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| **Tunis Business School** |
| **Navigating Private Equity: A Strategic Investment Approach Across the Business Lifecycle** |
| **2024-2025** |

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| --- | --- | --- | --- |
| **Family Name** | **Name** | **Major/Minor** | **ID** |
| Ben Attia | Isra | FIN/ACC | 04960548 |
| Arfaoui | Eya | FIN/IT | 14370519 |

1. **Venture Capital :**

**1) Introduction to Venture Capital Investment Strategy**

Private equity (PE) plays a critical role in financing businesses across different stages of their lifecycle, from early-stage start-ups to mature companies undergoing restructuring. Within the PE landscape, **Venture Capital (VC)** focuses on high-growth, innovative start-ups with disruptive potential.

In this proposal we chose to evaluate ***Mistral AI***, a cutting-edge artificial intelligence (AI) startup, as a compelling VC investment opportunity.

**2) Investement Rationale – why Mistral AI ?**

1. **Mistral Ai is Europe’s AI champion**

* **Strategic Importance:** The EU has **no dominant AI player**, creating urgency to support Mistral as a regional alternative to U.S. (OpenAI) and China (Baidu).
* **Government Backing:**
  + **French & German support** (tax breaks, grants, HPC compute access).
  + **EU AI Act Compliance:** Mistral’s open-source approach avoids strict regulations targeting closed models like GPT-4.

1. **Open-Source Edge**

* **Unlike OpenAI**, Mistral releases **uncensored, high-performance models** (e.g., Mixtral 8x22B)
* **Developer Adoption:**
  + 500K+ downloads on Hugging Face (faster than Llama 2’s launch).
  + Used by **Siemens, Airbus, and EU govtech projects**.
* **Hybrid Model:**
* Free open-source models → **Enterprise paid versions** (like RedHat).

1. **First-Mover in EU AI :build for scale ,partnered for impact**

* **Only credible European LLM** competing at scale
* **Partnerships with** 
  + **Microsoft Azure** (Mistral’s preferred cloud).
  + **IBM watsonx** (for regulated industries).
  + **NVIDIA** (optimized for H100 GPUs).

**3) Growth potential**

1. **Revenue Streams**

| **Source** | **2024 Estimate** | **2027 Projection** |
| --- | --- | --- |
| **Enterprise Licensing** | $50M | $1B+ |
| **Cloud API Fees** (Azure/IBM) | $30M | $500M |
| **Govt. Contracts** (EU Digital Sovereignty) | $20M | $300M |
| **Total** | **$100M** | **$1.8B** |

🡺**17x revenue increase**

1. **Market Expansion**

* **EU Public Sector:** Mandates for "sovereign AI" in France/Germany.
* **Emerging Markets:** Africa/Middle East prefer **uncensored, low-cost** models vs. OpenAI.
* **Edge AI:** Partnering with **Qualcomm** for on-device AI (phones, cars).

**4) Risks – What Could Go wrong ?:**

1. **Competition:**

| **Rival** | **Threat Level** | **Mistral’s Counter** |
| --- | --- | --- |
| **OpenAI** | **Medium** | Cheaper, more flexible |
| **Meta (Llama 3)** | **High** | Mistral has EU loyalty |
| **xAI (Grok)** | **Low** | Too U.S.-focused compared to Mistral |

1. **Funding and Burn Rate**

**With a 25 monthly burn rate, Mistral is spending its 600M cash fast—giving just 24 (600/25)months to hit critical revenue targets before facing a cash crunch. The aggressive spending on model training and sales leaves minimal room for setbacks, making 2025 a make-or-break year. While the runway appears sufficient, any slowdown in commercialization could force painful cost cuts or dilute existing investors in a down round.**

