



# FINANCIAL MODELING INSTITUTE

LEVEL 1: ADVANCED FINANCIAL MODELER (AFM)

## Henderson Manufacturing

June 29, 2020

### Sample Exam Solution - Vertical Orientation

This model is designed to give an indication of what a successful candidate may produce during the 4-hour AFM exam.

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# Henderson Manufacturing

## Summary Outputs

### SUMMARY VALUES - BASE CASE

		2017A	2018A	2019A	<i>Projected</i>				
					2020	2021	2022	2023	2024
<b>Income Statement Items</b>									
Net Revenue	(MM)	\$214	\$237	\$205	\$252	\$234	\$281	\$281	\$268
<i>Growth</i>	(%)		10.8%	(13.4%)	23.3%	(7.5%)	20.4%	(0.0%)	(4.6%)
EBITDA	(MM)	\$50	\$68	\$33	\$74	\$47	\$86	\$77	\$54
<i>Margin</i>	(%)	23.5%	28.9%	16.2%	29.3%	20.2%	30.7%	27.3%	20.3%
<i>Growth</i>	(%)		36.3%	(51.6%)	123.2%	(36.2%)	83.5%	(11.3%)	(29.2%)
Net Income	(MM)	\$14	\$24	\$2	\$30	\$13	\$39	\$34	\$20
<i>Margin</i>	(%)	6.6%	10.0%	1.1%	12.0%	5.7%	14.0%	12.0%	7.4%
<i>Growth</i>	(%)		68.1%	(90.7%)	1272.4%	(55.9%)	196.4%	(14.3%)	(41.2%)

### SUMMARY VALUES - BEST CASE

		2017A	2018A	2019A	<i>Projected</i>				
					2020	2021	2022	2023	2024
<b>Income Statement Items</b>									
Net Revenue	(MM)	\$214	\$237	\$205	\$264	\$245	\$297	\$300	\$282
<i>Growth</i>	(%)		10.8%	(13.4%)	29.0%	(7.4%)	21.5%	1.1%	(6.3%)
EBITDA	(MM)	\$50	\$68	\$33	\$86	\$59	\$102	\$95	\$71
<i>Margin</i>	(%)	23.5%	28.9%	16.2%	32.4%	23.9%	34.3%	31.7%	25.1%
<i>Growth</i>	(%)		36.3%	(51.6%)	158.3%	(31.6%)	74.4%	(6.7%)	(25.9%)
Net Income	(MM)	\$14	\$24	\$2	\$38	\$21	\$50	\$46	\$31
<i>Margin</i>	(%)	6.6%	10.0%	1.1%	14.3%	8.5%	16.8%	15.3%	10.9%
<i>Growth</i>	(%)		68.1%	(90.7%)	1617.2%	(44.7%)	138.6%	(7.5%)	(33.4%)

### SUMMARY VALUES - WORST CASE

		2017A	2018A	2019A	<i>Projected</i>				
					2020	2021	2022	2023	2024
<b>Income Statement Items</b>									
Net Revenue	(MM)	\$214	\$237	\$205	\$238	\$220	\$263	\$260	\$245
<i>Growth</i>	(%)		10.8%	(13.4%)	16.4%	(7.7%)	19.3%	(1.0%)	(5.9%)
EBITDA	(MM)	\$50	\$68	\$33	\$61	\$34	\$68	\$57	\$34
<i>Margin</i>	(%)	23.5%	28.9%	16.2%	25.5%	15.4%	26.0%	21.9%	14.0%
<i>Growth</i>	(%)		36.3%	(51.6%)	83.8%	(44.3%)	101.5%	(16.4%)	(40.1%)
Net Income	(MM)	\$14	\$24	\$2	\$22	\$4	\$27	\$20	\$5
<i>Margin</i>	(%)	6.6%	10.0%	1.1%	9.1%	2.0%	10.3%	7.7%	2.2%
<i>Growth</i>	(%)		68.1%	(90.7%)	883.8%	(79.7%)	513.8%	(25.5%)	(73.3%)

# Henderson Manufacturing

## Inputs and Assumptions

### GENERAL

- First year of forecast in financial model: 2020
- Three scenarios have been used for Inflation, Product Pricing and sales volume growth

