FINANCIAL MODELING INSTITUTE

LEVEL 1: ADVANCED FINANCIAL MODELER (AFM)

Henderson Manufacturing

August 14, 2018

Sample Exam Solution - Horizontal Orientation

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

Henderson Manufacturing

Summary Outputs and Credit Statistics

SUMMARY VALUES: BEST CASE

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
($ Millions)								
Income Statement Items								
Net Revenue	213.5	236.6	204.8	264.1	244.7	297.2	300.4	281.5
Growth (%)	-	*10.8%*	*(13.4%)*	*29.0%*	*(7.4%)*	*21.5%*	*1.1%*	*(6.3%)*
EBITDA	50.1	68.3	33.0	85.5	58.5	102.1	95.3	70.6
Margin (%)	*23.5%*	*28.9%*	*16.1%*	*32.4%*	*23.9%*	*34.3%*	*31.7%*	*25.1%*
Growth (%)	-	*36.4%*	*(51.7%)*	*158.9%*	*(31.5%)*	*74.3%*	*(6.7%)*	*(25.9%)*
Net Income	14.0	23.6	2.1	37.8	20.9	49.8	46.1	30.7
Margin (%)	*6.6%*	*10.0%*	*1.0%*	*14.3%*	*8.5%*	*16.8%*	*15.3%*	*10.9%*
Growth (%)	-	*68.9%*	*(91.0%)*	*1,672.4%*	*(44.7%)*	*138.5%*	*(7.5%)*	*(33.4%)*
Credit Statistics								
Net Debt / EBITDA			**6.0x**	2.0x	2.5x	1.0x	0.7x	0.5x
Interest Coverage (EBITDA / Interest)			2.4x	7.6x	6.0x	12.6x	14.7x	14.4x
Net Debt / Capitalization			**43.6%**	*36.9%*	*32.0%*	*23.5%*	*15.3%*	*8.5%*

Henderson Manufacturing

Inputs & Assumptions

GENERAL	
- First year of forecast in financial model:	2018
- 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	**YoY Change for next 5 Years**
Base Case	Research Forecast
Best Case	4.0%
Worst Case	(4.0%)

COSTS			
Cost Item	**2017 Value**		**Increase Basis**
Raw Materials	226.0	$/unit	Inflation
Utilities	66.2	$/unit	Inflation
Rent	23.5	$ million	Inflation
Operating Labour	43.5	$ million	Inflation
Other Costs	2.0	$ million	Inflation
SG&A	3.9	$ million	Inflation

DEPRECIATION	
- Depreciation Methodology Used	Straight Line
- Years remaining for Depreciation of exisiting Assets	25 years
- Years used for Depreciation of new Assets	30 years

EQUITY	
Stock Price - 08/13/18	$11.50
Fully Diluted Shares O/S (million) - Dec. 31, 2017	14.80
Common Dividend Payout Rate	20.0%

OPERATIONS	
- Annual Factory Capacity (000's units)	420.0

TAXES	
- Tax Rate	35.0%
- Additional Tax Asumptions mentioned in "Other Assumptions" box	

INTEREST RATE AND DEBT COVENANTS		
Interest Rates		
Interest Rate earned on Cash balances		1.0%
Interest Rate on the Bank Revolver		6.0%
Interest Rate on Senior Secured Debt		6.0%
Debt Covenants		
Net Debt / EBITDA	Tripped	< 4.5x
Interest Coverage (EBITDA / Interest)	OK	> 1.5x
Net Debt / Capitalization	OK	< 40.0%
Net Debt / Capitalization	2017	32.0%

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Inputs & Assumptions (cont'd)

