

Comtech Tele Corp (CMTL)

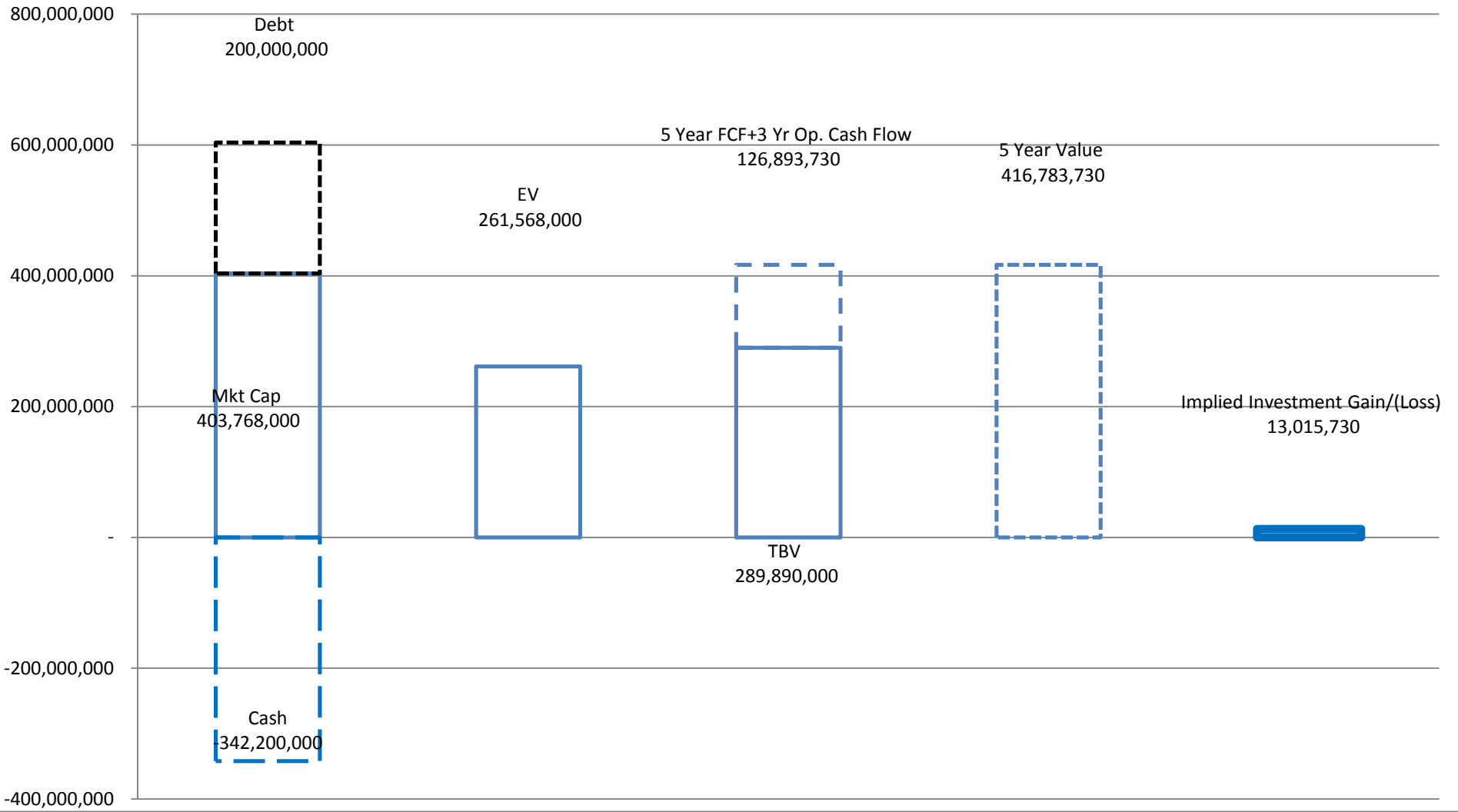
Price:	\$24.62	Net Tang. Bk Value Incl. Cash, Excl.	\$289,890,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$314,209,165.00
Market Cap:	\$403,768,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$15,939,159.58
Cash:	\$342,200,000	NTBVIC/Market Downside Recovery:	71.80%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$200,000,000	Op. Cash Flow:	\$15,815,250	Year 5 Disposition Price:	\$362,026,643.74
Net Cash:	\$142,200,000	Implied Years to Fill Gap:	7.20		
Enterprise Value:	\$261,568,000	Today's Equity if 5x Op. CF:	\$337,335,751		
		Net Tang. Book+ Gain Disposition:			\$362,026,643.74
Shares Outstanding:	16,400,000	IRR:			-2.16%
				Price:	\$22.07
				Target Market Cap:	\$362,026,644
				Target Enterprise Value:	\$219,826,644

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

The Co. is involved in the high tech, communications business and margins have been fairly high over the past few years at 30-40%. However, the stock has seen a soft patch as the US Military, which was a large customer for the Co., decided to use another third party for their mobile connection vendor, which has essentially eliminated a \$400MM/annual revenue contributor, which explains the material YoY revenue shortfall of 20-30% since 2010.

