

WEBINAR

● LIVE

STRUKTURIERUNG DER AKQUISITIONSFINANZIERUNG

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REFERENTEN:



THORSTEN WEBER



PETER WALECZEK



Houlihan Lokey



KAI HESSELMANN

 DealCircle
TECH-ENABLED M&A SOLUTIONS

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Structuring of an acquisition financing



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Key characteristics and considerations of an LBO financing structure

The leverage effect describes the effect of debt on the return on equity: Additional debt can increase the return on equity for the sponsor. This applies as long as the total return on the equity investment is higher than the cost of additional debt



A leveraged buyout (LBO) refers to a financing in the event of an acquisition of a company by new owners (usually a financial sponsor) by partially funding the purchase price as well as transaction related costs



The amortisation and interest payment of the loan is the responsibility of the acquired company



The assets of the company and its subsidiaries being acquired or refinanced typically serve as collateral for the loans. Lenders have no recourse on the sponsor



The debt financing process runs in parallel to the M&A process – preparation usually starts before non-binding offers of interested parties are submitted

Example all equity

In €m, simplified structure assuming a tax rate of 30% and an interest rate of 10%

Asset value	100
Debt value	0
Equity value	100
Operating income	20
(-) Interest expenses	0
Pretax income	20
(-) Taxes	(6)
Net income	14
Return on equity	14.0%

Example using leverage

Asset value	100
Debt value	50
Equity value	50
Operating income	20
(-) Interest expenses	(5)
Pretax income	15
(-) Taxes	(5)
Net income	10.5
Return on equity	21.0%

LBO market in perspective and development

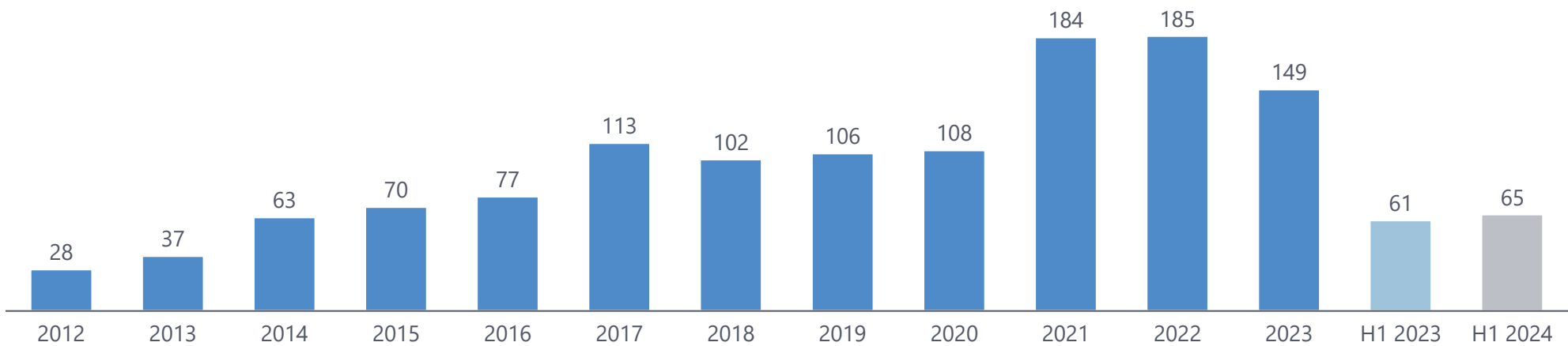
Equity sponsor perspective

- ✓ **Leverage effect** increases equity returns for investors
- ✓ Ability **to acquire larger targets** with a relatively low equity ratio
- ✓ **High flexibility** for buy-and-build, growth and capex financing
- ✓ Leverage provides a **tax shield**

