

Specialty Manufacturer

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Investment question

Can recurring cash generation fund a leveraged acquisition while preserving sufficient working capital? The accompanying model assesses entry price, operating growth, senior debt, seller financing and exit proceeds.

Underwriting approach

Normalize operating earnings, separate maintenance capital expenditure from growth investment, and stress collections and inventory. Limit debt to cash available after taxes, investment and a minimum operating cash reserve.

Transaction structure

Evaluate the seller note at its economic value and contractual maturity. Reconcile purchase consideration, debt repayment, transaction costs and minimum cash to financing sources. Compare equity returns with and without multiple expansion.

Decision conditions

Proceed only if downside cash flow supports scheduled debt service. Confirm collateral, customer concentration, covenant definitions and seller-note subordination before relying on headline returns.