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An Examination of Leveraged Buyouts and Its Application to Sprouts Farmers Market

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ABSTRACT

This paper seeks to analyze the characteristics of successful leveraged buyouts and apply it to a case study of Sprouts Farmers Market. There is both a qualitative discussion on the various types of buyout deals and a breakdown of the actual transaction and a quantitative analysis that applies these factors to the case of Sprouts Farmers Market through a leveraged buyout financial model. As a result, the paper provides supporting evidence that Sprouts Farmers Market is an ideal target candidate for a successful leveraged buyout.

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Chapter 1

Introduction

A leveraged buyout (LBO) is a common acquisition executed by private equity companies. The signature aspect of an LBO is the fact that the private equity firm finances the deal substantially with debt, rather than using its own capital stake. LBOs have gained more and more momentum in the current economic climate and are expected to continue to do so, which is why it is important to critically evaluate the factors contributing to an LBO transaction's success.

The internal rate of return (IRR) is often the measure used to quantify and analyze the deal's success. Typically, the minimum IRR required by the private equity company in order to justify the transaction is twenty percent. Well-known successful LBOs achieved this return at a minimum. An IRR below this hurdle rate would signify that the investment or transaction would not be desirable for the sponsor company.

Because of the lasting nature of LBOs in the finance landscape of the current economic climate, it would be worthwhile to consider and conceptualize a theoretical buyout of a company. The company being bought out, or the target, should offer the private equity firm an opportunity to further grow the company so as to later exit and achieve the desired IRR. The case study presented here will be for the hypothetical buyout of Sprouts Farmers Market by a private equity company. This is significant as it proves not only the characteristics required of a successful

target company, but it also indicates the potential for opportunity for private equity companies within the food retail space.

Chapter 2

Literature Review

Private equity firms have a multitude of acquisition strategies to create value. Leveraged buyouts are the primary investment vehicle for these firms. Significant research exists in regards to this transaction, including helpful identification of target characteristics, the ideal capital structure, and the minimum return required. There are also several different types of acquisitions that fall under the umbrella of leveraged buyouts: public to private, spin-offs, private deals, and club deals. The exit strategy is an integral part to the transaction as well. There are many studies as to when each exit strategy is best suited for a transaction, but in general a trade sale, secondary exit, initial public offering, and recapitalization are the primary strategies.

Overview

Transaction Overview

As defined by the *Encyclopedia of Small Business*, a leveraged buyout is an acquisition of a company in which the buyer uses a small amount of its own capital and borrows the remainder. Buyers are typically financial sponsor companies, or more specifically private equity firms. The ideology is that the target company, the company being purchased, is profitable and will be able to generate healthy cash flows to repay the significant debt. LBOs often see the restructuring of the capitalization and ownership of a company (Burton 779). Wright, Siegel, and Amess comment on the standards practices of LBOs in *Private Equity, Leveraged Buyouts, and Corporate Governance*. Key features of the transaction include senior managers having a large

equity stake in the firm and debt secured against the target firm's assets and future cash flows. Post-buyout, the private equity firm typically has board representation and will remain actively involved in the strategy, monitoring, and performance of the firm. As mentioned, the private equity firm provides the equity funding for the deal. The fund is generally created as a limited partnership with funding provided from pension funds, investment banks, insurance companies, wealthy individuals, and fund managers. The goal of the transaction for the private equity firm is two-fold. In the short term, it is to generate cash by charging management fees to fund investors and receiving dividends from the profits of the target firms. In the longer-term, the main source of return is the exit value able to be generated. Exit typically occurs on average five years after buyout (Wright).

The *Encyclopedia of Management* identifies the "winners" and "losers" in an LBO transaction. Those that benefit from the execution of a leveraged buyout include existing shareholders and the parties taking control. Existing shareholders' primary source of value is from the private equity firm's payment of a premium over the pre-announcement market price of the shares in order to incentivize the sale of the equity. The parties that take control also benefit from being able to gain managerial decision-making power and increased flexibility that is associated with private firms. New owners also have access to the target firm's assets and cash. The primary "losers" in an LBO purchase are the firm's existing creditors. Since the buyout is conducted and financed primarily with debt, existing bondholders are forced to assume positions as creditors in a much riskier firm. The increased risk drives down the market value of outstanding bonds (568).

Leveraged buyouts are often perceived in a variety of manners. The *Encyclopedia of Small Business* also breaks down the different perspectives on an LBO transaction. Those that favor a capitalist mentality, or a business model in which shareholder equity is maximized no matter what, view LBOs as a catalyst for streamlining corporate structure, rationalizing meaninglessly diversified companies, and rewarding neglected shareholders. They also result in a more optimal debt-to-capital ratio as high debt and low capital allow for lower taxes as interest costs are deductible and the diminished ability to invest in capital intensive goods, as companies using profits and cash flow for growth deny shareholders of dividends, which boosts a company's efficiency. LBO transactions also typically result in a leaner, less diversified, and thus more profitable firm, which produces a higher return on investment favoring ownership interests. However, it is also common to view leveraged buyouts as destructive and predatory, which is the typical viewpoint of corporations as economic and social institutions. They argue that these hostile takeovers dismember the corporation and cut employment. As opposed to solely accounting for shareholder return, they take into account additional interests, including those of employees, distributors, customers, vendors, etc. They also favor control and predictability through diversification, market share gains, and flexibility in production and ability to respond (Burton 780).

In essence, leveraged buyouts are the acquisitions of target firms using a significant amount of "leverage", or debt, that is hoped to be repaid using the target's future cash flows. There exist differing sentiments on the use of leveraged buyouts. Leveraged buyouts are high risk transactions; therefore, investors require at least a twenty percent IRR (Pindur 241).

Target Characteristics

The characteristics of the ideal target firm for an LBO transaction are generally agreed-upon and consistent among a variety of research. Because the transaction results in the issuance of a significant amount of debt, which is recorded on the target firm's balance sheet, it is best if the target firm has low existing debt levels. It is also important for the target to have stable cash flows as the repayment of the leveraged debt is dependent on the future cash flows of the company. If the cash flow generated is unable to meet the demand for debt repayment, it is best if the target company has saleable components for potential spin-offs or liquid assets to generate cash without reliance on operations. In addition, buyers prefer targets with hard assets in order to secure the debt. They look for significant property, plant, and equipment, inventory, and receivables to use as collateral. Firms also look at companies that are perceived to be undervalued by the market and that possess an opportunity for new management to improve company performance as that often drives a cheaper purchase price and value creation in the transaction (Burton 780).

Capital Structure

As mentioned, leveraged buyout transactions involve the issuance of a significant amount of debt. The leveraged portion of the transaction is typically fifty to eighty-five percent but can be as high as ninety-five percent. The leverage comes in multiple layers of financing, including senior debt, which typically accounts for half of the total leverage used, subordinated debt, mezzanine debt, bridge financing, and junk bonds. The remainder of the transaction is financed through equity (Burton 780).

