

October,26, 2017

Hexcel Corporation : HXL

Ryan Fuchs

Sector: Industrials

Industry: Aerospace and Defense

Current Price: \$62.09

Target Price: \$73.02

Company Description: Hexcel Corporation develops, manufactures, and markets lightweight, high performance structural materials, honeycomb, adhesives, engineered core and composite structures, for use in Commercial Aerospace, Space & Defense and Industrial markets. Hexcel's products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, recreational products and other industrial applications.

BUY

Current Price:	\$62.09
Target Price:	\$73.02
Market Cap:	5.57B
Beta:	0.9
EV/EBITDA:	13.62
Net Debt/EBITDA:	1.61
EBITDA Margin:	22.62%
ROIC:	13.35%
Volume:	583,880

Catalysts:

- Short Term(within the year): Large demand for composite products driving revenues back to a growing state
- Mid Term(1-2 years): Leading efficiency in producing composite products through new facilities and synergies derived from recent acquisitions
- Long Term(3+): Increased orders driven by enlarged demand for aircraft deliveries from major customers such as Boeing and Airbus

Thesis: Hexcel Corporation is a global leader in composite materials. The cost reduction composite material brings to aircrafts provides stability for Hexcel as there is little threat of substitute to their leading product. Their long standing relationship with major industry players such as Boeing and Airbus will allow Hexcel to succeed adjacently with them in a booming industry. Future earnings will be driven by the intense capital expenditure period that the company just exited. The operational excellence and customer base Hexcel has portrayed will allow the company to continue serving as a best-in-class composite supplier.



Sum of The Parts Valuation:

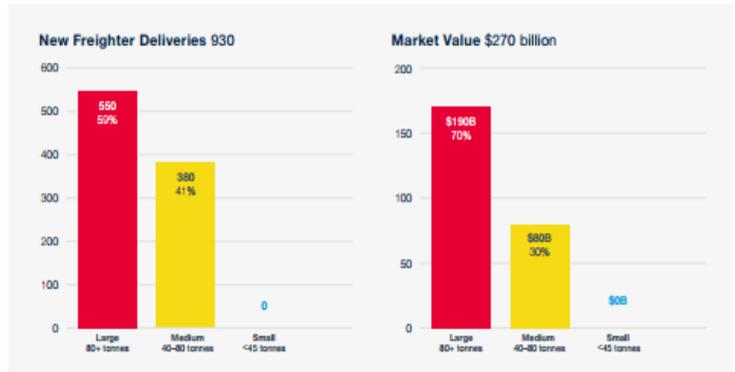
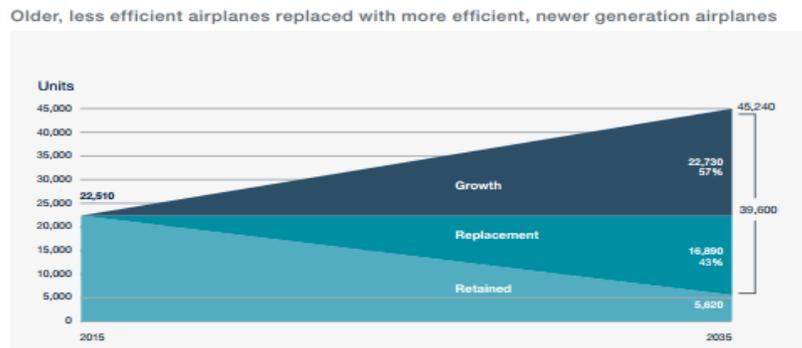
HXL			EV/EBITDA				
Segment	Method	Value	Multiple		EV		
			Low	High	Low	High	
Aircraft & Parts	LTM EBITDA	454.30	12.95	13.48 *	5883.19	6123.96	*Spirit Aerospace Holdings Inc.
Engineered	LTM EBITDA	57.20	10.13	10.53 *	579.44	602.32	*Belden Inc.
Total Firm Value					6462.62	6726.28	
Less: Net Debt					(714.70)	(714.70)	
Plus: Options Proceeds from In-the-Money Options					89.80	89.80	
Total Equity Value					5837.72	6101.38	
Fully Diluted Shares OS					89.80	89.80	
Equity Value					65.01	67.94	
Current Price					62.09	62.09	
Premium/Discount to mkt					4.49%	8.62%	

