

CPI Aero Structures (CVU)

Price:	\$10.70	Net Tang. Bk Value Incl. Cash, Excl.	-\$30,030,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$17,442,750.00
Market Cap:	\$89,773,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$10,114,550.00
Cash:	\$450,000	NTBVIC/Market Downside Recovery:	-33.45%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$34,020,000	Op. Cash Flow:	\$10,114,550	Year 5 Disposition Price:	\$47,786,400.00
Net Cash:	-\$33,570,000	Implied Years to Fill Gap:	11.84		
Enterprise Value:	\$123,343,000	Today's Equity if 5x Op. CF:	\$313,650		
		Net Tang. Book+ Gain Disposition:			\$47,786,400.00
Shares Outstanding:	8,390,000	IRR:			-11.85%
				Price:	\$5.70
				Target Market Cap:	\$47,786,400
				Target Enterprise Value:	\$81,356,400

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

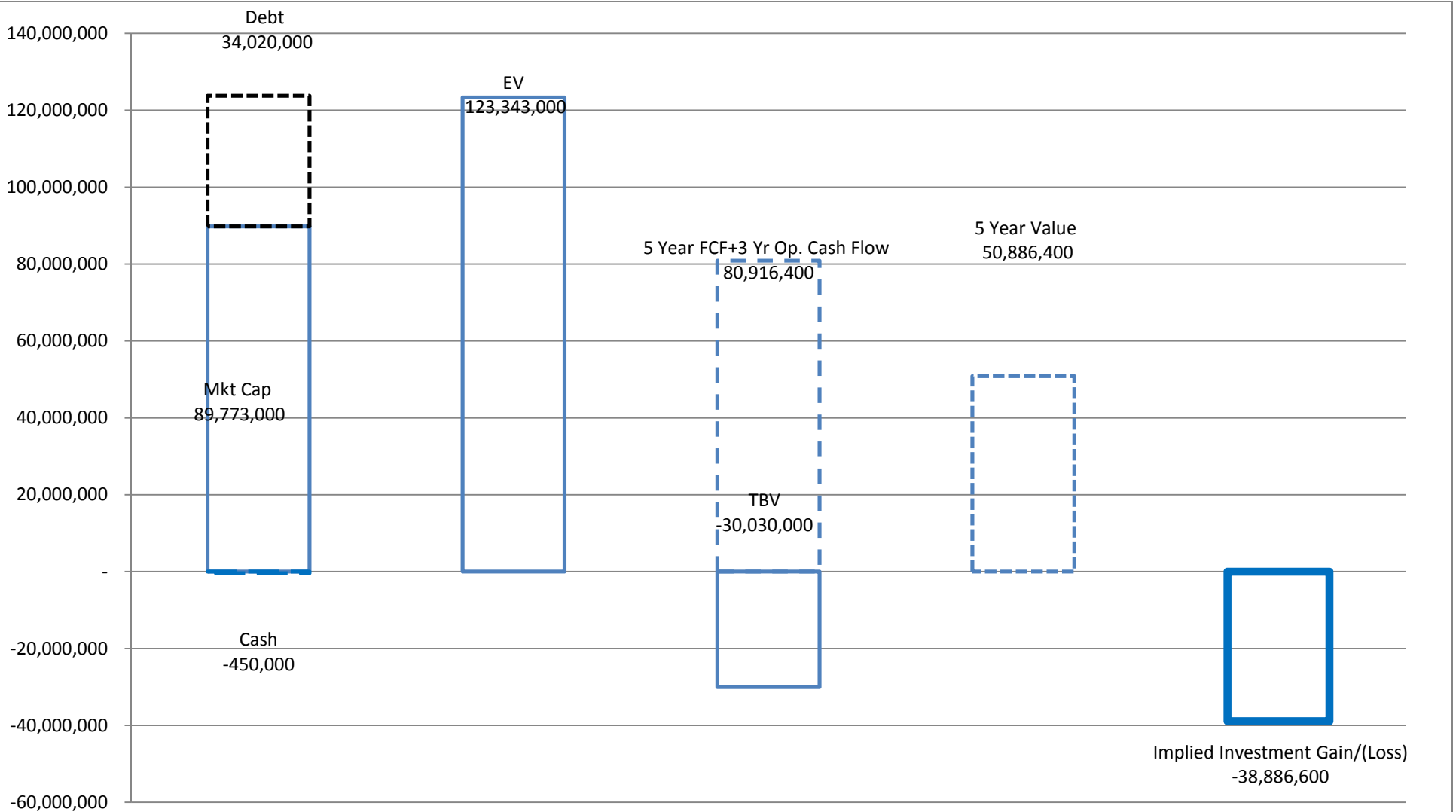
The Co. is a subcontractor of government and commercial airplane manufacturing and servicing, where revenue is recognized on a completed contract basis. As such, the costs realized, but not yet billed to the customers are accrued and recognized as an asset on the balance sheet. This can be misleading, when calculating the downside protection, since we would be double counting the asset on the asset side, and also on the op cash flow. We should essentially remove the asset piece, and look at the billable work from the operation stand point.