Types of Acquisitions

Public-to-Private

Public-to-private acquisitions occur when the investor, or investor group, buys all of the outstanding shares of a public company, turning it into a private entity. These acquisitions can be friendly or hostile depending on management point of view. In friendly transactions, management typically buys the company with the intention of continuing operations privately. The bidder, because of the friendly nature, usually gets access to books of the target company to complete due diligence. In hostile transactions, the buyer is focused on buying, reorganizing, and then reselling the company to achieve a high return. *Business Scandals, Corruption, and Reform* categorize these takeovers with key features. They occur without the permission of the board of directors. They arise when the bidder of the acquisition informs the target board of its plan and price, and the board rejects the acquisition advance. Other hostile strategies include the buyer making a tender offer to acquire shares at a given premium above market price, the bidder engaging in a proxy fight, attempting to persuade enough shareholders to replace/overtake the current management, and buying shares of the target, creeping tender, to change management by accumulating a sufficient ownership interest (*Business Scandals* 343).

The passing of the Sarbanes-Oxley Act increased these acquisitions due to looser lending standards. It also created increased compliance costs, such as financial reporting and auditing, of public companies which incentivized companies to go private, and thus using leveraged buyouts as the vehicle (*Business Scandals* 343). Aside from these administrative cost savings, other reasons to take a firm private include greater management flexibility, increased active

management from shareholders, enhanced incentives to operate efficiently, and corporate tax shields. There is a higher degree of flexibility since managers no longer have to be as focused on short-term operating results, which are often what public shareholders are focused on. In addition, buying up the existing outstanding shares reduces the number of shareholders in general. Therefore, the shareholders that remain are highly interested in the firm's operation and will monitor active management since their personal stake in the firm is significantly higher. Private companies are also known to operate more efficiently, especially when taken private using an LBO, as the high amount of debt does not leave room for corporate excess. Lastly, corporate tax shields arise as the companies are allowed to deduct interest paid on debt as an expense (*Encyclopedia of Management* 569).

Spin-offs can occur among both public and private enterprises when companies wish to sell off parts of their business to get cash. The spun-off element's management can serve as the buyer or it may be passive in the transaction. In some cases, the seller itself may have been bought in an LBO and is now spinning off assets to pay investors back and repay debt. LBOs can also be used to purchase the subsidiary or division that is being spun-off (Burton 779).

Private Deals

Private deals involve a private company being bought by an investor group. They often occur when the owners of a small business, when approaching retirement, wish to divest themselves of the company and cannot find a corporate buyer, or would prefer not to sell to another company. The buying group may be a company's employees or associate individuals;

however, they still organize LBOs because they only have limited equity in the company (Burton 779).

Club Deals

A club deal is when two or more private equity partnerships jointly conduct an LBO. In *Club Deals in Leveraged Buyouts*, Officer, Ozbas, and Sensoy compare this type of acquisition to sole-sponsored LBOs noting differences in motivation, purchase price, and other factors. They found that club deal acquisitions are priced noticeably lower than sole-sponsored transactions and non-private equity mergers and acquisitions. In fact, from their study, target shareholders receive approximately ten percent less of pre-bid firm equity value, essentially forty percent lower premiums, compared to sole-sponsored LBOs for target firms with low institutional ownership. This significant discrepancy is less prominent for firms with higher levels of institutional ownership as institutional investors are able to effectively bargain with clubs, which, at least partially, counteracts any pricing consequences that result from any reduction in competition (214).

They also identified that deal values as multiples of sales or earnings before interest, taxes, depreciation, and amortization (EBITDA) are significantly lower in club deals when measured relative to multiples paid by other acquirers. Club deals, however, have a number of additional concerns. Perhaps the most alarming feature of this acquisition type is that private equity partnerships may be colluding to lower prices by limiting the number of competing bidders in an auction for a buyout target. This shortchanges the passive, dispersed shareholders

of the public target company (222). Also, even in the absence of collusion, the limited number of sponsor firms interested in a given target could indicate that club deals lead to a reduction in bid competition overall and thus a lower premium for target shareholders (230). Despite these concerns, there still exists a few motivations to choosing this acquisition vehicle. For one, private equity firms may choose clubbing due to capital constraints faced (232). Another reason for club deals is the diversification motive as it may induce funds to syndicate sufficiently large or riskier deals. Lastly, club deals may serve as a way of certifying deal quality to debt financiers making it easier to secure debt financing with favorable terms as multiple firms attach their names and reputations to the deal (240).

Exit Strategies

Overview

Jenkinson and Sousa synthesize the intuition behind different exit strategies post-LBO and provide heavy context for the choice of a secondary exit, or sale to a financial buyer in *What Determines the Exit Decision for Leveraged Buyouts?* in the Journal of Banking & Finance. The primary objective of private equity firms in a leveraged buyout is to maximize return. Their incentive is to earn carried interest if the fund beats a hurdle rate expressed in terms of the fund-wide IRR. This means that the timing of exit matters. Jenkinson and Sousa explain that a rapid exit will boost IRR, so private equity funds will take an exit route that prioritizes immediacy and certainty so as to maximize value (399). The three factors that they focus on as influencing the timing and choice of exit are market conditions, which they believe to be the most important, the structure of the private equity fund, and the portfolio company (402). The possible exit strategies

discussed include a trade sale, a secondary exit, an initial public offering, and a minor commentary on recapitalization. Market conditions include capital market conditions of both the debt and equity markets. Depending on the conditions, there exist different "windows of opportunity" for achieving the best possible exit price. For example, when there is a greater availability of funds in the loan market, so a "cold" IPO market, or large amounts of capital committed but not yet invested in the private equity landscape, a secondary buyout may be the most profitable. In addition, a greater availability of debt will have a strong impact on the purchase prices as private equity firms will borrow as much as they can for each deal, so a favorable debt market could increase the likelihood of secondary buyout (405).

The authors also argue that the structure of the private equity fund can affect the exit strategy that is selected. Funds typically have a contractually defined lifetime, normally ten years, which can only be extended with the consent of limited partners. Private equity firms set up new funds every three to five years. A proven record for timely exits and past performance, measured by return, are essential for the future fundraising of these new funds. Therefore, when a fund is beginning to near the end of its life, the general partner faces pressure to realize investments (406). The study noted that for trade sales buyer returns are on average higher when the selling fund is closer to maturity. However, secondary sales are also attractive for funds approaching maturity as there may be portfolio companies that are not quite ready to go public or for a trade sale. Pursuing a secondary sale allows the selling fund to avoid having to request for an extension on the life of the fund. They also noted that experienced private equity firms tend to sell to less experienced firms, and secondary buyout deals usually occur closer to maturity of the buying fund than in primary deals. This is due to the fact that secondary buyout purchases are a

quick way of using up committed capital towards the end of a fund's investment period. Furthermore, initial public offerings are typically an early exit route, and can be attractive as marketing devices for raising a subsequent fund. If the portfolio company is not suited for an IPO, secondary buyouts are preferred so as to keep investment periods shorter, realize higher IRRs, and facilitate fundraising. The fact that exit choices can include the firm's desire to raise its next fund conflicts with the interest of investors (407). For the last factor evaluated, the portfolio company, the authors discuss that companies that can operate with high levels of debt tend to be sold in a secondary exit as they are more suited for private equity ownership. A trade sale is more likely for smaller companies that have experienced stronger growth (408).

