So far, we have discussed about background of the case and possible buyer of DPC, and three key drivers. From now, I will discuss about what is the largest key driver for increasing value of DPC by changing input values in APV analysis.

First, if the firm raises sales growth, net sales will increase and consequently free cash flow increases. By increasing 1% of sales growth, enterprise value will growth about 146 million dollars in this case.

Second, if the firm increases EBIT margin by improving efficiency of the firm, free cash flow will also increase. By increasing EBIT margin to 12% instead of 10%, growth in enterprise value will be 744 million dollars.

Using the same method, by changing terminal value multiple to 8.0, the firm value increases by 485 million dollars. And by allowing firm to raise debt, it can get benefit by interest tax shield. We assumed that the firm raises debt about 7 times of its EBITDA, which is equal to 2,604 million dollars, and it uses all available cash to pay down debt. By using cost of debt as interest rate, we can calculate after tax interest as you can see, and also can calculate remaining amount of debt. You can see it is decreasing. Therefore, we can calculate income tax shield at each period, and discounting at cost of debt, which is 6.75%, present value of interest tax shield is 147 million dollars. Therefore, the enterprise value increases by 147 million dollars by using debts.

In short, this chart shows the amount of increases in enterprise value by changing input value. You can see that EBIT margin is the first largest driver, and terminal EBITDA multiple is the second largest driver. It means that the key factor is growth in EBITDA for PE funds.

Next, assuming that buyer purchases firms at 3.97 billion dollars, which is baseline value, no premium, and if there is no improvement, what happen to the firm? The answer is simple, the firm cannot get any positive return because there is no improvement. Therefore, PE firms should improve firms after purchase in order to get positive return.