THE PRIVATE EQUITY GROUP

PE Overview

Fall 2023

PRESENTERS INTRODUCTION

Workshop Directors

Mikhail Talib

Incoming Restructuring Investment Banking Analyst at Evercore

Past Professional Experience: Event Driven HF, Crossover Investing, Restructuring

Interests: Basketball, Golf, Working Out, Travelling

Pravar Jain

Incoming Summer Investment Analyst at Atalaya Capital

Past Professional Experience: Long/Short equity HF, Private Equity

Interests: Cooking, Reading, Marvel, Travelling

Past Experience in Private Capital

HILL PATH CAPITAL

ATL PARTNERS

Hill Path Capital is a private equity firm founded by Scott Ross (ex-Apollo). The firm does something known as 'crossover investing', i.e uses private equity style diligence to invest in both private and public equities. Sector focus is primarily around gaming, lodging, leisure, and financials.

ATL Partners is a private equity firm founded by Frank Nash (ex-MidOcean). The firm specialises in buyout private equity, i.e classic leveraged buyouts that most of you are familiar with. Sector focus is primarily around aerospace, transportation, and logistics.

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The Private Equity Group

What Is Private Capital?

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What is Private Capital?

- Any investment that is not on traded on the public markets
- Classified by 1. when the investment is made and 2. what/where the investment is made (what part of the company's capital structure?)
- The goal for any investor: Make alpha → Outperform their respective index
- How can you invest in Private Markets? Stay Tuned

INVESTMENT STRATEGIES BY TIME / STAGE OF INVESTMENT

Venture Capital	Growth Equity	Buyout	Distressed
Seed, Early stage	Late stage VC, Growth	Small cap, Mid cap, Large cap, Mega cap	Non-control, Loan to own
Early Stage Startups	Late Stage Startups & Growing Companies	Mature Companies	Declining companies, financially distressed, bankrupt…

Credit

Financing capital solutions across the full Yield spectrum

Fund Of Funds

Investments in other funds

Secondaries

Liquidity for Private Investments

Co-Investments

Investing with other firms

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INVESTMENT STRATEGIES BY TIME / STAGE OF INVESTMENT

Venture Capital	Growth Equity	Buyout	Distressed
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Early Stage Startups	Late Stage Startups & Growing Companies	Mature Companies	Declining companies, financially distressed, bankrupt...
. Minority investments . Series A to C . Multiple financing rounds . High diversification . Highest risk . Potential high returns	. More mature companies . Established cash flows . Mostly minority investments . Exit-driven strategy . Lower risk than VC . Potentially high returns	. Established cash flows . Strong product-market fit . Mostly majority investments . Heavy operational involvement . Highly leveraged investments . High risk/high returns	. Financial distress, unstable cash flows . Often older companies . Often credit investments . Equity warrants to ride out recovery . Very high risk/high returns

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Investment Strategies by Position in Capital Structure

Private Company

BCG Boston Consulting Group

Revolver	citibank
Bank Loans	citibank
Bonds / Notes	ARES
Preferred Stock	Blackstone Tactical Opportunities
Equity	KKR

Public Company

VOLVO

Revolver	Public and Private Investors
Bank Loans	Public and Private Investors
Bonds / Notes	Public and Private Investors
Preferred Stock	Public and Private Investors
Equity	Public and Private Investors

Transaction Types

Segment	Type	Typical Transaction
Venture Capital	Seed/early stage	VC fund invests to form company and fund the achievement of technology development milestones
	Late stage	VC fund invests in company with proven technology to fund growth and preparation for IPO
Growth	Acquisition of minority stake via capital increase	PE fund invests in a company with little to no technology risk to fund growth
Buyouts	Acquisition of a subsidiary	PE fund buys a business from a parent company
	Take-private	PE fund takes a company private pursuant to a tender or merger offer to its public shareholders.
	Secondary	PE fund acquires a company from another PE fund.
Distressed	Loan To Own	PE fund acquires debt in distressed company with the objective of converting it into a control stake through a restructuring.
	Other	PE fund invests fresh capital in distressed company to enable it to reduce leverage.

What is Private Equity?