Trade Sale

A trade sale is a sale to a strategic buyer. The buyer in a trade sale is focused on how the firm that is being sold by the private equity firm will align with the long-term business plans of the company. Some of these business-driven reasons can include vertical integration of customers or suppliers, horizontal expansion of new markets or product lines, ridding of competitors, or helping to eliminate any existing market weaknesses of the acquirer. Strategic buyers are willing to pay more for companies than financial buyers because they are able to realize synergies almost instantly. The more that the acquired business fits into the existing company's operating model, the higher the premium that the strategic buyer is willing to pay. Trade sale buyers typically are large and well-established companies with easy access to capital. The sale can be completed through purchasing stock, paying cash, or a combination of both (Jenkison 408).

Secondary Exit

A secondary exit is a sale to a financial sponsor. Financial buyers view the acquisition as an investment as it is seeking maximum returns before electing for its own exit strategy. Buyers are again looking to increase revenues and cash flows by improving operational inefficiencies, similar to that of a primary LBO. These sales are comparably quicker, have known proceeds, and rarely involve regulatory issues, which can plague trade sales. Secondary exits are especially attractive to selling private equity funds and their investors as the price is arrived at through auction involving multiple bidders, and at closing, the purchaser pays the full price. This means that the selling fund knows its exact returns achieved and gets the money back faster compared to the other exit routes (Jenkinson 406).

Initial Public Offering

An initial public offering as an exit strategy is when the private equity firm attempts to resell the company to the public. Although known as the “successful exit” of an LBO transaction, they are relatively uncommon compared to trade or secondary sales. Also, as mentioned, the timeliness of exit matters, and IPOs are not quick or certain in terms of proceeds that funds will receive. Uncertainty exists about the outcome of returns until the day before bookbuilding closes. Investment banks have to juggle the interests of vendors and its buy-side clients, so there are continuous last-minute changes being made. This inherent conflict of interest serves as an explanation for the systemic underpricing of IPOs, which general partners of funds view as “carried interest left on the table”. Therefore, with highly uncertain proceeds and a long

time to obtain those proceeds, IPOs are not as successful as an exit as they are perceived to be (Jenkinson 405).

Recapitalization

Recapitalizations are the most infrequent exit strategy. Private equity firms issue new debt to raise money to pay investors that helped fund the initial purchase of the portfolio company a special dividend. The primary advantage to doing this is that it reduces the risk for the private equity firm as it provides early and immediate returns to shareholders. However, it also increases the debt on the portfolio company's balance sheet making it overall riskier (Jenkinson 405).

Chapter 3

Methodology

Overview

This thesis applies an LBO model to the possible acquisition of Sprouts Farmers Market in an attempt to analyze the potential profitability of such a transaction. Sprouts Farmers Market (Sprouts) is a national healthy grocery store chain. Sprouts offers primarily fresh, natural, and organic products including fresh produce, bulk foods, dairy, frozen foods, body care, and other natural household items. Many aspects of the company position it as an ideal buyout candidate. As mentioned previously, stable cash flows and low existing debt levels are crucial for the target company. Sprouts is well-positioned in the stable retail grocery industry and maintains consistent cash flows. Its level of cash generation and cash-on-cash return has and will continue to grow especially considering the rather inelastic demand of its products due to the rising popularity of maintaining a healthy lifestyle. In addition, it has very low leverage, at only 0.2x net debt/EBITDA, and only one current revolver in its capital structure valued at $275 million, easing some of the risk associated with the transaction. Because it operates and maintains grocery stores, with a current total of around 120 stores, it has more than sufficient hard assets to ease concerns of the acquiring financial sponsor.

Another key consideration in determining a potentially successful target company is strong management. Sprouts' top figures in management are all industry experts, many of whom have joined the company relatively recently ("Leadership"). Sprouts is also an attractive target to consider due to its growth potential. Not only has management expressed plans to continue

expanding through the opening of new stores, but it has also revealed cost-saving initiatives. Evaluating the possibility of a buyout of Sprouts will highlight the profitability of the buyout opportunities in the retail grocery space and can lead to a better analysis of LBO valuation as it reinforces the current literature on the characteristics required for a successful LBO.

The model, generated using the Wall Street Leveraged Buyout Model template, walks through the transaction assumptions, which will be explored further below, the financial statements projected for the next 5 years, including adjustments on a pro forma basis, the exit valuation, and the expected returns for the Sponsor.

Transaction Assumptions

The terms of the transaction are heavily dependent on key assumptions most of which pertain to the purchase price as well as the sources of the funds needed to buy out the company as shown in Appendix B. Starting off, a minimum cash balance of $30 million was assumed, as Sprouts does not need to maintain a super significant amount of cash (in FY2018 it had just $2.2 million), but with the recent growth in FY2019 and FY2020 cash generation has improved significantly, so a somewhat larger level of cash was a reasonable assumption. It also indicates that the Sponsor will not be too aggressive with debt paydown so as to maintain this cash balance. As far as the initial valuation of Sprouts, the model includes two approaches. The first determines a purchase price given an explicitly assumed EBITDA multiple. This was determined using precedent transactions, the average purchase multiple of which was 9.1x, and then adjusted down slightly based on the size of Sprouts in comparison to some of the other targets. The

second approach also uses precedent transactions, but, as opposed to EBITDA multiples of the transactions, it is based on the percentage share price premiums offered in each transaction. The precedent transactions, displayed in Appendix A, include five prominent LBO transactions in the grocery retail space.

Perhaps the most integral transaction assumptions are the sources of funding for the deal, exact amounts of which are broken down in Appendices C and D. The buyout will be financed with Sponsor equity, a Term Loan A, Term Loan B, and Senior Notes with EBITDA turns of 1.0x, 2.0x, and 1.5x respectively. Sponsor equity will vary depending on the approach to initial valuation used but will either account for roughly 40% or 47% of the total sources of funds. Term Loan As (TLAs) are not as common in LBO transactions as Term Loan Bs (TLBs) as TLBs have looser covenants and require less principal amortization, so the Sponsor can hold on to more cash. High yield bonds, or senior notes, are also typically used as a funding source in an LBO because they allow the Sponsor to increase leverage to levels that bank debt or leveraged levels will not support. They also have longer maturities, and the principal is paid off in a bullet payment, meaning that in some transactions, such as this one, the Sponsor will not be required to pay down this instrument at all prior to exiting. As shown in Appendix G, the TLA has a mandatory paydown of 10% in the first year followed by 5% in subsequent years and the TLA has a mandatory paydown of 3%, which are typical terms in other similar transactions. The financing fees, included in Appendix B, for these tranches of debt range between 1.0 and 1.5% as this is also common for the issuance of these securities across the industry.

The remainder of the transaction assumptions primarily must deal with the financial statements. The growth rates & margins for the income statement are a combination of analyst projects from Factset and CapitalIQ as well as guidance from management and are broken down in Appendix D. For the property, plant, and equipment build in Appendix E, the capital expenditures projections were also based on explicit management guidance specifically regarding increasing the number of store locations. Other line items that did not have much consensus or guidance were flatlined to keep in line with historical amounts. The 3-Month London Interbank Offered Rate used to calculate interest expense in Appendix H was based on consensus forecasts provided by Chatham Financial.

