Deal and Company Experience

Interview preparation summary · PE track

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INT.DX.1.a · Telling the deal story

Tell a deal story in a clear order: situation, why it was attractive, your role, the numbers you owned, the key risk, the outcome and the lesson.

When an interviewer says tell me about a deal you worked on, they are testing whether you can compress a messy process into a structure a busy investor can follow, and whether you understood what you were part of. A strong answer runs in a set order: the company and the situation, why it was attractive, your role, the numbers you owned, the key risk and how it was handled, the outcome, and what you learned. Give the price and the return in figures, such as entry multiple, leverage and money multiple, because specifics are what separate real work from a memorised summary. Spend most of the time on your role, the numbers and the risk, and keep the company background short. The common mistakes are starting with the history of the company, hiding the outcome when it was disappointing, and running past two minutes. Say the outcome honestly even if it was below plan, since that is where the lesson comes from.

WORKED EXAMPLE: TURNING A RAMBLING ANSWER INTO A TWO-MINUTE STORY

You worked on the purchase of Brindle Cold Storage, an invented chilled-warehouse operator. Entry enterprise value was 84m, which is 8.0x EBITDA of 10.5m. The fund used 42m of debt (4.0x) and paid 2m of fees, so equity was 44m. The business was sold after five years at 8.0x EBITDA of 14.0m with net debt of 30m. Your first draft spends ninety seconds on the history of the company. Rebuild it as a two-minute story and state the return. Convention: ignore tax and interim dividends, one exit cash flow at year five.

Answer: Two minutes in seven parts, with entry at 8.0x and 4.0x leverage, an exit at 1.86x and about 13.3% IRR against a 2.5x plan, told honestly with a specific lesson.

> **Interview tip:** Say the entry multiple, the leverage and the final money multiple out loud in the first minute, and put the lesson last. Practise with a timer, because most people run long on the company description.

INT.DX.1.b · Telling the deal story

Describe your own contribution to a deal credibly, using I for what you did and we for what the team did.

Interviewers know that juniors rarely run a deal, so they listen for whether your account of your own work is honest and checkable. Use I for what you personally did, we for team decisions, and name others for their work: I built the debt schedule and the downside case, the associate owned the operating model, and the partner led the seller discussions. Choose the part you can defend in detail, because the next question will probe it: why that assumption, what changed when you ran the sensitivity, what did you find. Claim only what you can explain line by line. Overclaiming is the commonest error, and it is usually exposed within two follow-up questions. Underclaiming is also a mistake, since a vague we hides what you can do. Good ownership has a verb, a deliverable and a number: I built the downside case, which cut EBITDA by 15% and showed leverage reaching 4.1x.

WORKED EXAMPLE: SORTING I AND WE IN A FOUR-PERSON DEAL TEAM

The team of four bought Corvane Ductwork, an invented ventilation business, at an enterprise value of 62m, which is 7.75x EBITDA of 8.0m. Debt was 28m at an assumed interest rate of 8%. You were the analyst. You built the downside case and the debt schedule; the associate built the operating model; a vice president ran the diligence advisers; the partner led the negotiation. Write three honest ownership statements and test one against a follow-up. Convention: downside is EBITDA 15% below the latest year, interest on the opening debt, ignore tax.

Answer: Three checkable claims: I built the downside case and the debt schedule, showing leverage rising from 3.5x to 4.1x and interest cover falling from 3.6x to 3.0x; the associate owned the operating model; we agreed the covenant level together.

> **Interview tip:** Before the interview, list every claim of I in your deal story and be ready to defend the assumptions behind it. If you cannot, change the claim, not the defence.

INT.DX.2.a · Defending and critiquing

Answer probing follow-ups on a deal, such as why that price, what the model got wrong, what if the key customer left and what you would do differently.

After the story come the follow-ups, and they are where the interview is decided. Typical probes are why that price, what did the model get wrong, what if the biggest customer left, how did you diligence that claim, and what would you do differently. Treat each as a request for evidence, not an attack. Answer in the same order each time: give your answer in a sentence, support it with a number or a fact from the deal, say what you did not know, and finish with what you would do now. For why that price, compare to comparable multiples and to the price that earns the hurdle return. For what the model got wrong, give a specific variance, such as growth of 3.5% against the 6% forecast, and its cause. For what if the customer left, size the lost profit and the leverage effect. Do not get defensive, and do not claim the model was right when it was not.

WORKED EXAMPLE: SIZING THE LOSS OF A KEY CUSTOMER

You describe your deal in Dunmore Signage, an invented sign manufacturer. Revenue is 60m, EBITDA is 10.5m and debt is 42m. The largest customer is 18% of revenue and earns the business a 35% contribution margin on its sales (contribution is revenue less the variable costs that disappear if the sales do). The interviewer asks: what if that customer left? Answer with figures. Convention: fixed costs do not fall in the first year, ignore tax.

Answer: Losing the customer removes about 3.8m of EBITDA, 36% of the total, lifts leverage from 4.0x to 6.25x, and is why the structure and the diligence on that contract mattered.

