

Strategic Finance Performance Blueprint



Overview

The goals of strategic planning include maximizing shareholder value, achieving growth, and meeting other financial objectives defined by the board of directors. Strategic planning is usually the start- and end-point for the planning process within the entire organization; as such, defining and articulating such goals requires a logical and consistent approach. The *IBM Cognos Strategic Finance Performance Blueprint* provides a complete performance management framework that enables users to clearly identify and measure organizational objectives.

While strategic planning is typically performed by a small group or even an individual, outcomes have major significance to the entire organization and its stakeholders. Performance management systems help express strategic goals and provide a measurement process, so that the goals can be tracked to ensure that long-term objectives will be met. This evaluation guide demonstrates a Web-based process for defining long-term objectives, analyzing scenarios, and determining how goals can be met.

The models and processes described in this document are generic for most North American companies, but can be configured to support alternative model requirements and to accommodate planning in any country.

Blueprint objectives

Determining how best to develop a strategic plan requires a reasonable standard approach. Typically, this process is performed in the “back office” using spreadsheets that may change from year to year. The major objective of this *Blueprint* is to allow users to evaluate their success in meeting goals over a number of years with a reliable, consistent modeling tool. The *Strategic Finance Blueprint* meets this objective and:

- Evaluates the impact of multiple strategies.
- Allows for comparison and analysis of *what-if* growth scenarios.
- Provides a means of evaluating internal or external growth opportunities.
- Provides for merger and acquisition planning.
- Provides an assessment of the current portfolio—allowing for analysis and impact of divestitures.
- Includes tax and credit rating impacts.
- Includes a full set of consolidated financial statements with distinct views for base growth, acquisitions, and divestitures.

This *Blueprint* provides a methodology for long-range strategic planning over a ten-year period. It is assumed that this type of application will typically be used by a small group of strategic planners, among whom company-wide decisions are made. Other contributors may include legal entities or divisions. The key premise is that cash is generated (or used) by the core operations, and strategic decisions regarding investment and divestiture strategies are largely driven by the cash position of the core.

This *Blueprint* contains four tabs for merger and acquisition planning. These tabs, along with the Cash Management and Divestiture tabs represent the key areas for the corporate strategic planning decision maker. In addition to providing a full set of financials for these acquisition scenarios, the *Blueprint* provides additional *what-if* scenarios for comparison. The resulting process will give the planners insight into various key economic indicators and shareholder results.

Along with benefits specific to the *Strategic Planning Blueprint*, IBM Cognos® 8 Planning provides significant benefits to an organization through its inherent capabilities:

- Flexible model development to support a wide variety of planning models.
- Web- or Excel-based deployment of models for data collection and consolidation.
- Easy version control.
- Real-time workflow to drive collaboration.
- Real-time consolidation.
- Real-time reporting.
- Real-time calculations in the browser for immediate results.
- Audit and user text annotations at the cell, worksheet, and model level to help drive collaboration.
- Drop-down validation lists to ensure data consistency.
- Scalable architecture with proven deployments to thousands of users.
- Linking functionality to provide divergent, yet interrelated components of the planning environment.

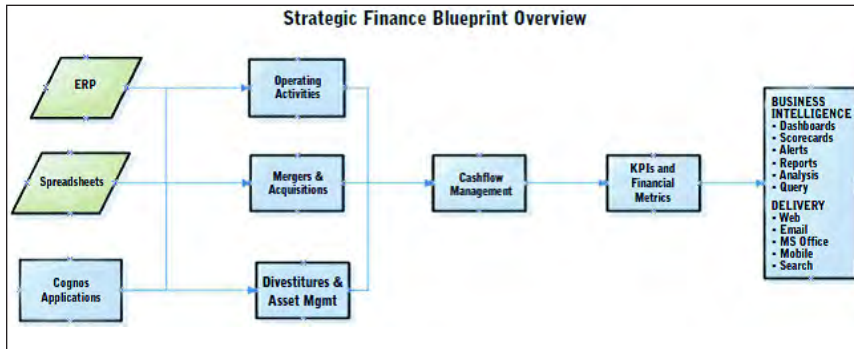
- Off-line capabilities.
- Custom date capabilities with no limit on the time dimension, allowing planning by week, season, period, quarter or year.
- Unique multi-directional calculation engine that allows input across any dimension at the detail level or the total level.

Real-time workflow visibility

As noted above, it is expected that *Blueprint* users or contributors would comprise a rather small group. This is reflected by the *Blueprint*'s hierarchy. Our example includes a corporate strategic planner and legal entities. For purposes of this *Blueprint* the corporate planner has input to internal and external investment responsibility extending to mergers and acquisitions, while the legal entity contributors have responsibility for managing the cash and investments for their respective organizational segments. Their views are limited to planning for items such as capital improvements and divestitures. Thus they will not have tabs for merger and acquisition planning. However, it is expected that companies provide varying levels of responsibility for business units and therefore *Blueprint* views can and should be modified to accommodate those specific needs. Since all workflow status changes, data consolidations, and aggregations occur in real time; as the information is saved, the total company outcome is immediately available.



Model design overview



This flowchart represents a high level overview of the Strategic Planning Process.

Representative workflow

The following sections of this implementation guide describe the process in which a strategic planner might use this planning tool.

Strategic Finance Portal

Logging into the Strategic Finance Portal offers users a number of key metrics with indicators showing performance against target. Users may select from various *what-if* scenarios for comparison.

In the upper left, we can see a graph showing the Income Statement outcomes for various scenarios: *Best Case*, *Most Likely*, and *Worst Case*. This graphic is invaluable when making the type of *what-if* decisions required in most organizations. By selecting the scenario the user can also drill down further to the Income Statement report.

The top-right graphic lets the user view the incremental impact of Acquisitions and Divestitures for the Income Statement. This is demonstrated in the form of a *waterfall chart*.



The *pie graph* in the lower left shows the split between Debt and Equity in a pre- and post-acquisition situation for any selected year and scenario.

The *bar chart* in the lower right allows the user to see Revenues by Product Line for the indicated scenarios. This is critical in planning product line divestitures and, of course, planning for new products.

Users may also want to open the KPI portal page to view more detailed information on the key metrics.

Cognos Viewer - Key Metrics			
Administrator Log Off			
Best Case			
	KPI	Post-Acq	Target
✔	ECONOMIC VALUE ADDED \$	7,370,058	6,500,000
✘	EVA %	46	70
⚠	EVA \$ NPV	53,197,799	55,000,000
✔	RETURN ON ASSETS	68	1
✘	RETURN ON EQUITY	0	0
✔	ROCE	52	48
✘	ROIC	51	60
✔	EPS	17	9
✔	EARNINGS PER EMPLOYEE	9,296	5,000
✔	ACCOUNTS RECEIVABLE RATIO	40	40
✔	INVENTORY RATIO	22	20
✔	INVENTORY (TL/TTA)	151	75
✔	GEARING (D/TTA)	151	30
✔	DEBT RATIO	1	1
✘	COVERAGE RATIO		1

The user may want to see the detail numbers behind these graphs and charts. These are available in the form of reports for the Income Statement, Balance Sheet and Cash Flow. This may include closer examination of Financial statements.

