



## CASE STUDY

### Screening with an LBO Model Proto Financial®

#### CLIENT TYPE

Private Equity

#### PRIMARY USER

Research Analyst

#### LOCATION

New York, NY

#### KEY BENEFITS

- Accelerated research process
- Helped locate buyout targets
- Solution delivered quickly
- Used existing Excel LBO model

#### DATA SOURCES INTEGRATED

- Excel-based LBO model
- Capital IQ earnings data & fundamental

#### USER TESTIMONIAL

*"This is excellent. I tested this out with a sector we're looking into and spotted two companies we're taking a closer look at. We can filter candidates using fundamental data, but this tool opens up the possibility of using the result from any Excel model as an additional filter criterion, which we would never do manually. Great stuff."*

#### CONTACT INFO

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### Use an Excel-based LBO Model and Capital IQ to Screen Hundreds of Companies Based on Model Output

#### The Need

An analyst at a private equity firm in NYC is trying to accelerate his ability to generate candidates for deeper buyout research. He can screen a target sector based on certain fundamental values to generate a list of potential companies. But that list may include as many as 200 companies to sift through. He would like to be able to run a generic LBO model on every company to produce 5-year IRR and multiple-of-investment to further filter the list down to 10-20 candidates. Even with Capital IQ feeding a spreadsheet, the task of compiling the IRR will take hours, and if he needs to make an adjustment the LBO model parameters, he will have to manually re-run the analysis on the entire list. Finally, the IRR alone is not enough to narrow down the candidate list. He needs the ability to perform additional filtering using the enriched data set containing the company fundamental data as well as the IRR.

#### Proto's Solution & Benefits

Proto's solution automates running the Excel-based LBO analysis and presents an interactive dashboard to graphically locate candidate companies. The dashboard first pulls a list of tickers and fundamental data from Capital IQ. Then data for each company is used to populate an Excel-based LBO model to calculate the IRR. This parameter is merged back into the fundamental data to create an enriched set of information to filter and visually mine using Proto's interactive graphing capabilities. The result is a dramatically accelerated process to find the top 5-10 buyout targets matching the firm's investment criteria. Specific benefits include:

- Better, faster research to locate buyout candidates: Proto made it possible to automate running a simple LBO model over hundreds of companies within a sector, helping the analyst to quickly create a list of the top 10 LBO candidates.
- Fast time to delivery: Proto's solution was developed remotely and iteratively in conjunction with the analyst within a couple of days.
- Visual mapping improves "fuzzy" filtering: Proto's graphical filtering capabilities helped to identify candidates in an environment where strict greater-than / less-than criteria were insufficient.
- Uses a trusted, transparent Excel model as the LBO engine: Proto used an existing, tested Excel model as the engine to run the LBO analysis for every company, enriching the set of fundamental data for further filtering and analysis.