I liken this to an old man who once owned a necklace made of gold. The old man used to work as a farmer and he made \$10/year from his farming operation. The golden necklace was worth \$100. After 5 years of farming, the old man's net worth was \$150, or \$100 from the golden necklace and 5 years of cash flow from operation, for \$50.

But let's imagine, the farmer revealed he had never owned a golden necklace, but rather IOUs from his customers in the amount of \$100. The annual \$10/year he was recognizing as earnings was actually just receiving from his collection of IOUs. So every year, he would continue to receive \$10/year, and likewise, his IOU balance should decrease by \$10 annually. So after 5 years, his net worth was \$100, or 5 years of cash from operations plus the residual IOU balance of \$50.

In the 1st example, when the asset was distinct, exclusive from the operation, then we could build on that asset to calculate future worth. However, in the 2nd example, if the cash flow from operation was just collection of the asset value, then the asset value to continue to erode at a rate similar to the cash flow received from annual operation.

When we do adjust for the double counting, the Co.'s stock is not attractive. A leading independent, boutique's research department placed a \$15 price/share on the stocks. Before removing the uncompleted contracts section from the asset side, our model forecasted a \$18/share 5 year target price, but we have dropped it down to \$5.70.



SN VALUATION

LBO Pro Forma Income Statement

Name:

CPI Aero Structures

Ticker:

CVU

	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	43.91	43.99	74.14	89.27	89.27	89.27	89.27	89.27	89.27
COGS	32.60	37.88	55.33	65.04	65.17	65.17	65.17	65.17	65.17
Gross margin	11.31	6.11	18.81	24.23	24.10	24.10	24.10	24.10	24.10
SG&A	5.29	5.42	7.93	7.52	7.14	7.14	7.14	7.14	7.14
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	0.00	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)	6.11	0.69	10.88	16.91	16.96	16.96	16.96	16.96	16.96
Interest income/(expense)	-0.25	-0.16	-0.34	-0.38	-2.35	-2.35	-2.35	-2.35	-2.35
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	5.86	0.54	10.54	16.53	14.61	14.61	14.61	14.61	14.61
Tax	1.91	0.01	3.12	5.52	5.11	5.11	5.11	5.11	5.11
Income after tax	3.95	0.53	7.42	11.01	9.49	9.49	9.49	9.49	9.49
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	3.95	0.53	7.42	11.01	9.49	9.49	9.49	9.49	9.49
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.47	\$0.06	\$0.88	\$1.31	\$1.13	\$1.13	\$1.13	\$1.13	\$1.13
P/E (historical today's price; forecasted intrinsic price)	22.73	169.38	12.10	8.15	8.33	7.35	6.48	5.71	5.03
Revenue Growth	N/A	0.18%	68.54%	20.41%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	32.59%	1.85%	29.60%	33.39%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-5.39%	-5.97%	-1.90%	-1.37%	-78.48%	-78.48%	-78.48%	-78.48%	-78.48%
Margins									
COGS	74.24%	86.11%	74.63%	72.86%	73.00%	73.00%	73.00%	73.00%	73.00%
Gross margin	25.76%	13.89%	25.37%	27.14%	27.00%	27.00%	27.00%	27.00%	27.00%
SG&A	11.84%	12.32%	10.70%	8.20%	8.00%	8.00%	8.00%	8.00%	8.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	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)	13.91%	1.57%	14.67%	18.94%	19.00%	19.00%	19.00%	19.00%	19.00%
Interest income/(expense)	-0.57%	-0.36%	-0.43%	-0.43%	-2.64%	-2.64%	-2.64%	-2.64%	-2.64%
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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	13.35%	1.23%	14.22%	18.52%	16.36%	16.36%	16.36%	16.36%	16.36%
Tax	4.35%	0.02%	4.21%	6.18%	5.73%	5.73%	5.73%	5.73%	5.73%
Income after tax	9.00%	1.20%	10.01%	12.33%	10.64%	10.64%	10.64%	10.64%	10.64%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	9.00%	1.20%	10.01%	12.33%	10.64%	10.64%	10.64%	10.64%	10.64%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	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	+	-						
Cash	2.22	0.82	0.88	2.71	0.45			0.45	9.56	18.68	27.79	36.91	46.02
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	2.22	0.82	0.88	2.71	0.45			0.45	9.56	18.68	27.79	36.91	46.02
Accounts Receivable	5.40	6.15	4.29	6.77	7.00			7.00	7.00	7.00	7.00	7.00	7.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	5.40	6.15	4.29	6.77	7.00			7.00	7.00	7.00	7.00	7.00	7.00
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.45	0.61	0.66	0.43	0.57			0.57	0.57	0.57	0.57	0.57	0.57
Other Current Assets	43.02	47.17	79.38	109.44	111.83		111.00	0.83	0.83	0.83	0.83	0.83	0.83
Current Assets	51.09	54.75	85.21	119.35	119.85	0.00	111.00	8.85	17.96	27.08	36.19	45.31	54.42
PP&E, Gross	2.92	3.33	4.75	0.00	5.00			5.00	6.00	7.00	8.00	9.00	10.00
Change in Depreciation	0.34	0.39	0.59	0.62	0.62			0.62	0.62	0.62	0.62	0.62	0.62
Accumulated Depreciation	2.06	2.45	2.12	0.00	2.00			2.00	2.62	3.24	3.86	4.48	5.10
PP&E, Net	0.86	0.88	2.63	0.00	3.00			3.00	3.38	3.76	4.14	4.52	4.90
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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.59	0.83	1.22	2.62	1.11			1.11	1.11	1.11	1.11	1.11	1.11
Long Term Assets	1.45	1.71	3.85	2.62	4.11			4.11	4.49	4.87	5.25	5.63	6.01
Total Assets	52.54	56.46	89.06	121.97	123.96	0.00	0.00	12.96	22.45	31.95	41.44	50.94	60.43
Accounts Payable	5.86	8.27	12.00	13.29	14.00			14.00	14.00	14.00	14.00	14.00	14.00
Accrued Expense	0.61	0.30	0.99	0.94	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Other current Liabilities	2.67	0.32	3.04	0.86	0.88			0.88	0.88	0.88	0.88	0.88	0.88
Total Current Liabilities	9.14	8.89	16.03	15.09	15.88	0.00	0.00	15.88	15.88	15.88	15.88	15.88	15.88
Notes Payables/Short Term Debt	2.20	0.80	16.10	23.45	29.95			29.95	29.95	29.95	29.95	29.95	29.95
Current port. Of LT Debt/Capital Leases	0.64	0.69	0.89	1.10	1.07			1.07	1.07	1.07	1.07	1.07	1.07
Long term Debt	1.80	1.19	0.89	3.21	3.00	0.00	0.00	3.00	3.00	3.00	3.00	3.00	3.00
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	4.64	2.68	17.88	27.76	34.02	0.00	0.00	34.02	34.02	34.02	34.02	34.02	34.02
Deferred Income tax	0.00	0.00	0.66	0.87	0.85			0.85	0.85	0.85	0.85	0.85	0.85
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	0.24	0.23	0.46	0.57	-7.01			-7.01	-7.01	-7.01	-7.01	-7.01	-7.01
Total Liabilities	14.02	11.80	35.03	44.29	43.74	0.00	0.00	43.74	43.74	43.74	43.74	43.74	43.74
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	0.01	0.01	0.01	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.01	0.01
Additional Paid-in capital	27.37	33.27	35.35	49.78	50.00	0.00	0.00	50.00	50.00	50.00	50.00	50.00	50.00
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	11.89	12.42	19.83	30.85	31.00		111.00	-80.00	-70.51	-61.01	-51.52	-42.02	-32.53
Treasury Stock	-0.69	-0.98	-1.14	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-0.05	-0.05	-0.02	-0.04	-0.04			-0.04	-0.04	-0.04	-0.04	-0.04	-0.04
Total Equity	38.53	44.67	54.03	80.60	80.97	0.00	111.00	-30.03	-20.54	-11.04	-1.55	7.95	17.44
Liability + Equity	52.55	56.47	89.06	124.89	124.71	0.00	111.00	13.71	23.20	32.70	42.19	51.69	61.18
Variance	-0.01	-0.01	0.00	-2.92	-0.75			-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
Debt/Equity	0.12	0.06	0.33	0.34	0.42			-1.13	-1.66	-3.08	-22.00	4.28	1.95
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	8.13	7.15	17.28	13.19	12.75			12.75	12.75	12.75	12.75	12.75	12.75
Accounts Receivable Turnover Days	44.89	51.03	21.12	27.68	28.62			28.62	28.62	28.62	28.62	28.62	28.62
Days Payable Outstanding	65.61	79.69	79.16	74.58	78.41			78.57	78.41	78.41	78.41	78.41	78.41
Days Sales Outstanding	44.89	51.03	21.12	27.68	28.62			27.68	28.62	28.62	28.62	28.62	28.62
Cash Conversion Cycle	-20.72	-28.66	-58.04	-46.90	-49.79			-50.89	-49.79	-49.79	-49.79	-49.79	-49.79
Net tangible assets/share	\$4.59	\$5.32	\$6.44	\$9.61	\$9.65			(\$2.45)	(\$1.32)	(\$0.18)	\$0.95	\$2.08	

