

Kroger – Albertsons

Course: Fin 233

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Companies overview

Kroger is an American retail company founded in 1883 by Bernard Kroger in Cincinnati, Ohio. Nowadays, Kroger is headed by the CEO and Chairman of the Board, W. Rodney McMullen, who joined Kroger in 1978 as a part-time stock clerk and was later elected to CEO effective January 1st, 2014, and Chairman of the Board effective January 1st, 2015. McMullen's Kroger operations include 2,750 grocery retail stores, 170 jewelry stores, 35 food processing facilities, 1,585 supermarket fuel centers, 2,251 pharmacies, 225 in-store medical centers, and roughly 500,000 employees. This is enough to place Kroger as the largest supermarket operator in the United States and the fifth-largest general retailer in the United States by revenue. McMullen led Kroger to capture \$137.888 billion in total revenue in the fiscal year of 2021, with \$30.349 billion in gross profit. Kroger operates with the ethos of maximizing customer value, convenience, and simplicity; this drives its strategy of creating an all-in-one customer-oriented retail center. Kroger has achieved this goal by giving mergers and acquisitions a key role in its operations. One famous example is Kroger's acquisition of Fred-Meyer Inc., which was at the time also one of the largest supermarket retail chains in the U.S. This merger was \$8 billion, with an additional assumption of \$4.8 billion in debt. In 1998, it was the biggest in Kroger's history, making them the geographically broadest supermarket chain. In the fall of 2017, Kroger launched "Restock Kroger" as a strategic plan to evolve its financial model and overall business by focusing on its customers, associates, purpose, and shareholders. This meant that Kroger wanted to add newer technologies and innovations to increase its customer experience (The Kroger Co).

Albertsons, an American retail company, was founded in 1939 in Boise, Idaho. Vivek Sankaran is the current Chief Executive Officer of Albertsons. Sankaran joined Albertsons in April 2019 after being Chief Executive Officer of PepsiCo Foods North America for 10 years. Albertsons, under Sankaran's control, operated 2,272 stores, 402 fuel stations, 1,722 in-store pharmacies, 22 distribution centers, 19 manufacturing facilities, and employed roughly 290,000 individuals. In the fiscal year of 2021, Albertsons reported \$71.887 billion in total revenue and \$20.772 billion in gross profit. This ranks them as the fifty-third largest U.S. corporation by revenue, and the second largest supermarket chain in the U.S., falling behind only Kroger. Albertsons places a premium on a companywide focus on innovation and digital offerings, making products more accessible to customers. Mergers and Acquisitions have also played an important role in Albertsons' operations. An acquisition spree from 2001-2004 severely cost the company when the anticipated synergies had not been realized. This forced Albertsons to sell most of its stores and subsidiaries to SuperValu in 2006, with a Cerebus-Capital-led group of investors buying the few remaining stores and becoming the parent company of Albertsons. SuperValu would then struggle to operate many of the stores it acquired, and in 2013 the newly led Albertsons would repurchase many of the stores it had previously lost. Since then, Albertsons has focused on innovation and new technologies to improve customer experience and expand its reach (Albertsons).

Industry overview

Both companies are in the food retail sector, the retail industry in the United States comprises supermarkets & hypermarkets, grocery stores, convenience stores, drug stores, mass merchandisers, and food service facilities, etc. Both businesses operate in the food retail sector. In the U.S., this sector includes supermarkets and hypermarkets, grocers, drugstores, convenience stores, mass merchandisers, and restaurants, etc (Wikipedia).

From the data generated by Yahoo Finance, although this industry, which is estimated to be worth 11,324 billion USD in 2021 and is expected to grow at a compound annual growth rate of 3% for the following ten years, is not considered to be cyclical, the performance of retail businesses is still significantly influenced by macroeconomics as consumer purchasing power is still influenced by real GDP growth and the company's operating leverage, among sales, fresh foods, frozen foods, beverage, and household goods.

Currently, Walmart, Costco Whole Sales, 7-Eleven, Amazon, Kroger, and Target are the major players in this market. According to statistics from 2021, Walmart is the largest player in this sector. It has roughly 4668 stores in the United States and generates 341 billion in sales annually, or 39% of all food retail sales. Kroger is the second-largest player, with 3,225 locations, or about 1,500 fewer than Walmart. The top five businesses in the market control nearly one-third of the market share, making it a highly concentrated sector (Yahoo Finance).

The most significant feature of retail business is high revenue with a low net-profit margin, relying on the turnover rate to boost company performance. Otherwise, due to the timings of the goods, the impairment in inventory might cause significant harm to the firm.

Analysis Process - FCF & DCF

We will use fundamental valuation (DCF). For this case, in contrast to using multiples for valuation, DCF makes explicit estimates of all of the fundamental drivers of business value.

Because revenue is the primary driver of all other metrics, we begin our analysis of the target company by forecasting its annual revenue. We will forecast the Albertsons' free cash flow through the end of the fiscal year in 2023. The past year's financial statements are from EDGAR, and we generated them together, which is shown in exhibit 6.

As Albertsons (ACI) 's income statement shows, we project that the revenue growth of the fiscal year 2023 will begin at 3.15% and then progressively fall to 3% in the fiscal year 2030, which is close to the GDP growth rate. This is based on the data: the average growth of ACI's revenue over the past four fiscal years has been approximately 3.15%. Following the completion of the projection for the forward annual growth rate, we then proceed to forecast the cost of revenue and the gross profit. The cost of revenue and the gross profit as a percentage of total revenues are, respectively, 71.17% and 21.83% as the fiscal year 2022 ends. As a result of the reality that ACI's business model is predominantly concentrated on retail, we anticipate that the company's cost of revenue will remain stable and will experience a modest improvement in the upcoming fiscal years. Consequently, we foresee that the proportion of ACI's cost revenues will fall to 70% of its total revenue in the fiscal year 2030. On the other hand, ACI's gross profit will also improve in the forthcoming fiscal years because of an improvement in the cost of revenue. It will constitute 30% of the company's total revenue in the fiscal year 2030.

