

## WD-40 (WDFC)

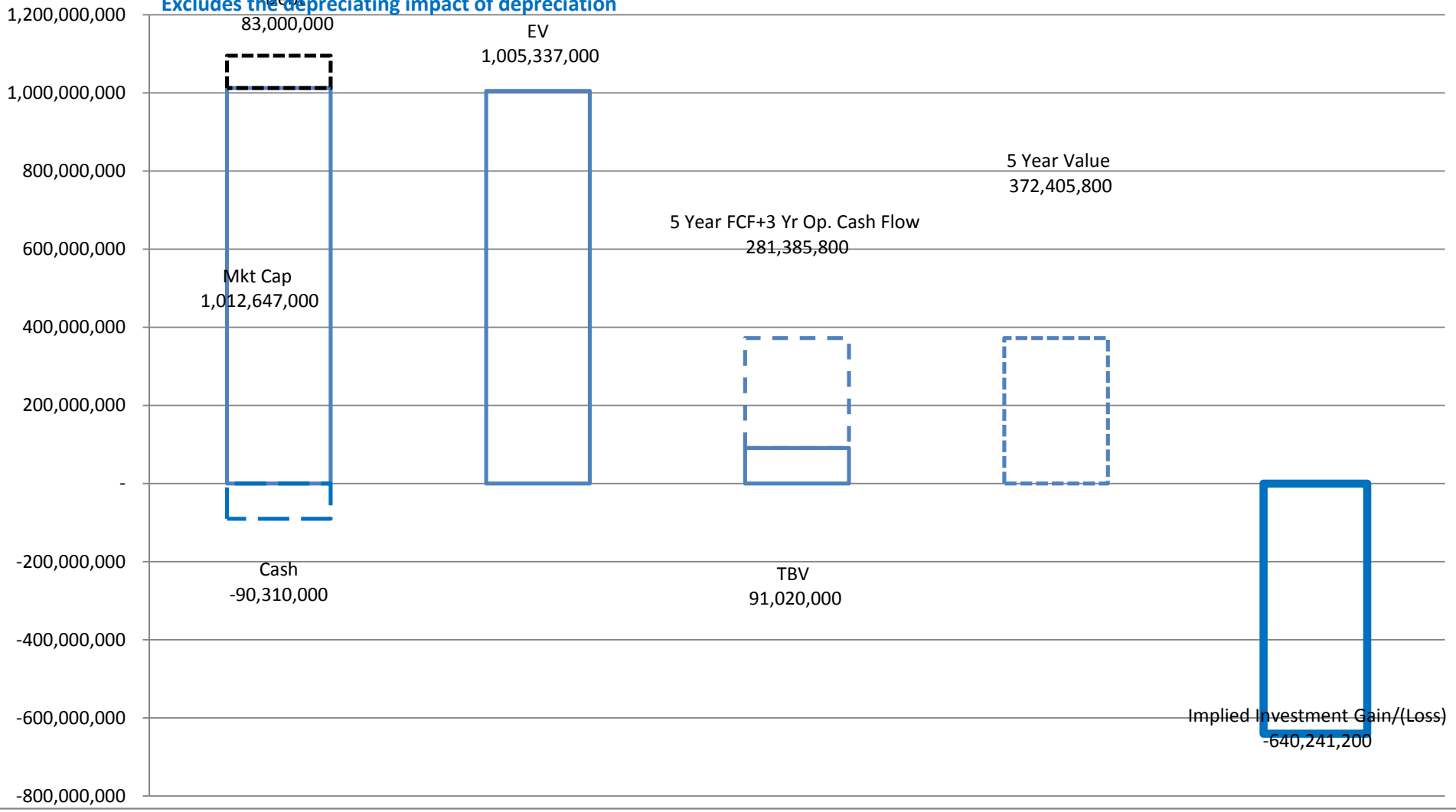
Price:	\$68.10	Net Tang. Bk Value Incl. Cash, Excl.	\$91,020,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$240,086,125.00
Shares Outstanding:	14,870,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$35,173,225.00
Market Cap:	\$1,012,647,000	NTBVIC/Market Downside Recovery:	8.99%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$90,310,000	Op. Cash Flow:	\$35,173,225	Year 5 Disposition Price:	\$345,605,800.00
Debt:	\$83,000,000	Implied Years to Fill Gap:	26.20		
Net Cash:	\$7,310,000	Today's Equity if 5x Op. CF:	\$196,539,675		
Enterprise Value:	\$1,005,337,000			Net Tang. Book+ Gain Disposition:	\$345,605,800.00
				IRR:	-19.35%
				Price:	\$23.24
				Target Market Cap:	\$345,605,800
				Target Enterprise Value:	\$338,295,800

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

Good business, but too expensive.

