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Private Equity Challenge – Returns Analysis

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Abstract

CVS Group plc is a leading British veterinary service provider and an ideal LBO target. It operates in a strong growing market with a great positioning and shows great value creation potential. By creating value via buy and build, a growing membership program as well as leveraging the online retail unit, fund returns of 3.4x can be achieved within five years. Based on a defensive financing structure with only 5.5x EBITDA on a 13.9x EV/EBITDA valuation, these returns, which are analyzed in great depth, can be realized in a secondary buyout, given the high interest of investors in that market.

Keywords

Private Equity, Leveraged Buyout, Veterinary Services, Value Creation

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1.0 Group part

We have chosen to scrutinize CVS Group PLC as a potential LBO target, because of its strong positioning in a fast-growing market, great target size, strong potential for value creation, its experienced management team as well as great exit routes. In the following, we present every aspect in detail, starting with the company, followed by a market overview. Followingly, we present the developed value creation strategies as well as the resulting LBO model and the valuation including capital structure and returns. To realize these returns, we present the key areas of due diligence, as well as the exit options. For further details please refer to the accompanying excel model as well as Investment Committee Paper.

1.1 Stage 1

1.1.1 Company Overview

CVS Group is one of the leading integrated veterinary service providers to companion, equine and farm animals in the UK. Headquartered in Diss (UK) and founded in 1999, CVS employs 7,913 people (2022), including 2,079 veterinary surgeons and 2,839 nurses, and generates revenue of £554.2m in 2022. With most of its veterinary practices located in the UK (428 out of 472) together with its 7 crematories and 3 laboratories, CVS has great geographical coverage which is further enhanced by an online pharmacy, food, and accessory shop. Besides the UK, CVS operates 17 practices in Ireland and 27 practices in the Netherlands.

The group operates in four business segments of which “Veterinary Practices” generates the biggest share of revenue (85.5%, +8.5% growth from 2021 to 2022), followed by “Animed Direct” (8.1%, +11.8% growth from 2021 to 2022) which is the online pet food and pharmacy retailer, “Laboratories” (4.7%, -2.9% from 2021 to 2022) and “Crematoria” (1.7%, +18.8% growth from 2021 to 2022).

The biggest business unit (Veterinary Practices) generates most of their revenue from treatment of equine, companion and farm animals in first-opinion and referral practices. Among others,

CVS' own brand products (nutrition supplements, prescription only medicine, pet accessories and pet food) and health care schemes are accompanying activities that boost and diversify the business unit's revenue. Their two healthcare schemes offer preventative healthcare for companion animals or equine: "Healthy Pet Club" reports 470,000 active members (450,000 in 2021, +4.4%) which accounts for c. 40% of CVS' active client base and "Healthy Horse Programme" reports 10,000 members. With over 1.2m initial touchpoints with customers (1.1m in 2021), CVS is therefore able to treat animals directly, refer them to specialty practices, receive follow-up work from initial touchpoints or even grow their customer base for their healthcare schemes.

CVS's Online Retail business unit, which accounts for 8.1% of total revenue, grew tremendously in the last year (+11.8%). Through their retail platform "Animed Direct", CVS sells a portfolio of over 2,000 products, including pet food, medication, and accessories across the UK. In the financial year 2020, the business benefited largely from Covid-19 lockdowns since consumers were forced to switch from offline to online retail. Even though offline retail opened again later, CVS' good customer service allowed to retain a high number of these new customers in the following years, together with an incline in value per customer.

CVS' laboratory business was the only business unit which faced a slight decline in revenues (-2.9%) after having a sharp incline in revenues from 2020 to 2021 (+32.7%). The business unit provides in-practice desktop analyzers and diagnostic services to CVS' practices and to third-party customers. In the financial year 2022, this business unit performed 445,000 tests, which shows a slight decline in comparison to 497,000 performed tests in financial year 2021.

CVS' crematory business, which offers services for both CVS and third-party practices, grew by 18.8% in financial year 2022. The services range from clinical waste disposal to communal and individual cremation. The latter gained attractiveness in the past years since customers can step away from low-budget procedures to luxurious versions including pickup, golden urns, a

variety of casquets and consideration of final wishes.

The variety of service offerings around the business model's core of first opinion practices makes CVS a fully integrated veterinary platform that allows top-notch end-to-end care and can maximize the transaction value per customer. When looking at the whole business, 74% of revenues come from one-time sales which are mainly sales of veterinary services, and 26% are recurring revenues. CVS generates recurring revenue via the lease of analyzers and their two preventative healthcare schemes.

CVS has several advantages in comparison to their competitors, the first one being the only veterinary service provider with a fully integrated business model and own labs in the UK. The latter is a business with high entry barriers due to the highly specialized work which is a clear advantage for CVS. Furthermore, the strong geographical coverage grants customers access to high-quality veterinary care in the form of first-opinion and referral hospitals. Their successful M&A history allows for deployment of synergy effects, greater buying power and thus an increase in margins. Since consumer preferences are continuously shifting towards the online channel, CVS' online retail platform together with their own branded products reveal immense potential for future growth. Lastly, their sophisticated graduate program together with retention bonuses enables CVS to be successful in the war for talent in the long run even though the UK healthcare market has been threatened by a veterinary shortage.

On the financial side, CVS has been able to grow total revenues by 18.7% per year, namely from £108.7m in 2012 to £554.2m in 2022 and their EBITDA by 16.8%, from £22.7m in 2012 to £107.4m in 2022. While CVS' gross margin increased steadily from 36% (2012) to 44% (2022), EBITDA margin remained stable at 18.4% on average. Until 2019, an aggressive M&A strategy, aiming at increased geographical coverage, was in place. Even though it was successfully executed and the growth driver behind CVS' returns, the newly installed management shifted the focus to organic growth after the market heated up and acquisition

strategies became less profitable.

1.1.2 Market Overview

CVS' product and service offerings range over several markets within the veterinary sector. The total addressable market in the United Kingdom amounts to £17.9b and is expected to grow at a compounded annual growth rate (CAGR) of 8.4% from 2022 to 2027. It is composed of the equine market, which amounts to £4.7b, the laboratory market (£3.4b), the crematory market (£0.1b) as well as the addressable pet care market (aPCM). The aPCM itself consists of the following markets: pet food (£3.1b), veterinary activities (£5.4b), accessories (£1.0b) as well as grooming (£0.2b). Since all markets are expected to grow at different CAGRs, the overall CAGR of 8.4% is computed as the weighted average of all single market CAGRs. The strong market growth is driven by several factors, foremost the increased willingness of people to spend money on the health of their pets. This is due to the increasing humanization of pets; people tend to treat their pets as family members. As a result, they are more willing to buy high quality food, accessories and specially to finance high quality diagnostics and treatments. This trend was strong before the Covid-19 pandemic but is even increasing since people spend more time at home and want a companion, not to feel alone. This also leads to an increase in registrations for pet insurance schemes, which allows pet care providers, such as CVS, to generate stable recurring revenue. The value creation chapter describes how CVS can exploit this growth after the acquisition. Furthermore, the online retail market, in which CVS is present with "Animed direct" is experiencing solid growth, due to the shifting consumer preference from in-store to online purchases of anything that does not require consultation.

