Index





A	administrative agent fee, 183
ability to pay, 249, 264	all-cash transaction, 45, 52
ABL facility. See asset based lending facility	amortization,
accountants, 225	deferred financing fees, of, 161-162, 183, 291
accounting, 154, 232, 266, 268	intangible assets, of, 83, 266
accounts payable, 89, 90	schedule, for term loans (See also depreciation &
accounts receivable, 87	amortization (D&A))
accretion/(dilution) analysis, 278, 290–294	term loan, 124,180, 261
accretive, 287, 290–292	amortizing term loans, 124. See also term loan A
accrued liabilities, 90	analysis at various prices (AVP), 273, 276
acquisition currency, 263	announce ment,
acquisition financing, 43, 46, 48, 260	earnings, 8,
adjustments	transactions, 48, 51, 53, 59, 61–62, 240, 251
balance sheet, 172	annual report. See Form 10-K
management projections, 76, 160	entitrust, 242
mid-year convention, 111	arranger, 123–124
non-recurring items 24	asset base, 19, 131, 138
purchase price and financing structure, 161, 172, 198, 278	asset based lending (ABL) facility, 138
286–287	asset sale, 264, 270–272
purchase price and financing structure, 161, 172, 198, 278, 286–287 recent events, 24, 47 year-end discounting, 110, 111	auction, 45, 202, 205–208, 210, 212–213, 215, 219, 227,
year-end discounting, 110, 111	230, 238, 246. See also broad auction; targeted auction
administrative agent, 183	AVP. See analysis at various prices



В relevering, 102 back-end short form merger, 244 unlevering, 101 balance sheet, 7, 84, 85, 156–157, 159, 161, 163, 166–167, bidders. See prospective buyers 172–174, 176, 185, 248, 249, 258–260, 266 268, 278, bidding strategy, 155 286-288 Bloomberg, 6-8 board approval, 236, 240 in LBO analysis, 161, 163, 166, 172, 185–186 bank book, 125 board of directors, 126, 221, 233, 238–240 bank debt, 123, 124, 131, 135, 136, 138, 139, 146-151, 180, bond investors, 125 book value, 83 189 borrower, 136, 138, 143, 144, 147-148, 261 bank lenders, 124, 144 bank meeting, 124 bridge financing, 245 bankruptcy, 131 broad auction, 205–206, 210, 212 barriers to entry, 129, 131 business disruption, 206, 210 business profile, 5, 64 Base Case, 76, 160 buy-side advisory, 247-294 Base Rate, 138 basic shares outstanding, 7, 11 benchmarking analysis, 28, 49 comparable companies analysis, 28–32 CA. See confidentiality agreement precedent transactions analysis, 64-65 CAGR. See compound annual growth rate benchmark rate. See Base Rate; London Interbank Offered calendarization of financial data, 24 Rate (LIBOR) calendar year, 7, 24, 111 Berkshire Hathaway, 258 call premium, 282 beta, 99–103 call price, 147 beta ([beta]), 100-102 call protection, 147



call schedule, 147 cash flow statement, 83-84, 156-157, 159, 162-166, 173–174, 176, 183, 185, 278 capex. See capital expenditures capital asset pricing model (CAPM), 99, 101–103 in LBO analysis, 162–166, 185, 187 capital expenditures (capex), See also growth capex; cash flow sweep, 180 cash interest expense, 183 maintenance capex, low requirements, for LBOs, 130 cash on hand, 90, 259, 260, 282 in coverage ratios, 21, 288 funding source, 260 in free cash flow, 74-75, 81, 84, 118 cash return, 133, 133–195 projection of, 84, 160, 164, C Corp, 265 capitalization, 11, 20, 94, 189, 198, 278, 288 certainty of closing/completion, 45, 203, 259 capitalization ratio, 94 closest comparables, 27, 33 capital markets, closing, of transaction, 241–245 conditions, 43, 67, closing conditions, 234, 240 transactions, 8, 21, 154, 244-245, 260 chibing, 217, 221 capital structure, 13-14, 16-17, 25-26, 75, 91, 93-98, club deal, 141 101–102, 118, 222 COGS. See cost of goods sold LBO financing 121, 128, 131, 136-137, 139, 183, 189, See collateral, 124, 131, 143 also financing structure collateral coverage, 124, 143 optimal capital structure, 95–96, commitment fee, 178, 183 target capital structure, for WACC, 94-98, 101-102, 118 commitment letter, 151 CAPM. See capital asset pricing model commodity, 78 cash and stock transaction, 57 common stock, 280 cash available for debt repayment, 129, 176-1 comparable companies analysis, 1–38, 64–65 cash flow generation, 38, 97, 128, 130 key pros and cons, 38



