



# Flinder Valves & Controls Inc.

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## Background

**Flinder Valves and Controls:**  
**Location:** Southern California  
**Products:** valves and heat exchangers  
- special applications for **defense** and **aerospace** industries  
- highly technical devices for the government.  
In mid-2000s  
competitors → limited growth prospects  
Flinder → 23% in 2008 first quarter

**RSEVC...**  
Facilities/Manufacturing/Service  
Skill level R&D  
About 10% of the total R&D  
- R&D more complex  
- R&D more interdisciplinary, needed capital for components and other products, compared to stocks and the current design  
- complex, modern, well equipped with substantially more plants  
- low cost production and **high quality**

## The Merger Situation

The benefit is clear  
- both FVC and RSE could **profit** from the merger  
- FVC will become a **subsidiary** of RSE to preserve FVC's identity  
- Flinder related along with his **top management team** and all employees.  
- Flinder will receive a **royalty-based incentive bonus**

## Recommendation

**Purchased by shares:**  
- sell shares to avoid loan loss when stock price decline  
**Using Cash:**  
- more free cash flow for further research and development  
- better for FVC to reinvest and continue to grow

## Recommendation

Go to merge

Using cash to close the deal

**RSEVC...**  
The price of deal has been clear  
- market capitalization: FVC: 100M vs RSE: 12.4M  
- The RSE (high or RSE stock) has not clear subsidiary business relationship

## Valuation

FVC: No debt  
Enterprise Value = Equity Value  
D = 0 → WACC = Re  
DCF Model

TheCasesolutions.com





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however...

Received lots proposal before → Disagree  
Until meet RSE → Hesitate

About RSE International:

- Russell 1000 company
- **advanced** industrial components, nautical navigation assemblies and allied products, components for missile and fire-control systems
- ample, modern, well-equipped with substantially newer plants
- low-cost producer and **tough competitor**

seeking diversification

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