Exit Assumptions

This model is based on the assumption that the Sponsor will exit Sprouts after 5 years. As mentioned, there exists a variety of options for the Sponsor when deciding to exit. In the situation modeled, the Sponsor should sell Sprouts to a strategic acquirer or another financial sponsor for an exit multiple of 7.0x. Because of the popularity of food retail acquisitions in the past few years, it is likely that the Sponsor will be able to sell Sprouts to either a strategic or financial acquirer. Sprouts makes an attractive target for a strategic acquirer due to its significant market share in the South, strong distribution network, and position in taking advantage of the healthy and organic food trends. Other financial sponsors, such as Apollo Global Management, have been involved in many buyouts in the food retail space as well making it likely that Sprouts will serve as an attractive candidate for them in 5 years as well. The 7.0x multiple assumption is a conservative estimate to showcase that even at this multiple the transaction will still be attractive for the Sponsor.

Chapter 4

Results

As mentioned previously, the ideal IRR required by a Sponsor tends to be a minimum of 20%. From Approach 1, determining the purchase price using an explicit EV/EBITDA multiple, the purchase price to buy out the equity of Sprouts is determined to be roughly $4.4 billion (Appendix B), and combined with the refinancing of the existing debt and the financing fees, the total funds required for the buyout is around $4.8 billion (Appendix C). With Approach 2, determining the purchase price using an offer value per share, the price to buy out the equity is roughly $3.9 billion (Appendix B) whereas the total funds required for the buyout is around $4.2 billion (Appendix C). At an exit multiple of 7.0x, the Sponsor will achieve an IRR of around 27% and 34% for each respective approach as shown in Appendix J, which indicates a successful transaction as it surpasses the minimum threshold required. Appendix K exhibits sensitivity analyses for the IRR for both approaches at various leverage and offer prices per share to show the potential for profitability across differing assumptions.

Chapter 5

Conclusion

There is a significant amount of academic research that exists on the topic of LBOs. From that, it can be gathered that there are not only various transaction types in terms of buyouts, but also the characteristics of a strong target candidate. Steady and healthy cash flows, low existing debt levels, and good management are perhaps the three most important features of companies that will be successful LBO targets. Other factors, such as being well-positioned for additional growth, also serve as useful indicators of a likely buyout target.

Again, successful LBOs are marked by achieving an IRR of at least 20%, which Sprouts Farmers Market is able to bring to its acquiring financial sponsor as it yields in an IRR of 27% according to the quantitative analysis performed. Sprouts Farmers Market meets all of the above and aforementioned characteristics of a strong LBO target, and due to the generated IRR, proves to be a strategic opportunity for a private equity company to enact a successful transaction and earn significant returns.

Further research will always be valuable in this area, especially in the evaluation of other possible target companies, that expands upon the buyout opportunities that exist within the grocery retail industry or a completely different sector. Also, there may be room to further identify additional characteristics that would signify a strong candidate for an LBO transaction.

Appendix A

Precedent Transactions

Precedent Transaction Analysis: Recent Industry M&A				
Acquirer	**Target**	**EV/EBITDA Multiple**	**Premium Paid**	**Purchase Price (MM)**
US Foods	Services Group of America	12.5x	-	$1,800.00
Amazon	Whole Foods	10.3x	27.00%	$13,400.00
Apollo	Fresh Market	7.9x	24.00%	$1,360.00
United Natural Foods	Supervalu	7.3x	67.00%	$2,900.00
Apollo	Smart & Final Stores	7.3x	21.00%	$1,100.00
	Industry Premium:	**9.1x**	**34.75%**	

Appendix B

Select Assumptions & Initial Valuation

SELECT FINANCIAL DATA / ASSMUPTIONS	
EBITDA (LTM)	532.5
Gross Debt (input as a -)	(261)
Cash	171
Minimum cash desired	30
EV / LTM EBITDA multiple at exit	7.0x

INITIAL VALUATION		
Select a valuation approach:	**Approach 1**	**Approach 2**
	Explicit EBITDA	*Explicit offer/share*
LTM EBITDA	532.5	532.5
EV / LTM EBITDA	8.5x	7.4x
Enterprise value	**4,526.3**	**3,954.2**
Less: Gross Debt (latest filing)	(260.5)	(260.5)
Plus: Cash (latest filing)	171.4	171.4
Offer value	**4,437.3**	**3,865.2**
Diluted shares outstanding	119.4	119.4
Offer value / per share	**37.17**	**32.38**
% Premium / discount	55%	35%

FEES	% fees	Fee	Term	Fee amort / year
Financing fees				
Revolver	0.0%	0.0	5 yrs	0.0
Term Loan A	1.0%	5.3	5 yrs	1.1
Term Loan B	1.5%	16.0	5 yrs	3.2
Senior Note	1.5%	12.0	5 yrs	2.4
Sub Note	0.0%	0.0	5 yrs	0.0
Financing fees		**33.3**		6.7

	% of offer value	Fee
Trans. fees	2.0%	**88.7**

Appendix C

Sources and Uses of Funds

Approach 1

USES OF FUNDS	
Buyout of equity	4,437.3
Refinancing of oldco debt	260.5
Fees (transaction & financing)	122.0
Total Uses	**4,819.8**

SOURCES OF FUNDS		
	EBITDA turns	$ investment
Excess cash	*0.27x*	141.4
Revolver	*0.00x*	0.0
Term Loan A	*1.00x*	532.5
Term Loan B	*2.00x*	1,065.0
Senior Note	*1.50x*	798.8
Sub Note	*0.00x*	0.0
Preferred stock	*0.00x*	0.0
Mgmt rollover	*0.00x*	0.0
Sponsor equity	*4.29x*	2,282.1
Total Sources	***9.05x***	**4,819.8**

Approach 2

USES OF FUNDS		
Buyout of equity		3,865.2
Refinancing of oldco debt		260.5
Fees (transaction & financing)		110.6
Total Uses		**4,236.3**

SOURCES OF FUNDS		
	EBITDA turns	$ investment
Excess cash	*0.27x*	141.4
Revolver	*0.00x*	0.0
Term Loan A	*1.00x*	532.5
Term Loan B	*2.00x*	1,065.0
Senior Note	*1.50x*	798.8
Sub Note	*0.00x*	0.0
Preferred stock	*0.00x*	0.0
Mgmt rollover	*0.00x*	0.0
Sponsor equity	*3.19x*	1,698.5
Total Sources	***7.96x***	**4,236.3**

