

Identifying the Target Company

Overview of Reddit

Reddit is a prominent social media platform known for its diverse and active user communities. It provides a wide range of user-generated content through numerous subreddits, making it a significant player in the online community and social media landscape. The platform hosts discussions on various topics, from technology and gaming to news and entertainment.

Strategic Reasons for Acquisition

Content and Community Engagement:

- **Diverse Content:** Reddit's vast array of content across various subreddits could enrich Microsoft's content offerings. This could be integrated into Microsoft's existing platforms or used to develop new services.
- **Active Communities:** The highly engaged communities on Reddit provide valuable insights into user interests and behaviors, which could benefit Microsoft's user engagement strategies.

Data and Insights:

- **User Data:** Reddit's extensive user data could enhance Microsoft's advertising targeting and personalization strategies, providing a more tailored experience for users.
- **Behavioral Insights:** Understanding user interactions on Reddit could help Microsoft improve its own platforms and develop new features or services based on user behavior and preferences.

Platform and Technology:

- **Technology Integration:** Reddit's technology stack, including its recommendation algorithms and content moderation tools, could be leveraged to enhance Microsoft's products and services.
- **Platform Expansion:** Integrating Reddit could help Microsoft expand its footprint in the social media space, diversifying its product offerings beyond its current portfolio.

Advertising Revenue:

- **Increased Ad Inventory:** Reddit's advertising platform presents new opportunities for Microsoft to generate revenue through targeted ads.
- **Audience Growth:** Reddit's large and active user base could help Microsoft increase its ad reach and effectiveness, tapping into a broader audience.

Strategic Positioning:

- **Competitive Advantage:** Acquiring Reddit could provide Microsoft with a competitive edge over rivals in the tech and social media sectors.
- **Market Expansion:** Reddit's global user base offers Microsoft opportunities to expand its presence in new markets and demographics.

Financial Performance of Reddit

Based on recent financial data, Reddit has shown growth in revenue, though it continues to operate at a loss. Key financial figures include:

All the data are in \$ million.

	2020	2021	2022	2023
Revenue Growth	228.9	484.9	666.7	804.0
Operating Loss	(62.6)	(126.3)	(172.2)	(140.2)
Net Income	(59.2)	(127.9)	(158.6)	(90.8)

Future Projections:

- 2024E: Revenue of \$996.0 million, Net Income of -\$797.9 million
- 2025E: Revenue of \$1,228.1 million, Net Income of -\$194.6 million
- 2026E: Revenue of \$1,529.3 million, Net Income of -\$49.4 million
- 2027E: Revenue of \$1,930.7 million, Net Income of \$37.9 million

Recent Relevant Acquisitions by Microsoft

Microsoft's recent acquisitions provide context for the potential acquisition of Reddit:

- **LinkedIn (2016): Integration of Professional and Social Networks:** Microsoft's acquisition of LinkedIn was aimed at integrating professional networking with Microsoft's productivity tools. Acquiring Reddit could similarly enhance Microsoft's social media presence by integrating community-driven content and discussions with its existing platforms.

- **GitHub (2018): Expanding Developer and Community Engagement:** GitHub's acquisition allowed Microsoft to deepen its engagement with the developer community and integrate GitHub's tools with Microsoft's cloud services. Similarly, acquiring Reddit could boost Microsoft's engagement with a diverse user base and various online communities.
- **Nuance Communications (2021): Strengthening AI and Cloud Capabilities:** The acquisition of Nuance, a leader in AI and voice recognition, enhanced Microsoft's AI capabilities and healthcare solutions. Acquiring Reddit could similarly advance Microsoft's AI and machine learning initiatives by leveraging Reddit's extensive user data for improved analytics and AI applications.
- **ZeniMax Media (2021): Expanding Gaming and Entertainment:** Acquiring ZeniMax Media, the parent company of Bethesda Softworks, bolstered Microsoft's gaming portfolio and content offerings for Xbox. Acquiring Reddit could enhance Microsoft's content ecosystem and community engagement, potentially integrating with Xbox or other entertainment services.
- **Activision Blizzard (pending, 2023): Furthering Gaming and Interactive Entertainment:** The acquisition of Activision Blizzard reflects Microsoft's focus on expanding its gaming and interactive entertainment presence. A Reddit acquisition could complement this by providing a platform for gaming communities, discussions, and user-generated content related to Microsoft's gaming ecosystem.
- **Milo (2021): Advancing AI and Machine Learning Capabilities:** The acquisition of Milo, an AI-driven platform for managing and analyzing data, underscores Microsoft's interest in AI and data analytics. Reddit's data could similarly be leveraged to enhance Microsoft's AI capabilities and data-driven solutions.

