

The background of the entire page is a dark, high-contrast image of interlocking mechanical gears. The gears are arranged in a way that creates a sense of depth and complexity, with some gears in the foreground and others receding into the background. The lighting is dramatic, highlighting the teeth of the gears and creating deep shadows.

FINANCIALEDGE<sup>7</sup>

# The Private Equity Associate

MICRO-DEGREE COURSE OUTLINE

# The Private Equity Associate Micro-degree

The PE Associate provides you with the technical skills needed in private equity – from in-depth financial statement analysis to structuring complex add on acquisitions in a leveraged buyout. If you have not done much financial modeling before, this course will teach you how to build models efficiently and edit for transaction changes.



**70**

Hours

**56**

Topics

**365**

Exercises

**6**

Exams

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## Foundation Skills (Optional)

Increase your Excel efficiency and master the mathematical fundamentals that future courses rely upon.

### Excel Basics (4001)

- Intro to Excel and Interface
- The Ribbon
- Shortcut Basics – Accelerator Keys
- Setting Up – Excel Options

- Cell Navigation, Editing, Selecting and Copying
- Font
- Cell Borders and Fill Colours
- Alignment
- Numbers – Percent, Currency, Date, Etc
- Styles
- Cell size
- Standard Formatting Often Used
- Intro to Formulas
- Avoid Hardcodes in Formulas
- Intro to Functions and Syntax – SUM Function
- COUNT Function
- MIN Function
- MAX Function
- AVERAGE Function
- IF Function
- Intro to Naming Cells
- Creating Names Using the Mouse
- Creating and Editing Names Using Name Manager

### **Future Value and Present Value (1001)**

- Present and future value

### **Yields and Internal Rate of Return (1002)**

- Present value formula can provide the calculation for yield
- Internal rate of return

### **Annuities and Perpetuities (1003)**

- Regular and growing annuities and perpetuities

## **The PE Fund**

### **What is a PE Fund (7310)**

- Private equity versus other forms of private market assets
- Summary of the different types of private equity sub asset classes
- The forms private equity firms take and their characteristics
- What are private equity funds
- The differences that exist between private equity funds

### **PE Firm Sources of Income (7125)**

- Limited partnership agreements
- Carried interest calculation, promoted interest, or “promotes”, for real estate transactions

- Distribution waterfall
- IRR, MoM, and splits

## How does a PE Fund Work (7320)

- Structuring a fund and the different parties involved
- The life cycle of a PE firm and what the different stages are
- The incentive structure of PE funds including management fees and carry
- Who and how is a PE firm run and a review of what the respective functions are

## The PE Accountant

Build a comprehensive understanding of the essential techniques required to accurately analyze the financial results of a company.

### Financial Accounting Review (2010)

- Making entries and ensuring the balance sheet balances
- Preparing a balance sheet
- Preparing an income statement from the entries to retained earnings
- Preparing a cash flow statement from the entries to the cash account
- A review of the different categorizations on the income statement, balance sheet, and the cash flow statement

### Income Statement (2020)

- Revenue recognition issues
- Cost recognition issues
- Identifying non-recurring items from the income statement, the MD&A, the notes to the accounts and the financial statement press release
- Calculating EBIT and EBITDA for the historical year, and on an LTM basis
- Understand the difference between basic and diluted earnings per share and calculate recurring diluted earnings per share
- Review company profitability compared to its peer group

### Working Capital (2030)

- Inventory accounting including the impact on EBIT of LIFO and FIFO accounting choices (where relevant)
- Accounts receivable and bad debts (identifying when companies are manipulating sales)
- Accounts payable and accruals and the difference between them from a due diligence perspective
- Other items including taxes payable, deferred revenue, and pre-paid items
- Working capital and operating working capital and the cash impact of changes in operating working capital
- Credit implications of working capital movements
- Day ratios

**Non Current Assets (2040)**

- Gross PP&E, accumulated depreciation, depreciation expense and net PP&E
- Building a simple forecast of fixed assets
- Establishing the age of a company's fixed asset base
- Finite, and infinite intangibles including goodwill
- A review of key methods of accounting for financial investments
- At fair value through the income statement
- Available for sale
- Associate (equity method) accounting

