

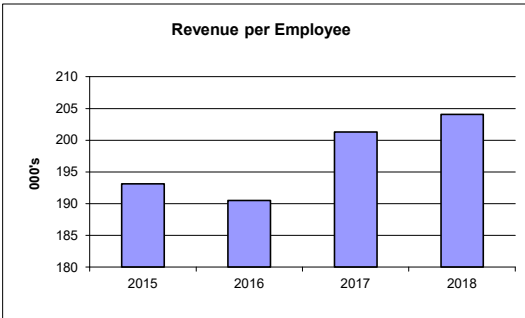
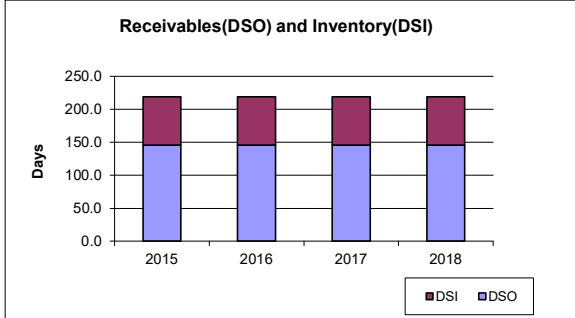
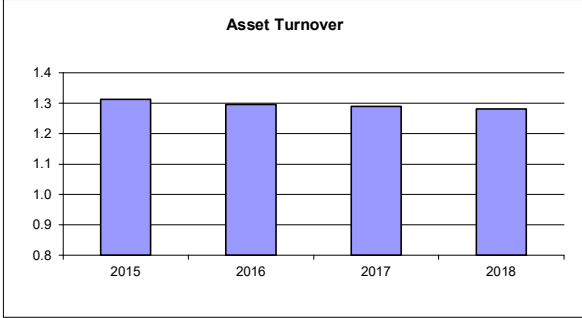
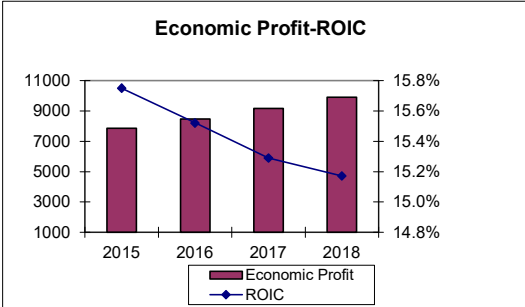
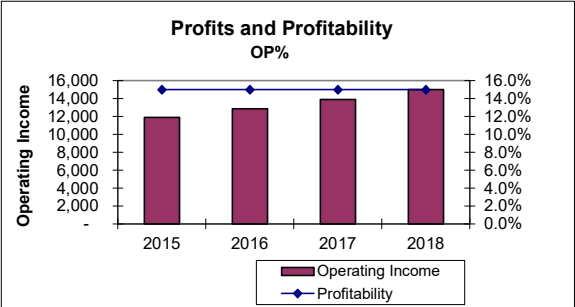
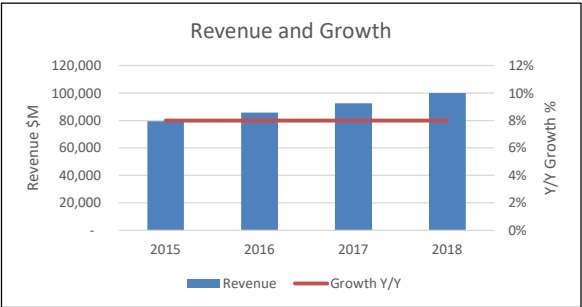
**Roberts Manufacturing Company**  
**Historical and Estimated 2018 Financials**

