

Dover Downs Gaming (DDE)

Price:	\$1.18	Net Tang. Bk Value Incl. Cash, Excl.	\$118,260,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$132,956,175.00
Shares Outstanding:	32,750,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$12,669,235.00
Market Cap:	\$38,645,000	NTBVIC/Market Downside Recovery:	306.02%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$10,370,000	Op. Cash Flow:	\$12,669,235	Year 5 Disposition Price:	\$170,963,880.00
Debt:	\$43,710,000	Implied Years to Fill Gap:	-6.28		
Net Cash:	-\$33,340,000	Today's Equity if 5x Op. CF:	\$156,267,705		
Enterprise Value:	\$71,985,000			Net Tang. Book+ Gain Disposition:	\$170,963,880.00
				IRR:	34.64%
				Price:	\$5.22
				Target Market Cap:	\$170,963,880
				Target Enterprise Value:	\$204,303,880

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

The Co. has \$118MM in recorded net tangible assets, but the market is only giving a value for \$38MM. What gives?

The market must be devaluing the PP&E, which consists of a casino, race track and hotel. It is in Delaware.

It is cash flow positive. So, it must be the asset which is not a reliable figure. PP&E is recorded at the historic cost.

Recent legislation has affected operations. Delaware Gaming Competitiveness Act of 2012

Gates Capital Management has a 10% stake in the co. <http://www.gatescap.com/cgi-bin/contact.pl>

Voting right is controlled by Henry Tippie, 58.7%. He has a business school named after him, University of Iowa. He worked for John Rollins, and with his CPA, accounting background, he executed a LBO of Orkin Exterminating Co. He is still affiliated with the Rollins Enterprises, which btw has a stake in DDE. <http://tippie.uiowa.edu/about/henry.cfm>

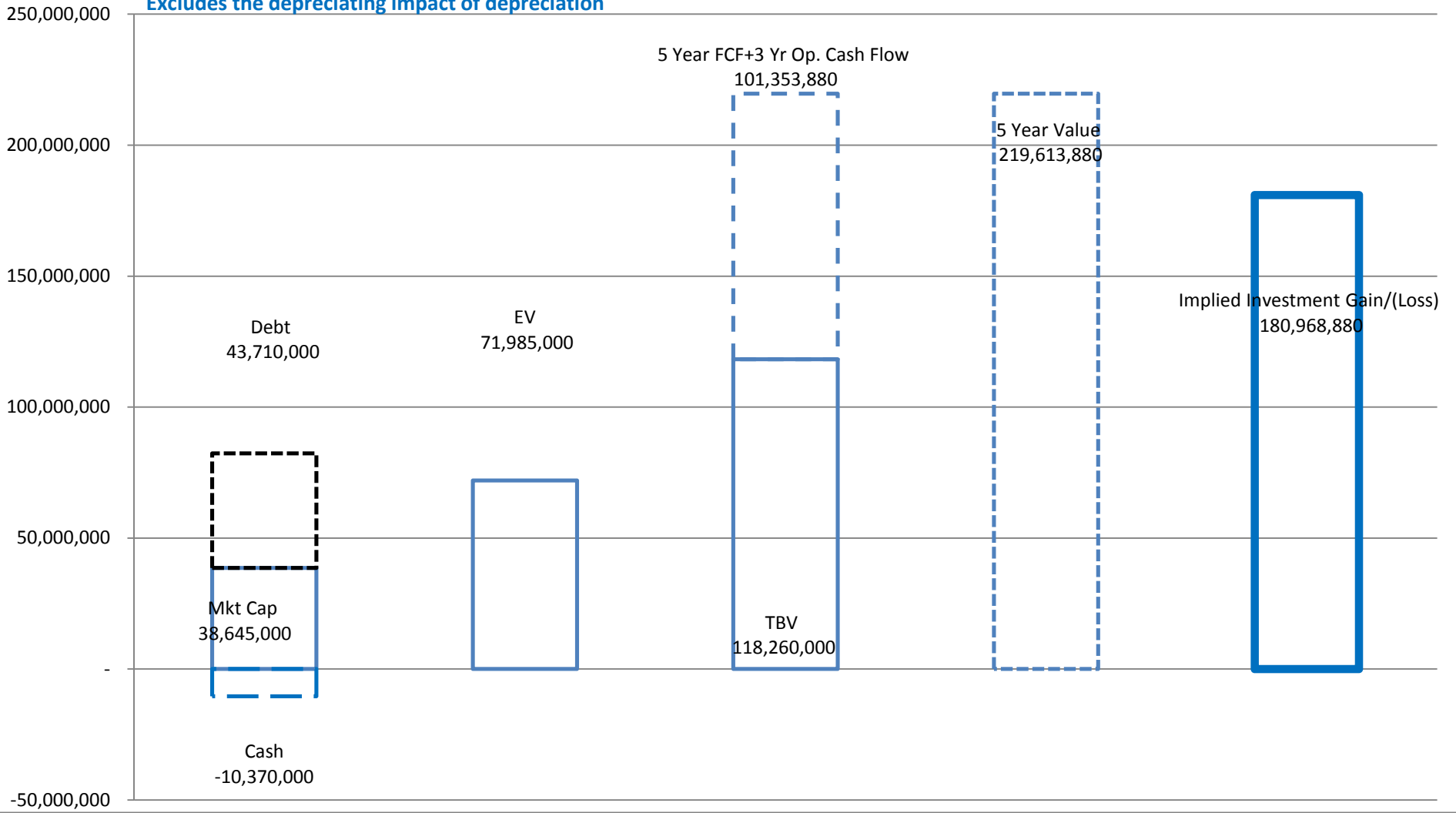
A family feud between the Rollins.

