



# CFA Institute

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CFA Institute Research Challenge  
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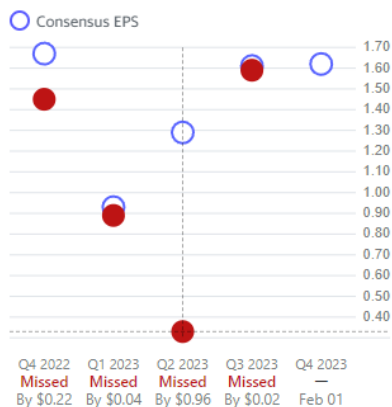
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## RECOMMENDATION SELL

Date	1.25.2024
Current Price	178.48
Target Price	125.30
Downside	29.80%
Industry	Packaged Foods
Sector	Consumer Defensive
Ticker	LANC
Stock Exchange	NASDAQ
Shares Outstanding	27.482M
Market Capitalization	4.911B
EPS (2023)	4.04

### Earnings >



Lancaster Colony Corporation stands as a beacon of corporate prowess in the highly dynamic landscape of consumer goods. Established with a commitment to excellence, the company has solidified its presence as a key player in the industry. At its core, Lancaster Colony is a diversified company, engaging in the production and distribution of a wide array of products that resonate with consumers across various market segments.

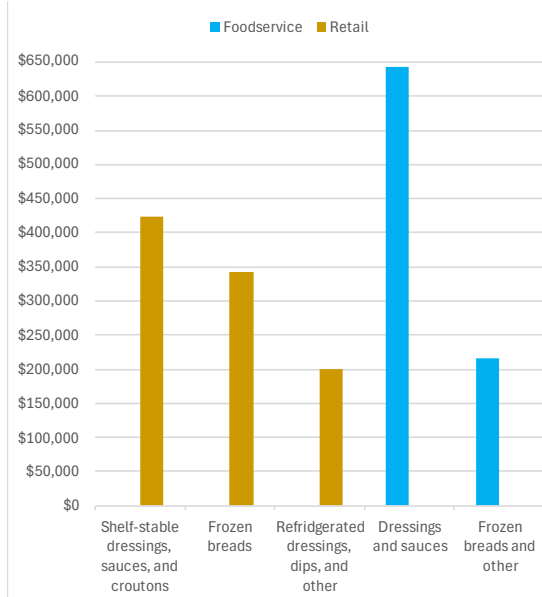
## INVESTMENT SUMMARY

We issue a **SELL** recommendation for Lancaster Colony Corporation, presenting a 29.80% downside potential on the closing price of \$178.48. The target price is based on the Discounted Cash Flow method (DCF). Our recommendation is based off the following key drivers: (1) Lancaster's decreasing margins despite price increases, (2) its sensitivity to volatile markets and costs, (3) the decreased focus on expansion into other markets. We forecasted LANC's revenues based on a historical growth rate as well as taking into consideration of no market expansion at this time. Revenue growth is driven by continuing success from existing brands and volume growth from existing clients like Chick-fil-a. We utilized a declining growth rate to represent mature client growth and align with industry trends. Revenues were adjusted to factor in forecasts for limited future expansion as well as a stable product offering. Our estimates broadly reflect a 2.5% premium above forecasted industry growth rates. Our revenue growth is higher than the forecasted CAGRs of the industries at .9% and .5% due to the strong contracts Lancaster Colony has as well as the strong demand from the clientele that is expected to stay stagnant over the next 5 years. Costs are forecasted to grow at a similar rate due to key external drivers like agricultural price increases.

Over the past year, Lancaster Colony has missed their earnings reports and profit margins continue to decrease. Since the company does not utilize a debt facility (and does not plan on using any in the future), any expansion must be funded through equity. Due to the lack of debt in their capital structure, we believe that Lancaster Colony has missed opportunities in liquidity positioning and cash optimization. Therefore, with these risks and downsides to the overall company operating structure we believe the company is overvalued in the stock market currently.

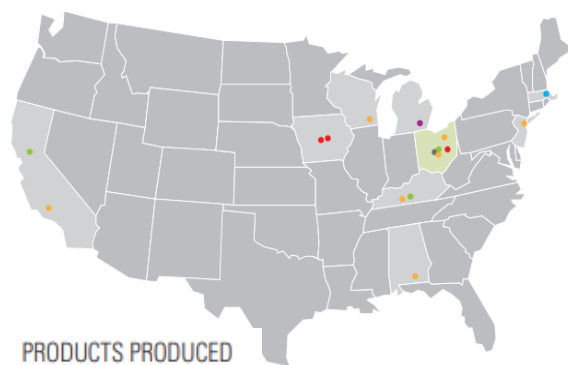
# BUSINESS DESCRIPTION

Figure 4: Net Sales by Product Category



Source: Company Data, Team Analysis

Figure 5: Product Geography



Source: Company Data, ESG Report

Figure 6: Market Presence



Source: Company Data

Lancaster Colony Corporation stands as a small market cap business within the food industry. They specifically fall in the retail and foodservice sectors.

