

Private Equity's Influence on Financing and Investor Relations

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VWR International, LLC

Speaker Background

- RJR Nabisco, Inc. (KKR sponsor)
 - *1989 U.S. public company buyout*
- Rockwood Holdings, Inc. (KKR)
 - *2001 U.K. public company carve-out from Laporte Plc*
- VWR International, Inc. (Clayton, Dubilier & Rice)
 - *2004 German public company carve-out from Merck Kga*
- VWR International, LLC (Madison Dearborn Partners)
 - *2007 U.S. private-to-private transaction*

Transaction Financing

- Initial transaction financing
 - *Core financing needed for investment holding period*
 - *Consider usable cash balances within target*
 - Parent - Senior Secured Credit Facility (Term+Revolver)
 - Parent - Senior / Senior Subordinated Debt
 - Parent - Cash / Local - subsidiary lines & daily liquidity
- Investment holding periodic financing
 - *Tuck-in acquisitions and operating needs (if not self-funding)*
 - *Cash distributions to investors*
 - Covenant carve-outs and accordion features for flexibility

Key Financing Considerations

- More debt = higher return (& higher risk)
- Key external focus on target's capabilities to service external debt
- Key internal focus on debt pushdown strategies within target to efficiently provide cashflows
- Debt currency considerations for global targets
- Preserve tax-deductibility of interest to greatest extent possible (deductibility = higher return)

Role of Treasury Function

- High involvement in transaction financing activities, deal structuring & covenants
- Ongoing maintenance of external and internal debt, cash management & covenant compliance
- Champion transformation of company culture to cash-based from EPS-based
 - EBITDA, Working Capital, Capex, Restructuring opportunities
 - Enhanced cash reporting & metrics
 - Compensation program changes
 - Enhanced cash planning & forecasting

Investor Relations

- LBO debt financing typically includes publicly-traded debt (or private with exchange rights)
 - SEC compliance
 - Rating agencies
- Typical quarterly investor calls
- Decision to provide earnings guidance
- Annual operating budgets to banks
- Frequent debt investor questions