

Final MBA Project

*A Hypothetical Leveraged Buyout Valuation:
Analyzing the Transaction Process for Smartsheet Inc.*

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List of Abbreviations

ARPU	-	Average Revenue Per User
ARR	-	Annual Recurring Revenue
AWS	-	Amazon Web Services
CAC	-	Customer Acquisition Cost
CAGR	-	Compound Annual Growth Rate
CDD	-	Commercial Due Diligence
CFO	-	Chief Financial Officer
CFS	-	Cash Flow Statement
COGS	-	Cost of Goods Sold
CWM	-	Collaborative Work Management
DPO	-	Days Payable Outstanding
DSCR	-	Debt Service Coverage Ratio
DSO	-	Days Sales Outstanding
EBIT	-	Earnings Before Interest and Taxes
EBITDA	-	Earnings Before Interest, Taxes, Depreciation, and Amortization
EBT	-	Earnings Before Tax
EV	-	Enterprise Value
FCF	-	Free Cash Flow
FY	-	Fiscal Year
IPO	-	Initial Public Offering
IRR	-	Internal Rate of Return
LBO	-	Leveraged Buyout
LOI	-	Letter of Intent
LPA	-	Limited Partnership Agreement
LTM	-	Last Twelve Months
LTV/CAC	-	Customer Lifetime Value to Customer Acquisition Cost Ratio
NWC	-	Net Working Capital
OKR	-	Objectives and Key Results
PE	-	Private Equity
PIK	-	Payment in Kind
PLG	-	Product-Led Growth
RCL	-	Revolving Credit Line
ROE	-	Return on Equity
ROIC	-	Return on Invested Capital
SEC	-	Securities and Exchange Commission
SMAR	-	Smartsheet Inc. (Ticker Symbol)
SOFR	-	Secured Overnight Financing Rate
TTM	-	Trailing Twelve Months
UFCF	-	Unlevered Free Cash Flow
WACC	-	Weighted Average Cost of Capital

Chapter 1: Introduction

1.1 Background of Leveraged Buyouts

Leveraged buyouts (LBOs) have become essential to the Private Equity (PE) industry since the late 20th century. In essence, LBOs involve the acquisition of the target business with a lot of borrowed funds, using the target's assets and expected cash flows as collateral for the loan. The 1989 landmark buyout of RJR Nabisco by KKR (Kohlberg Kravis Roberts) for around \$31 billion, which at that time was the biggest LBO in history, represented the potential and controversy of this investing approach. Despite the critics frequently referring to these deals as “corporate raids” or “asset stripping” due to their emphasis on quick, short-term returns (cf. Shleifer 1988, pp. 33–56), LBOs have also proved to add value through strategic repositioning, operational improvements, and capital structure optimization (cf. Kaplan/Strömberg 2009, pp. 134–135).

Over time, the model has acquired maturity. In the current situation of intense competition among private equity sponsors and increased financing costs, the successful buyouts need more comprehensive scenario planning, greater operational engagement, and more stringent structuring. These factors are especially important when looking at SaaS firms that are technology-driven and capital-light. The thesis employs Smartsheet Inc. as a case study to analyze the entire process of a leveraged buyout. Smartsheet, a U.S. cloud-based SaaS provider, is a representative example of a company that could be bought out. It enables a thorough analysis of transaction structuring, value creation levers, and return dynamics.

1.2 Research Question and Objectives

The central research question of this thesis is: *How can a hypothetical leveraged buyout of Smartsheet Inc. be structured and evaluated to ensure financial feasibility, value creation, and investor return potential under varying performance scenarios?*

To address this question, the thesis pursues the following objectives:

- Establish the theoretical foundations and key stages of the leveraged buyout process.
- Evaluate Smartsheet's suitability as an LBO target through strategic, operational, and financial due diligence.
- Construct a scenario-based LBO model in Excel, incorporating transaction structure, performance forecasts, and financing assumptions.

- Analyze the potential for value creation, including operational, financial, and governance levers.
- Assess investor return using internal rate of return (IRR) and cash-on-cash (CoC) metrics.
- Discuss viable exit strategies and evaluate their implications for return realisation.

The thesis adopts the perspective of a private equity sponsor. It combines theoretical insight with practical modeling techniques to simulate how a leveraged buyout of Smartsheet could be structured and evaluated within a real-world investment context.

1.3 Methodology and Limitations

The study design used in the thesis is descriptive and application-focused. Instead of establishing a test hypothesis, it simulates a realistic buyout process to show how transaction assumptions, finance choices, and operational levers affect the investment outcomes. The study approach follows accepted business research concepts and is summarised in Figure 1-1:



Figure 1-1: Research methodology process flow. Source: On the basis of Zikmund et al. 2013, p. 48.

Using Smartsheet as a case study, the research begins with formulating the objectives and methodology, followed by a description of the LBO process. To establish the foundation for transaction assumptions, the data collecting stage comprises obtaining and combining secondary data from sources such as investor presentations, 10-K filings, industry reports, and academic research. The financial model used in the analysis was developed with Microsoft Excel and follows best practices in LBO structuring and valuation. The modeling approach was influenced by coursework from the Private Equity module taught by Prof. Garen Markarian at WHU – Otto Beisheim School of Management, as part of the 2025 MBA curriculum. The completed LBO model was tested through scenario and sensitivity analyses to assess how key operational and financial drivers affect investor returns, with the results directly addressing the research question.

This study is subject to certain limitations to ensure an unbiased evaluation. First, the analysis assumes that the acquisition date is February 1, 2024 (the beginning of FY2025) to generate a realistic scenario. Furthermore, the study excludes any subsequent events, occurrences, or financial data. Accordingly, for FY2025 and subsequent periods, the value creation plan is based entirely on projections under private equity ownership. Second, the model doesn't take into account unforeseen macroeconomic developments. It admits that it is not possible to completely replicate the ambiguity

of the real world. However, its primary objective is to use a simplified, case-based scenario methodology to evaluate return drivers under different market conditions and performance levels.

1.4 Thesis Structure

The thesis is organized into seven chapters. Chapter 1 provides the background, defines the research question and objectives, explains the methodology, and highlights key limitations. Chapter 2 provides the academic foundation, describing the mechanics of LBOs, the stages of a typical transaction, return measures, and the financial modeling process. Chapter 3 applies these concepts by screening potential SaaS targets, justifying the choice of Smartsheet, and conducting due diligence. It concludes with formulating a value creation plan and an investment thesis. Chapter 4 develops the Excel-based LBO model. It involves pre-transaction modeling, transaction structuring, post-transaction integration of financing assumptions, and exit modeling, producing projected financial statements and return outcomes. Chapter 5 evaluates the results of the model using scenario and sensitivity analyses. It examines covenant compliance, return metrics, and exit timing, identifying the most likely investment outcome for a private equity sponsor. Chapter 6 concludes with the key findings, answers the research question, and makes recommendations for future lines of research.

Chapter 2: Theoretical Framework

This chapter presents the conceptual foundations of leveraged buyouts, including their key stages, value-creation levers, exit strategies, and return metrics. Additionally, it explains the LBO modelling mechanics that serve as the foundation for the Smartsheet case study, which will be covered in the upcoming chapters.

2.1 Foundations of Private Equity and LBOs

Companies created and run by private equity (PE) firms are known as private equity funds. These funds give investors, also called Limited Partners (LPs), a structure for pooling their money to invest in portfolio firms. The fund managers, known as General Partners (GPs), to whom the LPs entrust their capital, make the investment choices (cf. Cendrowski et al. 2012, pp. 5–7). Often referred to as a “capital call,” this commitment is a part of the Limited Partnership Agreement (LPA) and is legally binding for LPs for the duration of the fund. In contrast to securities, PE funds usually have a limited lifespan of eight to twelve years (cf. Gilligan/Wright 2020, p. 5). The GPs aim to realize all investments before the liquidation of the fund. Once liquidated, the LPs receive a portion of earnings as a return on the invested cash.

There are many types of PE investments; however, in this thesis, we focus solely on leveraged buyouts. These transactions primarily involve acquiring mature public or private companies, which often have experienced a short-term “blip” in earnings (cf. Cendrowski et al. 2012, p. 21), or are in poorly managed situations where GPs see potential for operational improvement. As the term suggests, a leveraged buyout assumes control of the target company by buying out its shares using a combination of significant debt—typically provided by lenders like banks—and equity capital from the PE fund. Due to the high leverage involved, GPs closely monitor the cash flows of their portfolio companies. By contributing as little equity as possible, PE firms aim to maximize their internal rate of return (IRR). The idea behind an LBO is to service and pay down the debt using the cash flows generated by the acquired business. As the debt is paid down over the holding period, the equity component rises, thereby adding value for the PE firm. This process, known as deleveraging, is one of the major drivers of equity growth in LBO transactions. Figure 2-1 below illustrates this dynamic:

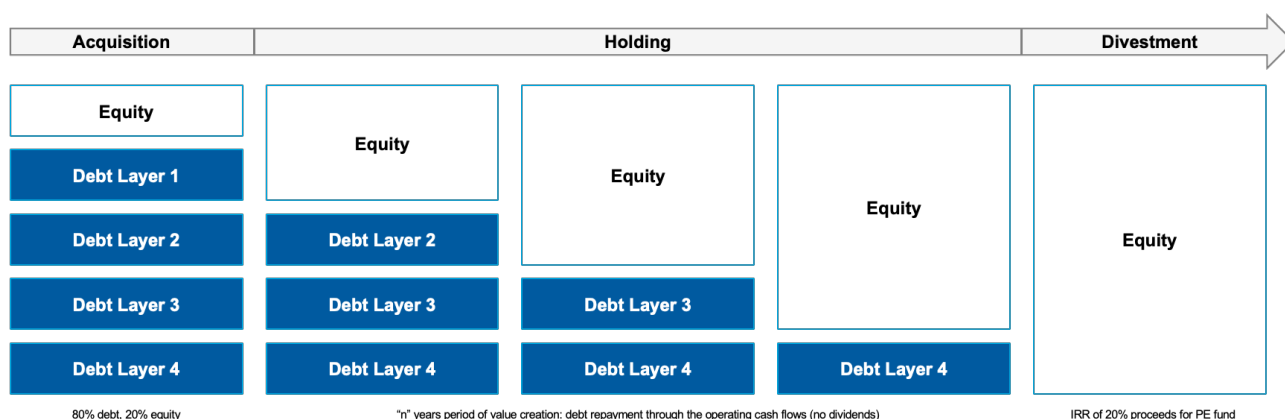


Figure 2-1: Equity value creation through deleveraging in LBOs. Source: Own illustration.

Building on this foundation, the following section describes the essential stages in an LBO process, from screening potential targets and setting up due diligence to structuring the transaction, implementing value creation strategies, and ultimately exiting the investment.

2.2 Key Stages of an LBO Process

2.2.1 LBO Target Screening

Finding a good target is an important first step in any leveraged buyout. Both academic research and industry practice suggest that successful LBO candidates share a common set of features that make them both financially feasible and operationally appealing. The key characteristics most often referenced in the literature are reviewed in this section and summarised in Table 2-1:

Criteria	Reneboog (2017)	Pignataro (2014)	Axelson (2013)	Glossop (2011)	Olsen (2003)	Pinto (2021)	Kwak (2023)	Total
Stable Cash Flows	✓	✓	✓	✓	✓	✓	✓	7/7
Low Existing Debt	✓			✓	✓	✓	✓	5/7
Low Capex & NWC	✓	✓	✓		✓		✓	5/7
Operational Potential	✓	✓		✓			✓	4/7
Tangible Collateral	✓			✓	✓			3/7
Management Team	✓				✓			2/7
Attractive Industry				✓		✓		2/7
Purchase Price	✓		✓					2/7
Exit Strategy	✓			✓				2/7
Tax Benefits	✓							1/7

Table 2-1: Screening criteria for LBO Candidates. Source: Own illustration.

The criteria most often emphasized in academic literature include steady and predictable cash flows, low levels of existing debt, limited capital expenditure and working capital requirements, and opportunities for operational improvements. These factors ensure that portfolio companies can produce steady cash flows to service and pay down the debt. A modest pre-acquisition debt load can

further allow private equity sponsors to introduce new leverage without causing liquidity constraints, and low reinvestment needs enable more funds to be allocated towards deleveraging. Furthermore, targets become especially attractive when there is an operational upside, such as selling non-core businesses, portfolio optimisation, or procurement (cf. Gaughan 2011, p. 319). Although not as often mentioned in the selected sources, other criteria are essential for the screening process. These include having a competent management team, being in a lucrative or non-cyclical industry, and having the opportunity to take advantage of tax benefits. Since a low entry value significantly increases the internal rate of return (IRR), a fair purchase price is also essential. Lastly, depending on market conditions, PE sponsors usually evaluate exit options early in the process and give preference to businesses that have a viable path to strategic sales, secondary buyouts, or initial public offerings (IPOs) within a five- to seven-year holding period (cf. Talmor/Vasvari 2011, pp. 173-186).

2.2.2 Due Diligence Process

The process by which a private equity firm assesses a potential LBO target before acquisition is known as due diligence (cf. Glossop/Koertner 2011, pp. 233–244). Depending on the agreement structure and whether the company is private or public, its duration and scope can change. It usually lasts a few weeks to months and frequently involves external advisors. PE firms typically use a letter of intent (LOI) to achieve exclusivity, which stops the seller from seeking competing proposals and permits a comprehensive evaluation in order to justify the process expenses.

The due diligence process usually covers four aspects: strategic, operational, financial, and legal (cf. Glossop/Koertner 2011, pp. 257–259). Strategic due diligence looks at the market, customer base, and competition and focuses on future growth, margins, and free cash flows (FCF). Operational analysis, often combined with strategic analysis under the term commercial due diligence (CDD), focuses on business performance and identifying operational improvement areas. This could be done by peers' benchmarking studies and ratio analysis specific to each industry. Financial due diligence examines the consistency and reliability of the company's financial statements. Legal due diligence checks contractual duties, intellectual property rights, compliance with applicable laws, as well as possible litigation risks. These four dimensions of due diligence allow the deal team to test and refine the investment thesis while laying the foundation for a long-term value creation strategy (cf. Glossop/Koertner 2011, pp. 238–240).

2.2.3 Acquisition

The process enters the acquisition stage after due diligence is finished. The structure varies according to the type of transaction: in competitive auctions, several bids may compete, but in proprietary negotiations, the buyer and seller bargain directly. Both situations need the transaction to strike a balance between the buyer's return goals and the seller's expectations, as well as the state of the market, which affects negotiating power, pricing, and competitiveness (cf. Glossop/Koertner 2011, pp. 259–260). To verify whether projected returns, which are commonly expressed in terms of IRR, can be realised at the suggested valuation, private equity firms use their LBO models.

Following that, the transaction structure is established by the target's ability to service its debt, cash flow stability, debt market conditions, and regulatory considerations. The purchase price is usually financed by a loan, with 30% to 50% contributed from equity (cf. Glossop/Koertner 2011, pp. 259–260). A typical LBO financing structure includes several layers of debt, most commonly a revolving credit line, senior term loans, and subordinated debt. In order to reduce risk, senior lenders frequently set financial covenants, such as minimum coverage ratios or leverage limitations. Furthermore, subordinated debt may have extra characteristics like equity warrants or payment-in-kind (PIK) interest. In fact, the chosen transaction structure is integrated into the LBO model to ascertain whether the deal satisfies return objectives while ensuring compliance with risk and covenants. The LBO modelling is covered in greater detail in Section 2.4.

2.2.4 Value Creation

In leveraged buyouts, private equity sponsors typically rely on three levers of value creation: EBITDA growth, multiple expansion, and debt repayment (cf. Rosenbaum & Pearl 2020). These are realised into three dimensions of engineering: financial, operational, and governance.

The main goals of financial engineering are to structure leverage to increase equity returns, provide a tax shield, and produce value through deleveraging. This is complemented by the PE capacity to actively manage capital structures and negotiate favorable financing arrangements (cf. Loos 2005, p. 23). Chapter 4 uses the Smartsheet LBO model to further operationalize these ideas.

Operational engineering aims to improve the target company's core performance and extend its EBITDA. To achieve this, the PE sponsors formulate a value creation plan. It often includes activities to reposition the portfolio company around its core competencies. This typically involves focusing on the most competitive business lines while divesting underperforming or non-core units. In order to increase valuation after exit, PE firms frequently shift the businesses into higher-multiple sectors (cf. Auxilia n.d.). An alternative technique is the "buy-and-build" strategy, where the buyer is using

the portfolio company as a platform for making further acquisitions that will create synergies (cf. Lertora/Gervasoni 2024, pp. 233–244).

Governance engineering focuses mainly on improving oversight, aligning stakeholders' interests, and reducing agency costs. A common practice of PE firms is restructuring the board, installing experienced directors, and introducing equity-based incentive plans for management. According to Cornelli and Karakas, compared to their public firm counterparts, boards with private equity backing meet more frequently and take more initiative to replace ineffective leaders (cf. Cornelli/Karakas 2008, p. 21). Such enhanced control can be attributed to the high leverage and the financial discipline required to meet the debt obligations.