Overview

- Private Equity is an asset class; it is a segment of alternative investments
- A Private Equity firm, “Sponsor”, acquires a minority or majority stake in an private, sometimes public company

How Does It Work?

- Sponsors want to increase the company’s value to later sell it for a profit. Strategies vary by helping grow a company beyond the startup stage, or ‘turn around’ a company on the verge of bankruptcy.
- Sponsors will use a mix of Debt and Equity to acquire a stake in the company. Higher leverage often implies higher returns

Characteristics

- Stakes are held through private partnerships that are not listed on the stock market;
- Long term and highly illiquid: private equity investments are riskier than public equity ones and held for 3-6 years;
- High degree of leverage which can further add to the risk (in the event that the transaction is over-leveraged);
- Companies often have some operational flaws; in extreme cases, they can even be on the brink of bankruptcy;
- On average, investments return higher than public equities, although this has not been the case for the past decade

WHY DO INVESTORS LIKE PRIVATE EQUITY?

WHO ARE THEY?

- Investors, "Limited Partners," include pension funds, endowments, foundation, sovereign wealth funds, family offices, insurance companies, and wealthy families or individuals who have capital.

WHY DO THEY INVEST?

- They view private equity as among the highest risk and highest return categories in their asset allocations
- It also matches their longer-term investment horizons (especially in the case of pension funds and endowments)

