

August 7, 2013

# SN VALUATION [Stocks, Real Estate, Bonds]

## Otter Tail Power (OTTR)

Price:	\$31.20	Net Tang. Bk Value Incl. Cash, Excl.	\$492,870,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$673,836,175.00
Market Cap:	\$1,131,624,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$95,953,235.00
Cash:	\$37,530,000	NTBVIC/Market Downside Recovery:	43.55%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$439,510,000	Op. Cash Flow:	\$95,953,235	Year 5 Disposition Price:	\$961,695,880.00
Net Cash:	-\$401,980,000	Implied Years to Fill Gap:	6.66		
Enterprise Value:	\$1,533,604,000	Today's Equity if 5x Op. CF:	\$780,729,705		
		Net Tang. Book+ Gain Disposition:			\$961,695,880.00
Shares Outstanding:	36,270,000	IRR:			-3.20%
				Price:	\$26.51
				Target Market Cap:	\$961,695,880
				Target Enterprise Value:	\$1,363,675,880

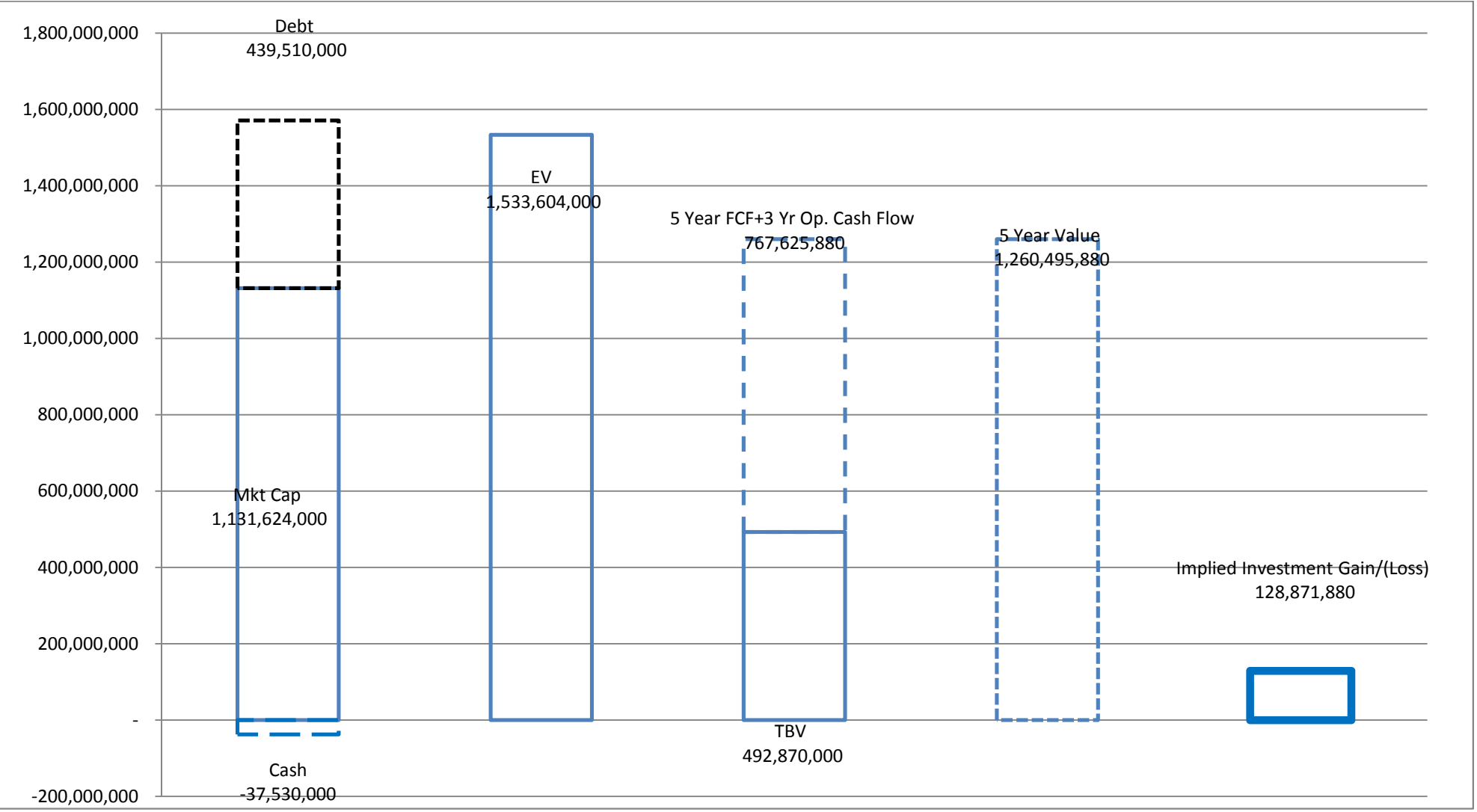
\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