These acquisitions align with Microsoft's strategy of expanding its technology, content, and community engagement.

Reddit DCF

Ticker	RDDT	Current share price	58.49
Date	5/28/2024	Implied share price	32.56
End of Year	12/31/2024	Implied upside (downside)	-44%

x	Assumptions				
	Switches		Conservative		
	Assumptions		Assumptions	Year	Metric
	Revenue	2	Revenue	24-25	90.0%
	EBIT	2	Revenue	2033	3.0%
	WACC	2	EBIT	24-25	95.0%
	TGR	2	EBIT	2033	20.0%
	Valuation				
	WACC	10.5%	WACC		11.5%
	TGR	2.5%	TGR		3.0%

x	Income Statement	2020A	2021A	2022A	2023A	2024E	2025E
	Revenue	229	485	667	804	996	1228
	% growth	--	112%	37%	21%	24%	23%
	EBIT	(63)	(126)	(172)	(140)	2	97
	% of sales	(27%)	(26%)	(26%)	(17%)	0%	8%
	Taxes	0	0	1	4	8	6
	Tax rate	0%	0%	0%	0%	0%	0%

x	Cash Flow Items	2020A	2021A	2022A	2023A	2024E	2025E
	D&A	2	3	8	14		
	% of sales	1%	1%	1%	2%		
	CapEx	3	7	6	10		
	% of sales	1%	2%	1%	1%		
	Change in NWC	36	64	10	30		
	% of sales	16%	13%	2%	4%		
	% of change in sales	--	25%	6%	22%		

					1	2	
x	DCF	2020A	2021A	2022A	2023A	2024E	2025E
	Revenue	229	485	667	804	996	1228
	% growth	--	112%	37%	21%	24%	23%
	Conservative Case					21%	21%
	Base (Street) Case					24%	23%
	Optimistic Case					26%	26%
	EBIT	(63)	(126)	(172)	(140)	2	97

<i>% of sales</i>	(27%)	(26%)	(26%)	(17%)	0%	8%
<i>Conservative Case</i>					0%	7%
<i>Base (Street) Case</i>					0%	8%
<i>Optimistic Case</i>					0%	8%

Beginning Net Operating Losses					350	348
Usage of NOLs					2	97
Ending NOLs				350	348	252

EBIT Applicable to Taxes					0	0
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Taxes	0	0	1	4	0	0
<i>Tax rate</i>	0%	0%	0%	0%	0%	0%

EBIAT					2	97
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D&A	2	3	8	14	12	14
<i>% of sales</i>	1%	1%	1%	2%	1%	1%

CapEx	3	7	6	10	12	15
<i>% of sales</i>	1%	2%	1%	1%	1%	1%

Change in NWC	36	64	10	30	26	32
<i>% of sales</i>	16%	13%	2%	4%	3%	3%

Unlevered FCF					(25)	64
PV of FCF					(14)	57

Discount Period					0.30	1.09
Period					0.59	

Terminal Value
PV of Terminal Value

Enterprise Value
(+) Cash
(-) Debt
Equity Value

FDSO

x Implied Share Price

Base			Optimistic		
Assumptions	Year	Metric	Assumptions	Year	Metric
Revenue	2033	8.0%	Revenue	24-25	110.0%
EBIT	2033	25.0%	Revenue	2033	13.0%
			EBIT	24-25	105.0%
			EBIT	2033	35.0%
WACC		10.5%	WACC		9.5%
TGR		2.5%	TGR		2.0%

2026E	2027E
1529	1931
25%	26%
236	(5)
15%	(0%)
10	13
0%	27%

2026E	2027E
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3	4	5	6	7	8	9	10
2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
1491	1781	2094	2422	2754	3080	3385	3656
21%	19%	18%	16%	14%	12%	10%	8%
19%	16%	14%	12%	10%	7%	5%	3%
21%	19%	18%	16%	14%	12%	10%	8%
24%	22%	21%	19%	18%	16%	15%	13%
150	217	300	398	512	638	774	914

10%	12%	14%	16%	19%	21%	23%	25%
9%	11%	12%	14%	15%	17%	18%	20%
10%	12%	14%	16%	19%	21%	23%	25%
12%	15%	18%	22%	25%	28%	32%	35%