Income Statement Best Case Scenario							
Best Case	Level 0 Scenario	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5
Revenue		70,889,951	72,554,251	85,667,832	88,281,089	88,712,308	89,607,605
Cost of Goods Sold		14,214,318	14,655,224	15,101,739	15,901,900	15,993,603	16,200,236
GROSS PROFIT		56,645,233	57,899,028	70,566,093	72,379,139	72,718,625	73,407,369
Other Revenue		7,105	15,805	25,340	37,904	52,344	68,277
Total Operating Expense		23,381,393	23,386,359	23,606,088	23,662,399	23,688,623	23,515,253
Interest Expense		0	0	0	0	0	0
Profit before Tax		33,270,944	34,527,754	46,960,005	48,716,740	49,029,962	49,950,393
Extraordinary Items		0	0	0	0	0	0
Income from Foreign Subs		0	0	0	0	0	0
Interest ST Investment		0	0	0	0	0	0
NET INCOME		33,270,944	34,527,754	46,960,005	48,716,740	49,029,962	49,950,393
Income Tax Expense Current Year		9,001,970	10,181,470	7,809,010	8,357,242	8,422,338	8,663,046
Total Deferred Tax Assets		0	0	0	0	0	0
Total Deferred Tax Liabilities		17,940,000	16,640,000	16,640,000	16,640,000	16,640,000	16,640,000
NET INCOME AFTER TAX		5,528,974	7,706,275	2,356,327	3,757,402	4,020,000	4,657,347

Balance Sheet Best Case Scenario						
Best Case	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5
CURRENT ASSETS						
Cash	3,725,320	20,621,711	34,831,229	48,203,403	61,220,128	74,625,347
Receivables	6,654,077	3,510,717	3,786,493	3,893,979	3,798,564	3,852,347
Inventories	4,060,044	2,119,538	2,191,398	2,249,307	2,258,180	2,279,347
TOTAL CURRENT ASSETS	14,439,441	26,251,966	40,809,120	54,346,589	67,276,872	80,757,041
NON CURRENT ASSETS						
Property, Plant & Equipment-cost	9,900,000	7,960,000	8,955,000	8,955,000	8,955,000	8,955,000
Accumulated depreciation	1,000,000	800,000	900,000	900,000	900,000	900,000
Property, plant and equipment - net	8,900,000	7,160,000	8,055,000	8,055,000	8,055,000	8,055,000
Deferred Tax Assets	0	0	0	0	0	0
Investment other Companies	36,000,000	23,000,000	20,500,000	20,500,000	20,500,000	20,500,000
Goodwill	0	0	0	0	0	0
Other Non Current Financial Assets	0	0	0	0	0	0
Other Non Current Assets	779	1,289	1,953	2,765	3,659	4,447
TOTAL NON CURRENT ASSETS	44,900,779	30,161,289	29,556,953	29,557,765	29,558,659	29,559,447
TOTAL ASSETS	59,340,219	56,413,225	69,366,073	82,904,354	95,835,532	109,317,488
CURRENT LIABILITIES						

Based on the above analysis, users can then open the Strategic Finance Planning application to update the Strategic Plan in IBM Cognos 8 Planning. It is important to note the following key lists in this *Blueprint*.

Key Lists

Scenario – Plan

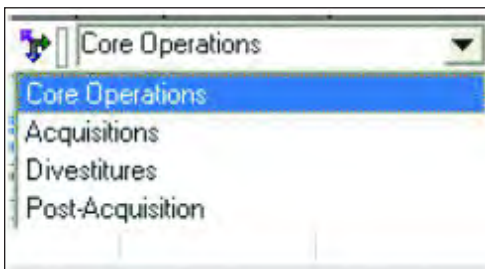
This list is used for *what-if* comparisons. Users can customize this list to define their own scenarios or versions.



Scenario – Acquisition

This list is used in most tabs including the key Financial Statements and other tabs. Core Operations represents the base organization. Note the calculation below.

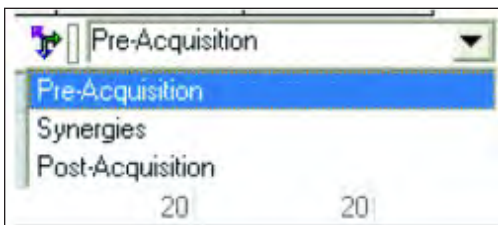
$$\text{Post Acquisition} = \text{Core Operations} + \text{Acquisitions} - \text{Divestitures}$$



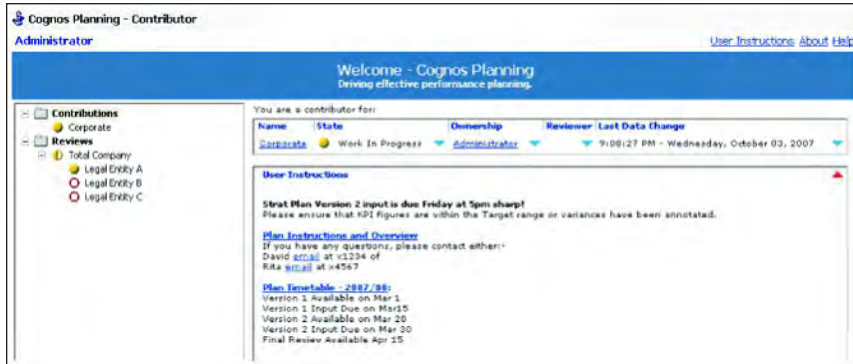
Scenario – Synergies

The data for Core Operations and Synergies is input, while Post-Acquisition is calculated. This list is used in the M&A tabs. Positive synergies are input as a negative for cost savings, like a reduction in headcount.

$$\text{Post Acquisition} = \text{Core Operations} + \text{Acquisitions}$$



We will proceed through the *Blueprint* as the “Corporate” contributor. This node encompasses all of the tabs available to the planner. In our representation, the legal entities have read/write privileges to only those tabs required for internal strategic decisions.

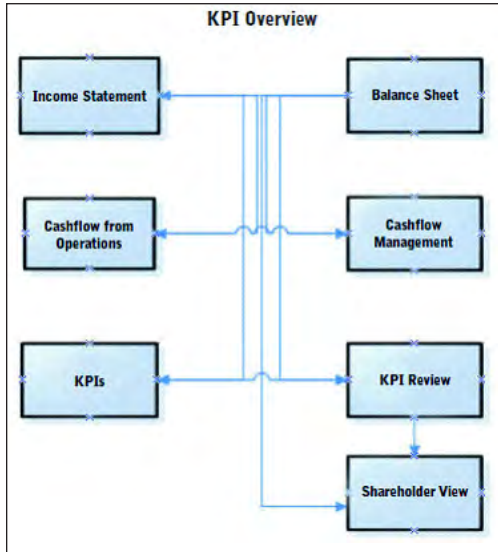


Income Statement

Upon opening the planning application, the first tab seen is the **Income Statement**. The only input required in this tab is for Core Operations items including “Other Revenue”, “Extraordinary Items,” and “Income from Foreign Subs.” Other data is linked from other tabs. The **Operating Revenue** and **Operating Expense** tabs are the main feeds for Core Operations, while the data for the Acquisition and Divestitures items come from the four M&A tabs and the Divestitures tabs.

