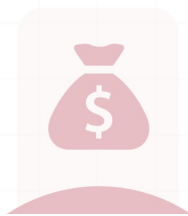




## LBO: Add-on Acquisitions

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## LBO and Add-on Acquisition Modeling Intro

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## What is an LBO Add-on Acquisition?



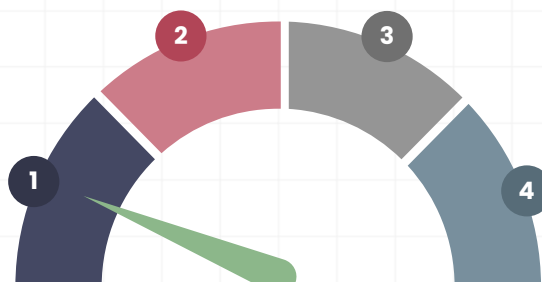
Basic **LBO acquisition**  
of a company



Involves **"adding on"**  
another company later



**Bolt on**  
("Buy and build")

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## Why Would an Acquirer Choose to Do This?



To create **more value** by **growing**  
the **portfolio**



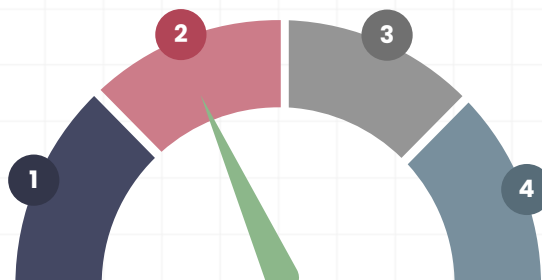
**Cutting costs**  
through **synergies** or  
**economies of scale**



