

M&A Pro Forma Model	Forecast Period						
	CLOSE	2017	2018	2019	2020	2021	2022
Balance Sheet Check	ok	ok	ok	ok	ok	ok	ok
End of Period	9/30/2017	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2021
Days in Period	260	92	365	365	366	365	365
Fraction of Year	0.710	0.250	1.000	1.000	1.000	1.000	1.000

Assumptions

Debt Amortization Schedule

	Check							
Senior Debt A	100%	0%	25%	25%	25%	25%	0%	0%
Senior Debt B	100%	0%	0%	20%	20%	20%	20%	20%
Subordinated Debt	100%	0%	0%	0%	0%	0%	0%	100%

Revenue Growth (% Change)

Cost of Goods Sold (% of Revenue)

Marketing, Advertising & Promotion (% of Revenue)

Depreciation & Amortization (% of PP&E)

Tax Rate (% of Earnings Before Tax)

Accounts Receivable (Days)

Inventory (Days)

Accounts Payable (Days)

Equity Issued (Repaid) (\$000's)

Dividends Paid

	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
	23	23	23	23	23	23	23
	90	100	120	120	130	130	
	45	45	45	45	45	45	45
	-	-	-	-	-	-	-
	-	-	-	750	750	750	750

Income Statement

Revenue	64,351	287,503	317,339	352,243	383,315	411,998
Cost of Goods Sold (COGS)	25,268	113,359	119,483	137,628	158,536	161,149
Gross Profit	39,083	174,144	197,856	214,615	224,779	250,849
Expenses						
Marketing, Advertising & Promotion	10,362	45,364	49,730	54,601	59,614	64,215
General & Administrative	6,500	25,325	25,025	24,500	24,500	24,500
Depreciation & Amortization	7,727	30,557	29,224	28,185	27,374	26,742
Interest	3,368	12,220	10,475	6,530	4,785	4,290
Total Expenses	27,957	113,466	114,454	113,816	116,273	119,747
Earnings Before Tax	11,127	60,679	83,402	100,799	108,506	131,102
Taxes	2,782	15,170	20,850	25,200	27,126	32,775
Net Earnings	8,345	45,509	62,551	75,599	81,379	98,326

Balance Sheet

Assets							
Cash	97,657	162,721	173,535	177,461	216,205	279,973	333,375
Accounts Receivable	13,768	16,088	18,117	19,997	22,135	24,154	25,961
Inventory	105,266	24,718	31,057	39,282	45,124	56,465	57,396
Current Assets	216,691	203,527	222,709	236,740	283,465	360,592	416,733
Property & Equipment	140,497	138,895	132,838	128,113	124,428	121,554	119,312
Goodwill	260,443	260,443	260,443	260,443	260,443	260,443	260,443
Total Assets	617,632	602,865	615,990	625,297	668,337	742,590	796,488
Liabilities							
Short Term Debt	-	-	-	-	-	-	-
Accounts Payable	10,471	12,359	13,976	14,731	16,921	19,546	19,868
Current Liabilities	10,471	12,359	13,976	14,731	16,921	19,546	19,868
Long Term Debt	210,000	185,000	151,000	97,000	63,000	54,000	10,000
Total Liabilities	220,471	197,359	164,976	111,731	79,921	73,546	29,868
Shareholder's Equity							
Equity Capital	296,800	296,800	296,800	296,800	296,800	296,800	296,800
Retained Earnings	100,361	108,706	154,215	216,766	291,615	372,244	469,821
Shareholder's Equity	397,161	405,506	451,015	513,566	588,415	669,044	766,621
Total Liabilities & Shareholder's Equity	617,632	602,865	615,990	625,297	668,337	742,590	796,488
Check	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Cash Flow Statement

Operating Cash Flow							
Net Earnings		8,345	45,509	62,551	75,599	81,379	98,326
Plus: Depreciation & Amortization		7,727	30,557	29,224	28,185	27,374	26,742
Less: Changes in Working Capital		80,116	(6,751)	(9,350)	(5,790)	(10,735)	(2,416)
Cash from Operations		96,189	69,315	82,426	97,994	98,018	122,652
Investing Cash Flow							
Investments in Property & Equipment		(6,125)	(24,500)	(24,500)	(24,500)	(24,500)	(24,500)
Investments in Businesses		-	-	-	-	-	-
Cash from Investing		(6,125)	(24,500)	(24,500)	(24,500)	(24,500)	(24,500)
Financing Cash Flow							
Issuance (repayment) of debt		(25,000)	(34,000)	(54,000)	(34,000)	(9,000)	(44,000)
Issuance (repayment) of equity		-	-	-	-	-	-
Payment of Dividends		-	-	-	(750)	(750)	(750)
Cash from Financing		(25,000)	(34,000)	(54,000)	(34,750)	(9,750)	(44,750)
Net Increase (decrease) in Cash		65,064	10,815	3,926	38,744	63,768	53,402
Opening Cash Balance		97,657	162,721	173,535	177,461	216,205	279,973
Closing Cash Balance		97,657	162,721	173,535	177,461	279,973	333,375

Supporting Schedules

Working Capital Schedule

Accounts Receivable	13,768	16,088	18,117	19,997	22,135	24,154	25,961
Inventory	105,266	24,718	31,057	39,282	45,124	56,465	57,396
Accounts Payable	10,471	12,359	13,976	14,731	16,921	19,546	19,868
Net Working Capital (NWC)	108,563	28,447	35,198	44,548	50,338	61,073	63,489
Change in NWC		(80,116)	6,751	9,350	5,790	10,735	2,416

