**Summary And Key Task**

Alpha Capital’s Investment team (“**Alpha**”) has started reviewing an a potential buyout transaction initiated by a reputable private equity fund based in Hong Kong (“**Sponsor**”) of a Best Superstores (“**Target Company**”).

Current Target Company’s shareholders are open for a sale process and exit. Sell side’s financial advisor has indicated a 20.0x EV/2019A EBITDA to acquire the company and acceptable to the Sponsor. Alpha Capital will participate this transaction as one of the consortium members.

**Key assumptions:**

*Transaction-related assumption*

1. Transaction closing date as December 31, 2019
2. Consortium to provide the 10.0x 2019 EBITDA as equity sponsor
3. Rest of the Source of the Fund to be provided by debt financing per ***Exhibit1***:
4. Transaction related expense is $20 million and expensed immediately
5. Assume100 million Common Shares outstanding and no options or other converts
6. Assume 20% PP&E write up in purchase accounting
7. Please build revolving credit facility in this model

**Tasks - Modelling:**

Please use the latest financials as the basis to construct a full-blown LBO model to access this investment opportunity.

1. Please calculate acquisition price paid by the Sponsor - EV is assumed by the sell side adviser to be on zero cash and zero debt basis as of closing
2. Please calculate the uses of funds and the sources of funds
3. Please build up projected income statement, (Pro Forma) balance sheet and cash flow statements from scratch for a 5-year investment horizon based on historical financials and operating metrics, as well as industry and company specific trends going forward.
4. Please build detailed PP&E schedule and debt schedule
5. Perform returns analysis assume no multiple expansion. Please show both IRR and MOI.
6. Please perform sensitivity analysis regarding entry multiple and exit multiple expansion

**Tasks - Investment analysis**

Assume Alpha needs to exit this investment opportunity within 5 years, would you recommend this transaction? Please explain your rationale clearly by highlighting key investment merits and risks, as well as any other relevant factors in your slides

**Exhibit 1.**

|  |  |  |
| --- | --- | --- |
|  | **Term loan** | **High Yield** |
| **Amount** | 5.0x LTM EBITDA | 5.0x LTM EBITDA |
| **Interest** | 5% cash interest | 8% cash interest |
| **Maturity** | 7 | 7 |
| **Annual principal amortization** | 15% | NA. Bullet payment |
| **Optional debt repayment** | NA | NA |