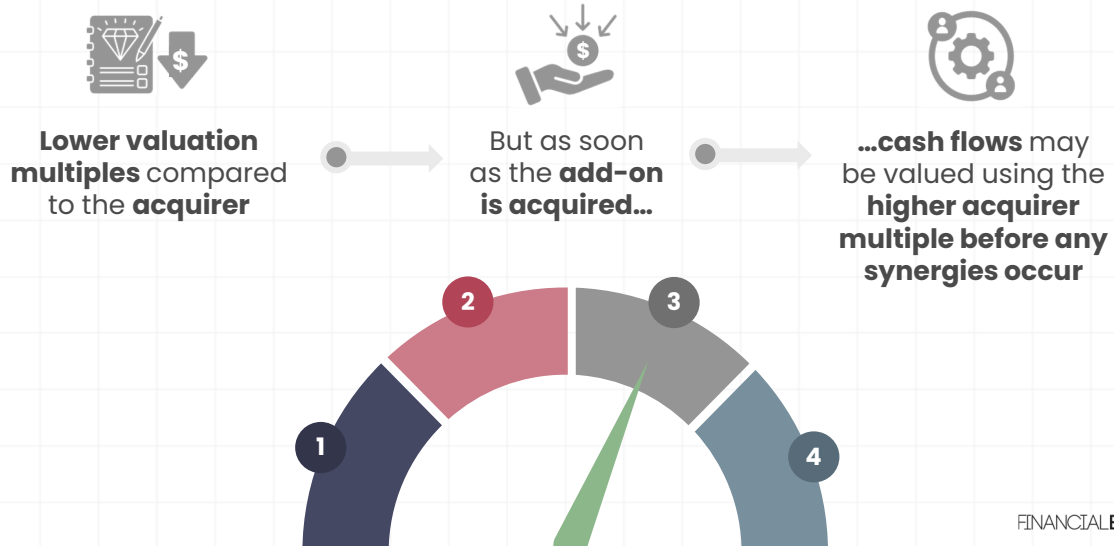
**Better technical**  
**ability**



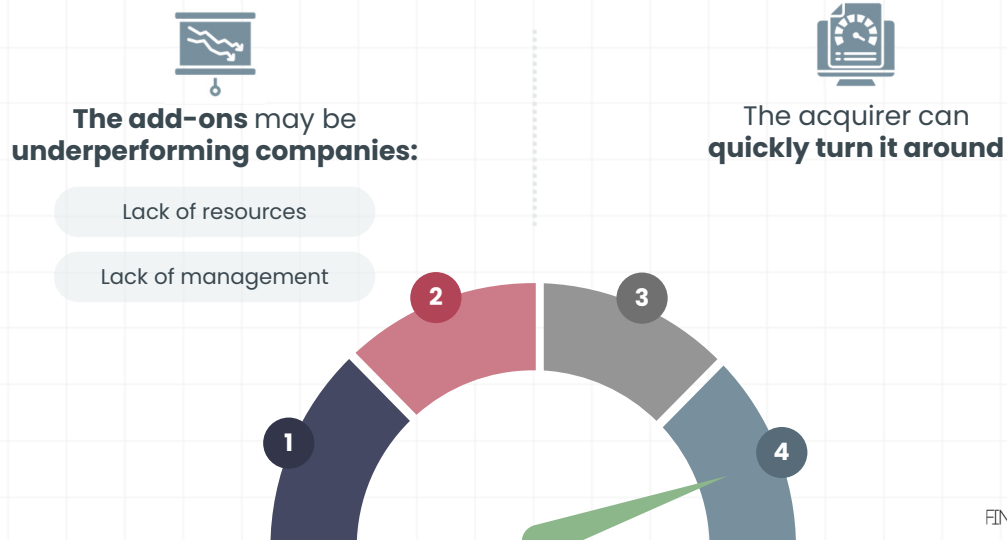
Expansion  
into **new**  
**geographies**

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## Common Characteristics



## Companies Targeted





# How to Model an Add-on

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## How Do We Model an Add-on?