OTHER ASSUMPTIONS	2015A	2016A	2017A	2018	2019	2020	2021	2022
($ Millions)								
Days in Year			365.0	365.0	365.0	366.0	365.0	365.0
Income Statement								
Cost Adjustments - Gain / (Loss)				-	-	-	-	-
Cash Flow Statement								
Investing Activities - Other	($5.0)	$4.0	$3.0	-	-	-	-	-
Capital Expenditure	$14.1	$15.0	$15.5	$16.0	$17.0	$17.3	$17.5	$18.0
Income Tax								
Reduction in EBT for timing differences				$5.0	$5.0	$5.0	$5.0	$5.0
Working Capital Days								
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
Change in Debt and Equity								
Senior Term Debt Issuance / (Repayment)				($25.0)	($25.0)	($25.0)	($25.0)	($25.0)
Common Shares in issuance ($)								
Common Stock Issuance / (Buy-back)				-	-	-	-	-

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Inputs & Assumptions (cont'd)

OTHER ASSUMPTIONS (cont'd)	2015A	2016A	2017A	2018	2019	2020	2021	2022
($ Millions)								
Pricing								
Gross Sales Price ($/unit)	$750.0	$805.9	$694.4					
Cost Inflation (%)	*2.0%*	*2.1%*	*2.0%*					
Freight and Warehousing ($/unit)	$96.0	$98.0	$100.0					
Net Sales Price ($/unit)	**$654.0**	**$707.9**	**$594.4**					
Sales Volume								
Annual Factory Capacity (000's units)	420.0	420.0	420.0	420.0	420.0	420.0	420.0	420.0
Sales Volume Growth (%)	*2.0%*	*2.4%*	*3.1%*					
Annual Sales Volume (000's units)	**326.4**	**334.2**	**344.5**					
Implied Operating Range	77.7%	79.6%	82.0%					
COSTS PER UNIT								
Variable Costs								
Raw Materials ($/unit)	$228.0	$234.2	$228.0	$226.0				
Utilities ($/unit)	$63.0	$64.0	$65.0	$66.2				
Total Variable Costs ($/unit)	**$291.0**	**$298.2**	**$293.0**	**$292.2**				
Fixed Costs								
Rent ($)	$22.0	$22.0	$23.0	$23.5				
Operating Labour ($)	$41.0	$41.0	$41.0	$43.5				
Other Fixed Costs ($)	$2.0	$2.0	$3.0	$2.0				
Total Fixed Costs ($)	**$65.0**	**$65.0**	**$67.0**	**$69.0**				
SG&A costs	$3.4	$3.6	$3.8	$3.9				
Interest, Taxation and Depreciation								
Interest Expense	$15.0	$15.0	$14.0					
Current Income Taxes	$3.0	$8.0	-					
Deferred income Taxes	$2.7	$6.2	$1.1					
Total Income Taxes	**$5.7**	**$14.2**	**$1.1**					
Depreciation to Existing Assets	$15.4	$15.5	$15.8					

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Inputs & Assumptions (cont'd)

OTHER ASSUMPTIONS (cont'd)	2015A	2016A	2017A	2018	2019	2020	2021	2022
($ Millions)								
ASSETS								
Cash			$0.3					
Accounts Receivable			$28.3					
Inventory			$35.1					
Prepaid Expenses			$14.9					
Other Current Assets			$1.2					
Total Current Assets			**$79.8**					
Net PP&E			$397.7					
Other Assets			$12.0					
Total Non - Current Assets			**$409.7**					
Total Assets			**$489.5**					
LIABILITIES AND EQUITY								
Bank Debt - Revolver			-					
Accounts Payable			$18.2					
Other Current Liabilities			$4.8					
Total Current Liabilities			**$23.0**					
Deferred Income Taxes			$8.0					
Senior Secured Term Debt			$200.0					
Total Non-Current Liabilities			**$208.0**					
Total Liabilities			**$231.0**					
Common Shares			$120.0					
Retained Earnings			$138.5					
Shareholders' Equity			**$258.5**					
Total Liabilities & Equity			**$489.5**					
Balance Sheet Check			*0.000*					

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Economic and Pricing Scenarios

