

Summary of Salient Results

Beginning Reference Point:
May 01, 2017

Case Study 2 Project Calculation # 43247d8a-OK

Purchase Target Company

Acquisition of Mfg Company

Target Company

Company Purchase-Base Price	\$ 26,500,000	10.00	EBITDA Multiple for 100% of Company
Performance Based Increase	\$ 78,612	0.03	EBITDA Multiple
Seller Retained Assets	\$ -		
Indicated Value for 100% of Company	\$ 26,578,612	10.03	EBITDA Multiple
Amount Financed	\$ 13,000,000		Not Including Equity Debt
Equity Required	\$ 14,750,000		Includes Equity Debt

ThruThink Deal Score SM

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	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Net Sales	\$19,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% Sales Growth											
Cost of Goods Sold-% of Sales		EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override	EBITDA Override
Gross Margin-% of Sales											
Operating Expenses -% of Sales											
EBITDA prior to Adj (1)	\$ 2,650,000	2,915,000	3,206,500	3,302,695	3,368,749	3,436,124	3,504,846	3,574,943	3,646,442	3,719,371	3,793,758
EBITDA Margin		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Growth		10.0%	10.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
(1) UnCompensated Owner Contribution adjustment	0	0	0	0	0	0	0	0	0	0	0
Adjusted EBITDA (1)	2,650,000	2,915,000	3,206,500	3,302,695	3,368,749	3,436,124	3,504,846	3,574,943	3,646,442	3,719,371	3,793,758
Less Depreciation and Amortization	(1,535,100)	(1,535,100)	(1,537,043)	(1,537,685)	(1,538,125)	(1,538,574)	(1,538,574)	(1,538,574)	(1,538,574)	(1,538,574)	(1,538,574)
Earnings before Interest and Taxes (EBIT)	1,114,900	1,379,900	1,669,457	1,765,010	1,830,624	1,897,550	1,966,272	2,036,369	2,107,868	2,180,797	2,255,184
Accrued Net Income (after income taxes)		(184,305)	32,492	211,519	284,513	345,880	1,191,012	1,232,337	1,274,489	1,317,485	1,361,340
% of Sales											
Annual Cash Flow		\$ 478,859	\$ 770,359	\$ 866,554	\$ 932,608	\$ (14,381,459)	\$ 3,320,333	\$ 2,802,041	\$ 2,844,769	\$ 2,888,351	\$ 2,932,805
Cumulative Cash Balance	\$ 1,000,000	\$ 1,478,859	\$ 2,249,219	\$ 3,115,773	\$ 4,048,382	\$ (10,333,078)	\$ (7,012,745)	\$ (4,210,704)	\$ (1,365,935)	\$ 1,522,416	\$ 4,455,220
Working Capital											
Current Assets Less Current Liabilities	\$	3,618,889	\$ 3,899,105	\$ 4,268,738	\$ (8,658,624)	\$ (6,774,170)	\$ (4,044,584)	\$ (1,273,673)	\$ 1,539,391	\$ 4,316,837	\$ 7,297,722
Current Ratio		3.25 :1	2.86 :1	2.64 :1	0.47 :1	N/A-Neg Cur As	N/A-Neg Cur As	N/A-Neg Cur As	2.82 :1	5.52 :1	9.04 :1
Current Assets/Current Liabilities											
Total Assets (including goodwill)	\$ 27,750,000	\$ 26,720,259	\$ 25,982,726	\$ 25,321,215	\$ 24,722,304	\$ 8,809,008	\$ 10,590,766	\$ 11,854,233	\$ 13,160,428	\$ 14,510,204	\$ 15,904,435
Total Liabilities	\$ 19,750,000	\$ 18,904,564	\$ 18,134,539	\$ 17,261,510	\$ 16,378,085	\$ 118,910	\$ 709,657	\$ 740,786	\$ 772,492	\$ 804,784	\$ 837,674
Book Value Equity	\$ 8,000,000	\$ 7,815,695	\$ 7,848,187	\$ 8,059,705	\$ 8,344,218	\$ 8,690,098	\$ 9,881,109	\$ 11,113,447	\$ 12,387,936	\$ 13,705,421	\$ 15,066,760
Debt to Equity (Debt/Equity)	2.47 :1	2.42 :1	2.31 :1	2.14 :1	1.96 :1	0.01 :1	0.07 :1	0.07 :1	0.06 :1	0.06 :1	0.06 :1
Debt to Adjusted EBITDA (1)	7.45 :1	6.49 :1	5.66 :1	5.23 :1	4.86 :1	0.03 :1	0.20 :1	0.21 :1	0.21 :1	0.22 :1	0.22 :1
EBIT to Total Assets	4.02%	5.16%	6.43%	6.97%	7.40%	21.54%	18.57%	17.18%	16.02%	15.03%	14.18%
Equity Split at Book Value											
Partner Group, Class or Name:	% Equity										
Owner	100%	\$ 8,000,000	\$ 7,815,695	\$ 7,848,187	\$ 8,059,705	\$ 8,344,218	\$ 8,690,098	\$ 9,881,109	\$ 11,113,447	\$ 12,387,936	\$ 13,705,421
