

Equity Analysis of a Project

INPUT SHEET: USER ENTERS ALL BOLD NUMBERS

INITIAL INVESTMENT	
Initial Investment=	\$50,000
Opportunity cost (if any)=	\$7,484
Lifetime of the investment	10
Salvage Value at end of projec	\$10,000
Deprec. method(1:St.line;2:DE	2
Tax Credit (if any)=	10%
Other invest.(non-depreciable)	0

WORKING CAPITAL	
Initial Investment in Work. Ca	\$10,000
Working Capital as % of Rev=	25%
Salvageable fraction at end=	100%

CASHFLOW DETAILS	
Revenues in year 1=	\$40,000
Var. Expenses as % of Rev=	50%
Fixed expenses in year 1=	0
Tax rate on net income=	40%

If you do not have the breakdown of fixed and variable expenses, input the entire expense as a % of revenues.

DISCOUNT RATE	
Approach(1:Direct;2:CAPM)	2
1. Discount rate =	10%
2a. Beta	0.9
b. Riskless rate=	8.00%
c. Market risk premium =	5.50%
d. Debt Ratio =	30.00%
e. Cost of Borrowing =	9.00%

Discount rate used= 10.69%

GROWTH RATES										
	1	2	3	4	5	6	7	8	9	10
Revenues	Do not enter	10.00%	10.00%	10.00%	10.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fixed Expenses	Do not enter	10.00%	10.00%	10.00%	10.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Default: The fixed expense growth rate is set equal to the growth rate in revenues by default

YEAR
0 1 2 3 4 5 6 7 8 9 10

INITIAL INVESTMENT	
Investment	\$50,000
- Tax Credit	\$5,000
Net Investment	\$45,000
+ Working Cap	\$10,000
+ Opp. Cost	\$7,484
+ Other invest.	\$0
Initial Investme	\$62,484

SALVAGE VALUE

Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000
Working Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,641

OPERATING CASHFLOWS

Lifetime Index	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Revenues	\$40,000	\$44,000	\$48,400	\$53,240	\$58,564	\$58,564	\$58,564	\$58,564	\$58,564	\$58,564	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-Var. Expenses	\$20,000	\$22,000	\$24,200	\$26,620	\$29,282	\$29,282	\$29,282	\$29,282	\$29,282	\$29,282	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Fixed Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBITDA	\$20,000	\$22,000	\$24,200	\$26,620	\$29,282	\$29,282	\$29,282	\$29,282	\$29,282	\$29,282	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Depreciation	\$10,000	\$8,000	\$6,400	\$5,120	\$4,096	\$3,277	\$2,621	\$486	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBIT	\$10,000	\$14,000	\$17,800	\$21,500	\$25,186	\$26,005	\$26,661	\$28,796	\$29,282	\$29,282	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-Tax	\$4,000	\$5,600	\$7,120	\$8,600	\$10,074	\$10,402	\$10,664	\$11,518	\$11,713	\$11,713	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBIT(1-t)	\$6,000	\$8,400	\$10,680	\$12,900	\$15,112	\$15,603	\$15,996	\$17,278	\$17,569	\$17,569	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
+ Depreciation	\$10,000	\$8,000	\$6,400	\$5,120	\$4,096	\$3,277	\$2,621	\$486	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- ð Work. Cap	\$0	\$1,000	\$1,100	\$1,210	\$1,331	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NATCF	(\$62,484)	\$16,000	\$15,400	\$15,980	\$16,810	\$17,877	\$18,880	\$18,618	\$17,764	\$17,569	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Discount Factor	1	1.10685	1.225116923	1.356020666	1.500911474	1.661283865	1.838792046	2.035266976	2.252735252	2.493440014	2.759864079	1	1	1	1	1	1	1	1	1
Discounted CF	(\$62,484)	\$14,455	\$12,570	\$11,784	\$11,200	\$10,761	\$10,268	\$9,148	\$7,885	\$7,046	\$15,294	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Investment Measures

NPV =	\$47,928
IRR =	23.55%
ROC =	60.12%

BOOK VALUE & DEPRECIATION

Book Value (beginning)	\$50,000	\$40,000	\$32,000	\$25,600	\$20,480	\$16,384	\$13,107	\$10,486	\$10,000	\$10,000
Depreciation	\$10,000	\$8,000	\$6,400	\$5,120	\$4,096	\$3,277	\$2,621	\$486	\$0	\$0

BV(ending)	\$50,000	\$40,000	\$32,000	\$25,600	\$20,480	\$16,384	\$13,107	\$10,486	\$10,000	\$10,000	\$10,000
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