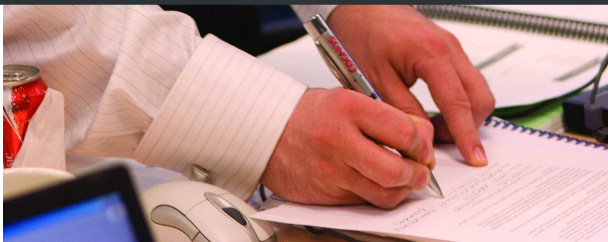


STRATEGIC FINANCE PERFORMANCE BLUEPRINT



IMPLEMENTATION GUIDE

A WEB-BASED APPLICATION FOR
PERFORMANCE MANAGEMENT

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 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 Implementation 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*, 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.

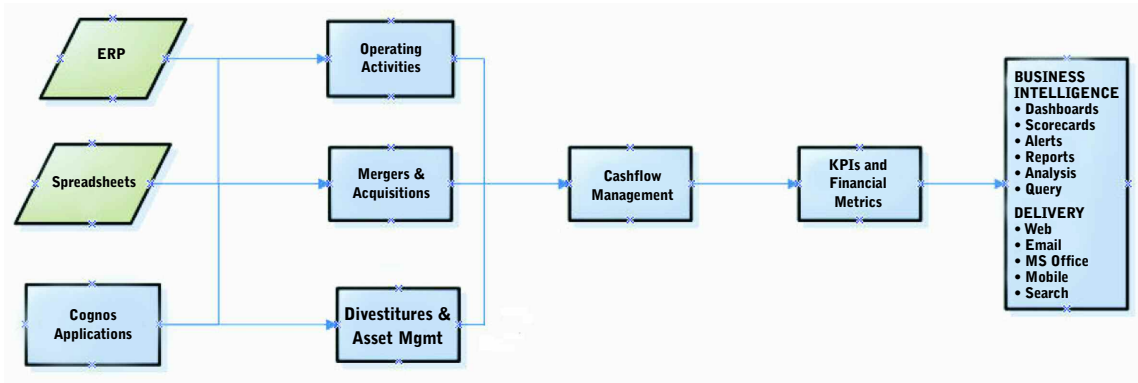
REAL-TIME WORKFLOW VISIBILITY

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

Strategic Finance Blueprint 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 - 7	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5
Revenue		70,859,551	72,554,251	65,667,832	68,281,059	68,712,308	69,607,605
Cost of Goods Sold		14,214,318	14,655,224	15,301,739	15,901,920	15,993,683	16,200,236
GROSS PROFIT		56,645,233	57,899,028	50,366,093	52,379,139	52,718,625	53,407,369
Other Revenue		7,105	15,085	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	26,785,345	28,754,644	29,082,346	29,960,393
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	26,785,345	28,754,644	29,082,346	29,960,393
Income Tax Expense Current Year		9,801,970	10,181,478	7,809,018	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	2,336,327	3,757,402	4,020,008	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	74,625,000
Receivables	6,654,077	3,510,717	3,786,493	3,893,979	3,798,564	3,852,000
Inventories	4,060,044	2,119,538	2,191,398	2,249,207	2,258,180	2,279,000
TOTAL CURRENT ASSETS	14,439,441	26,251,966	40,809,120	54,346,588	67,276,872	80,756,000
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	1,259	1,953	2,765	3,659	4,000
TOTAL NON CURRENT ASSETS	44,900,779	30,161,259	28,556,953	28,557,765	28,558,659	28,559,000
TOTAL ASSETS	59,340,219	56,413,225	69,366,073	82,904,354	95,835,532	109,315,000
CURRENT LIABILITIES						

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

KEY LISTS

Scenario – Plan

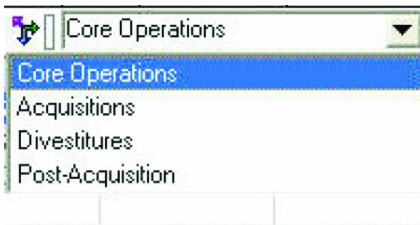
This list is used for *what-if* comparisons. Users can customize this list to define their own scenarios or versions.