### PRODUCT PRICING

- The product pricing cases used in the model are as follows:

#### Pricing Case 2020 - 2024

Base Case	Research Forecast
Best Case	+4%
Worst Case	(4%)

### COSTS

<u>Cost Item</u>	<u>2020</u>	<u>Increases</u>
Raw Materials	\$226.0 per Unit	Inflation on a unit basis
Utilities	\$66.2 per Unit	Inflation on a unit basis
Rent	\$23.5 MM	Inflation on a total \$ basis
Operating Labour	\$43.5 MM	Inflation on a total \$ basis
Other	\$2.0 MM	Inflation on a total \$ basis
SG&A	\$3.9 MM	Inflation on a total \$ basis

### DEPRECIATION

- Depreciation Methodology Used: Straight Line
- Years remaining for depreciation of existing assets: 25 years
- Years used for depreciation of new assets: 30 years

### EQUITY

Stock Price - 06/28/20	\$11.50
Fully Diluted Shares O/S (MM) - Dec. 31, 2019	14.80
Common Dividend Payout Rate	20.0%

### OPERATIONS

- Annual Factory Capacity (000's units):	420
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### TAXES

- Tax rate assumed in the model: 35.0%
- Additional tax assumptions in "Other Assumptions" box

### INTEREST RATES AND DEBT COVENANTS

#### Interest Rates

Interest rate earned on cash balances:	1.0%
Interest rate on the Bank Revolver:	6.0%
Interest rate on the Senior Secured Term Debt:	6.0%

# Henderson Manufacturing

## Inputs and Assumptions

OTHER ASSUMPTIONS		2020	2021	2022	2023	2024
<b>Income Statement</b>						
Cost Adjustments - Gain/(Loss)	MM	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Cash Flow Statement</b>						
Investing Activities - Other	MM	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Capital Expenditures</b>	MM	\$16.0	\$17.0	\$17.3	\$17.5	\$18.0
<b>Income Tax</b>						
Reduction in EBT for timing differences	MM	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
<b>Working Capital Days</b>						
Accounts Receivable	days	45.0	40.0	40.0	40.0	40.0
Inventories	days	70.0	65.0	60.0	60.0	55.0
Prepaid Expenses	days	30.0	30.0	30.0	30.0	30.0
Other Assets	days	3.0	3.0	3.0	3.0	3.0
Accounts Payable	days	40.0	40.0	40.0	40.0	40.0
Other Liabilities	days	10.0	10.0	10.0	10.0	10.0
<b>Change in Debt &amp; Equity</b>						
Sr. Term Debt Issuance / (Repayment)	MM	(\$25.0)	(\$25.0)	(\$25.0)	(\$25.0)	(\$25.0)
Common Stock Issuance / (Buy-back)	MM	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

# Henderson Manufacturing

## Economic and Pricing Scenarios

**SCENARIO SWITCH:** Base Case ▼

2020      2021      2022      2023      2024

### ECONOMIC SCENARIOS

<b>Cost Inflation</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>2.5%</b>
Base Case	2.0%	2.0%	2.0%	2.5%	2.5%
Best Case	1.8%	1.8%	1.8%	2.0%	2.0%
Worst Case	2.5%	2.5%	2.5%	2.5%	2.5%

### SALES SCENARIOS

<b>Sales Price - \$/Unit</b>	<b>800.0</b>	<b>725.0</b>	<b>825.0</b>	<b>800.0</b>	<b>750.0</b>
Base Case	800.0	725.0	825.0	800.0	750.0
Best Case: +4.0%	832.0	754.0	858.0	832.0	780.0
Worst Case: -4.0%	768.0	696.0	792.0	768.0	720.0

<b>Sales Volume Growth</b>	<b>5.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>
Base Case	5.0%	4.0%	4.0%	4.0%	4.0%
Best Case	5.0%	4.0%	5.0%	5.0%	4.0%
Worst Case	4.0%	4.0%	3.0%	3.0%	2.0%

