

BALANCE SHEET

Factory cost	150
Equipment cost	20

Year	2012	2013	2014	2015	2016	2017
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Factory depreciation rates	2.6%	5.0%	4.7%	4.5%	4.3%
Equipment depreciation rates	20.0%	32.0%	19.0%	12.0%	11.0%
Total depreciation	7.9	13.9	10.9	9.2	8.7

Year	2012	2013	2014	2015	2016	2017
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Gross PP&E	170.0	170.0	170.0	170.0	170.0	170.0
Less accumulated depreciation	-	(7.9)	(21.8)	(32.7)	(41.8)	(50.5)
Less sales (book value)	-	-	-	-	-	-
Net PP&E	170.0	162.1	148.2	137.4	128.2	119.6

Receivables as % of revenue	8%
Inventory as % of COGS	25%
Payables as % of COGS	20%

Year	2012	2013	2014	2015	2016	2017
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Inventory	15.0	15.9	23.8	21.9	37.6	28.2
Accounts receivable	-	9.3	13.9	12.8	21.9	16.4
Current assets	15.0	25.2	37.7	34.7	59.5	44.6
Less accounts payable	(5.0)	(12.7)	(19.1)	(17.6)	(30.1)	(22.6)
Net working capital	10.0	12.4	18.6	17.2	29.4	22.1

INCOME STATEMENT

Shoe price (retail)	\$ 190.00
Retail margin	40%
Shoe price (wholesale)	\$ 114.00
2013 cannibalized retail revenue	35
2014 cannibalized retail revenue	15
COGS as % of revenue	55%
Tax rate	40%

Year	2012	2013	2014	2015	2016	2017
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Sales (physical units)	1.2	1.6	1.4	2.4	1.8
Revenue	136.8	182.4	159.6	273.6	205.2
Less cannibalized revenue	(21.0)	(9.0)	-	-	-

Net revenue	115.8	173.4	159.6	273.6	205.2
Less COGS	(63.7)	(95.4)	(87.8)	(150.5)	(112.9)
Gross profit	52.1	78.0	71.8	123.1	92.3
Less depreciation	(7.9)	(13.9)	(10.9)	(9.2)	(8.7)
Less SG&A	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)
Less annual endorsement expense	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Less bonus endorsement expense				(1.0)	
Less advertising & promotion	(25.0)	(15.0)	(10.0)	(30.0)	(25.0)
Salvage value of factory					
Salvage value of equipment	-	-	-	-	-
Less book values	-	-	-	-	-
EBIT	10.2	40.1	42.0	74.0	49.7
Less taxes	(4.1)	(16.1)	(16.8)	(29.6)	(19.9)
Net income	6.1	24.1	25.2	44.4	29.8

STATEMENT OF CASH FLOWS AND VALUATION

Discount rate 11%

Year	2012	2013	2014	2015	2016	2017
Net income	6.1	24.1	25.2	44.4	29.8	
Depreciation add back	7.9	13.9	10.9	9.2	8.7	
Plus book value of PP&E sold	-	-	-	-	-	
Less change in net working capital	(10.0)	(2.4)	(6.2)	1.5	(12.3)	7.4
Less capital expenditures	(170.0)	-	-	-	-	-
Free cash flow	(180)	12	32	38	41	46
PV factor	100%	90%	81%	73%	66%	59%
PV of cash flow	(180.0)	10.4	25.8	27.4	27.2	27.2
NPV	16.2					
Internal Rate of Return	13%					

2018

4.0%
6.0%
7.2

2018

170.0
(57.7)
(112.4)
-

2018

-
-
-
-
-
-

2018

0.9
102.6
-

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102.6
<u>(56.4)</u>
46.2
(7.2)
(7.0)
(2.0)
(15.0)
102.0
3.0
<u>(112.4)</u>
7.6
<u>(3.0)</u>
4.6

2018

4.6
7.2
112.4
22.1
<u>-</u>
146
<u>53%</u>
78.2