Still, the Co.'s remaining 2 business lines will generate somewhere in the vicinity of \$200-\$300MM, with a higher margin mix than inclusive of the mobile business. The Co. has \$330MM in cash to offset \$200MM in 3% convertible debt. Management plans to use the cash for further acquisitions, to help the organic growth, which we don't approve of.

We question whether the Co. can continue to make their \$20MM in dividends, when the op. cash flow is \$20MM and capex of \$5MM. The current dividend yield is at 4.5%, as the stock tumbled from \$27 in early August to \$24.62 today.



SN VALUATION

LBO Pro Forma Income Statement

Name:

Comtech Tele Corp

Ticker:

CMTL

	Historical				Forecasted				
	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	12 months ending 2012-07-31	2013	2014	2015	2016	2017
Revenue	586.37	778.21	612.38	425.07	297.55	297.55	297.55	297.55	297.55
COGS	345.47	507.61	371.33	241.56	181.50	181.50	181.50	181.50	181.50
Gross margin	240.90	270.60	241.05	183.51	116.04	116.04	116.04	116.04	116.04
SG&A	100.17	98.98	94.14	87.11	62.49	62.49	62.49	62.49	62.49
R&D	50.01	46.19	43.52	38.49	29.75	29.75	29.75	29.75	29.75
Unusual expense	6.20	13.25	-12.50	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)	84.52	111.28	115.89	57.91	23.80	23.80	23.80	23.80	23.80
Interest income/(expense)	-3.66	-6.68	-6.00	-7.24	-16.32	-16.32	-16.32	-16.32	-16.32
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	73.27	97.30	101.80	44.04	7.48	7.48	7.48	7.48	7.48
Tax	25.75	36.67	33.91	11.62	2.62	2.62	2.62	2.62	2.62
Income after tax	47.52	60.63	67.89	32.42	4.86	4.86	4.86	4.86	4.86
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	47.52	60.63	67.89	32.42	4.86	4.86	4.86	4.86	4.86
* Figures are in millions (\$)									
EPS (based off today's share count)	\$2.90	\$3.70	\$4.14	\$1.98	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
P/E (historical today's price; forecasted intrinsic price)	8.50	6.66	5.95	12.45	81.22	79.47	77.75	76.07	74.43
Revenue Growth	N/A	32.72%	-21.31%	-30.59%	-30.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	35.14%	37.69%	33.31%	26.39%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-1.83%	-3.34%	-3.00%	-3.62%	-8.16%	-8.16%	-8.16%	-8.16%	-8.16%
Margins									
COGS	58.92%	65.23%	60.64%	56.83%	61.00%	61.00%	61.00%	61.00%	61.00%
Gross margin	41.08%	34.77%	39.36%	43.17%	39.00%	39.00%	39.00%	39.00%	39.00%
SG&A	17.08%	12.83%	15.37%	20.49%	21.00%	21.00%	21.00%	21.00%	21.00%
R&D	8.53%	5.94%	7.11%	9.05%	10.00%	10.00%	10.00%	10.00%	10.00%
Unusual expense	1.06%	1.70%	-2.04%	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)	14.41%	14.30%	18.92%	13.62%	8.00%	8.00%	8.00%	8.00%	8.00%
Interest income/(expense)	-0.62%	-0.86%	-0.98%	-1.70%	-5.49%	-5.49%	-5.49%	-5.49%	-5.49%
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	12.50%	12.50%	16.62%	10.36%	2.51%	2.51%	2.51%	2.51%	2.51%
Tax	4.39%	4.71%	5.54%	2.73%	0.88%	0.88%	0.88%	0.88%	0.88%
Income after tax	8.10%	7.79%	11.09%	7.63%	1.63%	1.63%	1.63%	1.63%	1.63%
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	8.10%	7.79%	11.09%	7.63%	1.63%	1.63%	1.63%	1.63%	1.63%

