

NASDAQ: (MKSI) | Current Price: \$114.52 | Implied Value: 168.92 | 2-Yr Target Price: \$175 | Implied Return: 48%

Company Profile

MKS Instruments, Inc. (NASDAQ: MKSI) is a global provider of instruments, systems, subsystems, and process control solutions that measure, monitor, deliver, analyze, power and control critical parameters of advanced manufacturing processes to improve process performance and productivity for our customers. Their products are derived from their core competencies in pressure measurement and control, flow measurement and control, gas and vapor delivery, gas composition analysis, electronic control technology, reactive gas generation and delivery, power generation and delivery, vacuum technology, lasers, photonics, optics, precision motion control, vibration control and laser-based manufacturing systems. The company was incorporated in 1961 and is headquartered in Andover, MA.

Recommendation

BUY

Historical Return - 5 year



Key Information

Sector: Semiconductors

Industry: Semiconductors Equipment

Market Capitalization: 6.58B

Beta: 1.44

P/E: 12.3x

Dividend Yield: 0.72%

ROE: 20.0% (2021 FY)

Investment Thesis

- Potential Technology & Equipment Breakthrough**
 Completed acquisition of Photon Control Inc. & upcoming acquisition of Atotech Ltd. Competitive Technology Advantaged: A significant intangible asset amortization increase including 682 US, 1656 foreign, and 90 pending U.S. patent applications with the biggest budget allocation for R&D in this year. A decrease in interest income to fund acquisition and internal projects from 3 to 30 months.
- High Demand from Partners' Orders with Diversified Product Lines**
 Leading semiconductor manufacturers such as Applied Materials, Inc., and Lam Research Corporation.
- Undervalue with Stable Past and Expected Performance**
 Consistent gross margin of above 40% and increasing dividend growth of 10% higher YoY revenue quarterly growth compared to the industry.

Company Overview

MKS Instruments has a long history of leveraging its collective curiosity to understand and develop solutions at the core of many key technological innovations. These innovations have driven accelerated roadmaps for Semiconductor, Industrial, Life and Health Sciences, and Research and Defense markets. They pride themselves as a company on being able to provide semiconductive pieces of technology to provide services relating to the maintenance and repair of their products, installation services, and training. Being one of the main critical providers for massive research such as DNA sequencing, MSK Instruments helps provide the instruments required to make this work possible as efficient as ever.



MKS Instruments has a very wide range of products that they provide to many manufacturers to help aid the semiconductors sector of technology. Being that technology is growing so rapidly in the 21st century, and a need for compatible technology for machinery is at an all-time high, MKS Instruments steps up to the plate to be able to provide instruments for products such as:

- Capacitance Manometers
- Mass Flow. Controllers & Meters.
- Baratron® Capacitance. Manometers.
- Granville-Phillips® Vacuum Gauges.
- Gas Analyzers.
- Vacuum Flanges & Fittings.
- RF & Microwave. Generators.

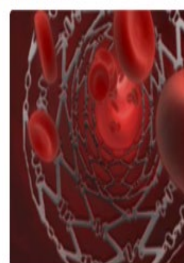
Market Solutions



Semiconductor



Industrial Technologies



Life & Health Sciences



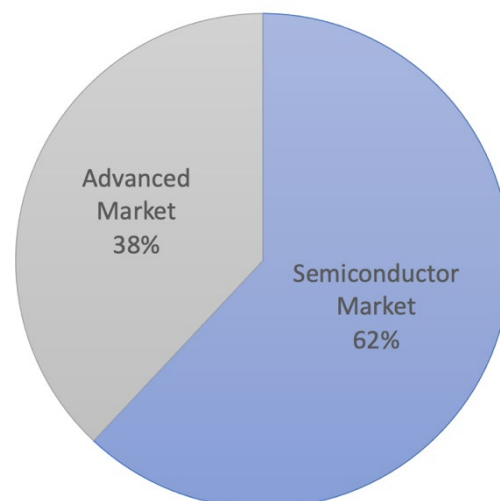
Research & Defense

Market

Semiconductors – A massive portion of sales (62% in 2021) are derived from products sold to semiconductor device manufacturers. This is a great industry where both demand and revenue continue to grow, which performs in line with every semiconductor company.

Advanced Markets – MKSI products are also used in industrial technologies, life and health sciences, research, and defense.

International Markets – Overseas sales accounts for around half of MKSI's net revenues. MKSI benefits from overseas manufacturing facilities located in Austria, China, France, Germany, Israel, Italy, Mexico, Romania, Singapore, and South Korea.



Acquisition Opportunity

July 15, 2021: Completed acquisition of Canadian company Photon Control Inc. in an all-cash transaction.

July 1, 2021: Implementation Agreement to acquire Atotech Ltd (ATC), a chemicals technology company operating in two segments, Electronics (EL) and General Metal Finishing (GMF)

Agreeing to pay \$16.20 per share in cash and 0.0552 of share of our common stock for each outstanding common.

The total acquisition cost of approximately \$5.1 billion is to expand its chip manufacturing capabilities.