2.2.5 Exit considerations

The exit, representing the final stage of the LBO process, is critical for realizing investor returns. Usually, private equity looks at four main exit routes:

1. **Sale to a Strategic Buyer:** In this scenario, the target company is sold to a strategic buyer, often to a competitor motivated by the potential to realize synergies through the acquisition. This option is typically favorable for the PE firm, as the buyer's interest in synergies often leads to a willingness to pay a premium for the target (cf. Rosenbaum/Pearl 2009, p. 177).
2. **Secondary buyout:** In this scenario, another PE sponsor purchases the business to pursue a buy-and-build strategy, scaling, or additional operational enhancements. During low interest rates and high amounts of uninvested cash, such exits have become more frequent (cf. Gugler et al. 2023).
3. **Initial public offering (IPO):** Allows PE sponsors to keep a minority ownership in the firm after it is listed on a stock exchange and offers high valuations when markets are favorable. IPOs, however, come with substantial transaction expenses, including discounts and underwriting fees, and are subject to investor sentiment (cf. Kaplan/Strömberg 2009, p. 140).
4. **Dividend Recapitalisation:** The PE firm may carry out a partial return of capital through a dividend recapitalisation if the target company is not yet mature enough or if the market conditions are not ideal for a full exit. In this instance, a special dividend payout to shareholders is financed by the company issuing new debt. This gives the PE company liquidity and returns on invested capital, even though it doesn't constitute a full exit.

An exit's timing is critical and affected by internal and external factors, including changes in the capital market, interest rates, and industry dynamics. A carefully designed and timed exit allows

private equity sponsors to capture the value generated over the holding period, thereby confirming the LBO's success.

2.3 Return measures

PE firms most frequently apply the internal rate of return (IRR) and cash-on-cash return (CoC) to evaluate the financial performance of an LBO. IRR measures the annualized compounded return on its equity contribution over the investment cycle. It takes into consideration the amount and timing of all cash flows, including exit proceeds, interim distributions, and the initial equity investment. According to a survey by Kaplan and Mukharlyamov (2016), the majority of PE managers identify a target IRR range of 20–25% as usual, which is used as a standard for a deal to be considered appealing (cf. Kaplan/Mukharlyamov 2016, p. 3). Along with the IRR, the cash-on-cash return, sometimes referred to as the money multiple, indicates the overall return on invested equity. Cash-on-cash gives a more distinct sense of absolute value creation, even though IRR reflects the time value of money. The timing of the exit event and the terminal EBITDA multiple are two exit assumptions that have a significant impact on both IRR and cash-on-cash.

2.4 LBO Modeling

As outlined in previous sections, a PE firm must take into account a number of factors when structuring an LBO deal, including the purchase price, the choice of debt and equity instruments, and the level of leverage. These factors greatly impact deal outcomes and interact in complex ways. Thus, having an LBO model is essential for assessing result sensitivity, ensuring data consistency, and understanding the results of decisions and assumptions made. The LBO modelling method can be broken down into six parts using the framework of Glossop and Koertner (cf. Glossop/Koertner 2011, pp. 261–263).

2.4.1 Build a pre-transaction structure model

In this step, a set of pro forma financial statements is prepared to project the target's performance for the following seven to ten years, which reflects standard practice in LBO modeling (cf. Talmor/Vasvari 2011, p. 145). A three-statement schedule model, including income statement, cash flow statement, and balance sheet, is used to estimate the company's financial performance; however, at this point, the model does not account for the effects of the LBO transaction structure. The pre-transaction model is based on past financial statements, projections, professional opinions, the results of due diligence, and upcoming value enhancements that the PE firm has planned. The base, best, and worst driver situations are usually included in the model.

2.4.2 Determine transaction structure: uses and sources of funds

At this point, the LBO model remains incomplete, as the financial structure, particularly the uses and sources of funds, still needs to be determined. In a traditional buyout, capital is used primarily for three purposes: (1) the purchase price of equity, (2) the retirement of existing debt, and (3) transaction-related costs. The private equity sponsor has three options for modelling the initial purchase price of equity: market-based approaches, which use valuation multiples from comparable transactions, typically EV/EBITDA or P/E; expectation-based approaches, which match the seller's price expectations; and value-based approaches, which calculate the company's intrinsic value. Furthermore, it is common practice to refinance any existing pre-LBO debt at deal closing. The uses of funds also include transaction costs, which cover finance, legal, and consulting services. Their impact on the overall transaction amount is relatively minor (1% to 5%); hence, many models apply a rule of thumb rather than a detailed estimate (cf. Rosenbaum/Pearl 2009, pp. 177–178).

There are also three primary sources of funds: debt, new equity, and existing cash on the target's balance sheet. To build a functioning model with reasonable source assumptions, the debt capacity is first determined, followed by the debt structure and the calculation of the required equity contribution. The debt capacity, or the amount of debt a company can assume, is based on its ability to service interest and principal repayment. In practice, that is typically assessed by the buyer's investment bank. Further, the PE firm decides on the debt instruments to use, such as senior term loans, high-yield bonds, or mezzanine financing, and determines their respective proportions in the deal structure. This also involves modeling the terms and financial covenants for each type of obligation. The final portion—the gap between total debt and the required uses of funds—is covered by new equity. Equity financing sources include contributions from the LPs, management, and PE sponsor.

2.4.3 Build post-transaction structure model

Once the financial structure is created, the pre-transaction model can be updated. This phase involves four steps, specifically: (1) building the debt schedule, (2) updating the income statement from EBIT to the bottom line, (3) completing the balance sheet, and (4) completing the cash flow statement. The debt schedule projects the mandatory and optional loan repayments based on available free cash flows. The income statement is then updated with interest expenses from the debt schedule and transaction fees. Correspondingly, the debt section of the balance sheet is updated using the ending balances of each debt instrument. Equity is derived from the income statement as the previous year's equity plus the current year's net income. Finally, the cash flow statement is updated by linking the debt repayment lines from the debt schedule.

2.4.4 Determine exit and compute returns

To determine the exit and compute returns, the PE firm must decide on the exit year and the expected exit price (cf. Talmor/Vasvari 2011, pp. 216-217). In practice, LBO models typically assume a five- to seven-year holding period. The PE firm makes assumptions about the EBITDA multiple to estimate the exit price, often using the same multiple for both entry and exit. Once all assumptions are incorporated into the model, the key output metrics—previously discussed internal rate of return (IRR) and cash-on-cash return—can be calculated. It is common for PE firms to extend the LBO model with scenario and sensitivity analyses to explore base, downside, and upside cases. These tools are used to stress-test the investment thesis and assess the attractiveness and risk-return profile of the transaction.

2.4.5 Optimize the LBO model

At this stage, the LBO model is fully functional, integrating all relevant decisions, assumptions, and output indicators. The emphasis switches now to validating these assumptions and making the best decisions about the purchase price and the debt-equity structure in order to increase the likelihood of closing the deal and ensuring alignment with the LPs' return expectations. Iterative in nature, this process keeps going until the PE sponsor and relevant stakeholders have agreed upon and approved the transaction structure, and no more optimisation is feasible.

Chapter 3: Case Study - Smartsheet Inc.

This chapter presents a case study simulating a leveraged buyout process of a SaaS company. The opening section discusses SaaS as an attractive vertical for LBO transactions. Building on this foundation, the next part defines the target universe and applies the screening criteria from Section 2.2.1 to identify a suitable LBO target. The business selected during this process is Smartsheet, a publicly traded SaaS supplier. After the target has been identified, subsequent sections will look more closely at the company's financials, ways to create value, and finally, an investment rationale.

3.1 SaaS as an Attractive Sector for LBO Transactions

According to Bain & Company's private equity outlook (2025), technology made up 35% of the total global buyout deals in 2024 and more than one-third of deal value in 2023. SaaS platforms were among the most desired candidates. Such an appeal of SaaS companies as LBO targets stems from their business models that closely align with the mechanics of private equity engineering. First, subscription-based business models used by SaaS companies produce yearly recurring revenue (ARR) that is quite predictable. Contracts often come up with annual or multi-year periods, which reduces volatility in top-line projections and provides revenue visibility. This stability is especially helpful in LBO because debt servicing depends on steady operating cash flows. Further, SaaS firms usually have strong gross margins, sometimes exceeding 70%, which gives them the headroom to service debt, pay for operating expenses, and still have room for debt repayment (cf. KBCM Technology Group 2023). Thirdly, the SaaS models are naturally scalable. Once the platform architecture is set up, new clients can be served at a very small incremental cost. Due to the operating leverage this produces, EBITDA can grow at a rate that is disproportionate to revenue growth. Lastly, the acceleration of digital transformation and the post-COVID shift to remote and hybrid work have made SaaS platforms critical for organizational agility (cf. McKinsey 2023). Taken together, these characteristics make SaaS an especially attractive sector for private equity, as it supports all three of the conventional levers for value creation in LBOs: deleveraging, multiple expansion, and EBITDA growth.

3.2 Target Screening Process

To operationalize the screening criteria presented in Section 2.2.1, this section describes how Smartsheet was selected as a suitable LBO target. Three steps were involved in the screening process:

establishing the target universe, using screening filters, and narrowing the focus to a specific company.

3.2.1 Defining the Target Universe

The first step in the screening process was to define a realistic universe of potential LBO targets. We begin this by narrowing our focus to U.S.-based SaaS companies. This geographic limitation reflects the perspective of a typical PE firm active in the U.S. market, where regulatory conditions, legal infrastructure, and access to debt financing are generally more favorable. In terms of deal size, only businesses with market capitalisations between \$2 and \$10 billion were taken into account. This range is equivalent to the “upper mid-cap” segment; it is both sufficiently large to accommodate significant capital deployment and still within the range that most buyout funds can afford (cf. Pantheon 2024).

For data consistency, the universe was further limited to companies that were openly traded on the Nasdaq or NYSE. That ensured the availability of reliable and standardised financial reporting and disclosures provided by public corporations. Table 3-1 summarises the longlist of 44 candidates that were generated by applying these criteria.

Target SaaS Universe	Companies
Initial SaaS Universe	152
Large cap	46
Mid cap	46
Small cap	60
Adjustments	(108)
Pool ranging between \$2 billion and \$10 billion	(106)
Listed on NYSE, NASDAQ (OTC excluded)	(2)
Universe subject to screening	44

Table 3-1: Defining the target SaaS universe. Source: Own illustration.

3.2.2 Target Selection Process

The second step involves narrowing the longlist of 44 companies by applying quantitative filters derived from the screening criteria as summarised in Section 2.2.1. The most important component — stable cash flow, was filtered by requiring gross margins greater than 70% (TTM as of February 2024). High gross margins typically indicate strong product–market fit and pricing power, both of which contribute to reliable and sustainable cash flow generation. Given the growth-oriented nature of SaaS businesses and their tendency to reinvest heavily, we did not require a minimum EBITDA margin. Instead, we excluded companies with EBITDA margins above 20%. The rationale is that highly profitable firms may offer less potential for operational improvements—an important lever we

aim to use in our LBO simulation. In order to eliminate overvalued companies, the valuation feasibility was addressed by setting an EV/EBITDA threshold of less than 15x. Additionally, only companies whose debt-to-equity ratio was less than the software sector average of 0.35 (cf. FullRatio 2025) were kept in order to guarantee the ability to expand leverage after the acquisition. These filters narrowed the universe to five businesses, which are shown in Table 3-2.

Company	Ticker	Cap (mil)	Gross Margin	EBITDA Margin	EV/EBITDA	Debt/Equity
Asana	ASAN	3454,53	89%	-30%	NA	0,17
AvidXchange	AVDX	2035,56	74%	19%	0,4x	0,10
Freshworks	FRSH	3832,22	83%	-15%	NA	0,00
Klaviyo	KVYO	9236,28	76%	-8%	NA	0,00
Smartsheet	SMAR	7900,00	81%	-13%	NA	0,06

Table 3-2: Shortlist of SaaS companies. Source: Own illustration.

Finally, to account for sector-specific characteristics, a quantitative filter was applied, requiring annual recurring revenue (ARR) growth of at least 20% year over year. Strong ARR growth supports revenue and valuation stability, an important aspect under a leveraged capital structure. At this point, other qualitative factors like managerial strength were not included because they can be changed under private ownership if needed.

3.2.3 Defining Smartsheet as the LBO Target

After applying the determined filter set, Smartsheet was the only business that satisfied all the screening requirements (see Table 3-3). Therefore, this company was selected for further analysis as a potential LBO target.

Company	Ticker	Cap (mil)	Gross Margin	EBITDA Margin	EV/EBITDA	Debt/Equity	ARR FY23/24
Smartsheet	SMAR	7900,00	81%	-13%	NA	0,06	21%
Klaviyo	KVYO	9236,28	76%	-8%	NA	0,00	17%
AvidXchange	AVDX	2035,56	74%	19%	0,4x	0,10	15%
Asana	ASAN	3454,53	89%	-30%	NA	0,17	10%
Freshworks	FRSH	3832,22	83%	-15%	NA	0,00	NA

Table 3-3: Final screening result – Smartsheet selected. Source: Own illustration.

3.3 Company Overview and Due Diligence on Smartsheet

After Smartsheet has been determined to be the most suitable LBO candidate, the next stage is to provide an overview of the company's business and conduct structured due diligence to assess its viability as a buyout target. This assessment is organized across three dimensions: strategic, operational, and financial due diligence.

3.3.1 Company Overview

Smartsheet is a company that was founded in 2005 and offers cloud-based solutions for businesses to manage their collaborative work. Since going public in 2018, the business has been listed on the NYSE. Smartsheet provides its users with a scalable and adjustable platform that combines spreadsheet-style functionality with process automation, collaboration features, and third-party interfaces to numerous business applications (cf. Smartsheet 2024a). Smartsheet has a subscription-based business model, with revenue streams coming mainly from user licenses and the use of premium platform features. Target clients comprised both large and mid-sized enterprises, coming mostly from financial, public services, and technology sectors (cf. Smartsheet 2024b). Smartsheet's gross margin at the end of FY2024 was 81%, comparable to the leading SaaS peers (cf. KBCM Technology Group 2023). Despite its historically negative earnings, Smartsheet continues to prioritise growth, supported by strong enterprise adoption and ongoing platform expansion.

3.3.2 Strategic Due Diligence

Smartsheet operates within the collaborative work management (CWM) segment of the SaaS industry. This category of software has grown rapidly in recent years (cf. Gartner 2023). Among the main drivers supporting this trend are growing demand for flexible and scalable platforms that facilitate collaboration, the fast digital transformation, and the wide adoption of remote and hybrid work settings. According to IDC (2024) forecasts, the CWM industry will keep growing at a double-digit rate, as businesses switch from old, outdated products to more secure and integrated solutions (cf. IDC 2024). As a horizontal platform, Smartsheet markets itself as highly adaptable in a range of enterprise-wide tasks, including product development, operations, marketing, and information technology. Beyond that, the platform leverages its ability to customize and automate workflows without having a coding background, a feature that widely appeals to the non-technical users (cf. Smartsheet 2024a).

With direct rivals like Asana, Monday.com, and Wrike, as well as indirect rivals like Microsoft Project, the competitive landscape is quite fragmented. Offering enterprise-grade governance, automation, and integration—features that big businesses value—is how Smartsheet sets itself apart (cf. Forrester 2023). Further, its standing as an all-in-one enterprise platform is reinforced by ongoing investments in process and data mining products like WorkApps and Data Shuttle. As of FY2024, Smartsheet supported over 17 million users in 190 countries and served over 3,000 enterprise clients. Its strategic perspective is further supported by a number of structural tailwinds, including the

market's shift from distinct tools to all-in-one enterprise solutions, the growing need for safe workflow solutions from regulated industries, and the growing acceptance of AI automation.

3.3.3 Operational Due Diligence

Smartsheet's platform is built for horizontal scalability, supporting various use cases across enterprise-wide business functions. It facilitates rapid expansion within customer environments and keeps onboarding costs moderate by enabling self-service deployments without professional IT support. The "land, expand, and climb" strategy is the company's operational strength and the cornerstone of its client retention strategy. In the land stage, small departmental use cases are used to facilitate initial access to the customer workflows. With little training needed, Smartsheet rapidly expands horizontally across teams, departments, regions, and procedures as value becomes evident (cf. Smartsheet 2024a). By integrating Smartsheet into vital enterprise processes, the business builds a strategic relationship with the client over time. Adopting premium features and enterprise-wide governance tools is usually part of this stage. (cf. Smartsheet 2024a). The modular architecture of Smartsheet, capable of interacting with Salesforce, Microsoft 365, and ServiceNow, as well as sophisticated automation, further supports operational scalability.

Smartsheet has a good marginal dynamic and a minimal incremental cost for adding new users, especially in self-service mode. However, its current business development model remains costly, heavily relying on professional services and field sales, which reduces overall operational efficiency. In FY2024, more than half of the operating costs were allocated to sales and marketing efforts. Such a strategy helped the company expand its revenue but also hurt its short-term profitability. For the private equity sponsor, this operating setting offers a clear opportunity for improvement.

3.3.4 Financial Due Diligence

Smartsheet's financial due diligence proves the company is sustainable enough to be a suitable LBO target. As shown in Table 3-4, Smartsheet's revenue grew at a remarkable CAGR of 32% over the six-year horizon after going public. In absolute values, the revenue developed from \$178 million in FY2019 to nearly \$1 billion in FY2024. This period has consistently proved high gross margins of the company, ranging from 78% to 81%. This margin consistency, even during periods of rapid expansion, demonstrates both strong pricing power and operational execution. While profitability metrics remain negative, there are clear signs of improvement. EBITDA losses, which peaked at (\$222) million in FY2023, narrowed to (\$120) million in FY2024. Net income followed a similar

trajectory, improving from a loss of (\$216) million in FY2023 to (\$105) million in FY2024 (cf. Smartsheet Inc. 2024a).

Metric	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	CAGR - Avg
Revenue (\$M)	178	271	386	551	767	958	32%
Gross Margin (%)	81%	80%	78%	79%	78%	81%	80% avg
EBITDA (\$M)	(55)	(104)	(120)	(170)	(222)	(120)	Improving
Net Income (Loss) (\$M)	(54)	(96)	(115)	(171)	(216)	(105)	Improving
Free Cash Flow (\$M)	(15)	(27)	(32)	(21)	10,00	145	Improving
Capex (% of Revenue)	1.2%	1.1%	1.4%	1.5%	1.5%	1.4%	1,3% avg

Table 3-4: Historical financial development of Smartsheet, 2019–2024. Source: Own illustration.