Appendix D

Income Statement

INCOME STATEMENT								
Fiscal year	**2018A**	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/30/18*	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Revenue	5,207.3	5,634.8	6,468.8	6,533.4	6,925.5	7,479.5	8,227.4	9,050.2
Cost of sales	(3,459.9)	(3,740.0)	(4,089.5)	(4,269.3)	(4,490.8)	(4,812.7)	(5,252.8)	(5,732.8)
Gross Profit	**1,747.5**	**1,894.8**	**2,379.3**	**2,264.2**	**2,434.7**	**2,666.8**	**2,974.7**	**3,317.4**
Store closure and depreciation	(120.1)	(127.8)	(123.8)	(141.3)	(149.8)	(161.7)	(177.9)	(195.7)
Selling, general & administrative	(1,404.4)	(1,549.7)	(1,863.9)	(1,813.8)	(1,853.4)	(1,926.9)	(2,037.3)	(2,150.5)
Operating profit (EBIT)	**222.9**	**217.4**	**391.7**	**309.1**	**431.5**	**578.2**	**759.5**	**971.2**
Interest income	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	(27.4)	(21.2)	(14.8)	(149.6)	(143.1)	(131.8)	(111.7)	(81.2)
Other non-operating expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	**195.8**	**196.2**	**376.9**	**159.5**	**288.4**	**446.4**	**647.8**	**890.0**
Taxes	(37.3)	(46.5)	(89.4)	(35.3)	(63.9)	(98.9)	(143.6)	(197.2)
Net income	**158.5**	**149.6**	**287.5**	**124.1**	**224.5**	**347.5**	**504.3**	**692.8**

EBITDA reconciliation								
EBIT (GAAP)	222.9	217.4	391.7	309.1	431.5	578.2	759.5	971.2
Depreciation and amortization	110.7	122.8	126.5	141.6	148.7	161.9	171.8	175.2
Stock based compensation	14.5	8.9	14.3	14.4	15.0	15.9	17.2	18.6
EBITDA	**348.2**	**349.1**	**532.5**	**465.1**	**595.2**	**756.1**	**948.5**	**1,165.0**

Growth rates & margins								
Revenue growth	NA	8.2%	14.8%	1.0%	6.0%	8.0%	10.0%	10.0%
Gross profit as % of sales	33.6%	33.6%	36.8%	34.7%	35.2%	35.7%	36.2%	36.7%
Store closure margin	2.3%	2.3%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%
SG&A margin	27.0%	27.5%	28.8%	27.8%	26.8%	25.8%	24.8%	23.8%
Tax rate	19.0%	23.7%	23.7%	22.2%	22.2%	22.2%	22.2%	22.2%
SBC as % of all operating exp.	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Appendix E

Working Capital & Long-Lived Assets

WORKING CAPITAL							
Fiscal year	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Accounts receivable, EOP	**15.7**	**14.8**	**15.0**	**15.9**	**17.1**	**18.8**	**20.7**
AR as % of sales	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Other current assets, EOP	**285.4**	**279.7**	**282.5**	**299.5**	**323.4**	**355.7**	**391.3**
Other current assets as % of sales	5.1%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Accounts payable, EOP	**122.8**	**139.3**	**145.5**	**153.0**	**164.0**	**179.0**	**195.3**
AP as % of COGS	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Accrued expenses & def revenues, EOP	**187.0**	**220.1**	**222.3**	**235.6**	**254.5**	**279.9**	**307.9**
As % of sales	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Net Working Capital	*(8.7)*	*(64.9)*	*(70.3)*	*(73.3)*	*(77.9)*	*(84.3)*	*(91.2)*

LONG LIVED ASSETS								
Fiscal year		**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date		*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
PP&E	**766.4**	**741.5**	**726.5**	**779.0**	**836.0**	**901.1**	**972.8**	**1,047.6**
Capital expenditures	177.1	183.2	122.0	150.0	160.0	180.0	195.0	200.0
Depreciation	(110.3)	(121.3)	(125.6)	(97.5)	(103.0)	(114.9)	(123.3)	(125.2)
Capex as a % of revenue	(3.4%)	(3.3%)	(1.9%)	(2.3%)	(2.3%)	(2.4%)	(2.4%)	(2.2%)
Operating lease assets	**0.0**	**1,028.4**	**1,045.4**	**1,051.3**	**1,055.7**	**1,058.6**	**1,060.0**	**1,060.0**
Intangible assets	**194.8**	**185.4**	**185.0**	**185.0**	**185.0**	**185.0**	**185.0**	**185.0**
Goodwill and other assets	**380.5**	**379.8**	**383.6**	**383.6**	**383.6**	**383.6**	**383.6**	**383.6**
Other liabilities	**330.8**	**1,281.7**	**1,305.2**	**1,305.2**	**1,305.2**	**1,305.2**	**1,305.2**	**1,305.2**

Appendix F

Cash Flow Statement

CASH FLOW STATEMENT					
Fiscal year	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Net income	124.1	224.5	347.5	504.3	692.8
Depreciation and amortization	141.6	148.7	161.9	171.8	175.2
Stock based compensation	14.4	15.0	15.9	17.2	18.6
Changes in net working capital	5.4	3.0	4.6	6.4	6.9
Other assets & liabilities	0.0	0.0	0.0	0.0	0.0
Addback of PIK interest	0.0	0.0	0.0	0.0	0.0
Cash from operating activities	**285.5**	**391.2**	**529.9**	**699.7**	**893.5**
Capital expenditures	(150.0)	(160.0)	(180.0)	(195.0)	(200.0)
Purchases of intangible assets and capitalized software development costs	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Cash from investing activities	**(200.0)**	**(210.0)**	**(230.0)**	**(245.0)**	**(250.0)**
Required debt principal payments	(85.2)	(58.6)	(58.6)	(58.6)	(32.0)
Preferred dividend (cash)	0.0	0.0	0.0	0.0	0.0
Pre-revolver cash flows	**0.3**	**122.6**	**241.4**	**396.1**	**611.6**
Revolver	0.0	0.0	0.0	0.0	0.0
Post-revolver cash flows	**0.3**	**122.6**	**241.4**	**396.1**	**611.6**
Discretionary Term A paydown	(0.3)	(122.6)	(241.4)	(35.1)	0.0
Discretionary Term B paydown	0.0	0.0	0.0	(361.0)	(544.3)
Net change in cash during period	**0.0**	**0.0**	**0.0**	**0.0**	**67.3**

