



Providing financial training to Wall Street®

**COMPLEX LBO MODELING & ENHANCEMENTS**  
**CUSTOMIZED TRAINING PROGRAMS**  
**DETAILED COURSE DESCRIPTIONS**

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## ABOUT WALL ST. TRAINING

### WALL ST. TRAINING OVERVIEW

Wall St. Training provides professional financial training solutions to Wall Street through hands-on classroom training and customized corporate training programs for financial analysts. All of our courses take a hands-on, interactive, practical, non-theoretical approach and is exactly how it is done on Wall Street.

#### Wall St. Training Overview

- ◆ Corporate training
- ◆ Public, open-enrollment seminars
- ◆ Self-study, video-based learning

#### Wall St. Training Services

- ◆ Train finance professionals
- ◆ Conduct new hire and lateral hire training
- ◆ Teach fundamental financial analytics
- ◆ Instruct and promote mastery of advanced topics
- ◆ Provide practical, real-world, hands-on instruction

#### Wall St. Training Specialties

- ◆ Investment Banking and M&A (analysts & associates)
- ◆ Securities Research (equity & fixed income)
- ◆ Asset and Investment Management
- ◆ Credit Analysis (corporate & commercial banking)
- ◆ LBO Modeling (private equity & high yield)
- ◆ CFA (Chartered Financial Analyst)

### WALL ST. TRAINING COURSE TOPICS

Wall St. Training offers a wide variety of topics ranging from Basic to Advanced levels. Our courses are designed for participants with various backgrounds, from students and entry-level professionals to professionals with some work experience to professionals in the midst of a career transition.

#### Basic and Fundamental Concepts

- ◆ Accounting and Financial Statements Integration
- ◆ How to Analyze a 10K
- ◆ Introduction to Finance ("Finance 101")
- ◆ Corporate Valuation (including Corporate Finance)

#### Core Financial Modeling Topics

- ◆ Basic Financial Modeling
- ◆ Advanced Financial Modeling (Core Model) & Valuation Analysis
- ◆ Revenue and Segment Build-up Model
- ◆ Trading & Deal Comps Analysis

#### Merger Modeling Topics

- ◆ M&A Deal Structuring and Merger Modeling
- ◆ Basic and Complex LBO Modeling & LBO Enhancements
- ◆ Advanced Merger Modeling
- ◆ Roll-Up Acquisition Modeling

#### Technical Applications & Topical Subjects

- ◆ Insurance Company and REIT Financial Modeling
- ◆ Overview of the Financial Markets
- ◆ Advanced Excel for Data Analysis + Intro to Macros

## WHY CHOOSE WALL ST. TRAINING

We analyzed the current learning process in finance and Wall Street, figured out how teaching and training should be done and then implemented our learning processes. In short, our strengths that separate us from our competitors include:

- Hands-on, interactive, practical, non-theoretical, no "b.s." approach
- Training modules replicate exactly how it is done on Wall Street
- Blend of real-world and effective teaching style that is more down to earth and at the audience's level
- Fast-paced learning where the goal is for participants to become experts and extremely quick and efficient so they could spend more time on analysis of the numbers rather than pure number crunching
- Learn how to completely avoid using the mouse when building financial models
- Ability to translate difficult and advanced concepts into plain English while providing highly detailed explanations and intricacies; ability to integrate a variety of disparate topics into one focused theme
- Teach nuances and real-life intricacies, not just the basic how-to; we teach the rules and the exceptions!
- Models that are built more cleanly, more efficiently and are meant to be self-contained reference models
- Highly interactive, dynamic teaching approach – we guarantee you will learn AND have fun!

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## ADVANCED FINANCIAL MODELING – CORE MODEL

### Advanced Financial Modeling – Core Model

Format: 100% Excel

Build a fully integrated financial statement projection model with income statement projections, a self-balancing balance sheet, an automated cash flow statement and the balancing cash flow sweep / debt schedule. Emphasis is placed on the integration of the major financial statements and becoming experts in Excel.

#### Learning Objectives:

- Build an integrated set of financials, including income statement, balance sheet & cash flow
- Learn how to balance a model utilizing debt sweep, no "plugs" and the danger of circular references
- Become super-efficient in Excel through intensive use of keyboard shortcuts and best practices

#### Learning Goals:

##### 5-Year Financial Statement Projection Model:

- How do you project a company's Income Statement from revenues and expenses down to Net Income?
- What are the different methodologies to forecasting the different types of assets on the balance sheet and how do they compare and contrast with projecting liabilities?
- How do you project the shareholders' equity account?
- What is the importance of financial ratios in building the balance sheet projections?
- How do you approach building an integrated cash flow statement?
- How do you build each component of the cash flow statement and why is cash the last item to project?

##### Supporting Schedules:

- Incorporate calculation and payment of dividends into your integrated financial model
- Emulate announced share repurchase program by estimating implied price and shares repurchased

##### Integration and Balancing of Financial Model:

- Balance the model using the debt schedule and debt sweep logic – the most important analysis in terms of balancing the model!!
- How does the cash actually flow through the model?
- Incorporate automatic debt payments and use cash generated to either pay down debt or build cash
- How does the revolver facility actually balance the model? Avoid messy nested "if" statements!!
- How does the balance sheet and financial statements balance by itself without the use of "plugs"?
- How are the financial statements integrated using the Interest schedule?
- What are circular references, why should they be avoided and how to get around circular references

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## LBO MODELING TOPICS

### Quick & Dirty, Basic LBO Modeling (Impact of Changes in Capital Structure)

Format: 100% Excel

In the normal course of running a company, the CFO must balance capital requirements with capital sources of funds. Changes to the capital structure are not insignificant as each component of capital has an opportunity cost. In this course, we introduce the impact of changes in capital structure and the resulting impact on a company's decision to borrow vs. raise equity. We quantify the thought process and the logic that dictates one or the other by examining both extremes of capital structure changes: from a simple small share repurchase to the opposite spectrum, the leveraged buyout. This class examines and incorporates all the major inputs and value drivers of capital structure changes by building a short, quick and dirty LBO analysis, providing an excellent condensed overview and introduction to LBO modeling. As LBOs are risky and complex financial transactions, sometimes, building a full-out, complex LBO model is not necessary or required if one just wants to quickly gauge the feasibility of an LBO.

