Project 2- Facility Expansion of CVS – Financial Analysis

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Introduction

For this analysis, we considered companies from the healthcare and retail pharmacy sector. The options included CVS Health, Johnson & Johnson, and Align Technology Inc. Among these, CVS Health was selected due to its strong financial performance, diversified service offerings, and long-term growth potential.

CVS Health, founded in 1963, has evolved into a leading healthcare company with over 9,000 retail pharmacy locations and more than 1,100 Minute Clinic walk-in medical clinics across the United States. Known for integrating retail pharmacy with healthcare services, CVS operates across multiple segments, including pharmacy benefits management (Caremark), health insurance (Aetna), and primary care delivery. Its strategic priorities include expanding digital health services, optimizing store formats, and leveraging data-driven care management. With a vertically integrated model and strong balance sheet, CVS is well-positioned for continued innovation and scalable growth in the evolving healthcare landscape.

Business Overview

CVS Health operates under a vertically integrated business model that combines retail pharmacy, healthcare services, pharmacy benefits management, and insurance into a unified platform to drive long-term value and expand healthcare access. With diversified operations across its retail pharmacies, Minute Clinics, Caremark PBM, and Aetna insurance, CVS addresses a broad spectrum of consumer and patient needs while minimizing exposure to market fluctuations. The company's capital investments focus on expanding healthcare delivery capabilities, enhancing digital infrastructure, and modernizing physical store formats. By leveraging advanced analytics, electronic health records, and personalized digital engagement tools, CVS improves care coordination, boosts medication adherence, and enhances the customer experience.

This strategic integration of healthcare and retail allows CVS to remain resilient in a rapidly evolving industry, respond effectively to shifting healthcare demands, and support sustainable growth through innovation and operational efficiency.

Similarities & Differences Market

Segment:

- **CVS Health** serves a broad demographic by offering an integrated mix of retail pharmacy, healthcare services, and insurance solutions, catering to everyday consumers, chronic care patients, and insured individuals alike.
- **Its retail pharmacies** attract individuals seeking convenient access to prescriptions, over-the-counter medications, personal care products, and basic health essentials.
- **Its Minute Clinics** primarily serve walk-in patients needing affordable, non-emergency medical care, appealing to busy professionals and families.
- **Through Aetna and Caremark,** CVS targets insured patients, employers, and health plans, positioning itself as a one-stop solution for holistic, cost-effective healthcare delivery.

Location:

- **CVS Health** operates a vast network of retail pharmacies predominantly located in urban, suburban, and residential neighborhoods, ensuring convenient access to everyday healthcare and prescription services.
- **Its locations** are often strategically positioned near hospitals, clinics, and busy intersections to maximize foot traffic and healthcare relevance.
- **Minute Clinic walk-in clinics** are embedded within select CVS pharmacy locations, particularly in suburban and urban regions with high demand for accessible, non-emergency medical care.
- While CVS maintains a strong U.S. presence, its focus remains on domestic expansion and enhancing localized health services rather than global physical growth.

Financial Position:

- **CVS Health** holds a robust financial position driven by its diversified revenue streams across retail pharmacy, pharmacy benefits management (Caremark), health insurance (Aetna), and healthcare services.
- The company's integrated model enables steady cash flows and cross-segment synergies, reducing dependency on any single business line.
- CVS continues to invest in digital health platforms and clinic expansion while maintaining healthy margins, supported by its scale and cost-containment strategies.
- Despite high operating costs in healthcare delivery, its recurring prescription revenue and insurance premiums contribute to long-term financial stability and resilience in a competitive landscape.

Recommendation/Reason for new facility locations

Boise, Idaho

This area presents a strategic growth opportunity for CVS to expand its healthcare and pharmacy footprint in a high-growth, underserved market. Land acquisition costs are relatively low, averaging between $18–25 million, while construction costs are approximately 10–12% below the national average, making development cost-effective. Annual labor costs are also favorable, estimated at $21 million. With Idaho's healthcare market steadily growing and Boise ranked among the fastest-growing U.S. cities, a new CVS facility—combining distribution, pharmacy, and clinic services—is projected to generate approximately $2.8 billion in additional revenue by Year 5. This growth will be driven by rising prescription demand, increased MinuteClinic utilization, and enhanced pharmacy benefit management (PBM) operations across the region.