Appendix G

Cash & Debt Paydown

CASH & DEBT								
Fiscal year	**2018A**	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/30/18*	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Cash, BOP				30.0	30.0	30.0	30.0	30.0
Increases / (decreases)				0.0	0.0	0.0	0.0	67.3
Cash, EOP	**2.2**	**86.8**	**171.4**	**30.0**	**30.0**	**30.0**	**30.0**	**97.3**
Interest rate on cash		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revolver								
Cash, BOP				30.0	30.0	30.0	30.0	30.0
Less: Minimum cash desired				30.0	30.0	30.0	30.0	30.0
Equals: Excess cash at BOP				0.0	0.0	0.0	0.0	0.0
Plus: Free cash flows generated during period				0.3	122.6	241.4	396.1	611.6
Cash available (needed) to paydown (draw from) revolver				*0.3*	*122.6*	*241.4*	*396.1*	*611.6*
Revolver, BOP				0.0	0.0	0.0	0.0	0.0
Increases / (decreases)				0.0	0.0	0.0	0.0	0.0
Revolver, EOP				**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Maximum availability		*% AR*	*% Inventory*	*195.6*	*207.3*	*223.9*	*246.3*	*270.9*
Compliance check		*80%*	*65%*	*OK*	*OK*	*OK*	*OK*	*OK*
Term Loan A								
Term Loan A, BOP				532.5	478.9	329.7	61.7	0.0
Mandatory paydown $				53.3	26.6	26.6	26.6	0.0
Cash sweep (paydown from excess cash flows)				0.3	122.6	241.4	35.1	0.0
Term Loan A, EOP				**478.9**	**329.7**	**61.7**	**0.0**	**0.0**
Mandatory paydown (% of original)			*% of available cash used*	*10%*	*5%*	*5%*	*5%*	*5%*
Cash sweep			*100%*	*0.3*	*122.6*	*241.4*	*396.1*	*611.6*
Term Loan B								
Term Loan B, BOP				1,065.0	1,033.1	1,001.1	969.2	576.2
Mandatory amortization $				32.0	32.0	32.0	32.0	32.0
Cash sweep (paydown from excess cash flows)				0.0	0.0	0.0	361.0	544.3
Term Loan B, EOP				**1,033.1**	**1,001.1**	**969.2**	**576.2**	**0.0**
Mandatory paydown (% of original)			*% of available cash used*	*3%*	*3%*	*3%*	*3%*	*3%*
Cash available for cash sweep			*100%*	*0.0*	*0.0*	*0.0*	*361.0*	*611.6*
Senior Note								
Senior Note, BOP				798.8	798.8	798.8	798.8	798.8
Mandatory amortization $				0.0	0.0	0.0	0.0	0.0
Senior Note, EOP				**798.8**	**798.8**	**798.8**	**798.8**	**798.8**
Mandatory paydown (% of original)				*0%*	*0%*	*0%*	*0%*	*0%*
Capitalized financing fees								
Capitalized financing fees, BOP				33.3	26.6	20.0	13.3	6.7
Amortization				(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
Capitalized financing fees, EOP				**26.6**	**20.0**	**13.3**	**6.7**	**0.0**

Appendix H

Interest Rate Projections

INTEREST EXPENSE								
Fiscal year	**2018A**	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/30/18*	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
3-Month LIBOR Rate (bps)				*25*	*25*	*24*	*45*	*65*
	LIBOR Spread	LIBOR floor	Coupon Rate					
Revolver	L + 4.0%	1.0%		0.0	0.0	0.0	0.0	0.0
Term Loan A	L + 3.5%	1.0%		22.8	18.2	8.8	1.4	0.0
Term Loan B	L + 5.0%	1.0%		62.9	61.0	59.1	46.4	17.3
Senior Note			8.000%	63.9	63.9	63.9	63.9	63.9

Appendix I

Exit Valuation

EXIT VALUATION

	Initial equity inv.	% ownership	Fully diluted	Step	*Assumed exit on January 31, 2026*				
EBITDA multiple at exit					**6.0x**	**6.5x**	**7.0x**	**7.5x**	**8.0x**
EBITDA at exit				0.5x	1,165.0	1,165.0	1,165.0	1,165.0	1,165.0
Enterprise value					**6,990.3**	**7,572.8**	**8,155.3**	**8,737.9**	**9,320.4**
Net debt:									
Revolver					0.0	0.0	0.0	0.0	0.0
Term Loan A					0.0	0.0	0.0	0.0	0.0
Term Loan B					0.0	0.0	0.0	0.0	0.0
Senior Note					798.8	798.8	798.8	798.8	798.8
Sub Note					0.0	0.0	0.0	0.0	0.0
Pref. stock					0.0	0.0	0.0	0.0	0.0
Cash					(97.3)	(97.3)	(97.3)	(97.3)	(97.3)
Equity value					**6,288.8**	**6,871.4**	**7,453.9**	**8,036.4**	**8,618.9**
Sponsor equity	1,699	100.0%	100.0%		6,288.8	6,871.4	7,453.9	8,036.4	8,618.9
Mgmt equity	0	0.0%	0.0%		0.0	0.0	0.0	0.0	0.0
Pref. stock		0.0%	0.0%		0.0	0.0	0.0	0.0	0.0
Sub. Note		0.0%	0.0%		0.0	0.0	0.0	0.0	0.0

Appendix J

Returns & Summary

RETURNS	Cash-on-cash	IRR	Initial	2021P	2022P	2023P	2024P	2025P
Revolver	NM	0%	0.0	0.0	0.0	0.0	0.0	0.0
Term Loan A	1.10x	4%	(532.5)	76.3	167.4	276.8	63.1	0.0
Term Loan B	1.23x	5%	(1,065.0)	94.9	93.0	91.1	439.3	593.5
Senior Note	1.40x	8%	(798.8)	63.9	63.9	63.9	63.9	862.7
Sponsor's Equity at exit EBITDA multiple of:								
6.0x	3.70x	30%	(1,698.5)	0.0	0.0	0.0	0.0	6,288.8
6.5x	4.05x	32%	(1,698.5)	0.0	0.0	0.0	0.0	6,871.4
7.0x	4.39x	34%	(1,698.5)	0.0	0.0	0.0	0.0	7,453.9
7.5x	4.73x	36%	(1,698.5)	0.0	0.0	0.0	0.0	8,036.4
8.0x	5.07x	38%	(1,698.5)	0.0	0.0	0.0	0.0	8,618.9

Approach 1

SUMMARY AT 7.0x EXIT EBITDA MULTIPLE	Financing	% of Total Capital	% FD Ownership	Cash-on-cash	Expected IRR
Revolver	0.0	0.0%		NM	0%
Term Loan A	532.5	11.4%		1.10x	4%
Term Loan B	1,065.0	22.8%		1.23x	5%
Senior Note	798.8	17.1%		1.40x	8%
Sub Note	0.0	0.0%	0.0%	NM	0%
Preferred stock	0.0	0.0%	0.0%	NM	0%
Mgmt rollover	0.0	0.0%	0.0%	NM	0%
Sponsor equity	2,282.1	48.8%	100.0%	3.27x	27%
Total	**4,678.4**	**100.0%**	**100.0%**		

Approach 2

SUMMARY AT 7.0x EXIT EBITDA MULTIPLE	Financing	% of Total Capital	% FD Ownership	Cash-on-cash	Expected IRR
Revolver	0.0	0.0%		NM	0%
Term Loan A	532.5	13.0%		1.10x	4%
Term Loan B	1,065.0	26.0%		1.23x	5%
Senior Note	798.8	19.5%		1.40x	8%
Sub Note	0.0	0.0%	0.0%	NM	0%
Preferred stock	0.0	0.0%	0.0%	NM	0%
Mgmt rollover	0.0	0.0%	0.0%	NM	0%
Sponsor equity	1,698.5	41.5%	100.0%	4.39x	34%
Total	**4,094.8**	**100.0%**	**100.0%**		

Appendix K

Sensitivity Analysis

Approach 1

SENSITIVITY ANALYSIS

	Actual
Sponsor Hurdle Rate (Minimum	26.71%
Offer value	4,437.3
Diluted shares outstanding	119
Offer value / per share	37.17
% Premium / discount	*55%*
Enterprise value	**4,526**
EV / LTM EBITDA multiple	8.5x