The free cash flows have also been developed in a better way. So that FY2024 resulted in a \$145 million positive free cash flow, supported by a capital-light structure that demanded a modest capex of below 1.4%. Furthermore, the company reserves amounted to \$629 million in cash (calculated with short-term investments) to ensure its runway for the periods of potential negative cash burns. In the ending balance of FY2024, Smartsheet has zero long-term debt; this conservative capital structure provides potential room for introducing leverage in a buyout scenario without straining liquidity. From a returns perspective, a calculation of ROIC is not reasonable due to the past operating losses. Nevertheless, given that Smartsheet’s gross profit reached \$772 million on assets of \$1.3 billion and the company’s low capex, expanding margins, we can conclude that it is well-positioned to provide a strong return under private ownership. Lastly, the shareholder structure further speaks to the transaction’s feasibility. With ownership base concentrated among institutional investors such as Vanguard and BlackRock, and no founder or insider holding a controlling stake, a take-private process would likely not face any essential resistance.

3.4 Value Creation Plan

Building on the findings of due diligence, the presented value creation plan for Smartsheet is structured around the three levers: operational, financial, and governance engineering (cf. Rosenbaum & Pearl, 2020). It is worth noting that the plan is based solely on publicly available data, which limits access to operational insights. In practice, private equity firms would conduct more extensive diligence—often involving management interviews, customer analysis, and contract-level data—which might reveal further upside. Nonetheless, based on the information reviewed, we identified several areas with potential for value creation. Finally, the suggested value creation measures are intended to be implemented over a five-year ownership horizon, with further benefits expected to materialize during and beyond this period through ongoing execution effects.

Operational engineering is expected to serve as the primary lever of value creation under private equity ownership. As identified in the operational due diligence (Section 3.3.3), the company exhibits strong revenue growth and high gross margins, but its costs are currently higher than those of its SaaS peers. To address this inefficiency, the plan highlights four key changes: (1) a transition to a Product-Led Growth (PLG) model, (2) R&D rationalisation, (3) pricing and monetisation of premium capabilities, and (4) customer support efficiency improvements.

1. Due to Smartsheet's long-time reliance on a field sales model, the sales and marketing expenses (reported under SG&A) have risen above 50% of revenue. A shift to a product-led growth (PLG) strategy, in which customer acquisition and expansion are increasingly motivated by product experience rather than direct sales intervention, will mitigate the imbalance. In particular, the onboarding procedure aimed to be redesigned into self-service flows backed by automated upselling tools, standardised templates, and in-app feature prompts. Eventually, the entire sales organisation would require a focus change to technologically enabled channels for client expansion and inside sales. Over the course of the investment, these actions are expected to reduce SG&A, bringing the ratio below 50% of revenue, and aligning it closely with SaaS peers.
2. The current R&D cost of 30% of revenue also appears elevated when compared to the mature SaaS platforms, where they often fall under 20% of revenue (cf. Blossom Street Ventures 2023). Smartsheet, being still a growth company, clearly requires ongoing R&D; however, a more focused approach might improve the stance. The value creation plan calls for resource allocation in direct connection with the enterprise-level requirements, and a "build-to-monetise" approach. So that all future R&D spending can be assessed considering new features developed and increased revenue delivered. Further, to mitigate growing maintenance costs, non-core or underutilised features should be phased out concurrently. It is anticipated that this rationalisation will gradually contribute to lower R&D costs and bring them to the range seen in mature platform businesses.
3. Smartsheet's advanced tools, such as WorkApps and Data Shuttle, are not yet fully monetized. The private equity plan therefore focuses on revising the pricing structure to extract additional value from existing functions and the existing enterprise customer base. Planned measures include combining premium offerings, embedding usage-based elements, and differentiating pricing across business segments. These measures are expected to increase average revenue per user (ARPU), thereby enhancing top-line performance and enabling Smartsheet to sustain growth above the SaaS industry median, which typically ranges between 25% and 30% annually (cf. Benchmarkit 2025).

4. Smartsheet's customer success is currently resource-intensive, with a proportion of costs driven by manual interactions. Leveraging telemetry data to identify at-risk accounts, increasing proactive engagement, and the standardising the onboarding through digital playbooks are expected to improve customer retention and reduce supporting expenses.

Financial engineering represents an important lever in leveraged buyouts, yet in the case of Smartsheet, its contribution is expected to be relatively moderate. As a capital-light SaaS company with limited tangible collateral and a track record of only recently approaching profitability, Smartsheet cannot sustain the high leverage typically applied to more asset-intensive businesses. Instead, the financial strategy designed for the firm is to establish a balanced capital structure that generates tax efficiency, preserves liquidity, and supports the operational transformation. For this purpose, we construct layered financing, including a senior debt facility with modest amortisation and a subordinated tranche with a payment-in-kind (PIK) feature. Further, the company will have access to the Revolver Credit Line (RCL) used as a last resort for unexpected cash shortfalls. Thus, the proposed structure will allow the PE fund to take advantage of the tax shield while also mitigating liquidity pressures during the transition to positive and sustainable EBITDA. Furthermore, improvements in working capital efficiency are also required. The current operating model shows days sales outstanding (DSO) of 91 days and days payable outstanding (DPO) of 6 days, both are exceeding the SaaS industry medians: 54 days for DSO (cf. Kaplan Collection Agency 2024) and 30 to 60 days for DPO (cf. Sebenik 2023). Enhanced billing discipline and more proactive receivables management could bring this metric closer to sector figures. On the supplier side, backed by private equity firm, Smartsheet is anticipated to negotiate longer payment terms with key vendors and modestly extend the DPO, improving cash conversion and supporting better debt service capacity. Finally, Smartsheet's history of net losses has generated a pool of tax losses that can be realised once consistent profitability is established. The utilisation of these deferred tax assets will further strengthen FCF and contribute to equity creation independently of top-line growth.

Governance engineering is the third pillar of the value creation plan. Board composition and leadership oversight will be the first change levers under private ownership. Following an acquisition, a more efficient board structure would contribute to a closer strategic look and faster decision-making. In addition, Smartsheet's introduced leveraged capital structure will require stricter financial control and operational focus. That said, it appears to be reasonable to appoint an experienced interim CFO and COO during the time of transition, strengthening accountability in a capital-constrained environment. A second dimension is the realignment of management incentives. The current equity-based compensation structure, designed for public market conditions, focuses on time-vested restricted

stock units. This would be shifted to long-term incentive plans (LTIPs) and performance-based equity schemes under private ownership, which would be closely linked to EBITDA growth, margin expansion, and value creation milestones.

3.5 Investment Rationale

From a private equity standpoint, Smartsheet offers a credible opportunity for a leveraged buyout, supported by favorable sector tailwinds, predictable ARR, and well-defined improvement measures. The CWM market is projected to grow at double-digit rates through 2028, while Smartsheet benefits from GP margins above 80%, a diversified customer base, and recent progress toward achieving positive cash flow. Despite these strengths, inefficiencies in the cost structure—particularly in SG&A and R&D—create opportunities for operational optimisation under private ownership. The proposed value creation plan addresses these inefficiencies through a transition to a product-led growth model, rationalisation of R&D, monetisation of premium features, and greater automation of customer support. In addition, financial engineering, focused on moderate leverage and tax benefits, coupled with strengthened governance structures, further reinforces the investment thesis. To validate this narrative, the subsequent chapter develops the Smartsheet Excel LBO model and tests its feasibility and resilience under a range of assumptions and market conditions.

Chapter 4: Smartsheet LBO Model: an Excel application

Building on the company overview, due diligence, and the investment thesis, this chapter continues with the development of a leveraged buyout model. Created using Microsoft Excel, the model incorporates the value creation plan and tests the feasibility of the suggested investment under varying performance scenarios. The modelling approach adheres to the theoretical framework covered in Section 2.4. It is divided into three parts: (1) developing the pre-transaction model, (2) determining the transaction structure, and (3) constructing the post-transaction model.

4.1 Pre-Transaction Model

The pre-transaction model consists of forward-looking financial statements that are based on forecast assumptions about the company's future growth and the anticipated impact of operational improvements planned by the private equity sponsor (cf. Talmor/Vasvari 2011, pp. 205-210). Developing this model involves several steps, such as gathering historical financial statements, analyzing key performance ratios, and formulating realistic forecasting assumptions. Although this modeling process will not require advanced Excel knowledge, it will demand a careful approach to assumption setting, as those are foundational to the model's reliability and the credibility of the analysis that follows.

4.1.1 Data Gathering

The model will use Smartsheet's financial data for the past three fiscal years (2022–2024) as a starting point. Because Smartsheet is a publicly traded company, it has to file annual 10-K reports with the U.S. Securities and Exchange Commission (SEC), which can be found in the SEC database (cf. U.S. SEC 2025). Of particular importance for our model are the consolidated statements of operations, balance sheet, and cash flow statement. These reports have the most important information needed to make the initial LBO model and identify trends on how well the company is doing.

4.1.2 Ratio Analysis

While the financial due diligence in Section 3.3.4 offered a broad assessment of Smartsheet's long-term trajectory, this section looks at the most recent three fiscal years (2022–2024) to get quantitative inputs for the LBO model. The goal is to calculate performance ratios that accurately reflect how the company is doing and that can be used to make reliable predictions. Table 4-1 shows a summary of these ratios.

Metrics	2022A	2023A	2024A	CAGR - Avg
Revenue \$M	551	767	958	32%
COGS as % of Revenue	21%	22%	19%	21%
Gross Margin %	79%	78%	81%	79%
R&D as % of Revenue	30%	28%	24%	28%
SG&A as % of Revenue	80%	79%	69%	76%
Capex as % of Revenue	3%	2%	1%	2%
D&A as % of Revenue	4%	3%	3%	3%
DSO Days	100	95	91	95
DPO Days	5	5	6	5

Table 4-1: Smartsheet financial ratios FY2022–2024. Source: On the basis of Smartsheet 10-K 2024, pp. 73-109.

In the last three years, Smartsheet’s sales grew at a remarkable CAGR of 32%, increasing from \$551 million in FY2022 to \$958 million in FY2024. This growth momentum is considerably higher than the SaaS sector average of 18% (cf. KBCM Technology Group 2023). The gross margin stayed strong at an average of 79%. The operational expenses, on the other hand, showed early signs of becoming more efficient. For example, R&D costs went from 30% to 24% of revenue, and SG&A costs went from 80% to 69%. Capex was less than 2% of revenue, which aligns with the capital-light SaaS model. Even though Depreciation and Amortisation (D&A) isn’t disclosed as a separate line item on the 10-K income statement, it’s spread within COGS and SG&A. We can infer its amount from the cash flow statement. D&A stayed close to 3% of revenue during the time period. Working capital metrics show where things could be better. In FY2024, Days Sales Outstanding (DSO) was 91 days, which is far longer than the industry average of 45 to 60 days. This is because enterprise clients have longer payment terms. Days Payable Outstanding (DPO), on the other hand, was only 6 days. This likely could be explained by Smartsheet’s cooperation with large cloud providers like AWS and Microsoft Azure, where the strict payment terms don’t give much opportunity for negotiating. However, when a company is backed by private equity, there may be a chance to improve vendor terms through strategic procurement or volume-based renegotiation.

4.1.3 Scenario Design

In line with financial modeling best practices, the projections developed for Smartsheet are structured using a case-based scenario framework. This approach provides an assessment of how the company could perform under varying degrees of operational execution and market conditions, while also allowing for scenario testing of value creation levers. The Smartsheet model spans a ten-year horizon (FY2025–2034) and is built around three distinct cases:

1. Base Case: Assumes moderate success in executing the value creation plan under private ownership, as outlined in Section 3.4.2. This scenario reflects sustained revenue growth and gradual operating margin expansion in line with recent trends.
2. Best Case: Represents an upside outcome in which all operational initiatives are implemented successfully and on time. This scenario assumes stronger top-line growth, accelerated PLG adoption, and more aggressive cost optimization.
3. Worst Case: Models a downside scenario in which execution is delayed or only partially effective. It includes slower revenue growth, limited margin improvement, and serves to test the investment under less favorable conditions.

Each scenario is defined by a set of assumptions for key performance drivers, including revenue growth, gross margin, R&D and SG&A intensity, and others. These differentiated inputs reflect distinct strategic outcomes and are detailed in the following sections.

4.1.4 Forecast Assumptions – Base Case

The Base Case scenario suggests a moderately optimistic trajectory for Smartsheet under private equity ownership. All underlying forecast drivers for this and the other two cases (Best and Worst) are summarized in detail in Appendix A.

The forecast begins with revenue, which is assumed to rise 30% annually through FY2028. This assumption is supported by Smartsheet's historical CAGR of 32% and recent industry studies projecting continued growth of the CWM segment at an annual rate of at least 20% until 2028 (cf. IDC 2024). Given Smartsheet's positioning, its recurring revenue model, as well as operational scalability, it is reasonable to expect that the company will continue to outperform the SaaS sector average and keep its revenue growth above that of its peers in the medium term. From FY2029 onward, it is expected that revenue growth will gradually slow down until it reaches the company's estimated cost of capital in FY2034. This is based on the idea that Smartsheet's competitive advantages would diminish over time as the industry grows and more competitors emerge. The reasoning is in line with conventional valuation principles, which state that businesses cannot outperform the economy or provide returns higher than their cost of capital until competition erodes their competitive advantage (cf. Damodaran 2024). In Smartsheet's case, the weighted average cost of capital (WACC) is estimated at 8.4%. Applying this, Smartsheet's revenue is projected to reach \$7.9 billion by FY2034—a realistic target given the projected CWM market size of \$75.61 billion (cf. SkyQuest Technology 2024). Further, gross margin is assumed to be constant at 81%,

which aligns with Smartsheet's FY2024 performance and comparable SaaS benchmarks. No further margin expansion is assumed, consistent with a conservative modeling approach.

On the cost side, R&D expenditure, currently above the industry average at around 17% of revenue (cf. SaaS Capital 2024), is projected to decline gradually. The company's strategic shift toward core platform development, and reduction of its new feature proliferation is expected to lower the R&D spending from 20% in FY2025 to approximately 16% by FY2034 (see Appendix A.1). SG&A expenses represent the most significant operational improvement lever in the model. With a ratio of approximately 69% in FY2024, SG&A is high due to Smartsheet's field-heavy sales model and enterprise onboarding costs. The Base Case assumes that the PE sponsor will pivot its sales approach toward product-led growth, automated onboarding, and in-app upselling—initiatives designed to reduce customer acquisition costs and improve scalability. Accordingly, SG&A is projected to decline to 42% of revenue by FY2034. Depreciation and amortization (D&A) is modeled at a flat 2% of revenue, based on historical levels and reflecting limited capital intensity. Capital expenditures (Capex) are also assumed to be 2% of revenue, which aligns with Smartsheet's capital-light operations, where growth is not dependent on significant physical infrastructure investments.

Days Sales Outstanding (DSO) and Days Payable Outstanding (DPO) are assumed to have moderately improved in the Base Case scenario. This should come from private equity-backed increases in negotiating power and financial discipline. In particular, DSO is anticipated to decrease from its high level of 91 days in FY2024 as more effective billing and collection procedures are implemented, and DPO will increase slightly due to renegotiated vendor terms. Taxes are applied at a statutory rate of 25%, but only in years where EBT is positive. These assumptions define the Base Case scenario and serve as the foundation for the pro-forma financial statements. A detailed summary of all forecast drivers across the Base, Best, and Worst Cases is included in Appendix A.

4.1.5 Scenario Assumptions – Best and Worst Cases

Building on the Base Case described in the previous section, two additional forecast scenarios were developed to test the sensitivity of the investment thesis and capture a reasonable range of performance outcomes under different execution conditions and market dynamics.

In the Best Case scenario, Smartsheet achieves higher revenue growth and more substantial operating leverage. Revenue expands at an average annual rate of 32% through FY2028, driven by full market adoption, rapid enterprise penetration, and successful execution of the value creation plan (see Appendix A.2). From FY2029 onward, growth gradually decelerates to a terminal rate of 10% by

FY2034. COGS is reduced to 17% of revenue, and operating efficiency gains are more pronounced: R&D declines to 15% of revenue, and SG&A falls to 39% by FY2034, reflecting complete adoption of product-led growth, automation, and cost rationalization. Capex and D&A stay the same at 2% each, which fits Smartsheet's model.

Regarding working capital, DSO is expected to improve faster because of stricter billing and collection processes. DPO is expected to go up at a modest pace due to renegotiated terms with infrastructure vendors. This scenario assumes that all operational levers are carried out successfully and on time.

In the Worst Case, growth moderates significantly due to macroeconomic headwinds, delayed execution, and intensified competition. Revenue increases at 27% through FY2028, then gradually slows to 7% by FY2034, in line with the company's cost of capital (see Appendix A.3). COGS rises to 20%, compressing gross margin to 80% and reflecting pricing pressure and diminished scale efficiency. R&D expenditures are still high, reaching 17% of sales by 2034, suggesting that efficiency improvements have had only a partial effect. With a relatively modest fall to 43%, SG&A shows little progress in moving away from the field-sales paradigm of the past. There is no change in the D&A and Capex expectations. A weaker demand environment and increased client payment delays are indicated by the DSO, which is still high.

4.1.6 Pro-forma finance statements

Based on the defined scenario assumptions, a full set of ten-year pro-forma financial statements has been developed to project Smartsheet's standalone operational performance. The outputs include a projected Income Statement, Balance Sheet, and Cash Flow Statement, all constructed within an applied Excel-based financial model. These projections represent the company's pre-transaction outlook and serve as the analytical foundation for further deal structuring in the LBO context.

