

THE SECRET TO BUYING WITH LEVERAGE

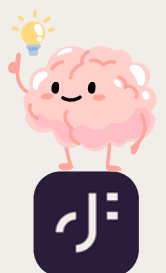
***The power of LBOs:** a clear guide to the structure,
strategy, and risks of this key M&A tool.*



WHAT IS AN LBO? LEVERAGE 101.

“The process of buying another company using money from outside sources, such as loans and/or bonds, rather than from corporate earnings.”

- ☑ The company's future cash flow is used to repay the debt.
- ☑ Lets buyers acquire bigger companies with less upfront capital.
- ☑ The acquired company is expected to generate profits and cash to repay those loans over time.
- ☑ The lender can claim the company's assets if the loan isn't repaid → reduced risk.



RISKS TO CONSIDER

- ⚠ **Heavy debt load** → High fixed payments (interest + principal).
- ⚠ **Cash flow sensitivity** → Drops in performance can threaten repayments.
- ⚠ **Interest rate risk** → Rising rates make debt more expensive.
- ⚠ **Operational pressure** → Need to stay profitable and liquid.



FIT CHECK



LBOs work **best** for companies with:

- Stable and predictable cash flows
- Strong market position
- Potential for operational improvements
- Tangible assets as collateral

Identifying the right target is crucial. At **DCF – M&A Partners**, we help you evaluate feasibility and structure deals that balance ambition with caution.



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