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Selection and evaluation criteria for target companies by private equity funds: analysis applied to a real case study.

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Abstract

This study examines the criteria private equity funds apply to target selection and applies them to Grifols. The framework combines a qualitative and quantitative screening, alongside four valuation methodologies. Grifols passes the criteria screening but is constrained on financial profile and governance: pre-existing 4-5x leverage and a dual-class ownership compress the standard buyout levers. The triangulation defines a 14-21€ convergence band per Class A share and supports a “viable but conditional” verdict subject to six joint operating, financing, and governance conditions.

Keywords: private equity, leveraged buyout (LBO), target selection.

Resum

Aquest estudi examina els criteris que els fons de *private equity* apliquen en la selecció d'empreses objectiu i els aplica al cas de Grifols. El marc combina un cribratge qualitatiu i quantitatiu, juntament amb quatre metodologies de valoració. Grifols supera el cribratge de criteris, però presenta limitacions en perfil financer i govern corporatiu: un palanquejament preexistent de 4-5x i una estructura accionarial de doble classe comprimeixen les palanques habituals d'un *buyout*. La triangulació defineix una banda de convergència de 14-21€ per acció de Classe A i avala un veredict de "viable però condicional", subjecte a sis condicions conjuntes operatives, de finançament i de govern corporatiu.

Paraules clau: *private equity*, compra palanquejada (LBO), selecció d'empreses objectiu.

Resumen

Este estudio examina los criterios que los fondos de *private equity* aplican en la selección de empresas objetivo y los aplica al caso de Grifols. El marco combina un cribado cualitativo y cuantitativo, junto con cuatro metodologías de valoración. Grifols supera el cribado de criterios, pero presenta limitaciones en perfil financiero y gobierno corporativo: un apalancamiento preexistente de 4-5x y una estructura accionarial de doble clase comprimen las palancas habituales de un *buyout*. La triangulación define una banda de convergencia de 14-21€ por acción de Clase A y respalda un veredicto de "viable pero condicional", sujeto a seis condiciones conjuntas operativas, de financiación y de gobierno corporativo.

Palabras clave: *private equity*, compra apalancada (LBO), selección de empresas objetivo.

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1. Presentation

Over the last year, I began preparing for one of the most globally recognised and demanding credentials in the field of finance, the Chartered Financial Analyst (CFA®) certification. Among all the topics covered, Private Equity (PE) stood out as one of the concepts within equity investments that captured my interest the most. Despite its relevance in today's financial landscape, the CFA® dedicates relatively limited space to this field, at least in the Level 1. For this reason, I felt the need to extend my understanding beyond the syllabus and explore PE with greater depth and rigor.

Furthermore, the PE and broader private capital industry is becoming increasingly important in the financing of companies around the world. Understanding how PE funds operate, how they create value, and how they select and evaluate their target companies has become essential not only for finance professionals, but also for anyone interested in the evolution of corporate finance. Therefore, delving deeper into this subject is important to me both from an academic standpoint and from the perspective of contributing to the improvement and professionalisation of the industry in the future.

On a more personal level, I am genuinely interested in building a career in the PE sector. I believe it is an industry with considerable potential and one that still has opportunities to expand, especially in Spain and Southern Europe. By carrying out this study, I hope to consolidate my technical background while gaining a clearer and more deeper understanding of how the sector operates and creates value. Additionally, this research topic aligns naturally with both my personal interests and my academic development because PE is a discipline that demands rigorous analytical thinking, financial consistency, and the ability to evaluate real companies under uncertainty.

From an academic perspective, this study also represents an opportunity to integrate the knowledge acquired throughout my degree and apply key concepts such as corporate valuation, financial modelling, capital structure and risk assessment. These analytical skills were primarily developed through the core courses in Financial Management, particularly Investment and Financing. While these courses are not specifically focused on PE, they provided the analytical tools necessary to analyse company performance and value creation in a structured manner.

In addition, the practical orientation of these subjects contributed to the development of key competencies such as financial modelling, the use of Excel for quantitative analysis and the preparation of professional presentations in PowerPoint.

2. Introduction

2.1. Context of Private Equity in Spain and Europe

The concept of PE, understood as investing in assets that are not publicly traded, has existed for many centuries. However, the modern form of the PE industry emerged prominently in the 1980s with a surge of leveraged buyouts (LBOs) and going-private transactions that transformed investment practices in corporate finance (Jensen, 1989; Kaplan & Strömberg, 2009).

Within this historical progression, PE has become recognised not merely as a source of financing but also as a mechanism for long-term capital provision and value creation. PE investors commit capital for extended investment horizons and exercise concentrated ownership rights. And that is precisely why this characterises PE's contribution to firm development and aligns incentives between investors and management (Ljungqvist, 2024). In the contemporary global financial landscape, PE has attained considerable scale and influence. The buyout segment alone manages an estimated 4,7\$ trillion in Assets Under Management (AUM) (Bain & Company, 2025).

At a European level, the PE market has developed into a sizeable and mature alternative capital ecosystem, with total AUM projected at approximately 3,63\$ trillion in 2026 and expected to grow further (by 2031, it is projected to be at 6,41\$ trillion in total AUM) (Mordor Intelligence, 2026). According to Invest Europe, PE, and Venture Capital (VC from now on) firms invested 126€ billion in 2024, representing around 0,54% of European GDP, and financed 8.353 companies, the majority of which were small and medium-sized enterprises. This highlights the sector's role not only in large buyouts but also in the broader financing of the productive economy (Invest Europe, 2025). While growth and VC strategies remain present, European PE activity continues to be dominated by buyouts, particularly in the mid-market¹ (Mordor Intelligence, 2026).

Structurally, the European PE market contrasts with that of the US due to its fragmented national markets. This fragmentation makes local expertise and adaptation essential. Furthermore, institutionalisation of the industry has advanced through greater participation by pension funds and insurance companies (Invest Europe, 2025). At the same time, a common regulatory framework at the European level, the Alternative Investment Fund Managers

¹ Mid-market (or middle market) typically refers to medium-sized companies whose revenues or Enterprise Value (EV) fall between those of small businesses and large corporations. In Spain these firms generally have annual revenues between approximately 50€ million and 500€ million and employ around 250-1.500 workers (Fundación CRE100DO, 2023).

Directive (AIFMD), encourages harmonisation and facilitates cross-border investment (Council of the European Union, 2024).

Spain's PE industry has historically operated within a bank-centred financial environment, where traditional credit channels predominated, and alternative equity financing was relatively limited. The 2007-2008 Global Financial Crisis acted as a catalyst for change, prompting greater reliance on PE and other non-bank intermediaries amid tighter bank credit conditions.

Since then, the Spanish PE market has shown significant growth and professionalisation. Over the past decade, according to official market data, the total PE sector in Spain has quadrupled to approximately 48€ billion. Activity is predominantly concentrated in mid-market buyouts (Spain Cap reports 2,15€ billion in 82 mid-market operations) and investment volumes remained significant in recent years, exceeding 6,5€ billion across 725 investments in 2024. Furthermore, fundraising reached 4,071€ billion in 2024, a record level in its historical series (Spain Cap, 2025).

Overall, Spain's PE industry is now more institutionalised, supervised, and integrated into European and international capital flows. Regulatory oversight and market infrastructure have also evolved. Continued growth in registered PE entities, alongside stable fundraising, and sustained deal activity, indicates that private equity has become a structural component of Spain's corporate financing landscape rather than a cyclical substitute for bank credit (CNMV, 2025; Spain Cap, 2025).

2.2. Objectives and structure of the study

The main objective of this study is to understand why Private Equity funds select the companies they invest in. More specifically, the study aims to identify and analyse the qualitative and quantitative criteria used by Private Equity investors when evaluating potential target companies, as well as the valuation techniques most employed in the industry.

Once this theoretical framework is established, these criteria and methods will be applied to a real case study: Grifols². The goal is to assess whether Grifols could be considered a suitable Private Equity target by analysing both its strategic characteristics and its financial profile.

Given this main objective, the study can be divided into several specific academic objectives:

² The basis for selecting Grifols is outlined in *Section 4.1. Rationale for the selected company*.

- To offer an organised and comprehensive overview of how Private Equity funds select and evaluate companies, presenting clarity on a process that is often opaque to students and early-stage professionals.
- To study the most relevant valuation methodologies used in Private Equity and to understand their role in the investment decision process.
- To develop a valuation of the selected company that is coherent with industry practices, ensuring that assumptions, modelling logic and sensitivity analyses reflect the standards typically employed by Private Equity professionals.

Notably, the purpose of this study goes beyond completing an academic requirement. If the framework proposed proves useful to readers (whether to understand the logic behind target selection, to interpret valuation outputs more critically, or to approach corporate analysis with greater discipline) this project will have achieved its intended value.

Taking these considerations into account, the structure of the study is organised as follows. The work begins by establishing a theoretical framework that outlines the core concepts of Private Equity, the investment process, and the main value creation mechanisms in buyout transactions. This framework is subsequently applied to a case study of Grifols, combining a qualitative analysis of the company's business model and strategic positioning with a detailed financial assessment. The analysis is complemented by a valuation exercise based on discounted cash flow and comparable multiples. Ultimately, the study concludes with the discussion of the results, an evaluation of buyout feasibility and the main takeaways of the study.

3. Theoretical framework

3.1. Definition and scope of Private Equity

PE, in its most fundamental sense, refers to equity invested in companies whose shares are not traded on public exchanges. These investments are held typically for three to seven years with the objective of generating capital gains through the eventual sale of the investment (Cendrowski et al., 2012) (Gilligan & Wright, 2020). Therefore, PE investors sacrifice liquidity in exchange for control and the ability to implement operational changes and strategic positioning.

As Gompers & Kaplan (2022) explain, when PE funds acquire companies, they function as financial intermediaries that pool capital from large institutional such as pension funds, insurance, and endowments. The latter, known as Limited Partners (LPs) in industry jargon,

commit capital to funds managed by PE firms, known as General Partners (GPs). The following section will examine the structure of these vehicles in detail.

PE firms have several characteristics that distinguish them from other asset classes. First, PE investments are inherently illiquid. Once capital is committed to a PE fund, investors cannot withdraw it at will, and the fund itself cannot easily sell its ownership stakes in portfolio companies without careful planning and favourable market conditions (Cendrowski et al., 2012). Hence, this illiquidity shapes investment strategy, as PE managers must think about exit options even before acquiring a company. Second, while PE transactions often involve substantial borrowing, a key feature is that PE investors assume genuine ownership risk with potential for unlimited upside rather than the fixed returns associated with lending. Third, the business model focus on capital gains rather than ongoing income statements such as dividend income or interest payments. In a nutshell, PE funds are designed to buy businesses, transform them, and sell them for more than they paid (Gilligan & Wright, 2020) (Gompers & Kaplan, 2022). That is what is known as capital appreciation.

A definitional point. The term PE is sometimes used to encompass both Venture Capital and buyout investing, but this study draws a clear distinction. PE will refer to later-stage investments (primarily buyouts of mature companies) and not to VC, which targets early-stage businesses with unproven models.

PE has evolved from a niche financing mechanism in the 1980s into a dominant force in global capital markets, with AUMs exceeding 7\$ trillion globally. As of 2025, the buyout segment alone manages an estimated 4,7\$ trillion in assets, and the scale of PE activity now reaches millions of workers and significant portions of productive output across developed economies (Bain & Company, 2025; Kaplan & Strömberg, 2009). These figures depict that PE is no longer an alternative financing option for a handful of companies but rather a mainstream ownership model affecting millions of workers and significant portions of economic output in developed economies, and progressively in emerging economies.

3.2. Structure and typology of Private Equity funds

3.2.1. *The Limited Partnership structure*

The dominant organizational vehicle for PE capital is the Limited Partnership, with a typical contractual lifespan of ten years plus a two-year extension option (“ten plus two”) (Gilligan & Wright, 2020). Therefore, this temporal constraint creates urgency that distinguishes PE capital from permanent capital vehicles. The structure divides participants into two roles:

- Limited Partners (LPs): pension funds, insurance companies; commit capital but have no voting rights over individual investments and contribute cash only when the general partner issues capital calls (Kaplan & Strömberg, 2009).
- General Partner (GP): the PE firm itself; holds sole investment authority over target selection, deal structuring, and capital allocation. However, these are subject to the investment restrictions and covenants set out in the Limited Partnership Agreement (LPA) (Gompers & Kaplan, 2022).

GP compensation has three components and is the basis for the industry's "two-and-twenty" abbreviation. First, an annual management fee, typically 1,5-2% of committed capital during the investment period and on invested capital thereafter. Second, carried interest, almost always set at 20% of profits above a preferred return (typically an 8% IRR hurdle). Third, a GP commitment of 2-3% of total committed capital, contributed alongside LPs to expose the GP to downside risk and to align interests with LPs (Gompers & Kaplan, 2022).

3.2.2. Typology of Private Equity funds

PE funds are categorized by the stage, size, and financial health of the targets they pursue. The case study in this work focuses on the buyout (LBO) segment, which is the largest by AUM and the only segment that uses leverage as a core component of the investment structure. Three families of funds frame the relevant universe.

Venture Capital funds

These funds typically maintain investment horizons of seven to ten years (longer than other PE strategies because of the extended time required for start-up companies to reach maturity and liquidity events). VC funds typically make 20 to 40 investments within a single fund. However, the fund operates under the expectation that approximately 70% of these investments will fail to return capital, while 2% to 3% will generate returns of 50 to 100x times the initial investment (Da Rin et al., 2013). From a governance perspective, VC funds commonly acquire minority ownership stakes and rarely obtain operational control of portfolio companies. In terms of value creation mechanisms, these focus on providing strategic advice and helping management teams navigate critical inflection points in company development.

Growth capital funds

Growth capital funds are between VC and buyout strategies, targeting companies that have achieved product-market fit and generate positive cash flows but require capital to accelerate expansion. These investments typically involve ticket sizes ranging from 10 to 100 million

euros (Diller & Kaserer, 2009). Moreover, growth capital funds employ limited or no leverage in their transactions because rapidly growing companies typically reinvest all available cash flow into expansion rather than generating stable, predictable cash flows required to service significant debt obligations (Kaplan & Strömberg, 2009).

Buyout funds (or LBO funds)

As said above, LBO funds represent the largest segment of the PE industry by Assets Under Management (AUM) and are the focus of this study. Consequently, the case study will evaluate a potential target from an LBO fund perspective.

Buyout funds distinguish themselves through several operational characteristics that shape their investment process. The main characteristics are:

- Complete ownership of target companies. Thus, acquiring more than 50% equity stakes and frequently purchasing 100% of the business (Kaplan & Strömberg, 2009).
- Leverage as a core component of the investment structure. Debt typically finances 50% to 70% of the purchase price in LBO transactions (with equity capital covering the remainder). What it does is amplify returns on equity capital when investments perform well but imposes strict requirements on target company characteristics. Specifically, buyout candidates must generate predictable, stable cash flows sufficient to service debt obligations while simultaneously funding operations and growth initiatives (Kaplan & Strömberg, 2009).
- Targeting mature companies with established market positions and demonstrated profitability. A typical buyout target is characterized as a business generating positive and stable Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), maintaining defensible competitive positions, and producing sufficient free cash flows to support leveraged capital structures (Rosenbaum & Pearl, 2021).

The investment holding period for buyouts generally spans three to seven years, shorter than VC horizons because the targets are already established businesses requiring operational improvements rather than fundamental business model validation (Kaplan & Strömberg, 2009).

The analysis of exit options will be developed in the following section, where the breakdown of the PE fund lifecycle will be examined in detail. In addition, the mechanisms of value creation in buyout transactions will be examined in a subsequent chapter.

Moreover, buyout funds can be further subdivided based on the size of target companies they pursue, as shown below:

Table 1. LBO fund categories by target size.

Buyout fund category	Target Enterprise Value (EV) range	Focus and typical characteristics
Small cap	20€ M – 200€	Smaller firms with high growth potential; lower competition in bidding processes; more operational involvement.
Mid-market	200€ M – 1€ billion	Target medium-sized firms; balanced risk-return profile. Highly active segment in European PE markets.
Large cap	Above 1€ billion	Large corporations; complex transactions; significant use of leverage.

Source: Own elaboration based on Appelbaum & Batt (2014).

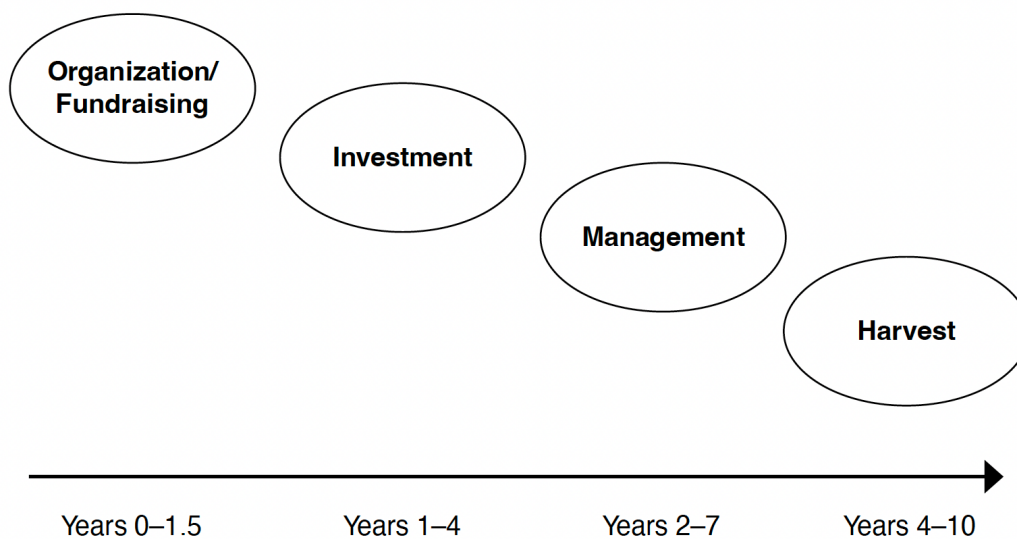
Other PE strategies

Beyond the three primary categories, several additional PE strategies address specialized investment opportunities. Since the objective of this study is to evaluate a target company from a leveraged buyout perspective, these alternatives PE strategies fall beyond the scope of the present research and will not be analysed in detail. According to Cendrowski et al. (2012), these include: distressed funds, mezzanine funds, secondary funds, fund-of-funds (FoF).

3.3. Lifecycle of a Private Equity fund

Having established the structural foundations of PE funds, this section examines how these structures translate into operational reality across the fund's life. The lifecycle of a PE fund unfolds across four sequential phases: fundraising, an investment period, a monitoring and value creation phase, and an exit and liquidation phase. Each of these phases is bounded by the fund's fixed contractual lifespan (typically ten years) and each demands a distinct set of skills and disciplines from the GP.