## INDUSTRY PRESENCE

Lancaster Colony has a presence in the industry across both the retail and foodservice sectors. The retail segment produces 53% of their net sales whilst the foodservice segment produces 47%. The retail segment sales mix can be broken down further into Frozen Breads (35%), Refrigerated Dressings, Dips & Other (21%), and Shelf-Stable Dressings, Sauces & Croutons (44%). The foodservice segment sales mix can be broken down into Branded & Other (21%) and National Accounts (79%). These segments include a variety of brands and products.

## PRODUCT PORTFOLIO

Lancaster Colony has an extensive portfolio of products across the retail and packaged food sectors. Lancaster Colony breaks down their portfolio into two segments: brands and licensed brands. Some notable brands include Marzetti®, Sister Schubert's®, and New York Brand® Bakery. Their licensed brands include a few household names such as Olive Garden, Chick-fil-A®, and Buffalo-Wild-Wings® (BWW).

## MARKET PRESENCE

Lancaster Colony has a varying market presence across their brand portfolio through their use of 15 production facilities across nine states. See figures 5-6 for a detailed breakdown.

\*Note "\$ Share" indicates market share in respective subcategory.

## BRAND IDENTITY

Lancaster Colony promotes a convenient and familiar identity for each of its brands through placement of its products across several settings such as grocery stores and restaurants chains throughout the United States. In addition, they pride themselves on providing flavorful and quality food products with accessible health-conscious alternatives.

## OPERATIONAL EXCELLENCE

Lancaster Colony currently strives for operational excellence through several initiatives. First, developing sales and company growth through improvements in their supply chain and existing manufacturing base. Second, investing in operational expansion and in improved IT infrastructure.

## STAKEHOLDER RELATIONSHIPS

Lancaster colony maintains its relationships with stakeholders whilst engaging with its customers, employees, and suppliers. This is done through the use of several channels such as presentations, meetings, and surveys. Specifically for investors, they utilize earnings releases and calls, SEC filings, conferences, and host an annual meeting for shareholders with intent to maintain their investor relationships.

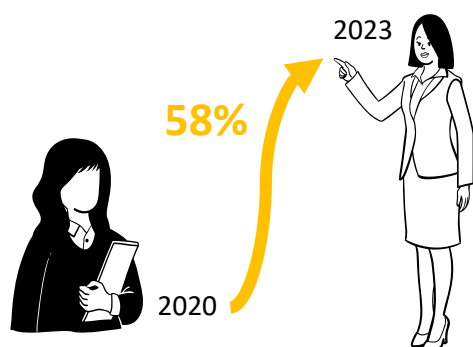
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Figure 7: Lancaster's Sustainability



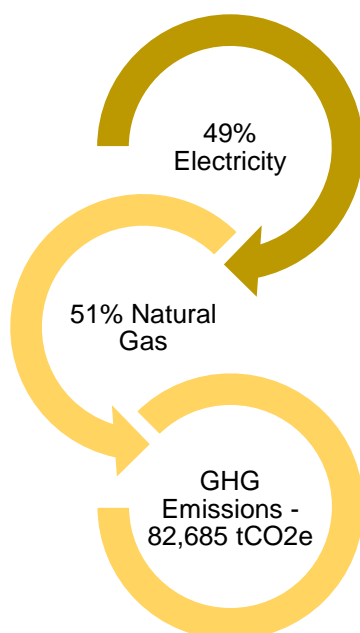
Source: Company Data, ESG

Figure 8: Lancaster Colony Increasing Female Leaders By 58% Since 2020:



Source: Company Data, 10K

Figure 9: Lancaster Colony's GHG Emissions Breakdown for FY20:



Source: Company Data, ESG Report

Lancaster Colony, a renowned foodservice and retail company, has demonstrated a commendable commitment to Environmental, Social, and Governance (ESG) principles in its operations. When their ESG initiatives are compared with global sustainability goals they showcase a proactive approach towards responsible business practices.

### ENVIRONMENT

**Waste Management:** In FY20, Lancaster Colony made significant strides in waste reduction, notably cutting down landfill waste by 20-50% at their dressing plant in Horse Cave, KY. They optimized energy, water consumption, and cleaning solutions to minimize waste generation.

**Energy Consumption and Greenhouse Gas Emissions:** Across 16 manufacturing sites, they consumed 1.07 million gigajoules of energy in FY20, with approximately 71% attributed to natural gas. Efforts to replace inefficient equipment and monitor energy usage led to a reduction in company-wide energy consumption. GHG emissions from energy consumption totaled 82,685 tons of CO<sub>2</sub>e, reflecting a commitment to track and lower emissions. See Figure 9 for the GHG emissions breakdown.

**Water Conservation:** Lancaster Colony implemented robust measures to conserve water resources, including testing, monitoring, and treatment of wastewater discharge systems. Their commitment to responsible water usage resulted in a water intensity of 504 cubic meters per million dollars in sales.

