

Private Equity Fund of Funds & Secondaries – Certification Quiz Questions

Module SEC-03 – GP-Led Secondary Deal Analysis (Single Asset) (2-Hour Case Study)

18. You are working on a GP-led secondary deal for a single asset: AstraWorks, a SaaS portfolio company in the Healthcare IT (HCIT) space.

You are reviewing the GP’s financial projections for AstraWorks and the comparable public companies, which consist of U.S.-based HCIT and Healthcare SaaS businesses with revenue between \$100 million and \$1 billion and positive EBITDA margins.

A summary of the financial projections and the output from the public comps are shown in the images below this question. In the historical period, AstraWorks’ revenue growth rate fell from 33% to 10% over 4 years.

Based on this information and the numbers below, what would you **CHANGE** about the forecasts and valuation to challenge the GP’s view of the deal?

	A	B	C	D	J	K	L	M	N	O	P	Q		
	FYE 31 Dec			Projected - Secondary Period:					CAGR:					
	Income Statement:			Units:	FY 26	FY 27	FY 28	FY 29	FY 30	Historical	Projected			
Total Revenue:		\$ M	\$	356.1	\$	409.7	\$	465.8	\$	525.0	\$	585.9	21.0%	14.3%
Growth Rate:		%		18.7%		15.1%		13.7%		12.7%		11.6%		
(-) Cost of Services:		\$ M		(100.8)		(114.7)		(129.0)		(143.9)		(158.2)		
(-) Selling, General & Administrative:		\$ M		(95.3)		(106.9)		(119.1)		(131.3)		(143.3)		
(-) Research & Development:		\$ M		(98.4)		(114.6)		(132.8)		(152.3)		(169.6)		
(-) Depreciation & Amortization:		\$ M		(5.3)		(7.0)		(8.4)		(10.0)		(11.7)		
Operating Income (EBIT):		\$ M		56.3		66.5		76.5		87.6		103.1	8.3%	17.3%
EBIT Margin:		%		15.8%		16.2%		16.4%		16.7%		17.6%		
(-) Interest Expense / (+) Income:		\$ M		(9.2)		(7.8)		(6.4)		(4.3)		(2.3)		
Pre-Tax Income (EBT):		\$ M		47.2		58.7		70.1		83.3		100.8		
(-) Book Taxes:		\$ M		(11.8)		(14.7)		(17.5)		(20.8)		(25.2)		
Net Income:		\$ M		35.4		44.0		52.6		62.5		75.6	6.2%	22.4%
EBITDA:		\$ M	\$	61.7	\$	73.4	\$	84.9	\$	97.6	\$	114.8	8.6%	17.8%
EBITDA Margin:		%		17.3%		17.9%		18.2%		18.6%		19.6%		
"Rule of 40" Check:		%		36.0%		33.0%		31.9%		31.3%		31.2%		