	2018	2019	2020	2021	2022
SCENARIO SWITCH: Best Case					
ECONOMIC SCENARIOS					
Cost Inflation	**1.8%**	**1.8%**	**1.8%**	**2.0%**	**2.0%**
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					
Sales Price ($/unit)	**832.0**	**754.0**	**858.0**	**832.0**	**780.0**
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
Sales Volume Growth (%)	**5.0%**	**4.0%**	**5.0%**	**5.0%**	**4.0%**
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%

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Revenue Schedule

($ Millions)

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Pricing								
Gross Sales Price ($/unit)	$750.0	$805.9	$694.4	$832.0	$754.0	$858.0	$832.0	$780.0
Cost Inflation (%)	*2.0%*	*2.1%*	*2.0%*	*1.8%*	*1.8%*	*1.8%*	*2.0%*	*2.0%*
Freight and Warehousing ($/unit)	$96.0	$98.0	$100.0	$101.8	$103.6	$105.5	$107.6	$109.8
Net Sales Price ($/unit)	**$654.0**	**$707.9**	**$594.4**	**$730.2**	**$650.4**	**$752.5**	**$724.4**	**$670.2**
Sales Volume								
Annual Factory Capacity (000's units)	420.0	420.0	420.0	420.0	420.0	420.0	420.0	420.0
Sales Volume Growth (%)	*2.0%*	*2.4%*	*3.1%*	*5.0%*	*4.0%*	*5.0%*	*5.0%*	*4.0%*
Annual Sales Volume (000's units)	**326.4**	**334.2**	**344.5**	**361.7**	**376.2**	**395.0**	**414.8**	**420.0**
Implied Operating Range	*77.7%*	*79.6%*	*82.0%*	*86.1%*	*89.6%*	*94.0%*	*98.8%*	*100.0%*
Revenue								
Gross Revenue	$244.8	$269.3	$239.2	$301.0	$283.7	$338.9	$345.1	$327.6
Less: Freight and Warehousing Cost	($31.3)	($32.8)	($34.5)	($36.8)	($39.0)	($41.7)	($44.6)	($46.1)
Net Revenue	**$213.5**	**$236.6**	**$204.8**	**$264.1**	**$244.7**	**$297.2**	**$300.4**	**$281.5**

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Costs of Production

($ Millions)

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Annual Sales Volume (000's units)	326.4	334.2	344.5	361.7	376.2	395.0	414.8	420.0
Cost Inflation (%)				*1.8%*	*1.8%*	*1.8%*	*2.0%*	*2.0%*
COSTS PER UNIT								
Variable Costs								
Raw Materials ($/unit)	$228.0	$234.2	$228.0	$226.0	$230.1	$234.2	$238.9	$243.7
Utilities ($/unit)	$63.0	$64.0	$65.0	$66.2	$67.4	$68.6	$70.0	$71.4
Total Variable Costs ($/unit)	**$291.0**	**$298.2**	**$293.0**	**$292.2**	**$297.5**	**$302.8**	**$308.9**	**$315.0**
Fixed Costs								
Rent ($/unit)	$67.4	$65.8	$66.8	$65.0	$63.6	$61.7	$59.9	$60.3
Operating Labour ($/unit)	$125.6	$122.7	$119.0	$120.3	$117.7	$114.1	$110.9	$111.7
Other Fixed Costs ($/unit)	$6.1	$6.0	$8.7	$5.5	$5.4	$5.2	$5.1	$5.1
Total Fixed Costs ($/unit)	**$199.1**	**$194.5**	**$194.5**	**$190.8**	**$186.7**	**$181.0**	**$175.9**	**$177.1**
Total Costs per Unit	**$490.1**	**$492.7**	**$487.5**	**$483.0**	**$484.2**	**$483.8**	**$484.7**	**$492.2**
TOTAL COSTS								
Variable Costs								
Raw Materials	$74.4	$78.3	$78.5	$81.7	$86.6	$92.5	$99.1	$102.3
Utilities	$20.6	$21.4	$22.4	$23.9	$25.4	$27.1	$29.0	$30.0
Total Variable Costs	**$95.0**	**$99.7**	**$100.9**	**$105.7**	**$111.9**	**$119.6**	**$128.1**	**$132.3**
Fixed Costs								
Rent ($)	$22.0	$22.0	$23.0	$23.5	$23.9	$24.4	$24.8	$25.3
Operating Labour ($)	$41.0	$41.0	$41.0	$43.5	$44.3	$45.1	$46.0	$46.9
Other Fixed Costs ($)	$2.0	$2.0	$3.0	$2.0	$2.0	$2.1	$2.1	$2.2
Total Fixed Costs	**$65.0**	**$65.0**	**$67.0**	**$69.0**	**$70.2**	**$71.5**	**$72.9**	**$74.4**
Total Costs of Sales	**$160.0**	**$164.7**	**$167.9**	**$174.7**	**$182.1**	**$191.1**	**$201.0**	**$206.7**