Broaden their product and service portfolio, increase future market share, and highlight the upwards trajectory of the company, liquid balance sheet and overall healthy financial position.

Other Opportunity

ROE & ROA is above 90th Industry & Market Percentile with high liquidity with current ratio of 4.66 P/E ratio (12.3x) & PB Ratio (2.7x) compared to the US Semiconductor industry average (2.7x) & (4x)

Multiple international suppliers & distribution channels to diversify the demand & supply risk of engineering

Due to the continuous higher operation efficiency compared to the industry, it is reasonable that MKSI is capable to acquire company for more growth. The ratio of expense over revenue is remaining relatively low and decreasing over time with the outgrowth of revenue. Asset Turnover Ratio is higher than the industry (0.69>0.54)

Majority hold by institutions by The Vanguard Group (10.17%), BlackRock (9.11%), Capital Research and Management Company (8.75%), Wellington Management Group (7.93%), and the others totaling up to 68.34%.

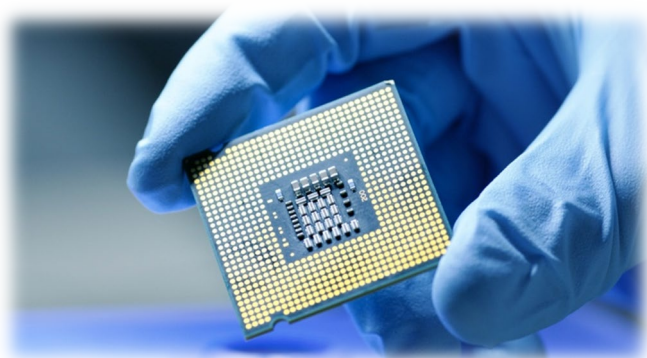
Risks



International/Regulatory Risk: The Atotech acquisition has received approval from 12 out of 13 global antitrust regulatory authorities, with China being the last remaining approval. MKS extend the date for acquisition of ATC to September 30, from March 31 in 2022, allowing additional time for the regulatory approval from China

Interest Rate Risk: Although interest rate risk is systematic risk, the company is dealing with many international clients especially Japanese clients, thus, diversifying geographically and reducing the effect of interest rate hike.

ATC acquisition will bring new patent assets and revenue to the firm, which outweighs the interest rate paid for the debt used to finance this acquisition.



Volatility Risk: Although the U.S. semiconductor industry ranks second out of 288 U.S. manufacturing industries for competitiveness, MKSI is expanding their product lines to industrial technologies, life and health sciences, research, and defense to hedge the risk.

Liquidity/Credit Risk: For the Atotech Acquisition, MKS Instruments expects to incur up to \$5.3 billion of indebtedness, however, it will cover by new assets, especially valuable patents, and new cashflow from expanded market in UK.



Financial Health and Competitors

At the end of fiscal year 2021, MKS Instruments stood sturdy with a strong financial standing. As of April 14, 2022, MKSI has decreased by -39.17% in the last 52 weeks. The beta is sitting in a higher position at 1.44, which could be looked at as concerning, but with MKSI's other financials provide evidence to bypass the 'higher than normal' beta, so MKSI's price is above the market average in volatility. MKSI is said to have a momentum rank ahead of 90% of US stocks. The 5-year cash and equivalents growth rate stand at 23.51%, and its year over year net income to common stockholder's growth rate is at 104.69%. We expect MKS Instruments to have lots of sufficient liquidity over the next 12 months.

Fiscal Year ending 2021					
Company	EV/Earnings	EV/EBITDA	EV/EBIT	P/E	Debt/EBITDA
MKS Instruments	12.65	8.77	10.09	12.71	1.29
Lam Research Company	14.95	12.50	13.28	15.46	0.91
Cohu Inc.	6.33	4.26	5.33	7.76	0.56
Applied Materials Inc.	16.37	13.26	13.95	16.96	0.67
Entegris Inc.	39.62	24.62	31.16	38.32	1.51
Trio-Tech International	21.85	4.43	12.88	28.86	1.14
Average	18.63	11.31	14.45	20.01	1.01
Median	15.66	10.64	13.08	16.21	1.03

MKS Instruments is in a strong position even with a P/E ratio of 12.71 at the end of 2021. Given that the higher P/E ratios can normally be a bad thing, MKS Instruments has a higher P/E ratio than 60% of the industry.

Compared to the rest of the electronics industry in the manufacturing machinery sector, MKSI ranks among the top 34% (87 out of 253) in the industry. Out of 16 in the sector, MKSI places 10th for manufacturing machineries.

MKSI Vs. Manufacturing Machinery Industry

	Company	Industry
Average Recommendation (1=Buy, 5=Sell)	1.33	1.54
Current Quarter Estimate	2.60	0.62
Year Ago Quarter Estimate	2.56	0.08
Next Quarter Estimate	2.78	0.54
Next Year Estimate	12.93	2.51

Marco Overview

Semiconductor Chip Shortage Despite the Oil Sanction & Interest Rate Hike

From the experience of the past two decades, an international oil price jump in 2010 and 2017 didn't suppress chip consumption. the annual chip sales climbed 26% while the average of oil increased 28%. Oil Price may compress household disposal income, slowing mobile phone sales, however, it will not reverse long term chip demand growth. We can say that oil price surges were more a result of energy supplies lagging behind overall demand fueled by strong global economic growth.

