**FINANCIAL MODELLING FINAL EXAM REVIEW**

**SECTION 1 – CASH FLOW AND RATIO ANALYSIS (30 points)**

1. INPUT: 2 years Balance Sheet and Income Statements

OUTPUT: Prepare a Cash Flow Analysis and Calculate Ratios and Covenant Analysis

CELERITY TECHNOLOGY CASH FLOW AND RATIOS CASE STUDY

HOME SUITES (COVENANT ANALYSIS)



**SECTION 2 – DCF AND EQUITY RETURN (40 points)**

1. INPUT: Loan Agreement – Money Terms

OUTPUT: Prepare a Debt Schedule and Weighed Average Dollar Debt Return (IRR)



ALEXANDRIA HOTEL CASE LBO STUDY

PROJECT II – PUBLIC TO PRIVATE

1. INPUT: Operating Assumptions

OUTPUT: Build 5–7-year Income and cash flow projections



ALEXANDRIA HOTEL CASE LBO STUDY

PROJECT II – PUBLIC TO PRIVATE

1. INPUT: Provide Cash Flows, EBITDA, Debt Levels, Expected Return, Terminal Value Information

OUTPUT: Equity Return and NPV



ALEXANDRIA HOTEL CASE LBO STUDY

PROJECT II – PUBLIC TO PRIVATE

**SECTION 3 – Transaction Analysis (30 points)**

1. INPUT: Mini Case Study narrative on LBO transaction

OUTPUT: Build Transaction Sources & Uses, WACC, EBITDA Multiple

Example:

***TRANSACTION:***

*KW Ltd, a Private Equity firm, is interested in buying Alexandria Hotel, a 300-room hotel in South Beach, Miami, Florida. The asking price is $120 million. After few due diligence visits, KW Ltd will need $15 million of renovation to bring the hotel up to today’s modern standards. The purchase of the hotel, the renovation and transaction fees (calculated as 3.0% of total debt raised) will be financed by combination of traditional bank loan, private mezzanine note, and equity provide by KW Ltd.’s Fund II. The Company reported $40 million of Revenues and $20 million of EBITDA (Year 0).*

***CAPITAL RAISING:***

***BANK LOAN***

|  |  |
| --- | --- |
| ***Amount:*** | *Based on 3.0x Year 0’s EBITDA* |
| ***Interest*** | *Fixed Rate 6.126%* |
| ***Term*** | *7 years* |
| ***Scheduled Principal Payments*** | *Yr 1: $3mm, Yr 2: $4mm, Yr3: $5mm, Yr4: $5mm. Yr5: $6mm, Yr 6: $7mm. Yr 7: The balance (balloon payment)* |

***MEZZANINE NOTE***

|  |  |
| --- | --- |
| ***Amount:*** | *Based on Total Debt/Yr 0’s EBITDA of 5.0x (Including Bank Loan)* |
| ***Interest*** | *FIXED 8.0%* |
| ***Term*** | *8 years* |
| ***Scheduled Principal Payments*** | *Yr 1- Yr 9= $0, Yr 10: the balance (100% redemption)* |

***EQUITY FINANCING***

*Equity will be investing the balance of the financing. The minimum expected return is based on CAPM (use Risk Free rate of 1.0%, Hotel Industry Beta of 1.727x and Market premium return of 11.0%. Ideally KW Ltd needs 25% per year Return.*



ALEXANDRIA HOTEL CASE LBO STUDY

PROJECT II – PUBLIC TO PRIVATE

1. UNPUT: Transaction Sources & Uses and Pre-Transaction Balance Sheet

OUTPUT: Post-Transaction Proforma Balance Sheet

PROJECT II – PUBLIC TO PRIVATE

HOME SUITES HOTEL



