



## **LBO Modeling Test and Investment Recommendation – Take-Home Case Study (7 Days to Complete)**

You are interviewing at **First Consumer Capital**, a U.S.-based middle-market private equity firm that invests domestically in the consumer, media/telecom, and software sectors.

The firm aims to find undervalued companies with stagnant or declining core businesses that can be acquired at reasonable valuation multiples and then turn them around via restructuring, divestitures, and add-on acquisitions.

The firm's average deal size is between \$500 million and \$1 billion (Enterprise Value), but it can go as high as \$2 billion for the right opportunity.

Using all the available tools at your disposal (Capital IQ, FactSet, etc.), screen these sectors for appropriate acquisition candidates and select the best one.

Then, build an LBO model based on reasonable assumptions for the purchase price, debt, cash flow projections, and exit.

You should use the company's historical performance and industry/market research to build the projections.

You do **not** need to build a full 3-statement LBO model; cash flow projections with a debt schedule and returns calculations are fine.

When you're finished, draft a short PowerPoint presentation (15-20 slides) that addresses the following questions:

1. **Investment Recommendation** – Would you recommend acquiring this company in a leveraged buyout? What are the key quantitative and qualitative factors?
2. **Market** – How would you describe this company's market and the company's position in it? What are the major growth opportunities and competitive threats?
3. **Strategy** – What is your proposed turnaround or transformation strategy, and what evidence do you have that it might be feasible?
4. **Valuation** – Please address the expected premium and multiple you expect to pay for this company and how it compares with the company's past trading history and comparable companies and transactions in the sector.



5. **LBO Model** – Explain the output of your LBO model, including the IRR and MOIC in different cases or under different purchase and exit conditions. Your model should also address the possibility of losing money in different scenarios.
6. **Risk Factors** – What are the key risk factors in your proposed deal, and how could you mitigate them?

You have **seven (7) days** to complete everything above and submit your Excel file and PowerPoint presentation.

You should be prepared to present your findings to the investment committee and answer questions about your work in a 30-minute Q&A session afterward as well.

Note that your score will be determined primarily by the **strength of your investment recommendation** and **support for your numbers**.

You will not earn extra points by submitting an extremely complex model or one with many bells and whistles. Focus on selecting a good acquisition candidate, understanding the market, and using outside research to support your numbers.