Leveraged & Mezzanine Finance Workshop

An expert 3-day training course for corporate borrowers, lenders, acquisition & buyout specialists, analysts, investors and advisors

- Why and when should companies consider the use of leveraged financing techniques?
- How can leverage be used to facilitate a management buyout or other forms of ownership transition? When do LBOs succeed?
- What are the key tax, legal, credit, and rating issues surrounding leveraged financing, and how can they be satisfied?
- Leveraged recapitalizations: how do they really work, and what are their advantages and disadvantages? How can recaps be used for stock repurchases, dividends and as shark repellants?
- What is the right pricing and covenant structure for leveraged lending?
- How do mezzanine financing techniques such as convertible bonds work, and when does it make sense to use them? How are they priced?
- When should a company employ asset-based high-leverage funding, such as project financing or leveraged leasing?

Course Director: Professor Ian Giddy,
Stern School of Business, New York University

Date: 30 March – 1 April 2005
Venue: Central Paris, France
Leveraged Finance is the strategic use of debt financing to achieve a specific objective. The technique has become widely used to effect management buyouts, to bridge-fund acquisitions, to repurchase shares or pay a one-time dividend, or to invest in assets that produce sufficient cash flow to service the debt.

**WHY LEVERAGED FINANCE?**

Leveraged Finance entails funding a company or business unit with more debt than would be considered normal for that company or industry. Higher-than-normal debt implies that the funding may be riskier, and therefore more costly, than normal borrowing. As a result, leveraged finance is commonly employed to achieve a specific, often temporary, objective: to make an acquisition, to effect a buy-out, to repurchase shares or fund a one-time dividend, or to invest in a self-sustaining, cash-generating asset.

**THE WORKSHOP**

This workshop on leveraged financing techniques will be taught around five major topics employing in-depth group work on case studies, financial analysis and deal documentation. The focus will be on identifying situations that call for highly levered finance solutions, and the design and pricing of the high-spread loans and high-yield bonds as well as the equity instruments that support the leverage. Examples of such situations include private equity and leveraged buyouts, bridge financing for acquisitions, defensive financial restructuring, recapitalizations, and asset-based techniques such as leveraged leasing.

Leveraged financing methods are often employed in M&A, management buyouts and other forms of ownership transition. A catalyst for leveraged buyouts is so-called mezzanine finance that falls between senior debt and pure equity. Today many companies are looking at leveraged finance as a broader tool, including the use of leverage for share buybacks and special dividends or to consolidate ownership, or as an alternative to a trade sale or IPO for exit.

This workshop explains why and when corporations and financial institutions should employ leveraged funding, and in what form. In three information-packed days of instruction and application, we offer an economic analysis of the techniques and their pricing, an insight into when LBOs succeed and when they fail, deleveraging and exit strategies, methods of cash-flow modelling, and a framework for choosing among alternative leverage and mezzanine techniques. One goal for participants is to develop a checklist of the key criteria in a leveraged finance deal. This will help them to identify the main strengths and risks of each structure or proposed deal.

The workshop will include case studies of actual financings, as well as hands-on exercises, and will give participants the opportunity to augment their understanding of deals through group work, presentations and discussions.

**COURSE DIRECTOR**

Ian Giddy has taught finance at NYU, Columbia, Wharton, Chicago and in 30+ countries abroad for the past two decades. He was Director of International Fixed Income Research at Drexel Burnham Lambert from 1986 to 1989. The author of more than fifty articles on international finance, he has served at the International Monetary Fund and the U.S. Treasury and has been a consultant with numerous corporations and financial institutions in the U.S. and abroad. As a banker and consultant he has been involved in the growth of the ABS market in the USA, Europe and Asia. He is the author or co-author of The International Money Market, The Handbook of International Finance, Cases in International Finance, Global Financial Markets, Asset Securitization in Asia and The Hudson River Watertrail Guide.

**WHO SHOULD ATTEND?**

The seminar is of relevance to potential corporate borrowers, to lenders, and to those involved in buyouts and acquisitions. This includes corporate officers, commercial and investment bankers, securities analysts, private equity specialists, asset managers, and other individuals whose professional future may be enhanced by an understanding of leveraged and mezzanine finance techniques.

**COURSE DOCUMENTATION**

Participants will be provided with a package of materials useful to the structuring and analysis of specially tailored leveraged financing techniques, including pertinent articles, rating agency reports and sample documentation from actual deals done in Europe, North America and elsewhere.

**VENUE & ACCOMMODATION**

The course will take place at a centrally located Paris Hotel. Details of the venue are available upon registration. Course fees cover all tuition, documentation, facilities, lunch and refreshments for the duration of the course. Delegates are responsible for their own travel, accommodation and out-of-pocket expenses.

Should you require assistance with your hotel accommodation for a Euromoney course, please contact our appointed international hotel reservations specialist, IBR LTD, on tel: +44 (0) 1332 285 521 or by email: international.reservations@ibr.co.uk.

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Leveraged & Mezzanine Finance Workshop

AGENDA

DAY ONE

LEVERAGED FINANCE: APPLICATIONS AND EFFECTIVE COST ANALYSIS

- Why leveraged finance?
- Survey of leveraged finance techniques, and when it makes sense to use them
- Leverage: the good, the bad and the ugly

CASE STUDY: The CoMark LBO.
Delegates engage in a discussion of the key factors that determine the success or failure of a leveraged buyout.