However, there are also restraints harming the market growth. In the past, the number of pets increased faster than the number of veterinary professionals, leading to a shortage of doctors and a high pet per doctor ratio. For the employing pet care companies this led to an increasing labor cost – if they could even find vets to employ – which made it difficult for the players in

the market to exploit the full market potential. Furthermore, even though Covid-19 boosted the pet market, the resulting economic uncertainty, which was further increased by the energy crisis, inflation, and the fear of an upcoming recession, lowers spendings for non-essential products and services. While households that already have a pet might still spend money on pet care, the purchase of new pets may decrease.

International markets

Next to the UK, all four business segments are also expected to grow significantly across Europe. The overall pet care market in Europe is valued at £32.4b and is expected to grow at a CAGR of 4.0% until 2027. Moreover, the international market is driven by the United States and the APAC region. The worldwide market is valued at £183.0b and is expected to grow at a CAGR of 5.6% until 2028. The North American market alone accounts for 34% of that (£62.2b). Given the international buy and build strategy described in the value creation chapter, the most important market outside of the UK for the investment period is going to be France. While the French market does not show the biggest growth expectations (Size: £ 4.5b; Growth: 3.2% CAGR until 2027), it is defined by comparably low consolidation, 19% of all practices belong to one of the 12 major companies (consolidators). Furthermore, pet care spendings per person are among the highest in the world.

Competitive landscape

Among the UK, four players define the competitive landscape next to individual practices.

IVC Evidensia is owned by EQT, a Swedish PE fund, since 2014, where it was acquired as IVC. In 2017 IVC was combined with Evidensia, to form one of Europe's biggest pet care providers. In their 2,300 clinics across Europe, the 28,000+ employees offer a broad spectrum of pet care products, veterinary services, crematories as well as pet insurance programs. In 2021 IVC Evidensia started internationalizing in North America, by acquiring 270 practices and clinics (4,000 employees) in Canada. In 2021 IVC Evidensia generated £1.8b revenue and

£373m EBITDA, which results in an EBITDA margin of 20.7%.

Pets at home is a publicly traded competitor that derived from in-store and online retail and has entered the veterinary market in the UK. It was acquired by Bridgepoint in 2004, sold to KKR in 2010 who brought it to the public market in 2014. It generated £1.3b revenue in 2021, with over 80% of that coming from retail. The EBITDA in 2021 was £70.8m resulting in an EBITDA margin of 5.4%, due to the high retail focus. Pets at home reward customer loyalty with pet insurance schemes (1.5m registrations) and a frequent buyer bonus club (6m registrations).

VetPartners was established in 2015 in York, UK, with three veterinary practices. Today it is owned by BC Partners, a London based PE-fund and runs 163 practices with 7,500 employees across the UK. In 2021, VetPartners generated a revenue of £430.6m and an EBITDA of £88.9m resulting in an EBITDA ratio of 20.6%. It offers veterinary services, an online retail store called VetUK and crematory facilities (“Time Right”) across Europe. Unlike other large players, the veterinary practices who are acquired by VetPartners get to keep their brand to maintain the local identity.

Lastly **Medivet** is a smaller veterinary care provider focused on the UK. It was founded in 1987 and is today owned by the PE fund CVC. Medivet generated £220.3m revenue in 2021 on an EBITDA ratio of 19.1%, resulting in 2021 EBITDA of £42.1m.

Amongst all, CVS is the third biggest, but offers the most integrated approach by offering services among their veterinary, crematory, laboratory, and online retail unit. Furthermore, CVS is the only competitor without any PE involvement.

1.2 Stage 2

1.2.1 Value creation

As explored in the previous chapters, CVS is a very promising company which reported constant growth across all four business units. They proved to be able to successfully implement strategic redirections and still have potential to make use of the overall market growth in all four business units due to their unique and therefore excellent market positioning. The strategy for value creation over the proposed 5-year investment horizon consists of three pillars that drive both organic and inorganic growth.

Buy and build

The first pillar describes the inorganic European internationalization strategy that creates £26.1m additional EBITDA which contributes +0.3x MM to the exit in 2027. Two of the rationales behind the strategy are to lever the network of veterinary practices outside the UK to expand geographical footprint and to exploit cross-selling opportunities and margin internalization. After looking into several geographically close European markets like France, Germany, Italy and Belgium, France appeared to be the most attractive one for the upcoming five years. The other markets remain to be interesting opportunities for further growth and internationalization after the successful expansion to France. France sticks out in terms of attractiveness due two factors: solid market growth expectations of c. 3.2% (CAGR 2022-2027) and comparably low consolidation rate of c. 19%. To expand to France, a platform acquisition of “Centre Hospitalier Veterinaire Fregis” plus selective acquisitions of stand-alone practices are planned. Including the platform, CVS would therefore acquire 15 practices per year and the average EV/EBITDA multiple on acquisitions is expected to be 7.0x in the investment case and 7.7x in the bank case. Since the acquired EBITDA will be valued with 13.9x when CVS is being sold, it allows for multiple arbitrage. Besides the objective to establish a footprint in France, selective acquisitions are also planned for the UK to strengthen CVS’ brand name and

market share. This ambition is not as strong as in CVS' past since advanced consolidation and regulatory restrictions are harming great numbers of acquisitions there. The total value creation of this first value creation pillar would then account for £26.1m EBITDA growth and +0.3x MM accounts for 15.1% of total value created during the investment period.

