

## Assumptions

### Transaction Inputs

Acquirer Name	Online Company Inc
Target Name	Brick 'n' Mortar Co
Acquirer Share Price	\$11.75
Target Share Price	\$17.30
Transaction Close Date	30-09-2017
Financial Reporting Units	\$ 000s
Currency	USD

Restructuring Charges	2,000
Equity Issuance Fees	3.0%
Debt Issuance Fees	3.0%
Other Closing Costs	2,000

Replace Target Debt	Yes
Replace Acquirer Debt	No

Acquirer FD Shares Outstanding	50,000
Target FD Share Outstanding	25,000
Shares Issued	23,238
Pro Forma Shares Outstanding	73,238

Share Issuance Discount	1.0%
Share Issuance Price	\$11.63

### Purchase Price

Target Share Price	\$17.30
Takeover Premium	25.0%
Offer Price	\$21.63

Acquirer Share Price	\$11.75
Share Exchange Ratio	1.840

Target Shares Outstanding	25,000
Offer Price	\$21.63

<b>Purchase Price</b>	<b>5,40,625</b>
Target Debt	16,801
Target Cash	72,624

<b>Enterprise Value</b>	<b>4,84,802</b>
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### Scenarios

<b>Scenario #</b>	<b>LIVE --&gt;</b>	<div>4</div>	1	2	3	4	5
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### Synergies

Revenue enhancement	6,500	5,500	6,000	6,000	6,500	6,500
COGS savings	875	875	875	875	875	875
Marketing savings	1,250	1,250	1,250	1,250	1,250	1,250
General & Admin savings	1,000	1,000	1,000	1,000	1,000	1,000

Synergies in Year 1 (full yr.)	30%	30%	30%	30%	30%	30%
Synergies in Year 2	65%	65%	65%	65%	65%	65%
Synergies in Years 3+	100%	100%	100%	100%	100%	100%

### Financing

<b>Debt Tranche</b>	-					
Senior Debt A	1,00,000	-	1,00,000	1,00,000	1,00,000	1,00,000
Senior Debt B	50,000	-	-	50,000	50,000	50,000
Subordinated Debt	25,000	-	-	-	25,000	25,000

### Interest Rate

Senior Debt A	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Senior Debt B	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Subordinated Debt	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%

### Transaction

Takeover Premium	25.0%	15.0%	15.0%	20.0%	25.0%	30.0%
Cash Consideration	50.0%	0.0%	20.0%	40.0%	50.0%	55.0%

### Sources & Uses of Cash

#### Sources of Cash

Cash	1,27,473
Stock Issued	2,70,313
Debt Issued	1,75,000

<b>Total Sources</b>	<b>5,72,785</b>
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#### Uses of Cash

Cash Consideration	2,70,313
Stock Consideration	2,70,313
Target Debt - Replace	16,801
Acquirer Debt - Replace	-
Debt Financing Fees	5,250
Equity Financing Fees	8,109
Other Closing Costs	2,000

<b>Total Uses</b>	<b>5,72,785</b>
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Goodwill and Purchase Price Allocation					
Fair Market Value	Book Value	Fair Value	Adjustment	Purchase Price Allocation	
Inventory & Other Current Assets	86,896	1,68,354	81,458	Total Purchase Price	5,40,625
Target PP&E	22,174	95,854	73,680	Net Book Value of Assets	87,899
Identifiable Intangibles			-	Excess Purchase Price	4,52,726
Net Identifiable Assets	1,09,070	2,64,208	1,55,138	Write-off Existing Goodwill	-
				Fair Value Adjustments	1,55,138
				Excess Purchase Price After Adjustments	2,97,588
				Goodwill	2,97,588