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.

Post Acquisition = Core Operations + Acquisitions - 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.

Post Acquisition = Core Operations + 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.

The screenshot shows the Cognos Planning - Contributor interface. At the top, it says "Welcome - Cognos Planning" and "Driving effective performance planning." Below this, there is a navigation pane on the left with "Contributions" and "Reviews" sections. The main area displays a table with columns: Name, State, Ownership, Reviewer, and Last Data Change. The table shows "Corporate" as the contributor, in "Work In Progress" state, owned by "Administrator", reviewed by "Administrator", with a last data change on "9:08:27 PM - Wednesday, October 03, 2007". Below the table, there are "User Instructions" including a warning about "Strat Plan Version 2 input is due Friday at 5pm sharp!" and contact information for David and Rita.

INCOME STATEMENT

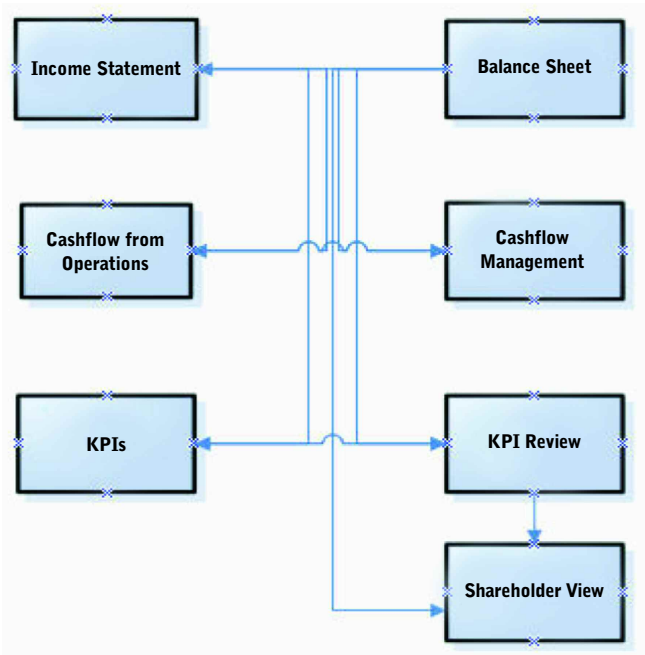
Upon opening the planning application, the first tab seen is the **Income Statement**. The only input required in this tab is for Core Operations items including “Other Revenue”, “Extraordinary Items,” and “Income from Foreign Subs.” Other data is linked from other tabs. The **Operating Revenue** and **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.

The screenshot shows the "Income Statement" tab in the Cognos Planning application. The interface includes a menu bar (File, Edit, View, Tools, Actions, Help) and a toolbar. The main area displays a table with columns for "Curr", "CY+3", "CY+4", "CY+5", and "CY+6". The table is filtered for "Corporate" and "Core Operations" in "Most Likely" mode. The data includes Revenue, Cost of Goods Sold, GROSS PROFIT, Other Revenue, Total Operating Expense, Interest Expense, Profit before Tax, Extraordinary Items, Income from Foreign Subs, NET INCOME, Income Tax Expense, and NET INCOME AFTER TAX.

	Curr	CY+3	CY+4	CY+5	CY+6	
Revenue	26	4	29,862,590	29,997,425	30,349,372	30,840,896
Cost of Goods Sold	6	9	7,405,290	7,442,294	7,532,827	7,658,049
GROSS PROFIT	20,0	5	22,457,300	22,555,132	22,816,545	23,182,847
Other Revenue						
Total Operating Expense	12,177,960	12,186,745	12,296,799	12,325,482	12,338,995	12,243,538
Interest Expense	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
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
Income Tax Expense	2,391,592	2,534,738	2,792,999	3,033,246	3,058,541	3,165,602
NET INCOME AFTER TAX	5,580,382	5,914,389	6,516,997	7,077,573	7,136,595	7,386,405

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.