	As of 2009-07-31	As of 2010-07-31	As of 2011-07-31	As of 2012-07-31	As of 2013-04-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	485.45	607.59	558.80	367.89	342.20			342.20	352.0152503	361.82	371.87	381.96	391.90
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	485.45	607.59	558.80	367.89	342.20			342.20	352.02	361.82	371.87	381.96	391.90
Accounts Receivable	79.48	135.84	70.80	56.24	56.00			56.00	56.00	56.00	56.00	56.00	56.00
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	79.48	135.84	70.80	56.24	56.00			56.00	56.00	56.00	56.00	56.00	56.00
Total Inventory	95.60	73.56	74.66	72.36	71.10			71.10	71.10	71.10	71.10	71.10	71.10
Prepaid Expenses	13.40	8.88	7.27	8.20	10.74			10.74	10.74	10.74	10.74	10.74	10.74
Other Current Assets	15.13	14.95	11.53	12.18	9.78			9.78	9.78	9.78	9.78	9.78	9.78
Current Assets	689.06	840.82	723.06	516.87	489.82	0.00	0.00	489.82	499.6352503	509.44	519.49	529.58	539.52
PP&E, Gross	98.12	101.59	106.88	0.00	107.00			107.00	113.00	119.00	125.00	131.00	137.00
Change in Depreciation	12.50	11.77	14.25	10.21	10.21			10.21	7.15	7.15	7.15	7.15	7.15
Accumulated Depreciation	59.64	67.86	80.24	0.00	80.00			80.00	87.15	94.29	101.44	108.59	115.74
PP&E, Net	38.48	33.73	26.64	0.00	27.00			27.00	25.85	24.71	23.56	22.41	21.27
Goodwill	149.25	137.35	137.35	137.35	138.00	0.00		138.00	138.00	138.00	138.00	138.00	138.00
Intangibles	55.27	48.09	45.47	38.83	38.00			38.00	34.20	30.40	26.36	22.29	18.36
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	6.61	6.57	4.98	3.88	2.34			2.34	2.34	2.34	2.34	2.34	2.34
Long Term Assets	249.61	225.74	214.44	180.06	205.34	0.00	0.00	205.34	200.39	195.45	190.26	185.04	179.96
Total Assets	938.67	1,066.56	937.50	696.93	695.16	0.00	0.00	695.16	700.02	704.89	709.75	714.62	719.48
Accounts Payable	19.23	77.84	23.50	20.97	21.00			21.00	21.00	21.00	21.00	21.00	21.00
Accrued Expense	38.67	36.52	32.89	30.05	31.00			31.00	31.00	31.00	31.00	31.00	31.00
Other current Liabilities	34.62	39.86	39.66	31.64	25.42			25.42	25.42	25.42	25.42	25.42	25.42
Total Current Liabilities	92.52	154.22	96.05	82.66	77.42	0.00	0.00	77.42	77.42	77.42	77.42	77.42	77.42
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
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	200.00	200.00	200.00	200.00	200.00	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
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	200.00	200.00	200.00	200.00	200.00	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
Deferred Income tax	10.47	2.97	2.10	0.00	1.18			1.18	1.18	1.18	1.18	1.18	1.18
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	6.55	7.74	10.17	7.72	-6.47			-6.47	-6.47	-6.47	-6.47	-6.47	-6.47
Total Liabilities	309.54	364.93	308.32	290.38	272.13	0.00	0.00	272.13	272.13	272.13	272.13	272.13	272.13
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	2.84	2.85	2.87	2.89	2.89		0.00	2.89	2.89	2.89	2.89	2.89	2.89
Additional Paid-in capital	335.66	347.51	355.00	361.46	361.00	0.00	0.00	361.00	361.00	361.00	361.00	361.00	361.00
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	290.82	351.45	393.11	404.23	404.00			404.00	408.86	413.73	418.59	423.46	428.32
Treasury Stock	-0.18	-0.18	-121.80	-339.18	-340.00		0.00	-340.00	-340.00	-340.00	-340.00	-340.00	-340.00
Other Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	629.14	701.63	629.18	429.40	427.89	0.00	0.00	427.89	432.75	437.62	442.48	447.35	452.21
Liability + Equity	938.68	1,066.56	937.50	719.78	700.02	0.00	0.00	700.02	704.88	709.75	714.61	719.48	724.34
Variance	-0.01	0.00	0.00	-22.85	-4.86			-4.86	-4.86	-4.86	-4.86	-4.86	-4.86
Debt/Equity	0.32	0.29	0.32	0.47	0.47			0.47	0.46	0.46	0.45	0.45	0.44
Inventory Turnover	6.13	10.58	8.20	5.87	4.18			5.98	4.18	4.18	4.18	4.18	4.18
Inventory Turnover Days	59.51	34.50	44.50	62.13	87.22			61.05	87.22	87.22	87.22	87.22	87.22
Days Inventory Outstanding	101.00	52.89	73.39	109.34	142.98			107.43	142.98	142.98	142.98	142.98	142.98
Accounts Receivable Turnover	7.38	5.73	8.65	7.56	5.31			7.59	5.31	5.31	5.31	5.31	5.31
Accounts Receivable Turnover Days	49.47	63.71	42.20	48.29	68.69			48.09	68.69	68.69	68.69	68.69	68.69
Days Payable Outstanding	20.32	55.97	23.10	31.69	42.23			31.73	42.23	42.23	42.23	42.23	42.23
Days Sales Outstanding	49.47	63.71	42.20	48.29	68.69			48.29	48.09	48.09	48.09	48.09	48.09
Cash Conversion Cycle	130.16	60.63	92.49	125.94	169.44			123.99	148.84	169.44	169.44	169.44	169.44
Net tangible assets/share	\$25.89	\$31.48	\$27.22	\$15.44	\$15.36				\$15.89	\$16.42	\$16.96	\$17.50	\$18.04