Forecasting the ACI's balance sheet is the next phase. We project assets by continuing to calculate their percentage of revenues in order to provide an accurate picture of the proportion of assets. We consider the average percentage that each asset variable contributed to the total revenue for the past four fiscal years in order to calculate the forecast percentage for the upcoming fiscal years. After that, add together each of these corresponding asset factors to get the estimated total assets. However, there is a particular way we predict the inventory, which is to use it as a proportion of the cost of revenues. This is because inventory is always treated as a percentage of the company's expenses. ACI's total liabilities are estimated after we anticipate ACI's total assets. We forecast the remaining variables as a percentage of the total assets, except for estimating the firm's payables as a percentage of cost of revenues. After calculating the predicted total assets, liabilities, and equity, we estimate the net working capital (NWC) using the predicted short-term assets and short-term liabilities and then calculate the change in NWC.

One of the vital components of calculating free cash flow is capital expenditures (CAPX). For computing the CAPX, we need to adopt the historical depreciation in the income statement to combine with the historical fixed income and intangible assets to receive the historical depreciation rate. Then, we use the average historical depreciation rate of the previous four fiscal years to determine the expected depreciation rate. Since we have already received the forecasted fixed and intangible assets in the portion of forecasting the income statement, we sum up these two forecasted variables to receive the total fixed and intangible assets and then compute the change in property, plant, and equipment (PP&E). We can receive the forecasted capital expenditure by summing up the change in PP&E and forecasted depreciation. After a series of calculations, we finally received the free cash flow of ACI until the fiscal year 2030, and we adopted the same approach to receive the free cash flow of the acquirer company, Kroger (KR).

After we get FCF for Albertsons, the next step is to find a weighted average cost of capital (WACC). WACC is the average rate that a company expects to pay to finance its assets. In order to calculate it, we need the cost of equity and the cost of debt. Image 1 contains the assumption of market risk premium, risk-free rate, and additional risk adjustments from finbox.com. Since most of the information here is based on assumptions, we calculate two sides of the data to take an average of the low and high assumptions. In the end, we say the cost of equity would be 13.25%.

	Range		Conclusion
	Low	High	
<u>Cost of Equity</u>			
Selected Beta	1.06	2.10	1.58
Market Risk Premium	4.2%	4.2%	4.2%
Risk-free Rate	4.0%	4.4%	4.2%
Additional Risk Adjustments	1.61%	3.22%	2.4%
Implied Cost of Equity	10.00%	16.50%	13.25%
<u>Cost of Debt Inputs</u>			
Pre-tax Cost of Debt	8.5%	9.0%	8.8%
Tax Rate	23.0%	23.0%	23.0%
Debt % of Capital	45.0%	70.0%	57.5%
Implied Cost of Debt	6.55%	6.93%	6.74%

Image 1

The 3-year average effective interest expense is about 4.4%. With this and the information in image 1, we predict the cost of debt before tax is about 8.8%. Assuming the tax rate is the same as the last three years, 23%, we get WACC, which equals the cost of debt (after tax) times reliance on debt plus cost of equity times reliance on equity, which is 7.15%.

With WACC, we calculate the discount factor for each year until 2023 and use the discount factor times FCF to get each year's present value. Adding up all present values, we get roughly \$12,075 million total present value of FCF. Assuming Kroger will sell Albertsons in

2031, we get FCF in 2031 of \$3,059 million. Using it divided by the difference between WACC (7.51%) and growth rate (3.16%), we get the growing perpetuity, \$70,294 million. Calculating the terminal value back to 2022, we get \$39,378 million. We assume a growth rate of 3.16% since it is the average for 2020 and 2022. 2021 has an extremely high growth rate compared to other years for several reasons, so we exclude it from our calculations. The main reason the company stressed was that higher fuel sales and retail price inflation partly drove the increase.

Therefore, combining the terminal value and the total present value of FCF of the following eight years, we get Albertsons' enterprise value of \$51,453 million. Using enterprise value minus debt value but adding back cash and cash equipment that we predict (exhibit 2), we get an equity value of \$22,941 million. We predict the number of shares after eight years would be 490.67 million, as it is the average of the recent past five years' number of shares (finbox.com). The outstanding shares were stable at around 480 million until the end of 2021, which grew steadily for a year and stayed stable for the past year. Therefore, it is reasonable to assume 490.67 million as the future outstanding numbers under the condition that share splitting does not happen. Using equity value divided by the number of shares outstanding, we eventually get the stock price of \$46.75.

Synergies

The acquisition deal of ACI is a horizontal integration since both companies are in the grocery retail sector; as this deal completes, the company is expected to achieve \$9 billion of net synergy. The majority of the synergy comes from the reduction of operating costs, as KR and ACI have a number of 7% supermarkets in overlap in terms of geographical location ("Kroger-Albertsons Antitrust Review Likely to Focus on Local Store Overlap."). This

acquisition deal enables Kroger to shut down these department stores and use the capital in an alternative way; as well as the financial tax deduction synergy, since KR will borrow a \$17 billion amount of bridge loan from Wells Fargo, although the details of this loan deal are not disclosed yet. Also, from the perspective of strategy, in the post-COVID period, food grocery supermarkets are experiencing inflation in the operating cost side, not only the food materials but also the labor and fuel costs. Therefore, if this acquisition is successful, KR will be able to own around eight plus five percent of the market share in terms of food retail, further gain better bargaining power with customers, and be able to raise the price of goods for a bit; it can also be a part of the growth synergy.

This acquisition deal is an all-cash deal, as KR and ACI agreed to pay a total of 20 billion, which is \$34.1 to the current share value of ACI.

The synergy allocation tends to benefit the acquisition target side more. In an ideal situation, the target's stock price will rise 77.6% for ACI and stay almost the same for acquirer KR. However, when the acquisition deal news came out, the result could have been more optimistic than the management teams expected. The rise in ACI was about 11.5%, while the rise in KR was 1.15%.