KPI Overview



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	1,504,642	2,516,649	3,137,257	3,715,833	3,792,855	4,055,665	4,493,470	4,491,524	4,662,140	4,516,649
Avg number shares	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000	634,000
Book Value per Share	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
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	3,804,000
Dividend payout ratio			20.21%							
EPS	\$2.373	\$3.969	\$4.948	\$5.861	\$5.982	\$6.397	\$7.087	\$7.084	\$7.354	\$7.123
P/E	4.000	4.020	4.052	3.950	4.015	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	\$28.46	\$28.44	\$29.52	\$28.44
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	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.

	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)							
	0.304	0.304	0.304	0.265	0.213	0.185	0.170	
ROCE	11.54%	11.85%	10.63%	9.53%	7.82%	6.96%	6.58%	
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	318.55	345.98	348.87	361.09	416.76	

Key Performance Indicators and their Related input measures.

Current owner: Administrator

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	
- 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 %	3.84 %	
- Target Profit	44,239	65,211	86,071	117,037	148,644	182,441	223,584	
- Economic Value Added \$	\$ 1,460,403	\$ 2,451,439	\$ 3,051,186	\$ 3,598,796	\$ 3,644,212	\$ 3,873,224	\$ 4,273,584	
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	26,723,554	27,515,700	28,761,414	29,862,590	29,937,425	30,349,372	30,761,318	
- 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	0.141	
- 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	(11.032)	(4.920)	(3.249)	(2.735)	(2.336)	(2.098)	(1.920)	
- Equity Multiplier	(0.456)	(0.715)	(0.857)	(0.778)	(0.720)	(0.661)	(0.611)	
- 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%	6.58%	
ROIC	28.34%	32.16%	30.37%	26.46%	21.26%	18.53%	17.03%	
EPS								
- Share Price	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	
- EPS	2.37	3.97	4.95	5.86	5.98	6.40	7.03	
- 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	\$ 6,250,000	Ok
- EVA \$ NPV	28,810,554	30,223,988	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	28.34%	28.34%			25.00%	20.00%	Excellent	30.00%	Ok
- EPS	\$2.373	\$9.077	\$6.704	+	\$9.000	\$7.000	Excellent		
Earnings per Employee	1,504.642	3,713.528	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 (TL/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	5.12	5.27	5.52	5.73	5.76	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 PROD LINE 1 Most Likely											
	Current Yr	PROD LINE 1	PROD LINE 2	PROD LINE 3	ALL PRODUCTS	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Volume	26,093.8					30,948,978	30,821,784	30,886,616	31,115,682	31,836,383	31,439,374
Rate	440					440.00	440.00	440.00	440.00	440.00	440.00
Revenue	11,476.8					13,617,550	13,561,585	13,590,111	13,690,900	14,008,009	13,833,325
COGS Rate	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold	2,608,364.7	2,636,795.9	2,953,937.2	3,094,897.8	3,082,178.4	3,088,661.6	3,111,568.2	3,183,638.3	3,143,937.4		
Margin \$	8,868,440.0	8,965,105.9	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%]		

Revenue from Operations and Target Setting Current owner: Administrator

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*.

