

Felix LBO Challenge

You work within the Financial Sponsors group where your team acts as advisor to a private equity firm. The firm has asked you for some idea generation for potential LBO targets within the consumer space that could generate an IRR in excess of 20.0%.

Your MD has asked you to run an LBO analysis on Flowers Foods (ticker: FLO) as a potential target. Your analysis should detail appropriate deal structuring and demonstrate the resulting IRR for the private equity firm.

When building your analysis you should:

- Assume an estimated deal date of 31 December 2025 and use current data in your analysis
- Use consensus forecasts and latest 10K or 10Q data from Felix
- Assume that the target's shareholders will require a minimum acquisition premium of 30% over 1-month VWAP
- Assume the same entry and exit EV/EBITDA multiple
- Assume that deal fees are 2.0% of acquisition enterprise value
- Assume that the maximum debt capacity for the target is 5.0x LTM EBITDA. The cost of senior debt is 200bps +SOFR and that the cost of junior debt is 400bps +SOFR
- Assume that operational improvements will be 1.5% of LTM revenue, and that these will be achieved within 3 years
- Use the assumptions for medium term revenue growth, EBITDA margin, capex, D&A and operating working capital that were extracted from equity research's operational model for FLO. These are provided in the template Excel file provided. Make any other necessary assumptions as appropriate.

Once you have completed your IRR analysis consider whether this is a satisfactory result. If not, what amendments can you make to your assumptions?