Lender perspective

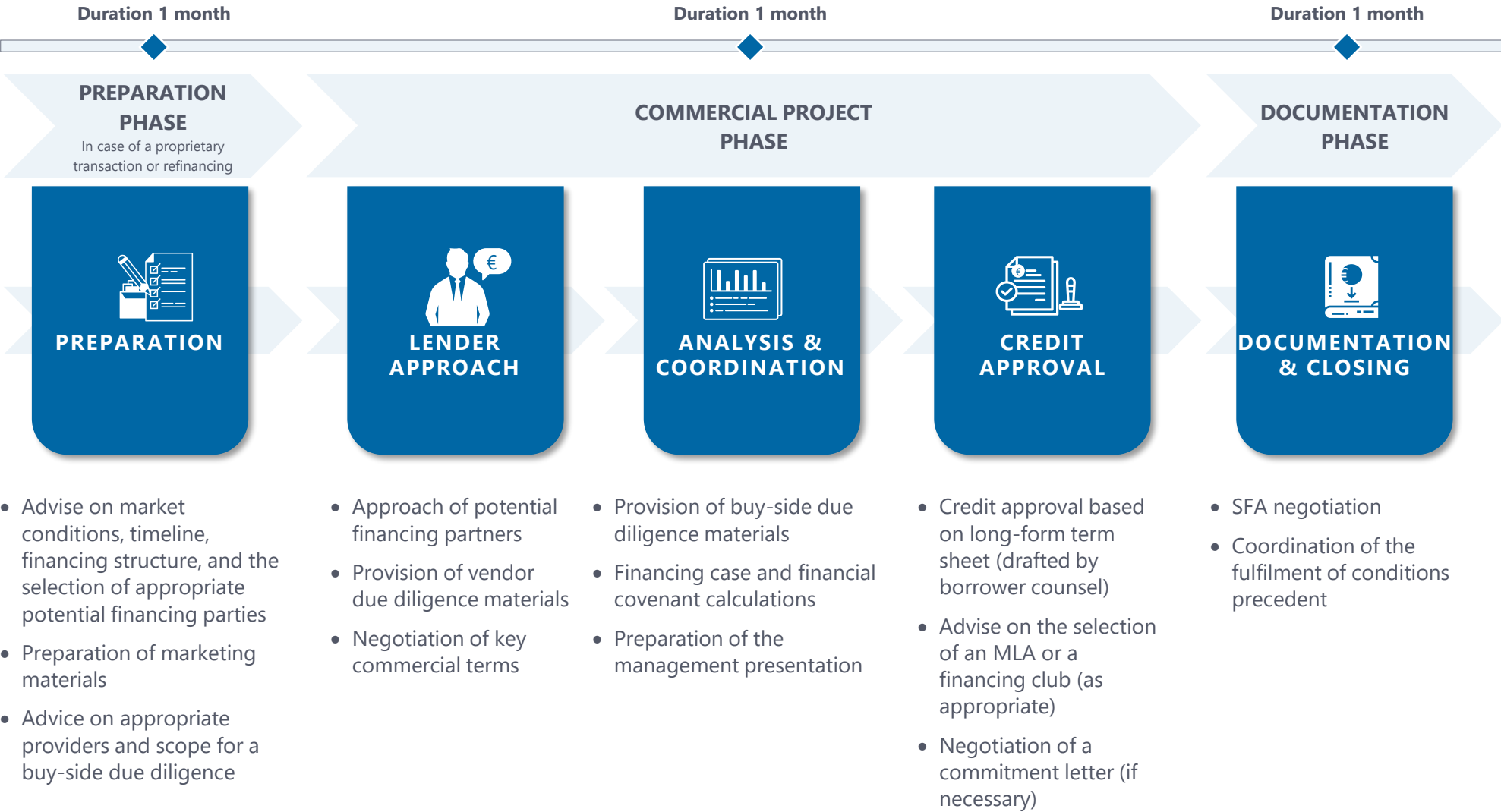
- ✓ **Higher returns** for banks than a classic corporate financing structure
- ✓ **Cross-sell** opportunities for LBO banks
- ✓ **Recurring business** opportunities with financial sponsors
- ✓ **Attractive risk-return profile** for assets managers or funds with steady cash flows and **diversification** of their asset allocation

Total number of deals in the DACH market 



Process steps

Estimated timeline for an acquisition financing process of c. 3 months. IC approval of financiers within 1-2 weeks after final DD reports