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Income Statement

($ Millions)

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue								
Gross Revenue	$244.8	$269.3	$239.2	$301.0	$283.7	$338.9	$345.1	$327.6
Less: Freight and Warehousing Cost	($31.3)	($32.8)	($34.5)	($36.8)	($39.0)	($41.7)	($44.6)	($46.1)
Net Revenue	**$213.5**	**$236.6**	**$204.8**	**$264.1**	**$244.7**	**$297.2**	**$300.4**	**$281.5**
Cost of Sales	$160.0	$164.7	$167.9	$174.7	$182.1	$191.1	$201.0	$206.7
SG&A	$3.4	$3.6	$3.8	$3.9	$4.0	$4.0	$4.1	$4.2
Total Costs	**$163.4**	**$168.3**	**$171.7**	**$178.6**	**$186.1**	**$195.2**	**$205.2**	**$210.9**
Cost Adjustments - Gain / (Loss)	-	-	-	-	-	-	-	-
EBITDA	**$50.1**	**$68.3**	**$33.0**	**$85.5**	**$58.5**	**$102.1**	**$95.3**	**$70.6**
Depreciation	$15.4	$15.5	$15.8	$16.2	$16.7	$17.3	$17.9	$18.5
EBIT	**$34.7**	**$52.8**	**$17.2**	**$69.4**	**$41.8**	**$84.8**	**$77.4**	**$52.1**
Interest Expense	$15.0	$15.0	$14.0	$11.2	$9.7	$8.1	$6.5	$4.9
EBT	**$19.7**	**$37.8**	**$3.2**	**$58.1**	**$32.1**	**$76.7**	**$70.9**	**$47.2**
Current Income Taxes	$3.0	$8.0	-	$18.6	$9.5	$25.1	$23.1	$14.8
Deferred income Taxes	$2.7	$6.2	$1.1	$1.8	$1.8	$1.8	$1.8	$1.8
Total Income Taxes	**$5.7**	**$14.2**	**$1.1**	**$20.3**	**$11.3**	**$26.8**	**$24.8**	**$16.5**
Net Income	**$14.0**	**$23.6**	**$2.1**	**$37.8**	**$20.9**	**$49.8**	**$46.1**	**$30.7**
Margins								
EBITDA Margin	*23.5%*	*28.9%*	*16.1%*	*32.4%*	*23.9%*	*34.3%*	*31.7%*	*25.1%*
EBIT Margin	*16.2%*	*22.3%*	*8.4%*	*26.3%*	*17.1%*	*28.5%*	*25.8%*	*18.5%*
Net Income Margin	*6.6%*	*10.0%*	*1.0%*	*14.3%*	*8.5%*	*16.8%*	*15.3%*	*10.9%*
Return on Equity	-	*9.1%*	*0.8%*	*13.1%*	*6.8%*	*14.4%*	*12.1%*	*7.5%*

