



# Advanced LBO Modeling

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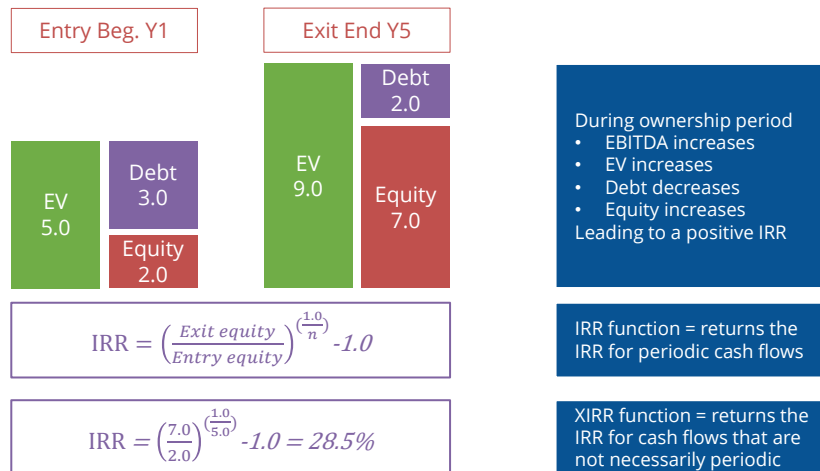
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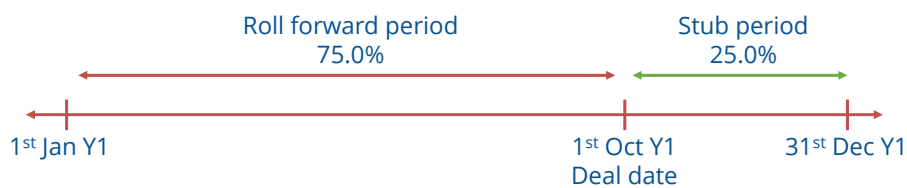
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## Basic LBO Modeling Primer



## Flexible Deal Date - Stub Period in LBOs – IS



### Stub period

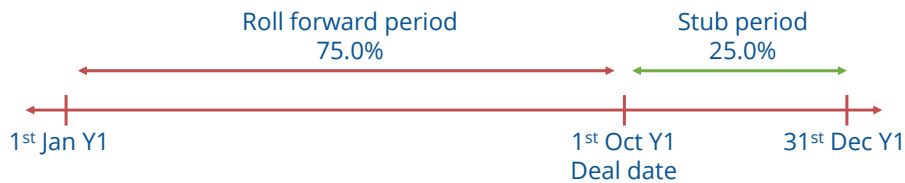
Part of the financial year after the deal date. Figures in this period are now owned by the acquirer

### Income statement at end of deal year

Only the stub period figures go to the acquirer

Calculate by:  
Target income statement for deal year \* stub %

## Flexible Deal Date - Stub Period in LBOs – BS



	Deal date	End of deal year	Post deal year
Balance sheet	Target at deal date + deal effects	Target + deal effects	Target + deal effects

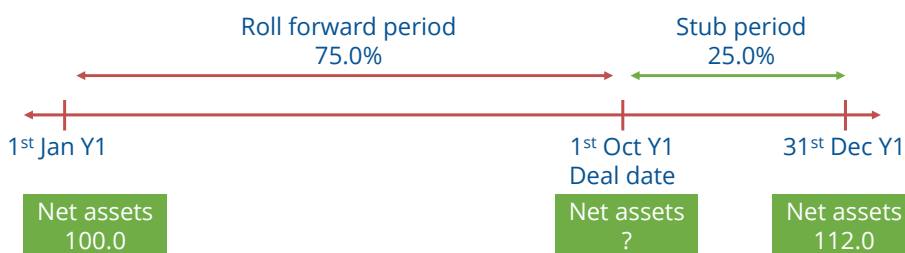
### Deal date balance sheet

Consolidation at deal date creates the balance sheet *immediately post deal*

Calculate by:

Prior year balance \* stub % + next year balance \* roll forward %

## Stub Period in LBOs – Balance Sheet



Calculating target's balance sheet at deal date

= (Prior year balance \* stub %) + (next year balance \* roll forward %)

= (100.0 \* 25.0%) + (112.0 \* 75.0%)

= 109.0

## Cash Sweep / Debt Waterfall

Cash flow available for  
debt service (CFADS)

- Interest and  
mandatory repayments

+ Beginning cash  
- Minimum cash held

= Cash available for RCF,  
refinancing and sweep

- RCF and refinancing  
facility

- Sweep / accelerated  
repayments

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## Capital Expenditure (Capex) Facility

Debt facility drawn down specifically for capital expenditure

Cash from this facility cannot be used for other purposes, including accelerated repayments of other debt

Availability and drawdown linked to asset delivery profile

Repayment can be linked to income generation

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## Original Issue Discount (OID)

Created when debt is offered at a discount	<b>Balance sheet</b>	<b>Deal date</b>	<b>Deal +1</b>	<b>Deal +2</b>
Happens on debt with low or no interest, or to account for debt issuance fees	Beginning unamortized liability		(10.0)	(8.0)
Fees are paid in cash, but capitalized and amortized over time	Amortization		2.0	2.0
Accounted for as a negative liability to reduce the debt balance in BS	Ending unamortized liability	(10.0)	(8.0)	6.0
Amortized over life of debt, and debt balance gradually increases to the principal amount	<b>Income statement</b>	<b>Deal date</b>	<b>Deal +1</b>	<b>Deal +2</b>
Amortization included within finance costs on IS	Finance costs (amortization)		(2.0)	(2.0)

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