### SOCIAL

**Community Engagement:** Lancaster Colony's philanthropic initiatives have been extensive. They donated over \$770,000 to various community organizations in FY20, including contributions to the Children's Hunger Alliance, Susan G. Komen Race for the Cure, and others. Their Employee Assistance Fund has supported team members facing financial hardships due to personal crises.

**Employee Retention and Support:** The company boasts a strong employee retention rate, with turnover rates consistently below external benchmarks. Initiatives enhancing benefits, pay, worker safety, and work-life balance have contributed to retention rates of over 80% for employees. Their turnover rate is approximately beating the USBL&S Benchmark by over 10%.

### GOVERNANCE

**Board Oversight:** The Board ensures long-term value creation, overseeing strategy, risk, and compliance, fostering stakeholder relationships with integrity.

**Selection and Diversity:** Emphasizes director qualifications and diversity, committing to fair representation of women, minorities, and varied expertise.

**Committee Operations:** Committees consist entirely of independent directors, each with defined responsibilities and periodic charter reviews. Share Ownership Guidelines: Set guidelines for directors and executives aligning their interests with shareholders, with clear timelines and consequences for non-compliance. See Figure 10 for overall organizational structure committed to sustainability within Lancaster Colony.

Figure 10: Sustainability Organization Diagram



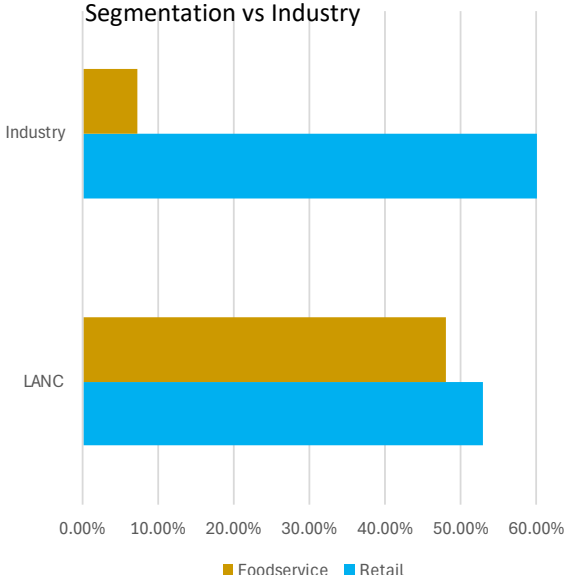
Source: Company Data, ESG Report

**Transparency and Adaptability:** Allows amendments under specific circumstances, conducts regular reviews, and discloses Corporate Governance Principles on the company’s website. Lancaster Colony Corporation demonstrates a commitment to ethical governance, diversity, and shareholder alignment through its structured governance principles. Lancaster Colony's ESG initiatives showcase a holistic commitment to sustainability. From waste reduction and energy conservation to community engagement and evolving governance policies, the company demonstrates a proactive stance towards responsible business practices, setting a benchmark for sustainable operations within the industry.

## INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Lancaster Colony Corporation operates in the packaged food industry, specifically in the consumer defensive sector. They provide frozen foods as well as salad dressings and other condiments. The 5-year CAGR for both industries is .5% and .9%, respectively. Lancaster Colony has become a key player in both the retail and foodservice segment.

Figure 11: LANC Market Segmentation vs Industry



Source: Company Data, Team Analysis

**Consumer Preferences:** Today’s generation has an increased focus on health, and we see that trend in the food industry. Millennials are driving a change in consumer preferences and healthier options while higher priced, have more demand.

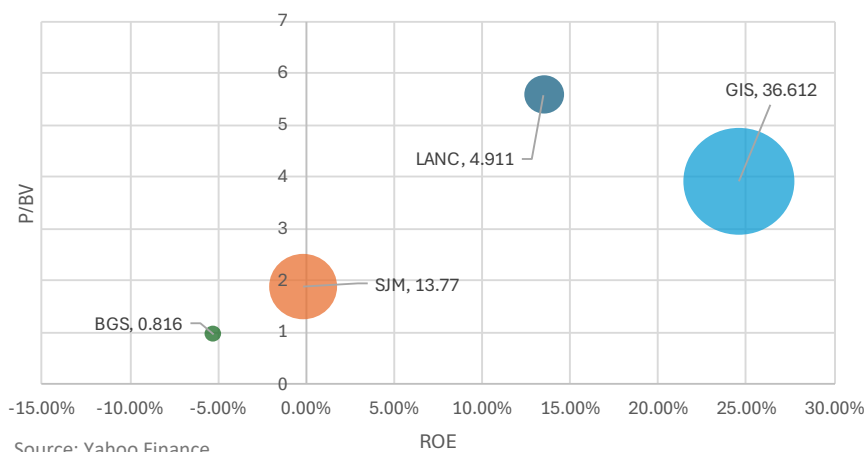
**Regulatory Landscape:** There is moderate regulation within both industries as they must follow all FDA guidelines on food labels and actual content. Lancaster colony faces regulation risks as recalls and claims may damage company reputation. They also face regulation in the state and local levels. Due to recent health trends, government intervention has increased to help decrease health complications of citizens.

