

Valuing a Cross Border LBO: Bidding For Yell Group Case Solution

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Thank you for your time!
Questions?

International VS Domestic LBO

- More risk
- Complex legal systems
- Taxation
- Accounting differences

More than 100 countries
Highly variable legal and financial systems

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What is LBO?

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A good LBO consists

- Clear and defined exit strategy
- Strong financial and operating performance
- High quality management team
- Good relationships with customers and suppliers
- Low debt
- High cash flow
- Low working capital

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A good LBO involves

- High cash flow
- Low debt
- Low working capital
- High quality management team
- Good relationships with customers and suppliers
- Strong financial and operating performance

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Valuation - Assumptions

- Revenue growth
- EBITDA margin
- WACC
- Terminal value
- Exit multiple
- Debt
- Cash
- Working capital

Valuation - Perfect

- Revenue growth
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- WACC
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Sensitivity Analysis

- Revenue growth
- EBITDA margin
- WACC
- Terminal value
- Exit multiple
- Debt
- Cash
- Working capital

Problem/issue to be addressed

- How much will the target pay?
- Cash flow
- Leverage
- Exit strategy

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Target Company

- Not listed on any stock exchange (OTC)
- US, 100% French
- 100% US

Why selling now?
• Financially healthy and stable
• Strong operating performance

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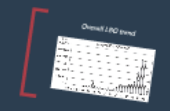
Acquirer and competitors

- Acquirer: **WPC**
- Competitors: **WPC**, **WPC**

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FDI

- FDI
- FDI
- FDI



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Acquirer and competitors

Acquirers

- Apax Partners
- Hicks, Muse, Tate & Furst



Funding

- Merrill Lynch and CIBC World Markets
- British Telecoms vendor loan notes

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Target Company



Yell Holdings from British Telecom (BT)

- BT Yellow Pages
- Yellow Book USA



Why selling now?

- To reduce its heavy debt load
- Future uncertainties

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Problem/Issue to be addressed

How much was Yell Worth?

