

ADVANCED LBO MODELING

INTRODUCTION TO LBOs AND RECAPS

Trainees will gain an understanding of both the intuition underlying LBOs, as well as some of the mechanics.

- How does an LBO or Recap work?
- Who are the major players
- What is the current financing environment
- What are the industry benchmarks.

Recommended Duration

- 2 days
- 1 day program also available

BUILDING THE MODEL— STEP-BY-STEP APPROACH

Using WSP's step-by-step approach, trainees develop an "industrial strength" comprehensive, and integrated LBO model with the following features:

Pro Forma Financial Statement Projections

- Line-by-line build-up of the IS / BS and CFS
- Elegantly model LBO and Recap adjustments
- Model LBOs as asset sales vs. stock sales
- Integrate asset write-ups and associated deferred taxes.

Toggle switches

- *Transaction type*: Standalone / LBO / Recap
- *Tax type*: Asset sale / (338(h)(10) election / Stock sale
- *Operating sensitivities*: Best case / Base case / Weak case

Modeling LBO debt

- *Senior & Sub notes*—discretionary and required payments for multiple tranches
- *Mezzanine financing* - PIK vs. cash interest
- *Preferred stock*—PIK vs. cash dividends
- *Revolver*—Integrated automatic cash sweep, minimum cash balance, and maximum borrowing capacity

WHAT'S INCLUDED?

LBO Excel model templates

- Ready to use out of the box
- Compatible with PCs and MACs
- Compatible with Excel 2003 and 2007

Supporting schedules

- All required case study materials
- Excel cheat sheet

New! WSP Add-in

- Automate common formatting and calculating tasks with WSP's add-in menu. Includes color and border toggles, auto-formatting, and many other features.

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ADVANCED LBO MODELING | SELF STUDY

BUILDING THE MODEL (continued from previous page)

Building the LBO Sources & Uses (S&U) Schedule—the correct way

- Build a heavy duty, yet flexible, sources & uses of funds schedule.
- Make adjustments in one place—watch it flow error-free throughout entire model.

LBO returns and Exit analysis

Sensitize IRRs (using XIRR) for:

- *LBO Sponsors*
- *Management Rollover*
- *Mezzanine Lenders*
- *Preferred Shareholders*

Build data tables that analyze sensitivity to key assumptions in the model.

Integration of schedules

Build complex schedules that can be turned on or off depending on the availability of client data.

- Working capital
- Depreciation
- Amortization
- Taxes / NOLs / Deferred taxes

BEST PRACTICES

- Circularity breaker and error trapping —no more DIV#0 and REF#!
- Scenario analysis
- Data validation
- MATCH, OFFSET and INDEX functions for improved analysis

UPDATED MODELS

Excel 2003 and 2007—Materials identify differences between Excel 2003 and 2007 so users of both applications can derive full benefits from the program

Accounting changes—Incorporate new accounting rules affecting business combinations