



Fair value application

PE firm

Developed software to automate the creation of professionally formatted PowerPoint presentations for reporting portfolio company and fund valuations at the end of each quarter. The application allows for quick data analysis, providing the client with up-to-date information in a timely manner.

Fair value application for a private equity firm

Situation

- Client was facing challenges in manually compiling valuation models and creating the valuation decks of portfolio companies and funds. They needed a solution to streamline the quarterly valuation process.
- Partnered with the client to develop the fair value application empowering the valuation team to prepare the PowerPoint decks by automating data collection, collation, and deck generation

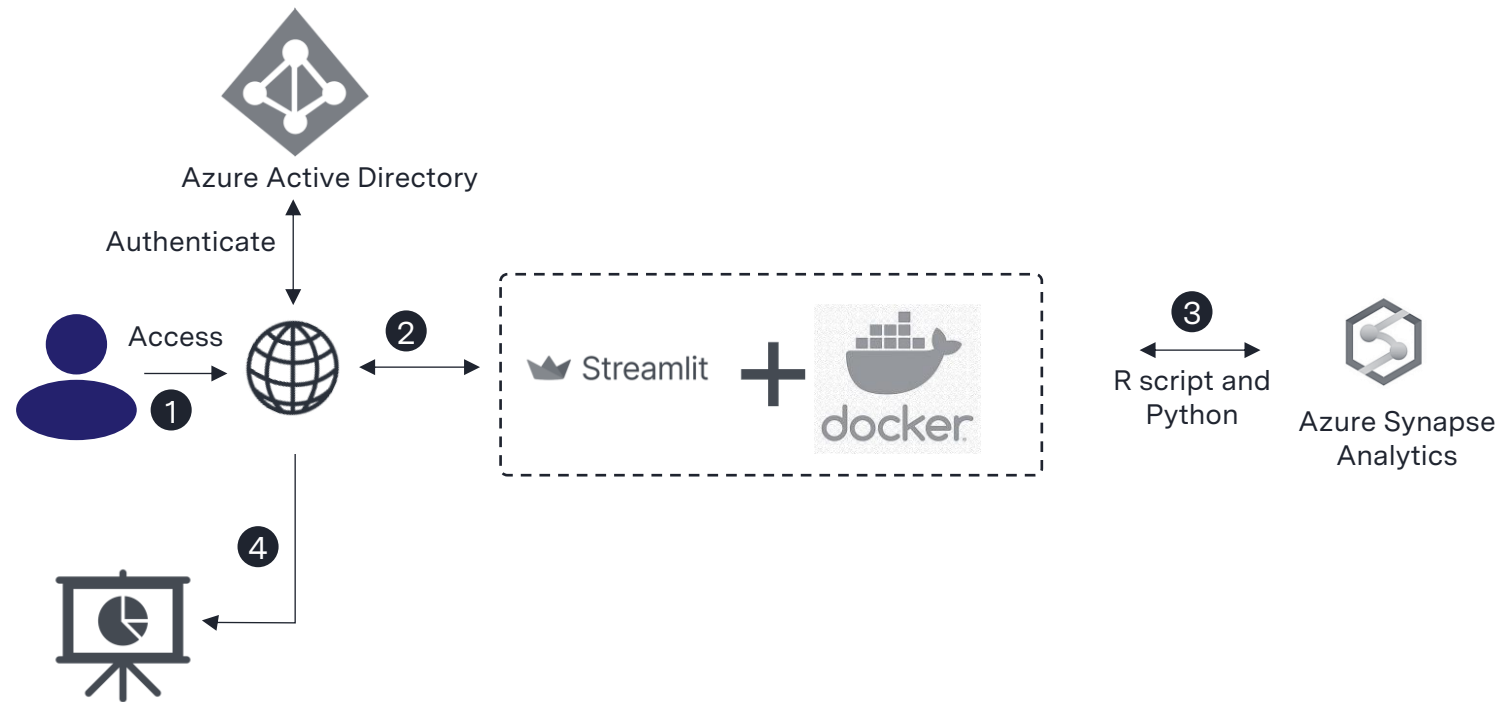
Accordion Value Add

- Collaborated with the client's deal team and fund control team to streamline various processes involved in the fund valuation - extracted financial performance of portfolio companies, comparable companies' multiples, and valuation commentary from the deal team
- Integrated data from various sources (iLevel, CapIQ, Bloomberg, DealCloud, Investran, etc.) into a central Azure cloud data warehouse to serve as the single source of truth for the valuation model
- Developed an application using Streamlit and Docker, that transforms data from the data warehouse and generates fund valuation bridges and portfolio summaries by a single click of a button

Impact

- Streamlining the fair valuation process enabled the firm to reduce the time taken to integrate new portfolio companies to the existing valuation process
- 80% reduction (~160 person-hours/quarter) in time-consumed to generate automated visuals and consolidation of PowerPoint decks

Fair value application architecture



- 1 Authentication:** User authentication via Azure Active Directory enables web client access. Input parameters include company/quarter selection.
- 2 Function call:** The Streamlit application invokes necessary functions using R and Python scripts based on the input parameters