# Henderson Manufacturing

## Revenue Schedule

		<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
					<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Pricing</b>									
Gross Sales Price	(\$/unit)			694.4	800.0	725.0	825.0	800.0	750.0
Cost Inflation	(%)				2.0%	2.0%	2.0%	2.5%	2.5%
Freight & Warehousing	(\$/unit)			100.0	102.0	104.0	106.1	108.8	111.5
<b>Net Sales Price</b>	<b>(\$/unit)</b>			<b>594.4</b>	<b>698.0</b>	<b>621.0</b>	<b>718.9</b>	<b>691.2</b>	<b>638.5</b>
<b>Sales Volume</b>									
Annual Factory Capacity	(000's units)				420.0	420.0	420.0	420.0	420.0
Sales Volume Growth	(%)				5.0%	4.0%	4.0%	4.0%	4.0%
<b>Annual Sales Volume</b>	<b>(000's units)</b>			<b>344.5</b>	<b>361.7</b>	<b>376.1</b>	<b>391.2</b>	<b>406.8</b>	<b>420.0</b>
Implied Operating Rate					86.1%	89.6%	93.1%	96.9%	100.0%
<b>Revenue</b>									
Gross Revenue	(\$ MM)			239.2	289.3	272.7	322.7	325.5	315.0
Freight & Warehousing	(\$ MM)			34.4	36.9	39.1	41.5	44.3	46.8
<b>Net Revenue</b>	<b>(\$ MM)</b>			<b>\$204.8</b>	<b>\$252.4</b>	<b>\$233.6</b>	<b>\$281.2</b>	<b>\$281.2</b>	<b>\$268.2</b>

# Henderson Manufacturing

## Costs of Production

		<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
					<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Annual Sales Volume	(000's units)			344.5	361.7	376.1	391.2	406.8	420.0
Cost Inflation	(%)					2.0%	2.0%	2.5%	2.5%
<b><i>COSTS PER UNIT</i></b>									
<b>Variable Costs</b>									
Raw Materials	(\$/unit)				226.0	230.5	235.1	241.0	247.0
Utilities	(\$/unit)				66.2	67.5	68.9	70.6	72.4
<b>Total Variable Costs</b>	<b>(\$/unit)</b>				<b>292.2</b>	<b>298.0</b>	<b>304.0</b>	<b>311.6</b>	<b>319.4</b>
<b>Fixed Costs</b>									
Rent	(\$/unit)				65.0	63.7	62.5	61.6	61.2
Operating Labour	(\$/unit)				120.3	118.0	115.7	114.0	113.2
Other	(\$/unit)				5.5	5.4	5.3	5.2	5.2
<b>Total Fixed Costs</b>	<b>(\$/unit)</b>				<b>190.8</b>	<b>187.1</b>	<b>183.5</b>	<b>180.9</b>	<b>179.6</b>
<b>Total Costs</b>	<b>(\$/unit)</b>				<b>\$483.0</b>	<b>\$485.2</b>	<b>\$487.5</b>	<b>\$492.5</b>	<b>\$499.0</b>
<b><i>COSTS IN MILLIONS OF CDN\$</i></b>									
<b>Variable Costs</b>									
Raw Materials	(\$ MM)				81.7	86.7	92.0	98.1	103.8
Utilities	(\$ MM)				23.9	25.4	26.9	28.7	30.4
<b>Total Variable Costs</b>	<b>(\$ MM)</b>				<b>105.7</b>	<b>112.1</b>	<b>118.9</b>	<b>126.8</b>	<b>134.1</b>
<b>Fixed Costs</b>									
Rent	(\$ MM)				23.5	24.0	24.4	25.1	25.7
Operating Labour	(\$ MM)				43.5	44.4	45.3	46.4	47.5
Other	(\$ MM)				2.0	2.0	2.1	2.1	2.2
<b>Total Fixed Costs</b>	<b>(\$ MM)</b>				<b>69.0</b>	<b>70.4</b>	<b>71.8</b>	<b>73.6</b>	<b>75.4</b>
<b>Total Costs</b>	<b>(\$ MM)</b>				<b>\$174.7</b>	<b>\$182.5</b>	<b>\$190.7</b>	<b>\$200.4</b>	<b>\$209.6</b>

# Henderson Manufacturing

## Income Statement

(\$ Millions)