The Base Case financial outputs are presented in Table 4-2. As these statements reflect the unlevered, pre-deal view of the business, they intentionally omit several components such as interest expense, debt balances, and goodwill. These "gaps", while important to the overall deal analysis, will be first addressed in the post-transaction modeling.

Income Statement

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues	958.338	1.245.839	1.619.591	2.105.469	2.716.054	3.503.710	4.460.223	5.468.234	6.441.579	7.285.426	7.897.402
COGS	186.448	236.709	307.722	400.039	516.050	665.705	847.442	1,038.964	1,223.900	1,384.231	1,500.506
Gross Margin	771.890	1.009.130	1.311.869	1.705.430	2.200.004	2.838.005	3.612.781	4.429.269	5.217.679	5.901.195	6.396.896
SG&A	658.101	759.962	923.167	1,136.953	1,385.188	1,681.781	2,007.100	2,351.340	2,769.879	3,059.879	3,316.909
R&D	234.071	242.939	291.526	378.984	461.729	595.631	713.636	874.917	1,030.653	1,165.668	1,263.584
EBIT	(120.282)	6.229	97.175	189.492	353.087	560.594	892.045	1.203.011	1.417.147	1.675.648	1.816.402
*Depreciation	27.012	24.917	32.392	42.109	54.321	70.074	89.204	109.365	128.832	145.709	157.948
*EBITDA	(93.270)	31.146	129.567	231.602	407.408	630.668	981.249	1.312.376	1.545.979	1.821.357	1.974.350
Cash Net Interest Expense (Income)	(24.140)										
PIK Interest Expense	-										
Total Interest Expense	(24.140)										
EBT	(96.142)	6.229	97.175	189.492	353.087	560.594	892.045	1.203.011	1.417.147	1.675.648	1.816.402
Current Taxes	8.489	-	-	-	64.346	140.148	223.011	300.753	354.287	418.912	454.101
Deferred Taxes	-	1.557	24.294	47.373	23.926	-	-	-	-	-	-
Total Tax Expense	8.489	1.557	24.294	47.373	88.272	140.148	223.011	300.753	354.287	418.912	454.101
Net Income	(104.631)	4.672	72.882	142.119	264.815	420.445	669.033	902.259	1.062.861	1.256.736	1.362.302

Balance Sheet

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	Incr / Decr	2024 Adj	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets													
Cash (Incl. short term investments)	628.795			5.000	5.000	151.905	469.817	967.985	1,558.919	2,373.382	3,452.166	4,667.392	6,143.846
Accounts Receivable	238.708			255.994	310.607	403.788	520.887	623.948	794.286	973.795	1,058.890	1,197.604	1,190.019
Goodwill	141.477												
Other Assets	286.137			300.444	315.466	331.239	347.801	365.191	383.451	402.623	422.755	443.892	466.087
PPE (ending)	42.362			42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362
Assets(total)	1.337.479			6.854.815	6.924.449	7.180.310	7.631.883	8.250.501	9.030.033	10.043.178	11.227.187	12.602.265	14.093.329
Liabilities & Equity													
Accounting Payable	2.937			5.188	8.431	10.960	16.966	21.886	32.505	39.851	53.650	60.679	73.998
Revolving Credit Line	-												
Term Loan A	-												
Subordinated Debt	-												
Other Liabilities	728.687			765.121	803.377	843.546	885.724	930.010	976.510	1,025.336	1,076.603	1,130.433	1,186.954
Common Stock	1,468.805			4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480
Retained Earnings (Accumulated Deficit)	(862.950)			(40.328)	32.554	174.673	439.488	859.933	1,528.967	2,431.225	3,494.086	4,750.822	6,113.124
Total L. & E.	1.337.479			6.854.815	6.924.449	7.180.310	7.631.883	8.250.501	9.030.033	10.043.178	11.227.187	12.602.265	14.093.329
Balance Check	-			-	-	-	-	-	-	-	-	-	-

Cash Flow Statement

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Cash Flow Statement											
Net Income	(104.631)	4.672	72.882	142.119	264.815	420.445	669.033	902.259	1,062.861	1,256.736	1,362.302
Depreciation	27.012	24.917	32.392	42.109	54.321	70.074	89.204	109.365	128.832	145.709	157.948
PIK Interest expense		111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Δ Net Working Capital		(15.035)	(51.370)	(90.653)	(111.093)	(98.141)	(159.719)	(172.163)	(71.295)	(131.686)	20.904
Δ Other Operating Assets		(14.307)	(15.022)	(15.773)	(16.562)	(17.390)	(18.260)	(19.173)	(20.131)	(21.138)	(22.195)
Δ Other Operating Liabilities		36.434	38.256	40.169	42.177	44.286	46.500	48.826	51.267	53.830	56.522
CFO		148.227	197.050	246.877	372.233	568.241	680.139	923.828	1,207.615	1,360.935	1,634.402
Cash Flow Investment											
Capital Expenditures		(24.917)	(32.392)	(42.109)	(54.321)	(70.074)	(89.204)	(109.365)	(128.832)	(145.709)	(157.948)
Cash Flow Financing											
Revolving Credit Line Issuance / (Repayment)											
Term Loan A Issuance / (Repayment)											
Subordinated Debt Issuance / (Repayment)											
Equity Issuance / (Repurchase)		-	-	-	-	-	-	-	-	-	-
Payment of Dividends		-	-	-	-	-	-	-	-	-	-
CFF		(318.311)	(164.658)	(57.862)	-	-	-	-	-	-	-

Table 4-2: Base Case - ten-year pro-forma financial statements with “gaps”. Source: Own illustration.

The pro-forma income statement offers a more transparent view of Smartsheet’s projected operating performance through FY2034. According to U.S. GAAP, Smartsheet does not disclose EBITDA or D&A separately in its original income statement, as these items are embedded within expense lines such as SG&A and COGS. In our model, however, these components are extracted and modeled explicitly to facilitate more consistent valuation and comparative analysis. Taxes are applied at a flat statutory rate of 25%, but only in years where earnings before tax (EBT) are positive. While the model framework enables dividend distributions as well as equity inflows or buybacks (i.e., issuance or

repurchase of equity), no such movements are assumed across the modeled scenarios. Instead, all net income (loss) is retained and accumulated into the balance sheet, reflecting internal equity growth and preserving consistency with an unlevered pre-transaction structure.

The balance sheet is intentionally simplified and does not attempt to forecast all positions fully. Instead, the focus is on projecting the operational elements most relevant for value creation and debt structuring. These include cash, accounts receivable, accounts payable, property, plant & equipment (PP&E), and retained earnings. Other line items, such as goodwill, RCL, and other loan and debt balances, are excluded at this stage, as they will be completed by the transaction structure, defined in the next chapter.

The cash flow statement (CFS) models Smartsheet's underlying operating performance using the indirect method, starting from net income and adjusting for non-cash items such as D&A, capex, changes in working capital, and other assets, and liabilities. The current model presents a complete CFS; however a free cash flow calculation has not been separated at this stage and will be considered once the transaction structure is defined. Net Working Capital (NWC) adjustments are derived from projected Days Sales Outstanding (DSO) and Days Payable Outstanding (DPO), which reflect the anticipated impact of operational improvements.

4.2 Transaction Structure

This section presents the transaction structure of the LBO model, with particular emphasis on the sources and uses of funds. The uses of funds specify how capital is deployed within the transaction, whereas the sources of funds indicate the origins of that capital (cf. Rosenbaum 2012, p. 208).

4.2.1 Uses of Funds

The uses of funds consist primarily of the equity purchase price and transaction-related fees. Table 4-3 summarizes the specific uses applied in the model. Assuming an acquisition date of February 1, 2024 (beginning of FY2025), Smartsheet's average stock price for the quarter before the acquisition was \$42.6 (cf. Investing.com 2025b) with 136.9 million shares outstanding, as reported in the 2024 10-K Form (cf. Smartsheet Inc. 2024a). This implies a pre-transaction market capitalization of approximately \$6.7 billion. In leveraged buyouts, acquirers typically pay a control premium to obtain majority ownership. Literature suggests a premium range of 15–50% (cf. Kaplan/Strömberg 2009, p. 135). In the Smartsheet model, a conservative 15% control premium is applied, yielding an equity offer value of \$6.7 billion. This conservative premium already reflects optimistic SaaS valuations, limited FCF, constrained debt capacity, and the absence of a competitive auction.

Uses of Cash	Amount
Equity Offer Value	6,715.393
Refinance LT Debt	–
Transaction Fees	45.000
Total Uses	6,760.393

Table 4-3: Breakdown of transaction uses, in \$ thousands. Source: Own illustration.

Transaction fees are estimated at \$45 million, representing approximately 1.5% of the enterprise value. This figure is based on a common rule-of-thumb percentage used in middle- to upper-market LBO deals (cf. Rosenbaum & Pearl 2020, pp. 177–178). It covers typical expenditures for legal, advising, due diligence, and financing services.

After adjusting for Smartsheet’s net cash position, the implied enterprise value (EV) resulted in \$6 billion, and 6.4x of EV/Sales, which falls into the typical valuation range of 6.0x–8.0x, benchmarked for public SaaS companies at that time (cf. Aventis Advisors 2024). Other multiples, such as EV/EBITDA or P/E, have not been considered meaningful at the time of acquisition, as Smartsheet reports negative earnings (cf. Smartsheet Inc. 2024a). However, the EV/EBITDA multiple will become particularly relevant for our model in the post-acquisition stage once Smartsheet transitions to sustained profitability. EV/EBITDA will be used as the core multiple in exit scenario modeling. So, a benchmark was set based on the sector-specific CWM peers, and the entry EV/EBITDA multiple was captured at 20.0x. According to Aventis Advisors, software companies that are likely to grow strongly and generate a significant ARR usually trade at EV/EBITDA multiples ranging from approximately 15x to 22x (cf. Aventis Advisors 2024). Some exceptional performers trade at over 25x. In contrast, more mature and slow-growing peers tend to trade at about 15x. Thus, the 20.0x multiple assumption is a balanced middle point in this distribution that shows both Smartsheet’s growth potential and the valuation levels typically expected by investors for scalable SaaS companies.

4.2.2 Sources of Funds

The sources of funds for the transaction include sponsor equity, cash on hand at deal close, and various debt tranches. The debt elements cover a senior term loan, a subordinated debt (mezzanine), and a revolving credit line (RCL) modeled to support liquidity in the event of operational cash shortfalls. Due to Smartsheet’s limited tangible assets as well as its recent track record of negative earnings, a more cautious financing approach has been adopted. In contrast to traditional LBOs, often executed in asset-heavy industries where lenders can rely on physical collateral as security, this transaction depends on cash-flow lending backed by the company’s high ARR visibility and projected EBITDA expansion.

As a result, most acquisition finance comes from sponsor equity. The structure models 30% debt and 70% equity, including the available cash reserves on the balance sheet. This conservative allocation has been deliberately selected based on an assessment of Smartsheet's free cash flows and its limited near-term capacity to deleverage. Table 4-4 summarizes the sources of funds assumed in the transaction model.

Sources of Funds	% of Total	Amount
Cash on hand (incl. short-term investments)	6%	428.795
Senior Term Loan A	8%	540.831
Subordinated Debt / Mezzanine	22%	1,487.286
Sponsor Equity	64%	4,303.480
Revolving Credit Line, undrawn	–	300,000*
Total Sources	100%	6,760.393

Table 4-4: Sources of funds, in \$ thousands. Source: Own illustration.

The senior secured facility (Term Loan A) represents 8% of total funding. It is structured as a covenant-light facility with floating interest at the SOFR rate plus 275 bps and a 10-year maturity. Repayment consists of 10% mandatory annual amortization plus a full cash sweep of excess free cash flow, making it the primary instrument for early deleveraging despite its relatively small size. The subordinated debt facility accounts for roughly 22% of the total transaction funding and is structured without mandatory principal repayments. With its payment-in-kind (PIK) function and set 10% coupon, Smartsheet can postpone 75% of interest to principal for the first five years after the acquisition. The PIK proportion drops to 25% starting in year six, indicating a shift towards greater cash interest service as the business is anticipated to consistently produce positive EBITDA. Finally, the RCL provides an additional \$300 million liquidity buffer. It is implemented solely as financing of last resort and remains undrawn at deal close. The RCL accrues a 0.5% standby fee on undrawn commitments and carries a floating rate of SOFR plus 200 bps when drawn. That said, the primary goal of the debt instruments provided is to meet short-term liquidity needs while still delivering a competitive return to lenders through accrued interest over the holding period.

Overall, the introduced leverage of approximately \$2 billion equates to 2.2x Smartsheet's FY2024 revenue, which is even below the multiples (4.0x+) observed in larger SaaS buyouts. The remainder of the acquisition financing is covered by sponsor equity and cash available on the company's balance sheet. Cash is also adjusted in a way that keeps a \$200 million beginning cash balance to fund operations and working capital post-acquisition.

4.3 Post-Transaction Model

At this stage, the effects of the transaction structure must be incorporated into the pre-transaction model in order to construct the post-transaction version. This process begins with the development of debt schedules, which reflect the structure and terms of the financing arrangements introduced in the leveraged buyout.

4.3.1 Debt schedules

The debt schedules integrate the transaction's financing assumptions into the operating model, translating projected free cash flows into mandatory and discretionary debt repayments, interest expenses, and the evolving balances over time. The modeled instruments include the Revolving Credit Line, the Senior Term Loan A, and Subordinated (Mezzanine) Debt.

The RCL commitment of \$300 million serves as a liquidity backstop. It accrues a 0.5% standby fee on undrawn balances and bears interest at a secured overnight financing rate (SOFR) plus 200 basis points when drawn. In the model, the RCL is used only when free cash flow is insufficient to meet obligations. It is important that the Smartsheet model recognizes the repayment hierarchies, with the RCL having the highest priority, so any excess cash flow is first allocated to repay the outstanding RCL balance. Table 4-5 illustrates the cash availability after mandatory repayments and how it influences the need for RCL usage or repayment. Under the Base Case, the RCL is temporarily drawn in FY2026 and FY2027 but is completely repaid by FY2028, once the Smartsheet transitions into consistent cash flow generation.

Debt Schedule: Revolving Credit Line

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
REVOLVING CREDIT LINE										
Beginning Cash Balance	200,000	5,000	5,000	5,000	5,000	154,820	587,053	1,250,120	2,190,770	3,288,309
Cash from Operations	(32,696)	32,413	94,901	216,107	408,740	521,438	772,431	1,069,482	1,243,248	1,541,174
Cash from Investing	(24,917)	(32,392)	(42,109)	(54,321)	(70,074)	(89,204)	(109,365)	(128,832)	(145,709)	(157,948)
Mandatory Debt Issuance / (Repayment)	(54,083)	(54,083)	(54,083)	(54,083)	(54,083)	-	-	-	-	-
Equity Issuance / (Repurchase)	-	-	-	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-	-	-	-
Less: Minimum Cash Balance	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Cash Available / (Required) For RCL	83,304	(54,062)	(1,291)	107,703	284,583	582,053	1,245,120	2,185,770	3,283,309	4,666,535

Table 4-5: Cash available for RCL Drawdown/Repayment. Source: Own illustration.

The Term Loan A is the only instrument in our financing with scheduled amortization and therefore drives early deleveraging. It carries a floating interest rate of SOFR plus 275 basis points and amortizes at 10% of the original loan amount annually. In addition to scheduled amortization, the facility includes a cash sweep mechanism, whereby 100% of excess free cash flow, after mandatory repayments and satisfying RCL obligations, is allocated toward discretionary repayment. Table 4-6 captures the Term Loan A schedule and illustrates how mandatory and discretionary repayments steadily reduce its outstanding balance. Under the Base Case scenario, the facility is expected to be

fully repaid by FY2029, providing a significant reduction in secured leverage and freeing future cash flows for reinvestment or distributions.

Debt Schedule: Term Loan A

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Floating Reference rate (Benchmark)		4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
TERM LOAN A											
Beginning		540.831	403.445	349.362	295.278	188.846	-	-	-	-	-
Less: Required Repayments		(54.083)	(54.083)	(54.083)	(54.083)	(54.083)	-	-	-	-	-
Less: Discretionary Repayments	Cash Sweep 100,0%	(83.304)	-	-	(52.349)	(134.763)	-	-	-	-	-
Ending		540.831	403.445	349.362	295.278	188.846	-	-	-	-	-

Table 4-6: Term Loan A repayment Schedule – Mandatory and Discretionary Components. Source: Own illustration.

The subordinated debt, which represents the largest debt component at 22% of total acquisition funding, is structured with no mandatory amortization and matures in a single bullet repayment. It has a 10% fixed coupon and a payment-in-kind (PIK) feature, which lowers the financial burden by capitalising 75% of interest to the loan principle over the first five years of the holding period. After year six, the PIK share changes to 25%, causing the heavier cash interest servicing. This feature impacts the subordinated balance to grow steadily, as shown in Table 4-7, rising from \$1.6 billion at deal close to \$2.4 billion by FY2034. Although it delays deleveraging, this structure ensures liquidity is maintained for Smartsheet in the short term, while continuing to offer competitive returns to mezzanine lenders.