Strategic_Finance_BP Contributions Corporate - Cognos Planning - Contributor							
Income Statement							
Corporate							
Core Operations							
Most Likely							
	Cur	Core Operations		CY+3	CY+4	CY+5	CY+6
Revenue	20	Acquisitions	4	29,862,590	29,937,425	30,349,372	30,840,896
Cost of Goods Sold	6	Divestitures	9	7,405,290	7,442,294	7,532,827	7,658,049
GROSS PROFIT	20.4	Post-Acquisition	5	22,457,300	22,555,132	22,816,545	23,182,847
Other Revenue							
Total Operating Expense	12,177,960	12,166,745	12,296,799	12,325,482	12,338,995	12,243,538	11,986,804
Interest Expense	21,000	21,000	21,000	21,000	21,000	21,000	18,600
Profit before Tax	7,871,974	8,449,128	9,309,996	10,110,819	10,195,136	10,552,007	11,177,443
Extraordinary Items	100,000						
Income from Foreign Subs							
NET INCOME	7,971,974	8,449,128	9,309,996	10,110,819	10,195,136	10,552,007	11,177,443
Income Tax Expense	2,391,592	2,534,738	2,792,999	3,033,246	3,058,541	3,165,602	3,353,233
NET INCOME AFTER TAX	5,580,382	5,914,389	6,516,997	7,077,573	7,136,595	7,386,405	7,824,210

The following tabs do not require any input. They do, however provide the key metrics and measures that are critical to the Strategic Planning process. These tabs are also used in generating much of the Business Intelligence for this *Blueprint*. The following flowchart represents the workflow for these tabs.



Shareholder View

This tab highlights key data for Shareholders. There is no input required. It communicates the anticipated future growth plans of the company and of course the potential impact this will have on the market share price.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9
Net Income	1,504,543	2,516,543	3,137,257	3,715,833	3,792,895	4,055,665	4,493,470	4,491,524	4,662,140	4,5
Avg number shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	6
Book Value per Share	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6
Book Value Shares	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,80
Dividend payout ratio			20.21%							
EPS	\$2.373	\$3.969	\$4.948	\$5.861	\$5.982	\$6.397	\$7.087	\$7.084	\$7.354	\$
P/E	4.000	4.020	4.052	3.950	4.015	4.015	4.015	4.015	4.015	
P/E Growth		0.50%	0.80%	(2.52%)	1.65%					
Share Price	\$9.49	\$15.98	\$20.09	\$23.00	\$24.12	\$25.68	\$26.46	\$28.44	\$29.52	\$
Net Yield			4.98%							
Gross Yield			0.66%							
Yield Factor	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	

Share Price Indicators and Calculated Share Price

Current owner: Administrator

KPIs

This tab, like **Shareholder View** above, does not require any input. The key metrics in this tab may be viewed at summary and detail levels. The detail view contains the source items and input used to generate these KPIs. It is anticipated that users may modify this list, and possibly the calculations to their requirements. Note also that each of the metrics contain a description which can be seen when positioning the mouse on the red annotation next to the KPI.

Income Statement	Shareholder View	KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation	
Corporate		Summary View	Core Operations	Most Likely				
		Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
OPERATIONAL METRICS								
- Economic Value Added \$		\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
ECONOMIC VALUE ADDED		\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
DUPONT ANALYSIS								
COVENANTS								
- EVA %		33.01 %	37.59 %	35.45 %	30.75 %	24.52 %	21.23 %	19.44 %
- EVA Cumulative		\$ 1,460,403	\$ 3,911,842	\$ 6,963,028	\$ 10,561,824	\$ 14,206,036	\$ 18,079,260	\$ 22,352,843
- EVA \$ NPV		28,810,554	28,909,642	27,607,497	25,342,145	22,484,801	19,504,107	16,195,299
- Total Asset Turnover (TAT)		2.763	3.011	3.079	3.138	3.141	3.162	3.181
- Return on Investments (ROI)		0.156	0.275	0.336	0.390	0.397	0.423	0.463
- Equity Multiplier (EM)		1.822	1.168	0.904	0.678	0.535	0.438	0.367
- Return on Equity (ROE)		0.283	0.322	0.304	0.265	0.213	0.185	0.170
- Return on Assets		(0.621)	(0.450)	(0.354)	(0.340)	(0.295)	(0.280)	(0.289)
- Return on Equity		(- Profit Margin (PM) * (- Asset Turnover Ratio)						
		0.283	0.322	0.304	0.265	0.213	0.185	0.170
ROCE		11.54%	11.85%	10.63%	9.53%	7.82%	6.96%	6.50%
ROIC		28.34%	32.16%	30.37%	26.46%	21.26%	18.53%	17.03%
EPS								
- Earnings per Employee		1,504.642	2,516.649	3,137.257	3,715.833	3,792.855	4,055.665	4,493.470
ACCOUNTS RECEIVABLE RATIO		45.0	45.0	45.0	45.0	45.0	45.0	45.0
INVENTORY RATIO		22.9%	24.8%	24.8%	25.0%	25.3%	25.4%	25.5%
- Coverage Ratio		272.73	289.07	318.95	345.98	348.87	361.09	416.76
Key Performance Indicators and their Related input measures. Current owner: Administrator								
Corporate		Detail View	Core Operations	Most Likely				
		Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
OPERATIONAL METRICS								
- Cost of Capital		10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %
- Wtd Avg Cost of Capital		4.07 %	3.68 %	3.50 %	3.60 %	3.68 %	3.76 %	3.76 %
- Target Profit		44,239	65,211	86,071	117,037	148,644	182,441	182,441
- Economic Value Added \$		\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
ECONOMIC VALUE ADDED		\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584
DUPONT ANALYSIS								
COVENANTS								
- EVA %		33.01 %	37.59 %	35.45 %	30.75 %	24.52 %	21.23 %	19.44 %
- EVA Cumulative		\$ 1,460,403	\$ 3,911,842	\$ 6,963,028	\$ 10,561,824	\$ 14,206,036	\$ 18,079,260	\$ 22,352,843
- EVA \$ NPV		28,810,554	28,909,642	27,607,497	25,342,145	22,484,801	19,504,107	16,195,299
- Revenue		26,723,954	27,515,700	28,761,414	29,862,590	29,987,425	30,343,372	30,343,372
- Net Income		1,504,642	2,516,649	3,137,257	3,715,833	3,792,855	4,055,665	4,493,470
- Profit Margin (PM)		0.056	0.091	0.109	0.124	0.126	0.134	0.134
- Total Asset Turnover (TAT)		2.763	3.011	3.079	3.138	3.141	3.162	3.181
- Return on Investments (ROI)		0.156	0.275	0.336	0.390	0.397	0.423	0.463
- Equity Multiplier (EM)		1.822	1.168	0.904	0.678	0.535	0.438	0.367
- Return on Equity (ROE)		0.283	0.322	0.304	0.265	0.213	0.185	0.170
- Asset Turnover Ratio		(11.832)	(4.320)	(2.249)	(2.735)	(2.336)	(2.090)	(2.090)
- Equity Multiplier		(0.456)	(0.715)	(0.857)	(0.778)	(0.720)	(0.661)	(0.661)
- Return on Assets		(0.621)	(0.450)	(0.354)	(0.340)	(0.295)	(0.280)	(0.289)
- Return on Equity		0.283	0.322	0.304	0.265	0.213	0.185	0.170
ROCE		11.54%	11.85%	10.63%	9.53%	7.82%	6.96%	6.50%
ROIC		28.34%	32.16%	30.37%	26.46%	21.26%	18.53%	17.03%
EPS								
- Share Price		\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
- EPS		2.97	3.97	4.95	5.86	5.99	6.40	6.40
- No of Shares		634,000	634,000	634,000	634,000	634,000	634,000	634,000
- Earnings per Employee		1,504.642	2,516.649	3,137.257	3,715.833	3,792.855	4,055.665	4,493.470
- No of Employees		1,000	1,000	1,000	1,000	1,000	1,000	1,000
ACCOUNTS RECEIVABLE RATIO		45.0	45.0	45.0	45.0	45.0	45.0	45.0
Key Performance Indicators and their Related input measures. Current owner: Administrator								

KPI Review

Data in this tab is linked from the KPIs tab. Note however that this tab does require additional input. The user should input *Target Values*, *Target Minimums* and *Industry Averages* for the defined KPIs. Based on the standards provided, target ratings are calculated for each KPI.

