

ABC LBO Model

Drivers

Scenario	1
Target	ABC
ABC share price	150
Fully diluted shares outstanding	10,00,000
Acquisition premium	25%
Fiscal year end	31-Dec
LBO date	31-12-2022
First forecast year	2023
Days in year	365
Currency	\$
Reporting units	000s
Domestic country	Italy
Tax rate	27%
Minimum cash balance	8,000
Deviation	2%

FV Adjustments:

Trade receivables	(548)
Inventory	(798)
PP&E	4,215

Scenario 1 : Optimistic case

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue				12%	12%	12%	9%	9%	9%	7%	7%	6%	5%
Cost of goods sold				-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%
Operating expenses				-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%
DSO				35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5
DIO				91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
DPO				65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8
Other current assets				16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Other noncurrent assets				17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Other current liabilities				7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Other noncurrent liabilities				18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Capex % of revenue				5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Scenario 2 : Base case

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue		7%	13%	10%	10%	10%	7%	7%	7%	5%	5%	4%	3%
Cost of goods sold		-54%	-53%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%
Operating expenses		-22%	-28%	-26%	-26%	-26%	-26%	-26%	-26%	-26%	-26%	-26%	-26%
DSO		43.8	47.7	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5
DIO		110.0	102.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
DPO		74.1	60.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8
Other current assets		19.0%	18.8%	16.0%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Other noncurrent assets		31.6%	18.8%	16.8%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Other current liabilities		10.5%	9.8%	7.4%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Other noncurrent liabilities		22.0%	19.0%	18.0%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Capex % of revenue			4.71%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Scenario 3 : Worst case

	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue				8%	8%	8%	5%	5%	5%	3%	3%	2%	1%
Cost of goods sold				-52%	-52%	-52%	-52%	-52%	-52%	-52%	-52%	-52%	-52%
Operating expenses				-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%
DSO				35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5	35.5
DIO				91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
DPO				65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8	65.8
Other current assets				16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Other noncurrent assets				17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Other current liabilities				7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Other noncurrent liabilities				18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Capex % of revenue				5%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Assumptions

Equity issuance	0%
Equity repurchases (% of net income)	0%
Dividends (% of net income)	0%
Debt issuance	-

Transaction multiples

Entry EBITDA multiple	13.1
Exit EBITDA multiple	13.1

P&L

Selected case

1

\$ 000s	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue	65,224	69,657	78,782	88,236	98,825	1,10,684	1,20,645	1,31,503	1,43,338	1,53,372	1,64,108	1,73,955	1,82,652
y-o-y growth		7%	13%	12%	12%	12%	9%	9%	9%	7%	7%	6%	5%
Cost of goods sold	(28,649)	(37,549)	(41,434)	(42,478)	(47,575)	(53,284)	(58,080)	(63,307)	(69,005)	(73,835)	(79,003)	(83,744)	(87,931)
% of revenue	-44%	-54%	-53%	-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%	-48%
Gross profit	36,574	32,108	37,349	45,758	51,249	57,399	62,565	68,196	74,334	79,537	85,105	90,211	94,722
% margin	56%	46%	47%	52%	52%	52%	52%	52%	52%	52%	52%	52%	52%
Operating expenses	(14,046)	(19,233)	(23,019)	(21,284)	(23,838)	(26,699)	(29,102)	(31,721)	(34,576)	(36,996)	(39,586)	(41,961)	(44,059)
% of revenue	-22%	-28%	-29%	-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%	-24%
EBITDA	22,528	12,874	14,330	24,474	27,411	30,700	33,463	36,475	39,758	42,541	45,519	48,250	50,663
D&A	(1,338)	(1,510)	(1,870)	(4,383)	(4,849)	(5,370)	(5,939)	(6,558)	(7,233)	(7,956)	(8,586)	(9,237)	(9,964)
EBIT	21,191	11,364	12,459	20,091	22,562	25,330	27,525	29,917	32,525	34,585	36,933	39,013	40,699
Interest expenses	(238)	(282)	(225)	(9,109)	(9,475)	(8,920)	(9,052)	(8,452)	(7,852)	(7,252)	(6,937)	(3,937)	(2,947)
EBT	20,953	11,082	12,234	10,982	13,087	16,410	18,473	21,465	24,672	27,333	29,996	35,076	37,752
Taxes	(3,116)	(3,561)	(3,116)	(2,965)	(3,533)	(4,431)	(4,988)	(5,795)	(6,662)	(7,380)	(8,099)	(9,471)	(10,193)
Net income	17,837	7,521	9,118	8,017	9,553	11,979	13,485	15,669	18,011	19,953	21,897	25,606	27,559

