Penwick Process Water

Case study: investment memo and LBO model, 48 hours

Task

Put yourself in the shoes of an associate at a private equity firm. An investment bank has sent you the confidential information memorandum and the data supplement in this folder. Your deal team has asked you to form your thoughts on the business ahead of an internal discussion in a couple of days.

Deliverable

In no more than four Word pages, describe the opportunity concisely. Focus on your view of the key investment merits, the priority areas of risk and the topics for further due diligence. Recommend a valuation range and support it with a three-statement LBO model, including sources and uses.

- Send the LBO model in Excel and be ready to discuss the assumptions you used.
- Beyond the topics for further diligence, name the five pieces of additional data you would ask the banker for to support your analysis.

Debrief

Once you have finished, the firm will schedule a one-hour debrief call. On it you take the team through your findings on the company.

Other

For your evaluation and the LBO model, treat 2014 in the memorandum and the databook as 2025. You are reviewing the business in the present, so take the current M&A market into account as you form your views.

Timing

You have 48 hours from the moment the case reaches you.

Materials

- **2 - Confidential information memorandum.pdf**: 40 pages, dated July 2014
- **3 - Supplemental databook.pdf**: 27 pages, with data through September 2014