Private Equity

**INDIVIDUAL PROJECT DESCRIPTION**

Each student will be assigned a publicly traded company. You need to do the following:

1. You need to spread at least **3-year historical financials** including the Balance Sheet, Income Statement and summary Cash Flow Statement that includes Working Capital, Capex and Depreciation expense. If the company’s fiscal year end is not December 31, use Trailing Twelve Months (TTM) for Income and Cash Flow Statement and last reported quarter for the Balanced Sheet.
2. You need to build the **transaction sources and uses** and pro-forma balance sheet using the following assumptions:
	1. Purchase Stock Price: Any premium to the current price – (i.e., 20%)
	2. Refinance total debt (including short term and long term)
	3. Total Transaction fees and expenses of 3.0% of total (Purchase Price + Debt)
	4. New acquisition Debt should be structured as follows:
		1. The lowest amount of either:
			1. Senior Debt to total Acquisition Cost (Including transaction fees) of 50%; or
			2. Senior leverage of 4.0x (Senior Bank Debt 4.0x to the last reported EBITDA)
		2. The lowest amount of either:
			1. Subordinated Bonds to total Acquisition Cost (including transaction cost) of 20%; or
			2. Subordinated Debt to last reported EBITDA of 2.0x
		3. The Balance will be cash equity from the Private Equity Investor.
3. Your need to build **Projections** using reasonable assumptions (sales growth, margins, Capital Expenditures, Depreciation, Working Capital as % of Revenues, – based on historical experience – You may adjust them based on your independent work justifying the projected levels). Other assumptions will be as follows:
	1. Tax Rate: 22%
	2. Bank Loan Interest (Floating SOFR + 4.0% with Libor 50 bps escalation for the next 3 years) – use starting SOFR rate of 2.0%
	3. Bank Loan Schedule Amortization Yr 1-Yr 6: 1.0%, Yr 7: 94%
	4. Subordinated Debt Interest Rate – Fixed Rate 8.0%
	5. Subordinated Debt Scheduled Amortization Yr1-Yr7: 0%, Yr8: 100%
	6. No Dividends
	7. No Divestitures

1. Need to construct an **Equity Return and DCF Analysis** page.
	1. Calculate the Private Equity Investor’s IRR based on the following assumptions:
		1. To Calculate the WACC use 20% Equity Return (Not CAPM)
		2. Use the average of Terminal Value based on the following two methods:
			1. EBITDA Multiple method (use the same multiple you are purchasing the company.
			2. TV based on perpetuity method (Use WACC and growth rates at 80% of WACC or lower) based next year’s unlevered cash flow.
2. Run the Debt Capacity and Debt Ratios
3. Use Goal Seek to calculate the premium you need to pay for the company to meet 20% equity return.

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSIGNED COMPANIES** |  |  |  |
|  |  |  |  |  |
| # | **COMPANY** | **SYMBOL** | **SECTOR** | **INDUSTRY** |
| 1 | Albany International  | AIN | Consumer Cyclical | Textile Manufacturer |
| 2 | American Axle & Manufacturing | AXL | Consumer Cyclical | Auto Parts Manufacturer |
| 3 | AZEK Corporation | AZEK | Industrials | Building Products |
| 4 | Boyd Gaming Corp. | BYD | Consumer Cyclical | Resorts & Casinos |
| 5 | Carnival Corporation | CCL | Consumer Cyclical | Cruise Operator |
| 6 | Celenese Corporation | CE | Basic Material | Chemicals |
| 7 | Century Casino | CNTY | Consumer Cyclical | Resorts & Casinos |
| 8 | Choice Hotels Intern'l | CHH | Consumer Cyclical | Lodging |
| 9 | Constellation Brands | STZ | Consumer Defensive | Wineries & Distilleries |
| 10 | Crimson Wine Group | CWGL | Consumer Defensive | Wineries & Distilleries |
| 11 | Darden Restaurants | DRI | Consumer Cyclical | Restaurants |
| 12 | Delta Airlines | DAL | Industrials | Airlines |
| 13 | Dunkin Brands Group | DNKN | Consumer Cyclical | Coffee shops |
| 14 | Flowserve Corporation | FLS | Industrials | Specialty Industrial Machinery |
| 15 | HCA Healthcare, Inc. | HCA | Healthcare | Medical Care Facilities |
| 16 | Hormal Foods Corporation | HRL | Consumer Defensive | Packaged Foods |
| 17 | International Paper | IP | Consumer Cyclical | Paper & Packaging |
| 18 | Kraton Corporation | KRA | Basic Material | Chemicals |
| 19 | Laureate Education | LAUR | Consumer Defensive | Education & Training Services |
| 20 | Marcus Corporation | MCS | Consumer Cyclical | Lodging |
| 21 | Marriott International | MAR | Consumer Cyclical | Lodging |
| 22 | McDolands Corporation | MCD | Consumer Cyclical | Restaurants |
| 23 | Nabors Industries | NBR | Energy | Oil & Gas Drilling |
| 24 | Royal Caribbean Cruises Ltd | RCL | Consumer Cyclical | Cruise Operator |
| 25 | Select Medical | SEM | Healthcare | Medical Care Facilities |
| 26 | Silgan Holdings | SLGN | Consumer Cyclical | Paper & Packaging |
| 27 | Starbucks Corporation | SBUX | Consumer Cyclical | Coffee shops |
| 28 | Steel Dynamics | STLD | Basic Material | Chemicals |
| 29 | TAL Education Group | TAL | Consumer Defensive | Education & Training Services |
| 30 | Texas Instrument | TXN | Technology | Semiconductors |
| 31 | Texas Roadhouse | TXRH | Consumer Cyclical | Restaurant |
| 32 | Tyson Foods | TSN | Consumer Defensive | Packaged Foods |
| 33 | U.S. Foods | USFD | Consumer Defensive | Food Distributor |
| 34 | United Airlines | UAL | Industrials | Airlines |
| 35 | Verso Corporation | VRS | Basic Material | Paper & Packaging |
| 36 | Wendy's Company | WEN | Consumer Cyclical | Restaurant |
| 37 | Wesco International  | WCC | Industrials | Industrial Distribution |
| 38 | Wyndham Hotels & Resorts | WH | Consumer Cyclical | Lodging |
| 39 | Wynn Resorts | WYNN | Consumer Cyclical | Resorts & Casinos |
| 40 | Yum! Brands | YUM | Consumer Cyclical | Restaurants |