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Practitioners' Approach To Capital Structure Optimization

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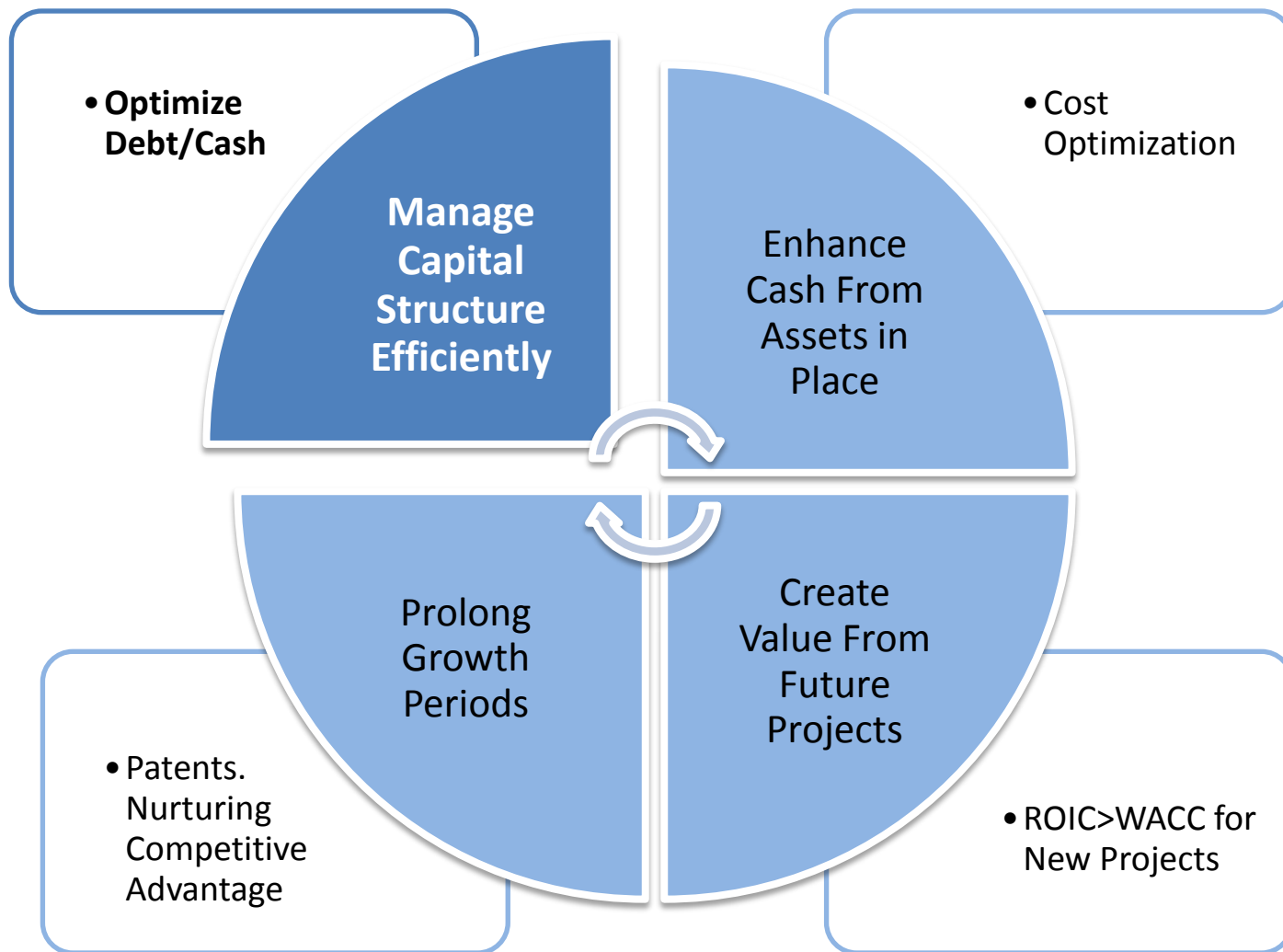
