

Radio Shack Model Instructions

Historical financial spread

- Using Radio Shack 2005 10K (dated 3/15/06) spread the following historical financials on *Model* worksheet:
 - 2003, 2004, 2005 income statement
 - 2004, 2005 balance sheet
 - 2003, 2004, 2005 cash flow statement

Historical ratios/metrics

- On *Assumptions* worksheet, calculate historical income statement metrics (columns D-F):
 - Net sales growth (2 years)
 - Cost of product as percentage of net sales (3 years)
 - SG&A as percentage of net sales (3 years)
 - Depreciation and amortization as percentage of net sales (3 years)
 - Other income actual figures from income statement (no calculation) (3 years)
 - Tax rate – provision for income taxes divided by net income (3 years)
- On *Assumptions* worksheet, historical calculate balance sheet metrics (columns E-F):
 - Days of accounts and notes receivable (2 years)
 - Days of inventory (2 years)
 - Other current assets as a percentage of sales (2 years)
 - Days of accounts payable (2 years)
 - Accrued expenses and other current liabilities as a percentage of sales (2 years)
- On *Assumptions* worksheet, calculate historical cash flow metrics (columns D-F):
 - Additions to property, plant & equipment as a percentage of sales (3 years)
 - Other investing activities actual figures from cash flow (no calculation) (3 years)
 - Purchases of treasury stock actual figures from cash flow (no calculation) (3 years)
 - Sale of treasury stock actual figures from cash flow (no calculation) (3 years)
 - Proceeds from exercise of stock options actual figures from cash flow (no calculation) (3 years)
 - Payments of dividends as a percentage of net income (3 years)
- On *Assumptions* worksheet, calculate historical interest rate metric (columns D-F):
 - Interest earned on cash = interest income from income statement divided by average beginning and ending cash figure from cash flow statement
- On *Assumptions* worksheet, calculate income statement drivers (columns G-K); calculate figures for 2006 (col G) and let 2007-2010 (col H-K) equal 2006 (col G)
 - Net sales growth for = average sales growth 2004-2005
 - Cost of products as % sales = average 2003-2005
 - SG&A as % of sales = average 2003-2005
 - Depreciation and amortization as % of sales = average 2003-2005
 - Other income for = average 2003-2005
 - Tax rate = average 2003-**2004** (do not include 2005)

- On **Assumptions** worksheet, calculate balance sheet drivers (columns G-K); calculate figures for 2006 (col G) and let 2007-2010 (col H-K) equal 2006 (col G)
 - Days of accounts receivable = 2005
 - Days of inventory = 2005
 - Current assets as % of sales = average 2004-2005
 - Days of accounts payable = 2005
 - Accrued expenses as % of sales = average 2004-2005
- On **Assumptions** worksheet, calculate cash flow drivers (columns G-K); calculate figures for 2006 (col G) and let 2007-2010 (col H-K) equal 2006 (col G)
 - Additions to PP&E equals average 2003-2005
 - Other investing activities = average 2003-2005
 - Purchases of treasury stock = average 2003-2005
 - Sale of treasury stock = average 2003-2005
 - Proceeds from stock option = average 2003-2005
 - Payments of dividends as percentage of net income = average 2003-2005
- On **Assumptions** worksheet, calculate debt and interest drivers (columns G-K); calculate figures for 2006 (col G) and let 2007-2010 (col H-K) equal 2006 (col G)
 - Short-term debt (revolver) interest rate =5% (approximately equal to company's credit facility interest rate as per 10K)
 - Long-term debt interest rate =7% (approximately equal to company's blended long-term interest rate as per 10K)
 - Long term debt maturities = \$0 in 2006, \$150 in 2007, \$5 in 2008, \$0 in 2009, \$0 in 2010 (as per company's maturity schedule in 10K)
 - Interest earned on cash = average 2003-2005

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