	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	12 months ending 2012-07-31	2011	2012	2013	2014	2015
Net Income	47.52	60.63	67.89	32.42	4.86	4.86	4.86	4.86	4.86
Depreciation	12.50	11.77	14.25	10.21	7.15	7.15	7.15	7.15	7.15
Net Income + Depreciation	60.02	72.40	82.14	42.63	12.01	12.01	12.01	12.01	12.01
Amortization	7.59	7.29	8.09	6.64	3.80	3.79	4.04	4.07	3.93
Deferred Taxes	-1.35	-7.31	0.76	-4.57	0.00	0.00	0.00	0.00	0.00
Non Cash Items	23.44	31.18	10.87	8.41	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-1.17	20.95	-4.50	0.40	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-56.36	65.04	14.56	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	22.04	-1.10	2.30	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	4.52	1.61	-0.93	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	58.61	-54.34	-2.53	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	88.53	124.51	97.36	53.51	15.82	15.80	16.05	16.08	15.94
Capital Expenditures Expenditures	-13.59	-7.51	-7.19	-6.41	-6.00	-6.00	-6.00	-6.00	-6.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-205.36	2.04	-2.85	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-218.95	-5.47	-10.04	-6.41	-6.00	-6.00	-6.00	-6.00	-6.00
Financing Cash flow items	1.65	0.24	-0.34	-0.28	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-20.14	-22.62	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	9.59	2.98	-115.64	-215.09	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	194.55	-0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	205.79	3.10	-136.12	-237.99	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	410.07	485.45	607.59	558.80	342.20	352.02	361.82	371.87	381.96
Net Change in Cash	75.38	122.14	-48.79	-190.91	9.82	9.80	10.05	10.08	9.94
Ending Cash Balance	485.45	607.59	558.80	367.89	352.02	361.82	371.87	381.96	391.90
Capex to Revenue	2.32%	0.97%	1.17%	1.51%	2.02%	2.02%	2.02%	2.02%	2.02%
Depreciation to Sales	2.13%	1.51%	2.33%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Amortization to Sales	1.29%	0.94%	1.32%	1.56%	1.28%	1.27%	1.36%	1.37%	1.32%
A/R to Sales	13.55%	17.46%	11.56%	13.23%	18.90%	18.90%	18.90%	18.90%	18.90%
Distributable FCF/EV Yield	-49.86%	45.51%	33.38%	18.01%	3.75%	3.75%	3.84%	3.85%	3.80%
Dividend Yield	0.00%	0.00%	-4.99%	-5.60%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	74.94	117.00	110.31	69.72	9.82	9.80	10.05	10.08	9.94

SN VALUATION

LBO Debt Schedule

Ticker:

CMTL

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-190.91	9.82	9.80	10.05	10.08	9.94
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	200.00	200.00	200.00	200.00	200.00	200.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	200.00	200.00	200.00	200.00	200.00	200.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%
Interest Expense		20.00	20.00	20.00	20.00	20.00
Cash Balance		367.89				
Interest @ 1.0%		3.68	3.68	3.68	3.68	3.68
Net Interest Expense/(Income)		16.32	16.32	16.32	16.32	16.32
Net Interest Rate		8.16%	8.16%	8.16%	8.16%	8.16%
EBITDA		23.80	23.80	23.80	23.80	23.80
EBITDA/Interest Expense Coverage		1.19	1.19	1.19	1.19	1.19