Cash Flow

Selected case

1

\$ 000s	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Net income	17,837	7,521	9,118	8,017	9,553	11,979	13,485	15,669	18,011	19,953	21,897	25,606	27,559
Plus:D&A	1,338	1,510	1,870	4,383	4,849	5,370	5,939	6,558	7,233	7,956	8,586	9,237	9,964
Less:Investments in working capital		(2,710)	2,830	(2,338)	(1,382)	(1,547)	(1,300)	(1,417)	(1,544)	(1,309)	(1,401)	(1,285)	(1,135)
Other current assets		(706)	484	(1,514)	(1,696)	(1,899)	(1,595)	(1,739)	(1,896)	(1,607)	(1,719)	(1,577)	(1,393)
Other current liabilities		34	(1,021)	700	784	879	738	804	877	743	795	730	644
Other noncurrent assets		7,518	(152)	(1,590)	(1,780)	(1,994)	(1,675)	(1,826)	(1,990)	(1,687)	(1,805)	(1,656)	(1,463)
Other noncurrent liabilities		(1,132)	935	1,697	1,901	2,129	1,789	1,950	2,125	1,802	1,928	1,768	1,562
Operating Cash Flow	19,175	12,036	14,064	9,356	12,230	14,916	17,380	20,000	22,816	25,850	28,280	32,822	35,738
Capex		(3,653)	(3,711)	(4,157)	(4,655)	(5,214)	(5,683)	(6,195)	(6,752)	(7,225)	(7,731)	(8,195)	(8,604)
Investing Cash Flow	-	(3,653)	(3,711)	(4,157)	(4,655)	(5,214)	(5,683)	(6,195)	(6,752)	(7,225)	(7,731)	(8,195)	(8,604)
Revolver				2,980	1,425	-	-	-	-	-	3,558	-	-
Debt issuance				-	-	-	-	-	-	-	-	-	-
Debt repayment				(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(49,000)	(15,000)	(33,000)
Equity issuance				-	-	-	-	-	-	-	-	-	-
Equity repurchase				-	-	-	-	-	-	-	-	-	-
Dividends				-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	-	-	-	(6,020)	(7,575)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(45,442)	(15,000)	(33,000)
Net Cash Flow	19,175	8,383	10,353	(820)	-	702	2,697	4,805	7,064	9,625	(24,893)	9,628	(5,866)

Valuation

Current ABC share price	150
Acquisition premium	25%
Price per share at transaction	187.5
Fully diluted shares outstanding	1000000
Equity at transaction	1,87,500
Net Debt	(289)
Enterprise Value	1,87,211
EBITDA	14,330
EV/EBITDA entry multiple	13

Transaction fees

\$ 000s	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Capitalized financing costs opening	-	-	-	-	3,105	2,660	2,215	1,770	1,325	880	435	133	-
Increase in capitalized financing costs	-	-	-	3,550	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	(445)	(445)	(445)	(445)	(445)	(445)	(445)	(302)	(133)	-
Capitalized financing costs ending	-	-	-	3,105	2,660	2,215	1,770	1,325	880	435	133	-	-

Expensed fees (3,938)

Capitalized fees (3,550)

M&A/Sponsor fees

		Fees	Notes	Amort. Per	Amount
Investment bank fee	0.80% of Transaction value excluding fees & expenses	(1,500)	Expensed	0	1,87,500
Sponsor fee	0.80% of Transaction value excluding fees & expenses	(1,500)	Expensed	0	1,87,500

Debt Financing

Senio Note	2.50% of Total principal amount	(1,000)	Capitalized	7	40,000
Term A	2.25% of Total principal amount	(1,350)	Capitalized	8	60,000
Term B	2.00% of Total principal amount	(1,200)	Capitalized	9	60,000

Legal fees 0.50% of Transaction value excluding fees & expenses (938) Expensed 0 1,87,500

Amortization of capitalized financing costs - schedule	1	2	3	4	5	6	7	8	9	10
Senior note	(143)	(143)	(143)	(143)	(143)	(143)	(143)	-	-	-
Term A	(169)	(169)	(169)	(169)	(169)	(169)	(169)	(169)	-	-
Term B	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	-
Total	(445)	(445)	(445)	(445)	(445)	(445)	(445)	(302)	(133)	-