Debt Schedule: Subordinated (Mezzanine)

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
SUBORDINATED DEBT											
Beginning		1.487.286	1.598.833	1.718.745	1.847.651	1.986.225	2.135.192	2.188.572	2.243.286	2.299.368	2.356.852
Less: Required Repayments		-	-	-	-	-	-	-	-	-	-
Plus: PIK Accrual		111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Ending		1.487.286	1.598.833	1.718.745	1.847.651	1.986.225	2.135.192	2.188.572	2.243.286	2.299.368	2.415.774
Interest Rate		10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Cash Percent		25,0%	25,0%	25,0%	25,0%	25,0%	75,0%	75,0%	75,0%	75,0%	75,0%
PIK Rate, %		75,0%	75,0%	75,0%	75,0%	75,0%	25,0%	25,0%	25,0%	25,0%	25,0%
Total Percent		100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cash Amount	Circularity	38.576	41.470	44.580	47.923	51.518	162.141	166.195	170.350	174.608	178.973
PIK Amount	Off	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense		150.123	161.382	173.486	186.497	200.485	215.521	220.909	226.432	232.092	237.895

Table 4-7: Subordinated debt accumulation profile and PIK Impact. Source: Own illustration.

A consolidated picture of all debt instruments is presented in Appendix B, which also summarises principal repayments, ending balances, and related interest expenses. Subordinated PIK accrual is the main driver of the increase in total debt from \$2 billion at closing to about \$2.4 billion by FY2034. Simultaneously, the Term Loan A balance is gradually reduced through amortisation and cash sweeps, which significantly lowers cash interest expense starting in FY2029. As a result of deleveraging and lower PIK capitalisation, total interest expense peaks at about \$212 million in FY2029 and then falls to about \$124 million by FY2034.

4.3.2 Model Mechanics and Covenant Design

The Smartsheet LBO model incorporates several technical features that are used in advanced leveraged buyout modeling. A key element is circularity, which arises due to the interdependence between interest expense and free cash flow. Specifically, interest expense depends on average debt balances, while debt balances themselves depend on free cash flow available after accounting for interest. The model uses Excel's iterative computations to solve this problem, ensuring that interest is computed consistently using balances from the beginning and end of periods. Additionally, the model recognises interest income on cash deposits at an anticipated rate of 3.5% across all scenarios. Thus, five distinct circular loops are included in the model: one each for the drawn and undrawn portions of the revolving credit line, the senior Term Loan A, the subordinated debt facility, and cash balances.

Although the financing structure is relatively conservative, the debt agreements incorporate financial covenants designed to protect lenders. Standard covenants in LBO structures include maximum leverage ratios, minimum interest coverage, and liquidity thresholds. In this model, it is assumed that during the first five years, while Smartsheet employs its value creation plan and stabilizes EBITDA, covenants are tied to ARR and revenue growth, as leverage and debt service coverage ratios would not be meaningful at this stage. From year six onward, traditional covenants are applied: a maximum total Debt/EBITDA ratio of 4.0x, declining by 0.5x annually, and a minimum debt service coverage ratio (DSCR) of 2.0x. These covenants are bound in the model and remain relevant in all scenarios to test the resilience of the capital structure.

4.3.3 Post-Acquisition Financial Statements

Following integration of the debt schedules, the model completes a set of core financial statements under the post-transaction structure. By including financing effects, the income statement is expanded from EBIT to net income. Interest gained on excess cash balances is added, while the interest expenses related to the Term Loan A, subordinated debt, and any drawn revolving credit line are deducted. Earnings before tax (EBT) are subject to a corporate tax rate of 25%, with loss carryforwards taken into consideration where applicable. The balance sheet is also updated to reflect the acquisition financing structure. Transaction-related fees are charged to the accumulated deficit, and new debt balances are carried forward in line with their respective amortization schedules. Cash is updated based on movements in the cash flow statement, while retained earnings track cumulative net income or losses over the forecast horizon. Additional adjustments include the recognition of

goodwill, reflecting the difference between the equity purchase price and the net book value of acquired assets (cf. Corporate Finance Institute 2025).

The cash flow statement compiles net income with actual cash movements. It adjusts for non-cash items, including depreciation, PIK interest, deferred taxes, and reflects changes in working capital components. Cash outflows related to capital expenditures are captured under investing activities. Financing section records debt repayments, interest obligations, and equity contributions. The resulting cash balance is then linked to the balance sheet, ensuring alignment across all three financial statements. These integrated financial statements—constructed for the Base, Best, and Worst Case scenarios and shown in Appendix C.

4.4 Exit Modelling and Returns

As outlined in Section 2.4, the exit equity value in a leveraged buyout model is typically determined by applying an EBITDA multiple to the projected earnings at the exit and deducting the outstanding net debt. The Smartsheet model assesses exit outcomes over several time horizons, from one to ten years, covering both short-term opportunistic and long-term value realisation. The multiple assumed for the exit is set at 20.0x, in line with previously discussed benchmark (see Section 4.2.1). Net debt is derived from the debt schedules, which show steady repayment of Term Loan A and partial capitalization of subordinated debt through PIK interest (see Appendix B.1).

Table 4-8 summarizes the modeled equity value across various exit years. At closing, sponsor equity amounts to approximately \$4.3 billion. Under the Base Case scenario, this grows to \$5.9 billion by year 4, \$18.0 billion by year 6, and \$41.7 billion by year 10. The model does not assume any interim dividend distributions, with all free cash flow reinvested into deleveraging until the final exit event.

	Close	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
10-Year Horizon	(4.303.480)	-	-	-	-	-	-	-	-	-	41.742.771
9-Year Horizon	(4.303.480)	-	-	-	-	-	-	-	-	37.358.587	
8-Year Horizon	(4.303.480)	-	-	-	-	-	-	-	30.810.982		
7-Year Horizon	(4.303.480)	-	-	-	-	-	-	25.254.355			
6-Year Horizon	(4.303.480)	-	-	-	-	-	18.023.463				
5-Year Horizon	(4.303.480)	-	-	-	-	10.632.985					
4-Year Horizon	(4.303.480)	-	-	-	5.978.092						
3-Year Horizon	(4.303.480)	-	-	2.438.748							
2-Year Horizon	(4.303.480)	-	474.177								
1-Year Horizon	(4.303.480)	(1.374.358)									

Table 4-8: Smartsheet equity value by exit year – Base Case. Source: Own illustration.

With all structural assumptions and financing mechanics incorporated, the model produces the two primary return metrics used in private equity decision-making: internal rate of return (IRR) and cash-on-cash return (CoC). These outputs are calculated across a range of exit horizons and provide a

critical insight into investment attractiveness, risk-adjusted performance, and timing sensitivity, which are discussed in the following chapter.

4.5 Model Optimization

After constructing the entire functional Smartsheet LBO model, the transaction structure was tested for optimization. The objective was not to alter forecasting assumptions but to adjust key deal parameters, namely purchase price, debt mix, and equity contribution—while monitoring their impact on IRR, Cash-on-Cash returns, and financial covenant compliance. Following the standard leveraged buyout practice, the model applied a competition-based logic, setting the purchase price in line with market benchmarks and twisting the debt structure to balance return expectations with liquidity constraints. In addition, to validate the robustness, the model was also cross-checked using a return-based approach: starting from the investor hurdle rate (set as 20% IRR), the implied maximum entry price was determined and then compared with the assumed equity offer value. Through this process, the model was optimized to a 30% debt and 70% equity financing structure, aligning with Smartsheet's cash flow profile. The optimization confirmed that the chosen structure balances investor return requirements, debt sustainability, and market feasibility.

Chapter 5: Smartsheet LBO Analysis

This chapter gives an in-depth look at the results of the Smartsheet LBO model. The goal is to figure out that the transaction is financially viable, as suggested in Section 3.5, and to validate whether the modelled outcomes fit in the overall investment thesis from a private equity perspective. For this purpose, each of the scenarios is examined with regard to expected financial performance, covenant compliance, and equity returns across different investment horizons. Following the scenario examination, a preferred exit year is identified by balancing the financial metrics (IRR, CoC), operational milestones (completion of the value creation plan), and market conditions (favorable valuation environment). The analysis then concludes with a sensitivity assessment and return attribution of key value drivers, including exit valuation multiple, EBITDA growth, and deleveraging.

5.1 Scenario Analysis

In the Base Case scenario, Smartsheet's EBITDA turns positive as early as FY2025 and increases from \$31 million to nearly \$2 billion by the end of the projected ten-year period (see Appendix C.1: Income statement). This growth is driven by sustainable sales expansion, improvements delivered by the value creation plan, and the effects of the operating leverage. From FY2028 onward, the free cash flow starts to improve meaningfully, as the gross margin increasingly offsets the company's fixed cost base and mandatory interest repayments.

Despite scheduled term loan repayments, total debt increases marginally over the projection period (see Figure 5-1). This development is mainly driven by the back-loaded amortization structure of the subordinated debt facility, which carries a 75% PIK component during the first five years of the holding period.

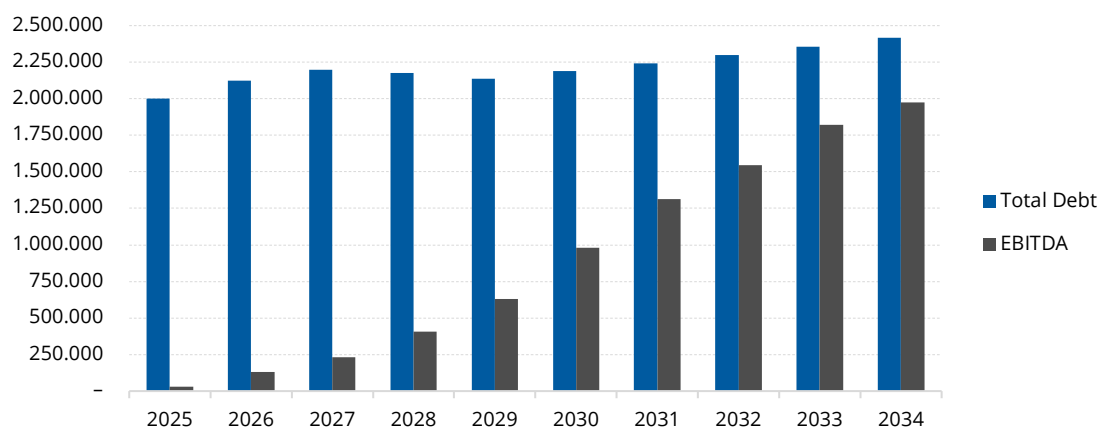


Figure 5-1: Total Debt vs. EBITDA under the Base Case, in \$ thousands. Source: Own illustration.

The need for this PIK-heavy structure is made clear in FY2026 and FY2027 when Smartsheet taps into the revolving credit line for short-term operating liquidity. This occurred despite the modelled opening cash reserves of \$200 million, which are aligned with the company’s historical position. Thus, to avoid constraining limited cash flows during the early stage of EBITDA growth, the PIK feature — although being an expensive source of financing — allows for deferring cash outflows to later periods. The model shows that from FY2028, internal cash flow generation will already be adequate to pay for all operational requirements, pay off the drawn RCL, and start making discretionary term loan repayments. Over time, this development boosts the building up of equity value and offers more flexibility in managing liquidity.

The model begins testing covenant compliance after five years, in FY2030, when the core levers of the value creation plan are expected to have delivered their intended impact. The analysis includes two key metrics: the maximum Total Debt-to-EBITDA ratio and the minimum Debt Service Coverage Ratio (DSCR). That year, Smartsheet’s Total Debt-to-EBITDA ratio was projected at 2.2x, comfortably below the covenant threshold of 4.0x. The DSCR achieves 3.6x, indicating that net operating income can cover debt service obligations by 360%, which is well above the covenant requirement of a minimum 1.0x. Figure 5-2 shows that both metrics improve through FY2034, which proves the long-term strengthening capacity of the company’s credit profile.

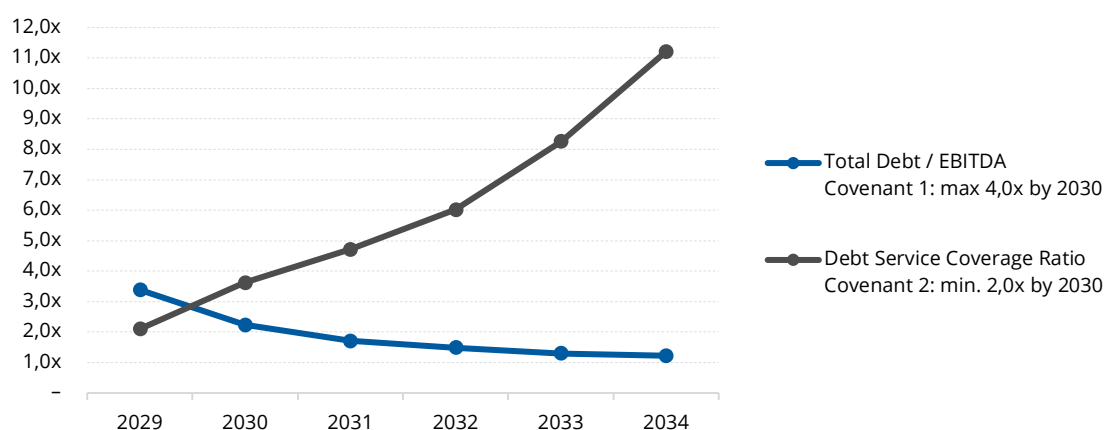


Figure 5-2: Covenant compliance under the Base Case. Source: Own illustration.

From an LP’s perspective, the Base Case scenario generates attractive returns. Starting from year 6, the transaction delivers an internal rate of return (IRR) exceeding 25%, accompanied by steadily increasing money multiple. These results are well aligned with upper-tier private equity performance benchmarks (cf. KKR 2024). As shown in Figure 5-4, longer holding periods yield higher absolute returns, reaching a cash-on-cash multiple of 9.7x by year 10 — though this comes at the expense of gradually declining IRR as a result of the time-value effect. By contrast, shorter holding periods, such

as exits in year 2 or 3, do not produce meaningful IRRs due to the lack of stabilized EBITDA, limited realization of operational improvements, and minimal debt amortization. In such early periods, EV/EBITDA is not considered a suitable valuation metric. Overall, the results support a strategic holding period that allows the value creation plan to be fully implemented. A more detailed discussion of exit timing is provided in the following section.

To further assess the robustness of the model, two deviated scenarios — Best and Worst Cases — were analyzed. These are not alternative investment strategies but serve as stress test to simulate potential variations in operating performance. The results of these scenarios are summarized in Appendices D.2 and D.3. Regarding Best Case, EBITDA is projected to rise from \$82 million in FY2025 to nearly \$2.7 billion by FY2034, supported by better than expected revenue and margin expansion, as well as rationalisation across SG&A and R&D lines. By contrast, the Worst Case simulates a more constrained operating environment, characterised by slower revenue growth and delayed operational improvements. Under this scenario, revenue reaches \$6.6 billion, while EBITDA increases to \$1.5 billion by FY2034. It is worth noting that under the stressed Worst Case, Smartsheet is required to draw \$214,8 million from the revolving credit line by FY2026, approaching the modeled 300 million maximum limit (see Appendix B.3). Although this trend is concerning, covenant compliance is met across the projected horizon, with Total Debt/EBITDA projected at 3.2x and the DSCR at 2.2x by FY2023 (see Figure 5-3).

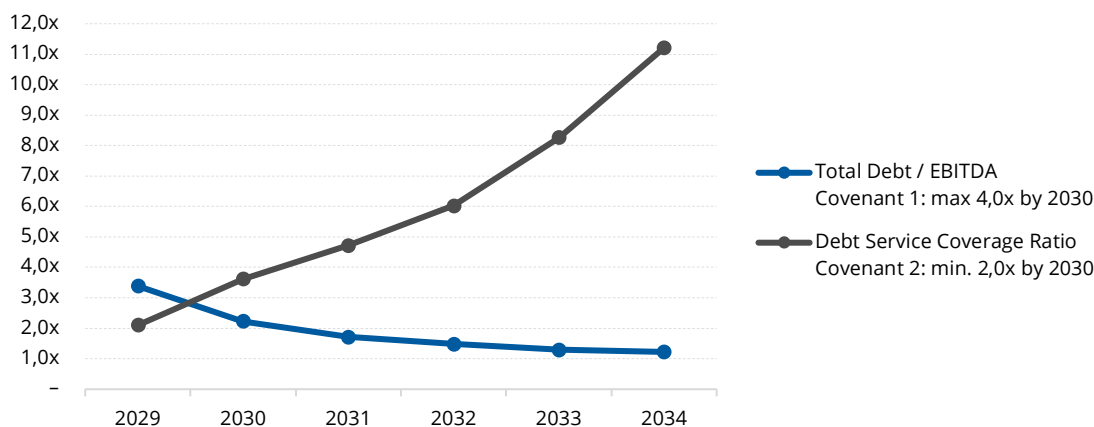


Figure 5-3: Covenant compliance under the Worst Case scenario. Source: Own illustration.

From a return perspective, the Best Case delivers IRRs in the 25–35% range after year 5. This result consistently exceeds the typical private equity benchmark rate, and positions the transaction in the top-quartile of successful tech buyouts (cf. Bain & Company 2024). Even under the stressed Worst Case, IRRs remain close to 20% thereby meeting industry hurdle rates and confirming the financial viability of the transaction in more adverse assumptions.

Taken together, the scenario analysis suggests that the transaction structure is resilient across a broad range of operating outcomes. Moreover, all scenarios support the conclusion that returns remain at or above the typical private equity performance range once the operational improvements materialize. This sets the baseline for the subsequent discussion on exit timing and sensitivity analysis.

5.2 Exit Consideration

The exit event is the most important consideration for the private equity sponsor in every leveraged buyout. While the value creation primarily occurs during the holding period, value realization is only achieved upon exit. Therefore, the exit must be carefully planned based on financial performance milestones, realisation of the value creation plan, and broader market conditions.

The Smartsheet LBO computes IRR and cash-on-cash (CoC) returns across a ten-year holding horizon, capturing the range from early opportunistic exits to longer-term holding strategies (see Figure 5-4).

