

Immersion Co. (IMMR)

Price:	\$11.32	Net Tang. Bk Value Incl. Cash, Excl.	\$80,060,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$86,999,400.00
Shares Outstanding:	28,150,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$2,263,193.65
Market Cap:	\$318,658,000	NTBVIC/Market Downside Recovery:	25.12%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$71,110,000	Op. Cash Flow:	\$2,494,687	Year 5 Disposition Price:	\$93,788,980.96
Debt:	\$0	Implied Years to Fill Gap:	95.64		
Net Cash:	\$71,110,000	Today's Equity if 5x Op. CF:	\$87,544,062		
Enterprise Value:	\$247,548,000			Net Tang. Book+ Gain Disposition:	\$93,788,980.96
				IRR:	-21.70%
				Price:	\$3.33
				Target Market Cap:	\$93,788,981
				Target Enterprise Value:	\$22,678,981

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

Haptic technology. Already sells IP license to the likes of Samsung, LG, large automanufacturers. Haptic technology allows the end user to interact on a physical level with the touch screen. The area which is pressed by finger, or held by the hand will either rumble, buzz or shake.

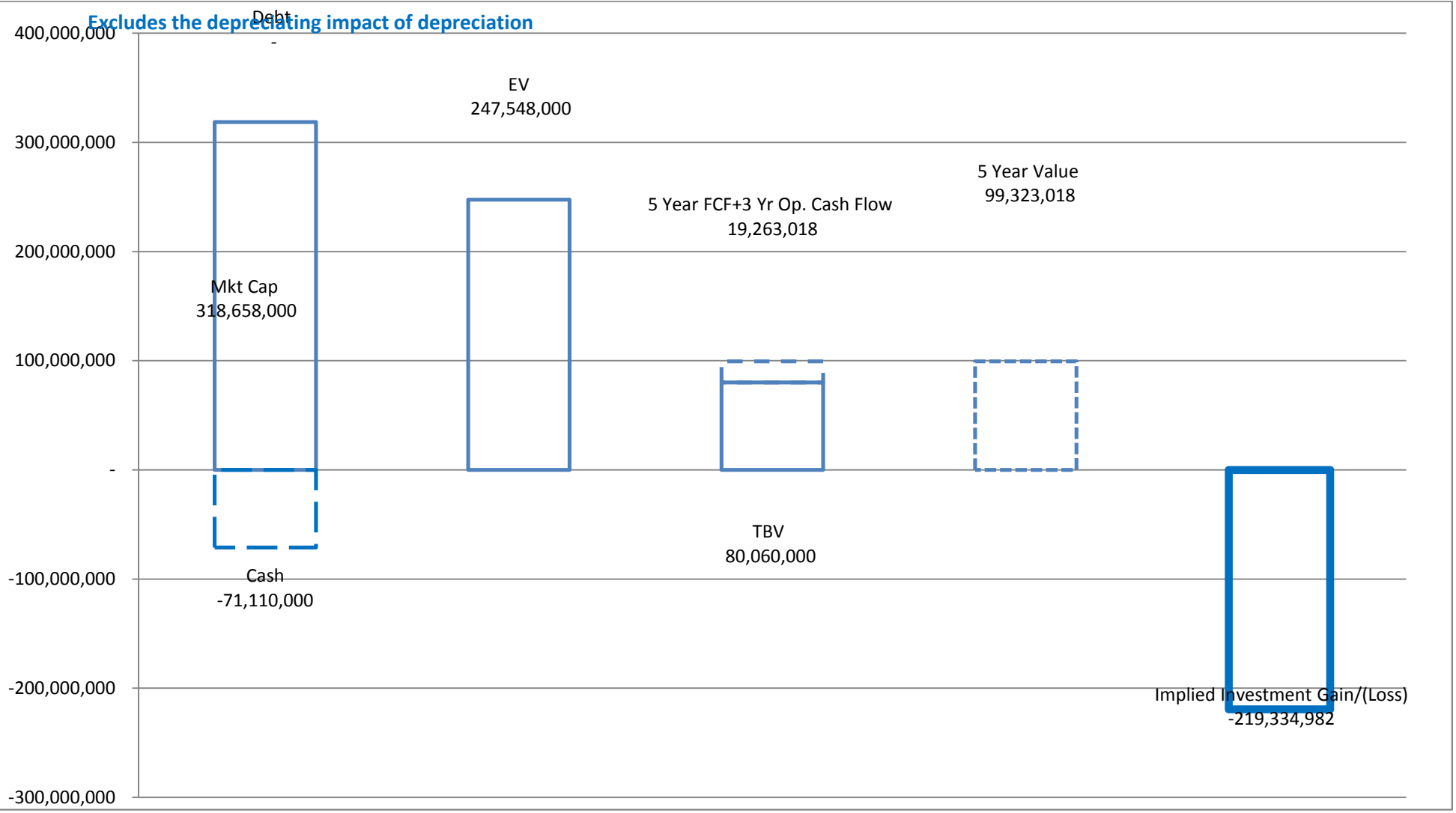
The Co. basically researches new IP and owns a portfolio of 1,500 patents, which are licensed out to OEMs. Therefore, they have a 100% GM, and SG&A is near 93%, but once the topline grows dramatically, the Co. should generate a healthy level of FCF, to justify the current P/B and P/FCF. A lot of future growth is baked into the current price. There is a lot of hope reflected in the price.

