FIN 521: Case 5: Dupont Corporation

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Question 1

From Kullman's view, the company needs transition of their business from a commodity chemical business to a specialty chemical and science-driven business, and DPC is no longer fit the strategic vision. Furthermore, expected growth rate of the division does not meet firm's target. It is the main reason why DuPont is considering a sale of the performance coating division. From the analysis by DuPont itself, it expects that annual growth of sales will be 3% to 5%, and growth of operating margin will be 10% to 12%.

Question 2

Question 3

According to the case, the return drivers for a private equity are the use of leverage, growth in EBITDA, and multiple arbitrage. Leverage can reduce tax, and also help augment a sponsor's return. PE firms can get benefits from growth in EBITDA, they can raise EBITDA to the level of comparable companies by improving the target's operation. They also can get benefits from multiples by selling firms at higher multiple than which when buying it.

Question 4

a)

b)

c)

d)

e)

Question 5

Question 6

a)

b)

c)

d)

Question 6 continued on next page...

e)

Question 7