LEVERAGE FINANCE FOR EMERGING MARKETS

Hilton Hotel, Sandton Johannesburg
26 – 28th March, 2008

What is Leveraged Finance?

Leveraged Finance is the strategic use of debt financing to achieve a specific objective. The technique has become widely used to effect management buyouts and re-financings, and also to “bridge-fund” acquisitions. Today many South African companies are looking at leveraged and mezzanine finance as a broader tool, including the use of leverage for share buybacks and special dividends or to facilitate black empowerment ownership, or as an alternative to trade sale or IPO for exit.

The Course

This interactive course offers a practical study of the techniques and pricing of leveraged, mezzanine, and equity-linked debt with special emphasis on the private sector in the emerging markets.
The workshop will include case studies of actual deals in Africa and other emerging markets, showing how leveraged and mezzanine debt can serve as a catalyst to help an enterprise or project to get started. We’ll use lecture-discussions, spreadsheet analysis, deal memorandums and hands-on exercises. These will give participants the opportunity to demonstrate their understanding of techniques that can be employed in structuring transactions in the future.

Who Should Attend?

The seminar is of relevance to corporate financial officers, commercial and investment bankers, securities analysts, private equity specialists, asset managers, and other individuals whose professional future may be enhanced by an understanding of leveraged and mezzanine finance techniques.

Some Features of the Course

What can participants expect to gain from this course?

- Identify the key benefits and risks of leveraged finance
- Learn or update knowledge of required rates of returns, cost of capital, and acquisition finance
- Be able to identify appropriate subordinated and mezzanine financing techniques for particular situations in emerging markets
- Work out appropriate rates of return for risks taken, and how to structure the payment of these returns
- Learn about leveraged recapitalizations: how do they work, and what are their advantages and disadvantages? How can recaps be used for stock repurchases, dividends and as shark repellants?
- Discuss the right pricing and covenant structure for leveraged acquisition lending
- Perform a cash flow analysis to model the senior, mezzanine and equity paydown
- Learn post-deal leveraged loan management, restructuring and exit decisions.

Workshop participants will be provided with a package of materials useful for developing leveraged financing proposals, including pertinent articles, case studies based on actual deals, and sample spreadsheets

About the Course Director

Dr. Ian Giddy, born in South Africa, has taught finance at NYU, Columbia, Wharton, Chicago and in over 40 other countries worldwide for the past three decades. He was Director of International Fixed Income Research at Drexel Burnham Lambert from 1986 to 1989. The author of more than fifty articles on international finance, he has served at the International Monetary Fund and the U.S. Treasury and has been a consultant with numerous corporations and financial Institutions in North and South America, Europe, Asia, the Middle East and Africa. As a banker and consultant he has been involved in the growth of the structured finance market in the USA, Europe and Asia. He is the author or co-author of the International Money Market, The Handbook of International Finance, Cases in International Finance, Global Financial Markets, and Asset Securitization in Asia. He and his wife are the founders of Wildcliff, a nature reserve in South Africa's Langeberg mountain range

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Day One - 26 March 2008

Emerging Market Finance: Debt, Equity & Mezzanine

- What is Leveraged Finance, and where does it fit into a company's financing strategy? – **Presentation TBA**
- The global market for leveraged finance – **Case Studies TBA**
- Leveraged: the good, the bad and the ugly – **Spreadsheets TBA**
    - Performance-driven leveraged finance
    - Defensive leveraged finance
    - Deal-driven leveraged finance
    - Leverage in ownership transition
- Identifying corporate debt restructuring opportunities
- Case Study: Ubuntu Properties. The owner of private KZN company is looking for acquisition finance. Delegates estimate the company's debt capacity and the owner's options.
- The investor's required return on debt and on equity
- The corporate cost of funding: techniques of effective cost of analysis
- Cost of Capital in emerging markets (Example: Required returns in Equatorial Guinea)
    - Leverage optimization through WACC simulation
- Case Study: Lifetime Fitness. Delegates compute the effective cost of capital for a company with various degrees of leverage, and consider how leverage fits in with the company's business and financial strategy.
- Using valuation in a leveraged finance context , with higher costs of debt and high private equity required returns
- Some useful data sources and other resources

Leveraged Buyout Analysis

- Leveraged finance as a temporary capital structure
- Getting the deal done: bridge finance
- Case study: A Bridge Too Dear. How should the bridge loan be priced? And the senior debt?

Day One cont'd - 26 March 2008

Leveraged Buyout Analysis (cont'd)

- Capital market refinancing: ISS bonds example
- Implementing a management buyout: senior, mezzanine and equity finance
- Spreadsheet-based Debt Capacity Analysis for leveraged finance
- Case Study: The Management Buyout of Nukem Security Services. We trace the steps in leveraged debt capacity analysis and paydown
- Focus: Synthetic ratings and debt pricing
- How to structure and price the funding for an acquisition or buyout
- Case study: The LBO of ISS. Delegates undertake a step-by-step analysis of the Danish Company's debt capacity and the LBO financing possibilities
- Structuring the relationship between the partners
- Post-acquisition refinancing and asset sales
- Paydown and exit analysis
- Case Study: Reykjavik Fleet Leasing. What value should we place on this company at exit?

