

Ampco - Pittsburgh (AP)

Price:	\$22.00	Net Tang. Bk Value Incl. Cash, Excl.	\$192,020,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$259,920,950.00
Market Cap:	\$227,920,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$24,240,190.00
Cash:	\$90,110,000	NTBVIC/Market Downside Recovery:	84.25%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$13,310,000	Op. Cash Flow:	\$24,240,190	Year 5 Disposition Price:	\$332,641,520.00
Net Cash:	\$76,800,000	Implied Years to Fill Gap:	1.48		
Enterprise Value:	\$151,120,000	Today's Equity if 5x Op. CF:	\$264,740,570		
		Net Tang. Book+ Gain Disposition:			\$332,641,520.00
Shares Outstanding:	10,360,000	IRR:			7.85%
				Price:	\$32.11
				Target Market Cap:	\$332,641,520
				Target Enterprise Value:	\$255,841,520

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

Co. manufactures forged metal rolls, and pipes.

Chinese JV equity loss - Invested \$14.7MM into a 49% share of a JV with a Chinese firm that manufactures forged backup rolling mill rolls. Has reported losses, which has flowed to the Co. for a proportionate share of losses due to weakening in the global industry, and non-cash expenses.

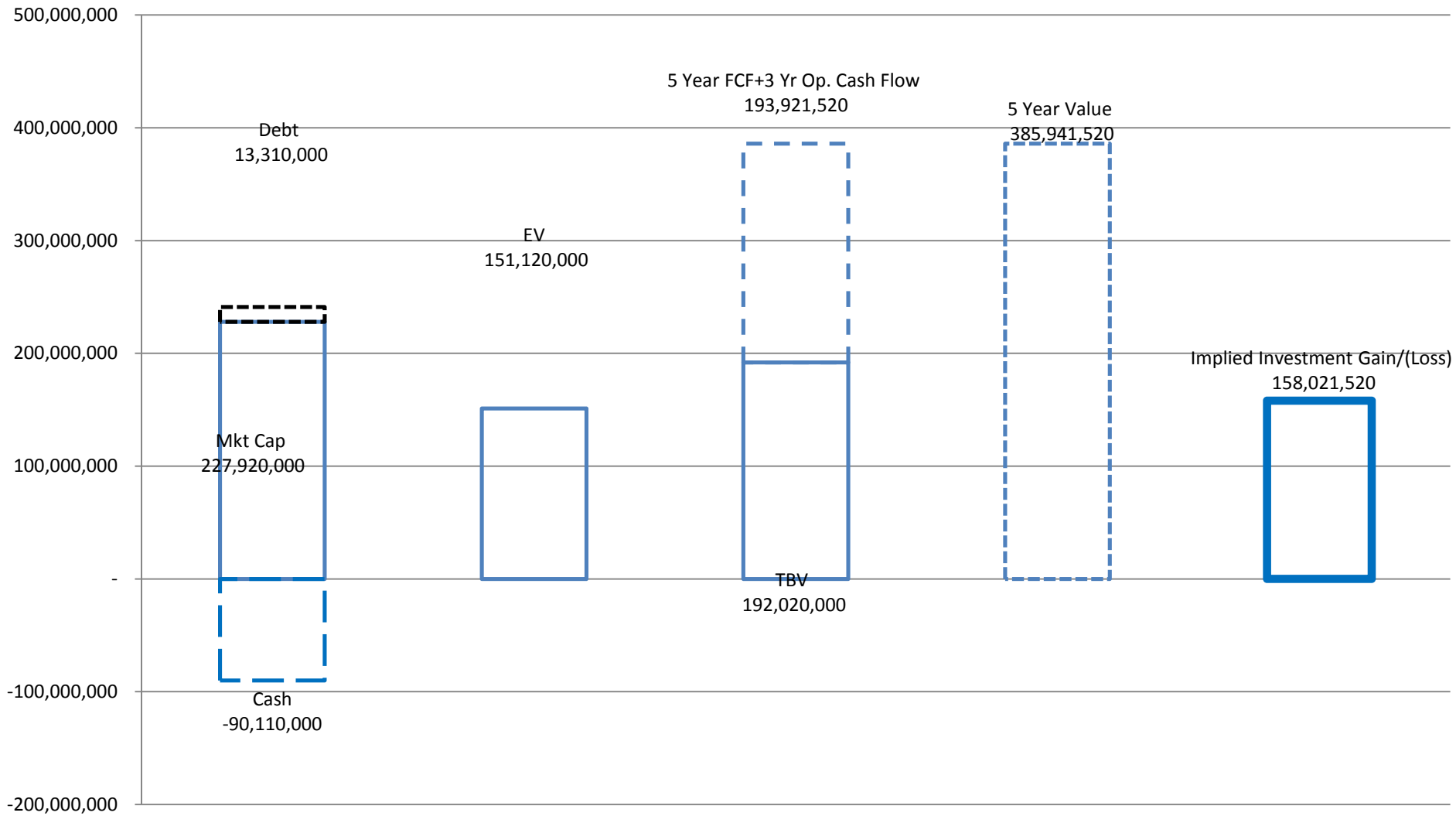
Asbestos overhang - Valuation co. projects possible \$181MM in payouts up to 2022, and currently captured \$150MM in asbestos obligation. The Co. has asbestos insurance and has \$110MM in insurance receivables.