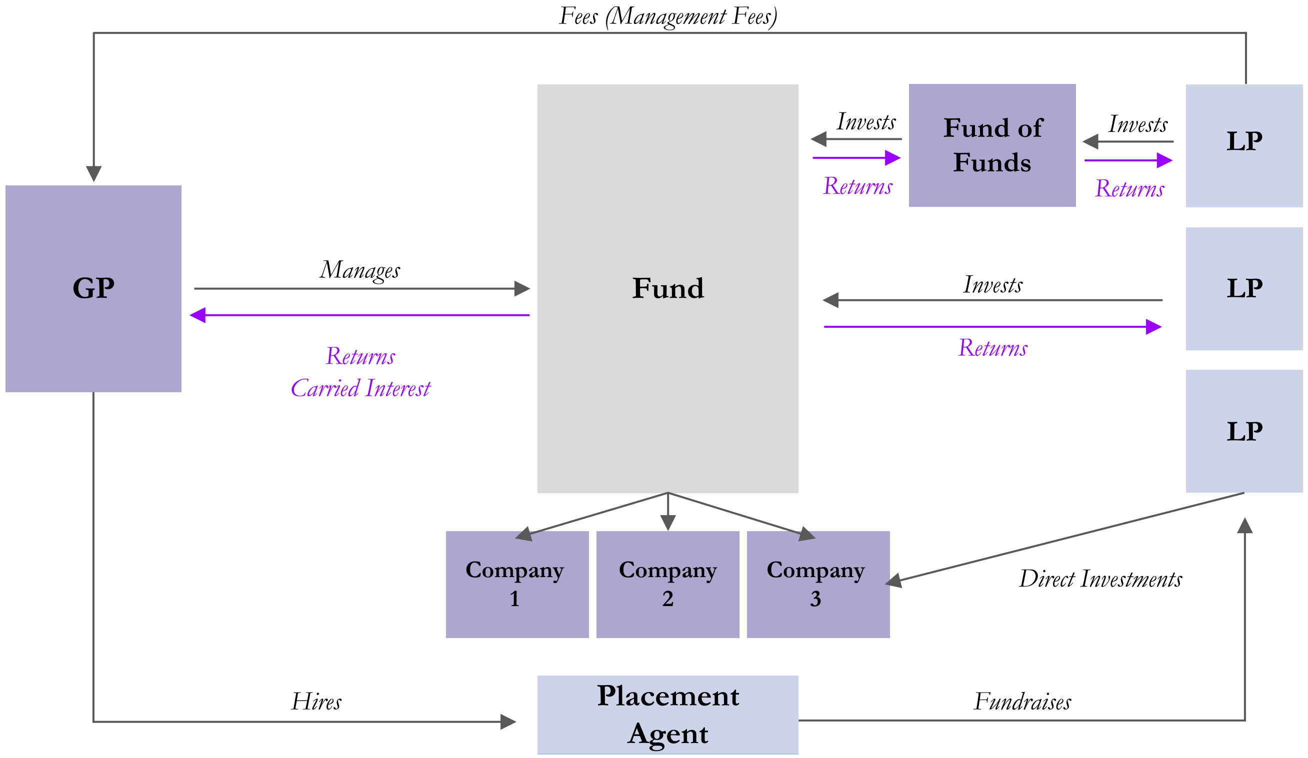
CHARACTERISTICS

Private equity as an asset class is expected to outperform public equity benchmarks, due to:

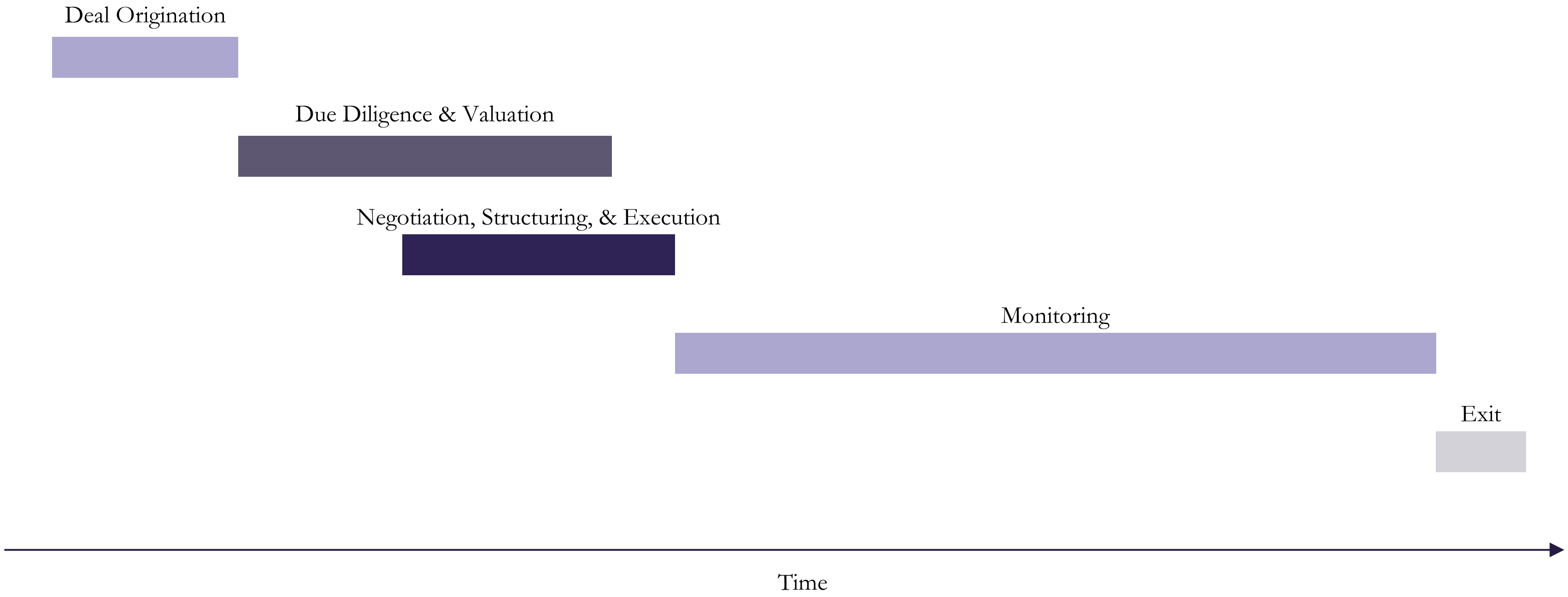
- Concentrated ownership = enhanced ability to create value in PE-backed companies relative to public companies
- PE-backed companies are not subject to the quarterly reporting pressures that can lead public companies to make short-term decisions with dubious long-term merits
- Example: Deep restructurings may be necessary but difficult to accomplish under public ownership

Why would an investor invest in private equity versus public equity? Why choose to work in PE over HF's?