Raleigh-Durham, North Carolina

The Raleigh-Durham region in North Carolina offers CVS a prime opportunity to expand within a thriving healthcare and research corridor. Land acquisition costs are moderate, ranging between $30–40 million, and annual labor costs are estimated at $26 million, offering a balanced cost structure compared to major metropolitan areas. With North Carolina's healthcare market valued at over $65 billion and the region's proximity to leading universities and medical centers, CVS can capitalize on strong demand for pharmacy, MinuteClinic, and specialty care services. By Year 5, the new facility is projected to generate approximately $4.5 billion in additional revenue, driven by growth in prescription volume, academic partnerships, and expanded healthcare access in one of the fastest-growing areas in the southeastern U.S.

Madison, Mississippi

Madison, Mississippi offers CVS a cost-effective and strategically positioned site for regional expansion in the Southeastern U.S. Land acquisition costs are comparatively low, ranging from $15–20 million, with construction costs estimated at $230 million due to favorable local rates. Annual labor expenses are projected at $20 million, reflecting the region's modest wage structure. Positioned near Jackson and along key transportation routes, Madison enables CVS to extend pharmacy, clinic, and delivery services across central Mississippi and neighboring states. By Year 5, projected revenue is approximately $3.1 billion, driven by rising healthcare needs, limited local competition, and the opportunity to integrate CVS's pharmacy and clinical care services into a growing suburban community.

Why CVS? Exploring Financial Dynamics in the Healthcare-Retail Sector

CVS Health's unique role at the intersection of retail, healthcare, and insurance makes it an ideal candidate for financial and strategic analysis. As a vertically integrated organization, CVS provides insights into diversified revenue streams, cost management in care delivery, and evolving healthcare infrastructure. Studying CVS offers opportunities to explore pharmacy benefit management, retail pharmacy operations, digital health transformation, and regulatory impacts on profitability. Additionally, its influence on public health outcomes, strategic acquisitions, and population health initiatives makes CVS a rich subject for academic research and a meaningful case for applied financial learning.

Financial Analysis

- **Boise, Idaho**

The proposed CVS facility in Boise, Idaho, presents strong financial viability with an Internal Rate of Return (IRR) of 34% and a Payback Period of 11 years, indicating solid profitability and a reasonable investment recovery timeline. The project has an Annual Worth (AW) of $3,102.45 million and a Present Worth (PW) of $8,325.78 million, confirming its long-term financial attractiveness. With a total investment of $92.75 million covering $71.5 million in construction costs and financed through a commercial loan the facility is well-positioned for Success. Annual operating expenses include $54.09 million for Maintenance and Operations (M&O) and $12.65 million for Labor. Projected revenue starts at $90 million in the first year, growing at a rate of 14% annually. Even after accounting for a 25% corporate tax rate, the Boise facility is expected to remain financially sustainable over a 50-year horizon, supported by the city's growing population and increasing demand for healthcare services.

- **Raleigh-Durham, North Carolina**

The Raleigh-Durham CVS expansion offers a strong financial outlook, with a projected Internal Rate of Return (IRR) of 36% and a Payback Period of 12 years, highlighting its profitability and steady investment recovery. The total investment required is $63.48 million, including $48.65 million in construction costs, financed entirely through a matching commercial loan. Annual operating expenses are projected at $39.21 million for Maintenance and Operations (M&O) and $11.42 million for Labor. The facility is expected to generate $75 million in revenue in its first year, with a consistent annual growth rate of 14%. These figures yield a Present Worth (PW) of $516.37 million and an Annual Worth (AW) of $49.88 million. Leveraging Raleigh-Durham's fast-growing population, strong healthcare infrastructure, and proximity to top medical research institutions, this CVS expansion is well-positioned for long-term profitability and strategic regional growth.

