

Frontier Communications (FTR)

Price:	\$4.02	Net Tang. Bk Value Incl. Cash, Excl.	-\$2,229,300,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	-\$3,956,257,248.71
Market Cap:	\$4,010,955,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$1,143,599,518.41
Cash:	\$875,910,000	NTBVIC/Market Downside Recovery:	-55.58%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$8,438,900,000	Op. Cash Flow:	\$1,397,889,814	Year 5 Disposition Price:	-\$525,458,693.49
Net Cash:	-\$7,562,990,000	Implied Years to Fill Gap:	4.46		
Enterprise Value:	\$11,573,945,000	Today's Equity if 5x Op. CF:	\$1,964,369,441		
		Net Tang. Book+ Gain Disposition:			-\$525,458,693.49
Shares Outstanding:	997,750,000	IRR:			-166.60%
				Price:	-\$0.53
				Target Market Cap:	-\$525,458,693
				Target Enterprise Value:	\$7,037,531,307

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

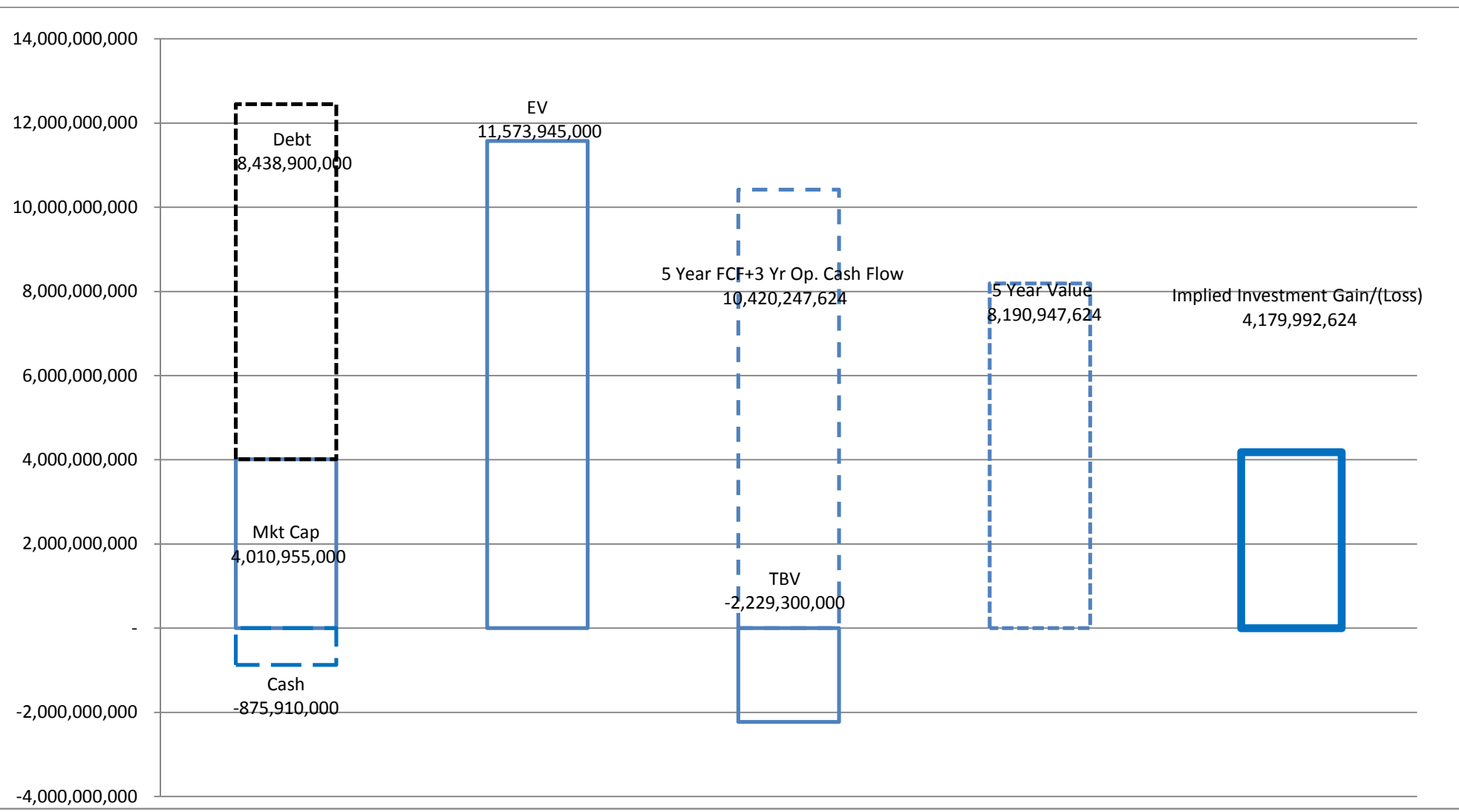
Co. is a utility Co. and generates \$1.5 BB in op. cash flow. Invests \$800MM in Capex and the remaining \$700MM goes to either cash or dividend (\$400M). Dividend yield is near 9%, so its a great dividend, utility Co. However, this Co. is overleveraged with \$8BB in debt, with \$3BB used for an acquisition in 2010. Debt to equity is 205% and EBITDA/interest expense coverage is about 4x. A lot of leverage, but the cash flow is strong enough to support the interest expense. Net tangible book value is negative \$2.2BB. No downside protection, and this is the scary part as revenues continue to shrink. Hence, the high yield.