Earnings Performance:

For the 3rd quarter of 2017, Hexcel's net sales were \$491.5 million, 1.8% lower than the \$500.5 million reported for the third quarter of 2016. On a per segment basis, commercial aerospace sales of \$352.6 million decreased 2.2% for the quarter as compared to the 3rd Quarter of 2016. The sales decline in wide body aircrafts such as the A380, B777, and B747 slightly more than offset the growth of the A350 and newer narrow body aircrafts. Sales to "Other Commercial Aerospace" which include regional and business aircraft customers, were down about 6% for the third quarter of 2017 as compared to 2016. Space & Defense sales of \$82.7 million increased 1.5% for the quarter as compared to the 3rd quarter of 2017. The increase was driven by U.S. military rotorcraft and the Joint Strike Fighter program. Rotorcraft sales comprise just over half of Space & Defense sales with strong military performance offset by weaker commercial rotorcraft sales. Total industrial sales of \$56.2 million for the third quarter of 2017 were 3.8% lower than the 3rd quarter of 2017. This decrease was driven by wind energy sales declining more than 25% for the 3rd quarter compared to the 2016 quarter. However, the company expects wind energy sales in 2018 to exceed 2016 levels, as various legacy blades with lower composite content transition to longer, higher efficiency blades with higher composite content. Despite the decrease in sales the stock's price jumped from \$58.48 to \$61.60 on October 19th, the date of 2017's 3rd quarter earnings call. The price actually reached its 52 week high of \$63.93 just days after the call, before taking a slight dip to its current price \$62.09.

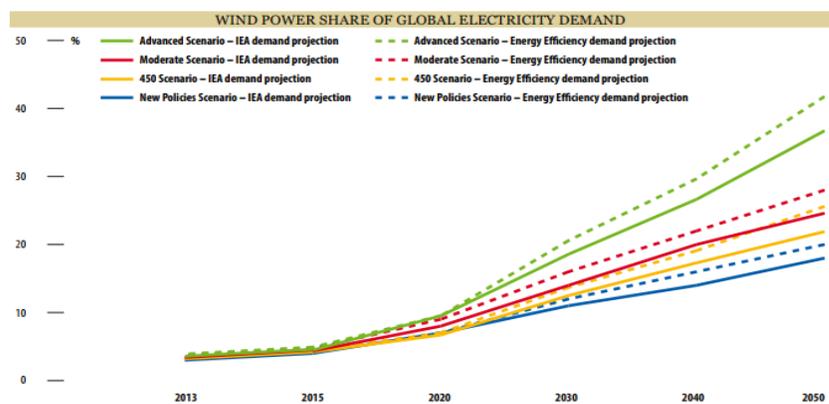
Industry Outlook:

The long standing boom and bust cycles of the jet industry are finally smoothing. The global aerospace and defense industry is broken down into two sub sectors: commercial aerospace and space and defense. Both of these subsectors are experiencing rapid growth to form a booming industry. Airbus anticipates that air traffic will grow by 4.5% annually and therefore increase in value to nearly \$5.2 trillion, up from its 2015 estimate of US\$4.9 trillion. Total commercial aircraft demand by 2035 will number 33,070 units. With 32,425 of them for passenger service and 645 of them being freighters. Over the next 20 years, passenger aircraft deliveries will consist of 23,530 single-aisle, 8,060 twin-aisle, and 1,480 in the “jumbo” class. Airbus says passenger traffic continues to outperform the world’s gross domestic product (GDP) in terms of growth, in 2015 by 5.8%, and that both will go up, powered by emerging economies, which will grow on average by 4-6% per year in the 2016-2035 timeframe. The world’s “middle class” will double in the next 20 years, increasing from 2.79 billion to 4.83 billion. This leads Airbus to predict international tourist arrivals will reach 1.6 billion people by 2020, a 47% increase. Boeing predicts that growth the air traffic market will be valued at US\$5.9 trillion representing 39,600 commercial aircrafts required to meet demand in the coming 20 years. Single-aisle airplanes will hold the largest share of these 39,600 new deliveries, with airlines needing more than 28,100 units. 9,100 new wide body airplanes, almost 800 more than predicted a year ago, will be delivered. This will allow airlines to serve new markets more efficiently than in the past. This bodes well for Hexcel, as the decrease in the commercial aerospace segment’s sales were a result of certain legacy wide body aircrafts.