Operating Statistics	Capitalization			2-Year Revenue CAGR	2-Year EBITDA CAGR	EBITDA Margin			"Rule of 40"	
	Equity Value	Net Debt	Enterprise Value			CY 25	CY 26	CY 27	CY 26	CY 27
Claritec Corporation	\$ 962.4	\$ 4,579.3	\$ 5,541.7	3.6%	4.1%	62.7%	63.1%	63.3%	65.7%	67.8%
GoodRx Holdings, Inc.	1,483.4	208.7	1,692.1	6.5%	8.5%	33.8%	34.1%	35.1%	39.4%	42.8%
Doximity, Inc.	5,727.8	(841.0)	4,886.8	11.3%	14.6%	53.0%	55.1%	56.2%	66.0%	67.9%
Certara, Inc.	2,078.2	133.8	2,211.9	8.3%	9.9%	31.2%	31.5%	32.1%	39.4%	40.7%
Consensus Cloud Solutions, Inc.	494.2	520.3	1,014.5	0.3%	1.9%	53.0%	53.6%	54.7%	54.6%	54.4%
TruBridge, Inc.	286.7	153.8	440.5	4.1%	7.0%	18.6%	19.6%	19.7%	24.0%	23.4%
HealthStream, Inc.	757.8	(90.6)	667.2	3.9%	6.5%	23.3%	23.9%	24.5%	29.0%	27.2%
Definitive Healthcare Corp.	320.6	92.2	412.9	1.8%	(5.4%)	27.5%	27.1%	27.7%	27.7%	26.6%
Weave Communications, Inc.	506.7	(77.8)	428.9	14.9%	77.6%	2.7%	3.8%	6.5%	19.9%	20.3%
CareCloud, Inc.	145.9	(10.1)	135.8	12.4%	18.2%	22.7%	24.1%	25.1%	37.9%	36.1%
OptimizeRx Corporation	336.3	12.4	348.7	7.9%	17.6%	14.9%	16.2%	17.7%	27.3%	22.6%
Maximum	\$ 5,727.8	\$ 4,579.3	\$ 5,541.7	14.9%	77.6%	62.7%	63.1%	63.3%	66.0%	67.9%
75th Percentile	1,222.9	181.2	1,952.0	9.8%	16.1%	43.4%	43.9%	44.9%	47.0%	48.6%
Median	506.7	92.2	667.2	6.5%	8.5%	27.5%	27.1%	25.1%	37.9%	36.1%
25th Percentile	328.5	(43.9)	420.9	3.7%	5.3%	20.6%	21.8%	21.7%	27.5%	25.0%
Minimum	145.9	(841.0)	135.8	0.3%	(5.4%)	2.7%	3.8%	6.5%	19.9%	20.3%

AstraWorks	\$ 430.2	\$ 75.5	\$ 505.7	16.9%	20.5%	16.9%	17.3%	17.9%	36.0%	33.0%
------------	----------	---------	----------	-------	-------	-------	-------	-------	-------	-------

Valuation Statistics	Capitalization			TEV / Revenue			TEV / EBITDA			P / E		
	Equity Value	Net Debt	Enterprise Value	CY 25	CY 26	CY 27	CY 25	CY 26	CY 27	CY 25	CY 26	CY 27
Claritec Corporation	\$ 962.4	\$ 4,579.3	\$ 5,541.7	5.9 x	5.7 x	5.5 x	9.3 x	9.0 x	8.6 x	NM	NM	NM
GoodRx Holdings, Inc.	1,483.4	208.7	1,692.1	2.1 x	2.0 x	1.9 x	6.3 x	5.9 x	5.3 x	28.3 x	17.4 x	13.8 x
Doximity, Inc.	5,727.8	(841.0)	4,886.8	7.9 x	7.1 x	6.4 x	14.9 x	12.9 x	11.4 x	20.2 x	17.3 x	15.2 x
Certara, Inc.	2,078.2	133.8	2,211.9	5.2 x	4.9 x	4.5 x	16.8 x	15.4 x	13.9 x	29.9 x	23.3 x	20.3 x
Consensus Cloud Solutions, Inc.	494.2	520.3	1,014.5	2.9 x	2.9 x	2.9 x	5.5 x	5.4 x	5.3 x	4.7 x	4.6 x	4.4 x
TruBridge, Inc.	286.7	153.8	440.5	1.3 x	1.2 x	1.2 x	6.8 x	6.2 x	6.0 x	8.7 x	8.0 x	8.4 x
HealthStream, Inc.	757.8	(90.6)	667.2	2.2 x	2.1 x	2.1 x	9.5 x	8.9 x	8.4 x	33.0 x	30.4 x	28.2 x
Definitive Healthcare Corp.	320.6	92.2	412.9	1.7 x	1.7 x	1.7 x	6.3 x	6.3 x	7.1 x	9.6 x	8.9 x	10.4 x
Weave Communications, Inc.	506.7	(77.8)	428.9	1.8 x	1.5 x	1.4 x	66.4 x	41.0 x	21.0 x	88.1 x	42.9 x	22.1 x
CareCloud, Inc.	145.9	(10.1)	135.8	1.2 x	1.0 x	0.9 x	5.1 x	4.2 x	3.7 x	30.1 x	11.0 x	8.6 x
OptimizeRx Corporation	336.3	12.4	348.7	3.3 x	2.9 x	2.8 x	21.9 x	18.2 x	15.9 x	27.9 x	22.5 x	15.6 x
Maximum	\$ 5,727.8	\$ 4,579.3	\$ 5,541.7	7.9 x	7.1 x	6.4 x	66.4 x	41.0 x	21.0 x	88.1 x	42.9 x	28.2 x
75th Percentile	1,222.9	181.2	1,952.0	4.3 x	3.9 x	3.7 x	15.9 x	14.2 x	12.6 x	30.0 x	23.1 x	19.1 x
Median	506.7	92.2	667.2	2.2 x	2.1 x	2.1 x	9.3 x	8.9 x	8.4 x	28.1 x	17.3 x	14.5 x
25th Percentile	328.5	(43.9)	420.9	1.8 x	1.6 x	1.5 x	6.3 x	6.0 x	5.6 x	12.2 x	9.4 x	9.1 x
Minimum	145.9	(841.0)	135.8	1.2 x	1.0 x	0.9 x	5.1 x	4.2 x	3.7 x	4.7 x	4.6 x	4.4 x