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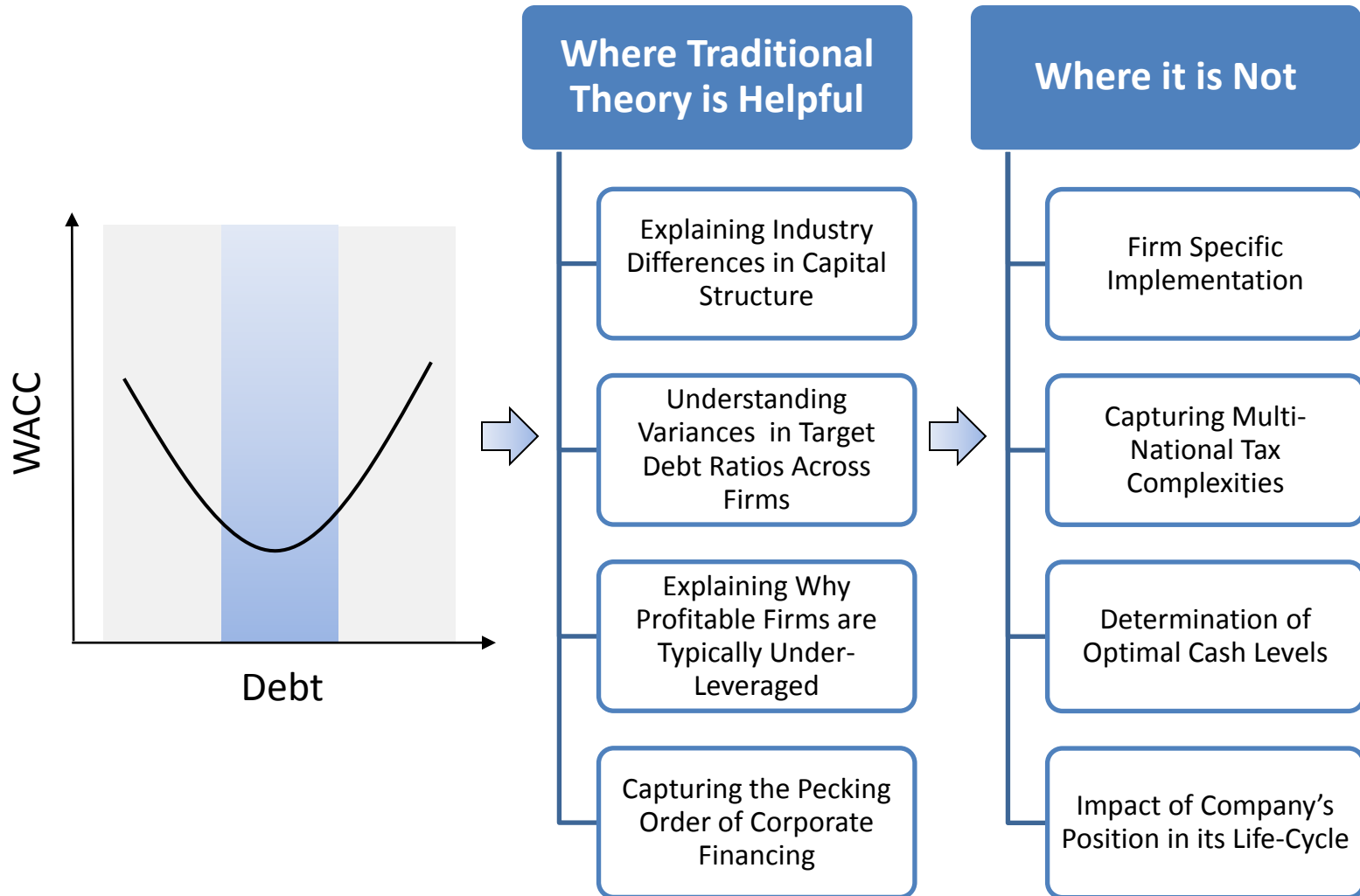
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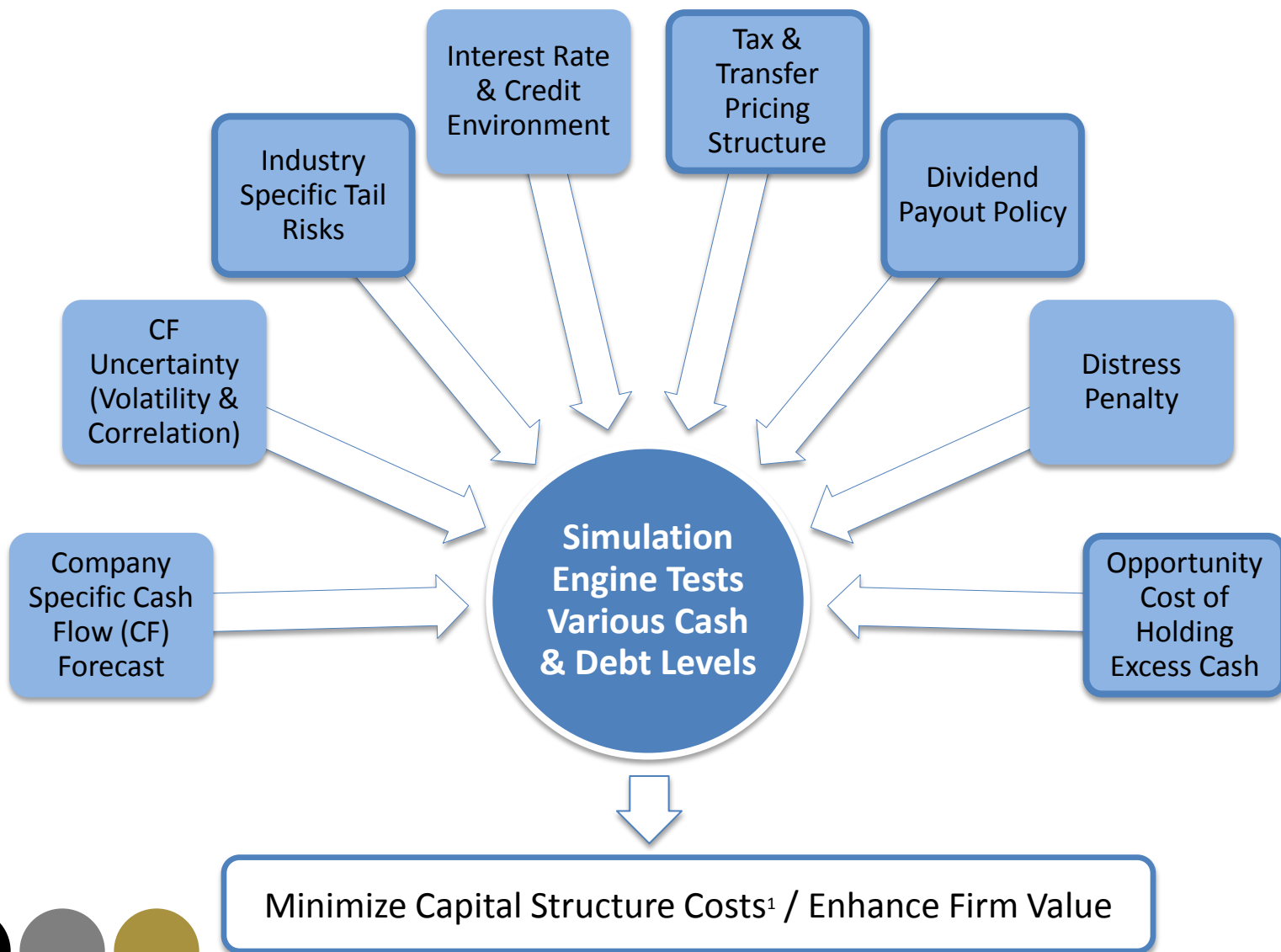
Capital Structure Optimization is One of Four Ways a Firm Can Add Value...