**5) Ownership Stake and Deal structure**

* **Hypothetical : $500M Investment**

| **Term** | **Proposal** | **Industry Standard (Elite Startups)** | **Why It Works for Mistral** |
| --- | --- | --- | --- |
| **Pre-Money** | $6B | 5-8x revenue (€100M 2024 → $6B = 6x) | Matches OpenAI’s early-stage multiples (6-8x revenue at scale). |
| **Ownership Stake** | 7.7% | 5-15% for Series C | Balances investor upside with founder control 🡺 (500M/6B)=7.7% |
| **Liquidation** | 1x | 1x (standard) / 2x (high-risk) | Non-punitive; shows confidence in exit potential. |
| **Board Rights** | Observer | Observer (or 1 seat for 10%+) | Protects investor oversight without micromanaging. |
| **Anti-Dilution** | Full ratchet | Weighted avg. (common) / Full ratchet (high-competition deals) | Justified given AI’s volatility—insulates against down rounds if market sours. |

**4) Financial Modeling & Valuation**

* **Discounted Cash Flow Analysis (intrinsic Value )**
* **Goal:** Estimate Mistral’s value based on its own cash flows.

#### **Key Assumptions :**

| **Input** | **Source/Estimate** |
| --- | --- |
| **2024 Revenue** | €100M (estimated from Series B scale) |
| **Revenue CAGR (2024-2027)** | 120% 🡺 ( 1.8B-100M)/100M |
| **EBITDA Margin (2027)** | 25% (benchmark: OpenAI ~30%, smaller players ~20%) |
| **WACC (Discount Rate)** | 15% (high for startup risk; EU risk premium) |
| **Terminal Growth** | 3% (long-term EU GDP+inflation) |
| **FCF** | **80% EBITDA :**  Assumes 20% reinvestment in R&D/sales. |

| **Year** | **Revenue** | **EBITDA (25%)** | **FCF (80%)** | **PV (@15%)** |
| --- | --- | --- | --- | --- |
| 2024 | €100M | €25M | €20M | €20M |
| 2025 | €220M | €55M | €44M | €33M |
| 2026 | €484M | €121M | €97M | €64M |
| 2027 | €1.8B | €450M | €360M | €206M |
| **TV** | - | - | €3.1B | €1.7B |
| **Total EV** |  |  |  | **€2.0B** |

* **Comparable Analysis**

#### **Step 1: Select Peers**

| **Company** | **2027E Revenue** | **EV/Revenue (2027E)** | **Notes about company** |
| --- | --- | --- | --- |
| OpenAI | $10B | 12x | Global leader, higher margins |
| Databricks | $6B | 20x | Enterprise focus, sticky revenue |
| Cohere | $2B | 8x | Smaller, less diversified |

* *Step 2: apply it to Mistral*
* **Mistral’s 2027 Revenue:** €1.8B (~$2B)

**5) Exit Strategy : Strategic Sale**

### **Why a Strategic Sale (2026-2027) is the Best Exit?**

* **"EU Nationalism Guarantees a Buyer"**
* France/Germany won’t let Mistral fail (AI sovereignty = geopolitical priority).
* **Buyers:** Microsoft (Azure partner), SAP (enterprise AI), or Gulf funds (QIA/PIF)
* **"IPO Market is Broken for AI"**
* Recent IPOs (Instacart, Arm) flopped; and European tech trades at a **NASDAQ discount**

**Conclusion :** **Investing in Mistral AI presents a unique opportunity to capitalize on Europe's leading independent LLM player, with cutting-edge technology and strategic partnerships. It has a clear path to hypergrowth revenue that offers outsized returns for investors who believe in AI sovereignty and market scarcity.**

1. **Growth Equity:**
2. **Introduction to Growth Equity Investment Strategy**

In our private equity portfolio, we have identified growth equity as a crucial subset of investments aimed at funding companies with strong growth potential, but not yet ready for a traditional buyout. Growth equity investments are generally targeted at companies in **expansion stages**, where the opportunity lies in providing capital to fuel further growth without taking control of operations. This investment approach is less risky than early-stage venture capital and offers substantial upside as companies scale and mature. Within this context, our growth equity focus is to invest in companies like ***Canva***, which are leading innovation within their sectors, have scalable business models, and show promising financial trajectories.