The ratings include:

- Excellent
- OK
- Bad

The calculation for the Target Rating is a conditional statement:

IF {Post-Acquisition} >= {Target Value} THEN "Excellent"

IF {Post-Acquisition} >= {Target Min} THEN "OK"

IF {Post-Acquisition} < {Target Min} THEN "Bad"

The calculation for the Industry Rating is:

IF {Post-Acquisition} >= {Industry Avg} THEN "Excellent"

IF {Post-Acquisition} < {Industry Avg} AND {Post-Acquisition} > {Target Min} THEN "OK"

IF {Post-Acquisition} < {Industry Avg} THEN "Bad"

	Core Operations	Post-Acquisition	Variance	Movement	Target Value	Target Min	Target Rating	Industry Avg	Industry Rating
ECONOMIC VALUE ADDED									
- Economic Value Added \$	\$ 1,460,403	\$ 3,684,289	\$ 2,223,886	+	\$ 3,500,000	\$ 3,250,000	Excellent	\$ 4,000,000	Ok
- EVA %	33.01 %	33.01 %			35.00 %	25.00 %	Ok	35.00 %	Ok
- EVA Cumulative	\$ 1,460,403	\$ 3,684,289	\$ 2,223,886	+	\$ 3,500,000	\$ 3,250,000	Excellent	\$ 4,250,000	Ok
- EVA \$ NPV	28,810,554	30,223,888	1,413,435	+	30,000,000	25,000,000	Excellent	40,000,000	Ok
DUPONT ANALYSIS									
- Return on Assets	(0.621)	(0.756)	(0.135)	-	0.500	0.400	Bad	1.200	Bad
- Return on Equity	0.283	0.149	(0.135)	-	0.250	0.200	Bad	0.650	Bad
- ROCE	11.54%	25.01%	13.48%	+	25.00%	20.00%	Excellent	25.00%	Excellent
- ROIC	26.34%	26.34%			25.00%	20.00%	Excellent	30.00%	Ok
- EPS	\$ 2.373	\$ 9.977	\$ 6.704	+	\$ 9.000	\$ 7.000	Excellent		
- Earnings per Employee	1,504,642	3,713,529	2,208,886	+	5,000,000	2,000,000	Ok	5,000,000	Ok
- ACCOUNTS RECEIVABLE RATIO	45.0	45.0			50.0	40.0	Ok	45.0	Excellent
- INVENTORY RATIO	22.9%	22.9%			25.0%	22.0%	Ok	25.0%	Ok
COVENANTS									
- Inventory (I/TTA)	79.9%	163.0%	83.1%	+	75.0%	60.0%	Excellent	75.0%	Excellent
- Gearing (D/TTA)	79.9%	163.0%	83.1%	+	30.0%	25.0%	Excellent	35.0%	Excellent
- Debt Ratio	0.59	1.59	1.00	+	1.00	0.95	Excellent	0.85	Excellent
- Coverage Ratio	272.73	12.90	(259.83)	-	6.00	5.00	Excellent	10.00	Excellent

KPIs measured against your targets and industry benchmarks

Current owner: Administrator

Credit Rating

This tab does require input of Credit Bands in order to calculate Credit Ratings. It is assumed this information is available by Industry via various Credit Service Bureaus such as Moody's.

Strategic_Finance_BP Contributions Corporate - Cognos Planning - Contributor											
File Edit View Tools Actions Help											
Income Statement Shareholder View KPIs KPI Review Credit Rating Operating Revenue Operating Expenses Taxation											
Corporate Most Likely											
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9	10yr Total
Coverage Ratio	5.17	5.27	5.52	5.73	5.75	5.83	5.93	5.94	6.00	5.98	
Pre-Acquisition Rating	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	
Post-Acquisition Rating	A	A	A	A	A	A	A	A	A	A	
Band 1 Lower Limit	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Band 1 Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	
Band 2 Lower Limit	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Band 2 Rating	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	AA+	
Band 3 Lower Limit	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Band 3 Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-	
Band 4 Lower Limit	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Band 4 Rating	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA	
Band 5 Lower Limit	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Band 5 Rating	A+	A+	A+	A+	A+	A+	A+	A+	A+	A+	
Band 6 Lower Limit	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Band 6 Rating	A-	A-	A-	A-	A-	A-	A-	A-	A-	A-	
Band 7 Lower Limit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Band 7 Rating	A	A	A	A	A	A	A	A	A	A	

Operating Revenue

This data contained here may be linked from an existing application (such as the *Sales Planning Blueprint*) or input manually. Input required includes Volume, Rate, and COGS rate. The *Blueprint* includes a very simple Product Line list (3 items). Margins and growth rates are also calculated. The data in this tab is linked to the Income Statement.

Strategic_Finance_BP Contributions Corporate - Cognos Planning - Contributor									
File Edit View Tools Actions Help									
Income Statement Shareholder View KPIs KPI Review Credit Rating Operating Revenue Operating Expenses Taxation Balance Sheet									
Corporate Most Likely									
	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Volume	25,034	30,940,970	30,621,784	30,006,616	31,115,682	31,836,303	31,429,374		
Rate	440	440	440	440	440	440	440	440	440
Revenue	11,476,811	13,617,850	13,561,505	13,599,111	13,690,900	14,008,009	13,832,325		
COGS Rate	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold	2,608,264.7	2,636,795.9	2,952,937.2	3,094,897.8	3,082,178.4	3,088,681.6	3,111,568.2	3,193,638.3	3,143,937.4
Margin \$	8,868,440.0	8,965,105.3	10,043,386.4	10,522,652.6	10,479,406.6	10,501,449.6	10,579,331.9	10,824,370.4	10,689,387.3
Margin %	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%	77.27%
Multipliers									
Volume Growth %		1.1%	12.0%	4.8%	(0.4%)	0.2%	0.7%	2.3%	(1.2%)
Revenue Growth %		1.1%	12.0%	4.8%	(0.4%)	0.2%	0.7%	2.3%	(1.2%)

Operating Expense

This data in this tab may also be linked from an existing application (such as the *Expense Planning & Control Blueprint*) or it may be input manually. It contains typical expense items and can easily be modified to meet user needs. The items here can also be viewed as a percent of Revenue. This data is also linked to the Income Statement.

