Debt Financing Complexity Scale

Termgrid

Category	Factor	Factors making a new debt financing **less complex**	Factors making a new debt financing **more complex**
Target Company Specifics	**Industry / sector**	☐ **High-growth** industries, with **secular tailwinds,** high-demand products ☐ **Stable-growing** industries (independent of economic cycle) ☐ Ex: technology, business services, healthcare, pharma, etc)	☐ Requiring very **specific technical expertise** ☐ Certain **high risk** (environmental, reputational) or **cyclical sectors** ☐ Ex: financial services, tobacco, entertainment, retail, consumer
	Financial Performance	☐ **Stable / steady growth** over the last 3+ years and in recent trading ☐ **High margins**, strong cash flow generation ☐ **Resilient** through-the-cycle performance	☐ Sharp **declines** in revenues / margins / cash generation ☐ **Recent spike** in revenues due to idiosyncratic factors ☐ High degree of **volatility** in performance in economic downturns
	Availability of information (financial / other)	☐ Detailed long-term financial information available (through-the-cycle) ☐ Granular financial data for key performance measures	☐ Limited historical financial information available ☐ Relatively poor quality of information (inconsistent through the years)
Debt Specifics	**Debt currently outstanding & Lending relationships**	☐ The company has outstanding debt facilities of a **similar size** of the debt required ☐ Existing group of **incumbent lenders**, willing to continue lending to the company ☐ Current debt is raised in the **same / similar market** as the new debt required (ex banks debt, syndicated markets, etc)	☐ **No debt** outstanding ☐ Limited or no **history** with any lending counterparties ☐ Some debt outstanding but **immaterial amounts** vs envisaged new debt ☐ Existing debt raised in a completely **different market** vs envisaged new debt
	New debt financing requirements	☐ Borrower in one **single lender-friendly jurisdiction** ☐ **Single** debt **currency** (or limited to 1-2 of the most common currencies) ☐ Most/all **cash flows** generated in **one jurisdiction**	☐ Requiring debt facilities in **multiple jurisdictions** ☐ Requiring debt facilities in **multiple currencies** ☐ **Complex multi-country** operations ☐ Potential cash **repatriation and leakages** to move cash for debt servicing purposes
Transaction Specifics	**Type of transaction**	☐ **Privately agreed** transaction, with clear pro forma ownership ☐ **Standalone** acquisition, no combination with other companies	☐ **Public-to-private** transaction, with uncertainty around final pro forma ownership ☐ Merger with / acquisition by another sponsor portfolio company implying **integration risk** and additional diligence on acquirer
	Shareholder plans for the company	☐ **Limited envisaged changes** to business focus/geographies/markets ☐ Supporting **efficiencies and improvements** to bottom line ☐ No large plans for investments/acquisitions that could deteriorate cash flow profile of the company	☐ Base business plan assuming **significant changes** vs status quo, requiring large investments and execution risk ☐ **Aggressive buy-and-build strategy** to grow the business ☐ **Large disposal(s)** envisaged

Note: the above factors are illustrative, and should be assessed for the envisaged transaction as a whole. Please refer to our Termgrid Primers article "Debt financing LBOs and M&A – from Kick-off to Signing" for more details