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Cash Flow Statement

($ Millions)

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Operating Activities								
Net Income	$14.0	$23.6	$2.1	$37.8	$20.9	$49.8	$46.1	$30.7
Depreciation and 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	-	-	-	($1.4)	$7.2	($4.2)	($1.7)	$4.2
Operating Cash Flow	**$32.1**	**$45.3**	**$19.0**	**$54.3**	**$46.5**	**$64.7**	**$64.0**	**$55.1**
Investing Activities								
Capital Expenditure	($14.1)	($15.0)	($15.5)	($16.0)	($17.0)	($17.3)	($17.5)	($18.0)
Investing Activities - Other	($5.0)	$4.0	$3.0	-	-	-	-	-
Investing Cash Flow	**($19.1)**	**($11.0)**	**($12.5)**	**($16.0)**	**($17.0)**	**($17.3)**	**($17.5)**	**($18.0)**
Financing Activities								
Revolver Issuance / (Repayment)				-	-	-	-	-
Term Debt Issuance / (Repayment)				($25.0)	($25.0)	($25.0)	($25.0)	($25.0)
Common Shres Issuance / (Buy-back)				-	-	-	-	-
Common Dividends				($7.6)	($4.2)	($10.0)	($9.2)	($6.1)
Financial Cash Flows				**($32.6)**	**($29.2)**	**($35.0)**	**($34.2)**	**($31.1)**
Change in the Cash Position				$5.7	$0.3	$12.4	$12.3	$6.0
Beginning Cash				$0.3	$6.0	$6.4	$18.8	$31.1
Ending Cash				$6.0	$6.4	$18.8	$31.1	$37.1

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Balance Sheet

($ Millions)

	2015A	2016A	2017A	Projected 2018	2019	2020	2021	2022
ASSETS								
Cash			$0.3	$6.0	$6.4	$18.8	$31.1	$37.1
Accounts Receivable			$28.3	$32.6	$26.8	$32.5	$32.9	$30.8
Inventory			$35.1	$33.5	$32.4	$31.3	$33.0	$31.1
Prepaid Expenses			$14.9	$14.4	$15.0	$15.7	$16.5	$17.0
Other Current Assets			$1.2	$1.4	$1.5	$1.6	$1.7	$1.7
Total Current Assets			**$79.8**	**$87.9**	**$82.1**	**$99.9**	**$115.3**	**$117.8**
Net PP&E			$397.7	$397.5	$397.8	$397.8	$397.4	$397.0
Other Assets			$12.0	$12.0	$12.0	$12.0	$12.0	$12.0
Total Non - Current Assets			**$409.7**	**$409.5**	**$409.8**	**$409.8**	**$409.4**	**$409.0**
Total Assets			**$489.5**	**$497.4**	**$491.9**	**$509.7**	**$524.7**	**$526.8**
LIABILITIES AND EQUITY								
Bank Debt - Revolver			-	-	-	-	-	-
Accounts Payable			$18.2	$19.1	$20.0	$20.9	$22.0	$22.7
Other Current Liabilities			$4.8	$4.8	$5.0	$5.2	$5.5	$5.7
Total Current Liabilities			**$23.0**	**$23.9**	**$25.0**	**$26.1**	**$27.5**	**$28.3**
Deferred Income Taxes			$8.0	$9.8	$11.5	$13.3	$15.0	$16.8
Senior Secured Term Debt			$200.0	$175.0	$150.0	$125.0	$100.0	$75.0
Total Non-Current Liabilities			**$208.0**	**$184.8**	**$161.5**	**$138.3**	**$115.0**	**$91.8**
Total Liabilities			**$231.0**	**$208.7**	**$186.5**	**$164.4**	**$142.5**	**$120.1**
Common Shares			$120.0	$120.0	$120.0	$120.0	$120.0	$120.0
Retained Earnings			$138.5	$168.7	$185.4	$225.3	$262.2	$286.7
Shareholders' Equity			**$258.5**	**$288.7**	**$305.4**	**$345.3**	**$382.2**	**$406.7**
Total Liabilities & Equity			**$489.5**	**$497.4**	**$491.9**	**$509.7**	**$524.7**	**$526.8**
Interest Paste Value check			*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Balance Sheet Check			*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Total Check *0.000*			*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*