AstraWorks	\$ 430.2	\$ 75.5	\$ 505.7	1.7 x	1.4 x	1.2 x	10.0 x	8.2 x	6.9 x	15.6 x	12.2 x	9.8 x
------------	----------	---------	----------	-------	-------	-------	--------	-------	-------	--------	--------	-------

- The company's TEV / EBITDA multiples should not exceed the comparable companies' median numbers since it is underperforming on the "Rule of 40."
- AstraWorks' EBITDA multiple should significantly exceed the public comps' median since its EBITDA is growing at nearly twice the rate of the set median.
- The projected Revenue Growth seems quite high based on the comparable companies and historical trends, so it could be adjusted down in a "Secondaries Investors" case.
- AstraWorks' EBITDA Margins should be significantly higher, bringing it in line with the rest of the comparables on a "Rule of 40" basis.

19. In the context of a GP-led secondary deal for a single asset, compare the Gross MOIC and TVPI calculations. Select the statements below that are **ACCURATE** descriptions of the similarities and differences.

This question has **4 correct answers** and 3 incorrect answers. You must select **ALL 4 correct answers** and no incorrect answers to earn a point for this question.

- a. Both the Gross MOIC and the TVPI reflect the cash flows *after* the rollover of the GP's Accrued Carry into the continuation vehicle (CV).
- b. The TVPI can never exceed the Gross MOIC, but it might equal it when the deal performs poorly.
- c. Neither the Gross MOIC nor the TVPI is affected by the number of years in the holding period.
- d. The TVPI deducts the Carried Interest and Management Fees charged by the CV in the secondary period, but the Gross MOIC does not.
- e. The Gross MOIC ignores any Bid Discount for the selling LPs' stake in this asset, but the TVPI deducts the Bid Discount in the upfront investment calculation.
- f. The TVPI arguably reflects "Double Carry," but the Gross MOIC does not.
- g. The Accrued Carry the GP rolls over into the continuation vehicle directly affects the TVPI, but not the Gross MOIC.

20. Currently, the GP has marked AstraWorks at a 10x LTM EBITDA multiple. The GP is seeking a 10% Bid Premium for its stake, implying an ~11x EBITDA multiple.

At this level, the secondary TVPI and Net IRR fall to 2.3x and 21%, respectively, against targets of 2.0x and 20%.

What could you do as a secondaries investor to mitigate the risk of the company underperforming in this deal?

- a. Negotiate with the GP and set up a tiered structure for the Carried Interest that scales up the percentage as performance improves (possibly in exchange for commitments to future funds).
- b. Ask the GP to execute a strip sale to the CV instead of selling its entire stake.
- c. Encourage the GP to sell AstraWorks or take it public earlier in the holding period to boost the Net IRR.
- d. Encourage the GP to complete more add-on acquisitions to boost AstraWorks' ROIC and potentially sell it at a higher EBITDA multiple.