

Book and Market Value Balance Sheets

Tax Rate	0.05%
Book Value Balance Sheets	
Current Assets	7,630
Fixed Assets	56,919
Total Assets	64,549
Current Non-Debt Liabilities	13,563
Long Term Non-Debt Liabilities	7,266
Short-Term Debt	1,759
Long Term Debt	14,610
Total Liabilities	37,198
Total Shareholder's Equity	27,351
Total Liabilities and Equity	64,549
Market Value Balance Sheets	
Current Assets	7,630
Fixed Assets	103,298
PV Tax Shield	8
Total Assets	110,936
Current Non-Debt Liabilities	13,563
Long Term Non-Debt Liabilities	0
Short-Term Debt	1,759
Long Term Debt	14,610
Total Liabilities	29,932
Total Shareholder's Equity	81,004
Total Liabilities and Equity	110,936
Total Capital	97,373
Shares	1,434.20
Price	56.48

Scenario 1: Recapitalize and Pay a Special Dividend with Proceeds

Book Value Balance Sheets	Before Recapitalization	Changes	After Recapitalization
Current Assets	7,630		7,630
Fixed Assets	56,919		56,919
Total Assets	64,549		64,549
Current Non-Debt Liabilities	13,563		13,563
Long Term Non-Debt Liabilities	7,266		7,266
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Liabilities	37,198		37,198
Total Shareholder's Equity	27,351	-14,610	12,741
Total Liabilities and Equity	64,549		64,549
Market Value Balance Sheets			
Current Assets	7,630		7,630
Fixed Assets	103,298		103,298
PV Tax Shield	8	7	15
Total Assets	110,936		110,943
Current Non-Debt Liabilities	13,563		13,563
Long Term Non-Debt Liabilities	0		0
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Liabilities	29,932		29,932
Total Shareholder's Equity	81,004	-14,603	66,401
Total Liabilities and Equity	110,936		110,943
Total Capital	97,373		97,380
Shares	1,434.20		1,434.20
Price	56.48	-10.182	46.298
Special Dividend			10.187
Total Shareholder Wealth			56.485

Scenario 2: Recapitalize and Buy-Back Shares

Book Value Balance Sheets	Before Recapitalization	Changes	After Recapitalization
Current Assets	7,630		7,630
Fixed Assets	56,919		56,919
Total Assets	64,549		64,549
Current Non-Debt Liabilities	13,563		13,563
Long Term Non-Debt Liabilities	7,266		7,266
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Liabilities	37,198		37,198
Total Shareholder's Equity	27,351	-14,610	12,741
Total Liabilities and Equity	64,549		64,549
Market Value Balance Sheets			
Current Assets	7,630		7,630
Fixed Assets	103,298		103,298
PV Tax Shield	8		8
Total Assets	110,936		110,936
Current Non-Debt Liabilities	13,563		13,563
Long Term Non-Debt Liabilities	0		0
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Liabilities	29,932		29,932
Total Shareholder's Equity	81,004	-14,610	66,394
Total Liabilities and Equity	110,936		110,936
Total Capital	97,373		97,373
Shares	1,434.2	-258.7	1,175.5
Price	56.48		56.48
Total Shareholder Wealth			56.481

Actual and Base Income Statements

Variance in Sales	20.00%	
COGS & SGA	79.78%	
Depreciation	3.17%	
Tax Rate	0.05%	
Shares		1,434.20
Dividends per share	1.1	

	Actual	Low Sales	Base	High Sales
Sales	25,868	20,694	25,868	31,042
COGS & SGA	20,638	16,510	20,637	24,765
EBDTA	5,230	4,184	5,231	6,277
Depreciation	819.00	656	820	984
EBIT	4,411	3,528	4,411	5,293
Interest Expense	595	595	595	595
Non-Operating Income	615	615	615	615
Special Items	-544	0	0	0
EBT	3,887	2,318	3,201	4,083
Taxes	2	1	2	2
Minority Interest	15	0	0	0
Net Income	3,870	2,317	3,199	4,081
EPS	2.7	1.97	2.72	3.47