**Capital Structure (2050)**

- Debt issues and repurchases
- Simple yield to maturity and all in cost calculations and understanding Original Issuer Discounts
- Calculating net debt
- Equity issuance and repurchases
- The difference between authorized, issued and outstanding shares and multiple share classes
- Other capital items: preference shares and convertible bonds
- Leverage ratios
- Debt liability maturity analysis

**Accounting Ratios (2004)**

- Profitability ratios, including margins
- Liquidity ratios, including operating working capital
- Calculating EBIT and EBITDA for the historical year, and on an LTM basis
- Leverage ratios, including net debt and interest coverage
- Asset ratios

**Cash Flow Statement (2060)**

- Understanding how to categorize cash flows between operating, investing, and financing
- Deriving a cash flow statement from two balance sheets and an income statement
- Deriving a balance sheet from a cash flow statement and an income statement
- Different cash flow statement presentations

**Equity Method Investments (2090)**

- What are equity method investments?
- Equity affiliates / associates
- Joint ventures
- Equity method accounting
- Income statement
- Balance sheet
- Cash flow statement
- Financial statement integration

## **Intro to Full Consolidation (2110)**

- M&A accounting overview
- Balance sheet consolidation
- Sources and uses of funds
- Goodwill calculation
- Income statement consolidation
- Non controlling interests – NCI

## **Deferred Taxes (2130)**

- Taxes in the financial statements
- Tax expense, ETR and MTR
- Tax authority numbers vs accounting numbers
- Permanent differences
- Temporary differences
- Deferred tax assets and liabilities
- Deferred tax over time
- Deferred tax footnote

## **Tax Losses (2131)**

- Losses offset against profits
- Loss utilization
- Carry back
- Carry forward
- Loss utilization restrictions

## **Valuing Deferred Tax and Losses (5085)**

- Issues in valuing losses
- Valuation impact

## **Tax in M&A (7190)**

- Inside and outside basis
- Sale of shareholding
- Sale of assets followed by corporate liquidation
- Double taxation – vendor
- Stock vs asset deals

## **Structuring an Acquisition (7195)**

- What is an acquisition structure in private equity
- How is a structure put together with SPVs and which parties are involved
- Diagram of a simple private equity structure with equity and debt
- The main reasons for structures in private equity deals

## **Completion Mechanisms (7170)**

- Completion accounts introduction

- Completion accounts calculations
- Issues with the completion accounts mechanism
- Locked box mechanism introduction
- Locked box mechanism calculations
- Comparing completion accounts and locked box mechanisms

## The PE Modeler

Learn how to build models quickly and error-free, critical for the decisions and recommendations that they underpin.

### Introduction to Modeling (3020)

- Key settings
- Formatting and layout standards
- Building a simple income statement and balance sheet model, on one sheet, then across sheets
- Balancing the balance sheet using the cash flow statement
- Preparing the model for handover
- Key formatting and putting the output into a pitch book

### Three Statement Modeling with Iterations (3030)

- Income statement construction and highlighting key numbers
- Calculation schedules (PP&E, retained earnings, operating working capital, and debt)
- Balancing the balance sheet with a cash sweep
- Calculating interest using average balances
- Circular references and iterations
- Working with a circular reference switch
- Preparing the model for handover
- Key formatting and putting the output into a pitch book

### Three Statement Model Editing (3035)

- Steps before editing
- Inserting new items
- Removing old items
- Consolidating line items
- Steps after editing
- Relevant keyboard shortcut keys

### Three Statement Model with Estimates (3040)

- Cleaning up the income statement and balance sheet and simplifying the line items
- Getting estimates for revenues and EBIT
- Building multiple scenarios into a model's assumption
- Modeling a forecast debt repayment schedule from the notes
- Key ratios

- Checking the model for reasonableness
- Formatting and putting the output into a pitch book

### **Building a Model with Cash Sweep (3050)**

- Why banks want to be repaid early
- Cash sweep mechanisms
- How to model cash sweeps
- Building a three statement model with a cash sweep

