



FINANCIAL MODELING INSTITUTE

LEVEL 1: ADVANCED FINANCIAL MODELER (AFM)

Henderson Manufacturing

March 15, 2018

Sample Exam Solution

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

This model was prepared by:

MODEL CITIZN



Henderson Manufacturing

Summary Outputs and Credit Statistics

Currently Running : Best Case

SUMMARY OF KEY OUTPUTS

| <i>figures in \$ million</i> | Actual | | | Projected | | | | |
|---------------------------------------|---------------|-------|---------|------------------|---------|--------|--------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| 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% | 15.2% | 8.5% |

**Henderson Manufacturing
Assumptions**

Currently Running : Best Case

| GENERAL | |
|---|------|
| First year of forecast in financial model: | 2017 |
| 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 | |
|---|---------------|
| Methodology Used | Straight Line |
| Years remaining for Depreciation of existing Assets | 25.0 |
| Years for Depreciation of new Assets | 30.0 |

| EQUITY | |
|---|--------|
| Stock Price as on 29-05-2017 (\$) | \$11.5 |
| Fully Diluted Shares O/S as on 31-12-2016 (million) | 14.8 |
| Common Dividend Payout Rate | 20.0% |

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

| TAXES | |
|---|-------|
| Tax Rate | 35.0% |
| Additional Tax Assumptions mentioned in 'Other Assumptions' | |

| 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 | 2016 | | | 32.0% |

| OTHER ASSUMPTIONS | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--|---------|--------|--------|----------|----------|----------|----------|----------|
| <i>figures in \$ million</i> | | | | | | | | | |
| Days in Year | | | | 366.0 | 365.0 | 365.0 | 365.0 | 366.0 | 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 | | | | | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 |
| Reduction in EBT for timing differences | | | | | | | | | |
| 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) | | | | | - | - | - | - | - |

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------|----------------|----------------|----------------|-------|-------|-------|-------|
| Pricing | | | | | | | | |
| Gross Sales Price (\$/unit) | \$750.0 | \$805.9 | \$694.4 | | | | | |
| Freight and Warehousing (\$/unit) | \$96.0 | \$98.0 | \$100.0 | | | | | |
| Cost Inflation (%) | 2.0% | 2.1% | 2.0% | | | | | |
| 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 |
| Annual Sales Volume (000's units) | 326.4 | 334.2 | 344.5 | | | | | |
| Sales Volume Growth (%) | 2.0% | 2.4% | 3.1% | | | | | |
| 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 | | | | | |

| Balance Sheet | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
| 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 | | | | | |

Henderson Manufacturing Economic and Pricing Scenarios

Currently Running :

Best Case

2017 2018 2019 2020 2021

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% |

Henderson Manufacturing Revenue Schedule

Currently Running : Best Case

figures in \$ million

Pricing

Gross Sales Price (\$/unit)

| <i>Actual</i> | | | <i>Projected</i> | | | | |
|---------------|---------|---------|------------------|---------|---------|---------|---------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| \$750.0 | \$805.9 | \$694.4 | \$832.0 | \$754.0 | \$858.0 | \$832.0 | \$780.0 |

Freight and Warehousing (\$/unit)

| | | | | | | | |
|--------|--------|---------|---------|---------|---------|---------|---------|
| \$96.0 | \$98.0 | \$100.0 | \$101.8 | \$103.6 | \$105.5 | \$107.6 | \$109.8 |
|--------|--------|---------|---------|---------|---------|---------|---------|

Cost Inflation (%)

| | | | | | | | |
|------|------|------|------|------|------|------|------|
| 2.0% | 2.1% | 2.0% | 1.8% | 1.8% | 1.8% | 2.0% | 2.0% |
|------|------|------|------|------|------|------|------|

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 |
|-------|-------|-------|-------|-------|-------|-------|-------|

Annual Sales Volume (000's units)

| | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|
| 326.4 | 334.2 | 344.5 | 361.7 | 376.2 | 395.0 | 414.8 | 420.0 |
|-------|-------|-------|-------|-------|-------|-------|-------|

Sales Volume Growth (%)

| | | | | | | | |
|------|------|------|------|------|------|------|------|
| 2.0% | 2.4% | 3.1% | 5.0% | 4.0% | 5.0% | 5.0% | 4.0% |
|------|------|------|------|------|------|------|------|

