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## **Booth Students Launch (Pr)AIvate, an AI-Powered Tool to Evaluate Take-Private Targets**

*Chicago-Based Startup Promises to Streamline Investment Community Workloads Significantly*

**CHICAGO, March 15, 2025 /PRNewswire/** In the increasingly competitive private equity (PE) market, access to deals is everything. The business of investing is not just about having the right thesis, but having that idea and building the company relationship before a competing firm does. Nowhere is speed more important than with public companies, where information is universally available and the list of potential companies to be taken private is limited. Yet, the process of finding that needle in a haystack could not be more tedious. Each day, scores of private equity associates and investment banking advisors sift through press releases, earnings call transcripts, and financial data to find credible take-private targets to pitch to their superiors and clients, respectively. **Enter (Pr)AIvate: an accelerator for deal teams and advisors looking to thoughtfully assess the viability of a take-private transaction in a fast-paced world.**

By analyzing a wide array of publicly available data—including financial and trading performance, SEC filings, and industry news—(Pr)AIvate generates a comprehensive report to highlight early signals of the attractiveness of a potential go-private transaction. This streamlined, data-driven approach replaces hours of manual research with actionable intelligence that can help deal teams quickly spot and prioritize targets for deeper review.

*“It used to take me 1-2 days to gather data, analyze trading performance, and knit together a narrative on a single public company in response to a one-line email from a partner: ‘Team, what do we think about XYZ Company?’. Screening a sector for viable take-private candidates was a weeks-long exercise, and even then, I’d miss key details that my superiors would invariably catch in a press release,”* explains a Senior Associate and beta tester at a well-known, New York based PE firm. *“With (Pr)AIvate, that manual workflow is cut down to minutes, and the accuracy is improved. I can spend my time thinking more strategically about the asset now, stepping more into a ‘Vice President role’ with the time I now have.”*

The new AI tool navigates a structured, research-backed framework to evaluate a company’s **feasibility and attractiveness** as a take-private target. In doing so, it considers the company’s financial health and valuation, management commentary, prior indications of go-private interest, board and ownership dynamics, competitive position, and real-time news updates. At the end of this deep-dive assessment, (Pr)AIvate presents a data-backed likelihood score—along with key supporting factors—so professionals can make faster, more informed decisions. It also suggests areas in which to focus future diligence efforts, keeping deal teams efficient and competitive in tight auction processes.

*“We cannot be more thrilled to bring (Pr)AIvate to market as the private equity industry’s de facto source for take-private lead generation,”* commented CEO Jack Gordon. A beta version has been made available to select firms, and the company expects to expand the product to a general audience soon.

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## **Frequently Asked Questions**

### ***What does a Large Language Model (LLM) add to this analysis that other tools do not?***

LLMs excel at interpreting unstructured text (e.g. news and management commentary) in a deeply contextual way, capturing subtle cues—sentiment, tone, forward-looking language—that more deterministic tools and keyword search may not fully understand. They distill massive amounts of information into concise insights, bring advanced reasoning to tie data points together, and adaptively react to patterns across varied domains. As a result, LLMs can reveal nuanced signals of a possible go-private transaction, integrate seamlessly with existing financial models through structured inputs and outputs, and use natural language that makes complex analysis more accessible and dynamic. Unlike existing data platforms on the market (e.g. Pitchbook), (Pr)AIvate can be expanded to tailor its analysis to firms' investment criteria, recognizing that an attractive opportunity for one firm may not be for another.

### ***Will this tool build my valuation model for me?***

No. Other tools on the market, such as Capital IQ, FactSet, their respective Excel plug-ins, and specialized tools like Mosaic are better suited to provide templated models based on public company financial data. (Pr)AIvate focuses on the qualitative aspects of the investment decision, which are far less standardized and require synthesis across a number of unstructured data sources. (Pr)AIvate is thus a suitable complement, rather than a replacement, to existing tools in the typical PE firm's toolkit.

