



Complex LBO Modeling & Enhancements

New York Institute of Finance, in conjunction with Wall Street Training, presents the following course.

Leverage buyouts (LBOs) are among the most risky and complex financial transactions and typically sets the floor or minimum valuation. In this course, learn how to build a leveraged buyout model. This is a highly complex and a very advanced modeling class and requires an absolute grasp of all basic and advanced accounting and financial concepts. Your finished LBO model will be a highly versatile and functional financial model able to capture and sensitize a great deal of inputs to project a realistic and more precise outcome.

Build a fully integrated financial statement projection model with income statement projections, a self-balancing balance sheet, an automated cash flow statement and the balancing cash flow sweep/debt schedule. Emphasis is placed on the integration of the major financial statements and becoming experts in Excel. Build up to the complex LBO model by discussing an important review of the drivers of value in an LBO and recapitalization. Then construct a short, quick and dirty LBO analysis that incorporates all the major inputs and value drivers of an LBO transaction and provides an excellent condensed overview and introduction to LBO modeling.

Targeted Audience

Investment bankers, mergers & acquisitions, leveraged finance and credit professionals. Private equity, buyout and venture capital professionals. Internal M&A and business development. CFO, VP Finance, Financial Analysts, & related functions. New hires and those being groomed for management.

Special Offer

Clients who register for this course will receive a complimentary 3 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process and are limited to one per client. For questions about your subscription, call 800-628-8088 or email uscirculation@ft.com. U.S. enrollees only. (All non-U.S. enrollees will receive a subscription to FT.com only.)

Advance Preparation

No advance preparation required.

Prerequisites

Proficiency in: Accounting & Financial Statements, basic Corporate Finance and valuation topics. Basic, general knowledge or interest in leveraged buyouts. Solid proficiency in Excel. Note: To maximize the value & productivity of this course, participants must be proficient and comfortable with Excel - a lack of Excel skills will hamper the ability to properly follow along and acquire the best practices and efficiencies that are presented. Financial calculator required.

Learning Objectives

Students will be able to:

- . Build an integrated set of financials, income statement, balance sheet and cash flow
- . Learn how to balance a model utilizing debt sweep, no plugs and the danger of circular references
- . Become super-efficient in Excel through intensive use of keyboard shortcuts and best practices
- . Construct and sensitize a basic, quick and dirty, leveraged buyout model
- . Incorporate fundamental drivers including sources and uses, pro forma, post-LBO projections, available cash flow, debt sweep, credit ratios and IRR
- . Construct and sensitize a highly complex leveraged buyout model including valuation and debt capacity
- . Analyze credit and leverage statistics and equity sources that drive the LBO model
- . Sensitize LBO model based on various accounting and financing scenarios
- . Build IRR (internal rate of return) sensitivity analysis to evaluate financial sponsor returns

Alumni Comments

"Great content and good instructor!"

"Overall, the course was beneficial."

"The instructor was very knowledgeable and had strong presentation skills."

Follow-Up Courses

Super-Advanced Merger Modeling

Level: Advanced

CPE Credits: 21.5

Instructional Method: Group-Live

Detailed Outline

Day 1 - Advanced Financial Modeling

5-Year Financial Statement Projection Model

- . How do you project a company's income statement from revenues and expenses down to net income?
- . What are the different methodologies to forecasting the different types of assets on the balance sheet and how do they compare and contrast with projecting liabilities
- . How do you project the shareholders' equity account?
- . What is the importance of financial ratios in building the balance sheet projections?
- . How do you approach building an integrated cash flow statement?
- . How do you build each component of the cash flow statement and why is cash the last item to project?

Supporting Schedules

- . Incorporate calculation and payment of dividends into your integrated financial model
- . Emulate announced share repurchase program by estimating implied price and shares

Day 2 - Basic LBO Modeling

Quick and Dirty LBO Modeling

- . Discussion on leveraged buyouts
- . Create a quick and dirty, condensed LBO model from scratch
- . Build a summary sources and uses of funds analysis that dictates LBO value
- . Construct a pro forma, post-LBO income statement projection model incorporating LBO changes
- . Calculate and flow cash available to firm through debt sweep pay off high debt volumes
- . Create condensed IRR (internal rate of return) analysis to evaluate financial sponsor returns
- . Analyze basic credit and leverage statistics and equity sources that drive the LBO model
- . Translate and analyze LBO model into current valuation implications

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Integration and Balancing of Financial Model

- . Balance the model using the debt schedule and debt sweep logic - the most important analysis in terms of balancing the model
 - . How does the cash actually flow through the model?
 - . Incorporate automatic debt payments and use cash generated to either pay down debt or build cash
 - . How does the revolver facility actually balance the model? Avoid messy nested if statements
 - . How does the balance sheet and financial statements balance by itself without the use of plugs
 - . How are the financial statements integrated using the interest schedule
 - . What are circular references, why should they be avoided and how to get around circular references
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Day 3 - Complex LBO modeling & LBO enhancements

LBO Summary

- . Build the ever-so-critical LBO summary page that controls all the drivers and inputs of the LBO model - valuation metrics, maximum debt capacity, sources and uses of funds
- . Sensitize the LBO model - recapitalization vs. purchase accounting, interest rate and refinancing scenarios
- . Incorporate proper accounting treatment of - debt transaction financing fees, tender and transactions costs
- . Calculate equity sources and rollover equity and

financial implications, create pro forma capital structure

- . Calculate goodwill incorporating the FAS 141 and 142 (IFS #3) goodwill amortization rules
- . Toggle between various LBO scenarios and no transaction for valuation purposes

Adjustment to Balance Sheet, Cash Flow Statement, Expanded Debt Sweep & IRR

- . Translate LBO summary and deal structure into pro forma opening balance sheet - adjustments include cash changes, goodwill, capitalization of expenses, debt and capital structure modifications
- . Properly calculate and incorporate pro forma shareholder's equity treatment
- . Cash flow statement modifications including updating existing share repurchase and dividends model
- . Debt sweep expansion including integrating and sweeping additional new and existing debt tranches
- . Construct credit and leverage ratios and automate credit ratings
- . Create IRR (internal rate of return) analysis to evaluate financial sponsor returns
- . Complete complex LBO model with status quo, standalone model vs. all-out LBO toggle

LBO Modeling Enhancements

- . Introduce enhancements and complications into your LBO model to account for various transaction structures and more complex securities typically issued in an LBO transaction
- . Incorporate mezzanine securities with PIKs (paid-in-kind)
- . Account for dilution due to warrants attached to preferred securities
- . Enhance LBO model to dynamically incorporate recapitalizations (vs. full LBOs)

. Properly modify IRR analysis to include effect of enhancements

NOTE

Each delegate must bring a financial calculator to class.

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.