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Comtech Tele Corp

Ticker:

CMTL

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	596.54	686.60	627.01	412.40	422.22	432.02	442.07	452.16	462.10
Total Assets	938.67	1,066.56	937.50	695.16	700.02	704.89	709.75	714.62	719.48
X1	0.64	0.64	0.67	0.59	0.60	0.61	0.62	0.63	0.64
Retained Earnings	290.82	351.45	393.11	404.00	408.86	413.73	418.59	423.46	428.32
Total Assets	938.67	1,066.56	937.50	695.16	700.02	704.89	709.75	714.62	719.48
X2	0.31	0.33	0.42	0.58	0.58	0.59	0.59	0.59	0.60
EBITDA	84.52	111.28	115.89	57.91	23.80	23.80	23.80	23.80	23.80
Total Assets	938.67	1,066.56	937.50	695.16	700.02	704.89	709.75	714.62	719.48
X3	0.09	0.10	0.12	0.08	0.03	0.03	0.03	0.03	0.03
Market Value of Equity	403.77	403.77	403.77	403.77	395.05	386.52	378.18	370.01	362.03
Total Liabilities	309.54	364.93	308.32	272.13	272.13	272.13	272.13	272.13	272.13
X4	1.30	1.11	1.31	1.48	1.45	1.42	1.39	1.36	1.33
Net Sales	586.37	778.21	612.38	425.07	297.55	297.55	297.55	297.55	297.55
Total Assets	938.67	1,066.56	937.50	695.16	700.02	704.89	709.75	714.62	719.48
X5	0.62	0.73	0.65	0.61	0.43	0.42	0.42	0.42	0.41
Altman Z Score	2.90	2.97	3.24	3.30	2.95	2.94	2.94	2.93	2.93

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

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	289.89	294.75	299.62	304.48	309.35	314.21				314.21
Annual Change		4.86	4.86	4.86	4.86	4.86				
Annual FCF	47.10	9.82	9.80	10.05	10.08	9.94	9.94	9.94	9.94	29.82
Annual Op. Cash Flow	53.51	15.82	15.80	16.05	16.08	15.94	15.94	15.94	15.94	
Annual PP&E Investment	(6.41)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	
Today's Tangible Book Value	289.89	294.60	299.38	304.25	309.19	314.21				344.03
Intrinsic Value IRR	1.62%									
Market Price	403.77	391.04	378.72	366.78	355.22	344.03				344.03
Market Price IRR	-3.15%									

Debt	50.00%	201.88
Equity	50.00%	201.88
Total	100.00%	403.77

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	427.89	201.88	185.50	169.12	152.73	136.35	119.96				
Goodwill	138	113.88	113.88	113.88	113.88	113.88	113.88				
Debt	200	401.88	401.88	401.88	401.88	401.88	401.88				
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%				
Additional Interest Expense		23.87	23.87	23.87	23.87	23.87					
Tangible Book Value	289.89	88.01	71.62	55.24	38.85	22.47	6.08				6.08
Annual Change			-16.38	-16.38	-16.38	-16.38	-16.38				
Annual FCF	47.10		(11.43)	(11.44)	(11.19)	(11.17)	(11.31)	(11.31)	(11.31)	(11.31)	(33.93)
Annual Net Income	32.42		(16.38)	(16.38)	(16.38)	(16.38)	(16.38)	(16.38)	(16.38)	(16.38)	
Annual Op. Cash Flow	53.51		(5.43)	(5.44)	(5.19)	(5.17)	(5.31)	(5.31)	(5.31)	(5.31)	
Dividend Payments											
Annual PP&E Investment	(6.41)		(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	(6.00)	
Debt Paydown	0.00						0.00	0.00	0.00		

Sale Price in Year 5 (27.84)

Capital Left for Equity Investor (17.84)
 Dividend Payments 0.00
 Total Cash In Flow (27.84)

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.

Invested Equity 201.88
 IRR -167.29%

Value Creation
 TBV Growth (equals sum of NI Year 1-5) -81.92
 Cash Flow (Year 6-8) -33.93
-115.85

Value Dilution
 Debt 201.88
 Goodwill -24.12
 Additional Interest 119.34
297.10