

Financial Projections

PROJECT Foot Locker

Fiscal Year Ending (\$MMs)	06/30/14	06/30/15	06/30/16
Revenue	\$1,656.9	\$1,739.7	\$1,826.7
EBIT	248.5	261.0	274.0
Depreciation and Amortization	49.7	52.2	54.8
EBITDA	\$298.2	\$313.2	\$328.8
Capital Expenditures	(49.7)	(52.2)	(54.8)
Working Capital Requirements	1.1	(0.8)	(1.6)

Discounted Cash Flow (DCF) Analysis - Foot Locker INC

	06/30/14	06/30/15	06/30/16
Revenue	\$985.1	\$1,739.7	\$1,826.7
EBIT	\$147.8	\$261.0	\$274.0
Less: Taxes	51.7	91.3	95.9
Debt-Free Earnings	\$96.0	\$169.6	\$178.1
Less: Capital Expenditures	(29.6)	(52.2)	(54.8)
Less: Working Capital Requirements	0.6	(0.8)	(1.6)
Add: Depreciation and Amortization	29.6	52.2	54.8
Total Net Investment	\$0.6	(\$0.8)	(\$1.6)
Net Debt-Free Cash Flows:	\$96.7	\$168.9	\$176.5
Discount Period	0.59	1.59	2.60
Discount Factor @ 6.0%	0.97	0.91	0.86
PV of Net Debt-Free Cash Flows:	\$93.4	\$153.9	\$151.7

TEV - Sensitivity Analysis

Discount Rate	Terminal Multiple		
	7.0x	8.0x	9.0x
8.0%	2,443.7	2,698.1	2,952.6
7.0%	2,538.5	2,804.1	3,069.7
6.0%	2,638.2	2,915.5	3,192.8
5.0%	2,743.1	3,032.8	3,322.4
4.0%	2,853.5	3,156.2	3,458.9

06/30/17	06/30/18
\$1,918.1	\$2,014.0
287.7	302.1
57.5	60.4
\$345.3	\$362.5
(57.5)	(60.4)
(2.2)	(2.8)

06/30/17	06/30/18
\$1,918.1	\$2,014.0
\$287.7	\$302.1
100.7	105.7
\$187.0	\$196.4
(57.5)	(60.4)
(2.2)	(2.8)
57.5	60.4
(\$2.2)	(\$2.8)
\$184.8	\$193.6
3.60	4.60
0.81	0.77
\$149.9	\$148.1

10.0x	11.0x
3,207.1	3,461.6
3,335.3	3,600.9
3,470.2	3,747.5
3,612.1	3,901.8
3,761.6	4,064.3

Discount Rate and Tax Rate Assumptions	
Discount Rate	6.0%
Tax Rate	35.0%

Terminal Value Assumptions	
Terminal Year EBITDA	\$362.5
Terminal Multiple	9.00
Terminal Value	\$3,262.6
Discount Period	4.60
Discount Factor @ 6.0%	0.77
PV of Terminal Value	\$2,495.9

Distribution of Value	
Period Cash Flow	21.8%
Terminal Cash Flow	78.2%
Total	100.0%

Implied Analyses	
LTM EBITDA Multiple	96.3x
NFY EBITDA Multiple	10.7x
Implied Gordon Growth Rate	0.001

Key Ass

59.5%

11/25/13

\$1,578.0

5.0%

15.0%

35.0%

3.0%

3.0%

9.0x

N

4.0%

0.1%

1.0x

1.0%

Assumptions

Stub Period

Transaction/Valuation Date

6/30/13 Revenue

Revenue Growth

EBIT Margin

Tax Rate

D&A % of Revenue

CapEx % of Revenue

Terminal Multiple

Gordon Growth Approach (Y/N)?

Gordon Growth Rate

These
should
match
when
using the
Gordon Growth
Approach

Gordon Growth Check

Terminal Multiple Increment

Discount Rate Increment