Relevant documents in an LBO financing process

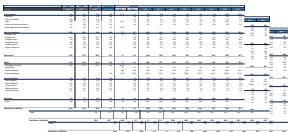
Marketing materials and financing Case



Teaser / debt memorandum



Management presentation



Financing case

Due diligence reports



Financial



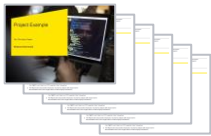
Commercial



Tax



Legal



Tax structure



Other

Term sheet negotiation



Commercial term sheet



Legal long-form term sheet



Commitment letter

Documentation

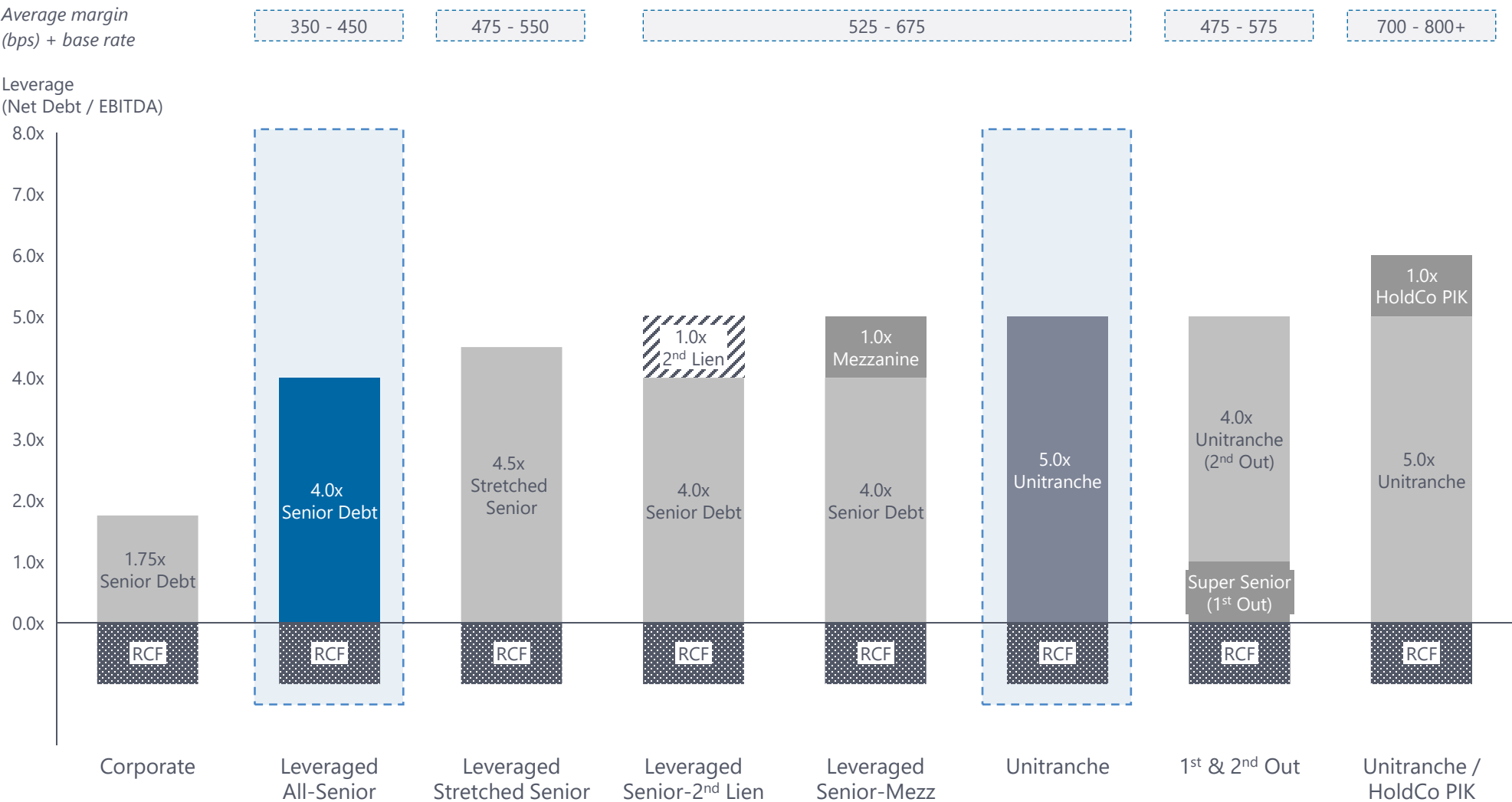


Senior facilities agreement



Further relevant finance documents
(fee letter, intercreditor)