	\$	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Salaries	Revenue	1,534,626	1,536,369	1,335,919	2,023,638	2,267,014	2,373,027	2,372,319
Wages	% of Revenue	2,676,767	2,841,225	2,387,471	3,029,825	3,310,944	3,456,160	3,300,919
SALARIES & WAGES		5,010,503	4,810,229	4,811,393	4,823,390	5,062,263	5,897,957	5,871,007
Misc. Employee Expense		244,790	245,732	236,232	192,236	270,479	282,767	362,950
Autonobiles		70,837	64,640	60,682	70,511	73,901	85,161	107,041
PERSONNEL EXPENSES		315,616	310,422	298,914	262,747	344,380	309,808	466,201
Travel		335,293	329,213	283,178	394,963	312,002	344,514	404,572
Accommodation		153,479	150,325	157,322	174,423	173,669	195,905	215,866
Meal Allowance		74,772	71,659	119,896	103,543	109,595	129,313	119,200
TRAVEL EXPENSE		563,544	556,204	545,397	679,229	586,776	635,609	742,151
TOTAL EMPLOYEE EXPENSE		5,889,662	5,684,855	5,695,694	5,713,199	5,754,546	6,051,676	7,187,566
Advertising		236,122	245,732	254,714	253,841	249,047	270,366	312,203
Other Marketing Exp		78,707	82,678	89,899	92,776	92,377	96,774	111,501
MARKETING EXPENSE		314,829	328,461	344,613	346,619	341,424	367,740	423,704
IT Costs		220,380	221,730	213,510	224,152	223,182	233,905	263,386
Communications		122,783	120,250	146,895	148,445	147,802	154,839	176,402
Shipping		39,354	45,096	49,895	51,956	51,731	54,193	62,441
Supplies		78,707	79,821	82,407	89,067	92,377	96,774	111,501
Corporate Allocations		157,414	157,841	144,015	163,500	170,911	162,543	169,979

Data viewed as a percent of Revenue.

	\$	Revenue	% of Revenue
Salaries	2,018,233	26,723,554	7.55%
Wages	2,992,134	26,723,554	11.20%
SALARIES & WAGES	5,010,503	26,723,554	18.75%
Misc. Employee Expense	244,790	26,723,554	0.92%
Autonobiles	70,837	26,723,554	0.27%
PERSONNEL EXPENSES	315,616	26,723,554	1.18%
Travel	335,293	26,723,554	1.25%
Accommodation	153,479	26,723,554	0.57%
Meal Allowance	74,772	26,723,554	0.28%
TRAVEL EXPENSE	563,544	26,723,554	2.11%
TOTAL EMPLOYEE EXPENSE	5,889,662	26,723,554	22.04%
Advertising	236,122	26,723,554	0.88%
Other Marketing Exp	78,707	26,723,554	0.29%
MARKETING EXPENSE	314,829	26,723,554	1.18%
IT Costs	220,380	26,723,554	0.82%
Communications	122,783	26,723,554	0.46%
Shipping	39,354	26,723,554	0.15%
Supplies	78,707	26,723,554	0.29%
Corporate Allocations	157,414	26,723,554	0.59%
CORPORATE OVERHEADS	618,639	26,723,554	2.31%
Depreciation & Amortization	15,000	26,723,554	0.06%
Rent	4,379,332	26,723,554	16.39%
Maintenance	793,295	26,723,554	2.99%
Electricity/Utilities	161,202	26,723,554	0.60%
Non Capital Exp		26,723,554	
PREMISES PLANT & EQUIPMENT	5,354,830	26,723,554	20.04%
Total Operating Expense	12,177,960	26,723,554	45.57%

Taxation

The key data here is linked from **Income Statement** and **Balance Sheet**. Optional Data may be entered for Deferred Asset or Liability taxes. As taxation varies greatly by tax domain, this tab is mainly included to provide a high-level view of tax impact as a result of the selected strategies. The information generated here does not represent an exact calculation of tax liability. It is expected that further understanding of tax implications will be handled outside of this application.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Income Tax Payments									
EBITDA	7,720,356	8,391,088	9,136,099	9,929,874	10,014,828	10,376,374	11,013,664	11,007,281	11,007,281
Depreciation & Amortization	15,000	(82,000)	18,000	18,000	18,000	13,000			
Interest									
Other									
CY Taxable Income/(Loss)	7,735,356	8,309,088	9,154,099	9,947,874	10,032,828	10,389,374	11,013,664	11,007,281	11,007,281
Loss Brought Fwd									
Taxable Income	7,735,356	8,309,088	9,154,099	9,947,874	10,032,828	10,389,374	11,013,664	11,007,281	11,007,281
Income from Foreign Subs	100,000								
Corporate tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Gross Tax Payable	2,320,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Foreign Tax Rate	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Foreign Tax Credits	40,000								
Tax Payable	2,360,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Capital Gains Tax									
Income Tax Payable B/Fwd	20,000								
Opening Balance Tax Payments	20,000	595,152	623,182	686,557	746,091	752,462	779,203	826,025	826,025
Total Income Tax Payments	1,785,455	2,464,636	2,682,854	2,924,829	3,003,477	3,098,071	3,257,278	3,302,663	3,302,663
Income Tax Payable	2,360,607	2,492,726	2,746,230	2,984,362	3,009,848	3,116,812	3,304,099	3,302,184	3,302,184
Closing Income Tax Payable	595,152	623,182	686,557	746,091	752,462	779,203	826,025	825,546	825,546
TAX LOSSES									
Opening Balance									
Cur Yr Losses									
Losses used CY									
Carried Fwd Losses									
Deferred Taxes									
Book Value Fixed Assets	4,060,000	3,392,000	3,374,000	3,356,000	3,338,000	3,325,000	3,325,000	3,325,000	3,325,000
Tax Value Fixed Assets									
Gross Fixed Asset Timing Diff	4,060,000	3,392,000	3,374,000	3,356,000	3,338,000	3,325,000	3,325,000	3,325,000	3,325,000
Provisions									
Tax Losses									

Taxation Impacts, Payments and taxation planning.

Balance Sheet

The data in this tab is fed primarily from the **Balance Flow** tab which is a Trial Balance (explained in detail later). You should note the dimension items **Balance** and **Change**. This tab also includes data for the Acquisition/Divestiture scenarios. The last item, **Bal_check** should always be zero for Post-Acquisition. This indicates that the **Balance Sheet** is in balance.

Currently, when an Acquisition is selected for inclusion, the Acquisition price is shown as single line item on the **Balance Sheet – Investment other Companies** under the Acquisition scenario. Changes to future periods in the **Balance Sheet** should be made as the acquisition is absorbed into the company.