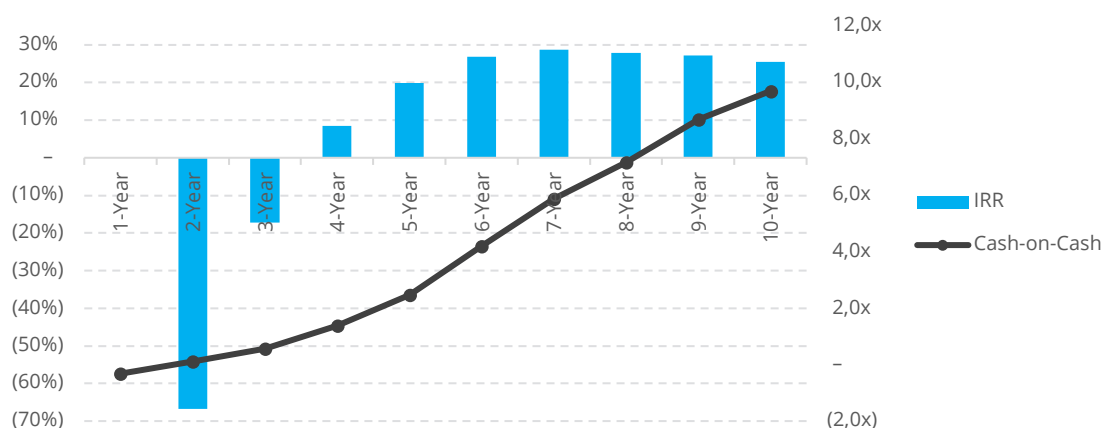


Figure 5-4: Modeled IRR and Cash-on-Cash returns across exit horizons – Base Case. Source: Own illustration.

The data shows a sharp inflection in value capture beginning in year 5 and peaking around years 7 to 8, mostly driven by margin improvements, scalable revenue base, and growing free cash flow generation. This gives PE sponsor important strategic flexibility to tailor the exit based on market conditions, buyer appetite, or IPO windows, without sacrificing return potential.

The six-year holding period, ending in FY2030, is a strategically balanced exit horizon and is used as the base assumption in this model. Although exit years 7 to 9 show greater IRRs, marginal gains come with increasing macroeconomic exposure, reinvesting risk, and the time cost of capital. This timing can be further justified by:

1. Completion of the value creation plan by FY2030, Smartsheet is projected to reach nearly \$1 billion in EBITDA. This reflects the realization of operational improvements, including margin expansion and SG&A rationalization.
2. Capital Structure Maturity: The company fully repays its senior secured term loan by FY2029 and enters a net cash position in FY2030.
3. Flexibility and Optionality: A six-year holding period retains exit flexibility. Sponsors can begin marketing the company earlier or delay slightly based on market sentiment.
4. Return Efficiency: FY2030 delivers a modeled IRR of 26.9% and a cash-on-cash multiple of 4.2x.

With exit timing established, the next decision concerns the appropriate exit route. Given Smartsheet's projected scale by FY2030 (close to \$1 billion in EBITDA, more than \$19 billion in EV), an IPO is the most viable exit route. The SaaS sector has historically attracted strong public market demand, particularly for companies with high recurring revenue, strong gross margins, and scalable operations. Smartsheet's business model—capital-light, predictable ARR, and expanding free cash flow—aligns well with the prevailing investor narrative for growth-oriented technology IPOs.

However, a strategic sale may remain a compelling alternative. Large software consolidators or hyperscalers (e.g., Salesforce, Adobe, or Oracle) may pursue acquisitions for vertical integration or platform extension. However, given the transaction size, the strategic buyer universe is relatively small. A secondary buyout is also possible but less likely to deliver comparable valuation multiples, given the lack of synergies. Such a route may be used for partial liquidity or in a down-market scenario.

5.3 Return Attribution and Sensitivity Analyses

In order to understand the main drivers behind the equity value creation, the model breaks down the delta between the starting and ending equity values into three main parts: net debt paydown, multiple expansion, and EBITDA growth. Figure 5-5 shows that the majority of value creation is attributed to EBITDA growth. The net debt paydown makes up a modest \$227 million. Such a limited impact was caused by a conservative capital structure applied in the model, where only 8% of the transaction fund was financed through an amortized term loan tranche. Since the entry and exit EBITDA multiples are maintained at 20.0x, multiple expansion does not provide any value.

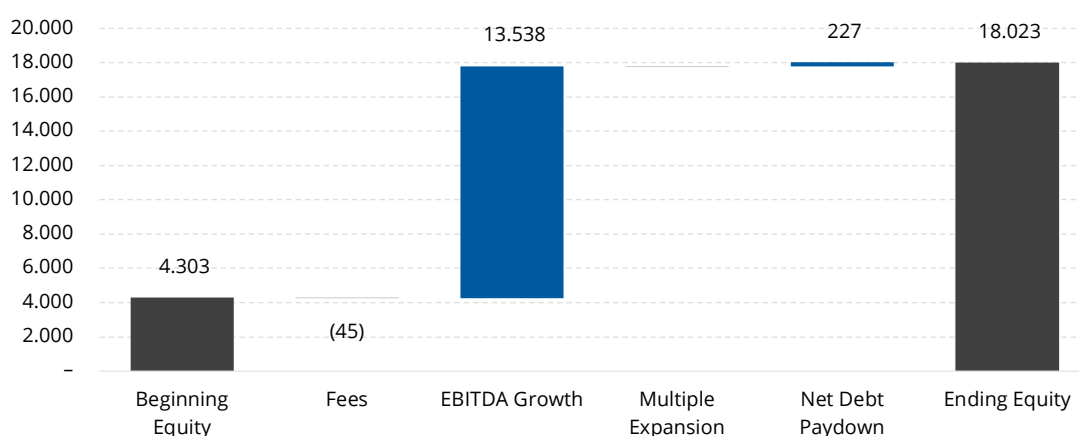


Figure 5-5: Return attribution – Base Case, exit in Year 6, in \$ millions. Source: Own illustration.

This return composition reveals that operational performance, not financial engineering or external market revaluation, is the principal lever of value creation for the modelled outcome. The model relies on internal execution of revenue growth, margin optimization, and efficient capital allocation.

Further, to test the robustness of the modeled returns, a two-dimensional sensitivity analysis was conducted by altering both entry and exit valuation multiples and assuming exit in FY2030. Since the Smartsheet's EV/EBITDA multiple was not relevant at the time of acquisition due to negative earnings, we used the previously determined peer's benchmark as well as expanded the matrix with the EV/Sales multiple of Smartsheet, as shown in Table 5-1. As such, the analysis covers a map of IRRs for entry and exit multiples, ranging from 19.0x to 21.0x. In the base case, when entering the transaction at 20.0x EV/EBITDA valuation, IRR remains constantly above 25% across a broad range of exit assumptions.

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	29,9%	30,5%	31,1%	31,7%	32,2%
19,5x	5,9x	27,7%	28,3%	28,9%	29,5%	30,1%
20,0x	6,4x	25,8%	26,4%	26,9%	27,5%	28,1%
20,5x	6,9x	23,9%	24,5%	25,1%	25,7%	26,2%
21,0x	7,4x	22,2%	22,8%	23,4%	24,0%	24,5%

Table 5-1: Sensitivity of IRR to entry and exit Multiples—Base Case. Source: own illustration.

Lowering the entry multiple to 19.5x, for instance, by providing a smaller acquisition premium, the IRR increases to 28.9%. On the other hand, increasing the entry multiple to 20.5x, which corresponds to paying a 25% premium over the share price (compared to 15% applied in the model), reduces the IRR to 25.1%. In an even more adverse scenario, where the existing shareholders demand a 35% premium, implying a 21.0x entry multiple, and the exit valuation normalizes to 19.0x, the IRR

compresses to 22.2%. This shows how overpaying at entry compresses investor returns even under successful execution, even though the IRR remains above the private equity hurdle rates. The adverse effect of overpayment is further amplified by the higher equity contribution required for the Smartsheet closing and the diminished tax shield arising from lower debt utilization.

To assess the cash-on-cash return (CoC), a similar sensitivity grid was created, offering an additional perspective to the IRR. The Base Case entry and exit multiple of 20.0x results in a 4.2x CoC, as seen in Table 5-2. The model proves robustness even in negative circumstances, retrieving the 3.3x CoC when the input multiple increases to 21.0x and the exit multiple compresses to 19.0x. Considering the conservative leverage of the transaction, the result is still acceptable even though it is modestly below the Base Case. Significant return flexibility is provided by upside situations. The CoC would rise to 5.4x, for example, if there were a favourable change in valuation from an entry multiple of 19.0x to an exit at 21.0x.

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	4,8x	4,9x	5,1x	5,2x	5,4x
19,5x	5,9x	4,4x	4,5x	4,6x	4,7x	4,8x
20,0x	6,4x	4,0x	4,1x	4,2x	4,3x	4,4x
20,5x	6,9x	3,6x	3,7x	3,8x	3,9x	4,0x
21,0x	7,4x	3,3x	3,4x	3,5x	3,6x	3,7x

Table 5-2: Sensitivity of Cash-on-Cash returns to entry and exit multiples — Base Case. Source: Own illustration.

Finally, we look at the deviated scenarios: in the Best Case, IRR reaches between 28.2% and 38.3%, while the cash-on-cash return spans from 4.5x to 7.0x, depending on entry and exit valuation assumptions (see Appendix D.1). Under the Worst Case scenario, model still deliver financially viable outcome, with IRRs ranging from 13.2% to 23.3% and CoC multiples between 2.1x and 3.5x (see Appendix D.2). At the assumed exit multiple of 20.0x, the IRR stands at 18.0%, which remains close to the private equity hurdle rate and highlights the downside protection embedded in the deal structure.

5.4 Summary and Key Findings

This chapter set out to determine whether the Smartsheet LBO model is financially viable and consistent with the investment thesis formulated in Section 3.5. The Base Case indicates a compelling investment profile with a cash-on-cash return of 4.2x and an IRR of 26.9% at the six-year horizon. The Best and Worst Case scenarios highlight a favorable risk-return asymmetry, with limited downside exposure and significant upside potential. An attribution analysis confirms that value

creation is not primarily driven by financial engineering, which is uncommon for LBO transactions, but instead anchored in operational improvements, disciplined acquisition pricing, and recurring revenue growth. Even under the Worst Case assumptions, the model produces an IRR of 18%, indicating that the deal would remain financially sound. Across all scenarios, the covenant compliance is maintained, underscoring the resilience of the modeled capital structure. Exit event is projected for FY2030; this decision is backed by the completion of the value creation plan, operational maturity, deleveraging progress, and estimated return efficiency. Among the exit alternatives, an IPO appears as the most value-maximizing route given Smartsheet's scale and market positioning.

Chapter 6: Conclusion

This chapter elaborates on the research process, discusses the core findings, and answers the central research question introduced at the beginning of the study. Based on the outcomes of the LBO model, it concludes on the strategic and financial viability of the transaction and its suitability for the private equity portfolio. Finally, it suggests several possible areas for future study.

6.1 Discussion

The objective of this study was to demonstrate an LBO transaction process using the case of Smartsheet and evaluate whether this buyout can be structured as financially viable and deliver returns consistent with private equity expectations. The analysis focused on the full transaction lifecycle: from target selection and due diligence to financial modeling, exit planning, and return attribution. Using a scenario-based LBO model, the study applied established private equity techniques to a real-world SaaS company and tested the returns under varying conditions.

The due diligence process highlighted why Smartsheet has been an appropriate candidate for a potential LBO target. Strategically, the company has a solid position in the fast-growing collaborative work management sector, supported by high switching costs, long-term ARR visibility, and a diversified enterprise client base. Operationally, Smartsheet's "land, expand, and climb" platform architecture provides a scalable foundation with broad enterprise use-cases, enabling continued penetration across customer processes. Financially, the business operates under a high-margin, subscription-based model with limited reinvestment needs — delivering 32% CAGR from FY2019 to FY2024 and maintaining capital-light operations. However, inefficiencies in SG&A and R&D spending showed obvious opportunities to enhance performance. This led to value creation plan focused on improving the EBITDA margin instead of just growing the top line. Following measures were identified as part of the value creation plan:

- Operational transformation, driven by a shift toward product-led growth, monetisation of premium features, and rationalisation of R&D intensity.
- Tax optimisation, achieved through moderate but carefully structured leverage and utilization of existing tax losses.
- Governance optimization, including restructuring of the board, introducing experienced SaaS leadership, and reshaping executive compensation.
- Working capital improvements, particularly through the reduction of DSO and extension of vendor payment terms, to improve liquidity cycles.

- Liquidity management, supported by a revolving credit line, offering flexibility to manage temporary shortfalls.
- Subordinated debt design, incorporating a PIK feature during the first five years, balancing lender return expectations with early-stage cash flow constraints.

The transaction has also revealed some structural limitations. Unlike asset-heavy businesses that can support higher leverage against physical collateral, Smartsheet has minimal tangible assets and a history of negative earnings, which naturally hinders its debt capacity. As such, the transaction approached a conservative capital structure — 70% equity and 30% debt — reducing the financial engineering lever as a driver of overall value creation.

The model results confirm that Smartsheet can deliver attractive returns if the value creation plan is implemented successfully. In the Base Case, the analysis projects an IRR of 26.9% and a cash-on-cash multiple of 4.2x at a six-year horizon, which lies well within private equity return benchmarks. The attribution analysis identifies EBITDA growth and operating efficiency improvements as the principal drivers of these outcomes. Even in Worst Case scenario, the model produces an IRR of 18%, with covenant compliance met throughout the forecast period. This justifies the use of conservative financing structure with higher equity contribution and the inclusion of payment-in-kind debt feature that secured short-term liquidity without compromising long-term return. The Best Case captured significant upside potential with IRRs exceeding 30%. Further analyses identifies FY2030 as the most appropriate for the exit event, backed by the completion of the value creation plan, the achievement of operational maturity, deleveraging progress and flexibility in terms of return realisation. Among the viable exit routes, an IPO emerges as the most value-enhancing option, given Smartsheet's scale and market positioning.

The discussion validates the overall investment case and confirms that an LBO of Smartsheet can be structured to meet private equity return thresholds while retaining downside protection. While the model provides a structured view of Smartsheet's buyout potential, it is important to acknowledge several limitations. Without access to management-level insights or private diligence documents, the study relied primarily on publicly available information. Moreover, broader macroeconomic risks were addressed only through static sensitivity testing, which restricts the depth of scenario exploration. Future research could expand the model by incorporating structural shocks—such as changes in valuation multiples or regulatory developments—or by evaluating alternative exit strategies.

6.2 Conclusion

This thesis set out to address the central research question: *How can a hypothetical leveraged buyout of Smartsheet Inc. be structured and evaluated to ensure financial feasibility, value creation, and investor return potential under varying performance scenarios?*

The analysis demonstrates that Smartsheet could be acquired through a leveraged buyout structure that is both financially viable and consistent with private equity return benchmarks. A conservative transaction structure of 70% equity and 30% debt was applied, reflecting the company's limited tangible asset base and transitional EBITDA profile. Despite the moderate leverage level, the Base Case scenario produced an internal rate of return of 26.9% over a six-year investment horizon and a cash-on-cash return of 4.2x. Even under downside conditions, the model delivered an IRR of 18%, with covenant compliance throughout the investment horizon.

In direct response to the research question, the findings prove that a well-executed buyout of Smartsheet, based on realistic assumptions, would be both strategically sound and financially attractive across multiple performance scenarios. Further, the case illustrates that in SaaS-focused transactions, equity value can be created under private ownership through disciplined transaction structuring, operational execution, and governance improvements — even when high leverage and financing engineering are limited. While the conclusions are specific to Smartsheet, they provide transferable insights into the structuring and evaluating of technology-focused buyouts and may serve as practical guidance for private equity transactions in capital-light, high-growth businesses.

