Financial Modelling

In- House Training Sample Agenda

Program content

Session 1 – Building a Financial Model
Objective: This section introduces the design and modelling of the balance sheet and income statement. Assumptions form a crucial part in the development of models, together with the multi-variable scenario analysis.

- Balance Sheet:
    - Capital structure
    - Non-current assets and deprecation tools and techniques
    - Capital expenditure models
    - Amortization of intangibles
    - Inventory, accounts receivable and cash
    - Non-current liabilities
    - Debt and amortization tables – see session 2
    - Accounts payable
- Cash flow statement:
    - Link between balance sheet and income statement
    - Working capital project
    - Cash flow forecasts

Session 2 – Capital Structuring Applications
- Setting up a model for capital structure analysis
- Optimal debt and equity
- The effects of optimal capital structure
- Debt "waterfall"

Leveraged Buyout Model

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

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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
- 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

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

Session 6– Practical Application Examples for Private Equity

- Capitalisation table used in venture capital
- Debt "corkscrew"
- Exit "IRR" waterfall
- Value creation bridge
- Dividend recapitalization
- Adjustments to EBITDA and EV
- Equity dilution
- IFRS 16

Session 7– Summary and Close