Debrief

Port Alder Field Supplies, 60-minute live LBO test

Where I landed

	Answer key	At 60 minutes
Sponsor IRR	21.4%	17.0%
MOIC	2.64x	2.19x
FY2026 free cash flow	$6.85m	$2.68m
Senior debt left at exit	$0	$27.8m
Sponsor proceeds at exit	$168.1m	$139.7m

The 60-minute model had every block the instructions asked for: purchase price and funding, a five-year income statement, cash flow, working capital, both loans, returns and a sensitivity table. Three formulas were wrong. The answer key is the cleaned-up model I sent afterward, with a grey note on each of those rows.

The three corrections

Open **2 - What I sent after 60 minutes.xlsx** and go to the Model Exercise tab.

1. **Taxes, row 27.** The formula is EBT × (1 − tax rate). That is after-tax income, not tax. FY2026 shows $7.17m of tax where the right figure is $2.52m, which is 26% of $9.69m. Row 33 then deducts the same number as cash tax, so cash flow is understated in every year. Net income in row 29 reads row 27, so fixing the tax means changing row 29 too, to EBT less taxes. That second change moves no cash.
2. **Change in working capital, row 34.** The formula adds the increase in inventory when it should subtract it. FY2026 shows a $0.16m source of cash where the right figure is a $0.32m use.
3. **Interest expense, row 24.** The subordinated rate reference O50 is not anchored. Copied across, it points at empty cells from FY2027 on, so the model leaves out $1.68m a year of subordinated interest.

The tax formula does nearly all the damage. Fix only that formula and the IRR goes from 17.0% to 22.6%. The other two push the other way. Both overstate cash flow, so fixing them brings the return back down to 21.4%.

As sent, the model leaves $27.8m of senior debt unpaid at exit when it should be fully repaid. One label is wrong too: cell D23 says Total Sources and should say Total Uses. The formatting needed work as well: the exit multiples down the side of the sensitivity table sit in a narrow column, so they show rounded.

What the firm did next

Two days later they asked me to correct the model and the formatting as if I were not under a time limit. In the same email they invited me to the next round, a case study. The answer key is what I sent back the next evening. They wrote back that it was much better.

Check your model against these

All figures are in USD thousands and come from the answer key.

Purchase and funding

Uses		Sources	
Equity value paid to seller	112,740	Senior debt	47,000
Net debt repaid	12,000	Subordinated debt	16,000
Fees	2,000	Sponsor equity	63,740
Total uses	126,740	Total sources	126,740

Enterprise value is 8.25x FY2025 EBITDA of 15,120, or 124,740.

By year

	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue	88,620	93,494	98,636	104,061	109,785
EBITDA	16,372	17,705	19,124	20,635	22,242
Free cash flow	6,846	8,065	9,401	10,863	12,461
Senior debt, end of year	40,154	32,089	22,689	11,826	0
Subordinated debt, end of year	16,000	16,000	16,000	16,000	15,365

Exit

FY2030 EBITDA of 22,242 at 8.25x gives an enterprise value of 183,499. After 15,365 of remaining debt, sponsor proceeds are 168,134. That is a 21.4% IRR and 2.64x on 63,740 invested.

The written questions

My answers are on the first tab of each file. The 60-minute answers are short. The answers in the answer key are what I would give with time to think. On the third question both reach the same answer: the return is short of a 25% hurdle, so I would pass unless there is a real plan to grow faster or lift margins.

Three things to test once you are done

Use the answer key.

- **Exit multiple.** At a 7.75x exit the IRR falls to 19.8%. The tables below the returns show the full grid.
- **Exit timing.** Selling after three years returns 23.2% and 1.87x. After four years it is 22.3% and 2.23x. A shorter hold raises IRR and lowers MOIC.
- **Collections.** Type 43 over the FY2026 receivable days (cell L38). The first senior repayment drops from $6.85m to $5.15m, and FY2027 gets most of it back when the days return to 36. At 65 days free cash flow turns negative and the model adds the shortfall to the senior loan, because the test gave no revolver.