1. **Why invest in Canva?**

* **Strong Revenue Base, Poised for Scaling**
* **Revenue:** Canva's annual recurring revenue (ARR) reached approximately $2.55 billion by September 2024, reflecting a 44% year-over-year growth from $1.7 billion at the end of 2023. [sacra.com](https://sacra.com/c/canva/?utm_source)
* **Valuation:** In October 2024, Canva was valued at $32 billion during a secondary share sale, representing a 12.5x forward revenue multiple.[sacra.com](https://sacra.com/c/canva/?utm_source)
* **Profitability and Investment in Growth**
* **Profitability**: Canva has been reported as profitable, with a cash reserve of **$750 million**, indicating robust financial health. [LinkedIn](https://www.linkedin.com/pulse/mispriced-deep-dive-why-canvas-26-billion-valuation-noorgat-ca-cfa-ppgxf/)
* **Cash Flow Considerations:** Canva’s acquisitions of Affinity and Leonardo.ai indicate strategic capital deployment toward strengthening product offerings and competitive positioning.
* **Suitability for Growth Equity Investment**
* **Stage of Development:** Canva is beyond the venture capital phase but remains pre-IPO, making it an optimal target for growth equity funding.
* **Capital Efficiency:** Funding will be directed toward AI innovation, enterprise sales, and global market expansion.

1. **Expansion Plans**
2. **Market Expansion**

* **Target Markets:** India, Brazil, Japan.
* **Strategies:** Localization, telecom partnerships, enterprise collaborations

1. **Product & AI Integration**

* **Enhancements:** AI-powered design tools, video editing, enterprise collaboration features.
* **Competitive Positioning:** Expansion into enterprise solutions to challenge **Adobe’s dominance**.

1. **Strategic Acquisitions**

* **AI & Design Startups:** Targeting AI-driven video generation and design automation firms to accelerate product innovation.

1. **Investment Structure**
2. **Investment Amount & Ownership Stake**

* **Investment Size:** Growth equity investments typically range from $5 million to $100 million. Given Canva’s robust growth and the need to scale AI capabilities and enterprise sales, a $100 million investment aligns with its expansion strategy.
* **Ownership Stake:** The ownership stake of 35% ensures significant influence while allowing the founding team to maintain operational control. This level of ownership provides:

1. **Strong minority position**, granting board representation and veto rights.
2. **Alignment with industry norms**, where growth equity firms target 20%-50% stakes.
3. **Flexibility for future funding rounds** without excessive dilution.
4. **Deal Structure & Negotiated Rights**

Besides equity ownership, we negotiated key investor rights:

* **Board Seat:** Right to appoint an observer on Canva’s board.
* **Information Rights:** Quarterly financial reporting and strategic updates.
* **Pro-Rata Rights:** Ability to participate in future funding rounds to maintain ownership.
* **Liquidity Preference:** Preferential liquidity treatment in the event of an acquisition or secondary sale.

1. **Financial Modeling & Valuations**
2. **Revenue Projections**

|  |  |  |
| --- | --- | --- |
| **Year** | **Growth(%)** | **Revenue(billion$)** |
| **2024** | **\_** | **2.55(actual)** |
| **2025** | **30** | **3.3(projected)** |
| **2026** | **25** | **4.125(projected)** |
| **2027** | **20** | **4.95(projected)** |
| **2028** | **20** | **5.94(projected)** |
| **2029** | **20** | **7.13(projected)** |
| **2030** | **20** | **8.56(projected)** |
| **2031** | **20** | **10.27(projected)** |

1. **Valuation Estimates**

**In October 2024, Canva was valued at $32 billion at a 12.5x forward revenue multiple in a secondary share sale.**

**Using a 12.5x revenue multiple:** Canva's valuation could reach **$128.375 billion by 2031.**

**A screenshot of a graph

AI-generated content may be incorrect.**

1. **Investment Performance Metrics**

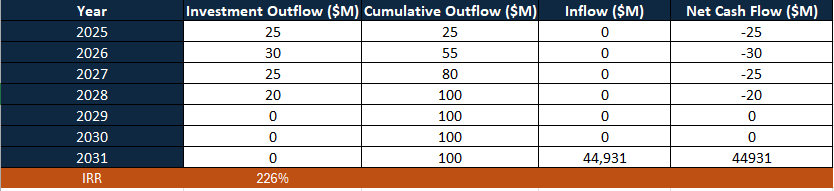
* **Investment Value:** $100 million for 35% equity.
* **Projected Exit Value (2031):** $44.93billion (35% of $128.375 billion).

