Ipsos leveraged buyout analysis

George Dharma

I would pass on this hypothetical Ipsos buyout at an enterprise value of €3.27bn. If the sponsor sells after five years for 8.5× EBITDA after cash rent, it earns 10.0% a year. To earn 20%, it could pay up to €2.61bn. That cuts the entry multiple from 9.0× to 7.18×.

Ipsos reported €2.52bn of revenue and €309m of operating margin in FY2025. I use earnings before interest, tax, depreciation and amortisation (EBITDA), after cash rent. Starting with operating margin, I add back the depreciation and amortisation still included in that figure, then deduct cash lease costs. Ipsos already excludes acquisition-related amortisation. This gives €363.4m of earnings for pricing the buyout.[1]

Where the €3.27bn price leaves the sponsor

Base case	Result	Reading
Sponsor equity at closing	€1.82bn	After €1.64bn of funded acquisition debt, available cash and fees.
Year-five EBITDA after cash rent	€458m	Higher sales and a 15.5% cash operating margin.
Debt outstanding at exit	€904m	Debt payments support equity returns even with a lower exit multiple.
Sponsor proceeds on sale	€2.93bn	After exit costs, pension claims and management participation.
Five-year money multiple and IRR	**1.61× / 10.0%**	**Below the 20% gross sponsor hurdle.**

A buyer could pay the full price if it had a credible route to a much stronger exit. At the forecast year-five earnings and debt level, the required exit multiple is 12.42×. The entry and exit sensitivity on page 2 shows the bids that meet the 20% hurdle without acquisitions.[2]

1 Ipsos FY2025 audited consolidated accounts · Ipsos FY2025 results presentation

2 George Dharma, Ipsos leveraged buyout analysis, Excel workbook, Closing, Base and Exit tests.

The price and the exit are separate decisions

At the base 8.5× exit, a 7.0× entry gives the sponsor a 21.4% annual return. At a 7.5× entry, it falls to 17.8%. This narrow range contains the 7.18× walk-away price.

Five-year sponsor IRR sensitivity

Entry / exit EV to EBITDA	7.0×	8.0×	8.5×	9.0×	10.0×
6.5×	19.9%	24.0%	25.9%	27.6%	30.9%
7.0×	15.7%	19.6%	21.4%	23.1%	26.2%
7.5×	12.3%	16.1%	17.8%	19.4%	22.4%
8.0×	9.5%	13.1%	14.8%	16.4%	19.3%
9.0×	5.0%	8.4%	**10.0%**	11.5%	14.2%
10.0×	1.5%	4.8%	6.3%	7.7%	10.3%

The copper cell marks the 9.0× entry and 8.5× exit. Green cells meet the 20% hurdle. The table fixes the operating path, the initial senior and junior loans, and the year of sale. Closing fees rise with the bid. Management receives 10% of any positive equity gain, and the sponsor pays a 1% sale fee. The numbers give the gross return to the sponsor's equity before fund-level fees.[3]

What the business has to deliver

I assume revenue grows 2% in year one and reaches roughly €2.95bn in year five. The after-rent EBITDA margin rises from 14.5% in year one to 15.5% by year five. Annual capex consumes 3.3% of sales, and working capital is held at 7.2% of sales. The model sets aside €15m and €10m for restructuring in the first two years.

If fees, cash and outstanding debt are held at the base levels, a higher exit price flows partly to management. A sponsor therefore captures less than one euro for each extra euro of gross sale proceeds. This is why I solve directly for the entry price that delivers the target IRR.

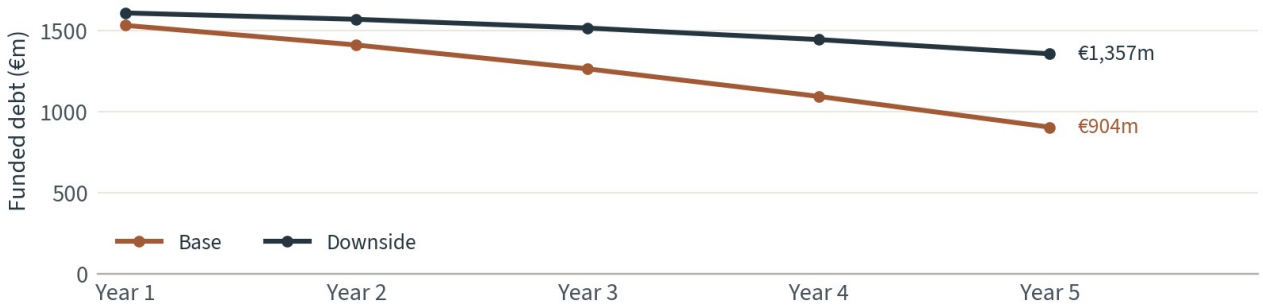
3 George Dharma, Ipsos leveraged buyout analysis, Excel workbook, Terms and Exit tests.

How the debt and cash behave

The financing starts with €1.45bn of senior debt and €182m of cash-pay junior debt. A €150m operating reserve protects day-to-day needs. Surplus cash repays borrowing, while a €150m revolving facility provides temporary liquidity until year five.

Five-year case	Exit EBITDA	Funded debt	Peak reserve gap	Sponsor IRR
Base	€458m	€904m	€0m	10.0%
Downside	€347m	€1,357m	€0m	-1.7%
Severe	€264m	€1,563m	€315m	Funding needed

Funded debt over the five-year hold



The downside still finances its operations but produces a small equity loss. In the severe case, the cash balance falls €315m below the operating reserve by year five. Additional equity, different debt terms or a restructuring would change the return. A sponsor return for the original funding package would therefore be misleading.[4]

I would keep a €2.61bn ceiling if the five-year operating plan and 8.5× exit remain the investment case. If competitive bidding requires €3.27bn, the sponsor would need to identify a specific source of additional earnings or cash conversion that justifies the higher price.

4 George Dharma, Ipsos leveraged buyout analysis, Excel workbook, Downside and Severe.