Offer Price / Share At Various Sponsor Hurdle Rates					
30.00%	35.00%	40.00%	45.00%	50.00%	55.00%
4,163	**3,818**	**3,541**	**3,318**	**3,137**	**2,988**
119	119	119	119	119	119
34.87	31.98	29.67	27.80	26.28	25.03
45%	*33%*	*23%*	*16%*	*9%*	*4%*
4,252	**3,907**	**3,630**	**3,407**	**3,226**	**3,077**
8.0x	7.3x	6.8x	6.4x	6.1x	5.8x

Sponsor IRR At Various Leverage And Initial EBITDA Multiple Sensitivity

		Term A / EBITDA ratio (other cumulative leverage of 3.5x)				
	27%	**2.00x**	**2.25x**	**2.50x**	**2.75x**	**3.00x**
	8.00x	35.6%	37.5%	39.7%	42.2%	45.2%
Initial	**8.25x**	33.3%	34.9%	36.8%	38.9%	41.4%
EBITDA	**8.50x**	31.2%	32.6%	34.2%	36.0%	38.1%
Multiple:	**8.75x**	29.2%	30.5%	31.9%	33.5%	35.3%
	9.00x	27.4%	28.6%	29.8%	31.2%	32.7%

Approach 2

SENSITIVITY ANALYSIS

	Actual
Sponsor Hurdle Rate (Minimum	34.42%
Offer value	3,865.2
Diluted shares outstanding	119
Offer value / per share	32.38
% Premium / discount	*35%*
Enterprise value	**3,954**
EV / LTM EBITDA multiple	7.4x

Offer Price / Share At Various Sponsor Hurdle Rates					
30.00%	35.00%	40.00%	45.00%	50.00%	55.00%
4,174	**3,829**	**3,553**	**3,330**	**3,148**	**3,000**
119	119	119	119	119	119
34.97	32.08	29.76	27.89	26.37	25.13
46%	*33%*	*24%*	*16%*	*10%*	*5%*
4,263	**3,918**	**3,642**	**3,419**	**3,237**	**3,089**
8.0x	7.4x	6.8x	6.4x	6.1x	5.8x

Sponsor IRR At Various Leverage And Offer Price / Share Sensitivity

		Term A / EBITDA ratio (other cumulative leverage of 3.5x)				
	34%	**2.00x**	**2.25x**	**2.50x**	**2.75x**	**3.00x**
	$31.88	43.7%	46.7%	50.3%	54.7%	60.3%
Initial	**32.13**	43.0%	45.8%	49.2%	53.4%	58.7%
Offer	**32.38**	42.2%	45.0%	48.2%	52.2%	57.2%
Price:	**32.63**	41.5%	44.1%	47.2%	51.0%	55.7%
	32.88	40.8%	43.3%	46.3%	49.9%	54.3%

Appendix L

Pro Forma Balance Sheet Adjustments

Approach 1

PRO FORMA BALANCE SHEET ADJUSTMENTS

	2019A	2020A	Pro forma adjustments			*Pro forma* 2020
	12/29/19	1/3/21	Uses of funds	Sources of funds	Accounting	1/3/21
Cash	86.8	171.4	(4,819.8)	4,678.4		30.0
Accounts receivable, EOP	15.7	14.8				14.8
Other current assets, EOP	285.4	279.7				279.7
PP&E	741.5	726.5				726.5
Operating lease assets	1,028.4	1,045.4				1,045.4
Intangible assets	185.4	185.0	33.3			218.2
Goodwill and other assets	379.8	383.6			3,555.99	3,939.6
Total Assets	**2,723.1**	**2,806.4**				**6,254.2**
Accounts payable, EOP	122.8	139.3				139.3
Accrued expenses & def revenues, EOP	187.0	220.1				220.1
Other liabilities	1,281.7	1,305.2				1,305.2
Debt	549.4	260.5	(260.5)	2,396		2,396.3
Total Liabilities	**2,141.0**	**1,925.1**				**4,060.9**
LBO Preferred stock	NM	NM		0		0.0
Equity	582.0	881.3	(4,526.0)	2,282	3,556.0	2,193.3
Total equity	**582**	**881**				**2,193.3**

Approach 2

PRO FORMA BALANCE SHEET ADJUSTMENTS

	2019A	2020A	Pro forma adjustments			*Pro forma* 2020
	12/29/19	1/3/21	Uses of funds	Sources of funds	Accounting	1/3/21
Cash	86.8	171.4	(4,236.3)	4,094.8		30.0
Accounts receivable, EOP	15.7	14.8				14.8
Other current assets, EOP	285.4	279.7				279.7
PP&E	741.5	726.5				726.5
Operating lease assets	1,028.4	1,045.4				1,045.4
Intangible assets	185.4	185.0	33.3			218.2
Goodwill and other assets	379.8	383.6			2,983.89	3,367.5
Total Assets	**2,723.1**	**2,806.4**				**5,682.1**
Accounts payable, EOP	122.8	139.3				139.3
Accrued expenses & def revenues, EOP	187.0	220.1				220.1
Other liabilities	1,281.7	1,305.2				1,305.2
Debt	549.4	260.5	(260.5)	2,396		2,396.3
Total Liabilities	**2,141.0**	**1,925.1**				**4,060.9**
LBO Preferred stock	NM	NM		0		0.0
Equity	582.0	881.3	(3,942.5)	1,699	2,983.9	1,621.2
Total equity	**582**	**881**				**1,621.2**

Appendix M

Pro Forma Balance Sheet

Approach 1

PRO FORMA BALANCE SHEET								
Fiscal year	**2018A**	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/30/18*	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Cash	86.8	171.4	30.0	30.0	30.0	30.0	30.0	97.3
Accounts receivable, EOP	15.7	14.8	14.8	15.0	15.9	17.1	18.8	20.7
Other current assets, EOP	285.4	279.7	279.7	282.5	299.5	323.4	355.7	391.3
PP&E	741.5	726.5	726.5	779.0	836.0	901.1	972.8	1,047.6
Operating lease assets	1,028.4	1,045.4	1,045.4	1,051.3	1,055.7	1,058.6	1,060.0	1,060.0
Intangible assets	185.4	185.0	218.2	211.6	204.9	198.3	191.6	185.0
Goodwill and other assets	379.8	383.6	3,939.6	3,939.6	3,939.6	3,939.6	3,939.6	3,939.6
Total Assets	**2,723.1**	**2,806.4**	**6,254.2**	**6,308.9**	**6,381.4**	**6,468.1**	**6,568.7**	**6,741.5**
Accounts payable, EOP	122.8	139.3	139.3	145.5	153.0	164.0	179.0	195.3
Accrued expenses & def revenues, EOP	187.0	220.1	220.1	222.3	235.6	254.5	279.9	307.9
Other liabilities	1,281.7	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2
Debt	549.4	260.5	2,396.3	2,310.8	2,129.6	1,829.7	1,375.0	798.8
Total Liabilities	**2,141.0**	**1,925.1**	**4,060.9**	**3,983.7**	**3,823.5**	**3,553.3**	**3,139.1**	**2,607.2**
LBO Preferred stock	NM	NM	0.0	0.0	0.0	0.0	0.0	0.0
Equity	582.0	881.3	2,193.3	2,325.2	2,558.0	2,914.8	3,429.6	4,134.3
Total equity	**582.0**	**881.3**	**2,193.3**	**2,325.2**	**2,558.0**	**2,914.8**	**3,429.6**	**4,134.3**

