

HOMEWORK 3

Please use the Starwood Equity Analysis Spreadsheet to analyze Intercontinental Hotel (IH) buyout possibility.

For your analysis please use the following assumptions:

1. Purchase EBITDA Multiple of 18x
2. Bank Loan Debt Capacity at 3.0x EBITDA
3. Total Debt Capacity of 5.0x
4. Revenue Growth of 5.0%
5. LIBOR at 30 bps
6. 6-year Treasury 1.2%
7. Pricing of Bank Debt L+3.5%
8. Pricing on Bonds 7.00% Fixed
9. Other Operating and Cash Flow Assumptions - Keep at 2011 levels
10. Terminal Value at 18x EBITDA and 5.0% growth rate for the perpetuity method