	Core Operations	Acquisitions	Divestitures	Post-Acquisition	Balance Change
Cash		76,500,000		76,500,000	
Receivables	3,294,685	1,000,000		4,294,685	
Inventories	2,217,540			2,217,540	
TOTAL CURRENT ASSETS	5,512,225	77,500,000		83,012,225	
Property, Plant & Equipment-cost	5,100,000	2,000,000		7,100,000	
Accumulated depreciation	1,015,000			1,015,000	
Property, plant and equipment - net	4,085,000	2,000,000		6,085,000	
Investment other Companies		4,000,000		4,000,000	
Other Non Current Assets	100,000			100,000	
TOTAL NON CURRENT ASSETS	4,185,000	6,000,000		10,185,000	
TOTAL ASSETS	9,697,225	83,500,001		93,197,225	
Payables	1,462,465			1,462,465	
Tax Liabilities	603,398			603,398	
Other Current Liabilities	1,101,397			1,101,397	
TOTAL CURRENT LIABILITIES	3,167,259			3,167,259	
Long Term Debt	338,000	76,655,858		76,993,858	
Other Non Current Liabilities	1,726	1,000,000		1,001,726	
TOTAL NON CURRENT LIABILITIES	339,726	77,655,858		77,995,584	
TOTAL LIABILITIES	3,506,985	77,655,858		81,162,843	
NET ASSETS	6,190,239	5,844,143		12,034,382	
Equity	3,954,000	2,500,000		6,454,000	
Retained Earnings	5,580,382			5,580,382	
TOTAL EQUITY	9,534,382	2,500,000		12,034,382	
TOTAL EQUITY AND LIABILITIES	13,041,367	80,155,858		93,197,225	
Bal_check	(3,344,143)	3,344,143			

Bal Sheet Assumptions

This is a very important tab that does require input. Most of the items here will be used to drive **Balance Sheet** calculations and key metrics. As shown below, input is required for Days Outstanding for Receivables, Days Payables, Inventory turns, etc.

Also included in this tab is the option to provide for any **Dividend payments, Share issuances and repurchases**. P/E and P/E Growth ratios are input here. This tab is also used to input Shares issuance and/or Share repurchases. The **Yield Factor** is also input here and used to calculate the Gross and Net Yield from Dividend distribution. The output of these numbers is used in various Metrics in the **KPI and Shareholder View** tabs.

KPIs	KPI Review	Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps				
Corporate		Most Likely									
			Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Yield Factor			7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Short Term Rate of Return			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Days			365	365	365	365	365	365	365	365	365
D50_Receivables			45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Inventory Turns			3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Days accrual outstanding			50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Days Accrs Payable Outstanding			60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
Days Payroll expense outstanding			15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Days Interest Paid			30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Dividends Paid?				Yes							
Dividend per Share				1.000							
Warning Dividends											
Dividends \$				\$634,000							
P/E			4.000	4.000	4.052	3.950	4.015	4.015	4.015	4.015	4.015
P/E Growth				0.500	0.796	[2.517]	1.646				
Ordinary Shares											
Common Shares B/Fwd			634,000								
Book Value per Share			6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Market Value per Share			8.93	15.39	19.43	22.33	23.43	25.00	27.77	27.74	28.83
Common Stock Value B/Fwd			3,804,000								
New Shares Issues:											
Share Issue 1											
Share Issue 2											
Share Issue 3											
Total New Share Issues											
Cash from Shares Issued											
Shares Repurchased											
Cash from Repurchase											
Additional Paid in Capital											
Ending Shares			634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000
Closing Share Value			3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000	3,804,000
Weighted Avg Shares			634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000

Statement of Financial Position, showing both Movement and Year to Date. Current owner: Administrator

Working Capital

This tab provides a simple overview of Working Capital.

Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Working Capital				
Corporate		Most Likely		Balance						
				Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
CURRENT ASSETS										
Cash										
Receivables				3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,731,480	3,802,302
Inventories				2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	2,519,636
TOTAL CURRENT ASSETS				5,555,697	5,690,230	5,913,057	6,109,971	6,161,212	6,222,814	6,321,938
CURRENT LIABILITIES										
Payables				1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	8,912,577
Tax Liabilities				595,002	623,182	686,557	746,091	752,462	779,203	826,025
Other Current Liabilities				1,101,397	2,233,821	3,373,522	4,511,637	5,647,639	6,739,765	7,707,692
TOTAL CURRENT LIABILITIES				3,187,448	5,501,627	7,911,491	10,361,938	12,758,725	15,142,461	17,446,293
WORKING CAPITAL				2,368,249	188,603	[1,998,434]	[4,251,967]	[6,597,513]	[8,919,647]	[11,124,355]

Cashflow from Operations

This tab contains two views of Operational cash. No input is required. The top view shows the “Direct” changes to the cash accounts, while the bottom shows “Indirect” changes as they impact the **Balance Sheet**. Both Direct and Indirect net cash should be the same.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Receipts from Sales	23,448,969	27,427,307	28,598,964	29,726,829	29,989,802	30,316,204	30,770,073	30,872,028
Payments to Employees	5,647,622	5,451,365	5,423,269	5,478,410	5,518,056	5,603,657	5,741,015	5,892,187
Payments Inventory	7,403,656	5,772,742	6,006,912	6,237,387	6,247,042	6,321,234	6,422,464	6,411,041
Payments other Expense	5,413,942	5,684,452	5,715,630	5,690,957	5,666,936	5,334,765	4,277,863	4,178,377
Income Tax Paid	1,847,694	2,516,952	2,728,434	2,973,184	3,052,217	3,138,637	3,306,325	3,352,609
Interest Expense	19,274	19,279	19,274	19,274	19,274	19,279	17,071	17,071
NET CASH FROM OPERATING ACTIVITIES	3,116,643	7,982,014	8,702,946	9,327,617	9,477,276	9,698,443	10,005,336	10,020,744
Net Income	5,570,382	5,914,369	6,516,997	7,077,573	7,136,595	7,386,405	7,824,210	7,822,264
Adjustments to net income:								
Depreciation and amortization	15,000	(62,000)	16,000	18,000	18,000	13,000		
Change in assets and liabilities:								
Increase/decrease in receivables	(2,274,685)	(88,393)	(162,850)	(135,761)	(16,624)	(33,167)	(70,822)	(4,378)
Increase/decrease in inventory	(2,207,540)	(45,824)	(67,259)	(50,129)	(33,674)	(27,964)	(27,960)	(18,264)
Increase/decrease in Other Assets	(100,000)							
Increase/decrease in payables	1,456,465	1,131,910	1,182,061	1,227,027	1,228,926	1,239,450	1,263,436	1,261,188
Increase/decrease in accrued expenses	1,101,357	1,132,424	1,138,700	1,138,115	1,136,002	1,092,126	967,926	958,614
Increase/decrease in interest payable	1,726	1,721	1,726	1,726	1,726	1,721	1,529	1,525
Increase/decrease in income taxes payable	593,898	17,787	64,965	60,062	6,324	26,765	46,908	(209)
Increase/(decrease) in deferred taxes payable								
Total adjustments	(2,468,739)	2,149,625	2,167,949	2,232,044	2,322,680	2,299,039	2,181,126	2,198,480
NET CASH OPERATIONS - Indirect	3,116,643	7,982,014	8,702,946	9,327,617	9,477,276	9,698,443	10,005,336	10,020,744

Cashflow Management

This is one of the main input tabs, and enables the user to plan and fund investments and other strategic activities. Cash from Core represents the operating cash available for Investment Activity under the Acquisition item. Any cash from divestitures would also result in additional cash for Acquisitions. The cash planning is done at the Acquisitions scenario including Capital Investment and Disposal as well as Dividend payouts. It is assumed that at the end of this exercise, there is no remaining Cash Balance. Cash is either invested or borrowed to arrive at a zero balance.