Depreciation Schedule

PPE Opening		140,497	138,895	132,838	128,113	124,428	121,554
Plus Capex		6,125	24,500	24,500	24,500	24,500	24,500
Less Depreciation		7,727	30,557	29,224	28,185	27,374	26,742
PPE Closing	140,497	138,895	132,838	128,113	124,428	121,554	119,312

Debt Schedule

Senior Debt A

Opening Balance		100,000	75,000	50,000	25,000	-	-
Addition (Repayment)		(25,000)	(25,000)	(25,000)	(25,000)	-	-
Closing Balance	100,000	75,000	50,000	25,000	-	-	-

Senior Debt B

Opening Balance		45,000	45,000	36,000	27,000	18,000	9,000
Addition (Repayment)		-	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Closing Balance	45,000	45,000	36,000	27,000	18,000	9,000	-

Subordinated Debt

Opening Balance		35,000	35,000	35,000	35,000	35,000	35,000
Addition (Repayment)		-	-	-	-	-	(35,000)
Closing Balance	35,000	35,000	35,000	35,000	35,000	35,000	-

Target Debt

Opening Balance		-	-	-	-	-	-
Addition (Repayment)		-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-	-

Acquirer Debt

Opening Balance		30,000	30,000	30,000	10,000	10,000	10,000
Addition (Repayment)		-	-	(20,000)	-	-	-
Closing Balance	30,000	30,000	30,000	10,000	10,000	10,000	10,000

Total Debt

Opening Balance		210,000	185,000	151,000	97,000	63,000	54,000
Addition (Repayment)		(25,000)	(34,000)	(54,000)	(34,000)	(9,000)	(44,000)
Closing Balance	210,000	185,000	151,000	97,000	63,000	54,000	10,000

Interest Schedule

Interest Rates

Senior Debt A		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Senior Debt B		5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Subordinated Debt		7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Target Debt		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Acquirer Debt		11.0%	11.0%	11.0%	11.0%	11.0%	11.0%

Interest Expense (opening balance)

Senior Debt A	1,250	3,750	2,500	1,250	-	-
Senior Debt B	619	2,475	1,980	1,485	990	495
Subordinated Debt	674	2,695	2,695	2,695	2,695	2,695
Target Debt	-	-	-	-	-	-
Acquirer Debt	825	3,300	3,300	1,100	1,100	1,100
Total	3,368	12,220	10,475	6,530	4,785	4,290

DCF Model**Assumptions**

Tax Rate	25%
Discount Rate	15%
Perpetual Growth Rate	5%
EV/EBITDA Multiple	9.0x
Current Price	\$12.25
Shares Outstanding	78,796

Discounted Cash Flow	Entry	2017	2018	2019	2020	2021	2022	Exit	Terminal Value
Date	9/30/2017	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2022	EV/EBITDA
EBIT		14,494	72,899	93,877	107,329	113,291	135,392		
Less: Cash Taxes		3,624	18,225	23,469	26,832	28,323	33,848		
NOPAT		10,871	54,674	70,408	80,497	84,968	101,544		
Plus: D&A		7,727	30,557	29,224	28,185	27,374	26,742		
EBITDA		22,222	103,456	123,101	135,514	140,665	162,134		
Less: Capex		6,125	24,500	24,500	24,500	24,500	24,500		
Less: Changes in NWC		(80,116)	6,751	9,350	5,790	10,735	2,416		
Unlevered FCF		92,589	53,980	65,782	78,392	77,107	101,370	1,265,984	
Transaction FCFF	-	92,589	53,980	65,782	78,392	77,107	101,370	1,265,984	

IRR FCFF**Intrinsic Value**

Enterprise Value	931,036
Plus: Cash	97,657
Less: Debt	210,000
Equity Value	818,692

Equity Value/Share **10.39****Market Value**

Market Cap	na
Plus: Debt	
Less: Cash	
Enterprise Value	

Equity Value/Share

Rate of Return

IRR

Merger Integration

Revenue						
Acquirer	40,708	177,489	195,238	214,761	234,090	252,817
Target	23,643	106,864	117,551	130,481	142,225	152,180
Synergies		3,150	4,550	7,000	7,000	7,000
Total	64,351	287,503	317,339	352,243	383,315	411,998
Cost of Goods Sold						
Acquirer	16,283	70,996	74,190	90,200	105,340	101,127
Target	8,984	42,746	45,845	48,278	54,045	60,872
Synergies		(383)	(553)	(850)	(850)	(850)
Total	25,268	113,359	119,483	137,628	158,536	161,149
Marketing, Advertising & Promotion						
Acquirer	6,106	26,623	29,286	32,214	35,113	37,923
Target	4,256	19,236	21,159	23,487	25,600	27,392
Synergies		(495)	(715)	(1,100)	(1,100)	(1,100)
Total	10,362	45,364	49,730	54,601	59,614	64,215
General & Administrative						
Acquirer	4,375	17,500	17,500	17,500	17,500	17,500
Target	2,125	8,500	8,500	8,500	8,500	8,500
Synergies		(675)	(975)	(1,500)	(1,500)	(1,500)
Total	6,500	25,325	25,025	24,500	24,500	24,500

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