- **Madison, Mississippi**

The proposed CVS facility in Madison, Mississippi represents a stable and community-focused investment with a projected Internal Rate of Return (IRR) of 7.85%, offering a balanced return aligned with the region's steady population growth and suburban expansion. The total initial investment is estimated at $2,975.00 million, with construction costs comprising $2,290.00 million and the remainder financed through institutional lending. The project maintains a 10-year Payback Period, supported by cumulative cash flows of approximately $603.87 million over the period. The Annual Worth (AW) is projected at $24.36 million, reflecting consistent value generation. While the return is moderate compared to high-growth urban markets, Madison's economic stability, family-oriented demographics, and limited pharmacy competition enhance its strategic potential. Positioned near healthcare clinics, schools, and residential zones, this facility supports CVS's long-term mission of expanding accessible, reliable care to suburban America.

Conclusion

In conclusion, each proposed CVS facility located in Boise (Idaho), Raleigh-Durham (North Carolina), and Madison (Mississippi) offers a unique and compelling investment profile grounded in regional potential, cost efficiency, and long-term revenue growth. The Boise facility presents a financially sound expansion into one of the fastest-growing cities in the U.S., combining low development costs with high healthcare demand to yield steady returns over a 50-year horizon. The Raleigh-Durham site stands out for its strategic location within a leading healthcare and research hub, offering access to academic partnerships, a strong labor pool, and a projected multi-billion-dollar revenue impact fueled by clinical and pharmaceutical growth. Meanwhile, the Madison facility represents a cost-effective entry into a stable, underserved suburban market, enabling CVS to capture prescription volume and expand care access while maintaining favorable operating margins. Together, these projects showcase CVS's ability to scale its integrated healthcare model across diverse regions, balancing profitability with community-focused care.

Reference:

- https://investors.cvshealth.com/financials/annual-reports
- https://www.sec.gov/edgar/browse/?CIK=64803&owner=exclude
- https://www.macrotrends.net/stocks/charts/CVS/cvs-health/financial-ratios

Appendix

Comparing the three suggested facilities with the supporting factors:

Sr No	Location	Sq Foot	Cost per Sq Ft ($)	Wages (Hourly $)	Salary (Hourly $)	Employees	Population
1	Boise, Idaho	95,000	230.00	58.00	22.00	135	235,000
2	Raleigh-Durham, NC	110,000	260.00	62.00	23.50	145	670,000
3	Madison, Mississippi	88,000	215.00	52.00	20.50	120	29,000

Key Financial Metrics and Considerations for Facility Evaluation

Definitions:

- **Construction Cost (million $):**

  Represents the total expenditure required to construct the CVS facility. For the **Boise, Idaho** facility, this cost is estimated at **$71.5 million**, reflecting slightly below-average construction rates in a growing urban market. In **Raleigh-Durham, North Carolina**, the construction cost is **$48.65 million**, benefiting from efficient regional infrastructure and a competitive building sector. The **Madison, Mississippi** facility is the most cost-effective among the three, with an estimated construction cost of **$43.88 million**, due to low land and labor costs in the area.

- **Loan (million $):**

  Denotes the amount financed through borrowing to support the facility's construction. The **Boise, Idaho** facility is backed by a **$92.75 million** loan, covering both construction and early operational needs. In **Raleigh-Durham, North Carolina**, a **$63.48 million** loan funds the entire project, reflecting moderate construction and expansion costs. The **Madison, Mississippi** facility requires a **$43.88 million** loan, representing a fully financed and cost-efficient development plan for a suburban market.

- **M&O (Maintenance and Operations) Costs (million $)**

  Reflects annual costs for facility upkeep and general operations. The **Boise, Idaho** facility incurs approximately **$54.09 million** annually, due to its mid-size footprint and regional service scope.

The **Raleigh-Durham, North Carolina** facility requires **$39.21 million** per year, reflecting its larger operational scale in a high-demand healthcare corridor. Meanwhile, the **Madison, Mississippi** facility is expected to need **$33.62 million** annually, benefiting from a smaller facility size and lower operational overhead.

