

**American Greetings (AM)**

Maker of the personalized paper cards, where the products can be found at Walmart and large grocery stores, has been acquired by the Weiss family for enterprise value \$878MM, or \$18.20/share plus a 15 cent dividend, which is \$580MM for equity and \$280MM for net debt. The share was at \$16.15 in March 2012, when we wrote our piece on the co. We expected a 5 year value of \$606MM in equity, or \$19.18/share, so it wasn't too far away from our estimate. In fact, adding net debt of \$280MM would be \$886 MM.

The family essentially acquired it for a slight discount to book value, which is \$760MM, or a P/B of 78%. The co. generates about \$100MM in op cash flow and has about \$50MM in cap ex. They have been buying back their stock over a period of time. The co. is 40% owned by the Weiss family. The Weiss family portion of shares will be rolled, or cease to exist. This means, they will only have to pay out 57% of the of outstanding share value, which is \$340 MM.

Koch AG Investment will finance with \$200MM in preferred shares, and the rest of the deal will be financed with \$400MM in term loan and \$200MM in revolving credit, and the rest in cash. The co. essentially borrowed money 1) from term loan to buy out the existing shareholders and 2) received additional financing through the preferred shares to make operational/structural changes in exchange for a more lenient capital partner via Koch Investment, versus a traditional bank with its' more stricter debt covenants.

Another way to view this deal is a 40/60 leveraged buyout. I just read through a book that chronicled the rise of Steve Schwarzman and Blackstone PE, and I am pumped to see these LBOs taking place again.