I came across this stock back in late 2008, while I was a Jr. analyst at a boutique IB in Los Angeles. The senior analyst seemed really excited about the technology and I looked into it. There seemed to be a lot of fluff surrounding the business, but no real traction in growing sales. However, 5 years later, the business seems to be going somewhere, as evidenced by the 50% YoY growth demonstrated in 2013 FY.

At the time, I remembered thinking the technology was very interesting, but the application would only be a novelty feature. Certainly, OEMs could license the technology and incorporate into their products to generate higher margins on their goods, and over time, the technology itself would become ubiquitous, driving higher demand for the patent licensing from IMMR. I however was not sold in 2008 and today, I am still erring toward the skeptical side. Maybe they would have more success in the non-mobile, gaming applications such as medical, or industrial usage.

I am still a skeptic.

Excludes the depreciating impact of depreciation



SN VALUATION

LBO Pro Forma Income Statement

Name:

Immersion Co.

Ticker:

IMMR

	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	2013	2014	2015	2016	2017
Revenue	31.12	30.64	32.17	47.47	47.47	47.47	47.47	47.47	47.47
COGS	2.90	0.00	1.19	0.46	1.90	1.90	1.90	1.90	1.90
Gross margin	28.22	30.64	30.98	47.01	45.57	45.57	45.57	45.57	45.57
SG&A	23.08	24.09	29.24	32.44	33.23	33.23	33.23	33.23	33.23
R&D	8.74	8.39	8.42	10.88	10.92	10.92	10.92	10.92	10.92
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)	-3.60	-1.84	-6.68	3.69	1.42	1.42	1.42	1.42	1.42
Interest income/(expense)	0.27	0.20	0.17	0.07	0.71	0.71	0.71	0.71	0.71
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	-4.56	-1.68	-6.56	3.67	2.14	2.14	2.14	2.14	2.14
Tax	1.50	1.81	0.79	-36.49	0.75	0.75	0.75	0.75	0.75
Income after tax	-6.06	-3.49	-7.35	40.16	1.39	1.39	1.39	1.39	1.39
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	-6.06	-3.49	-7.35	40.16	1.39	1.39	1.39	1.39	1.39
* Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.22	-\$0.12	-\$0.26	\$1.43	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
P/E (historical today's price; forecasted intrinsic price)	-52.58	-91.31	-43.35	7.93	179.78	140.77	110.22	86.30	67.58
Revenue Growth	N/A	-1.54%	4.99%	47.56%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	-32.89%	-107.74%	-12.04%	-994.28%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	9.32%	0.00%	3.70%	0.97%	4.00%	4.00%	4.00%	4.00%	4.00%
Gross margin	90.68%	100.00%	96.30%	99.03%	96.00%	96.00%	96.00%	96.00%	96.00%
SG&A	74.16%	78.62%	90.89%	68.34%	70.00%	70.00%	70.00%	70.00%	70.00%
R&D	28.08%	27.38%	26.17%	22.92%	23.00%	23.00%	23.00%	23.00%	23.00%
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)	-11.57%	-6.01%	-20.76%	7.77%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest income/(expense)	0.87%	0.65%	0.15%	0.15%	1.50%	1.50%	1.50%	1.50%	1.50%
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	-14.65%	-5.48%	-20.39%	7.73%	4.50%	4.50%	4.50%	4.50%	4.50%
Tax	4.82%	5.91%	2.46%	-76.87%	1.57%	1.57%	1.57%	1.57%	1.57%
Income after tax	-19.47%	-11.39%	-22.85%	84.60%	2.92%	2.92%	2.92%	2.92%	2.92%
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	-19.47%	-11.39%	-22.85%	84.60%	2.92%	2.92%	2.92%	2.92%	2.92%

						Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-12-31	As of 2013-12-31	+	-						
Cash	12.24	7.29	4.56	14.13	14.13			14.13	15,624,687.34	16.78	17.96	19.18	20.45
Short term investment	48.96	48.99	38.99	56.98	56.98			56.98	56.98	56.98	56.98	56.98	56.98
Cash and Short term	61.20	56.28	43.55	71.11	71.11			71.11	72.60	73.76	74.94	76.16	77.43
Accounts Receivable	0.81	1.49	1.88	0.60	0.00			0.00	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	0.00	0.00
Total Receivables	0.81	1.49	1.88	0.60	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Inventory	0.41	0.42	0.14	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	3.82	0.48	0.71	0.69	0.69			0.69	0.69	0.69	0.69	0.69	0.69
Other Current Assets	0.34	0.21	0.00	7.78	7.78			7.78	7.78	7.78	7.78	7.78	7.78
Current Assets	66.58	58.88	46.28	80.18	79.58	0.00	0.00	79.58	81,074,687.34	82.23	83.41	84.63	85.90
PP&E, Gross	6.13	5.95	5.76	0.00	6.00			6.00	7.00	8.00	9.00	10.00	11.00
Change in Depreciation	1.09	1.13	0.65	0.58	0.58			0.58	0.58	0.58	0.58	0.58	0.58
Accumulated Depreciation	4.20	4.21	4.78	0.00	5.00			5.00	5.58	6.16	6.74	7.32	7.90
PP&E, Net	1.93	1.74	0.98	0.00	1.00			1.00	1.42	1.84	2.26	2.68	3.10
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	12.36	14.05	0.36	0.38	1.00			1.00	0.47	0.29	0.07	-0.18	-0.48
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	0.00	0.00	0.10	29.07	29.07			29.07	29.07	29.07	29.07	29.07	29.07
Long Term Assets	14.29	15.79	1.44	29.45	31.07			31.07	30.96	31.20	31.40	31.57	31.69
Total Assets	80.87	74.67	47.72	109.63	110.65	0.00	0.00	110.65	112.04	113.43	114.81	116.20	117.59
Accounts Payable	0.39	0.36	0.34	0.68	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Accrued Expense	4.05	3.56	2.50	4.68	5.00			5.00	5.00	5.00	5.00	5.00	5.00
Other current Liabilities	5.37	5.45	5.05	10.57	10.57			10.57	10.57	10.57	10.57	10.57	10.57
Total Current Liabilities	9.81	9.37	7.89	15.93	16.57	0.00	0.00	16.57	16.57	16.57	16.57	16.57	16.57
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	0.00	0.00	0.00	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.34	0.21	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
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	17.03	13.47	10.84	13.97	13.33			13.33	13.33	13.33	13.33	13.33	13.33
Total Liabilities	27.18	23.05	18.73	29.90	29.90	0.00	0.00	29.90	29.90	29.90	29.90	29.90	29.90
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	176.51	182.51	186.82	198.06	198.06		0.00	198.06	198.06	198.06	198.06	198.06	198.06
Additional Paid-in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	-104.55	-106.16	-127.08	-86.93	-87.00			-87.00	-85.61	-84.22	-82.84	-81.45	-80.06
Treasury Stock	-18.40	-24.85	-30.57	-30.57	-31.00		0.00	-31.00	-31.00	-31.00	-31.00	-31.00	-31.00
Other Equity	0.10	0.10	0.11	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	53.66	51.60	29.28	80.67	80.06	0.00	0.00	80.06	81.45	82.84	84.22	85.61	87.00
Liability + Equity	80.84	74.65	48.01	110.57	109.96	0.00	0.00	109.96	111.35	112.74	114.12	115.51	116.90
Variance	0.03	0.02	-0.29	-0.94	0.69			0.69	0.69	0.69	0.69	0.69	0.69
Debt/Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	75.90	72.95	229.79	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	4.81	5.00	1.59	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	51.60	#DIV/0!	42.94	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	38.42	20.56	17.11	79.12	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable Turnover Days	9.50	17.75	21.33	4.61	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Payable Outstanding	49.09	#DIV/0!	104.29	539.57	192.23			793.48	192.23	192.23	192.23	192.23	192.23
Days Sales Outstanding	9.50	17.75	21.33	4.61	0.00			4.61	0.00	0.00	0.00	0.00	0.00
Cash Conversion Cycle	12.02	#DIV/0!	-40.01	-534.95	-192.23			-788.86	-192.23	-192.23	-192.23	-192.23	-192.23
Net tangible assets/share	\$1.47	\$1.33	\$1.03	\$2.85	\$2.81				\$2.88	\$2.93	\$2.99	\$3.05	\$3.11

