

Johnson Outdoors (JOUT)

Price:	\$27.77	Net Tang. Bk Value Incl. Cash, Excl.	\$177,870,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$232,344,225.00
Market Cap:	\$276,033,800	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$20,975,513.95
Cash:	\$55,690,000	NTBVIC/Market Downside Recovery:	64.44%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$8,540,000	Op. Cash Flow:	\$21,058,952	Year 5 Disposition Price:	\$295,270,766.85
Net Cash:	\$47,150,000	Implied Years to Fill Gap:	4.66		
Enterprise Value:	\$228,883,800	Today's Equity if 5x Op. CF:	\$241,046,857		
		Net Tang. Book+ Gain Disposition:			\$295,270,766.85
Shares Outstanding:	9,940,000	IRR:			1.36%
		Price:			\$29.71
		Target Market Cap:			\$295,270,767
		Target Enterprise Value:			\$248,120,767

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

About a 4% cashflow to revenue margin. However, the revenue has been steady and the stock is priced near intrinsic value. We would only invest if there was a catalyst for the Co.

The Co. has performed remarkably over the past 5 years. Sales have grown from \$356MM to \$426MM, remained profitable, grown stockholder's equity, and paid down debt.

Products are outdoor tent, fishing rod gear, kayaking gear. Nothing fancy or flashy, but the brand seems to be growing sales.

The management has acquired 2 busiessses in the past 3 years, growing their goodwill balance to \$20MM. Fairly small acquisitions and the businesses complement the outdoor theme. The recent acquisition was for outdoor cooking utensils like Pots.

Co. has \$10MM in debt and has \$50MM in cash. We are wary of the growing inventory balance at \$70MM.

Johnson Financial Group owns 25% of the Co. DFA, Towerview and other investments firms have a 20% stake.

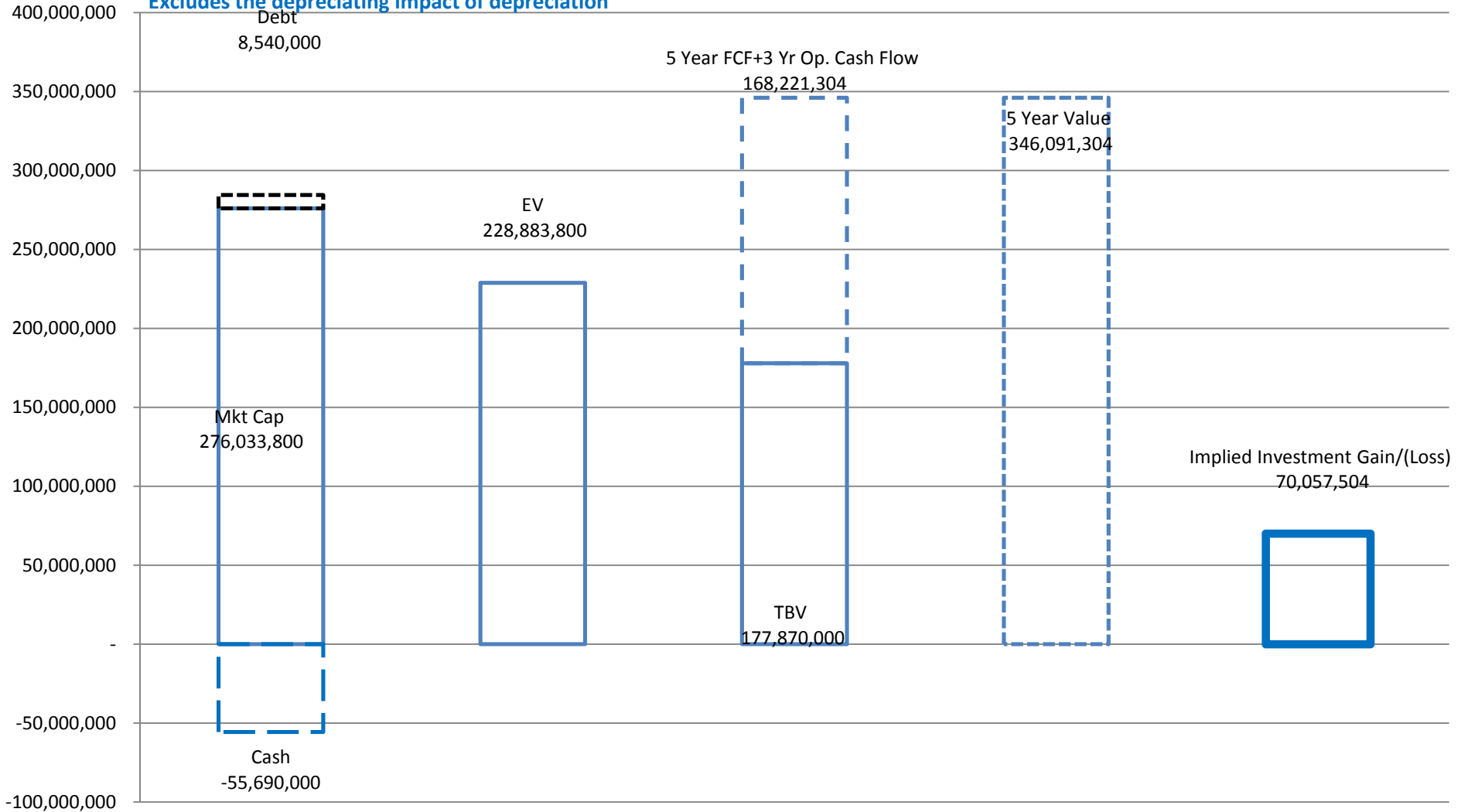
Stock has been on a steady, positive-slope rise, from \$5 in 2009 to the current \$27. Majority owned by the Johnson family, as in THE SC Johnson Family. The 5th Generation daughter, Helen Leipold Johnson, owns a local bank in Wisconsin, which owns a large portion of the outstanding shares (25%). The owners have deep pockets. This business is here to stay.