## Pro Forma Consolidated Balance Sheet

Step #	1	2	3	4	5	6	7	8	9	10
	Acquirer	Target	Fair Value	Target PF	Purchase	Financing	Financing	Financing	Total Adj.	Consol
	30-09-2017	30-09-2017			Transaction	Debt+Equity	Fees	Re-fi Debt		30-09-2017
<b>Assets</b>										
Cash	1,53,654	72,624		72,624	(2,70,313)	1,75,000	(15,359)	(16,801)	(54,849)	98,805
Accounts Receivable	8,201	5,869		5,869					5,869	14,070
Inventory	15,309	8,403	81,458	89,861					89,861	1,05,170
<b>Current Assets</b>	<b>1,77,165</b>	<b>86,896</b>							<b>40,881</b>	<b>2,18,046</b>
Property & Equipment	43,143	22,174	73,680	95,854					95,854	1,38,997
Goodwill	-	-		-	2,97,588				2,97,588	2,97,588
<b>Total Assets</b>	<b>2,20,307</b>	<b>1,09,070</b>							<b>4,34,323</b>	<b>6,54,630</b>
<b>Liabilities</b>										
Short Term Debt	-	-		-					-	-
Accounts Payable	7,080	4,370		4,370					4,370	11,450
<b>Current Liabilities</b>	<b>7,080</b>	<b>4,370</b>							<b>4,370</b>	<b>11,450</b>
Long Term Debt	30,000	16,801		16,801		1,75,000		(16,801)	1,75,000	2,05,000
<b>Total Liabilities</b>	<b>37,080</b>	<b>21,171</b>							<b>1,79,370</b>	<b>2,16,450</b>
<b>Shareholder's Equity</b>										
Equity Capital	70,000	39,203		39,203	(39,203)	2,70,313			2,70,313	3,40,313
Retained Earnings	1,13,227	48,697		48,697	(48,697)		(15,359)		(15,359)	97,868
<b>Shareholder's Equity</b>	<b>1,83,227</b>	<b>87,899</b>							<b>2,54,953</b>	<b>4,38,180</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>2,20,307</b>	<b>1,09,070</b>							<b>4,34,323</b>	<b>6,54,630</b>
<i>Check</i>	<i>0.000</i>	<i>0.000</i>							<i>0.000</i>	<i>0.000</i>

Accretion/Dilution Analysis

	2018	2019	2020	2021	2022
Earnings Per Share					
Acquirer Net Earnings	33,099	37,484	40,290	42,824	46,788
Target Net Earnings	23,910	28,510	32,118	35,303	38,428
Pro Forma Net Earnings	43,659	56,932	70,056	78,412	86,324
Acquirer Shares O/S	50,000	50,000	50,000	50,000	50,000
Target Share O/S	25,000	25,000	25,000	25,000	25,000
Pro Forma Shares O/S	73,238	73,238	73,238	73,238	73,238
Acquirer EPS	0.66	0.75	0.81	0.86	0.94
Target EPS	0.96	1.14	1.28	1.41	1.54
Pro Forma EPS	0.60	0.78	0.96	1.07	1.18
Accretion/Dilution	-10%	4%	19%	25%	26%
Cash Flow Per Share					
Acquirer Cash Flow	38,099	42,938	48,888	52,048	57,203
Target Cash Flow	28,274	32,190	35,998	39,409	42,880
Pro Forma Cash Flow	64,271	75,590	91,034	98,538	1,06,633
Acquirer Shares O/S	50,000	50,000	50,000	50,000	50,000
Target Share O/S	25,000	25,000	25,000	25,000	25,000
Pro Forma Shares O/S	73,238	73,238	73,238	73,238	73,238
Acquirer CFPS	0.76	0.86	0.98	1.04	1.14
Target CFPS	1.13	1.29	1.44	1.58	1.72
Pro Forma CFPS	0.88	1.03	1.24	1.35	1.46
Accretion/Dilution	15%	20%	27%	29%	27%

Summary & Sensitivity

Share Price Impact			
	Offer Price	Market Price	DCF Model
Target Price per Share	\$21.63	\$17.30	\$17.37
Acquirer			
Acquirer Price per Share		\$11.75	\$11.39
Pro Forma Price per Share			\$11.82
Change in Acquirer NPV per Share			\$0.43
			3.8%

Implied Share Price Change					
		Takeover Premium			
		20%	25%	30%	35%
Rev Enhance	6,500	6.5%	3.8%	1.2%	-1.4%
	5,500	5.7%	3.0%	0.4%	-2.1%
	4,500	4.9%	2.3%	-0.3%	-2.9%
	3,500	4.2%	1.5%	-1.1%	-3.6%
	2,500	3.4%	0.8%	-1.8%	-4.3%
	1,500	2.6%	0.0%	-2.6%	-5.1%

Capital Structure			
	Current	Pro Forma	Change
Equity	5,69,621	8,65,992	52%
Cash	1,53,654	98,805	-36%
Debt	30,000	2,05,000	583%
Enterprise Value	4,45,967	9,72,186	118%
Shares Outstanding	50,000	73,238	46%
Equity Value/Share	\$11.39	\$11.82	3.8%

2019 EPS Accretion/(Dilution)					
		Takeover Premium			
		20%	25%	30%	35%
Target Sh Price	18.00	3.7%	2.4%	1.1%	-0.2%
	19.00	1.9%	0.6%	-0.8%	-2.1%
	20.00	0.2%	-1.2%	-2.6%	-3.9%
	21.00	-1.5%	-2.9%	-4.3%	-5.6%
	22.00	-3.1%	-4.5%	-5.9%	-7.3%
	23.00	-4.7%	-6.1%	-7.5%	-8.9%