

|                     | Historical Results |      |      |      |               | Forecast Period |      |      |      |      |
|---------------------|--------------------|------|------|------|---------------|-----------------|------|------|------|------|
|                     | 2011               | 2012 | 2013 | 2014 | 2015          | 2016            | 2017 | 2018 | 2019 | 2020 |
| Balance Sheet Check | OK                 | OK   | OK   | OK   | OK            | OK              | OK   | OK   | OK   | OK   |
|                     |                    |      |      |      | LIVE SCENARIO |                 | 1    |      |      |      |

## Assumptions

### SCENARIO 1

|   |        |        |          |        |        |
|---|--------|--------|----------|--------|--------|
| Revenue Growth (% Change)               | 10.0%  | 10.0%  | 10.0%    | 10.0%  | 10.0%  |
| Cost of Goods Sold (% of Revenue)       | 42.0%  | 47.0%  | 50.0%    | 36.0%  | 35.0%  |
| Salaries and Benefits (% of Revenue)    | 17.0%  | 17.0%  | 17.0%    | 17.0%  | 17.0%  |
| Rent and Overhead (\$000's)             | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 |
| Depreciation & Amortization (% of PP&E) | 35.0%  | 35.0%  | 35.0%    | 35.0%  | 35.0%  |
| Interest (% of Debt)                    | 10.0%  | 10.0%  | 10.0%    | 10.0%  | 10.0%  |
| Tax Rate (% of Earnings Before Tax)     | 28.0%  | 28.0%  | 28.0%    | 28.0%  | 28.0%  |
| Accounts Receivable (Days)              | 18     | 18     | 18       | 18     | 18     |
| Inventory (Days)                        | 80     | 90     | 100      | 100    | 100    |
| Accounts Payable (Days)                 | 37     | 37     | 37       | 37     | 37     |
| Capital Expenditures (\$000's)          | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 |
| Debt Issuance (Repayment) (\$000's)     | -      | -      | (20,000) | -      | -      |
| Equity Issued (Repaid) (\$000's)        | -      | -      | -        | -      | -      |

### SCENARIO 2

|   |        |        |          |        |        |
|---|--------|--------|----------|--------|--------|
| Revenue Growth (% Change)               | 5.0%   | 4.5%   | 4.0%     | 3.5%   | 3.0%   |
| Cost of Goods Sold (% of Revenue)       | 37.0%  | 37.0%  | 36.0%    | 36.0%  | 35.0%  |
| Salaries and Benefits (% of Revenue)    | 17.0%  | 17.0%  | 17.0%    | 17.0%  | 17.0%  |
| Rent and Overhead (\$000's)             | 10,000 | 10,000 | 10,000   | 10,000 | 10,000 |
| Depreciation & Amortization (% of PP&E) | 40.0%  | 40.0%  | 40.0%    | 40.0%  | 40.0%  |
| Interest (% of Debt)                    | 5.0%   | 5.0%   | 5.0%     | 5.0%   | 5.0%   |
| Tax Rate (% of Earnings Before Tax)     | 28.0%  | 28.0%  | 28.0%    | 28.0%  | 28.0%  |
| Accounts Receivable (Days)              | 18     | 18     | 18       | 18     | 18     |
| Inventory (Days)                        | 73     | 73     | 73       | 73     | 73     |
| Accounts Payable (Days)                 | 37     | 37     | 37       | 37     | 37     |
| Capital Expenditures (\$000's)          | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 |
| Debt Issuance (Repayment) (\$000's)     | -      | -      | (20,000) | -      | -      |
| Equity Issued (Repaid) (\$000's)        | -      | -      | -        | -      | -      |

### LIVE SCENARIO

|   |        |        |          |        |        |
|---|--------|--------|----------|--------|--------|
| Revenue Growth (% Change)               | 10.0%  | 10.0%  | 10.0%    | 10.0%  | 10.0%  |
| Cost of Goods Sold (% of Revenue)       | 42.0%  | 47.0%  | 50.0%    | 36.0%  | 35.0%  |
| Salaries and Benefits (% of Revenue)    | 17.0%  | 17.0%  | 17.0%    | 17.0%  | 17.0%  |
| Rent and Overhead (\$000's)             | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 |
| Depreciation & Amortization (% of PP&E) | 35.0%  | 35.0%  | 35.0%    | 35.0%  | 35.0%  |
| Interest (% of Debt)                    | 10.0%  | 10.0%  | 10.0%    | 10.0%  | 10.0%  |
| Tax Rate (% of Earnings Before Tax)     | 28.0%  | 28.0%  | 28.0%    | 28.0%  | 28.0%  |
| Accounts Receivable (Days)              | 18     | 18     | 18       | 18     | 18     |
| Inventory (Days)                        | 80     | 90     | 100      | 100    | 100    |
| Accounts Payable (Days)                 | 37     | 37     | 37       | 37     | 37     |
| Capital Expenditures (\$000's)          | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 |
| Debt Issuance (Repayment) (\$000's)     | -      | -      | (20,000) | -      | -      |
| Equity Issued (Repaid) (\$000's)        | -      | -      | -        | -      | -      |



