



Case equity-valuation Raptor Company plc.

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Raptor sells parts for the air flight industry worldwide and has a strong market position. The market is highly competitive and consolidated. The shareholders of Raptor Company have the intention to sell their shares to a public listed company. You are the corporate finance advisor of Raptor and are asked to value a 100% of the shares.

What do you calculate as the market value of 100% of equity for your client at January 1 of the first year (t_1)? You have the following information:

1. Balance sheets, historic (3 years) and forecasted (5 years).
2. Profit & loss statements, historic (3 years) and forecasted (5 years).
3. After forecast period (5 years) depreciation equals total investment (FCF equals NOPLAT).
4. After forecast period (5 years) *no* growth.
5. Required rate of return (WACC) = 7.1% for all years.

*Historic position (December 31)**Amount x Euro 1 million***Assets**

	<i>t</i> ₋₃	<i>t</i> ₋₂	<i>t</i> ₋₁
Land, building	1.10	1.07	1.10
Tangible assets	1.10	1.07	1.10
Inventory	16.88	16.09	16.09
Accounts receivable	11.11	11.01	11.04
Receivables from management	0.36	0.48	0
Other receivables	1.47	0.40	0.40
Receivables	12.94	11.89	11.44
Cash	2.59	2.96	0.40
Total assets	33.50	32.01	29.03

Liabilities

Owners' equity	0.40	0.40	0.40
Interest paying short-term debt	5.08	4.56	20.17
Debt to group companies	15.97	18.51	0
Accounts payable	10.02	5.60	5.60
Other liabilities (no interest)	2.03	2.93	2.85
Short-term liabilities	33.10	31.61	28.62
Total liabilities	33.50	32.01	29.03

<i>Forecast position (December 31)</i>	t_{+1}	t_{+2}	t_{+3}	t_{+4}	t_{+5}
<i>Amount x Euro 1 million</i>					
Assets					
Real estate	1.10	1.10	1.10	1.10	1.10
Tangible assets	1.10	1.10	1.10	1.10	1.10
Inventory	17.20	18.00	19.07	19.50	19.84
Accounts receivable	13.92	14.96	15.71	16.03	16.35
Other receivables	0.46	0.49	0.51	0.58	0.53
Receivables	14.38	15.45	16.22	16.61	16.88
Cash	0.40	0.40	0.40	0.40	3.28
Total assets	33.08	34.95	36.79	37.61	41.10
Liabilities					
Owners' equity	5.16	10.40	16.24	22.48	28.98
Interest paying short-term debt	17.59	13.46	8.90	3.24	0
Accounts payable	7.02	7.54	7.92	8.08	8.24
Other liabilities (no interest)	3.30	3.55	3.73	3.80	3.87
Short-term liabilities	27.92	24.55	20.55	15.12	12.12
Total liabilities	33.08	34.95	36.79	37.61	41.10

Historic

profit & loss statement of Raptor Co.

<i>Amount x Euro 1 million</i> <i>(December 31)</i>	<i>t₋₃</i>	<i>t₋₂</i>	<i>t₋₁</i>
Revenues	80.18	61.03	61.03
Cost of goods sold	61.14	42.62	41.03
Gross margin	19.04	18.41	20.00
Wage expenses	6.96	7.29	7.29
Depreciation	0.53	0.44	0.44
Other expenses	7.01	6.81	6.81
Total operating expenses	14.50	14.54	14.54
Operating profit	4.54	3.87	5.46
Interest paid	0.50	0.37	1.20
Income before taxes	4.03	3.50	4.26
Taxes	1.43	1.23	1.49
Operating result after taxes	2.60	2.27	2.77
Net income	2.60	2.27	2.77

Forecast

profit & loss statement of Raptor Co.

<i>Amount x Euro 1 million</i> <i>(December 31)</i>	t_{+1}	t_{+2}	t_{+3}	t_{+4}	t_{+5}
Revenues	70.18	75.44	79.22	80.80	82.42
Cost of goods sold	47.16	50.70	53.24	54.30	55.39
Gross profit	23.02	24.75	25.98	26.50	27.03
Wage expenses	7.51	8.23	8.48	8.73	9.00
Depreciation	0.49	0.59	0.50	0.35	0.44
Other expenses	6.95	7.09	7.23	7.37	7.52
Total operating expenses	14.95	15.91	16.21	16.46	16.96
Operational profit	8.07	8.84	9.77	10.04	10.07
Interest paid/received	-0.69	-0.98	-0.70	-0.37	0.08
Income before taxes	7.38	7.86	9.07	9.67	9.99
Taxes	2.58	2.75	3.17	3.38	3.50
Operational result after taxes	4.80	5.11	5.90	6.28	6.50
Net income	4.80	5.11	5.90	6.28	6.50

INVESTED CAPITAL

Invested Capital Calculation - Raptor

x Euro 1 million (December 31)	t_{-1}	t_{+1}	t_{+2}	t_{+3}	t_{+4}	t_{+5}
Current assets	27.93	31.98	33.85	35.69	36.51	40.00
Non-interest-bearing current liabilities	8.45	10.32	11.09	11.65	11.88	12.11
Investment in (operating) working capital	19.48	21.66	22.76	24.04	24.63	27.89
Net property, plant, and equipment	1.10	1.10	1.10	1.10	1.10	1.10
Other operating assets	0.00	0.00	0.00	0.00	0.00	0.00
Investment in fixed and other operating assets	1.10	1.10	1.10	1.10	1.10	1.10
Investment in operating assets	20.58	22.76	23.86	25.14	25.73	28.99
Non-operating assets (marketable securities)	0.00	0.00	0.00	0.00	0.00	0.00
Total investor funds	20.58	22.76	23.86	25.14	25.73	28.99
Equity	0.40	5.16	10.40	16.24	22.48	28.98
All interest earning debt	20.17	17.59	13.46	8.90	3.24	0.00
Total investor funds	20.57	22.75	23.86	25.14	25.72	28.98
(Dis)investment in property, plant and equipment	-	0.49	0.59	0.50	0.35	0.44
(Dis)investment in working capital	-	2.18	1.10	1.28	0.59	3.26