Membership Programs

The second pillar, namely the Membership Programs ("Healthy Pet Club"), generates an EBITDA growth of £48.8m during the investment period. The growth can be split into two actions with one being the increase in active members, which accounts for EBITDA growth of £21.4m, and one being the introduction of an add-on service, which generates EBITDA growth of £27.3m. Together, this second pillar contributes 0.6x MM throughout the entire holding period. The rationale behind this pillar is firstly, that active members only account for 40% of companion animal active client base of c. 1.2m in 2022. Even though count of members grew at a CAGR of 11% between 2016 and 2022, CVS still has enough space to exploit this growth potential, especially since they are planning further inorganic and organic growth which even increases the potential for new memberships. Since the membership increases customer loyalty and retention while generating steady recurring cash flows, growing and expanding the offering is a logical step for CVS' growth story. Growth of memberships is planned to be accelerated by advertising and temporary discounts for new joiners to increase conversion into the program. Estimated total marketing expenses of £10.0m during the first three years are deducted from the projected revenue growth. Besides growing the number of members, the second value creation pillar also includes introducing a new add-on offering: 24/7 emergency hotline. With this new offering, CVS' focus on healthcare treatment will be reinforced. The new service will cost additional £2.99 per month and includes online veterinary consultation at any time. With an adoption rate of c. 50% of current and new customers, this offering makes CVS unique and sets it apart from competitors, strengthens its healthcare focus and positions the group as an

innovative service provider. The estimated additional marketing costs of £10.0m are deducted from the membership's returns during the first three years. Each of the two building blocks will generate an additional +0.3x MM in value creation which together accounts for 28.2% of total value created during the investment period.

Online retail

The third pillar is grounded in CVS' second biggest business unit, online retail. Since consumer preferences are increasingly shifting towards online purchases and away from offline purchases, and in-store purchases will be surpassed by online ones by 2025, growing the online shop further will enable both long- and short-term growth and stability for CVS. The strategy is backed by the favorable UK pet care e-commerce market which is expected to grow at a CAGR of 11.3% until 2027. Four actions are defined to achieve this growth, the first one being an VIP online program and subscription models to strengthen the customer base. The program allows customers to earn bonus points which can be later used as discounts. Furthermore, VIP customers will be granted first access to promotions and their pets will receive a birthday gift every year. Personalized subscription models for pet food will increase convenience drastically while generating recurring revenue for CVS. This more loyal customer base is expected to increase their value per customer since CVS will expand the product offerings by e.g. adding premium products of higher quality. Lastly, enhanced customer loyalty will make it easier for CVS to cross-sell to their veterinary services and the other way around. Retail booths with top sellers will be placed in big practices to increase awareness and convert more veterinary service clients to online shop customers. The increased marketing efforts are incorporated in the model. Lastly, cultural change within the company needs to be accelerated by a cultural change coming from new experienced hires. With that, CVS will take the next step in getting closer to their vision of being one of the leading pet care online retailers. Overall, the online shop growth generated additional £1.7m EBITDA which equals +0.02x MM and 1.0% of total value

creation. Even though the short-term effect is modeled defensively and thus is limited, a grown online shop will enhance CVS' exit story and will still leave room for improvement.

1.2.2 Operating model

In the following paragraph, the structure of the operating model, the assumed planning logic and the most crucial assumptions will be explained and set into context. This section aims to cover the most relevant aspects; however, it is not sufficient to fully explain every single detail of the operating model. The operating model is set up in a structure that allows the group to develop and plan the financials of the firm's business divisions individually and in the most exact and intuitive way. For each one of CVS's divisions (veterinary, laboratories, crematoria and online retail) individual logics and assumptions were applied. The planning horizon starts with the first year 2023 (i.e. Jul. 2022 – Jun. 2023) and ends in 2027. Even though the model is modelled until 2031, we only focus on the first 5 years since this is the time horizon assumed until the fund expects to exit the case.

The revenue of the veterinary division is calculated as revenue per practice. At the end of 2022 (base year) CVS has 472 practices generating £1.0m revenue per practice on average. Revenue growth is determined by two factors. The number of veterinary practice acquisitions and the revenue growth expectation of the existing veterinary practices. Between 2023 and 2027 it is assumed that CVS acquires 75 additional practices. To account for the fact that the planned acquisitions will be executed throughout the year and not all at the beginning of the financial year, it is assumed that only 50% (time factor) of the acquired 12-month revenue contributes to CVS's total revenue in the first year of acquisition. After the first year 100% of its revenue can be realized and revenue per practice will grow in line with the revenue per practice of the existing practices. Growth of revenue per practice equals the weighted expected veterinary market growth rate (CAGR '22-'27) and amounts to 9.4% p.a. In our model, the revenue generated by veterinary practices includes the revenue CVS generates through its several

membership programs like the Healthy Pet Club. This membership program generated revenue of £67.3m in 2022. As part of our value creation strategy, we identified the opportunity to increase revenue and grow the value of CVS by expanding the membership programs in its size (i.e. increasing the share of members in the active customer base, which has been stable at c. 40% during the past years) and increase the revenue per member. Since the published financial statements and reports of CVS only publish the generated revenue of the membership programs but not the associated costs, we decided to assume a base case for the share of active membership in the customer base (40%) and the realized revenue per customer to add the additionally generated revenues and costs to the profit and loss statement. We set up a separate and simplified P&L statement for the newly created 24/7 emergency hotline which is a highly profitable add-on service to the existing membership programs and will contribute additional EBITDA to the group. Revenue and expenses were finally added up to the main operating model.

Revenue of the laboratory business is modelled based on revenue per test in 2022 and amounts to £58.9 for 445,000 tests performed. Expected growth rates for revenue per test equals weighted expected inflation rate for CVS's core markets (UK, Netherlands, Ireland, France) and amounts to 8.5% in 2023 and declines steadily to 2.1% in 2027. The growth rate for the number of tests performed equals the expected market growth of the veterinary market CVS operates in. For the revenue of the crematory division an annual growth rate of 12.0% has been derived from market studies and is applied throughout the whole investment period.

Online retail revenue is modeled as average revenue per customer multiplied with number of customers. Starting with the year 2022, revenue per customer grows with the weighted expected inflation rate for CVS's core markets while the number of customers grows with the expected market growth of 8.3% p.a.

For all four divisions, the historic EBITDA margin has been calculated and used as a basis to

calculate total operating expenses and SG&A for each division. In the investment case, EBITDA margin for the veterinary and laboratory division is expected to improve by 0.8% p.a. compared to the last year. Expenses for depreciation and amortization (D&A) are calculated as a percentage of revenue. In the past three years D&A rate of revenue amounted to 9.6%. This rate is carried forward with an annual improvement of 1.0%. Other expenses and costs relating to business combinations were evaluated historically and modelled for the investment period in a plausible and conservative approach.

In total, revenue of CVS grows by 15.9% annually from £544.2m in 2022 to £1,160.6 in 2027. At the same time EBITDA grows by 21.2% annually from £107.4m in 2022 to £280.5m in 2027.