**↔ROI===448.3%**

**This ROI reflects an exceptionally high return, highlighting the potential for significant value creation over the investment horizon. Such a return suggests that Canva’s expected growth trajectory aligns with our firm’s objective of maximizing shareholder value through high-growth investments.**

**↔MOIC===449.3x**

**The projected MOIC of 449.3x underscores the potential for exceptional capital appreciation, making this investment a high-conviction opportunity for a growth equity firm.**

**↔IRR :**

1. **Optimal Exit Strategy**

**Recommended Strategy: IPO Exit (2031)**

**Justification:**

* Canva has shown **strong ARR growth and market dominance**, making it an ideal IPO candidate.
* A **public listing** would provide **maximum liquidity and value realization** compared to secondary sales or M&A exits.
* Institutional investors (growth equity firms, hedge funds) are increasingly interested in tech unicorn IPOs, enhancing post-IPO stock performance.

**Conclusion:** This investment positions us strategically for **high returns** while mitigating risks through **structured investor protections**. The **IPO exit strategy** aligns with Canva’s growth trajectory, offering a **lucrative opportunity** for capital appreciation. However, while the projected returns are compelling, we must remain vigilant about **market competition** from Adobe and emerging AI-driven design tools, the need for **continuous R&D** to maintain product leadership, and potential **economic downturns** that could impact enterprise spending. A proactive approach to risk management, coupled with Canva’s strong market position, enhances the long-term viability of this investment.

1. **Buyout:**
2. **Introduction to Buyout Investment Strategy**

Our private equity approach emphasizes strategic buyouts of **established companies** with strong market positions and growth potential. By acquiring these companies, we aim to enhance their operations, optimize capital structures, and unlock additional value. This strategy focuses on driving improvements and creating long-term growth, making it an attractive investment for sustained returns. We have decided to invest in ***FedEx***, given its robust market presence, opportunities for operational optimization, and the potential for significant value creation through strategic improvements.

1. **Why FedEx is a Strong LBO Candidate?**

* **Stable Revenue:** FedEx reported annual revenue of **$87.7 billion** for fiscal year 2024, with 80% of it coming from stable B2B contracts, ensuring consistent cash flow. [macrotrends.net](https://www.macrotrends.net/stocks/charts/FDX/fedex/revenue)
* **Strong Cash Flow:** For fiscal year 2024, FedEx posted an **EBITDA** of **$10.003 billion**, which translates to an **EBITDA margin of 11.4%.** [macrotrends.net](https://www.macrotrends.net/stocks/charts/FDX/fedex/ebitda)
* **Market Valuation & Opportunity:** FedEx currently trades at a **Market Capitalization** of **$61.065 billion** and an **Enterprise Value (EV)** of **$81 billion**, assuming net debt of around $20 billion. [macrotrends.net](https://www.macrotrends.net/stocks/charts/FDX/fedex/market-cap)
* **Asset-Rich Structure:** FedEx holds significant tangible assets, including **$35 billion in owned aircraft, hubs, and real estate**, offering collateral for debt financing.
* **Valuation Advantage:** With an EV/EBITDA multiple of **8.1x**, this is lower than peers like UPS (10x), making the buyout a favorable opportunity.

