

### **PE Disbursements**

**Debt investor (Bank)** – Pay 10% annual interest and repay the principal on maturity date. The co. can repay the interest payment with EBIT and doesn't have to dip into their cash holdings.

**Investors (Current shareholders)**– will receive an instant 50% premium on their holdings with the offer price at \$150 vs the current \$100.

**Equity investors (PE Firm)** – will want a 25% return on their investment over 5 years via dividends and investment appreciation. In this case, the co. didn't payout dividends so the realization of gains would be solely appreciation. By plugging reasonable multiples with the Revenue and EBIT figures in Year 5, the disposition price would warrant a \$68 MM appreciation, or a 7.8% annualized appreciation off the total investment, or a 26.9% annualized return on the equity investment.

Both the growth in 1) the cash balance and 2) EBIT and Revenues, which are the drivers of the products from the multiples, helped with the value appreciation.

# SN VALUATION

SN CAPITAL SN CONSULTING SN ENGLISH

(in '000s)		Current	1	2	3	4	5	
Current Price	\$100	Rev	150,000	165,000	181,500	199,650	219,615	241,577
Offer Price	\$150	COGS	75,000	82,500	90,750	99,825	109,808	120,788
Premium	50.00%	GM	75,000	82,500	90,750	99,825	109,808	120,788
Shares	1,000	SG&A	60,000	66,000	72,600	79,860	87,846	96,631
Current Mkt. Cap	100,000	EBIT	15,000	16,500	18,150	19,965	21,962	24,158
<b>Offer Mkt. Cap</b>	<b>150,000</b>	Net int. expense	-	-	-	-	-	-
Debt	-	EBT	15,000	16,500	18,150	19,965	21,962	24,158
Cash	50,000	Tax	4,990	5,445	5,990	6,588	7,247	7,972
<b>Offer EV</b>	<b>100,000</b>	NI	10,050	11,055	12,161	13,377	14,714	16,186
EV/EBIT	6.06	<b>Growth</b>	-	10%	10%	10%	10%	10%
EV/Sum of 5 Years EBIT	0.99	<b>Margin</b>						
EV/S	0.67	COGS	50%	50%	50%	50%	50%	50%
Debt	80%	GM	50%	50%	50%	50%	50%	50%
<b>Debt Amount</b>	<b>120,000</b>	SG&A	40%	40%	40%	40%	40%	40%
Interest Rate	10%	EBIT	10%	10%	10%	10%	10%	10%
Annual Interest Payment	12,000	Net int. expense	0%	0%	0%	0%	0%	0%
<b>Covers Interest Payment?</b>	<b>Yes</b>	EBT	10%	10%	10%	10%	10%	10%
Equity	20.00%	Tax	33%	33%	33%	33%	33%	33%
<b>Equity Amount</b>	<b>30,000</b>	NI	7%	7%	7%	7%	7%	7%
Annual Return Target	25.00%							
5 Year Equity Target	91,553	Current	150,000	165,000	181,500	199,650	219,615	241,577
Target Gain	61,553	Rev	150,000	165,000	181,500	199,650	219,615	241,577
<b>Annualized Return on Equity</b>	<b>26.87%</b>	COGS	75,000	82,500	90,750	99,825	109,808	120,788
<b>Reach Target Gain?</b>	<b>Yes</b>	GM	75,000	82,500	90,750	99,825	109,808	120,788
<b>Disposition EV Price</b>	<b>141,322</b>	SG&A	60,000	66,000	72,600	79,860	87,846	96,631
EV/S Multiple	0.67	EBIT	15,000	16,500	18,150	19,965	21,962	24,158
EV/S	161.856	Net int. expense	12,000	12,000	12,000	12,000	12,000	12,000
EV/EBIT Multiple	5.00	EBT	3,000	4,500	6,150	7,965	9,962	12,158
EV/EBIT	120.788	Tax	990	1,485	2,030	2,628	3,287	4,012
Net Cash	77,292	NI	2,010	3,015	4,121	5,337	6,674	8,146
<b>Disposition Equity Mkt. Cap</b>	<b>218,614</b>	<b>Growth</b>	-	10%	10%	10%	10%	10%
<b>Realizable Gain</b>	<b>68,614</b>	<b>Margin</b>						
<b>Annualized Return on Total Investment</b>	<b>7.82%</b>	COGS	50%	50%	50%	50%	50%	50%
<b>Total Return</b>	<b>45.74%</b>	GM	50%	50%	50%	50%	50%	50%
Debt Due	120,000	SG&A	40%	40%	40%	40%	40%	40%
Distributed	120,000	EBIT	10%	10%	10%	10%	10%	10%
Equity Due	30,000	Net int. expense	8%	7%	7%	6%	5%	5%
Distributed	98,614	EBT	2%	3%	3%	4%	5%	5%
		Tax	33%	33%	33%	33%	33%	33%
		NI	1%	2%	2%	3%	3%	3%

	Current	1	2	3	4	5
NI	10,050	11,055	12,161	13,377	14,714	16,186
Depreciation						
Change in Working Cashflow						
Cap ex						
Long term investment						
Dividend						
Debt issuance						
Equity Issuance						
Beginning Cash Balance	50,000	61,055	73,216	86,592	101,306	117,492
<b>Change in cashflow</b>	<b>11,055</b>	<b>12,161</b>	<b>13,377</b>	<b>14,714</b>	<b>16,186</b>	
Ending Cash Balance	50,000	61,055	73,216	86,592	101,306	117,492

	Current	1	2	3	4	5
NI	2,010	3,015	4,121	5,337	6,674	8,146
Depreciation						
Change in Working Cashflow						
Cap ex						
Long term investment						
Dividend						
Debt issuance						
Equity Issuance						
Beginning Cash Balance	-	50,000	53,015	57,136	62,472	69,146
<b>Change in cashflow</b>	<b>-</b>	<b>3,015</b>	<b>4,121</b>	<b>5,337</b>	<b>6,674</b>	<b>8,146</b>
Ending Cash Balance	50,000	53,015	57,136	62,472	69,146	77,292