				<i>Projected</i>					
		<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Sales Volume	(000's units)			344.5	361.7	376.1	391.2	406.8	420.0
<b>Revenue</b>									
Gross Revenue		244.8	269.3	239.2	289.3	272.7	322.7	325.5	315.0
Freight & Warehousing		31.3	32.7	34.4	36.9	39.1	41.5	44.3	46.8
<b>Net Revenue</b>		<b>213.5</b>	<b>236.6</b>	<b>204.8</b>	<b>252.4</b>	<b>233.6</b>	<b>281.2</b>	<b>281.2</b>	<b>268.2</b>
<b>Costs</b>									
Cost of Sales		159.9	164.6	167.9	174.7	182.5	190.7	200.4	209.6
S,G & A		3.4	3.6	3.8	3.9	4.0	4.1	4.2	4.3
<b>Total Costs</b>		<b>163.3</b>	<b>168.2</b>	<b>171.7</b>	<b>178.6</b>	<b>186.5</b>	<b>194.8</b>	<b>204.5</b>	<b>213.8</b>
Cost Adjustments - Gain/(Loss)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>		<b>50.2</b>	<b>68.4</b>	<b>33.1</b>	<b>73.9</b>	<b>47.1</b>	<b>86.4</b>	<b>76.7</b>	<b>54.3</b>
Depreciation		15.4	15.5	15.8	16.2	16.7	17.3	17.9	18.5
<b>EBIT</b>		<b>34.8</b>	<b>52.9</b>	<b>17.3</b>	<b>57.7</b>	<b>30.4</b>	<b>69.2</b>	<b>58.8</b>	<b>35.9</b>
Interest Expense		15.0	15.0	14.0	11.2	9.9	8.4	6.7	5.2
<b>EBT</b>		19.8	37.9	3.3	46.5	20.5	60.8	52.1	30.6
Current Income Taxes		3.0	8.0	0.0	14.5	5.4	19.5	16.5	9.0
Deferred Income Taxes		2.7	6.2	1.1	1.8	1.8	1.8	1.8	1.8
<b>Total Income Taxes</b>		5.7	14.2	1.1	16.3	7.2	21.3	18.2	10.7
<b>Net Income</b>		<b>\$14.1</b>	<b>\$23.7</b>	<b>\$2.2</b>	<b>\$30.2</b>	<b>\$13.3</b>	<b>\$39.5</b>	<b>\$33.9</b>	<b>\$19.9</b>

<b>Margins</b>									
EBITDA Margin		23.5%	28.9%	16.2%	29.3%	20.2%	30.7%	27.3%	20.3%
EBIT Margin		16.3%	22.4%	8.4%	22.9%	13.0%	24.6%	20.9%	13.4%
Return on Equity				0.9%	10.7%	4.5%	12.2%	9.6%	5.4%

# Henderson Manufacturing

## Cash Flow Statement

(\$ Millions)

	<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
				<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Operating Activities</b>								
Net Income	14.1	23.7	2.2	30.2	13.3	39.5	33.9	19.9
Depreciation & Amortization	15.4	15.5	15.8	16.2	16.7	17.3	17.9	18.5
Deferred Income Taxes	2.7	6.2	1.1	1.8	1.8	1.8	1.8	1.8
Changes in working capital	0.0	0.0	0.0	0.2	6.7	(3.7)	(1.1)	3.4
<b>Operating Cash Flow</b>	<b>32.2</b>	<b>45.4</b>	<b>19.1</b>	<b>48.3</b>	<b>38.5</b>	<b>54.9</b>	<b>52.3</b>	<b>43.5</b>
<b>Investing Activities</b>								
CAPEX	(14.1)	(15.0)	(15.5)	(16.0)	(17.0)	(17.3)	(17.5)	(18.0)
Other	(5.0)	4.0	3.0	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(19.1)</b>	<b>(11.0)</b>	<b>(12.5)</b>	<b>(16.0)</b>	<b>(17.0)</b>	<b>(17.3)</b>	<b>(17.5)</b>	<b>(18.0)</b>
<b>Financing Activities</b>								
Revolver Issuance / (Repayment)	0.0	0.0	0.0	0.0	4.6	(4.6)	0.0	0.4
Term Debt Issuance / (Repayment)	(25.0)	(25.0)	(25.0)	(25.0)	(25.0)	(25.0)	(25.0)	(25.0)
Common Shares Issuance/ (Buy-Back)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Dividends	(2.8)	(4.7)	(2.4)	(6.0)	(2.7)	(7.9)	(6.8)	(4.0)
<b>Financing Cash Flow</b>	<b>(27.8)</b>	<b>(29.7)</b>	<b>(27.4)</b>	<b>(31.0)</b>	<b>(23.1)</b>	<b>(37.5)</b>	<b>(31.8)</b>	<b>(28.6)</b>
<b>Change in the Cash Position</b>	<b>(14.7)</b>	<b>4.7</b>	<b>(20.8)</b>	<b>1.2</b>	<b>(1.5)</b>	<b>0.1</b>	<b>3.1</b>	<b>(3.1)</b>
Beginning Cash	<u>31.1</u>	<u>16.4</u>	<u>21.1</u>	<u>0.3</u>	<u>1.5</u>	<u>(0.0)</u>	<u>0.1</u>	<u>3.1</u>
Ending Cash	16.4	21.1	0.3	1.5	0.0	0.1	3.1	0.0