Competition Bureau, 242 competitors, 4, 6, 64, 73, 206 compound annual growth rate (CAGR), 15 confidential information memorandum (CIM), 73, 124, 213, 215, 222–223 sample, 216 confidentiality agreement (CA), 15, 59, 99, 101–103, 209, 217-221 conglomeration, 254, 258–259 consensus estimates, 7, 8, 33, 78, 80 consultants, 129, 222, 231 contact log, 219 contractual subordination, 144 contribution analysis, 273, 277 control premium, 41 convertible securities, 11 corporate website, 4 cost of capital, 70, 71, 91–105, 136, 146, 212, 252, 259, 287 See also weighted average cost of capital (WACC) cost of debt, 91–93, 97–99, 104, 262, 291 cost of equity, 91-93, 95, 99-104. See also capital asset pricing model (CAPM) cost of goods sold (COGS), 13, 16 projections, 79, 83 cost structure, 129

coupon, 98, 139, 146, 262 covenants, 124, 146, 150, 160, 234, 262–263 incurrence, 139, 148–149 in definitive agreements, 234, 262–263 maintenance, 148–149 coverage ratios. See interest coverage credit agreement, 148, 149 credit committee, 123, 154, 160 credit crunch, 67 credit profile, 10, 20–22, 97, 259, 287 credit ratings, 6, 10, 21-22, 97, 98, 262 atings scale, 22 credit statistics, 97, 150, 189, 191, 198, 278, 287–289 current assets, 85, 87–90 current liabilities, 85, 89, 90 current report. See Form 8-K current vield, 97 customers, 73–74, 129–130, 225, 250, 254–257, 266 cyclicality, 78, 97, 134, cyclical sectors, 76

D D&A. See depreciation & amortization data room, 158, 218, 225–226, 229, 230, 232 days inventory held (DIH), 88



days payable outstanding (DPO), 89, 90 days sales outstanding (DSO), 87 DCF. See discounted cash flow analysis D/E. See debt-to-equity deal dynamics, 44–48, 64 deal terms, 240 debt capital markets, 154 debt repayment, 121, 128-129, 133, 164, 174, 176-178, 180, 191 debt schedule, 157, 165, 173-183, 185 debt securities, 46, 48, 139, 151 debt-to-EBITDA, 20, 149, 189, 288 debt-to-equity (D/E), 101–102 debt-to-total capitalization, 20, 94, 189, 288 DEF14A. See proxy statement default, 97, 143, 148 deferred financing fees, 162, 183 deferred tax liability (DTL), 266-269, 284 definitive agreement, 54, 207, 227, 229-230, 232-234, 236, 238-240, 242-245 Department of Justice (DOJ), 242 depreciation, 13, 83–84, 164, 266, 268, 272, 286, 290, 292 depreciation & amortization (D&A), 13, 26, 81, 83, 162, 268, 270, 272, 286, 290, 292

description of notes, 125 DIH. See days inventory held dilutive, 290-292 discounted cash flow (DCF) analysis, 69-118 key pros and cons, 118 discounted cash flow analysis (DCF), 38, 71-72, 77, 79, 106, 109, 115, 117–118, 273 discounted cash flow (DCF) valuation, 117, 118 discount factor, 109-111 with mid-year convention, 111 with year-end discounting, 110 discount rate, 71, 91, 109, 132. See also weighted average cost of capital (WACC) discressed companies, 122 distribution channels, 250, 253, 255 dividend recapitalization, 134, 135 dividend yield, 10, 19 DOJ. See Department of Justice Downside Case, 160 DPO. See days payable outstanding DSO. See days sales outstanding DTL. See deferred tax liability due diligence, 122-124, 128-130, 158, 160, 209, 211, 225, 227, 230–231, 233, 235



