CASE STUDY: COLORADO DENTAL LLP

Transaction
Heintz Ward & Co, (HW), a Private Equity firm signed an agreement to acquire Colorado Dental LLP ("Colorado Dental") for an aggregate of $1.1 billion (pre-transaction expenses). The $1.1 billion acquisition includes a purchase of equity of $780 million and $320mm of refinancing of existing debt. Transaction Fees are $50 million.

Capital Raising:
HW is in the process of raising the necessary funds to cover the purchase price, refinance Colorado Dental's existing debt and pay for transaction fees. The proposed structure is as follows:

Equity:
HW will invest $600 million of equity. The Expected equity return is calculated based on CAPM where the Risk-Free Rate is 2.0%, the Market Return is 10% and the industry Beta is 2.0x.

Bank Debt: Spring Bank approved a 3-tranch loan (Revolver, Term Loan A and Term Loan B) based on the Company's last year's EBITDA. The Money Terms were as follows:

REVOLVER: $100 Million ($0 funded on day one) -) assume no unfunded expense

TERM LOAN A

Amount:	1.8x 2018 EBITDA *
Interest:	Fixed Rate 5.5%
Term:	7 years
Scheduled Payment	Year 2019: 5%, Year 2020: 5%, Year 2021: 8%, Year 2022: 10%, Year 2023: 12%, Year 2024:15%, 2025:45%

TERM LOAN B

Amount:	2.0x 2018 EBITDA *
Interest:	Fixed Rate 6.0%
Term:	7 years
Scheduled Payment	Year 2019: 1%, Year 2020: 1%, Year 2021: 1%, Year 2022: 1%, 2023: 1%, Year 2024: 1%, Year 2025: 94%

Senior Unsecured Notes

Morgan Stanley, an investment bank, managed to raise the Senior Unsecured Notes. The Money Terms were as follows:

Amount:	The balance of the financing (after Bank Loans & Equity)
Interest:	9.0%
Term:	8 years
Scheduled Payment	2019 – 2025: 0%, 2026: 100% (bullet payment)

COMPANY OVERVIEW

Colorado Dental operates 480 locations across 30 states, primarily in the Northeast and Midwest. The dentists supported by Colorado Dental in 2016 served 2 million patients.

Last Year's Operation Assumptions (2018):

- Average Revenue per Patient per Visit (ARPV): $250
- Average number of visits per patient per year: 2 visits
- Number of patients in year 2017: 2 million
- Cost of Revenue as 60% of Revenue
- Operating Expenses as 30% of Revenue
- Depreciation as 5% of Revenue

Projections' Assumptions (Years 2019-2026):

- ARPV: Increase of 6% per year
- Average number of visits per patient per year: 2
- Patients annual growth rate: 2%
- Cost of Revenue: **55% of Revenues**
- Operating Expense: 30% of Revenues
- Depreciation: 5% of Revenues
- Amortization of Fees – use 7 years
- Tax Rate at 22%
- Deferred Taxes as % of Tax expense: 5%
- Accounts Receivables Days: 30 Days
- Inventory Days: 65 Days
- Accounts Payable Days: 20 Days
- Other Current Assets as % of Revenues: 1.0%
- Other Current Liabilities as % of Revenues: 1.5%
- Capex: 5% of Revenues per year