In the market at large, higher returns imply higher risk. This is why high yield, emerging market, risky investments generate double digit returns. No different for FTR. There is a risk premium embedded in today's stock price. We need to see whether the risk is idiosyncratic, specific to FTR, or systemic.

There is still talks of finishing the assimilation of the acquired business, which is why revenues have fallen. Also, some anticipate a dividend cut in the future. Still, if the dividend yield is greater than the erosion of the stock price, it is still a profitable investment.

On a valuation basis, the net tangible book value is negative in Year 5 because the depreciation rate exceeds the new capex investments. As such, the book value in our calculation will be more negative over time. The value for retail investors is in the dividend yield, more than the appreciation of the stock. The holding opportunity cost is not dependent on future book value growth, but rather the sustainability of the cash flows, which funds the dividends. In other words, don't expect a total return investment, just coupon payments.

We think investors are being compensated a higher dividend yield because of the eroding value of the underlying stock. We don't like the risk to reward play. We won't be able to sleep at night because of the 1) soft top line trend, 2) high leverage, 3) zero downside protection, 4) merger related workout, 5) too good to be true dividend yield.



SN VALUATION

LBO Pro Forma Income Statement

Name:

Frontier Communications

Ticker:

FTR

	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	2,117.89	3,797.68	5,243.04	5,011.85	4,761.26	4,523.19	4,297.03	4,082.18	3,878.07
COGS	225.91	383.68	518.68	441.59	476.13	452.32	429.70	408.22	387.81
Gross margin	1,891.98	3,414.00	4,724.36	4,570.26	4,285.13	4,070.88	3,867.33	3,673.96	3,490.27
SG&A	404.12	803.72	1,093.02	1,175.80	1,142.70	1,085.57	1,031.29	979.72	930.74
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	72.57	134.75	149.75	195.45	0.00	0.00	0.00	0.00	0.00
Other operating expense	373.19	797.01	1,169.70	1,026.76	999.86	949.87	902.38	857.26	814.40
Depreciation is: Excluded from COGS					1,266.00	1,266.00	1,266.00	1,266.00	1,266.00
Operating Income (EBITA)	1,042.10	1,678.52	2,311.89	2,172.25	876.57	769.44	667.67	570.98	479.13
Interest income/(expense)	-371.93	-514.97	-662.81	-674.98	-577.46	-577.46	-577.46	-577.46	-577.46
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	-0.68	0.90	0.04	-1.53	0.00	0.00	0.00	0.00	0.00
Income before tax	193.11	270.72	245.95	228.95	299.11	191.98	90.21	-6.48	-98.32
Tax	69.90	115.00	88.94	75.64	104.69	67.19	31.57	0.00	0.00
Income after tax	123.18	155.72	157.61	153.31	194.42	124.79	58.64	-6.48	-98.32
Minority Interest	-2.40	-3.04	-7.99	-16.68	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	120.78	152.67	149.61	136.64	194.42	124.79	58.64	-6.48	-98.32
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.12	\$0.15	\$0.15	\$0.14	\$0.19	\$0.13	\$0.06	-\$0.01	-\$0.10
P/E (historical today's price; forecasted intrinsic price)	33.21	26.27	26.81	29.35	-13.74	14.26	-20.21	-121.85	5.34
Revenue Growth	N/A	79.31%	38.06%	-4.41%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Tax Rate	36.21%	42.48%	35.92%	33.04%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.75%	-6.23%	-7.97%	-7.55%	-6.89%	-6.89%	-6.89%	-6.89%	-6.89%
Margins									
COGS	10.67%	10.10%	9.89%	8.81%	10.00%	10.00%	10.00%	10.00%	10.00%
Gross margin	89.33%	89.90%	90.11%	91.19%	90.00%	90.00%	90.00%	90.00%	90.00%
SG&A	19.08%	21.16%	20.85%	23.46%	24.00%	24.00%	24.00%	24.00%	24.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	3.43%	3.55%	2.86%	3.90%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	17.62%	20.99%	22.31%	20.49%	21.00%	21.00%	21.00%	21.00%	21.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	26.59%	27.99%	29.46%	31.01%	32.65%
Operating Income (EBITA)	49.20%	44.20%	44.09%	43.34%	18.41%	17.01%	15.54%	13.99%	12.35%
Interest income/(expense)	-17.56%	-13.56%	-12.64%	-13.47%	-12.13%	-12.77%	-13.44%	-14.15%	-14.89%
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	-0.03%	0.02%	0.00%	-0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	9.12%	7.13%	4.69%	4.57%	6.28%	4.24%	2.10%	-0.16%	-2.54%
Tax	3.30%	3.03%	1.68%	1.51%	2.20%	1.49%	0.73%	0.00%	0.00%
Income after tax	5.82%	4.10%	3.01%	3.06%	4.08%	2.62%	1.23%	-0.14%	-2.07%
Minority Interest	-0.11%	-0.08%	-0.15%	-0.33%	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	5.70%	4.02%	2.85%	2.73%	4.08%	2.76%	1.36%	-0.16%	-2.54%

