

# EduTech Company

LBO Equity Analysis using CAPM - NO LEVERAGE

Tuesday, May 7, 2019

TRANSACTION SOURCES & USES				
	Amount	% Capital	Expected Return	WACC (After Tax)
<b>Sources:</b>				
Bank Loan	-	0.0%	7.00%	0.000%
Mezzanine Note	-	0.0%	10.00%	0.000%
Total Debt	-	0.0%		0.00%
Equity	14,409,751	100.0%	22.15%	22.15%
Total Sources	14,409,751	100.0%		22.15%
<b>Uses:</b>				
	Amount	% of Total Uses	CAPM	
Purchase Price (EV - including Debt)	14,409,751	100.0%	Risk Free Rate=	2.75%
Other Up-Front Expenses	-		Beta=	1.2x
Transaction Fees & Expenses	-	0.0%	Premium=	12%
			Firm Specific =	5.00%
Total Uses	14,409,751	100.0%	CAMP Rate=	22.150%

SUMMARY VALUATION			
Description	Average Multiple / Expr. IRR	Value \$ Based on	
Comparable Trading Multiples (2022 EBITDA)	8.00x	21,912,000	
Comparable Acquisition Multiples (Strategics)			
Discount Cash Flow (DCF) Expect. Ret=	22.15%	16,152,406	
VALUATION SCENARIO TABLE (Based on Return Exp and TV Multiple)			
Exp. Ret % Ent. Val. \$	EBITDA Terminal Value Multiples		
	7.0x	8.0x	9.0x
25.0%	13,564,550	14,409,751	15,254,951
30.0%	11,171,788	11,866,481	12,561,174
35.0%	9,267,904	9,843,133	10,418,362
40.0%	7,739,965	8,219,554	8,699,143
45.0%	6,503,939	6,906,350	7,308,761

DCF & VENTURE CAPITAL EQUITY RETURN METHODS ANALYSIS									
									Exit Year
Company Projections	Post Exit Assumptions	Entry Year Year 0	1	2	3	4	5	6	7
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenues	12.00%		185,301	1,261,866	2,621,151	5,194,408	8,179,881	11,380,328	14,403,660
Cost of Revenue	1.1%		(11,934)	(8,567)	(17,897)	(37,927)	(85,929)	(119,550)	(151,310)
Payroll			(77,517)	(157,517)	(171,545)	(174,017)	(176,563)	(192,557)	(195,259)
Selling Expenses	33.7%		(380,678)	(607,873)	(1,046,306)	(2,125,764)	(2,757,495)	(3,582,543)	(4,155,119)
Hosting Expenses	0.0%		(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)
Genera & Administrative	1.5%		(81,960)	(81,960)	(127,500)	(116,500)	(122,500)	(128,625)	(135,056)
EBITDA			(367,987)	404,749	1,256,703	2,739,000	5,158,694	7,484,477	9,900,773
Less Depreciation	3.0%		(5,559)	(37,856)	(78,635)	(155,832)	(245,396)	(341,410)	(432,110)
Less Amortization of Fees			-	-	-	-	-	-	-
EBIT			(373,546)	366,893	1,178,069	2,583,168	4,913,297	7,143,067	9,468,663
Less Interest (Unlevered for DCF Analysis)			-	-	-	-	-	-	-
EBT			(373,546)	366,893	1,178,069	2,583,168	4,913,297	7,143,067	9,468,663
Less Taxes (adj ut Interest Exp)	36.0%		134,477	(132,081)	(424,105)	(929,940)	(1,724,687)	(2,525,199)	(3,360,098)
Plus Depreciation & Amortization			5,559	37,856	78,635	155,832	245,396	341,410	432,110
Less Working Capital (Growth Capital)			(15,189)	(88,243)	(111,417)	(210,923)	(244,711)	(262,332)	(247,814)
Less Capex	3.00%		(5,559)	(37,856)	(78,635)	(155,832)	(245,396)	(341,410)	(432,110)
Cash Flow Before Financing (CFBF)			(254,258)	146,568	642,547	1,442,305	2,943,899	4,355,536	5,860,750
Less Financing ( P + I )			-	-	-	-	-	-	-
Equity Cash Flows			(254,258)	146,568	642,547	1,442,305	2,943,899	4,355,536	5,860,750
<b>Terminal Value</b>									
EBITDA Multiple Method	Growth	8.0x					41,269,548		
Perpetuity Method (using WACC + growth)	10.00%	22.15%					35,848,034		
Average Terminal Value							38,558,791		
Debt Outstanding									
Equity Value (TV - Debt)							38,558,791		
Equity Cash Flows			(14,409,751)	(254,258)	146,568	642,547	1,442,305	41,502,690	
DCF - CAPM Valuation =	16,152,406	22.15%	(208,153)	98,232	352,553	647,863	15,261,910		
Venture Capital Exp. Model =	14,409,751	25.0%	(203,407)	93,804	328,984	590,768	13,599,602		
IRR=		25.0%							