projection of, 83

Focus on **Index**

300

E
earnings before interest after taxes (EBIAT), 82-84
earnings before interest and taxes (EBIT), 7, 10, 13–14, 16,
20–21, 26, 33, 34, 59, 60, 77–82, 106, 107, 111, 129,
157, 159–160, 173, 183, 280, 288
projection of, 80
earnings before interest, taxes, depreciation and amortization
(EBITDA), 7, 10, 13, 16, 20–21, 26, 33–34, 59–60, 66,
77–80, 106, 107, 129, 189, 194, 280, 288
projection of, 80
earnings call transcript, 4, 73
earnings per share (EPS), 7, 14, 60, 278, 290
EBIAT. See earnings before interest after taxes
EBIT. See earnings before interest and taxes
EBITDA. See earnings before interest, taxes, depreciation and
amortization
effective tax rate, 82
EMM. See exit multiple method
end markets, 73, 74
end-of-year discounting. See year-end discounting
enterprise value, 10, 12, 25–26, 50, 58–60, 66, 71,113, 129,
133, 141, 169, 280
at exit, in LBO, 192,
calculation of 12 58 112

implied, 34-36, 169 enterprise value multiples, 25–27, 60 enterprise value-to-EBIT (EV/EBIT), 26, 33, 34 enterprise value-to-EBITDA (EV/EBITDA), 26, 33, 34 enterprise value-to-sales (EV/sales), 26–27 EPS. See earnings per share equity contribution, 121, 132–133, 141, 154, 172, 191, 193, 196 equity investors, 95, 99 equity-linked securities. See convertible securities equity purchase price, 51, 169, 172, 280, 282, 284 equity research reports, 6, 73, 274 equity risk premium, 100. See also market risk premium equity value, 10–12, 25, 34–36, 50–52, 59, 60, 66, 113, 141, 192, 194, 277 at exit, in LBO, 192, 194 calculation of, 11–12, 50–51 implied, 34–35, 113 equity value multiples, 25, 60. See also price-to-earnings (P/E) ratio European Commission (European Union), 242 EV/EBIT. See enterprise value-to-EBIT EV/EBITDA. See enterprise value-to-EBITDA EV/sales. See enterprise value-to-sales



xercisable, 51	financial profile, 5, 27, 64, 73
xercise price, 51	financial sponsors, 44–45, 121–123, 125–127, 129–135,
xit multiple method (EMM), 106–107, 111	139–141, 150, 154–155, 160, 191, 193, 197, 206, 212
xit multiple, 106, 107, 115, 118, 132, 134, 155, 191–192,	221, 222
194, 196	financial statistics, 9–25, 27, 28, 47, 49–51, 58–60, 64, 77
xit strategies, 134–135	financing structure, 120, 121, 124, 125, 127–128, 132–133
xit year, 194, 196	136–138, 146, 150–151, 154–157, 161, 162, 165,
xpenses, 13–14, 16, 21, 75, 84, 89, 90, 95, 162, 174–175,	167–168, 188, 191, 245, 261–264, 287, 288
183, 189, 268, 282, 288, 292	analysis of, 129–190
non-cash, 83, 162	pre-packaged, 227
transaction, 172, 282, 290–291	firm value, 12
	first liet, 146, 147
	first priority interest. See first liens
air market value, 266, 270, 272	fusi round, of auction, 218–228
airness opinion, 203, 205, 236, 239	fiscal year, 23–24
screening for comparable companies, 6	Fitch Ratings, 6
CF. See free cash flow	fixed charge coverage ratio, 149
ederal Trade Commission (FTC), 242	fixed charges, 149
nal bid package, 154, 232, 235	fixed costs, 252
CF. See free cash flow dederal Trade Commission (FTC), 242 final bid package, 154, 232, 235 final bid procedures letter, 229, 232–235 final bids, 154, 229–230, 232–237	fixed exchange ratio, 53–54
inal bids, 154, 229–230, 232–237	fixed price. See floating exchange ratio
nancial covenants. See maintenance covenants	fixed rate, 139, 147, 261
nancial distress, 95, 133	fixed value, 57
nancial information services, 8	floating exchange ratio, 55–57