**Price Volatility:** A key external driver for these industries is the cost of inputs. As inflation and the agricultural index continues to increase, the once favored convenience of frozen foods may fade as the price exceeds consumer demand. For Lancaster colony, since they prioritize a niche consumer market, they are less exposed to the risk of decreasing demand.

**Market Share:** Lancaster Colony has a market capitalization of approximately 4.9B, which is on the smaller side of competitors in the packaged food industry, see figure 12 for comparison.

**Brand Strength and Recognition:** Lancaster colony operates under multiple brands in their retail segment. Some of the well-known brands are: Marzetti®, Sister Schubert’s®, and New York Brand® Bakery as previously stated.

Figure 12: LANC vs competitor market caps



Source: Yahoo Finance

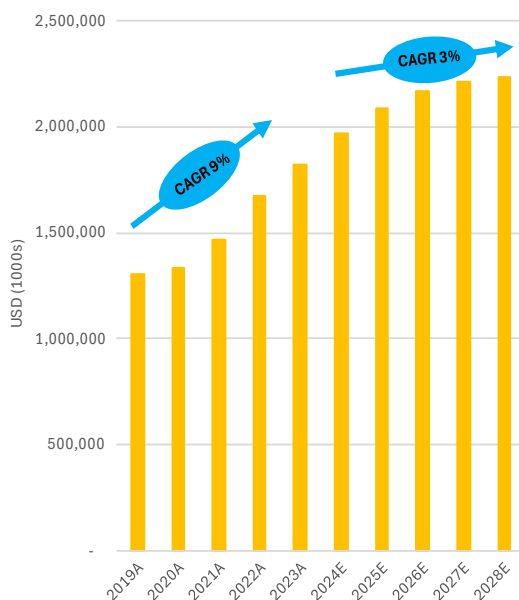


## FINANCIAL ANALYSIS

Figure 13: Key Financial Figures

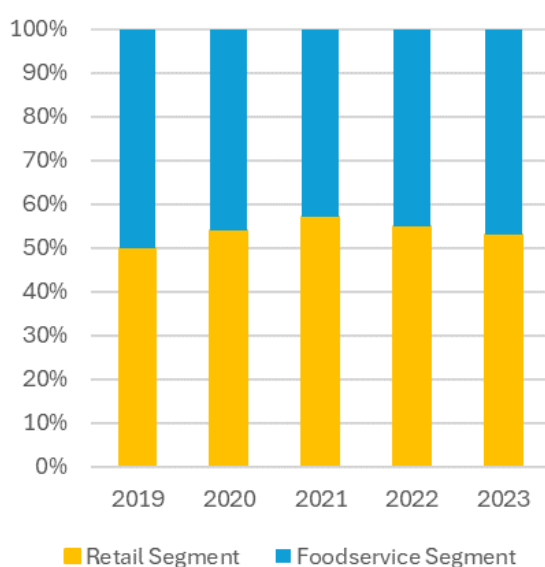
LANC - Key Financials(\$1000s)	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue	1,307,787	1,334,388	1,467,067	1,676,390	1,822,527	1,968,329	2,086,429	2,169,886	2,213,284	2,235,417
EPS	5.48	4.98	5.17	2.36	4.04	4.77	5.02	5.15	5.17	5.31
Payout Ratio (%)	47%	55%	57%	97%	83%	75%	75%	77%	81%	82%
<b>Profitability</b>										
GPM	24.9%	26.8%	26.4%	21.2%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
Operating Margin	14.6%	13.2%	12.7%	6.7%	7.8%	8.5%	8.4%	8.3%	8.2%	8.3%
ROA	16.6%	13.8%	12.9%	8.2%	10.0%	11.4%	11.7%	11.7%	10.8%	10.2%
ROE	20.7%	17.5%	16.9%	10.6%	12.9%	14.8%	15.2%	15.2%	13.7%	12.8%
<b>Liquidity</b>										
Current Ratio	3.08	3.05	2.43	2.12	2.22	1.69	1.69	1.69	1.69	1.69
Quick Ratio	2.27	2.26	1.64	1.18	1.21	1.00	0.92	0.94	1.43	1.92
Cash Ratio	1.64	1.57	1.08	0.36	0.52	0.32	0.24	0.26	0.74	1.24
NWC	248,863	259,353	249,558	186,196	205,711	126,617	134,214	139,583	142,374	143,798
Change in NWC	-	4.2%	-3.8%	-25.4%	10.5%	-38.4%	6.0%	4.0%	2.0%	1.0%

Figure 14: Revenue Projections



Source: Company Data, Team

Figure 15: Revenues Driven by Each Business Segment



Source: Company Data, Team Analysis

### REVENUE PROJECTIONS

Forecasting revenues over a 5-year period, we estimate a CAGR of 3% (Figure 14).