| © Corporate Finance Institute | Historical Results |      |      |      |      | Forecast Period |      |      |      |      |
|-------------------------------|--------------------|------|------|------|------|-----------------|------|------|------|------|
|                               | 2011               | 2012 | 2013 | 2014 | 2015 | 2016            | 2017 | 2018 | 2019 | 2020 |
| Balance Sheet Check           | OK                 | OK   | OK   | OK   | OK   | OK              | OK   | OK   | OK   | OK   |

## Cash Flow Statement

| Operating Cash Flow                 |                |               |                 |                |                |                |                |                 |                |                |
|-------------------------------------|----------------|---------------|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| Net Earnings                        | 2,474          | 11,791        | 21,075          | 26,713         | 28,227         | 26,543         | 24,401         | 25,929          | 52,749         | 61,839         |
| Plus: Depreciation & Amortization   | 19,500         | 18,150        | 17,205          | 16,544         | 16,080         | 13,132         | 13,786         | 14,211          | 14,487         | 14,667         |
| Less: Changes in Working Capital    | 9,003          | 1,702         | 775             | 903            | 827            | 3,175          | 5,062          | 5,768           | (2,613)        | 2,041          |
| <b>Cash from Operations</b>         | <b>12,971</b>  | <b>28,239</b> | <b>37,505</b>   | <b>42,354</b>  | <b>43,480</b>  | <b>36,500</b>  | <b>33,125</b>  | <b>34,372</b>   | <b>69,849</b>  | <b>74,464</b>  |
| Investing Cash Flow                 |                |               |                 |                |                |                |                |                 |                |                |
| Investments in Property & Equipment | 15,000         | 15,000        | 15,000          | 15,000         | 15,000         | 15,000         | 15,000         | 15,000          | 15,000         | 15,000         |
| <b>Cash from Investing</b>          | <b>15,000</b>  | <b>15,000</b> | <b>15,000</b>   | <b>15,000</b>  | <b>15,000</b>  | <b>15,000</b>  | <b>15,000</b>  | <b>15,000</b>   | <b>15,000</b>  | <b>15,000</b>  |
| Financing Cash Flow                 |                |               |                 |                |                |                |                |                 |                |                |
| Issuance (repayment) of debt        | -              | -             | (20,000)        | -              | -              | -              | -              | (20,000)        | -              | -              |
| Issuance (repayment) of equity      | 170,000        | -             | -               | -              | -              | -              | -              | -               | -              | -              |
| <b>Cash from Financing</b>          | <b>170,000</b> | <b>-</b>      | <b>(20,000)</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>(20,000)</b> | <b>-</b>       | <b>-</b>       |
| Net Increase (decrease) in Cash     | 167,971        | 13,239        | 2,505           | 27,354         | 28,480         | 21,500         | 18,125         | (628)           | 54,849         | 59,464         |
| Opening Cash Balance                | -              | 67,971        | 81,210          | 83,715         | 111,069        | 139,550        | 161,050        | 179,175         | 178,547        | 233,396        |
| <b>Closing Cash Balance</b>         | <b>167,971</b> | <b>81,210</b> | <b>83,715</b>   | <b>111,069</b> | <b>139,550</b> | <b>161,050</b> | <b>179,175</b> | <b>178,547</b>  | <b>233,396</b> | <b>292,860</b> |