Henderson Manufacturing

Depreciation Schedule

($ Millions)

					Projected			
		2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Years Remaining on Existing Assets	25.0								
Depreciation Years on New Assets	30.0								
Depreciation to Existing Assets		$15.4	$15.5	$15.8	$15.9	$15.9	$15.9	$15.9	$15.9
CAPEX									
2018	16.0	-	-	-	$0.3	$0.5	$0.5	$0.5	$0.5
2019	17.0	-	-	-	-	$0.3	$0.6	$0.6	$0.6
2020	17.3	-	-	-	-	-	$0.3	$0.6	$0.6
2021	17.5	-	-	-	-	-	-	$0.3	$0.6
2022	18.0	-	-	-	-	-	-	-	$0.3
Total Depreciation		**$15.4**	**$15.5**	**$15.8**	**$16.2**	**$16.7**	**$17.3**	**$17.9**	**$18.5**

Henderson Manufacturing

Income Tax Schedule

($ Millions)

		Projected				
		2018	**2019**	**2020**	**2021**	**2022**
Tax Rate	*35.0%*					
Accounting EBT		$58.1	$32.1	$76.7	$70.9	$47.2
Less: Reduction in EBT for timing differences [(1)]		$5.0	$5.0	$5.0	$5.0	$5.0
Government EBT		**$53.1**	**$27.1**	**$71.7**	**$65.9**	**$42.2**
Taxes as Appearing on Income Statement						
Current Income Tax		$18.6	$9.5	$25.1	$23.1	$14.8
Increase / (Decrease) in Deferred Income Taxes		$1.8	$1.8	$1.8	$1.8	$1.8
Total Income Tax (Accounting Taxes)		**$20.3**	**$11.3**	**$26.8**	**$24.8**	**$16.5**

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

Henderson Manufacturing

Working Capital Schedule

($ Millions)

				Projected				
	2015A	**2016A**	**2017A**	**2018**	**2019**	**2020**	**2021**	**2022**
Days in Year			365.0	365.0	365.0	366.0	365.0	365.0
Income Statement Items								
Net Revenue	$213.5	$236.6	$204.8	$264.1	$244.7	$297.2	$300.4	$281.5
Cost of Sales	$160.0	$164.7	$167.9	$174.7	$182.1	$191.1	$201.0	$206.7
Days In								
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
Account Balances								
Accounts Receivable			$28.3	$32.6	$26.8	$32.5	$32.9	$30.8
Inventory			$35.1	$33.5	$32.4	$31.3	$33.0	$31.1
Prepaid Expenses			$14.9	$14.4	$15.0	$15.7	$16.5	$17.0
Other Current Assets			$1.2	$1.4	$1.5	$1.6	$1.7	$1.7
Accounts Payable			$18.2	$19.1	$20.0	$20.9	$22.0	$22.7
Other Liabilities			$4.8	$4.8	$5.0	$5.2	$5.5	$5.7
Net Working Capital			**$56.5**	**$57.9**	**$50.8**	**$54.9**	**$56.6**	**$52.4**
Change in Working Capital				**($1.4)**	**$7.2**	**($4.2)**	**($1.7)**	**$4.2**

Henderson Manufacturing

Debt and Interest Schedule

($ Millions)

