45	Session 2 - Leveraged Buyout Deals • 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 • 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** • 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** • 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**