floating rate, 139, 175, 261	greenfielding, 250
football field, 37, 273–275	gross margin, 16, 79
Form 8-K, 7, 23, 47, 48	gross profit, 10, 13, 16
Form 10-K, 7, 23, 47	projection of, 79
Form 10-Q, 7, 23, 47	growth capex, 130
Form S-4, 47-48. See also registration statement	growth profile, 10, 15, 74, 129
forward LIBOR curve, 175	growth rates, 10, 15, 71, 76, 78, 108, 115, 118, 134, 196
free cash flow, 71, 164, 174, 176–177	guarantees, 52, 145
free cash flow (FCF), 70–71, 74–91, 106–109, 111–112,	% .
118,164, 174, 176–177	H
calculation of, 81–84, 86	Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR
projection of, 75–90	Act), 242
FTC. See Federal Trade Commission	hedge funds, 122, 124–125, 140
fully diluted shares outstanding, 11, 35, 51–52, 113, 169,	high yield bonds, 48, 125, 139–140, 146–151
280, 292	historical financial data/performance, 7, 10, 15, 76, 79–80,
	84, 89–90, 160, 215
G	horizontal integration, 254–255
GAAP. See generally accepted accounting principles	HSR Act. See Hart-Scott-Rodino Antitrust Improvements Act
General Electric, 258	of 1976
generally accepted accounting principles (GAAP), 13, 266,	
268, 270	
geography, 6	Ibbotson, 100
goodwill, 172, 266–267, 269, 284, 286–287	income statement, 13, 83–84, 156–157, 159–160, 162, 173,
goodwill created, 284–287	174, 183, 268, 278
goodwill impairment, 267	in LBO analysis, 162, 183–184



incurrence covenants, 139, 148–149 indemnification, 234 indenture, 139, 144, 147–149 industry, 6, 78, 108, 125, 134, 231, 248. See also sector initial bid procedures letter, 218, 220, 222, 223 initial bids, 218, 220, 222-223, 228 initial public offering (IPO), 3, 134–135 initiating coverage reports, 6 Input Opening Balance Sheet and Project Balance Sheet Items Step II, 159 institutional lenders, 124 institutional term loans, 146. See also term loan B intangible assets, 83, 266–267, 284, 286, 291–292 interest coverage, 10, 21, 148-150, 189, 288 interest expense, in LBO analysis, 183 interest income, 260 internal rate of return (IRR), 132, 150-151, 191, 193-196 in-the-money, 11, 51 intrinsic value, 71 inventory, 88, 89, 266 investment banks, 100, 122–124, 151, 154, 203, 205, 222, 227, 231, 248, 249 investment decisions, 3 investment grade, 136, 139

investment horizon, 121, 129, 132–134 investor presentations, 4, 6, 73 IPO. *See* initial public offering IRR. See internal rate of return issuer, 136, 139, 140, 144, 147–149, 151, 154, 261, 263

last twelve months (LTM), 7, 23, 33, 47, 59–60, 62, 66–67, 107, 111, 280 LBO. See leveraged buyouts LBO analysis, 153–199, 273, 284 lease, 71, 225 legai counsel, 220, 225, 232, 234, 237, 238 leveraged buyouts (LBO), 119–151 leveraged loan, 131, 139. See also bank debt leverage levels, 139–140, 196, 259 leverage ratios, 10, 20, 148, 288 levered beta, 99, 101-102 liabilities, long-term, 185 LIBOR. See London Interbank Offered Rate limited partnership (LPs), 134 London Interbank Offered Rate (LIBOR), 138, 175, 261 LPs. See limited partnership LTM. See last twelve months