	As of					Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	2009-12-31	2010-12-31	2011-12-31	2012-12-31	2013-03-31	+	-						
Cash	358.69	251.26	326.09	1,326.53	875.91			875.91	1,073.80	1,141.88	1,086.65	912.00	593.91
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	358.69	251.26	326.09	1,326.53	875.91			875.91	1,073.80	1,141.88	1,086.65	912.00	593.91
Accounts Receivable	190.75	568.31	585.16	533.70	555.00			555.00	555.00	555.00	555.00	555.00	555.00
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	190.75	568.31	585.16	533.70	555.00			555.00	555.00	555.00	555.00	555.00	555.00
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	28.08	100.60	63.42	66.97	65.76			65.76	65.76	65.76	65.76	65.76	65.76
Other Current Assets	102.56	208.25	264.36	160.00	125.74			125.74	125.74	125.74	125.74	125.74	125.74
Current Assets	680.08	1,128.42	1,239.03	2,087.20	1,622.41	0.00	0.00	1,622.41	1,820.30	1,888.38	1,833.15	1,658.50	1,340.41
PP&E, Gross	7,803.06	12,795.28	13,638.14	14,429.25	14,450.00			14,450.00	15,250.00	16,050.00	16,850.00	17,650.00	18,450.00
Change in Depreciation	476.39	893.72	1,403.17	1,266.81	1,266.81			1,266.81	1,203.47	1,143.30	1,086.13	1,031.82	980.23
Accumulated Depreciation	4,669.54	5,204.67	6,090.61	7,011.51	7,011.00			7,011.00	8,214.47	9,357.77	10,443.90	11,475.72	12,455.95
PP&E, Net	3,133.52	7,590.61	7,547.53	7,417.74	7,439.00			7,439.00	7,035.53	6,692.23	6,406.10	6,174.28	5,994.05
Goodwill	2,642.32	6,292.19	6,337.72	6,337.72	6,337.72	0.00		6,337.72	6,337.72	6,337.72	6,337.72	6,337.72	6,337.72
Intangibles	247.53	2,491.20	1,964.51	1,542.74	1,542.00			1,542.00	1,542.00	1,542.00	1,542.00	1,542.00	1,542.00
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	174.80	387.81	359.54	261.07	249.99			249.99	249.99	249.99	249.99	249.99	249.99
Long Term Assets	6,198.17	16,761.81	16,209.30	15,559.27	15,568.71	0.00	0.00	15,568.71	15,165.24	14,821.94	14,535.81	14,303.99	14,123.76
Total Assets	6,878.25	17,890.23	17,448.33	17,646.47	17,191.12	0.00	0.00	17,191.12	16,985.54	16,710.33	16,368.96	15,962.49	15,464.16
Accounts Payable	139.56	436.89	519.55	338.15	335.00			335.00	335.00	335.00	335.00	335.00	335.00
Accrued Expense	135.87	338.08	233.73	275.67	280.00			280.00	280.00	280.00	280.00	280.00	280.00
Other current Liabilities	110.02	384.38	304.92	379.15	356.91			356.91	356.91	356.91	356.91	356.91	356.91
Total Current Liabilities	385.45	1,159.35	1,058.20	992.97	971.91	0.00	0.00	971.91	971.91	971.91	971.91	971.91	971.91
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	7.24	280.00	94.02	560.55	57.90			57.90	57.90	57.90	57.90	57.90	57.90