Wind Energy Outlook:

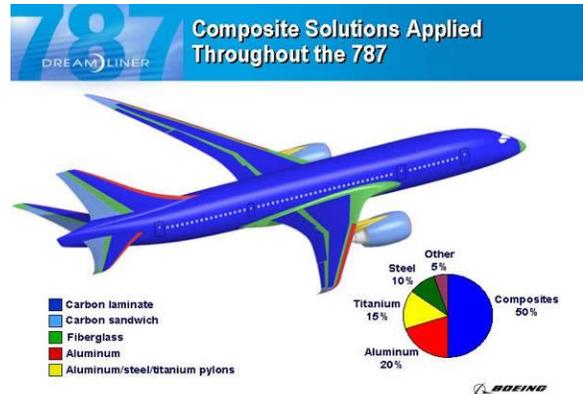
In 2017’s 3rd quarter, the Industrial segment’s sales were 3.8% lower than the prior year quarter. During that quarter, wind energy sales were down more than 25% compared to the prior year quarter. Wind Energy experienced a challenging year and were down just over 30% for the first nine months of 2017 as compared to last year. However, the Company expects wind energy sales in 2018 to exceed 2016 levels, as various legacy blades with lower composite content transition to longer, higher



efficiency blades with higher composite content. Wind Energy is the largest submarket in Hexcel’s industrial segment. The submarket comprises over 50% of the total revenues. The expected growth for the coming years in this submarket should drive this segment’s revenues past 2016 numbers.

Composite in Airliners:

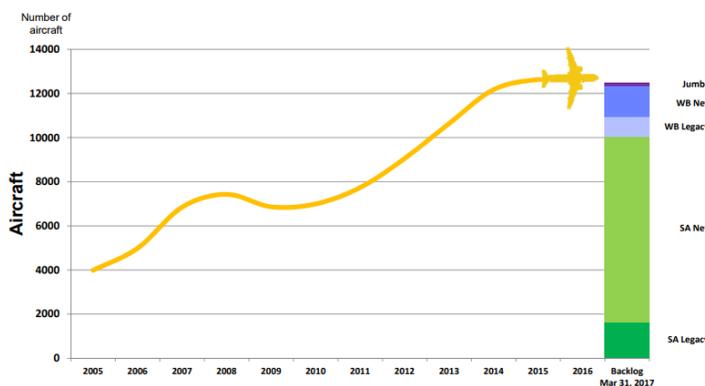
When it comes to airliners, weight is money. The heavier a plane is, the more fuel it takes to drive it through the air. The more fuel it takes, the more it costs. This drive to improve aerodynamic performance of the new aircraft and increase fuel efficiency is leading designers to move away from using aluminum in airframes. This has opened doors for carbon fiber composites. Hexcel has the greatest number of aerospace qualified products of any composite materials manufacturers worldwide. Top of the line planes such as Boeing’s 787 Dreamliner and Airbus’s A350 rely on



lightweight carbon fiber composites. The key to a composite material such as carbon fiber is that it is extremely strong for its weight. To get an idea of how strong this material actually is, Airbus UK head of research, Colin Sirett said “we could get a sledgehammer and take it to this panel and the sledgehammer would actually bounce off.” Sirett calculates that every kilogram cut saves roughly \$1 million in costs over the lifetime of an aircraft. The use of such composites can reduce the weight of an aircraft by up to 20%. More than 50% of the Boeing 787 and the Airbus A350 XWB airframes are carbon fiber composite. Hexcel has

capitalized by serving as a supply chain leader. This has awarded them contracts with industry leaders such as Boeing and Airbus. Around 80% of Hexcel’s revenues come from Boeing and Airbus. However, they have recently extending their contracts with these companies, as they will be supplying carbon fiber prepreg for the Airbus A350XWB through 2030. They have used their long relationship with these customers to create nine years of backlog worth ten billion in sales to Hexcel (backlog graph shown to the left).