(thousands, except per share data)	September 27 2013	September 28 2012	September 30 2011	October 1 2010	October 2 2009
OPERATING RESULTS					
Net sales	\$ 426,461	\$ 412,292	\$ 407,422	\$ 382,432	\$ 356,523
Gross profit	171,049	164,322	163,135	153,523	132,782
Impairment losses	-	-	-	-	697
Litigation settlement	-	(3,500)	-	-	-
Total operating expenses	145,458	142,909	145,465	138,969	132,510
Operating profit	25,591	21,413	17,670	14,554	272
Interest expense	1,285	2,258	3,220	5,057	9,949
Other (income) expense, net	(354)	(771)	2,200	305	442
Income (loss) before income taxes	24,660	19,926	12,250	9,192	(10,119)
Income tax expense (benefit)	5,333	9,792	(20,394)	2,653	(407)
Income from discontinued operations	-	-	-	-	41
Net income (loss)	\$ 19,327	\$ 10,134	\$ 32,644	\$ 6,539	\$ (9,671)
Weighted average common shares - Dilutive	9,523	9,379	9,287	9,267	9,165
Net income (loss) per common share - Diluted:					
Class A	\$ 1.95	\$ 1.03	\$ 3.36	\$ 0.68	\$ (1.06)
Class B	\$ 1.95	\$ 1.03	\$ 3.36	\$ 0.68	\$ (1.06)

(thousands, except per share data)	September 27 2013	September 28 2012	September 30 2011	October 1 2010	October 2 2009
BALANCE SHEET DATA					
Current assets	\$ 188,572	\$ 182,952	\$ 176,445	\$ 160,128	\$ 142,355
Total assets	288,350	263,632	259,356	226,756	210,282
Current liabilities	63,372	58,967	65,000	67,015	60,841
Long-term debt, less current maturities	7,794	8,334	11,478	14,939	16,089
Total debt	8,333	8,860	14,972	23,810	31,563
Shareholders' equity	197,668	173,604	163,525	126,369	115,825

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Excludes the depreciating impact of depreciation



SN VALUATION

LBO Pro Forma Income Statement

Name:

Johnson Outdoors

Ticker:

JOUT

	Historical				Forecasted				
	52 weeks ending 2010-10-01	52 weeks ending 2011-09-30	52 weeks ending 2012-09-28	52 weeks ending 2013-09-27	2013	2014	2015	2016	2017
Revenue	382.43	407.42	412.29	426.46	426.46	426.46	426.46	426.46	426.46
COGS	228.91	244.29	247.97	255.41	255.88	255.88	255.88	255.88	255.88
Gross margin	153.52	163.13	164.32	171.05	170.58	170.58	170.58	170.58	170.58
SG&A	125.52	130.65	131.58	130.11	136.47	136.47	136.47	136.47	136.47
R&D	13.45	14.82	14.73	15.35	17.06	17.06	17.06	17.06	17.06
Unusual expense	0.00	0.00	-3.50	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: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	14.55	17.66	21.41	25.59	17.06	17.06	17.06	17.06	17.06
Interest income/(expense)	-5.16	-3.11	-2.96	-2.14	-0.30	-0.30	-0.30	-0.30	-0.30
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	-0.20	-2.31	1.48	1.21	0.00	0.00	0.00	0.00	0.00
Income before tax	9.19	12.25	19.93	24.66	16.76	16.76	16.76	16.76	16.76
Tax	2.65	-20.39	9.60	5.33	5.87	5.87	5.87	5.87	5.87
Income after tax	6.54	32.64	10.13	19.33	10.89	10.89	10.89	10.89	10.89
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	6.54	32.64	10.13	19.33	10.89	10.89	10.89	10.89	10.89
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.66	\$3.28	\$1.02	\$1.94	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10
P/E (historical today's price; forecasted intrinsic price)	42.21	8.46	27.25	14.28	25.68	26.03	26.38	26.74	27.10
Revenue Growth	N/A	6.53%	1.20%	3.44%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	28.84%	-166.45%	49.17%	21.61%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-21.67%	-20.77%	-33.41%	-25.69%	-3.71%	-3.71%	-3.71%	-3.71%	-3.71%
Margins									
COGS	59.86%	59.96%	60.14%	59.89%	60.00%	60.00%	60.00%	60.00%	60.00%
Gross margin	40.14%	40.04%	39.86%	40.11%	40.00%	40.00%	40.00%	40.00%	40.00%
SG&A	32.82%	32.07%	31.94%	30.51%	32.00%	32.00%	32.00%	32.00%	32.00%
R&D	3.52%	3.64%	3.57%	3.60%	4.00%	4.00%	4.00%	4.00%	4.00%
Unusual expense	0.00%	0.00%	-0.85%	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: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	3.80%	4.33%	5.19%	6.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest income/(expense)	-1.35%	-0.76%	-0.72%	-0.50%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%
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	-0.05%	-0.57%	0.36%	0.28%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	2.40%	3.01%	4.83%	5.78%	3.93%	3.93%	3.93%	3.93%	3.93%
Tax	0.69%	-5.00%	2.38%	1.25%	1.38%	1.38%	1.38%	1.38%	1.38%
Income after tax	1.71%	8.01%	2.46%	4.53%	2.55%	2.55%	2.55%	2.55%	2.55%
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	1.71%	8.01%	2.46%	4.53%	2.55%	2.55%	2.55%	2.55%	2.55%