Working Capital has been modelled based on the group's average "days inventory outstanding" (DIO), "days sales outstanding" (DSO) and "days payables outstanding" (DPO) of the past three years. No working capital metric improvements have been assumed. Maintenance capex, which is used by the firm to maintain the profit, has been derived as percentage of revenue over the past three years and amounts to 1.9% p.a. Expansion capex, which is used by the firm to increase profit (i.e., investments in new sites, relocations etc.) has been derived as percentage of revenue over the past three years and amounts to 1.7% p.a. For both, no improvement is assumed. Acquisition capex, which is used to acquire new practices has been determined by applying an EBITDA multiple of 7.0x to the acquisition targets. In total, free cash flow of CVS grows by 29.1% annually from £45.7m in 2022 to £163.8m in 2027.

1.3 Stage 3

1.3.1 Valuation

In the following, we explain the methods we used to arrive at our overall valuation result of 13.9x EV/EBITDA and the results of the individual methods. The three most common methods were used to value CVS Group plc. These methods include the relative valuation and within this the Comparable Company Analysis (CCA) and the Comparable Transaction Analysis (CTA) as well as the intrinsic valuation method and within this the Discounted Cash Flow method (DCF).

To apply the CCA, we screened various databases and websites for comparable publicly traded companies. By doing so we identified 12 true comparable companies of which eight are in the primary industry of veterinary services, two within medical products and two within online pet supplies/pharmacy. The selection of the trading comparable aims to best cover CVS' diverse business model. The trading comparable indicates a maximum EV/Sales of 6.0x (Vimian Group), minimum of 0.5x (Patterson Companies), mean of 2.0x and a median of 2.0x. For the EV/EBITDA multiple the following numbers were obtained: maximum of 20.8x (Vimian Group), minimum of 6.4x (Pets at home), mean of 13.0x and a median of 12.2x. For the second part of the relative valuation, we looked at comparable transactions for the past five years. Therefore, we screened various databases and websites such as Reuters, Cision and other more general news websites for past relevant transactions. Thereby we identified ten relevant transactions ranging from 2017 until 2022. These transactions include both financial and strategic buyers from the universe of buyers and are all in the primary veterinary services industry. The CTA indicates a maximum EV/Sales ratio of 6.2x (nutravet (UK) limited) in 2020, minimum of 1.1x (Greencross) in 2018, mean of 3.1x and a median of 2.8x. For the EV/EBITDA the following values were obtained: Maximum multiple of 20x (Vetone) in 2021, minimum of 9.0x (Perrigo) in 2019, mean of 14.6x and a median of 14.1x. The CTA results in

higher median multiples than CCA, which can be traced back to the control premiums paid in the acquisitions.

The intrinsic valuation method applied is the discounted cash flow method. To determine the implied EV, several assumptions had to be made about the discount rate as well as the terminal value. To apply the method, the Unlevered Free Cash Flows (UFCF) were taken from the operating model. A crucial factor of this method is the discount rate and since we used UFCF, the weighted average cost of capital (WACC) was chosen. The calculation of the cost of equity is based on the Capital Asset Pricing Model (CAPM), where the Risk-free Rate (RFR) is the UK 10Y Government yield, the Market Risk Premium (MRP) the average of the UK Equity Market Premium during the last six months and Leveraged Equity Beta (LEB) is based on the average of the last five years' financial data. We have assumed that although the capital structure will change over the years, the LEB will remain the same as the inherent business risk increases over the years due to the high volume and complexity of strategic add-on acquisitions. Taken those thoughts into account the cost of equity is 9.4% (RFR (3.5%), MRP (6.0%), LEB(0.99)). For the cost of debt, we took the average from November's 2022 SONIA (2.6%) and the average credit costs. For the average credit cost (1.5%) the average interest rate between 2021 and 2022 was taken from CVS' annual report 2021/2022. Those numbers totaled to cost of debt of 4.08%. As a last step the tax rate was assumed to be 19.0% and to remain at that level for the next years and a risk-adjustment of 1.7% was added as a lump-sum adjustment to account for the risky expansion, growth strategy, international supply chain and political uncertainties. Those figures lead to a WACC of 8.5% for 2023, 8.6% for 2024, 8.6% for 2025, 8.8% for 2026 and 9.0% for 2027. The UFCF were then discounted with the respective discount rates. For the terminal value three methods were applied the Gordon Growth (GGM), Trading and Transaction multiple. For the GGM the expected growth rate is 1.0% which equals the expected GDP growth rate for UK from 2024 onwards. For the Trading (16.3x) and Transaction (18.0x) EV/EBITDA multiple the

75th percentile figures were applied to account for CVS' high profitability resulting from its strong integrated value creation and customer offerings. Those figures led to an EV in the forecasted period of £389m. The terminal value amounts to £1,594m when using the GGM, £3,448m using Trading and £3,797m using Transaction multiples. The overall EV is therefore £1,983m when applying GGM, which leads to an EV/EBITDA multiple of 18.5x.

Using the average EV of the three presented valuation methods we derived an EV for CVS of £1,489m. This leads to an EV/EBITDA multiple of 13.9x, on which we base our further LBO valuation.

1.3.2 Leveraged Buyout

Financing structure

As it is the typical private equity approach, the acquisition of CVS is modeled as a leveraged buyout. This suggests a high usage of debt to improve the return on equity, however the debt ratio is also subject to market conditions. Therefore, we have chosen a more conservative approach with 5.5x EBITDA debt on the described 13.9x EV/EBITDA multiple (D/V of 37.5%) in the light of a possibly upcoming recession and increasing interest rates. Total sources and uses amount to £1,578.0m and are split on the sources side amongst debt and equity as well as the enterprise value and arising fees on the uses side.

Sources of Funds	£ M	x EBITDA	%	Uses	£ M
Debt					
Senior debt					
Term Loan A	128.9	1.2x	8.2%	EBITDA 2022	107.4
Term Loan B	171.8	1.6x	10.9%	Multiple	13.9x
Term Loan C	171.8	1.6x	10.9%	Enterprise Value	1,488.7
Subordinated debt					
Mezzanine	118.1	1.1x	7.5%	Cash	49.0
Total debt	590.7	5.5x	37.4%	Debt	84.3
		TRUE		Net debt adjustment	35.3
Equity					
Fixed Return Instrument	895.6	8.3x	56.8%	Lease liabilities	104.5
Ordinary Equity	91.7	0.9x	5.8%	Pensions	5.9
Institutional Ords	80.7			Total other adjustments	110.4
Sweet Equity	11.0		12.0% of ordinary shares	Equity Purchase Value	1,343.0
Total Equity	987.3	9.2x	62.6%	Total Fees	6.0%
Total sources	1,578.0	14.7x	100.00%	IB	2.0%
				DD	1.0%
				Arrangement Fee	1.0%
				Banking Fees	2.0%
				Total Uses	1,578.0

Figure 1 Sources and Uses

The debt is split between three senior tranches, Term loan A to C as well as a mezzanine part.