Overview of potential financing structures



Focus on senior and unitranche structures



Average margin
(bps) + base rate

350 - 450

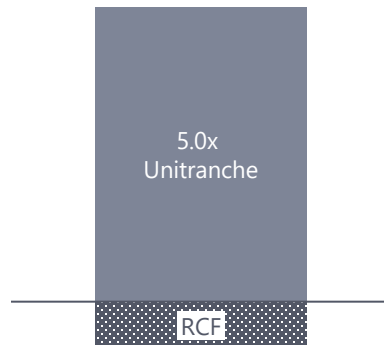


- Lower leverage and quantum compared to unitranche
- Depending on size, single lender, bank club or underwriting possible
- Less flexibility with regards to buy-and-build
- Can provide commercial banking products



Average margin
(bps) + base rate

525 - 675



- Higher leverage and debt quantum
- Usually, single lender or in a club with other debt funds
- Most flexibility regarding buy-and-build
- leveraging potentially above opening leverage
- quicker than senior lenders

Indicative financing terms for senior and unitranche structures

Indicative senior structure ⁽¹⁾		
Max. Net Leverage	up to ~3.5 - 4.0x ⁽²⁾	
TLA	30 - 40%	6 years, amortizing
Margin TLA	Base Rate + 350 - 400bps	
TLB	60 - 70%	7 years, bullet
Margin TLB	Base Rate + 400 - 450bps	
Base Rate ⁽³⁾	EURIBOR	
Arrangement Fee	2.25 - 2.75% (one-time)	
Take-and-hold	20 - 25m per Bank	
Financial Covenant	Net Leverage + 30.0 - 32.5% Headroom	

Indicative unitranche structure ⁽¹⁾		
Max. Net Leverage	>5.0x ⁽²⁾	
Unitranche	100%	7 years, bullet
Margin	Base Rate + 550 - 650bps	
Base Rate ⁽³⁾	EURIBOR	
Arrangement Fee	2.5 - 3.0% (one-time)	
Take-and-hold	up to 100% of debt volume	
Financial Covenant	Net Leverage + 35.0 - 40.0% Headroom	

Beyond senior and unitranche financing structure there are few other financing structures to consider such as, stretched senior, first-out last-out, sub-debt, nordic bonds, etc.

Selection of potential financing parties

Exemplary lender universe (indicative)

Indicative senior structure



Indicative unitranche structure



Our view on the current financing environment

In general, the **mid-cap LBO market is very active** again as the number of transactions in the first half of 2024 is comparable to the same period in 2023

Decreasing but still higher base rates (i.e. Euribor) still make financing **more expensive** and may have a negative impact on possible leverage