Management is paying out dividends and buying back stocks. Good job management!

Excludes the depreciating impact of depreciation





SN VALUATION

LBO Pro Forma Income Statement

Name:

WD-40

Ticker:

WDFC

	Historical				Forecasted				
	12 months ending 2010-08-31	12 months ending 2011-08-31	12 months ending 2012-08-31	12 months ending 2013-08-31	2014	2015	2016	2017	2018
Revenue	321.52	336.41	342.78	368.55	368.55	368.55	368.55	368.55	368.55
COGS	156.21	168.30	174.30	187.96	187.96	187.96	187.96	187.96	187.96
Gross margin	165.31	168.11	168.48	189.17	180.59	180.59	180.59	180.59	180.59
SG&A	129.38	112.44	114.62	129.19	128.99	128.99	128.99	128.99	128.99
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	1.08	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)	55.93	55.67	53.86	58.90	51.60	51.60	51.60	51.60	51.60
Interest income/(expense)	-1.55	-0.85	-0.47	-0.19	-5.73	-5.73	-5.73	-5.73	-5.73
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	-0.09	0.25	-0.35	0.42	0.00	0.00	0.00	0.00	0.00
Income before tax	53.56	53.53	50.91	56.87	45.87	45.87	45.87	45.87	45.87
Tax	17.47	17.10	15.43	17.06	16.05	16.05	16.05	16.05	16.05
Income after tax	36.09	36.43	35.48	39.81	29.81	29.81	29.81	29.81	29.81
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	36.09	36.43	35.48	39.81	29.81	29.81	29.81	29.81	29.81
* Figures are in millions (\$)									
EPS (based off today's share count)	\$2.43	\$2.45	\$2.39	\$2.68	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
P/E (historical today's price; forecasted intrinsic price)	28.06	27.80	28.54	25.44	27.40	22.10	17.82	14.37	11.59
Revenue Growth	N/A	4.63%	1.89%	7.52%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	32.62%	31.94%	30.31%	30.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-7.24%	-7.94%	-1.04%	-0.30%	NA	NA	NA	NA	NA
Margins									
COGS	48.58%	50.03%	50.85%	48.67%	51.00%	51.00%	51.00%	51.00%	51.00%
Gross margin	51.42%	49.97%	49.15%	51.33%	49.00%	49.00%	49.00%	49.00%	49.00%
SG&A	34.02%	33.42%	33.44%	35.05%	35.00%	35.00%	35.00%	35.00%	35.00%
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%	0.29%	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)	17.40%	16.55%	15.71%	15.98%	14.00%	14.00%	14.00%	14.00%	14.00%
Interest income/(expense)	-0.48%	-0.25%	-0.14%	-0.05%	-1.55%	-1.55%	-1.55%	-1.55%	-1.55%
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%	0.07%	-0.10%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	16.66%	15.91%	14.85%	15.43%	12.45%	12.45%	12.45%	12.45%	12.45%
Tax	5.43%	5.08%	4.50%	4.63%	4.36%	4.36%	4.36%	4.36%	4.36%
Income after tax	11.22%	10.83%	10.35%	10.80%	8.09%	8.09%	8.09%	8.09%	8.09%
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	11.22%	10.83%	10.35%	10.80%	8.09%	8.09%	8.09%	8.09%	8.09%