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Appendix A: Forecast Drivers and Scenario Assumptions

A.1 Base Case Forecast Drivers

Income Statement Drivers										
All figures in USD thousands unless stated										
Driver Switch	Base Case									
Revenue (% YoY growth)	30%	30%	30%	29%	29%	27%	23%	18%	13%	8%
Best Case	32%	32%	32%	30%	30%	25%	25%	20%	15%	10%
Base Case	30%	30%	30%	29%	29%	27%	23%	18%	13%	8%
Worst Case	27%	27%	27%	26%	26%	24%	21%	16%	13%	7%
Gross margin (% of Revenue)	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
Best Case	83%	83%	83%	83%	83%	83%	83%	83%	83%	83%
Base Case	81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
Worst Case	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
SG&A (% of Revenue)	61%	57%	54%	51%	48%	45%	43%	43%	42%	42%
Best Case	59%	55%	52%	49%	46%	43%	40%	40%	39%	39%
Base Case	61%	57%	54%	51%	48%	45%	43%	43%	42%	42%
Worst Case	63%	59%	56%	53%	50%	47%	45%	44%	43%	43%
R&D (% of Revenue)	20%	18%	18%	17%	17%	16%	16%	16%	16%	16%
Best Case	19%	17%	17%	16%	16%	15%	15%	15%	15%	15%
Base Case	20%	18%	18%	17%	17%	16%	16%	16%	16%	16%
Worst Case	21%	19%	19%	18%	18%	17%	17%	17%	17%	17%
D&A (% of Revenue)	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Best Case	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Base Case	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Worst Case	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Balance Sheet Drivers										
All figures in USD thousands unless stated										
Driver Switch	Base Case									
Accounts Receivable	75	70	70	70	65	65	65	60	60	55
Best Case (Days)	70	65	65	65	60	60	55	55	55	50
Base Case (Days)	75	70	70	70	65	65	65	60	60	55
Worst Case (Days)	80	75	75	75	70	70	70	65	65	60
Accounts Payable	8	10	10	12	12	14	14	16	16	18
Best Case (Days)	10	12	12	14	14	16	16	18	18	20
Base Case (Days)	8	10	10	12	12	14	14	16	16	18
Worst Case (Days)	6	8	8	10	10	12	12	14	14	16

Cashflow Statement Drivers										
All figures in USD thousands unless stated										
Driver Switch	Base Case									
Floating-Rate Benchmark: SOFR (projected annual)	4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Best Case (bps)	4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Base Case (bps)	4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Worst Case (bps)	4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
CapEx (% of Revenue)	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Best Case	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Base Case	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Worst Case	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%

Financing Drivers										
Driver Switch	Base Case									
Interest Income	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
Best Case	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
Base Case	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
Worst Case	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%

A.2 Best Case Forecast Drivers

Income Statement Drivers

All figures in USD thousands unless stated

Driver Switch

Best Case

Revenue (% YoY growth)

Best Case
Base Case
Worst Case

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

32%	32%	32%	30%	30%	25%	25%	20%	15%	10%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

32%	32%	32%	30%	30%	25%	25%	20%	15%	10%
30%	30%	30%	29%	29%	27%	23%	18%	13%	8%
27%	27%	27%	26%	26%	24%	21%	16%	13%	7%

Gross margin (% of Revenue)

Best Case
Base Case
Worst Case

83%	83%	83%	83%	83%	83%	83%	83%	83%	83%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

83%	83%	83%	83%	83%	83%	83%	83%	83%	83%
81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

SG&A (% of Revenue)

Best Case
Base Case
Worst Case

59%	55%	52%	49%	46%	43%	40%	40%	39%	39%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

59%	55%	52%	49%	46%	43%	40%	40%	39%	39%
61%	57%	54%	51%	48%	45%	43%	43%	42%	42%
63%	59%	56%	53%	50%	47%	45%	44%	43%	43%

R&D (% of Revenue)

Best Case
Base Case
Worst Case

19%	17%	17%	16%	16%	15%	15%	15%	15%	15%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

19%	17%	17%	16%	16%	15%	15%	15%	15%	15%
20%	18%	18%	17%	17%	16%	16%	16%	16%	16%
21%	19%	19%	18%	18%	17%	17%	17%	17%	17%

D&A (% of Revenue)

Best Case
Base Case
Worst Case

2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
----	----	----	----	----	----	----	----	----	----

2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Balance Sheet Drivers

All figures in USD thousands unless stated

Driver Switch

Best Case

Accounts Receivable

Best Case (Days)
Base Case (Days)
Worst Case (Days)

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

70	65	65	65	60	60	55	55	55	50
----	----	----	----	----	----	----	----	----	----

70	65	65	65	60	60	55	55	55	50
75	70	70	70	65	65	65	60	60	55
80	75	75	75	70	70	70	65	65	60

Accounts Payable

Best Case (Days)
Base Case (Days)
Worst Case (Days)

10	12	12	14	14	16	16	18	18	20
----	----	----	----	----	----	----	----	----	----

10	12	12	14	14	16	16	18	18	20
8	10	10	12	12	14	14	16	16	18
6	8	8	10	10	12	12	14	14	16

Cashflow Statement Drivers

All figures in USD thousands unless stated

Driver Switch

Best Case

Floating-Rate Benchmark: SOFR (projected annual)

Best Case (bps)
Base Case (bps)
Worst Case (bps)

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
------	------	------	------	------	------	------	------	------	------

4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%

CapEx (% of Revenue)

Best Case
Base Case
Worst Case

2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
------	------	------	------	------	------	------	------	------	------

2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%

Financing Drivers

Driver Switch

Best Case

Interest Income

Best Case
Base Case
Worst Case

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
------	------	------	------	------	------	------	------	------	------

3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%

A.3 Worst Case Forecast Drivers

Income Statement Drivers

All figures in USD thousands unless stated

Driver Switch

Worst Case

Revenue (% YoY growth)

Best Case
Base Case
Worst Case

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

27%	27%	27%	26%	26%	24%	21%	16%	13%	7%
-----	-----	-----	-----	-----	-----	-----	-----	-----	----

32%	32%	32%	30%	30%	25%	25%	20%	15%	10%
30%	30%	30%	29%	29%	27%	23%	18%	13%	8%
27%	27%	27%	26%	26%	24%	21%	16%	13%	7%

Gross margin (% of Revenue)

Best Case
Base Case
Worst Case

80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

83%	83%	83%	83%	83%	83%	83%	83%	83%	83%
81%	81%	81%	81%	81%	81%	81%	81%	81%	81%
80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

SG&A (% of Revenue)

Best Case
Base Case
Worst Case

63%	59%	56%	53%	50%	47%	45%	44%	43%	43%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

59%	55%	52%	49%	46%	43%	40%	40%	39%	39%
61%	57%	54%	51%	48%	45%	43%	43%	42%	42%
63%	59%	56%	53%	50%	47%	45%	44%	43%	43%

R&D (% of Revenue)

Best Case
Base Case
Worst Case

21%	19%	19%	18%	18%	17%	17%	17%	17%	17%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

19%	17%	17%	16%	16%	15%	15%	15%	15%	15%
20%	18%	18%	17%	17%	16%	16%	16%	16%	16%
21%	19%	19%	18%	18%	17%	17%	17%	17%	17%

D&A (% of Revenue)

Best Case
Base Case
Worst Case

2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
----	----	----	----	----	----	----	----	----	----

2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Balance Sheet Drivers

All figures in USD thousands unless stated

Driver Switch

Worst Case

Accounts Receivable

Best Case (Days)
Base Case (Days)
Worst Case (Days)

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

80	75	75	75	70	70	70	65	65	60
----	----	----	----	----	----	----	----	----	----

70	65	65	65	60	60	55	55	55	50
75	70	70	70	65	65	65	60	60	55
80	75	75	75	70	70	70	65	65	60

Accounts Payable

Best Case (Days)
Base Case (Days)
Worst Case (Days)

6	8	8	10	10	12	12	14	14	16
---	---	---	----	----	----	----	----	----	----

10	12	12	14	14	16	16	18	18	20
8	10	10	12	12	14	14	16	16	18
6	8	8	10	10	12	12	14	14	16

Cashflow Statement Drivers

All figures in USD thousands unless stated

Driver Switch

Worst Case

Floating-Rate Benchmark: SOFR (projected annual)

Best Case (bps)
Base Case (bps)
Worst Case (bps)

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
------	------	------	------	------	------	------	------	------	------

4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
4,3%	3,8%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%

CapEx (% of Revenue)

Best Case
Base Case
Worst Case

2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
------	------	------	------	------	------	------	------	------	------

2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%

Financing Drivers

Driver Switch

Worst Case

Interest Income

Best Case
Base Case
Worst Case

2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
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3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
------	------	------	------	------	------	------	------	------	------

3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%

Appendix B: Debt Schedule Summary

B.1 Base Case Debt Schedule

Debt Schedule: Summary										
All figures in USD thousands unless stated										
Model Running: Base Case Drivers										
	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
PRINCIPAL REPAYMENTS										
Revolving Credit Line	-	54.062	1.291	(55.353)	-	-	-	-	-	-
Term Loan A	(137.387)	(54.083)	(54.083)	(106.432)	(188.846)	-	-	-	-	-
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Total Principal Repayments	(137.387)	(21)	(52.792)	(161.786)	(188.846)	-	-	-	-	-
ENDING BALANCES										
Revolving Credit Line	-	54.062	55.353	-	-	-	-	-	-	-
Term Loan A	403.445	349.362	295.278	188.846	-	-	-	-	-	-
Subordinated Debt	1,598.833	1,718.745	1,847.651	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
Total Ending Balance	2,002.278	2,122.169	2,198.283	2,175.071	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
CASH INTEREST EXPENSE										
Revolving Credit Line (Including Standby Fees)	1,500	1,500	4,203	4,129	1,500	1,500	1,500	1,500	1,500	1,500
Term Loan A	37.858	26.224	21.835	17.717	10.859	-	-	-	-	-
Subordinated Debt	38.576	41.470	44.580	47.923	51.518	162.141	166.195	170.350	174.608	178.973
Interest Expense	77.935	69.194	70.618	69.769	63.876	163.641	167.695	171.850	176.108	180.473
Less: Interest Income	(7.000)	(175)	(175)	(175)	(175)	(5.419)	(20.547)	(43.754)	(76.677)	(115.091)
Cash Net Interest Expense	70.935	69.019	70.443	69.594	63.701	158.222	147.148	128.095	99.431	65.383
TOTAL INTEREST EXPENSE										
Cash Net Interest Expense	70.935	69.019	70.443	69.594	63.701	158.222	147.148	128.095	99.431	65.383
PIK Interest Expense	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense	182.481	188.931	199.349	208.168	212.668	211.602	201.862	184.177	156.916	124.304

B.2 Best Case Debt Schedule

Debt Schedule: Summary										
All figures in USD thousands unless stated										
Model Running: Best Case Drivers										
	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
PRINCIPAL REPAYMENTS										
Revolving Credit Line	-	-	-	-	-	-	-	-	-	-
Term Loan A	(202.350)	(82.551)	(141.285)	(114.646)	-	-	-	-	-	-
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Total Principal Repayments	(202.350)	(82.551)	(141.285)	(114.646)	-	-	-	-	-	-
ENDING BALANCES										
Revolving Credit Line	-	-	-	-	-	-	-	-	-	-
Term Loan A	338.481	255.931	114.646	-	-	-	-	-	-	-
Subordinated Debt	1,598.833	1,718.745	1,847.651	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
Total Ending Balance	1,937.314	1,974.676	1,962.297	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
CASH INTEREST EXPENSE										
Revolving Credit Line (Including Standby Fees)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Term Loan A	37,858	22,001	15,996	6,879	-	-	-	-	-	-
Subordinated Debt	38,576	41,470	44,580	47,923	51,518	162,141	166,195	170,350	174,608	178,973
Interest Expense	77,935	64,971	62,076	56,302	53,018	163,641	167,695	171,850	176,108	180,473
Less: Interest Income	(7,000)	(175)	(175)	(175)	(6,069)	(23,757)	(46,503)	(83,259)	(127,341)	(182,589)
Cash Net Interest Expense	70,935	64,796	61,901	56,127	46,949	139,885	121,192	88,590	48,768	(2,115)
TOTAL INTEREST EXPENSE										
Cash Net Interest Expense	70,935	64,796	61,901	56,127	46,949	139,885	121,192	88,590	48,768	(2,115)
PIK Interest Expense	111,546	119,912	128,906	138,574	148,967	53,380	54,714	56,082	57,484	58,921
Total Interest Expense	182,481	184,708	190,807	194,701	195,916	193,264	175,906	144,672	106,252	56,806

B.3 Worst Case Debt Schedule

Debt Schedule: Summary										
All figures in USD thousands unless stated										
Model Running: Worst Case Drivers										
	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
PRINCIPAL REPAYMENTS										
Revolving Credit Line	-	121.377	93.449	(12.320)	(144.864)	(57.642)	-	-	-	-
Term Loan A	(70.522)	(54.083)	(54.083)	(54.083)	(54.083)	(177.074)	(76.903)	-	-	-
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Total Principal Repayments	(70.522)	67.294	39.366	(66.403)	(198.947)	(234.715)	(76.903)	-	-	-
ENDING BALANCES										
Revolving Credit Line	-	121.377	214.825	202.506	57.642	-	-	-	-	-
Term Loan A	470.309	416.226	362.143	308.060	253.977	76.903	-	-	-	-
Subordinated Debt	1,598.833	1,718.745	1,847.651	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
Total Ending Balance	2,069.142	2,256.348	2,424.619	2,496.790	2,446.810	2,265.475	2,243.286	2,299.368	2,356.852	2,415.774
CASH INTEREST EXPENSE										
Revolving Credit Line (Including Standby Fees)	1.500	1.500	7.569	11.704	10.613	4.094	1.500	1.500	1.500	1,500.000
Term Loan A	37.858	30.570	26.014	21.729	17.713	14.604	4.422	-	-	-
Subordinated Debt	38.576	41.470	44.580	47.923	51.518	162.141	166.195	170.350	174.608	178.973
Interest Expense	77.935	73.540	78.163	81.356	79.844	180.839	172.117	171.850	176.108	180.473
Less: Interest Income	(7.000)	(175)	(175)	(175)	(175)	(175)	(175)	(11.320)	(33.699)	(61.190)
Cash Net Interest Expense	70.935	73.365	77.988	81.181	79.669	180.664	171.942	160.529	142.409	119.283
TOTAL INTEREST EXPENSE										
Cash Net Interest Expense	70.935	73.365	77.988	81.181	79.669	180.664	171.942	160.529	142.409	119.283
PIK Interest Expense	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense	182.481	193.277	206.894	219.755	228.636	234.043	226.656	216.611	199.894	178.205

Appendix C: Post-Acquisition Financial Statements

C.1 Base Case Statements

Income Statement

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues	958.338	1,245.839	1,619.591	2,105.469	2,716.054	3,503.710	4,460.223	5,468.234	6,441.579	7,285.426	7,897.402
COGS	186.448	236.709	307.722	400.039	516.050	665.705	847.442	1,038.964	1,223.900	1,384.231	1,500.506
Gross Margin	771.890	1,009.130	1,311.869	1,705.430	2,200.004	2,838.005	3,612.781	4,429.269	5,217.679	5,901.195	6,396.896
SG&A	658.101	759.962	923.167	1,136.953	1,385.188	1,681.781	2,007.100	2,351.340	2,769.879	3,059.879	3,316.909
R&D	234.071	242.939	291.526	378.984	461.729	595.631	713.636	874.917	1,030.653	1,165.668	1,263.584
EBIT	(120.282)	6.229	97.175	189.492	353.087	560.594	892.045	1,203.011	1,417.147	1,675.648	1,816.402
*Depreciation	27.012	24.917	32.392	42.109	54.321	70.074	89.204	109.365	128.832	145.709	157.948
*EBITDA	(93.270)	31.146	129.567	231.602	407.408	630.668	981.249	1,312.376	1,545.979	1,821.357	1,974.350
Cash Net Interest Expense (Income)	(24.140)	70.935	69.019	70.443	69.594	63.701	158.222	147.148	128.095	99.431	65.383
PIK Interest Expense	-	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense	(24.140)	182.481	188.931	199.349	208.168	212.668	211.602	201.862	184.177	156.916	124.304
EBT	(96.142)	(176.252)	(91.756)	(9.857)	144.919	347.925	680.442	1,001.149	1,232.970	1,518.732	1,692.098
Current Taxes	8.489	-	-	-	-	-	126.706	250.287	308.242	379.683	423.025
Deferred Taxes	-	-	-	-	36.230	86.981	43.405	-	-	-	-
Total Tax Expense	8.489	-	-	-	36.230	86.981	170.111	250.287	308.242	379.683	423.025
Net Income	(104.631)	(176.252)	(91.756)	(9.857)	108.689	260.944	510.332	750.862	924.727	1,139.049	1,269.074

Balance Sheet

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	Incr / Decr	2024 Adj	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets													
Cash (Incl. short term investments)	628.795	(428.795)	200.000	5.000	5.000	5.000	5.000	154.820	587.053	1,250.120	2,190.770	3,288.309	4,671.535
Accounts Receivable	238.708	-	238.708	255.994	310.607	403.788	520.887	623.948	794.286	973.795	1,058.890	1,197.604	1,190.019
Goodwill	141.477	6,109.538	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015
Other Assets	286.137	-	286.137	300.444	315.466	331.239	347.801	365.191	383.451	402.623	422.755	443.892	466.087
PPE (ending)	42.362	-	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362
Assets(total)	1,337.479		7,018.222	6,854.815	6,924.449	7,033.405	7,167.065	7,437.337	8,058.167	8,919.915	9,965.791	11,223.183	12,621.019
Liabilities & Equity													
Accounting Payable	2.937	-	2.937	5.188	8.431	10.960	16.966	21.886	32.505	39.851	53.650	60.679	73.998
Revolving Credit Line	-	-	-	-	54.062	55.353	-	-	-	-	-	-	-
Term Loan A	-	540.831	540.831	403.445	349.362	295.278	188.846	-	-	-	-	-	-
Subordinated Debt	-	1,487.286	1,487.286	1,598.833	1,718.745	1,847.651	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
Other Liabilities	728.687	-	728.687	765.121	803.377	843.546	885.724	930.010	976.510	1,025.336	1,076.603	1,130.433	1,186.954
Common Stock	1,468.805	-	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480
Retained Earnings (Accumulated Deficit)	(862.950)	-	(45.000)	(221.252)	(313.008)	(322.864)	(214.175)	46.769	557.100	1,307.962	2,232.690	3,371.739	4,640.813
Total L. & E.	1,337.479		7,018.222	6,854.815	6,924.449	7,033.405	7,167.065	7,437.337	8,058.167	8,919.915	9,965.791	11,223.183	12,621.019
Balance Check			-	-	-	-	-	-	-	-	-	-	-