- Comparison of leveraged finance in North America, Europe and emerging markets
- Performance-driven leveraged finance: techniques and examples
- Defensive leveraged finance: techniques and examples
- Deal-driven leveraged finance: techniques and applications
- Impact of leverage on bondholders and lenders
- Impact of leverage on shareholders and share price
- Methods of Effective Cost Analysis

CASE STUDY: Telkom S.A.
Delegates perform a valuation of a communications company and estimate the effect of increased leverage on shareholder value.

VALUATION IN LEVERAGED FINANCE: TOOLS AND APPLICATIONS

- Asset-based and balance-sheet approaches
- Comparables-based approaches
- Adjusting comparables for leverage
- Measuring and predicting free cash flows to firm (FCFF) and to equity (FCFE)
- Interpreting free cash flows: DCF and Adjusted Present Value methods; the VC method
- Establishing required rates of return: the “Fierce Creatures” method and others
- Sensitivity analysis

CASE STUDY: Telkom S.A.
Delegates work out the possible senior, mezzanine and equity financing possibilities for this waste removal company engaged in a leveraged roll-up.

DAY TWO

LEVERAGED BUILD-UPS AND LEVERAGED RECAPITALIZATION

- Proactive leverage: roll-ups and recaps
- Estimating debt capacity
- Leverage, tax shield, risk and shareholder value
- Leverage finance as a temporary capital structure
- Impact of high leverage on business efficiency and shareholder risk
- Leverage recaps with share buybacks or special dividends to enhance shareholder value
- Post-recap deleveraging

CASE STUDY: Sealed Air Corporation
Delegates learn how a company with stable and growing free cash flows can exploit its debt capacity, and discuss the risks involved

- Leverage recaps for ownership transition or cash-out
- Leveraged ESOPs (Employee Stock Ownership Plans)
- Leverage and exchange offers

CASE STUDY: Truck Toys.
In this example of a company using leverage to effect a change in control, delegates discuss shareholders’ options.

- Leveraged financings techniques
- Finding the optimal financing mix: debt, equity or mezzanine?
- The players and the market today: LBO funds, private equity houses, advisory firms and others
- Corporate taxation and capital structure
- Asset-based and bridge financing
- Bank term financing
- Subordinated seller financing
- High yield bond financing
- A review of pricing and other key terms and their negotiation
- Private equity
- Public equity financing
- Use of mezzanine and private equity in leveraged buyouts

CASE STUDY: Boston Waste.
Delegates undertake a step-by-step analysis of a company’s debt capacity.

LEVERAGED FINANCING TECHNIQUES

- Post-acquisition refinancing and asset sales
- Leveraged asset-based financing
- Leveraged leasing
- Project finance

CASE STUDY: Airticity.
Delegates learn how 80%-100% financing can be obtained with the support of transferable assets or a power purchase agreement.

CASE STUDY: Spacemasters.
A private company is looking for a cash-out, and delegates estimate the company’s debt capacity and the owner’s options.

- Focus: synthetic ratings and debt pricing
- How to structure and price the funding for an acquisition or buyout

CASE STUDY: The LBO of Wilkinson Power
Delegates apply the tools and ideas of the course to a situation featuring the potential leveraged buyout of a European natural cosmetics distributor.

NEGOTIATING A LEVERAGED BUY-OUT: HANDS-ON APPLICATION

- Structuring the relationship between the partners
- Paydown and exit analysis
- What can go wrong, and why

SUMMARY AND RECAP

Delegates are requested to bring their own laptop PCs, loaded with Excel, for use in the PC-based exercises.

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LEVERAGED & MEZZANINE FINANCE WORKSHOP

registration and further information

GROUP BOOKING DISCOUNTS*

- 3 delegates - 10% discount
- 4 delegates - 12% discount
- 5 delegates - 15% discount

*Available for delegates from one organisation attending the same course.

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REGISTRATION

Leveraged & Mezzanine Finance Workshop (EOT1318)

- 30 March – 1 April 2005, Central Paris, France

In order to guarantee a place on the course delegates are kindly requested to register at least 6 weeks prior to the course start.

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PERSONAL DETAILS

Please print clearly or attach business card

Family Name (Mr/Mrs/Ms)
First Name
Position
Department
Company
Address
Postcode
Country
E-mail
Telephone
Fax

I understand and accept the booking terms & conditions

Signature
Date

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METHODS OF PAYMENT

1. I would like information on holding this programme in-house

2. Please find enclosed a cheque for £

   made payable to Euromoney Training.

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   An invoice will be sent upon receipt of registration form.

   Payment must be received prior to the course start.

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CANCELLATION POLICY

A full refund less an administration fee of £100 will be given for cancellation requests received up to 20 working days before the event. Cancellations must be made in writing (letter or fax) and reach this office before the 20 working day deadline. Delegates who cancel less than 20 working days before the event, or who don’t attend, are liable to pay the full course fee and no refunds can be given. However, if you wish to attend the next course, and you have paid your course fee in full, you will only be invoiced for 25% of that course fee. Please note that the next course must take place within 6 months of the initial application. Of course, a replacement is always welcome.

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DISCLAIMER

Euromoney Training EMEA reserves the right to change or cancel any part of its published programme or teaching faculty due to unforeseen circumstances.

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5 easy ways to register and obtain further information

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4. web: www.euromoneytraining.com/emea  5. mail to: Head of Euromoney Training EMEA, Nestor House, Playhouse Yard, London EC4V 5EX, UK