252	102	0	0	0	0	0	0
150	102	0	0	0	0	0	0
102	0	0	0	0	0	0	0

0	115	300	398	512	638	774	914
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0	24	63	84	107	134	163	192
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0%	21%	21%	21%	21%	21%	21%	21%
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150	193	237	315	404	504	611	722
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17	21	24	28	32	36	39	42
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1%	1%	1%	1%	1%	1%	1%	1%
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18	22	25	29	33	37	41	44
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1%	1%	1%	1%	1%	1%	1%	1%
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39	47	55	63	72	81	89	96
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3%	3%	3%	3%	3%	3%	3%	3%
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110	145	181	250	331	422	521	624
89	106	120	150	180	208	232	252

2.09	3.09	4.09	5.09	6.09	7.09	8.09	9.09
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% of Each I

Perpetuity

TV

PV of TV

10599

4276

5657

1213

0

6870

211

32.55908

Method

50%

50%

r Growth Method

7998
3227

Exit Multiple Method

EBITDA in 2033	957
Multiple	13.8
TV	13200
PV of TV	5325

WACC

WACC = % of equity x cost of equity + % of debt x cost of debt x (1 - Tax Rate)

Cost of equity = Risk free rate + Beta x Market Risk Premium

WACC	
Market Cap	8,959
% of Equity	100.00%
Cost of Equity	10.87%
Risk Free Rate	4.67%
Beta	1.5
Market Risk Premium	4.13%
Debt	0
% of Debt	0.00%
Cost of Debt	0.00%
Tax Rate	21.00%
Total	8,959
WACC	10.87%

Reddit, Inc. Class A (RDDT)

\$58.49

Reddit, Inc. Class A

RDDT 75734B100 BMVNLY2 NYSE Common stock

Source: FactSet Fundamentals

	DEC '20	DEC '21	DEC '22	DEC '23
Sales	228.9	484.9	666.7	804.0
Cost of Goods Sold (COGS) incl. D&A	55.0	72.6	112.1	124.6
COGS excluding D&A	53.1	69.8	104.1	110.9
Depreciation & Amortization Expense	1.9	2.8	8.0	13.7
Depreciation	1.3	2.2	3.7	4.7
Amortization of Intangibles	0.6	0.6	4.3	9.0
Gross Income	173.9	412.4	554.6	679.5
SG&A Expense	236.4	538.7	726.8	819.6
Research & Development	117.5	257.0	360.5	430.3
Other SG&A	118.9	281.7	366.3	389.3
EBIT (Operating Income)	-62.6	-126.3	-172.2	-140.2
Nonoperating Income - Net	3.5	-0.3	14.2	53.1
Other Income (Expense)	3.5	-0.3	14.2	53.1
Unusual Expense - Net	0.0	0.9	0.0	0.0
Impairments	0.0	0.9		
Other Intangibles	0.0	0.9	0.0	0.0
Pretax Income	-59.1	-127.6	-157.9	-87.0
Income Taxes	0.1	0.3	0.6	3.8
Income Taxes - Current Domestic	0.1	0.1	1.5	2.4
Income Taxes - Current Foreign	0.0	0.3	1.2	1.5
Income Taxes - Deferred Domestic	0.0	0.0	-1.8	0.0
Income Taxes - Deferred Foreign	0.0	0.0	-0.3	-0.1
Consolidated Net Income	-59.2	-127.9	-158.6	-90.8
Net Income	-59.2	-127.9	-158.6	-90.8
Net Income available to Common	-59.2	-127.9	-158.6	-90.8
Per Share				
EPS (recurring)	-0.37	-0.80	-1.00	-0.57
EPS (basic)	-0.37	-0.80	-1.00	-0.57
Basic Shares Outstanding	158.99	158.99	158.99	158.99
Total Shares Outstanding	158.99	158.99	158.99	158.99
EPS (diluted)	-0.37	-0.80	-1.00	-0.57
Diluted Shares Outstanding	158.99	158.99	158.99	158.99
Total Shares Outstanding	158.99	158.99	158.99	158.99
Earnings Persistence		56.27	29.10	79.28
EBITDA				
EBITDA	-60.62	-123.52	-164.16	-126.46

EBIT	-62.56	-126.33	-172.16	-140.16
Depreciation & Amortization Expense	1.93	2.81	8.00	13.70

All figures in millions of U.S. Dollar except per share items.