Figure 1: PE fund lifecycle and time horizons



Source: Cendrowski et al. (2012)

Fundraising

The fundraising phase precedes any investment activity and constitutes the commercial foundation upon which the fund is built. During this period, the PE firm markets the new fund to prospective LPs.

The process is formalised through the preparation of a Private Placement Memorandum (PPM), which is a legal document detailing the fund's investment strategy, target sectors, geographic focus, proposed fund size, and principal terms. Alongside the PPM, GPs present their performance track record from previous fund vintages in a series of pitch meetings with prospective LPs (Phalippou, 2007). Track record is the single most influential variable in an LP's allocation decision: research shows that PE fund performance exhibits persistence, meaning that GPs who have delivered superior returns in past funds are disproportionately likely to attract capital for subsequent ones (Kaplan & Schoar, 2005). This dynamic creates a structural advantage for established GPs relative to first-time funds.

The fundraising process closes in stages. A first close marks the date from which the fund begins operating and the GP may start deploying capital, provided a minimum commitment threshold has been met. Subsequent closes bring in additional LPs until the fund reaches its target size (the final close), after which no new capital can be admitted. The year of the final close defines the fund's vintage year, a concept widely used by investors to benchmark performance across funds exposed to macroeconomic and market conditions (Phalippou, 2007).

Once the fund is closed, capital commitments remain legally binding obligations rather than immediately transferred cash, as already discussed. LPs contribute capital only as the GP issues capital calls tied to specific investments, which defines the pacing of the subsequent investment period.

Investment period

The PE firm normally has up to five years to deploy the fund's committed capital into portfolio companies, while the remaining five to eight years are used to manage and ultimately exit those investments (thus returning capital to LPs). As said before, the capital is not transferred upfront. That is, LPs hold their committed amounts until the GP issues a capital call tied to a specific investment (Kaplan & Strömberg, 2009). Before investing, the GP conducts detailed due diligence covering business, financial, legal, regulatory, and operational dimensions of each target (often engaging external consultants and industry experts). The main goal of this process is to create an investment memo and value creation handbook which is a confidential pre-deal document that captures the following:

- What changes are already underway at the target company (selection criteria)
- What additional actions the GP plans to implement during ownership (treatment activities) (Rosenbaum & Pearl, 2021) (Biesinger et al., 2023)

Portfolio management and value creation period

Once an investment is made, the GP enters an active ownership phase structured around a tailored value creation plan. The objective of this phase is to increase the value of the portfolio company so that it can be exited at a price substantially above the acquisition cost (typically over a three-to-seven-year horizon) (Cendrowski et al., 2012). Kaplan and Strömberg (2009) frame this as financial, governance, and operational engineering applied to capital structure, incentives, and operations.

In practice, the value creation levers deployed by GPs can be grouped into four main categories:

- Operational improvements are the most widespread lever, present in approximately 84% of value creation plans (Biesinger et al., 2023). The empirical evidence in support of this lever is largely positive. For 1980s US public-to-private buyouts, Kaplan & Strömberg (2009) finds that operating income to sales increased by 10-20% relative to industry peers post-buyout, while cash flow (operating income minus CAPEX) to sales rose by roughly 40%. European studies confirm post-buyout profitability/productivity gains (Cohn et al., 2022). GPs achieve these through cost reduction, revenue

enhancement, and process optimisation (often with the aid of external consultants, as said above with the due diligence before investing) (Cendrowski et al., 2012).

- A second lever is inorganic growth (growth from M&A or external investments) through buy-and-build strategies. In this approach, the PE firm uses the initial acquisition as a platform and then makes a series of add-on acquisitions (typically in the same industry) to build scale, strengthen market position and realise synergies (Cohn et al., 2022). Moreover, in an evidence perspective, Cohn et al. (2022) show that around 41% of PE buyouts of private US firms in their sample involved identifiable add-on acquisitions, almost always in the same industry and often within a year of closing. Indeed, the median increase in sales growth from the year before the buyout to the second year after was 61,7 percentage points above the industry median change. The authors attribute this result to PE firms relaxing the financing constraints of companies that had strong investment opportunities but lacked the financial capacity to pursue them independently.
- Financial engineering refers to the use of leverage and capital structure optimisation as a tool to create value. As said above, buyouts are typically financed with 50 to 70% debt. Consequently, it creates two effects: it generates interest tax deductions that reduce the corporate tax burden, and it disciplines management by reducing the discretionary free cash flow identified by Jensen (1986). By imposing mandatory interest and principal payments, debt limits the funds available for managerial discretion, thereby mitigating the risk that excess cash is invested in negative-net present value projects or value-destroying expansions. Therefore, leverage acts as a governance mechanism that constrains agency problems and improves capital allocation (Kaplan & Strömberg, 2009).

The academic evidence suggests this lever has historically contributed meaningfully to buyout returns, though its relative importance has diminished over time. In private-firm buyouts, the scope for adding leverage is limited because many targets are already heavily indebted pre-buyout, and that PE firms frequently inject equity into portfolio companies rather than piling on debt. In those cases, capital structure is adjusted to support growth instead of maximizing tax efficiency (Cohn et al. , 2022). Other approach is that aggressive use of leverage and dividend recapitalisations can transfer value away from employees, creditors, and taxpayers without necessarily increasing the overall economic surplus (especially in downturns when high debt levels raise the risk of financial distress) (Appelbaum & Batt, 2014).

- Active management and governance engineering. PE-backed boards tend to be smaller, more engaged and more performance-oriented than those of comparable public firms, meeting more frequently and intervening quickly when management underperforms, or performance deteriorates. The key mechanism is incentive alignment: Kaplan & Strömberg (2009) find that management ownership percentages increase by a factor of four when firms go from public to private ownership. In a sample of 43 US LBOs from 1996 to 2004, the median CEO received 5,4% of the equity upside (stock and options), while the management team received 16%. Because this equity is illiquid until exit, GPs cannot realise gains without delivering actual performance improvements, therefore eliminating the short-term incentives associated with publicly traded stock options³. Cendrowski et al. (2012) highlight an additional dimension: the introduction of rigorous internal controls and regular reporting measures that allow GPs to detect performance issues early and respond before they escalate. In this view, the governance model of PE is not just about replacing underperforming CEOs but about building an organisational discipline.

In practice, these four levers are rarely applied in isolation. The average PE value creation plan spans 2.5 strategies and 4.5 distinct action items, and the most value-accretive outcomes tend to result from multi-lever approaches combining operational improvements with growth initiatives and governance interventions (Biesinger et al., 2023).

Exit phase and fund liquidation

Because PE funds have a fixed contractual lifetime, exit is not optional but is a structural necessity. Most sponsors (the GPs) aim to exit within a five-year holding period, though median actual holding periods are closer to six years. The fund is liquidated progressively as portfolio companies are exited. However, any unsold companies at the end of the fund's life must be valued at Net Asset Value (NAV) (Appelbaum & Batt, 2014).

The three primary exit routes within the buyout perspective, and the logic behind choosing each, are the following:

- Strategic sale is the most common exit, accounting for approximately 38% of exits globally. A strategic buyer (typically a company in the same sector) is often willing to pay a premium because it can realize operating synergies that a financial buyer cannot, resulting in a higher purchase price. Moreover, this route also offers the cleanest,

³ Stock options give holders the right to purchase company shares at a fixed price (known as exercise price or strike price) at a future date. They only generate value if the stock price exceeds the exercise price at the time of exercise.

fastest monetization for the fund: 100% of equity is sold at once, and the GP does not retain ongoing exposure to the company (Rosenbaum & Pearl, 2021) (Kaplan & Strömberg, 2009).

- Secondary buyout (SBO): selling the portfolio company to another PE fund. It has become the second most common route (24% of exits), having grown dramatically from just 7% in the 1970-1984 to around 24% in the 2003-2007 period. SBOs are favored when the company has not yet reached the scale needed for a successful IPO, strategic buyers are not offering attractive valuations, or there is further value creation potential remaining (Kaplan & Strömberg, 2009).
- Initial Public Offering (IPO): listing shares on a public stock exchange. This exit is accounted for 14% of exits historically, though this route has declined in relative importance over time (1% in the 2006-2007 period). An IPO is the preferred exit when the portfolio company has achieved sufficient scale, growth profile, and governance maturity to attract public market investors. Unlike an SBO, an IPO does not typically provide full immediate monetization. Instead, the GP retains a large equity stake post-IPO and exits gradually through follow-on equity offerings, while benefiting from the liquidity and optionality of a listed position (Kaplan & Strömberg, 2009) (Rosenbaum & Pearl, 2021).

The reader may ask whether the exit route is decided at inception. In practice, no single exit route is contractually predetermined at the time of investment. Even though the pre-deal investment memo typically outlines a preferred exit scenario, the actual exit depends heavily on portfolio company performance and prevailing market conditions at the time of exit (Rosenbaum & Pearl, 2021).

3.4. General criteria for the selection of target companies

The academic literature on PE distinguishes between two sources of buyout returns: selection and treatment. Selection refers to the ability of PE funds to identify companies that are already at an inflection point (for example: businesses with latent value, underutilised assets, or improving fundamentals) before those improvements are priced into the market. Treatment refers to the operational, financial, and governance changes that the GP implements during the ownership period to actively create additional value. Kaplan and Strömberg (2009) and Biesinger et al. (2023) show that both mechanisms contribute meaningfully to returns; superior performance in PE cannot be attributed to operational intervention alone. This distinction matters for the structure of this section: the criteria examined below are the filters through which PE funds assess whether a company is a viable selection candidate. That means

whether it possesses the characteristics that make it suitable for leveraged ownership and capable of supporting a credible treatment plan during the holding period.

The investment process in PE is characterised by extreme selection, at least for buyout funds. For every hundred investment opportunities reviewed, they perform detailed due diligence on about fifteen, sign agreements on around eight, and close fewer than four deals (Gompers et al., 2016). This reflects the combination of large, illiquid capital commitments, finite holding periods, and the rigidity of debt service obligations. As a result, most proposals are rejected early on strategic grounds before they ever reach detailed modelling or financing discussions.

The academic literature distinguishes between qualitative determinants and quantitative determinants. Rawal & Kapil (2023) review 634 papers and show that selection determinants at the pre-investment stage and value creation at the post-investment stage are the two more core themes that organise modern PE research. Block et al. (2019) add micro-evidence on preferences: in a conjoint experiment with 749 private-equity investors, they find that profitability, revenue growth, product value-added, and management track record are the most influential firm attributes.

The following subsections examine these criteria in the order corresponding to the typical due diligence funnel: strategic and qualitative factors serve as an initial filter, while financial and quantitative criteria determine the ultimate investment decision.

3.4.1. Qualitative criteria

Industry attractiveness and market dynamics

The first screen in a buyout assessment is almost always the industry. Funds ask whether the sector's demand, structure, and regulatory environment are compatible with high leverage over a typical holding period of four to seven years. Therefore, buyout funds have preference for target companies operating in sectors characterised by stable demand, low cyclicity, and significant barriers to entry. So, if the industry is in structural decline, even excellent execution at the company level will not be sufficient to deliver the target returns once leverage is introduced (Kaplan & Strömberg, 2009).

Evidence points to three industry attributes that buyout funds have:

1. Defensive markets (such as healthcare services): end-market demand is relatively resilient and supports both debt service and credible exit options.

2. Regulatory and technological visibility over the investment horizon: highly regulated industries can be attractive if rules are predictable, but sudden policy or technology shifts that threaten business models are red flags.
3. Industry structure: fragmented industries offer scope for buy-and-built strategies that can enhance returns beyond organic growth alone. However, concentrated industries with rational incumbents can support pricing power but may limit acquisition-driven growth (Gompers & Kaplan, 2022).

Competitive position and business quality

Once the industry passes the initial screen, funds examine the competitive position of the individual company. In their survey of 79 PE firms, Gompers et al. (2016) find that business model and competitive position is rated as the single most important factor in deal evaluation, ahead of management, valuation, and industry. Evidence reports similar findings and note that a large part of a typical investment report is devoted to analysing competitive dynamics and the target's position within its niche (Gompers & Kaplan, 2022).

In practice, investors look for defensible advantages (such as scale economies, long-term contracts, etc) that can protect both market share and margins over the life of the investment (Gompers & Kaplan, 2022). Moreover, Kaplan & Strömberg (2009) stress that such advantages matter even more under leverage. Rosenbaum & Pearl (2021) make the same point: their list of strong buyout candidates traits explicitly highlights leading and defensible market positions as central to supporting high leverage. Recent experimental evidence helps to quantify what business quality means for investors. Block et al. (2019) use a conjoint experiment with 749 PE professionals and show that, across all investor types, the value added of the product or service is the second most important investment criterion. This pattern is consistent with the survey results in Gompers et al. (2016), where growth in the value of the underlying business and operational improvements are identified as the main expected sources of deal value.

In the other hand, Biesinger et al. (2023) show how competitive position and business quality link to value creation plans in practice. They analyse 1.136 confidential value creation plans and find that GPs frequently plan to change the product or service mix, improve quality, and pursue add-on acquisitions. Their results also show that deals where these plans are implemented generate higher returns. Taken together with the broader literature review by Rawal & Kapil (2023), which identifies competitive advantages and business model strength as core selection determinants, this evidence explains why buyout investors usually prefer to

pay for a very good business in a good position rather than try to fix a weak one under leverage.

Management quality and alignment

Management quality plays a somewhat different role in buyouts than in venture or growth equity. Block et al. (2019) find that while management team track record is the third most important criterion overall, buyout funds assign it less importance than VC investors, consistent with their greater willingness to replace the leadership post-transaction. Indeed, buyout GPs underwrite deals assuming at least some management change over the first years, especially in underperforming situations. In a nutshell, buyout funds care about management, but they are not management-dependent in the same way as VC investors. Despite this, strong incumbent teams are paramount because of these two reasons: reduce post-closing execution risk and accelerate the implementation of the value creation plan during the critical initial period of ownership.

Three aspects tend to dominate management assessment in buyouts. First, funds look for a demonstrated ability to deliver financial and operational targets, ideally in environments with some complexity or stress, because leveraged capital structures leave little room for execution mistakes. Second, they insist on strong economic alignment, achieved through meaningful personal co-investment by managers. Third, they require governance openness: management must accept more intense board oversight, data-driven performance, and changes to the senior team (Rosenbaum & Pearl, 2021).

Empirical work confirms that GPs act on these views. Kaplan & Strömberg (2009) report high CEO-replacement rates in UK buyouts, with roughly one-third of CEOs replaced within the first 100 days and two-thirds within four years. Furthermore, Cohn et al. (2022) show that private-firm buyouts subsequently record significant improvements in pre-interest profitability and sales growth relative to matched firms. This indicates more disciplined management and better resources allocation under buyout funds ownership.

Value creation opportunities

Buyout investors do not simply look for “good companies”; they look for situations where they can create additional value beyond what would happen under passive ownership. In pre-investment, therefore, they typically formulate a detailed value creation plan specifying which lever they intend to pull either operational improvements, acquisitions, or governance changes, as discussed in sections above (Biesinger et al., 2023). This plan must be specific

and actionable because a target that is already optimally run with limited room for improvement is often unattractive (Cendrowski et al., 2012).

Evidence on what drives realized returns is by now substantial. For instance, Biesinger et al. (2023) show that Capital Expenditure (CAPEX) to upgrade or expand assets and add-on acquisitions are the two levers with the clearest impact on returns. In contrast, many improvements in sales and profitability reflect stock-picking, which is the selection of firms already on an upward trajectory. From a selection perspective, thus, funds prioritize companies where they can (i) identify clear operational or growth gaps versus peers and (ii) implement asset acquisitions that are large enough to move enterprise value within the typical holding period (Block et al., 2019).

Other work reaches similar conclusions via different data. Cohn et al. (2022) find that in US private-firm buyouts, post-buyouts increase in profitability and sales growth are substantial and persistent, with more than 40% deals undertaking add-on acquisitions. Moreover, they also illustrate that these improvements are not primarily driven by tax shields or simple leverage. In another major study, Axelson et al. (2013) show that leverage levels in buyouts are strongly driven by credit market and that higher leverage and higher entry multiples in “hot” markets are associated with weaker risk-adjusted performance. Together, these findings reinforce the idea that the most attractive buyout candidates are those that offer both solid standalone resilience and clear, executable value creation approaches.

3.4.2. Quantitative criteria

Profitability and operational efficiency

Profitability is the single most important financial criterion in buyout target selection. In practice, buyout funds focus on EBITDA level and margin, both relative to peers and over time. Traditional buyouts have used around 70% debt and 30% equity, with GPs targeting around a 20% annualized equity return. Therefore, under that structure, the target’s EBITDA must be large and stable enough to service interest and repay a portion of principal while still supporting some reinvestment (Rosenbaum & Pearl, 2021). The evidence emphasize that attractive candidates usually operate with above-average margins for their industry and relatively low earnings volatility. This results in even under stress scenarios debt service coverage remains acceptable (Kaplan & Strömberg, 2009).

Operational efficiency is evaluated through cost ratios (e.g. SG&A as a percentage of sales), benchmarking against top-quartile peers, and sensitivity of margins to revenue shocks. What GPs often do is look for a margin gap versus the best of their peers that can be narrowed

through process improvements, procurement optimization, etc. Moreover, funds favour companies that have already achieved a lean operating structure but where identifiable inefficiencies offer a margin improvement opportunity during the holding period. PE investors apply a median discount of 20% to management forecasts when building their investment case, reflecting the inherent optimism bias in management projections and the need for conservative cash flow assumptions under a highly leveraged structure (Gompers et al., 2016).

Cash flow generation and quality

For buyout investors, the key question is not only “How much EBITDA does the company generate?” but “How much of that EBITDA turns into cash that can actually repay debt?” Strong and predictable free cash flow (FCF, which is the cash a company generates after covering its operating expenses and CAPEX) is therefore a separate screening criterion, distinct from profitability. Funds focus on that because this is the cash available for interest, principal repayment, and distributions (Rosenbaum & Pearl, 2021).

A first dimension is CAPEX intensity. Buyout investors distinguish between maintenance CAPEX, which is required to keep existing assets productive, and growth CAPEX, which can be reduced or postponed if performance deteriorates (Rosenbaum & Pearl, 2021). Companies with low maintenance CAPEX as a percentage of sales generate more FCF for a given level of EBITDA. This allows GPs to underwrite higher, but still sustainable, leverage levels on the same operating base (Kaplan & Strömberg, 2009). For this reason, low CAPEX requirements consistently appear as a core attribute for strong buyout candidates in academic reviews. Ideal targets combine robust, predictable cash generation with limited mandatory investment needs, so that leverage can be supported without starving the business (Rosenbaum & Pearl, 2021).