1. **Deal Structure and Capital Stack**

We have chosen to invest $85B in this buyout because it aligns with FedEx’s current market value, its strong cash flow generation, and the opportunities for substantial operational improvements. This amount ensures we are able to acquire the company at a fair premium while maintaining a balanced capital structure that supports both the debt repayment schedule and expected growth. By investing $85B, we can leverage FedEx’s asset-rich portfolio and optimize its performance, creating significant value for the stakeholders involved. The buyout will be financed through a combination of:

|  |  |  |
| --- | --- | --- |
| **Source** | **Amount ($B)** | **Cost** |
| **Senior Secured Debt** | 50 | SOFR + 350bps (~7.5%) |
| **High-Yield Bonds** | 20 | 9% coupon |
| **Sponsor Equity** | 15 | - |
| **Total** | **85** | - |

* **Senior Secured Debt ($50B | 59% of Capital Stack):**  
  First-lien term loans secured by $35B in hard assets. The debt is priced at SOFR + 350bps, representing an approximate **7.5% interest rate**. This structure provides favorable risk mitigation with a **50% cash sweep** ensuring gradual deleveraging.
* **High-Yield Bonds ($20B | 24% of Capital Stack):**  
  Subordinated to the senior debt, the **9% coupon rate** on the bonds provides a tax shield (effective after-tax rate of approximately **6.3%**). FedEx’s **BBB rating** attracts institutional investors interested in these unsecured, covenant-lite bonds.
* **Sponsor Equity ($15B | 17% of Capital Stack):**  
  The equity will be split as follows:
* **PE Sponsor:** 70% ($10.5B) – Board control, operational oversight.
* **Co-Investors:** 20% ($3B) – Sovereign wealth and pension funds.
* **Management:** 10% ($1.5B) – Aligned incentives through rollover equity.

1. **Operational Improvements Post-Acquisition**

* The table below presents key initiatives expected to improve operational efficiency and generate cost savings over time.
* The ROI column reflects the net return on each initiative after considering the initial investment and expected savings over the timeline.
* The timeline for each initiative reflects the projected time required to see the full benefit of the improvement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Initiative** | **Action Plan** | **Investment ($M)** | **Expected Annual Savings ($M)** | **Timeline (Years)** | **ROI** |
| **Ground Network Optimization** | Merge FedEx Ground/Express sorting hubs, reducing 15% redundant facilities. | 500 | 800 | 2 | 2.2x |
| **Fleet Modernization** | Replace 25% older aircraft (MD-11s) with Boeing 767 freighters (20% fuel savings). | 1200 | 500 | 4 | 0.67x |
| **Automation & AI Routing** | Deploy AI-powered logistics software + robotic sorters in 50 hubs. | 800 | 400 | 3 | 0.5x |
| **Labor Productivity** | Reduce overtime via AI scheduling + cross-training. | 100 | 300 | 2 | 5.0x |
| **Contract Repricing** | Renegotiate enterprise contracts (e.g., Amazon, Walmart) with 5% rate hikes. | 50 | 400 | 2 | 15.0x |
| **E-Commerce Surcharges** | Introduce dynamic pricing for peak-season residential deliveries. | 20 | 200 | 2 | 19.0x |

1. **Valuation, MOIC, and IRR**
2. **Assumptions**
3. **EBITDA Growth Rate**: The company is projected to experience steady growth, with an annual **EBITDA growth rate of 5%** over the 5-year investment horizon.
4. **Debt Financing Structure:** Senior Secured Debt: $50 billion (7.5% cost), High-Yield Bonds: $20 billion (9% coupon) and Sponsor Equity: $15 billion.
5. **Exit Year (2030):** The exit is assumed to occur in **2030**, 5 years after the investment in **2025**.
6. **Exit EBITDA Multiple:** The exit multiple for 2030 EBITDA is assumed to be **10x** (based on industry benchmarks).
7. **Debt Repayment:** As part of the exit strategy, we assume the company steadily reduces its debt over the period, leaving about $10 billion in total debt at the time of exit.
8. **Valuation Estimates**

* Projected 2025 EBITDA: $10.5 billion (considering a 5% annual growth rate from the 2024 EBITDA).
* Based on the projected 2030 EBITDA of $13 billion and a 10x multiple, the Exit EV is $130 billion.