End of Day One

Organized By:

UNI CAPITAL

LEVERAGE FINANCE FOR EMERGING MARKETS

Day two – 27 March, 2008

Mezzanine Financing Techniques

- Checklist of senior and subordinated financing techniques – **Presentation TBA**
- Senior secured debt in emerging markets – what does it mean? - **Case Studies TBA**
- Global default and recovery tables – **Spreadsheets TBA**
- Second lien versus senior-sub mezzanine
- Case Study: Second Lien Facility. How would you adapt this term sheet to your client's needs?
- Sale-and-leaseback financing
- Step-up rates, PIKs, participations, warrants, preferred
- Case study: PIK Finance
- Seller notes
- The structure and pricing of sub debt and warrants
- Example: Woodstream's Mezzanine. What is the effective cost to the issuer of this mezzanine debt?
- Terms and conditions of Mezzanine transaction
- An alternative to warrants: valuation-linked exit
- Performance-linked participation debt: an alternative form of mezzanine
- Spreadsheet analysis of EBITDA-linked debt
- Mezzanine as a catalyst in private development finance
- Four forms of mezzanine for emerging markets: performance-participation notes, subordinated debt with warrants, convertible notes, and preferred stock
- Case study: Shanghai Retail Alliance. What are the advantages and disadvantages of the contingent payment Unit in this deal? What are the exit possibilities?

Day Two – 27 March, 2008

Emerging Market Application: Empowerment Acquisitions, Buyouts and Recaps

- Structuring a leveraged buyout where exit is limited
- Terms and pricing of the senior and mezzanine in no-liquidity situations
- Setting targets and linking payout to performance
- Evaluating a funding proposal with revenue-linked mezzanine debt
- Case Study: Cap des Birches LBO. Can you model the feasibility of this proposed buyout in Senegal
- Leveraged recapitalizations with share buybacks or special dividends to enhance shareholder value<>Leveraged defensive recaps: How a company with stable and growing free cash flows can exploit its debt capacity
- Leveraged recaps for ownership transition or cash-out
- Case Study: RoadShow. In this example of a company using leverage to effect a BEE change in control, delegates discuss shareholders' options.
- Leveraged rollups (or build-ups)
- Share purchase financing for empowerment acquisitions
- Security: the shares, the buyers, the company
- Implementing a share purchase financing: cash flow analysis
- Case Studies" Africa Haven
- Exit analysis
    - Exiting the deal: Payout from Sale
    - Exiting the deal: payout from put option
    - Exiting the deal: payout from operating cash flow
- When things go wrong – what recourse?
- Discussion session of mezzanine matrix: Structural features and a cost-benefit analysis of four forms of mezzanine

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Day three – 28 March, 2008

Mezzanine Financing Techniques

- Structuring a leveraged Buyout: the sequence of events
- Legal aspects of leveraged finance
- Taxation considerations in structuring leveraged transactions
- Issuing a high yield bond
- Project Finance
- Credit derivatives in leveraged finance

TBA: Presentations, Case studies & Spreadsheets

Additional Resources

Background Reading

Notes on cost of capital and capital structure
Corporate Finance and debt capacity tables
Note on Leverage Buyout
Second Lien loans
Mezzanine Finance 1
Mezzanine Finance 2
Senior Secured Facility term sheet
Subordinate notes term sheet

Useful Links

www.Fitchratings.com (bonds ratings)
www.Damodaran.com (industry ratios)
www.advfn.com (corporate financial ratios)

Booking Form – Leverage and Mezzanine Workshop

REGISTRATION DETAILS:

Company Name: ____ Country: ____

Postal Address: ____ Postal Code: ____

Tel Number: ____ Fax: ____

Nature of Business: ____

Company Size: ☐ 0 –50 ☐ 51- 100 ☐ >101 ☐ >250 ☐ > 500+

1. Delegate Name: ______________________________________ Designation _____________________Email _________________________
2. Delegate Name: ______________________________________ Designation _____________________Email _________________________
3. Delegate Name: ______________________________________ Designation____________________ _Email _________________________
4. Delegate Name: ______________________________________ Designation_____________________ Email _________________________
5. Delegate Name: ______________________________________ Designation______________________Email _________________________
3. Delegate Name: ______________________________________Designation ______________________ Email _______________________

CONFERENCE VENUES & DATES

Date: 26, 27 & 28 March, 2008

Venue: Hilton Hotel, Sandton – JHB, South Africa

TERMS & CONDITIONS

1. Payment Terms On the return of the registration form, full payment is required within 7 working days. Payment must be received prior to the conference date. Unicapital reserves the right to refuse entry into the conference should full payment not have been received prior to this date. Cancellation will be charged under the term set out below. **2. Cancellations, No shows & Substitutions:** Cancellations received in writing more than 21 days prior to the event being held carry a 50% cancellation fee. Should cancellations be received between 21 days and the date of the event, the full conference fee is payable and non – refundable. Non- payment or non-attendance does not constitute cancellation. No show will be charged the full registration fee. Cash alternatives will not be offered, however, substitutes at no extra charge are welcome. **3. Alterations to advertised package: Unicapital** reserves the right to alter this programme without notice or penalty and in such situations no refunds or part – refunds or alternative offer will be made. Should **Unicapital** permanently cancel an event, for any reason whatsoever, the Client shall be provided a credit of the equivalent amount paid towards the cancelled event. In the case of a postponed or cancelled event, **Unicapital** will not be responsible for covering airfare, accommodation, or other travel cost incurred by Clients. **4. Copyright:** All intellectual property rights in the materials distributed by **Unicapital** in connection with this event are expressly reserved and any unauthorized duplication, publication or distribution is prohibited.

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METHOD OF PAYMENT

☐ **Direct Deposit:**
Banking Details: FIRST NATIONAL BANK
Account Number: 62126800649
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DELEGATE FEE;

All full three day conference: GBP1, 500.00 excl. Vat

Early Bird 10% Discount: Book & Payment by 31 Jan

Group 10% Discount: Minimum of 3 Delegates by 29 Feb

Fees include course documentation, lunch and refreshments.
Vat No. 4520235625

AUTHORISATION

Name: ____

Position: ____

Signature: _____________________ Date: _______________

THIS CONTRACT IS NOT VALID WITHOUT A SIGNATURE
Signatory must be authorized on behalf of the contracting company