Reddit, Inc. Class A (RDDT)

\$58.49

Reddit, Inc. Class A

RDDT 75734B100 BMVNL2 NYSE Common stock

Source: FactSet Fundamentals

	DEC '20	DEC '21	DEC '22	DEC '23
Operating Activities				
Net Income / Starting Line	-59.17	-127.90	-158.55	-90.82
Depreciation, Depletion & Amortization	1.93	2.81	8.00	13.70
Depreciation and Depletion	1.30	2.20	3.70	4.70
Amortization of Intangible Assets	0.63	0.61	4.30	9.00
Other Funds	30.96	57.28	66.61	32.00
Funds from Operations	-26.28	-67.81	-83.94	-45.12
Changes in Working Capital	-35.56	-63.74	-10.08	-29.99
Receivables	-43.29	-74.99	-30.23	-53.32
Accounts Payable	2.69	11.73	10.91	12.47
Other Accruals	20.45	5.33	21.48	12.74
Other Assets/Liabilities	-15.42	-5.81	-12.24	-1.88
Net Operating Cash Flow	-61.84	-131.55	-94.02	-75.11
Investing Activities				
Capital Expenditures	-3.1	-7.3	-6.2	-9.7
Capital Expenditures (Fixed Assets)	-3.1	-2.3	-6.2	-9.7
Capital Expenditures (Other Assets)	0.0	-5.0	0.0	0.0
Net Assets from Acquisitions	0.0	0.0	-42.2	0.0
Purchase/Sale of Investments	84.2	178.0	-755.7	50.8
Purchase of Investments	309.9	234.4	1,430.6	1,259.9
Sale/Maturity of Investments	394.2	412.4	674.9	1,310.7
Other Funds	0.0	0.0	-0.1	0.2
Other Uses	0.0	0.0	-0.1	0.0
Other Sources	0.0	0.0	0.0	0.2
Net Investing Cash Flow	81.2	170.7	-804.2	41.3
Financing Activities				
Change in Capital Stock	8.3	1,183.6	-2.8	7.0
Repurchase of Common & Preferred Stk.	0.0	-95.2	0.0	0.0
Sale of Common & Preferred Stock	8.3	1,278.7	-2.8	7.0
Proceeds from Sale of Stock	0.0	1,239.8	-9.8	-1.4
Proceeds from Stock Options	8.3	39.0	7.0	8.4
Other Funds	0.0	0.0	-1.0	-7.8
Other Uses	0.0	0.0	-1.0	-7.8
Net Financing Cash Flow	8.3	1,183.6	-3.8	-0.8
All Activities				
Net Change in Cash	27.7	1,222.7	-902.0	-34.6

Free Cash Flow**-64.9 -133.8 -100.3 -84.8**

Free Cash Flow per Share

-0.4 -0.8 -0.6 -0.5

All figures in millions of U.S. Dollar except per share items.

RDDT-US

Income Statement (M)

	CY '23	CY '24E	CY '25E	CY '26E	CY '27E
	Dec '23	Dec '24E	Dec '25E	Dec '26E	Dec '27E
Sales	804.0	996.0	1,228.1	1,529.3	1,930.7
Cost of Sales	111.0	142.5	181.2	231.9	315.0
Gross Income	693.0	864.1	1,070.3	1,324.5	1,672.7
EBITDA	-69.3	5.9	98.6	230.8	351.6
Operating Income	-140.2	2.0	96.9	235.8	-5.0
Pretax Income	-87.0	-732.8	-180.3	-38.8	47.5
Tax Expense	3.8	7.9	6.0	9.9	13.0
Net Income	-90.8	-797.9	-194.6	-49.4	37.9

Assess Strategic Fit

Long-Term Strategy

Integration with Microsoft's Productivity Tools:

- **Enhanced Collaboration:** Integrating Reddit's community-driven discussions with Microsoft 365 and Teams could enrich collaboration and knowledge sharing.
- **Knowledge Base:** Reddit's diverse discussions could enhance Microsoft's knowledge management within its ecosystem.

Strengthening AI and Machine Learning:

- **Data for AI:** Reddit's extensive user-generated content could improve Microsoft's AI models, especially in natural language processing and sentiment analysis.
- **Content Insights:** Insights from Reddit could enhance Microsoft's AI-driven services like chatbots and content moderation.

Expanding Gaming and Entertainment:

- **Gaming Communities:** Reddit's gaming subreddits align with Microsoft's gaming division, potentially enhancing Xbox and gaming services.
- **Content Integration:** Reddit's content could be integrated into Microsoft's gaming platforms to engage with gaming communities.