Disciplined build rate increases + growing orders = ~9 year backlog



Capital Allocation:

Hexcel has created value by successfully balancing aggressive reinvestment into the firm along with maintaining creditability. The large amount of cash from operations the company generates allows them to

fund most of their capital expenditures without leveraging. The company has generated \$423M in cash from operations over the last twelve months. Cash from operations has risen \$150M since 2013 when Nick Stange became CEO. This has increased both free cash flow and free cash flow to the firm over the last 5 years.

HXL	2013	2014	2015	2016	LTM	HXL	2013	2014	2015	2016	LTM
CFO	272.90	318.00	301.00	401.40	423.00	NOPAT	192.88	218.57	246.31	264.31	272.76
CAPEX	(194.90)	(260.10)	(305.30)	(327.90)	(317.40)	D&A	59.30	71.20	76.70	93.60	100.90
FCF	78.00	57.90	(4.30)	73.50	105.60	Change in W/C	0.80	(23.70)	(12.10)	14.80	11.30
						CAPEX	(194.90)	(260.10)	(305.30)	(327.90)	(317.40)
						FCFF	58.08	5.97	5.61	44.81	67.56

With plenty of room for growth, Hexcel's increase in free cash flow will narrow the free cash flow margin gap between it and its competitors (margin shown in Best-In-Class Margins section). This increased free cash flow has allowed the firm to be aggressive in their capital expenditures, R&D spending, and acquisitions. Hexcel's CAPEX margin is well above the industry average. However, the company states that it is past peak CAPEX spending, which will result in a continued increase in free cash flow. Hexcel's R&D expense has been increasing at roughly 10% per year, rising \$10 million since 2012. The R&D is virtually all invested in future programs both from a material capability and new material form or manufacturing process. The focus of these programs is the advancements around new composite forms that cure faster, faster to lay down, and that make a stronger value proposition going forward. With the threat of aluminum lithium presented from the partnership between Airbus and Bombardier, Hexcel will continue its enhanced R&D spending to further develop best-in-class composite. With that being said, composite holds little threat of substitute to aluminum lithium because it is still 25-20% less dense, lighter, and stronger. On May 24, 2016, Hexcel opened a new \$10 million innovation center in Duxford, UK. This building houses the company's chemistry and development functions and is fully equipped with state-of-the-art formulation and analytical laboratories, mixer rooms, and microscopy and SEM laboratories. At the opening ceremony, CTO Paul Mackenzie said "the building is already resonating with activity." Hexcel also built two new plants. One core facility was built in Casablanca, Morocco for \$20 million. This facility will convert HexWeb honeycomb materials into engineered core parts that are used for structural reinforcement and light weighting in aerospace applications, including aircraft structures, engine nacelles and helicopter blades. The other factory was a \$250 million investment in precursor and carbonization lines that will occupy a 15-hectare/37-acre site in Roussillon, France. At this plant, carbon fibers will be supplied to customers worldwide, including Airbus for A350 XWB and Safran for the CFM LEAP engine.

Overview									
Add Column		93 Fields			19 Save		20 Discard		
Name (BICS Best Fit)	Mkt Cap (USD)	Last Px	ROIC	LFCAPEX/Sales LF	CAPEX T12M	R&D/Net Sales:Q	T12M R&D	EBITDA to Net Sales:Q	
Median	9.43B	91.94	11.32%	1.97%	-119.00M	2.40%	45.95M	14.65%	
100) HEXCEL CORP	5.57B	62.04	13.35%	10.60%	-317.40M	2.40%	48.60M	23.58%	
101) TRANSDIGM GROUP INC	14.17B	273.00	11.54%	1.90%	-69.65M	--	--	46.78%	
102) HEICO CORP	7.06B	91.94	11.32%	1.76%	-28.20M	2.92%	45.95M	23.64%	
103) NORTHROP GRUMMAN CORP	51.87B	297.99	20.70%	3.32%	-962.00M	--	--	14.65%	
104) AAR CORP	1.34B	38.67	5.14%	1.87%	-32.40M	0.00%	0.00	7.08%	
105) SPIRIT AEROSYSTEMS HO...	9.43B	79.67	11.37%	2.60%	-237.40M	0.37%	25.00M	-1.63%	
106) ROCKWELL COLLINS INC	21.94B	135.05	8.17%	3.58%	-225.00M	14.28%	975.00M	19.96%	
107) HARRIS CORP	16.18B	135.86	9.10%	2.59%	-119.00M	--	--	22.50%	
108) BOEING CO/THE	154.42B	259.27	49.03%	1.64%	-1.90B	3.16%	3.14B	13.21%	
109) ASTRONICS CORP	992.38M	34.63	9.27%	1.97%	-12.61M	0.00%	0.00	11.94%	