Demand & Exports for the Semiconductor Industry are expected to grow significantly. The chip shortage is not going to end in this quarter and at the current shortage for car and auto devices everywhere, the market should expect the shortage for years. It does not mean people will stop demand for semiconductors.

Semiconductor Opportunity & Expansion

Semiconductors are the brain of modern electronics. It enables advances in medical devices and health care, communications, computing, defense, transportation, clean energy, and future technologies such as artificial intelligence, quantum computing, and advanced wireless networks.

Joe Biden passed the chip act that provide chipmakers with \$52 billion in subsidies to advance semiconductor manufacturing in the United States soil, Intel invested \$20 billion for two new chip factories in Ohio and TSMC with \$12 billion fab in Arizona. Therefore, we have reasons to believe that after acquiring Atotech in UK, MKSI may have plan to take advantage of Joe Biden chip act to build factory in the US soil

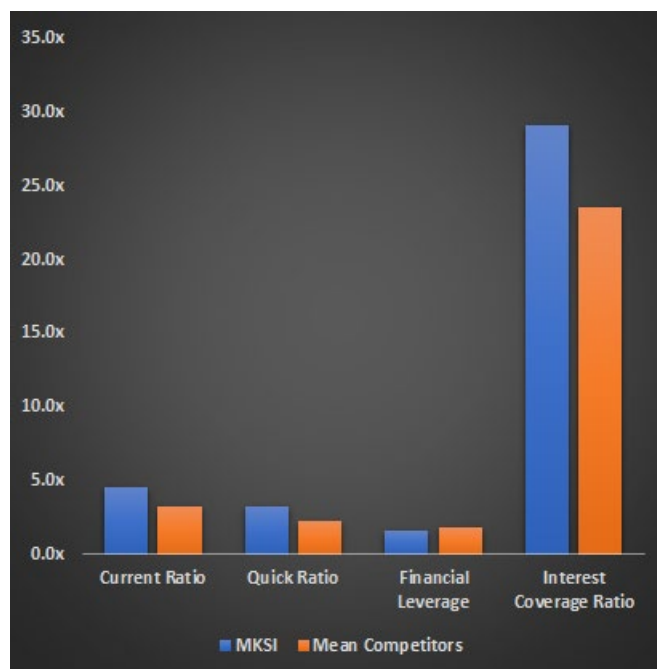
International Market

Semiconductors are a Top-5 U.S. Export, and more than 80% of U.S. semiconductor companies' sales are to overseas customers. The United States exported \$49 billion in semiconductors in 2020 and maintained a consistent trade surplus in semiconductors.

Historical Ratios

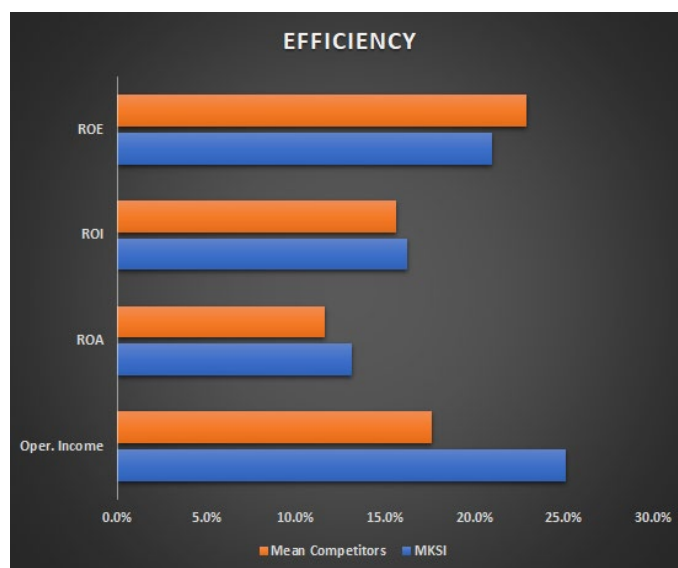
Ratios

MKS Instruments has maintained its current ratio above 4.3x since 2015. It indicates the company's ability to cover the current and short-term liabilities over the years and its credibility. On top of that, their quick ratio also maintains above 2.7x over the past 5 years and even up to 3.2x last year compared to 2.27 from its competitor's mean. The company's Interest Coverage Ratio was 29.1, greater than its competitor's mean, 23.6. It shows the company's ability to pay interest on its outstanding debt. MKS Instruments FCF/ Net Income was 100.3% versus 69% its competitors mean. It shows that the company has a strong capability to repay its creditors and payout dividends and interest to investors.