### ***What process and indicators does the product use to determine its recommendation?***

When undergoing a full evaluation, the product bases its qualitative assessment of the target on the OUTSX-CUPID framework for evaluating buyout investments, as developed by Chicago Booth Professor Steven Kaplan and modified for the take-private context by the (Pr)AIvate team. This framework was developed through an analysis of hundreds of investment memos across a wide swath of private equity firms. It summarizes the key qualitative business criteria considered by most firms when evaluating investment opportunities. The "inputs" tracked by (Pr)AIvate to inform its evaluation include business model information, competitor and market landscape summaries, and company financial metrics.

For each element of the OUTSX-CUPID framework (summarized in Exhibit A), (Pr)AIvate writes interim sections which includes a detailed rationale and an Attractiveness score ranging between 1-10 supported by public data sourced through web searches and/or data pulled through retrieval augmented generation from a corpus of filings and other company materials. Based on its review of the data, the tool also suggests 5-10 areas for future human-driven diligence on the company.

Additionally, the product searches for markers of take-private interest in the company. These include explicit mentions of "strategic review" or discontent with the public markets by management, rumors in reputable financial news outlets (e.g. Wall Street Journal, Bloomberg, Financial Times) of take-private activity, and prior bids by PE firms to take the company private. These markers are summarized in the recommendation as indicators of higher take-private likelihood.

### ***How does the product focus its analysis? Are there companies that are not considered before undergoing a full evaluation?***

Before undertaking a full evaluation, the agent eliminates companies that could not feasibly be taken private, either due to size (e.g. multi-trillion-dollar companies like Apple) or exposure to vice industries (e.g. firearms, adult entertainment, gambling) that fall outside of most PE firms' mandates. It also considers companies that IPO'd recently (within the last 12 months) to be generally infeasible take-private targets, as many recently public companies have lockups, or contractual restrictions on the ability of large shareholders to sell shares within the first year or more.

***Does this product use tools to conduct its analysis? If so, what does it use?***

Yes, the product uses **Polygon.io** to pull in current trading data (e.g. closing share price, market cap, EV/EBITDA ratios, etc) for the target company. **Tavily AI** is called for web searching capability to supplement qualitative data from the SEC filings with recent news and online information about the target company and its competitors. It is particularly useful to identify whether there may be rumors about take-private activity relating to the company. **Retrieval Augmented Generation (RAG)** was used to pull in and summarize relevant information from the target company's SEC filings.

***Private Equity is a varied industry with many unique requirements from firm to firm. Can I adjust the output of the model to return information that is relevant to my firm's unique philosophy?***

We initially focused on an academic approach using the Kaplan framework. As such, (Pr)AIvate does not currently have the ability to adjust its output based on unique investment philosophy on an individual basis. However, this feature could easily be added as an extension to (Pr)AIvate in the future.

***I work on investments only in XYZ industry. Can your product help me?***

Yes. (Pr)AIvate is designed to be industry agnostic and to be flexible enough to consider investment criteria specific to the user, as described above.

***Are there examples of the model's output available?***

Among other tests, we tested the model on a current public company - Peloton Interactive, Inc. (\$PTON) - and on a historical deal. The historical deal was Arconic (\$ARNC), which was taken private by Apollo Global Management in 2023. Elsewhere on the site is a video for Peloton and below is a text output based on Arconic.

**Arconic (\$ARNC) output:**

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Arconic's valuation and proprietary strengths partially offset by its high debt load define its overall neutral attractiveness for a take-private transaction.

- **Attractiveness Score:** 6 (Relatively neutral: While Arconic shows strong strategic reviews, proprietary technology, and potential operational improvements, its high debt levels and exit uncertainties temper enthusiasm.)
- **Rationale:** Arconic exhibits a mix of compelling operational strengths—such as an undervalued position, significant intellectual property, and history of strategic reviews—coupled with active interest from prior bids and market rumors, underscoring its latent potential. However, a significant debt burden and exit feasibility challenges contribute to a balanced view, resulting in a mid-range score.
- **Key Metrics:**
  - *Market Capitalization:* \$5.2 billion (as of January 01, 2022)