**Base Case LBO  
Model**

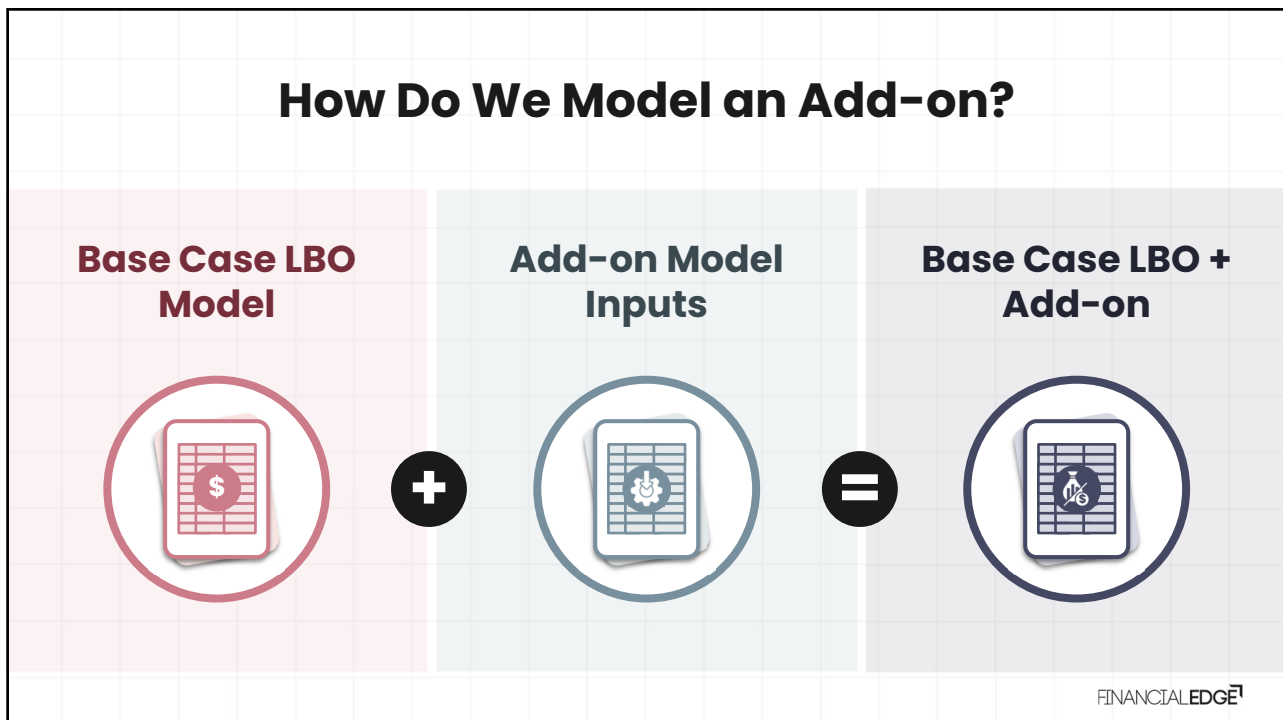
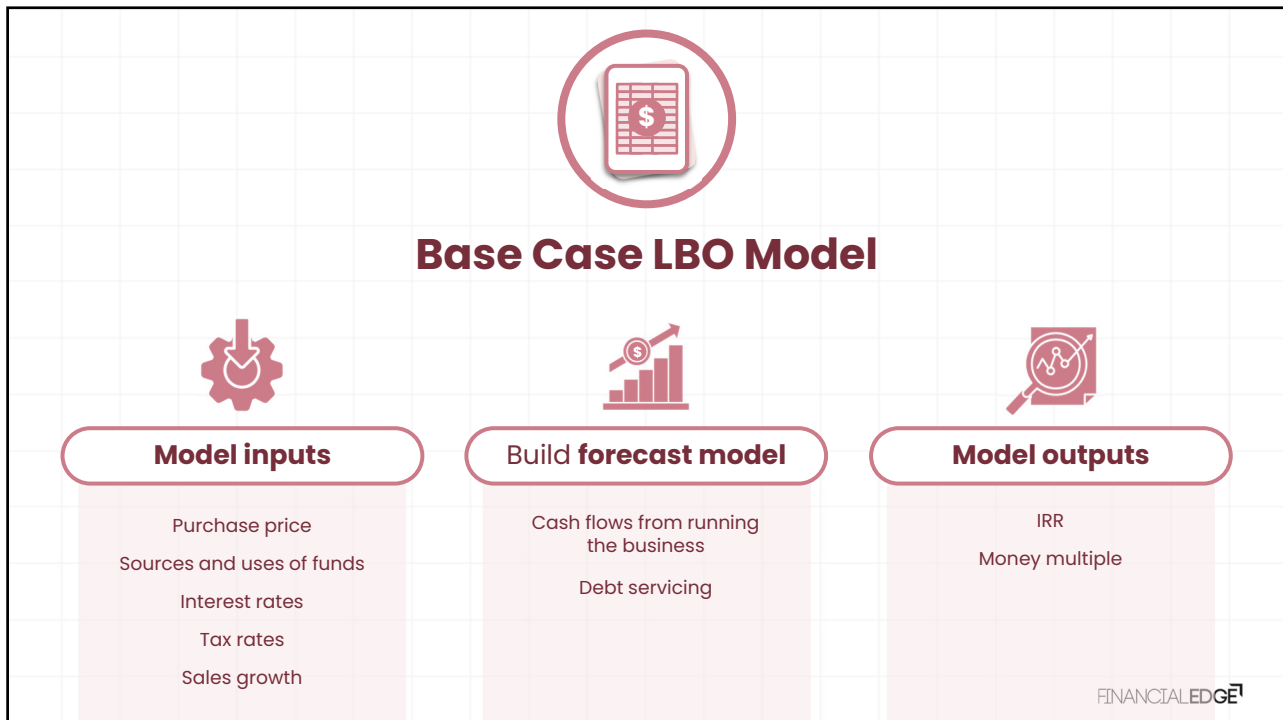