Enhancing Social and Community Engagement:

- **Community Building:** Reddit's user engagement could boost Microsoft's social and community efforts across its platforms.
- **User Feedback:** Reddit discussions provide valuable feedback for product development and customer engagement strategies.

Boosting Advertising and Marketing Capabilities:

- **Ad Technology:** Reddit's advertising platform could complement Microsoft's existing solutions, increasing ad inventory and effectiveness.
- **Audience Reach:** Access to Reddit's diverse user base could expand Microsoft's advertising reach.

Content and Innovation:

- **Content Integration:** Reddit's content could enhance Microsoft's content offerings or lead to new initiatives.
- **Innovation:** Leveraging Reddit's features could drive new product developments within Microsoft's ecosystem.

Enterprise Solutions:

- **Integration with LinkedIn:** Reddit's integration could enhance LinkedIn's community features and value for professional users.
- **Enterprise Communication:** Reddit's platform could offer new avenues for enterprise communication, complementing Microsoft's solutions.

Diversity of Content and User Base:

- **Market Expansion:** Reddit's diverse content and global user base align with Microsoft's market expansion goals.
- **Targeted Solutions:** Reddit's content could help Microsoft develop targeted solutions for various market segments.

Summary: Reddit's extensive user base and high engagement align well with Microsoft's strategic goals of enhancing productivity tools, advancing AI, expanding gaming and entertainment, boosting advertising capabilities, and driving innovation. Integrating Reddit could provide valuable insights and content that support Microsoft's strategic objectives.

Market Expansion and User Demographics

Young and Diverse Demographics:

- **Age Groups:** Reddit's strong presence among younger audiences (millennials and Gen Z) aligns with Microsoft's innovation goals.
- **Diversity:** Reddit's diverse user base offers Microsoft access to a broad audience.

Niche Communities and Special Interests:

- **Hobbies and Interests:** Reddit's subreddits on specific interests could target specialized user groups.
- **Professional and Academic Communities:** Subreddits focusing on professional development and academics offer engagement with professionals and academics.

Gaming and Entertainment Enthusiasts:

- **Gaming Communities:** Reddit's gaming discussions align with Microsoft's gaming services.
- **Entertainment Content:** Reddit's content related to entertainment could help Microsoft reach users interested in these sectors.

Global Markets:

- **International Users:** Reddit's global presence could help Microsoft expand into international markets.
- **Local Insights:** Reddit's localized subreddits provide insights into regional trends.

Tech Enthusiasts and Innovators:

- **Technology and Startups:** Reddit's tech discussions could engage developers and tech professionals.
- **Developer Communities:** Subreddits on development offer access to tech professionals.

Consumer Insights and Feedback:

- **Product Feedback:** Reddit's discussions offer valuable consumer insights.
- **Market Research:** Analyzing Reddit's content can aid in market research and product development.

Educational and Learning Communities:

- **Academic Discussions:** Reddit's educational content could complement Microsoft's educational tools.
- **Learning Resources:** Reddit's knowledge sharing could enhance Microsoft's educational offerings.

Summary: Acquiring Reddit could provide Microsoft access to younger demographics, niche communities, global markets, tech enthusiasts, and educational groups, enhancing its product offerings and market strategies.

Synergies

Cost Savings:

- **Economies of Scale:** Consolidating Reddit's infrastructure with Microsoft Azure could reduce cloud computing and server costs.

- **Operational Efficiency:** Combining data centers could lead to more efficient resource use.

Streamlined Technology Integration:

- **Unified Technology Stack:** Integrating Reddit's technology could reduce redundancies.
- **Shared Development Resources:** Leveraging existing development teams could reduce external costs.

Content Moderation and Management:

- **Advanced Tools:** Utilizing Microsoft's AI for content moderation could reduce labor costs.
- **Efficiency:** Integration of content management systems could improve efficiency.

Marketing and Advertising:

- **Unified Ad Platform:** Integrating ad platforms could streamline operations.
- **Optimized Ad Spend:** Leveraging combined data could improve ad targeting.

Reduced Operational and Administrative Overheads:

- **Shared Services:** Consolidating administrative functions could lead to cost savings.
- **Streamlined Operations:** Integrating processes could result in lower costs.

Increased Operational Efficiency:

- **Process Improvements:** Applying best practices could enhance efficiency.
- **Integration Synergies:** Leveraging synergies could result in cost savings.

Enhanced Data Utilization:

- **Data-Driven Decisions:** Using Reddit's data for better decision-making.
- **Advanced Analytics:** Microsoft's tools could optimize Reddit's operations.