Scenario 1: Recapitalize and Pay a Special Dividend with Proceeds

Actual and Base Income Statements

Variance in Sales	20.00%	
COGS & SGA	79.78%	
Depreciation	3.17%	
Tax Rate	0.05%	
Shares		1,434.20
Dividends per share	1.1	

	Actual	Low Sales	Base	High Sales
Sales	25,868	20,694	25,868	31,042
COGS & SGA	20,638	16,510	20,637	24,765
EBDTA	5,230	4,184	5,231	6,277
Depreciation	819	656	820	984
EBIT	4,411	3,528	4,411	5,293
Interest Expense	595	697	697	697
Non-Operating Income	615	615	615	615
Special Items	-544	0	0	0
EBT	3,887	2,216	3,099	3,981
Taxes	2	1	2	2
Minority Interest	15	0	0	0
Net Income	3,870	2,215	3,097	3,979
EPS	2.7	1.54	2.16	2.77

Scenario 2: Recapitalize and Buy-Back Shares

Actual and Base Income Statements

Variance in Sales	20.00%
COGS & SGA	79.78%
Depreciation	3.17%
Tax Rate	0.05%
Shares	1,434.20
Dividends per share	1.1

	Actual	Low Sales	Base	High Sales
Sales	25,868	20,694	25,868	31,042
COGS & SGA	20,638	16,510	20,637	24,765
EBDTA	5,230	4,184	5,231	6,277
Depreciation	819	656	820	984
EBIT	4,411	3,528	4,411	5,293
Interest Expense	595	697	697	697
Non-Operating Income	615	615	615	615
Special Items	-544	0	0	0
EBT	3,887	2,216	3,099	3,981
Taxes	2	1	2	2
Minority Interest	15	0	0	0
Net Income	3,870	2,215	3,097	3,979
EPS (new number of share: 1,175.5)	2.7	1.88	2.63	3.38

Scenario 1:

	Current	Change	Recap
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Debt	16,369		30,979
Equity	81,004	-14,603	66,401
Unlevered Beta	$= \text{Beta}_U (1 + (1 - T) (D/E))$		
	$= 0.63 (1 + (1 - 0.0005) (16,369/81,004))$		
	$= 0.63 (1 + (0.9995 * 0.202076))$		
	$= 0.63 (1 + 0.201975)$		
	$= 0.63 * 1.201975$		
	$= 0.77$		
Relevered Beta	$= \text{Beta}_U (1 + (1 - T) (D/E))$		
	$= 0.77 (1 + (1 - 0.0005) (30,979/66,401))$		
	$= 0.77 (1 + (0.9995 * 0.466544))$		
	$= 0.77 (1 + 0.466311)$		
	$= 0.77 * 1.466311$		
	$= 1.13$		

Scenario 2:

	Current	Change	Recap
Short-Term Debt	1,759		1,759
Long Term Debt	14,610	14,610	29,220
Total Debt	16,369		30,979
Equity	81,004	-14,610	66,394
Relevered Beta	$= \text{Beta}_U (1 + (1 - T) (D/E))$		
	$= 0.77 (1 + (1 - 0.0005) (30,979/66,394))$		
	$= 0.77 (1 + (0.9995 * 0.466593))$		
	$= 0.77 (1 + 0.46636)$		
	$= 0.77 * 1.46636$		
	$= 1.13$		

Cost of Equity after Recapitalization

Relevered Beta is 1.13 on both Scenarios.

$$\begin{aligned}r_E &= r_f + \beta \times \text{Mkt Risk Premium} \\&= 0.66 + (1.13 * (9.71-4.88)) \\&= 0.66 + (1.13 * 4.83) \\&= 0.66 + 5.4579 \\&= 6.1179 \\&= 6.12\%\end{aligned}$$