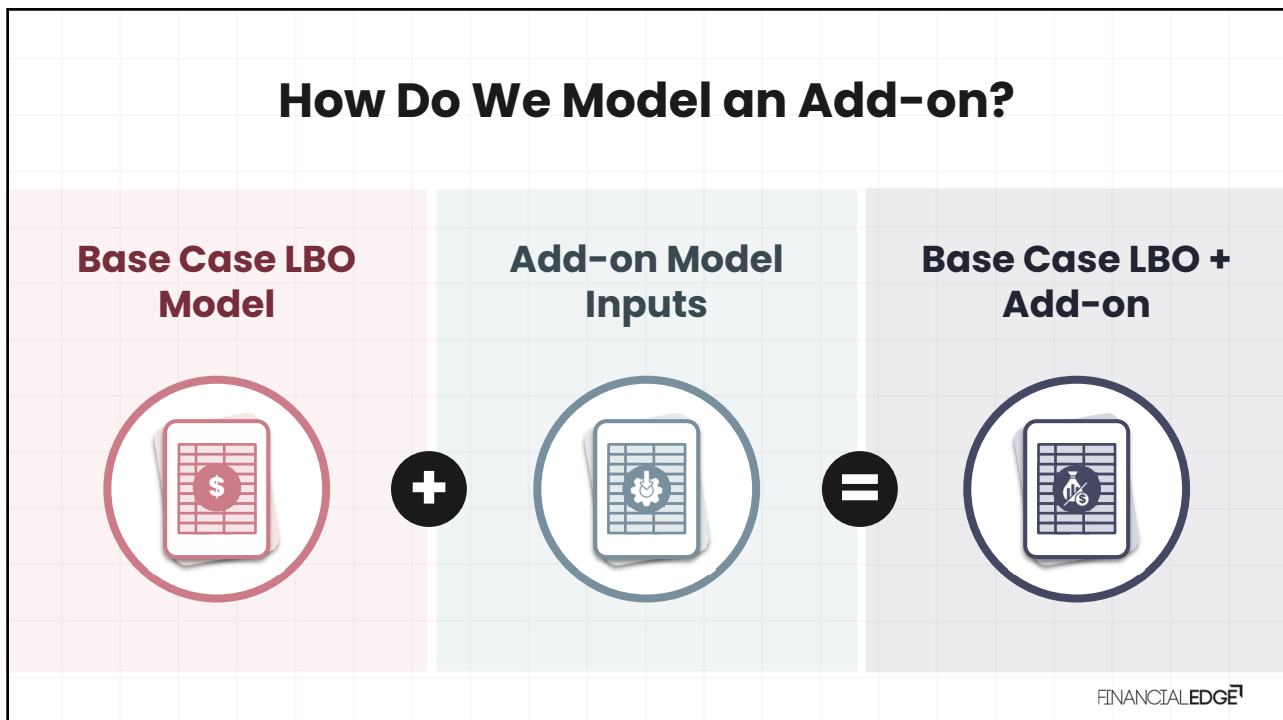
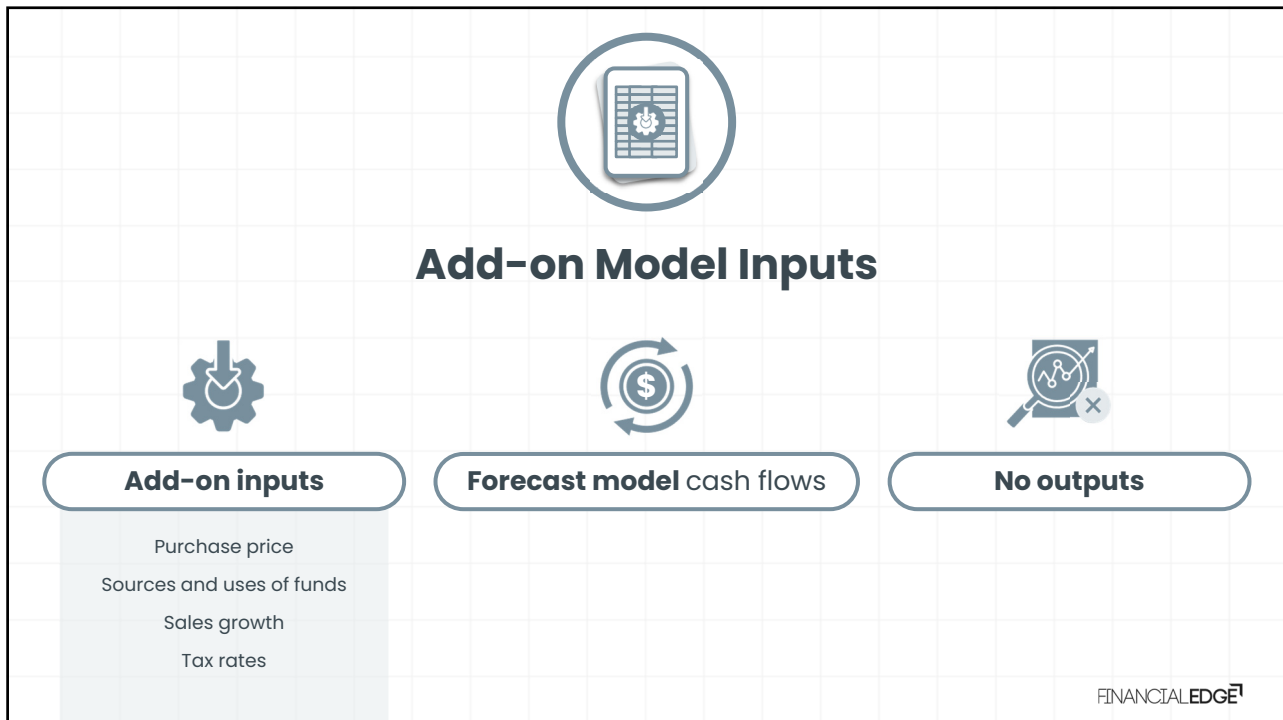
**Add-on Model  
Inputs**