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

Hexcel's strategic acquisition of Structil will further develop their carbon fiber composite material. On October 2nd, Hexcel acquired French company Structil, a French producer of high-performance composites to the aerospace, defense and industrials market. This acquisition combines Structil's advanced composites product portfolio of prepregs, adhesives, and pultrusions with Hexcel's. The deal will further enhance the

company's product offerings to their customers in aerospace and industrial, providing an expanded choice of advance composite solutions. This French company is a prime target because Hexcel invests regularly in France, where 21% of its revenues come from. Also, Hexcel just opened a \$250 million new plant in France where carbon fibers will be supplied to customers worldwide. This acquisition was funded by debt. However, Hexcel has consistently used leverage while still maintaining viable credit. The company holds an S&P rating of BBB. With the increase of total debt, Hexcel still manages to keep its debt metrics right around the industry average. The company has increased its short-term liquidity by raising cash \$85 million from 2016's year end to LTM. This has directly increased the company's quick ratio from 1.0x to 1.4x during that time.

Overview	Comp Sheets	Markets	EPS Preview	Ownership	Credit	Custom	⚙️				
Name (BICS Best Fit)	Mkt Cap (USD)	Last Px	ROIC/WACC Ratio	WACC	ROIC LF	Net Debt to EBITDA	Net Debt LF	Net D/E LF	Debt/Equity LF		
Median	9.47B	91.15	21.78%	1.10	9.35%	11.32%	1.61	736.00M	57.19	77.95%	
100) HEXCEL CORP	5.49B	61.16	18.03%	1.27	9.50%	13.35%	1.61	714.70M	50.09	58.44%	
101) NORTHROP GRUMMAN CORP	51.76B	297.34	36.72%	1.89	6.90%	20.70%	1.14	4.35B	66.98	95.90%	
102) TRANSDIGM GROUP INC	14.35B	276.42	--	1.10	6.16%	11.54%	6.46	10.12B	--	--	
103) BOEING CO/THE	152.69B	256.38	428.83%	1.76	9.49%	49.03%	0.06	736.00M	64.28	940.44%	
104) HARRIS CORP	16.25B	136.41	23.66%	1.08	8.02%	9.10%	2.51	3.55B	121.11	137.64%	
105) ROCKWELL COLLINS INC	21.94B	135.02	19.89%	0.92	7.58%	9.87%	4.12	6.45B	106.64	118.26%	
106) HEICO CORP	6.97B	91.15	16.38%	1.12	9.51%	11.32%	1.08	385.27M	29.11	32.85%	
107) SPIRIT AEROSYSTEMS HO...	9.47B	80.01	31.23%	1.63	7.67%	11.37%	0.54	390.30M	21.54	60.01%	
108) AAR CORP	1.33B	38.49	5.71%	0.42	10.96%	5.14%	1.31	175.90M	19.02	20.66%	
109) ASTRONICS CORP	1.02B	35.66	12.38%	0.85	11.37%	9.27%	1.79	154.70M	44.49	46.87%	

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10 Analyze List

Best-in-Class Margins:

Hexcel's operational excellence has expanded their best-in-class margins. Hexcel's operational excellence has brought an operating margin of 18.1%, opposed to the industry average 10.72%. This best-in-class margin was driven by Microsoft Dynamics AX supply chain management. This program allows the company to forecast inventory, avoid stock outs, and place orders to suppliers. The program reduces operating costs by easily identifying and correcting potential inventory shortages. Hexcel has also efficiently expanded margins by decreasing their headcount. Hexcel's total headcount is lower than last year-end and one year ago, including the more than 120 people they've hired to startup their two new facilities. The company's operational efficiency is demonstrated by a positive change in working capital in 2016 and the LTM.