No dividend is paid out.

Basically, comes down to investing in a stock that doesn't pay out dividends, controlled by Henry Tippie.

Either one has to acquire the whole company to unlock the value, or not invest at all.

Excludes the depreciating impact of depreciation



SN VALUATION

LBO Pro Forma Income Statement

Name:

Dover Downs Gaming

Ticker:

DDE

	Historical				Forecasted				
	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2014	2015	2016	2017	2018
Revenue	238.15	239.94	225.91	197.23	197.23	197.23	197.23	197.23	197.23
COGS	188.29	193.99	182.95	162.40	163.70	163.70	163.70	163.70	163.70
Gross margin	49.86	46.55	42.96	34.83	33.53	33.53	33.53	33.53	33.53
SG&A	6.92	6.29	6.03	5.64	5.92	5.92	5.92	5.92	5.92
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	16.13	16.51	16.36	17.31	19.72	19.72	19.72	19.72	19.72
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	26.81	23.71	20.57	11.88	7.89	7.89	7.89	7.89	7.89
Interest income/(expense)	-3.26	-2.87	-1.80	-3.27	-3.37	-3.37	-3.37	-3.37	-3.37
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	11.49	9.17	8.47	4.40	4.52	4.52	4.52	4.52	4.52
Tax	4.75	3.81	3.66	0.39	1.58	1.58	1.58	1.58	1.58
Income after tax	6.74	5.36	4.81	0.01	2.94	2.94	2.94	2.94	2.94
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	6.74	5.36	4.81	0.01	2.94	2.94	2.94	2.94	2.94
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.21	\$0.16	\$0.15	\$0.00	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
P/E (historical today's price; forecasted intrinsic price)	5.73	7.21	8.03	3,864.50	17.70	23.83	32.09	43.20	58.17
Revenue Growth	N/A	0.75%	-5.85%	-12.70%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	41.34%	41.55%	43.21%	97.50%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-4.15%	-4.16%	-3.08%	-3.72%	NA	NA	NA	NA	NA
Margins									
COGS	79.06%	80.60%	80.98%	82.34%	83.00%	83.00%	83.00%	83.00%	83.00%
Gross margin	20.94%	19.40%	19.02%	17.66%	17.00%	17.00%	17.00%	17.00%	17.00%
SG&A	2.91%	2.62%	2.67%	2.86%	3.00%	3.00%	3.00%	3.00%	3.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	6.77%	6.88%	7.24%	8.78%	10.00%	10.00%	10.00%	10.00%	10.00%
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)	11.26%	9.88%	9.11%	6.02%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest income/(expense)	-1.37%	-1.20%	-0.80%	-3.27%	-1.71%	-1.71%	-1.71%	-1.71%	-1.71%
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	4.82%	3.82%	3.75%	0.20%	2.29%	2.29%	2.29%	2.29%	2.29%
Tax	1.99%	1.59%	1.62%	0.20%	0.80%	0.80%	0.80%	0.80%	0.80%
Income after tax	2.83%	2.23%	2.13%	0.01%	1.49%	1.49%	1.49%	1.49%	1.49%
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	2.83%	2.23%	2.13%	0.01%	1.49%	1.49%	1.49%	1.49%	1.49%