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

	\$	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Salaries	Revenue	1,934,626	1,938,987	1,935,918	2,033,638	2,387,013	2,373,827	2,372,319
Wages	% of Revenue	2,876,767	2,841,235	2,887,471	3,028,625	3,510,944	3,498,160	3,502,918
SALARIES & WAGES	5,010,503	4,818,229	4,811,393	4,780,223	4,823,390	5,062,263	5,897,957	5,875,316
Misc. Employee Expense	244,780	245,782	238,232	192,236	270,479	268,643	282,767	362,858
Automobiles	70,837	64,640	60,682	70,511	73,901	85,161	107,041	103,423
PERSONNEL EXPENSES	315,616	310,422	298,914	262,747	344,380	353,804	389,808	474,511
Travel	335,293	329,213	286,178	394,863	312,602	344,514	404,972	472,416
Accommodation	153,479	150,325	157,323	174,423	173,668	185,805	215,866	257,682
Meal Allowance	74,772	76,666	101,886	100,943	100,506	105,290	121,313	119,200
TRAVEL EXPENSE	563,544	556,204	545,387	670,229	586,776	635,609	742,151	849,298
TOTAL EMPLOYEE EXPENSE	5,889,662	5,684,855	5,655,694	5,713,199	5,754,546	6,051,676	7,029,915	7,187,566
Advertising	236,122	245,782	254,714	253,841	249,047	270,966	312,203	286,605
Other Marketing Exp	78,707	82,679	89,899	92,778	92,377	96,774	111,501	109,559
MARKETING EXPENSE	314,829	328,461	344,613	346,619	341,424	367,740	423,704	396,164
IT Costs	220,380	221,730	213,510	224,152	223,182	233,805	269,386	264,693
Communications	122,783	120,260	146,835	148,445	147,803	154,838	178,402	175,294
Shipping	39,354	45,098	48,695	51,966	51,731	54,193	62,441	61,353
Supplies	78,707	78,921	82,407	89,067	92,377	96,774	111,501	109,559
Corporate Allocations	157,414	157,943	164,916	162,709	162,603	170,231	166,743	162,272

Operating Expenses and Targets from Normal Operations

Current owner: Administrator

Data viewed as a percent of Revenue.

Income Statement Shareholder View KPIs KPI Review Credit Rating

Corporate Current Yr

	\$	Revenue	% of Revenue
Salaries	2,018,368	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	244,780	26,723,554	0.92%
Automobiles	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	799,295	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%

Operating Expenses and Targets from Normal Operations

Current owner: Administrator

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									
Foreign Tax Payable	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	20,000	595,152	623,182	686,557	746,091	752,462	779,203	826,025	826,025
Payments	1,785,455	2,464,696	2,682,854	2,924,829	3,003,477	3,090,071	3,257,278	3,302,663	3,302,663
Total Income Tax Payments	1,785,455	2,464,696	2,682,854	2,924,829	3,003,477	3,090,071	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									
Curr 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.

Current owner: Administrator

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.

	Current Yr	Next Yr	CY+2	CY+3	CY+4	CY+5	CY+6	CY+7	CY+8
Yield Factor	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500	7.500
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	366	365	365	365	366	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 Accts 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	4.020	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.

	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	23,448,869	27,427,307	28,598,564	29,726,829	29,980,802	30,316,204	30,770,073	30,872,028
Payments to Employees	5,647,622	5,451,869	5,423,268	5,478,410	5,518,058	5,803,657	6,741,015	6,892,187
Payments Inventory	7,403,695	5,772,742	6,008,812	6,237,387	6,247,042	6,321,234	6,422,464	6,411,041
Payments other Expense	5,413,942	5,684,452	5,715,830	5,690,957	5,666,936	5,334,755	4,277,863	4,178,377
Income Tax Paid	1,847,684	2,516,952	2,728,434	2,973,184	3,052,217	3,138,837	3,306,325	3,352,607
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	5,914,389	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	(82,000)	18,000	18,000	18,000	13,000		
Change in assets and liabilities:								
(Increase)/decrease in receivables	(3,274,685)	(88,393)	(162,850)	(135,761)	(16,624)	(33,167)	(70,822)	(4,378)
(Increase)/decrease in inventory	(2,207,540)	(45,824)	(57,255)	(59,125)	(33,674)	(27,864)	(27,850)	(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	1,239,458	1,263,436	1,261,188
Increase/(decrease) in accrued expenses	1,101,397	1,132,424	1,139,700	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	553,898	17,787	64,565	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 from normal operations.