**↔** **Exit Equity Value=Exit EV−Remaining Debt=130B−10B=120B**

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1. **MOIC (Multiple on Invested Capital)**

* Initial Equity Investment (Sponsor Equity): $15 billion
* Exit Equity Value: $120 billion

**↔MOIC===8.0x**

**So the MOIC is 8.0x, which means the investment will return 8 times the original equity invested at the exit**

1. **A table with numbers and a number on it

   AI-generated content may be incorrect.IRR**

1. **Exit Strategy**

**Recommended Strategy: strategic sale (2030)**

**Justification:**

For a company like FedEx, a strategic sale would be the most optimal exit strategy, especially considering the **substantial improvements** to operational efficiency, fleet modernization, and technology upgrades.

1. **Buyer Types:** The potential buyers could be other large logistics or transportation companies looking to expand their market share and capabilities. These include companies like:

* **United Parcel Service (UPS):** As a major competitor in the logistics and shipping industry, UPS might seek to acquire FedEx to consolidate the market and enhance its global logistics infrastructure.
* **Amazon**: As a rapidly growing e-commerce giant, Amazon may look to acquire FedEx to integrate logistics capabilities with its vast retail operations. This acquisition would give Amazon greater control over its shipping processes and reduce its dependency on third-party carriers.
* **DHL (Deutsche Post):** Another major player in the global logistics and supply chain industry, DHL might consider a strategic acquisition to strengthen its position in the North American market.

1. **Strategic Fit:** Acquiring FedEx would provide the buyer with enhanced global coverage, more efficient supply chain management, and advanced technology in automation, AI, and fleet management, resulting in a more competitive offering in the logistics space.
2. **Expected Sale Price:** Based on our valuation projections, the exit sale price is likely to be around the $150 billion mark, considering the improved operational efficiencies and EBITDA growth.
3. **Timeline:** The exit would occur in 2030, after 5 years of strategic improvements and operational execution, at which point the company’s market value would have increased significantly due to these efforts.

**Conclusion**: Investing in FedEx presents a unique opportunity to capitalize on its market position and growth potential. With a clear strategy for operational improvements and a robust exit plan, we are positioned to achieve solid returns while managing risks effectively.

1. **Alternative Strategies:**

**1) Introduction to Alternative Strategies**

Private equity strategies adapt to a company's lifecycle stage:

Venture Capital fuels disruptors like **Mistral AI**, Growth Equity scales proven winners like **Canva**  , and Buyout restructures underperformers like **FedEX** . In this final analysis, we propose applying alternative strategies in **VICE Media** .

**2) Rationale for choosing Vice Media**

* **It is in a Severe Financial Distress:**
  + Lost **$100M+ annually** since 2022 due to failed digital expansions. [marketwatch.com](https://www.marketwatch.com/story/vice-media-expected-to-fall-100-million-shy-of-2022-revenue-goal-amid-pursuit-of-sale-11671491122?)
  + **Debt burden**: $300M+ in liabilities, including high-interest loans.[news.wjct.org](https://news.wjct.org/2023-05-15/vice-media-once-worth-5-7-billion-files-for-bankruptcy?utm_source=chatgpt.com)
* **It Has Strong Underlying Assets**:
  + **75M+ monthly viewers** (VICE News, documentaries).
  + **Virtue Agency (branded content)**: $200M revenue potential (currently underutilized).
* **Market Mispricing**:
  + Valued at 1 B dollars today after having value of 5.7 B on 2017🡺 **80% discount**.[wikipedia.org](https://en.wikipedia.org/wiki/Vice_Media?utm_source=chatgpt.com)

**3) What strategy to apply ?**

1. **Strategy chosen : distressed Debt**

**Justification :**

**Why this strategy ?**

* + - **Capital structure Reality :** Vice’s equity was wiped out in bankruptcy (2023), leaving $350M in debt held by creditors like Fortress.
    - **Control via debt :** company senior debt can be bought for cheap price which will later allow us certain control over this company to make necessary adjustement and bring her value up .

