

Accrual Net Income Projection

Beginning Reference Point:

April 15, 2017

Case Study 4 Project Calculation # e2d49fda-OK

Acquisition of ABC Corp

Includes Existing Company and Target Company

		10 Year Horizon									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Net Sales Projections		\$ 177,481,150	\$ 177,556,000	\$ 183,324,000	\$ 191,220,000	\$ 196,920,000	\$ 201,220,000	\$ 206,220,000	\$ 206,220,000	\$ 206,220,000	\$ 206,220,000
% Change		10%	0%	3%	4%	3%	2%	2%	0%	0%	0%
Cost of Goods Sold		\$ 60,314,919	\$ 37,881,600	\$ 39,920,800	\$ 41,500,000	\$ 42,640,000	\$ 43,500,000	\$ 44,500,000	\$ 44,500,000	\$ 44,500,000	\$ 44,500,000
% of Sales		34%	21%	22%	22%	22%	22%	22%	22%	22%	22%
Gross Margin		\$ 117,166,231	\$ 139,674,400	\$ 143,403,200	\$ 149,720,000	\$ 154,280,000	\$ 157,720,000	\$ 161,720,000	\$ 161,720,000	\$ 161,720,000	\$ 161,720,000
% of Sales		66%	79%	78%	78%	78%	78%	78%	78%	78%	78%
Other (Income) Expense		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses		\$ 4,719,029	\$ 1,718,670	\$ 9,470,200	\$ 19,527,000	\$ 20,054,000	\$ 5,284,500	\$ 5,418,500	\$ 5,307,500	\$ 5,307,500	\$ 5,307,500
% of Sales		2.66%	0.97%	5.17%	10.21%	10.18%	2.63%	2.63%	2.57%	2.57%	2.57%
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBITDA		\$ 112,447,202	\$ 137,955,730	\$ 133,933,000	\$ 130,193,000	\$ 134,226,000	\$ 152,435,500	\$ 156,301,500	\$ 156,412,500	\$ 156,412,500	\$ 156,412,500
% of Sales		63%	78%	73%	68%	68%	76%	76%	76%	76%	76%
% Change		56.18%	22.68%	-2.92%	-2.79%	3.10%	13.57%	2.54%	0.07%	0.00%	0.00%
Tie to Cash Flow		OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
Accrual Depreciation Amortization		\$ 626,875	\$ 661,955	\$ 648,204	\$ 644,539	\$ 658,959	\$ 674,464	\$ 690,055	\$ 730,730	\$ 721,491	\$ 726,718
Base Purchase Goodwill		\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459	\$ 7,058,459
Other		\$ 5,000	\$ 3,900	\$ 3,700	\$ 3,600	\$ 3,500	\$ 3,400	\$ 3,300	\$ 3,200	\$ 3,100	\$ 4,900
EBIT		\$ 104,756,868	\$ 130,231,416	\$ 126,222,636	\$ 122,486,401	\$ 126,505,081	\$ 144,699,176	\$ 148,549,686	\$ 148,620,110	\$ 148,629,449	\$ 148,622,422
Interest (Income)		\$ (1,233,743)	\$ (944,261)	\$ (800,500)	\$ (800,500)	\$ (800,500)	\$ (800,500)	\$ (802,100)	\$ (800,500)	\$ (804,500)	\$ (800,500)
Interest Expense											
New Senior Debt											
A/R Debt		\$ 292,746	\$ 805,373	\$ 16,683	\$ 1,164,272	\$ 1,217,498	\$ 1,314,692	\$ 1,298,120	\$ 1,294,104	\$ 1,293,132	\$ 1,292,896
Inventory Debt		\$ 3,197,604	\$ 48,704	\$ 1,097,057	\$ 203,116	\$ -	\$ 156,361	\$ 154,327	\$ 142,071	\$ 128,777	\$ 105,943
Equip, Buildings, Real Estate Debt		\$ 435,376	\$ 467,977	\$ 423,958	\$ 351,013	\$ 314,585	\$ 401,060	\$ 282,619	\$ 229,155	\$ 174,996	\$ 121,727
Sub Debt											
Interest Accrued		\$ 3,736,586	\$ 2,191,058	\$ 1,862,079	\$ 1,486,739	\$ 1,139,915	\$ 540,898	\$ 150,000	\$ 270,000	\$ 270,000	\$ 6,270,000
PIK Interest Accrued		\$ 2,860,000	\$ 2,355,227	\$ 1,925,841	\$ 1,463,463	\$ 799,915	\$ 450,898	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Prepayment penalty		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Seller Debt											
Current Pay Note		\$ 2,450,000	\$ 2,450,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 1,000,000	\$ -
Non Current Pay Note		\$ 100,000	\$ 100,000	\$ 100,000	\$ 86,000	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000	\$ 430,000
Performance/ Earn Out Note		\$ -	\$ 18,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
AJE Adjustments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Debt		\$ 219,500	\$ 229,500	\$ 262,500	\$ 274,500	\$ 274,500	\$ 274,500	\$ 270,000	\$ 270,000	\$ 270,000	\$ 135,000
Other Interest		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Transaction Debt		\$ 220,500	\$ (35,000)	\$ 15,000	\$ 45,000	\$ 95,500	\$ 95,322	\$ 100,322	\$ 103,322	\$ 108,322	\$ 108,322
Individually Scheduled Debt		\$ 427,152	\$ 1,019,535	\$ 806,285	\$ 552,464	\$ 373,503	\$ 366,017	\$ 362,997	\$ 355,226	\$ 347,250	\$ 339,064
Total Interest Expense		\$ 13,939,465	\$ 9,650,375	\$ 10,039,404	\$ 9,156,568	\$ 8,175,416	\$ 7,604,748	\$ 6,683,384	\$ 6,728,879	\$ 4,157,477	\$ 8,937,952
Performance/Earn Out Incentive Expense		\$ 300,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) Loss on Sale of Assets		\$ 1,014,000	\$ (4,000)	\$ (2,005,000)	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,150,000
Ordinary Income Tax Estimate (Credit)-Accrual Basis		\$ 35,001,112	\$ 48,262,822	\$ 47,418,372	\$ 45,470,224	\$ 47,397,129	\$ 56,442,652	\$ 56,962,632	\$ 56,974,513	\$ 58,035,101	\$ 56,369,643
Deferred Income Tax Expense (Credit)		\$ 56,828	\$ 72,753	\$ 73,400	\$ 74,058	\$ 74,726	\$ 75,406	\$ 76,097	\$ 76,798	\$ 77,511	\$ 78,026
Write off A/R, Inventory Amounts		\$ 4,031,301	\$ 3,659,306	\$ 1,375,111	\$ 3,287,034	\$ 3,573,299	\$ 300,000	\$ 3,806,621	\$ 3,801,002	\$ 3,801,781	\$ 3,790,197
Accrual Net Income (Loss)		\$ 51,647,904	\$ 69,334,421	\$ 70,121,850	\$ 65,269,018	\$ 68,085,011	\$ 81,076,870	\$ 81,823,052	\$ 81,839,417	\$ 83,362,080	\$ 79,097,105
% of Sales		29%	39%	38%	34%	35%	40%	40%	40%	40%	38%