Pension liabilities - again we don't like pension obligations. The Co. recorded \$100MM in pension obligations. We estimate annual pension costs of \$10MM annually.

It is a triple whammy, but the underlying business is profitable, with operational cash flow of \$20MM, dividend of \$7MM, yielding 4%, and cap ex of \$10MM. Granted, 2012 YoY revenue fell 10%, which we believe will be a continued trend in light of a global softening, not publicized in the mainstream media.

The discount value is definitely present, but the obligations mentioned offset the reward in this discounted Co.

We would only invest into this Co. for the respectable 4% dividend yield. Although it is tempting, we think the Co. is too risky, with the outstanding liabilities and weakness in the manufacturing sector.



SN VALUATION

LBO Pro Forma Income Statement

Name:

Ampco - Pittsburgh

Ticker:

AP

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	299.18	326.89	344.82	292.90	292.90	292.90	292.90	292.90	292.90
COGS	202.77	229.53	226.03	228.46	228.46	228.46	228.46	228.46	228.46
Gross margin	96.41	97.36	86.79	64.44	64.44	64.44	64.44	64.44	64.44
SG&A	39.72	44.17	41.89	40.53	43.94	43.94	43.94	43.94	43.94
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	2.81	19.90	0.27	-0.48	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	53.88	33.29	46.63	27.34	20.50	20.50	20.50	20.50	20.50
Interest income/(expense)	0.73	0.85	-0.16	-0.07	0.39	0.39	0.39	0.39	0.39
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	-2.57	-0.96	-1.58	-1.05	0.00	0.00	0.00	0.00	0.00
Income before tax	44.89	24.62	34.73	15.17	20.89	20.89	20.89	20.89	20.89
Tax	17.05	8.68	12.92	5.22	7.31	7.31	7.31	7.31	7.31
Income after tax	27.84	15.94	21.81	9.95	13.58	13.58	13.58	13.58	13.58
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	-0.16	-0.48	-0.50	-1.59	-1.12	-1.19	-1.21	-1.20	-1.20
Net income	27.68	15.46	21.31	8.36	12.46	12.39	12.37	12.38	12.38
*Figures are in millions (\$)									
EPS (based off today's share count)	\$2.67	\$1.49	\$2.06	\$0.81	\$1.20	\$1.20	\$1.19	\$1.20	\$1.19
P/E (historical today's price; forecasted intrinsic price)	8.23	14.74	10.70	27.26	19.74	21.41	23.12	24.91	26.87
Revenue Growth	N/A	9.26%	5.49%	-15.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	37.98%	35.26%	37.20%	34.41%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	5.04%	6.39%	-1.20%	-0.53%	NA	NA	NA	NA	NA
Margins									
COGS	67.78%	70.22%	74.25%	76.99%	78.00%	78.00%	78.00%	78.00%	78.00%
Gross margin	32.22%	29.78%	25.75%	23.01%	22.00%	22.00%	22.00%	22.00%	22.00%
SG&A	13.28%	13.51%	12.15%	13.84%	15.00%	15.00%	15.00%	15.00%	15.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.94%	6.09%	0.08%	-0.16%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	18.01%	10.18%	13.52%	9.33%	7.00%	7.00%	7.00%	7.00%	7.00%
Interest income/(expense)	0.24%	0.26%	-0.05%	-0.02%	0.13%	0.13%	0.13%	0.13%	0.13%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-0.86%	-0.29%	-0.46%	-0.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	15.00%	7.53%	10.07%	5.18%	7.13%	7.13%	7.13%	7.13%	7.13%
Tax	5.70%	2.66%	3.75%	1.78%	2.50%	2.50%	2.50%	2.50%	2.50%
Income after tax	9.31%	4.88%	6.33%	3.40%	4.64%	4.64%	4.64%	4.64%	4.64%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	-0.05%	-0.15%	-0.15%	-0.54%	-0.38%	-0.41%	-0.41%	-0.41%	-0.41%
Net income	9.25%	4.73%	6.18%	2.85%	4.25%	4.23%	4.22%	4.23%	4.23%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-06-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	66.44	70.02	69.89	78.89	90.11			90.11	104.35	118.59	132.83	147.07	161.31
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	66.44	70.02	69.89	78.89	90.11			90.11	104.35	118.59	132.83	147.07	161.31
Accounts Receivable	39.62	46.73	59.21	54.39	45.00			45.00	45.00	45.00	45.00	45.00	45.00