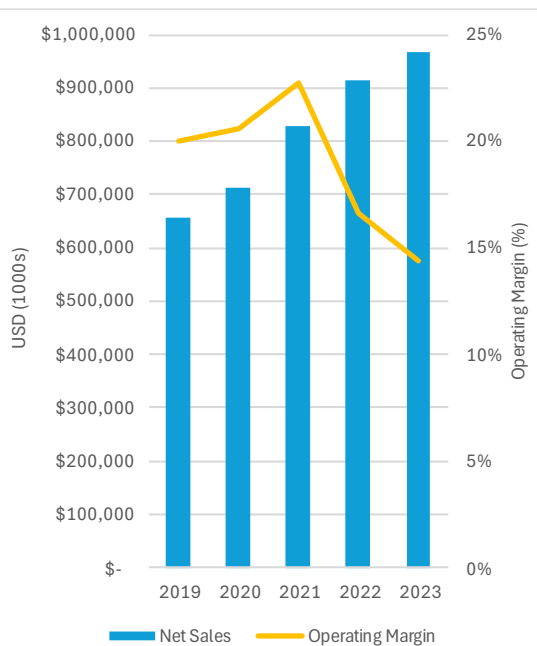
Revenue is driven by 2 segments: retail and food service. Since the portions of revenue driven by these segments are approximately equal (waver around 50% for each, see Figure 16), we have forecasted revenue together, as a single metric. While we consulted the historical growth, we also intended to take into consideration the industry projections. The frozen food production industry CAGR for FY23-28 is expected to be .5% and in the previous 5 years it was 6%. Since Lancaster Colony has typically performed above average in the industry, we estimate that a 5-year CAGR of 3% was accurate for the company's revenues. Growth was projected within the first year at 8% and decreased YOY until it reached 1% in FY28. Without a plan for any mergers and acquisitions, as well as no utilization of a debt facility, we expected growth to increase at a decreasing rate. Customer volume may increase but not at the sustained high growth rate as seen in previous fiscal years. Additionally, Lancaster colony benefits from the strong relationships and contracts with current partners, but we could not justify any larger growth due to the lack of research and development spending (less than 1% of net sales per company data).

### PROFITABILITY

In 2019, both the retail and foodservice segments contended at about 50% each as drivers of the business's revenue. Following COVID-19, in 2020 we began to see growth of the retail segment of 4% correlating with an equivalent decline in the foodservice segment. This trend continues through 2021 as the retail segment grows to 57% of revenue. Beginning in 2022, we see a decline in the retail segment of 2% to a total of 55%. In 2023, the retail segment saw a further 2% decline to a total of 53% of revenue. In these five years, the foodservice segment saw a decline from 50% to only 47% of the business's revenue (Figure 15).

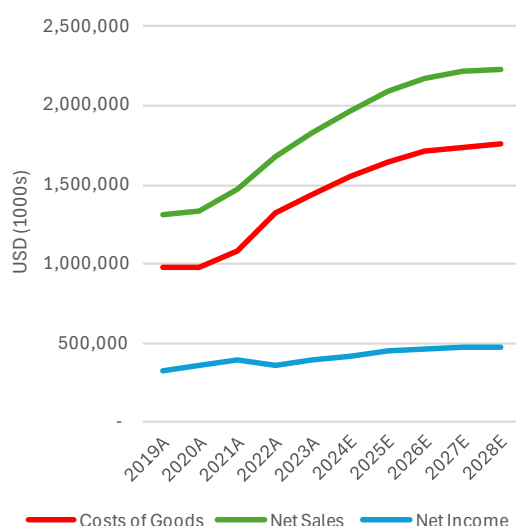
The retail segment currently drives slightly more than 50% of total sales; however, this may contribute risk as the retail segment's margins have been decreasing YOY (Figure 16).