Cashflow Management				
Debt	M&A Feasibility	M&A Valuation	M&A Synergies	M&A Synergies Blueprint
Corporate	Most Likely	Current Yr		
	Core Operations	Acquisitions	Divestitures	Post-Acquisition
OPERATING ACTIVITIES				
Operating Cash	3,026,499			
Cash from Divestitures			15,000	
Cash Available		3,041,499		3,041,499
INVESTMENT ACTIVITIES				
Investment PP&E	100,000			100,000
Disposal PP&E		25,000		25,000
Total Investment Activities	75,000			75,000
STRATEGIC ACTIVITIES				
Acquisition		20,000,000		20,000,000
Dividends Paid				
Short Term Investment				
Total Strategic Activities		20,000,000		20,000,000
FUNDING ACTIVITIES				
Existing Debt Core Ops	210,000			210,000
Acquisition_Debt_1		16,733,501		16,733,501
Debt Category_1		5 % Series		
Acquisition_Debt_2				
Debt Category_2				
Cap Expense_Liability	90,000			90,000
Existing Debt Retired				
Stock Issuance				
Total Funding Activities	300,000	16,733,501		17,033,501
NET CASH	225,000	(225,000)		

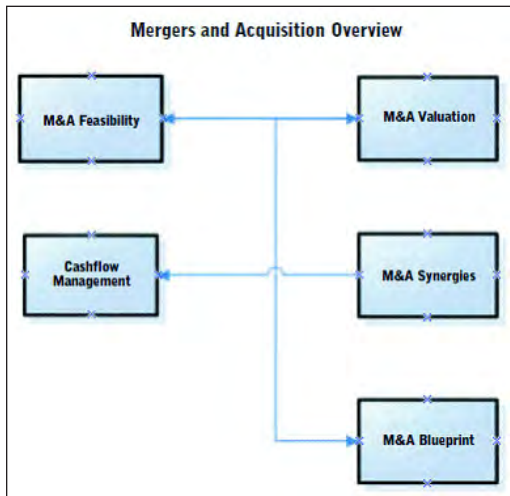
Debt

This tab allows the user to plan debt for core operations. Debt Planning for Acquisitions is created in the Cashflow Management tab above.

Debt											
Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Cashflow from Operations	Cashflow Management	Debt			
Corporate	Current Yr	5 % Series		Most Likely		Core Operations					
	Current Yr	5 % Series	7 1/2% Series	10 Year Note	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9	10yr Total
Debt B/Fwd	48,000										48,000
Opening Debt Balance	48,000			16,000	48,000	48,000					336,000
New Debt											
Retired Debt						48,000					48,000
Ending Debt Balance	48,000			16,000	48,000						288,000
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense	2,400	2,400	2,400	2,400	2,400	2,400					14,400

Mergers & Acquisition Planning

M&A planning is an important part of this *Blueprint*. Since most companies plan for growth and profitability, acquisition planning is a critical component of the strategic planning process. The next section of this Blueprint outlines its M&A component as shown in the flowchart below:



M&A Feasibility

We begin with the **M&A Feasibility** tab, which begins the initial M&A process. Required is some basic information regarding the purchase price, shares currently owned, and percentage of ownership desired. The user must select a Valuation method from the drop-down and most importantly, whether to include the Acquisition from the drop-down "Include." Only by selecting "Yes" will users see the effect of this acquisition on all of the financials and metrics. By indicating what price you are willing to pay in order to make the acquisition, you can immediately see the resulting Premium Offer %.

This tab allows the user to plan for up to three acquisition evaluations per year. Of course, this list can be modified to accommodate user needs. You may also want to input the acquisition with varying offer prices, and valuations via the Scenarios dimension. Additionally, the "Fair Market Value" of existing Assets and Liabilities must be input in order to calculate Goodwill.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A V
Corporate	Most Likely			Current Yr
	1	2	3	Total
Valuation				
No of Shares Owned	50,000	50,000		100,000
No of Shares Issued	1,000,000	1,000,000		2,000,000
Percentage of Entity Owned	5.00%	5.00%		
Current Market Share Price	\$20.00	\$20.00		\$40.00
Market Value of Entity	20.000M	20.000M		40.000M
Book Value of Existing Equity	15.000M	15.000M		30.000M
Market Value of Entity Owned	1.000M	1.000M		2.000M
Valuation Method	NPV	Asset Valuation		
Sum of Parts Valuation	10.000M	9.000M		19.000M
Valuation of Non-owned Equity	9.000M	8.000M		17.000M
Percentage Ownership Req'd	50.00%	50.00%		50.00%
Market Value of Equity Req'd	9.000M	9.000M		18.000M
Proposed Offer Price	20.000M	18.500M		38.500M
Offer Share Price	\$21.05	\$19.47		\$40.53
Current Share Price	\$20.00	\$20.00		\$40.00
Premium Offer %	5.3%	(2.6%)		
Book Value of Equity	15.000M	15.000M		30.000M
Fees & Charges	0.100M	0.100M		0.200M
Estimated Goodwill	11.000M	10.500M		21.500M
Shares not yet owned	950,000	950,000		1,900,000
Cost of Transaction	0.100M	0.100M		0.200M
Acquisition Price	20.100M	18.600M		38.700M
Market Value of Equity				
ASSETS	1,500,000	1,500,000		3,000,000
Accounts Receivable	500,000	500,000		1,000,000
Land and Buildings	1,000,000	1,000,000		2,000,000
LIABILITIES	1,500,000	1,500,000		3,000,000
Accounts Payable				
Debt	1,500,000	1,500,000		3,000,000
Net Assets				
Goodwill	20,100,000			20,100,000
Include?	Yes			
Cash Required	20,100,000			20,100,000

M&A Valuation

This tab is used to input the Projected Cash Flows, Asset Valuation, Market Valuation, and Interest Rate for the Acquisition. Based on the Interest Rate that is input, the valuation for Net Present Value and Discounted Cash flow is calculated. Net Income is linked from the M&A Synergies tab to calculate the values for NPV and Discounted Cash Flow with Synergies.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A Valuation
Corporate	Most Likely			\$
	1	2	3	Total
Discounted Cashflow Valuation				
Projected Cash Flows	10,000,000	10,000,000		20,000,000
Interest Rate	5.25%	5.25%		5.25%
No of Periods	1	1		1
DCF	9,501,188	9,501,188		19,002,375
NPV	10,000,000	10,000,000		
Asset Valuation	9,000,000	9,000,000		18,000,000
Market Valuation	10,000,000	10,000,000		20,000,000
Synergies Valuation				
Net Income	2,952,000			2,952,000
DCF with Synergies	1,960,377			1,960,377
NPV with Synergies	5,849,862			5,849,862

M&A Synergies

This tab is used to input projected Synergies for the Acquisition. The items in this tab represent key factors used in determination of Revenue and Cost synergies. These include Customers, Average Purchases, and Volume, Headcount and Facilities. In our example, note that the anticipated synergies from this acquisition include a negative number for IT Staff and Floorspace indicating a reduction in this expense or positive synergy.

Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A Valuation	M&A Synergies
Corporate	Most Likely				
	Pre-Acquisition	Synergies	Post-Acquisition		
GROSS MARGIN	3,050,000	(98,000)			
REVENUE	4,000,000	30,000	4,030,000		
Customers	20	5	25		
Avg No of Purchases	20	5	17		
Avg Volume	100	20	84		
Rate	100,000	60,000	92,000		
SALARIES & BENEFITS	165,000	175,000			
Salaries Total	165,000	175,000			
Staff Numbers	26	6			
Admin Staff	10	2	12		
Admin Salaries	50,000	60,000	110,000		
Sales Staff	11	6	17		
Sales Salaries	60,000	75,000	135,000		
IT Staff	5	(2)	3		
IT Salaries	55,000	40,000	95,000		
FACILITIES	785,000	(47,000)			
- Floorspace per Emp	45	(10)	35		
- Floorspace Reqd	1,170	(60)			
- Rate	500.00	450.00			
- Rent	585,000	(27,000)			
Utilities	200,000	(20,000)	180,000		

M&A Synergies Blueprint

This tab will eventually be used to capture data from the *Mergers & Acquisitions Blueprint*. It contains additional detailed Revenue and Expense data, as well as the data linked from the M&A Synergies tab.

	Pre-Acquisition	Synergies	Post-Acquisition
OPERATIONS			
Sales Revenue	4,000,000	30,000	4,030,000
Cost of Sales	250,000	5,000	255,000
Other Revenue			
Gross Profit	3,750,000	25,000	3,775,000
PAYROLL EXPENSES			
Salaries & Wages General			
Medical Benefits			
Payroll Taxes			
Retirement			
Other			
Total Payroll Expense			
PROPERTY EXPENSES			
Premises Rental	585,000	(27,000)	558,000
Utilities	200,000	(20,000)	180,000
Property Expenses TOTAL	785,000	(47,000)	738,000
OTHER EXPENSES			
Travel			
IT & Communications			
Outside Services			

Divestitures

This tab requires input for **Divestitures**. The drop-down list for Divestiture Type includes Fixed Assets, Product Lines, and entire divisions. Additionally, you should add data detailing the Revenue and Cost impact of the divestiture. The sales period must be included in order to capture the divestiture in the correct period. If you are divesting of a capital asset, you should also indicate the Disposition Price and any associated Selling Expense. The data in this tab is linked to the **Cash Flow Management** tab.

	Div 1	Div 2	Div 3	Div 4	Div 5	Total Divisions
Divestiture type	Product Line 1	Fixed Assets - Property				
Warning			Fixed Assets - Property			
Revenue Impact	100,000		Fixed Assets - Other			100,000
Cost Impact	50,000		Product Line 1			50,000
Net Income Impact	50,000		Product Line 2			50,000
Description	packaging		Product Line 3			
Sales Period	Current Yr	Next Yr	Entire Division			
Book Value		500,000	Total Divestiture			500,000
Accumulated Depreciation		100,000				100,000
Net Value		400,000				400,000
Asset Type		Buildings				
Disposition Price		800,000				800,000
Selling Expenses		50,000				50,000
Gain/(Loss) on Sale		350,000				350,000
Taxable Amount		100,000%				100,000%
Capital Gain/(Loss) Taxes		350,000				350,000
Corporate Tax Rate	30.0%	30.0%				60.0%
Capital Gains Tax		105,000				105,000
Net Gain/(Loss)		245,000				245,000

CAPEX

This tab is used to input Capital requirements. In addition to the *Description*, *month capitalized*, *Capital amount* and *cash outlay* you must select “Yes” from the Capitalize drop-down in order to see the flow through to all of the related financials. The *Blueprint* includes 10 available numbered items per year.

	Current Yr	Next Yr	1	5	CY+6	CY+7	CY+8	CY+9	Ogr Totl
Asset Description	Board Room Upgrade		2						
Month	Mar		3						
Capital Amount	100,000		4						
Cash Outlay	10,000		5						
Liability	90,000		6						
TOTAL CAPITAL EXP	100,000								
PROJECT TOTAL	100,000								
Capitalize?	Yes								
Asset Type	Furniture & Fixtures								Furnit
Asset Life	6								
Opening Book Value		85,000	67,000	49,000	31,000	13,000			
Capitalization Amount	100,000								
Closing Book Value	85,000	67,000	49,000	31,000	13,000				
PPE - depreciation and amortization B/Fwd	1,000,000								
New Depreciation	15,000	18,000	18,000	18,000	18,000	13,000			
Total Current Depreciation	15,000	18,000	18,000	18,000	18,000	13,000			
Required Rate of Return %	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

Balance Flow

This tab represents a Trial Balance. You may input Balance Forward information for the Core operations only. It is important that the Balance Forward Accounts are the same for all scenarios as these represent prior year Actual Data. *In order to check this make sure the “Bal_check” column for “Post Acquisition” in the Balance Sheet is zero.* Balances for many of the accounts are calculated based on the input in the Balance Sheet Assumptions tab.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6
Days	365	366	365	365	365	366	
FLOW_OPERATING ITEMS							
Receivables B/Fwd	20,000	0	0	0	0	0	
Receivables - beg period	20,000	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,711,480
Revenue	26,723,554	27,515,700	28,761,414	29,862,590	29,937,425	30,349,372	30,711,480
Cash Receipts	23,448,863	27,427,307	28,598,564	29,726,829	29,980,802	30,316,204	30,711,480
Receivables - end period	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,731,480	3,811,480
Other Revenue B/Fwd	0	0	0	0	0	0	0
Other Rev - beg period	0	12,329	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Extraordinary Items	0	0	0	0	0	0	0
Foreign Income	100,000	0	0	0	0	0	0
Short Term Investment	0	0	0	0	0	0	0
Interest ST Investment	0	0	0	0	0	0	0
ST Investment Rate %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Other Revenue	100,000	0	0	0	0	0	0
Cash Receipts Other Revenue	87,671	12,329	0	0	0	0	0
Other Revenue - end period	12,329	0	0	0	0	0	0
Inventory B/Fwd	10,000	0	0	0	0	0	0
Days sales outstanding	45	45	45	45	45	45	45
Inventory - beg period	10,000	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334
Cost of Goods Sold	6,783,038	6,890,667	7,281,316	7,580,035	7,596,403	7,887,260	7,911,480
Inventory Purchases	9,034,051	7,036,807	7,341,293	7,621,188	7,631,020	7,715,694	7,811,480
Inventory - end period	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	2,511,480
Avg COGS	6,783,038	6,921,458	7,101,387	7,284,846	7,388,698	7,474,002	7,511,480
Inventory Turns	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Accounts Payable B/Fwd	6,000	0	0	0	0	0	0
Accounts payable - beg period	6,000	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492
Purchases for Inventory	9,034,051	7,036,807	7,341,293	7,621,188	7,631,020	7,715,694	7,811,480
Payments for Inventory	7,549,001	5,883,232	6,134,505	6,368,390	6,376,606	6,450,827	6,511,480
Accounts payable - end period	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	8,911,480
Days Accts Payable Outstanding	60	60	60	60	60	60	60

Assumptions

This tab includes corporate provided data on interest and tax rates that is used in most of the financials.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8	CY+9
Corporate tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Interest Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Cost of capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
ST Investment Rate %	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Premium %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Required Rate of Return %	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
No of Employees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Foreign Tax Rate	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%

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3755 Riverside Drive
Ottawa, ON, Canada K1G 4K9

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