Term loan A (1.2x EBITDA) has a term of 6 years and is amortized over the years. The amortization is split into 0% in the first year, 15% in the second year, 20% in the third and fourth year, 25% in the fifth year as well as 20% in the sixth and last year. The interest rate amounts to 7.8% based on the five-year swap rate and a 4.0% margin. Term loan B and C (both 1.6x EBITDA) have a term of 7 and 8 years and are structured as a bullet loan, that only pays interest during the period. The interest rates on Term loan B and C amount to 7.9% and 8.2% respectively. The Mezzanine debt accounts for £118.1m (1.1x EBITDA) and is paid a total interest of 13.7% (5.7% cash and 8.0% PIK). Total debt therefore amounts to £590.7m, 5.5x EBITDA.

The total equity sums up to £987.3m and is split between ordinary shares and the fixed return instrument. The ordinary shares account for £91.7m and are divided into the institutional strip and sweet equity, which is supposed to incentivize the management team to achieve the desired targets. The (non-) executive management team is paying £11m for 12.0% of the ordinary shares, with the aim to achieve close to £300m exit proceeds for the management.

Name	Salary in £k	Shares	Value of shares in £k ¹	Expected contribution in £k
Richard Fairman	821.0	29,462.0	709.4	2,843.0
Robin Jay Alfonso	534.0	2,000.0	48.2	1,435.6
Benjamin David Jacklin	610.0	5,446.0	131.1	1,716.1
Richard Connell	116.0	164,500.0	3,960.6	4,261.2
Deborah Kemp	47.0	6,559.0	157.9	279.1
Richard Gray	45.0	5,000.0	120.4	237.4
David Wilton	37.0	5,500.0	132.4	227.6
Sum	2,210.0	218,467.0	5,260.0	11,000.0

Figure 2 Sweet equity contribution and distribution

Note 1: Based on the share price of the 24.11.2022 as well as a 20% acquisition premium, amounting to £24.08 per share

The split within the team is based on their current salary as well as current stake in the company, on which they would cash out during the acquisition. The institutional ordinary equity accounts for the remaining £80.7m of ordinary shares. The fixed return instrument amounts to £895.6m and is paid a PIK-structured interest of 8.0%.

Covenants

Given the defensive approach due to the uncertain economic conditions, the financing structure is set up in a way that the covenants are met with significant headroom. Like this the pressure on the company is lower, in case the overall economic situation worsens, and the cash generation is lower than projected in the defensive bank case.

Covenant	2023	2024	2025	2026	2027	2028
Cash Cover	1.4x	1.4x	1.6x	1.6x	1.8x	2.4x
Interest Cover	2.7x	3.0x	3.6x	4.6x	5.4x	6.5x
Net Debt / EBITDA	4.5x	3.7x	2.9x	2.0x	1.4x	0.8x

Figure 3 Development of Covenants

While this may harm returns, it significantly decreases the risk profile of the deal. As shown below, even with the conservative approach, returns are still in a strong range. The minimum projected cash cover in the bank case 1.4x, interest cover is 2.7x and maximum leverage cover (net debt/EBITDA) is 4.5x.

Exit returns

CVS is projected to reach an enterprise value of £3,887.6m in 2027, the targeted exit year, based on an EBITDA of £280.5m and an EV/EBITDA multiple of 13.9x, assuming no multiple arbitrage. Given the described financing structure, this results in a money multiple (MM) of 3.4x and an internal rate of return (IRR) of 28.0%. The management receives £278.9m in total, leading to a MM of 25.4x. This additional compensation is targeted close to £300m.

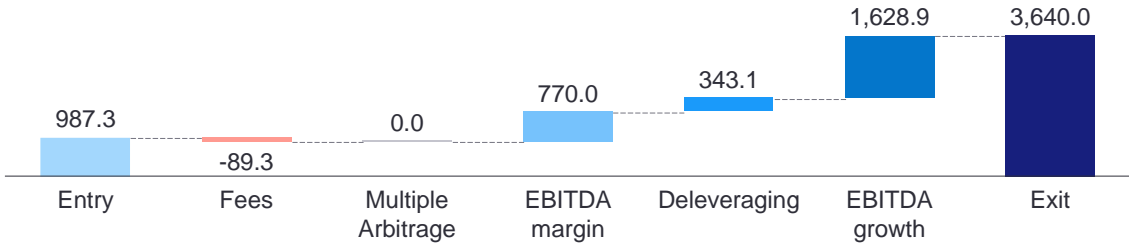


Figure 4 Return Breakdown

The return can be broken down into deleveraging (£343.1m, 12.5%), EBITDA growth (£1,628.9m, 59.4%) and EBITDA margin improvement (£770.0, 28.1%) amounting to a total

created value of £2,742.0m. The EBITDA increase can be broken down into growth, that can be directly linked to CVS’ actions and growth due to an increasing market.

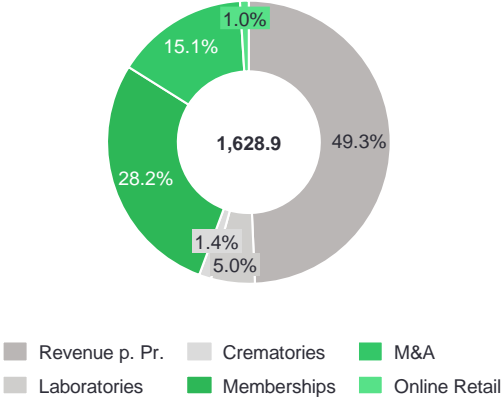


Figure 5 EBITDA growth breakdown

With a contribution of 49.3%, the increasing revenue per practice is the major driver of overall revenue growth. Together with the smaller contributors laboratory (5.0%) and crematory growth (1.4%), this can be attributed to the growing overall market. For the additional revenue stemming from the 24/7 emergency hotline offer for members of the pet clubs, as well as the growth of the entire membership program, which create a value of £675.9m (28.2%), together with the buy and build value add of £362.0m (15.1%), it is crucial, that the right actions towards the presented value creation strategies are taken by the management, hence the significant incentives via sweet equity. The returns prove to be robust, even the downside scenarios show good returns.