Fund Structure



PRIVATE EQUITY INVESTMENT CYCLE



Where Does Private Equity Exist?

WARNER MUSIC GROUP

DUNKIN' DONUTS

VICE

TOSHIBA

Hilton

Domino's Pizza

DELL

VERSACE

Early Stage (Venture Capital and Growth Equity)

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Early Stage Investing Strategy - VC & Growth Equity

Overview

- VC focuses on innovative, early stage companies with potential for high growth and high risk exposure
- VC markets in the US have grown to $49.9bn at a CAGR of 5.1% in 2021
- Expanded to growth companies in finance (fintech), agriculture (agri-tech), clean energy (clean-tech), and property (proptech)
- Most VC firms rely on information asymmetries and knowledge arbitrage opportunities to maximize their returns

- Growth Equity focuses on more mature companies that
  - Have established cash flows
  - Have a clear business positioning
  - Are looking to grow and gain market share
- Growth equity takes on mostly minority investments with an exit-driven strategy
- These investments have much lower risks than VC and potentially higher returns, since the companies are more mature and there is a higher chance that the investment will generate promising returns.

SEQUOIA Bessemer Venture Partners Accel andreessen. horowitz

Private Credit

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PRIVATE CREDIT

Private Credit has grown significantly over the past two decades, from $40bn total AUM in 2000 to $1.3tn+ today

	Direct/Specialty Lending	*Opportunistic*	*Distressed*	*Structured*
Description	Direct & Specialty Lending funds provide corporate debt to small and mid-cap private companies	Credit investment that capitalizes on a special situation (insolvency, shareholder activism, litigation…)	Discounted investment into a distressed firm to influence its restructuring and subsequent turnaround	Methods of pooling debt obligations to spread credit risk and then redistribute the associated cash flows
Investment Characteristics	Upfront fee, floating LIBOR-based rate, securitization against the company's value, often uncollateralized, 10-15% average IRR	Event-driven risk, high investment flexibility (across capital structure), broad opportunity set (rates, currency, corporate…), 15-20% IRR	Flexible strategy (loan-to-own, non control, restructuring…), high risk, long holding period, counter-cyclical to buyout, 15-20% IRR	Lower than average loss rates, high diversification, illiquid and complex securities, attractive yield premiums

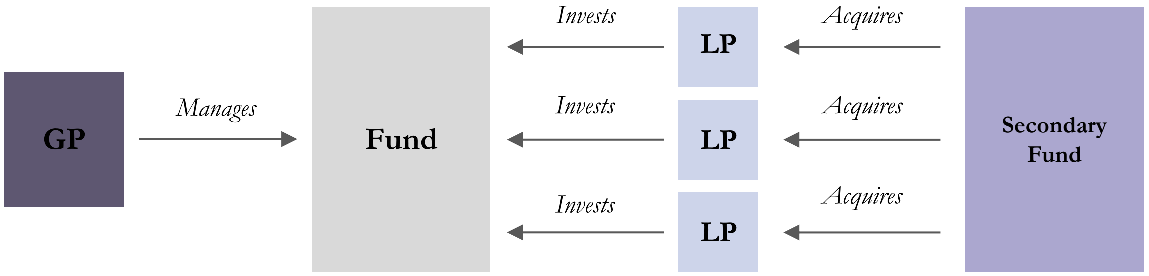
BainCapital OAKTREE APOLLO ARES

Secondaries

THE SECONDARIES MARKET

OVERVIEW

- One of the fastest growing sectors with annual transaction volume growing from $20bn to $80+bn between 2013-19
- Have vastly popularized Private Equity as an asset class by making it more liquid and thus more attractive to investors
- Once reserved to depressed funds, secondary transactions are now encouraged by GPs. 33% of them are now GP-led
- Deal types include restructurings and recapitalizations, tender offers, stapled transactions, whole or partial asset sales, and co-investments
- Secondary investments typically have a lower MOIC and higher IRR than Direct investments. The main draws to secondaries for investors include J-curve mitigation, shorter investment time horizon, lower fund valuations, and a generally more appealing risk/return profile