# Henderson Manufacturing

## Balance Sheet

(\$ Millions)

	<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
				<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>ASSETS</b>								
Cash	16.4	21.1	0.3	1.5	0.0	0.1	3.1	0.0
Accounts Receivable	27.0	27.8	28.3	31.0	25.6	30.8	30.8	29.3
Inventory	36.5	36.1	35.1	33.4	32.5	31.3	32.9	31.5
Prepaid Expenses	14.6	14.4	14.9	14.3	15.0	15.7	16.5	17.2
Other	1.4	1.8	1.2	1.4	1.5	1.6	1.6	1.7
<b>Total Current Assets</b>	<b>95.9</b>	<b>101.2</b>	<b>79.8</b>	<b>81.7</b>	<b>74.6</b>	<b>79.5</b>	<b>85.0</b>	<b>79.7</b>
Net PP&E	398.5	398.0	397.7	397.5	397.8	397.8	397.4	397.0
Other	19.0	15.0	12.0	12.0	12.0	12.0	12.0	12.0
<b>Total Long Term Assets</b>	<b>417.5</b>	<b>413.0</b>	<b>409.7</b>	<b>409.5</b>	<b>409.8</b>	<b>409.8</b>	<b>409.4</b>	<b>409.0</b>
<b>Total Assets</b>	<b>\$513.4</b>	<b>\$514.2</b>	<b>\$489.5</b>	<b>\$491.3</b>	<b>\$484.4</b>	<b>\$489.3</b>	<b>\$494.4</b>	<b>\$488.7</b>
<b>LIABILITIES AND EQUITY</b>								
Bank Debt - Revolver	0.0	0.0	0.0	0.0	4.6	0.0	0.0	0.4
Accounts Payable	18.3	18.7	18.2	19.1	20.0	20.9	22.0	22.9
Other	4.7	4.9	4.8	4.8	5.0	5.2	5.5	5.7
<b>Total Current Liabilities</b>	<b>23.0</b>	<b>23.6</b>	<b>23.0</b>	<b>23.9</b>	<b>29.6</b>	<b>26.1</b>	<b>27.4</b>	<b>29.0</b>
Deferred Income Taxes	0.7	6.9	8.0	9.8	11.5	13.3	15.0	16.8
Senior Secured Term Debt	250.0	225.0	200.0	175.0	150.0	125.0	100.0	75.0
<b>Total Long Term Liabilities</b>	<b>250.7</b>	<b>231.9</b>	<b>208.0</b>	<b>184.8</b>	<b>161.5</b>	<b>138.3</b>	<b>115.0</b>	<b>91.8</b>
<b>Total Liabilities</b>	<b>273.7</b>	<b>255.5</b>	<b>231.0</b>	<b>208.6</b>	<b>191.1</b>	<b>164.4</b>	<b>142.4</b>	<b>120.7</b>
Common Shares	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Retained Earnings	119.7	138.7	138.5	162.7	173.3	204.9	232.0	247.9
<b>Shareholder's Equity</b>	<b>239.7</b>	<b>258.7</b>	<b>258.5</b>	<b>282.7</b>	<b>293.3</b>	<b>324.9</b>	<b>352.0</b>	<b>367.9</b>
<b>Total Liabilities and Equity</b>	<b>\$513.4</b>	<b>\$514.2</b>	<b>\$489.5</b>	<b>\$491.3</b>	<b>\$484.4</b>	<b>\$489.3</b>	<b>\$494.4</b>	<b>\$488.7</b>
<i>Check</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>(0.000)</i>	<i>0.000</i>	<i>0.000</i>