> **Interview tip:** Quote the proportion of EBITDA, not only the money, and the effect on leverage. Then say what you did about it and what you would do now.

INT.DX.2.b · Defending and critiquing

Change a view when evidence changes, and critique a deal described by someone else.

Defending a view does not mean holding it regardless of evidence. Interviewers test whether you update: when a new fact is put to you, say what it changes, by how much, and what you would now do. A good update names the old assumption, the new evidence, the effect on value in figures and the revised action, such as a lower price, a different structure or a pass. Do not collapse at the first challenge either: if the evidence is weak, say so and say what would convince you. The same skill applies when you critique a deal someone else describes. Check, in order, whether the growth is organic or bought, whether the earnings are adjusted aggressively, what the price is on a clean basis, what the downside is, who the key people and customers are, and how the exit is assumed. Ask for what is missing before judging, and finish with a view on whether you would do it and at what price.

WORKED EXAMPLE: UPDATING A BID WHEN DILIGENCE CHANGES THE RETENTION ASSUMPTION

You were about to bid 80m for Pelham Linen Services, an invented linen-hire business with EBITDA of 10.0m, which is 8.0x. Revenue is 50m, of which 70% is recurring contract revenue. Your base case assumed 95% annual retention. Customer calls now suggest 88%. About 40% of lost revenue falls to EBITDA. The partner asks: does this change your view? Convention: one year of the gap, multiple held at 8.0x, ignore tax.

Answer: The evidence lowers value by about 7.8m, from 80m to 72m, so I would cut the bid or put the difference in an earn-out, and I would confirm with cohort data before moving further.

> **Interview tip:** Name the old assumption, the new evidence, the size of the change and what you now do. Updating with a number sounds like judgement; updating with an apology does not.

INT.DX.3.a · Limited or no deal experience

Analyse a public company or a past transaction as if you had worked on it, with a view on price, financing, risks and returns.

If you have little deal experience, the best substitute is a transaction or company you have studied closely, presented as if you had been on the team. Choose a public take-private, a company you follow, or a case study. State clearly that it is a public deal you have analysed, not one you worked on, and then do the work: the offer price and premium, enterprise value and the multiple, what financing the business could carry, a simple returns case, the key risks, and what you would need to believe.

Use only public information and say where you are guessing. The strength of this answer is a point of view with numbers, such as at that price, the returns need EBITDA of x, which I think is too high. The mistakes are reciting the news without analysis, pretending you had access to private information, and choosing a deal too complex to explain in two minutes.

WORKED EXAMPLE: ANALYSING AN INVENTED TAKE-PRIVATE AS IF ON THE TEAM

Halvorsen Bakeries plc is an invented listed bakery group with 80m shares and net debt of 120m. A fund offers 520p a share, a 30% premium to the undisturbed price of 400p. EBITDA is 67m. Assume financing of 5.0x EBITDA, 12m of fees, EBITDA of 82m after five years, exit at the entry multiple, and 100m of debt repaid. Give a view on the price. Convention: ignore tax and interim dividends, one exit cash flow at year five.

Answer: At 520p, an 8.0x entry and 5.0x leverage give 1.98x and about 14.6%; the hurdle needs EBITDA of about 96m, so the price is too high unless there is a larger operating plan.

> **Interview tip:** Say at the start that it is a public deal you analysed. Then give a view with numbers and what you would need to believe, rather than a summary of the news.

INT.DX.3.b · Limited or no deal experience

Talk honestly about a deal that did not go ahead or went badly, and about work you did not do yourself.

Interviewers value candour about a deal that failed or never closed, because judgement is shown by what you learned. For a deal that did not go ahead, explain what you found, why the team walked away or lost, and what the discipline saved. Use a number, such as the effective multiple once earnings were corrected. For a deal that went badly, state what went wrong, which part was in your control and which was not, and what you changed. Never blame colleagues or bad luck alone. When you are asked about work you did not do, such as a model you only reviewed, say so directly: I did not build that, I reviewed it and this is what I checked. Then answer what you can reason about. A confident bluff is exposed by the next question and costs you credibility on everything else, while an honest limit followed by good reasoning is credible.

WORKED EXAMPLE: TELLING THE STORY OF A DEAL THE TEAM WALKED AWAY FROM

Your team looked at Oakfield Telematics, an invented vehicle-tracking business. The seller asked 108m, described as 9.0x EBITDA of 12.0m. The quality of earnings work showed that 2.4m of costs had been capitalised that were really running costs. The seller would not go below 100m and the team walked away. Tell the story and be honest about what you did. Convention: multiples on the same earnings basis, ignore tax. You checked the capitalised-cost schedule; the associate led the accountants.

Answer: We walked away because corrected earnings of 9.6m made the ask 11.25x rather than 9.0x, a 21.6m gap at the headline multiple, and I now request the capitalisation policy at the start.

> **Interview tip:** For a deal that did not happen, lead with the finding, then the number it changed, then your part. Keep the story free of blame and say plainly which parts were not yours.

Summary of the Charta interview-preparation topic. Companies and figures in the examples are invented. Draft content, not yet expert reviewed.