

Palamon capital partners teamsystem



**ASSIGN
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Subject: Palamon Capital Partners ? Details: I. Palamon Capital Partners/TeamSystem S. p. A.

? 1. What is private-equity investing? Who participates in it and why? How is Palamon positioned in the industry? ? 2. How does private-equity investing compare with public-market investing? What are the similarities and differences between the two? ? 3. Why is Palamon interested in TeamSystem? Does it fit with Palamon's investment strategy? ? 4.

How much is 51% of TeamSystem's common equity worth? Use both a discounted-cash-flow and multiple-based valuation to justify your recommendation. 5. What complexities do cross-border deals introduce? What are the specific risks of this deal? ? 6. What should Elson recommend to his partners? Go/no go? If " go," what non-price terms are important? If " no go," what counterproposal would you make ? The question wants you to examine an investment decision by Palamon Capital Partner, a financial institution making private purchase of Equity in European Companies. To help make the decision you are to consider the financial factors as well as the non-financial factors and allow the company to make a well considered decision.

?? The problem makes several assumptions, first it compares the two companies, there is no basis to reach the conclusion that the two companies are comparable. Palamon is a financial institution and TeamSystem is an IT company with interest in virtual education. Second, the problem assumes that Palamon has a fixed investment strategy; this is not supported by evidence. We do not have the details of the entire portfolio of Palamon.

It is possible that one low-risk investment maybe balanced with another higher risk investment. Thirdly, the problem on the basis of limited information wants a go/no go decision. This is unreasonable, usually there are negotiations regarding structure, agents and markets then a decision is made. Finally, the problem encourages us to mainly evaluate the company on the basis of financial considerations. However other factors including the market for TeamSystem's products, the scope for growth and the competitive position of TeamSystem should also be considered.

?? This is a template to help you write a good answer. ??? 1. Private-equity investing is the private purchase of shares from the company and not from open market. Those who participate in this include the known investors, promoters of the company, financial institutions or purchases made through appointed brokers. Such persons participate in private sales of shares to get better deals, know the shareholders, and lower the risk of takeover and interference in the management of the company.

Palamon is positioned as an independent, professional, partnership, which is entirely owned by partners. It manages Palamon European Equity& LP and parallel funds and it is known to manage the largest pool of funds. Currently, it has a capital commitment of Euro 440 million. ?? 2. Private equity is sold in large lots to known buyers at prefixed prices.

There is usually twofold confidence. The investor has confidence in the company and its management and the management has the confidence that the company will allow its management to function independently and will not sell of its share to a predator. Public- market investing is done through

public issues and the shares are sold in the open market. Market forces determine the uptake of shares and predatory purchases are common. ?? 3.

Palamon is interested in TeamSystem because it is a modern professional IT firm, has a competent team and is futuristic.

It has multifunction business, over 42,000 clients and 250 Software Partners. Palamon's investing strategy is to go in for middle level investments. This is because a large part of the Palamon's customers includes Pension Funds, Insurance Companies, Charitable Endowments and specialist investment groups. So TeamSystem does not fit entirely with Palamon's investment strategy because Palamon would normally look forward to investing in less risky investments. ? 4. You may use the figures available on the TeamSystem website to calculate the common equity 51%.

When you find that the present value of the expected cash inflows exceed the initial cost of the project then you are supposed to recommend the purchase of equity. This is using the cash-flow method. Alternately, you may use the internal rate of return method. The multiple based method uses a combination of the following methods, average rate of returns, average additional returns on income, payback method and the profitability index. ?? 5.

Complexities of cross-border deals include repatriation issues like repatriation of income, commission, management fees and capital. Further, countries are known to put restrictions on the management, ownership level and operating control. Besides fluctuation in foreign exchange rates could play havoc with all profitability calculations. In this deal there is a fixed

management structure, which TeamSystem has and it is doubtful if it will allow Palamon to play any meaningful role in its management. ?? 6.

BACKGROUND. If Elson should recommend Go. Then non-price terms should include the inclusion of Palamon representatives on the TeamSystem Board. Should ensure that future ventures are relatively less risky and the Educational System should have a wider acceptance.

If Elson should recommend NoGo then TeamSystem can offer Top management positions to Palamon personnel and can undertake to focus more on its software development which should include educational software compatible for use in the more traditional educational institutes. ISSUE: - High level of risk, Palamon strategy for going in for middle level investment and TeamSystem a partnership and not an incorporated company. The group system in TeamSystem, the management structure and role of Palamon.

ANALYSIS:- Involvement in education, virtual university, the level of its recognition, job usefulness and the degree. Virtual University, and distance education degrees are often not acceptable to all employers or universities.

Also the drop out rate should be reduced. The future performance of the program will hold the key to the profitability of TeamSystem.

RECOMMENDATION:- Please make financial recommendations using discounted cash flow method, these are available easily on the website. In addition recommendations regarding the long term prospects of distance education, ' Catalogo Corsi' and structure issues.

Both the companies are partnerships, true however, it is necessary to have a public limited company in case of TeamSystem. This is in accordance to the

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level of middle level investments policy of Palamon. ??? There are some serious lacunae in the question. First, the question does not indicate the funds available with Palamon Second; ? the problem does not give us the other investment opportunities available to Palamon. Usually, different projects available are evaluated for the net present value and the project with the highest net present value is selected. This way we are not able to consider the opportunity cost.

Finally, the problem omits mentioning if the investment by Palamon is made from its U. K. branch or from its USA branch. This is because if Palamon make certain investments from the U. K branch then making investment in Europe would make it favorable for Palamon.

?? Still, this is a thought-provoking question and I hope you use the guidelines above to flesh out an excellent answer. Wish you best of luck!