Blackstone

Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

ARDIAN

Special Situations & Distressed Debt

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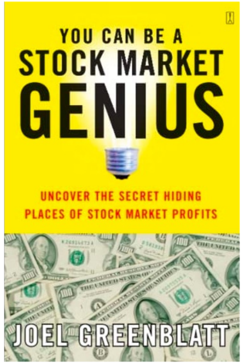
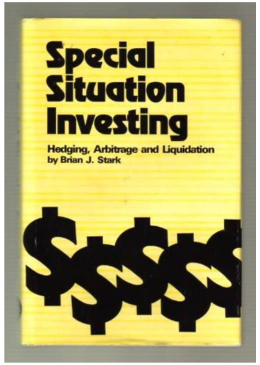
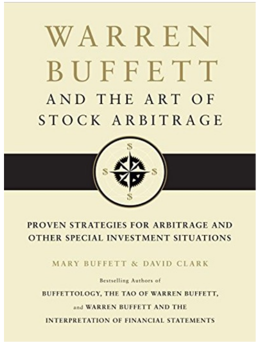
Special Situations: Defined

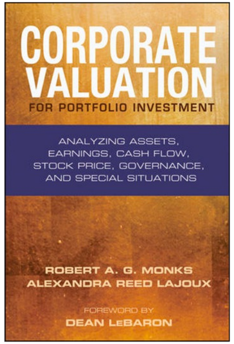
A “special situation” is any idiosyncratic situation a company is in that may allow investors to profit

- Special situations are defined by **(1) a community of participants, (2) yield +, and (3) mindset**
- A “special situation” can be thought of as a specific structural, non-operational event that affects the value of a specific security
    - Used as an umbrella term for numerous corporate restructuring, transactional, or financial engineering efforts
- These situations draw investors to buy into a security (i.e. debt, equity, or derivative) based on the “special situation” rather than the underlying fundamentals of the security or some other investment rationale
- The goal is to profit from a potential rise or fall in value that the special situation presents which may be drive by a restructuring, refinancing, or other corporate activity









SPECIAL SITUATIONS: DEFINED

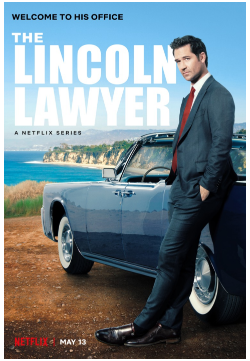
Alternative Credit – A Special Situation Investment

- So Far, we have learned only about investing in Corporates (businesses)

- Alternative Credit and Special Situations funds can invest in virtually anything that makes them money, away from corporates

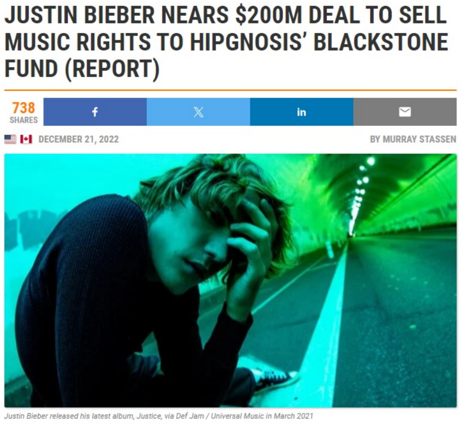
- Money can be made in 2 ways: Periodic cash flow (Coupon payment) or Capital Gain (Buy low, sell high)

- Blackstone Tactical Opportunities and Ares Special Opportunities Funds are some of the biggest players in this space



Lien on income generated from Life Rights Distribution

Music Rights



JUSTIN BIEBER NEARS $200M DEAL TO SELL MUSIC RIGHTS TO HIPGNOSIS' BLACKSTONE FUND (REPORT)

738 SHARES

DECEMBER 21, 2022 BY MURRAY STASSEN

Justin Bieber released his latest album, Justice, via Def Jam / Universal Music in March 2021

Can be anything that generates a cash flow and investors expect it to outperform their index…