	As of 2010-08-31	As of 2011-08-31	As of 2012-08-31	As of 2013-08-31	As of 2014-05-31	Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
						+	-						
Cash	75.93	56.40	69.72	53.43	44.90			44.90	77.073225	109.25	141.42	173.59	205.77
Short term investment	0.00	0.53	1.03	37.52	45.41			45.41	45.41	45.41	45.41	45.41	45.41
<b>Cash and Short term</b>	<b>75.93</b>	<b>56.93</b>	<b>70.75</b>	<b>90.95</b>	<b>90.31</b>			<b>90.31</b>	<b>122.48</b>	<b>154.66</b>	<b>186.83</b>	<b>219.00</b>	<b>251.18</b>
Accounts Receivable	47.85	58.32	55.49	56.88	57.00			57.00	57.00	57.00	57.00	57.00	57.00
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>47.85</b>	<b>58.32</b>	<b>55.49</b>	<b>56.88</b>	<b>57.00</b>			<b>57.00</b>	<b>57.00</b>	<b>57.00</b>	<b>57.00</b>	<b>57.00</b>	<b>57.00</b>
Total Inventory	14.57	17.60	29.80	32.43	37.57			37.57	37.57	37.57	37.57	37.57	37.57
Prepaid Expenses	4.72	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	4.75	10.30	10.08	11.88	13.37			13.37	13.37	13.37	13.37	13.37	13.37
<b>Current Assets</b>	<b>147.82</b>	<b>143.15</b>	<b>166.12</b>	<b>192.14</b>	<b>198.25</b>	<b>0.00</b>	<b>0.00</b>	<b>198.25</b>	<b>230.423225</b>	<b>262.60</b>	<b>294.77</b>	<b>326.94</b>	<b>359.12</b>
PP&E, Gross	25.30	24.75	26.41	29.39	30.00			30.00	33.00	36.00	39.00	42.00	45.00
Change in Depreciation	4.25	4.39	4.87	5.36	5.36			5.36	5.36	5.36	5.36	5.36	5.36
Accumulated Depreciation	15.98	16.27	17.34	19.66	20.00			20.00	25.36	30.72	36.08	41.44	46.80
<b>PP&amp;E, Net</b>	<b>9.32</b>	<b>8.48</b>	<b>9.07</b>	<b>9.73</b>	<b>10.00</b>			<b>10.00</b>	<b>7.64</b>	<b>5.28</b>	<b>2.92</b>	<b>0.56</b>	<b>-1.80</b>
Goodwill	95.23	95.45	95.32	95.24	95.00	0.00		95.00	95.00	95.00	95.00	95.00	95.00
Intangibles	31.27	29.93	27.68	24.29	26.00			26.00	26.00	26.00	26.00	26.00	26.00
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	2.87	2.75	2.69	2.86	2.86			2.86	2.86	2.86	2.86	2.86	2.86
<b>Long Term Assets</b>	<b>138.69</b>	<b>136.61</b>	<b>134.76</b>	<b>132.12</b>	<b>133.86</b>			<b>133.86</b>	<b>131.50</b>	<b>129.14</b>	<b>126.78</b>	<b>124.42</b>	<b>122.06</b>
<b>Total Assets</b>	<b>286.51</b>	<b>279.76</b>	<b>300.88</b>	<b>324.26</b>	<b>332.11</b>	<b>0.00</b>	<b>0.00</b>	<b>332.11</b>	<b>361.92</b>	<b>391.74</b>	<b>421.55</b>	<b>451.36</b>	<b>481.18</b>
Accounts Payable	18.94	19.37	21.24	19.69	20.00			20.00	20.00	20.00	20.00	20.00	20.00
Accrued Expense	28.65	19.41	18.95	30.45	31.00			31.00	31.00	31.00	31.00	31.00	31.00
Other current Liabilities	1.52	4.74	4.25	4.50	8.63			8.63	8.63	8.63	8.63	8.63	8.63
<b>Total Current Liabilities</b>	<b>49.11</b>	<b>43.52</b>	<b>44.44</b>	<b>54.64</b>	<b>59.63</b>	<b>0.00</b>	<b>0.00</b>	<b>59.63</b>	<b>59.63</b>	<b>59.63</b>	<b>59.63</b>	<b>59.63</b>	<b>59.63</b>
Notes Payables/Short Term Debt	0.00	0.00	45.00	63.00	83.00			83.00	83.00	83.00	83.00	83.00	83.00