	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	3.95	0.53	7.42	11.01	9.49	9.49	9.49	9.49	9.49
Depreciation	0.34	0.39	0.59	0.62	0.62	0.62	0.62	0.62	0.62
Net Income + Depreciation	4.29	0.92	8.01	11.63	10.11	10.11	10.11	10.11	10.11
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.37	-0.27	-0.10	0.01	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.51	0.27	0.93	0.15	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-3.76	-4.88	-22.53	-33.87	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.75	1.86	-2.48	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.16	-0.05	0.23	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	2.41	3.73	1.29	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	0.67	-3.96	-13.69	-22.08	10.11	10.11	10.11	10.11	10.11
Capital Expenditures Expenditures	-0.14	-0.30	-1.59	-0.83	-1.00	-1.00	-1.00	-1.00	-1.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-0.14	-0.30	-1.59	-0.83	-1.00	-1.00	-1.00	-1.00	-1.00
Financing Cash flow items	0.00	0.30	0.44	0.31	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	4.63	0.46	14.61	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	1.27	-2.08	14.45	9.81	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	1.27	2.85	15.35	24.73	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	-1.80	0.00	0.00	0.00	0.45	9.56	18.68	27.79	36.91
Net Change in Cash	1.80	-1.40	0.05	1.83	9.11	9.11	9.11	9.11	9.11
Ending Cash Balance	0.00	0.00	0.05	1.83	9.56	18.68	27.79	36.91	46.02
Capex to Revenue	0.32%	0.68%	2.14%	0.93%	1.12%	1.12%	1.12%	1.12%	1.12%
Depreciation to Sales	0.77%	0.89%	0.80%	0.69%	0.69%	0.69%	0.69%	0.69%	0.69%
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	12.30%	13.98%	5.79%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
Distributable FCF/EV Yield	0.43%	-3.45%	-12.39%	-18.57%	7.39%	7.39%	7.39%	7.39%	7.39%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	0.53	-4.26	-15.28	-22.91	9.11	9.11	9.11	9.11	9.11

SN VALUATION

LBO Debt Schedule

Ticker:

CVU

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	1.83	9.11	9.11	9.11	9.11	9.11
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	34.02	34.02	34.02	34.02	34.02	34.02
Current Portion Debt Balance	31.02	31.02	31.02	31.02	31.02	31.02
Long Term Debt Balance	3.00	3.00	3.00	3.00	3.00	3.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		2.38	2.38	2.38	2.38	2.38
Cash Balance		2.71				
Interest @ 1.0%		0.03	0.03	0.03	0.03	0.03
Net Interest Expense/(Income)		2.35	2.35	2.35	2.35	2.35
Net Interest Rate		78.48%	78.48%	78.48%	78.48%	78.48%
EBITDA		16.96	16.96	16.96	16.96	16.96
EBITDA/Interest Expense Coverage		7.12	7.12	7.12	7.12	7.12

