CAPITAL STRUCTURE MODELING
(or Leveraged Buyout Modeling)

SUMMARY:

This hands-on course focuses on the skills required to build and incorporate a complex capital structure into a financial model.

Participants will recapitalize a company's balance sheet and then forecast specific pieces of debt and equity so that the model can be used for credit purposes or as a Leveraged Buyout ("LBO") model.

Prerequisite: This course builds on Building a Financial Model of a Company, so participants may want to complete that course prior to taking the Capital Structure (LBO) Modeling session.

Timing: This course requires 1 – 2 days, depending on the amount of material to be covered

Experts in financial modeling training

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LEARNING TOPICS:

Incorporate an Acquisition or Financing into a Model
- ✓ Build a Sources and Uses schedule within a model
- ✓ Incorporate all fees incurred with the transaction
- ✓ Recapitalize a company's balance sheet

Forecast Debt and Equity
- ✓ Properly incorporate Senior Term Debt with an amortizing repayment schedule
- ✓ Create a robust bank operating line (or revolving credit facility) with a cash sweep
- ✓ Incorporate variable interest rates in which the spread is dependent on the company's leverage
- ✓ Calculate a stand-by fee on the undrawn portion of the bank operating line
- ✓ Utilize a margining formula to monitor the size of a company's bank operating line
- ✓ Incorporate Subordinated High Yield or Mezzanine Debt
- ✓ Build a provision for non-cash Payment in Kind (PIK) interest on various pieces of debt
- ✓ Create a well-designed shareholders' equity schedule
- ✓ Properly link the debt and equity schedules into the financial statements and balance the company's balance sheet
- ✓ Understand the need for circularity within a model
- ✓ Make a model iterative by incorporating circular references
- ✓ Learn to create a "circular reference breaker" to rid a model of undesirable error messages when the model crashes

Analyze Investor's Expectations
- ✓ Properly calculate the investor's internal rate of return
- ✓ Understand and incorporate operating and debt ratios
- ✓ Include debt ratios in which the covenant tightens each year
- ✓ Create "flags" to warn if a debt covenant has been tripped

Incorporate a complex capital structure so the model can be used for credit purposes or LBO analysis