Company Overview

Global INC. is a global leader in the design, development, and marketing of industrial monitoring devices. Founded in 1999, the company offers a range of cost-effective products for use across various types of machinery.

Key Data for Modeling

Sales

Primary revenue source: device sales.

Average unit sales price in 2017: $14,105, with volume and pricing expected to grow by 3.0% and 2.5% per year, respectively.

Auxiliary services generated $574.5 million in 2017, with a projected annual growth of 2.5%.

Operating Costs

In 2017, 25% of the Cost of Sales was variable, while the remainder was fixed.

Cost inflation is expected at 2.0% per year.

SG&A expenses are forecasted to be $615 million in 2018, with subsequent growth aligned with inflation.

Capital Expenditures (Capex) and Depreciation

Forecasted capex: $225 million in 2018, $250 million in 2019, and $275 million each year thereafter.

Existing assets have a useful life of 9 years, while new assets will be depreciated over 15 years.

Net Working Capital

Based on historical data, reasonable assumptions for working capital days are needed for the next five years.

Taxes

The company's tax rate is 35%, with a $40 million annual difference between taxable and accounting income due to timing differences.

Debt

Fixed rate term debt and revolving credit facility interest rate: 5.25%.

Variable rate debt: LIBOR + 225 basis points, with LIBOR expected to remain at 1.1%.

Excess cash earns interest income at 1.0%.

Equity

Plans to issue $10 million in additional Preferred Shares in mid-2019 with an 8.5% dividend yield.

Plans for Common Share repurchases: $150 million in both 2018 and 2019.

New dividends for Common Shares starting in 2018, based on a 25% payout ratio of net income.

Other Assumptions

Exclude restructuring charges after 2017.

Assume certain items (Goodwill, Intangibles, Other Long-Term Assets/Liabilities, and Other Shareholders' Equity) will remain constant over the forecast period.

Requirements

Build a five-year financial model, including Base, Best, and Worst scenarios.

Create a logically organized assumptions page.

Generate schedules for key items that appear on financial statements.

Summarize key operating and financial results for each scenario.