Figure 16: Retail segment - net sales and operating margins



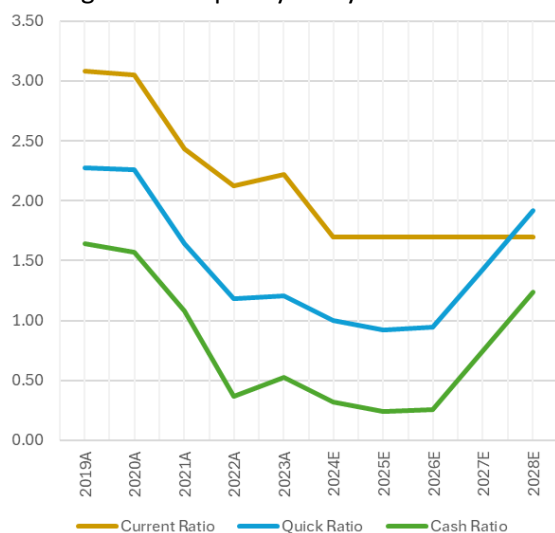
Source: Company Data, Team Analysis

Figure 17: Historical vs forecasted income



Source: Company Data, Team Analysis

Figure 18: Liquidity analysis



Source: Company Data, Team Analysis

## LIQUIDITY

Lancaster Colony has a fluctuating liquidity position from 2019 to 2023. The current ratio, reflecting the company's ability to cover short-term liabilities with current assets, has shown a declining trend, dropping from 3.08 in 2019 to 1.69 in 2023. Similarly, the quick ratio, which considers the most liquid assets, has followed a similar downward trajectory, decreasing from 2.27 to 0.92 over the same period. The cash ratio, emphasizing the ability to cover obligations with cash and cash equivalents, has also witnessed a notable decline from 1.64 to 0.24. These liquidity indicators suggest a potential decrease in the company's ability to meet short-term financial obligations.

In addition, Lancaster Colony has mentioned their intention to not issue debt in the proceeding years. This would suggest a limited growth of the company's liabilities in the near future.

## VALUATION

Figure 19: WACC Data Figures

Input	Rate	Source/ Reasoning
Risk Free Rate	4.34%	CNBC
Beta	.28	Yahoo Finance
Cost of Equity	6.48%	CAPM
Tax Rate	22.5%	Statutory tax (federal)
WACC	6.48%	

We restate our **SELL** recommendation for Lancaster Colony with a target price of \$125.30, representing a 29.80% downside from the closing price of \$178.48 as of January 25, 2024. To understand Lancaster Colony's financial position, we conducted a 5-year forecast considering the current business position as well as external key drivers like inflation and input costs, and then compiled a DCF analysis to value the company.

### DCF VALUATION

For the DCF valuation, we used net operating profit after tax (NOPAT) and an increase (or decrease) in net operating assets (NOA) to come to our free cash flow to the firm. We estimated a WACC of 6.48% for Lancaster Colony (Figure 20). Due to the capital structure of the business, they maintain 0 debt. This means that the WACC is simply the cost of equity. To find the cost of equity, we used the CAPM model which resulted in our rate of 6.48%. To compute this value, we analyzed the US 30 Year Treasury Bill return and adjusted the period to fit our forecast which resulted in a risk-free rate of 4.34%.

## FREE CASH FLOW TO THE FIRM

In order to calculate the free cash flow to the firm (FCFF) we took the forecasted NOPAT and subtracted the increase in NOA to get our yearly FCFF. We expect their terminal growth rate to stabilize around 3% over the next 5 years. While a higher growth rate than industry projections may seem in conflict with our overvalued conclusion, a positive growth rate has not outweighed other investment risks and cost increases. Lancaster colony continues to cater to a niche consumer base and while sales may grow, we believe that the current state of the company is overvalued in the market. Additionally, a 3% terminal growth rate is projected under the current GDP growth projections. Using a 3% rate for our terminal value, we discounted the total terminal value to FY23. After discounting the cash flows by our cost of capital, we found total enterprise value to be \$3,441,618,000.

## RISKS AND MITIGANCE

**INPUT COSTS INCREASING: Probability – High, Impact – High:** As inflation continues to be a driver in the increasing costs of raw materials, labor costs, as well as distribution, we see this as a high risk to Lancaster Colony's operations. As previously stated in the financial analysis, Lancaster Colony is already suffering from rising costs and decreasing margins. While the company has stated they are able to pass price increases on to customers, this poses another threat of decreased demand and or dissatisfaction. Additionally, consumer preferences moving towards healthier options may cause the business to incur higher costs to accommodate the shifting demand. **Mitigants:** Lancaster Colony utilizes customer contracts which may help protect them from impacting price increases immediately. While they do not utilize commodity hedging, they participate in a program that aids in lowering purchasing prices of key ingredients like soybean oil and flour. The company also caters to a niche consumer market that has shown itself to be unwavering and allows for more luxury product pricing.

**OPERATIONAL FAILURES: Probability – Low, Impact – High:** Lancaster Colony may face production failures due to a variety of external factors like a pandemic or war. We have seen this negative impact in the past (FY22 with the Ukraine War as well as in 2020 with COVID-19) as net income and margins compressed. They are also exposed to the possibility of factory issues which would impact distribution. **Mitigants:** Lancaster Colony focuses on a preventative strategy that keeps the business cushioned with their liquidity. Additionally, due to an involved management and investment into PPE this risk is unlikely to occur.

**RETAIL/ FOODSERVICE DEPENDENCY: Probability – Low, Impact – Moderate:** Lancaster Colony relies on a few companies (Walmart, McLane, Chick-fil-a). They represented 18%, 20%, and 11% of net sales for FY23. If any of these business relationships were to fail or if other operations in these companies were impacted, the impact would be passed on to Lancaster Colony. **Mitigants:** Lancaster Colony's business structure prioritizes and emphasizes these business relationships. It is unlikely that these deals will fall through, and their contract structure may prevent any unforeseen fallout. Lancaster colony maintains a strong reputation that keeps the companies in business with them.