Current port. Of LT Debt/Capital Leases	10.71	10.71	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	10.71	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
<b>Total Interest Earning Debt</b>	<b>21.42</b>	<b>10.71</b>	<b>45.00</b>	<b>63.00</b>	<b>83.00</b>	<b>0.00</b>	<b>0.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>
Deferred Income tax	17.41	21.81	24.01	24.01	24.50			24.50	24.50	24.50	24.50	24.50	24.50
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	4.63	-2.51	1.96	1.90	-6.95			-6.95	-6.95	-6.95	-6.95	-6.95	-6.95
<b>Total Liabilities</b>	<b>92.57</b>	<b>78.55</b>	<b>115.41</b>	<b>143.55</b>	<b>160.18</b>	<b>0.00</b>	<b>0.00</b>	<b>160.18</b>	<b>160.18</b>	<b>160.18</b>	<b>160.18</b>	<b>160.18</b>	<b>160.18</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	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.02	0.02	0.02	0.02	0.02		0.00	0.02	0.02	0.02	0.02	0.02	0.02
Additional Paid-in capital	93.10	117.02	126.21	133.24	133.00	0.00	0.00	133.00	133.00	133.00	133.00	133.00	133.00
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	157.81	176.01	193.26	214.03	215.00			215.00	244.81	274.63	304.44	334.25	364.07
Treasury Stock	-50.07	-91.47	-131.31	-162.74	-162.00		0.00	-162.00	-162.00	-162.00	-162.00	-162.00	-162.00
Other Equity	-4.33	-0.36	-2.73	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>196.53</b>	<b>201.22</b>	<b>185.45</b>	<b>179.51</b>	<b>186.02</b>	<b>0.00</b>	<b>0.00</b>	<b>186.02</b>	<b>215.83</b>	<b>245.65</b>	<b>275.46</b>	<b>305.27</b>	<b>335.09</b>
<b>Liability + Equity</b>	<b>289.10</b>	<b>279.77</b>	<b>300.86</b>	<b>323.06</b>	<b>346.20</b>	<b>0.00</b>	<b>0.00</b>	<b>346.20</b>	<b>376.01</b>	<b>405.83</b>	<b>435.64</b>	<b>465.45</b>	<b>495.27</b>
<b>Variance</b>	<b>-2.59</b>	<b>-0.01</b>	<b>0.02</b>	<b>1.20</b>	<b>-14.09</b>			<b>-14.09</b>	<b>-14.09</b>	<b>-14.09</b>	<b>-14.09</b>	<b>-14.09</b>	<b>-14.09</b>
<b>Debt/Equity</b>	<b>0.11</b>	<b>0.05</b>	<b>0.24</b>	<b>0.35</b>	<b>0.45</b>			<b>0.45</b>	<b>0.38</b>	<b>0.34</b>	<b>0.30</b>	<b>0.27</b>	<b>0.25</b>
Inventory Turnover	22.07	19.11	11.50	11.36	9.81			9.81	9.81	9.81	9.81	9.81	9.81
Inventory Turnover Days	16.54	19.10	31.73	32.12	37.21			37.21	37.21	37.21	37.21	37.21	37.21
Days Inventory Outstanding	34.04	38.17	62.40	65.99	72.96			76.45	72.96	72.96	72.96	72.96	72.96
Accounts Receivable Turnover	6.72	5.77	6.18	6.48	6.47			6.47	6.47	6.47	6.47	6.47	6.47
Accounts Receivable Turnover Days	54.32	63.28	59.09	56.33	56.45			56.45	56.45	56.45	56.45	56.45	56.45
Days Payable Outstanding	44.26	42.01	44.48	40.06	38.84			40.70	38.84	38.84	38.84	38.84	38.84
Days Sales Outstanding	54.32	63.28	59.09	56.33	56.45			56.33	56.45	56.45	56.45	56.45	56.45
Cash Conversion Cycle	44.11	59.44	77.01	82.26	90.57			92.08	90.57	90.57	90.57	90.57	90.57
Net tangible assets/share	\$4.71	\$5.10	\$4.20	\$4.03	\$4.37				\$6.38	\$8.38	\$10.39	\$12.39	\$14.40