	As of 2010-10-01	As of 2011-09-30	As of 2012-09-28	As of 2013-09-27	As of 2013-09-27	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	33.32	44.51	58.90	55.69	55.69			55.69	61.74895238	67.73	73.68	79.59	85.57
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	33.32	44.51	58.90	55.69	55.69			55.69	61.75	67.73	73.68	79.59	85.57
Accounts Receivable	46.93	47.21	40.67	44.10	44.00			44.00	44.00	44.00	44.00	44.00	44.00
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	46.93	47.21	40.67	44.10	44.00			44.00	44.00	44.00	44.00	44.00	44.00
Total Inventory	72.09	68.46	67.06	76.36	76.36			76.36	76.36	76.36	76.36	76.36	76.36
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	7.79	16.26	16.32	12.41	12.41			12.41	12.41	12.41	12.41	12.41	12.41
Current Assets	160.13	176.44	182.95	188.56	188.46	0.00	0.00	188.46	194.5189524	200.50	206.45	212.36	218.34
PP&E, Gross	121.95	132.39	144.27	146.71	147.00			147.00	162.00	177.00	192.00	207.00	222.00
Change in Depreciation	8.88	9.84	10.47	9.11	9.11			9.11	9.11	9.11	9.11	9.11	9.11
Accumulated Depreciation	88.19	97.23	103.25	103.31	100.00			100.00	109.11	118.22	127.33	136.44	145.55
PP&E, Net	33.76	35.16	41.02	43.40	47.00			47.00	52.89	58.78	64.67	70.56	76.45
Goodwill	13.73	14.65	14.47	21.05	21.00	0.00		21.00	21.00	21.00	21.00	21.00	21.00
Intangibles	5.72	5.40	4.31	15.07	15.00			15.00	13.95	12.97	12.02	11.12	10.15
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	13.41	27.70	25.24	20.26	20.26			20.26	20.26	20.26	20.26	20.26	20.26
Long Term Assets	66.62	82.91	85.04	99.78	103.26			103.26	108.10	113.01	117.95	122.94	127.86
Total Assets	226.75	259.35	267.99	288.34	291.72	0.00	0.00	291.72	302.61	313.51	324.40	335.30	346.19
Accounts Payable	24.10	28.34	24.56	26.47	27.00			27.00	27.00	27.00	27.00	27.00	27.00
Accrued Expense	20.12	19.44	20.12	22.92	23.00			23.00	23.00	23.00	23.00	23.00	23.00
Other current Liabilities	13.92	13.73	13.77	13.45	13.45			13.45	13.45	13.45	13.45	13.45	13.45
Total Current Liabilities	58.14	61.51	58.45	62.84	63.45	0.00	0.00	63.45	63.45	63.45	63.45	63.45	63.45
Notes Payables/Short Term Debt	7.54	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	1.33	3.49	0.53	0.54	0.54			0.54	0.54	0.54	0.54	0.54	0.54
Long term Debt	14.94	11.48	8.33	7.79	8.00	0.00	0.00	8.00	8.00	8.00	8.00	8.00	8.00
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	23.81	14.97	8.86	8.33	8.54	0.00	0.00	8.54	8.54	8.54	8.54	8.54	8.54
Deferred Income tax	0.60	0.35	0.69	1.11	1.11			1.11	1.11	1.11	1.11	1.11	1.11
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	17.83	19.00	22.03	18.40	17.58			17.58	17.58	17.58	17.58	17.58	17.58
Total Liabilities	100.38	95.83	90.03	90.68	90.68	0.00	0.00	90.68	90.68	90.68	90.68	90.68	90.68
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	0.48	0.49	0.49	0.50	0.50		0.00	0.50	0.50	0.50	0.50	0.50	0.50
Additional Paid-in capital	59.78	61.52	64.18	66.37	67.00	0.00	0.00	67.00	67.00	67.00	67.00	67.00	67.00
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	50.04	82.68	92.82	112.14	112.00			112.00	122.89	133.79	144.68	155.58	166.47
Treasury Stock	0.00	0.00	-0.01	-0.71	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	17.99	19.76	16.25	19.37	19.37		0.00	19.37	19.37	19.37	19.37	19.37	19.37
Total Equity	128.29	164.45	173.73	197.67	198.87	0.00	0.00	198.87	209.76	220.66	231.55	242.45	253.34
Liability + Equity	228.67	260.28	263.76	288.35	289.55	0.00	0.00	289.55	300.44	311.34	322.23	333.13	344.02
Variance	-1.92	-0.93	4.23	-0.01	2.17			2.17	2.17	2.17	2.17	2.17	2.17
Debt/Equity	0.19	0.09	0.05	0.04	0.04			0.04	0.04	0.04	0.04	0.04	0.03
Inventory Turnover	5.30	5.95	6.15	5.58	5.58			5.58	5.58	5.58	5.58	5.58	5.58
Inventory Turnover Days	68.80	61.33	59.37	65.36	65.36			65.36	65.36	65.36	65.36	65.36	65.36
Days Inventory Outstanding	114.95	102.29	98.71	109.12	108.93			108.93	108.93	108.93	108.93	108.93	108.93
Accounts Receivable Turnover	8.15	8.63	10.14	9.67	9.69			9.69	9.69	9.69	9.69	9.69	9.69
Accounts Receivable Turnover Days	44.79	42.29	36.01	37.74	37.66			37.66	37.66	37.66	37.66	37.66	37.66
Days Payable Outstanding	38.43	42.34	36.15	37.83	38.51			38.59	38.51	38.51	38.51	38.51	38.51
Days Sales Outstanding	44.79	42.29	36.01	37.74	37.66			37.74	37.66	37.66	37.66	37.66	37.66
Cash Conversion Cycle	121.31	102.24	98.56	109.04	108.07			108.28	108.07	108.07	108.07	108.07	108.07
Net tangible assets/share	\$10.95	\$14.53	\$15.59	\$16.25	\$16.39				\$17.59	\$18.78	\$19.97	\$21.16	\$22.35