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 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

Henderson Manufacturing

Costs of Production

Currently Running : Best Case

figures in \$ million

| | <i>Actual</i> | | | <i>Projected</i> | | | | |
|---------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| 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 |

Henderson Manufacturing

Income Statement

Currently Running : Best Case

figures in \$ million

Gross Revenue
Less: Freight and Warehousing Cost

Net Revenue

Cost of Sales
SG&A

Total Costs

Cost Adjustments - Gain / (Loss)

EBITDA*EBITDA Margin*

Depreciation

EBIT*EBIT Margin*

Interest Expense

EBT

Current Income Taxes
Deferred income Taxes

Total Income Taxes**Net Income***Net Income Margin**Return on Equity*

| <i>Actual</i> | | | <i>Projected</i> | | | | |
|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| \$244.8 | \$269.3 | \$239.2 | \$301.0 | \$283.7 | \$338.9 | \$345.1 | \$327.6 |
| (\$31.3) | (\$32.8) | (\$34.5) | (\$36.8) | (\$39.0) | (\$41.7) | (\$44.6) | (\$46.1) |
| \$213.5 | \$236.6 | \$204.8 | \$264.1 | \$244.7 | \$297.2 | \$300.4 | \$281.5 |
| \$160.0 | \$164.7 | \$167.9 | \$174.7 | \$182.1 | \$191.1 | \$201.0 | \$206.7 |
| \$3.4 | \$3.6 | \$3.8 | \$3.9 | \$4.0 | \$4.0 | \$4.1 | \$4.2 |
| \$163.4 | \$168.3 | \$171.7 | \$178.6 | \$186.1 | \$195.2 | \$205.2 | \$210.9 |
| - | - | - | - | - | - | - | - |
| \$50.1 | \$68.3 | \$33.0 | \$85.5 | \$58.5 | \$102.1 | \$95.3 | \$70.6 |
| 23.5% | 28.9% | 16.1% | 32.4% | 23.9% | 34.3% | 31.7% | 25.1% |
| \$15.4 | \$15.5 | \$15.8 | \$16.2 | \$16.7 | \$17.3 | \$17.9 | \$18.5 |
| \$34.7 | \$52.8 | \$17.2 | \$69.4 | \$41.8 | \$84.8 | \$77.4 | \$52.1 |
| 16.2% | 22.3% | 8.4% | 26.3% | 17.1% | 28.5% | 25.8% | 18.5% |
| \$15.0 | \$15.0 | \$14.0 | \$11.2 | \$9.7 | \$8.1 | \$6.5 | \$4.9 |
| \$19.7 | \$37.8 | \$3.2 | \$58.1 | \$32.1 | \$76.7 | \$70.9 | \$47.2 |
| \$3.0 | \$8.0 | - | \$18.6 | \$9.5 | \$25.1 | \$23.1 | \$14.8 |
| \$2.7 | \$6.2 | \$1.1 | \$1.8 | \$1.8 | \$1.8 | \$1.8 | \$1.8 |
| \$5.7 | \$14.2 | \$1.1 | \$20.3 | \$11.3 | \$26.8 | \$24.8 | \$16.5 |
| \$14.0 | \$23.6 | \$2.1 | \$37.8 | \$20.9 | \$49.8 | \$46.1 | \$30.7 |
| 6.6% | 10.0% | 1.0% | 14.3% | 8.5% | 16.8% | 15.3% | 10.9% |
| - | - | 0.8% | 13.1% | 6.8% | 14.4% | 12.1% | 7.5% |

Balance Sheet**ASSETS**

| | | | | | | |
|----------------------|--------|--------|--------|--------|--------|--------|
| Cash | \$0.3 | \$6.0 | \$6.4 | \$18.7 | \$31.3 | \$37.1 |
| Accounts Receivable | \$28.3 | \$32.6 | \$26.8 | \$32.6 | \$32.8 | \$30.8 |
| Inventory | \$35.1 | \$33.5 | \$32.4 | \$31.4 | \$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 | \$1.6 | \$1.7 |