	12 months ending 2010-08-31	12 months ending 2011-08-31	12 months ending 2012-08-31	12 months ending 2013-08-31	2014	2015	2016	2017	2018
Net Income	36.09	36.43	35.48	39.81	29.81	29.81	29.81	29.81	29.81
Depreciation	4.25	4.39	4.87	5.36	5.36	5.36	5.36	5.36	5.36
<b>Net Income + Depreciation</b>	<b>40.34</b>	<b>40.82</b>	<b>40.35</b>	<b>45.17</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.15	2.83	0.37	-1.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	3.63	2.62	4.43	4.31	0.00	0.00	0.00	0.00	0.00
Change in Working capital	12.60	-16.26	-10.91	3.09	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-10.47	2.83	-1.39	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	-3.03	-12.20	-2.63	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	4.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.43	1.87	-1.55	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>56.42</b>	<b>30.01</b>	<b>34.24</b>	<b>51.57</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>	<b>35.17</b>
Capital Expenditures Expenditures	-1.77	-2.88	-3.77	-2.85	-3.00	-3.00	-3.00	-3.00	-3.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.22	-0.34	0.65	-36.68	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-1.55</b>	<b>-3.22</b>	<b>-3.12</b>	<b>-39.53</b>	<b>-3.00</b>	<b>-3.00</b>	<b>-3.00</b>	<b>-3.00</b>	<b>-3.00</b>
Financing Cash flow items	0.22	1.20	0.67	0.85	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-16.66	-18.23	-18.23	-19.04	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	3.57	-21.18	-32.81	-26.65	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	-10.71	-10.71	34.28	18.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-23.58</b>	<b>-48.92</b>	<b>-16.09</b>	<b>-26.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	-1.32	2.61	-1.73	-1.48	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	45.96	75.93	56.39	69.72	44.90	77.07	109.25	141.42	173.59
<b>Net Change in Cash</b>	<b>29.97</b>	<b>-13.34</b>	<b>13.33</b>	<b>-16.29</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>
Ending Cash Balance	75.93	56.39	69.72	53.43	77.07	109.25	141.42	173.59	205.77
Capex to Revenue	0.55%	0.86%	1.10%	0.77%	0.81%	0.81%	0.81%	0.81%	0.81%
Depreciation to Sales	1.32%	1.30%	1.42%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
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	14.88%	17.34%	16.19%	15.43%	15.43%	15.43%	15.43%	15.43%	15.43%
Distributable FCF/EV Yield	5.46%	2.66%	3.10%	1.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Dividend Yield	-1.65%	-1.80%	-1.80%	-1.88%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>71.31</b>	<b>45.36</b>	<b>48.70</b>	<b>67.76</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