	2015	2016	2017	2018
<b><u>P&amp;L</u></b>				
Net Sales	79,383	85,734	92,593	100,000
Cost of Goods Sold	35,722	38,580	41,667	45,000
Gross Margin	43,661	47,154	50,926	55,000
SG&A	25,403	27,435	29,630	32,000
R&D	6,351	6,859	7,407	8,000
Operating Income	11,907	12,860	13,889	15,000
Interest (Income) Expense	600	600	600	600
Other (Income) Expense	5	7	6	5
Income Before Income Taxes	11,302	12,253	13,283	14,395
Federal Income Taxes	3,843	4,166	4,516	4,894
Net Income	7,460	8,087	8,767	9,501
<b><u>Balance Sheet</u></b>				
Cash	25	2,404	4,400	7,944
Receivables	15,877	17,147	18,545	20,000
Inventories	14,289	15,432	16,667	18,000
Other	200	800	975	900
Current Assets	30,391	35,783	40,587	46,844
Net Fixed Assets	15,877	17,147	18,750	20,000
Net Goodwill and Intangibles	14,000	13,000	12,000	11,000
Other Non Current Assets	200	210	428	205
Total Assets	60,467	66,140	71,765	78,049
Accounts Payable	3,572	3,858	4,167	4,500
Notes Payable, Bank	-	-	-	-
Accrued Expenses & Taxes	4,000	4,500	4,750	5,000
Current Liabilities	7,572	8,358	8,917	9,500
Long Term Debt	10,000	10,000	10,000	10,000
Other	3,000	3,100	2,900	3,300
Stockholders Equity	39,895	44,682	49,949	55,249
Total Liabilities and Equity	60,467	66,140	71,765	78,049
<b><u>Other Information:</u></b>				
Stock Price	9.22	9.78	10.00	10.59
Shares Outstanding (in millions)	16.7	16.8	16.9	17.0
Market Value of Equity	153,974	164,304	169,000	180,030
Interest rate	6%			
Income Tax Rate	34%			
Dividends	3,000	3,300	3,500	4,200
Capital Expenditures	3,000	4,200	4,800	5,000
D&A	2,800	2,930	3,197	3,750
Employees	411	450	460	490
<b><u>Other Information:</u></b>				
Comparable Companies are trading in the following ranges (trailing 12 months):				
		<u>LOW</u>	<u>HIGH</u>	
Sales		1.3	2.0	
Earnings (P/E)		16.0	20.0	
EBITDA		8.0	10.0	
PEG		1.3	2.0	
Cost of Capital(WACC)				12%

**Roberts Manufacturing Company**  
**Historical and Estimated 2018 Financials**

	2015	2016	2017	2018	2015	2016	2017	2018	CAGR
<b><u>P&amp;L</u></b>									
Net Sales	\$79,383	\$85,734	\$92,593	\$100,000	100%	100%	100%	100%	8.0%
Cost of Goods Sold	35,722	38,580	41,667	45,000	45%	45%	45%	45%	8.0%
Gross Margin	43,661	47,154	50,926	55,000	55%	55%	55%	55%	8.0%
SG&A	25,403	27,435	29,630	32,000	32%	32%	32%	32%	8.0%
R&D	6,351	6,859	7,407	8,000	8%	8%	8%	8%	8.0%
Operating Income	11,907	12,860	13,889	15,000	15%	15%	15%	15%	8.0%
Interest (Income) Expense	600	600	600	600	1%	1%	1%	1%	0.0%
Other (Income) Expense	5	7	6	5	0%	0%	0%	0%	0.0%
Income Before Income Taxes	11,302	12,253	13,283	14,395	14%	14%	14%	14%	8.4%
Federal Income Taxes	3,843	4,166	4,516	4,894	5%	5%	5%	5%	8.4%
Net Income	7,460	8,087	8,767	9,501	9%	9%	9%	10%	8.4%
EPS	0.45	0.48	0.52	0.56					
EBIAT	7,859	8,488	9,167	9,900					
<b><u>Balance Sheet</u></b>									
Cash	25	2,404	4,400	7,944	0%	3%	5%	8%	
Receivables	15,877	17,147	18,545	20,000	20%	20%	20%	20%	
Inventories	14,289	15,432	16,667	18,000	18%	18%	18%	18%	
Other	200	800	975	900	0%	1%	1%	1%	
Current Assets	30,391	35,783	40,587	46,844	38%	42%	44%	47%	
Net Fixed Assets	15,877	17,147	18,750	20,000	20%	20%	20%	20%	
Net Goodwill and Intangibles	14,000	13,000	12,000	11,000	18%	15%	13%	11%	
Other Non Current Assets	200	210	428	205	0%	0%	0%	0%	
Total Assets	60,467	66,140	71,765	78,049	76%	77%	78%	78%	
Accounts Payable	3,572	3,858	4,167	4,500	5%	5%	5%	5%	
Notes Payable, Bank	-	-	-	-	0%	0%	0%	0%	
Accrued Expenses & Taxes	4,000	4,500	4,750	5,000	5%	5%	5%	5%	
Current Liabilities	7,572	8,358	8,917	9,500	10%	10%	10%	10%	
Long Term Debt	10,000	10,000	10,000	10,000	13%	12%	11%	10%	
Other	3,000	3,100	2,900	3,300	4%	4%	3%	3%	
Stockholders Equity	39,895	44,682	49,949	55,249	50%	52%	54%	55%	
Total Liabilities and Equity	60,467	66,140	71,765	78,049	76%	77%	78%	78%	
Operating Capital	22,793	25,021	27,270	29,400					
Invested Capital	49,895	54,682	59,949	65,249					
Market Value of Equity	153,974	164,304	169,000	180,030					
<b><u>Cash Flow</u></b>									
Net Income	7,460	8,087	8,767	9,501	9%	9%	9%	10%	
D&A	2,800	2,930	3,197	3,750	4%	3%	3%	4%	
Capital Expenditures	-3,000	-4,200	-4,800	-5,000	-4%	-5%	-5%	-5%	
(Inc) Decrease in OC		-2,228	-2,249	-2,130	0%	-3%	-2%	-2%	
FCF	7,260	4,589	4,914	6,121	9%	5%	5%	6%	
Employees	411	450	460	490					
<b><u>Returns/Ratios:</u></b>									
DSO	73.0	73.0	73.1	73.0					
Inv Turns	2.5	2.5	2.5	2.5					
DSI	146.0	146.0	146.0	146.0					
FA T/o	5.0	5.0	4.9	5.0					
Asset Turnover	1.3	1.3	1.3	1.3					
ROA	12.3%	12.2%	12.2%	12.2%					
ROIC	15.8%	15.5%	15.3%	15.2%					
ROE	18.7%	18.1%	17.6%	17.2%					
Economic Profit	7859	8488	9167	9900					
Interest Earned	19.8	21.4	23.1	25.0					
Debt to Total Capital(book)	20.0%	18.3%	16.7%	15.3%					
Debt to Total Capital(market)	8.1%	7.8%	7.7%	5.3%					
Leverage(Assets/Equity)	1.52	1.48	1.44	1.41					
Current Ratio	4.0	4.3	4.6	4.9					
<b><u>ROE Analysis</u></b>									
Profitability	9.4%	9.4%	9.5%	9.5%					
Asset Turnover	x	1.31	1.30	1.29					
Leverage	x	1.52	1.48	1.44					
ROE	=	18.7%	18.1%	17.6%					
WACC				12%					