Efficiency

Likewise, MKS Instruments' profit margin has been above 44% in the past 5 years despite the significant decrease in sales during the pandemic period. The Gross Profit margin was 46.8% versus 41.4% of its competitors. Operating income was 25.1% versus 17.6%. It demonstrates the company is very efficient in its operation. The company's return on assets was 13.1% versus 11.6%. Return on its investment was 16.2% versus 15.6%. However, the company's ROE was 21%, 1.9% below the mean of its competitors.



Executive Team



John T.C. Lee
President & Chief
Executive Officer



Seth H. Bagshaw
Senior Vice President,
Chief Financial Officer
& Treasurer



Kathleen F. Burke
Senior Vice President
General Counsel &
Secretary



Mark M. Gitin
Senior Vice President
& General Manager,
Light & Motion
Division



David P. Henry
Senior Vice President
Corporate Marketing
Project Management
Office & Global
Service



Jennifer J. Reilly
Senior Vice President,
Chief Human
Resources Officer



James A. Schreiner
Senior Vice President
Chief Operating
Officer



Francis J. Tan
Senior Vice President,
Strategic
Development



Eric R. Taranto
Senior Vice President
& General Manager,
Vacuum & Analysis
Division



John Williams
Vice President &
General Manager,
Equipment &
Solutions Division

Valuation

Enterprise Value: Our Discounted Cash Flow use a 10.5% WACC. Our Cumulative Present value of FCF is \$2.5. Billion. The Terminal Value is \$10.3 Billion as we use 8.0x as the Exit Multiple and the Terminal EBITDA (2026F) is \$1,288.6. We conclude the MKS Instrument Enterprise as \$8.7 Billion.

Implied Perpetuity Growth Rate

Terminal Year Free Cash Flow (2026F)	\$743.2
WACC	10.5%
Terminal Value	\$10,308.8

Implied Perpetuity Growth Rate	3.1%
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Enterprise Value	\$8,789.8
12/31/2021 EBITDA	843.9

Implied EV/EBITDA	10.4x
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Implied Equity Value & Implied Share Price:

MKS Instrument Implied Share Price after our valuation is 168.92 for FY 2022 given the Fully Diluted Shares Outstanding of 55.4 million & the Implied Equity Value. The Implied Equity Value is \$9.3 Billion after Total Debt and Preferred Securities, plus the Cash and Cash Equivalents of 1.6 billion. As we conclude, MKS Instrument is currently trading with at least 40% in discount.

Enterprise Value

Cumulative Present Value of FCF	\$2,532.4
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Terminal Value

Terminal Year EBITDA (2026F)	\$1,288.6
Exit Multiple	8.0x
Terminal Value	\$10,308.8
Discount Factor	0.61
Present Value of Terminal Value	\$6,257.4
% of Enterprise Value	71.2%

Enterprise Value	\$8,789.8
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Implied EV/EBITDA & Implied Perpetuity

Growth Rate: AS The Terminal Year Free Cash Flow (2026F) is \$734.2 Million, 10.5% WACC and Terminal Value of \$10.3 Billion. We determine the Implied Perpetuity Growth Rate (IPGR) of MKSI is 3.1% which 5.4% lower than the current Inflation Rate (April 2022). As the MKSI IPGR is 3.1%, we conclude the company growth rate are comparable with the current GDP as the Fed rise their interest plus the high inflation. MKSI Implied EV to EBITDA is 10.4x.

Implied Equity Value and Share Price

Enterprise Value	\$8,789.8
Less: Total Debt	(876.0)
Less: Preferred Securities	(200.0)
Less: Noncontrolling Interest	-
Plus: Cash and Cash Equivalents	1,644.4

Implied Equity Value	\$9,358.2
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Fully Diluted Shares Outstanding	55.4
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Implied Share Price	\$168.92
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Valuation – Discounted Cash Flow

MKSI Revenue has increased from \$1.9 billion to 2.9 billion from 2017 to 2021. This is an average annual increase of 12.3%. Compared to our valuation of 10% increase. The company EBITDA Compound Annual Growth Rate was 13.7%. The company expected to have an EBITDA Compound Annual Growth Rate of 8.5% as a conservative case. MKSI's revenue and earnings are growing at a rapid pace, and the company has a great balance sheet. Furthermore, the company is able to generate a large amount of cash and maintain low capital expenditures.