The Co. is reporting operating losses in the IS, but the operating cash flow is near \$100MM. The impairment charges on the discontinued operations are weighing down on the reported earnings, but once that clears up, we anticipate a more investor friendly reporting, which should make the stock more attractive.

Still, the stock is trading at 2x P/B, dividend yield is 4%, so although on an asset valuation basis, it is pricier than our normal investments, the steady earnings, and transition away from a diverse business line to a concentrated utility and PVC, fabricated steel manufacturing.

We will stay away from this stock as it is not appealing from a valuation standpoint, although the dividend of 4%, or \$40MM in payouts is sustainable.

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Debt  
439,510,000

Mkt Cap  
1,131,624,000

Cash  
-37,530,000

EV  
1,533,604,000

5 Year FCF+3 Yr Op. Cash Flow  
767,625,880

TBV  
492,870,000

5 Year Value  
1,260,495,880

Implied Investment Gain/(Loss)  
128,871,880



SN VALUATION

LBO Pro Forma Income Statement

Name:

Otter Tail Power

Ticker:

OTTR

	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	818.69	717.90	840.17	859.24	859.24	859.24	859.24	859.24	859.24
COGS	470.38	354.30	465.10	466.32	472.58	472.58	472.58	472.58	472.58
Gross margin	348.31	363.60	375.07	392.92	386.66	386.66	386.66	386.66	386.66
SG&A	0.00	0.00	0.00	0.00	283.55	283.55	283.55	283.55	283.55
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	0.47	13.54	0.00	0.00	0.00	0.00	0.00
Other operating expense	8.85	9.36	10.19	10.72	17.18	17.18	17.18	17.18	17.18
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	339.46	354.24	364.41	368.66	85.92	85.92	85.92	85.92	85.92
Interest income/(expense)	-28.42	-36.85	-35.63	-31.90	-30.24	-30.24	-30.24	-30.24	-30.24
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	4.65	1.76	2.76	4.08	0.00	0.00	0.00	0.00	0.00
Income before tax	19.34	29.51	39.03	41.10	55.68	55.68	55.68	55.68	55.68
Tax	-5.30	-3.23	-4.12	-2.13	19.49	19.49	19.49	19.49	19.49
Income after tax	24.64	26.28	34.91	38.97	36.19	36.19	36.19	36.19	36.19
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	24.64	26.28	34.91	38.97	36.19	36.19	36.19	36.19	36.19
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.68	\$0.72	\$0.96	\$1.07	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
P/E (historical today's price; forecasted intrinsic price)	45.93	43.06	32.42	29.04	30.27	29.30	28.36	27.45	26.57
Revenue Growth	N/A	-12.31%	17.03%	2.27%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	-27.40%	10.95%	10.56%	5.18%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-5.65%	-7.18%	-7.55%	-7.56%	-6.90%	-6.90%	-6.90%	-6.90%	-6.90%
Margins									
COGS	57.46%	49.35%	55.36%	54.27%	55.00%	55.00%	55.00%	55.00%	55.00%
Gross margin	42.54%	50.65%	44.64%	45.73%	45.00%	45.00%	45.00%	45.00%	45.00%
SG&A	0.00%	0.00%	0.00%	0.00%	33.00%	33.00%	33.00%	33.00%	33.00%
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%	0.06%	1.58%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	1.08%	1.30%	1.21%	1.25%	2.00%	2.00%	2.00%	2.00%	2.00%
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)	41.46%	49.34%	43.37%	42.91%	10.00%	10.00%	10.00%	10.00%	10.00%
Interest income/(expense)	-3.47%	-5.13%	-4.24%	-3.71%	-3.52%	-3.52%	-3.52%	-3.52%	-3.52%
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	0.57%	0.25%	0.33%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	2.36%	4.11%	4.65%	4.78%	6.48%	6.48%	6.48%	6.48%	6.48%
Tax	-0.65%	0.45%	0.49%	0.25%	2.27%	2.27%	2.27%	2.27%	2.27%
Income after tax	3.01%	3.66%	4.16%	4.54%	4.21%	4.21%	4.21%	4.21%	4.21%
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	3.01%	3.66%	4.16%	4.54%	4.21%	4.21%	4.21%	4.21%	4.21%

