

FOR PROFESSIONALS IN

- ☐ Venture capital
- ☐ Private equity
- ☐ Investment banking

PREREQUISITES

Financial Accounting
Financial Statement Modeling

DURATION

Full course – 1 day

PRICING

\$499 for CFALA Members
\$599 for Non-members

LOCATION:

University Southern California
(USC) – Room TBA

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Capitalization Table Modeling – May 2nd, 2014

Hands-on modeling training in the construction of capitalization tables

Overview

- Capitalization tables (“cap tables”) enable investors, companies, and advisory firms to analyze investor ownership levels and investor returns under multiple exit scenarios
- This analysis is critical in guiding stakeholders during capital raise negotiations especially during multiple investment rounds (Series A, B, C, etc.)
- Modeling a capitalization table can be very challenging and complex, especially when modeling the flow of funds (“cap table waterfall”), and investment banking, private equity, and venture capital associates spend significant time attempting to model capitalization tables without a consistent approach, making models error-prone and difficult to sensitize.

Agenda

Conceptual overview of early-stage investing

- Convertible debt common terms and features
- Convertible preferred stock common terms and features
- Stock options common terms and features
- Warrants common terms and features
- Common equity

Modeling the cap table

- Pre-investment ownership
- Modeling investment terms
 - Liquidation preference multiples
 - Participating vs. non-participating preferred shares
 - Capped vs. uncapped participation
 - PIK vs. cash dividends
 - Stacked vs. pari passu participation
 - Stock option pools and warrants
 - Common stock
- Modeling the exit valuation assumptions

Modeling the waterfall (flow of funds)

- Modeling dynamic conversion tests
- Calculating proceeds
- Inserting error-checks into the waterfall
- Building a durable decision tree into the waterfall
- Calculating returns and proceeds at various sensitivities