Investor	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Group 3	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100%	\$ 8,000,000	\$ 7,815,695	\$ 7,848,187	\$ 8,059,705	\$ 8,344,218	\$ 8,690,098	\$ 9,881,109	\$ 11,113,447	\$ 12,387,936	\$ 13,705,421	\$ 15,066,760
Equity Split After a Market Value Sale											
Partner Group, Class or Name:	% Equity										
Owner	100%	\$ 8,000,000	\$ (13,675,705)	\$ (12,135,320)	\$ (10,395,736)	\$ (8,579,704)	\$ (6,701,987)	\$ (3,972,402)	\$ (1,201,490)	\$ 1,611,573	\$ 4,467,632
Investor	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Group 3	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100%	\$ 8,000,000	\$ (13,675,705)	\$ (12,135,320)	\$ (10,395,736)	\$ (8,579,704)	\$ (6,701,987)	\$ (3,972,402)	\$ (1,201,490)	\$ 1,611,573	\$ 4,467,632	\$ 7,367,546
Hard Asset Liquidation Value											
Total Assets w/o Goodwill less Liabilities (Hard Asset Value)	\$	(13,675,705)	\$ (12,135,320)	\$ (10,395,736)	\$ (8,579,704)	\$ (6,701,987)	\$ (3,972,402)	\$ (1,201,490)	\$ 1,611,573	\$ 4,467,632	\$ 7,367,546
Seller Debt Amount included in Hard Asset Value	\$	(3,900,359)	\$ (2,725,334)	\$ (1,447,305)	\$ (76,297)	\$ (85,191)	\$ (87,550)	\$ (89,908)	\$ (92,266)	\$ (94,625)	\$ (96,983)
Equity Debt Amount included in Hard Asset Value	\$	(7,155,000)	\$ (7,560,000)	\$ (7,965,000)	\$ (8,370,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liquidation Value w/EBITDA Multiple Sale (EBITDA prior to Adj)											
EBITDA Multiple required to breakeven		8.66x	7.40x	6.72x	6.14x	5.57x	5.02x	4.49x	3.98x	3.49x	3.02x
EBITDA Multiple for a Market Value Sale		0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x
EBITDA Sale Value Plus Cash less Liabilities	\$	(17,425,705)	\$ (15,885,320)	\$ (14,145,736)	\$ (12,329,704)	\$ (10,451,987)	\$ (7,722,402)	\$ (4,951,490)	\$ (2,138,427)	\$ 717,632	\$ 3,617,546
Greater of Liquidation Value of Assets or EBITDA Sale Value	\$	(13,675,705)	\$ (12,135,320)	\$ (10,395,736)	\$ (8,579,704)	\$ (6,701,987)	\$ (3,972,402)	\$ (1,201,490)	\$ 1,611,573	\$ 4,467,632	\$ 7,367,546
(Plus Cash Less Liabilities)											
Total Gain (Loss) from Sale/Liquidation in Given Year	\$	(21,491,400)	\$ (19,983,507)	\$ (18,455,442)	\$ (16,923,922)	\$ (15,392,085)	\$ (13,853,511)	\$ (12,314,937)	\$ (10,776,363)	\$ (9,237,789)	\$ (7,699,214)
Cumulative Net Income (Loss) from Operations	\$	(184,305)	\$ (151,813)	\$ 59,705	\$ 344,218	\$ 690,098	\$ 1,881,109	\$ 3,113,447	\$ 4,387,936	\$ 5,705,421	\$ 7,066,760
Total Gain (Loss) after a Sale	\$	(21,675,705)	\$ (20,135,320)	\$ (18,395,736)	\$ (16,579,704)	\$ (14,701,987)	\$ (11,972,402)	\$ (9,201,490)	\$ (6,388,427)	\$ (3,532,368)	\$ (632,454)
Less Beginning Equity Plus Cumulative Dividends/Draws (Contributions)	\$	(8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)	\$ (8,000,000)
Cumulative Benefit (Loss) after a Sale w/o tax on Sale Gain	\$	(29,675,705)	\$ (28,135,320)	\$ (26,395,736)	\$ (24,579,704)	\$ (22,701,987)	\$ (19,972,402)	\$ (17,201,490)	\$ (14,388,427)	\$ (11,532,368)	\$ (8,632,454)
Year of Sub, Seller, Equity Debt Pay off											
Amount of Positive Cash After Sub, Seller & Equity Debt		0	0	0	0	0	0	0	0	9	0
Cash less Sub, Seller & Equity Debt, Surplus, (Shortage)	\$	(17,550,000)	\$ (15,980,465)	\$ (14,231,262)	\$ (12,326,041)	\$ (10,339,656)	\$ (7,021,682)	\$ (4,221,999)	\$ (1,379,589)	\$ 1,506,403	\$ 4,439,208
Total Accrued Net Income	\$	(184,305)	32,492	211,519	284,513	345,880	1,191,012	1,232,337	1,274,489	1,317,485	1,361,340
% of Total Book Equity		1.35%	-0.27%	-2.03%	-3.32%	-5.16%	-29.98%	-102.57%	79.08%	29.49%	18.48%