**Base Case LBO +  
Add-on**

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## Base Case LBO + Add-on



### Merge the **base case** and **add-on** models

New income statement and cash flows

Calculate debt pay down and cash flows available for equity holders



### Updated model outputs

IRR

Money multiple

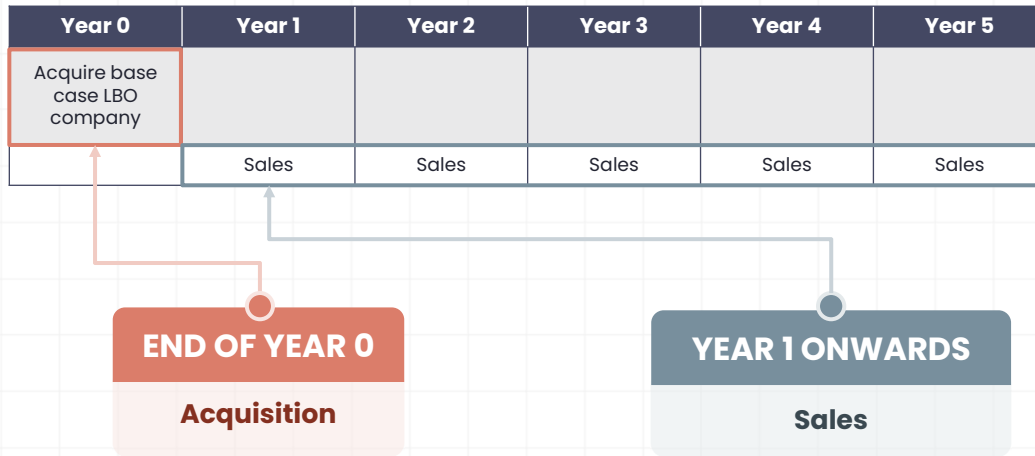
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## Add-on Timing Issues



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## Timing and Synergies

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## Timing and Synergies

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Acquire base case LBO company					
	Sales	Sales	Sales	Sales	Sales

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
		Acquire add-on company			
			Sales	Sales	Sales
			Synergy 20%	Synergy 50%	Synergy 100%

### SYNERGY REALIZATION (AFTER ACQUISITION)

20% in the  
1<sup>st</sup> year

50% in the  
2<sup>nd</sup> year

100% in the  
3<sup>rd</sup> year

### APPLY FIGURES

Year 3, 4 and 5

### ANSWER

Use **switches**

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