Overview	Comp Sheets	Markets	EPS Preview	Ownership	Credit	Custom	⚙️			
Add Column					9) Fields	19) Save	20) Discard			
Name (BICS Best Fit)	Mkt Cap (USD)	Last Px	EBITDA to Net Sales:Y	OPM:Y	PM:Y	3Yr Avg Op Mgn	FCF Margin			
Median	9.48B	91.29	15.63%	13.03%	8.98%	14.38%	7.63%			
100) HEXCEL CORP	5.50B	61.21	22.62%	17.97%	12.13%	17.55%	3.67%			
101) TRIUMPH GROUP INC	1.53B	30.80	6.62%	11.63%	8.62%	12.10%	6.50%			
102) TRANSDIGM GROUP INC	14.41B	277.50	43.81%	41.79%	19.46%	40.92%	19.71%			
103) SPIRIT AEROSYSTEMS HO...	9.48B	80.13	13.75%	12.95%	8.53%	12.69%	6.81%			
104) ROCKWELL COLLINS INC	21.98B	135.30	25.21%	19.44%	11.81%	19.38%	15.01%			
105) NORTHROP GRUMMAN CORP	51.82B	297.66	14.89%	13.03%	8.98%	13.14%	7.72%			
106) HEICO CORP	6.98B	91.29	23.66%	19.51%	11.49%	18.63%	15.86%			
107) HARRIS CORP	16.26B	136.53	23.46%	23.82%	14.48%	19.83%	7.63%			
108) BOEING CO/THE	152.74B	256.46	8.19%	10.10%	7.73%	9.44%	8.34%			
109) ASTRONICS CORP	1.03B	35.81	15.63%	11.55%	7.65%	14.38%	5.66%			

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10 Analyze List

Below are the margins per segment:

Operating Margin					
Segment	2012	2013	2014	2015	2016
Aircraft & Parts					
Revenues	1287.7	1354.9	1487.6	1529.1	1677.6
Operating Income	257.3	276.3	308.8	336.2	368.3
Operating Margin	19.98%	20.39%	20.76%	21.99%	21.95%
Engineered					
Revenues	349.3	393.1	436.4	411	394.4
Operating Income	50.6	58.9	67	55.8	50
Operating Margin	14.49%	14.98%	15.35%	13.58%	12.68%

Vs. Competitors:

Competitors			
Aircraft & Parts	HEI	SPR	BA
Operating Margin (LTM)	20.29%	7.88%	11.40%
Competitors			
Engineered	BDC	LFUS	HUBB
Operating Margin (LTM)	12.58%	18.75%	14.57%

Ownership:

99.73% of Hexcel's shares are owned by institutional investors. 86% of those shares are owned by investment advisors and 3.42% are owned by Hedge Funds. Within those institutions, Blackrock's latest change was +233,521 shares, to hold they're position as the second largest owner. This change is promising for Hexcel as the hedge fund is most likely looking long. A positive change in institutional position is also a promising sign for Hexcel. Below shows the insider transactions throughout the year for the company. 14,000 more shares have been bought by management than sold. CEO Nick Stanage picked up the largest number of shares during that time period.

51) Institutional	10/22/17	Curr	Change
11) % of Shares Held	110.19	110.30	+0.11
12) % of Float Held	111.12	111.23	+0.11
13) # of Institutions	509	512	+0.59%
14) # of Buyers	165	167	+1.21%
15) # of Sellers	155	158	+1.94%
16) # of New Buyers	58	60	+3.45%
17) # of Selloffs	35	33	-5.71%
18) % Chg in Inst Positions	-17.37	-17.25	+0.12

	Trade Date ↑	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12)	10/23/2017	1	HENDRICKS KIMBERLY A	-1,300		62.9000	1.076MLN
13)	05/09/2017	2	BRUBAKER LYNN, FOSTER ...		10	50.2100	622,586
14)	05/05/2017	2	FOSTER W KIM, BRUBAKER...		4,779	50.6000	523,288
15)	03/02/2017	2	PENSKY WAYNE C, MERLOT...	-13,023		54.9400	489,323
16)	02/17/2017	1	MERLOT THIERRY	-7,696		53.4200	397,074
17)	01/27/2017	6	PENSKY WAYNE C, MERLOT...		4,686	50.4700	1.113MLN
18)	01/26/2017	5	PENSKY WAYNE C, HENNEM...		2,241	50.8500	1.255MLN
19)	01/24/2017	7	STANAGE NICK L, PENSKY...		27,719	50.9900	454,835
20)	12/05/2016	1	CANARIO MICHAEL	-2,000		53.4400	1.543MLN
21)	11/22/2016	1	HENNEMUTH ROBERT G			50.0400	576,505
22)	11/09/2016	1	HENNEMUTH ROBERT G			47.7300	977,412
23)	11/02/2016	1	SWORDS TIMOTHY			44.7700	1.01MLN