### **Checking a Model for Integrity and Errors (3060)**

- Top ten errors
- Auditing and error checking toolkit
- Checking your own model
- Checking someone else's model

### **Financial Forecasting Research (3070)**

- Techniques for forecasting revenue growth
- Considerations for forecasts margins, working capital, PP&E and capital structure
- Incorporating scenario analysis into the model
- Benchmarking forecasts against consensus numbers
- Using check ratios to sense check the model outputs

### **LBO (7020)**

- LBO - definition
- Internal Rate of Return (IRR) and Value Analysis
- LBO analysis models
- LBO analysis model map
- Assumptions
- Sources and uses of funds
- Sources of funds
- Operating forecasts and cash sweeps
- Model outputs
- Levered valuation
- Acquisition Financing and Debt Capacity Analysis
- Participants understand how to structure an acquisition using debt financing.
- Multiple based debt capacity analysis
- Dangers of using multiples
- Cash flow-based debt capacity analysis
- Calculating free cash flows
- Debt tranching
- Seniority and subordination

### **Advanced LBO Modeling (7095)**

- Sources and uses of funds
- Original issuer discount



- Fees (arrangement and commitment)
- Pro-forma balance sheet
- Term loans and revolving credit facilities, including cash sweep switches
- Bond issues (senior and junior)
- Mezzanine financing and PIK interest
- Returns to mezzanine holders
- Leveraging the equity via preference shares
- Calculating pre and post money valuation
- Returns to common equity holders

### **LBO Modeling Complexities (7090)**

- Sources and uses of funds
- Original issuer discount
- Fees (arrangement and commitment)
- Pro-forma balance sheet
- Term loans and revolving credit facilities, including cash sweep switches
- Bond issues (senior and junior)
- Mezzanine financing and PIK interest
- Returns to mezzanine holders
- Leveraging the equity via preference shares
- Returns to common equity holders

## **The Valuer**

Learn how and when to utilize key valuation methodologies and their supporting calculations.

### **Equity to Enterprise Value Bridge (5020)**

- Calculating equity value
- Calculating enterprise value
- Non-core items, debt equivalent items, and non-controlling interests
- Calculating simple multiples
- Illustrating the impact of leverage
- Understand how growth rates, returns and multiples interrelate

### **Trading Comparables (5030)**

- Review choosing a comparable set of companies
- Calculating enterprise value
- Calculating LTM EBITDA and EBIT
- Forward multiples and issues with consensus data
- Understanding which operational ratios are important for the analysis

## Transaction Comparables (5040)

- Reviewing data sources
- Understanding different deal contexts
- Calculating enterprise value and LTM EBITDA
- Calculating premiums paid based on offer prices where appropriate
- Calculating the synergies from the transactions as a % of target sales

## WACC Analysis (5060)

- Capital Asset Pricing Model
- Calculating the WACC for the peer group
- Interpreting the results
- Establish a reasonable cost of capital for the target company
- WACC approach

## Discounted Cash Flow Valuation (5080)

- Calculating free cash flows
- Understanding how the operational ratios should develop over the financial forecast
- Calculating the steady state and making relevant adjustments to the steady state cash flows
- Making reasonable assumptions for long-term growth rates
- Discounting to a deal date
- Converting the enterprise value into an implied share price, making relevant adjustments for share options and restricted stock units

## Pulling the Analysis Together (5090)

- Calculating free cash flows
- Understanding how the operational ratios should develop over the financial forecast
- Calculating the steady state and making relevant adjustments to the steady state cash flows
- Making reasonable assumptions for long-term growth rates
- Discounting to a deal date
- Converting the enterprise value into an implied share price, making relevant adjustments for share options and restricted stock units

# The Lawyer

## PE Deal Process Documents (7180)

- The main legal documents that are needed in a private equity acquisition
- The format and content of an NDA
- The use of offer letters, including what they contain, in a private equity transaction
- What an SPA is, why it is used and what is included
- Important clauses in an SPA and what they contain
- Funding documentation including equity and debt commitment letters for a PE deal to close