Consolidated Support and Customer Service:

- **Unified Support Systems:** Integrating support operations could streamline processes.
- **Shared Resources:** Leveraging existing infrastructure could reduce support costs.

Summary: Integrating Reddit with Microsoft could lead to cost savings through infrastructure optimization, streamlined technology, enhanced content moderation, consolidated marketing efforts, reduced administrative overhead, and improved data utilization.

Cultural and Operational Challenges

Cultural Challenges:

- **Cultural Integration:** Differences in organizational cultures could pose challenges.
- **Employee Adaptation:** Reddit employees might need to adapt to Microsoft's corporate environment.
- **Community Values:** Balancing Reddit's community-driven approach with Microsoft's corporate standards.
- **Leadership Styles:** Differences in leadership styles could lead to conflicts.

Operational Challenges:

- **Technical Integration:** Combining technology stacks could be complex.
- **Data Integration:** Merging data systems could present privacy and security challenges.
- **Maintaining User Experience:** Ensuring consistent user experience during integration.
- **Operational Efficiency:** Managing resources and costs associated with integration.

Regulatory and Compliance Issues:

- **Data Privacy Regulations:** Ensuring compliance with privacy regulations.
- **Antitrust Concerns:** Navigating potential antitrust scrutiny.

Employee Retention and Morale:

- **Talent Retention:** Retaining key Reddit employees and managing workforce integration.

Summary: Addressing cultural and operational challenges proactively through strategic planning, clear communication, and careful management can help facilitate a smoother integration process and achieve the desired outcomes of the acquisition.

Merger Model

(\$ in millions except per share figures)

Microsoft Financial Profile

Fully Diluted Shares Outstanding	7,475
Current Share Price	\$413.52
Equity Value	\$3,091,062
Forecasted Earnings Per Share (EPS) _{t+1}	\$45.00
P/E Multiple	9.2x

Transaction Assumptions

Offer Price Per Share	\$69.75
% Offer Premium	25.0%
Offer Value	\$11,394

Cash Consideration (All-Debt Funded)

Offer Value	\$11,394
% Cash	50.0%
Total Debt Financing	\$5,697
Financing Fee	\$114
Financing Fee % Total Debt	2.0%
Borrowing Term	5 Years
Financing Fee Amortization	\$23
% Interest Rate	5.0%
Annual Interest Expense	\$285

Purchase Price Accounting

Offer Value	\$11,394
Less: Net Tangible Book Value	(2,000)
Purchase Premium	\$9,394
Less: PP&E Write-Up	(2,348)
Less: Intangibles Write-Up	(939)
Plus: Deferred Tax Liability (DTL)	658
Goodwill Created	\$6,763

Accretion/Dilution Analysis

Acquirer Standalone Net Income	\$336,375
% Tax Rate	20.0%
Earnings Before Taxes (EBT)	\$420,469

Pro Forma Financials

Consolidated EBT	\$422,102
Less: Interest Expense and Financing Fees	(308)
Less: Transaction Fees	(285)
Plus: Synergies, net	1,000
Less: Incremental Depreciation	(164)
Pro Forma Adjusted EBT	\$422,345
Less: Taxes	(84,469)
Pro Forma Net Income	\$337,876

Reddit Financial Profile

Fully Diluted Shares Outstanding	
Current Share Price	
Equity Value	
Forecasted Earnings Per Share (EPS) _{t+1}	
P/E Multiple	

Form of Consideration

% Stock
% Cash

Stock Consideration

Offer Value
% Stock
Stock Consideration
Number of Acquirer Shares Issued

Deal Assumptions

Synergies, net
Transaction Fees
Transaction Fees % Offer Value

Asset Write-Ups

% Allocation to PP&E
Useful Life Assumption

Incremental Depreciation

% Allocation to Intangibles
Useful Life Assumption

Incremental Amortization

Target Standalone Net Income
% Tax Rate

Earnings Before Taxes (EBT)**Pro Forma EPS**

Pro Forma Net Income
Pre-Deal Acquirer Shares Outstanding
Plus: New Shares Issuances

Pro Forma Diluted Shares**Pro Forma EPS**

% Accretion / (Dilution)

163
\$55.80
\$9,115
\$8.00
7.0x

50.0%
50.0%

\$11,394
50.0%
\$5,697
14

\$1,000
\$285
2.5%

25.0%
20 Years
\$117

10.0%
20 Years
\$47

\$1,307
20.0%
\$1,634

\$337,876

7,475
14
7,489

\$45.12
0.3%