M M&A. See mergers & acquisitions maintenance capex, 130 maintenance covenants, 148 maintenance covenants, 148–149 maintenance covenants, 149 management buyout (MBO), 126 Management Case, 76, 160 management discussion & analysis (MD&A), 73, 215 management presentation, 158, 218, 224–225, 229–231 mandatory amortization/repayment, 176, 180 marginal tax rate, 81-82, 92, 98, 101-102, 104, 183, 284 margins, 10, 16–17, 64, 71, 76, 79–82, 92, 98, 101–102, 104, 118, 138, 160, 183, 196 market capitalization, 11. See also equity value market conditions, 3, 38, 41, 43-44, 67, 98, 146, 150-151 248 marketing materials, 126, 209, 211, 213-216. See also confidential information memorandum (CIM), teaser market risk premium, 100 market share, 129, 252 market value, 92, 104, 266, 270, 272 maturity, 139-140, 146, 147, 180, 261

MBO. See management buyout MD&A. See management discussion & analysis merchant banking, 122 merger, 42, 45, 47, 243–244, 248, 249, 259, 264, 274, 278–294. See also one-step merger; two-step tender Process mergers of equals, 45 mergers & acquisitions (M&A), 3-4, 6, 8, 24, 41, 42, 154, 155, 201–203, 205–207, 209–213, 217–223, 227–266, 268-274, 282, 286-288, 290-292 merger proxy (PERM14A / DEFM14A), 7, 47–48 mezzanine debt/financing, 140 mid-year convention/discounting, 111–112 minority interest. See noncontrolling interest MOE. See merger of equals Moody's, 6, 36 monetization, 120, 134-135, 191 multiples. See trading multiples; transaction multiples

N NC. See non-callable negotiated sale, 45, 202, 246 negotiations, 202, 220, 236–240 net debt, 36, 58, 113, 169, 194, 280



net income, 10, 14, 17, 25, 35, 59, 60, 66, 157, 160, 162, 173–174, 183, 185, 277, 292 net income margin, 10, 17 net interest expense, 183 net operating loss (NOL), 252 net operating profit after taxes (NPOAT), 82. See also earnings before interest after taxes (EBIAT) net present value (NPV), 132. See also present value net working capital (NWC), 71, 74-75, 81, 85-86, 118, 160, 163 projection of, 85-86 NOL. See net operating loss non-callable (NC), 147 noncontrolling interest, 58, 113 non-investment grade, 136, 139. See also high yield bonds non-recurring items, 7, 15, 24, 47, 59, 291 adjusting for, 24 non-solicitation, 217, 220 NOPAT. See net operating profit after taxes normalized basis/level, 76, 78 NPV. See net present value NWC. See net working capital

O offering memorandum, 125

offer price per share, 51–55, 59–61, 66, 169 offer price per share-to-LTM EPS, 60 offer value, 51. See also equity purchase price one-step merger, 47, 243-244 operating company (OpCo), 145 operating income/profit, 13–14, 292 operating scenarios, 154, 160, 162-163 options. See stock options organic growth, 134 organization and preparation stage, of auction, 202, 209–217 outliers, 28, 64 out-of-the-money, 51

parent company, 271 par value, 135 PE firms. See private equity firms pension contracts, 225 pension funds, 124-125, 265 P/E ratio. See price-to-earnings ratio performance drivers, 3, 70, 73–74 permitted disclosures, 217, 220 perpetuity growth method (PGM), 106, 108, 111 perpetuity growth rate, 108, 115 PGM. See perpetuity growth method



