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Question 1

- List the pros and cons of investing in Party City and rank them in order of priority

Question 2

- Should Berkshire Partners make an investment in Party City? Provide the rationale behind your answer.

Question 3

- If Berkshire decided to bid for Party City, it needed to consider potential conflicts with Amscan's other party supplier customers:

How can Berkshire mitigate that potential conflict?

Question 4

- With no remaining capital in Fund V, an investment in Party City would need to be funded by Berkshire Fund VI, presenting a potential conflict of interest:

How can Berkshire mitigate that potential conflict of interest?

Question 5

- As of March 2005, how has the Amscan deal performed for Berkshire Partners?

Question 6

- If Berkshire Partners decides to pursue the merger between Amscan and Party City, should Amscan's performance since its acquisition be factored into the structure of the transaction? In what way?

Question 7

- Given Party City is a publicly traded company at the time of the deal and is being sold through a formal process, assessing the fair value of new equity in Party City is easier than Amscan. Compute the Enterprise Value (show your calculation) using information in the case Exhibits. Considering there are not many buyers for Party City and the company is in distress, what is an appropriate share price? Provide the rationale behind your answer.

Question 8

- Using the Enterprise Value computed above, to determine the equity contribution from Berkshire Fund VI, students need to consider how much debt would be used to acquire Party City. What is your team's multiple of EBITDA for the debt portion of the transaction? Provide the rationale behind your multiple.

Question 9

- Based on the above, how should Berkshire structure the investment?

Question 10

- Provide a transaction structure (like Ex. 10) for the acquisition of Party City, including post-transaction ownership percentages (see Note 2 below) for Fund V and Fund VI

Notes:

- Case Exhibits 7 & 8 contain EBITDA, Net Debt and number of Party City shares outstanding
- Case states Fund VI and Weston Presidio would split the equity for Party City, two-thirds and one-third respectively



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