Although the offer price is \$34 per share to ACI, the ACI share is still traded at around \$20 per share. The possibility of the acquisition remains low, as these two companies overlap in the business area, which will significantly enhance the concentration rate in the retail food business and may harm consumers' interests. In this case, the acquisition deal may get rejected by the authorities. Hence, some people argue that it does not sound like a reasonable deal.

Conclusion:

However, one could argue that the combination of Kroger and Albertsons Companies is a good deal. Kroger launched “Restock Kroger,” a strategic plan to focus on adding new technologies to enhance customer experience. At the same time, Albertsons also envisions a long-term goal of focusing on innovation and digital offerings, making products more available to its customers (The Kroger Co). Both parties are in the same interest, which is a crucial factor in successful mergers. The number of synergies achieved, such as reductions in the operating income, will also allow further capital spending on technological innovations and create an even more efficient supermarket experience. We believe this combination will deliver superior value to customers, communities, and shareholders.

Exhibit 1: The Forecasted Income Statement of ACI

The Forecasted Income Statement of ACI										
Period Ending:	2022	2021	2020	2019						
Total Revenue	\$ 71,887,000.00	\$ 69,690,400.00	\$ 62,455,100.00	\$ 60,534,500.00						
% change (growth rate)	3.15%	11.58%	3.17%							
Period Ending:	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Total Revenue	\$ 71,887,000.00	\$ 74,151,440.50	\$ 76,450,135.16	\$ 78,820,089.35	\$ 81,184,692.03	\$ 83,620,232.79	\$ 86,128,659.77	\$ 88,712,704.96	\$ 91,374,086.11	3.00%
% change (growth rate)	3.15%	3.15%	3.10%	3.10%	3.00%	3.00%	3.00%	3.00%	3.00%	
Period Ending:	2022	2021	2020	2019						
Cost of Revenue (As A% of Revenues)	71.17%	70.71%	71.83%	72.09%						
Gross Profit (As A% of Revenues)	28.83%	29.29%	28.17%	27.91%						
Selling, General and Administrative Expenses (As A% of Revenues)	25.46%	27.03%	26.65%	26.88%						
Other Operating Items (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Add'l Income/expense Items (As A% of Revenues)	0.22%	0.13%	0.55%	0.43%						
Interest Expense (As A% of Revenues)	0.67%	0.77%	1.12%	1.37%						
Tax Rate	22.86%	24.67%	22.16%	-151.15%						
Equity Earnings/Loss Unconsolidated Subsidiary (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Period Ending:	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Cost of Revenue	\$ 51,164,600.00	\$ 51,906,008.35	\$ 53,515,094.61	\$ 55,174,062.54	\$ 56,829,284.42	\$ 58,534,162.95	\$ 60,290,187.84	\$ 62,324,639.37	\$ 64,134,378.56	
Cost of Revenue (As A% of Revenues)	71.17%	70%	70%	70%	70%	70%	70%	70%	68%	
Gross Profit	\$ 20,722,400.00	\$ 22,245,432.15	\$ 22,935,040.55	\$ 23,646,026.80	\$ 24,355,407.61	\$ 25,086,069.84	\$ 25,838,651.93	\$ 26,388,065.59	\$ 29,239,707.56	
Gross Profit (As A% of Revenues)	28.83%	30%	30%	30%	30%	30%	30%	32%	32%	
Selling, General and Administrative Expenses	\$ 18,300,500.00	\$ 19,652,422.69	\$ 20,261,647.80	\$ 20,889,758.88	\$ 21,516,451.64	\$ 22,161,945.19	\$ 22,826,803.55	\$ 23,511,607.66	\$ 24,216,955.89	
Selling, General and Administrative Expenses (As A% of Revenues)	25.46%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	
Other Operating Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Operating Items (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Total Operating Expenses	\$ 18,300,500.00	\$ 19,652,422.69	\$ 20,261,647.80	\$ 20,889,758.88	\$ 21,516,451.64	\$ 22,161,945.19	\$ 22,826,803.55	\$ 23,511,607.66	\$ 24,216,955.89	
Total Operating Income	\$ 2,421,900.00	\$ 2,593,009.46	\$ 2,673,392.75	\$ 2,756,267.93	\$ 2,838,956.96	\$ 2,924,124.64	\$ 3,011,848.38	\$ 3,101,457.83	\$ 3,192,732.67	
Add'l Income/expense Items	\$ 159,500.00	\$ 246,801.20	\$ 254,452.04	\$ 262,340.05	\$ 270,210.26	\$ 278,315.56	\$ 286,666.06	\$ 295,256.04	\$ 304,124.02	
Add'l Income/expense Items (As A% of Revenues)	0.22%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	
Earning Before Interest and Tax (EBIT)	\$ 2,581,400.00	\$ 2,839,810.66	\$ 2,927,844.79	\$ 3,018,607.98	\$ 3,109,166.22	\$ 3,202,441.21	\$ 3,298,514.44	\$ 3,397,722.97	\$ 3,528,875.69	
Interest Expense	\$ 481,900.00	\$ 729,033.57	\$ 751,633.62	\$ 774,934.26	\$ 798,182.29	\$ 822,127.75	\$ 846,781.59	\$ 872,195.33	\$ 898,361.19	
Interest Expense (As A% of Revenues)	0.67%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	
Earning Before Tax	\$ 2,099,500.00	\$ 2,110,777.09	\$ 2,176,211.18	\$ 2,243,673.72	\$ 2,310,983.93	\$ 2,380,313.45	\$ 2,451,722.85	\$ 2,499,528.64	\$ 4,285,514.50	
Income Tax	\$ 479,900.00	\$ 464,370.96	\$ 478,766.46	\$ 493,608.22	\$ 508,416.47	\$ 523,668.96	\$ 539,379.03	\$ 549,986.30	\$ 574,273.91	
Tax Rate	22.86%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	
Equity Earnings/Loss Unconsolidated Subsidiary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equity Earnings/Loss Unconsolidated Subsidiary (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Income	\$ 1,619,600.00	\$ 1,646,406.13	\$ 1,697,444.72	\$ 1,750,065.50	\$ 1,802,567.47	\$ 1,856,644.49	\$ 1,912,343.83	\$ 1,970,929.34	\$ 3,454,241.21	