**Why not other strategies ?**

* + - **Turnaround Equity Investing :** No equity left to buy—common shares were **zeroed out** in bankruptcy
    - **Asset Carve –Outs :** Vice’s assets (studios, IP) are **integrated** with its operations—so selling them will kills the core business.
    - **Structured Credit (Mezzanine Debt ):** Vice is **not cash-flow-positive**— it can’t ask for new debt.
    - **Pure liquidation :** Vice’s **brand value** (200M+ audience) outweighs hard assets. So instead of selling these assets for 100M it is better to benefit from this brand value and do necessary restructuring

**B. Execution Plan for distressed Debt Strategy**

#### **Step 1: Acquire Debt Position ($175M)**

* Buy Vice’s **$350M term loan** trading at 50 cents for 170 M (350\*0.5)
* Partner with Fortress (existing creditor) to block rival bids

*Step 2: Bankruptcy Restructuring*

* **Debt-to-Equity Swap**: Convert 70% of debt to equity → **60% ownership**.
* **Lease Rejection**: Cancel 50% of office leases ($40M/year savings).

*Step 3: Operational Turnaround*

| **Initiative** | **Savings/Upside** |
| --- | --- |
| AI-driven content production | $30M/year cost cut |
| Programmatic ad tech rollout | +$50M revenue |
| Licensing archive to FAST platforms | +$20M revenue |

**4) Risk Factors and mitigation**

#### **A. Market & Revenue Risks**

* **Risk:** Vice is Dependent on volatile digital ad revenue (60% of total).
* **Mitigation:**
  + Launch subscription tiers (e.g., "$5/month Vice Investigates").
  + Expand programmatic ad partnerships (The Trade Desk).
  + License content to FAST platforms (PlutoTV, Tubi).

#### **B. operational Risk**

* **Risk:** High fixed costs (leases, production) and talent attrition.
  + **Mitigation:**
    - Reject 50% of leases in bankruptcy ($40M/year savings).
    - Implement AI tools to cut content costs by 30%.

#### **C. Financial & Debt Risks**

* **Risk:** $350M debt burden and refinancing challenges.
* **Mitigation:**
  + Convert 70% of debt to equity (reduce to $105M).
  + Secure $50M debtor-in-possession (DIP) loan.
  + Hedge interest rates via swaps.

#### **D. Legal & Structural Risks**

* **Risk:** Bankruptcy delays and creditor disputes.
* **Mitigation:**
  + Pre-negotiate with Fortress (major creditor).

#### **E. Reputation Risks**

* **Risk:** Brand erosion post-bankruptcy.
* **Mitigation:**
  + Rebrand as "Vice 2.0" with premium content.
  + Partner with Netflix/Amazon for co-produced documentaries.

**5) Financial implication and restructuring Plan**

#### **A. Identify Vice Media financial problem**

#### Vice Media has:

* **$350M debt** (owed to lenders like Fortress).
* **Losing money** (-5% EBITDA margin).
* **High costs** (offices, staff, production).
* **Goal:** Make Vice profitable again and pay back less debt.

**B. The 4 step Fix**

#### **Step 1: Reduce Debt (Make It Smaller)**

* **Action:** Convince lenders to swap **$245M of debt → 60% ownership** in Vice.
  + Why 60% ownership only ?
* **Vice’s post bankruptcy valuation** is 300M we paid 245 M so we get 81.6% ( 245/300)
  + Instead of taking this full amount we chose to give **management / employees** 10% and **other minor creditors** get 10%
  + The end amount of ownership is then 60% (81.6-10-10)
    - Why swap 245 M debt ?
      * Company has a debt of 350 M we want to convert **70% of its debt** to equity (debt we a purchased from the major creditor of this company known as Fortresss by paying 50 cents for each dollar of the original company debt )
      * 70% of 350 equals 245M

**↔Result:** Debt drops to 105M. (350-250)

#### **Step 2: Cut Costs (Stop Bleeding Cash)**

* **Action:** Cancel 50% of office leases in bankruptcy court.
* **Result :** Savings: **$40M/year** (no more rent for empty spaces).
* **Action:** Use AI to cut content costs by 30%.
* **Result :** Savings: **$25M/year** (fewer staff needed).