WDFC

	Proforma	2014	2015	2016	2017	2018
<b>Net Change in Cash</b>	<b>-16.29</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>	<b>83.00</b>
Current Portion Debt Balance	83.00	83.00	83.00	83.00	83.00	83.00
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%
<b>Interest Rate</b>		<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>
<b>Interest Expense</b>		<b>6.64</b>	<b>6.64</b>	<b>6.64</b>	<b>6.64</b>	<b>6.64</b>
Cash Balance		90.95				
Interest @ 1.0%		0.91	0.91	0.91	0.91	0.91
<b>Net Interest Expense/(Income)</b>		<b>5.73</b>	<b>5.73</b>	<b>5.73</b>	<b>5.73</b>	<b>5.73</b>
<b>Net Interest Rate</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
EBITDA		51.60	51.60	51.60	51.60	51.60
<b>EBITDA/Interest Expense Coverage</b>		<b>7.77</b>	<b>7.77</b>	<b>7.77</b>	<b>7.77</b>	<b>7.77</b>

Interest Rate Coverage Table

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

\*Source: NYU; Professor Damodaran

# SN VALUATION

## Altman Z Score

Company Name:

WD-40

Ticker:

WDFC

Period	2010	2011	2012	2013	2014	2015	2016	2017	2018
Working Capital	98.71	99.63	121.68	138.62	170.79	202.97	235.14	267.31	299.49
Total Assets	286.51	279.76	300.88	332.11	361.92	391.74	421.55	451.36	481.18
<b>X1</b>	<b>0.34</b>	<b>0.36</b>	<b>0.40</b>	<b>0.42</b>	<b>0.47</b>	<b>0.52</b>	<b>0.56</b>	<b>0.59</b>	<b>0.62</b>
Retained Earnings	157.81	176.01	193.26	215.00	244.81	274.63	304.44	334.25	364.07
Total Assets	286.51	279.76	300.88	332.11	361.92	391.74	421.55	451.36	481.18
<b>X2</b>	<b>0.55</b>	<b>0.63</b>	<b>0.64</b>	<b>0.65</b>	<b>0.68</b>	<b>0.70</b>	<b>0.72</b>	<b>0.74</b>	<b>0.76</b>
EBITDA	55.93	55.67	53.86	58.90	51.60	51.60	51.60	51.60	51.60
Total Assets	286.51	279.76	300.88	332.11	361.92	391.74	421.55	451.36	481.18
<b>X3</b>	<b>0.20</b>	<b>0.20</b>	<b>0.18</b>	<b>0.18</b>	<b>0.14</b>	<b>0.13</b>	<b>0.12</b>	<b>0.11</b>	<b>0.11</b>
Market Value of Equity	1,012.65	1,012.65	1,012.65	1,012.65	816.74	658.73	531.29	428.51	345.61
Total Liabilities	92.57	78.55	115.41	160.18	160.18	160.18	160.18	160.18	160.18
<b>X4</b>	<b>10.94</b>	<b>12.89</b>	<b>8.77</b>	<b>6.32</b>	<b>5.10</b>	<b>4.11</b>	<b>3.32</b>	<b>2.68</b>	<b>2.16</b>
Net Sales	321.52	336.41	342.78	368.55	368.55	368.55	368.55	368.55	368.55
Total Assets	286.51	279.76	300.88	332.11	361.92	391.74	421.55	451.36	481.18
<b>X5</b>	<b>1.12</b>	<b>1.20</b>	<b>1.14</b>	<b>1.11</b>	<b>1.02</b>	<b>0.94</b>	<b>0.87</b>	<b>0.82</b>	<b>0.77</b>
<b>Altman Z Score</b>	<b>9.51</b>	<b>10.90</b>	<b>8.38</b>	<b>6.90</b>	<b>6.06</b>	<b>5.45</b>	<b>4.95</b>	<b>4.55</b>	<b>4.22</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>	<b>91.02</b>	<b>120.83</b>	<b>150.65</b>	<b>180.46</b>	<b>210.27</b>	<b>240.09</b>				<b>240.09</b>
Annual Change		29.81	29.81	29.81	29.81	29.81				
<b>Annual FCF</b>	<b>48.72</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>32.17</b>	<b>96.52</b>
Annual Op. Cash Flow	51.57	35.17	35.17	35.17	35.17	35.17	35.17	35.17	35.17	
Annual PP&E Investment	(2.85)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	
<b>Today's Tangible Book Value</b>	<b>91.02</b>	<b>110.51</b>	<b>134.16</b>	<b>162.88</b>	<b>197.75</b>	<b>240.09</b>				<b>336.61</b>
Intrinsic Value IRR	21.41%									
<b>Market Price</b>	<b>1,012.65</b>	<b>812.44</b>	<b>651.81</b>	<b>522.95</b>	<b>419.55</b>	<b>336.61</b>				<b>336.61</b>
Market Price IRR	-19.77%									

Debt	50.00%	506.32
Equity	50.00%	506.32
<b>Total</b>	<b>100.00%</b>	<b>1,012.65</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	186.02	506.32	513.53	520.74	527.95	535.16	542.37				
Goodwill	95	921.63	921.63	921.63	921.63	921.63	921.63				
Debt	0	<b>506.32</b>	<b>506.32</b>	<b>506.32</b>	<b>506.32</b>	<b>506.32</b>	<b>506.32</b>				
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%				
Additional Interest Expense		34.78	34.78	34.78	34.78	34.78					
<b>Tangible Book Value</b>	<b>91.02</b>	<b>-415.30</b>	<b>-408.09</b>	<b>-400.89</b>	<b>-393.68</b>	<b>-386.47</b>	<b>-379.26</b>				<b>-379.26</b>
Annual Change			7.21	7.21	7.21	7.21	7.21				
<b>Annual FCF</b>	<b>48.72</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>9.57</b>	<b>28.71</b>
Annual Net Income	39.81		7.21	7.21	7.21	7.21	7.21	7.21	7.21	7.21	
<b>Annual Op. Cash Flow</b>	<b>51.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	<b>12.57</b>	
Dividend Payments											
Annual PP&E Investment	(2.85)		(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	
Debt Paydown	0.00							0.00	0.00	0.00	

Sale Price in Year 5 **(390.85)**

Capital Left for Equity Investor **(390.85)**  
 Dividend Payments **0.00**  
 Total Cash In Flow **(390.85)**

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 **506.32**  
 IRR **-192.91%**

Value Creation  
 TBV Growth (equals sum of NI Year 1-5) 36.05  
 Cash Flow (Year 6-8) 28.71  
**64.75**

Value Dilution  
 Debt 506.32  
 Goodwill 826.63  
 Additional Interest 173.88  
**1,506.83**