

SYNCWARE SOLUTIONS, INC.

Assumptions Sheet

DT-LBO-04 - Tier 4 Distressed SaaS LBO

PE Edge LBO Modeling Series

STABILIZE LIQUIDITY. RESTRUCTURE DEBT. REBUILD VALUE.

Turnaround and Operating Assumptions

01 Retention and Revenue

Assumption	Base Case
Gross Retention	91.0%
Net Retention	78.0%
Gross Monthly Churn	4.2%
Churn Improvement Target	0.8 percentage points by Q3
Monthly Upsell Rate	1.2%
Usage-Based Uplift	8.0%
Enterprise Support Uplift	3.0%

02 Cost and Efficiency Program

Initiative	Target
CAC Reduction	22.0%
S&M Headcount Reduction	18.0%
CAC Payback	Less than 18 months
Hosting Cost Reduction	12.0%-18.0%
Cloud Vendor Unit Cost	9.0% reduction
G&A Reduction	10.0%
Engineering Consolidation	12.0%
Customer Success Efficiency	15.0% more tickets per representative

03 Operating Model Targets

Metric	Current	Target
Gross Margin	62.0%	68.0%
S&M as % of Revenue	38.0%	31.0%
R&D as % of Revenue	24.0%	21.0%
G&A as % of Revenue	18.0%	15.0%
Capital Expenditures	3.5% of revenue	3.5% of revenue

Working capital: Collections improve by eight days, vendor payment terms extend by 12 days, and deferred revenue is expected to stabilize by Q4.

Restructuring and Liquidity Assumptions

04 Sources and Uses

Sources (\$M)	Amount	Uses (\$M)	Amount
DIP Facility	25.0	Paydown Revolver	12.0
New Money Equity	40.0	Cloud Vendor Settlement	8.0
Debt-for-Equity Swap	48.0	Restructuring Fees	6.5
Cash on Hand	3.2	DIP Fees & OID	3.2
		Working Capital Bridge	18.0
		Debt Impairment Allocation	48.0
Total Sources	116.2	Total Uses	95.7
		Remaining Liquidity	20.5

05 Debt Structure

Pre-Restructuring	Amount	Post-Restructuring	Amount
Senior Secured	\$28.0M	DIP Facility	\$25.0M
Second Lien	\$12.0M	Reinstated Senior	\$12.0M
Convertible Notes	\$8.0M	Convertible Equity	-
Vendor Financing	\$5.0M	Vendor Settlement	\$3.0M
Total	\$53.0M	Total	\$40.0M

06 Liquidity and DIP Covenants

Assumption / Milestone	Threshold
Beginning Cash	\$3.2M
Minimum Liquidity	\$10.0M
Base Monthly Cash Burn	\$1.1M
Base Monthly DIP Draw	\$2.0M
Churn Milestone	Below 3.2% by Month 6
Hosting Action	Implemented by Month 4
Cash EBITDA	Positive by Month 12

Base-case warning: The provided churn improvement target reaches approximately 3.7% by Month 6, above the 3.2% DIP covenant. The model should flag the breach rather than override the result.

Scenarios, Recoveries and Returns

07 Restructuring Scenarios

Scenario	DIP	Debt / Equity Treatment
A - Out-of-Court	\$20.0M	35% debt haircut; 15% equity rollover
B - Pre-Pack	\$25.0M	Senior converts to equity; \$8.0M vendor settlement
C - Free-Fall	\$30.0M	Full impairment waterfall; sponsor wiped; new money controls

08 Recovery Waterfall

Class	Recovery	Treatment
DIP	100%	Superpriority
Senior Secured	72%	Partial reinstatement
Second Lien	38%	Equity + cash
Convertible	0%	Fully impaired
Vendor	22%	Cash + equity

09 Return Benchmarks

1.60x	22-28%	1.25x	18-22%
SPONSOR MOIC	SPONSOR IRR	DIP LENDER MOIC	DIP LENDER IRR

Return / Ownership Input	Base Case
Sponsor Ownership Post-Restructuring	68.0%
Exit Multiple Range	8.5x-10.0x ARR
Key Sensitivities	ARR stabilization, churn, hosting costs, DIP rate, recovery rates, exit multiple

10 Modeling Notes

The monthly operating model should roll into quarterly outputs. ARR, churn, upsell, revenue conversion, gross margin, operating expenses, cash EBITDA, liquidity, DIP draws, covenant tests, class recoveries, and returns should remain linked through visible formulas.

All assumptions are fictional and created exclusively for educational use within the PE Edge LBO Modeling Series.