## **Earnouts (7160)**

- Contingent consideration – structures
- Accounting for deferred consideration
- Examples of earnouts

## **Closing Documentation (7185)**

- What are the main equity documents needed to close
- What the main debt documents are for a PE deal to close
- What the Shareholder Agreement is and what it includes
- What the other closing documents are such as Articles of Incorporation, filing documents and regulatory paperwork

## **Debt Products – Documentation (7110)**

- Typical contracts: Credit Agreement, Indenture, Regulatory Documents, Collateral Contracts
- Credit Agreement
- Indenture
- Regulatory Documents
- Collateral Contracts
- Typical Clauses:
- Cashesweep Clauses
- Cross Default Clauses: Trigger Event
- Pari-passu
- Repayment / Redemption

# **The PE Deal**

## **The PE Process (7330)**

- The various steps in a private equity acquisition process
- How sourcing and evaluation of potential PE deals happens
- How due diligence is done during the PE acquisition process
- A review of how to close a PE process and what is needed to do so

## **Internal Requirements (7340)**

- Memos, meetings and internal steps during an acquisition process
- Memos, meetings and internal steps during the monitoring period of a PE deal
- Memos, meetings and internal steps during the exit period for a private equity deal
- Who are the key people involved in each step of internal PE process
- The format and content of the various different internal meetings and documents

## **Due Diligence (7350)**

- The reasons for due diligence in PE deals
- The different types of due diligence and what they include

- How due diligence is carried out included what needs to be prepared or looked for
- Who is involved in due diligence and their respective roles

## **Debt Products – Financing Instruments (7105)**

- Types of Debt: Senior Debt – Revolving Credit Facility, Term Loan A-C / Subordinated Debt – 2nd Lien Term Loan, HY Bond, Mezzanine
- Preferred Stocks and Equity Injection
- Management Ratchet
- Debt Providers / Holders: Banks, Insurance Corps, CLOs, Hedge Fund, Pension Fund
- Covenants
- Collateral: 1st vs 2nd, All assets or Bifurcated
- Financing Fees: Upfront Fee, Commitment Fee, Interest Rate, PIK, OID, etc.
- Key Considerations: Interest Rate (PIK, OID), Typical Term (1 year, 5 years, 7 years), Repayment (Bullet, Amortization)

## **Debt Products – Financing Consideration Process (7115)**

- Financing Consideration: Process Overview
- Addressing Existing Debt
- Evaluating Debt Capacity
- Analyzing Collateral Base
- Considering Minimum Equity Contribution
- Simulating Expected Ratings Outcome
- Analyzing Financial Ratios

## **Debt Products – Credit Committee in Banking (7120)**

- What Is Credit Committee
- Composition of Credit Committee Materials
- Transaction Background / Deal Summary
- Company Overview
- Sponsor Company Overview
- Financial Analysis
- Risk Analysis and Mitigants

## **Private Bank Debt Markets (6050)**

- Short term bank financing
- Revolving credit facilities
- Long term bank lending
- Asset backed lending
- Cash flow lending
- Relationship lending
- Syndicated loans and different tranches of term loans

## **Acquisition Finance Debt Capacity (7010)**

- Cash flow based debt capacity analysis
- Multiple based debt capacity analysis

- Structuring a transaction
- Structuring a transaction with different debt tranches

### **Post Acquisition (7360)**

- Creating value in private equity investments
- Reporting requirements for portfolio companies
- Role of the private equity firm with regards to portfolio companies
- Process for exiting an investment
- Overview of the different ways of exiting a PE investment

## **The PE Interview**

### **PE Expert Interview (14003)**

- Meet the interviewer
- Investment Banking vs Private Equity
- Key Skills
- A day in the life
- Career Tips

### **Private Equity Recruiter Expert Interview (14003)**

- When is the right time to move to a fund
- How to find the right fund for you
- PE interview process
- What makes a standout PE candidate
- What to avoid in a PE interview

### **PE Interview Skills (14012)**

- The PE interview process
- How to prepare for a PE Interview
- Interview Questions
- Example PE Interview – questions, answers, and feedback



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