	52 weeks ending 2010-10-01	52 weeks ending 2011-09-30	52 weeks ending 2012-09-28	52 weeks ending 2013-09-27	2014	2015	2016	2017	2018
Net Income	6.54	32.64	10.13	19.33	10.89	10.89	10.89	10.89	10.89
Depreciation	8.88	9.84	10.47	9.11	9.11	9.11	9.11	9.11	9.11
Net Income + Depreciation	15.42	42.48	20.60	28.44	20.00	20.00	20.00	20.00	20.00
Amortization	1.22	1.06	1.06	0.65	1.05	0.98	0.94	0.91	0.97
Deferred Taxes	0.41	-22.00	6.99	1.61	0.00	0.00	0.00	0.00	0.00
Non Cash Items	5.58	6.65	7.56	4.08	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-2.88	2.78	-4.45	-4.77	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.28	6.54	-3.43	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	3.63	1.40	-9.30	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	4.24	-3.78	1.91	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	19.75	30.97	31.76	30.01	21.06	20.98	20.95	20.91	20.98
Capital Expenditures Expenditures	-9.97	-9.37	-12.03	-16.33	-15.00	-15.00	-15.00	-15.00	-15.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.69	-3.96	1.24	-15.42	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-9.28	-13.33	-10.79	-31.75	-15.00	-15.00	-15.00	-15.00	-15.00
Financing Cash flow items	-0.17	-0.13	0.00	-0.34	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	0.48	0.32	0.86	-0.17	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	-7.88	-8.84	-6.11	-0.53	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-7.57	-8.65	-5.25	-1.04	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	2.51	-1.33	-0.42	-0.42	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	27.90	33.32	44.51	58.90	55.69	61.75	67.73	73.68	79.59
Net Change in Cash	5.42	11.20	14.39	-3.21	6.06	5.98	5.95	5.91	5.98
Ending Cash Balance	33.32	44.51	58.90	55.69	61.75	67.73	73.68	79.59	85.57
Capex to Revenue	2.61%	2.30%	2.92%	3.83%	3.52%	3.52%	3.52%	3.52%	3.52%
Depreciation to Sales	2.32%	2.42%	2.54%	2.14%	2.14%	2.14%	2.14%	2.14%	2.14%
Amortization to Sales	0.32%	0.26%	0.26%	0.15%	0.25%	0.23%	0.22%	0.21%	0.23%
A/R to Sales	12.27%	11.59%	9.86%	10.34%	10.34%	10.34%	10.34%	10.34%	10.34%
Distributable FCF/EV Yield	4.57%	7.71%	9.16%	-0.76%	2.65%	2.61%	2.60%	2.58%	2.61%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	9.78	21.60	19.73	13.68	6.06	5.98	5.95	5.91	5.98

SN VALUATION

LBO Debt Schedule

Ticker:

JOUT

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-3.21	6.06	5.98	5.95	5.91	5.98
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	8.54	8.54	8.54	8.54	8.54	8.54
Current Portion Debt Balance	0.54	0.54	0.54	0.54	0.54	0.54
Long Term Debt Balance	8.00	8.00	8.00	8.00	8.00	8.00
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		0.85	0.85	0.85	0.85	0.85
Cash Balance		55.69				
Interest @ 1.0%		0.56	0.56	0.56	0.56	0.56
Net Interest Expense/(Income)		0.30	0.30	0.30	0.30	0.30
Net Interest Rate		3.71%	3.71%	3.71%	3.71%	3.71%
EBITDA		17.06	17.06	17.06	17.06	17.06
EBITDA/Interest Expense Coverage		19.97	19.97	19.97	19.97	19.97

