

Participant name:

Patel, Jay

Davis Industries - Financial Summary

\$ in millions	FYE July 31,		
	2015	2016	2017
<b>Income Statement:</b>			
<b>Revenue</b>	<b>\$353.1</b>	<b>\$415.8</b>	<b>\$480.3</b>
<i>% growth</i>		17.7%	15.5%
Cost of Goods Sold	188.0	215.2	242.5
<b>Gross Profit</b>	<b>165.1</b>	<b>200.6</b>	<b>237.7</b>
<i>Gross margin</i>	46.8%	48.3%	49.5%
Total operating expenses	116.3	142.6	172.9
<b>Operating income</b>	<b>48.8</b>	<b>58.0</b>	<b>64.8</b>
<i>Operating margin</i>	13.8%	14.0%	13.5%
<b>Net income</b>	<b>27.8</b>	<b>34.9</b>	<b>40.8</b>
<i>Net profit margin</i>	7.9%	8.4%	8.5%
<b>Balance Sheet:</b>			
Cash and cash equivalents	\$19.8	\$26.8	<b>\$32.5</b>
Accounts receivable	43.5	58.4	<b>69.1</b>
Inventory	45.1	57.3	<b>61.8</b>
<b>Total assets</b>	<b>365.0</b>	<b>443.3</b>	<b>501.1</b>
Accounts payable	10.1	16.4	<b>17.2</b>
Total debt	78.5	116.0	<b>126.0</b>
Equity	224.6	249.7	<b>289.8</b>
<b>Liabilities and equity</b>	<b>365.0</b>	<b>443.3</b>	<b>501.1</b>



	FYE July 31,		
\$ in millions	2015	2016	2017
<b>Cash Flow Statement:</b>			
Cash flow from operations	\$39.1	\$49.0	<b>\$59.9</b>
Capital expenditures	(7.9)	(11.4)	<b>(16.8)</b>
<b>Free Cash Flow</b>	<b>31.1</b>	<b>37.5</b>	<b>43.1</b>
Acquisitions	(20.4)	(65.0)	<b>(43.8)</b>
Dividends paid	(2.6)	(3.1)	<b>(3.6)</b>
<b>EBITDA calculation:</b>			
<b>Adjusted EBITDA</b>	<b>\$70.2</b>	<b>\$86.3</b>	<b>\$99.8</b>
<b>Credit ratios:</b>			
Total Debt / EBITDA	1.1x	1.3x	1.3x
Debt to total capitalization	25.9%	31.7%	30.3%
FCF / Total Debt	39.7%	32.4%	34.2%

Sources (\$mm)	
New Revolving Credit Facility	126.0
<b>Total Sources</b>	<b>\$126.0</b>

Uses (\$mm)	
Repay Tranche A	80.0
Repay Tranche B	46.0
<b>Total Uses</b>	<b>\$126.0</b>

Before Tra	
(\$mm)	Amount
Tranche A	80.0
Tranche B	46.0
New Revolving Credit Facility	-
<b>Total Debt</b>	<b>126.0</b>

<b>Adjusted EBITDA</b>	<b>\$99.8</b>
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Transaction	After Transaction	
x EBITDA	Amount	x
0.8x		-
0.5x		-
-	126.0	1.3x
1.3x	126.0	1.3x
	\$99.8	

**Participant name:**

**Patel, Jay**

Collateral description	Eligible collateral value (\$k)	Authorized advance rate (%)
Accounts receivable	69,078.00	80%
Inventories	61,795.00	50%
Property and equipment, net	55,211.00	50%

Total collateral available

Less: (commitments)

**Excess / (deficiency)**

Available collateral (\$k)