## Supporting Schedules

| Working Capital Schedule  |        |        |          |        |        |        |           |           |           |           |
|---------------------------|--------|--------|----------|--------|--------|--------|-----------|-----------|-----------|-----------|
| Accounts Receivable       | 5,100  | 5,904  | 6,567    | 7,117  | 7,539  | 8,179  | 8,997     | 9,896     | 10,886    | 11,975    |
| Inventory                 | 7,805  | 9,601  | 9,825    | 10,531 | 11,342 | 15,267 | 21,142    | 27,490    | 21,772    | 23,284    |
| Accounts Payable          | 3,902  | 4,800  | 4,912    | 5,265  | 5,671  | 7,061  | 8,692     | 10,171    | 8,056     | 8,615     |
| Net Working Capital (NWC) | 9,003  | 10,705 | 11,480   | 12,382 | 13,210 | 16,385 | 21,447    | 27,215    | 24,603    | 26,644    |
| Change in NWC             | 9,003  | 1,702  | 775      | 903    | 827    | 3,175  | 5,062     | 5,768     | (2,613)   | 2,041     |
| Depreciation Schedule     |        |        |          |        |        |        |           |           |           |           |
| PPE Opening               | 50,000 | 45,500 | 42,350   | 40,145 | 38,602 | 37,521 | 39,389    | 40,603    | 41,392    | 41,905    |
| Plus Capex                | 15,000 | 15,000 | 15,000   | 15,000 | 15,000 | 15,000 | 15,000    | 15,000    | 15,000    | 15,000    |
| Less Depreciation         | 19,500 | 18,150 | 17,205   | 16,544 | 16,080 | 13,132 | 13,786.04 | 14,210.93 | 14,487.10 | 14,666.62 |
| PPE Closing               | 45,500 | 42,350 | 40,145   | 38,602 | 37,521 | 39,389 | 40,603    | 41,392    | 41,905    | 42,238    |
| Debt & Interest Schedule  |        |        |          |        |        |        |           |           |           |           |
| Debt Opening              | 50,000 | 50,000 | 50,000   | 30,000 | 30,000 | 30,000 | 30,000    | 30,000    | 10,000    | 10,000    |
| Issuance (repayment)      | -      | -      | (20,000) | -      | -      | -      | -         | (20,000)  | -         | -         |
| Debt Closing              | 50,000 | 50,000 | 30,000   | 30,000 | 30,000 | 30,000 | 30,000    | 10,000    | 10,000    | 10,000    |
| Interest Expense          | 2,500  | 2,500  | 1,500    | 1,500  | 1,500  | 3,000  | 3,000     | 1,000     | 1,000     | 1,000     |

|                     | Historical Results |      |      |      |      | Forecast Period |      |      |      |      |
|---------------------|--------------------|------|------|------|------|-----------------|------|------|------|------|
|                     | 2011               | 2012 | 2013 | 2014 | 2015 | 2016            | 2017 | 2018 | 2019 | 2020 |
| Balance Sheet Check | OK                 | OK   | OK   | OK   | OK   | OK              | OK   | OK   | OK   | OK   |

## DCF Model

### Assumptions

|                       |            |
|-----------------------|------------|
| Tax Rate              | 25%        |
| Discount Rate         | 12%        |
| Perpetual Growth Rate | 4%         |
| EV/EBITDA Multiple    | 8.0x       |
| Transaction Date      | 12/31/2015 |
| Current Price         | 16.00      |
| Shares Outstanding    | 20,000     |

| Discounted Cash Flow | Entry      | 2016       | 2017       | 2018       | 2019       | 2020       | Exit       | Terminal Value   |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------------|
| Date                 | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2020 |                  |
| EBT                  |            | 36,866     | 33,890     | 36,013     | 73,263     | 85,887     |            | Perpetual Growth |
| Interest             |            | 3,000      | 3,000      | 1,000      | 1,000      | 1,000      |            | EV/EBITDA        |
| EBIT                 |            | 39,866     | 36,890     | 37,013     | 74,263     | 86,887     |            | Average          |
| Less: Cash Taxes     |            | 9,966      | 9,223      | 9,253      | 18,566     | 21,722     |            | 812,428          |
| Plus: D&A            |            | 13,132     | 13,786     | 14,211     | 14,487     | 14,667     |            | 812,428          |
| EBITDA               |            | 52,998     | 50,676     | 51,224     | 88,750     | 101,554    |            |                  |
| Less: Capex          |            | 15,000     | 15,000     | 15,000     | 15,000     | 15,000     |            |                  |
| Less: Changes in NWC |            | 3,175      | 5,062      | 5,768      | (2,613)    | 2,041      |            |                  |
| Unlevered FCF        |            | 24,856     | 21,391     | 21,203     | 57,797     | 62,791     |            |                  |
| (Entry)/Exit         |            |            |            |            |            |            | 812,428    |                  |
| Net FCF              | -          | 24,856     | 21,391     | 21,203     | 57,797     | 62,791     | 812,428    |                  |
| IRR                  | (210,450)  | 24,856     | 21,391     | 21,203     | 57,797     | 62,791     | 812,428    |                  |

