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Career guide · Leveraged finance

The leveraged finance interview prep pack

The questions interviewers ask, model answers, and a plan to be ready on the day.

5
Interview questions with answers

5
Readiness checks

$170k to $240k
Junior pay, all-in (US)

Get interview-ready for leveraged finance.

Leveraged finance bankers arrange loans and high-yield bonds for companies with a lot of debt, especially private equity buyouts. It sits between M&A and capital markets, and is one of the best routes into private equity and credit funds.

How to use this pack

Cover each answer, say yours out loud in under a minute, then compare. Use the lines to note what you missed.

Interview questions

5 questions

Credit

How much debt can a company take on?

It depends on its cash flow and stability. Lenders look at leverage (debt divided by EBITDA), interest cover (EBITDA divided by interest) and whether cash flow can repay debt over time. Stable, predictable businesses can carry more.

Products

What's the difference between a term loan and a high-yield bond?

Term loans are usually secured, have floating rates and can be repaid early. High-yield bonds are often unsecured, pay a fixed rate, last longer and have call protection that makes early repayment costly.

LBO

Why do private equity firms use debt?

Debt is cheaper than equity and reduces how much equity the sponsor puts in, which increases its return if the deal goes well. It also adds risk if the business underperforms.

Credit

What are covenants?

Rules in a loan agreement that protect lenders, such as limits on further borrowing or a maximum leverage ratio. Many recent loans are “covenant-lite”, with fewer of these protections.

Markets

What’s a CLO?

A collateralised loan obligation: a fund that buys many leveraged loans and finances itself by issuing different layers of debt and equity. CLOs are the biggest buyers of leveraged loans.

Are you ready to apply?

5 checks

- [ ] I can build a simple LBO and explain the returns
- [ ] I can explain loans versus high-yield bonds
- [ ] I know roughly where leveraged loan and high-yield yields are today
- [ ] I know the main credit ratios
- [ ] I understand what covenants do

Your plan, step by step

4 stages

- [ ] **9 months before**

  ### Learn LBOs and credit

  The two foundations of the job.

- [ ] **6 months before**

  ### Follow buyout financings

  Read how recent buyouts were funded and by whom.

- [ ] **3 months before**

  ### Network

  Talk to leveraged finance teams specifically.

Interviews

Think like a lender

For any company, ask how much debt it could safely carry and why.

What to read

3 picks

1 **Leveraged Buyouts by Paul Pignataro**
A hands-on guide to LBO modelling.

2 **Covenant Review and LevFin Insights coverage**
If your university has access.

3 **Annual reports of private equity-owned companies with public bonds**
They show real debt structures.

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Now say it out loud.

Knowing the answer isn't the same as saying it well under pressure. The free Mandate app reads questions aloud and scores your spoken answer on key points, structure, pace and filler words.

mandateprep.com/desk

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