Leveraged Buyouts

A Practical Guide

By Paul Pignataro

USE THIS FOR

Build the model in an order that keeps sources, uses, debt, and returns linked.

BEFORE THE ROUND

- [ ] Balance sources and uses
- [ ] Link the debt roll-forward
- [ ] Check the cash sweep
- [ ] Recompute returns

CORE MOVES

- Sources must equal uses at entry.
- Debt changes through mandatory repayment and the cash sweep.
- Exit equity equals exit enterprise value less remaining debt plus cash.
- MOIC and IRR must use the same entry and exit equity flows.

QUICK DRILL

Entry equity is $100M and exit equity is $180M after four years. MOIC is 1.8x. The annual IRR is about 15.8%.

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YOUR NOTES

Apply one idea to your submission. Write the claim and the number that supports it. Then record the risk.