LBO CAPITAL STRUCTURE AND FINANCING SOURCES

The following table provides an illustrative capital structure and selection of financing sources for a PE Leveraged Buyout:

CATEGORY	CAPITAL %	IRR	INSTRUMENTS	RANKING	CLASSIFICATION	PERIOD	REPAYMENTS	INTEREST TYPE	INTEREST PAYMENTS
Bank Debt	30-50%	13-16%	Revolving Credit Facilities	First Lien Secured Debt	Debt	Varies	Flexible	Fixed/Floating	Monthly/Quarterly
			Term Loan A	First Lien Secured Debt	Debt	7 years	Amortizing	Floating	Quarterly
			Term Loan B	Second Lien Secured Debt	Debt	8 years	Amortizing	Floating	Quarterly
High Yield Debt	20-30%	17-19%	Senior Unsecured Notes	Senior Unsecured Debt	Debt	7-10 years	Bullet	Fixed	Semi-Annual
			Senior Subordinated Notes	Senior Subordinated Debt					
			Subordinated Notes	Subordinated Debt					
Mezzanine Debt	5-15%	18-22%	PE House Loan Notes	Subordinated Debt	Debt/Equity	5-7 years	Bullet / Amortizing	Fixed / Floating	PIK/Cash Pay
			Management Rollover Loan Notes						
Equity Contribution	20-35%	20-30%	Owner Equity	Common Stock	Equity	Ongoing	n/a	n/a	n/a
			Sweet Equity						
			Permanent Capital						

Increasing Risk & Cost of Capital

Increasing Collaterals and Covenants

Notes:

1. The total debt is usually structured to be within a range of 3.0x to 6.0x Last Twelve Months (LTM) Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), with a minimum interest coverage requirement of at least 2.0x LTM EBITDA during the first year.
2. Bank debts are often divided into Term Loan A, which is amortized evenly over 5 to 7 years, and Term Loan B, featuring nominal amortization (repayment) over 5 to 8 years, culminating in a substantial bullet payment in the final year.
3. Bank debts typically incorporate Restrictive Covenants, imposing financial conditions and tests that must be adhered to throughout the lifespan of the debt.
4. The classification of subordinated debt as high yield or mezzanine depends on factors including credit rating, security, purpose, investor base, and prevailing market conditions.
5. Mezzanine debt frequently incorporates warrants or equity kickers, with terms subject to negotiation and substantial variation between deals, while the interest component is commonly referred to as coupons.
6. The equity contribution to the LBO's capital structure may have varying voting rights, dividend policies, and convertible features, with Permanent Capital potentially including either common or preferred stock, depending on the structure.
7. Preferred stock is not commonly present in an LBO, as the equity component usually involves common stock and other forms of structured equity.