Other receivables	0.00	0.00	0.00	0.00	105.00			105.00	105.00	105.00	105.00	105.00	105.00
Total Receivables	39.62	46.73	59.21	54.39	150.00			150.00	150.00	150.00	150.00	150.00	150.00
Total Inventory	69.97	68.82	68.54	70.67	70.64			70.64	70.64	70.64	70.64	70.64	70.64
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	13.79	13.66	12.89	15.23	11.93			11.93	11.93	11.93	11.93	11.93	11.93
Current Assets	189.82	199.23	210.53	219.18	322.68	0.00	0.00	322.68	336.92	351.16	365.40	379.64	393.88
PP&E, Gross	244.29	277.41	291.70	306.33	310.00			310.00	320.00	330.00	340.00	350.00	360.00
Change in Depreciation	7.15	8.56	10.15	10.66	10.66			10.66	10.66	10.66	10.66	10.66	10.66
Accumulated Depreciation	124.35	131.82	141.46	157.09	161.00			161.00	171.66	182.32	192.98	203.64	214.30
PP&E, Net	119.94	145.59	150.24	149.24	149.00			149.00	148.34	147.68	147.02	146.36	145.70
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	14.87	14.16	14.87	13.32	12.53			12.53	12.53	12.53	12.53	12.53	12.53
Other long term assets	31.76	25.89	29.57	32.27	32.94			32.94	32.94	32.94	32.94	32.94	32.94
Long Term Assets	166.57	185.64	194.68	194.83	194.47			194.47	193.81	193.15	192.49	191.83	191.17
Total Assets	356.39	384.87	405.21	414.01	517.15	0.00	0.00	517.15	530.73	544.31	557.89	571.47	585.05
Accounts Payable	15.80	20.14	19.53	15.84	16.00			16.00	16.00	16.00	16.00	16.00	16.00
Accrued Expense	12.35	13.96	13.23	11.45	12.00			12.00	12.00	12.00	12.00	12.00	12.00
Other current Liabilities	46.88	42.32	43.09	45.83	41.86			41.86	41.86	41.86	41.86	41.86	41.86
Total Current Liabilities	75.03	76.42	75.85	73.12	69.86	0.00	0.00	69.86	69.86	69.86	69.86	69.86	69.86
Notes Payables/Short Term Debt	14.48	13.31	13.31	13.31	13.31			13.31	13.31	13.31	13.31	13.31	13.31
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	14.48	13.31	13.31	13.31	13.31	0.00	0.00	13.31	13.31	13.31	13.31	13.31	13.31
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	203.12	240.47	249.60	254.66	244.90			244.90	244.90	244.90	244.90	244.90	244.90
Total Liabilities	292.63	330.20	338.76	341.09	328.07	0.00	0.00	328.07	328.07	328.07	328.07	328.07	328.07
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	10.25	10.30	10.33	10.35	10.35		0.00	10.35	10.35	10.35	10.35	10.35	10.35
Additional Paid-in capital	116.40	121.07	123.09	124.46	125.00	0.00	0.00	125.00	125.00	125.00	125.00	125.00	125.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	116.80	124.87	138.75	139.98	140.00			140.00	153.58	167.16	180.74	194.32	207.90
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-64.24	-59.47	-79.29	-83.33	-83.33		0.00	-83.33	-83.33	-83.33	-83.33	-83.33	-83.33
Total Equity	179.21	196.77	192.88	191.46	192.02	0.00	0.00	192.02	205.60	219.18	232.76	246.34	259.92
Liability + Equity	471.84	526.97	531.64	532.55	520.09	0.00	0.00	520.09	533.67	547.25	560.83	574.41	587.99
Variance	-115.45	-142.10	-126.43	-118.54	-2.94			-2.94	-2.94	-2.94	-2.94	-2.94	-2.94
Debt/Equity	0.08	0.07	0.07	0.07	0.07			0.07	0.06	0.06	0.06	0.05	0.05
Inventory Turnover	4.28	4.75	5.03	4.14	4.15			4.15	4.15	4.15	4.15	4.15	4.15
Inventory Turnover Days	85.36	76.84	72.55	88.07	88.03			88.03	88.03	88.03	88.03	88.03	88.03
Days Inventory Outstanding	125.95	109.44	97.71	114.38	112.86			114.33	112.86	112.86	112.86	112.86	112.86
Accounts Receivable Turnover	7.55	7.00	5.82	5.39	6.51			1.95	1.95	1.95	1.95	1.95	1.95
Accounts Receivable Turnover Days	48.34	52.18	62.68	67.78	56.08			186.92	186.92	186.92	186.92	186.92	186.92
Days Payable Outstanding	28.44	32.03	27.84	25.64	25.56			25.90	25.56	25.56	25.56	25.56	25.56
Days Sales Outstanding	48.34	52.18	62.68	67.78	186.92			67.78	186.92	186.92	186.92	186.92	186.92
Cash Conversion Cycle	145.85	129.59	132.54	156.52	274.22			156.22	274.22	274.22	274.22	274.22	274.22
Net tangible assets/share	\$17.30	\$18.99	\$18.62	\$18.48	\$18.53				\$19.85	\$21.16	\$22.47	\$23.78	\$25.09