Approach 2

PRO FORMA BALANCE SHEET								
Fiscal year	**2018A**	**2019A**	**2020A**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**
Fiscal year end date	*12/30/18*	*12/29/19*	*1/3/21*	*1/31/22*	*1/31/23*	*1/31/24*	*1/31/25*	*1/31/26*
Cash	86.8	171.4	30.0	30.0	30.0	30.0	30.0	97.3
Accounts receivable, EOP	15.7	14.8	14.8	15.0	15.9	17.1	18.8	20.7
Other current assets, EOP	285.4	279.7	279.7	282.5	299.5	323.4	355.7	391.3
PP&E	741.5	726.5	726.5	779.0	836.0	901.1	972.8	1,047.6
Operating lease assets	1,028.4	1,045.4	1,045.4	1,051.3	1,055.7	1,058.6	1,060.0	1,060.0
Intangible assets	185.4	185.0	218.2	211.6	204.9	198.3	191.6	185.0
Goodwill and other assets	379.8	383.6	3,367.5	3,367.5	3,367.5	3,367.5	3,367.5	3,367.5
Total Assets	**2,723.1**	**2,806.4**	**5,682.1**	**5,736.8**	**5,809.3**	**5,896.0**	**5,996.6**	**6,169.4**
Accounts payable, EOP	122.8	139.3	139.3	145.5	153.0	164.0	179.0	195.3
Accrued expenses & def revenues, EOP	187.0	220.1	220.1	222.3	235.6	254.5	279.9	307.9
Other liabilities	1,281.7	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2	1,305.2
Debt	549.4	260.5	2,396.3	2,310.8	2,129.6	1,829.7	1,375.0	798.8
Total Liabilities	**2,141.0**	**1,925.1**	**4,060.9**	**3,983.7**	**3,823.5**	**3,553.3**	**3,139.1**	**2,607.2**
LBO Preferred stock	NM	NM	0.0	0.0	0.0	0.0	0.0	0.0
Equity	582.0	881.3	1,621.2	1,753.1	1,985.9	2,342.7	2,857.5	3,562.2
Total equity	**582.0**	**881.3**	**1,621.2**	**1,753.1**	**1,985.9**	**2,342.7**	**2,857.5**	**3,562.2**

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ACADEMIC VITA:
SWATI VIPPERLA

EDUCATION

The Pennsylvania State University | Schreyer Honors College — **University Park, PA**
Smeal College of Business | *Bachelor of Science in Finance & Minor in Legal Environment of Business* — *Class of May 2021*
College of Information Sciences & Technology | *Minor in Information Sciences & Technology*

RELEVANT EXPERIENCE

Deutsche Bank — **New York, NY**
Investment Banking | Summer Analyst — *Jul 2020*
- Participated in a 4-week internship program that included a variety of presentations, trainings, and networking sessions to develop a broader understanding of the Corporate Finance division as well as to gain specific insight into the Industrials group
- Completed and presented a case study on BJ's Wholesale Club including an in-depth company analysis, relative valuation, and intrinsic valuation to determine whether a private equity firm should consider an acquisition
- Worked in a team of 5 on an Innovation Project that addressed how Deutsche Bank could increase its competitiveness and client base

Leveraged Lion Capital — **University Park, PA**
Executive Board | Treasurer — *Dec 2019 – Present*
- Facilitated LLC classes and Penn State Fixed Income Association sessions focusing on associate development and recruitment respectively
- Critiqued investment ideas and provided mentorship to guide the 30 portfolio managers toward successful placement on Wall Street
- Helped to establish the Board of Directors and Management Committee to provide the organization with valuable resources and guidance
- Worked with the other members of the Executive Board to organize the bi-annual Wall Street trip with various banks and the LSTA
- Compiled and distributed weekly and monthly reports to Penn State alumni and other professionals across Wall Street

Media & Communications Group | Associate Analyst — *May 2019 – Dec 2019*
Healthcare Group | Associate Analyst — *Jan 2019 – May 2019*
- Interviewed and selected for the nation's first student-run syndicated paper loan and high yield portfolio partnered with Bank of America Merrill Lynch, the Loan Syndications and Trading Association and S&P Global
- Analyzed prospective leveraged loans and high yield bond investments by performing credit analysis, evaluating credit agreements, examining capital structures, building financial models, and conducting ratio analysis
- Co-managed the $12.8 million paper fund in the Healthcare sector of the $125 million portfolio while attempting to outperform the S&P/LSTA Leveraged Loan Index and the Bloomberg Barclays U.S. High Yield Index
- Constructed weekly reports, monthly reports, and earnings write-ups detailing sector performance and industry trends

Siemens — **Orlando, FL**
Gas & Power | Finance Leadership Development Program Intern — *May 2019 – Aug 2019*
- Created budgets for the Marketing & Sales departments at a cost center grouping and an individual cost center level by forecasting FY19 and FY20 expenses for the generator, steam turbine, and gas turbine business segments
- Updated headcount reports to track movement of Marketing & Sales employees between the different business and service segments and recorded the new organizational mapping of cost centers using SAP PD2
- Generated credit rating reports for business orders over $5M and actuals reports to compare the orders entered to the forecasted amount
- Analyzed strategic spare parts within the WIP and Finished Goods accounts to locate missing parts and take stock of aging inventory

Wall Street Bootcamp — **University Park, PA**
Participant — *Jan 2019 – May 2019*
- Selected from hundreds of applicants to enroll in this semester-long exclusive program that features weekly presentations by Wall Street professionals in various career paths including investment banking, sales & trading, and asset management

Apple Leisure Group — **Newtown Square, PA**
IT Business Operations | Intern — *Jun 2018 – Aug 2018*
- Developed a presentation of the ALG IT budgeting process to be used by management in annual budget meetings
- Created purchase orders using the SAP S4 Hana system for IT procurement necessities
- Assessed and created a consolidated database of ALG corporate contracts for M&A purposes

LEADERSHIP & ACTIVITIES

Schreyer Honors College — **University Park, PA**
Scholar Advancement Team — *Jun 2018 – Present*
- Selected to serve as a Schreyer Honors College ambassador on a team of only 40 students to represent the College at signature events
- Assisted with recruiting efforts on behalf of the Honors College including panel discussions, organizing visits, and guided tours

Natya — **University Park, PA**
Co-Captain & Dancer — *Sep 2017 – Present*
- Chosen to compete and serve as co-captain for the only nationally competitive Indian classical dance team at Penn State

HONORS

Honors: President's Sophomore Spark and Freshman Awards, National Merit Finalist, International Baccalaureate Diploma Recipient