Conclusion:

The operational excellence and customer base Hexcel has portrayed will allow the company to continue serving as a best-in-class composite supplier. Through leading margins, Hexcel's operations have generated excess cash allowing them to lever at desired time and cost. The company has capitalized on this opportunity by completing strategic acquisitions in core markets. The expected growth of both their segments' industries

provide no reason to believe that the company will not exceed prior year quarter sales again. With all signs looking up, we must capitalize on this opportunity to buy this best-in-class company in a booming industry.

CENTER FOR GLOBAL FINANCIAL STUDIES

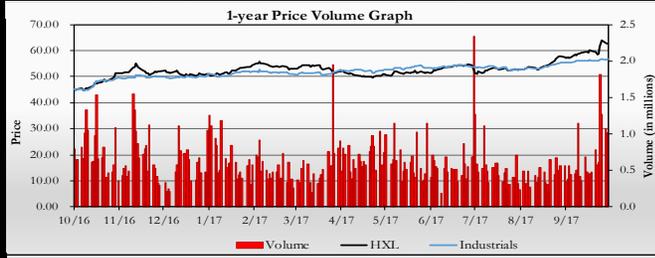
NEUTRAL

Analysis by **RYAN**
10/27/2017

Current Price: \$62.09
Dividend Yield: 0.8%

Intrinsic Value: \$66.37
Target Price: \$73.02

Target 1 year Return: 18.36%
Probability of Price Increase: 94%



Description	
Hexcel Corporation, together with its subsidiaries, develops, manufactures, and markets structural materials for use in commercial aerospace, space and defense, and industrial markets.	
General Information	
Sector	Industrials
Industry	Aerospace and Defense
Last Guidance	November 3, 2015
Next earnings date	January 21, 2018
Estimated Country Risk Premium	6.31%
Effective Tax rate	22%
Effective Operating Tax rate	24%

Market Data	
Market Capitalization	\$5,569.18
Daily volume (mil)	0.29
Shares outstanding (mil)	89.83
Diluted shares outstanding (mil)	92.33
% shares held by institutions	84%
% shares held by investments Managers	84%
% shares held by hedge funds	6%
% shares held by insiders	0.83%
Short interest	2.81%
Days to cover short interest	4.60
52 week high	\$63.93
52-week low	\$44.61
Volatility	21.92%

Past Earning Surprises	
Quarter ending	Revenue
9/30/2016	-0.84%
12/31/2016	-5.06%
3/31/2017	-10.10%
6/30/2017	-9.20%
9/30/2017	-5.26%
Mean	-6.09%
Standard error	1.7%

EBITDA	
9/30/2016	-3.51%
12/31/2016	-4.84%
3/31/2017	-18.45%
6/30/2017	-8.47%
9/30/2017	-5.95%
Mean	-8.24%
Standard error	2.7%



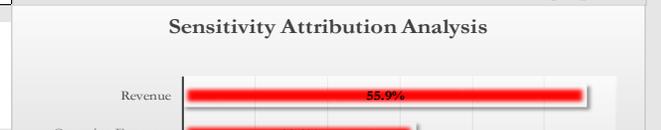
Management	
Stange, Nick	President, Chief Executive O
Hennemuth, Robert	Executive Vice President of
Merlot, Thierry	President of Aerospace, Euro
Winterlich, Patrick	Executive VP & CFO
Hendricks, Kimberly	Senior VP, Corporate Control
Mackenzie, Paul	Senior VP & CTO

