

# Financing Corporate Acquisitions

A two-day intensive workshop designed to build the knowledge and skills needed to assess corporate acquisition finance proposals and structure the transactions using different funding instruments.

## TARGET AUDIENCE

Experienced banking and finance professionals responsible for credit risk management, marketing, structuring or evaluating the funding of corporate mergers and acquisitions.

FitchTraining offers programmes at an intermediate level and advanced level of continuing education. Although no prerequisite courses or experience is required to participate in this programme, working knowledge of financial statement analysis is required, as well as prior knowledge of the programme topic.

## COURSE OBJECTIVES

A two-day intensive workshop designed to build the knowledge and skills needed to assess corporate acquisition finance proposals and structure the transactions using different funding instruments.

Specifically participants will be equipped to:

- Understand the key drivers of M&A finance and how they drive capital structures in today's market
- Validate the purchase price using multiples and DCF tools
- Use proforma forecasts to determine appropriate debt quantum
- Quantify the impact of target capital structures on shareholder value
- Structure acquisition funding packages using different funding instruments by understanding their relative advantages and disadvantages
- Be cognisant of the key terms and conditions of M&A funding instruments

## CONTENT

### ANALYTIC OVERVIEW

- M&A: the rationale, key players and motivations of parties
- Market trends: multiples, capital structures, and instruments
- Apply purpose ~ payback model to help evaluate risk ~ return profile

### COMMERCIAL RATIONALE FOR COMBINING THE BUSINESSES

- Understanding the businesses of the company and target
- Assessing commercial justification for the transaction
- Identifying integration risks: commercial, financial and cultural
- Key cash-flow drivers of the combined entity
- Scrutinising potential synergies: cash-flow implications
- Critiquing and sensitising forecasts and benchmarking performance

### VALUING THE TARGET

- Assessing the target and its suitability
- Defining and measuring synergies
- Valuing the target: using multiples and DCF tools

### DETERMINING THE CAPITAL STRUCTURE

- Using cash-flow forecasts to quantify debt capacity
- Gaining a perspective on target capital structures
- Debt versus equity: cost, dilution and valuation implications
- Determining the amount of debt: leveraging cash-flows
- Sources of finance: potential funding alternatives

## FUNDING INSTRUMENTS IN CONTEXT OF LEVERAGED ACQUISITIONS

### Senior Bank Debt

- Matching purpose and payback to determine debt tranches
- Quantifying and pricing acceptable levels of refinancing risk
- Bridge loans: relying on alternative payback
- Covenant packages: key terms and conditions
- Pricing and hedging bank debt: risk versus reward

### Private Placements

- Public versus private markets: advantages and disadvantages
- Private ratings: rationale and process
- Structuring and pricing for a US investor base
- Currency and liquidity considerations

### Senior Secured FRN's

- Replacing bank debt with bonds: pros and cons
- Credit profiles and structural features
- Investor considerations: pricing and liquidity

### Bonds

- Credit profiles of issuers across the rating spectrum
- Current market conditions: terms and conditions / pricing
- Event risk protection / step up pricing and negative pledges
- Recovery rates and their impact on ratings
- Investor perspective: risk versus reward

### Convertible Bonds

- When appropriate and key terms and conditions
- Impact on WACC and EPS
- Considerations for issuers and investors

### Corporate Hybrid Securities

- Best of all worlds? Debt, equity or both?
- Motivations for the borrower
- Structural features and debt / equity treatment
- Ratings agencies views on hybrid securities
- Valuing the bond: pricing considerations

### Securitisation

- Rationale and suitable corporate assets
- Understanding basic receivable ABS
- Balance sheet and rating considerations
- Impact on other lenders

## FUNDING INSTRUMENTS – T&GS

### Seniority

- Identifying the borrower and its position in the group
- Defining ranking: contractual, structural and constructive
- Establishing and maintaining ranking
- Debt layering: impact of funding products on capital providers

### Safeguards

- Lender versus borrower: respective positions and objectives
- How safeguards operate to protect investors
- Covenants: Maintenance, incurrence, covenant-light
- Assessing safeguards: balancing interests across the capital structures

### Pricing

- Pricing conventions and benchmarking
- Assessing risk ~ return profiles in search of value.

