Kestrel Steering Systems

Case study: investment write-up and LBO model, six hours

The assignment

Imagine you have just been handed the confidential information memorandum on a company that has come to us as a possible acquisition. Assume it is 2023, and work as though you already had the job. From the memorandum, we would like two things:

- your thinking on the main issues facing the Company, on how attractive an acquisition is, and on what you would follow up in due diligence;
- a working, flexible financial model of the acquisition as you see it.

Your projections and your valuation should take the main risks and opportunities into account. The valuation is what you think we should pay for the business. It is not the bid that would get us into the next round of the sale process.

1. Write-up

No more than two pages, in Word or PowerPoint, on (i) the main investment opportunities and risks, (ii) the questions and areas you would follow up in due diligence, and (iii) your recommendation and your valuation.

2. Model

Use what is relevant in the memorandum, and make the assumptions on purchase price, financing and operating drivers that you need for a functional three-statement model. We suggest five years of projections after the close. Assume the transaction closes on December 31, 2023. Include a returns analysis.

Presentation

Once we have read your work we will set a time for you to present it. The session is informal. Expect to be interrupted with questions, and expect a discussion more than a one-way presentation. Most last 30 to 60 minutes.

Timing

Send the write-up and the model six hours after you receive the memorandum, by reply to everyone on the email.

Materials

2 - Confidential information memorandum.pdf, 38 pages, dated July 2023. You do not need anything else. Outside reading on the industry and on valuation is allowed, and some candidates have used it.