

ManTech International (MANT)

Price:	\$22.00	Net Tang. Bk Value Incl. Cash, Excl.	\$305,230,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$531,578,378.88
Market Cap:	\$817,520,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$85,850,317.15
Cash:	\$193,580,000	NTBVIC/Market Downside Recovery:	37.34%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$200,000,000	Op. Cash Flow:	\$129,881,580	Year 5 Disposition Price:	\$789,129,330.33
Net Cash:	-\$6,420,000	Implied Years to Fill Gap:	3.94		
Enterprise Value:	\$823,940,000	Today's Equity if 5x Op. CF:	\$694,874,740		
		Net Tang. Book+ Gain Disposition:			\$789,129,330.33
Shares Outstanding:	37,160,000	IRR:			-0.70%
				Price:	\$21.24
				Target Market Cap:	\$789,129,330
				Target Enterprise Value:	\$795,549,330

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

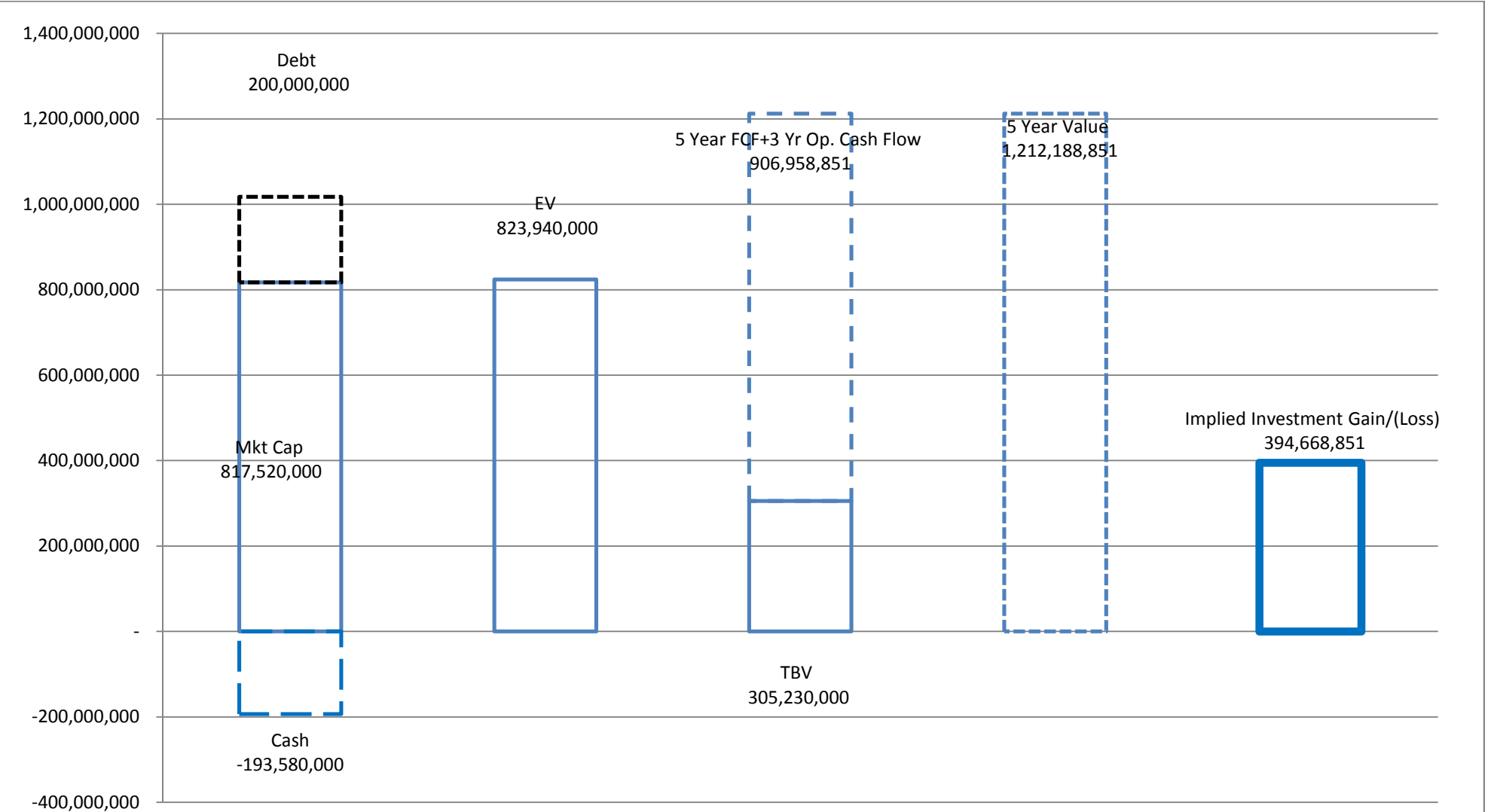
The Co. provides IT/cybersecurity related services for the US Federal government, with a majority of the contracts funded by the Department of Defense (DoD).