- 3 Core Process:** Graphs and flex tables are generated using data from Azure cloud data warehouse, and slides for the consolidated PowerPoint presentation are created
- 4 Output:** The valuation deck is prepared and available for users to download

Exhibit – Fair value application

Fund Sample 2.2 ABC, Inc Multiples

Quarter Period End Date	Y1-Q2	Y1-Q3	Y1-Q4	Y2-Q1
	Y1-Jun	Y1-Sep	Y1-Dec	Y2-Mar
EV / EBITDA				
Company A, Inc.	21.8x	16.4x	14.3x	11.5x
Company Group AG	30.7x	18.5x	11.1x	11.9x
Company C				
Company Holding AG	18.2x	19.6x	12.5x	14.6x
Company Medical				
Comp set multiple (mean)	13.3x	19.1x	9.0x	8.7x
Δ vs prior QTR	-19%	-23%	-23%	77%
Discount applied	28.0%	41.5%	36.3%	86.3%
FV multiple	14.0x	16.5x	5.7x	1.2x
Δ vs prior QTR	-7%	18%	-65%	-79%



Key
Comp excluded
Comp included

EV q/q	Y1-Q2	Y1-Q3	Y1-Q4	Y2-Q1	Y1-Q2	Y1-Q3	Y1-Q4	Y1-Q2	Y1-Q3	Y1-Q4
	Y1-Jun	Y1-Sep	Y1-Dec	Y2-Mar	Y1-Jun	Y1-Sep	Y1-Dec	Y1-Jun	Y1-Sep	Y1-Dec
Company A, Inc.	-3%	-26%	14%	13%	2%	-39%	40%	-33%	-100%	-100%
Company Group AG	-24%	-2%	-7%	7%	40%	0%	0%	-4%	-100%	-100%
Company C										
Company Holding AG	-17%	17%	-14%	16%	22%	0%	0%	20%	-100%	-100%
Company Medical										
Δ vs prior QTR (comparable, mean)	-15%	-3%	0%	10%	22%	-13%	13%	-6%	-67%	-67%

Comp Set:

The comps set remains unchanged.

Discount:

The FV multiple was reduced to 7.5x (compared to 11.5x last quarter, -8.7% since Y1-Q3) with an implied discount to peer group of 26.3%, reflecting the recent trading trajectory of the business and downtrading of listed peers. In general, we view private comps as more relevant with Company R as Company A's core peer (c. 16x in 2020) and Company Pharma (11x) as a secondary comp due to its smaller size - though those multiples are likely unrealistic in today's environment. Most recent transactions in the space are Company U (16x) and Company C (10x), in Y1-Oct and Y1-Nov respectively and Company A should be valued between these two.

The multiples and enterprise value of the portfolio comparative companies

Exhibit – Fair value application