Long term Debt	4,794.13	7,983.61	8,224.39	8,381.95	8,381.00	0.00	0.00	8,381.00	8,381.00	8,381.00	8,381.00	8,381.00	8,381.00
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	4,801.37	8,263.61	8,318.41	8,942.50	8,438.90	0.00	0.00	8,438.90	8,438.90	8,438.90	8,438.90	8,438.90	8,438.90
Deferred Income tax	722.19	2,220.68	2,458.02	2,357.21	2,335.29			2,335.29	2,335.29	2,335.29	2,335.29	2,335.29	2,335.29
Minority Interest	11.46	13.00	14.00	11.68	7.92			7.92	7.92	7.92	7.92	7.92	7.92
Other liabilities	630.19	1,036.84	1,144.56	1,321.68	1,193.08			1,193.08	1,193.08	1,193.08	1,193.08	1,193.08	1,193.08
Total Liabilities	6,550.66	12,693.48	12,993.19	13,626.04	12,947.10	0.00	0.00	12,947.10	12,947.10	12,947.10	12,947.10	12,947.10	12,947.10
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	87.36	257.00	257.00	257.00	257.00		0.00	257.00	257.00	257.00	257.00	257.00	257.00
Additional Paid-in capital	956.40	5,525.47	4,773.38	4,639.56	4,640.00	0.00	0.00	4,640.00	4,640.00	4,640.00	4,640.00	4,640.00	4,640.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	-400.00	-800.00	-1,200.00	-1,600.00	-2,000.00
Retained Earnings	2.76	77.11	226.72	63.20	63.00		0.00	63.00	257.42	382.21	440.84	434.37	336.04
Treasury Stock	-473.39	-433.29	-415.00	-368.59	-368.00		0.00	-368.00	-368.00	-368.00	-368.00	-368.00	-368.00
Other Equity	-245.52	-229.55	-386.96	-483.58	-483.58		0.00	-483.58	-483.58	-483.58	-483.58	-483.58	-483.58
Total Equity	327.61	5,196.74	4,455.14	4,107.59	4,108.42	0.00	0.00	4,108.42	3,902.84	3,627.63	3,286.26	2,879.79	2,381.46
Liability + Equity	6,878.27	17,890.22	17,448.33	17,733.63	17,055.52	0.00	0.00	17,055.52	16,849.94	16,574.73	16,233.36	15,826.89	15,328.56
Variance	-0.02	0.01	0.00	-87.16	135.60			135.60	135.60	135.60	135.60	135.60	135.60
Debt/Equity	14.66	1.59	1.87	2.18	2.05			2.05	2.16	2.33	2.57	2.93	3.54
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	11.10	6.68	8.96	9.39	8.58			9.03	8.58	8.15	7.74	7.36	6.99
Accounts Receivable Turnover Days	32.87	54.62	40.74	38.87	42.55			40.42	42.55	44.79	47.14	49.62	52.24
Days Payable Outstanding	225.49	415.62	365.61	279.50	256.81			276.90	256.81	270.33	284.56	299.53	315.30
Days Sales Outstanding	32.87	54.62	40.74	38.87	42.55			38.87	40.42	42.55	44.79	47.14	49.62
Cash Conversion Cycle	-192.61	-361.00	-324.88	-240.63	-214.27			-238.03	-216.39	-227.78	-239.77	-252.39	-265.67
Net tangible assets/share	(\$2.57)	(\$3.59)	(\$3.86)	(\$3.78)	(\$3.78)				(\$3.99)	(\$4.26)	(\$4.60)	(\$5.01)	(\$5.51)