<i>Discounted Cash Flows</i>	2017A	2018A	2019A	2020A	2021A	('17 - '21)	2022F	2023F	2024F	2025F	2026F	('22 - '26)
<i>Fiscal Year end date</i>	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	CAGR	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	CAGR
Sales	1,916.0	2,075.1	1,899.8	2,330.0	2,949.6	11.4%	3,362.5	3,799.7	4,179.6	4,472.2	4,740.6	9.0%
COGS	1,024.5	1,095.6	1,069.3	1,280.5	1,569.4	11.3%	1,815.7	2,051.8	2,256.9	2,414.9	2,559.8	9.0%
Gross Profit	891.5	979.5	830.4	1,049.5	1,380.2	11.5%	1,546.8	1,747.9	1,922.7	2,057.3	2,180.7	9.0%
R&D	132.6	135.7	164.1	173.1	200.0	10.8%	231.1	256.7	285.1	316.7	351.8	11.1%
Total Depreciation & Amortization	82.6	79.8	110.0	99.2	104.1	6.0%	111.8	120.1	129.0	138.5	148.8	7.4%
Amort. of Goodwill and Intangibles	45.7	43.5	67.4	55.2	55.3	4.9%	58.0	60.8	63.8	66.9	70.2	4.9%
SG&A	290.5	298.1	330.3	353.1	385.1	7.3%	439.0	496.1	545.7	583.9	618.9	9.0%
EBITDA	505.2	582.0	378.6	567.3	843.9	13.7%	930.5	1,054.4	1,157.1	1,228.3	1,288.6	8.5%
EBITDA Growth %		15%	-35%	50%	49%		10%	13%	10%	6%	5%	
Depreciation & Amortization	82.6	79.8	110.0	99.2	104.1		111.8	120.1	129.0	138.5	148.8	
EBIT	422.67	502.18	268.62	468.10	739.80	15.0%	818.7	934.3	1028.1	1089.8	1139.8	8.6%
% margin	22.1%	24.2%	14.1%	20.1%	25.1%		24.3%	24.6%	24.6%	24.4%	24.0%	
Taxes	108.5	88.1	37.4	72.9	114.1		144.3	168.2	195.3	218.0	239.4	
EBIAT	314.2	414.1	231.2	395.2	625.7	18.8%	674.4	766.1	832.7	871.8	900.4	7.5%
Plus: Depreciation & Amortization	83	80	110	99	104		112	120	129	139	149	
Less: Capital Expenditures	(31)	(63)	(64)	(85)	(87)	29.0%	(98)	(129)	(167)	(215)	(237)	24.9%
Less: Increase in Net Working Capital	(52)	(77)	(137)	0	(51)		(152)	(159)	(239)	(16)	(69)	
Unlevered Free Cash Flow	\$313.7	\$353.5	\$140.4	\$409.9	\$592.0	17.2%	\$536.6	\$598.3	\$555.4	\$780.1	\$743.2	8.5%
WACC						10.5%						
Discount Period	0.5	1.5	2.5	3.5	3.5		0.5	1.5	2.5	3.5	3.5	
Discount Factor	0.95	0.86	0.78	0.71	0.71		0.95	0.86	0.78	0.71	0.71	
Present Value of Free Cash Flow	\$298.4	\$304.3	\$109.4	\$289.0	\$417.4	8.7%	\$510.5	\$515.1	\$432.7	\$550.0	\$524.0	0.7%
<i>Assumptions</i>	<i>Average</i>						<i>Average</i>					
Sales (% growth)	NA	8.3%	(8.4%)	22.6%	26.6%	12.3%	14.0%	13.0%	10.0%	7.0%	6.0%	10.0%
EBITDA Margin	26.4%	28.0%	19.9%	24.3%	28.6%	25.5%	27.7%	27.7%	27.7%	27.5%	27.2%	27.6%
COGS (% sales)	53.5%	52.8%	56.3%	55.0%	53.2%	54.1%	61.0%	61.0%	61.0%	61.0%	61.0%	61.0%
SG&A (% sales)	15.2%	14.4%	17.4%	15.2%	13.1%	15.0%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%
Depreciation & Amortization (% sales)	1.6%	3.0%	3.4%	3.6%	2.9%	2.9%	3.0%	3.1%	3.2%	3.4%	3.6%	3.2%
Tax (% EBIT)	25.7%	17.5%	13.9%	15.6%	15.4%	17.6%	17.6%	18.0%	19.0%	20.0%	21.0%	19.1%
Capital Expenditure (% Sale)	1.6%	3.0%	3.4%	3.6%	2.9%	2.9%	2.9%	3.4%	4.0%	4.8%	5.0%	4.0%