\$800MM of goodwill on books, which was financed by the years of positive operating cash flow of \$150MM, of which only \$20MM was needed for maintaining capex. Thus, the Co. started to purchase competitors and has grown the goodwill to a noticeable amount. With the positive operating cash flow, the Co. only has \$200MM in debt, which is a 17% D/E ratio.

The main risk is the shrinking US government budget, in particular for defense, as the US pulls out forces from the Middle East and sequestration effects. The revenue shrank 10% in the most current fiscal year, and is anticipated to shrink in the years to come. The backlog is \$6BB, or roughly 2 years of revenue. The downside protection is only 38%, which is important to consider when we see the value play is mainly attributable the cash flow, which is decreasing. The cash flow funds the book value growth, as well as financing the 3.0% dividend yield.

We have modeled a negative growth for top line and compressing EBIT margin. The current market price is close to the intrinsic value, which implies a 3.0% total return, which is comprised by the dividend payments, with zero contribution coming from book value growth, relative to the equity value in the market.

We personally don't like negative growth stories, as there is minimal catalyst for appreciation, other than a turn around story, which is arduous and time consuming. MANT could become a value trap, and as we are not familiar with government budgeting, and the like, we will keep away from an apparently cheap stock.



SN VALUATION

LBO Pro Forma Income Statement

Name:

ManTech International

Ticker:

MANT

	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	2,020.33	2,604.04	2,869.98	2,582.30	2,324.07	2,091.66	1,934.79	1,838.05	1,746.15
COGS	1,668.76	2,208.63	2,453.68	2,213.89	1,998.70	1,798.83	1,663.92	1,580.72	1,501.69
Gross margin	351.57	395.41	416.30	368.41	325.37	292.83	270.87	257.33	244.46
SG&A	172.49	182.27	188.95	186.61	185.93	189.25	183.48	202.19	209.54
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	0.80	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)	179.08	215.14	227.35	171.00	139.44	104.58	77.39	55.14	34.92
Interest income/(expense)	-0.92	-12.21	-15.46	-15.97	-12.65	-12.65	-12.65	-12.65	-12.65
Gain (loss) on sale of asset	0.00	0.00	3.70	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.35	-0.48	-0.09	-0.07	0.00	0.00	0.00	0.00	0.00
Income before tax	178.51	202.45	215.50	154.95	126.79	91.93	64.74	42.49	22.27
Tax	66.75	77.35	82.19	59.93	44.38	32.18	22.66	14.87	7.80
Income after tax	111.76	125.10	133.31	95.02	82.42	59.76	42.08	27.62	14.48
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	111.76	125.10	133.31	95.02	82.42	59.76	42.08	27.62	14.48
*Figures are in millions (\$)									
EPS (based off today's share count)	\$3.01	\$3.37	\$3.59	\$2.56	\$2.22	\$1.61	\$1.13	\$0.74	\$0.39
P/E (historical today's price; forecasted intrinsic price)	7.31	6.53	6.13	8.60	9.85	13.49	19.02	28.77	54.51
Revenue Growth	N/A	28.89%	10.21%	-10.02%	-10.00%	-10.00%	-7.50%	-5.00%	-5.00%
Tax Rate	37.39%	38.21%	38.14%	38.68%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	-6.11%	-7.73%	-7.99%	-6.33%	-6.33%	-6.33%	-6.33%	-6.33%
Margins									
COGS	82.60%	84.82%	85.49%	85.73%	86.00%	86.00%	86.00%	86.00%	86.00%
Gross margin	17.40%	15.18%	14.51%	14.27%	14.00%	14.00%	14.00%	14.00%	14.00%
SG&A	8.54%	6.92%	6.58%	7.61%	8.00%	9.00%	10.00%	11.00%	12.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	0.03%	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)	8.86%	8.26%	7.92%	6.62%	6.00%	5.00%	4.00%	3.00%	2.00%
Interest income/(expense)	-0.05%	-0.47%	-0.54%	-0.62%	-0.54%	-0.62%	-0.65%	-0.69%	-0.72%
Gain (loss) on sale of asset	0.00%	0.00%	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.02%	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	8.84%	7.77%	7.51%	6.00%	5.46%	4.40%	3.35%	2.31%	1.28%
Tax	3.30%	2.97%	2.86%	2.32%	1.91%	1.54%	1.17%	0.81%	0.45%
Income after tax	5.53%	4.80%	4.64%	3.68%	3.55%	2.57%	1.81%	1.19%	0.62%
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	5.53%	4.80%	4.64%	3.68%	3.55%	2.86%	2.17%	1.50%	0.83%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-06-30	+	-						
Cash	86.19	84.83	114.48	134.90	193.58			193.58	308.46	395.94	462.53	512.69	547.83
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	86.19	84.83	114.48	134.90	193.58			193.58	308.46	395.94	462.53	512.69	547.83
Accounts Receivable	399.24	528.76	540.47	548.31	550.00			550.00	550.00	550.00	550.00	550.00	550.00
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	399.24	528.76	540.47	548.31	550.00			550.00	550.00	550.00	550.00	550.00	550.00
Total Inventory	0.00	0.00	0.00	34.76	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	11.18	16.64	33.12	27.18	15.44			15.44	15.44	15.44	15.44	15.44	15.44
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	496.61	630.23	688.07	745.15	759.02	0.00	0.00	759.02	873.90	961.38	1,027.97	1,078.13	1,113.27
PP&E, Gross	44.96	61.22	111.97	79.17	79.00			79.00	94.00	109.00	124.00	139.00	154.00
Change in Depreciation	17.75	28.88	55.19	52.74	52.74			52.74	47.47	42.72	39.52	37.54	35.66
Accumulated Depreciation	30.46	34.13	64.53	51.29	52.00			52.00	99.47	142.19	181.70	219.24	254.90
PP&E, Net	14.50	27.09	47.44	27.88	27.00			27.00	-5.47	-33.19	-57.70	-80.24	-100.90
Goodwill	488.22	729.56	808.46	861.91	862.00	0.00		862.00	862.00	862.00	862.00	862.00	862.00
Intangibles	73.68	168.49	177.76	167.91	167.00			167.00	167.00	167.00	167.00	167.00	167.00
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	27.74	35.11	38.49	38.35	38.70			38.70	38.70	38.70	38.70	38.70	38.70
Long Term Assets	604.14	960.25	1,072.15	1,096.05	1,094.70	0.00	0.00	1,094.70	1,062.23	1,034.51	1,010.00	987.46	966.80
Total Assets	1,100.75	1,590.48	1,760.22	1,841.20	1,853.72	0.00	0.00	1,853.72	1,936.14	1,995.89	2,037.97	2,065.59	2,080.07
Accounts Payable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	55.43	64.58	72.47	52.36	53.00			53.00	53.00	53.00	53.00	53.00	53.00
Other current Liabilities	7.74	11.12	34.96	19.30	14.25			14.25	14.25	14.25	14.25	14.25	14.25
Total Current Liabilities	63.17	75.70	107.43	71.66	67.25	0.00	0.00	67.25	67.25	67.25	67.25	67.25	67.25
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	200.00	200.00	200.00	200.00	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
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	200.00	200.00	200.00	200.00	0.00	0.00	200.00	200.00	200.00	200.00	200.00	200.00
Deferred Income tax	33.85	43.11	49.22	50.65	66.59			66.59	66.59	66.59	66.59	66.59	66.59
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	28.91	33.28	34.03	38.79	291.30			291.30	291.30	291.30	291.30	291.30	291.30
Total Liabilities	125.93	352.09	390.68	361.10	625.14	0.00	0.00	625.14	625.14	625.14	625.14	625.14	625.14
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	0.36	0.37	0.37	0.37	0.37		0.00	0.37	0.37	0.37	0.37	0.37	0.37
Additional Paid-in capital	362.73	385.41	406.08	417.92	420.00	0.00	0.00	420.00	420.00	420.00	420.00	420.00	420.00
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	464.74	589.84	692.27	756.24	756.00			756.00	838.42	898.17	940.25	967.87	982.35
Treasury Stock	-9.11	-9.11	-9.16	-9.16	-9.00		0.00	-9.00	-9.00	-9.00	-9.00	-9.00	-9.00
Other Equity	-0.17	-0.15	-0.31	-0.14	-0.14		0.00	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14
Total Equity	818.55	966.36	1,089.25	1,165.23	1,167.23	0.00	0.00	1,167.23	1,249.65	1,309.40	1,351.48	1,379.10	1,393.58
Liability + Equity	944.48	1,318.45	1,479.93	1,526.33	1,792.37	0.00	0.00	1,792.37	1,874.79	1,934.54	1,976.62	2,004.24	2,018.72
Variance	156.27	272.03	280.29	314.87	61.35			61.35	61.35	61.35	61.35	61.35	61.35
Debt/Equity	0.00	0.21	0.18	0.17	0.17			0.17	0.16	0.15	0.15	0.15	0.14
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	74.29	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	4.91	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	5.73	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	5.06	4.92	5.31	4.71	4.23			4.70	4.23	3.80	3.52	3.34	3.17
Accounts Receivable Turnover Days	72.13	74.11	68.74	77.50	86.38			77.74	86.38	95.98	103.76	109.22	114.97
Days Payable Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Days Sales Outstanding	72.13	74.11	68.74	77.50	86.38			77.50	77.74	86.38	95.98	103.76	109.22
Cash Conversion Cycle	72.13	74.11	68.74	83.23	86.38			77.50	77.74	86.38	95.98	103.76	109.22
Net tangible assets/share	\$6.91	\$1.84	\$2.77	\$3.64	\$3.72				\$5.94	\$7.55	\$8.68	\$9.42	\$9.81