A second dimension is working capital behaviour. Models and due diligence focus on how much cash is tied up in receivables, inventory, and payables under normal conditions and under growth. Business with favourable working capital cycles can grow without consuming large amount of cash. However, those with long production cycles or weak bargaining power often need significant working capital, which directly reduces cash available for debt service (Rosenbaum & Pearl, 2021). Many value creation plans include improvements in cash management, such as tightening collections or reducing inventory, though Biesinger et al. (2023) show that these initiatives are less common than operational or growth levers and have smaller measurable treatment effects.

Finally, investors examine earnings quality. One-off gains, aggressive capitalization of expenses, or non-cash revenue recognition can inflate EBITDA without improving the

company's ability to service debt. As a result, PE funds normalise EBITDA by stripping out non-recurring items and applying haircuts to management forecasts. Survey evidence suggests a typical discount of around 20% to projected EBITDA when building the base case (Gompers et al., 2016). Empirical work on private-firm buyouts reinforces this approach. For example, Cohn et al. (2022) find that, post-buyouts, operating profitability, and sales growth increase relative to matched firms, while the fraction of firms paying tax does not fall. This suggests that higher cash generation comes mainly from better operations and growth, not just from financial engineering or tax shields.

Leverage capacity and financial risk

The ability of a target company to support a leveraged capital structure is the most structurally distinctive financial criterion in buyout selection, and the one that most clearly differentiates buyout investing from other forms of PE. In a comprehensive empirical study of 1,157 buyouts executed between 1980 and 2008, the average buyout transaction is financed with approximately 69% debt and 31% equity. That corresponds to a mean Debt/EBITDA ratio of 5.6x at closing (Axelson et al., 2013).

Buyout leverage is driven primarily by macroeconomic credit market conditions, specifically the prevailing high yield spread (Axelson et al., 2013). This finding has direct implications for target selection: in tight credit markets, companies must exhibit stronger intrinsic debt capacity to qualify as viable buyout candidates, whereas in loose credit environments, leverage can be applied to a broader universe of targets. Furthermore, the tangibility of assets plays a facilitating role in collateralising senior secured debt, making asset-heavy businesses particularly attractive from a leverage capacity standpoint. Therefore, the combination of stable cash flows, tangible assets, and moderate capital expenditure requirements defines the archetypal of a company ready for a buyout from a financial risk perspective (Kaplan & Strömberg, 2009). Companies that cannot maintain acceptable coverage ratios under these stresses, given realistic assumptions about available leverage in current credit conditions, are filtered out regardless of their other qualities.

Growth profile and scalability

In the context of buyouts, growth is valued for two reasons: it supports faster de-leveraging and debt pay-down, and it supports potential multiple expansion at exit as the company becomes larger and strategically more valuable (Rosenbaum & Pearl, 2021). However, buyout investors generally prefer moderate, sustainable growth over hyper growth that consumes cash. The ideal buyout target grows revenues at a solid but manageable pace, often mid-single to low-double digits annually, with growth driven by organic initiatives and add-on

acquisitions (Gompers & Kaplan, 2022). One study by Cohn et al. (2022) examined the trend in revenues growth of US private-firm buyouts and provide evidence that revenues growth jumps sharply in the first post-buyout years (partly due to add-on acquisitions and partly due to the release of financing constraints that previously limited expansion).

Another key factor is scalability, which is the ability to grow revenues without a proportional increase in costs or capital employed. Businesses with high fixed-cost bases but low variable costs can exhibit strong operating leverage (Gompers & Kaplan, 2022). PE guides frequently include actions such as expanding capacity through CAPEX and consolidating smaller competitors to exploit scalability effects (Biesinger et al., 2023).

Entry valuation and return potential

Finally, even if a company passes all strategic and financial screens, it may still be rejected on price. Entry valuation determines how the leverage and value creation translate into equity returns. In a study conducted by Axelson et al. (2013), it was shown that, across 1.157 buyouts, the average entry multiple is about 8,2x EV/EBITDA. However, it has substantial time-variation: multiples are higher in periods of easy credit and lower when spreads widen. Crucially, they find that higher leverage and higher entry multiples are associated with lower fund-level performance relative to public benchmarks. Therefore, indicating that aggressive pricing erodes the benefits of leverage.

On the investor side, PE firms typically target a gross Internal Return Rate (IRR) of around 25% and a Multiple on Invested Capital (known as MOIC, which is the total value of all shares in the fund divided by the initial investment) of roughly 2,5x over a five-year horizon (Gompers et al., 2016). In another major study, the evidence illustrates that, for a given operating case and leverage structure, these returns hurdles pin down a maximum allowable entry: with a fixed exit multiple assumption and forecast EBITDA path, paying 1x EV/EBITDA more at entry can reduce IRR by several percentage points (Rosenbaum & Pearl, 2021). As a result, buyout investors perform extensive sensitivity analysis on their models, varying exit multiples, EBITDA growth, and leverage levels to test whether the deal still meets target returns under downside scenarios. Therefore, if the required entry price produces an IRR below the fund's hurdle even under optimistic assumptions, the investment is typically abandoned (even if the business is otherwise very attractive) (Kaplan & Strömberg, 2009).

3.5. Financial analysis used by Private Equity funds

Once potential targets have passed an initial qualitative and quantitative screening as discussed above, PE investors rely on a set of financial tools to translate business

fundamentals into investment decisions. In practice, this toolkit combines forward-looking valuation models with a structured risk assessment process that refines the key assumptions used in those models (Kaplan & Strömberg, 2009) (Martos Martín, 2013). Therefore, ratios of profitability, cash generation and leverage remain central but they are ultimately interpreted through discounting techniques, market multiples and LBO modelling (in the specific case of buyouts) that links operating performance to GP returns (Talmor & Vasvari, 2011) (Rosenbaum & Pearl, 2021).

3.5.1. Valuation methods used by PE funds

PE funds use the same broad families of valuation methods as other corporate finance practitioners but adapt them to the finite life of the fund and the need to plan for a specific exit horizon (Talmor & Vasvari, 2011). Within the income approach, the standard tool is the so-called Discounted Cash Flow (DCF) valuation. Following Damodaran's (2006) framework, two variants are commonly distinguished: free cash flow to the firm (FCFF), discounted at the weighted average cost of capital (WACC), and free cash flow to equity (FCFE), discounted at the cost of equity. In both cases, valuation involves projecting cash flows over an explicit forecast period (typically aligned with the expected holding period and exit strategy) and adding a terminal value that captures cash flows beyond that horizon (Talmor & Vasvari, 2011).

However, a key nuance in PE is that the terminal value is cross-checked against market. Talmor & Vasvari (2011) emphasize that the terminal value implied by a DCF should not only be internally consistent with growth and profitability assumptions, but also correspond to plausible exit multiples for comparable companies or transactions. In other words, a DCF for a buyout is rarely interpreted in isolation. Indeed, it is benchmarked against what similar assets have been bought and sold for in the market. In a Spanish due diligence context, Realp (2009) illustrates this logic valuing a company simultaneously through free cash flow discounting and EV/EBITDA multiples and showing how each method provides complementary information on intrinsic value and market pricing.

Market-based methods play a particularly important role in PE because they anchor valuation to observable prices. In buyout settings, EV/EBITDA is often the primary reference multiple because EBITDA approximates pre-interest operating cash flow and is less sensitive to capital structure and accounting choices than net income. Transaction multiples from recent strategic acquisitions in the same sector are particularly informative. They reflect what PE funds and corporate buyers have recently been willing to pay for similar assets, adjusted for differences in growth, risk and deal terms (Talmor & Vasvari, 2011) (Rosenbaum & Pearl, 2021).

Finally, in leveraged buyouts the LBO model itself is widely used as a valuation tool. Rather than starting from an assumed enterprise value and backing out cash flows, a LBO model starts from operating projections, a proposed capital structure and an assumed exit multiple, and computes the equity investor's IRR and MOIC (Rosenbaum & Pearl, 2021) (Talmor & Vasvari, 2011). This allows the GP to derive the maximum entry price that still meets the fund's return objectives for a given set of assumptions. In practice, buyout models become a practical constraint on how much can be paid at entry once leverage levels, exit multiples and operating plans are specified (Rosenbaum & Pearl, 2021).

3.5.2. Risk assessment and due diligence

Valuation in PE does not take place in a vacuum. It is embedded in a broader due diligence process that aims to identify, quantify, and mitigate the risks associated with acquiring and owning the target company. Martos Martín (2013) defines financial due diligence as the step prior to acquisition in which the buyer verifies the reliability of the information used to value the company and assesses whether the projected cash flows are realistic given its historical performance and business environment. In the PE context, this process is usually structured into several work streams (business, financial, tax, legal, and regulatory) often supported by external advisors and sector specialists (Cendrowski et al., 2012) (Talmor & Vasvari, 2011).

From the perspective of financial analysis, due diligence refines both the numerator and the denominator of valuation models. On the numerator side, it can lead to adjustments in historical EBITDA (for example, by removing non-recurring items) and to more conservative projections when management forecasts appear optimistic relative to past performance or industry benchmarks (Realp, 2009) (Rosenbaum & Pearl, 2021). On the denominator side, findings on cyclicity, customer concentration, regulatory exposure or leverage risk influence the choice of discount rate, target capital structure and exit multiple ranges used in DCF and LBO models (Damodaran, 2006) (Talmor & Vasvari, 2011).

In buyout transactions, due diligence also plays a critical role in assessing debt capacity and downside resilience. Leverage must be evaluated under stress scenarios rather than only under base-case projections so that GPs can test whether interest coverage and covenant ratios remain acceptable under plausible revenue or margin shocks (Kaplan & Strömberg, 2009). Therefore, LBO models are run not only with a central case but also with downside and severe-downside cases, in which lower growth, lower margins or lower exit multiples are assumed, in order to evaluate both credit risk and the robustness of equity returns (Talmor & Vasvari, 2011) (Rosenbaum & Pearl, 2021).

Due diligence is iterative rather static, which means that as new information emerges, assumptions in the valuation models are revised, and in some cases the deal is repriced or abandoned altogether (Cendrowski et al., 2012). In this sense, financial analysis in PE is inseparable from risk assessment. Ratios, DCF outputs, multiples and LBO simulations are not final answers but tools that help investors decide whether the combination of price, leverage and business risk is compatible with the fund's return targets and with its fiduciary duties towards LPs (Metrick & Yasuda, 2010) (Talmor & Vasvari, 2011).

4. Methodology

This chapter sets out the methodology of the study. The work is conducted as a single in-depth case study of Grifols. The criteria identified in the theoretical framework are applied to assess whether the company would be a viable target for a LBO. Depth is what gives this exercise its analytical value: replicating the level of detail of an actual PE screening process requires focusing on one firm. The criteria observed from the theoretical framework are applied to Grifols in a sequence that mirrors the workflow of a PE deal team. A first block assesses whether the company satisfies the qualitative and quantitative requirements of a LBO candidate; a second block estimates its intrinsic and relative value through a DCF analysis, a comparable-multiples exercise, and a fully tranching LBO model; and a third block tests the robustness of the conclusions through sensitivity and scenario analysis. The subsections that follow detail data sources, the analytical steps, and so on.

4.1. Rationale for the selected company

Grifols was selected as the focal company for three main reasons: its strategic profile, its financial characteristics, and its recent interaction with PE investors.

From a strategic perspective, Grifols is a global leader in the production of plasma-derived medicines, operating in a highly regulated healthcare niche with significant barriers to entry, long product cycles and structurally growing demand for its immunoglobulin and other plasma products. These features are characteristic of the defensible market positions and non-cyclical end-markets that buyout funds often prioritise when screening targets. At the same time, the company is headquartered in Spain and listed on Spanish stock exchange.

From a financial standpoint, Grifols combines sizeable scale with a leveraged balance sheet and a clear deleveraging agenda, which are central themes in buyout investing. In recent years, the company has reported strong revenue growth and expanding margins, while progressively reducing its leverage ratio from above 5x to a low 4x through a combination of EBITDA growth, asset disposals and strict financial discipline (Grifols 2025; Grifols 2026a).

Finally, and most importantly for the relevance of the case, Grifols has recently been the subject of concrete takeover interest from a large international PE investor. Several press reports and company statements in 2024 indicate that Brookfield, a global alternative asset manager with an active track record in healthcare buyouts, conducted due diligence and explored a potential bid to take Grifols private, reportedly considering an offer in the 6,5-7€ billion range. Discussions were ultimately terminated in November 2024. According to the company's official press release, Grifols' board concluded that Brookfield's indicative terms did not reflect the company's long-term value, and no revised offer was forthcoming. The outcome reflected both a valuation disagreement and the governance complexity inherent in any transaction involving a controlling family shareholder (Grifols, 2024).

4.2. Data sources and data collection

The empirical analysis relies exclusively on publicly available information. The primary sources are Grifols' own disclosures (annual reports, audited financial statements, investors presentations and press releases), which provide detailed information on revenues, profitability, cash flow generation, debt structure and strategic initiatives over recent years (Grifols 2024, 2025, 2026a, 2026b). These company sources are complemented by regulatory filings and official communications to market supervisors, which are particularly important for understanding leverage metrics, covenants definitions and the impact of significant transactions such as asset disposals or refinancing operations. In addition, the study draws selectively on analyst reports on analyst reports and financial databases to obtain market data, which is a necessary input for the comparable-company analysis and for cross-checking the plausibility of valuation assumptions (CNMV, 2024).

Finally, news reports and specialised media coverage are used to document Brookfield's indicative interest in Grifols, and the main terms reported for the potential transaction, as well as to contextualize the company's situation. These qualitative sources help to frame the case within the broader PE deal market and inform some of the scenario design in the valuation and leverage analysis. All data are collected for a recent multi-year period so that historical performance and the current financial position can be analysed consistently with the forward-looking projections developed in the following sections.

4.3. Methodological tools applied

The methodological tools chosen for the case study are directly derived from the valuation and risk-analysis techniques most used by PE funds. The empirical work combines three main components:

1. A DCF model is built to estimate an intrinsic value range for Grifols based on projected FCF and an explicit discount rate. The structure of the model follows standard practice in corporate valuation, projecting the income statement, balance sheet and cash flow statement over a five-year horizon and computing a terminal value using both a perpetual growth approach and an exit multiple consistent with peer transactions (Damodaran, 2006) (Rosenbaum & Pearl, 2021). This allows the analysis to link the company's operating fundamentals to an estimate of enterprise value, and to test how sensitive this value is to key assumptions.
2. A comparable-company analysis is performed to anchor the valuation in market evidence. A peer group of listed plasma and biopharma companies with similar business models and geographic exposure is selected, and trading multiples (such as EV/EBITDA and EV/EBIT) are computed and applied to Grifols' current and forecast earnings to derive an implied valuation range (Rosenbaum & Pearl, 2021) (Talmor & Vasvari, 2011). This approach serves two purposes. It provides an external check on the DCF outcomes and offers realistic exit multiple assumptions for the LBO analysis.
3. A LBO feasibility model integrates the operating projections, a multi-tranche capital structure, a tiered cash sweep and exit assumption to compute deal level IRR and MOIC under several scenarios (Axelson et al., 2013; Kaplan & Strömberg, 2009; Pignataro, 2022).

However, these three tools are not used in isolation but as part of an integrated framework. The qualitative assessment of Grifols' business model and competitive position informs the choice of scenarios and stress cases in the DCF and leverage analysis, while the quantitative outputs from the valuation models feed into the final judgement on whether the company constitutes a suitable PE target under different market conditions.

5. Case study: analysis of the selected company

The preceding theoretical framework established the criteria that leveraged buyout funds apply when evaluating potential investments. This chapter applies those frameworks systematically to evaluate whether Grifols, a global leader in the plasma-derived therapeutics industry, meets the standards that a PE buyout fund demand when selecting portfolio companies. The chapter does not advocate for or against a specific transaction but rather applies the selection criteria and analytical frameworks established in the theoretical sections to reach an objective conclusion about whether Grifols represents an attractive leveraged buyout opportunity under current circumstances.

5.1. Company overview

This chapter applies that framework to Grifols to determine whether the company meets the standards that a PE buyout fund would typically require, and to identify the specific conditions under which a transaction might or might not be feasible.

Business description and segment breakdown

Grifols is a global healthcare company that makes medicines from human plasma, along with transfusional and clinical diagnostics. The company was founded in 1909 in Barcelona and over the subsequent century the business has grown into one of the world's three largest producers of plasma therapeutics, with operations in over thirty countries (Grifols, 2024).

The business reports its activity under four business units. First, the plasma procurement and biopharma unit cover the end-to-end value chain, from donor collection to the manufacturing and commercialisation of plasma and non-plasma protein therapies. This unit accounts for 86% of revenues in 2025 (6.487€ million). Second, the diagnostic unit produces equipment and reagents for transfusion medicine and clinical analysis and generates 9% of revenues (640€ million). Third, bio supplies unit contributed 2% of revenue (154€ million), which manufactures non-therapeutic biological products and consumables for plasma donation. Ultimately, a residual others segment represented the remaining 3% (243€ million) containing pharmaceutical specialties and hospital logistics solutions (Grifols, 2025).

Moreover, in 2022 Grifols closed its strategic investment in the German group Biotest AG, consolidating it as a subsidiary from April 2022 onwards. Since then, both companies operate jointly to expand the availability of plasma therapies (Grifols, 2024).

Geographic footprint and scale

As said before, Grifols operates in more than thirty countries, with industrial hubs in North Carolina and California, Barcelona, Dublin, Montreal and Dreieich. The US and Canada represented 57% of 2025 revenues (4.253€ million), followed by the rest of the European Union at 16% (1.196€ million), the rest of the world at 22% (1.657€ million) and Spain at 6% (418€ million) (Grifols, 2025).

Key financials

The following figures summarise Grifols' recent financial profile. They are reproduced here for reference only, since the analytical interpretation of these numbers is developed in section 5.2.3.

Table 2. Grifols' financial profile.

