

# **FNCE 20005 Corporate Financial Decision Making 2021**

## **TUTORIAL 8: Corporate Takeovers & Restructuring - Part 2**

**Answers to Section B questions to be submitted on Canvas by 10am on Monday, October 4<sup>th</sup>**

### **SECTION A**

#### **Question 1**

Using the information below, determine the size of term loan B and calculate the sources and uses of funds.

| <b>Sources of Funds</b>  |         |
|--------------------------|---------|
| Term Loan B              |         |
| Senior Notes             | 500.0   |
| Equity Contribution      | 300.0   |
| Cash on Hand             | 25.0    |
| Total Sources of Funds   |         |
| <b>Uses of Funds</b>     |         |
| Equity Purchase Price    | \$725.0 |
| Repay Existing Bank Debt | 500.0   |
| Financing Expenses       | 100.0   |
| Other Fees and Expenses  | 50.0    |
| Total Uses of Funds      |         |

### **SECTION B – PRIORITY QUESTIONS**

#### **Question 2**

Using the LBO analysis example in class, assume that the investor was only able to obtain \$1.5 billion in term loan B and \$1 billion in senior notes. Keeping all other assumptions equal, assume that the investor expects to be able to increase the exit EV/EBITDA multiple by 1.5x, (for example, from 8.0x to 9.5x) if the exit is delayed by 2 years. What is the change in the IRR of the LBO investment in ValueCo?