	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	111.76	125.10	133.31	95.02	82.42	59.76	42.08	27.62	14.48
Depreciation	17.75	28.88	55.19	52.74	47.47	42.72	39.52	37.54	35.66
Net Income + Depreciation	129.51	153.98	188.50	147.76	129.88	102.48	81.60	65.16	50.14
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.20	4.69	-3.26	17.54	0.00	0.00	0.00	0.00	0.00
Non Cash Items	7.17	6.90	5.07	8.10	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-4.23	5.88	31.05	-47.14	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-129.52	-11.71	-7.84	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	-34.76	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-5.46	-16.48	5.94	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	132.25	171.45	221.36	126.26	129.88	102.48	81.60	65.16	50.14
Capital Expenditures Expenditures	-6.24	-13.31	-59.69	-14.90	-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	-13.78	-368.85	-105.79	-61.11	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-20.02	-382.16	-165.48	-76.01	-15.00	-15.00	-15.00	-15.00	-15.00
Financing Cash flow items	1.12	-4.45	-3.52	0.05	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	-30.85	-31.03	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	12.56	13.81	8.14	1.15	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	-44.10	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-30.42	209.36	-26.23	-29.83	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	4.38	86.19	84.83	114.48	193.58	308.46	395.94	462.53	512.69
Net Change in Cash	81.81	-1.36	29.65	20.41	114.88	87.48	66.60	50.16	35.14
Ending Cash Balance	86.19	84.83	114.48	134.89	308.46	395.94	462.53	512.69	547.83
Capex to Revenue	0.31%	0.51%	2.08%	0.58%	0.65%	0.72%	0.78%	0.82%	0.86%
Depreciation to Sales	0.88%	1.11%	1.92%	2.04%	2.04%	2.04%	2.04%	2.04%	2.04%
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	19.76%	20.31%	18.83%	21.23%	23.59%	26.21%	28.34%	29.83%	31.40%
Distributable FCF/EV Yield	13.62%	-25.57%	6.78%	6.10%	13.94%	10.62%	8.08%	6.09%	4.26%
Dividend Yield	0.00%	0.00%	-3.77%	-3.80%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	126.01	158.14	192.52	142.39	114.88	87.48	66.60	50.16	35.14

SN VALUATION

LBO Debt Schedule

Ticker:

MANT

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	20.41	114.88	87.48	66.60	50.16	35.14
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	200.00	200.00	200.00	200.00	200.00	200.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	200.00	200.00	200.00	200.00	200.00	200.00
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		14.00	14.00	14.00	14.00	14.00
Cash Balance		134.90				
Interest @ 1.0%		1.35	1.35	1.35	1.35	1.35
Net Interest Expense/(Income)		12.65	12.65	12.65	12.65	12.65
Net Interest Rate		6.33%	6.33%	6.33%	6.33%	6.33%
EBITDA		139.44	104.58	77.39	55.14	34.92
EBITDA/Interest Expense Coverage		9.96	7.47	5.53	3.94	2.49