#### **Step 3: Get Emergency Cash**

* **Action:** Borrow **$50M** (called "DIP financing") to pay bills during restructuring.
  + Terms: Pay SOFR + 5% interest.
  + Used for: Salaries, tech upgrades, and ads for new subscriptions.

#### **Step 4: Grow New Revenue**

* **Action:** Launch **$5/month subscriptions** ("Vice Investigates").
  + Goal: **$30M/year** new revenue.
* **Action:** Sell old Vice documentaries to Tubi/PlutoTV.
  + Goal: **$20M/year** extra cash.

1. **The money earned after this restructuring :( Financial implications )**

### **VICE Media Post-Restructuring Financial Projections**

(All figures in USD millions)

| **Year** | **Revenue** | **EBITDA** | **EBITDA Margin** | **Debt** | **Free Cash Flow (FCF)** | **Equity Value** |
| --- | --- | --- | --- | --- | --- | --- |
| **0 (Now)** | $400 | -$20 | -5% | $350 | -$50 | $0 (bankrupt) |
| **1** | $420 | $21 | 5% | $105 | $10 | $200 |
| **2** | $480 | $48 | 10% | $80 | $30 | $500 |
| **3** | $550 | $83 | 15% | $50 | $60 | $1,100 |

### **Key Drivers of this performance (Linked to Restructuring )**

1. **EBITDA Growth**
   * **Year 1 (5%)**: Cost cuts (40Mrent+40*Mrent*+25M AI savings) offset revenue stagnation.
   * **Year 3 (15%)**: Subscription growth +content licensing scale profit.
2. **Debt Reduction**:
   * **350*M*→105M (Year 1)**: $245M debt-to-equity swap.
   * **105*M*→50M (Year 3)**: Cash flows used to pay down debt.
3. **Free Cash Flow (FCF)**:
   * Year 0 (-50M) *DIPfinancing*(50M) covers negative FCF.
   * Year 3 (60M)
4. **Equity Value**:
   * **Year 1 ($200M)**: 8x EBITDA multiple ( this is standard for distressed media).
   * **Year 3 ($1.1B)**: 13x multiple (premium for proven turnaround

**Key Takeaway** We turn equity from 0 to 1.1B in 3 years by:

1. Fixing the balance sheet (debt → equity),
2. Stopping cash bleed ($65M/year savings),
3. Monetizing archives ($20M/year).
4. **Exit Strategy**

| **Exit Option** | **Pros** | **Cons** | **IRR** |
| --- | --- | --- | --- |
| **Strategic Sale (e.g., WBD)** | Premium multiple, synergies | Buyer hesitation | **25-30%** |
| **IPO** | Liquidity | Market hates media tech | **<10%** |
| **Secondary PE Sale** | Faster exit | Lowball bids (6x EBITDA) | **12-15%** |
| **Debt Refinancing** | Extends runway | SOFR +5% = costly | **8%** |

**🡺 Strategic Sale**:to Warner Bros. Discovery (CNN synergies) (possible buyer ) at **8x EBITDA** ($600M EV) seems like best available option .

1. **Summary :**

This project evaluated four distinct private equity strategies—**Venture Capital (Mistral AI), Growth Equity (Canva), Buyout (FedEx), and Distressed Debt (VICE Media)**—highlighting their unique value propositions, risks, and growth potential.

* **Mistral AI** offers a high-risk, high-reward VC opportunity as Europe’s AI champion, targeting a 17x revenue surge by 2027.
* **Canva** aligns with growth equity’s scaling focus, projecting a 449x MOIC by 2031 via global expansion and AI integration.
* **FedEx** exemplifies buyout potential, with operational improvements driving an 8.0x MOIC via strategic sale.
* **VICE Media** leverages distressed debt to unlock hidden value, transforming bankruptcy into a $1.1B equity turnaround.

Each strategy balances risk and reward, catering to different stages of the investment lifecycle while emphasizing rigorous financial modeling and exit planning. Together, they demonstrate private equity’s versatility in creating value across diverse market conditions