Capital Risque

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Exercices issus du CFA Level I & II

Source : CFA Level I Mock Exam ; Afternon Session ; 2013

113. Which attributes would a private equity firm *most likely* consider when deciding if a company is particularly attractive as a leveraged buyout target?
A. Sustainable cash flow ; B. Efficiently managed companies ; C. Market value exceeds intrinsic value

Source : CFA Level I Mock Exam ; Morning Session ; 2011

112. Capital provided for companies beginning operation but before commercial manufacturing and sales have occurred *best describes* which stage in venture capital investing?
A. Seed-stage ; B. Early-stage ; C. Later-stage

Source : CFA Level I Mock Exam ; Afternoon Session ; 2011

110. An initial investment of $1 million in a venture capital project is expected to pay $10 million at the end of 5 years if it is successful. The probabilities of failure for the project are provided in the table below:

Year:	1	2	3	4	5
Failure Probability:	0.30	0.25	0.20	0.20	0.20

If the cost of capital for the project is 18%, the project's expected NPV is *closest* to:

A. -$731,200.
B. $174,950.
C. $906,150.

Source : CFA Level II Mock Exam ; Morning Session; 2014 ; Extraits du cas "Mitchell"

" Mitchell also discusses the differences between buyout investments and venture capital investments. He thinks venture capital funds typically have a weak asset base, steady and predictable cash flows, and a management team that is often newly formed.
Another bank client who owns a start-up software company and is seeking financing approaches Blanchard. After speaking with the client, Blanchard understands the client is looking for an initial investment of $5,000,000. The client believes the start-up company can be sold in three years for $20,000,000. Blanchard explains that this type of investment is viewed by venture capital funds as being quite risky and a discount rate of 40% would be applied. Blanchard asks Mitchell to complete the analysis.

4.Which of Mitchell's statements regarding venture capital investments is *least likely* correct? His statement regarding: A. asset base. ; B. cash flows. ; C. management team.

5.) If Mitchell uses the venture capital method, the ownership fraction of the software company that a venture capital fund would require to get back its money and earn their required rate of return on investment is *closest* to: A. 68.6%. ; B. 45.8%. ; C. 31.4%. "

Source : CFA Level II Mock Exam ; Afternoon Session ; 2015 ; Extraits du "Martin Case Scenario"

Martin's third meeting is with James Wolfe, who is interested in investing in venture capital or private equity funds. He is financially very comfortable and is thus willing to take on risk. Martin has recently received some information about a new venture capital deal involving a software company that may be of interest to Wolfe. Information about the software company for the venture capital deal is provided in Exhibit 1.

Exhibit 1
Venture Capital Deal: Investment Information

Terminal value (at time of exit)	$1,000,000
Time to exit event	3 years
Amount of initial investment	$200,000
Discount rate	40%

Wolfe is also interested in investing in private equity funds but is not familiar with how their management compensation systems work. He wants to make sure that management stays motivated and is focused on maximizing profits. Martin tells Wolfe that most private equity funds have a mechanism in place that enables the management team to increase its equity allocation depending on the company's actual performance and the return achieved by the private equity firm.

41. Based on the information in Exhibit 1, the pre-money valuation of the venture capital deal is *closest to*: A. $164,431. ; B. $291,545. ; C. $364,431.

42. In her discussion with Wolfe on private equity funds, the mechanism Martin mentions is *most likely*: A. a ratchet. ; B. carried interest. ; C. a distribution waterfall.

Source : CFA Level II Mock Exam ; Morning Session ; 2011 ; Extraits du "Strong Family Corporation Case Scenario"

On the private equity side, Reed is considering an investment in Pegasus Technology b (PTb), a new U.S.-based private equity fund which will acquire firms in the aerospace industry and is currently being formed by Pegasus Technology Options (PTO). While reviewing its prospectus, she learns that PTb will reorganize each company it acquires so that a future acquirer cannot take control without extending a purchase offer to all shareholders, including current management. In a phone conversation with the general partner, he refers to this as a "no-fault divorce" clause.

The PTb prospectus provides performance information for Pegasus Technology a (PTa), PTO's first aerospace fund, which has the same general partner as PTb. PTa's committed capital is $100 million. The fund's yearly capital calls, operating results, and distributions are shown in Exhibit 3. Its fees consist of a 2.0% management fee and carried interest of 20%.

Exhibit 3
PTa's Capital Calls, Operating Results, and Distributions ($ millions)

	2004	2005	2006	2007	2008
Called-down	40	20	15	15	10
Realized results	0	0	10	25	35
Unrealized results	-10	-5	20	10	25
Distributions	0	0	0	25	40

29. PTb's general partner's description of the provision in the prospectus as a "no-fault divorce" clause is: A. correct. ; B. incorrect, because it is a "co-investment" clause. ; C. incorrect, because it is a "tag along, drag along rights" clause.

30. In 2006, the carried interest earned by the general partner of PTa was *closest* to:
A. $0.0 million. ; B. $2.3 million. ; C. $3.0 million.