- **Labor (million $):**
  Covers the annual wages and salaries of staff employed at the facility. In **Boise, Idaho**, labor costs are projected at **$12.65 million** per year, balancing competitive wages with regional affordability. The **Raleigh-Durham, North Carolina** facility has estimated labor expenses of **$11.42 million** annually, reflecting slightly higher healthcare wage standards in a research-driven metro. In **Madison, Mississippi**, labor costs are the lowest among the three at **$10.5 million** per year, due to the region's lower average wage rates and smaller facility staffing needs.

- **Projected Sales (million $):**
  Anticipated revenue from facility operations. The **Boise, Idaho** facility is expected to generate **$90 million** in its first year, with a projected 14% annual increase, bringing revenue to **$103.5 million** by Year 2. The **Raleigh-Durham, North Carolina** facility starts at **$75 million**, growing by 14% to **$85.5 million** in the following year, driven by strong demand and healthcare density. The **Madison, Mississippi** facility begins with **$60 million** in first-year revenue, increasing by 15% to **$69 million**, supported by an expanding suburban population and limited competition.

- **MARR (Minimum Acceptable Rate of Return %):**

  The minimum return required to justify the investment. For the **Boise, Idaho** project, the MARR is set at **12%**, reflecting moderate growth expectations and a stable investment environment. In **Raleigh-Durham, North Carolina**, the MARR is slightly higher at **13%**, aligning with the region's strong healthcare demand and competitive economic outlook. The **Madison, Mississippi** facility is evaluated with a **11%** MARR, accounting for its conservative growth profile and lower operational risk in a cost-effective suburban setting.

- **IRR (Internal Rate of Return %):**

  The interest rate at which the project's net present value (NPV) is zero. The **Boise, Idaho** facility is projected to yield an **IRR of 34%**, indicating strong profitability supported by growing healthcare demand and manageable costs. The **Raleigh-Durham, North Carolina** project delivers a slightly higher **IRR of 36%**, reflecting high growth potential and strategic access to medical and academic institutions. The **Madison, Mississippi** facility shows a more conservative **IRR of 7.85%**, suggesting steady but modest returns, appropriate for investors prioritizing long-term stability and cost efficiency.

- **Tax Rate (%):**

  The assumed effective corporate tax rate applied to projected earnings. All three CVS facilities—**Boise (Idaho)**, **Raleigh-Durham (North Carolina)**, and **Madison (Mississippi)**—are evaluated using a standardized **25% corporate tax rate**, ensuring consistency in financial analysis and alignment with CVS Health's national tax planning assumptions.

- **Period (in years):**

  The projected operational life of the investment. Each proposed CVS facility in **Boise (Idaho)**, **Raleigh-Durham (North Carolina)**, and **Madison (Mississippi)** is analyzed over a **50-year time horizon**, allowing for long-term financial planning, sustained revenue generation, and alignment with CVS's strategic vision of providing accessible community-based care across generations.

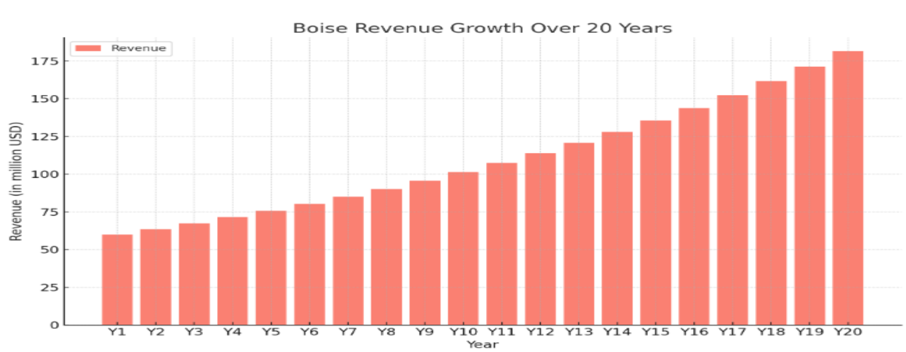
Metric	Boise, Idaho	Raleigh, North Carolina	Madison, Mississippi
Cap-ex (Yr 0)	50,000,000	55,000,000	45,000,000
Project life (yrs)	20	20	20
Salvage % of Cap-ex	5%	5%	5%
Year-1 rev / cost-saving	60,000,000	65,000,000	55,000,000
Rev escalator	6%	7%	5%
Year-1 O&M	35,000,000	40,000,000	30,000,000
O&M escalator	3%	4%	3%
Year-1 labour	12,000,000	13,000,000	11,000,000
Labour escalator	4%	4%	4%
Tax rate	25%	25%	25%
MARR (hurdle)	12%	12%	13%
Depreciation life (yrs)	50	50	50

