

**The LMM Capital Structure
Advantage:**
Less leverage, higher returns

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The Capital Structure Advantage

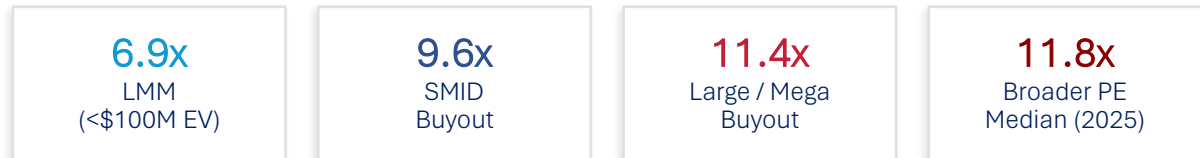
Less Leverage, Higher Returns: Why LMM Outperforms on a Risk-Adjusted Basis

Large-cap buyouts relied on leverage and material multiple expansion for 59% of returns (2010-2022). With rates normalized, the LMM's equity-heavy model is structurally advantaged.

LEVERAGE BY DEAL SIZE (2009-2024)



ENTRY MULTIPLES: VALUATION DISCIPLINE



WHY THE CAPITAL STRUCTURE MATTERS NOW

LMM Buyout	Large / Mega Buyout
<ul style="list-style-type: none">Lower leverage (~3.9x)Higher equity cushion (>50% TEV)Returns driven by operational value creationLess refinancing risk in higher-rate environment~4% higher net IRR vs large/mega	<ul style="list-style-type: none">Higher leverage (~5.7x)59% of 2010-22 returns from leverage + multiple expansionElevated refinancing exposure at higher ratesGreater reliance on financial engineeringEntry multiples 11-15x compress exit upside

With rates normalized, the era of leveraged beta is over. LMM's equity-heavy, operationally driven model is built for the environment ahead.



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