

PolyPanel. Financing Growth

Preparation Sheet (2nd Session)

Learning Objectives

- Forecast of P&L and balance sheet.

Material

- Chap. 2 Financial Forecasting. Finance for Managers, Ed. McGraw-Hill, 1st Edition, 2012. E. Martínez Abascal (exhibits in the professor's blog)
- F-869-E PolyPanel. Financing Growth.
- Exhibits and Supplements TO DO and DONE in Excel format (in web).

Suggested Questions

I recommend you review your notes of the previous session. We will start with questions unsolved from the previous day, if there are any. Then we will continue with the following questions:

Mr. Lichstein thinks that a line of credit of €500 is more than enough to meet his financial needs. Do you agree? To answer this question you will need:

4. **Forecast of P&L and balance sheet.** Use Supplements 1 and 2 with the assumptions of the case:
 - P&L forecast. Sales €3,650 in 2008 growing at 25% annually in 2009 and 2010. The other items of the P&L as up to now: COGS = 70% of sales, transportation 7%, opex 19%. Depreciation €30. Financial expenses, keep it simple: 6% x debt at the end of the year¹ (leave it empty until you finish the balance sheet forecast and do not forget the iteration). Tax rate = 25%.

¹ For a more accurate calculation we should use the average debt during the year (ending debt of the previous year plus debt of this year, divided by two). But the difference between the "accurate" and approximated calculation is not relevant. Moreover, we are doing a forecast and in a forecast we cannot intend to be very exact.



- Balance sheet. Assume that PolyPanel works as up to now: 80 days of receivables, 80 days of inventory and 90 days of payables. Noncurrent assets net, constant. Repayment of long-term debt, €30. To simplify, consider other current assets and other current liabilities equal to 0. Balance the balance sheet with credit or cash. You may also see what would happen if PolyPanel pays the supplier at 60 days, as stated in the case.
- Interpretation of the numbers. Assume you are the bank and you have granted the credit line of €500. If everything happens according to the forecast, when will PolyPanel enter the suspension of payments?