Sources & Uses of Funds

Sources of Funds

Excess cash	-
Senior note	40,000
Term A	60,000
Term B	60,000
Common equity	43,519

Total	2,03,519
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Uses of Funds

Acquisition price	1,87,500
Refinance existing debt	8,532
Fees & expenses	7,488

Total	2,03,519
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Balance Sheet@Transaction

\$ 000s	BS prior deal	FV Adj.	Adj. BS	Transaction Settlement	Financing	Transaction fees	Refinancing debt	Target BS post deal
Cash	8,820		8,820	(1,87,500)	2,03,519	(7,488)	(8,532)	8,820
Trade receivables	7,669	(548)	7,121					7,121
Inventory	10,326	(798)	9,528					9,528
Other current assets	12,618		12,618					12,618
Capitalized financing costs	-		-			3,550		-
PP&E	31,011	4,215	35,226					35,226
Goodwill	-		-	1,36,927				1,36,927
Other noncurrent assets	13,248		13,248					13,248
Total assets	83,692	2,869	86,561	(50,573)	2,03,519	(3,938)	(8,532)	2,27,038
Trade payables	7,474		7,474					7,474
Other current liabilities	5,837		5,837					5,837
Financial debt	8,532		8,532		1,60,000		(8,532)	1,60,000
Other noncurrent liabilities	14,145		14,145					14,145
Shareholders' equity	47,704		47,704	(47,704)	43,519	(3,938)		39,582
Total liabilities & equity	83,692	-	83,692	(47,704)	2,03,519	(3,938)	(8,532)	2,27,038

Goodwill

Equity purchase price	1,87,500
Net book value	(47,704)
Excess purchase price	1,39,796
Fair value adjustments	(2,869)
Goodwill	1,36,927

Fixed assets roll forward

\$ 000s	2020A	2021A	2022A	Closing	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
PP&E Opening		27,028	29,171		35,226	35,445	35,696	35,985	36,175	36,256	36,220	35,935	35,381	34,473
Capex		3,653	3,711		4,157	4,655	5,214	5,683	6,195	6,752	7,225	7,731	8,195	8,604
Depreciation		(1,510)	(1,870)		(3,938)	(4,404)	(4,925)	(5,494)	(6,113)	(6,788)	(7,511)	(8,284)	(9,103)	(9,964)
PP&E Ending	27,028	29,171	31,011	35,226	35,445	35,696	35,985	36,175	36,256	36,220	35,935	35,381	34,473	33,113
Goodwill Opening					1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927
Increase Goodwill				1,36,927										
Impairment				-	-	-	-	-	-	-	-	-	-	-
Goodwill Ending				1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927	1,36,927

Assumptions

Capex depreciation	10 years
Historical PP&E	10 years

Depreciation Schedule

	1	2	3	4	5	6	7	8	9	10
Historical PP&E depreciation	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)	(3,523)
Depreciation year 1	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)	(416)
Depreciation year 2		(466)	(466)	(466)	(466)	(466)	(466)	(466)	(466)	(466)
Depreciation year 3			(521)	(521)	(521)	(521)	(521)	(521)	(521)	(521)
Depreciation year 4				(568)	(568)	(568)	(568)	(568)	(568)	(568)
Depreciation year 5					(619)	(619)	(619)	(619)	(619)	(619)
Depreciation year 6						(675)	(675)	(675)	(675)	(675)
Depreciation year 7							(722)	(722)	(722)	(722)
Depreciation year 8								(773)	(773)	(773)
Depreciation year 9									(819)	(819)
Depreciation year 10										(860)
Total Depreciation	(3,938)	(4,404)	(4,925)	(5,494)	(6,113)	(6,788)	(7,511)	(8,284)	(9,103)	(9,964)
Amortization - transaction fees	1	2	3	4	5	6	7	8	9	10
Amortization	(445)	(445)	(445)	(445)	(445)	(445)	(445)	(302)	(133)	-
Total D&A	(4,383)	(4,849)	(5,370)	(5,939)	(6,558)	(7,233)	(7,956)	(8,586)	(9,237)	(9,964)

Debt Schedule

LIBOR curve 1.82% 0.30% 1.10% 2.00% 2.50% 2.50% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00%

\$ 000s	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Senior note				5.00%	5.50%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Term A				5.50%	6.00%	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Term B				6.00%	6.50%	6.50%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Revolver				7.00%	7.50%	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

LIBOR+(spread)

