COMMERCIAL CREDIT & BANKING

PROJECT DESCRIPTION

* Each student will be assign a publicly traded company
* You need to spread 3 year historical financials including the Balance Sheet, Income Statement, Cash Flow Statement and ratio analysis
* You need to build the transaction sources and uses and pro-forma balance sheet using the following assumptions:
  + Purchase Stock Price: 20% premium of the December 31, 2018 closing price
  + Refinance total debt (including short term and long term)
  + Total Transaction fees and expenses of 3.0% of total (Purchase Price + Debt)
  + New acquisition Debt should be structured as follows:
    - Senior Bank Debt 4.0x December 31, 2018 EBITDA or last reported LTM EBITDA
    - Subordinated Bonds at additional 2.0x December 31, 2018 EBITDA or last reported LTM EBITDA (6.0x total debt)
    - The Balance will be cash equity from the Private Equity Investor.
* Your need to build Projections using reasonable assumptions (sales growth, margins, Capex , Depreciation, Working Capital as % of Revenues, – based on historical experience – You may adjust them based on your independent work justifying the projected levels). Other assumptions will be as follows:
  + Tax Rate: 30%
  + Bank Loan Interest (Floating L+4.0% with Libor 50 bps escalation for the next 3 years) – use starting Libor rate of 1.0%
  + Subordinated Debt Interest Rate – Fixed 8.0%
  + No Dividends
  + No Divestitures

* You need to include projected ratio analysis
* Write few bullet points of your conclusion – basically if you will finance this transaction given the credit analysis performed.