Magnitude (€ M)	2023	2024	2025
Consolidated revenues	6.592	7.212	7.524
Reported / Adjusted EBITDA ⁴	1.239 / 1.462	n.d. / 1.750	n.d. / 1,850
Net financial debt	9.416	8.046	7.759
Net debt / EBITDA (credit agreement)	6,4x	4,6x	4,2x
Operating cash flow	219	902	1.047
CAPEX	224	233	373

Source: own elaboration (Grifols' financial statements)

Ownership structure: share classes, family stake and institutional float

Grifols has a dual class share structure. Share capital is composed as follows:

- Class A ordinary shares (full voting rights)
 - Nominal value: 0,25€
 - Number of shares: 426.129.798
 - Listed on the Spanish continuous market and are included in the IBEX-35 (ticker GRF).
- Class B non-voting shares (preferential economic rights)
 - Nominal value: 0,05€
 - Number of shares: 261.425.110
 - Listed on Spanish continuous market under GRF.P.

Both classes are also traded on NASDAQ through American Depositary Receipts under the ticker GRFS (Grifols, 2024; Grifols, 2025).

The founding Grifols family and related vehicles hold the largest single block of voting rights. Indeed, public analyses based on *Comisión Nacional del Mercado de Valores* (CNMV) filings estimate that those holdings are around one third of the share capital. The remainder is distributed between institutional investors (primarily BlackRock and Capital Research), and a diversified public float (Matrix BCG, 2025). However, an important announce to know is that Grifols has suspended the payment of cash dividends until the leverage ratio falls below 4x EBITDA. This was a commitment announced in September 2021 following the Biotest acquisition (Grifols, 2024).

5.2 PE target assessment

⁴ Adjusted EBITDA excludes restructuring and non-recurring items. 2023 figure reported in the 2023 consolidated annual accounts.

5.2.1. Industry attractiveness

Plasma-derived therapeutic is, on paper, one of the most PE-friendly subsectors within healthcare. The demand for these therapies is sustained by demographic trends and the growing burden of chronic disease. More importantly, patients rely on them to manage serious conditions where stopping treatment can have immediate and severe clinical consequences (Farrugia, 2012). The result is a pattern of revenues that tracks patient volumes rather than the economic cycle, which, indeed, is precisely the profile that PE funds and specially buyout funds look for when evaluating debt capacity (Kaplan & Strömberg, 2009).

In terms of scale, the global plasma fractionation market reached approximately 30\$ billion in 2024 and is expected to grow at 6-8% annually through the end of the decade, due to three trends: the ageing of developed market populations; the expansion of clinical indications for immunoglobulins (brain and nerve disorders); and the progressive adoption of those treatments at home, instead of going to a hospital (Mordor Intelligence, 2026; Prevot & Jolles, 2020). Furthermore, Grifols' won 2024 and 2025 disclosures confirm double-digit growth in immunoglobulins (largest therapeutic category and represents around 60% of biopharma revenues) (Grifols, 2024; Grifols 2025). Thus, growth is visible and operational.

Barriers to entry are exceptionally high. Among them, these are the most relevant:

1. A new fractionation plant costs several hundred million dollars and takes years to validate.
2. Moreover, the regulatory approval process for a single plasma-derived indication can span a decade.
3. The technical expertise required to operate the biochemical process is tacit knowledge accumulated over decades.

No major new fractionator has entered the market in recent decades, and the top four producers (CSL Behring, Takeda, Grifols and Octapharma) jointly control around 95% of global capacity (Grifols, 2026a). Therefore, from a leverage perspective, this oligopolistic structure reduces the risk of new entrants disrupting cash flows of the established firms during a typical PE holding period.

However, the regulatory environment cuts both ways since the same regulatory that protects established firms also creates specific risk concentrations. A single inspection finding at a key fractionation facility can constrain supply across multiple products for several months. Moreover, pricing is also indirectly regulated in most European markets through reimbursement frameworks, thus limiting upside in case of strong underlying demand. Hence,

for a leverage buyer, the sector is stable, but shocks come from regulation and facility-level events rather than from demand. So, the overall verdict on industry attractiveness is positive.

5.2.2. Competitive position and business quality

Grifols is the third largest player in global plasma therapeutics, with a market share of approximately 20%, behind CSL (40%) and Takeda (25%) and ahead of the privately held Octapharma (10%) (Grifols, 2026a). This position matters. Why? Because, in a buyout screening, leadership within a concentrated industry is the main source of pricing stability and defensibility. Indeed, the literature specifically identifies it as a precondition for supporting high leverage (Rosenbaum & Pearl, 2021).

The company's business model is vertically integrated across the plasma value chain. First, it collects plasma through its own global network of donation centres. Then, fractionates it in specialized manufacturing plants. Finally, distributes the resulting protein therapies through its commercial infrastructure. This integration is economically meaningful since plasma is by a wide margin the single largest cost input, and owning the collection network gives Grifols direct control over raw material supply, yield optimization, and unit costs. However, the same integration compresses margins relative to competitors whose cost structures are leaner and whose R&D budgets are larger. Thus, CSL and Takeda benefit from broader product portfolios outside plasma and from scale advantages in distribution.

In terms of customer concentration, the 2025 consolidated financial statements confirm that no single customer represents more than 10% of gross revenues (Grifols, 2025). The customer base is composed of hospital systems, public reimbursement agencies and government programmes that sign long term supply contracts. Nonetheless, those come with both benefits and drawbacks. On the positive side, they provide companies with a predictable revenue stream, making it easier to plan and take on debt. On the downside, those same contracts limit the ability to raise prices, which is a growing concern as hospital have merged into large buying groups that carry significant negotiating power (Mordor Intelligence, 2026).

Supply reliability is Grifols' most valuable competitive asset and its most fragile one. The Gotham City Research episode of January 2024 (see 6.2.4.) triggered concrete concerns among hospital customers about the company's financial stability. Indeed, the company acknowledged in its 2024 disclosures that restoring customer confidence was an operational priority (Grifols, 2024). This makes, for a PE firm, that any value creation plan must explicitly incorporate initiatives to protect customer relationship during the first 12-24 months of

ownership since any disruption to supply or to financial reporting quality could be reflected in contract renewals.

The business quality assessment is therefore mixed. Grifols has a defensible market position, genuine vertical integration, and the scale required to compete in the top tier of the industry. However, it also carries a structural margin gap versus the industry leader, a diminished pricing position in contract negotiations, and residual reputational scar from the Gotham episode (as said above, see 6.2.4). Thus, from a selection perspective, this is not a perfect target; it is a solid number-three player with identifiable operational gaps that a PE firm could plausibly narrow during a holding period.

5.2.3. Financial profile: profitability, cash flow and leverage capacity

This subsection is the quantitative core of the PE screening. Additionally, in this subsection, please refer to the table in section 5.1 *Company overview*.

Profitability and EBITDA trajectory

In 2023, Grifols generated an adjusted EBITDA of 1.462€ million on revenues of 6.592€ million (that is, a margin of 22,2%). Reported EBITDA was lower (1.239€ million) due to 223€ million in non-recurring charges. Most of these were related to the operational improvement plan Grifols had launched at the start of that year. Revenue growth accelerated in 2024 to 10,3% at constant currency, driven by a 15,3% growth in immunoglobulins and by the recovery of albumin sales in China and Europe (Grifols, 2024). By 2025, revenues had reached 7.524€ million and based on the company's disclosed debt levels and its own 4,2x, EBITDA is estimated at around 1.850€ million (that is, a margin of roughly 24-25%). In other words, for every 100€ the company earned, it kept around 24-25€ before interest and taxes (Grifols, 2025).

Taken together, Grifols has made a steady recovery in profitability over this three-year period, mainly driven by these three pillars:

- Volume growth in high-margin proteins.
- Cost savings delivered through its operational plan.
- And, the natural efficiency gains that come from making better use of existing capacity.

Cash flow conversion and CAPEX intensity

The most significant inflection in Grifols' financial profile is in cash generation. Operating cash flow jumped from 208€ million in 2023 to 902€ million in 2024 and 1.047€ million in 2025.

Moreover, CAPEX remained stable at 224€ million, 233€ million and 373€ million over the same period. That happened because Grifols reached the end of an intensive investment cycle in new fractionation and albumin facilities in Montreal and Dublin. As a result, the FCF (operating cash flow minus CAPEX; basically, the money left after investment spending) went from nearly zero in 2023 to roughly 780€ in 2025. This is the single most relevant piece of evidence for a PE buyer since Grifols has proven it can generate enough cash to service a heavily leverage balance sheet. Separately, there was also an important factor: the 2024 sale of a 20% stake in Chinese associate SRAAS to Haier Group for 1.800\$. This was a punctual, extraordinary inflow of cash that it is not part of organic cash generation. However, indeed, helped to reduce debt that year (Grifols, 2024).

Leverage and deleveraging path

Net financial debt fell from 9.416€ million at 2023 to 8.046€ million at 2024 and 7.759€ million at 2025. A reduction of around 1,7€ billion over two years. Then, the leverage ratio (from the credit agreement) moved from 6,4x to 4,6x and then to 4,2x over the same period. However, using the equivalent ratio computed from reported financial statements, leverage stood at 5,6x in 2024 and 5,2x in 2025 (Grifols, 2025). The explanation for this is simple: the credit agreement allows the company to add back certain non-recurring costs (for example, restructuring costs) when calculating EBITDA. Therefore, making the ratio appear lower than it does under standard accounting. Both measures point that the company is on clear deleveraging path.

Credit ratings have moved in parallel. In May 2025 Moody's upgraded Grifols' corporate rating from B3 to B2 with positive outlook: strong operating performance, revenue growth, and more robust financial management. Moreover, in November 2025, Fitch revised three things:

1. Revised the outlook from stable to positive.
2. Confirmed the B+ long-term issuer rating.
3. Upgraded senior secured debt from BB- to BB (Grifols, 2025).

Furthermore, in November 2025 Grifols also obtained bondholder approval (95% support) to modify covenant terms on its 7,5% senior secured notes due in 2030 (gaining greater financial flexibility) (Grifols, 2025). More importantly, Grifols does not face any significant debt repayments before 2027. In addition, 73% of its debt carries a fixed interest rate; so, Grifols knows what it will pay in interest costs regardless of market fluctuations. Therefore, adding stability and predictability to its financial structure (Grifols, 2025).

Interpretation

On profitability, Grifols is recovering towards industry-average margins but has not yet closed the gap with CSL. On cash flow, the 2024-2025 inflection is material and directionally favorable for a buyout case, provided it proves sustainable. On leverage, the company is still above the threshold at which a PE sponsor could comfortably add transaction leverage: a buyout typically adds four to six turns of debt at entry (Axelson et al., 2013), and starting from 4-5x already leaves little room.

5.2.4. Governance, ownership structure and deal feasibility

Governance is where the case shifts from “solid but constrained candidate” to “structurally problematic transaction”. A PE fund does not just buy a set of cash flows; it buys a control package, and indeed, in Grifols’ case, the control package is the obstacle.

Dual-class control and family stake

No hostile or unilateral acquisition is possible due to the dual-class structure and the family’s concentration of voting rights. Class B shares carry no voting rights; so, any buyer wishing to take Grifols private must negotiate with the Class A owners (as said before, the family holds the largest single stake at roughly one third of capital). Therefore, the family can block any offer it considers insufficient, even if a PE firm offered a material premium to minority shareholders. This makes the transaction structurally different from a standard public-to-private buyout, in which a cash tender offer at a sufficient premium is usually enough to secure control.

Governance changes and residual concentration

Since 2023, Grifols has taken meaningful steps to renovate how it is governed. Early that year, the board brought in Thomas Glanzmann as executive chairman (merging the chairman and CEO roles into one) and created a senior executive leadership team to bring greater coordination on decision-making. Moreover, a year later the company went further: Raimon Grifols Roura and Víctor Grifols Deu stepped down from their executive roles and transitioned to proprietary directors. That was caused by the deliberate effort to separate family ownership from day-to-day management. Then, Nacho Abia was appointed as the new CEO with effect from April 2024 (with Glanzmann remaining as executive chairman) (Grifols, 2024).

As it stands, the board now holds mostly non-executive directors, a lead independent director, and audit, nominations, and sustainability committees by independent members (Grifols, 2024). The direction change is positive but the underlying concentration of economic interest

and the family's presence on the board remain the structural feature that a PE buyer would need to work with.

The Gotham City Research episode and residual accounting risk

On 9 January 2024 the short-seller Gotham City Research published a report alleging that Grifols had overstated receivables, understated debt through off-balance-sheet vehicles (specially via Scranton Enterprises, controlled by Grifols) and inflated financial results through related-party transactions. Grifols rejected the allegations and filed a lawsuit against Gotham. Then, the CNMV opened an investigation and, in a public statement on 21 March 2024, concluded that it did not find evidence supporting the most serious accusations but identified deficiencies in Grifols' disclosures (leverage metrics, market communications, and so on). Therefore, as expected, sanctioning proceedings followed and monetary fines were imposed for specific reporting breaches (Gotham City Research, 2024; CNMV, 2024).

The problem from a PE perspective is the residual reputational and due diligence cost. Now, a buyout fund acquiring Grifols would need to perform a thorough financial due diligence well beyond the scope of a standard transaction. Also, would face material uncertainty about the durability of customer and lender relationships.

The Brookfield episode

As briefly mentioned in section 4.1 *Rationale for the selected company*, in July 2024, Brookfield Asset Management made public its interest in a potential take in private of Grifols. Discussions extended over several months, but on 27 November 2024 Grifols announced the termination of these. The basis was that Brookfield's indicative terms did not reflect the long-term value of Grifols and that no improved proposal was forthcoming (Grifols, 2024). However, the financial media thought differently since they reported that the factors in the breakdown were: the governance complexity of the dual-class structure and the CNMV scrutiny following the Gotham episode. In fact, the Brookfield case is directly relevant to this study since it provides the strongest available market evidence on the executability of a Grifols buyout under current conditions.

Assessment of deal feasibility

A buyout of Grifols is structurally executable only under one specific setup, which is the following:

1. The family must be an active participant in the transaction.

2. The transaction structure must accommodate the dual class share structure (either through a full de-listing of both classes or through a restructuring that equalizes voting rights).
3. And, the financial due diligence must satisfy a PE firm on the full perimeter of related-party and off-balance-sheet arrangements.

A standard hostile LBO is not feasible. A take in private transaction in cooperation with the family is feasible in principle. However, and incredibly important, as the Brookfield episode demonstrated, it is difficult to execute the transaction at a price that reconciles the family's long-term view of value with a PE fund's return targets.

5.2.5 Value creation levers

This section completes the selection analysis by asking whether, assuming a transaction could be structured, a credible treatment plan exists that would generate returns consistent with PE hurdles.

Operational improvements

This is the most sustainable lever. Grifols' adjusted EBITDA margin is running at 22-25% against an industry benchmark that, for CSL and Takeda, has historically been in the high twenties to low thirties. To shrink that gap and translate it into additional EBITDA, there would be a three-step setup:

1. Continued implementation of the operational improvement plan launched in 2023.
2. Further cost saving in plasma procurement (which is the single largest cost input).
3. And, the rationalization of non-core activities (for example, selling or closing business units that are not part of Grifols' core plasma business).

As have seen, this lever has been partially executed already by the company itself. However, it can be accelerated under PE ownership through more aggressive cost discipline. It is also the lever that the academic literature identifies as the most reliable source of value creation in buyouts (Cohn, Hotchkiss, & Towery, 2022) (Kaplan & Strömberg, 2009).

Buy and build opportunities

The plasma industry is concentrated at the top but fragmented at the edges. Acquisitions of smaller regional fractionators, or of independent plasma collection network in the US and Europe, would expand Grifols' raw material base and capacity without disrupting the oligopolistic competitive balance. Indeed, Grifols has shown capacity to integrate sizeable

acquisitions (for example, the Biotest integration since 2022). However, as the financial engineering subsection will discuss, the capital available for buy and build during the first years of a buyout would be constrained by the debt load. That weakens this lever relative to what it would be in a lower-leverage candidate.

Governance and management engineering

One thing is true: a full take in private transaction would remove the complications of the dual-class structure and the friction of managing a listed-family controlled business. Why? Because a PE firm could do these four things:

- Concentrate decision rights.
- Tighten reporting discipline.
- Strengthen incentive alignment through equity grants to a smaller management team.
- And, accelerate strategic decisions that are current slowed by the mixed interests of family shareholders and minority investors.

As described by Kaplan & Strömberg (2009), this lever is one of the strongest arguments in favor of a buyout: the governance problems identified in section 5.2.4. are not just weaknesses, but untapped value. That is, a PE ownership would have both the tools and the incentives to fix them and fixing them is precisely where the return comes from.

Financial engineering

This lever is close to exhausted. Grifols already operates at 4-5x leverage, which indeed is close to what the business can sustain. Thus, there is limited scope to add further debt at entry without compromising the company's ability to absorb any revenue or margin shock. This is a material constraint. Evidence shows that leverage is one of the classic drivers of buyout returns, and a PE firm entering Grifols would need to generate returns primarily from operational improvements and multiple expansion (buy and build strategy), rather than from adding leverage (Axelson, Jenkinson, Strömberg, & Weisbach, 2013).

Overall assessment of the treatment plan

A credible value creation plan exists: i) operational improvements and ii) governance restructuring; along with selective buy and build as a secondary lever. However, the feasibility of the plan depends on the ability of the PE firm to execute margin improvement in a business that has already self-administered a restructuring in 2023, which indeed reduces the marginal gains available compared with an unreformed target business.

5.3 PE screening verdict

The purpose of this section is to answer, before the valuation exercise, the question that motivates the case study: does Grifols meet the criteria that a buyout fund applies to target selection, and under what conditions would a transaction be feasible?

Table 3. Grifols against standard PE selection criteria.

Leveraged buyout criterion		
<u>Qualitative criteria</u>		
Industry attractiveness	PASS	Defensive, oligopolistic, growing market with very high entry barriers.
Business quality & Competitive position	PARTIAL	Solid position with execution gaps (defensible market presence but margin compression and reputation repair are the operational tasks the PE firm would inherit).
Management quality & Alignment	PARTIAL	Governance has improved but family voting concentration prevents a hostile transaction; cooperation is required.
Value creation opportunities	PARTIAL	Operational and governance levers are credible; financial engineering is not available; buy-and-build is constrained by leverage.
<u>Quantitative criteria</u>		
Profitability & Operational efficiency	PARTIAL	Margins in the 22-25% range with clear recovery trajectory, but below best-in-class peers.
Cash flow generation & Quality	PASS	The 2024-2025 cash inflection is the strongest evidence that the asset can service LBO debt.
Leverage capacity & Financial risk	FAIL	At 4-5x leverage already, the business does not have headroom for a typical 4-6 turns of transaction debt without compromising resilience. Returns must come from operations and multiple expansions, not from financial engineering.
Growth profile & Scalability	PASS	Mid-single-digit organic growth supports both deleveraging and exit-multiple expansion within a five-year holding period.
Exit feasibility	PASS	Strategic sale to a larger plasma player (CSL, Takeda) or a secondary buyout are plausible exits within a typical holding period, and an IPO is feasible once leverage normalises.