Appendices Valuation

MKS												
Net Working Capital							2022F	2023F	2024F	2025F	2026F	
Revenue	1,916.0	2,075.1	1,899.8	2,330.0	2,949.6		3,362.5	3,799.7	4,179.6	4,472.2	4,740.6	
Cost of Goods Sold	1,024.5	1,095.6	1,069.3	1,280.5	1,569.4		1,815.7	2,051.8	2,256.9	2,414.9	2,559.8	
Current Assets												
Cash & Short Term Invest.	543.3	719.1	524.4	836.5	1,043.3	18%	1,231.1	1,452.7	1,714.2	2,022.7	2,386.8	18%
Growth		32%	-27%	59%	25%	18%	18%	18%	18%	18%	18%	18%
Total Account Receivable	300.3	299.1	344.6	396.4	446.7	10%	509.2	593.4	687.1	710.7	805.2	12%
Growth		0%	15%	15%	13%	11%	14%	17%	16%	3%	13%	13%
Inventories	339.1	384.7	462.1	501.4	576.7		680.3	843.2	989.3	904.8	1,016.9	
Other Current Assets	53.5	62.2	102.0	70.6	81.2		119.3	134.8	148.2	158.6	168.1	
Total Current Assets	1,236.2	1,465.4	1,433.0	1,805.6	2,148.3	15%	2,540.2	3,024.4	3,539.1	3,797.0	4,377.4	15%
Current Liabilities												
Accounts Payable	82.5	83.8	88.4	110.6	168.1		148.0	167.3	184.0	196.9	208.7	
Accrued Expenses	96.1	82.4	122.2	117.9	131.9		172.1	194.5	214.0	228.9	242.7	
Short term borrowing	3.0	3.4	3.1	5.5	0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Current Portion of Debt	0.0	0.6	9.0	9.0	9.0	5.5	9.0	9.0	13.0	14.0	15.0	12.0
Current Port. Of LT Leases	0.0	0.0	20.6	15.8	18.0	18.1	18.0	20.0	25.0	19.0	25.0	23.0
Other Current Liabilities	111.2	96.5	77.5	120.6	133.8		165.7	228.0	206.0	111.8	233.6	
Total Current Liabilities	289.8	266.7	320.8	379.4	460.8	12%	\$515.8	\$621.7	\$644.9	\$573.6	\$727.9	9%
Net Working Capital	406	484	620	620	671	13%	823	982	1,221	1,237	1,306	12%
% sales	21.2%	23.3%	32.7%	26.6%	22.8%		24.5%	25.8%	29.2%	27.7%	27.5%	
(Increase) / Decrease in NWC	(51.7)	(77.5)	(136.9)	0.4	(51.1)	-10%	(\$152.1)	(\$158.7)	(\$239.2)	(\$15.5)	(\$69.0)	-18%
Assumptions												
Days Sales Outstanding	57.2	52.6	66.2	62.1	55.3	58.7	55.3	57.0	60.0	58.0	62.0	58.5
Days Inventory Held	120.8	128.2	157.7	142.9	134.1	136.7	136.7	150.0	160.0	136.7	145.0	145.7
Prepays and Other CA (% of sales)	2.8%	3.0%	5.4%	3.0%	2.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Days Payable Outstanding	29.4	27.9	30.2	31.5	39.1	29.8	29.8	29.8	29.8	29.8	29.8	
Accrued Liabilities (% of sales)	5.0%	4.0%	6.4%	5.1%	4.5%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	
Other Current Liabilities (% of sales)	5.8%	4.7%	4.1%	5.2%	4.5%	4.9%	4.9%	6.0%	4.9%	2.5%	4.9%	4.6%

Appendices – Income Statement

Year	2017A	2018A	2019A	2020A	2021A
The Fiscal Year Ending	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Total Revenue	1,916.0	2,075.1	1,899.8	2,330.0	2,949.6
% Growth		8%	-8%	23%	27%
Cost of Goods Sold	1,024.5	1,095.6	1,069.3	1,280.5	1,569.4
% Growth		7%	-2%	20%	23%
Gross Profit	891.5	979.5	830.4	1,049.5	1,380.2
Gross Margin	47%	47%	44%	45%	47%
Operating Expense					
SG&A	290.5	298.1	330.3	353.1	385.1
% Over Rev	15.2%	14.4%	17.4%	15.2%	13.1%
Research & Development	132.6	135.7	164.1	173.1	200.0
Depreciation and Amort.	36.9	36.3	42.6	44.0	48.8
Amort. of Goodwill and Intangibles	45.7	43.5	67.4	55.2	55.3
Total Operating Expenses	505.7	513.6	604.4	625.4	689.2
Margin	26%	25%	32%	27%	23%
Check	422.7	502.2	268.6	468.1	739.8
EBIT	423.1	502.2	276.2	468.1	739.8
% EBIT Margin	22%	24%	15%	20%	25%
Interest Expense	(31.0)	(16.9)	(44.1)	(29.1)	(25.4)
Interest and Invest. Income	3.0	5.8	5.5	1.4	0.6
Net Interest Exp.	(28.0)	(11.1)	(38.6)	(27.7)	(24.8)
Currency Exchange Gains/ Loss	(9.5)	(2.4)	(4.9)	(5.0)	(3.9)
Other Non-Operating Inc. Exp.	3.7	0.4	1.6	1.9	(4.7)
EBT	389.3	489.1	234.3	437.3	706.4
Margin	20%	24%	12%	19%	24%
EBT incl. Unusual Items	447.6	481.0	177.9	423.0	665.5
Taxes	108.5	88.1	37.4	72.9	114.1
Taxes % EBT	24%	18%	21%	17%	17%
Net Income	339.1	392.9	140.5	350.1	551.4
Profit Margin	18%	19%	7%	15%	19%
Weighted- Average Number of Shares					
Basic	54,137,000.0	54,406,000.0	54,711,000.0	55,100,000.0	55,400,000.0
% Growth YoY		0.0	0.0	0.0	0.0
Diluted	55,074,000.0	54,992,000.0	55,100,000.0	5,530,000.0	55,700,000.0
Basic EPS	6.3	7.2	2.6	6.4	10.0
Diluted EPS	6.2	7.1	2.6	6.3	9.9
EBIT	423.1	502.2	276.2	468.1	739.8
(+) Depreciation Amorization	82.6	79.8	110.0	99.2	104.1
D & A over Rev.	4.3%	3.8%	5.8%	4.3%	3.5%
EBITDA	505.8	581.0	385.7	566.2	843.6
EBITDA Margin	26%	28%	20%	24%	29%