But Traditional Theories on Capital Structure Provide Explanations Rather than a Roadmap for Optimization

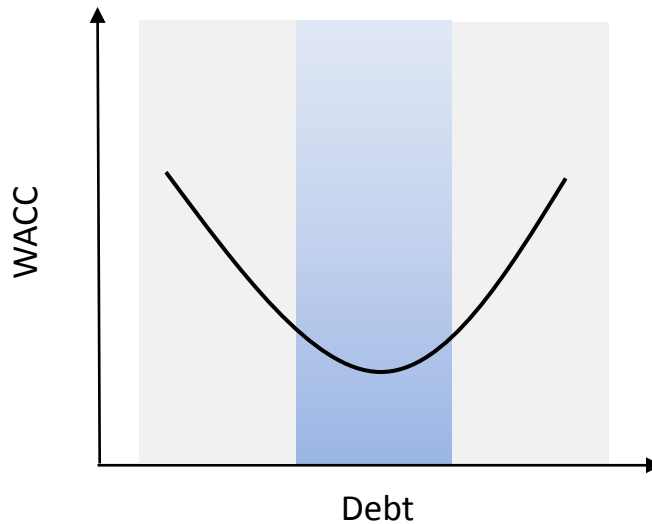


Our Framework Creates a Customizable and Implementable Approach to Capital Structure Management



1. Builds Upon Work By: Opler, T., Saron, M., & Titman, S. (1997). Journal ACF, 10(1), 21-32

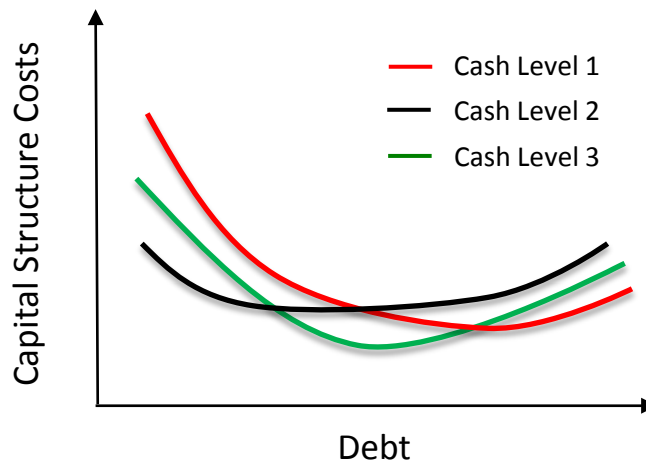
...And Examines Both Optimal Debt and Cash Levels



Optimization Engine Picks the Combination of Cash and Debt that Minimizes Various Costs Under 1000's of Monte Carlo Scenarios Over Long Term Time Horizon

Capital Structure Costs Include:

- 1) *Geographic Distribution of Taxes*
- 2) *Opportunity Cost of Holding Cash*
- 3) *Industry/Business Specific Tail Events*
- 4) Distress Penalty
- 5) Net Interest Expense



Suggested Structure is to be Implemented in the Next 2-3 Years



Other Applications Of *Optimal Capital Structure Model*

Flexible Capital Structure Planning Under Current/Expected Organization Structure

Liquidity Management

- Create Risk Tiers in Corporate Cash Management

Diversification Benefit

- Ability to Measure Diversification Impact of Business Units/Target Companies