Source: Own elaboration

The verdict is that Grifols is a partially suitable PE target, subject to two conditions that jointly determine the investment decision:

- The first condition is structural and precedes any financial analysis, as discussed above: active cooperation of the founding family (along with the proper setup). This is not an assumption; it is a direct inference from the Brookfield precedent which even with family cooperation still failed to close the transaction because of valuation and governance disagreement.
- The second condition is financial and concerns entry price and capital structure: because Grifols starts with 4-5x leverage, the PE firm must either:
 - Accept a transaction in which additional leverage is limited (and returns are driven primarily by operational improvements and multiple expansion).
 - Or, negotiate an entry price low enough to compensate for the reduced leverage lever.

Whether this combination can deliver PE-level returns is precisely the question that the valuation and feasibility exercise in the next section is designed to answer.

Therefore, the case study does not conclude with a simple yes or not. Indeed, it concludes that Grifols passes the qualitative screens that define a viable buyout universe, fails the standard financial engineering test, and introduces a governance structure that converts the transaction from a price-only exercise into a negotiation with a specific controlling shareholder. However, the decision relevant question, which the valuation section will address, is whether there exists an entry price and capital structure at which a PE firm can reconcile these constraints with a typical PE return target of 20-25% IRR and 2,0-2,5x MOIC over a five-year horizon.

6. Financial Valuation and investment feasibility

Once those prerequisites are satisfied, the analytical question mentioned above appears at the first place and is the clear focus on this section. This chapter answers that question through four valuation methods developed in parallel and triangulated later.

6.1. Forecast assumptions and financial projections

The projection horizon covers the fiscal years 2026 to 2030. Three operating drivers anchor the Base case and account for most of the valuation sensitivity (full assumption tables for the three scenarios are reported in Annex A):

- Revenue growth: from 7% in 2026 to 5,5% in 2030 (6,4% average over the projection period). The anchor is the 2024-2025 historical range of 4,3%-9,4% year on year and the 6-8% long term growth rate mentioned above.

- EBITDA margin trajectory: the starting point is 24,3% in 2025, recovered from a depressed 22,2% in 2023 but still below the 2018 peak of roughly 28% (Grifols, 2026). The base trajectory expands the margin by 320 basis points to 27,5% by 2030 relying on three mechanisms that Grifols management has executed since the operational improvement plan. (i) A sustained reduction in cost per litre of plasma, (ii) a favourable mix shift toward immunoglobulins, and (iii) operational leverage from full utilization of the Dublin and Montreal facilities (Grifols, 2026).
- Entry multiple: 9,5x EV/EBITDA in the base case, 10,5x in the upside, and 8,5x in the downside. The range is anchored between two market benchmarks: the plasma trading comparable median (8,9x) and the precedent-transactions median (12,75x). The full entry/exit multiple sensitivity is developed in Section 6.5.

CAPEX and WC are anchored on historical averages and do not dominate value at current leverage levels. So, in the Base case: CAPEX is set at 5,5% revenues, WC is projected at 15-20% of the annual change in revenues, D&A is anchored at 6% of revenues, and the effective tax rate is set as the Spanish statutory level of 25%. Once the assumptions are fixed, the projection produces the operation trajectory summarized in Table 4:

Table 4. Base case projection summary.

Metric (M€)	2025A	2026E	2027E	2028E	2029E	2030E
Revenues	7.524	8.051	8.614	9.174	9.725	10.259
Adjusted EBITDA	1.825	2.037	2.240	2.431	2.626	2.821
EBITDA margin	24,3%	25,3%	26%	26,5%	27%	27,5%
FCFF	1.058	1.100	1.251	1.372	1.514	1.641
Net financial debt	7.759	7.095	6.244	5.222	4.002	2.586
Net debt / EBITDA	4.2x	3.5x	2.8x	2.1x	1.5x	0.9x

Source: own elaboration

6.2 DCF valuation

6.2.1. WACC estimation

The weighted average cost of capital (WACC) is constructed from first principles. The risk-free rate is 2,8%, equal to the yield on the 10-year German bond (Koller et al., 2025; Damodaran, 2006). The equity risk premium (ERP) is 5,75%, the mid-point of the range Damodaran (2006) derives for mature European markets. The unlevered beta is 0,80, which is the mid-point of the 0,70-0,90 window observed for pharmaceutical and biotech pure plays in Damodaran's (2006) industry dataset. Re-levering the unlevered beta to the listed company target debt-to-

equity of 0,80 using Hamada formula produces a levered beta of 1,28, a cost of equity of 10,16% under CAPM, and an after-tax cost of debt of 5,625%. The resulting WACC for the standalone DCF is 8,14%. The full WACC calculation is reported in Appendix A.

However, there are two limitations of this construction. First, the sectorial beta of 0,80 prices only systematic risk and ignores firm-specific exposures that the public market is currently pricing. Rosenbaum & Pearl (2021) and Koller et al. (2025) note that practitioners add a specific-risk premium of 100-300 basis points for assets with unresolved governance or execution uncertainty; with this, the WACC will go to approximately 10%. Second, the post-Hamada beta treats the capital structure as a target rather than as an outcome of the refinancing cycle. At 4,2x leverage in 2025, Grifols is already above the listed-pharma median, and the market discount is being priced through EV rather than through beta. Hence, the model's formal WACC is best interpreted as a lower bound.

6.2.2. Terminal value (TV) and reconciliation with market price

The EV is built as the discounted sum of FCF during the explicit forecast window plus a TV at the end of 2030. Two TV value methods are computed in parallel as recommended in Damodaran (2006) and Koller et al. (2025): a Gordon perpetuity with a long-run growth rate of 2,5%, and an exit multiple of 10x applied to the terminal year EBITDA. The two methods produce EVs of 25,8€ billion and 24,7€ billion respectively, with the TV contributing 78% of total EV. This concentration is typical for mature businesses with stable margins but that makes the DCF outputs highly sensitive to the discount rate and to the assumed perpetual growth. Subtracting net financial debt of 7,76€ billion produces equity values of 18€ billion and 16,9€ billion respectively. Applying the Class A-equivalent share count of 648,3 billion⁵ yields implied prices of 27,76€ and 26,10€ per Class A share, and 23,59€ and 22,18€ per Class B share. The full DCF calculation is reported in Appendix B.

These values raise an analytical question that the model cannot answer mechanically but that must be addressed. During the period when Brookfield Asset Management publicly considered a buyout (July to November 2024), Class A shares traded between approximately 8€ and 12€, implying an enterprise value of roughly 13-15€ billion and an EV/EBITDA multiple of 7,9-8,2x. The Base DCF of 25-26€ billion exceeds the observed market capitalization by 60-70%. The reconciliation is not a model error; it is the explicit price of the Base assumptions. When the model is recomputed with WACC at 10% (a 200 basis-point governance and refinancing premium), an EBITDA margin in 2030 capped at 25,5% (no convergence toward the CSL

⁵ Computed as 426,1 million Class A shares plus 261,4 million Class B shares weighted at 0,85 to reflect the non-voting discount.

benchmark), an effective tax rate of 30% (midway between statutory and historical effective), and a perpetual growth rate of 1,5%, the sensitised DCF yields an enterprise value of 15,1€ billion and an implied price of 11,25€ per Class A share. Therefore, the difference between the Base and the sensitised DCF quantifies three discounts that the public market was already pricing: the governance discount, the execution-risk discount on margin expansion, and the refinancing discount associated with the 2027-2028 debt wall. So, a buyer must decide which of these discounts represents a real risk to be compensated and which represents a market inefficiency to be exploited.

6.3. Comparable multiples valuation

6.3.1. Peer selection and EV/EBITDA benchmarking

The peer group is selected to bracket Grifols' operating profile from several angles without over weighting any single comparable. CSL Limited is included as the plasma pure benchmark. Takeda Pharmaceutical serves as a diversified biopharma peer. Octapharma is included for margin profile reference despite being privately held and therefore producing no listed multiple. Fresenius SE is added at the group level and at the Kabi segment level to capture an adjacent diversified healthcare comparable and a plasma adjacent pure segment benchmark. This approach is consistent with Rosenbaum & Pearl (2021) and Talmor et al. (2011) on the construction of peer universes where one or two members fall outside the idealised comparability standard. The following table summarizes the EV/EBITDA dimension on which the buyout case primarily relies.

Table 5. EV/EBITDA benchmarking.

Peer	EV/EBITDA	EBITDA margin	Net debt / EBITDA
CSL Limited	22,2x	32,1%	2,2x
Takeda	8,9x	28,4%	3,6x
Octapharma	-	21,4%	-
Fresenius Group	8,2x	16,8%	3,0x
Fresenius Kabi	8,2x	22,3%	1,9x
Grifols	7,8x	24,3%	4,2x

Source: Own elaboration

However, two limitations of the peer set shape the interpretation. First, CSL trades at a structural premium of 22,2x EV/EBITDA that reflect governance quality, approval track record, proprietary immunoglobulin leadership, and a strong dividend quality. So, CSL's multiple

establishes an upper bound. Second, Takeda and Fresenius trade at 8,9x and 8,2x respectively, but both carry product-mix exposures that differ from Grifols pure plasma profile. Therefore, their multiples reflect a blend of plasma and non-plasma economics. Grifols itself trades at material discounts versus the peer median across every multiple. These discounts reflect: a margin 2% points above the peer median (positive), revenue growth 1,5% points below median (negative), and leverage 1,97x higher than the median (negative). The three-scenario multiple range (8,5x downside, 9,5x base case, 11x upside) is anchored around Grifols' closes peers, with the upper end reflecting a scenario in which margin improvements materialize and investor confidence is partially restored.

Applying the multiple range to 2025 adjusted EBITDA of 1,850€ million yields an EV of 15,7-20,4€ billion, equity value of 7,9€-12,6€ billion after net debt, and a Class A-equivalent share price of 12,25-19,42€. The central point at 9,5x delivers 17,3€ billion of EV and 14,77€ per Class A share. The low end of the range (12,25€) is consistent with the sensitized DCF (11,25€) and with the observed market price during the Brookfield discussions (roughly 9,5€). This confirms that a market-aligned view sits in the 10-13€ per share band.

6.3.2. Precedent transactions

Trading comparable capture how the market values listed peers as ongoing concerns; precedent transactions capture how acquirers value companies in actual control transactions. Precedent transactions embed control premiums and strategic synergies that are absent from trading multiples. Four relevant plasma and biopharma deals frame the range: Shire/Takeda (2019) at 11,5x EV/EBITDA, Vifor/CSL (2022) at 14x, Biotest/Grifols (2022) at 16,5x, and Talecris/Grifols (2011) at 10x. The plasma median is 12,75x and the mean 13x. So, applying 12,75x to Grifols' 2025 adjusted EBITDA produces an implied EV of 23,3€ billion, equity value of 15,5€ billion after net debt, and an implied price of 23,92€ per Class A share. This represents the price at which a strategic buyer might be willing to take Grifols private if it fully credits the operational improvement plan and a governance reset. A PE firm would not pay the full control premium since it would compress returns below the 20-25% IRR threshold that LPs require. Therefore, the precedent multiple of 12,75x represents a negotiation ceiling. In practice, a buyer would enter at a lower multiple. The full precedent transaction table is reported in Appendix B.

6.4. LBO feasibility analysis

Once the standalone valuation has been built, the LBO model integrates entry pricing, capital structure and exit dynamics into a single framework that produces the deal-level returns. The Base case is built at 9,5x EBITDA entry and 10x exit. The capital structure is split 65% debt

and 35% equity. The remainder of this section walks through the capital structure, the cash-sweep mechanics, the resulting deal-level returns, the LP returns after fund economics, and the value creation attribution. The full LBO model is reported in Appendix C.

6.4.1. Capital structure and debt mechanics

The Base entry EV of 17,3€ billion is funded by 11,3€ billion of new debt and 6,1€ billion of sponsor equity, as well as transaction fees of 2% of EV (347€ million) absorbed through an additional equity plug for a total equity invested of 6,4€ billion. The 11,3€ billion of new debt is decomposed into five tranches that approximate a realistic large-cap LBO capital structure following the conventions in Pignataro (2022) and Rosenbaum & Pearl (2021). The following table reports the tranche structure and the resulting weighted average cost of debt and weighted mandatory amortization, which feed directly into the consolidated debt schedule.

Table 6. LBO Capital structure, five tranche debt mix.

Tranche	% of debt	Pre-tax rate	Mandatory amortization/year	Type
Revolver	7%	6%	0%	Revolver
Term Loan A	13%	6%	5%	Amortising
Term Loan B	40%	6,5%	1%	Bullet
Senior secured notes	27%	7,5%	0%	Bullet
Senior unsecured notes	13%	8,5%	0%	Bullet
Weighted average	100%	6,93%	1,05%	

Sources: own elaboration.

The weighted average cost of debt of 6,93% sits roughly 60 basis points below a flat 7,5% assumption (senior secured notes), which reflects the cheaper bank tranches carry lower rates than the bonds and pull down the blended average down. The weighted mandatory amortization of 1,05% per year produces roughly 118€ millions of scheduled paydown on the Base case debt (11,3€ billion). Beyond this, cash sweep⁶ is tiered on leverage: 100% of discretionary FCF goes to debt repayment above 5x, declining to 0% below 2x. The tiered sweep produces residual debt at exit of €8,3 billion rather than €7,2 billion under a flat 100% sweep, meaning the deal relies more on EBITDA growth and multiple expansion than on aggressive deleveraging. Entry leverage of 6,2x sits at the upper end of historical norms as

⁶ A cash sweep is an arrangement under which any cash the company generates above its operating needs is automatically used to repay debt ahead of schedule.

Axelson et al. (2013) document an average of 5,6x across LBOs from 1980 to 2008, with the upper quartile around 6-6,5x. However, the 6,2x is partly structural: Grifols already carried 4,2x leverage pre-transaction, so the incremental sponsor-layered debt is closer to 2x. That said, 6,2x on an asset exposed to regulatory events at individual fractionation facilities is not a conservative capital structure. Year 1 coverage ratios (2,61x interest coverage, 1,77x debt service, 1,54x fixed charge) sit above typical high-yield covenant thresholds of 2x, 1,10x, 1,50x respectively, but with limited headroom.

6.4.2. Indicative returns: deal level and LP-level

Once the operating projection and the capital structure are integrated, the LBO model produces the returns summarized in Table 7 under the three scenarios, combined with each scenario's entry and exit multiples. The table also reports the LP-level returns after subtracting fund-level management fees (2% per year on invested equity, 640€ million over the Base case hold) and carried interest under a four-tier European waterfall (8% preferred return, 100% catch-up, 20% carry).

Table 7. LBO returns (€ million).

Metric	Base	Upside	Downside
Entry multiple / Exit multiple	9,5x / 10,0x	10,5x / 11,0x	8,5x / 9,0x
Entry EV	17.338	19.162	15.512
Sponsor equity invested	6.415	7.090	5.740
Net leverage at entry	6,2x	6,8x	5,5x
Exit EBITDA 2030E	2.821	3.246	2.045
Exit equity value	19.883	26.457	10.632
Deal-level MOIC	3,10x	3,73x	1,85x
Deal-level IRR (gross sponsor)	25,4%	30,1%	13,1%
LP NET MOIC (after fees + carry)	2,58x	3,09x	1,58x
LP NET IRR	20,9%	25,3%	9,6%
Drag (gross – net, pp)	4,5 pp	4,9 pp	3,5 pp
Meets 20% gross IRR / 2.0x MOIC?	Yes	Yes	No

Sources: own elaboration

The base and upside cases clear PE return thresholds comfortably, while the downside fails on both gross IRR (13,1%) and LP net IRR (9,6%). Critically, the downside entry multiple of 8.5x is lower than the base. The deal breaks not because of overpaying at entry, but because

margins stabilize at 23% rather than expanding to 27,5% and revenue growth decelerates to 2,5% by 2030, compressing exit EBITDA by 27%. This confirms that operational execution, not entry pricing, is the primary driver of equity returns, consistent with Gompers et al. (2016) and Kaplan & Schoar (2005). The breakeven entry multiple (the highest multiple at which the base operating trajectory still delivers a 20% gross IRR) is 11,4x, implying an entry EV of 20,9€ billion and a Class A-equivalent price of 20,33€. Above this threshold the investment thesis breaks under base execution.

The gap between gross deal-level IRR and LP net IRR is roughly 4,5%, reflecting the standard 2% management fee and 20% carried interest. This drag is analytically important: a deal delivering exactly 20% gross returns only roughly 16% net to LPs, below the 18-20% net target that institutional investors typically require. A gross IRR of 22-25% is therefore the practically relevant underwriting target, not 20%.⁷

6.4.3. Returns attribution: where the value comes from

The LBO model decomposes the equity gain into three sources of value creation following the standard returns attribution framework articulated in Pignataro (2022) and Rosenbaum & Pearl (2021): EBITDA growth multiplied by the entry multiple, capturing organic operational improvement; multiple expansion multiplied by the terminal-year EBITDA, capturing market re-rating; and debt paydown, capturing the equity transferred from creditors as leverage declines. The sum of the three components equal (Exit equity – Entry equity) by construction. The following table reports the decomposition for the three scenarios.

Table 8. Returns attribution, value creation bridge by case.

Source of value	Base €M	%	Upside €M	%	Down €M	%
1. EBITDA growth × Entry multiple	9.465	68,5	14.920	75,5	1.872	36
2. Multiple expansion × Exit EBITDA	1.411	10,2	1.623	8,2	1.023	19,7
3. Debt paydown (Entry – Residual)	2.939	21,3	3.206	16,2	2.308	44,4
Total value creation	13.815	100	19.750	100	5.203	100

Sources: own elaboration.

⁷ The European waterfall is applied here to a single deal as a pedagogical simplification. In a real fund context with multiple deals, preferred returns, catch-up and carry are computed on aggregate fund cash flows; the qualitative conclusion on required gross IRR is robust to this simplification.

In the Base case, EBITDA growth contributes 68,5% of total value creation, multiple expansion contributes 10,2% and deleveraging contributes 21,3%. This is a heavily operational profile: the deal works because Grifols compounds EBITDA from 1.825€ million to 2.821 million at a 9% CAGR. The Upside skews even further toward operational improvement (75,5%) because the higher entry multiple amplifies the impact of every additional euro of EBITDA. By comparison, Kaplan & Strömberg (2009) find a historical LBO attribution of 45% operational improvement, 30% multiple expansion and 25% deleveraging. So, the Grifols Base case is more dependent on execution and less reliant on multiple rerating than the average buyout.