# APPENDIX

## Income Statement Forecast

Income Sheet										
Year Ended June 30,	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Amounts in thousands, except per share data										
<b>Net Sales</b>	\$ 1,307,787	\$ 1,334,388	\$ 1,467,067	\$ 1,676,390	\$ 1,822,527	\$ 1,968,329	\$ 2,086,429	\$ 2,169,886	\$ 2,213,284	\$ 2,235,417
<b>Cost of Sales</b>	981,589	976,352	1,080,344	1,320,671	1,433,959	1,548,676	1,641,596	1,707,260	1,741,405	1,758,819
<b>Gross Profit</b>	326,198	358,036	386,723	355,719	388,568	419,653	444,833	462,626	471,878	476,597
<b>Selling, General, and Administrative Expenses</b>	149,811	180,945	205,363	212,098	222,091	239,858	254,250	264,420	269,708	272,405
<b>Change in Contingent Consideration</b>	(16,180)	257	(5,687)	(3,470)	-	-	-	-	-	-
<b>Restructuring and Impairment Charges</b>	1,643	886	1,195	35,180	24,969	12,775	15,001	17,824	21,150	18,344
<b>Operating Income</b>	190,924	175,948	185,852	111,911	141,508	167,021	175,582	180,382	181,021	185,848
<b>Other, Net</b>	4,618	3,129	(107)	477	1,789	2,112	2,220	2,280	2,289	2,350
<b>Income before Income Taxes</b>	195,542	179,077	185,745	112,388	143,297	169,132	177,802	182,663	183,309	188,198
<b>Taxes based on Income</b>	44,993	42,094	43,413	22,802	32,011	38,060	40,011	41,105	41,250	42,350
<b>Net Income</b>	\$ 150,549	\$ 136,983	\$ 142,332	\$ 89,586	\$ 111,286	\$ 131,072	\$ 137,791	\$ 141,558	\$ 142,059	\$ 145,848
<b>Other Comprehensive Income (Loss)</b>										
<b>Defined Benefit Pension and Postretirement Benefit Plans</b>										
Net gain(loss) arising during the period, before tax	(2,902)	(2,662)	4,490	(4,029)	1,859	(999)	(166)	1,213	(1,531)	2,280
Amortization of loss, before tax	410	546	672	401	679	706	771	774	677	833
Amortization of prior service credit, before tax	(182)	(182)	(181)	(181)	(181)	(181)	(181)	(181)	(181)	(181)
<b>Total Other Comprehensive Income (Loss), Before Tax</b>	\$ (2,674)	\$ (2,298)	\$ 4,981	\$ (3,809)	\$ 2,357	\$ (474)	\$ 424	\$ 1,806	\$ (1,035)	\$ 2,932
<b>Tax Attributes of Items in Other Comprehensive Income (Loss)</b>										
Net gain(loss) arising during the period, tax	678	622	(1,049)	942	(434)	234	39	(283)	358	(532)
Amortization of loss, tax	(96)	(128)	(157)	(94)	(158)	(165)	(180)	(181)	(158)	(194)
Amortization of prior service credit, tax	43	42	42	42	42	42	42	42	42	42
<b>Total Tax (Expense) Benefit</b>	625	536	(1,164)	890	(550)	111	(99)	(422)	242	(684)
<b>Other Comprehensive Income (Loss), Net of Tax</b>	\$ (2,049)	\$ (1,762)	\$ 3,817	\$ (2,919)	\$ 1,807	\$ (364)	\$ 325	\$ 1,384	\$ (793)	\$ 2,248
<b>Comprehensive Income</b>	\$ 148,500	\$ 135,221	\$ 146,149	\$ 86,667	\$ 113,093	\$ 130,709	\$ 138,116	\$ 142,942	\$ 141,266	\$ 148,095