		Projected				
	2017A	**2018**	**2019**	**2020**	**2021**	**2022**
Cash						
Amount Outstanding - Beginning		$0.3	$6.0	$6.4	$18.8	$31.1
Change in Cash		$5.7	$0.3	$12.4	$12.3	$6.0
Amount Outstanding - Ending	$0.3	$6.0	$6.4	$18.8	$31.1	$37.1
Interest Rate	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Annual Interest Income - calculation (COPY)		**$0.0**	**$0.1**	**$0.1**	**$0.2**	**$0.3**
Annual Interest Income - (PASTE VALUES)		**$0.0**	**$0.1**	**$0.1**	**$0.2**	**$0.3**
Copy Paste Check -		*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Revolver						
Operating Cash Flow		$54.3	$46.5	$64.7	$64.0	$55.1
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 Issuances / (Buy-back)		-	-	-	-	-
Dividends		($7.6)	($4.2)	($10.0)	($9.2)	($6.1)
FCF After Mandatory Debt Repayment and Dividend		**$5.7**	**$0.3**	**$12.4**	**$12.3**	**$6.0**
Revolver Outstanding - Beginning		-	-	-	-	-
Additions / (Repayments)		-	-	-	-	-
Revolver Outstanding - Ending	-	-	-	-	-	-
Interest Rate	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*
Annual Revolver Interest Expense - calculation (COPY)		-	-	-	-	-
Annual Revolver Interest Expense - (PASTE VALUES)		-	-	-	-	-
Copy Paste Check -		*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Senor Secured Term Debt (SSTD)						
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%*	*6.0%*
Annual SSTD Interest Income		**$11.3**	**$9.8**	**$8.3**	**$6.8**	**$5.3**
Net Interest Expense		**$11.2**	**$9.7**	**$8.1**	**$6.5**	**$4.9**

Henderson Manufacturing

Shareholders' Equity Schedule

($ Millions)

		Projected				
	2017A	**2018**	**2019**	**2020**	**2021**	**2022**
Common Shares						
Amount Outstanding - Beginning		$120.0	$120.0	$120.0	$120.0	$120.0
New Issuance / (Buy-back)		-	-	-	-	-
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		37.8	20.9	49.8	46.1	30.7
Common Dividend		**$7.6**	**$4.2**	**$10.0**	**$9.2**	**$6.1**
Retained Earnings						
Amount Outstanding - Beginning		$138.5	$168.7	$185.4	$225.3	$262.2
Net Income		$37.8	$20.9	$49.8	$46.1	$30.7
Common Dividend		($7.6)	($4.2)	($10.0)	($9.2)	($6.1)
Amount Outstanding - Ending	**$138.5**	**$168.7**	**$185.4**	**$225.3**	**$262.2**	**$286.7**

Henderson Manufacturing

Covenants

($ Millions)

				Projected				
			2017A	**2018**	**2019**	**2020**	**2021**	**2022**
Credit Statistics Values								
EBITDA			$33.0	$85.5	$58.5	$102.1	$95.3	$70.6
Net Debt (debt less cash)			$199.7	$169.0	$143.6	$106.2	$68.9	$37.9
Interest Expense			$14.0	$11.2	$9.7	$8.1	$6.5	$4.9
Total Book Capitalization			$458.2	$457.7	$449.1	$451.5	$451.0	$444.6
Consolidated Ratios								
Net Debt / EBITDA	**Covenant**	< 4.5x	**6.0x**	2.0x	2.5x	1.0x	0.7x	0.5x
EBITDA Cushion			*(11.3)*	*48.0*	*26.6*	*78.5*	*80.0*	*62.2*
Interest Coverage (EBITDA / Interest)	**Covenant**	> 1.5x	2.4x	7.6x	6.0x	12.6x	14.7x	14.4x
EBITDA Cushion			*12.0*	*68.7*	*44.0*	*89.9*	*85.5*	*63.2*
Net Debt / Capitalization	**Covenant**	< 40.0%	*32.0%*	*36.9%*	*32.0%*	*23.5%*	*15.3%*	*8.5%*