DISTRESSED DEBT INVESTING

What is Distressed Debt Investing

- Broadly speaking, Distressed debt investing is the process of investing capital in the existing debt of a financially distressed company, government, or public entity
  - A financially distressed company is one that has an **unstable capital structure.** This could mean the company's debt load is too high or difficult to refinance, or the company can't meet restrictions on its current debt covenants
- Specialized strategies such as distressed credit require unique skill sets and experience to deal with companies experiencing financial stress. A restructuring process often involves a long-term approach, sometimes encompassing a number of years
  - **A combination of understanding law, game theory, psychology, and finance is necessity to do well in the space**
  - **Intellectual alpha generation possible; few players due to very inefficient and illiquid markets where information advantage means everything**

APOLLO | SILVER POINT CAPITAL | ELLIOTT | THE BAUPOST GROUP | OAKTREE

Leveraged Buyouts

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LBO Accounting

Buying a house with all cash

Cash (Asset): $1,000 | Ownership (Equity): $1,000

→

Home Value (Asset): $1,000 | Ownership (Equity): $1,000

Buying a house with cash and debt

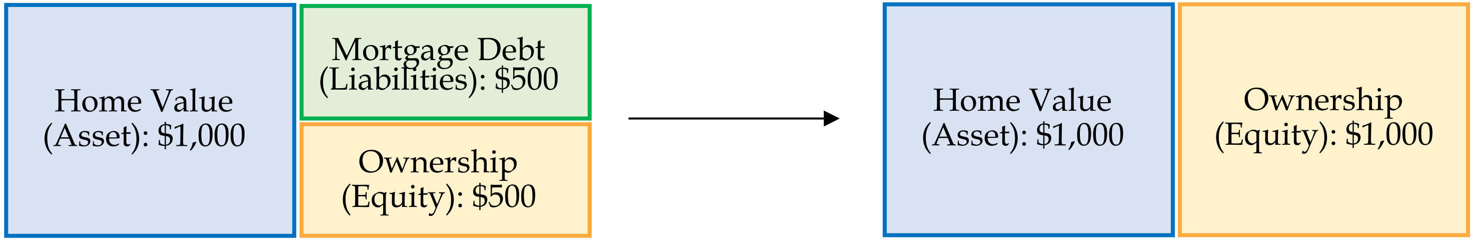
Cash (Asset): $500 | Ownership (Equity): $500

→

Home Value (Asset): $1,000 | Mortgage Debt (Liabilities): $500 / Ownership (Equity): $500

WHY USE DEBT?

	2021	2022	2023	2024	2025	2026
Net Rental Income	$0	$125	$125	$125	$125	$125
Interest Expense	0	(25)	(25)	(25)	(25)	(25)
Cash Flow	**$0**	**$100**	**$100**	**$100**	**$100**	**$100**
Cash	0	0	0	0	0	0
Home Book Value	1,000	1,000	1,000	1,000	1,000	1,000
Debt at 5% Interest	500	400	300	200	100	0
Equity	500	600	700	800	900	1,000



UNDERSTANDING DEBT

What happens if you sell the same house at a 50% profit?			Investment Result
Market Value of the Home: $1,500 − Mortgage Debt (Liabilities): $500	Cash (Asset): $1,500	Ownership (Equity): $1,500	Your $1,000 returns $1,500 $1,500 / $1,000 = 1.5x
Cash (Asset): $1,000	Cash (Asset): $1,000	Ownership (Equity): $1,000	Your $500 returns $1,000 $1,000 / $500 = 2.0x

UNDERSTANDING DEBT

What happens if you sell the same house at a 50% loss?			Investment Result
Market Value of the Home: $500	Cash (Asset): $500	Ownership (Equity): $500	Your lost 50% of your $1,000 $500 / $1000 = .5x
– Mortgage Debt (Liabilities): $500			
Cash (Asset): $0	Cash (Asset): $0	Ownership (Equity): $0	Your lost ALL of your $500!