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

CPI Aero Structures

Ticker:

CVU

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	41.95	45.86	69.18	-7.03	2.08	11.20	20.31	29.43	38.54
Total Assets	52.54	56.46	89.06	12.96	22.45	31.95	41.44	50.94	60.43
X1	0.80	0.81	0.78	-0.54	0.09	0.35	0.49	0.58	0.64
Retained Earnings	11.89	12.42	19.83	-80.00	-70.51	-61.01	-51.52	-42.02	-32.53
Total Assets	52.54	56.46	89.06	12.96	22.45	31.95	41.44	50.94	60.43
X2	0.23	0.22	0.22	-6.17	-3.14	-1.91	-1.24	-0.82	-0.54
EBITDA	6.11	0.69	10.88	16.91	16.96	16.96	16.96	16.96	16.96
Total Assets	52.54	56.46	89.06	12.96	22.45	31.95	41.44	50.94	60.43
X3	0.12	0.01	0.12	1.30	0.76	0.53	0.41	0.33	0.28
Market Value of Equity	89.77	89.77	89.77	89.77	79.14	69.76	61.50	54.21	47.79
Total Liabilities	14.02	11.80	35.03	43.74	43.74	43.74	43.74	43.74	43.74
X4	6.40	7.61	2.56	2.05	1.81	1.59	1.41	1.24	1.09
Net Sales	43.91	43.99	74.14	89.27	89.27	89.27	89.27	89.27	89.27
Total Assets	52.54	56.46	89.06	12.96	22.45	31.95	41.44	50.94	60.43
X5	0.84	0.78	0.83	6.89	3.98	2.79	2.15	1.75	1.48
Altman Z Score	6.34	6.67	4.02	3.13	3.27	3.25	3.20	3.13	3.07

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

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	80.97	(20.54)	(11.04)	(1.55)	7.95	17.44				17.44
Annual Change		(101.51)	9.49	9.49	9.49	9.49				
Annual FCF	(22.91)	9.11	9.11	9.11	9.11	9.11				27.34
Annual Op. Cash Flow	(22.08)	10.11	10.11	10.11	10.11	10.11	10.11	10.11	10.11	
Annual PP&E Investment	(0.83)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	
Today's Tangible Book Value	80.97	59.56	43.82	32.23	23.71	17.44				44.79
Intrinsic Value IRR	-26.44%									
Market Price	89.77	78.12	67.97	59.15	51.47	44.79				44.79
Market Price IRR	-12.98%									

Debt	50.00%	44.89
Equity	50.00%	44.89
Total	100.00%	89.77

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	80.97	44.89	53.73	62.58	71.42	80.27	89.12			
Goodwill	0	8.80	8.80	8.80	8.80	8.80	8.80			
Debt	3	47.89	47.89	47.89	47.89	47.89	47.89			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		1.00	1.00	1.00	1.00	1.00				
Tangible Book Value	80.97	36.08	44.93	53.78	62.62	71.47	80.31			80.31
Annual Change			8.85	8.85	8.85	8.85	8.85			
Annual FCF	(22.91)		8.47	8.47	8.47	8.47	8.47	8.47	8.47	8.47
Annual Net Income	11.01		8.85	8.85	8.85	8.85	8.85	8.85	8.85	
Annual Op. Cash Flow	(22.08)		9.47	9.47	9.47	9.47	9.47	9.47	9.47	9.47
Dividend Payments										
Annual PP&E Investment	(0.83)		(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Debt Paydown	0.00							0.00	0.00	0.00
Sale Price in Year 5										105.71
Capital Left for Equity Investor										105.71
Dividend Payments										0.00
Total Cash In Flow										105.71
Invested Equity	44.89	53.27	63.23	75.04	89.07	105.71				
IRR	18.69%									

Capital Left for Equity Investor
Dividend Payments
Total Cash In Flow

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.

Value Creation
TBV Growth (equals sum of NI Year 1-5) 44.23
Cash Flow (Year 6-8) 25.40
69.63

Value Dilution
Debt 44.89
Goodwill 8.80
Additional Interest 4.99
58.68