Additional value creation strategies

Furthermore, there are additional value creation opportunities not in a primary scope and not included in the operating model. These options include the early refinancing of loans either to remain the debt ratio, but at lower costs in case of a better debt market situation, or dividend recapitalization, that re-levers CVS back to 5.5x EBITDA to payback money to the fund early to improve the IRR and decrease the risk of the investment. Additionally, due the positive market outlook, it is realistic that the veterinary sector remains interesting for investors and that

CVS can be sold at a higher multiple than it has been acquired, leading to a significant value increase by multiple arbitrage.

Alternative financing structure

Since the presented structure shows strong returns, the question arises, how the returns work out without the least subordinated mezzanine debt. Not including mezzanine debt into the financing structure decreases the leverage severely, which negatively influences the returns. However, due to their low subordination, mezzanine debt providers are much more demanding, both financially (13.7% interest rate) as well as when it comes to restructuring processes after covenant breaches. In economically challenging times, not including mezzanine debt provides the company with much more freedom and headroom to covenants in downside scenarios. As returns prove to be still strong, 3.2x fund MM in the investment case, it is worth considering not to include mezzanine. However, as we strongly believe in the robust business plan, we suggest using mezzanine to further improve returns.

1.3.4 Due Diligence

To gain the necessary confidence about the described assumptions, an extensive due diligence (DD) must be performed for the potential acquirer to reveal major risks, to better understand financial and operational capabilities and to find potential “deal breakers”. We defined five major topics; Commercial, Financial, Legal & Tax, Valuation & Exit, Human Resources, which we perceive as highly relevant to further elaborate our case, grow our understanding of CVS and define the “deal breakers”. The first three topics are classified with a high priority while the last two topics have a medium priority in the order of execution. Key task for the commercial DD includes assessment and verification of the UK and France veterinary market and growth expectations, CVS’s brand image and market positioning as well as conducting a representative study to verify the pricing and adoption assumptions of the membership programs and its additional new 24/7 emergency hotline. In case the DD would find out that the expected market

growth for CVS's relevant markets within the next year would be below 5% and/or the 24/7 emergency hotline adoption rate would be below 20%, we would not advise on going forward with the acquisition of CVS. Key task for the financial DD comprises assessment of the required financial resources to enter the French veterinary market through the acquisition of veterinary practices/platforms, conduction of a holistic financial analysis for each business division and market as well as a verification of the financial forecast (operating model) per business unit. The most critical outcome and potential "deal breaker" would be required resources that are too high to enter the French market and unsuitable and too expensive acquisition targets. The focus of the Legal & Tax DD is to analyze currency and interest rate risks, potential (tax) law conflicts and risks as well as potential threats and limitations through the antitrust law in UK and France since these represents CVS's largest markets. Too restricted laws prohibiting further market consolidation in CVS's core markets and uncontrollable exchange and interest rate risk were set as potential deal breakers as well. Through the valuation & Exit DD, the presented valuation should be critically assessed and verified, and the proposed exit options and strategy should be confirmed. As part of the HR DD, it is crucial to investigate the existing shortage of veterinary specialists in the UK which has the potential to limit growth and expansion.

1.3.5 Exit Options

In the case of CVS and in the context of our presented value creation strategy, we are convinced that there are two major exit strategies worth considering. First, a secondary buyout to another PE firm with deep expertise in the veterinary sector looks very appealing. We identified several PE funds which already operate in the veterinary and pet food and supplies sector, including major funds such as EQT and KKR. The acquiring fund could realize synergies with its existing portfolio, however selling to another PE fund which intends to maximize its own return might lower the achievable exit price. Therefore, including strategic buyer into the sell side process would increase bidding competition and would potentially lead to higher exit returns. Strategic

buyers are normally able to realize more synergies with its existing firms and are consequently willed to pay higher prices. Currently, there are some major players in the market, such as Mars and Chewy, which entered the pet and veterinary business through add-on acquisitions to their existing portfolio and might be interested in making further add-on acquisitions of considerable size. At the same time, there are only a few strategic buyers which might possess the financial resources to acquire a firm with the size of CVS. In short, we consider the secondary buyout as the most favorable exit choice because the high interest of PEs in this sector, the resilient character of CVS and its recent attractive growth record show strong future growth opportunities. Alternative exit routes include the initial public offering, which however is highly dependent on the market situation and is a high effort process.

2.0 Individual Part

2.1 Returns Analysis – Leonie Wörner

2.1.1 Introduction on Returns

Generally, investments are a way for individuals to put their money to work, with the goal of achieving a return on it. A return is the gain or loss on an investment over a period of time. Investing involves taking on some degree of risk with the aim of achieving reasonably greater rewards. There are many different types of investments, such as stocks, bonds, mutual funds, and real estate. Each type of investment has its own set of risks and rewards, and it is crucial for investors to understand these risks and rewards before making any commitments. This section on Returns Analysis will give an overview of different investment types in the field of private equity first before diving deeper in the area of leveraged buyouts and specific return measures that funds use to evaluate their performance together with tools to incentivize different stakeholders along the investment process.

2.1.2 Differentiation of Private Equity Strategies

Introduction

In comparison to many other investment types, private equity investments differ in that they involve investing in businesses or assets that are not publicly traded on the stock market. Therefore, typical investments are either buyouts of listed companies that lead to a delisting or direct investments into private businesses. Private equity investments generally require a commitment of capital for 10 to 12 years, which is significantly higher than for other investments such as stocks, bonds, and mutual funds. Furthermore, private equity investments also come with a higher risk due to their inherent illiquidity and lack of transparency since the private equity company, which manages the fund, can use the committed capital for numerous deals that they want the fund to execute. Simultaneously, returns from these investments tend

to be higher and more variable. Since these investments should be approached with extra caution, and investors should ensure that they understand the risks associated with this investment class before committing any capital, typical investors are mainly institutional ones, for example insurance companies, pension funds, sovereign wealth funds or even high net-worth investors. (Pignataro 2014)

2.1.3 Basic structure of private equity investments

When having committed capital to the fund, these investors are referred to as Limited Partners (LP), stating that they invest with limited liabilities since the maximum possible loss is the invested money. The private equity firm, which advises the fund and receives a management fee of about 2% p.a. for that, is referred to as General Partner (GP). During the average 10-year investment period, LP's committed capital is used to execute a portfolio of deals that the GP advises to do. In addition to the annual management fee, fund advisors are incentivized with a performance fee, which is called "carry" and usually accounts for 20% of the fund's return on investment once the fund has achieved desired returns. This return is referred to as the "hurdle rate" and is generally between 8-10% of the invested capital and as soon as it is achieved, the private equity firm will receive the specific percentage that was agreed on of the investment's profits. The remainder, which would be 80% in this example, is paid out to the LPs. (Demaria, 2013)