Current owner: Administrator

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

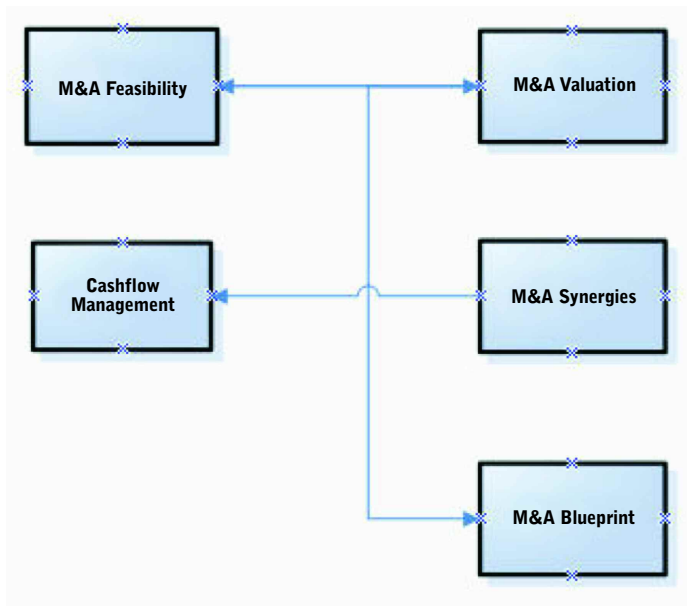
This tab allows the user to plan debt for core operations. Debt Planning for Acquisitions is created in the Cashflow Management tab above.

Debt											
Credit Rating	Operating Revenue	Operating Expenses	Taxation	Balance Sheet	BalSheet Assumps	Cashflow from Operations	Cashflow Management				
Corporate	5 % Series	Most Likely	Core Operations								
	Current Yr	5 % Series	7 1/2 % Series	6 % 30 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				48,000	48,000	48,000				336,000
New Debt											
Retired Debt							48,000				48,000
Ending Debt Balance	48,000				48,000	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:

Mergers and Acquisition Overview



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.

	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.

	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 Req'd	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.

BalSheet Assumps	Cashflow from Operations	Cashflow Management	Debt	M&A Feasibility	M&A
Corporate	1			Most Likely	
	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					
Consulting Fees	300,000	(150,000)		150,000	
Repairs & Maintenance					
Supplies					
Marketing					
Other Expenses					
Other Expenses TOTAL	300,000	(150,000)		150,000	
TOTAL EXPENSES	1,085,000	(197,000)		888,000	
NET INCOME	2,665,000	222,000		2,887,000	

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						
Revenue Impact	100,000					100,000
Cost Impact	50,000					50,000
Net Income Impact	50,000					
Description	packaging					
Sales Period	Current Yr	Next Yr				
Book Value		500,000				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		100.00%				100.00%
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	Oyr Tot
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 Bal 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	3,731,480
Revenue	26,723,554	27,515,700	28,761,414	29,862,590	29,997,425	30,349,372	30,723,554
Cash Receipts	23,448,869	27,427,307	28,598,564	29,726,829	29,980,802	30,316,204	30,723,554
Receivables - end period	3,294,685	3,383,078	3,545,928	3,681,689	3,698,313	3,731,480	3,800,000
Other Revenue B/Fwd	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	
Extraordinary items	0	0	0	0	0	0	
Foreign income	100,000	0	0	0	0	0	
Short Term Investment	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%	
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	
Days sales outstanding	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	2,497,516
Cost of Goods Sold	6,783,038	6,990,667	7,281,316	7,560,035	7,596,403	7,687,260	7,778,117
Inventory Purchases	9,034,051	7,036,807	7,341,293	7,621,188	7,631,020	7,715,694	7,800,000
Inventory - end period	2,261,013	2,307,153	2,367,129	2,428,282	2,462,899	2,491,334	2,516,000
Avg COGs	6,783,038	6,921,458	7,101,387	7,284,846	7,388,698	7,474,002	7,559,317
Inventory Turns	3.0	3.0	3.0	3.0	3.0	3.0	
Accounts Payable B/Fwd	6,000	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	7,800,000
Payments for Inventory	7,549,001	5,883,232	6,134,505	6,368,390	6,376,606	6,450,827	6,525,000
Accounts payable - end period	1,491,049	2,644,624	3,851,412	5,104,210	6,358,624	7,623,492	8,911,000
Days Accts Payable Outstanding	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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