						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 2013-03-31	+	-						
Cash	4.43	0.00	15.99	52.36	37.53			37.53	63.48	89.44	115.39	141.34	167.30
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
<b>Cash and Short term</b>	<b>4.43</b>	<b>0.00</b>	<b>15.99</b>	<b>52.36</b>	<b>37.53</b>			<b>37.53</b>	<b>63.48</b>	<b>89.44</b>	<b>115.39</b>	<b>141.34</b>	<b>167.30</b>
Accounts Receivable	95.75	94.97	93.39	91.17	90.00			90.00	90.00	90.00	90.00	90.00	90.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>95.75</b>	<b>94.97</b>	<b>93.39</b>	<b>91.17</b>	<b>90.00</b>			<b>90.00</b>	<b>90.00</b>	<b>90.00</b>	<b>90.00</b>	<b>90.00</b>	<b>90.00</b>
Total Inventory	86.52	72.01	68.74	69.34	73.40			73.40	73.40	73.40	73.40	73.40	73.40
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	104.40	328.40	287.78	103.08	77.73			77.73	77.73	77.73	77.73	77.73	77.73
<b>Current Assets</b>	<b>291.10</b>	<b>495.38</b>	<b>465.90</b>	<b>315.95</b>	<b>278.66</b>	<b>0.00</b>	<b>0.00</b>	<b>278.66</b>	<b>304.61</b>	<b>330.57</b>	<b>356.52</b>	<b>382.47</b>	<b>408.43</b>
PP&E, Gross	23.36	41.98	52.75	88.85	1,706.00			1,706.00	1,776.00	1,846.00	1,916.00	1,986.00	2,056.00
Change in Depreciation	64.72	57.65	58.34	59.76	59.76			59.76	59.76	59.76	59.76	59.76	59.76
Accumulated Depreciation	0.00	0.00	0.00	0.00	648.00			648.00	707.76	767.52	827.28	887.04	946.80
<b>PP&amp;E, Net</b>	<b>23.36</b>	<b>41.98</b>	<b>52.75</b>	<b>88.85</b>	<b>1,058.00</b>			<b>1,058.00</b>	<b>1,068.24</b>	<b>1,078.48</b>	<b>1,088.72</b>	<b>1,098.96</b>	<b>1,109.20</b>
Goodwill	106.78	39.41	39.12	38.97	38.97	0.00		38.97	38.97	38.97	38.97	38.97	38.97
Intangibles	33.89	16.24	15.29	14.30	15.00			15.00	15.00	15.00	15.00	15.00	15.00
Long term investments	9.89	9.71	11.09	9.47	9.42			9.42	9.42	9.42	9.42	9.42	9.42
Other long term assets	155.47	142.47	157.59	166.51	160.47			160.47	160.47	160.47	160.47	160.47	160.47
<b>Long Term Assets</b>	<b>329.39</b>	<b>249.81</b>	<b>275.84</b>	<b>318.10</b>	<b>1,281.86</b>			<b>1,281.86</b>	<b>1,292.10</b>	<b>1,302.34</b>	<b>1,312.58</b>	<b>1,322.82</b>	<b>1,333.06</b>
<b>Total Assets</b>	<b>620.49</b>	<b>745.19</b>	<b>741.74</b>	<b>634.05</b>	<b>1,560.52</b>	<b>0.00</b>	<b>0.00</b>	<b>1,560.52</b>	<b>1,596.71</b>	<b>1,632.91</b>	<b>1,669.10</b>	<b>1,705.29</b>	<b>1,741.49</b>
Accounts Payable	83.72	102.54	80.46	88.41	90.00			90.00	90.00	90.00	90.00	90.00	90.00
Accrued Expense	30.70	23.28	21.40	26.91	27.00			27.00	27.00	27.00	27.00	27.00	27.00
Other current Liabilities	25.98	79.44	90.33	57.64	51.42			51.42	51.42	51.42	51.42	51.42	51.42
<b>Total Current Liabilities</b>	<b>140.40</b>	<b>205.26</b>	<b>192.19</b>	<b>172.96</b>	<b>168.42</b>	<b>0.00</b>	<b>0.00</b>	<b>168.42</b>	<b>168.42</b>	<b>168.42</b>	<b>168.42</b>	<b>168.42</b>	<b>168.42</b>
Notes Payables/Short Term Debt	7.58	79.49	0.00	0.00	1.33			1.33	1.33	1.33	1.33	1.33	1.33
Current port. Of LT Debt/Capital Leases	59.05	0.22	0.17	0.18	0.18			0.18	0.18	0.18	0.18	0.18	0.18