Exhibit 2: The Forecasted Balance Sheet of ACI

The Forecasted Balance Sheet of ACI										
Period Ending:	2022	2021	2020	2019						
Cash and Cash Equivalents (As A% of Revenues)	4.04%	2.46%	0.75%	1.53%						
Short-Term Investments (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Net Receivables (As A% of Revenues)	0.78%	0.79%	0.84%	0.97%						
Inventory (As A% of Cost of Revenues)	6.26%	6.17%	6.97%	7.16%						
Other Current Assets (As A% of Revenues)	0.56%	0.60%	0.61%	0.67%						
Long-Term Investments (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Fixed Assets (As A% of Revenues)	21.22%	22.14%	24.14%	16.29%						
Goodwill (As A% of Revenues)	1.67%	1.70%	1.89%	1.95%						
Intangible Assets (As A% of Revenues)	3.18%	3.03%	3.34%	4.68%						
Other Assets (As A% of Revenues)	1.41%	1.28%	1.05%	1.07%						
Deferred Asset Charges (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Accounts Payable (As A% of Cost of Revenues)	12.64%	11.41%	10.35%	10.52%						
Short-Term Debt / Current Portion of Long-Term Debt (As A% of Revenues)	1.15%	0.30%	0.35%	0.25%						
Other Current Liabilities (As A% of Total Asset)	3.73%	3.75%	4.20%	2.00%						
Long-Term Debt (As A% of Total Asset)	25.25%	30.67%	34.34%	50.24%						
Other Liabilities (As A% of Total Asset)	26.79%	30.86%	30.10%	15.28%						
Deferred Liability Charges (As A% of Total Asset)	2.84%	2.01%	2.48%	2.70%						
Misc. Stocks (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%						
Minority Interest (As A% of Revenues)	1.78%	2.29%	0.00%	0.00%						
Period Ending:	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Current Assets										
Cash and Cash Equivalents	\$ 2,902,000.00	\$ 1,628,398.64	\$ 1,678,878.99	\$ 1,730,924.24	\$ 1,782,851.97	\$ 1,836,337.53	\$ 1,891,427.66	\$ 1,948,170.49	\$ 2,006,615.60	
Cash and Cash Equivalents (As A% of Revenues)	4.04%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	
Short-Term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Short-Term Investments (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Receivables	\$ 560,800.00	\$ 626,540.54	\$ 645,983.30	\$ 665,988.16	\$ 685,987.80	\$ 706,546.84	\$ 727,743.24	\$ 749,575.54	\$ 772,062.81	
Net Receivables (As A% of Revenues)	0.78%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	
Inventory	\$ 4,500,800.00	\$ 4,923,568.03	\$ 5,076,198.54	\$ 5,233,540.80	\$ 5,390,567.62	\$ 5,552,284.65	\$ 5,718,853.19	\$ 5,890,418.79	\$ 6,067,131.35	
Inventory (As A% of Cost of Revenues)	6.26%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%	
Other Current Assets	\$ 403,000.00	\$ 452,943.09	\$ 466,984.33	\$ 481,460.84	\$ 495,004.67	\$ 510,781.81	\$ 526,105.26	\$ 541,888.42	\$ 558,145.07	
Other Current Assets (As A% of Revenues)	0.56%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	
Total Current Assets	\$ 8,366,400.00	\$ 7,631,450.30	\$ 7,868,025.26	\$ 8,111,934.04	\$ 8,355,292.06	\$ 8,605,950.83	\$ 8,864,129.35	\$ 9,130,053.23	\$ 9,403,954.83	
Long-Term Assets										
Long-Term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Long-Term Investments (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Fixed Assets	\$ 15,258,000.00	\$ 15,534,342.40	\$ 16,015,907.01	\$ 16,512,400.13	\$ 17,007,772.13	\$ 17,518,005.30	\$ 18,043,545.45	\$ 18,584,851.82	\$ 19,142,397.37	
Fixed Assets (As A% of Revenues)	21.22%	20.95%	20.95%	20.95%	20.95%	20.95%	20.95%	20.95%	20.95%	
Goodwill	\$ 1,201,000.00	\$ 1,338,064.61	\$ 1,379,544.62	\$ 1,422,310.50	\$ 1,464,879.81	\$ 1,508,929.21	\$ 1,554,197.09	\$ 1,600,823.00	\$ 1,648,847.69	
Goodwill (As A% of Revenues)	1.67%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	
Intangible Assets	\$ 2,285,000.00	\$ 2,637,738.99	\$ 2,719,508.90	\$ 2,803,813.67	\$ 2,887,928.08	\$ 2,974,565.93	\$ 3,063,802.90	\$ 3,155,716.99	\$ 3,250,388.50	