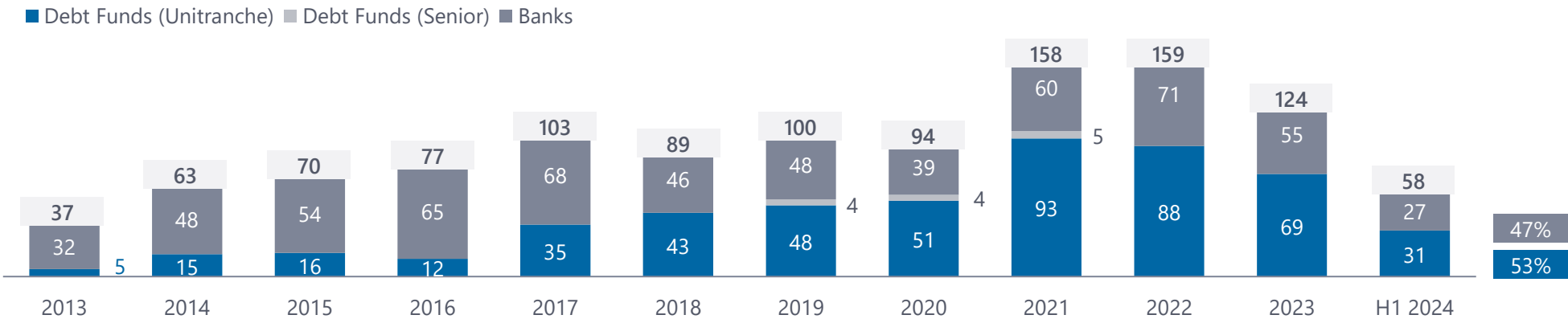
LBO banks as well as **direct lending funds** are **generally open for business but also selective** in terms of financing opportunities and focus on **attractive sectors and resilient credits**

Since the beginning of the year, we see **decreasing margins** especially when it comes to **direct lending structures** due to partially pass-through profits gained by base rates

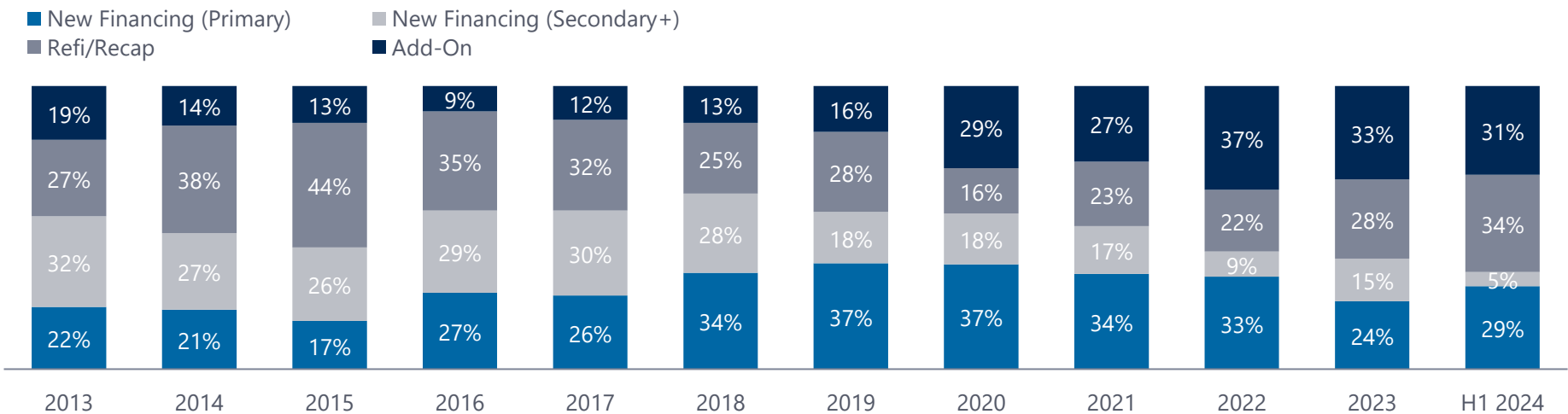
Development of debt market 2013 until today



TOTAL NUMBER OF DEALS IN THE GERMAN MARKET (SENIOR AND UNITRANCHE)