	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	-5.93	-3.43	-7.20	40.16	1.39	1.39	1.39	1.39	1.39
Depreciation	1.09	1.13	0.65	0.58	0.58	0.58	0.58	0.58	0.58
Net Income + Depreciation	-4.84	-2.30	-6.55	40.74	1.97	1.97	1.97	1.97	1.97
Amortization	1.24	0.04	0.05	0.08	0.53	0.19	0.22	0.25	0.30
Deferred Taxes	-0.09	0.00	0.00	-36.85	0.00	0.00	0.00	0.00	0.00
Non Cash Items	3.37	3.47	3.13	4.66	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-1.48	-2.16	-4.03	12.52	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.58	-0.39	1.28	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	-0.01	0.28	0.14	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	3.34	-0.23	0.02	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.03	-0.02	0.34	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	-1.80	-0.95	-7.40	21.15	2.49	2.15	2.18	2.22	2.26
Capital Expenditures Expenditures	-2.67	-0.17	-1.10	-0.23	-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	-3.54	0.20	10.31	-17.93	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-6.21	0.03	9.21	-18.16	-1.00	-1.00	-1.00	-1.00	-1.00
Financing Cash flow items	0.00	0.00	0.00	0.00	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	0.42	-4.01	-4.55	6.59	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	0.42	-4.01	-4.55	6.59	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	19.82	12.24	7.30	4.56	14.13	15.62	16.78	17.96	19.18
Net Change in Cash	-7.58	-4.95	-2.74	9.58	1.49	1.15	1.18	1.22	1.26
Ending Cash Balance	12.24	7.30	4.56	14.14	15.62	16.78	17.96	19.18	20.45
Capex to Revenue	8.58%	0.55%	3.42%	0.48%	2.11%	2.11%	2.11%	2.11%	2.11%
Depreciation to Sales	3.50%	3.69%	2.02%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%
Amortization to Sales	3.98%	0.13%	0.16%	0.17%	1.11%	0.39%	0.46%	0.53%	0.62%
A/R to Sales	2.60%	4.86%	5.84%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%
Distributable FCF/EV Yield	-3.24%	-0.37%	0.73%	1.21%	0.60%	0.47%	0.48%	0.49%	0.51%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	-4.47	-1.12	-8.50	20.92	1.49	1.15	1.18	1.22	1.26

SN VALUATION

LBO Debt Schedule

Ticker:

IMMR

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	9.58	1.49	1.15	1.18	1.22	1.26
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
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		0.00	0.00	0.00	0.00	0.00
Cash Balance		71.11				
Interest @ 1.0%		0.71	0.71	0.71	0.71	0.71
Net Interest Expense/(Income)		(0.71)	(0.71)	(0.71)	(0.71)	(0.71)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		1.42	1.42	1.42	1.42	1.42
EBITDA/Interest Expense Coverage		N/A	N/A	N/A	N/A	N/A