Boise, Idaho – Forecasted report of 20 years

Boise, Idaho	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CapEx	-$50,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue / savings		$60,000,000	$63,600,000	$67,416,000	$71,460,960	$75,748,618	$80,293,535	$85,111,147	$90,217,816	$95,630,884	$101,368,738
O&M		$35,000,000	$36,050,000	$37,131,500	$38,245,445	$39,392,808	$40,574,593	$41,791,830	$43,045,585	$44,336,953	$45,667,061
Labour		$12,000,000	$12,480,000	$12,979,200	$13,498,368	$14,038,303	$14,599,835	$15,183,828	$15,791,181	$16,422,829	$17,079,742
Depreciation		$1,000,000	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385
EBIT	$0	$12,000,000	$5,454,615	$7,689,915	$10,101,762	$12,702,122	$15,503,723	$18,520,104	$21,765,664	$25,255,718	$29,006,550
Taxes		$3,000,000	$1,363,654	$1,922,479	$2,525,441	$3,175,530	$3,875,931	$4,630,026	$5,441,416	$6,313,930	$7,251,637
Net Income		$9,000,000	$4,090,962	$5,767,437	$7,576,322	$9,526,591	$11,627,792	$13,890,078	$16,324,248	$18,941,789	$21,754,912
CFAT	-$50,000,000	$10,000,000	$13,706,346	$15,382,821	$17,191,706	$19,141,976	$21,243,177	$23,505,462	$25,939,633	$28,557,173	$31,370,297
Discounted Payback	-$50,000,000	-$41,071,429	-$28,833,620	-$15,098,958	$250,780	$17,341,830	$36,308,952	$57,295,972	$80,456,358	$105,953,835	$133,963,028

Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$107,450,862	$113,897,914	$120,731,788	$127,975,696	$135,654,237	$143,793,492	$152,421,101	$161,566,367	$171,260,349	$181,535,970
$47,037,073	$48,448,185	$49,901,631	$51,398,680	$52,940,640	$54,528,860	$56,164,725	$57,849,667	$59,585,157	$61,372,712
$17,762,931	$18,473,449	$19,212,387	$19,980,882	$20,780,117	$21,611,322	$22,475,775	$23,374,806	$24,309,798	$25,282,190
$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385
$33,035,472	$37,360,895	$42,002,386	$46,980,749	$52,318,095	$58,037,925	$64,165,216	$70,726,509	$77,750,009	$85,265,684
$8,258,868	$9,340,224	$10,500,597	$11,745,187	$13,079,524	$14,509,481	$16,041,304	$17,681,627	$19,437,502	$21,316,421
$24,776,604	$28,020,671	$31,501,790	$35,235,562	$39,238,571	$43,528,444	$48,123,912	$53,044,882	$58,312,507	$66,449,263
$34,391,989	$37,636,056	$41,117,174	$44,850,946	$48,853,956	$53,143,829	$57,739,297	$62,660,267	$67,927,892	$78,564,647
$164,670,161	$198,273,783	$234,985,545	$275,031,033	$318,650,636	$366,100,483	$417,653,427	$473,600,094	$534,249,997	$604,397,003