SN VALUATION

LBO Adjusted Proforma Cash Flow

Ticker:

FTR

	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	123.18	155.72	157.61	153.31	194.42	124.79	58.64	-6.48	-98.32
Depreciation	476.39	893.72	1,403.17	1,266.81	1,203.47	1,143.30	1,086.13	1,031.82	980.23
Net Income + Depreciation	599.57	1,049.44	1,560.78	1,420.12	1,397.89	1,268.08	1,144.77	1,025.35	881.91
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	61.22	85.43	87.41	80.50	0.00	0.00	0.00	0.00	0.00
Non Cash Items	91.58	64.59	10.07	145.54	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-9.65	22.72	-85.58	-93.69	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-377.56	-18.85	51.46	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	-72.52	37.18	-3.55	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	297.33	82.66	-181.40	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	742.72	1,222.18	1,572.68	1,552.47	1,397.89	1,268.08	1,144.77	1,025.35	881.91
Capital Expenditures Expenditures	-255.97	-577.88	-824.84	-802.50	-800.00	-800.00	-800.00	-800.00	-800.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.67	-196.08	62.17	167.56	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-255.30	-773.96	-762.67	-634.94	-800.00	-800.00	-800.00	-800.00	-800.00
Financing Cash flow items	-70.81	-19.03	-11.40	-121.38	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-312.37	-529.39	-746.39	-399.39	400.00	400.00	400.00	400.00	400.00
Issuance (Retirement) of Stock	0.75	0.00	0.00	0.00	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	90.07	-7.24	22.61	603.67	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-292.36	-555.66	-735.18	82.90	-400.00	-400.00	-400.00	-400.00	-400.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	163.62	358.69	251.26	326.09	875.91	1,073.80	1,141.88	1,086.65	912.00
Net Change in Cash	195.07	-107.43	74.83	1,000.44	197.89	68.08	-55.23	-174.65	-318.09
Ending Cash Balance	358.69	251.26	326.09	1,326.53	1,073.80	1,141.88	1,086.65	912.00	593.91
Capex to Revenue	12.09%	15.22%	15.73%	16.01%	16.80%	17.69%	18.62%	19.60%	20.63%
Depreciation to Sales	22.49%	23.53%	26.76%	25.28%	25.28%	25.28%	25.28%	25.28%	25.28%
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	9.01%	14.96%	11.16%	10.65%	11.21%	11.80%	12.42%	13.07%	13.76%
Distributable FCF/EV Yield	4.21%	3.87%	7.00%	7.93%	5.17%	4.04%	2.98%	1.95%	0.71%
Dividend Yield	-7.79%	-13.20%	-18.61%	-9.96%	9.97%	9.97%	9.97%	9.97%	9.97%
FCF (Ops-Investing)	799.12	1,173.69	1,494.23	1,149.36	197.89	68.08	-55.23	-174.65	-318.09

SN VALUATION

LBO Debt Schedule

Ticker:

FTR

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	1,000.44	197.89	68.08	-55.23	-174.65	-318.09
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	8,438.90	8,438.90	8,438.90	8,438.90	8,438.90	8,438.90
Current Portion Debt Balance	57.90	57.90	57.90	57.90	57.90	57.90
Long Term Debt Balance	8,381.00	8,381.00	8,381.00	8,381.00	8,381.00	8,381.00
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		590.72	590.72	590.72	590.72	590.72
Cash Balance		1,326.53				
Interest @ 1.0%		13.27	13.27	13.27	13.27	13.27
Net Interest Expense/(Income)		577.46	577.46	577.46	577.46	577.46
Net Interest Rate		6.89%	6.89%	6.89%	6.89%	6.89%
EBITDA		876.57	769.44	667.67	570.98	479.13
EBITDA/Interest Expense Coverage		1.48	1.30	1.13	0.97	0.81

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Frontier Communications

Ticker:

FTR

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	294.63	-30.93	180.83	650.50	848.39	916.47	861.24	686.59	368.50
Total Assets	6,878.25	17,890.23	17,448.33	17,191.12	16,985.54	16,710.33	16,368.96	15,962.49	15,464.16
X1	0.04	0.00	0.01	0.04	0.05	0.05	0.05	0.04	0.02
Retained Earnings	2.76	77.11	226.72	63.00	257.42	382.21	440.84	434.37	336.04
Total Assets	6,878.25	17,890.23	17,448.33	17,191.12	16,985.54	16,710.33	16,368.96	15,962.49	15,464.16
X2	0.00	0.00	0.01	0.00	0.02	0.02	0.03	0.03	0.02
EBITDA	1,042.10	1,678.52	2,311.89	2,172.25	2,142.57	2,035.44	1,933.67	1,836.98	1,745.13
Total Assets	6,878.25	17,890.23	17,448.33	17,191.12	16,985.54	16,710.33	16,368.96	15,962.49	15,464.16
X3	0.15	0.09	0.13	0.13	0.13	0.12	0.12	0.12	0.11
Market Value of Equity	4,010.96	4,010.96	4,010.96	4,010.96	-2,671.20	1,778.95	-1,184.74	789.01	-525.46
Total Liabilities	6,550.66	12,693.48	12,993.19	12,947.10	12,947.10	12,947.10	12,947.10	12,947.10	12,947.10
X4	0.61	0.32	0.31	0.31	-0.21	0.14	-0.09	0.06	-0.04
Net Sales	2,117.89	3,797.68	5,243.04	5,011.85	4,761.26	4,523.19	4,297.03	4,082.18	3,878.07
Total Assets	6,878.25	17,890.23	17,448.33	17,191.12	16,985.54	16,710.33	16,368.96	15,962.49	15,464.16
X5	0.31	0.21	0.30	0.29	0.28	0.27	0.26	0.26	0.25
Altman Z Score	1.23	0.72	0.95	0.94	0.65	0.85	0.70	0.76	0.66

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

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	(2,229.30)	(2,434.88)	(2,710.09)	(3,051.46)	(3,457.93)	(3,956.26)				(3,956.26)
Annual Change		(205.58)	(275.21)	(341.36)	(406.48)	(498.32)				
Annual FCF	749.97	597.89	468.08	344.77	225.35	81.91	(56.40)	(56.40)	(56.40)	(169.20)
Annual Op. Cash Flow	1,552.47	1,397.89	1,268.08	1,144.77	1,025.35	881.91	743.60	743.60	743.60	
Annual PP&E Investment	(802.50)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	
Today's Tangible Book Value	(2,229.30)	-2,500.30	-2,804.24	-3,145.13	-3,527.45	-3,956.26				(4,125.46)
Intrinsic Value IRR	12.16%									
Market Price	4,010.96	-4,033.60	4,056.37	-4,079.27	4,102.30	-4,125.46				(4,125.46)
Market Price IRR	-200.56%									

Debt	50.00%	2,005.48
Equity	50.00%	2,005.48
Total	100.00%	4,010.96

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	4108.42	2,005.48	2,102.66	2,130.21	2,070.82	1,914.75	1,666.83			
Goodwill	6337.72	6,240.26	6,240.26	6,240.26	6,240.26	6,240.26	6,240.26			
Debt	8381	10,386.48	10,386.48	10,386.48	10,386.48	10,386.48	10,386.48			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		149.60	149.60	149.60	149.60	149.60				
Tangible Book Value	-2229.3	-4,234.78	-4,137.59	-4,110.04	-4,169.43	-4,325.50	-4,573.42			-4,573.42
Annual Change			97.18	27.55	-59.39	-156.07	-247.92			
Annual FCF	749.97		500.65	370.85	226.74	75.75	(67.69)	(67.69)	(67.69)	(203.06)
Annual Net Income	136.64		97.18	27.55	(59.39)	(156.07)	(247.92)	(247.92)	(247.92)	
Annual Op. Cash Flow	1,552.47		1,300.65	1,170.85	1,026.74	875.75	732.31	732.31	732.31	
Dividend Payments										
Annual PP&E Investment	(802.50)		(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	(800.00)	
Debt Paydown	0.00						0.00	0.00	0.00	
Sale Price in Year 5										(4,776.48)
Remaining Debt Balance										2,005.48
Capital Left for Equity Investor										(6,781.96)
Dividend Payments										0.00
Total Cash In Flow										(6,781.96)
Invested Equity	2,005.48	-2,558.85	3,264.92	-4,165.82	5,315.30	-6,781.96				
IRR	-227.59%									

Value Creation

TBV Growth (equals sum of NI Year 1-5)	-338.65
Cash Flow (Year 6-8)	-203.06
	-541.71

Value Dilution

Debt	2,005.48
Goodwill	-97.47
Additional Interest	747.98
	2,655.99