Interest Rate Coverage Table

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

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

ManTech International

Ticker:

MANT

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	433.44	554.53	580.64	691.77	806.65	894.13	960.72	1,010.88	1,046.02
Total Assets	1,100.75	1,590.48	1,760.22	1,853.72	1,936.14	1,995.89	2,037.97	2,065.59	2,080.07
X1	0.39	0.35	0.33	0.37	0.42	0.45	0.47	0.49	0.50
Retained Earnings	464.74	589.84	692.27	756.00	838.42	898.17	940.25	967.87	982.35
Total Assets	1,100.75	1,590.48	1,760.22	1,853.72	1,936.14	1,995.89	2,037.97	2,065.59	2,080.07
X2	0.42	0.37	0.39	0.41	0.43	0.45	0.46	0.47	0.47
EBITDA	179.08	215.14	227.35	171.00	139.44	104.58	77.39	55.14	34.92
Total Assets	1,100.75	1,590.48	1,760.22	1,853.72	1,936.14	1,995.89	2,037.97	2,065.59	2,080.07
X3	0.16	0.14	0.13	0.09	0.07	0.05	0.04	0.03	0.02
Market Value of Equity	817.52	817.52	817.52	817.52	811.76	806.04	800.37	794.73	789.13
Total Liabilities	125.93	352.09	390.68	625.14	625.14	625.14	625.14	625.14	625.14
X4	6.49	2.32	2.09	1.31	1.30	1.29	1.28	1.27	1.26
Net Sales	2,020.33	2,604.04	2,869.98	2,582.30	2,324.07	2,091.66	1,934.79	1,838.05	1,746.15
Total Assets	1,100.75	1,590.48	1,760.22	1,853.72	1,936.14	1,995.89	2,037.97	2,065.59	2,080.07
X5	1.84	1.64	1.63	1.39	1.20	1.05	0.95	0.89	0.84
Altman Z Score	7.33	4.41	4.26	3.50	3.32	3.16	3.05	2.98	2.92

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

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	305.23	387.65	447.40	489.48	517.10	531.58				531.58
Annual Change		82.42	59.76	42.08	27.62	14.48				
Annual FCF	111.36	114.88	87.48	66.60	50.16	35.14	70.85	70.85	70.85	212.55
Annual Op. Cash Flow	126.26	129.88	102.48	81.60	65.16	50.14	85.85	85.85	85.85	
Annual PP&E Investment	(14.90)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	
Today's Tangible Book Value	305.23	341.05	381.07	425.79	475.75	531.58				744.13
Intrinsic Value IRR	11.73%									
Market Price	817.52	802.28	787.33	772.66	758.26	744.13				744.13
Market Price IRR	-1.86%									

Debt	50.00%	408.76
Equity	50.00%	408.76
Total	100.00%	817.52

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	1167.23	408.76	471.70	511.98	534.59	542.73	535.04			
Goodwill	862	512.29	512.29	512.29	512.29	512.29	512.29			
Debt	200	608.76	608.76	608.76	608.76	608.76	608.76			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		29.96	29.96	29.96	29.96	29.96				
Tangible Book Value	305.23	-103.53	-40.59	-0.31	22.30	30.44	22.75			22.75
Annual Change			62.94	40.28	22.61	8.14	-7.69			
Annual FCF	111.36		95.41	68.00	47.12	30.68	12.97	12.97	12.97	38.92
Annual Net Income	95.02		62.94	40.28	22.61	8.14	(7.69)	(7.69)	(7.69)	
Annual Op. Cash Flow	126.26		110.41	83.00	62.12	45.68	27.97	27.97	27.97	
Dividend Payments										
Annual PP&E Investment	(14.90)		(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										61.67
Capital Left for Equity Investor										61.67
Dividend Payments										0.00
Total Cash In Flow										61.67
Invested Equity	408.76	280.02	191.82	131.41	90.02	61.67				
IRR	-31.50%									

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)	126.28
Cash Flow (Year 6-8)	38.92
	165.20

<u>Value Dilution</u>	
Debt	408.76
Goodwill	-349.71
Additional Interest	149.81
	208.86