JG FINANCIAL TRAINING

JG Financial Training Ltd
329 The Whitehouse
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Private Equity Modeling: 1 Day

Delegate Profile: This course is targeted at delegates working in corporate finance and private equity, who are already familiar with modeling integrated financial statements, having attended the 2-Day Practical Financial Modeling course or similar (please refer to the Practical Financial Modeling for details of this content). They are seeking to develop modeling skills in analyzing a private equity investment over a forecast period and the returns generated for investors and the management team.

Key Learning Outcomes

- Delegates will learn how to build a Private Equity model, the accounting adjustments made on consolidating OpCo with NewCo and forecasting free cash flow available for debt service over the investment period
- They will learn how to incorporate complex debt and equity capital instruments, model mandatory and discretionary interest and capital repayments, and examine the sensitivity of financial covenants to key value drivers
- Finally, they will learn how to derive expected IRR and cash multiples to the PE fund and management team, and perform sensitivities based on leverage, profit growth and multiple expansion

Pre-requisite Knowledge: Delegates should already be familiar with building basic integrated financial models and using common excel functions through attending a 2-Day Practical Financial Modeling course (or equivalent).

Our Approach: The course is very 'hands-on' and based entirely in excel. Each delegate should be provided with a laptop, which is pre-loaded with all the materials in excel format. (Note: the course may be delivered in either Excel 2003 or 2007, however, all delegates should use the same version of excel in the training room.) We facilitate the learning process through a combination of:

- Short 'single worksheet' exercises to demonstrate key aspects of Private Equity modeling
- An integrated Private Equity model for an actual Buyout (KKR/ Unisteel Technologies), which delegates build over progressive stages and derive financial statements, credit ratios and IRR
- A one page summary sheet, as a take away and reminder of the key excel functions and best practice Private Equity model design

Training Fees: £2,500 plus VAT. This covers all research, design and delivery of the training by James Gilpin, for up to 12 delegates. (Note that a smaller delegate group is necessary for financial modeling training). We use KKR/Unisteel Technologies as a standard Private Equity example for training purposes, however, the client may wish to examine an alternative Private Equity deal or select a hypothetical private equity deal. We would be delighted to model alternative deals, however, additional research and design fees may be incurred.

Expenses: All incremental travel and accommodation expenses will be charged separately, however, we will work hard to ensure all costs are kept to a minimum. With regard to materials, JGFT can provide all materials electronically, which must be loaded onto delegate laptops in advance of the course.

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Day One

Session 1
Designing a Private Equity Model

- Defining objectives for your model and designing a flowchart
- Input, Workings and Output worksheets
- Operating, Investing and Financing Assumptions and Using Names
- Private Equity Buyout and Exit Assumptions

Session 2
Building the Sources and Uses of Funds

- Offer Consideration: Cash
- Financing the Offer: Equity vs. Debt
- Refinancing existing facilities
- Bid Premia

Session 3
Consolidation Adjustments

- Acquisition goodwill
- Fair Value adjustments
- NewCo vs. OpCo
- Financing adjustments
- Fees and Expenses

Session 4
Capital Structure and Debt Servicing

- Proforma Income statement, balance sheet and cash flow available for debt service
- Capital Instruments, servicing and repayment schedules (senior, subordinated, mezzanine with equity kickers, PIKs and shareholder loans)
- Taxation: tax shield on interest expense
- Ratios: profitability, credit and financial covenants

Session 5
Exit Valuation, IRR and Sensitivities

- Multiples: Entry vs. Exit
- Enterprise Value vs. Equity Value
- IRR, Cash Multiples and ratchets: PE fund vs. Management
- Sensitivity Analysis: Leverage, Value Drivers of Profit Growth and Multiple Expansion