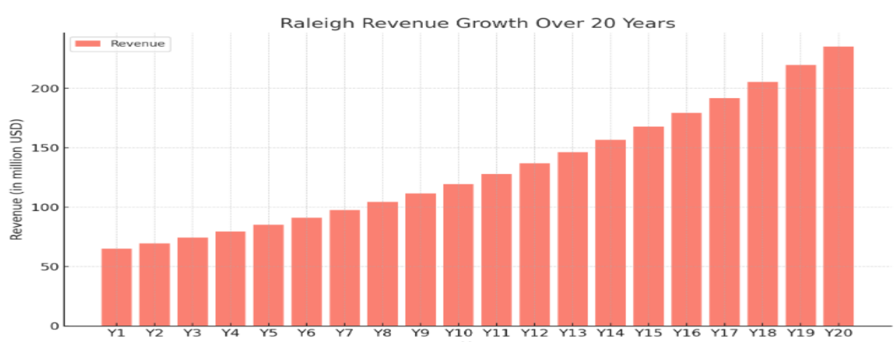
IRR	34%
NPV	143,192,793.607
AV	19,170,476.519
Salvage Value	-2,500,000



Raleigh, North Carolina – Forecasted report of 20 years

Raleigh, North Carolina	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CapEx	-$55,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue / savings		$65,000,000	$69,550,000	$74,418,500	$79,627,795	$85,201,741	$91,165,862	$97,547,473	$104,375,796	$111,682,102	$119,499,849
O&M		$40,000,000	$41,600,000	$43,264,000	$44,994,560	$46,794,342	$48,666,116	$50,612,761	$52,637,271	$54,742,762	$56,932,472
Labour		$13,000,000	$13,520,000	$14,060,800	$14,623,232	$15,208,161	$15,816,488	$16,449,147	$17,107,113	$17,791,398	$18,503,054
Depreciation		$1,100,000	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949
EBIT	$0	$10,900,000	$5,712,051	$8,375,751	$11,292,054	$14,481,288	$17,965,310	$21,767,616	$25,913,463	$30,429,993	$35,346,374
Taxes		$2,725,000	$1,428,013	$2,093,938	$2,823,014	$3,620,322	$4,491,327	$5,441,904	$6,478,366	$7,607,498	$8,836,594
Net Income		$8,175,000	$4,284,038	$6,281,813	$8,469,041	$10,860,966	$13,473,982	$16,325,712	$19,435,097	$22,822,495	$26,509,781
CFAT	-$55,000,000	$9,275,000	$13,001,987	$14,999,762	$17,186,989	$19,578,915	$22,191,931	$25,043,661	$28,153,046	$31,540,444	$35,227,729
Discounted Payback	-$55,000,000	-$46,718,750	-$36,353,645	-$25,677,111	-$14,754,468	-$3,644,866	$7,598,257	$18,926,737	$30,297,280	$41,671,080	$53,013,466

Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$127,864,838	$136,815,377	$146,392,453	$156,639,925	$167,604,720	$179,337,050	$191,890,644	$205,322,989	$219,695,598	$235,074,290
$59,209,771	$61,578,162	$64,041,289	$66,602,940	$69,267,058	$72,037,740	$74,919,250	$77,916,020	$81,032,661	$84,273,967
$19,243,176	$20,012,903	$20,813,419	$21,645,956	$22,511,794	$23,412,266	$24,348,756	$25,322,706	$26,335,615	$27,389,039
$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949	$8,717,949
$40,693,942	$46,506,363	$52,819,797	$59,673,080	$67,107,919	$75,169,096	$83,904,689	$93,366,314	$103,609,374	$114,693,335
$10,173,486	$11,626,591	$13,204,949	$14,918,270	$16,776,980	$18,792,274	$20,976,172	$23,341,578	$25,902,343	$28,673,334
$30,520,457	$34,879,772	$39,614,848	$44,754,810	$50,330,939	$56,376,822	$62,928,517	$70,024,735	$77,707,030	$83,270,001
$39,238,406	$43,597,721	$48,332,796	$53,472,759	$59,048,888	$65,094,770	$71,646,465	$78,742,684	$86,424,979	$94,737,950
$64,293,570	$75,484,019	$86,560,649	$97,502,235	$108,290,246	$118,908,613	$129,343,515	$139,583,182	$149,617,707	$159,438,884
								IRR	33%
								NPV	159,438,884.07
								AV	21,345,483.29
								Salvage Value	2,750,000