Appendices - Balance Sheet

Year	2017A	2018A	2019A	2020A	2021A
The Fiscal Year Ending	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Assets					
Cash and Equivalents	333.9	644.3	414.6	608.3	966.3
Total Cash & ST Investments	543.3	719.1	524.4	836.5	1,043.3
Accounts Receivable	300.3	299.1	344.6	396.4	446.7
Total Account Receivable	300.3	299.1	344.6	396.4	446.7
Inventory	339.1	384.7	462.1	501.4	576.7
Other Current Assets	53.5	62.2	102.0	70.6	81.2
Total Current Assets	1,236.2	1,465.0	1,433.1	1,804.9	2,147.9
Gross PP&E	657.1	706.8	899.9	1,067.8	1,122.7
Accumulated Depreciation	(485.4)	(512.5)	(593.5)	(599.1)	(613.1)
Net PP&E	171.7	194.3	306.4	468.7	509.6
Long-term Investment	16.8	16.4	5.8	6.5	14.9
Good Will	591.0	587.0	1,058.5	1,066.4	1,228.2
Other Intangibles	366.4	319.8	564.6	512.2	576.0
Other Long-Term Assets	31.9	32.6	47.5	45.6	64.3
Total Assets	2,414.0	2,615.1	3,415.9	3,904.3	4,540.9
% Change	na	9.0%	30.6%	14.3%	16.3%
Liabilities					
Total Current Liabilities	289.8	263.3	317.7	373.9	460.8
Long-Term Debt	390.0	343.8	878.2	829.0	812.9
Long-Term Leases	0.0	0.0	44.8	187.4	192.6
Pension & Other Post-Retire. Benefits	0.0	20.6	2.5	2.5	2.6
Def. Tax Liability, Non-Curr.	61.6	48.2	72.4	59.2	99.1
Other Non-Current Liabilities	83.7	65.1	77.4	90.9	85.7
Total Liabilities	825.1	741.1	1,393.0	1,542.9	1,653.7
Common Stock	0.1	0.1	0.1	0.1	0.1
Additional Paid In Capital	789.6	793.9	864.3	873.2	906.7
Retained Earnings	795.7	1,084.8	1,181.2	1,487.3	1,991.0
Treasury Stock	-	-	-	-	-
Comprehensive Inc. and Other	3.5	(5.7)	(22.3)	0.3	(11.2)
Total Common Equity	1,588.9	1,873.1	2,023.3	2,360.9	2,886.6
Total Equity	1,588.9	1,873.1	2,023.3	2,360.9	2,886.6
Total Liabilities And Equity	2,414.0	2,614.2	3,416.3	3,903.8	4,540.3
<i>Balance Sheet Check</i>	<i>ok</i>	<i>ok</i>	<i>ok</i>	<i>ok</i>	<i>ok</i>

Appendices - Cash Flow Statement

Year	0.000001	2017A	2018A	2019A	2020A	2021A
The Fiscal Year Ending		12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Cash Flows from Operating Activities						
Net Income		339.1	392.9	140.5	350.1	551.4
Depreciation & Amort.		36.8	36.3	42.6	44.0	48.8
Amort. of Goodwill and Intangibles		45.7	43.5	67.4	55.2	55.3
Depreciation & Amort., Total		82.6	79.8	110.0	99.2	104.1
			-3.3%	37.8%	-9.8%	4.9%
Other Amortization		10.7	4.7	7.1	2.7	2.3
(Gain) Loss From Sale Of Assets		(74.9)	-	-	-	-
(Gain) Loss On Sale Of Invest.		-	-	4.7	-	-
Asset Writedown & Restructuring Costs		6.7	-	-	2.3	-
Stock-Based Compensation		24.4	27.3	49.2	29.5	36.7
Provision & Write-off of Bad debts		0.8	1.4	-	-	-
Other Operating Activities		16.2	5.5	21.6	18.0	16.5
Change in Acc. Receivable		(44.1)	(0.5)	(0.1)	(44.8)	(52.7)
Change In Inventories		(72.5)	(73.8)	(29.3)	(52.2)	(91.7)
Change in Acc. Payable		11.4	2.0	(24.2)	21.0	55.5
Change in Inc. Taxes		12.8	(11.4)	(12.4)	21.6	1.3
Change in Other Net Operating Assets		41.9	(14.1)	(22.5)	65.8	16.1
Cash from Ops.		355.2	413.8	244.5	513.2	639.5
Capital Expenditure		(31.3)	(62.9)	(63.9)	(84.9)	(86.7)
Sale of Property, Plant, and Equipment		-	-	42.1	-	-
Cash Acquisitions		-	-	(988.6)	-	(268.4)
Divestitures		72.5	-	-	-	-
Invest. in Marketable & Equity Secur.		(18.7)	135.6	63.2	(117.5)	150.5
Net (Inc.) Dec. in Loans Originated/Sold		-	-	-	-	-
Other Investing Activities		0.1	-	-	-	-
Cash from Investing		22.6	72.7	(947.2)	(202.4)	(204.6)
Short Term Debt Issued		-	-	-	-	-
Long-Term Debt Issued		28.5	67.7	642.2	27.0	1.0
Total Debt Issued		28.5	67.7	642.2	27.0	1.0
Short Term Debt Repaid		(29.7)	(67.2)	-	-	-
Long-Term Debt Repaid		(228.1)	(50.0)	(111.5)	(83.8)	(15.2)
Total Debt Repaid		(257.8)	(117.2)	(111.5)	(83.8)	(15.2)
Repurchase of Common Stock		-	(75.0)	-	-	-
Total Dividends Paid		(38.2)	(42.4)	(43.5)	(44.0)	(47.6)
Special Dividend Paid		-	-	-	-	-
Other Financing Activities		(12.2)	(11.1)	(11.0)	(20.7)	(3.3)
Cash from Financing		(279.7)	(103.0)	476.2	(121.5)	(65.1)
Foreign Exchange Rate Adj.		1.8	1.9	(3.2)	4.4	(11.8)
Net Change in Cash		100.0	385.4	(229.7)	193.7	358.0