The downside flips the structure: deleveraging contributes 44,4% while EBITDA growth falls to 36%. When the operating thesis underperforms, forced debt amortization through the cash sweep mechanism becomes the primary source of residual value. Indeed, it is this mechanism that prevents the downside from becoming a capital loss; without it, residual debt at exit would absorb the remaining equity. Therefore, this illustrates the structural role of debt paydown as a floor value creation in adverse scenarios.

6.5. Sensitivity analysis and scenario testing

The narrative below focuses on the diagnostic conclusions rather than on cell-by-cell output.

The first table crosses entry and exit multiples at Base operating assumptions. The base centre delivers roughly 27% gross IRR; the IRR falls to 13% at 11x entry paired with 8x exit and rises to 42% at 8x entry paired with 12x. The value creation lever is paying below exit and exiting above entry. However, the current environment makes multiple compression as plausible as expansion.

Table 9. IRR sensitivity to Entry x Exit multiple.

Exit multiple →	8,00x	9,00x	10,00x	11,00x	12,00x
Entry multiple ↓					
8,00x	28,50%	32,31%	35,73%	38,84%	41,69%
9,00x	23,28%	27,27%	30,81%	34,00%	36,91%
10,00x	18,37%	22,56%	26,25%	29,55%	32,54%
11,00x	13,64%	18,09%	21,96%	25,39%	28,48%
12,00x	8,99%	13,77%	17,86%	21,45%	24,66%

Source: own elaboration

The second table crosses the 2030 EBITDA margin and revenue growth rate, both held constant during the hold. At margins below 24% combined with growth below 5%, IRR falls below 15%; the corner combination of 22% margin and 4% growth produces a 12,66% IRR.

However, the base entry pricing at 9,5x with downside operating performance delivers 11% gross IRR, which is the relevant stress case for PE risk management.

Table 10. IRR sensitivity to EBITDA margin 2030 x Revenue growth.

Margin 2030 →	22,0%	24,0%	26,0%	28,0%	30,0%
Revenue growth ↓					
4,0%	12,66%	17,06%	20,87%	24,26%	27,32%
5,0%	15,11%	19,36%	23,07%	26,39%	29,39%
6,0%	17,46%	21,58%	25,21%	28,46%	31,41%
7,0%	19,71%	23,72%	27,28%	30,47%	33,38%
8,0%	21,88%	25,80%	29,29%	32,44%	35,32%

Source: own elaboration.

The third table crosses the WACC and the perpetual growth rate for the DCF, producing an EV range of 16-40,4€ million; a 2,5x spread. This confirms that the DCF output is dominated by the discount rate and terminal growth assumption, making a single-point DCF an unreliable anchor for an LBO decision.

Table 11. DCF EV sensitivity to WACC x perpetuity growth.

Perpetuity g →	1,5%	2,0%	2,5%	3,0%	3,5%
WACC ↓					
7,0%	27.356	29.633	32.416	35.894	40.366
8,0%	23.067	24.614	26.442	28.636	31.317
9,0%	19.931	21.038	22.316	23.807	25.569
10,0%	17.539	18.363	19.297	20.365	21.597
11,0%	15.656	16.288	16.995	17.790	18.691

Source: own elaboration.

The fourth table combines entry multiple and 2030 EBITDA margin into a MOIC grid. MOIC falls below 2x whenever entry exceeds 11x and margin stays below 24%, and reaches 4,5x at the opposite corner (8x entry, 30% margin). The 2x threshold runs diagonally from roughly 10x entry at 26% margin to 12x entry at 30% margin, defining the operational envelope within which the deal remains defensible.

Table 12. MOIC sensitivity to Entry Mult. x EBITDA margin 2030.

Margin 2030 →	22,0%	24,0%	26,0%	28,0%	30,0%
Entry mult ↓					
8,00x	3,21x	3,72x	4,23x	4,73x	5,24x
9,00x	2,59x	3,04x	3,49x	3,94x	4,40x
10,00x	2,09x	2,49x	2,90x	3,31x	3,72x
11,00x	1,68x	2,05x	2,42x	2,79x	3,16x
12,00x	1,34x	1,68x	2,02x	2,36x	2,70x

Source: own elaboration.

To sum up the four tables, the deal-breaking conditions are: an entry multiple above roughly 11,4x; an EBITDA margin below 24% combined with revenue growth below 5%; a DCF-implied WACC above 10% combined with perpetual growth below 2%; and an exit multiple below 9x paired with margins that have not expanded. However, the positive form is more useful: the deal works if the sponsor enters below 10x, sustains 6-7% revenue growth, expands the margin by 300 basis points and secures an exit multiple in the 9,5-11x range. It is worth noting that missing any one of these four conditions compresses the IRR materially; missing two or more compromises the thesis entirely.

6.6. Valuation synthesis and PE investment verdict

The four valuation methodologies produce the implied-price map summarized in Table 13. Each method anchors on a different valuation lens. However, the converge between them is the analytically meaningful test of the deal's viability range.

Table 13. Valuation synthesis.

Method	EV (€M)	EV/EBITDA	€/Class A	€/Class B
DCF Perpetuity (Base)	25.755	14,1x	27,76	23,59
DCF Exit Multiple (Base)	24.678	13,5x	26,10	22,18
DCF Sensitised (Bear)	15.056	8,2x	11,25	9,57
Trading comps (9.5× central)	17.338	9,5x	14,77	12,56
Precedent transactions (12.75×)	23.269	12,75x	23,92	20,33
LBO breakeven @ 20% gross IRR	20.939	11,5x	20,33	17,28
Brookfield bid period (Sep 2024)	14.500	7,9x	9,50	8,08

Source: own elaboration.

The seven-reference points cluster into two distinct bands. The control band (base DCF and precedent transactions) sits at 23-28€ per Class A share (23-26€ billion EV). The market band

(sensitised DCF, trading comparable and the observed Brookfield period price) sits at 9-15€ per share (13-17€ billion EV). The LBO breakeven of 20,33€ sits between the two, confirming that an LBO is feasible in the upper part of the market band but loses its margin of safety once it crosses into the control band. The convergence zone where most methods overlap (roughly 14-21€ per share, or 9-11x EBITDA) defines the operative underwriting range.

Grifols is a viable but conditional LBO target. A sponsor can clear 20-25% gross IRR and deliver 20-22% LP net IRR if six conditions hold: entry at or below 10x EBITDA (below 16€ per Class A share); founding family cooperation on governance; management delivering 300 basis points of margin expansion toward 27,5% by 2030; exit multiple holding at or above 9x; the 2027-2028 refinancing negotiated without re-leveraging; and no further governance shocks during the hold.

Two structural caveats apply. Entry leverage of 6,2x is aggressive against historical benchmarks and leaves limited covenant headroom in stress scenarios. The dual-class structure requires a differentiated two-class offer (for example 15€ per Class A share and 12,75€ per Class B at the 0,85 ratio) adding legal and negotiating complexity.

The downside case is the binding test. At 8,5x entry and 9,0x exit with margins stabilising at 23%, deal-level IRR falls to 13,1% and LP net IRR to 9,6% (both below threshold). This is not a tail scenario; it represents a plausible outcome in which the operational improvement plan delivers half its target. The deal has limited tolerance for execution error: a single material shortfall on margin expansion breaks the thesis. The downside avoids a wipe-out only because the cash sweep converts underperformance into debt paydown rather than equity loss, but 1,85x MOIC is well short of the 2x LP-acceptable threshold.

The most concise verdict is the following. Grifols is a viable buyout target at entry multiples up to approximately 10x (16€ billion EV, approximately 13€ per Class A share), becomes marginal between 10x and 11,4x, and is speculative above 11,4x. A 25% gross IRR is required to deliver a comfortable 20% LP net IRR, meaning the sponsor must target the lower end of the entry range. A sponsor unable to underwrite the margin expansion plan with high conviction should pass on the deal at any price above 15€ per Class A share.

7. Conclusions

This study has deepened the understanding of PE fund mechanics and illustrated how industry-standard criteria translate into practice when applied to an actual company. Selecting a target is not a search for companies the market has overlooked, but the structured pricing of risks the market has identified properly and cannot reset itself. In Grifols' case, this is what supports a “viable but conditional” reading rather than a clean “yes or no”, and it is what makes the substantive disagreement between the public market and a sponsor's models not really about the company's intrinsic worth but about which of the discounts the market is already pricing a buyer can credibly reset. The valuation methods exhibit the same structural property. Each anchors a different observer and the value of triangulating them lies in their disagreement, not in their agreement. The spread between methods is itself the analytical object because it quantifies what the public market is implicitly pricing for governance, execution, and refinancing risk. Without that spread, the four methods would yield redundant numbers. With it, they yield a risk map.

Applying this framework to Grifols, mature listed candidates increasingly arrive with “self-PE” when a sponsor approaches them (leverage deployed, an operational improvement plan already running, governance already partially reformed, and so on). This compresses the marginal value-add of going private and reorients the analytical task towards entry pricing rather than transformation during the hold. Taken together, the study clarifies what should be the productive position of the analyst: neither the market's nor the sponsor's, but the analytical task of making the discounts that separate the two explicit and evaluating, with the available public evidence, which of them a buyer is equipped to reset. That position is what private equity analysis ultimately consists of.

The work is subject to several limitations. It relies entirely on public information, so inputs that a PE firm would obtain through confidential due diligence are necessarily approximated; the LBO model is stylised in covenants, refinancing optionality, and tax structuring; and the single-company design restricts mechanical generalization to other candidates, even within healthcare. Three lines of further research follow naturally. A comparative study applying the same screening template and triangulated framework to other listed European candidates would isolate the relative weight of governance and capital structure constraints. A second extension would replace the deterministic three-scenario LBO with a Monte Carlo simulation over the joint distribution of revenue growth, EBITDA margin, exit multiple, and refinancing spread, producing a probabilistic view of downside risk. Finally, a continuation post-deal could build a 100-day plan and a five-year operating roadmap for Grifols under PE ownership, estimating the contribution that each value-creation lever would make to the projected returns.

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Appendix A-Forecast assumptions and complete financial projections

Projection year	Unit	2026	2027	2028	2029	2030
REVENUE GROWTH (YoY)						
Base	%	7,0%	7,0%	6,5%	6,0%	5,5%
Upside	%	8,5%	8,5%	8,0%	7,5%	7,0%
Downside	%	4,0%	4,0%	3,5%	3,0%	2,5%
Selected revenue growth	%	7,0%	7,0%	6,5%	6,0%	5,5%
EBITDA MARGIN (Adjusted, % of revenues)						
Base	%	25,3%	26,0%	26,5%	27,0%	27,5%
Upside	%	26,0%	27,0%	28,0%	29,0%	29,5%
Downside	%	24,0%	23,5%	23,5%	23,0%	23,0%
Selected EBITDA margin	%	25,3%	26,0%	26,5%	27,0%	27,5%
CAPEX (% of revenues)						
Base	%	5,5%	5,5%	5,5%	5,5%	5,5%
Upside	%	4,5%	4,5%	4,5%	4,5%	4,5%
Downside	%	6,5%	6,5%	6,5%	6,5%	6,5%
Selected CAPEX %	%	5,5%	5,5%	5,5%	5,5%	5,5%
D&A (% of revenues)						
D&A ratio	%	6,0%	6,0%	6,0%	6,0%	6,0%
WORKING CAPITAL (% of change in revenues)						
ΔWC / ΔRevenues	%	20,0%	15,0%	15,0%	12,0%	12,0%

LBO STRUCTURE (entry & exit)

Entry EV/EBITDA multiple (base case)	x	9,50x
Entry multiple — Downside	x	8,50x
Exit EV/EBITDA multiple (base case)	x	10,00x
Exit multiple — Downside	x	9,00x
Debt % of EV (base)	%	65,0%
Equity % of EV	%	35,0%
Cost of debt (pre-tax)	%	7,5%
Effective tax rate	%	25,0%
Hold period (years)	yrs	5
Existing net debt at entry (ex-IFRS 16, €M)	€M	7.759
Total shares outstanding (M)	M	687,6

WACC ESTIMATION		
Risk-free rate (Bund 10Y)	%	2,80%
Equity risk premium (ERP)	%	5,75%
Beta unlevered (sector pharma/biopharma)	β	0,80
Target debt / equity (WACC weights)	D/E	0,80
Tax rate (for Hamada + WACC)	%	25,0%
Beta levered (Hamada: $\beta_L = \beta_U \times (1 + (1-T) \times D/E)$)	β	1,28
Cost of equity K_e (CAPM: $R_f + \beta_L \times ERP$)	%	10,16%
Cost of debt K_d (pre-tax, for WACC)	%	7,5%
K_d after tax	%	5,63%
Weight of equity E/V	%	55,6%
Weight of debt D/V	%	44,4%
WACC	%	8,14%

TERMINAL VALUE INPUTS		
Perpetual growth rate g	%	2,50%
DCF mid-year convention (0=end, 0.5=mid)	yrs	0,5

LBO Upside multiples (added)

Entry multiple — Upside	10,50x
Exit multiple — Upside	11,00x

Fund economics, GP/LP terms (European-style waterfall)	
Fund size (€M, total committed capital)	8.000
GP commitment % of fund	2,5%
Mgmt fee %/yr (during investment + post)	2,0%
Carried interest % (carry rate)	20,0%
Hurdle rate (preferred return IRR)	8,0%
Catch-up % (GP share in catch-up tier)	100,0%
Waterfall type	European (whole fund)

Year	2023	2024	2025
PROFIT & LOSS			
Revenues	6.592	7.212	7.524
COGS	(4.109)	(4.418)	(4.665)
Gross profit	2.483	2.794	2.859
<i>Gross margin</i>	37,7%	38,7%	38,0%
R&D expense	(395)	(384)	(426)
SG&A and distribution expense	(1.373)	(1.255)	(1.183)
Other operating income	3	-	1
Equity method (similar activity)	64	37	(8)
EBIT (Resultado de explotación)	782	1.192	1.243
D&A (from cash flow statement)	446	438	450
EBITDA reported (EBIT + D&A)	1.228	1.630	1.693
<i>EBITDA reported margin</i>	18,6%	22,6%	22,5%
EBITDA adjusted (management basis)	1.462	1.779	1.825
<i>EBITDA adjusted margin</i>	22,2%	24,7%	24,3%
EBITDA adjusted per Credit Agreement		1.743	1.852
Net financial income/(expense)	(575)	(748)	(628)
Earnings before tax (EBT)	206	444	615
Income tax	(43)	(231)	(115)
<i>Effective tax rate</i>	20,9%	52,0%	18,7%
Net income (consolidated)	163	213	500
<i>attributable to parent</i>	42	157	402
<i>attributable to NCI</i>	121	56	98

Cash flow			
Operating cash flow	217	902	1.047
CAPEX — property, plant & equipment (tangible only)	(224)	(233)	(265)
CAPEX — intangible assets	(86)	(139)	(158)
CAPEX — tangible + intangible (used in DCF)	(310)	(372)	(423)
CAPEX — reported	(310)	(508)	(373)
Interest paid	(529)	(571)	(532)
Income taxes paid	(159)	(176)	(169)

Balance sheet and leverage			
Net financial debt	9.416	8.046	7.759
Net debt / Adj EBITDA	6,4x	4,6x	4,2x
Cash & equivalents	530	980	825
Inventories	3.459	3.560	3.296
Trade receivables	645	705	651
Total assets	21.441	21.405	19.712
Equity attributable to parent + NCI	7.972	7.604	7.603
Shares outstanding — Class A	426.129.798	426.129.798	426.129.798
Shares outstanding — Class B	261.425.110	261.425.110	261.425.110
Total shares outstanding	687.554.908	687.554.908	687.554.908

Working capital metrics			
Days Sales Outstanding (DSO)	36	35	31
Days Payable Outstanding (DPO)	59	60	57
Days Inventory (DIO)	308	294	258

Year	2025A	2026E	2027E	2028E	2029E	2030E
Income statement						
Revenues	7.524	8.051	8.614	9.174	9.725	10.259
% growth YoY		7,0%	7,0%	6,5%	6,0%	5,5%
EBITDA (Adjusted)	1.825	2.037	2.240	2.431	2.626	2.821
% EBITDA margin	24,3%	25,3%	26,0%	26,5%	27,0%	27,5%
D&A (depreciation & amortization)	(450)	(483)	(517)	(550)	(583)	(616)
EBIT	1.375	1.554	1.723	1.881	2.042	2.206
Net interest expense	615	(582)	(532)	(468)	(392)	(300)
Earnings before tax (EBT)	1.990	972	1.191	1.412	1.650	1.906
Income tax expense	(498)	(243)	(298)	(353)	(413)	(476)
Net income	1.493	729	893	1.059	1.238	1.429
Cash flow (unlevered & levered)						
EBITDA	1.825	2.037	2.240	2.431	2.626	2.821
Cash taxes on EBIT	(344)	(388)	(431)	(470)	(511)	(551)
Change in working capital	-	(105)	(85)	(84)	(66)	(64)
CAPEX	(423)	(443)	(474)	(505)	(535)	(564)
Free Cash Flow to the Firm (FCFF)	1.058	1.100	1.251	1.372	1.514	1.641
Interest paid (on existing net debt)	(532)	(582)	(532)	(468)	(392)	(300)
Free Cash Flow to Equity (FCFE)	659	664	852	1.021	1.220	1.416
Net debt schedule						
Beginning net debt	8.046	7.759	7.095	6.244	5.222	4.002
Interest expense	532	582	532	468	392	300
Cash available for debt paydown (FCFE)	287	664	852	1.021	1.220	1.416
Ending net debt	7.759	7.095	6.244	5.222	4.002	2.586
Net debt / EBITDA	4,25x	3,48x	2,79x	2,15x	1,52x	0,92x
Simplified balance sheet						
PP&E net	5.848	5.808	5.765	5.719	5.670	5.619
Goodwill	6.833	6.833	6.833	6.833	6.833	6.833
Net working capital	2.547	2.652	2.737	2.821	2.887	2.951
Cash	825	825	825	825	825	825
Total invested capital (PP&E + GW + WC + Cash)	16.053	16.118	16.160	16.198	16.215	16.228
Gross debt = Net debt + Cash	8.584	7.920	7.069	6.047	4.827	3.411
Shareholders equity	7.469	8.198	9.091	10.150	11.388	12.817
BS check	-	-	-	-	-	-