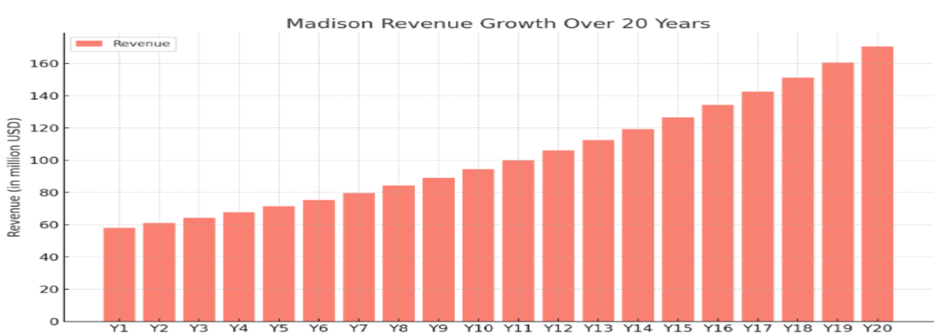


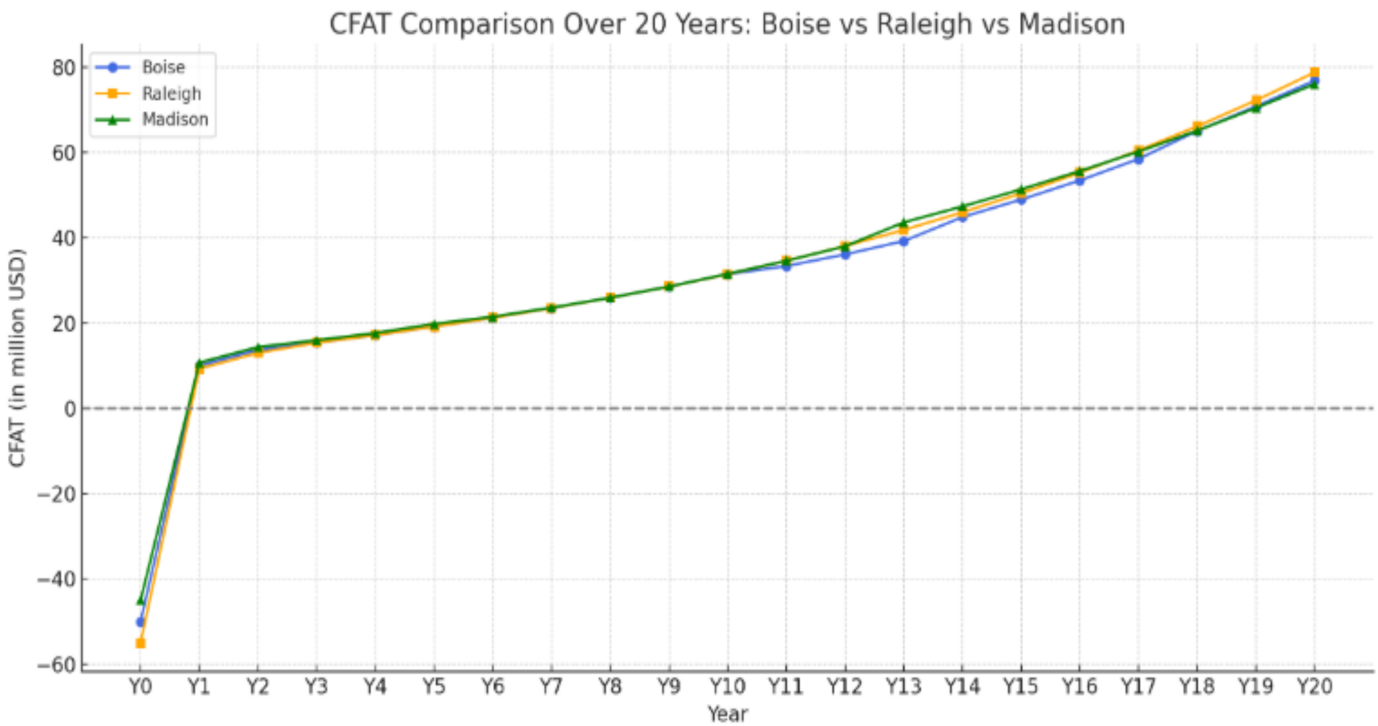
Madison, Mississippi – Forecasted report of 20 years