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Johnson Outdoors

Ticker:

JOUT

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	101.99	114.93	124.50	125.01	131.07	137.05	143.00	148.91	154.89
Total Assets	226.75	259.35	267.99	291.72	302.61	313.51	324.40	335.30	346.19
X1	0.45	0.44	0.46	0.43	0.43	0.44	0.44	0.44	0.45
Retained Earnings	50.04	82.68	92.82	112.00	122.89	133.79	144.68	155.58	166.47
Total Assets	226.75	259.35	267.99	291.72	302.61	313.51	324.40	335.30	346.19
X2	0.22	0.32	0.35	0.38	0.41	0.43	0.45	0.46	0.48
EBITDA	14.55	17.66	21.41	25.59	17.06	17.06	17.06	17.06	17.06
Total Assets	226.75	259.35	267.99	291.72	302.61	313.51	324.40	335.30	346.19
X3	0.06	0.07	0.08	0.09	0.06	0.05	0.05	0.05	0.05
Market Value of Equity	276.03	276.03	276.03	276.03	279.78	283.57	287.42	291.32	295.27
Total Liabilities	100.38	95.83	90.03	90.68	90.68	90.68	90.68	90.68	90.68
X4	2.75	2.88	3.07	3.04	3.09	3.13	3.17	3.21	3.26
Net Sales	382.43	407.42	412.29	426.46	426.46	426.46	426.46	426.46	426.46
Total Assets	226.75	259.35	267.99	291.72	302.61	313.51	324.40	335.30	346.19
X5	1.69	1.57	1.54	1.46	1.41	1.36	1.31	1.27	1.23
Altman Z Score	4.40	4.50	4.68	4.63	4.53	4.54	4.54	4.55	4.56

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

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	177.87	188.76	199.66	210.55	221.45	232.34				232.34
Annual Change		10.89	10.89	10.89	10.89	10.89				
Annual FCF	13.68	6.06	5.98	5.95	5.91	5.98	5.98	5.98	5.98	17.93
Annual Op. Cash Flow	30.01	21.06	20.98	20.95	20.91	20.98	20.98	20.98	20.98	
Annual PP&E Investment	(16.33)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	
Today's Tangible Book Value	177.87	187.63	197.93	208.80	220.26	232.34				250.27
Intrinsic Value IRR	5.49%									
Market Price	276.03	270.68	265.42	260.27	255.22	250.27				250.27
Market Price IRR	-1.94%									

Debt	50.00%	138.02
Equity	50.00%	138.02
Total	100.00%	276.03

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	198.87	138.02	139.61	141.21	142.81	144.40	146.00				
Goodwill	21	98.16	98.16	98.16	98.16	98.16	98.16				
Debt	8	146.02	146.02	146.02	146.02	146.02	146.02				
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%				
Additional Interest Expense		14.30	14.30	14.30	14.30	14.30					
Tangible Book Value	177.87	39.85	41.45	43.05	44.64	46.24	47.84				47.84
Annual Change			1.60	1.60	1.60	1.60	1.60				
Annual FCF	13.68		(3.24)	(3.32)	(3.35)	(3.39)	(3.32)	(3.32)	(3.32)	(3.32)	(9.97)
Annual Net Income	19.33		1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	
Annual Op. Cash Flow	30.01		11.76	11.68	11.65	11.61	11.68	11.68	11.68	11.68	
Dividend Payments											
Annual PP&E Investment	(16.33)		(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	
Debt Paydown	0.00							0.00	0.00	0.00	
Sale Price in Year 5											37.87
Capital Left for Equity Investor											37.87
Dividend Payments											0.00
Total Cash In Flow											37.87
Invested Equity	138.02	106.56	82.28	63.53	49.05	37.87					
IRR	-22.79%										

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)	7.98
Cash Flow (Year 6-8)	-9.97
	-1.98

<u>Value Dilution</u>	
Debt	138.02
Goodwill	77.16
Additional Interest	71.52
	286.70