Appendix B-DCF and comparable multiples

Year	2026E	2027E	2028E	2029E	2030E
FCFF build					
EBIT	1.554	1.723	1.881	2.042	2.206
× (1 – tax rate)	75,0%	75,0%	75,0%	75,0%	75,0%
EBIT × (1 – t)	1.165	1.292	1.411	1.532	1.654
+ D&A (add back)	483	517	550	583	616
– CAPEX	(443)	(474)	(505)	(535)	(564)
– ΔWC	(105)	(85)	(84)	(66)	(64)
FCFF	1.100	1.251	1.372	1.514	1.641
Discounting					
	Total / PV				
Discount period (years from end-2025)	0,5	1,5	2,5	3,5	4,5
Discount factor	0,9616	0,8892	0,8222	0,7603	0,7030
PV of FCFF	1.058	1.112	1.128	1.151	1.154
	5.604				

Terminal value (TV)	
Method 1: Perpetual growth (Gordon)	
FCFF of 2030E	1.641
FCFF of 2031E	1.682
Terminal value at end-2030	29.808
PV of TV	20.152

Method 2: Exit multiple (EV/EBITDA)	
EBITDA of 2030E	2.821
Exit multiple	10,00x
TV at end-2030	28.214
PV of TV	19.074

Enterprise value (EV)	Perpetuity	Exit Multiple
Sum PV of FCFF	5.604	5.604
PV of TV	20.152	19.074
Enterprise Value	25.755	24678
<i>TV as % of EV</i>	78,2%	77,3%
– Net debt at entry (2025A, ex-IFRS 16)	(7.759)	(7.759)
Equity value	17.996	16919
÷ Shares outstanding (M)	648,3	648,3
Implied price/share (Class A-equivalent)	27,76	26,10
Implied price per Class A share (€)	27,76	26,10
Implied price per Class B share (€)	23,59	22,18

Bear-Case DCF					
Sensitized inputs					
WACC (sensitized)	10,00%				
EBITDA margin 2030 (sensitized)	25,5%				
Effective tax rate (sensitized)	30,0%				
Perpetual growth g (sensitized)	1,5%				
Sensitized FCFF build					
	2026E	2027E	2028E	2029E	2030E
Revenues (Base scenario from Projections)	8.051	8.614	9.174	9.725	10.259
Sensitized EBITDA (Rev × sens margin, flat)	2.053	2.197	2.339	2.480	2.616
D&A (Base, linked from Projections)	(483)	(517)	(550)	(583)	(616)
CAPEX (Base, linked)	(443)	(474)	(505)	(535)	(564)
ΔWC (Base, linked)	(105)	(85)	(84)	(66)	(64)
Cash tax (sens tax × EBIT)	(471)	(504)	(537)	(569)	(600)
Sensitized FCFF	1.034	1.134	1.214	1.310	1.388
Sum PV of sensitized FCFF	4.768				
TV (perpetuity, sensitized)	16.569				
PV of TV (sensitized)	10.288				
Sensitized Enterprise Value	15.056				
– Net debt at entry	(7.759)				
Sensitized equity value	7.297				
Sensitized price/Class A share (€)	11,25				
<i>Implied EV/EBITDA 2025A (sensitized)</i>					
	8,2x				

Reconciliation: Base DCF vs Sensitized DCF vs Market				
Metric	Base DCF	Sensitized	Comparables	Mkt (Brookfield bid)
Implied EV (€M)	25.755	15.056	17.338	14.500
<i>Implied EV/EBITDA</i>	14,1x	8,2x	9,5x	7,9x
Price/Class A share (€)	27,76	11,25	14,77	10,40

Peer	Year ref	Revenue (€M)	EBITDA (€M)	EBIT (€M)	Net Debt (€M)	Mkt Cap (€M)	EV (€M)	EV/EBITDA	EV/EBIT	EBITDA margin
Grifols	2025	7.524	1.825	1.243	7.759	6.532	14.291	7,8x	11,5x	24,3%
CSL Limited	2024	13.704	4.398	3.530	9.746	88.052	97.798	22,2x	27,7x	32,1%
Takeda Pharmaceutical	2024	25.841	7.273	6.393	26.061	38.352	64.413	8,9x	10,1x	28,1%
Octapharma (private)	2024	3.466	740	532	-	-	-	-	-	21,4%
Fresenius SE (Group)	2024	21.526	3.614	2.489	10.842	18.891	29.733	8,2x	11,9x	16,8%
Fresenius Kabi (segment)	2024	8.414	1.875	1.319	3.568	11.807	15.375	8,2x	11,7x	22,3%

Precedent transactions: Plasma & Biopharma M&A

Transaction	Year	Acquirer	Target	EV (\$/€bn)	EV/EBITDA (LTM)	Premium paid
Shire / Takeda	2019	Takeda	Shire plc	\$62bn	11,5x	60% over UND price
Vifor / CSL	2022	CSL Limited	Vifor Pharma	\$11.7bn	14,0x	40% over Sep-21 price
Biotest / Grifols	2022	Grifols	Biotest AG	€2.0bn	16,5x	~30% over pre-bid
Talecris / Grifols	2011	Grifols	Talecris Biotherapeutics	\$4.0bn	10,0x	53% over UND price

Precedent stats (EV/EBITDA across plasma-relevant deals)

Plasma-relevant median (Shire, Vifor, Biotest, Talecris)	12,8x
Plasma-relevant mean	13,0x
Plasma-relevant range (min – max)	10x – 16,5x

Implied Grifols EV using precedent multiple range

Apply precedent median to Grifols 2025A EBITDA	23.269
Implied equity value	15.510
Implied price/Class A share (€)	23,92

Appendix C-LBO model

Year	Base case					Upside case					Downside case				
	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E
Operating projections															
Revenues	8.051	8.614	9.174	9.725	10.259	8.164	8.857	9.566	10.283	11.003	7.825	8.138	8.423	8.675	8.892
EBITDA (Adjusted)	2.037	2.240	2.431	2.626	2.821	2.123	2.392	2.678	2.982	3.246	1.878	1.912	1.979	1.995	2.045
EBITDA margin	25,3%	26,0%	26,5%	27,0%	27,5%	26,0%	27,0%	28,0%	29,0%	29,5%	24,0%	23,5%	23,5%	23,0%	23,0%
D&A	(483)	(517)	(550)	(583)	(616)	(490)	(531)	(574)	(617)	(660)	(469)	(488)	(505)	(521)	(534)
EBIT	1.554	1.723	1.881	2.042	2.206	1.633	1.860	2.105	2.365	2.586	1.408	1.424	1.474	1.475	1.512
CAPEX	(443)	(474)	(505)	(535)	(564)	(367)	(399)	(430)	(463)	(495)	(509)	(529)	(547)	(564)	(578)
Change in WC	(105)	(85)	(84)	(66)	(64)	(128)	(104)	(106)	(86)	(86)	(60)	(47)	(43)	(30)	(26)
Cash taxes on EBIT	(388)	(431)	(470)	(511)	(551)	(408)	(465)	(526)	(591)	(646)	(352)	(356)	(368)	(369)	(378)
FCFF (pre-interest)	1.100	1.251	1.372	1.514	1.641	1.219	1.424	1.616	1.842	2.018	957	980	1.021	1.032	1.063
ENTRY (end of 2025A)															
EBITDA 2025A entry	1.825					1.825					1.825				
Entry EV/EBITDA multiple	9,50x					10,50x					8,50x				
Entry Enterprise Value	17.338					19.163					15.513				
Total debt (new LBO capital structure)	11.269					12.456					10.083				
Sponsor equity invested (EV × equity%)	6.068					6.707					5.429				
Net debt / EBITDA at entry	6,18x					6,83x					5,53x				
Sources & uses															
Uses															
Purchase of equity (public)	9.579					11.404					7.754				
Refinance existing net debt	7.759					7.759					7.759				
Transaction / financing fees (2% of EV)	347					383					310				
Total uses	17.684					19.546					15.823				
Sources															
New debt raised	11.269					12.456					10.083				
Sponsor equity	6.068					6.707					5.429				
Additional equity plug (to balance)	347					383					310				
Total sources	17.684					19.546					15.823				
Total equity investment (sponsor + plug)	6.415					7.090					5.740				
Debt schedule (cash sweep)															
Beginning debt	11.269	10.755	10.206	9.545	8.977	12.456	11.884	11.247	10.441	9.726	10.083	9.650	9.171	8.737	8.277
Interest expense (BOP × Kd)	781	745	707	662	622	863	824	779	724	674	699	669	636	605	574
Cash available (FCFF – Interest × (1–t))	515	692	842	1.018	1.175	572	806	1.031	1.299	1.513	433	479	544	578	633
Debt paydown (cash sweep)	515	548	661	568	647	572	637	806	715	476	433	479	434	460	501
Ending debt	10.755	10.206	9.545	8.977	8.331	11.884	11.247	10.441	9.726	9.249	9.650	9.171	8.737	8.277	7.775
Net debt / EBITDA (EOP)	5,28x	4,56x	3,93x	3,42x	2,95x	5,60x	4,70x	3,90x	3,26x	2,85x	5,14x	4,80x	4,41x	4,15x	3,80x

Exit and returns (year 2030)					
Exit EBITDA (2030E)	2.821		3.246		2.045
Exit EV/EBITDA multiple	10,00x		11,00x		9,00x
Exit Enterprise Value	28.214		35.706		18.407
– Residual net debt (EOP 2030)	(8.331)		(9.249)		(7.775)
Exit equity value	19.883		26.457		10.632
Entry equity invested	6.415		7.090		5.740
MOIC	3,10x		3,73x		1,85x
IRR (geometric)	25,39%		30,13%		13,12%

Returns summary					
Metric	Base	Upside	Downside	Target	Base PASS?
Entry EV	17.338	19.163	15.513		
Entry multiple	9,50x	10,50x	8,50x		
Entry EBITDA	1.825	1.825	1.825		
New debt raised	11.269	12.456	10.083		
Entry equity invested	6.415	7.090	5.740		
Exit EBITDA 2030E	2.821	3.246	2.045		
Exit multiple	10,00x	11,00x	9,00x		
Exit EV	28.214	35.706	18.407		
Residual debt (EOP 2030)	8.331	9.249	7.775		
Exit equity value	19.883	26.457	10.632		
MOIC	3,10x	3,73x	1,85x	2,00x	✓ PASS
IRR	25,39%	30,13%	13,12%	20,0%	✓ PASS

PE returns thresholds checks

IRR ≥ 20%?	✓ PASS	✓ PASS	X FAIL
MOIC ≥ 2.0x?	✓ PASS	✓ PASS	X FAIL

Coverage ratios

Year	2026E	2027E	Base			2026E	2027E	Upside			2026E	2027E	Downside			2026E	2027E	2028E	2029E	2030E	
Interest coverage (EBITDA / Interest)	2,61x	3,01x	3,44x	3,97x	4,54x	2,46x	3,01x	2,90x	3,44x	4,12x	4,82x	2,69x	2,86x	3,11x	3,30x	3,57x					
Debt service coverage ((EBITDA-CAPEX) / (Int+Mand))	1,77x	2,04x	2,33x	2,68x	3,05x	1,77x	2,09x	2,47x	2,95x	3,42x		1,70x	1,79x	1,93x	2,01x	2,16x					
Fixed charge coverage ((EBITDA-CAPEX-Tax) / Interest)	1,54x	1,79x	2,06x	2,39x	2,74x	1,56x	1,86x	2,21x	2,66x	3,12x		1,46x	1,54x	1,67x	1,76x	1,90x					
Mandatory amortization																					
Mandatory amort €/yr (% Mand/yr times Total debt)			118	131	106																

Mandatory amortization

Mandatory amort €/yr (% Mand/yr times Total debt)

118

131

106

Returns attribution: Value creation bridge

Source of value (€M and % of MOIC contribution)	Base	%	Upside	%	Downside	%
1. EBITDA growth × Entry multiple	9.465	68,5%	14.920	75,5%	1.872	36,0%
2. Multiple expansion × Exit EBITDA	1.411	10,2%	1.623	8,2%	1.023	19,7%
3. Debt paydown (Entry-Residual)	2.939	21,3%	3.206	16,2%	2.308	44,4%
Total value creation (€M)	13.815	100,0%	19.750	100,0%	5.203	100,0%

MOIC bridge (× of entry equity)

Component	Base	Upside	Downside
Starting	1,00x	1,00x	1,00x
+ EBITDA growth contribution	1,48x	2,10x	0,33x
+ Multiple expansion contribution	0,22x	0,23x	0,18x
+ Deleveraging contribution	0,46x	0,45x	0,40x
Total MOIC	3,10x	3,73x	1,85x

GP / LP Distribution (European waterfall)

Waterfall by case	Base	Upside	Downside
Entry equity invested (€M)	6.415	7.090	5.740
Exit equity / Total distribution (€M)	19.883	26.457	10.632
Total profits (Exit – Invested)	13.468	19.366	4.892
Tier 1: Return of capital to LP (€M)	6.415	7.090	5.740
Tier 2: Preferred return @ hurdle to LP (€M)	3.011	3.328	2.694
Tier 3: GP catch-up (€M)	753	832	673
Tier 4: Profits available for 80/20 split (€M)	9.705	15.207	1.525
LP share Tier 4 (1 – carry%)	7.764	12.166	1.220
GP share Tier 4 (carry%)	1.941	3.041	305
TOTAL LP distributions (gross of mgmt fees)	17.189	22.583	9.653
TOTAL GP carry (Tier 3 + Tier 4)	2.694	3.873	978
Annual mgmt fee €/yr (mgmt fee % × invested)	128	142	115
Total mgmt fees over hold (€M)	641	709	574
LP NET distributions (gross – mgmt fees)	16.548	21.874	9.079

LP return metrics

LP MOIC (gross — before mgmt fees)	2,68x	3,19x	1,68x
LP MOIC (net of mgmt fees)	2,58x	3,09x	1,58x
LP IRR (gross — single cash flow simplification)	21,79%	26,07%	10,96%
LP IRR (net of mgmt fees)	20,87%	25,27%	9,61%

Comparison: deal-level vs LP-level returns

Deal-level (gross sponsor) IRR	25,39%	30,13%	13,12%
LP NET IRR	20,87%	25,27%	9,61%
<i>Drag from fees & carry (pp)</i>	4,52%	4,86%	3,52%

GP economics summary

GP carry earned (€M)	2.694	3.873	978
Total mgmt fees earned (€M)	641	709	574
Total GP economics (carry + fees)	3.335	4.582	1.552
<i>GP economics as % of LP gross distributions</i>	19,4%	20,3%	16,1%

9. Appendices

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Appendix A-Forecast assumptions and complete financial projections

Projection year	Unit	2026	2027	2028	2029	2030
REVENUE GROWTH (YoY)						
Base	%	7,0%	7,0%	6,5%	6,0%	5,5%
Upside	%	8,5%	8,5%	8,0%	7,5%	7,0%
Downside	%	4,0%	4,0%	3,5%	3,0%	2,5%
Selected revenue growth	%	7,0%	7,0%	6,5%	6,0%	5,5%
EBITDA MARGIN (Adjusted, % of revenues)						
Base	%	25,3%	26,0%	26,5%	27,0%	27,5%
Upside	%	26,0%	27,0%	28,0%	29,0%	29,5%
Downside	%	24,0%	23,5%	23,5%	23,0%	23,0%
Selected EBITDA margin	%	25,3%	26,0%	26,5%	27,0%	27,5%
CAPEX (% of revenues)						
Base	%	5,5%	5,5%	5,5%	5,5%	5,5%
Upside	%	4,5%	4,5%	4,5%	4,5%	4,5%
Downside	%	6,5%	6,5%	6,5%	6,5%	6,5%
Selected CAPEX %	%	5,5%	5,5%	5,5%	5,5%	5,5%
D&A (% of revenues)						
D&A ratio	%	6,0%	6,0%	6,0%	6,0%	6,0%
WORKING CAPITAL (% of change in revenues)						
ΔWC / ΔRevenues	%	20,0%	15,0%	15,0%	12,0%	12,0%

LBO STRUCTURE (entry & exit)		
Entry EV/EBITDA multiple (base case)	x	9,50x
Entry multiple — Downside	x	8,50x
Exit EV/EBITDA multiple (base case)	x	10,00x
Exit multiple — Downside	x	9,00x
Debt % of EV (base)	%	65,0%
Equity % of EV	%	35,0%
Cost of debt (pre-tax)	%	7,5%
Effective tax rate	%	25,0%
Hold period (years)	yrs	5
Existing net debt at entry (ex-IFRS 16, €M)	€M	7.759
Total shares outstanding (M)	M	687,6

WACC ESTIMATION		
Risk-free rate (Bund 10Y)	%	2,80%
Equity risk premium (ERP)	%	5,75%
Beta unlevered (sector pharma/biopharma)	β	0,80
Target debt / equity (WACC weights)	D/E	0,80
Tax rate (for Hamada + WACC)	%	25,0%
Beta levered (Hamada: $\beta_L = \beta_U \times (1 + (1-T) \times D/E)$)	β	1,28
Cost of equity K_e (CAPM: $R_f + \beta_L \times ERP$)	%	10,16%
Cost of debt K_d (pre-tax, for WACC)	%	7,5%
K_d after tax	%	5,63%
Weight of equity E/V	%	55,6%
Weight of debt D/V	%	44,4%
WACC	%	8,14%

TERMINAL VALUE INPUTS		
Perpetual growth rate g	%	2,50%
DCF mid-year convention (0=end, 0.5=mid)	yrs	0,5

LBO Upside multiples (added)

Entry multiple — Upside	10,50x
Exit multiple — Upside	11,00x

Fund economics, GP/LP terms (European-style waterfall)	
Fund size (€M, total committed capital)	8.000
GP commitment % of fund	2,5%
Mgmt fee %/yr (during investment + post)	2,0%
Carried interest % (carry rate)	20,0%
Hurdle rate (preferred return IRR)	8,0%
Catch-up % (GP share in catch-up tier)	100,0%
Waterfall type	European (whole fund)

Year	2023	2024	2025
PROFIT & LOSS			
Revenues	6.592	7.212	7.524
COGS	(4.109)	(4.418)	(4.665)
Gross profit	2.483	2.794	2.859
<i>Gross margin</i>	37,7%	38,7%	38,0%
R&D expense	(395)	(384)	(426)
SG&A and distribution expense	(1.373)	(1.255)	(1.183)
Other operating income	3	-	1
Equity method (similar activity)	64	37	(8)
EBIT (Resultado de explotación)	782	1.192	1.243
D&A (from cash flow statement)	446	438	450
EBITDA reported (EBIT + D&A)	1.228	1.630	1.693
<i>EBITDA reported margin</i>	18,6%	22,6%	22,5%
EBITDA adjusted (management basis)	1.462	1.779	1.825
<i>EBITDA adjusted margin</i>	22,2%	24,7%	24,3%
EBITDA adjusted per Credit Agreement		1.743	1.852
Net financial income/(expense)	(575)	(748)	(628)
Earnings before tax (EBT)	206	444	615
Income tax	(43)	(231)	(115)
<i>Effective tax rate</i>	20,9%	52,0%	18,7%
Net income (consolidated)	163	213	500
<i>attributable to parent</i>	42	157	402
<i>attributable to NCI</i>	121	56	98