- *Price*: \$30.00 per share
- *Revenue*: \$10.0 billion (fiscal 2021)
- *Operating Income*: \$1.5 billion (fiscal 2021)
- *EBITDA*: \$1.5 billion (fiscal 2021)
- *Net Income*: \$1.0 billion (fiscal 2021)
- **Key Competitors:**
  - Precision Castparts Corp: Dominant in aerospace investment castings with robust financial backing from Berkshire Hathaway.
  - Alcoa Corporation (Ticker: AA): A key competitor due to its extensive aluminum portfolio and historical ties as Arconic’s former parent.
  - Novelis Inc: Largest producer of rolled aluminum products, challenging Arconic in sustainability and lightweight materials.
  - Constellium SE (Ticker: CSTM): Specializes in high-performance aluminum solutions for aerospace and automotive markets.
  - Kaiser Aluminum Corporation (Ticker: KALU): Focuses on semi-fabricated aluminum products, serving similar sectors with a strong emphasis on quality and innovation.
- **Backup on Individual Characteristics:**

| Characteristic    | Score | Effect on Attractiveness | Key Consideration  |
|-------------------|-------|--------------------------|--|
| Strategic Reviews | 8     | Increase                 | Indicates management’s willingness to pivot towards private ownership.             |
| Prior Bids        | 8     | Increase                 | Reflects competitive interest that could drive better transaction terms.           |
| Rumors            | 8     | Increase                 | Suggests market confidence with notable private equity attention.                  |
| Competition       | 5     | Decrease                 | Intense industry rivalry in cyclical segments poses moderate risks.                |
| Undervalued       | 8     | Increase                 | Attractive valuation multiples relative to peers provide appreciable upside.       |
| Proprietary       | 8     | Increase                 | Strong IP portfolio and advanced tech bolster competitive positioning.             |
| Improvements      | 8     | Increase                 | Promising operational cost savings and enhanced productivity initiatives.          |
| Debt              | 2     | Decrease                 | Excessive leverage and high debt-to-EBITDA raise considerable financial risk.      |
| Uncertainty       | 3     | Decrease                 | Merger-related risks and potential management disruptions add caution.             |
| Team              | 7     | Increase                 | Experienced leadership and a stable management team offer operational reliability. |
| Exit              | 4     | Decrease                 | Limited exit options and modest future multiples constrain upside potential.       |

- **Follow-up Questions:**

- How robust are Arconic’s cash flow and debt-servicing capabilities relative to its \$1.6 billion long-term debt?
- What measures can be implemented to manage the high leverage without compromising operational flexibility?
- How is the management team planning to mitigate merger-related uncertainties and secure key personnel?
- What impact could evolving competitive dynamics in key sectors (aerospace, automotive, construction) have on Arconic’s market share?
- Which operational improvement initiatives are most likely to drive significant cost reductions post-transaction?
- What exit strategies are available given the projected exit multiples and current valuation benchmarks?
- How might changes in input costs and labor market dynamics affect the anticipated productivity gains?
- What contingency plans should be implemented if unfavorable market conditions persist during the post-acquisition period?

***How did you evaluate (Pr)AIvate’s outputs? What are the successes and shortcomings of its output?***

We evaluated (Pr)AIvate’s in three phases: Feasibility, Overall Rating, and Qualitative Outputs.

In the Feasibility section we evaluated its ability to correctly identify our three feasibility metrics as an initial screener for companies (company size, IPO date, and vice industry restrictions). The model was generally able to accurately identify when a company did not meet these requirements from given data.

In the Overall Rating section, we evaluated (Pr)AIvate’s ability to accurately provide an overall rating to companies that we knew had been taken private and were either successful or not-successful. While it was difficult to ascertain the deviation of (Pr)AIvate’s rating from the human that made the decision, the ratings for the test companies that had been taken private either translated as a recommendation to buy, or within one point of a recommendation to buy. There is a shortcoming here in regards to evaluation of the overall score. Many of the sections that firms are evaluated on are necessarily subjective. This leads to subjectivity in (Pr)AIvate’s output. A fine-tuning process would have to be conducted to align the model with the focus and risk tolerance of a specific PE firm. We also note the difficulty in perfectly testing historic deals, given the latent lookahead bias that these LLMs have - i.e., the “knowledge cutoff” for recent models is after certain tested deals like Arconic, so they may “know” about the Apollo bid.