Focus on

PP&E. See property, plant, and equipment
precedent transactions analysis, 39–67
key pros and cons, 67
pre-closing commitments, 234
preferred stock, 58, 113
PREM14A. See proxy statement
premium paid, 59, 61, 278
prepaid expenses, 89–90
prepayments, 147
present value, 70–71, 91, 106, 109–110, 112–118, 132, 275
press releases, 4, 8, 23, 48
press release excerpts
all cash, 52
cash and stock, 57
fixed exchange ratio, 53–54
floating exchange ratio, 55–56
price-to-earnings (P/E) ratio, 35–37, 60
priority status, 144–145
private acquirers, 48
private equity (PE) firms, 122
privately held companies, 3, 46, 77, 79–80, 94, 101, 168, 234
private targets, 4, 46, 48, 203
floating exchange ratio, 53–54 floating exchange ratio, 55–56 price-to-earnings (P/E) ratio, 35–37, 60 priority status, 144–145 private acquirers, 48 private equity (PE) firms, 122 privately held companies, 3, 46, 77, 79–80, 94, 101, 168, 234 private targets, 4, 46, 48, 203 products (and services), 13, 87, 89, 258 profitability, 10, 16–17, 28, 74, 134, 250, 254
profitability, 10, 16–17, 28, 74, 134, 250, 254

```
pro forma, 47, 149, 151, 157, 161–162, 173–174, 183, 189,
    266, 273, 277, 287–288
  accretion/(dilution), 278, 290, 292
  balance sheet, 185, 186
  cash flow statement, 185, 187
  income statement, 183–184
projection period, 71, 75–90, 94, 106–111, 118, 161, 166,
    175–176, 178, 183, 185, 189, 194, 291–292
property plant, and equipment (PP&E), 83, 164,
   265, 286
prospective buyers, 128, 135, 155, 158, 205–207,
    210-213, 215, 217-222, 225, 228, 230-232,
    234-238, 246, 249
prospectus (424B), 47–48. See also registration statement.
proxy statement, 6-7, 47-48
public acquirers, 46–48, 62, 251
publicly traded companies, 77, 113
public targets, 4, 46–47, 203, 221, 273
purchase consideration, 45, 47–48, 50, 52–57, 233, 263
purchase price, 44–45, 48, 49, 51, 62, 121, 155, 156,
    167–169, 191, 197–198, 223, 266–267, 278, 280–284,
    291-292
  assumptions, 168–169
purchase/sale agreement, 207. See also definitive agreement
```



Q
quarterly report. See Form 10-Q
R
ranking, 27, 137
rating agencies, 6, 259, 288. <i>See also</i> Fitch Ratings, Moody's and S&P
Ratios, 2, 9–26, 28, 40, 49–63
Ratio Test, 149
redemptions, 147
refinancing, 58, 154
registration statement, 47, 48
regulatory approvals, 207, 233, 242
reporting period, 73
representations and warranties, 234
restructurings, 3, 41, 154
return on assets (ROA), 10, 19
return on equity (ROE), 10, 18
return on invested capital (ROIC), 10, 18
return on investment (ROI), 10, 18–19
revenues, 252, 253, 266, 272. See also sales
revolver availability, 245, 261
return on equity (ROE), 10, 18 return on invested capital (ROIC), 10, 18 return on investment (ROI), 10, 18–19 revenues, 252, 253, 266, 272. See also sales revolver availability, 245, 261 revolving credit facilities (revolver), 178
risk-free rate, 99, 100

ROA. See return on assets roadshow, 125 ROE. See return on equity ROI. See return on investment ROIC. See return on invested capital roll-up, 122 S sale process, 4, 73, 158, 209–211, 239, 246 sales, 13 projection of, 78–79 scale, 71, 129, 134, 263 Schedule 13E-3, 47 Schedule 14A. See proxy statement Schedule 14D-9, 47 Schedule TO, 47 S Corp, 265 screening for comparable acquisitions, 6, 42 for comparable companies, 6 SEC. See Securities and Exchange Commission SEC filings, 4, 7, 8, 59, 73, 239 second round, of auction, 218, 228-235 section 338, 272



sector, 4, 26, 28, 33, 38, 44, 60, 64, 67, 71, 73–74, 76, 97, 107, 122, 127, 129, 150–151, 158, 212, 222 Securities and Exchange Commission (SEC), 4, 7, 8, 46, 48, 59, 73, 138, 239, 243 security, 11, 46, 52, 100, 121, 135, 136, 139, 143, 146, 151, 259, 261, 291 selling, general & administrative (SG&A), 79, 83 projection of, 79 sell-side advisory, 155, 158, 201-246 seniority, 121, 144–146 sensitivity analysis, 72, 107, 115, 196 DCF analysis, 115–116 LBO analysis, 196 SG&A. See selling, general & administrative shareholder approval, 207, 240, 243-244 shareholders' equity, 172, 174, 185, 284 share price, 11, 34, 35, 51, 53-56, 61, 113, 263, 280, 282 implied, 35, 113 unaffected, 61 size, of company, 10 key financial data, 13-14 market valuation, 11-12 size premium (SP), 6, 100, 103 sources and uses of funds, 161, 170-172, 180, 198, 278, 282, 284, 287