Long term Debt	436.17	433.68	471.92	421.68	438.00	0.00	0.00	438.00	438.00	438.00	438.00	438.00	438.00
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
<b>Total Interest Earning Debt</b>	<b>502.80</b>	<b>513.39</b>	<b>472.09</b>	<b>421.86</b>	<b>439.51</b>	<b>0.00</b>	<b>0.00</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>
Deferred Income tax	202.97	200.38	206.49	203.09	197.28			197.28	197.28	197.28	197.28	197.28	197.28
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	220.28	203.63	242.81	266.97	248.89			248.89	248.89	248.89	248.89	248.89	248.89
<b>Total Liabilities</b>	<b>1,066.45</b>	<b>1,122.66</b>	<b>1,113.58</b>	<b>1,064.88</b>	<b>1,054.10</b>	<b>0.00</b>	<b>0.00</b>	<b>1,054.10</b>	<b>1,054.10</b>	<b>1,054.10</b>	<b>1,054.10</b>	<b>1,054.10</b>	<b>1,054.10</b>
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	15.50	15.50	15.50	15.50	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	179.06	180.01	180.51	180.84	180.84		0.00	180.84	180.84	180.84	180.84	180.84	180.84
Additional Paid-in capital	251.62	252.44	253.12	253.30	255.00	0.00	0.00	255.00	255.00	255.00	255.00	255.00	255.00
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	239.32	195.87	137.80	87.72	96.00		0.00	96.00	132.19	168.39	204.58	240.77	276.97
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	2.66	3.98	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>688.16</b>	<b>647.80</b>	<b>586.93</b>	<b>537.36</b>	<b>531.84</b>	<b>0.00</b>	<b>0.00</b>	<b>531.84</b>	<b>568.03</b>	<b>604.23</b>	<b>640.42</b>	<b>676.61</b>	<b>712.81</b>
<b>Liability + Equity</b>	<b>1,754.61</b>	<b>1,770.46</b>	<b>1,700.51</b>	<b>1,602.24</b>	<b>1,585.94</b>	<b>0.00</b>	<b>0.00</b>	<b>1,585.94</b>	<b>1,622.13</b>	<b>1,658.33</b>	<b>1,694.52</b>	<b>1,730.71</b>	<b>1,766.91</b>
<b>Variance</b>	<b>-1,134.12</b>	<b>-1,025.27</b>	<b>-958.77</b>	<b>-968.19</b>	<b>-25.42</b>			<b>-25.42</b>	<b>-25.42</b>	<b>-25.42</b>	<b>-25.42</b>	<b>-25.42</b>	<b>-25.42</b>
<b>Debt/Equity</b>	<b>0.73</b>	<b>0.79</b>	<b>0.80</b>	<b>0.79</b>	<b>0.83</b>			<b>0.83</b>	<b>0.77</b>	<b>0.73</b>	<b>0.69</b>	<b>0.65</b>	<b>0.62</b>
Inventory Turnover	9.46	9.97	12.22	12.39	11.71			11.71	11.71	11.71	11.71	11.71	11.71
Inventory Turnover Days	38.57	36.61	29.86	29.46	31.18			31.18	31.18	31.18	31.18	31.18	31.18
Days Inventory Outstanding	67.14	74.18	53.95	54.27	56.69			57.45	56.69	56.69	56.69	56.69	56.69
Accounts Receivable Turnover	8.55	7.56	9.00	9.42	9.55			9.55	9.55	9.55	9.55	9.55	9.55
Accounts Receivable Turnover Days	42.69	48.29	40.57	38.73	38.23			38.23	38.23	38.23	38.23	38.23	38.23
Days Payable Outstanding	64.96	105.64	63.14	69.20	69.51			70.45	69.51	69.51	69.51	69.51	69.51
Days Sales Outstanding	42.69	48.29	40.57	38.73	38.23			38.73	38.23	38.23	38.23	38.23	38.23
Cash Conversion Cycle	44.86	16.83	31.37	23.80	25.41			25.74	25.41	25.41	25.41	25.41	25.41
Net tangible assets/share	\$15.09	\$16.33	\$14.68	\$13.35	\$13.18			\$14.17	\$15.17	\$16.17	\$17.17	\$18.16	\$18.16