Total compensations growth	
20.69%	per annum over 5y
3.2%	per annum over 5y
N/M	

Peers	
TransDigm Group Incorporated	4.86% per annum over 5y
Esterline Technologies Corporation	4.86% per annum over 5y
Moog Inc.	0% per annum over 0y
Triumph Group, Inc.	N/M
HEICO Corporation	N/M
AAR Corp.	N/M
Rockwell Collins, Inc.	N/M
KLX Inc.	N/M

Profitability	
Return on Capital (GAAP)	14.2%
Operating Margin	14%
Revenue/Capital (GAAP)	1.02
ROE (GAAP)	20.5%
Net margin	13.1%
Revenue/Book Value (GAAP)	1.56

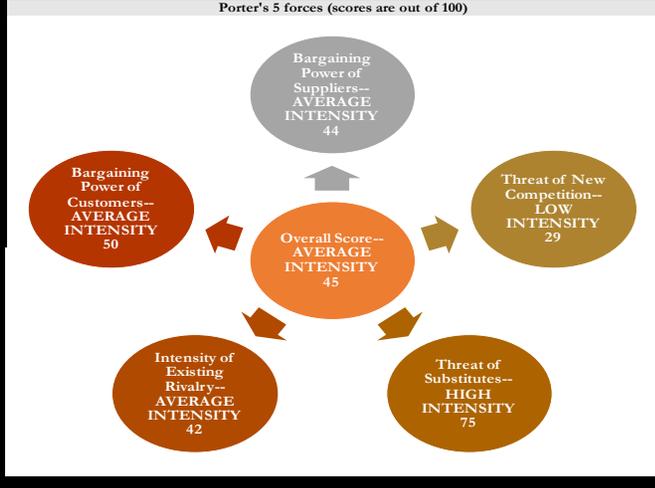
HXL (5 years historical average)	
17.36%	
12.85%	
1.35	
20.5%	
11.3%	
1.81	



Invested Funds	
Cash/Capital	5.3%
NWC/Capital	14.8%
Operating Assets/Capital	79.9%
Goodwill/Capital	0.0%

HXL (5 years historical average)	
3.7%	
20.8%	
74.7%	
0.0%	

Peers' Median (LTM)	
20.04%	
12.03%	
1.67	
13.5%	
7.6%	
1.78	



Revenue Growth Forecast	
Base Year	-2%
9/30/2018	4%
9/30/2019	6%
9/30/2020	9%
9/30/2021	8%
9/30/2022	8%
9/30/2023	7%
9/30/2024	6%
9/30/2025	6%
9/30/2026	5%
9/30/2027	4%
Continuing Period	4%

Valuation	
NO PAT Margin Forecast	
Base Year	15.2%
9/30/2018	15.3%
9/30/2019	16.0%
9/30/2020	17.1%
9/30/2021	17.1%
9/30/2022	17.1%
9/30/2023	17.1%
9/30/2024	17.1%
9/30/2025	17.2%
9/30/2026	17.1%
9/30/2027	17.1%
Continuing Period	17.1%

Return on Capital Forecast	
Base Year	12.4%
9/30/2018	11.4%
9/30/2019	11.1%
9/30/2020	11.5%
9/30/2021	11.1%
9/30/2022	10.7%
9/30/2023	10.3%
9/30/2024	9.9%
9/30/2025	9.5%
9/30/2026	9.0%
9/30/2027	8.6%
Continuing Period	8.2%

WACC Forecast	
Base Year	7.8%
9/30/2018	7.6%
9/30/2019	7.6%
9/30/2020	7.6%
9/30/2021	7.6%
9/30/2022	7.6%
9/30/2023	7.6%
9/30/2024	7.6%
9/30/2025	7.6%
9/30/2026	7.6%
9/30/2027	7.6%
Continuing Period	7.6%

Price per share Forecast	
Base Year	\$67.60
9/30/2018	\$74.15
9/30/2019	\$80.59
9/30/2020	\$87.34
9/30/2021	\$94.45
9/30/2022	\$101.94
9/30/2023	\$110.67
9/30/2024	\$118.93
9/30/2025	\$127.59
9/30/2026	\$136.64
9/30/2027	\$146.07
Continuing Period	\$146.07

Below, insert a screenshot of your “OUTPUT” page from the Pro-Forma. Or, if you built your own model, insert screenshot of it here.