#### Learning Objectives:

- Discussion on leveraged buyouts, including overview, rationale, ideal candidate and drivers of value
- Construct and sensitize a basic, quick and dirty, leveraged buyout model
- Incorporate fundamental drivers including Sources & Uses, Pro Forma, post-LBO projections, available cash flow, debt sweep, credit ratios and IRR

#### Learning Goals:

- Drivers of value from a financial point of view and changes in capital structure
  - Comparison to share repurchases and the lack of value creation
  - Counter argument of cost of capital, funding costs and opportunity costs arbitrage
  - Counter-counter argument of weighted average cost of capital changes
  - Final assessment of source of returns of LBOs
  - We first introduce the obvious rationales, then prove why that is wrong, then disprove the proof and disprove that and disprove that and finally agree on how corporate finance and the capital markets extract value from capital structure arbitrage
  - In short, participants might be thoroughly confused at first, but will finally understand every aspect of the value proposition by the time we are done!
- Discussion on LBOs, including: overview of LBO's, rationale for going private, ideal LBO candidate
- Create a quick and dirty, condensed LBO model from scratch
- Build a summary Sources and Uses of Funds analysis that dictates LBO value
- Construct a Pro Forma, post-LBO Income Statement projection model incorporating LBO changes
- Calculate cash flow available to firm through simplified debt sweep pay off high debt volumes
- Create condensed IRR (internal rate of return) analysis to evaluate financial sponsor returns
  - Comparison of IRR to multiple of capital as a return metric and benchmark
  - Identify true source of returns, from building of equity to time value of money
  - Compare and contrast returns trends based on exit multiple contraction or expansion
  - Discussion on why highly levered transactions must exit within 3 to 5 years
  - Analyze and partially quantify the trend towards dividends to financial sponsor as opposed to debt paydown
- Analyze basic credit and leverage statistics and equity sources that drive the LBO model

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## LBO MODELING TOPICS

### Complex LBO Modeling & LBO Enhancements

Format: 100% Excel

Leveraged buyouts (LBOs) are among the most risky and complex financial transactions and typically sets the floor or minimum valuation. In this course, learn how to build a leveraged buyout model. This is a highly complex and a very advanced modeling class and requires an absolute grasp of all basic and advanced accounting and financial concepts. Your finished LBO model will be a highly versatile and functional financial model able to capture and sensitize a great deal of inputs to project a realistic and more precise outcome. Project full balance sheet adjustments and fully integrated financial statements.

#### Learning Objectives:

- Construct and sensitize a highly complex leveraged buyout model including valuation and debt capacity
- Analyze credit and leverage statistics and equity sources that drive the LBO model
- Sensitize LBO model based on various accounting and financing scenarios
- Build IRR (internal rate of return) sensitivity analysis to evaluate financial sponsor returns

#### Learning Goals:

- Discussion on leveraged buyouts, including: overview, rationale, ideal candidate and drivers of value
- Build fully integrated model (Advanced Financial Modeling course) and layer an LBO model on top

#### LBO Summary:

- Build the ever-so-critical "LBO Summary" page that controls all the drivers and inputs of the LBO model: valuation metrics, maximum debt capacity, Sources and Uses of Funds
- Sensitize the LBO model: recapitalization vs. purchase accounting, interest rate & refinancing scenarios
- Incorporate proper accounting treatment of: debt transaction financing fees, tender & transactions costs
- Calculate equity sources & rollover equity and financial implications; create Pro Forma capital structure
- Calculate goodwill incorporating the FAS 141 and 142 (IFRS #3) goodwill amortization rules
- Toggle between various LBO scenarios and no transaction for valuation purposes

#### Adjustments to Balance Sheet, Cash Flow Statement, Expanded Debt Sweep & IRR:

- Translate LBO summary and deal structure into Pro Forma Opening Balance Sheet: adjustments include: cash changes, goodwill, capitalization of expenses, debt and capital structure modifications
- Properly calculate and incorporate Pro Forma Shareholder's Equity treatment
- Cash Flow Statement modifications including updating existing share repurchase and dividends model
- Debt Sweep expansion including integrating and sweeping additional new and existing debt tranches
- Construct credit & leverage ratios and automate credit ratings
- Create IRR (internal rate of return) analysis to evaluate financial sponsor returns
- Complete complex LBO model with Status Quo, standalone model vs. all-out LBO toggle

#### LBO Modeling Enhancements

- Introduce enhancements and complications into your LBO model to account for various transaction structures and more complex securities typically issued in an LBO transaction.
  - Incorporate mezzanine securities with PIKs (paid-in-kind)
  - Account for dilution due to warrants attached to preferred securities
  - Enhance LBO model to dynamically incorporate recapitalizations (vs. full LBOs)
  - Properly modify IRR analysis to include effect of enhancements