In the Qualitative Outputs section, we evaluated the details of (Pr)AIvate’s report to ensure that the outputs matched the data that it had been given. For the most part, (Pr)AIvate did not have any large deviations in reasoning based on the provided data with one exception. (Pr)AIvate is unreasonably risk averse in the Debt and Uncertainty section. It tends to overinflate the risk posed by debt and uncertainty factors, which decreases the overall rating through the ratings of those sections of evaluation.

***Do any of these tools present information privacy concerns? How do you plan to navigate those concerns?***

We currently do not foresee any privacy concerns for private equity firms that are following standard corporate information security procedures (e.g., ensuring encryption of information transfer, disallowing query retraining, anonymizing the source of queries). We do no incremental training on queries and additional data that is provided by firms.

***What's next for (Pr)AIvate?***

There are a few areas of publicly (or semi-publicly) available data not yet integrated into the product's analysis. These include company earnings transcripts, competitor financial metrics (e.g. EBITDA multiples for comps), and data on current market conditions that would affect all private equity activity (e.g. Fed interest rate decisions). Depending on the company, some of this data may already be pulling in through the Tavily API to the extent that it is published or quoted on the web.

The other category of information that could potentially be integrated into the product, depending on the degree of integration with our client's systems, is private, firm-specific data. Examples of this could include CRM data and equity research reports. For instance, a company may be more attractive for one firm than another if the firm has a pre-existing relationship with its CEO or Board. This information could be passed in by the user as text or pulled from a CRM (e.g. Salesforce), if maintained in this format by the firm. Similarly, different firms have different levels of access to equity research, which is typically behind paywalls. As (Pr)AIvate grows, we may work with our client firms to integrate this data more seamlessly.

Additionally, there are opportunities to optimize the run-time and run the product's analysis steps in parallel to further increase efficiency. Currently, a full target evaluation takes 3-5 minutes to run. We are confident this could be optimized further.

***Could this product be used to evaluate investment targets that are private (i.e. not publicly listed)?***

Potentially. (Pr)AIvate chose to focus its initial efforts on take-private opportunities given the competitive nature of the take-private market and availability of rich, publicly accessible data on this subset of companies. With a few minor modifications, the OUTSX-CUPID framework we used could also qualitatively assess private company targets. However, it is harder to ensure the same availability and consistency of inputs for private companies that we have for public companies. Over time, we may introduce additional functionality that would allow users to upload private company data (e.g. Confidential Information Memoranda or management meeting notes) to supplement the tool's other sources of information.

## EXHIBIT A: OUTSX-CUPID Framework

The below table summarizes the structured questions that the agent runs through when developing its qualitative assessment of a target.

| <b>Framework Element</b> | <b>Key Questions</b>   |
|--------------------------|--|
| <b>Opportunity</b>       |  |
| <b>Competition</b>       | Is the company considered a leader amongst its peers and competitors?<br>Is the market growing and non-cyclical?   |
| <b>Undervalued</b>       | Is the company considered relatively undervalued versus its peer public firms?   |
| <b>Proprietary</b>       | Does the private equity firm have an 'edge' or other specialization that can help provide a chance for outsize returns with this target?   |
| <b>Improvements</b>      | What opportunities exist to improve the current state of the target?   |
| <b>Debt</b>              | What is the current debt position and potential capacity for new debt after capital expenditures?  |
| <b>Uncertainty</b>       | What are the risks of taking a company like this private?  |
| <b>Team</b>              | What level of experience does the management team have? Is there high or low turnover?   |
| <i>Structure</i>         | <i>[Not considered, as this element of the framework is more relevant in the context of an already structured / negotiated deal, particularly a private company being bought out by a PE firm]</i> |
| <b>eXit</b>              | How difficult might it be to exit from this investment? Consider a re-IPO, sale to strategic buyers, or sale to a larger private equity firm.  |