Appendices

	2017A	2018A	2019A	2020A	2021A
Profitability					
Return on Assets %	11.4%	12.5%	5.7%	8.0%	11.0%
Return on Capital %	13.8%	14.9%	6.6%	9.2%	12.6%
Return on Equity %	24.0%	22.7%	7.2%	16.0%	21.0%
Return on Common Equity %	24.0%	22.7%	7.2%	16.0%	21.0%
Margin Analysis					
Gross Margin %	46.5%	47.2%	44.1%	45.0%	Mar
SG&A Margin %	15.1%	14.4%	17.4%	15.2%	13.1%
EBITDA Margin %	26.4%	28.0%	20.3%	24.3%	28.6%
EBITA Margin %	24.5%	26.3%	18.1%	22.5%	27.0%
EBIT Margin %	22.1%	24.2%	14.5%	20.1%	25.1%
Earnings from Cont. Ops Margin %	17.7%	18.9%	7.4%	15.0%	18.7%
Net Income Margin %	17.7%	18.9%	7.4%	15.0%	18.7%
Net Income Avail. for Common Margin %	17.7%	18.9%	7.4%	15.0%	18.7%
Normalized Net Income Margin %	12.7%	14.7%	7.7%	11.7%	15.0%
Levered Free Cash Flow Margin %	14.6%	13.1%	5.8%	13.7%	15.5%
Unlevered Free Cash Flow Margin %	15.1%	13.4%	6.9%	14.4%	16.0%
Asset Turnover					
Total Asset Turnover	0.8x	0.8x	0.6x	0.6x	0.7x
Fixed Asset Turnover	11.1x	11.3x	7.6x	6.0x	6.0x
Accounts Receivable Turnover	7.0x	6.9x	5.9x	6.3x	7.0x
Inventory Turnover	3.3x	3.0x	2.5x	2.7x	2.9x
Short Term Liquidity					
Current Ratio	4.3x	5.6x	4.5x	4.8x	4.7x
Quick Ratio	2.9x	3.9x	2.7x	3.3x	3.2x
Cash from Ops. to Curr. Liab.	1.2x	1.6x	0.8x	1.4x	1.4x
Avg. Days Sales Out.	52.3	52.7	61.8	58.2	52.2
Avg. Days Inventory Out.	109.5	120.6	145.5	137.7	125.4
Avg. Days Payable Out.	25.5	26.6	27.6	27.6	30.9
Avg. Cash Conversion Cycle	136.4	146.7	179.8	168.3	146.6
Long Term Solvency					
Total Debt/Equity	24.7%	18.6%	47.2%	44.3%	35.8%
Total Debt/Capital	19.8%	15.7%	32.1%	30.7%	26.3%
LT Debt/Equity	24.5%	18.4%	45.6%	43.1%	34.8%
LT Debt/Capital	19.7%	15.5%	31.0%	29.8%	25.7%
Total Liabilities/Total Assets	34.2%	28.3%	40.8%	39.5%	36.4%
EBIT / Interest Exp.	13.7x	29.7x	6.3x	16.1x	29.1x
EBITDA / Interest Exp.	16.3x	34.4x	9.4x	20.7x	34.5x
(EBITDA-CAPEX) / Interest Exp.	15.3x	30.7x	7.9x	17.7x	31.1x
Total Debt/EBITDA	0.8x	0.6x	2.3x	1.7x	1.2x
Net Debt/EBITDA	NM	NM	1.0x	0.4x	NM
Total Debt/(EBITDA-CAPEX)	0.8x	0.7x	2.7x	2.0x	1.3x
Net Debt/(EBITDA-CAPEX)	NM	NM	1.2x	0.4x	NM