PE Funds

While showing significant differences to other types of investments, private equity itself can also be distinguished into many strategies of which four are described in more detail, sorted from investment company's stage from early to late. The first one, Venture Capital, is a form of fund strategy that involves investing in early-stage companies that are typically cash flow negative. Venture capital investments are associated with the highest risk among private equity

investments but offer potential for high returns if the company is successful. Venture capital funds typically focus on a particular sector or industry, and invest over a specific period of time, providing capital and expertise to help the company grow. Usual investment sizes do not exceed \$5m. (Demaria, 2013) With a pooled IRR of 35% for 3-year investments and 27% for 5-year investments, these early-stage venture investments have show significantly higher returns compared to other strategies. (Bain & Company, Inc., 2021)

Followingly, Growth Capital is a form of private equity investment that involves providing capital to companies that are already established, mainly to finance expansions. Investments in debt and/or equity are conducted by small- to mid-tier private equity firms without a specific industry focus and with investment sizes of \$5m to \$50m. Growth capital investing can offer attractive returns, while coming with a lower degree of risk since these companies are more established than those receiving venture capital. (Demaria 2013) Mainly due to lower risks, growth equity returns are not as high as venture capital ones but still outnumber buyout funds with a pooled IRR of 29% on 3-year investments and a 24% IRR on 5-year investments. (Bain & Company, Inc. 2021)

Leveraged Buyout (LBO) is another type of private equity investment and describes a financial transaction in which a company is acquired by using high levels of debt and lower levels of equity from the fund. This strategy is used to purchase a company, business, or division of a larger and established company with typical investment sizes in the range of \$2m to over \$200m. Leveraged buyouts are associated with less risk since the debt used to finance the transaction is secured by the assets of the company being acquired. A significant amount of debt is used as financial leverage to generate value by efficiency improvement and realization of opportunities. (Pignataro 2014) Even though venture capital and growth equity return reportedly outpaced buyout returns, their pooled IRR on 3-year investments of 21% and on 5-

year investments of 20% is still relatively high. The longer the investment horizon, the smaller becomes the gap in IRRs between the strategies. (Bain & Company, Inc. 2021)

Lastly, a distressed buyout is a type of leveraged buyout in which a distressed company is acquired by a private equity fund. The buyout is typically financed with a combination of debt and equity from the buyers with the aim of providing the distressed company with additional capital to help it survive and turnaround its operations. (Pignataro 2014)

Since this paper is focused on leveraged buyout, the following parts will analyze it more in detail, breaking down this type of private equity investment in detail.

2.1.4 Leveraged Buyout

Introduction

Leveraged buyouts gained a bad reputation publicly, foremost when some well-known transactions resulted in the collapse of the acquired companies during the 1980s. The collapses were primarily caused due to the proximity of the leverage ratio to 100% and the amount of the interest payments, the company's operating cash flows were unable to fully cover the obligation. (Pignataro 2014) Examples of companies that have collapsed under the high debt levels of leveraged buyouts include Toys R Us, Kmart, and Caesars Entertainment. Toys R Us was a toy retail business that collapsed due to the high debt level taken on during a leveraged buyout. The private equity firm that acquired the company saddled it with \$5b in debt, making it too difficult for the company to compete in the market. (Morgan and Nasir 2021) (Gaughan 2010) Kmart was a discount retail business that underwent a leveraged buyout in 2003. The buyout left the company with \$11b in debt, making it difficult to compete with larger retailers such as Walmart and Target. (Lehavy and Udpa 2011) Caesars Entertainment was a gaming and hospitality company that filed for bankruptcy in 2015 due to its high debt levels following a leveraged

buyout in 2008. The company had taken on \$25b in debt and was struggling to meet its obligations. (Peck and Pinder 2022)

As the name implies and as briefly explained above, leveraged buyout is a form of buyout that is financed with a significant amount of debt to lessen the initial equity investment burden. As collateral for loans, both the assets of the target as well as the assets of the acquiring firm may be used. By using leveraged buyouts, corporations can make substantial acquisitions without having to make significant capital investments. The debt that was taken on is paid off by using the proceeds from the target company's operations. Since it is composed of different debt types, it does not need to be paid off in a single year but follows a repayment schedule where senior debt is repaid first, while subordinated debt is repaid later, in return for a higher yield. Three typical motives for LBOs are to either privatize a publicly traded company, to sell a part of an existing company in order to separate it or, lastly, to transfer private property, as it does when a small business' ownership changes. Nevertheless, for each of the presented motives, it is typically a prerequisite that the purchased company, or the acquired part of it, is successful and, at best, expanding as this ensures meeting interest payments and debt repayment schedule with available cashflows.

Leverage-Effect

Besides smaller equity investment for the private equity fund, making use of the leverage effect is a major motivation to use significant amounts of debt for the buyout. By reducing the equity investment at the start of the holding period, the expected return on investment – in case the business plan works out as planned – can be increased significantly. Since financial returns are the determinant for private equity firm's returns, high leverage is essential when aiming to meet aggressive return expectations. But as leverage boosts equity returns, the downside is that it also boosts risk. The risk of the transaction is greatly increased by the PE firm by putting multiple tranches of debt onto an operating company - which is why leveraged buyouts typically

require companies to be stable. If the company's economy is experiencing a downturn and cash flow becomes limited, they could not be able to meet their debt obligations and will need to restructure, which will almost certainly come in line with increased interest payments and will – in the worst case - result in zero returns on equity. (Axelson, Strömberg, & Weisbach, 2009)

Control

The leveraged buyout is centered on creating a holding company that will take control of the target firm through buying a majority stake and position itself above it in the organizational structure. The target firm is bought by the parent company using a bank loan or bond, which is paid back by the acquired company using profits from its own operations. This increases the return on equity for investors.

LBO transaction structure

The transaction is structured along one key table: “Sources&Uses”. As the name implies, it lists the various sources of acquisition on the left side that are composed in a way to meet the required uses, which is the calculation of the total amount of funds required, on the right side. Total uses are a combination of the acquisition price and various fees. The acquisition price is the enterprise value (EV), which is calculated as the sum of equity and net debt. The latter will be refinanced as one step of the acquisition. On top of that, several fees, for example, arrangement, banking, investment bank and due diligence, fees must be considered and usually range between 1-3% (Pignataro 2014), depending on the complexity of the deal. Since total uses show the money required to acquire the desired assets, the sources need to perfectly match the amount and suggest how the deal is planned to be financed in detail. The sources are separated into a debt and an equity part. The decision on the proposed capital structure is among the most important steps since it reflects decisions about both risk and return trade-offs and incentivization through equity participation. The amount of debt is usually derived as a multiple

of EBITDA by taking into account the target's fundamentals, historical trends, their competitive landscape and their industry. Since the fund's performance will be evaluated on the return on equity, the leverage ratio should meet the sweet spot between taking on the maximum level of debt possible and being securely able to pay all obligations during the investment period. The equity part fills the gap between the debt and the total sources required.