	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	26.03	-1.34	-13.24	-5.27	36.19	36.19	36.19	36.19	36.19
Depreciation	64.72	57.65	58.34	59.76	59.76	59.76	59.76	59.76	59.76
<b>Net Income + Depreciation</b>	<b>90.75</b>	<b>56.31</b>	<b>45.10</b>	<b>54.49</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	40.85	16.57	8.28	9.37	0.00	0.00	0.00	0.00	0.00
Non Cash Items	12.33	16.00	79.35	143.76	0.00	0.00	0.00	0.00	0.00
Change in Working capital	20.86	13.64	-26.32	24.68	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	0.78	1.58	2.22	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	14.51	3.27	-0.60	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	18.82	-22.08	7.95	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>164.79</b>	<b>102.52</b>	<b>106.41</b>	<b>232.30</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>	<b>95.95</b>
Capital Expenditures Expenditures	-171.76	-58.26	-67.36	-115.76	-70.00	-70.00	-70.00	-70.00	-70.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	24.02	-26.90	72.78	32.19	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-147.74</b>	<b>-85.16</b>	<b>5.42</b>	<b>-83.57</b>	<b>-70.00</b>	<b>-70.00</b>	<b>-70.00</b>	<b>-70.00</b>	<b>-70.00</b>
Financing Cash flow items	-5.85	7.24	-12.12	-18.05	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-43.04	-43.00	-43.92	-43.98	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	7.19	-0.71	-1.18	-0.11	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	24.62	13.45	-38.28	-50.22	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-17.08</b>	<b>-23.72</b>	<b>-95.50</b>	<b>-112.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	-1.06	-0.57	-0.32	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	5.53	4.43	0.00	15.99	37.53	63.48	89.44	115.39	141.34
<b>Net Change in Cash</b>	<b>-1.10</b>	<b>-6.93</b>	<b>15.99</b>	<b>36.37</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>
Ending Cash Balance	4.43	0.00	15.99	52.36	63.48	89.44	115.39	141.34	167.30
Capex to Revenue	20.98%	8.12%	8.02%	13.47%	8.15%	8.15%	8.15%	8.15%	8.15%
Depreciation to Sales	7.91%	8.03%	6.94%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%
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	11.70%	13.23%	11.12%	10.61%	10.61%	10.61%	10.61%	10.61%	10.61%
Distributable FCF/EV Yield	1.11%	1.13%	7.29%	9.70%	1.69%	1.69%	1.69%	1.69%	1.69%
Dividend Yield	-3.80%	-3.86%	-3.88%	-3.89%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>36.07</b>	<b>87.96</b>	<b>82.97</b>	<b>160.52</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

