

Leveraged Buyout (LBO) Model

Apple Inc.

1. Overview

This LBO model evaluates the leveraged acquisition of Apple Inc., one of the most valuable and cash-generative companies globally. While Apple's size makes it an unlikely LBO target in practice, this model demonstrates LBO structuring and financial projections using realistic assumptions.

2. Transaction Structure

- Enterprise Value (EV): \$3,000B
- Entry EBITDA: \$128B (32% margin on \$400B revenue)
- Entry EBITDA Multiple: 23.0x
- Transaction Fees: \$10B
- Total Uses: \$3,010B
- Financing Mix: 50% Debt (\$1,500B), 50% Equity (\$1,510B)

3. Key Operating Assumptions

- Revenue Growth: 4% annually
- EBITDA Margin: 32%
- CapEx: 2% of Revenue
- Working Capital Investment: 1% of Revenue
- Tax Rate: 20%
- Debt Interest Rate: 5%
- Exit Multiple: 20.0x
- Investment Horizon: 5 Years

4. Financial Projections

Year	2025	2026	2027	2028	2029
Revenue (\$B)	400	416	432.6	449.9	467.9
EBITDA (32%)	128	133.1	138.4	144.0	149.7
CapEx (2%)	8.0	8.32	8.65	8.99	9.36
Working Capital (1%)	4.0	4.16	4.33	4.50	4.68

5. Debt Schedule (Simplified)

Year	Beginning Debt	Repayment	Ending Debt
2025	\$1,500B	\$200B	\$1,300B
2026	\$1,300B	\$200B	\$1,100B
2027	\$1,100B	\$200B	\$900B
2028	\$900B	\$200B	\$700B
2029	\$700B	\$200B	\$500B

6. Exit Scenario

- Exit EBITDA (Year 5): \$149.7B
- Exit EBITDA Multiple: 20.0x
- Exit Enterprise Value: \$2,994B
- Less Ending Debt: \$500B
- Exit Equity Value: \$2,494B

7. Returns to Equity Investors

- Entry Equity Investment: \$1,510B
- Exit Equity Value: \$2,494B
- MOIC (Multiple of Invested Capital): 1.65x
- IRR (Approximate): 10.5%

8. Sensitivity Analysis

Exit Equity Value (in \$B):

Growth Rate	18.0x	20.0x	22.0x
3%	2,250	2,500	2,750
4%	2,300	2,550	2,800
5%	2,350	2,600	2,850

9. Conclusion

While Apple is not a practical LBO target due to its size and public ownership structure, this model demonstrates how an LBO transaction could hypothetically be structured for even the largest companies. Apple's exceptional free cash flows would allow for aggressive deleveraging, producing solid returns to equity investors under conservative assumptions.