Intangible Assets (As A% of Revenues)	3.18%	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%	3.56%	
Other Assets	\$ 1,012,600.00	\$ 890,168.17	\$ 917,763.38	\$ 946,214.05	\$ 974,600.47	\$ 1,003,838.48	\$ 1,033,953.64	\$ 1,064,972.25	\$ 1,096,921.41	
Other Assets (As A% of Revenues)	1.41%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	
Deferred Asset Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Deferred Asset Charges (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Total Assets	\$ 28,123,000.00	\$ 28,031,764.47	\$ 28,900,749.17	\$ 29,796,672.39	\$ 30,690,572.56	\$ 31,611,289.74	\$ 32,559,628.43	\$ 33,536,417.29	\$ 34,542,509.80	
Current Liabilities										
Accounts Payable	\$ 4,469,600.00	\$ 5,829,481.25	\$ 6,010,174.55	\$ 6,196,489.96	\$ 6,382,384.66	\$ 6,573,856.20	\$ 6,771,071.89	\$ 6,974,941.07	\$ 7,187,189.30	
Accounts Payable (As A% of Cost of Revenues)	12.64%	11.23%	11.23%	11.23%	11.23%	11.23%	11.23%	11.23%	11.23%	
Short-Term Debt / Current Portion of Long-Term Debt	\$ 828,800.00	\$ 381,509.54	\$ 393,336.33	\$ 405,528.76	\$ 417,695.65	\$ 430,226.52	\$ 443,133.32	\$ 456,427.32	\$ 470,120.13	
Short-Term Debt / Current Portion of Long-Term Debt (As A% of Revenues)	1.15%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	
Other Current Liabilities	\$ 1,050,100.00	\$ 958,628.88	\$ 988,348.67	\$ 1,018,985.11	\$ 1,049,558.66	\$ 1,081,041.30	\$ 1,113,472.54	\$ 1,146,876.72	\$ 1,181,283.02	
Other Current Liabilities (As A% of Total Asset)	3.73%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	
Total Current Liabilities	\$ 6,348,500.00	\$ 7,169,619.67	\$ 7,391,857.56	\$ 7,621,004.83	\$ 7,849,634.98	\$ 8,085,124.03	\$ 8,327,677.75	\$ 8,578,245.11	\$ 8,829,592.46	
Long-Term Debt	\$ 7,136,300.00	\$ 9,839,876.56	\$ 10,144,709.63	\$ 10,459,195.62	\$ 10,772,971.49	\$ 11,096,160.64	\$ 11,429,045.46	\$ 11,771,916.82	\$ 12,125,074.33	
Long-Term Debt (As A% of Total Asset)	25.38%	35.10%	35.10%	35.10%	35.10%	35.10%	35.10%	35.10%	35.10%	
Other Liabilities	\$ 7,535,300.00	\$ 7,220,336.73	\$ 7,444,167.17	\$ 7,674,936.35	\$ 7,905,184.44	\$ 8,142,339.97	\$ 8,386,610.17	\$ 8,638,208.48	\$ 8,897,354.73	
Other Liabilities (As A% of Total Asset)	26.79%	25.76%	25.76%	25.76%	25.76%	25.76%	25.76%	25.76%	25.76%	
Deferred Liability Charges	\$ 799,800.00	\$ 703,180.29	\$ 724,978.88	\$ 747,453.22	\$ 769,679.82	\$ 792,973.12	\$ 816,762.32	\$ 841,265.19	\$ 866,503.14	
Deferred Liability Charges (As A% of Total Asset)	2.84%	2.51%	2.51%	2.51%	2.51%	2.51%	2.51%	2.51%	2.51%	
Misc. Stocks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Misc. Stocks (As A% of Revenues)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Minority Interest	\$ 1,278,500.00	\$ 755,059.69	\$ 778,445.51	\$ 802,597.94	\$ 826,875.88	\$ 851,476.16	\$ 877,020.44	\$ 903,331.05	\$ 930,430.99	
Minority Interest (As A% of Revenues)	1.78%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	
Total Liabilities	\$ 23,819,900.00	\$ 24,932,796.24	\$ 25,705,112.93	\$ 26,502,590.03	\$ 27,297,667.73	\$ 28,116,597.76	\$ 28,960,095.70	\$ 29,829,635.59	\$ 30,518,524.66	
Total Equity	\$ 4,303,100.00	\$ 3,098,968.22	\$ 3,195,036.24	\$ 3,294,082.36	\$ 3,392,904.83	\$ 3,494,691.98	\$ 3,599,532.74	\$ 3,706,781.69	\$ 4,023,985.14	
Total Liabilities & Equity	\$ 28,123,000.00	\$ 28,031,764.47	\$ 28,900,749.17	\$ 29,796,672.39	\$ 30,690,572.56	\$ 31,611,289.74	\$ 32,559,628.43	\$ 33,536,417.29	\$ 34,542,509.80	
Net Working Capital (NWC)	\$ 16,714,900.00	\$ 14,801,049.97	\$ 15,259,882.52	\$ 15,732,938.87	\$ 16,204,827.04	\$ 16,691,074.85	\$ 17,191,807.10	\$ 17,508,298.34	\$ 18,033,547.29	
Change in NWC	\$ -	\$ (1,913,850.03)	\$ 458,832.55	\$ 473,056.36	\$ 471,988.17	\$ 486,147.81	\$ 500,732.25	\$ 316,491.24	\$ 525,248.95	