### Present Value

|                |             |   |               |               |               |               |                |
|----------------|-------------|---|---------------|---------------|---------------|---------------|----------------|
| 22,186         | 4%          | - | 24,856        | -             | -             | -             | -              |
| 17,048         | 3%          | - | -             | 21,391        | -             | -             | -              |
| 15,087         | 3%          | - | -             | -             | 21,203        | -             | -              |
| 36,720         | 6%          | - | -             | -             | -             | 57,797        | -              |
| 35,607         | 6%          | - | -             | -             | -             | -             | 62,791         |
| 460,707        | 78%         | - | -             | -             | -             | -             | 812,428        |
| <b>587,355</b> | <b>100%</b> | - | <b>24,856</b> | <b>21,391</b> | <b>21,203</b> | <b>57,797</b> | <b>875,219</b> |

### Intrinsic Value

|                  |         |
|------------------|---------|
| Enterprise Value | 587,355 |
| Plus: Cash       | 139,550 |
| Less: Debt       | 30,000  |
| Equity Value     | 696,905 |

### Market Value

|            |         |
|------------|---------|
| Market Cap | 320,000 |
| Plus: Debt | 30,000  |
| Less: Cash | 139,550 |
| EV         | 210,450 |

### Rate of Return

|                     |       |
|---------------------|-------|
| Current Price       | 16.00 |
| Target Price        | 34.85 |
| Target Price Upside | 118%  |
| IRR                 | 41%   |

Equity Value/Share **34.85**

Equity Value/Share **16.00**

Historical Results

Forecast Period

|                     | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------|------|------|------|------|------|------|------|------|------|------|
| Balance Sheet Check | OK   | OK   | OK   | OK   | OK   | OK   | OK   | OK   | OK   | OK   |

Sensitivity Analysis

Share Price Sensitivity

|               |       | Revenue Growth |       |       |       |       |
|---------------|-------|----------------|-------|-------|-------|-------|
|               |       | 0%             | 5.0%  | 10.0% | 15.0% | 20.0% |
| Exit Multiple | 6.0x  | 19.22          | 23.73 | 29.09 | 35.43 | 42.88 |
|               | 7.0x  | 20.85          | 25.92 | 31.97 | 39.13 | 47.56 |
|               | 8.0x  | 22.47          | 28.11 | 34.85 | 42.83 | 52.24 |
|               | 9.0x  | 24.10          | 30.31 | 37.72 | 46.53 | 56.92 |
|               | 10.0x | 25.73          | 32.50 | 40.60 | 50.23 | 61.60 |

Revenue Growth +/-5%

| Change | \$/Share |
|--------|----------|
| 0.0%   | 34.85    |
| -5.0%  | 28.11    |
| +5.0%  | 42.83    |

COGS +/-5%

| Change | \$/Share |
|--------|----------|
| 0.0%   | 34.85    |
| -5.0%  | 39.02    |
| +5.0%  | 30.67    |

Discount Rate +/-1%

| Change | \$/Share |
|--------|----------|
| 0.0%   | 34.85    |
| -1.0%  | 36.10    |
| +1.0%  | 33.66    |

EV/EBITDA Exit +/-1x

| Change | \$/Share |
|--------|----------|
| 0.0x   | 34.85    |
| -1.0x  | 31.97    |
| 1.0x   | 37.72    |

| Assumption           | -5% Δ | Abs Change | Rank | Output Driver            | Pos | Neg  |
|----------------------|-------|------------|------|--------------------------|-----|------|
| Revenue Growth +/-5% | -19%  | 19%        | 1    | 4% Discount Rate +/-1%   | 4%  | -4%  |
| COGS +/-5%           | 12%   | 12%        | 2    | 8% EV/EBITDA Exit +/-1x  | 8%  | -8%  |
| Discount Rate +/-1%  | 4%    | 4%         | 3    | 12% COGS +/-5%           | 12% | -12% |
| EV/EBITDA Exit +/-1x | -8%   | 8%         | 4    | 19% Revenue Growth +/-5% | 19% | -19% |

Impact on Share Price By Change in Assumption