Takeaway 1: Using debt (leverage) magnifies returns
Takeaway 2: Using debt allows you to use less equity (less money of your own) to buy an asset

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Characteristics of an LBO Candidate

1. **Low-risk business**
   - Trading at a lower EV/EBITDA multiple than a high growth company
   - Multiples are an indicator of how easily the cash flows will be able to cover the purchase price

2. **Little/no outstanding debt and steady/predictable cash flows**
   - Little debt: Few obligations to pay off other loans
   - Free cash flows generated by the company can directly pay off the debt used to finance the buyout

3. **Strong asset base**
   - Tangible assets may act as a loan collateral → low-interest financing
   - Low-interest financing → less cash needed to repay loans

4. **Viable exit options**
   - Purpose of an LBO is to sell the company at a higher multiple than acquired so the PE firm can get a return on its equity investment

Club Programming

CLUB PROGRAMMING

STRATEGY OVERVIEWS

- In-depth educational content covering specific investment strategies
- Areas of focus include buyouts, credit, growth, secondaries, and sector-specific private equity investing

INVESTING CASE STUDIES

- Case study walkthroughs covering real-life investment opportunities pitched by our workshop members
- Case studies will cover most if not all investment strategies
- An opportunity to adopt an investor mindset
- Case studies will be assigned to teams of workshop members, who will then lead the general meeting on their case study
- ~ 1 case study meeting per month

YEAR-LONG WORKSHOP

- Open to sophomores and above | Applications due Sep. 21st
- General meeting attendance & participation is strongly encouraged - Premium Members
- No previous experience required
- Designed for summer analyst, full-time, and on-cycle private equity recruiting, across investment strategies
- Year-long workshop starting in September covering technical and soft concepts

FRESHMEN MENTORSHIP PROGRAM

- The Freshman Mentorship Program is a semester-long program where the mentees work closely with members of the Executive Board to help in administrative and project-based work
- Shadow Executive Board members, receive mentorship, and go through weekly technical workshops covering everything from accounting to merger models
- Guaranteed interview spot for the workshop

Membership System

General Member

What is it?

- ❖ Come & contribute to our meetings
- ❖ Learn from our educational content
- ❖ Network with professionals

Why is it interesting?

- ❖ Learn about Private Equity and alternative investment strategies
- ❖ Recruiting opportunities
- ❖ Get noticed by the E-Board for future opportunities

What are the requirements?

- ❖ None! Just come to our meetings!

Premium Member

What is it?

- ❖ General Members that come to 80%+ meetings
- ❖ Access to exclusive opportunities

Why is it interesting?

- ❖ Exclusive firm & networking events
- ❖ Priority over GMs for selective resume drops and selective firm events
- ❖ <u>Separate resume pool when screening profiles for workshop interviews</u>

What are the requirements?

- ❖ Come to 80%+ of our meetings
- ❖ Contribute frequently & intelligently
- ❖ Demonstrate a passion and potential for Private Equity

Workshop Member

What is it?

- ❖ Small & selective group of students
- ❖ Access to technical & modeling training through year-long workshop meetings

Why is it interesting?

- ❖ Access to advanced finance resources
- ❖ Automatically selected for all exclusive firm & networking events
- ❖ Access to the alumni network and active **mentorship** and a **close-knit community**

What are the requirements?

- ❖ NYU sophomore or above
- ❖ Selective interview process
- ❖ Strong interest in finance & Private Equity; well-rounded personality

WORKSHOP OVERVIEW

Fall Recruiting Process

15th Sept — 21st Sept — 23rd Sept — 24th Sept — 1st Oct

Applications Open

Applications Close

Written application with short essay questions

Ongoing Coffee Chats

1st Round Interviews

Interviews testing Technicals, Behaviorals, and Market Knowledge

2nd Round Interviews

Interviews testing Technicals, Behavorials, and Culture Fit

Decisions Out

Applications Decisions released for Workshop

Eligibility: Sophomores, Juniors, Seniors

What we look for: Interest in investing and finance, relevant leadership experience, technical and behavioral skill, cultural fit

WORKSHOP CONTENT

Workshop (1-hour long weekly meetings)

- Lectures & Discussions
  1. **Technical Content**
  2. **LBO Model**
- Case Studies
  1. **Presentation**
  2. **Discussion**

COFFEE CHAT OUR E-BOARD

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Private Equity Overview

Thank You | Q&A

19 September 2023