Exhibit 3: The Forecasted Cash Flow of ACI

The Forecasted Free Cash Flow of ACI										
Period Ending:	2022	2021	2020	2019						
Historical Depreciation	\$ -	\$ -	\$ -	\$ -						
Historical Fixed Assets	\$ 15,258,000.00	\$ 15,428,300.00	\$ 15,079,300.00	\$ 9,861,300.00						
Historical Intangible Assets	\$ 2,285,000.00	\$ 2,108,800.00	\$ 2,087,200.00	\$ 2,834,500.00						
Total Fixed & Intangible Assets	\$ 17,543,000.00	\$ 17,537,100.00	\$ 17,166,500.00	\$ 12,695,800.00						
Average Fixed & Intangible Assets	\$ 17,540,050.00	\$ 17,351,800.00	\$ 14,931,150.00							
Historical Depreciation Rate	0.00%	0.00%	0.00%							
Period Ending:	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Forecasted Fixed Assets	\$ 15,258,000.00	\$ 15,534,342.40	\$ 16,015,907.01	\$ 16,512,400.13	\$ 17,007,772.13	\$ 17,518,005.30	\$ 18,043,545.45	\$ 18,584,851.82	\$ 19,142,397.37	
Forecasted Intangible Assets	\$ 2,285,000.00	\$ 2,637,738.99	\$ 2,719,508.90	\$ 2,803,813.67	\$ 2,887,928.08	\$ 2,974,565.93	\$ 3,063,802.90	\$ 3,155,716.99	\$ 3,250,388.50	
Forecasted Total Fixed & Intangible Assets	\$ 17,543,000.00	\$ 18,172,081.39	\$ 18,735,415.91	\$ 19,316,213.80	\$ 19,895,700.22	\$ 20,492,571.22	\$ 21,107,348.36	\$ 21,740,568.81	\$ 22,392,785.87	
Forecasted Average Total Fixed & Intangible Assets	\$ 17,540,050.00	\$ 17,857,540.69	\$ 18,453,748.65	\$ 19,025,814.86	\$ 19,605,957.01	\$ 20,194,135.72	\$ 20,799,959.79	\$ 21,423,958.58	\$ 22,066,677.34	
Forecasted Depreciation Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Forecasted D&A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Fixed Assets at Beginning of Year	\$ 15,428,300.00	\$ 15,258,000.00	\$ 15,534,342.40	\$ 16,015,907.01	\$ 16,512,400.13	\$ 17,007,772.13	\$ 17,518,005.30	\$ 18,043,545.45	\$ 18,584,851.82	
Net Fixed Assets at End of Year	\$ 15,258,000.00	\$ 15,534,342.40	\$ 16,015,907.01	\$ 16,512,400.13	\$ 17,007,772.13	\$ 17,518,005.30	\$ 18,043,545.45	\$ 18,584,851.82	\$ 19,142,397.37	
Change in PP&E	\$ (170,300.00)	\$ 276,342.40	\$ 481,564.61	\$ 496,493.12	\$ 495,372.00	\$ 510,233.16	\$ 525,540.16	\$ 541,306.36	\$ 557,545.55	
Forecasted D&A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Capital Expenditure	\$ (170,300.00)	\$ 276,342.40	\$ 481,564.61	\$ 496,493.12	\$ 495,372.00	\$ 510,233.16	\$ 525,540.16	\$ 541,306.36	\$ 557,545.55	
Period Ending:	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Operating Income	\$ 2,421,900.00	\$ 2,593,009.46	\$ 2,673,392.75	\$ 2,756,267.93	\$ 2,838,955.96	\$ 2,924,124.64	\$ 3,011,848.38	\$ 3,101,848.38	\$ 3,194,457.93	\$ 5,022,751.67
- Income Tax	\$ 479,900.00	\$ 464,370.96	\$ 478,766.46	\$ 493,608.22	\$ 508,416.47	\$ 523,668.96	\$ 539,379.03	\$ 549,896.30	\$ 574,273.19	
+ NOPAT	\$ 1,942,000.00	\$ 2,128,638.50	\$ 2,194,626.29	\$ 2,262,659.71	\$ 2,330,539.50	\$ 2,400,455.68	\$ 2,472,469.35	\$ 2,930,561.63	\$ 4,048,478.48	
+ Depreciation & Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
- Change in NWC	\$ (1,913,850.03)	\$ 458,832.55	\$ 458,832.55	\$ 473,056.36	\$ 471,988.17	\$ 486,147.81	\$ 500,732.25	\$ 516,491.24	\$ 525,248.65	
Operating Cash Flow	\$ 4,042,488.53	\$ 1,735,793.74	\$ 1,789,603.35	\$ 1,858,551.33	\$ 1,914,307.87	\$ 1,971,737.11	\$ 2,031,707.39	\$ 2,101,707.39	\$ 2,176,707.39	\$ 5,229,522.93
- Capital Expenditure	\$ -	\$ 276,342.40	\$ 481,564.61	\$ 496,493.12	\$ 495,372.00	\$ 510,233.16	\$ 525,540.16	\$ 541,306.36	\$ 557,545.55	
Free Cash Flow (FCFF)	\$ 4,042,488.53	\$ 2,012,136.13	\$ 2,271,167.96	\$ 2,355,044.45	\$ 2,409,679.87	\$ 2,481,970.27	\$ 2,557,247.55	\$ 2,643,013.75	\$ 2,734,252.94	\$ 5,787,068.48

Exhibit 4(a): Interest Rate for ACI

(USD in millions)		Fiscal Year Ending				
		Feb-22	Feb-22	Feb-22	Feb-22	Feb-22
		FY-4	FY-3	FY-2	FY-1	FY
Interest Expense	interest_exp	874	843	746	574	478
Total Debt	total_debt	11,889	10,608	14,747	14,507	14,036
Effective Interest Rate			7.5%	5.9%	3.9%	3.4%
Average Effective Interest R	4.4%					

Exhibit 4(b): WACC for ACI

	Range		Conclusion	Note: Assumption of the data comes from finebox.com https://finbox.com/NYSE:ACI/models/wacc						
	Low	High								
Cost of Equity										
Selected Beta	1.06	2.10	1.58							
Market Risk Premium	4.2%	4.2%	4.2%							
Risk-free Rate	4.0%	4.4%	4.2%							
Additional Risk Adjustments	1.61%	3.22%	2.4%							
Implied Cost of Equity	10.00%	16.50%	13.25%							
Cost of Debt Inputs										
Pre-tax Cost of Debt	8.5%	9.0%	8.8%							
Tax Rate	23.0%	23.0%	23.0%							
Debt % of Capital	45.0%	70.0%	57.5%							
Implied Cost of Debt	6.55%	6.93%	6.74%							
Assumptions:										
tax rate (for WACC)	23%									average of the past 3 years
growth rate	3.16%									average of 2022 and 2020
cost of equity	13.25%									
cost of debt	6.74%									
D/V ratio	88.35%									debt to value ratio
#shares:										share capital/price
WACC =	7.15%									