	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-12-31	As of 2014-06-30	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	18.82	18.63	14.99	12.95	10.37			10.37	21.039235	31.71	42.38	53.05	63.72
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	18.82	18.63	14.99	12.95	10.37			10.37	21.04	31.71	42.38	53.05	63.72
Accounts Receivable	3.10	3.98	4.09	4.25	8.00			8.00	8.00	8.00	8.00	8.00	8.00
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	3.10	3.98	4.09	4.25	8.00			8.00	8.00	8.00	8.00	8.00	8.00
Total Inventory	1.99	1.86	1.92	1.96	1.82			1.82	1.82	1.82	1.82	1.82	1.82
Prepaid Expenses	2.55	3.66	3.21	2.43	3.44			3.44	3.44	3.44	3.44	3.44	3.44
Other Current Assets	1.35	1.32	1.28	1.27	1.33			1.33	1.33	1.33	1.33	1.33	1.33
Current Assets	27.81	29.45	25.49	22.86	24.96	0.00	0.00	24.96	35.629235	46.30	56.97	67.64	78.31
PP&E, Gross	273.45	274.40	275.44	276.81	277.00			277.00	279.00	281.00	283.00	285.00	287.00
Change in Depreciation	12.06	11.66	10.30	9.73	9.73			9.73	9.73	9.73	9.73	9.73	9.73
Accumulated Depreciation	87.23	97.99	106.48	120.27	120.00			120.00	129.73	139.46	149.19	158.92	168.65
PP&E, Net	186.22	176.41	168.96	156.54	157.00			157.00	149.27	141.54	133.81	126.08	118.35
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	0.79	0.88	0.94	0.93	0.93			0.93	0.93	0.93	0.93	0.93	0.93
Long Term Assets	187.01	177.29	169.90	157.47	157.93			157.93	150.20	142.47	134.74	127.01	119.28
Total Assets	214.82	206.74	195.39	180.33	182.89	0.00	0.00	182.89	185.83	188.77	191.71	194.65	197.59
Accounts Payable	13.57	13.04	13.62	12.46	13.00			13.00	13.00	13.00	13.00	13.00	13.00
Accrued Expense	12.29	11.91	10.36	10.51	11.00			11.00	11.00	11.00	11.00	11.00	11.00
Other current Liabilities	0.31	0.71	0.35	0.47	0.33			0.33	0.33	0.33	0.33	0.33	0.33
Total Current Liabilities	26.17	25.66	24.33	23.44	24.33	0.00	0.00	24.33	24.33	24.33	24.33	24.33	24.33
Notes Payables/Short Term Debt	0.00	0.00	0.00	47.04	43.71			43.71	43.71	43.71	43.71	43.71	43.71
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	78.60	69.00	58.50	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	78.60	69.00	58.50	47.04	43.71	0.00	0.00	43.71	43.71	43.71	43.71	43.71	43.71
Deferred Income tax	4.22	3.30	1.99	2.73	2.63			2.63	2.63	2.63	2.63	2.63	2.63
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	5.55	5.72	6.98	3.35	-3.41			-3.41	-3.41	-3.41	-3.41	-3.41	-3.41
Total Liabilities	114.54	103.68	91.80	76.56	67.26	0.00	0.00	67.26	67.26	67.26	67.26	67.26	67.26
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	3.22	3.24	3.25	3.26	3.26		0.00	3.26	3.26	3.26	3.26	3.26	3.26
Additional Paid-in capital	2.72	3.46	4.14	4.66	5.00	0.00	0.00	5.00	5.00	5.00	5.00	5.00	5.00
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	106.43	108.09	109.32	109.33	110.00			110.00	112.94	115.88	118.82	121.76	124.70
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	-1.63	-2.28	-3.25	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	110.74	112.51	113.46	116.16	118.26	0.00	0.00	118.26	121.20	124.14	127.08	130.02	132.96
Liability + Equity	225.28	216.19	205.26	192.72	185.52	0.00	0.00	185.52	188.46	191.40	194.34	197.28	200.22
Variance	-10.46	-9.45	-9.87	-12.39	-2.63			-2.63	-2.63	-2.63	-2.63	-2.63	-2.63
Debt/Equity	0.71	0.61	0.52	0.40	0.37			0.37	0.36	0.35	0.34	0.34	0.33
Inventory Turnover	119.67	129.00	117.66	100.63	108.37			108.37	108.37	108.37	108.37	108.37	108.37
Inventory Turnover Days	3.05	2.83	3.10	3.63	3.37			3.37	3.37	3.37	3.37	3.37	3.37
Days Inventory Outstanding	3.86	3.51	3.83	4.41	4.06			4.06	4.06	4.06	4.06	4.06	4.06
Accounts Receivable Turnover	76.82	60.29	55.23	46.41	24.65			24.65	24.65	24.65	24.65	24.65	24.65
Accounts Receivable Turnover Days	4.75	6.05	6.61	7.87	14.81			14.81	14.81	14.81	14.81	14.81	14.81
Days Payable Outstanding	26.31	24.61	27.17	28.00	28.99			29.22	28.99	28.99	28.99	28.99	28.99
Days Sales Outstanding	4.75	6.05	6.61	7.87	14.81			7.87	14.81	14.81	14.81	14.81	14.81
Cash Conversion Cycle	-17.70	-15.05	-16.73	-15.73	-10.12			-17.26	-10.12	-10.12	-10.12	-10.12	-10.12
Net tangible assets/share	\$3.38	\$3.44	\$3.46	\$3.55	\$3.61				\$3.70	\$3.79	\$3.88	\$3.97	\$4.06