Equity composition and incentivization

Even though it is technically possible to let the fund own 100% of the equity, management's equity contribution is common in practice and serves a tremendous goal: alignment of interests. Management's equity is referred to as "sweet equity" and is the fraction of ordinary shares of the acquired company that the management owns. Since the private equity fund provides downside protection, sweet equity acts as an incentive for the management to perform well during the holding period and thus generate tremendous proceeds at the time of the exit. Sweet equity is calculated as a percentage of total equity and ranges between 10 and 20% - which is typically one yearly salary for the management - although it can be higher or lower depending on the specific deal. (Marquis and Margolis 2012)

Further common equity contributions are made by the fund management (General Partners). The rationale behind it is like the management's one since equity participation always serves as an incentive to generate more return. When the fund management owns common stock of portfolio companies, they will increasingly engage more, and this can followingly lead to better returns for the overall investment. (Barber and Goold 2007)

2.1.5 Private Equity Returns

Exit Waterfall

One of the main outputs of a leveraged buyout model are the expected returns of the investment and the drivers that lead to these returns. To calculate the exit returns, the forecasted EBITDA for the exit year is multiplied by the exit multiple. After debt is completely paid off according

to the repayment schedule, the remainder can be paid out to the equity holders. Typically, and also in our presented case about CVS, the institutional proceeds are composed of a subordinated loan which can be calculated as the opening balance and yearly payment-in-kind (PIK) interest of about 8% and institutional ordinary shares. However, management proceeds (or proceeds for other investors such as fund management) are generated from their fraction of ordinary shares only and thus returns rise extremely as soon as the total value created surpasses debt repayments and the fixed return instrument.

Returns - Performance Measures

Private equity funds typically measure performance using a variety of metrics, including, among others, the internal rate of return and money multiples. The internal rate of return (IRR) is a measure of the rate of return that a private equity fund generates on its investments. Its calculation is close to the net present value's (NPV) formula, but the IRR is the discount rate on returns setting the NPV to zero. The higher the IRR, the more profitable the investment. This performance measure applies to the fund's overall performance and a single fund's investment, for example, one leveraged buyout. One consideration that one needs to have in mind when using the IRR as a performance measure is that it is sensitive to the timing of cash flows. Since investors certainly know about the issue, other measures, like money multiples, are recognized as a good addition. (Patrick and French 2016)

Generally, money multiples are the ratio of the amount paid out to the amount paid in without taking the timing of cashflows into account. They can be used on a fund's overall performance basis (e.g., TVPI) as well as on a single investment performance (MM). One example of a common money multiple for the overall fund's performance is the TVPI, which is a measure of the total value of a private equity fund's investments compared to the amount of capital it has paid in. It is calculated by taking the total value of the fund's investments, including realized and unrealized net returns, and divide it by the amount of capital paid in and is expressed as a

percentage. The higher the TVPI, the more successful the fund is considered. When assessing one single investment, money multiple (MM) is used to evaluate the investment performance separate for both the fund and the management and eventually other co-investors. MM shows capital received as a multiple of capital spent. The higher the MM, the higher the return. One major drawback, which counts for IRRs as well, is that neither measure incorporates any concept of risk which limits the comparability with other investments. One positive aspect about MMs is that they show how much money the investment returns in total values, which the IRR does not show. But in contrary to the IRR, MM does not account for the investment period's length. But receiving 3.0x after 5 years or 3.0x after 7 years is a major difference because the money could have been invested somewhere else in these 2 years, bears a major setback of this performance measure. For the concept of private equity investments, assessing performance with both measures, IRR and money multiples together, performance and timing considerations are captured and therefore referred to as a good standard. (Higson and Stucke 2012)

Targeted returns

In the process of structuring a leveraged buyout, mainly when finding the sweet spot for the new capital structure of the acquired company, target IRRs and target MM are tried to reach. For a leveraged buyout, as well as any financial investment, returns depend on a variety of factors, such as target's industry, market conditions, growth prospects, size of the deal, current debt markets and company's stability. Considering the diversity of deals, a good IRR for an LBO is usually considered to be in the range of 20-30%. A good and reasonable money multiple, which does not consider the timing of cash flows, as explained above, ranges between 2.0x and 3.0x. (Pignataro 2014)

Return Drivers

Return drivers in private equity can be classified in two buckets, being operational and financial value drivers. On the non-financial side, the biggest contributor to private equity returns is

multiple expansion, even though it is also considered to be the riskiest one since it is the hardest to forecast and might show the seller that the target is undervalued at entry date. CEPRES Market Intelligence reported multiple expansion to have accounted for 48% of median value creation for private equity funds from 2010 until 2015 and 56% for the time of 2016 until 2021. While the revenue growth contributed 38% in both time spans, the share of margin expansion declined from 14% between 2010 and 2015 to 6% between 2016 to 2021. (Bain & Company, Inc. 2021) On the financial side, besides deleveraging, dividend recapitalization can also be performed to boost private equity returns. While deleveraging refers to cash generation during the investment period and thus repayment of debt according to the debt repayment schedule, dividend recapitalization describes the increase in leverage during the investment period. For that, the company issues new debt and as a result, the proportion of the company's debt financing increases in relation to equity financing and the resulting money is paid out as a special dividend, increasing the IRR of the investment since it captures timing of cash flows and early payments weight more in comparison to later payments. Even though dividend recapitalizations can be beneficial for shareholders, it increases risk for the company that increases its leverage ratio since with increased leverage comes increased risk of default.

2.4.6 Conclusion: Private equity performance vs public markets

As explored in this discussion about returns analysis, private equity is a very interesting field that reveals tremendous returns for investors. Even though it comes with risks, like every investment, looking back in the past, returns were able to compensate for it. In comparison to public markets, especially buyout funds have generated better pooled net IRRs during several geographies and time horizons. It is noticeable that the outperformance is smallest in America since the public market is strongly technology-focused. However, the outperformance of buyout funds in North America and Asia-Pacific is drastic. To conclude, the private equity sector is still on the rise and produces performances that continuously met or even exceeded investors'

expectations. (Bain & Company, Inc. 2021)

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