Cash Flow Statement

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Cash Flow Statement											
Net Income	(104.631)	(176.252)	(91.756)	(9.857)	108.689	260.944	510.332	750.862	924.727	1,139.049	1,269.074
Depreciation	27.012	24.917	32.392	42.109	54.321	70.074	89.204	109.365	128.832	145.709	157.948
PIK Interest expense	-	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Δ Net Working Capital	-	(15.035)	(51.370)	(90.653)	(111.093)	(98.141)	(159.719)	(172.163)	(71.295)	(131.686)	20.904
Δ Other Operating Assets	-	(14.307)	(15.022)	(15.773)	(16.562)	(17.390)	(18.260)	(19.173)	(20.131)	(21.138)	(22.195)
Δ Other Operating Liabilities	-	36.434	38.256	40.169	42.177	44.286	46.500	48.826	51.267	53.830	56.522
CFO	-	(32.696)	32.413	94.901	216.107	408.740	521.438	772.431	1,069.482	1,243.248	1,541.174
Cash Flow Investment											
Capital Expenditures	-	(24.917)	(32.392)	(42.109)	(54.321)	(70.074)	(89.204)	(109.365)	(128.832)	(145.709)	(157.948)
Cash Flow Financing											
Revolving Credit Line Issuance / (Repayment)	-	-	54.062	1.291	(55.353)	-	-	-	-	-	-
Term Loan A Issuance / (Repayment)	-	(137.387)	(54.083)	(54.083)	(106.432)	(188.846)	-	-	-	-	-
Subordinated Debt Issuance / (Repayment)	-	-	-	-	-	-	-	-	-	-	-
Equity Issuance / (Repurchase)	-	-	-	-	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-	-	-	-	-
CFF	-	(137.387)	(21)	(52.792)	(161.786)	(188.846)	-	-	-	-	-
Cash Balance											
Beginning Cash Balance	-	200.000	5.000	5.000	5.000	5.000	154.820	587.053	1,250.120	2,190.770	3,288.309
Change in Cash	-	-195.000	0	0	0	149.820	432.233	663.067	940.650	1,097.540	1,383.226
End	-	5.000	5.000	5.000	5.000	154.820	587.053	1,250.120	2,190.770	3,288.309	4,671.535

C.2 Best Case Statements

Income Statement

All figures in USD thousands unless stated
Model Running: Best Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues	958.338	1.265.006	1.669.808	2.204.147	2.865.391	3.725.008	4.656.260	5.820.325	6.984.390	8.032.048	8.835.253
COGS	186.448	221.376	292.216	385.726	501.443	651.876	814.845	1.018.557	1.222.268	1.405.608	1.546.169
Gross Margin	771.890	1.043.630	1.377.592	1.818.421	2.363.947	3.073.132	3.841.414	4.801.768	5.762.122	6.626.440	7.289.084
SG&A	658.101	746.354	918.394	1.146.156	1.404.041	1.713.504	2.002.192	2.328.130	2.793.756	3.132.499	3.445.749
R&D	234.071	240.351	283.867	374.705	458.463	596.001	698.439	873.049	1.047.658	1.204.807	1.325.288
EBIT	(120.282)	56.925	175.330	297.560	501.443	763.627	1.140.784	1.600.589	1.920.707	2.289.134	2.518.047
*Depreciation	27.012	25.300	33.396	44.083	57.308	74.500	93.125	116.406	139.688	160.641	176.705
*EBITDA	(93.270)	82.225	208.726	341.643	558.751	838.127	1.233.909	1.716.996	2.060.395	2.449.775	2.694.752
Cash Net Interest Expense (Income)	(24.140)	70.935	64.796	61.901	56.127	46.949	139.885	121.192	88.590	48.768	(2.115)
PIK Interest Expense	-	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense	(24.140)	182.481	184.708	190.807	194.701	195.916	193.264	175.906	144.672	106.252	56.806
EBT	(96.142)	(125.556)	(9.379)	106.753	306.742	567.711	947.519	1.424.683	1.776.035	2.182.882	2.461.241
Current Taxes	8.489	-	-	-	-	114.418	236.880	356.171	444.009	545.720	615.310
Deferred Taxes	-	-	-	26.688	76.686	27.510	-	-	-	-	-
Total Tax Expense	8.489	-	-	26.688	76.686	141.928	236.880	356.171	444.009	545.720	615.310
Net Income	(104.631)	(125.556)	(9.379)	80.065	230.057	425.783	710.639	1.068.512	1.332.026	1.637.161	1.845.931

Balance Sheet

All figures in USD thousands unless stated
Model Running: Best Case Drivers

	2024A	Incr / Decr	2024 Adj	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets													
Cash (Incl. short term investments)	628.795	(428.795)	200.000	5.000	5.000	5.000	173.396	678.757	1.328.651	2.378.838	3.638.302	5.216.815	7.171.398
Accounts Receivable	238.708	-	238.708	242.604	297.363	392.519	510.275	612.330	765.413	877.035	1.052.442	1.210.309	1.210.309
Goodwill	141.477	6.109.538	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015	6.251.015
Other Assets	286.137	-	286.137	300.444	315.466	331.239	347.801	365.191	383.451	402.623	422.755	443.892	466.087
PPE (ending)	42.362	-	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362
Assets(total)	1.337.479		7.018.222	6.841.424	6.911.206	7.022.135	7.324.849	7.949.655	8.770.891	9.951.873	11.406.875	13.164.392	15.141.170
Liabilities & Equity													
Accounting Payable	2.937	-	2.937	6.065	9.607	12.681	19.233	25.003	35.719	44.649	60.276	69.318	84.722
Revolving Credit Line	-	-	-	-	-	-	-	-	-	-	-	-	-
Term Loan A	-	540.831	540.831	338.481	255.931	114.646	-	-	-	-	-	-	-
Subordinated Debt	-	1.487.286	1.487.286	1.598.833	1.718.745	1.847.651	1.986.225	2.135.192	2.188.572	2.243.286	2.299.368	2.356.852	2.415.774
Other Liabilities	728.687	-	728.687	765.121	803.377	843.546	885.724	930.010	976.510	1.025.336	1.076.603	1.130.433	1.186.954
Common Stock	1.468.805	-	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480	4.303.480
Retained Earnings (Accumulated Deficit)	(862.950)	-	(45.000)	(170.556)	(179.935)	(99.870)	130.187	555.970	1.266.610	2.335.122	3.667.148	5.304.310	7.150.240
Total L. & E.	1.337.479		7.018.222	6.841.424	6.911.206	7.022.135	7.324.849	7.949.655	8.770.891	9.951.873	11.406.875	13.164.392	15.141.170
Balance Check			-	-	-	-	-	-	-	-	-	-	-

Cash Flow Statement

All figures in USD thousands unless stated
Model Running: Best Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Cash Flow Statement											
Net Income	(104.631)	(125.556)	(9.379)	80.065	230.057	425.783	710.639	1.068.512	1.332.026	1.637.161	1.845.931
Depreciation	27.012	25.300	33.396	44.083	57.308	74.500	93.125	116.406	139.688	160.641	176.705
PIK Interest expense	-	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Δ Net Working Capital	-	(768)	(51.217)	(92.082)	(111.204)	(96.285)	(142.367)	(102.693)	(159.780)	(148.825)	15.404
Δ Other Operating Assets	-	(14.307)	(15.022)	(15.773)	(16.562)	(17.390)	(18.260)	(19.173)	(20.131)	(21.138)	(22.195)
Δ Other Operating Liabilities	-	36.434	38.256	40.169	42.177	44.286	46.500	48.826	51.267	53.830	56.522
CFO	-	32.650	115.947	185.367	340.350	579.861	743.019	1.166.593	1.399.152	1.739.154	2.131.288
Cash Flow Investment											
Capital Expenditures	-	(25.300)	(33.396)	(44.083)	(57.308)	(74.500)	(93.125)	(116.406)	(139.688)	(160.641)	(176.705)
Cash Flow Financing											
Revolving Credit Line Issuance / (Repayment)	-	-	-	-	-	-	-	-	-	-	-
Term Loan A Issuance / (Repayment)	(202.350)	(82.551)	(141.285)	(114.646)	-	-	-	-	-	-	-
Subordinated Debt Issuance / (Repayment)	-	-	-	-	-	-	-	-	-	-	-
Equity Issuance / (Repurchase)	-	-	-	-	-	-	-	-	-	-	-
Payment of Dividends	-	-	-	-	-	-	-	-	-	-	-
CFF	(202.350)	(82.551)	(141.285)	(114.646)	-	-	-	-	-	-	-
Cash Balance											
Beginning Cash Balance	-	200.000	5.000	5.000	5.000	173.396	678.757	1.328.651	2.378.838	3.638.302	5.216.815
Change in Cash	-	-195.000	0	0	168.396	505.361	649.893	1.050.187	1.259.464	1.578.513	1.954.583
End	-	5.000	5.000	5.000	173.396	678.757	1.328.651	2.378.838	3.638.302	5.216.815	7.171.398

C.3 Worst Case Statements

Income Statement

All figures in USD thousands unless stated
Model Running: Worst Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues	958.338	1,217.089	1,545.703	1,963.043	2,473.435	3,116.527	3,864.494	4,676.038	5,424.204	6,129.350	6,558.405
COGS	186.448	243.418	309.141	392.609	494.687	623.305	772.899	935.208	1,084.841	1,225.870	1,311.681
Gross Margin	771.890	973.671	1,236.563	1,570.435	1,978.748	2,493.222	3,091.595	3,740.830	4,339.363	4,903.480	5,246.724
SG&A	658.101	766.766	911.965	1,099.304	1,310.920	1,558.264	1,816.312	2,104.217	2,386.650	2,604.974	2,787.322
R&D	234.071	255.589	293.684	372.978	445.218	560.975	656.964	794.926	922.115	1,011.343	1,082.137
EBIT	(120.282)	(48.684)	30.914	98.152	222.609	373.983	618.319	841.687	1,030.599	1,287.164	1,377.265
*Depreciation	27.012	24.342	30.914	39.261	49.469	62.331	77.290	93.521	108.484	122.587	131.168
*EBITDA	(93.270)	(24.342)	61.828	137.413	272.078	436.314	695.609	935.208	1,139.083	1,409.751	1,508.433
Cash Net Interest Expense (Income)	(24.140)	70.935	73.365	77.988	81.181	79.669	180.664	171.942	160.529	142.409	119.283
PIK Interest Expense	-	111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Total Interest Expense	(24.140)	182.481	193.277	206.894	219.755	228.636	234.043	226.656	216.611	199.894	178.205
EBT	(96.142)	(231.165)	(162.363)	(108.742)	2.854	145.348	384.276	615.031	813.987	1,087.270	1,199.060
Current Taxes	8.489	-	-	-	-	-	-	64.160	203.497	271.818	299.765
Deferred Taxes	-	-	-	-	714	36.337	96.069	89.598	-	-	-
Total Tax Expense	8.489	-	-	-	714	36.337	96.069	153.758	203.497	271.818	299.765
Net Income	(104.631)	(231.165)	(162.363)	(108.742)	2.141	109.011	288.207	461.273	610.490	815.453	899.295

Balance Sheet

All figures in USD thousands unless stated
Model Running: Worst Case Drivers

	2024A	Incr / Decr	2024 Adj	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Assets													
Cash (Incl. short term investments)	628.795	(428.795)	200.000	5.000	5.000	5.000	5.000	5.000	5.000	323.435	962.827	1,748.292	2,764.748
Accounts Receivable	238.708	-	238.708	266.759	317.610	403.365	508.240	597.690	741.136	896.774	965.954	1,091.528	1,078.094
Goodwill	141.477	6,109.538	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015	6,251.015
Other Assets	286.137	-	286.137	300.444	315.466	331.239	347.801	365.191	383.451	402.623	422.755	443.892	466.087
PPE (ending)	42.362	-	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362	42.362
Assets(total)	1,337.479		7,018.222	6,865.580	6,931.453	7,032.981	7,154.418	7,261.258	7,422.963	7,916.210	8,644.913	9,577.089	10,602.306
Liabilities & Equity													
Accounting Payable	2.937	-	2.937	4.001	6.776	8.605	13.553	17.077	25.410	30.747	41.610	47.020	57.498
Revolving Credit Line	-	-	-	-	121.377	214.825	202.506	57.642	-	-	-	-	-
Term Loan A	-	540.831	540.831	470.309	416.226	362.143	308.060	253.977	76.903	-	-	-	-
Subordinated Debt	-	1,487.286	1,487.286	1,598.833	1,718.745	1,847.651	1,986.225	2,135.192	2,188.572	2,243.286	2,299.368	2,356.852	2,415.774
Other Liabilities	728.687	-	728.687	765.121	803.377	843.546	885.724	930.010	976.510	1,025.336	1,076.603	1,130.433	1,186.954
Common Stock	1,468.805	-	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480	4,303.480
Retained Earnings (Accumulated Deficit)	(862.950)	-	(45.000)	(276.165)	(438.528)	(547.270)	(545.129)	(436.118)	(147.912)	313.361	923.852	1,739.304	2,638.600
Total L. & E.	1,337.479		7,018.222	6,865.580	6,931.453	7,032.981	7,154.418	7,261.258	7,422.963	7,916.210	8,644.913	9,577.089	10,602.306
Balance Check			-	-	-	-	-	-	-	-	-	-	-

Cash Flow Statement

All figures in USD thousands unless stated
Model Running: Worst Case Drivers

	2024A	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Cash Flow Statement											
Net Income	(104.631)	(231.165)	(162.363)	(108.742)	2.141	109.011	288.207	461.273	610.490	815.453	899.295
Depreciation	27.012	24.342	30.914	39.261	49.469	62.331	77.290	93.521	108.484	122.587	131.168
PIK Interest expense		111.546	119.912	128.906	138.574	148.967	53.380	54.714	56.082	57.484	58.921
Δ Net Working Capital		(26.987)	(48.077)	(83.925)	(99.927)	(85.926)	(135.112)	(150.302)	(58.316)	(120.165)	23.913
Δ Other Operating Assets		(14.307)	(15.022)	(15.773)	(16.562)	(17.390)	(18.260)	(19.173)	(20.131)	(21.138)	(22.195)
Δ Other Operating Liabilities		36.434	38.256	40.169	42.177	44.286	46.500	48.826	51.267	53.830	56.522
CFO		(100.136)	(36.380)	(105)	115.871	261.278	312.005	488.859	747.876	908.051	1,147.625
Cash Flow Investment											
Capital Expenditures		(24.342)	(30.914)	(39.261)	(49.469)	(62.331)	(77.290)	(93.521)	(108.484)	(122.587)	(131.168)
Cash Flow Financing											
Revolving Credit Line Issuance / (Repayment)		-	121.377	93.449	(12.320)	(144.864)	(57.642)	-	-	-	-
Term Loan A Issuance / (Repayment)		(70.522)	(54.083)	(54.083)	(54.083)	(54.083)	(177.074)	(76.903)	-	-	-
Subordinated Debt Issuance / (Repayment)		-	-	-	-	-	-	-	-	-	-
Equity Issuance / (Repurchase)		-	-	-	-	-	-	-	-	-	-
Payment of Dividends		-	-	-	-	-	-	-	-	-	-
CFF		(70.522)	67.294	39.366	(66.403)	(198.947)	(234.715)	(76.903)	-	-	-
Cash Balance											
Beginning Cash Balance		200.000	5.000	5.000	5.000	5.000	5.000	5.000	323.435	962.827	1,748.292
Change in Cash		-195.000	0	0	0	0	0	0	318.435	639.392	785.464
End		5.000	5.000	5.000	5.000	5.000	5.000	5.000	323.435	962.827	1,748.292

Appendix D: Performance & Returns Analysis for Deviated Scenarios

D.1 Best Case Scenario

Sponsor IRR:

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	36,0%	36,6%	37,2%	37,8%	38,3%
19,5x	5,9x	33,8%	34,4%	35,0%	35,5%	36,1%
20,0x	6,4x	31,8%	32,4%	33,0%	33,5%	34,1%
20,5x	6,9x	29,9%	30,5%	31,1%	31,7%	32,2%
21,0x	7,4x	28,2%	28,8%	29,4%	30,0%	30,5%

Sponsor Cash-on-Cash:

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	6,3x	6,5x	6,7x	6,8x	7,0x
19,5x	5,9x	5,7x	5,9x	6,1x	6,2x	6,4x
20,0x	6,4x	5,2x	5,4x	5,5x	5,7x	5,8x
20,5x	6,9x	4,8x	5,0x	5,1x	5,2x	5,4x
21,0x	7,4x	4,5x	4,6x	4,7x	4,8x	4,9x

D.2 Worst Case Scenario

Sponsor IRR:

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	21,0%	21,6%	22,2%	22,8%	23,3%
19,5x	5,9x	18,8%	19,4%	20,0%	20,6%	21,2%
20,0x	6,4x	16,8%	17,4%	18,0%	18,6%	19,2%
20,5x	6,9x	15,0%	15,6%	16,2%	16,8%	17,3%
21,0x	7,4x	13,2%	13,9%	14,5%	15,0%	15,6%

Sponsor Cash-on-Cash:

Entry EV / EBITDA	Entry EV / Sales	Exit EV / EBITDA				
		19,0x	19,5x	20,0x	20,5x	21,0x
19,0x	5,4x	3,1x	3,2x	3,3x	3,4x	3,5x
19,5x	5,9x	2,8x	2,9x	3,0x	3,1x	3,2x
20,0x	6,4x	2,5x	2,6x	2,7x	2,8x	2,9x
20,5x	6,9x	2,3x	2,4x	2,5x	2,5x	2,6x
21,0x	7,4x	2,1x	2,2x	2,3x	2,3x	2,4x

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Appendix XX: AI Declaration

- Did you use any AI tools when writing your Master's Thesis?

☒ Yes

☐ No

If yes:

- Which tools did you use?

ChatGPT 5 model; Grok 4 model; Grammarly

- For which parts and purpose of your thesis did you use the AI tools?

I used above mentioned AI tools in a limited and supportive manner to improve the clarity and structure of my thesis, specifically:

- Grammarly was used for grammar, style, and spell-checking to ensure professional and consistent writing.
- ChatGPT (OpenAI, GPT-5 model) and Grok (xAI, Grok-4 model) were used as brainstorming partners to refine the logical flow of arguments.
- ChatGPT (OpenAI, GPT-5 model) was used for fact-checking and extracting insights from video sources.

- How was your experience?

Overall, I found the AI tools helpful as editing and brainstorming aids.

Düsseldorf, 25.09.2025

Signature