	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	12 months ending 2013-12-31	2014	2015	2016	2017	2018
Net Income	6.74	5.36	4.81	0.01	2.94	2.94	2.94	2.94	2.94
Depreciation	12.06	11.66	10.30	9.73	9.73	9.73	9.73	9.73	9.73
Net Income + Depreciation	18.80	17.02	15.11	9.74	12.67	12.67	12.67	12.67	12.67
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.09	-0.39	-0.32	-0.52	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.26	1.04	0.89	0.84	0.00	0.00	0.00	0.00	0.00
Change in Working capital	3.51	-2.02	-2.51	1.07	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.68	-0.11	-0.16	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	0.13	-0.06	-0.04	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-1.11	0.45	0.78	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.53	0.58	-1.16	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	23.48	15.65	13.17	11.13	12.67	12.67	12.67	12.67	12.67
Capital Expenditures Expenditures	-5.58	-1.85	-2.62	-1.57	-2.00	-2.00	-2.00	-2.00	-2.00
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	-0.08	0.00	0.07	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-5.58	-1.93	-2.62	-1.50	-2.00	-2.00	-2.00	-2.00	-2.00
Financing Cash flow items	0.00	-0.27	0.00	-0.07	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-3.87	-3.89	-3.58	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.12	-0.15	-0.11	-0.14	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	-16.52	-9.60	-10.50	-11.46	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-20.51	-13.91	-14.19	-11.67	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	2.60	0.00	0.00	0.00	10.37	21.04	31.71	42.38	53.05
Net Change in Cash	-2.60	-0.18	-3.64	-2.04	10.67	10.67	10.67	10.67	10.67
Ending Cash Balance	0.00	0.00	-3.64	-2.04	21.04	31.71	42.38	53.05	63.72
Capex to Revenue	2.34%	0.77%	1.16%	0.80%	1.01%	1.01%	1.01%	1.01%	1.01%
Depreciation to Sales	5.06%	4.86%	4.56%	4.93%	4.93%	4.93%	4.93%	4.93%	4.93%
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	1.30%	1.66%	1.81%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
Distributable FCF/EV Yield	24.87%	19.06%	14.66%	13.38%	14.82%	14.82%	14.82%	14.82%	14.82%
Dividend Yield	-10.01%	-10.07%	-9.26%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	21.77	17.69	14.13	9.56	10.67	10.67	10.67	10.67	10.67

SN VALUATION

LBO Debt Schedule

Ticker:

DDE

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	-2.04	10.67	10.67	10.67	10.67	10.67
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	43.71	43.71	43.71	43.71	43.71	43.71
Current Portion Debt Balance	43.71	43.71	43.71	43.71	43.71	43.71
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		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		3.50	3.50	3.50	3.50	3.50
Cash Balance		12.95				
Interest @ 1.0%		0.13	0.13	0.13	0.13	0.13
Net Interest Expense/(Income)		3.37	3.37	3.37	3.37	3.37
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		7.89	7.89	7.89	7.89	7.89
EBITDA/Interest Expense Coverage		2.26	2.26	2.26	2.26	2.26

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

Dover Downs Gaming

Ticker:

DDE

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	1.64	3.79	1.16	0.63	11.30	21.97	32.64	43.31	53.98
Total Assets	214.82	206.74	195.39	182.89	185.83	188.77	191.71	194.65	197.59
X1	0.01	0.02	0.01	0.00	0.06	0.12	0.17	0.22	0.27
Retained Earnings	106.43	108.09	109.32	110.00	112.94	115.88	118.82	121.76	124.70
Total Assets	214.82	206.74	195.39	182.89	185.83	188.77	191.71	194.65	197.59
X2	0.50	0.52	0.56	0.60	0.61	0.61	0.62	0.63	0.63
EBITDA	26.81	23.71	20.57	11.88	7.89	7.89	7.89	7.89	7.89
Total Assets	214.82	206.74	195.39	182.89	185.83	188.77	191.71	194.65	197.59
X3	0.12	0.11	0.11	0.06	0.04	0.04	0.04	0.04	0.04
Market Value of Equity	38.65	38.65	38.65	38.65	52.03	70.05	94.31	126.98	170.96
Total Liabilities	114.54	103.68	91.80	67.26	67.26	67.26	67.26	67.26	67.26
X4	0.34	0.37	0.42	0.57	0.77	1.04	1.40	1.89	2.54
Net Sales	238.15	239.94	225.91	197.23	197.23	197.23	197.23	197.23	197.23
Total Assets	214.82	206.74	195.39	182.89	185.83	188.77	191.71	194.65	197.59
X5	1.11	1.16	1.16	1.08	1.06	1.04	1.03	1.01	1.00
Altman Z Score	2.43	2.52	2.55	2.48	2.59	2.81	3.08	3.42	3.87

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

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	118.26	121.20	124.14	127.08	130.02	132.96				132.96
Annual Change		2.94	2.94	2.94	2.94	2.94				
Annual FCF	9.56	10.67	10.67	10.67	10.67	10.67	10.67	10.67	10.67	32.01
Annual Op. Cash Flow	11.13	12.67	12.67	12.67	12.67	12.67	12.67	12.67	12.67	
Annual PP&E Investment	(1.57)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	
Today's Tangible Book Value	118.26	121.06	123.93	126.87	129.88	132.96				164.96
Intrinsic Value IRR	2.37%									
Market Price	38.65	51.66	69.06	92.31	123.40	164.96				164.96
Market Price IRR	33.68%									

Debt	50.00%	19.32
Equity	50.00%	19.32
Total	100.00%	38.65

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	118.26	19.32	23.45	27.57	31.69	35.82	39.94			
Goodwill	0	(79.62)	(79.62)	(79.62)	(79.62)	(79.62)	(79.62)			
Debt	0	19.32	19.32	19.32	19.32	19.32	19.32			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		-1.82	-1.82	-1.82	-1.82	-1.82				
Tangible Book Value	118.26	98.94	103.06	107.18	111.31	115.43	119.55			119.55
Annual Change			4.12	4.12	4.12	4.12	4.12			
Annual FCF	9.56	11.85	11.85	11.85	11.85	11.85	11.85	11.85	11.85	35.56
Annual Net Income	0.01		4.12	4.12	4.12	4.12	4.12	4.12	4.12	
Annual Op. Cash Flow	11.13	13.85	13.85	13.85	13.85	13.85	13.85	13.85	13.85	
Dividend Payments										
Annual PP&E Investment	(1.57)		(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										155.11
Capital Left for Equity Investor										155.11
Dividend Payments										0.00
Total Cash In Flow										155.11
Invested Equity	19.32	29.31	44.45	67.42	102.27	155.11				
IRR	51.68%									

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)	20.62
Cash Flow (Year 6-8)	35.56
	56.18

<u>Value Dilution</u>	
Debt	19.32
Goodwill	-79.62
Additional Interest	-9.11
	(69.40)