Cash flow			
Operating cash flow	217	902	1.047
CAPEX — property, plant & equipment (tangible only)	(224)	(233)	(265)
CAPEX — intangible assets	(86)	(139)	(158)
CAPEX — tangible + intangible (used in DCF)	(310)	(372)	(423)
CAPEX — reported	(310)	(508)	(373)
Interest paid	(529)	(571)	(532)
Income taxes paid	(159)	(176)	(169)

Balance sheet and leverage			
Net financial debt	9.416	8.046	7.759
Net debt / Adj EBITDA	6,4x	4,6x	4,2x
Cash & equivalents	530	980	825
Inventories	3.459	3.560	3.296
Trade receivables	645	705	651
Total assets	21.441	21.405	19.712
Equity attributable to parent + NCI	7.972	7.604	7.603
Shares outstanding — Class A	426.129.798	426.129.798	426.129.798
Shares outstanding — Class B	261.425.110	261.425.110	261.425.110
Total shares outstanding	687.554.908	687.554.908	687.554.908

Working capital metrics			
Days Sales Outstanding (DSO)	36	35	31
Days Payable Outstanding (DPO)	59	60	57
Days Inventory (DIO)	308	294	258

Year	2025A	2026E	2027E	2028E	2029E	2030E
Income statement						
Revenues	7.524	8.051	8.614	9.174	9.725	10.259
% growth YoY		7,0%	7,0%	6,5%	6,0%	5,5%
EBITDA (Adjusted)	1.825	2.037	2.240	2.431	2.626	2.821
% EBITDA margin	24,3%	25,3%	26,0%	26,5%	27,0%	27,5%
D&A (depreciation & amortization)	(450)	(483)	(517)	(550)	(583)	(616)
EBIT	1.375	1.554	1.723	1.881	2.042	2.206
Net interest expense	615	(582)	(532)	(468)	(392)	(300)
Earnings before tax (EBT)	1.990	972	1.191	1.412	1.650	1.906
Income tax expense	(498)	(243)	(298)	(353)	(413)	(476)
Net income	1.493	729	893	1.059	1.238	1.429
Cash flow (unlevered & levered)						
EBITDA	1.825	2.037	2.240	2.431	2.626	2.821
Cash taxes on EBIT	(344)	(388)	(431)	(470)	(511)	(551)
Change in working capital	-	(105)	(85)	(84)	(66)	(64)
CAPEX	(423)	(443)	(474)	(505)	(535)	(564)
Free Cash Flow to the Firm (FCFF)	1.058	1.100	1.251	1.372	1.514	1.641
Interest paid (on existing net debt)	(532)	(582)	(532)	(468)	(392)	(300)
Free Cash Flow to Equity (FCFE)	659	664	852	1.021	1.220	1.416
Net debt schedule						
Beginning net debt	8.046	7.759	7.095	6.244	5.222	4.002
Interest expense	532	582	532	468	392	300
Cash available for debt paydown (FCFE)	287	664	852	1.021	1.220	1.416
Ending net debt	7.759	7.095	6.244	5.222	4.002	2.586
Net debt / EBITDA	4,25x	3,48x	2,79x	2,15x	1,52x	0,92x
Simplified balance sheet						
PP&E net	5.848	5.808	5.765	5.719	5.670	5.619
Goodwill	6.833	6.833	6.833	6.833	6.833	6.833
Net working capital	2.547	2.652	2.737	2.821	2.887	2.951
Cash	825	825	825	825	825	825
Total invested capital (PP&E + GW + WC + Cash)	16.053	16.118	16.160	16.198	16.215	16.228
Gross debt = Net debt + Cash	8.584	7.920	7.069	6.047	4.827	3.411
Shareholders equity	7.469	8.198	9.091	10.150	11.388	12.817
BS check	-	-	-	-	-	-

Appendix B-DCF and comparable multiples

Year	2026E	2027E	2028E	2029E	2030E
FCFF build					
EBIT	1.554	1.723	1.881	2.042	2.206
× (1 – tax rate)	75,0%	75,0%	75,0%	75,0%	75,0%
EBIT × (1 – t)	1.165	1.292	1.411	1.532	1.654
+ D&A (add back)	483	517	550	583	616
– CAPEX	(443)	(474)	(505)	(535)	(564)
– ΔWC	(105)	(85)	(84)	(66)	(64)
FCFF	1.100	1.251	1.372	1.514	1.641
Discounting					
	Total / PV				
Discount period (years from end-2025)	0,5	1,5	2,5	3,5	4,5
Discount factor	0,9616	0,8892	0,8222	0,7603	0,7030
PV of FCFF	1.058	1.112	1.128	1.151	1.154
					5.604
Terminal value (TV)					
Method 1: Perpetual growth (Gordon)					
FCFF of 2030E		1.641			
FCFF of 2031E		1.682			
Terminal value at end-2030		29.808			
PV of TV		20.152			
Method 2: Exit multiple (EV/EBITDA)					
EBITDA of 2030E		2.821			
Exit multiple		10,00x			
TV at end-2030		28.214			
PV of TV		19.074			

Enterprise value (EV)	Perpetuity	Exit Multiple
Sum PV of FCFF	5.604	5.604
PV of TV	20.152	19.074
Enterprise Value	25.755	24678
TV as % of EV	78,2%	77,3%
– Net debt at entry (2025A, ex-IFRS 16)	(7.759)	(7.759)
Equity value	17.996	16919
÷ Shares outstanding (M)	648,3	648,3
Implied price/share (Class A-equivalent)	27,76	26,10
Implied price per Class A share (€)	27,76	26,10
Implied price per Class B share (€)	23,59	22,18

Bear-Case DCF					
Sensitized inputs					
WACC (sensitized)	10,00%				
EBITDA margin 2030 (sensitized)	25,5%				
Effective tax rate (sensitized)	30,0%				
Perpetual growth g (sensitized)	1,5%				
Sensitized FCFF build					
	2026E	2027E	2028E	2029E	2030E
Revenues (Base scenario from Projections)	8.051	8.614	9.174	9.725	10.259
Sensitized EBITDA (Rev × sens margin, flat)	2.053	2.197	2.339	2.480	2.616
D&A (Base, linked from Projections)	(483)	(517)	(550)	(583)	(616)
CAPEX (Base, linked)	(443)	(474)	(505)	(535)	(564)
ΔWC (Base, linked)	(105)	(85)	(84)	(66)	(64)
Cash tax (sens tax × EBIT)	(471)	(504)	(537)	(569)	(600)
Sensitized FCFF	1.034	1.134	1.214	1.310	1.388
Sum PV of sensitized FCFF	4.768				
TV (perpetuity, sensitized)	16.569				
PV of TV (sensitized)	10.288				
Sensitized Enterprise Value	15.056				
– Net debt at entry	(7.759)				
Sensitized equity value	7.297				
Sensitized price/Class A share (€)	11,25				
Implied EV/EBITDA 2025A (sensitized)		8,2x			

Reconciliation: Base DCF vs Sensitized DCF vs Market				
Metric	Base DCF	Sensitized	Comparables	Mkt (Brookfield bid)
Implied EV (€M)	25.755	15.056	17.338	14.500
Implied EV/EBITDA	14,1x	8,2x	9,5x	7,9x
Price/Class A share (€)	27,76	11,25	14,77	10,40

Peer	Year ref	Revenue (€M)	EBITDA (€M)	EBIT (€M)	Net Debt (€M)	Mkt Cap (€M)	EV (€M)	EV/EBITDA	EV/EBIT	EBITDA margin
Grifols	2025	7.524	1.825	1.243	7.759	6.532	14.291	7,8x	11,5x	24,3%
CSL Limited	2024	13.704	4.398	3.530	9.746	88.052	97.798	22,2x	27,7x	32,1%
Takeda Pharmaceutical	2024	25.841	7.273	6.393	26.061	38.352	64.413	8,9x	10,1x	28,1%
Octapharma (private)	2024	3.466	740	532	-	-	-	-	-	21,4%
Fresenius SE (Group)	2024	21.526	3.614	2.489	10.842	18.891	29.733	8,2x	11,9x	16,8%
Fresenius Kabi (segment)	2024	8.414	1.875	1.319	3.568	11.807	15.375	8,2x	11,7x	22,3%

Precedent transactions: Plasma & Biopharma M&A

Transaction	Year	Acquirer	Target	EV (\$/€bn)	EV/EBITDA (LTM)	Premium paid
Shire / Takeda	2019	Takeda	Shire plc	\$62bn	11,5x	60% over UND price
Vifor / CSL	2022	CSL Limited	Vifor Pharma	\$11.7bn	14,0x	40% over Sep-21 price
Biotest / Grifols	2022	Grifols	Biotest AG	€2.0bn	16,5x	~30% over pre-bid
Talecris / Grifols	2011	Grifols	Talecris Biotherapeutics	\$4.0bn	10,0x	53% over UND price

Precedent stats (EV/EBITDA across plasma-relevant deals)

Plasma-relevant median (Shire, Vifor, Biotest, Talecris)	12,8x
Plasma-relevant mean	13,0x
Plasma-relevant range (min – max)	10x – 16,5x

Implied Grifols EV using precedent multiple range

Apply precedent median to Grifols 2025A EBITDA	23.269
Implied equity value	15.510
Implied price/Class A share (€)	23,92

Appendix C-LBO model

Year	Base case					Upside case					Downside case				
	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E
Operating projections															
Revenues	8.051	8.614	9.174	9.725	10.259	8.164	8.857	9.566	10.283	11.003	7.825	8.138	8.423	8.675	8.892
EBITDA (Adjusted)	2.037	2.240	2.431	2.626	2.821	2.123	2.392	2.678	2.982	3.246	1.878	1.912	1.979	1.995	2.045
EBITDA margin	25,3%	26,0%	26,5%	27,0%	27,5%	26,0%	27,0%	28,0%	29,0%	29,5%	24,0%	23,5%	23,5%	23,0%	23,0%
D&A	(483)	(517)	(550)	(583)	(616)	(490)	(531)	(574)	(617)	(660)	(469)	(488)	(505)	(521)	(534)
EBIT	1.554	1.723	1.881	2.042	2.206	1.633	1.860	2.105	2.365	2.586	1.408	1.424	1.474	1.475	1.512
CAPEX	(443)	(474)	(505)	(535)	(564)	(367)	(399)	(430)	(463)	(495)	(509)	(529)	(547)	(564)	(578)
Change in WC	(105)	(85)	(84)	(66)	(64)	(128)	(104)	(106)	(86)	(86)	(60)	(47)	(43)	(30)	(26)
Cash taxes on EBIT	(388)	(431)	(470)	(511)	(551)	(408)	(465)	(526)	(591)	(646)	(352)	(356)	(368)	(369)	(378)
FCFF (pre-interest)	1.100	1.251	1.372	1.514	1.641	1.219	1.424	1.616	1.842	2.018	957	980	1.021	1.032	1.063
ENTRY (end of 2025A)															
EBITDA 2025A entry	1.825					1.825					1.825				
Entry EV/EBITDA multiple	9,50x					10,50x					8,50x				
Entry Enterprise Value	17.338					19.163					15.513				
Total debt (new LBO capital structure)	11.269					12.456					10.083				
Sponsor equity invested (EV × equity%)	6.068					6.707					5.429				
Net debt / EBITDA at entry	6,18x					6,83x					5,53x				
Sources & uses															
Uses															
Purchase of equity (public)	9.579					11.404					7.754				
Refinance existing net debt	7.759					7.759					7.759				
Transaction / financing fees (2% of EV)	347					383					310				
Total uses	17.684					19.546					15.823				
Sources															
New debt raised	11.269					12.456					10.083				
Sponsor equity	6.068					6.707					5.429				
Additional equity plug (to balance)	347					383					310				
Total sources	17.684					19.546					15.823				
Total equity investment (sponsor + plug)	6.415					7.090					5.740				
Debt schedule (cash sweep)															
Beginning debt	11.269	10.755	10.206	9.545	8.977	12.456	11.884	11.247	10.441	9.726	10.083	9.650	9.171	8.737	8.277
Interest expense (BOP × Kd)	781	745	707	662	622	863	824	779	724	674	699	669	636	605	574
Cash available (FCFF – Interest × (1–t))	515	692	842	1.018	1.175	572	806	1.031	1.299	1.513	433	479	544	578	633
Debt paydown (cash sweep)	515	548	661	568	647	572	637	806	715	476	433	479	434	460	501
Ending debt	10.755	10.206	9.545	8.977	8.331	11.884	11.247	10.441	9.726	9.249	9.650	9.171	8.737	8.277	7.775
Net debt / EBITDA (EOP)	5,28x	4,56x	3,93x	3,42x	2,95x	5,60x	4,70x	3,90x	3,26x	2,85x	5,14x	4,80x	4,41x	4,15x	3,80x

Exit and returns (year 2030)					
Exit EBITDA (2030E)	2.821		3.246		2.045
Exit EV/EBITDA multiple	10,00x		11,00x		9,00x
Exit Enterprise Value	28.214		35.706		18.407
– Residual net debt (EOP 2030)	(8.331)		(9.249)		(7.775)
Exit equity value	19.883		26.457		10.632
Entry equity invested	6.415		7.090		5.740
MOIC	3,10x		3,73x		1,85x
IRR (geometric)	25,39%		30,13%		13,12%

Returns summary					
Metric	Base	Upside	Downside	Target	Base PASS?
Entry EV	17.338	19.163	15.513		
Entry multiple	9,50x	10,50x	8,50x		
Entry EBITDA	1.825	1.825	1.825		
New debt raised	11.269	12.456	10.083		
Entry equity invested	6.415	7.090	5.740		
Exit EBITDA 2030E	2.821	3.246	2.045		
Exit multiple	10,00x	11,00x	9,00x		
Exit EV	28.214	35.706	18.407		
Residual debt (EOP 2030)	8.331	9.249	7.775		
Exit equity value	19.883	26.457	10.632		
MOIC	3,10x	3,73x	1,85x	2,00x	✓ PASS
IRR	25,39%	30,13%	13,12%	20,0%	✓ PASS

PE returns thresholds checks

IRR ≥ 20%?	✓ PASS	✓ PASS	X FAIL
MOIC ≥ 2.0x?	✓ PASS	✓ PASS	X FAIL

Coverage ratios

	Base					Upside					Downside				
Year	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E	2026E	2027E	2028E	2029E	2030E
Interest coverage (EBITDA / Interest)	2,61x	3,01x	3,44x	3,97x	4,54x	2,46x	2,90x	3,44x	4,12x	4,82x	2,69x	2,86x	3,11x	3,30x	3,57x
Debt service coverage ((EBITDA-CAPEX) / (Int+Mand))	1,77x	2,04x	2,33x	2,68x	3,05x	1,77x	2,09x	2,47x	2,95x	3,42x	1,70x	1,79x	1,93x	2,01x	2,16x
Fixed charge coverage ((EBITDA-CAPEX-Tax) / Interest)	1,54x	1,79x	2,06x	2,39x	2,74x	1,56x	1,86x	2,21x	2,66x	3,12x	1,46x	1,54x	1,67x	1,76x	1,90x
Mandatory amortization															
Mandatory amort €/yr (% Mand/yr times Total debt)		118	131	106											

Mandatory amortization

Mandatory amort €/yr (% Mand/yr times Total debt)

118

131

106

Returns attribution: Value creation bridge

Source of value (€M and % of MOIC contribution)	Base	%	Upside	%	Downside	%
1. EBITDA growth × Entry multiple	9.465	68,5%	14.920	75,5%	1.872	36,0%
2. Multiple expansion × Exit EBITDA	1.411	10,2%	1.623	8,2%	1.023	19,7%
3. Debt paydown (Entry-Residual)	2.939	21,3%	3.206	16,2%	2.308	44,4%
Total value creation (€M)	13.815	100,0%	19.750	100,0%	5.203	100,0%

MOIC bridge (× of entry equity)

Component	Base	Upside	Downside
Starting	1,00x	1,00x	1,00x
+ EBITDA growth contribution	1,48x	2,10x	0,33x
+ Multiple expansion contribution	0,22x	0,23x	0,18x
+ Deleveraging contribution	0,46x	0,45x	0,40x
Total MOIC	3,10x	3,73x	1,85x

GP / LP Distribution (European waterfall)

Waterfall by case	Base	Upside	Downside
Entry equity invested (€M)	6.415	7.090	5.740
Exit equity / Total distribution (€M)	19.883	26.457	10.632
Total profits (Exit – Invested)	13.468	19.366	4.892
Tier 1: Return of capital to LP (€M)	6.415	7.090	5.740
Tier 2: Preferred return @ hurdle to LP (€M)	3.011	3.328	2.694
Tier 3: GP catch-up (€M)	753	832	673
Tier 4: Profits available for 80/20 split (€M)	9.705	15.207	1.525
LP share Tier 4 (1 – carry%)	7.764	12.166	1.220
GP share Tier 4 (carry%)	1.941	3.041	305
TOTAL LP distributions (gross of mgmt fees)	17.189	22.583	9.653
TOTAL GP carry (Tier 3 + Tier 4)	2.694	3.873	978
Annual mgmt fee €/yr (mgmt fee % × invested)	128	142	115
Total mgmt fees over hold (€M)	641	709	574
LP NET distributions (gross – mgmt fees)	16.548	21.874	9.079

LP return metrics			
LP MOIC (gross — before mgmt fees)	2,68x	3,19x	1,68x
LP MOIC (net of mgmt fees)	2,58x	3,09x	1,58x
LP IRR (gross — single cash flow simplification)	21,79%	26,07%	10,96%
LP IRR (net of mgmt fees)	20,87%	25,27%	9,61%

Comparison: deal-level vs LP-level returns

Deal-level (gross sponsor) IRR	25,39%	30,13%	13,12%
LP NET IRR	20,87%	25,27%	9,61%
<i>Drag from fees & carry (pp)</i>	4,52%	4,86%	3,52%

GP economics summary

GP carry earned (€M)	2.694	3.873	978
Total mgmt fees earned (€M)	641	709	574
Total GP economics (carry + fees)	3.335	4.582	1.552
<i>GP economics as % of LP gross distributions</i>	19,4%	20,3%	16,1%