Madison, Mississippi	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CapEx	-$45,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue / savings		$55,000,000	$58,300,000	$61,798,000	$65,505,880	$69,436,233	$73,602,407	$78,018,551	$82,699,664	$87,661,644	$92,921,343
O&M		$30,000,000	$30,900,000	$31,827,000	$32,781,810	$33,765,264	$34,778,222	$35,821,569	$36,896,216	$38,003,102	$39,143,196
Labour		$11,000,000	$11,440,000	$11,897,600	$12,373,504	$12,868,444	$13,383,182	$13,918,509	$14,475,250	$15,054,260	$15,656,430
Depreciation		$900,000	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385
EBIT	$0	$13,100,000	$6,344,615	$8,458,015	$10,735,181	$13,187,140	$15,825,618	$18,663,088	$21,712,814	$24,988,897	$28,506,333
Taxes		$3,275,000	$1,586,154	$2,114,504	$2,683,795	$3,296,785	$3,956,404	$4,665,772	$5,428,204	$6,247,224	$7,126,583
Net Income		$9,825,000	$4,758,462	$6,343,512	$8,051,386	$9,890,355	$11,869,213	$13,997,316	$16,284,611	$18,741,673	$21,379,750
CFAT	-$45,000,000	$10,725,000	$14,373,846	$15,958,896	$17,666,771	$19,505,739	$21,484,598	$23,612,701	$25,899,995	$28,357,058	$30,995,134
Discounted Payback	-$45,000,000	-$35,508,850	-$22,788,632	-$8,665,715	$6,968,596	$24,230,312	$43,243,231	$64,139,426	$87,059,776	$112,154,517	$139,583,839

Madison, Mississippi	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
CapEx	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue / savings	$98,496,623	$104,406,421	$110,670,806	$117,311,054	$124,349,718	$131,810,701	$139,719,343	$148,102,503	$156,988,653	$166,407,973
O&M	$40,317,491	$41,527,016	$42,772,827	$44,056,011	$45,377,692	$46,739,022	$48,141,193	$49,585,429	$51,072,992	$52,605,182
Labour	$16,282,687	$16,933,995	$17,611,354	$18,315,809	$19,048,441	$19,810,379	$20,602,794	$21,426,905	$22,283,982	$23,175,341
Depreciation	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385	$9,615,385
EBIT	$32,281,060	$36,330,025	$40,671,240	$45,323,850	$50,308,200	$55,645,915	$61,359,971	$67,474,784	$74,016,295	$81,012,065
Taxes	$8,070,265	$9,082,506	$10,167,810	$11,330,962	$12,577,050	$13,911,479	$15,339,993	$16,868,696	$18,504,074	$20,253,016
Net Income	$24,210,795	$27,247,519	$30,503,430	$33,992,887	$37,731,150	$41,734,436	$46,019,978	$50,606,088	$55,512,221	$58,509,049
CFAT	$33,826,180	$36,862,904	$40,118,815	$43,608,272	$47,346,535	$51,349,821	$55,635,363	$60,221,473	$65,127,606	$68,124,434
Discounted Payback	$169,518,512	$202,140,550	$237,643,926	$276,235,317	$318,134,906	$363,577,225	$412,812,060	$466,105,398	$523,740,448	$584,027,557

IRR	38%
NPV	-44,999,999.498
AV	-6,405,920.408
Salvage Value	2,250,000




CFAT Comparison Over 20 Years: Boise vs Raleigh vs Madison
Boise
Raleigh
Madison
CFAT (in million USD)
Year
80
60
40
20
0
−20
−40
−60
Y0
Y1
Y2
Y3
Y4
Y5
Y6
Y7
Y8
Y9
Y10
Y11
Y12
Y13
Y14
Y15
Y16
Y17
Y18
Y19
Y20