Total Current Assets

| | | | | | |
|---------------|---------------|---------------|---------------|----------------|----------------|
| \$79.8 | \$87.9 | \$82.1 | \$99.9 | \$115.2 | \$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 | \$524.6 | \$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 | \$26.2 | \$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 | \$524.6 | \$526.8 |
|----------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | | |
|-----------------------------------|---|---|---|---|---|---|
| <i>Interest paste value check</i> | - | - | - | - | - | - |
| <i>Balance Sheet Check</i> | - | - | - | - | - | - |
| <i>Check</i> | - | - | - | - | - | - |

Cash Flow Statement**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 | (\$4.3) | (\$1.4) | \$4.1 |
| Operating Cash Flow | \$32.1 | \$45.3 | \$19.0 | \$54.3 | \$46.5 | \$64.6 | \$64.4 | \$55.0 |

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) | (\$25.0) | (\$25.0) | (\$25.0) |
| Common Shres Issuance / (Buy-back) | - | - | - | - | - | - | - | - |
| Common Dividends | (\$7.6) | (\$4.2) | (\$10.0) | (\$9.2) | (\$9.2) | (\$9.2) | (\$9.2) | (\$6.1) |
| Financial Cash Flows | (\$32.6) | (\$29.2) | (\$35.0) | (\$34.2) | (\$34.2) | (\$34.2) | (\$34.2) | (\$31.1) |

Net change in cash flow

| | | | | | | | | |
|----------------|-------|-------|-------|--------|--------|--------|--------|--------|
| Beginning Cash | \$0.3 | \$6.0 | \$6.4 | \$18.7 | \$18.7 | \$18.7 | \$18.7 | \$31.3 |
|----------------|-------|-------|-------|--------|--------|--------|--------|--------|

Closing Cash Balance

| | | | | | | | | |
|--|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | \$6.0 | \$6.4 | \$18.7 | \$31.3 | \$31.3 | \$31.3 | \$31.3 | \$37.1 |
|--|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|

Henderson Manufacturing Income Tax Schedule

figures in \$ million

Tax Rate 35.0%

Accounting EBT
Reduction in EBT for timing differences (1)

Government EBT

Current Income Tax
Increase / (Decrease) in Deferred Income Taxes

Total Income Tax (Accounting Taxes)

Currently Running : Best Case

| <i>Projected</i> | | | | |
|------------------|---------------|---------------|---------------|---------------|
| 2017 | 2018 | 2019 | 2020 | 2021 |
| \$58.1 | \$32.1 | \$76.7 | \$70.9 | \$47.2 |
| \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 |
| \$53.1 | \$27.1 | \$71.7 | \$65.9 | \$42.2 |
| \$18.6 | \$9.5 | \$25.1 | \$23.1 | \$14.8 |
| \$1.8 | \$1.8 | \$1.8 | \$1.8 | \$1.8 |
| \$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 Depreciation Schedule

Currently Running : Best Case

figures in \$ million

Years Remaining on Existing Assets 25.0
Depreciation Years on New Assets 30.0

Depreciation to Existing Assets

CAPEX

2017 16.0
2018 17.0
2019 17.3
2020 17.5
2021 18.0

| <i>Actual</i> | | | <i>Projected</i> | | | | |
|---------------|---------------|---------------|------------------|---------------|---------------|---------------|---------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | | | | | | | |
| \$15.4 | \$15.5 | \$15.8 | \$15.9 | \$15.9 | \$15.9 | \$15.9 | \$15.9 |
| | | | | | | | |
| - | - | - | \$0.3 | \$0.5 | \$0.5 | \$0.5 | \$0.5 |
| - | - | - | - | \$0.3 | \$0.6 | \$0.6 | \$0.6 |
| - | - | - | - | - | \$0.3 | \$0.6 | \$0.6 |
| - | - | - | - | - | - | \$0.3 | \$0.6 |
| - | - | - | - | - | - | - | \$0.3 |
| \$15.4 | \$15.5 | \$15.8 | \$16.2 | \$16.7 | \$17.3 | \$17.9 | \$18.5 |

Henderson Manufacturing Working Capital Schedule

Currently Running : Best Case

figures in \$ million

| | <i>Actual</i> | | | <i>Projected</i> | | | | |
|----------------------------------|---------------|---------|---------------|------------------|---------------|----------------|----------------|---------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Days in Year | | | 366.0 | 365.0 | 365.0 | 365.0 | 366.0 | 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 | \$32.6 | \$32.8 | \$30.8 |
| Inventory | | | \$35.1 | \$33.5 | \$32.4 | \$31.4 | \$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 | \$1.6 | \$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 | \$55.1 | \$56.5 | \$52.4 |
| Change in Working Capital | | | | (\$1.4) | \$7.2 | (\$4.3) | (\$1.4) | \$4.1 |