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

Company Name:

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Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	56.77	49.51	38.39	63.01	64.50	65.66	66.84	68.06	69.33
Total Assets	80.87	74.67	47.72	110.65	112.04	113.43	114.81	116.20	117.59
X1	0.70	0.66	0.80	0.57	0.58	0.58	0.58	0.59	0.59
Retained Earnings	-104.55	-106.16	-127.08	-87.00	-85.61	-84.22	-82.84	-81.45	-80.06
Total Assets	80.87	74.67	47.72	110.65	112.04	113.43	114.81	116.20	117.59
X2	-1.29	-1.42	-2.66	-0.79	-0.76	-0.74	-0.72	-0.70	-0.68
EBITDA	-3.60	-1.84	-6.68	3.69	1.42	1.42	1.42	1.42	1.42
Total Assets	80.87	74.67	47.72	110.65	112.04	113.43	114.81	116.20	117.59
X3	-0.04	-0.02	-0.14	0.03	0.01	0.01	0.01	0.01	0.01
Market Value of Equity	318.66	318.66	318.66	318.66	249.51	195.37	152.98	119.78	93.79
Total Liabilities	27.18	23.05	18.73	29.90	29.90	29.90	29.90	29.90	29.90
X4	11.72	13.82	17.01	10.66	8.34	6.53	5.12	4.01	3.14
Net Sales	31.12	30.64	32.17	47.47	47.47	47.47	47.47	47.47	47.47
Total Assets	80.87	74.67	47.72	110.65	112.04	113.43	114.81	116.20	117.59
X5	0.38	0.41	0.67	0.43	0.42	0.42	0.41	0.41	0.40
Altman Z Score	6.30	7.43	7.66	6.52	5.09	4.04	3.21	2.57	2.08

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

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	80.06	81.45	82.84	84.22	85.61	87.00				87.00
Annual Change		1.39	1.39	1.39	1.39	1.39				
Annual FCF	20.92	1.49	1.15	1.18	1.22	1.26	1.26	1.26	1.26	3.79
Annual Op. Cash Flow	21.15	2.49	2.15	2.18	2.22	2.26	2.26	2.26	2.26	
Annual PP&E Investment	(0.23)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)	
Today's Tangible Book Value	80.06	81.40	82.77	84.15	85.56	87.00				90.79
Intrinsic Value IRR	1.68%									
Market Price	318.66	247.89	192.84	150.02	116.71	90.79				90.79
Market Price IRR	-22.21%									

Debt	50.00%	159.33
Equity	50.00%	159.33
Total	100.00%	318.66

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	80.06	159.33	148.01	136.68	125.36	114.04	102.72			
Goodwill	0	238.60	238.60	238.60	238.60	238.60	238.60			
Debt	0	159.33	159.33	159.33	159.33	159.33	159.33			
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%			
Additional Interest Expense		13.46	13.46	13.46	13.46	13.46				
Tangible Book Value	80.06	-79.27	-90.59	-101.91	-113.24	-124.56	-135.88			-135.88
Annual Change			-11.32	-11.32	-11.32	-11.32	-11.32			
Annual FCF	20.92		(11.22)	(11.56)	(11.53)	(11.49)	(11.45)	(11.45)	(11.45)	(34.34)
Annual Net Income	40.16		(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	
Annual Op. Cash Flow	21.15		(10.22)	(10.56)	(10.53)	(10.49)	(10.45)	(10.45)	(10.45)	
Dividend Payments										
Annual PP&E Investment	(0.23)		(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 **(170.29)**

Capital Left for Equity Investor **(170.29)**
 Dividend Payments 0.00
 Total Cash In Flow **(170.29)**

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 **159.33**
 IRR **-201.33%**

Value Creation
 TBV Growth (equals sum of NI Year 1-5) -56.61
 Cash Flow (Year 6-8) -34.34
-90.95

Value Dilution
 Debt 159.33
 Goodwill 238.60
 Additional Interest 67.29
465.21