Key Performance Trends



Index	Business Performance	Measure / "AKA"	Description	Application
1	Value Creation and Overall Effectiveness	ROE	Return on Equity	Measures return to shareholders capital (equity)
2	Value Creation and Overall Effectiveness	ROIC	Return on Invested Capital	Measures return to all providers of capital (Equity and debt)
3	Value Creation and Overall Effectiveness	EP	Economic Profit	Measures return to all sources of capital (Equity and debt)
4	Value Creation and Overall Effectiveness	TRS	Total return to shareholders	Measure of management performance (and Comp)
5	Operating Measures	COGS	Cost of goods sold	
6	Operating Measures	Gross Margin %	Gross margin as a % of sales	Key operating measure
7	Operating Measures	SG&A %	SG&A expenses as a % of sales	Key operating measure
8	Operating Income/Profit	EBIT	Earnings before interest and taxes	Key operating measure
9	Operating Income/Profit	Operating Margin % / "Profitability"	Operating Income as a % of sales	Key operating measure
10	Operating Income/Profit	EBITDA	Earnings before interest, taxes, depreciation(D) and amortization(A)	Adds back non cash expense items ("D&A")
11	Operating Income/Profit	EBIAT/OPAT	Earnings before interest after tax/Operating profit after tax	Earnings available to all providers of capital
12	Operating Income/Profit	CAGR	Compound annual growth rate	Measure growth in a key variable over time (e.g. Sales)
13	Asset Management	DSO	Days Sales Outstanding	Measure time to collect from customers
14	Asset Management	Inventory turns	Inventory turnover	Supply chain effectiveness
15	Asset Management	DSI/DIOH	Days sales of inventory/Days Inventory on hand	A more intuitive measure of inventory levels/cycle time
16	Asset Management	Operating Capital Turnover	Operating capital levels relative to sales	Measure operating capital relative to sales
17	Asset Management	Operating Capital % Sales	Operating capital levels relative to sales	Measure operating capital relative to sales
18	Operating Capital Cycle	Asset Turnover	Asset levels relative to sales	Asset requirements and effectiveness
19	Capital Structure	TIE/C	Time Interest Earned/Covered	Measures ability to service debt
20	Capital Structure	Debt to total Capital	% of capital contributed by lenders	Measures financial risk and capital structure
21	Valuation	WACC/Cost of Capital	Weighted average cost of capital	Expected returns of equity and debt investors
22	Valuation	Invested Capital	Total capital contributed by investors	Historical investment from all investors
23	Valuation	Enterprise value(EV)	Market value of debt and equity	Total value of the firm
24	Valuation	Market value/Market Cap	Market value of equity	Equity value of the firm