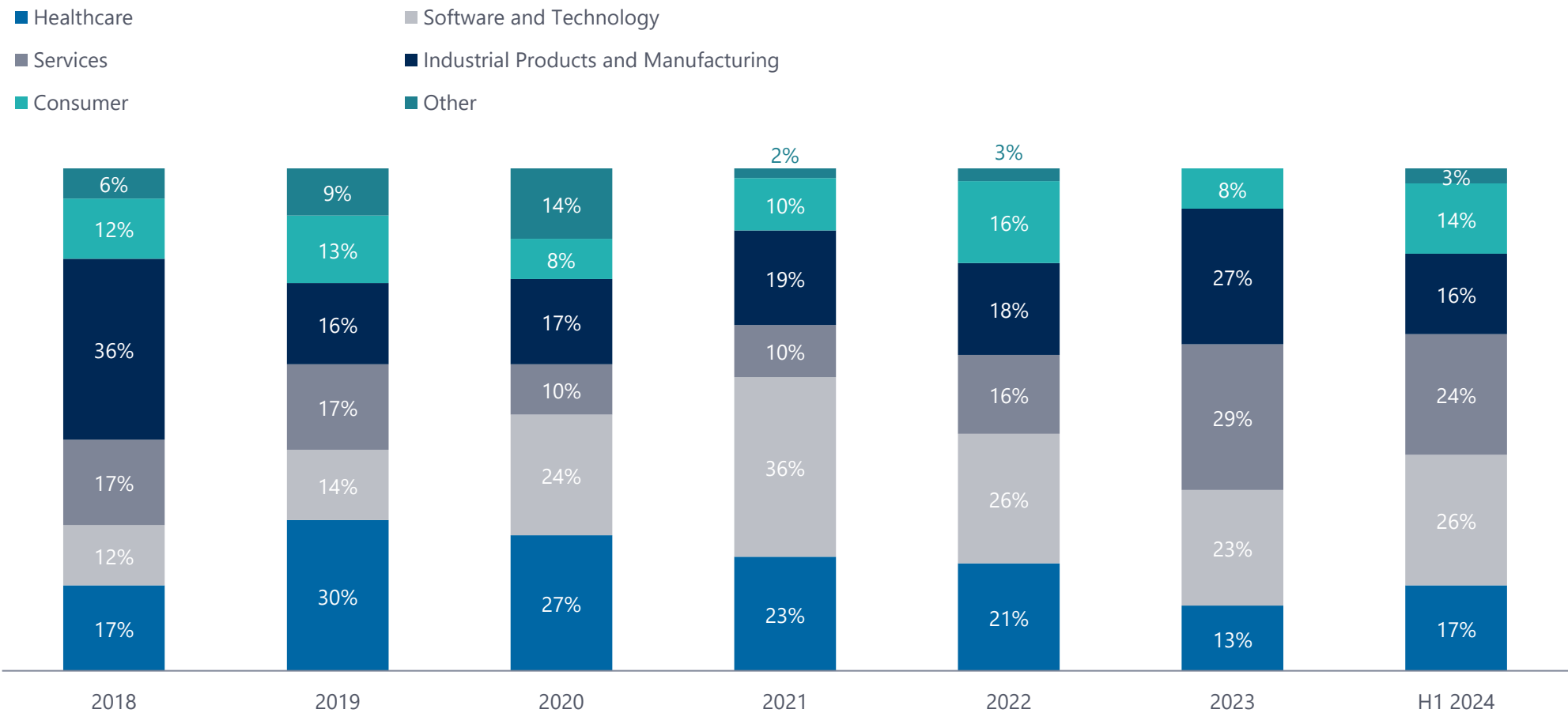


FINANCING PURPOSES IN THE GERMAN MARKET (SENIOR AND UNITRANCHE)⁽¹⁾



Note: Figures may not add up to 100% due to rounding.
(1) By number of deals.

German unitranche and senior deals by sector



• For H1 2024, deals from the software and technology segment represent the largest share, with 26% (+12%), followed by services (24%, -3%) and industrial products and manufacturing (16%, +2%). Healthcare (17%, -6%) and consumer (14%, -9%) showed the largest decreases in the second quarter.

Other topics to discuss and Q&A

**Industry
sectors**

**UW perception in
the market**

Sub-debt financing

**Development of
market participants**

Q&A

M&A activity

ARR financing

**Buy-and-build
driven platform
deals in the context
of financing**

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FLEX CAPITAL

Peter Waleczek
Founder & Managing Partner
pw@flex.capital
+49 151 10411304



Houlihan Lokey

Debt Capital Markets

Thorsten Weber
Managing Director - Head of Sponsor Finance, DACH
Thorsten.Weber@HL.com
+49 170 4572063

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