## Balance Sheet Forecast

Balance Sheet										
Year Ended June 30,	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Amounts in thousands, except per share data										
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and equivalents	\$ 196,288	\$ 198,273	\$ 188,055	\$ 60,283	\$ 88,473	\$ 58,838	\$ 46,038	\$ 52,194	\$ 152,463	\$ 256,081
Receivables	75,691	86,604	97,897	135,496	114,967	124,164	131,614	136,879	139,616	141,013
Inventories:										
Raw Materials	30,647	34,374	48,895	56,460	40,761	61,533	65,225	67,834	69,191	69,883
Finished Goods	55,425	50,674	72,980	88,242	117,504	109,393	115,956	120,595	123,006	124,237
Total inventories	86,072	85,048	121,875	144,702	158,265	170,926	181,182	188,429	192,198	194,120
Other current assets	10,518	15,687	15,654	11,300	12,758	13,779	14,605	15,190	15,493	15,648
Total current assets	368,569	385,612	423,481	351,781	374,463	308,869	327,401	340,497	347,307	350,780
<b>Property, Plant, and Equipment</b>										
Property, plant and equipment-gross	503,326	575,471	676,189	785,629	853,709	922,006	977,326	1,016,419	1,036,747	1,047,115
Less accumulated depreciation	256,282	282,183	311,567	334,261	371,503	403,696	435,992	462,151	480,637	490,250
Depreciation		25,901	29,384	22,694	37,242	32,193	32,296	26,160	18,486	9,613
Property, plant and equipment-net	247,044	293,288	364,622	451,368	482,206	518,310	541,334	554,268	556,110	556,865
<b>Other Assets</b>										
Goodwill	208,371	208,371	208,371	208,371	208,371	208,371	208,371	208,371	208,371	208,371
Other intangible assets-net	70,277	65,216	58,766	32,323	4,840	4,313	3,786	3,259	2,916	2,665
Operating lease right-of-use assets		22,977	22,455	28,177	24,743	26,722	28,326	29,459	30,048	30,348
Other noncurrent assets	11,138	17,889	23,590	18,354	18,371	19,841	21,031	21,872	22,310	22,533
<b>Total</b>	\$ 905,399	\$ 993,353	\$ 1,101,285	\$ 1,090,374	\$ 1,112,994	\$ 1,145,264	\$ 1,176,288	\$ 1,209,920	\$ 1,319,525	\$ 1,427,643
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
<b>Current Liabilities:</b>										
Accounts payable	\$ 76,670	\$ 71,433	\$ 110,338	\$ 114,972	\$ 111,758	\$ 120,699	\$ 127,941	\$ 133,058	\$ 135,719	\$ 137,077
Accrued liabilities	43,036	54,826	63,585	50,613	56,994	61,554	65,247	67,857	69,214	69,906
Total current liabilities	119,706	126,259	173,923	165,585	168,752	182,252	193,187	200,915	204,933	206,982
<b>Noncurrent Operating Lease Liabilities</b>	0	17,893	17,228	20,494	16,967	14,516	14,516	14,516	14,516	14,516
<b>Other Noncurrent Liabilities</b>	35,938	31,661	28,285	20,719	17,683	26,857	25,041	23,717	22,803	23,220
<b>Deferred Income Taxes</b>	22,882	34,240	38,702	38,889	47,325	36,408	39,113	40,087	40,364	40,659
<b>Commitments and Contingencies</b>										
<b>Shareholders' Equity:</b>										
Preferred stock-authorized 3,050,000 shares; outstanding-none										
Common stock-authorized 75,000,000 shares; outstanding-2023-27,527,550 shares; 2022-27,520,237 shares	122,844	125,153	128,617	137,814	143,870	147,888	151,906	155,924	159,942	163,960
Retained earnings	1,359,782	1,421,121	1,482,220	1,485,045	1,503,963	1,507,373	1,522,555	1,544,791	1,646,997	1,748,336
Accumulated other comprehensive loss	(10,308)	(12,070)	(8,253)	(11,172)	(9,365)	(10,234)	(10,234)	(10,234)	(10,234)	(10,234)
Common stock in treasury, at cost	(745,445)	(750,904)	(759,437)	(767,000)	(776,201)	(759,797)	(759,797)	(759,797)	(759,797)	(759,797)
Total shareholders' equity	726,873	783,300	843,147	844,687	862,267	885,230	904,430	930,684	1,036,908	1,142,265
<b>Total</b>	\$ 905,399	\$ 993,353	\$ 1,101,285	\$ 1,090,374	\$ 1,112,994	\$ 1,145,264	\$ 1,176,288	\$ 1,209,920	\$ 1,319,525	\$ 1,427,643

DCF Valuation

	2023	2024	2025	2026	2027	2028		Assumptions	2024
Sales	1,822,527	1,968,329	2,086,429	2,169,886	2,213,284	2,235,417		Discount Rate	6.48%
NOPAT	109,664	129,436	136,071	139,791	140,285	144,027		Growth Rate	3.00%
NOA	790,761	840,909	872,908	893,007	898,961	900,700			
Increase in NOA		50,148	31,999	20,099	5,954	1,739		WACC	6.48%
FCFF		79,288	104,071	119,692	134,331	142,288		r(e)	6.48%
								r(d)	0.00%
PV of FCFF		74,459	91,781	99,129	104,478	4,205,588		β	0.28
CUM. PV FCFF	369,849							t	23%
PV of Terminal FCFF	3,071,769							Equity Value	\$ 4,668,540
Total Firm Value	3,441,618							Debt Value	\$ -
Less NNO	-							Total Enterprise Value	\$ 4,668,540
Less Pref Stock	-								
Less non-controlling interest	-								
Firm Equity value	3,441,618								
Shares Outstanding	27,468								
Stock value per share	\$ 125.30		178.48	closing price as of jan25 '24					
			-29.80%						