# Henderson Manufacturing

## Depreciation Schedule

(\$ Millions)

		<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
					<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Years Remaining on Existing Assets:				25					
Depreciation Years on New Assets:				30					
Depreciation to Existing Assets					\$15.9	\$15.9	\$15.9	\$15.9	\$15.9
<b>CAPEX</b>									
2020	\$16.0				0.3	0.5	0.5	0.5	0.5
2021	\$17.0					0.3	0.6	0.6	0.6
2022	\$17.3						0.3	0.6	0.6
2023	\$17.5							0.3	0.6
2024	\$18.0								0.3
<b>Total Depreciation</b>					<b>\$16.2</b>	<b>\$16.7</b>	<b>\$17.3</b>	<b>\$17.9</b>	<b>\$18.5</b>

## Henderson Manufacturing Income Tax Schedule

(\$ Millions)

		<i>Projected</i>				
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Tax Rate</b>	<b>35.0%</b>					
<b>Accounting EBT (as is on I/S)</b>	<b>A</b>	\$46.5	\$20.5	\$60.8	\$52.1	\$30.6
Less: Reduction in EBT for timing differences <sup>(1)</sup>		5.0	5.0	5.0	5.0	5.0
<b>Government EBT</b>	<b>B</b>	<b>\$41.5</b>	<b>\$15.5</b>	<b>\$55.8</b>	<b>\$47.1</b>	<b>\$25.6</b>
Accounting Taxes (35% of A)		16.3	7.2	21.3	18.2	10.7
<b>Taxes as Appearing on Income Statement</b>						
Current Tax (35% of B)		14.5	5.4	19.5	16.5	9.0
Increase (Decrease) in Deferred Income Taxes		1.8	1.8	1.8	1.8	1.8
<b>Total Income Taxes (Same as Accounting Taxes Above)</b>		<b>16.3</b>	<b>7.2</b>	<b>21.3</b>	<b>18.2</b>	<b>10.7</b>

(1) Assumes aggregate reduction in government pre-tax earnings due to timing differences between accounting and government rules.

# Henderson Manufacturing

## Working Capital Schedule

(\$ Millions)

		<u>2017A</u>	<u>2018A</u>	<u>2019A</u>	<i>Projected</i>				
					<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Days per Year	(days)		365	365	366	365	365	365	366
<b>Income Statement Items</b>									
Net Revenue	(\$ MM)		236.6	204.8	252.4	233.6	281.2	281.2	268.2
Cost of Sales	(\$ MM)		164.6	167.9	174.7	182.5	190.7	200.4	209.6
<b>Days In</b>									
Accounts Receivable	(days)		42.9	50.4	45.0	40.0	40.0	40.0	40.0
Inventories	(days)		80.1	76.3	70.0	65.0	60.0	60.0	55.0
Prepaid Expenses	(days)		31.9	32.4	30.0	30.0	30.0	30.0	30.0
Other Assets	(days)		4.0	2.6	3.0	3.0	3.0	3.0	3.0
Accounts Payable	(days)		41.5	39.6	40.0	40.0	40.0	40.0	40.0
Other Liabilities	(days)		10.9	10.4	10.0	10.0	10.0	10.0	10.0
<b>Account Balances</b>									
Accounts Receivable	(\$ MM)		27.8	28.3	31.0	25.6	30.8	30.8	29.3
Inventories	(\$ MM)		36.1	35.1	33.4	32.5	31.3	32.9	31.5
Prepaid Expenses	(\$ MM)		14.4	14.9	14.3	15.0	15.7	16.5	17.2
Other Assets	(\$ MM)		1.8	1.2	1.4	1.5	1.6	1.6	1.7
Accounts Payable	(\$ MM)		18.7	18.2	19.1	20.0	20.9	22.0	22.9
Other Liabilities	(\$ MM)		4.9	4.8	4.8	5.0	5.2	5.5	5.7
<b>Net Working Capital</b>	<b>(\$ MM)</b>		<b>56.5</b>	<b>56.5</b>	<b>56.3</b>	<b>49.6</b>	<b>53.3</b>	<b>54.4</b>	<b>51.1</b>
<b>Change in Working Capital</b>	<b>(\$ MM)</b>				<b>\$0.0</b>	<b>\$0.2</b>	<b>(\$3.7)</b>	<b>(\$1.1)</b>	<b>\$3.4</b>