OTTR

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>36.37</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>	<b>25.95</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>	<b>439.51</b>
Current Portion Debt Balance	1.51	1.51	1.51	1.51	1.51	1.51
Long Term Debt Balance	438.00	438.00	438.00	438.00	438.00	438.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>30.77</b>	<b>30.77</b>	<b>30.77</b>	<b>30.77</b>	<b>30.77</b>
Cash Balance		52.36				
Interest @ 1.0%		0.52	0.52	0.52	0.52	0.52
<b>Net Interest Expense/(Income)</b>		<b>30.24</b>	<b>30.24</b>	<b>30.24</b>	<b>30.24</b>	<b>30.24</b>
<b>Net Interest Rate</b>		<b>6.90%</b>	<b>6.90%</b>	<b>6.90%</b>	<b>6.90%</b>	<b>6.90%</b>
EBITDA		85.92	85.92	85.92	85.92	85.92
<b>EBITDA/Interest Expense Coverage</b>		<b>2.79</b>	<b>2.79</b>	<b>2.79</b>	<b>2.79</b>	<b>2.79</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Otter Tail Power

Ticker:

OTTR

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	150.70	290.12	273.71	110.24	136.19	162.15	188.10	214.05	240.01
Total Assets	620.49	745.19	741.74	1,560.52	1,596.71	1,632.91	1,669.10	1,705.29	1,741.49
<b>X1</b>	<b>0.24</b>	<b>0.39</b>	<b>0.37</b>	<b>0.07</b>	<b>0.09</b>	<b>0.10</b>	<b>0.11</b>	<b>0.13</b>	<b>0.14</b>
Retained Earnings	239.32	195.87	137.80	96.00	132.19	168.39	204.58	240.77	276.97
Total Assets	620.49	745.19	741.74	1,560.52	1,596.71	1,632.91	1,669.10	1,705.29	1,741.49
<b>X2</b>	<b>0.39</b>	<b>0.26</b>	<b>0.19</b>	<b>0.06</b>	<b>0.08</b>	<b>0.10</b>	<b>0.12</b>	<b>0.14</b>	<b>0.16</b>
EBITDA	339.46	354.24	364.41	368.66	85.92	85.92	85.92	85.92	85.92
Total Assets	620.49	745.19	741.74	1,560.52	1,596.71	1,632.91	1,669.10	1,705.29	1,741.49
<b>X3</b>	<b>0.55</b>	<b>0.48</b>	<b>0.49</b>	<b>0.24</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
Market Value of Equity	1,131.62	1,131.62	1,131.62	1,131.62	1,095.39	1,060.32	1,026.37	993.51	961.70
Total Liabilities	1,066.45	1,122.66	1,113.58	1,054.10	1,054.10	1,054.10	1,054.10	1,054.10	1,054.10
<b>X4</b>	<b>1.06</b>	<b>1.01</b>	<b>1.02</b>	<b>1.07</b>	<b>1.04</b>	<b>1.01</b>	<b>0.97</b>	<b>0.94</b>	<b>0.91</b>
Net Sales	818.69	717.90	840.17	859.24	859.24	859.24	859.24	859.24	859.24
Total Assets	620.49	745.19	741.74	1,560.52	1,596.71	1,632.91	1,669.10	1,705.29	1,741.49
<b>X5</b>	<b>1.32</b>	<b>0.96</b>	<b>1.13</b>	<b>0.55</b>	<b>0.54</b>	<b>0.53</b>	<b>0.51</b>	<b>0.50</b>	<b>0.49</b>
<b>Altman Z Score</b>	<b>4.59</b>	<b>3.97</b>	<b>4.07</b>	<b>2.15</b>	<b>1.56</b>	<b>1.57</b>	<b>1.58</b>	<b>1.58</b>	<b>1.59</b>

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

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
<b>Tangible Book Value</b>	492.87	529.06	565.26	601.45	637.64	673.84				673.84
Annual Change		36.19	36.19	36.19	36.19	36.19				
<b>Annual FCF</b>	116.54	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	77.86
Annual Op. Cash Flow	232.30	95.95	95.95	95.95	95.95	95.95	95.95	95.95	95.95	
Annual PP&E Investment	(115.76)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	
<b>Today's Tangible Book Value</b>	492.87	524.68	558.55	594.60	632.98	673.84				751.70
Intrinsic Value IRR	6.45%									
<b>Market Price</b>	1,131.62	1,042.73	960.81	885.33	815.78	751.70				751.70
Market Price IRR	-7.86%									

Debt	50.00%	565.81
Equity	50.00%	565.81
<b>Total</b>	<b>100.00%</b>	<b>1,131.62</b>

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	531.84	565.81	575.99	586.17	596.34	606.52	616.70			
Goodwill	38.97	638.75	638.75	638.75	638.75	638.75	638.75			
Debt	438	1,003.81	1,003.81	1,003.81	1,003.81	1,003.81	1,003.81			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		40.02	40.02	40.02	40.02	40.02				
<b>Tangible Book Value</b>	492.87	-72.94	-62.76	-52.59	-42.41	-32.23	-22.06			-22.06
Annual Change			10.18	10.18	10.18	10.18	10.18			
<b>Annual FCF</b>	116.54		(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.19)
Annual Net Income	38.97		10.18	10.18	10.18	10.18	10.18	10.18	10.18	
<b>Annual Op. Cash Flow</b>	232.30		69.94	69.94	69.94	69.94	69.94	69.94	69.94	
Dividend Payments										
<b>Annual PP&amp;E Investment</b>	(115.76)		(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	(70.00)	
Debt Paydown	0.00							0.00	0.00	0.00

Sale Price in Year 5 (22.34)

Capital Left for Equity Investor (22.34)  
 Dividend Payments 0.00  
 Total Cash In Flow (22.34)

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 565.81  
 IRR -152.35%

Value Creation  
 TBV Growth (equals sum of NI Year 1-5) 50.89  
 Cash Flow (Year 6-8) -0.19  
50.70

Value Dilution  
 Debt 565.81  
 Goodwill 599.78  
 Additional Interest 200.12  
1,365.72