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	27.68	15.46	21.31	8.36	13.58	13.58	13.58	13.58	13.58
Depreciation	7.15	8.56	10.15	10.66	10.66	10.66	10.66	10.66	10.66
Net Income + Depreciation	34.83	24.02	31.46	19.02	24.24	24.24	24.24	24.24	24.24
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	7.18	2.35	5.97	2.54	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.32	26.61	4.13	13.69	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-3.65	-10.02	-19.28	-9.81	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-7.11	-12.48	4.82	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	1.15	0.28	-2.13	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	4.34	-0.61	-3.69	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	39.68	42.96	22.28	25.44	24.24	24.24	24.24	24.24	24.24
Capital Expenditures Expenditures	-39.24	-35.00	-15.78	-9.67	-10.00	-10.00	-10.00	-10.00	-10.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-10.96	1.84	0.41	0.30	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-50.20	-33.16	-15.37	-9.37	-10.00	-10.00	-10.00	-10.00	-10.00
Financing Cash flow items	0.28	0.68	0.05	0.02	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-7.34	-7.38	-7.43	-7.44	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.91	0.79	0.17	0.12	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-6.15	-5.91	-7.21	-7.30	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	1.52	-0.30	0.17	0.23	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	81.61	66.44	70.02	69.89	90.11	104.35	118.59	132.83	147.07
Net Change in Cash	-15.17	3.58	-0.13	9.00	14.24	14.24	14.24	14.24	14.24
Ending Cash Balance	66.44	70.02	69.89	78.89	104.35	118.59	132.83	147.07	161.31
Capex to Revenue	13.12%	10.71%	4.58%	3.30%	3.41%	3.41%	3.41%	3.41%	3.41%
Depreciation to Sales	2.39%	2.62%	2.94%	3.64%	3.64%	3.64%	3.64%	3.64%	3.64%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	13.24%	14.30%	17.17%	18.57%	18.57%	18.57%	18.57%	18.57%	18.57%
Distributable FCF/EV Yield	-6.96%	6.48%	4.57%	10.63%	9.42%	9.42%	9.42%	9.42%	9.42%
Dividend Yield	-3.22%	-3.24%	-3.26%	-3.26%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	7.78	15.34	13.93	23.21	14.24	14.24	14.24	14.24	14.24

SN VALUATION

LBO Debt Schedule

Ticker:

AP

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	9.00	14.24	14.24	14.24	14.24	14.24
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	13.31	13.31	13.31	13.31	13.31	13.31
Current Portion Debt Balance	13.31	13.31	13.31	13.31	13.31	13.31
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		0.00%	0.00%	0.00%	0.00%	0.00%
Interest Rate		3.00%	3.00%	3.00%	3.00%	3.00%
Interest Expense		0.40	0.40	0.40	0.40	0.40
Cash Balance		78.89				
Interest @ 1.0%		0.79	0.79	0.79	0.79	0.79
Net Interest Expense/(Income)		(0.39)	(0.39)	(0.39)	(0.39)	(0.39)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		20.50	20.50	20.50	20.50	20.50
EBITDA/Interest Expense Coverage		51.35	51.35	51.35	51.35	51.35

Interest Rate Coverage Table

Debt Rating					
AAA	AAA	AAA	AAA	AAA	AAA
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Ampco - Pittsburgh

Ticker:

AP

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	114.79	122.81	134.68	252.82	267.06	281.30	295.54	309.78	324.02
Total Assets	356.39	384.87	405.21	517.15	530.73	544.31	557.89	571.47	585.05
X1	0.32	0.32	0.33	0.49	0.50	0.52	0.53	0.54	0.55
Retained Earnings	116.80	124.87	138.75	140.00	153.58	167.16	180.74	194.32	207.90
Total Assets	356.39	384.87	405.21	517.15	530.73	544.31	557.89	571.47	585.05
X2	0.33	0.32	0.34	0.27	0.29	0.31	0.32	0.34	0.36
EBITDA	53.88	33.29	46.63	27.34	20.50	20.50	20.50	20.50	20.50
Total Assets	356.39	384.87	405.21	517.15	530.73	544.31	557.89	571.47	585.05
X3	0.15	0.09	0.12	0.05	0.04	0.04	0.04	0.04	0.04
Market Value of Equity	227.92	227.92	227.92	227.92	245.82	265.13	285.96	308.42	332.64
Total Liabilities	292.63	330.20	338.76	328.07	328.07	328.07	328.07	328.07	328.07
X4	0.78	0.69	0.67	0.69	0.75	0.81	0.87	0.94	1.01
Net Sales	299.18	326.89	344.82	292.90	292.90	292.90	292.90	292.90	292.90
Total Assets	356.39	384.87	405.21	517.15	530.73	544.31	557.89	571.47	585.05
X5	0.84	0.85	0.85	0.57	0.55	0.54	0.53	0.51	0.50
Altman Z Score	2.65	2.39	2.51	2.12	2.14	2.20	2.26	2.32	2.39

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	192.02	205.60	219.18	232.76	246.34	259.92				259.92
Annual Change		13.58	13.58	13.58	13.58	13.58				
Annual FCF	15.77	14.24	14.24	14.24	14.24	14.24	14.24	14.24	14.24	42.72
Annual Op. Cash Flow	25.44	24.24	24.24	24.24	24.24	24.24	24.24	24.24	24.24	
Annual PP&E Investment	(9.67)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Today's Tangible Book Value	192.02	204.01	216.74	230.27	244.65	259.92				302.64
Intrinsic Value IRR	6.24%									
Market Price	227.92	241.22	255.29	270.19	285.96	302.64				302.64
Market Price IRR	5.83%									

Debt	50.00%	113.96
Equity	50.00%	113.96
Total	100.00%	227.92

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	192.02	113.96	125.06	136.17	147.27	158.38	169.48			
Goodwill	0	35.90	35.90	35.90	35.90	35.90	35.90			
Debt	0	113.96	113.96	113.96	113.96	113.96	113.96			
Debt Interest Rate		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%			
Additional Interest Expense		3.81	3.81	3.81	3.81	3.81				
Tangible Book Value	192.02	78.06	89.16	100.27	111.37	122.48	133.58			133.58
Annual Change			11.10	11.10	11.10	11.10	11.10			
Annual FCF	15.77	11.76	11.76	11.76	11.76	11.76	11.76	11.76	11.76	35.29
Annual Net Income	8.36	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10	
Annual Op. Cash Flow	25.44	21.76	21.76	21.76	21.76	21.76	21.76	21.76	21.76	
Dividend Payments										
Annual PP&E Investment	(9.67)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	(10.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										168.88
Capital Left for Equity Investor										168.88
Dividend Payments										0.00
Total Cash In Flow										168.88
Invested Equity	113.96	123.29	133.38	144.29	156.10	168.88				
IRR	8.18%									

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	55.52
Cash Flow (Year 6-8)	35.29
	90.82

<u>Value Dilution</u>	
Debt	113.96
Goodwill	35.90
Additional Interest	19.04
	168.90