# Henderson Manufacturing

## Debt and Interest Schedule

(\$ Millions)

	<i>Projected</i>					
	<u>2019A</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>FINANCING COMPONENT</b>						
<b>Cash</b>						
Amount Outstanding - Beginning		0.3	1.5	(0.0)	0.1	3.1
Change in Cash		1.2	(1.5)	0.1	3.1	(3.1)
Amount Outstanding - Ending	\$0.3	\$1.5	\$0.0	\$0.1	\$3.1	\$0.0
Interest Rate		1.0%	1.0%	1.0%	1.0%	1.0%
<b>Annual Interest Income</b>		<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Revolver</b>						
Operating Cash Flow		48.3	38.5	54.9	52.3	43.5
Investing Cash Flow		(16.0)	(17.0)	(17.3)	(17.5)	(18.0)
Mandatory Debt Repayments		(25.0)	(25.0)	(25.0)	(25.0)	(25.0)
Common Stock Issuance / (Buy-back)		0.0	0.0	0.0	0.0	0.0
Dividends		(6.0)	(2.7)	(7.9)	(6.8)	(4.0)
<b>FCF After Mandatory Debt Repayment and Dividend</b>		<b>\$1.2</b>	<b>(\$6.1)</b>	<b>\$4.7</b>	<b>\$3.1</b>	<b>(\$3.5)</b>
Revolver Outstanding - Beginning		0.0	0.0	4.6	0.0	0.0
Additions / (Repayments)		0.0	4.6	(4.6)	0.0	0.4
Revolver Outstanding - Ending	\$0.0	\$0.0	\$4.6	\$0.0	\$0.0	\$0.4
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%
<b>Annual Interest Expense</b>		<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Senior Secured Term Debt</b>						
Amount Outstanding - Beginning		200.0	175.0	150.0	125.0	100.0
Additions / (Repayments)		(25.0)	(25.0)	(25.0)	(25.0)	(25.0)
Amount Outstanding - Ending	\$200.0	\$175.0	\$150.0	\$125.0	\$100.0	\$75.0
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%
<b>Annual Interest Expense</b>		<b>\$11.3</b>	<b>\$9.8</b>	<b>\$8.3</b>	<b>\$6.8</b>	<b>\$5.3</b>
<b>Net Interest Expense</b>		<b>\$11.2</b>	<b>\$9.9</b>	<b>\$8.4</b>	<b>\$6.7</b>	<b>\$5.2</b>

# Henderson Manufacturing

## Shareholders' Equity Schedule

(\$ Millions)

	<i>Projected</i>					
	<u>2019A</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Common Shares</b>						
Amount Outstanding - Beginning		120.0	120.0	120.0	120.0	120.0
New Issuance / (Buy-Back)		0.0	0.0	0.0	0.0	0.0
Amount Outstanding - Ending	\$120.0	\$120.0	\$120.0	\$120.0	\$120.0	\$120.0
Dividend Payout Rate		20.0%	20.0%	20.0%	20.0%	20.0%
Net Income		30.2	13.3	39.5	33.9	19.9
<b>Common Dividend</b>		<b>\$6.0</b>	<b>\$2.7</b>	<b>\$7.9</b>	<b>\$6.8</b>	<b>\$4.0</b>
<b>Retained Earnings</b>						
Amount Outstanding - Beginning		138.5	162.7	173.3	204.9	232.0
Net Income		30.2	13.3	39.5	33.9	19.9
Common Dividend		(6.0)	(2.7)	(7.9)	(6.8)	(4.0)
<b>Amount Outstanding - Ending</b>	<b>\$138.5</b>	<b>\$162.7</b>	<b>\$173.3</b>	<b>\$204.9</b>	<b>\$232.0</b>	<b>\$247.9</b>