LEVINUS CAPITAL PARTNERS

Middle-Market Private Equity | B2B Software Specialists

MEMORANDUM

TO:	Deal Team
FROM:	Victoria Chen, Managing Partner
DATE:	December 2025
RE:	**B2B Security Software Platform Acquisition — Investment Recommendation Request**

The Investment Committee has identified four potential acquisition targets in the B2B security and infrastructure software sector. We need your team's recommendation on which company Levinus should pursue.

This memo outlines our investment thesis, the four target companies, our evaluation criteria, and what we need from your analysis. Complete data packages for each target are attached.

1. About Levinus Capital Partners

Levinus Capital Partners is a middle-market private equity firm focused exclusively on B2B software investments. Founded in 2008, we have deployed over $2.5 billion across 35 platform investments and 80+ add-on acquisitions. We specialize in acquiring and improving SaaS and software businesses in the $50-200M ARR range.

> *"We don't just buy companies—we build them. Our operational playbook transforms good businesses into great ones through disciplined pricing, customer success excellence, and operational efficiency. We've learned that risk-adjusted returns matter more than headline IRR."*

— Victoria Chen, Managing Partner

2. The Opportunity

We have assembled a pipeline of four acquisition targets—each a mid-market SaaS company with strong recurring revenue characteristics. We plan to acquire **ONE** of these companies using a leveraged buyout (LBO) structure and implement our operational improvement playbook over a 5-year hold period.

The Four Target Companies

Company	Primary Focus	Est. ARR	Entry Multiple
Helios Systems	Security monitoring & analytics	$115-125M	7.5x Revenue
ArcLight	Cloud infrastructure security	$100-110M	8.0x Revenue
LumenQuary	Data security & compliance	$105-115M	7.8x Revenue
NebulaNet	Cloud infrastructure management	$85-95M	7.2x Revenue

Note: Complete data packages for each company are provided in their respective folders. You must analyze all four companies to make a recommendation.

3. Your Assignment

We need your team to recommend which ONE company Levinus should acquire, supported by rigorous financial and strategic analysis.

Your recommendation must clearly identify:

1. **Which company** should Levinus acquire
2. **What returns** Levinus can expect (IRR, MOIC) for each company
3. **What value creation initiatives** you recommend (gaps identified, quantified improvements, HOW to close them)
4. **What risks** and disqualifying factors were found for each company
5. **Why** this company is better than the alternatives (cross-comparison)

4. Investment Constraints

Any recommendation must satisfy these requirements:

Constraint	Requirement
Minimum IRR	22% gross IRR required for Investment Committee approval
Maximum Leverage	5.0x Debt/EBITDA at entry
Hold Period	5 years to exit
Customer Concentration	No single customer >20% of revenue (Major Risk Factor)
Platform Dependency	Maximum 40% technology spend with single vendor (Major Risk Factor)

⚠️ **RISK FACTORS:** Customer concentration >20% or platform dependency >40% are major concerns. Your analysis should assess whether these risks can be mitigated through value creation initiatives.

5. How We Evaluate Opportunities

Levinus evaluates opportunities based on these weighted criteria:

Criterion	Weight	Priority
Risk-Adjusted Return (downside protection)	**20%**	HIGHEST
Base Case IRR	15%	High
Value Creation Magnitude	15%	High
Value Creation Credibility	15%	High
Business Quality Index	15%	High
Execution Complexity (simpler = better)	10%	Medium
Buyer Concerns (3 hard constraints)	10%	Medium

💡 **Critical Insight:** Risk-Adjusted Return is weighted HIGHER than base case IRR. A company with moderate but reliable returns may score better than one with high but uncertain returns.

6. Our Value Creation Framework

Levinus creates value by identifying and closing performance gaps. Your analysis should follow this framework:

Gap-Based Analysis

6. **Calculate actual metrics** from raw company data (customer files, sales transactions, financials)
7. **Compare to industry benchmarks** (see INDUSTRY folder) to identify gaps
8. **Validate if gaps are closeable** (check Management Q&A for constraints and capabilities)
9. **Quantify improvement potential** (use formulas in Industry folder)
10. **Subtract implementation costs** (see Cost Benchmarks)
11. **Build LBO model** for each company with value creation incorporated
12. **Compare all four companies** and recommend based on our weighted criteria

Cross-Comparison Is Mandatory

You cannot evaluate any company in isolation. Our scoring uses relative performance across all four companies. A company that looks good individually may rank poorly when compared to alternatives—and vice versa.

Value Creation Credibility

Not all claimed improvements are achievable. Each initiative must be validated:

- **Does the gap exist?** (verified from data vs. benchmark)
- **Is the gap closeable?** (check Management Q&A for structural barriers)
- **Is the improvement realistic?** (within credibility thresholds in Cost Benchmarks)
- **What does it cost?** (implementation + ongoing costs)

7. What We Need From You

Please prepare the following deliverables for the Investment Committee:

1. Executive Summary (1 page)

A single page summarizing your recommendation, key numbers, primary rationale, and main risks. This is what the Investment Committee reads first.

2. Investment Recommendation (Report or Presentation)

Your full analysis, presented as either a written report or slide deck. Must include:

- Clear recommendation with specific company identified
- IRR and MOIC calculations for all four companies
- Gap analysis showing metrics vs. benchmarks
- **Value creation plan:** For each gap, explain HOW you will close it (initiative, timeline, resources)
- Quantified EBITDA impact of each initiative
- **Buyer concerns addressed:** How does your recommendation satisfy our stated concerns?
- Risk assessment identifying disqualifying factors for each company
- Cross-company comparison justifying your choice

3. Analysis Workbook (Excel)

Your working Excel file(s) showing all calculations—LBO models, metric calculations, sensitivity analysis. This serves as your appendix and proof of work.

We look forward to your recommendation. The attached data packages contain everything you need to complete this analysis.

Best regards,

Victoria Chen
Managing Partner
Levinus Capital Partners

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