Henderson Manufacturing Debt and Interest Schedule

Currently Running : Best Case

figures in \$ million

| | <i>Actual</i> | <i>Projected</i> | | | | |
|--|----------------|------------------|----------------|----------------|----------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Cash | | | | | | |
| Amount Outstanding - Beginning | | \$0.3 | \$6.0 | \$6.4 | \$18.7 | \$31.3 |
| Change in Cash | | \$5.7 | \$0.3 | \$12.3 | \$12.6 | \$5.8 |
| Amount Outstanding - Ending | \$0.3 | \$6.0 | \$6.4 | \$18.7 | \$31.3 | \$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 |
| Check | - | - | - | - | - | - |
| Revolver | | | | | | |
| Operating Cash Flow | | \$54.3 | \$46.5 | \$64.6 | \$64.4 | \$55.0 |
| 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 | \$12.3 | \$12.6 | \$5.8 |
| 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 | - | - | - | - | - | - |
| Senior 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 Equity Schedule

Currently Running : Best Case

figures in \$ million

Common Shares

Amount Outstanding - Beginning

New Issuance / (Buy-back)

Amount Outstanding - Ending

Dividend Payout Rate

Net Income

Common Dividend

Retained Earnings

Amount Outstanding - Beginning

Net Income

Common Dividend

Amount Outstanding - Ending

| <i>Actual</i> | <i>Projected</i> | | | | |
|----------------------|-------------------------|----------------|----------------|----------------|----------------|
| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | \$120.0 | \$120.0 | \$120.0 | \$120.0 | \$120.0 |
| | - | - | - | - | - |
| \$120.0 | \$120.0 | \$120.0 | \$120.0 | \$120.0 | \$120.0 |
| | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| | 37.8 | 20.9 | 49.8 | 46.1 | 30.7 |
| | 7.6 | 4.2 | 10.0 | 9.2 | 6.1 |
| | | | | | |
| | \$138.5 | \$168.7 | \$185.4 | \$225.3 | \$262.2 |
| | \$37.8 | \$20.9 | \$49.8 | \$46.1 | \$30.7 |
| | (\$7.6) | (\$4.2) | (\$10.0) | (\$9.2) | (\$6.1) |
| \$138.5 | \$168.7 | \$185.4 | \$225.3 | \$262.2 | \$286.7 |

Henderson Manufacturing Covenants

Currently Running : Best Case

figures in \$ million

Credit Statistics Values

| | Actual 2016 | Projected | | | | |
|---------------------------|-----------------------|------------------|---------|---------|---------|---------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| EBITDA | \$33.0 | \$85.5 | \$58.5 | \$102.1 | \$95.3 | \$70.6 |
| Net Debt (debt less cash) | \$199.7 | \$169.0 | \$143.6 | \$106.3 | \$68.7 | \$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 | \$451.6 | \$450.9 | \$444.6 |

Consolidated Ratios

| | | | | | | | | | | |
|--------------------------------|------|-----------------|---|-------|---------------|-------------|-------------|-------------|-------------|-------------|
| Net Debt / EBITDA | 1.00 | Covenant | < | 4.5x | 6.0x | 2.0x | 2.5x | 1.0x | 0.7x | 0.5x |
| <i>EBITDA Cushion</i> | | | | | <i>(11.3)</i> | <i>48.0</i> | <i>26.6</i> | <i>78.5</i> | <i>80.0</i> | <i>62.2</i> |
| Interest Coverage (EBITDA / In | - | Covenant | > | 1.5x | 2.4x | 7.6x | 6.0x | 12.6x | 14.7x | 14.4x |
| <i>EBITDA Cushion</i> | | | | | <i>12.0</i> | <i>68.7</i> | <i>44.0</i> | <i>89.9</i> | <i>85.5</i> | <i>63.2</i> |
| Net Debt / Capitalization | - | Covenant | < | 40.0% | 32.0% | 36.9% | 32.0% | 23.5% | 15.2% | 8.5% |