55,262.40  
30,897.50  
27,605.50

113,765.40  
126,000.00  
**-12,234.60**

		Audited			Management Projections							JPMorgan Extrapolated				CAGR	
Base Case		2015A	2016A	2017A	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P		CAGR: 15-17	CAGR: 18-22
x	Revenue	353.1	415.8	480.3	525.0	588.0	646.8	695.3	747.5	803.5	863.8	928.6	998.2	1,073.1	x		
	% Growth		17.8%	15.5%	9.3%	12.0%	10.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		0.24%	0.16%
	(-) Cost of Goods Sold	188.0	215.2	242.5	267.8	299.9	329.9	354.6	381.2	409.8	440.5	473.6	509.1	547.3			
	% of Revenue	53.3%	51.8%	50.5%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%		0.20%	0.16%
x	Gross Profit Margin	165.1	200.6	237.7	257.3	288.1	316.9	340.7	366.3	393.7	423.3	455.0	489.1	525.8	x		
	GPM Margin %	46.8%	48.3%	49.5%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%	49.0%			
x	(-) Operating Expenses	94.9	114.3	137.9	152.3	170.5	187.6	201.6	216.8	233.0	250.5	269.3	289.5	311.2	x		
	% of Revenue	26.9%	27.5%	28.7%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%		0.29%	0.16%
	EBITDA	70.2	86.3	99.8	105.0	117.6	129.4	139.1	149.5	160.7	172.8	185.7	199.6	214.6			
	EBITDA Margin %	19.9%	20.8%	20.8%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%			
	Income Taxes	16.4	19.8	19.9	20.94	23.45	25.80	27.73	29.81	32.05	34.45	37.04	39.82	42.80			
x	% of EBITDA	23.4%	22.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%			
Cash Flow																	
x	Capital Expenditures	7.9	11.4	16.8	18.4	20.6	22.6	24.3	26.2	28.1	30.2	32.5	34.9	37.6	x		
	% of Revenue	2.3%	2.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%		0.59%	0.16%
	Dividends	2.65	3.12	3.60	4.2	4.7	5.2	5.6	6.0	6.4	6.9	7.4	8.0	8.6			
	% of Revenue	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%		0.24%	0.16%
Balance Sheet																	
x	Accounts Receivable	43.5	58.4	69.1	75.5	84.6	93.0	100.0	107.5	115.6	124.2	133.6	143.6	154.3	x		
	D50	45.0	51.3	52.5	52.5	52.5	52.5	52.5	52.5	52.5	5250.0%	5250.0%	5250.0%	5250.0%		0.36%	0.16%
	Inventory	45.1	57.3	61.8	68.2	76.4	84.0	90.4	97.1	104.4	112.2	120.7	129.7	139.4			
	D10	87.5	97.3	93.0	93.0	93.0	93.0	93.0	93.0	93.0	9300.0%	9300.0%	9300.0%	9300.0%		0.25%	0.16%
	Accounts Payable	10.12	16.45	17.17	18.96	21.23	23.36	25.11	26.99	29.02	31.19	33.53	36.05	38.75			
	D90	19.6	27.9	25.8	25.8	25.8	25.8	25.8	25.8	25.8	2584.4%	2584.4%	2584.4%	2584.4%		0.42%	0.16%
x	Δ in NWC			(14.43)	(11.08)	(14.97)	(13.98)	(11.53)	(12.39)	(13.32)	(14.32)	(15.40)	(16.55)	(17.79)	x		

CAGR: 23-27

0.11%

0.11%

0.11%

0.11%

0.11%

0.11%

0.11%

0.11%



Year Ended July 31,											
FCF Model (\$mm)	2017PF	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P
Revenue	480.3	525.0	588.0	646.8	695.3	747.5	803.5	863.8	928.6	998.2	1,073.1
% Growth	15.5%	9.3%	12.0%	10.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
EBITDA	99.8	105.0	117.6	129.4	139.1	149.5	160.7	172.8	185.7	199.6	214.6
% Margin	20.8%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Interest Expense	(5.4)	(3.8)	(2.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Cash Tax Expense		(20.9)	(23.5)	(25.8)	(27.7)	(29.8)	(32.1)	(34.5)	(37.0)	(39.8)	(42.8)
Δ in NWC		(11.1)	(15.0)	(14.0)	(11.5)	(12.4)	(13.3)	(14.3)	(15.4)	(16.6)	(17.8)
Capex		(18.4)	(20.6)	(22.6)	(24.3)	(26.2)	(28.1)	(30.2)	(32.5)	(34.9)	(37.6)
Dividend payments		(4.2)	(4.7)	(5.2)	(5.6)	(6.0)	(6.4)	(6.9)	(7.4)	(8.0)	(8.6)
Free cash flow		46.6	51.9	60.8	68.9	74.1	79.8	85.8	92.3	99.4	106.9
Cumulative free cash flow		46.6	98.6	159.3	228.2	302.37498	382.2	468.0	560.3	659.7	766.6
								371.4%	7-yr Payout		
Mandatory debt repayments		-	-	-	-	-	-	-	-	-	-
Cash available for debt service		46.6	51.9	60.8	68.9	74.1	79.8	85.8	92.3	99.4	106.9
Cumulative free cash flow for debt service		46.6	98.6	159.3	228.2	302.4	382.2	468.0	560.3	659.7	766.6
Year Ended July 31,											
Covenant Projections (\$mm)	2017PF	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
R/C facility	126.0	79.4	27.4	-	-	(74.1)	-	-	-	-	-
Term Loan A	-	-	-	-	-	-	-	-	-	-	-
Total Debt	126.0	79.4	27.4	-	-	(74.1)	-	-	-	-	-
Leverage Ratio	1.26x	0.76x	0.23x	0.00x	0.00x	-0.50x	0.00x	0.00x	0.00x	0.00x	0.00x
Leverage Covenant	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x
EBITDA Cushion (\$)	63.78	82.32	109.76	129.36	139.06	170.68	160.70	172.76	185.71	199.64	214.61
EBITDA Cushion (%)	63.92%	78.40%	93.33%	100.00%	100.00%	114.17%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Coverage Ratio	18.44x	27.79x	59.99x	129.36x	139.06x	149.49x	160.70x	172.76x	185.71x	199.64x	214.61x
Interest Coverage Covenant	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x
EBITDA Cushion (\$)	80.84	91.78	110.74	125.86	135.56	145.99	157.20	169.26	182.21	196.14	211.11
EBITDA Cushion (%)	81.02%	87.41%	94.17%	97.29%	97.48%	97.66%	97.82%	97.97%	98.12%	98.25%	98.37%