Exhibit 5: Synergy

Step 1: Stand-alone valuations			
	Kroger	ACI	
Stock price (\$)	46.30	19.20	
Number of shares (M)	715.81	587.	
Market Value (\$M)	\$33,142	\$11,270	Price times #shares
Step 2: Management expected net synergies			
Expected Synergies	\$9,000		
Integration Costs	\$180		
Net Synergies	\$8,820		
Purchase price range:	Total (\$M)	per T share (\$)	
Minimum offer price	\$11,270	19.20	stand-alone value of A
Maximum offer price	\$20,090	34.23	stand-alone value of A, plus net synergies
Step 3: Offer Price (Amount)			
	Total (\$M)	per share (\$)	
Offer price to target	\$20,017	34.10	(from press)
For T's standalone value:	\$11,270		
For the synergy:	\$8,746		
Allocation of net synergy:			
To acquirer:	\$74	0.8%	
To target:	\$8,746	25.2%	

Exhibit 6(a): ACI Income Statement 2019-2022

In USD Thousands				
Period Ending:	2022	2021	2020	2019
Total Revenue	\$ 71,887,000.00	\$ 69,690,400.00	\$ 62,455,100.00	\$ 60,534,500.00
Cost of Revenue	\$ 51,164,600.00	\$ 49,275,900.00	\$ 44,860,900.00	\$ 43,639,900.00
Gross Profit	\$ 20,722,400.00	\$ 20,414,500.00	\$ 17,594,200.00	\$ 16,894,600.00
Operating Expenses				
Research and Development	--	--	--	--
Sales, General and Admin.	\$ 18,300,500.00	\$ 18,835,800.00	\$ 16,641,900.00	\$ 16,272,300.00
Non-Recurring Items	--	--	--	--
Other Operating Items	--	--	--	--
Operating Income	\$ 2,421,900.00	\$ 1,578,700.00	\$ 952,300.00	\$ 622,300.00
Add'l income/expense items	\$ 159,500.00	\$ 88,200.00	\$ 344,900.00	\$ 260,700.00
Earnings Before Interest and Tax	\$ 2,581,400.00	\$ 1,666,900.00	\$ 1,297,200.00	\$ 883,000.00
Interest Expense	\$ 481,900.00	\$ 538,200.00	\$ 698,000.00	\$ 830,800.00
Earnings Before Tax	\$ 2,099,500.00	\$ 1,128,700.00	\$ 599,200.00	\$ 52,200.00
Income Tax	\$ 479,900.00	\$ 278,500.00	\$ 132,800.00	\$ (78,900.00)
Minority Interest	--	--	--	--
Equity Earnings/Loss Unconsolidated Subsidiary	--	--	--	--
Net Income-Cont. Operations	\$ 1,619,600.00	\$ 850,200.00	\$ 466,400.00	\$ 131,100.00
Net Income	\$ 1,619,600.00	\$ 850,200.00	\$ 466,400.00	\$ 131,100.00
Net Income Applicable to Common Shareholders	\$ 1,619,600.00	\$ 850,200.00	\$ 466,400.00	\$ 131,100.00
Period Ending:	2022	2021	2020	2019
Total Revenue	100.00%	100.00%	100.00%	100.00%
Cost of Revenue	71.17%	70.71%	71.83%	72.09%
Gross Profit	28.83%	29.29%	28.17%	27.91%
Operating Expenses				
Research and Development	0.00%	0.00%	0.00%	0.00%
Sales, General and Admin.	25.46%	27.03%	26.65%	26.88%
Non-Recurring Items	0.00%	0.00%	0.00%	0.00%
Other Operating Items	0.00%	0.00%	0.00%	0.00%
Operating Income	3.37%	2.27%	1.52%	1.03%
Add'l income/expense items	0.22%	0.13%	0.55%	0.43%
Earnings Before Interest and Tax	3.59%	2.39%	2.08%	1.46%
Interest Expense	0.67%	0.77%	1.12%	1.37%
Earnings Before Tax	2.92%	1.62%	0.96%	0.09%
Income Tax	0.67%	0.40%	0.21%	-0.13%
Minority Interest	0.00%	0.00%	0.00%	0.00%
Equity Earnings/Loss Unconsolidated Subsidiary	0.00%	0.00%	0.00%	0.00%
Net Income-Cont. Operations	2.25%	1.22%	0.75%	0.22%
Net Income	2.25%	1.22%	0.75%	0.22%
Net Income Applicable to Common Shareholders	2.25%	1.22%	0.75%	0.22%