- Cross border nature
- Uncertainties
- Early Stage

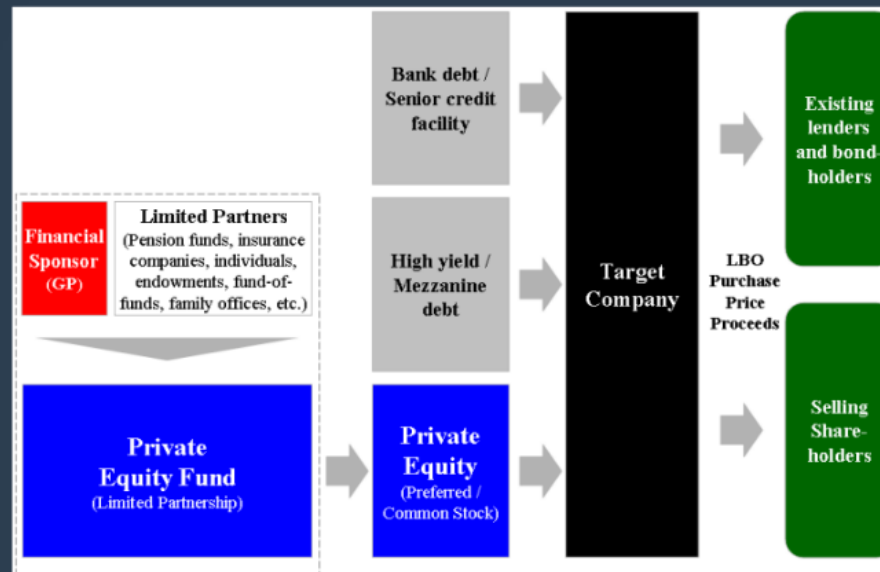
Competitors

- Demerger



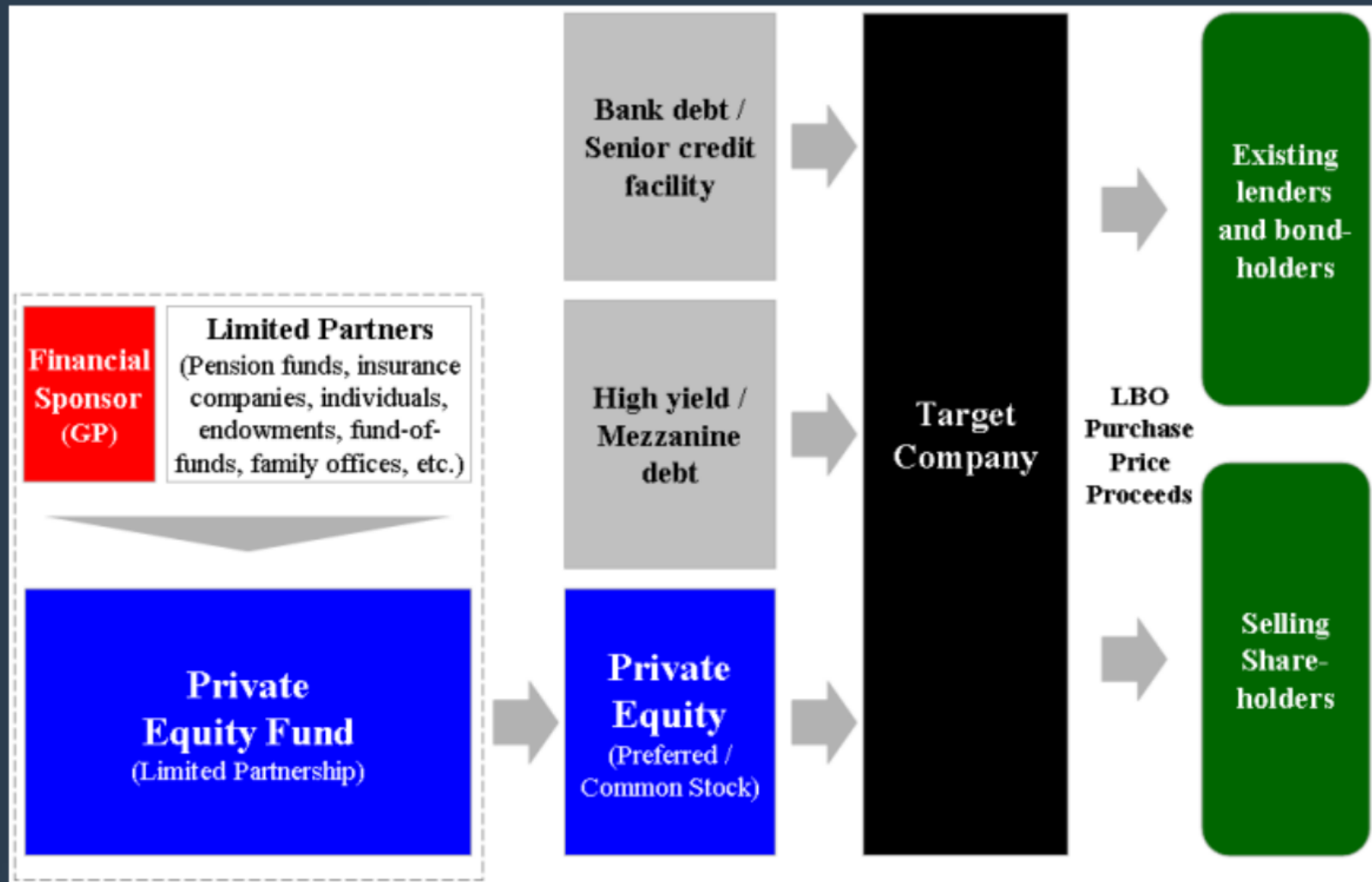
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What is LBO?



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International VS Domestic LBO

More risky

- Currency exchange rate
- Taxation
- Accounting policies, etc.

Much more restrained

- Regulations by industries and countries, etc.

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A good LBO candidate

- Mature industry and/or company
- Clean balance sheet
- Strong management and potential business improvement
- Strong competitive advantages and market position
- Steady cash flows
- Low future capital expenditure and working capital requirements
- Possible sale
- Feasible exit options

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