3.00%
3.50%
4.00%
5.00%

Repayment Schedule

	1	2	3	4	5	6	7	8	9	10
Senior note	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Term A	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	0.00%
Term B	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	55.00%

Rep. Schedule Bullet Year

0% 7
10% 8
5% 9

Financing

\$ 000s	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Senior note - beginning				40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	-	-
Senior note - repayment				-	-	-	-	-	-	-	(40,000)	-	-
Senior note - remaining				40,000	40,000	40,000	40,000	40,000	40,000	40,000	-	-	-
Senior note - interest expense				(2,000)	(2,200)	(2,200)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	-	-
Term A - beginning				60,000	54,000	48,000	42,000	36,000	30,000	24,000	18,000	12,000	-
Term A - repayment				(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(12,000)	-
Term A - remaining				54,000	48,000	42,000	36,000	30,000	24,000	18,000	12,000	-	-
Term A - interest expense				(3,300)	(3,240)	(2,880)	(2,730)	(2,340)	(1,950)	(1,560)	(1,170)	(780)	-
Term B - beginning				60,000	57,000	54,000	51,000	48,000	45,000	42,000	39,000	36,000	33,000
Term B - repayment				(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(33,000)
Term B - remaining				57,000	54,000	51,000	48,000	45,000	42,000	39,000	36,000	33,000	-
Term B - interest expense				(3,600)	(3,705)	(3,510)	(3,570)	(3,360)	(3,150)	(2,940)	(2,730)	(2,520)	(2,310)
Revolver drawdown calculation													
Operating cash flow				9,356	12,230	14,916	17,380	20,000	22,816	25,850	28,280	32,822	35,738
Investing cash flow				(4,157)	(4,655)	(5,214)	(5,683)	(6,195)	(6,752)	(7,225)	(7,731)	(8,195)	(8,604)
Financing cash flow(excl.revolver)				(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(49,000)	(15,000)	(33,000)
Cash flow (excl.revolver)				(3,800)	(1,425)	702	2,697	4,805	7,064	9,625	(28,450)	9,628	(5,866)
Opening cash				8,820	8,000	8,000	8,702	11,399	16,204	23,268	32,893	8,000	17,628
Cash available before revolver				5,020	6,575	8,702	11,399	16,204	23,268	32,893	4,442	17,628	11,762
Minimum cash balance				8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Cash surplus/deficit				(2,980)	(1,425)	702	3,399	8,204	15,268	24,893	(3,558)	9,628	3,762
Revolver drawn				2,980	1,425	-	-	-	-	-	3,558	-	-
Revolver repayment				-	-	-	-	-	-	-	-	-	-
Revolver outstanding - ending				2,980	4,406	4,406	4,406	4,406	4,406	4,406	7,963	7,963	7,963
Revolver interest expense				(209)	(330)	(330)	(352)	(352)	(352)	(352)	(637)	(637)	(637)

Equity Schedule

\$ 000s	2020A	2021A	2022A	Closing	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Shareholders equity opening		50,930	58,452		39,582	47,599	57,152	69,131	82,616	98,285	1,16,296	1,36,249	1,58,146	1,83,752
Net income		7,522	9,119		8,017	9,553	11,979	13,485	15,669	18,011	19,953	21,897	25,606	27,559
Equity repurchases		-	-		-	-	-	-	-	-	-	-	-	-
Dividends		-	(19,866)		-	-	-	-	-	-	-	-	-	-
Issuance of equity		-	-		-	-	-	-	-	-	-	-	-	-
Shareholders equity ending		58,452	47,705	39,582	47,599	57,152	69,131	82,616	98,285	1,16,296	1,36,249	1,58,146	1,83,752	2,11,311

Exit Valuation

EBITDA exit	50,663
Exit EBITDA multiple	13.1
Terminal EV	6,61,891
Cash	11,762
Financial liabilities	(7,963)
Terminal equity value	6,65,689

\$ 000s	IRR	Closing	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Equity owners	31.36%	(43,519)	-	-	-	-	-	-	-	-	-	6,65,689
Senior note	6.11%	(39,000)	2,000	2,200	2,200	2,400	2,400	2,400	2,400	42,400	-	-
Term A	6.64%	(58,650)	9,300	9,240	8,880	8,730	8,340	7,950	7,560	7,170	12,780	-
Term B	7.05%	(58,800)	6,600	6,705	6,510	6,570	6,360	6,150	5,940	5,730	5,520	35,310