Exhibit 6(b): ACI Balance Sheet 2019-2022

In USD Thousands				
Period Ending:	2022	2021	2020	2019
Current Assets				
Cash and Cash Equivalents	\$ 2,902,000.00	\$ 1,717,000.00	\$ 470,700.00	\$ 926,100.00
Short-Term Investments	—	—	—	—
Net Receivables	\$ 560,600.00	\$ 550,900.00	\$ 525,300.00	\$ 586,200.00
Inventory	\$ 4,500,800.00	\$ 4,301,300.00	\$ 4,352,500.00	\$ 4,332,800.00
Other Current Assets	\$ 403,000.00	\$ 418,800.00	\$ 382,800.00	\$ 404,900.00
Total Current Assets	\$ 8,366,400.00	\$ 6,988,000.00	\$ 5,731,300.00	\$ 6,250,000.00
Long-Term Assets				
Long-Term Investments	—	—	—	—
Fixed Assets	\$ 15,258,000.00	\$ 15,428,300.00	\$ 15,079,300.00	\$ 9,861,300.00
Goodwill	\$ 1,201,000.00	\$ 1,183,300.00	\$ 1,183,300.00	\$ 1,183,300.00
Intangible Assets	\$ 2,285,000.00	\$ 2,108,800.00	\$ 2,087,200.00	\$ 2,834,500.00
Other Assets	\$ 1,012,600.00	\$ 889,600.00	\$ 654,000.00	\$ 647,500.00
Deferred Asset Charges	—	—	—	—
Total Assets	\$ 28,123,000.00	\$ 26,598,000.00	\$ 24,735,100.00	\$ 20,776,600.00
Current Liabilities				
Accounts Payable	\$ 6,469,600.00	\$ 5,622,500.00	\$ 4,644,100.00	\$ 4,589,200.00
Short-Term Debt / Current Portion of Long-Term Debt	\$ 828,800.00	\$ 212,400.00	\$ 221,400.00	\$ 148,800.00
Other Current Liabilities	\$ 1,050,100.00	\$ 997,300.00	\$ 1,038,800.00	\$ 414,700.00
Total Current Liabilities	\$ 8,348,500.00	\$ 6,832,200.00	\$ 5,904,300.00	\$ 5,152,700.00
Long-Term Debt	\$ 7,136,300.00	\$ 8,101,200.00	\$ 8,493,300.00	\$ 10,437,600.00
Other Liabilities	\$ 7,535,300.00	\$ 8,207,500.00	\$ 7,445,600.00	\$ 3,174,200.00
Deferred Liability Charges	\$ 799,800.00	\$ 533,700.00	\$ 613,800.00	\$ 561,400.00
Misc. Stocks	—	—	—	—
Minority Interest	\$ 1,278,500.00	\$ 1,599,100.00	—	—
Total Liabilities	\$ 23,819,900.00	\$ 23,674,600.00	\$ 22,457,000.00	\$ 19,325,900.00
Stock Holders Equity				
Common Stocks	\$ 5,900.00	\$ 5,900.00	\$ 5,800.00	\$ 5,800.00
Capital Surplus	\$ 2,564,900.00	\$ 1,263,000.00	\$ 592,300.00	\$ (431,800.00)
Retained Earnings	\$ (1,647,400.00)	\$ (1,907,000.00)	\$ (25,800.00)	\$ (25,800.00)
Treasury Stock	\$ 2,032,200.00	\$ 1,898,900.00	\$ 1,824,300.00	\$ 1,811,200.00
Other Equity	\$ 69,000.00	\$ 63,500.00	\$ (118,500.00)	\$ 91,300.00
Total Equity	\$ 3,024,600.00	\$ 1,324,300.00	\$ 2,278,100.00	\$ 1,450,700.00
Total Liabilities & Equity	\$ 28,123,000.00	\$ 26,598,000.00	\$ 24,735,100.00	\$ 20,776,600.00
Period Ending:	2022	2021	2020	2019
Current Assets				
Cash and Cash Equivalents	4.04%	2.46%	0.75%	1.53%
Short-Term Investments	0.00%	0.00%	0.00%	0.00%
Net Receivables	0.78%	0.79%	0.84%	0.97%
Inventory	6.26%	6.17%	6.97%	7.16%
Other Current Assets	0.56%	0.60%	0.61%	0.67%
Total Current Assets	29.75%	26.27%	23.17%	30.08%
Long-Term Assets				
Long-Term Investments	0.00%	0.00%	0.00%	0.00%
Fixed Assets	21.22%	22.14%	24.14%	16.29%
Goodwill	1.67%	1.70%	1.89%	1.95%
Intangible Assets	3.18%	3.03%	3.34%	4.68%
Other Assets	1.41%	1.28%	1.05%	1.07%
Deferred Asset Charges	0.00%	0.00%	0.00%	0.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities				
Accounts Payable	12.64%	11.41%	10.35%	10.52%
Short-Term Debt / Current Portion of Long-Term Debt	1.15%	0.30%	0.35%	0.25%

Exhibit 6(c)

In USD Thousands				
Period Ending:	2022	2021	2020	2019
Net Income	\$ 1,619,600.00	\$ 850,200.00	\$ 466,400.00	\$ 131,100.00
Cash Flows-Operating Activities				
Depreciation	\$ 2,305,200.00	\$ 2,118,400.00	\$ 2,261,600.00	\$ 1,738,800.00
Net Income Adjustments	\$ 263,200.00	\$ (149,700.00)	\$ (248,200.00)	\$ (358,200.00)
Changes in Operating Activities				
Accounts Receivable	\$ (22,400.00)	\$ 400.00	\$ 60,800.00	\$ 28,800.00
Changes in Inventories	\$ (313,800.00)	\$ 9,200.00	\$ (38,100.00)	\$ 80,300.00
Other Operating Activities	\$ (413,300.00)	\$ 849,900.00	\$ (99,500.00)	\$ (31,300.00)
Liabilities	\$ 74,900.00	\$ 224,100.00	\$ (499,100.00)	\$ 98,400.00
Net Cash Flow-Operating	\$ 3,513,400.00	\$ 3,902,500.00	\$ 1,903,900.00	\$ 1,687,900.00
Cash Flows-Investing Activities				
Capital Expenditures	\$ (1,606,500.00)	\$ (1,630,200.00)	\$ (1,475,100.00)	\$ (1,362,600.00)
Investments	--	--	--	--
Other Investing Activities	\$ 67,600.00	\$ 58,200.00	\$ 1,096,600.00	\$ 1,275,800.00
Net Cash Flows-Investing	\$ (1,538,900.00)	\$ (1,572,000.00)	\$ (378,500.00)	\$ (86,800.00)
Cash Flows-Financing Activities				
Sale and Purchase of Stock	--	\$ (282,100.00)	--	\$ (25,800.00)
Net Borrowings	\$ (408,900.00)	\$ (432,600.00)	\$ (1,911,900.00)	\$ (1,210,000.00)
Other Financing Activities	\$ (47,600.00)	\$ (145,500.00)	\$ (49,100.00)	\$ (51,400.00)
Net Cash Flows-Financing	\$ (789,500.00)	\$ (1,041,800.00)	\$ (2,014,200.00)	\$ (1,314,200.00)
Effect of Exchange Rate	--	--	--	--
Net Cash Flow	\$ 1,185,000.00	\$ 1,288,700.00	\$ (488,800.00)	\$ 286,900.00

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