SP. See size premium S&P. See Standard & Poor's SP (Size Premium), 103 S&P 500, 100 SPACs. See special purpose acquisition companies special purpose acquisition companies (SPACs), 122 sponsors. See financial sponsors spreading comparable companies, 9–26 precedent transactions, 48-63 precedent transactions, 49–63 standalone, 62, 278, 287, 290, 292 Standard & Poor's (S&P), 6, 100, 136 standstill agreement, 217, 221 stapled financing, 211, 218, 227 state law, 243 steady state, 76, 106 stock-for-stock transaction, 53–56 stock options, 7, 11, 51, 126, 135, 174, 176, 178, 180, 185, 250, 259 stock price. See share price stock sale, 264-271 strategic buyer, 41, 44–45, 62, 135, 155, 206, 212, 222, 246, 260, 278 strategic fit, 206, 246



strike price. *See* exercise price structural protections, *56* structural subordination, 145 subordination provisions, 144–145 sub-sector, 28 summary output sheets, *9*, 49 suppliers, *73*, 90, 225, 252, 254, 256 synergies, 41, 44–45, 47, 50, 59, 62–63, 135, 212, 246, 249, 251–255, 263, 275, 290–292 systematic risk, 99–101

T tangible assets, 266, 284 tangible value, 62, 126, 258 targeted auction, 205, 206, 210 target management, 126, 128 taxable event, 52 tax basis, 268, 270–271 tax deductibility, 95, 133 tax expense, 13–14, 16, 183, 292 projection of, 82 tax regime, 13–14, 16, 17, 25 T-bills, 100, 262 T-bonds, 100

teaser, 213–215, 217, 219 tender offers, 244 tenor. See maturity term. See maturity terminal value, 70-73, 91, 106-112, 117, 118 terminal year, 78, 106–108 termination provisions, 234 term loan A, 180 term loan B, 180, 282 term loan facilities, 180 time value of money, 109 T-notes, 100 total interest expense, 183 trading comps. See comparable companies analysis trading multiples, 2, 7, 9–28, 33, 107, 111 trailing twelve months (TTM). See last twelve months transaction comps. See precedent transactions analysis transaction multiples, 40, 46, 49–63, 67 transaction structure, 156, 167–172, 234 transaction value, 58-59, 273 triggering event, 7 two-step tender process, 244



U underwriters, 189 unlevered beta, 101, 102 unlevered free cash flow, 108 unsecured, 139, 262 uses of funds. *See* sources and uses of funds useful life, 83–84, 266, 270 V

valuation
comparable companies, determination in, 33–37
DCF analysis, determination in, 112–114
implied by EV/EBITDA, 34
implied by P/E, 35–37
LBO analysis, determination in, 155, 197
precedent transactions, determination in, 66
valuation analysis, in sale process, 211
valuation matrix, 273
valuation paradigm, 204
value maximization, 203

venture capital funds, 122 vertical integration, 254, 256–257

W

WACC. See weighted average cost of capital Wall Street, 14 warrants, 7, 11, 51, 234 weighted average cost of capital (WACC), 71–73, 91–105, 108, 109, 115, 117–118 weighted average cost of debt, 91, 97–99 working capital. See net working capital; net working capital (NWC) write-up, 266–267, 269, 284, 286, 291

Y

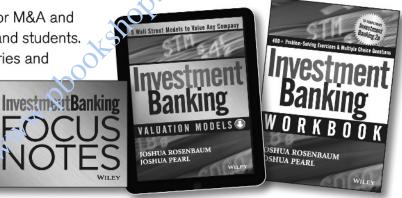
year-end discounting, 110–111 year-over-year (YoY), 163 NWC, changes in, 86 year-to-date (YTD), 7



More great resources to help you master investment banking and valuation

Welcome to the No. 1 knowledge center for M&A and capital markets professionals, professors, and students. It includes the deepest educational ancillaries and

self-study tools anywhere, including a comprehensive workbook and detailed valuation models, as well as focus notes for those learning on the go.



Get started at www.rosenbaumandpearl.com

